eJournal of Tax Research

Volume 13, Number 1 March 2015

CONTENTS

5 Role of reputational risk in tax decision making by large companies
Catriona Lavermicocca and Jenny Buchan

51 Assessing the quality of services provided by UK tax practitioners
Jane Frecknall-Hughes and Peter Moizer

76 Relational impact of tax practitioners' behavioural interaction and service satisfaction: Evidence from New Zealand
Ranjana Gupta

108 Tax compliance and the public disclosure of tax information: An Australia/Norway comparison
Ken Devos and Marcus Zackrisson

130 Let's talk about tax compliance: Building understanding and relationships through discourse
Robert Whait

158 The internal costs of VAT compliance: Evidence from Australia and the United Kingdom and suggestions for mitigation
Kathrin Bain, Michael Walpole, Ann Hansford and Chris Evans

183 Information sharing by government agencies: The effect on the integrity of the tax system
Peter Bickers, Virginia Hopkins-Burns, April Bennett and Rico Namay

202 Small business and tax compliance costs: A cross-country study of managerial benefits and tax concessions Does the Australian Higher Education Loan Program (HELP) undermine personal income tax integrity?
Richard Highfield and Neil Warren

262 A chilling account: North American and Australasian approaches to fears of over-defensive responses to taxpayer claims against tax officials
John Bevacqua

Atax UNSW

CONTENTS

280 Tax simplification: A review of initiatives in Australia, New Zealand and the United Kingdom
Simon James, Adrian Sawyer and Ian Wallschutzky

303 Building trust through leadership: A longitudinal study on Inland Revenue's response to, and learnings from, the Canterbury earthquakes:Years 1 and 2
Elisabeth Poppelwell, Hailong Sun and Peter Bickers

338 Tax professionals' perception of tax system complexity: Some preliminary empirical evidence from Portugal
Ana Borrego, Ern Chen Loo, Cidália Lopes and Carlos Ferreira

361 Modernising the Australian Taxation Office: Vision, people, systems and values
Michael D'Ascenzo AO

378 Effective engagement: Building a relationship of cooperation and trust within the community
Jo'Anne Langham and Neil Paulsen

Atax
UNSW

© School of Taxation and Business Law (Atax), UNSW Business School
The University of New South Wales Australia
ISSN 1448-2398

eJournal of Tax Research (2015) vol. 13 no.1, pp. 130-157

Let's talk about tax compliance: Building understanding and relationships through discourse

Robert B Whait[1]

Abstract

The Australian Taxation Office's (ATO) cooperative compliance model (CCM) has been regarded by some as an innovative method through which to improve voluntary compliance. Since its introduction in the late 1990s and early 2000s, it has been adopted in many other regulatory areas and by many other jurisdictions. Consequently the model represents a historically significant event, yet little research surrounding its development and adoption has been conducted. Prior research has focused on themes of administrative equity and efficiency and their implications for risk management. This article builds on that work by discussing more factors and themes relevant to the CCM's development and adoption, specifically discourse, relationships and understanding.

The methodology employed was traditional historiographic methodology where data from a variety of written and oral sources was located, gathered, organised, and analysed using thematic analysis. An interpretative approach was used so that causes and explanations for the model's development and adoption could be found. The research took an instrumentalist constructionist approach which focused on the model as adopted by the ATO and explained its existence by building an account of the past. This account was developed by using the themes discovered through the thematic analysis in combination with selected quotations.

The analysis revealed that the CCM was adopted partly as a result of the ATO's realisation that it needed a new approach to improve compliance in the small business segment that was based on improved understanding of that segment. To improve understanding, relationships also had to improve. Both of these could not be achieved without the ATO engaging in discourse with taxpayers and community leaders. Thus discourse was a key enabler of the adoption of the CCM and it culminated in various industry, ATO and academic representatives coming together in the Cash Economy Task Force (CETF) that recommended that CCM be adopted. A similar approach was taken as the CCM was adapted for the large business and international (LBI) segment. Discourse was also critical in the CCM gaining acceptance within the ATO in the face of some opposition. The importance of the role of discourse in improving relationships and creating mutual understanding has some implications for tax administration in the current context. These implications are discussed.

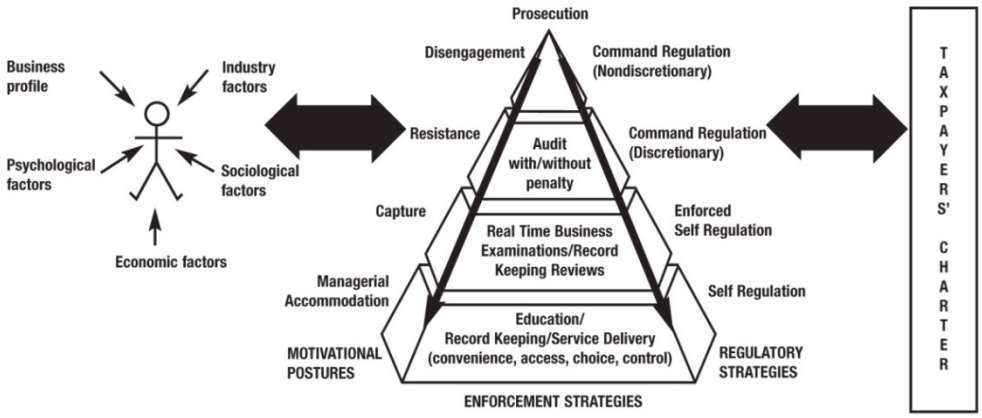
[1] Lecturer in Taxation, Centre for Accounting, Governance and Sustainability, University of South Australia. The author wishes to thank the Australian Taxation Office and all interviewees for their support in producing this research.

1. INTRODUCTION

The importance of taxation in public good provision and in economic management means that improved compliance with tax laws is continually sought after (Allan 1971; OECD 1998; Tanzi 2000; D'Ascenzo 2010; Commonwealth of Australia 2010). Near the turn of the century, the ATO adopted the cooperative compliance model (CCM) as its compliance improvement strategy. This approach combines deterrence measures with so-called compliance measures in a hierarchy of regulatory actions chosen in accordance with the taxpayer's attitude to compliance and the context in which noncompliance or otherwise occurred (Commonwealth of Australia 1998; Braithwaite 2011).

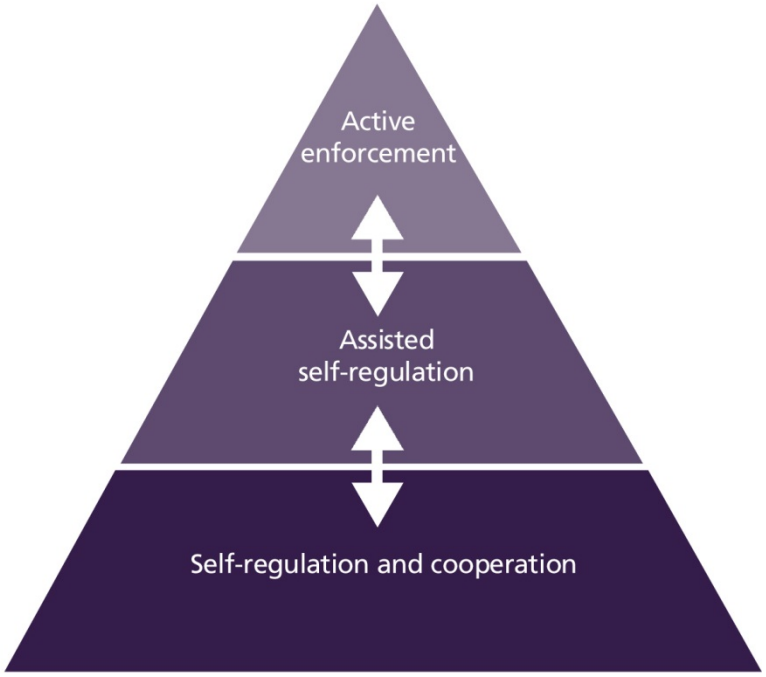
Figures 1 and 2 illustrate the CCM. Figure 1 was developed for the cash economy as part of the Cash Economy Task Force (CETF; Commonwealth of Australia 1998). The compliance pyramid in the centre illustrates the aforementioned hierarchy of sanctions. Informing the pyramid is the Business, Industry, Sociological, Economic and Psychological (BISEP) model on the left while the *Taxpayers' Charter* is shown on the right. The *Taxpayers' Charter* is not strictly part of the CCM, however, the CCM was designed with it in mind. Figure 1 was used as a basis to develop Figure 2 for the Large Business and International (LBI) segment of the ATO (Commonwealth of Australia 2000). While Figure 1 may be regarded as the *compliance model* and Figure 2 may be regarded as the *cooperative compliance model*, this article will refer to both as the cooperative compliance model (CCM) for simplicity since they are both founded on the same concepts and theory and this article is interested in the history of the concept of cooperative compliance.

