Abstract

Assessment is the process by which taxation liability is established. A system of self-assessment of taxation returns for individual taxpayers was introduced in Australia in the late 1980s, replacing the system of checking and assessment which was formerly undertaken by the Australian Taxation Office (Tax Office). Under self-assessment, taxpayers became legally responsible for getting their tax returns right, but recent statements suggest that some taxpayers may not understand their responsibilities. In fact, it appears that a significant number are unaware that the method of making assessments had actually changed. According to Murphy and Bing (2002), 58% of survey respondents indicated that the receipt of a tax assessment notice indicated to them that the Tax Office has checked and approved their taxation returns. Taxpayers who erroneously believe the Tax Office still checks their returns might assume that deduction claims not disputed by the Tax Office were actually approved. Imagined approval could encourage a taxpayer to make similar claims in subsequent years, whether or not those deductions were legal, and even if that taxpayer had a commitment to acting in compliance with the tax laws. This misunderstanding about self-assessment presents a serious issue for taxpayer compliance generally, and for the integrity of the taxation system as a whole.