

Abstract

In recent years, the Australian Taxation Office has gone to some pains to present itself as a responsive, cooperative, almost friendly, bureaucracy. At the same time, however, the Tax Office has also publicized its ongoing efforts to get tougher on those citizens who evade tax. The combined effect of these campaigns is to send the message that while the Tax Office prefers to interact with taxpayers in a cooperative, and non-coercive way, it is also ready and willing to take tougher action when this is called for. In many respects this dual track approach is sensible. Tax collection depends to a large extent on voluntary compliance. A regulatory approach that expresses trust in honest taxpayers, as well as a preparedness to firmly deal with dishonest taxpayers, can do much to boost compliance. However, firm enforcement is not as easy as it seems. The effectiveness of prosecution is undermined, by a lack of concern – whether real or perceived – for procedural injustice, the informal effects of formal penalties, and possible enforcement biases.