Figure 1: The CCM for the cash economy



(Commonwealth of Australia 1998, p. 58)

Figure 2: The CCM for LBI



(Commonwealth of Australia 2000, p. 5)

The CCM applies theoretical research in regulation developed by John and Valerie Braithwaite and a number of their colleagues (Braithwaite & Braithwaite 2001; Braithwaite, V 2002a). Valerie Braithwaite and her team developed motivational posturing theory which is modelled on the left side of the pyramid (Braithwaite & Braithwaite 2001; Braithwaite, V 2002a). In the taxation context, motivational posturing is concerned with a taxpayer's attitude to compliance as manifested in his or her compliance behaviour and determined by applying the BISEP model (Braithwaite & Braithwaite 2001). The most compliant posture is *commitment* (labelled as *managerial accommodation* in Figure 1), followed by *capitulation* (labelled as *capture* in Figure 1). The CCM assumes that most taxpayers are committed to voluntary compliance and have a commitment posture (Braithwaite, V 2002a). The next two postures, *resistant* and *disengaged*, are the least compliant (Commonwealth of Australia 1998; Braithwaite, V 2002a). While a resistant taxpayer may be persuaded to comply, it is considered unlikely that a disengaged taxpayer will ever comply (Braithwaite & Braithwaite 2001).

The right side of the pyramid applies John Braithwaite's responsive regulation theory which is generally concerned with the regulator acting in an appropriate manner based on the context and in accordance with the motivational posture of the taxpayer (Ayres & Braithwaite 1992; Braithwaite 2011). It is based on the view that different forms of compliance or noncompliance ought to be met with different actions from the regulator (Kagan & Scholz 1984; Braithwaite 1985; Graetz, Reiganum & Wilde 1986;

Ayres & Braithwaite 1992). Using punishment and persuasion, where appropriate, is considered to be superior to using either alone (Ayres & Braithwaite 1992). Possible responses for each posture are listed in the pyramid and range from self-regulation, to forms of enforced self-regulation to traditional deterrence measures for the least compliant. While a disengaged taxpayer is unlikely to ever comply, compliance strategies from the base of the pyramid are always tried first. Deterrence strategies are used once the compliance strategies have failed (Braithwaite & Braithwaite 2001).

Previous research (Whait 2012, 2014) has concentrated on the influence of administrative equity and administrative efficiency in the development and adoption of the CCM. This article broadens the discussion to include other themes after having considered more written and oral evidence. After this introduction, Section 2 will provide a brief overview of the extant literature concerning the history of the CCM. The methodology employed will then be discussed in Section 3 followed by findings in Sections 4 and 5. Some policy implications will be discussed in Section 6 after which the article draws to a brief conclusion in Section 7.

2. LITERATURE REVIEW

To date, no formal histories of the CCM have been conducted apart from the aforementioned research by Whait (2012, 2014) that discusses the influence of administrative equity and efficiency in its development and adoption. Prior to these articles, discussion was confined to introductory comments in articles about its theoretical underpinnings and operation predominantly by those who developed it (Braithwaite & Braithwaite 2001; Braithwaite 2002; Braithwaite, V 2002b; Braithwaite 2011).

These articles discuss the origins of responsive regulation with the publication of John Braithwaite's (1985) book, *To Punish or Persuade: Enforcement of Coal Mine Safety* and Ian Ayres and John Braithwaite's (1992) book, *Responsive Regulation: Transcending the Deregulation Debate* after much influence from master practitioners and others (Braithwaite 2011). Thus the early development of responsive regulation was a collective effort. These volumes capture the *punish versus persuade* debate that was taking place in the regulation literature at that time and argued that rather than it being a contest between the two methods, applying both may be more successful. At that time, the compliance pyramid had been developed but had not yet been combined with motivational posturing, nor were the hierarchy of sanctions tailored to the taxation context, although taxation was one of the areas where such an approach may be appropriate (Ayres & Braithwaite 1992).

By April 1998, responsive regulation, motivational posturing and BISEP had become combined to form the CCM under the auspices of the CETF but little is known regarding the process by which this occurred except that the CETF persuaded that the ATO use the CCM to improve compliance in the cash economy and to use BISEP to better understand taxpayers (Commonwealth of Australia 1998; Braithwaite, V 2002a; Braithwaite & Job 2003). Similarly, the process of its adaptation for LBI is unknown, except that there was some doubt as to whether it could be applied there because it was not a taxation specific method of regulation (Braithwaite & Braithwaite 2001; Braithwaite 2002; Braithwaite, V 2002a; Commonwealth of Australia 2000). Interestingly, no empirical testing of the CCM was ever performed (Braithwaite 2011).

Contextual developments are regarded as being influential in the CCM's development and adoption, such as a re-emergence of aggressive tax planning by high wealth individuals in the late 1990s, the introduction of the Goods and Services Tax and concerns about the cash economy (Braithwaite 2007). The *Taxpayers' Charter*, developed in the mid-1990s and adopted on 1 July 1997 (Commonwealth of Australia 2004) also appears to have been influential as the CCM was adopted, in part, to complement it (Commonwealth of Australia 1998; Braithwaite, V 2002a).

These insights refer mainly to activity during the mid to late 1990s. They also originated predominantly from those who provided the key theoretical foundation for the CCM and helped the ATO to implement it, namely, John and Valerie Braithwaite. The following questions, however, remain unanswered and are the focus of this article:

- What were the key change factors that prompted and shaped the emerging discourse?
- What was the nature of the transition from the previous deterrence approach to the CCM?
- What was the pattern of development of the CCM in Australia?
- What influences shaped the emergence of the officially promulgated model?

The article by Whait (2012) has partly addressed these questions. Briefly, the CCM was adopted to enable the ATO to take into account the circumstances of the taxpayer when determining its response to noncompliance. These allowed the ATO to administer penalties in a more flexible manner. It also allowed the ATO to move away from a one size fits all approach in its treatment of taxpayers. The CCM was also adopted as part of a long process, beginning with self-assessment, to allocate its scarce resources more efficiently by targeting only those taxpayers who were assessed as being a risk to the revenue. There are a number of gaps in that article, however. It does not describe and explain how and why motivational posturing was combined with responsive regulation, how and why the hierarchy of treatments were developed, how and why the cooperative appliance concept was applied and adapted for LBI, and how and why BISEP was developed. Furthermore, when these events took place and by whom remain unanswered. This article seeks to fill these gaps to provide a more complete history of the CCM's development and adoption for the cash economy, LBI and the whole of the ATO.

3. METHODOLOGY

This article has applied a similar methodology to Whait (2012). Written and oral sources were searched and selected on the basis of the above research questions and subsequently classified, authenticated and analysed (Stanford 1986; Previts, Parker & Coffman 1990a; Miles & Huberman 1994; Glesne 2006). Sources were discovered in various locations including libraries and the Internet (Goodman & Palmon 2001; Sangster & Tyrrall 2008; Walker 2008). Interviewees who participated in this research also provided some sources. These were classified with respect to its date and place and origin, primary or secondary characteristics, content and aim (Previts, Parker & Coffman 1990a). The types of places from which sources were gathered are indicated in the following list. The time period of interest was the 1970s to 2000.

- Scholarly books;
- Journal articles;
- Working papers, conference papers and other unpublished research papers that were not written for the purpose of providing a history of the CCM;
- ATO publications;
- ATO PowerPoint presentations;
- Speeches given by Commissioners of Taxation, Deputy Commissioners and Assistant Commissioners;
- Speeches given by politicians;
- Hansard;
- Government taxation and finance reviews;
- Senate inquiry and other committee reports;
- Submissions to senate committees by interested parties;
- Miscellaneous government reports concerned with taxation or other relevant topics;
- Commentary from the professional accounting and taxation bodies;
- Newspaper articles.

As foreshadowed above, semi-structured interviews based on a combination of open, closed and probing questions were also used with selected interviewees that were chosen on the basis of their direct involvement in the development and adoption of the CCM and/or their experience with respect to the ATO's compliance improvement approaches during the period under study. Interviews represent a purposive rather than probabilistic data gathering technique and were conducted until the researcher was satisfied that the point of saturation had been reached (Strauss & Corbin 1990 as cited in Bowen 2008; Morse 1995; Guest, Bunce & Johnson 2006; Glesne 2006; Marginson 2008). Interviewees may be separated among the following three categories:

- Current and former ATO employees.
- Taxation academics.
- Other – comprising tax professionals or members of the CETF who are not in any of the other categories above.

A total of 25 interviews were conducted. Specific numbers are detailed in Table 1.

Table 1: Interviewee categories and number

Category of Interviewee	Number of interviews
ATO employees (former and current)	11
Academics	7
Other (former CETF members and tax professionals)	7

Many of the interviewees can be placed in more than one category, however, as many have a broad range of experience. The richness of this experience is detailed in Table 2.

Table 2: Range of interviewee experience

Type of Experience	Number interviewed with such experience
ATO employee (former and current)	13
Academics	9
CETF	9
Interviewees with professional industry experience (ie non-academic and non ATO experience)	6

There were three iterations of the CETF and members from the first two, and particularly the second, were regarded as relevant to the research questions having been among the group who recommended the ATO adopt the CCM in Figure 1. The ATO employees interviewed, except for two, were also involved in or oversaw the CCM's adoption and development. The authority of staff interviewed ranged from those who acted in support of the CETF to middle management and senior positions. The two ATO employees interviewed who were not directly involved in the development and adoption of the CCM had extensive knowledge of the ATO's compliance strategies during the period under study. Since the CCM was influenced by academic research, various senior academics that conducted research in tax compliance and administration were also interviewed.

The mastery of the sources is the hallmark of historical scholarship (Fleischman, Mills & Tyson 1996; Evans 1997; Tosh 2010). Consequently, in a manner similar to the historicists, the sources (written and oral) were treated with the utmost respect and were regarded as the keys to recounting the past with respect to the development and adoption of the CCM (Evans 1997, Parker 1997; Budd 2009). These were analysed through an ordering or reconstruction of the evidence using creative mental effort (Elton 1967; Stanford 1986). While the use of social science methods may be regarded as ahistorical (Stanford 1986) they may also be useful in reconstructing the evidence gained from the sources, particularly with respect to organising and describing the data, identifying patterns amongst it, creating explanations and linking stories to others (Fleishman, Mills & Tyson 1996; Glesne 2006). Consequently, thematic analysis was employed to help order, make sense of and summarise the data (Appleby,

Hunt & Jacob 1994; Parker 1999; Budd 2009). In broad terms this involved coding the data among categories that are determined through the researcher being immersed in the sources, reading and re-reading them and through inductive reasoning (Neuman 2011).

While the aim of historicists was to produce an objective history that recounted the past as it actually was, history's ability to be objective began to be questioned in the 20th century, especially after World War II (Appleby, Hunt & Jacob 1994; Evans 1997; Parker 1997; Budd 2009). In its quest for objectivity, history had aligned its methodology with the physical sciences, but once the physical sciences and the scientists themselves, became regarded as political and subjective to a degree, so too did history. Also, many history graduates in post-war United States sought to have their story heard over the traditional history of human progression told from the perspective of political leaders and decision makers. These trends led to the postmodernist recognition of the role of the historian in producing history and allowed for many varied viewpoints to be expressed and many different methodologies to be employed. Historical research then became in danger of being reduced to nihilism (Appleby, Hunt & Jacob 1994; Evans 1997; Parker 1997; Tosh 2010). Despite these developments and the now recognised limitations in historical study, history is generally regarded as the best means to understand the past and provide a way for the future (Tosh 2010). This article recognises the impact of the historian in producing history, especially with respect to analysis of the sources and reconstruction of the history (Appleby, Hunt & Jacob 1994; Evans 1997; Tosh 2010). Nevertheless, the sources provided the foundation of the history presented herein (Vincent 1995). Indeed, the sources are paramount to this end.

Many of the steps involved in historical scholarship described above are iterative and necessarily overlap. Writing the history is no different due to a process that Parker (1997, p. 139-140) calls "revelation through writing". This is especially the case for this article since it aims to produce an interpretive history to explain how the CCM came into existence through building an account of the past (Stanford 1986; Previts, Parker & Coffman 1990a, b; Parker 1997).

4. FINDINGS

This section will discuss how understanding taxpayers, building relationships and discourse were influential in the development and adoption of the CCM. These themes are highly interrelated; therefore each theme will not be discussed separately. Instead, discourse will be used as the primary theme with discussion of the other two themes embedded within it. Consequently, the discussion is mostly in chronological order. The story beings with how the ATO realised that it needed to engage with and understand small business better to improve compliance, particularly with respect to the cash economy.

4.1 Definition of discourse and its relevance to this research

This research has utilised a definition of discourse espoused by Michel Foucault and elucidated by other scholars after his death (Foucault 1970, 1972; Sheridan 1980; Mills 2003, 2004; Gutting 2005; O'Farrell 2005). Foucault defined discourse in various ways which may be regarded as somewhat contradictory (Mills 2003, 2004;

O'Farrell 2005). He defined it in a general sense as "a way of speaking" (Foucault 1972, p. 193, cited in O'Farrell 2005) and as a way to categorise "the group of statements that belong to a single system of formation [of knowledge]" (Foucault 1972, pp. 107-108, cited in O'Farrell, p. 78). Foucault himself tried to explain any apparent contradiction by saying that:

> I nstead of gradually reducing the rather fluctuating meaning of the word 'discourse', I believe I have in fact added to its meanings: treating it sometimes as the general domain of all statements, sometimes as an individualizable [*sic*] group of statements, and sometimes as a regulated practice that accounts for a number of statements (Foucault 1972, p. 80, cited in Mills 2004, p. 6).

This explanation illustrates the tripartite nature of his definition of discourse. It may consist of written or verbal statements where statements are defined as, "an authoritative phrase or sentence which is affirmed by institutions and which has an effect on individuals" (Mills 2004, p. 147). Discourse may also be defined as groupings of statements into more complex formations on a topic, theme or issue such as medical or tax discourse, including tax compliance discourse (Foucault 1972; Mills 2003, 2004; O'Farrell 2005). Lastly, the regulation of discourse is itself part of discourse, an aspect that Foucault was particularly interested to understand why some discourses dominate over others, why some are accepted and become 'truth' while others are rejected (Foucault 1972; Mills 2003, 2004). In summary, discourses are accepted or rejected through a process of exclusion where sentences are compared to those already accepted discourses within society and accepted or rejected (Foucault 1972; Mills 2003).

According to Foucault, society's perspective, understanding, interpretation and experience of the material world are constructed through discourse (Mills 2003, 2004, O'Farrell 2005). This means that society generates what it regards as knowledge and truth through discourse by producing mutual understanding (Mills 2003, 2004; Gutting 2005). Discourse creates knowledge as well as disseminates it (Gutting 2005). Whether any particular discourse can be verified as 'truth' by analysis of empirical data or otherwise is irrelevant (Mills 2003, 2004).

This research utilises Foucault's definition of discourse since it is concerned with how the discourse of cooperative compliance came to dominate over command and control discourse in Australian taxation administration. Foucault's definition of discourse is used also due to its association with power (Delanty 2003; Mills 2003, 2004). For Foucault, power is closely associated with knowledge since knowledge produces power (Foucault 1977, 1978; Mills 2003; O'Farrell 2005; Schwan & Shapiro 2011). Tax compliance can be framed within a power relationship between the taxpayer and the regulator and power is a key element of discourse since, according to Foucault, power operates through discursive systems (Braithwaite, V 2002a; Delanty 2003; Mills 2003, 2004). In addition, Foucault argued that power and resistance are also closely aligned such that where there is power there is also resistance (Foucault 1977, 1978; Mills 2003; O'Farrell 2005; Schwan & Shapiro 2011). In essence, Foucault's definition of discourse allows an examination as to how power, knowledge and resistance interacted leading to the development and adoption of the CCM within the ATO.

> … discourse can be both an instrument of power, but also a hindrance, a stumbling block, a point of resistance and a starting point for an opposing strategy. Discourse transmits and produces power; it reinforces it, but also undermines and exposes it, renders it fragile and makes it possible to thwart it (Foucault 1978, pp. 100-101, cited in Mills 2003, p. 55).

4.2 Small business issues put the focus on engagement

As discussed in Whait (2012), the ATO began to use service and education provision as key compliance improvement strategies in the early 1990s and it was not too long before these techniques had gained some tentative empirical support (Wirth 1993; Sutton 1995). Despite this, by 1993 weaknesses began to appear in that approach especially for small business which was regarded as the least compliant market segment (Sutton 1992, 1995). This may have been due to a number of factors. Small business had a poor understanding of tax rules and did not keep up to date with legislative change. This was perhaps due to small business being more concerned with day-to-day business matters such as maintaining cash flows, improving sales and developing new products (Gibson & Wallschutsky 1993; McKerchar 1995). Complicating matters was the wide diversity present in small business in terms of culture, language and business practices partly caused by increases in Asian immigration over the preceding decades (Foster & Stockley 1988; Vivani 1990; Coleman & Freeman 1994, 1996; Jupp 1994; Mitchell 1995). This diversity made it difficult to take individual circumstances into account when treating noncompliance and in tailoring education and service solutions (Mitchell 1995). Despite this, it was hoped that new methods of improving compliance could be developed that took diversity into account through market segmentation.

> Being realistic, we do not expect to be able to identify the 1990s equivalent of "self-assessment" as a means of changing the general environment within which SBI [small business income] operates. The sheer diversity of the Small Business sector will prevent this. However, what we do hope to achieve is some new ideas on how to better segment this sector, and (in turn) to identify some particular directions we need to follow to make it easier for small business to meet their tax obligations (Mitchell 1995, p. 21).

Thus the small business segment presented a number of challenges to the ATO. It caused the ATO to reassess the risks which that segment posed to the revenue, how to allocate resources to meet the needs of that segment and, perhaps most significantly, whether its extant compliance strategy would best meet the needs of that segment (Mitchell 1995). The public's negative perception of the ATO, as expressed via the Joint Committee of Public Accounts (JCPA) as far back as 1993, was also a consideration (Commonwealth of Australia 1993; Mitchell 1995; Hite 1997).

One particular pressing compliance issue relevant to small business that emerged in the late 1990s was noncompliance in the cash economy. The ATO was concerned about the perception in the community that it was acceptable to not pay tax on cash income (Australian Taxation Office 1997) and it established the CETF in November 1996 to find a means of improving compliance (Commonwealth of Australia 2003). Up until that time, the community perceived the ATO's responses to noncompliance in the cash economy as not having 'sufficient impact' and this perception was 'a major threat to maintaining public confidence in the tax system and the ATO's

administration' (Commonwealth of Australia 2003, p. 15). The ATO thought that the best way to address this issue was to improve its understanding of the cash economy in the hope that it would lead to a more tailored solution, but by the time the first CETF report was finalised in May 1997, the ATO still regarded education as the basis of such a solution (Australian Taxation Office 1997). The seeds for the CETF were sown in discussions, a form of discourse, among ATO staff and tax practitioners.

> I used to chair the main tax practitioner forum … My very first meeting I went to … I had two practitioners who gave me a really hard time about the cash economy … and said that the ATO was a joke and you're doing nothing about it and I knew it's a very complex area, and no matter what I said at that meeting they just wouldn't let up … So I then thought about that, and had conversations with [Commissioner] Michael Carmody … So we … decided to set up a Task Force, a Cash Economy Task Force and invited those two practitioners to be members of it and they both accepted (ATO employee).

4.3 Help from the CSA

The Child Support Agency (CSA) faced similar compliance issues in the late 1980s and early 1990s. This agency was established within the ATO in 1988 at a time when the payment of child support was not commonly accepted in the community (Commonwealth of Australia 1993; Buchtmann 1993). Furthermore, an increasing rate of divorce was putting pressure on the CSA requiring it to increase its levels of service and efficiency (Mackay 1993; Buchtmann 1993). The CSA used education and service provision to increase peoples' awareness of their rights as well as market research to listen to their needs and develop appropriate treatments. The CSA also sought to improve the level of cooperation between divorced couples in the hope of changing attitudes in the community toward payment of child support (Buchtmann 1993). This approach was influenced by drink driving and AIDS awareness campaigns undertaken in the 1980s in Australia that were regarded as successful in positively changing social attitudes toward those issues (Buchtmann 1993). This influence came via the CSA's manager, Trevor Sutton, who had been the National Campaign Director of the Australian AIDS Education Campaign during the mid to late 1980s (Australian Bureau of Statistics 2013). The CSA had an emphasis on treating people with respect and understanding their individual motivations for compliance. This approach, labelled as 'social marketing' by those involved, was subsequently utilised to improve compliance under the CCM.

> Social marketing, it's just not about information, it's about persuasion, it's about explaining why, … what's more personal to people about why they might want to comply, or what are the barriers to them complying … And during that period we probably developed a sort of a prototype approach to a more behavioural-based approach to compliance management, but it was in the Child Support Scheme (former CETF member).

The CSA appears to have been particularly influential in highlighting the value of knowing and working with individuals since it became interested in understanding behavioural issues in custody disputes in the hope of finding solutions that benefited all parties. The desire to understand peoples' behavioural issues and their circumstances later influenced the CCM.

> The two parents, that had [a] relationship breakdown, financial stress, both obviously love their kids but not being able to agree on the best way to do that and the law coming in and deciding for them how it will be done. So we did quite a bit of work there around what makes motivations, motivations to pay, not pay, and that's probably sowing the seeds [for the CCM] (ATO employee).

These behavioural factors included treating people fairly, listening to and taking into account their circumstances and trying to achieve the best possible outcome for the child. The influence of the social media campaigns was evident in this approach through attempts to change behaviour by illustrating the benefits of the change to everyone, rather than simply telling people what they ought to be doing and issuing threats for noncompliance. The desire to understand the motivations of those involved in custody disputes directly influenced the CETF's desire to understand the drivers of noncompliance in the cash economy thus becoming a key part of compliance improvement in the CCM (Commonwealth of Australia 2003).

> The other thing that I think was really interesting was if you understood how people behave in terms of compliance with the tax system, why people behave that way or they didn't behave that way, what might be an incentive or a disincentive for one group may not work at all for another group. And so I think just opening our eyes to that kind of approach was a big break through for us in terms of the way we might want to influence behaviour in the community (ATO employee).

4.4 From the CSA to the CETF

Neil Mann and David Butler joined the Small Business Income market segment (SBI) within the ATO in 1996 after having worked with Trevor Sutton in the CSA. David Butler also had extensive experience within the ATO as an assessor. Both soon became part of the CETF with Neil Mann becoming the Project Manager and David Butler becoming the Chairperson. They brought the CSA's approach of using respect, fair treatment and consideration of a person's circumstances and motivations for compliance or noncompliance into the CETF. It was believed that this approach might be useful in changing community attitudes toward noncompliance in the cash economy in a similar manner to changing community perceptions regarding the payment of child support. Neil Mann became aware of Valerie Braithwaite's research through Trevor Sutton who, as was mentioned above, was the Director of the CSA. Trevor Sutton became aware of Valerie Braithwaite through his doctoral studies at the Australian National University (ANU) where she was an academic (Australian Bureau of Statistics 2013). Valerie Braithwaite brought some valuable skills and connections to the CETF.

> … she brought with her two things. One, her own background in regulation in nursing homes in particular but with a promise around trust in the system, and trust in the regulator, but of course she also brought the connections with her partner at the time, John Braithwaite, and his long history with regulatory theory … we were able to move away from that almost instrumental approach to the hierarchy of compliance to a more behaviourally based one around what is motivating people (ATO employee).

Neil Mann approached Valerie Braithwaite at the time of the first iteration of the CETF in 1997 since he recognised that her research could help the ATO to improve its relationships with taxpayers. He regarded improving relationships as being important in finding a response to systemic noncompliance since it could help the CETF, and the ATO more broadly, to engage with people in a deeper way to gain the understanding needed to find the required solution. While the social marketing approach of the CSA was regarded as a success, Neil Mann and David Butler wanted to take it further and they saw the research of John and Valerie Braithwaite as a means to do so. The importance of improving relationships in this process was well understood.

> Neil Mann understood that relationships were important for getting a good exchange of information so that the systemic noncompliance can be dealt with (former CETF Member).

This statement illustrates the importance of having constructive relationships to allow discourse to take place between the ATO and taxpayers so that knowledge (and therefore power) may be gained to improve taxpayer compliance behaviour.

4.5 Engagement with academia

As the CSA sought to understand motivations for compliance and noncompliance, so too did the CETF with respect to the cash economy. Part of this process entailed conducting a review of academic research into the "nature of the cash economy and the motivating factors affecting taxpayer compliance behaviour" (Commonwealth of Australia 2003, p. 5). A relatively new ATO officer named Jenny Job was given the responsibility for this. She had a sociology and anthropology background and therefore brought a fresh perspective to tax compliance. She had also worked with Neil Mann and David Butler in the CSA.

Such a review is likely to have provided little practical guidance since tax compliance behaviour was poorly understood at that time particularly with respect to behavioural factors (Andreoni, Erard & Feinstein 1998; McKerchar 2001; Richardson & Sawyer 2001). Indeed, the failure of the taxation academic community to provide practical solutions to compliance issues had been recognised for some time (Baldry 1993, 1994; Wallschutzky 1993). Studies of the behavioural aspects of tax compliance were still in their infancy at the time of the first CETF and the effect of deterrence measures such as audits and associated penalties on compliance had been somewhat discredited (Bardsley 1994a, b; Andreoni, Erard & Feinstein 1998). Even though the CETF was considering the work of John and Valerie Braithwaite, it did not break completely from the past, however, as the balanced compliance improvement methods that the ATO had already developed to improve efficiency such as education and service provision continued to be utilised and were incorporated into the base levels of the CCM. Thus, the engagement with John and Valerie Braithwaite's work marks a shift in emphasis in the ATO's compliance improvement approaches rather than a completely new development. The following quotation shows how John and Valerie Braithwaite's work was combined to form the compliance pyramid of the CCM.

> And then I – by Val Braithwaite, I was pointed in the direction of John Braithwaite's work, Ayres and Braithwaite's transcending the response of regulation book. And then also some work that she and John and a couple of others had done on nursing homes, nursing home regulation and compliance.

> And when I read all those papers, it just suddenly struck me "this is the answer". It was light bulb moment … And so I then had to construct something, so I got a regulatory pyramid and … what I did is [sic] I mapped John Braithwaite's regulatory responses down the side and then I mapped Val Braithwaite's motivational postures up the other side, and then mapped through the middle of it, all the things that we did in the Tax Office that sort of responded to John's regulatory strategies that we could use (ATO employee).

In this way, the discourse of John and Valerie Braithwaite prevailed. The aforementioned literature review did not go entirely to waste. Since the ATO was interested in understanding the motivations for compliance, it sought to derive a model that included a broad range of possible factors. These factors appear in the resultant BISEP model (Shover, Job & Carroll 2001). Similar analyses of these types of factors had been conducted since risk management was introduced as part of environmental scanning (Saavé-Fairley & Sharma 1993; Nelson 1995; Wickerson 1995). Those in the ATO responsible for compliance improvement since self-assessment made it their business to study the academic literature to understand taxpaying behaviour in the hope of making use of it within the ATO. The BISEP model therefore represented another shift in emphasis where that type of analysis was to become more common and more formalised throughout the ATO once the CCM was adopted (Commonwealth of Australia 1998). As such, the BISEP approach does not represent a new development, but a formalisation of, and a progression from, previous ATO practice that became combined with the compliance pyramid to form the CCM. BISEP became a method of summarising the various factors that might impact on the taxpayer's compliance behaviour.

> So it's about understanding what you're working with. It's about environmental scanning. And so I did what became known as the BISEP, so what are the drivers, what are the factors that we're looking at? Well B for Business fact, I for Industry fact, S for Sociological, E for Economic, P for Psychological. You know all these things are happening in people's lives and have an impact upon their lives and that makes them behave the way they do towards you the Tax Officer and you have to understand that. And you also have to understand that the way you behave has an impact on their response to you as well (ATO employee).

Engagement with academic discourse also occurred in LBI to adapt the CCM to that segment. Jim Killaly, the Director of LBI, was ready to adapt the CCM for that segment. Andrew Wirth, and ATO officer within LBI, was well read in the compliance and regulation literature and he approached John Braithwaite for help. Andrew assisted John Braithwaite in the writing of an article entitled *Co-designing a New Approach to Compliance Assurance under the New Tax System* (Australian Taxation Office 2000) to generate some discussion regarding compliance approaches in LBI and in developing a prototype model was produced and presented to large business taxpayers (Braithwaite & Braithwaite 2001; Australian Taxation Office 2002; Wirth 2004a). After some discussion with large business, to be detailed below, the CCM in Figure 2 was released to the public (Commonwealth of Australia 2000).

5. THE ROLE OF DISCOURSE IN THE CCM'S ADOPTION

After the development of the CCM through engagement with academic discourse, the ATO began to engage in discourse about it with taxpayers and with its own officers. It engaged with small business and other community leaders first via the CETF then large business via the Corporate Consultative Committee (Australian Taxation Office n.d.). As will be discussed below, taxpayers were generally supportive of the CCM and provided some suggestions for its development, but ATO staff were polarised in their support with many being vehemently opposed to it. Even though taxpayers saw promise in the CCM, small business and large business taxpayers had generally different reasons for doing so. Continued and persistent discourse was instrumental to it being accepted by ATO staff. This section will discuss the discourse that took place and how it influenced the development and adoption of the CCM.

5.1 Discourse with taxpayers and community leaders

When the CETF was established in November 1996 (Commonwealth of Australia 2003) it was regarded as an opportunity for the ATO to implement a new approach to consultation. Thus the CETF comprised leaders from the building and construction industry, the tax profession and the retail industry among others. It also comprised community leaders from, for example, the Australian Council of Social Services as well as representatives from other public service organisations such as the Australian Transaction Reports and Analysis Centre. There were also a number of ATO employees who were not officially part of the CETF but who supported it in the background by facilitating sessions, taking notes, providing literature reviews and testing various aspects of the newly developed CCM. The above discussion regarding the influence of academic discourse illustrates how the support staff contributed. The CETF sought to apply the approaches pioneered by the CSA: to understand taxpayers' compliance behaviour and use social marketing to educate taxpayers in the benefits of complying.

> … the formulation of the Cash Economy Task Force was based on the fact that we were … starting to be aware that … things like market research were really important, you know to understand people. Understand them but get an appreciation of them … and so the creation of that I thought was a breakthrough … (ATO employee).

The CETF undertook the task of understanding the nature of the cash economy through discourse to produce mutual understanding of it (Commonwealth of Australia 1998, 2003). During the first CETF (from late 1996 to early 1997), experts in mapping dynamic systems facilitated this discourse by taking a systems view. Early discourse also centered on trying to define the cash economy and there was recognition that the cash economy would never completely disappear. The systems diagram was published as part of the first report that was presented to Commissioner Carmody in May 1997 (Commonwealth of Australia 2003, p. 24).

During the first and second iterations of the CETF, members told each other stories regarding the cash economy, what they had either been involved in or witnessed within their own industry. Initially, some were reticent to speak about their experiences, but they later opened up to discuss many aspects of the cash economy. Discussion was encouraged without fear of ramification and there was a willingness to

let people have their say to improve knowledge and mutual understanding. Thus, understanding and relationship building was taking place through the telling of stories, that is, through discourse.

> ... there was lots of storytelling and that's what actually made it such an effective Task Force and the storytelling [was] on both sides the tax officers too loosened up and started sharing some of their problems and they were understood and so a rapport developed in that group and a commitment to try to deal with the cash economy task force better (former CETF member).

Stories were also told regarding how cooperation with clients or taxpayers led to an outcome that was amenable to both parties and helped diffuse conflict. There was also discussion regarding the nature of cash, its movement in society and the types of activity that occurs in the cash economy. Most of the members of the CETF had input into this process. There was also discussion about motivations to comply or to not comply. Some of the discussion was quite animated due to disagreements concerning compliance motivations in the cash economy. Through these discussions, it became clear that not all small business taxpayers and their advisors had positive regard for the cash economy.

> I remember having a fairly heated discussion with [name withheld] because [gender withheld] said to me "well you're representing business and you've got contractors and people you put on and you pay cash wages to them" and I was able to explain to them that cash wages really did not suit my small clients (former CETF member).

As discussed in section 4.4 some ATO officers had been working on a model that was hoped to improve compliance in the cash economy from as early as November 1996. After this, Valerie Braithwaite was asked to formally join the CETF as part of its second iteration by Neil Mann (Commonwealth of Australia 1998). She was reticent to discuss matters in the early meetings, but soon began to raise relationship issues among the rest of the CETF. She presented the already developed CCM as an essentially complete model with motivational posturing and BISEP included. The CETF members discussed some aspects of the CCM's operation, such as the level which a certain activity ought to be placed on the pyramid and what response ought to be appropriate. Nevertheless, they quickly seized upon it as the answer to noncompliance in the cash economy for the reasons previously discussed by Whait (2012), that is, it allowed the circumstances of the taxpayer to be taken into account and provided flexibility in determining any applicable penalty. It even gave scope for no penalty to be applied if that was deemed appropriate. The CETF members thought that it made intuitive sense. A key feature was the improving of relationships as it was recognised that building relationships would be instrumental in improving compliance.

> I think that Task Force understood the relationship building stuff very quickly and in part that was because they had all of us there from such different walks of life, really saying to them look this is all about relationships and being prepared to say how we felt about tax office and telling funny stories … but there was no reluctance to actually express them and there was no punishment for actually speaking truth as it were and then with Neil I think having an understanding of the relational side of things seeing that very quickly, getting on board with the responsive regulation stuff which was all about relationships management so it really flew well

> within that environment which was quite nurturing of different ways of working with new ideas (former CETF member).

The second CETF finished with a celebratory dinner where Commissioner Carmody expressed his delight regarding the CCM and that it could be applied across the whole of the ATO. One former CETF member recalls comments by Commissioner Carmody stating how the approach of the CCM was to be applied across the ATO.

> … I recall [Commissioner] Carmody's comment when we met him at dinner, he said "You have not written anything about the cash economy, you've written a paper about the operations of the Tax Office in general". They saw straight away that this wasn't just about the cash economy this was actually about tax compliance more generally, and you could apply it and should apply it across the board (former CETF member).

Large business taxpayers also appreciated the focus on building cooperative relationships as well as generating community confidence (Australian Taxation Office n.d; Wirth 2004a). They thought it was a positive concept, a better way of working and they liked its simplicity (Australian Taxation Office 2002; Wirth 2004a). Additionally, large business appreciated the focus on optimising economic growth which would have been particularly appealing at the time since memories of the "recession we had to have" are likely to have been fresh in the minds of large business taxpayers (Killaly 2000-2001; Quiggin 2004, p. 178). Recovery from that recession was long and slow (Quiggin 2004) and therefore large business would arguably have appreciated a compliance approach that allowed them to concentrate on business operations without the distractions of an intrusive audit.

Despite the positive reaction to the CCM, large business was concerned that the aforementioned prototype model used too many buzzwords and that these ought to be replaced with simpler choices. They were also concerned about whether they could trust the ATO and that only senior management was committed to it and that it would not cascade down among all ATO staff (Wirth 2004b). Indeed, both the ATO and large business had concerns about the trust aspect upon which the CCM appeared to rely (Australian Taxation Office 2002; Wirth 2004a). For large business taxpayers, that meant that there was little point in the ATO adopting the CCM if the ATO officers with whom they dealt on a daily basis were not committed to it.

While the CCM gained qualified support from taxpayers and community leaders, many ATO officers reacted quite differently as vehement opposition appeared after a short period of apparent acceptance of the general concept of cooperative compliance. Ultimately, persistent discourse led to its eventual acceptance. The next section will discuss that process.

5.2 Discourse within the ATO

Prior to revealing the CCM to the CETF, David Butler and Neil Mann wanted to ensure that the rest of the ATO would accept John and Valerie Braithwaite's theoretical work and they set about gauging the reaction of ATO officers toward it. This was achieved by gathering 15 to 20 ATO officers from various market segments to act as champions for it. The reaction of ATO staff was considered positive enough to press ahead and to develop a diagrammatic model shown in Figure 1. The operation

of Foucauldian discourse is evident here since the group of 15 or 20 was chosen on the basis of their ability to influence others through the power of their discourse.

Soon after its development, this was presented to senior ATO staff consisting of the three top levels: Commissioner, Second Commissioners and the National Program Managers. Special presentations were made to these senior executives as a group and then to the National Program Managers individually. Importantly, Commissioner Carmody and some other senior officers saw the benefits of the CCM immediately, especially regarding the hierarchy of responses to noncompliance. This would help the ATO to find the appropriate balance between education, service and enforcement that had been its goal from the late 1980s onwards (Boucher 1993). These senior officers also appeared to have also been persuaded by the academic discourse associated with the CCM. The above process of consultation is likely to have taken place in the first half of 1997 while the first CETF meetings were taking place. The latest possible timing was September 1997 since the second CETF had been established by that stage. Upon being presented with the CCM, Commissioner Carmody sought to have it adopted widely throughout the ATO and he put his full weight of authority behind it.

Thus began the wider discourse among the ATO regarding the CCM which began after its endorsement by the CETF. Despite the support from Commissioner Carmody, not every senior officer was enthusiastic about it resulting in colourful views being expressed. In addition, some executive officers questioned its underlying concepts in a patronising manner using discourse as a means of resistance.

> I had an executive level officer come and hit me in the face like this with the paper that, which actually I could have had him up on a charge, laughing "This is s**t", laughing his head off. "This piece of c**p you know? … You are putting something like this up. It'll never get anywhere," and I had a lot of people coming to me and saying "This will never take off, this is rubbish" (ATO employee).

This was to be a common occurrence within SBI and LBI. Generally it was the auditors and lawyers who were the most opposed to the CCM, but not all since some regarded the CCM as an opportunity to bring some compassion to their work as auditors which had been hitherto lacking (Woellner 1993). Many ATO officers in LBI were positive in their view of the CCM and they saw that it had potential since many regarded improving relationships as important (Australian Taxation Office 2002; Wirth 2004a). They also regarded it as evolutionary rather than revolutionary since they thought most of what it advocated was already being done (Australian Taxation Office 2002; Wirth 2004a). The CCM therefore allowed them to bring out the best in what they did and push them further forward in that direction (Australian Taxation Office 2002; Wirth 2004a). For these ATO staff members, it helped articulate a strategy or a rationale toward improving the compliance of large business (Australian Taxation Office 2002; Wirth 2004a).

Many, however, regarded the CCM as a threat and believed that their role was no longer valued. Ironically, some opposition was based on similar observations to those who were more positive about it, that is, that the ATO was already doing it (Australian Taxation Office 2002; Wirth 2004a). Other concerns were more pessimistic, that none of it would work or that some staff would not be able to implement it (Australian Taxation Office 2002; Wirth 2004a). Many auditors were concerned that the ATO was going soft on taxpayers. Some who had been working in the ATO for a considerable

time had grown comfortable in their role as an enforcer and they felt betrayed that the ATO sought to try other approaches. A general level of fatigue in the ATO surrounding new approaches and models fuelled further resistance to the CCM in LBI (Braithwaite & Wirth 2001). The CCM was initially viewed as just another one of many new approaches that had been tried that would disappear in twelve months. When the prototype CCM was sent to staff in LBI for comment, most ATO staff ignored the document. Some ATO officers thought that the ATO was going soft on taxpayers and resisted it as a result.

> But a lot of people thought it was about falling in love with multinationals, or "I'm going to have to fall in love with a group tax manager now". Being weak, soft, touchy-feely stuff, "oh so what - we are not going to do any more audits now? We are going gutless" (ATO employee).

Furthermore, some ATO staff held similar concerns to large business taxpayers that were raised above that it was too theoretical and that it was difficult to see how it could be implemented in their daily work (Australian Taxation Office 2002; Wirth 2004a). The ATO set about changing the perception of auditors by promoting the CCM as a means to enhancing their role rather than diminishing it. Consequently new techniques were developed to support the CCM. SBI developed real time reviews and LBI adopted client risk reviews. These were required to bridge the gap between the education and services at the base of the pyramid and the deterrence measures at the peak. These measures also gave ATO staff a means of implementing the CCM in a practical manner in their day-to-day work. Many ATO officers found the concepts and approach of the CCM foreign, therefore one challenge was to open their minds to the benefits associated with the CCM and that a change in approach could improve compliance.

> But it was actually about challenges to people's thinking to some degree, that if you worked for 20 years doing investigations … to think you actually could get better compliance by doing something different … some people found that a bit of a struggle but the vast majority of people just saw the benefit of it (ATO employee).

To achieve wider acceptance, the CCM was promoted via workshops and seminars through SBI and LBI. Since Commissioner Carmody's support was unwavering, he allowed a handful of ATO officers who were involved in the CCM's development to travel among many ATO offices giving seminars and training sessions to teach staff about it and to encourage its use. In SBI, these staff became known as translators acting as a bridge between the top and operational levels of the ATO and explained its operation. They were also chosen because of their potential to influence others. Similar workshops were held within LBI. Thus there was an active attempt to use discourse to promote the CCM. Some ATO officers made a firm commitment to promote the CCM and speak about it positively at every opportunity.

> We'd actually make people sign up to a process to say that they were on board and they would do all within their power to talk to people about it, listen to stuff that was going on, jump in and correct misapprehensions, spread the word … (ATO employee).

These workshops were not pleasant for the facilitators since some ATO staff used discourse to voice their strong resistance using colourful discourse to resist.

> They [the workshops] were torrid, torrid … there was one branch office where they were always **super** aggressive. That's where they actually called out "You're a w****r!", like abuse was hurled out at me (ATO employee).

The torrents of abuse that the CCM generated began to dissipate as resistant ATO officers were slowly convinced by others and through the persistence of those conducting the seminars and workshops. Success stories, another form of discourse, fuelled acceptance of the CCM in SBI. These stories were written up in staff newsletters and their circulation meant that many would have read about the CCM being portrayed positively. Suddenly, the promotion and positive discussion of the CCM began to achieve critical mass and opposition to its adoption waned.

> … and then suddenly "Holy s**t, it's taking off" and everyone wanted to jump on the bandwagon and have a piece of it, which they did (ATO employee).

One unique occurrence in LBI was the engagement of large business taxpayers to help promote the CCM in an indirect way by asking ATO officers about it (Australian Taxation Office 2002; Wirth 2004a). In this way, large business was co-opted into keeping the discourse about the CCM alive and they did so since they were keen to adopt it. The persistence allowed a few who saw merit in the CCM to express their views and the CCM slowly began to be accepted. In one meeting, an ATO officer expressed positive sentiment regarding the CCM:

> … the tone of the whole session changed after that, and a few of the others actually said "Well actually, come to think of it, there's a bit over here on this page where I thought he might have a good point" (ATO employee).

After all the workshops and discussion with large business, the final CCM for large business was updated and released in November 2000 in a paper entitled *Cooperative Compliance: Working with Large Business in the New Tax System* (Commonwealth of Australia 2000).

6. IMPLICATIONS

As discussed above, one benefit of historical research regarding the CCM is that it can provide guidance and direction with respect to tax compliance policy and administration (Parker 1997, 1999; Carson & Carson 1998). Since discourse features so heavily in the CCM's development and adoption, this section will discuss certain policy implications of it.

Enhancing relationships with taxpayers continues to be a key goal for the ATO as it aims to reinvent itself and improve taxpayers' experience with the tax system (Olesen 2013; Hayes 2014). However the CCM appears to advocate a 'hands off' approach for most taxpayers due to the assumption that most are compliant and only need education and service provision to help them to comply. Ironically, the CCM appears to favour discourse predominantly with those taxpayers with whom the ATO is in dispute. The emphasis on administrative efficiency (Whait 2012) has also meant that the ATO targets its resources toward only noncompliant taxpayers only. It could be alternatively argued that the ATO ought to target its resources in building relationships with those taxpayers with whom relationships are likely to improve. It is possible that

an investment in improving relationships with compliant taxpayers will make it easier to resolve any future dispute with them thereby reducing costs. Scope therefore exists for the ATO to increase its discourse with compliant taxpayers with the aim of enhancing relationships and improving understanding. This will require real discourse to take place in addition to education and services and resources ought to be set aside for this purpose. However, since building relationships may not be regarded as an efficient use of resources (in the short term at least), there may be a similar trade-off between the two as there is between administrative efficiency and administrative equity as discussed by Whait (2012).

Despite this, there are a number of associated benefits that may arise from improving relationships with compliant taxpayers and allocating resources to that end. The ATO may learn more regarding taxpayer compliance issues and improve its service and education offerings accordingly. Such issues may arise due to the complexity of the tax system, a lack of clarity in the law, issues with information technology systems, issues with tax agents, issues with tax return forms or indeed a multitude of concerns. Effectively dealing with these issues will help to develop mutual trust between the ATO and taxpayers. While the ATO may not be directly responsible for all of these concerns, particularly regarding tax law complexity, it can feed these concerns to Treasury. Engaging in this discourse with taxpayers may enable the ATO to obtain a richer understanding regarding the processes involved in taxpayer compliance as it is essentially equivalent to a qualitative approach.

Discourse, relationships and understanding are two-sided and this may also be beneficial to the ATO. Through discourse taxpayers will begin to understand and provide feedback on the ATO's operations such as this, for example, associated with risk management. Taxpayers have recently been frustrated by a lack of understanding between regarding risk management and it necessitates an inquiry by the Inspector General of Taxation to shed light in that area (Commonwealth of Australia 2013). Taxpayers who desire to be voluntarily compliant will learn more regarding what it means to comply. As mutual trust and understanding develop with improved relationships, the administration of the tax system may progressively improve as it functions to serve those the majority of taxpayers. The JCPA inquiry *An Assessment of Tax* was critical of the ATO in the early 1990s since it had come to ignore the people that it was meant to serve (Commonwealth of Australia 1993). On the other hand, taxpayers' expectations of the ATO may become more reasonable as they begin to understand the nature and complexity of tax administration. A tax system based on discourse leading to understanding and improved relationships may help the ATO to avoid such criticism in the future.

In a similar manner to personal relationships, those between taxpayers and the ATO require continual effort and time to maintain and are likely to be inconsistent. Some relationships are always likely to be poor as will be the case with disengaged taxpayers. One cause of relationship breakdown may be a lack of clarity in the law. Australia's new Tax Commissioner, Chris Jordan, refers to the extensive level of discourse taking place between the ATO and large business when there is a disagreement in the operation of law which results in both parties in a seemingly never-ending exchange of views with no likelihood of agreement (Dugdale 2013). With both parties apparently using discourse in an attempt to persuade the other, another means to break the deadlock appears to be required. Commissioner Jordan's proposal to utilise dispute resolution practices more effectively (Dugdale 2013; Hayes

2014) appears to be a worthwhile course of action. It is possible, however, that large business will continue to engage in dialogue without resolution unless there is further clarity in the law. Such an example illustrates how discourse may be used as a stumbling block rather than for understanding. Therefore, at some stage, appropriate court proceedings or legislative change may be required to provide taxpayers and the ATO with that certainty. Healthy relationships are not without disagreement at times, therefore court proceeding ought to not necessarily be regarded as indications of a poor relationship.

That discourse was so instrumental to the CCM's acceptance within the ATO suggests that discourse ought to continue within it regarding compliance issues and taxpayer behaviour. Not only is understanding between the ATO and taxpayers important but it is also important that understanding develops and improves among ATO staff. This can help to galvanise staff in the goal of improving compliance, sharing techniques and experiences and improving morale generally. Discourse among the ATO staff in different market segments can help to break down any silos that exist.

7. CONCLUSION

This chapter has discussed how the CCM came to be developed and adopted and how discourse played a major role in this process for understanding and relationship improvement. Prior to the CCM's development, discourse was used to gauge whether ATO staff would accept and relate to the concepts of John and Valerie Braithwaite in the hope of changing the ATO and bringing the *Taxpayers' Charter* to life. Their work was also regarded as a means to change the community's perception regarding the cash economy. The CCM was then presented to senior management including Commissioner Carmody who advocated for its adoption. Thus it was likely decided during the time of the first CETF to adopt the CCM for the ATO even before the CETF had been exposed to it. After Valerie Braithwaite presented it to the CETF, it was recommended for use in the cash economy, SBI and was adapted for LBI.

While taxpayers were largely supportive of the CCM, many within the ATO were threatened and they did not want to be regarded as going soft on taxpayers. However, over time, many auditors began to see that their role was enhanced by the CCM, not diminished. The ability of discourse to create mutual understanding was critical in this regard since persistence of ATO staff who conducted workshops and seminars and produced pamphlets and booklets slowly broke down the resistance. Through this discourse, some who had previously been resistant began to see merit in the approach. When these individuals expressed their support for the CCM, the resistance then began to dissipate.

8. REFERENCES

Allan, CM 1971, *The theory of taxation*, Penguin, Harmondsworth.

Andreoni, J, Erard, B & Feinstein, J 1998, 'Tax compliance', *Journal of Economic Literature,* vol. 36, no. 2, pp. 818-860.

Appleby, J, Hunt, L & Jacob, M 1994, *Telling the truth about history*, WW Norton & Company, New York.

Australian Bureau of Statistics 2013, *Senior staff biography, Trevor Sutton,* Australian Bureau of Statistics, Australian Government, viewed 29 June 2013, <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/Senior+Staff+Biography+-+Trevor+Sutton,+Deputy+Australian+Statistician,+ABS+2017+Group>.

Australian Taxation Office 1997, *Tax Office responds to task force report on cash economy*, Media Release – NAT 97/19, Australian Taxation Office, Australian Government, Canberra, 3 June, viewed 11 October 2013, <http://ato.gov.au/Mediacentre/Media-releases/ATO-responds-to-task-force-report-on-cash-economy/>.

Australian Taxation Office 2000, *Co-designing a new approach to compliance assurance under the New Tax System*, Australian Taxation Office, Canberra.

Australian Taxation Office 2002, 'Co-operative compliance model: A short history of its development', *PATA meeting*, Sydney, April.

Australian Taxation Office n.d., 'Co-operative compliance model notebook', *Australian Taxation Office PowerPoint presentation*, Australian Taxation Office, Canberra.

Ayres, I & Braithwaite, J 1992, *Responsive regulation: Transcending the deregulation debate*, Oxford University Press, New York.

Baldry, JC 1993, 'Economic analysis and taxpayer compliance: Time for a new agenda?', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December.

Baldry, JC 1994, 'Economic analysis and taxpayer compliance: Time for a new agenda?', *Australian Tax Forum*, vol. 11, no. 1, pp. 45-62.

Bardsley, P 1994a, 'Tax compliance research: An economic perspective on the research agenda', *Current Issues in Tax Administration Conference*, University of Newcastle, 7-8 April.

Bardsley, P 1994b, 'Tax compliance research: An economic perspective on the research agenda', *Australian Tax Forum,* vol. 11, no. 3, pp. 271-290.

Bowen, GA 2008, 'Naturalistic inquiry and the saturation concept: a research note', *Qualitative Research*, vol. 8, no. 1, pp. 137-152.

Boucher, T 1993, 'Risk management on a market segmented basis', in P. Grabosky & J. Braithwaite (eds), *Business Regulation and Australia's Future*, Institute of Criminology, Canberra, pp. 231-244.

Braithwaite, J 1985, *To punish or persuade: Enforcement of coal mine safety*, State University of New York Press, Albany.

Braithwaite, J 2002, 'Large business and the compliance model', in V. Braithwaite (ed), *Taxing Democracy*, ed. Ashgate, Aldershot, pp. 177-202.

Braithwaite, J 2011, 'The essence of responsive regulation', *University of British Columbia Law Review*, vol. 44, no. 3, pp. 476-520.

Braithwaite, J & Wirth, A 2001, *Towards a framework for large business tax compliance*, Centre for Tax System Integrity, Working Paper No. 24, Australian National University and Australian Taxation Office, Canberra, viewed 16 June 2013, <http://asiapacific02.cap.anu.edu.au/sites/default/files/CTSI-WorkingPaper24-full.pdf>.

Braithwaite, V 2002a, 'A new approach to tax compliance', in V. Braithwaite (ed), *Taxing Democracy*, Ashgate, Aldershot, pp. 1–11.

Braithwaite, V (ed.) 2002b, *Taxing democracy*, Ashgate, Aldershot.

Braithwaite, V 2007, 'Responsive regulation and taxation: Introduction', *Law & Policy*, vol. 29, no. 1, pp. 3-10.

Braithwaite, V & Braithwaite, J 2001, 'Managing taxation compliance: the evolution of the Australian Taxation Office compliance model', in M. Walpole & C. Evans (eds), *Tax administration in the 21st century*, Prospect Media, St Leonards, pp. 215-224.

Braithwaite, V & Job, J 2003, *The theoretical base for the ATO's compliance model*, Centre for Tax System Integrity, Research Note 5, Australian National University, Canberra.

Buchtmann, L 1993, 'Child support compliance research: How do we measure success?', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December 1993.

Budd, A (ed.) 2009, *The modern historiography reader*, Routledge, London.

Carson, P & Carson K, 1998, 'Theoretically grounding management history as a relevant and valuable form of knowledge', *Journal of Management History*, vol. 4, no. 1, pp. 29-42.

Coleman, C & Freeman, L 1994, 'The development of strategic marketing options directed at improving compliance levels in small business', *Australian Tax Forum*, vol. 11, no. 3, pp. 347-367.

Coleman, C & Freeman, L 1996, 'Cultural foundations of taxpayer attitudes to voluntary compliance', *ATAX Conference*, Sydney, 11-12 April.

Commonwealth of Australia 1993, *Report no. 326 an assessment of tax: A report on an inquiry into the Australian Taxation Office*, Australian Government Publishing Service, Canberra.

Commonwealth of Australia 1998, *Improving tax compliance in the cash economy*, Australian Taxation Office, Canberra, April 1998.

Commonwealth of Australia 2000, *Cooperative compliance: Working with large business in the new tax system*, Australian Taxation Office, Australian Government, viewed 9 July 2012, <http://regnet.anu.edu.au/sites/default/files/publications/ATO_CooperativeCompliance.pdf>.

Commonwealth of Australia 2003, *Improving tax compliance in the cash economy*, Australian Taxation Office, Canberra, May 1997.

Commonwealth of Australia 2004, *Audit report No. 19 2004-05 performance audit: Taxpayers' Charter Australian Taxation Office*, Australian National Audit Office, Canberra.

Commonwealth of Australia 2010, *2009-10 compliance program*, Australian Taxation Office, Canberra.

Commonwealth of Australia 2013, *Review into aspects of the Australian Taxation Office's use of compliance risk assessment tools*, Australian Government the IGT, viewed 13 March 2014, <http://www.igt.gov.au/content/reports/risk_assessment/default.asp>.

D'Ascenzo, M 2010, *Do you see what I see?*, Australian Taxation Office, Australian Government, viewed 9 July 2012, <http://www.ato.gov.au/corporate/content.aspx?doc=/content/00228656.htm>.

Delanty, G 2003, 'Michel Foucault', in A. Elliot & L. Ray (eds), *Key Contemporary Social Theorists*, Blackwell Publishing, Oxford, pp. 123-128.

Dugdale, L 2013, 'ATO Commissioner Chris Jordan's view from the top', *In the Black*, 2 August, viewed 24 October 2013, <http://www.itbdigital.com/people/2013/08/02/atocommissioner-chris-jordans-view-from-the-top/>.

Elton, GR 1967, *The practice of history*, Sydney University Press, Sydney.

Evans, RJ 1997, *In defence of history*, Granta Books, London.

Fleischman, R, Mills, P & Tyson, T 1996, 'A theoretical primer for evaluating and conducting historical research in accounting', *Accounting History*, vol. 1, no. 1, pp. 55-75.

Foucault, M 1970, *The order of things: An archaeology of the human sciences*, Tavistock Publications, London.

Foucault, M 1972, *The archaeology of knowledge*, Tavistock Publications Limited, London.

Foucault, M 1977, *Discipline and punish: The birth of the prison*, Penguin, Harmondsworth.

Foucault, M 1978, *The history of sexuality, Pantheon Books, New York.*

Foster, L & Stockley, D 1988, *Australian multiculturalism: A documentary history and critique*, Multilingual Matters Ltd, Clevedon/Philadelphia.

Gibson, B & Wallschutzky, I 1993, 'A case study exploration of taxation compliance issues in small business', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December.

Glesne, C 2006, *Becoming qualitative researchers: An introduction*, 3rd edn, Pearson Allyn & Bacon, Boston.

Goodman, L & Palmon, D 2001, 'Technological innovations and the work of the accounting historian: Some key issues', *The Accounting Historians Journal*, vol. 29, no. 1, pp. 93-110.

Graetz, M, Reignanum, J & Wilde, L 1986, 'The tax compliance game: toward an interactive theory of law enforcement', *Journal of Law, Economics and Organization*, vol. 2, no. 1, pp. 1-32.

Guest, G, Bunce, A & Johnson, L 2006, 'How many interviews are enough? An experiment with data saturation and variability', *Field Methods,* vol. 18, no. 1, pp. 59-82.

Gutting, G 2005, *Foucault: A very short introduction*, Oxford University Press, Oxford.

Hayes, T 2014, Details released of ATO's 2013-14 dispute management plan, *Weekly Tax Bulletin*, Thomson Reuters, pp. 11.

Hite, P 1997, 'Identifying and mitigating taxpayer non-compliance', *Australian Tax Forum*, vol. 13, no. 2, pp. 155-180.

Jupp, J 1994, 'Identity', in R. Nile (ed), *Australian civilisation*, Oxford University Press, Oxford, pp. 93-109.

Kagan, RA & Scholz, JT 1984, 'Criminology of the corporation and regulatory enforcement strategies', in K. Hawkins & J. Thomas (eds), *Enforcing regulation*, Kluwer Nijoff, Boston.

Killaly, J 2000-2001, 'Large business compliance', *Australian Taxation Office PowerPoint Presentation*, Australian Taxation Office, Canberra.

Mackay, H 1993, *Reinventing Australia: The mind and mood of Australia in the 90s*, Angus & Robertson, Pymble.

Marginson, DEW 2008, 'The case study, the interview and the issues: A personal reflection', in C. Humphrey & B. Lee (eds), *The Real Life Guide to Counting Research*, CIMA Publishing, Oxford.

McKerchar, M 1995, 'Understanding small business taxpayers: Their sources of information and level of knowledge of taxation', *Australian Tax Forum*, vol. 12, no. 1, pp. 25-41.

McKerchar, M 2001, 'Why do taxpayers comply? Past lessons and future directions in developing a model of compliance behaviour', *Australian Tax Forum*, vol. 16, no. 1, pp. 99-134.

Miles, MB & Huberman, AM 1994, *Qualitative Data Analysis*, 2nd edn, Sage Publications, Thousand Oaks.

Mills, S 2003, *Michel Foucault*, Routledge, London

Mills, S 2004, *Discourse*, 2nd edn, Routledge, London.

Mitchell, V 1995, 'Managing risks: the small business income approach', *Australian Taxation Office Compliance Research Conference: Measurement, Evaluation and Risk Management*, Canberra, ACT, 7-8 December.

Morse, JM 1995, 'The significance of saturation', *Qualitative Health Research*, vol. 5, no. 2, pp. 147-149.

Nelson, M 1995, 'Research and risk assessment: A methodology', *Australian Taxation Office compliance research conference: Measurement, evaluation and risk assessment*, Canberra, ACT, 7-8 December.

Neuman, WL 2011, *Social research methods: Qualitative and quantitative approaches*, 7th edn, Pearson/Allyn and Bacon, Boston.

O'Farrell, C 2005, *Michel Foucault*, Sage Publications, London.

OECD 1998, *Harmful tax competition: An emerging global issue*, OECD, viewed 9 July 2012, <http://www.oecd.org/dataoecd/33/1/1904184.pdf>.

Olesen, N 2013, Re-inventing the ATO – ready, willing and underway, Australian Taxation Office, Australian Government, viewed 13 March 2014, <http://www.ato.gov.au/Media-centre/Speeches/Reinventing-the-ATO---ready,-willing-and-underway/>.

Parker, L 1997, 'Informing historical research in accounting and management: Traditions, philosophies, and opportunities', *The Accounting Historians Journal*, vol. 24, no. 2, pp. 111-149.

Parker, L 1999, 'Historiography for the new millennium: Adventures in accounting and management', *Accounting History*, vol. 4, no. 2, pp. 1-42.

Previts, G, Parker, L & Coffman, E 1990a, 'An accounting historiography: Subject matter and methodology', *ABACUS*, vol. 26, no. 2, pp. 136-158.

Previts, G, Parker, L & Coffman, E 1990b, 'Accounting history: Definition and relevance', *ABACUS*, vol. 26, no. 1, pp. 1-16.

Quiggin, J 2004, 'The Howard years', in R. Manne (ed), *The Howard years*, Black Inc. Agenda, Melbourne, pp. 169-190.

Richardson, M & Sawyer, A 2001, 'A taxonomy of the tax compliance literature: further findings, problems and prospects', *Australian Tax Forum*, vol. 16, no. 2, pp. 137-320.

Saavé-Fairley, L & Sharma, C 1993, 'Taxpayer compliance risk evaluation in the large/medium market segment', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December.

Sangster, A & Tyrrall, DE 2008, 'Insights from internet-based research: realising a qualitative understanding from a quantitative search process', in C. Humphrey & B. Lee (eds), *The Real Life Guide to Accounting Research*, CIMA Publishing, Oxford.

Schwan, A & Shapiro, S 2011, *Foucault's discipline and punish*, Pluto Press, London.

Sheridan, A 1980, *Michel Foucault: The will to truth*, Tavistock Publications Ltd, London.

Shover, N, Job, J & Carroll, A 2001, *Organisational capacity for responsive regulation*, Centre for Tax System Integrity, Working Paper No. 15, Australian National University and Australian Taxation Office, Canberra.

Stanford, M 1986, *The nature of historical knowledge*, Blackwell, Oxford.

Strauss, A & Corbin, J 1990, *Basics of qualitative research: Grounded theory procedures and techniques*, Sage Publications, Newbury Park, CA.

Sutton, T 1992, 'Linking CSM, TQM and benchmarking to improve performance and achieve customer satisfaction: a results driven approach', *AIC Conference: Benchmarking and TQM in the Public Sector*, August-September.

Sutton, T 1995, 'Understanding compliance: getting a better return on our data collection investment', *Australian Taxation Office Compliance Research Conference: Measurement, Evaluation and Risk Management*, Canberra, ACR, 7-8 December.

Tanzi, V 2000, *Globalization, technological developments, and the work of fiscal termites*, International Monetary Fund, viewed 9 July 2012, <http://www.imf.org/external/pubs/ft/wp/2000/wp00181.pdf>.

Tosh, J 2010, *The pursuit of history: Aims, methods and new directions in the study of modern history*, 5th edn, Pearson, Harlow.

Vincent, J 1995, *An intelligent person's guide to history*, Duckworth, London.

Vivani, N 1990, 'Are we getting too many Asian migrants?', in A. Gollan (ed), *Questions for the Nineties*, Left Book Club Co-operative Ltd, Sydney, pp. 186-198.

Walker, SP 2008a, 'The search for clues in accounting history', in C. Humphrey & B. Lee (eds), *The Real Life Guide to Accounting Research*, CIMA Publishing, Oxford.

Wallschutzky, I 1993, 'Taxpayer compliance: Issues in research methods', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December.

Whait, RB 2012, 'Developing risk management strategies in tax administration: The evolution of the Australian Taxation Office's compliance model', *eJournal of Tax Research*, vol. 10, no. 2, pp. 436-464.

Whait, RB 2014, 'Exploring innovations in tax administration: A Foucauldian perspective on the history of the Australian Taxation Office's compliance model', *eJournal of Tax Research*, vol. 12, no. 1, pp. 130-161.

Wickerson, J 1995, 'Managing the risks to the revenue: A new model for evaluating taxpayer audit programs', *PhD Thesis*, University of Canberra, Canberra.

Wirth, A 1993, 'Changing taxpayer compliance: The impact of business auditors as service providers', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December.

Wirth, A 2004a, 'History of compliance strategy', *Presentation for the Singapore delegation*, Australian Taxation Office.

Wirth, A 2004b, 'Compliance model', *Presentation for the Singapore delegation*, Australian Taxation Office.

Woellner, R 1993, 'Attitudes of tax auditors', *Australian Taxation Office Compliance Research Conference: The State of Play*, Canberra, ACT, 2-3 December.