

The
Economic Psychology
of **Tax Behaviour**

Erich Kirchler



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The Economic Psychology of Tax Behaviour

Tax evasion is a complex phenomenon which is influenced not just by economic motives but by psychological factors as well. Economic-psychological research focuses on individual and social representations of taxation as well as decision-making. In this book, Erich Kirchler assembles research on tax compliance, with a focus on tax evasion, and integrates the findings into a model based on the interaction climate between tax authorities and taxpayers. The interaction climate is defined by citizens' trust in authorities and the power of authorities to control taxpayers effectively; depending on trust and power, either voluntary compliance, enforced compliance or no compliance are likely outcomes. Featuring chapters on the social representations of taxation, decision-making and self-employed income tax behaviour, this book will appeal to researchers in economic psychology, behavioural economics and public administration.

ERICH KIRCHLER is a Professor in the Faculty of Psychology at the University of Vienna. His research interests include economic psychology, household financial decision-making and tax behaviour, and he has written several books in these areas.

The Economic Psychology of Tax Behaviour

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Foreword

Valerie Braithwaite

This book brings together research that has traditionally been fragmented into camps of legal, economic and social-psychological scholarship. Each camp acknowledges the need to be aware of the others' findings, but few books have been as inclusive and successful in creating a coherent framework that can house these different bodies of research. Kirchler describes the various research traditions in detail, setting out the building blocks for the reader to survey at close range. These parts are then assembled to provide an integrated account of how some taxpayers take the path down the slippery slope of non-compliance, while most stay on the high ground. Kirchler acknowledges that some individuals are less willing to say no to evasion than others, that some are less committed and able, and that varying social contexts can make it easier to comply or harder. But the spotlight is not only on the strengths and weaknesses of individual taxpayers and their immediate environment. Tax authorities play their part too and can adopt enforcement policies that are likely to push taxpayers down the slippery slope. Too often tax authorities fail to communicate respect and trust to the taxpayer, instead playing the 'cop' who is single-mindedly in pursuit of the 'robber' taxpayer.

This book provides a new frame for analysing tax compliance research. Classic economic theory depicting taxpayers as rational cost-benefit analysts has long provided the benchmark for evaluating new developments in tax research. In this book, Kirchler reinvents the frame. The classic economic view is no longer the standard but rather one of many possible social representations of taxpaying. Kirchler examines the role of individuals' perceptions of gains and loss, opportunities and obstacles as they appraise taxpaying demands. The lens is then broadened to incorporate sociological and psychological understandings of social context and cultural setting, and the part such factors play in determining how taxpayers approach and deal with tax authorities. Kirchler integrates the various theories and models of tax compliance as different kinds of social representations, and through a meticulous review of the literature presents a question that he both answers and poses for future tax

compliance work: what are the circumstances in which these different models have most leverage for changing behaviour?

To read this book is to enter a treasure trove of research on taxation compliance. Consecutive chapters present accumulated knowledge in the different worlds of taxpayers as rational actors and trusting citizens, as self-employed business owners and taxpaying employees, as willing, reluctant or inaccurate payers and as calculating avoiders and evaders. The recurring theme is that the social representations of individuals matter and shape how taxpayers approach the demands made by tax authorities. Recognising disparities not only in types of taxpayers but also in intellectual traditions and analytic methods, Kirchler tracks the tax compliance story across taxpaying groups, academic disciplines and countries with divergent laws, norms and traditions. This book is a timely and invaluable contribution to a field that has for more than a decade been seeking a positive account of why people pay taxes.

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Preface

This book seeks to collect and integrate economic-psychological research on tax compliance in general, focusing specifically on tax evasion. Research findings are integrated into a model based on two dimensions: originating from the interaction climate between tax authorities and taxpayers, the dimensions are defined by citizens' trust in authorities and the power of authorities to control taxpayers effectively. Depending on trust and the use of power, either voluntary compliance, enforced compliance or no compliance are likely to result. While economic studies on tax evasion have been growing immensely in the past decades, only about 10% of publications assume an economic-psychological perspective, i.e., one that focuses mainly on individual and social aspects of tax representations, decisions and behaviour. Thus, this book aims to fill the present gap by reviewing the accumulated economic-psychological knowledge and mapping the field.

After a brief introduction, the increasing concerns with the complexity of tax law and the growth of the shadow economy are described, and definitions of tax compliance, avoidance and evasion are presented. As a psychologist, I choose to approach tax behaviour from an individual and social-psychological perspective. The available research focuses on individual and the collective (social) representations of taxation as well as on tax morale, and decision-making. I have chosen to afford the majority of attention to income tax, with special attention to self-employed taxpayers' behaviour. More recently, interest has been shown in tax authorities' orientations towards taxpayers and the interactions between tax officers and taxpayers. This book picks up and expands upon this important research trend.

After the introductory chapters, research findings on social representations are presented. Essentially, the chapter on social representations collects information on taxpayers' knowledge about taxation and subjective constructs, or lay theories of tax issues. Second, attitudes towards fiscal policy and taxation are reviewed. The chapter proceeds by focusing on norms, especially on personal norms (conceived as a belief that there is

a moral imperative with which one should deliberately comply); social norms (conceived as prevalence of tax evasion among a reference group); and societal norms. Next, behaviour control, defined as perceived opportunities not to comply, is described. Moreover, fairness considerations are of special importance: as shown, distributional, procedural and retributive justices are frequently found to have lasting effects on tax behaviour. After addressing subjective understandings, attitudes, norms and perceived opportunities, as well as fairness considerations, the focus is directed towards tax behaviour via discussions on motivational postures at the individual level and tax morale at the collective level.

Literature on income tax behaviour often rests upon the assumption that taxpayers deliberately decide whether or not to pay their share of taxes. While it can be argued that taxpayers may often spontaneously cooperate and comply rather than deliberating on their decisions, the economic approach almost exclusively addresses tax behaviour as a (rational) decision outcome. If taxpayers make decisions with the aim of maximising their individual profit, the dominating economic approach suggests that they face a risky decision. One must decide between paying taxes correctly or opting for the risky alternative, which is accompanied by a possibility of saving money, as well as the possibility of audit, detection and, in the case of evasion, fines. Depending on audit, as well as detection probability and fines, taxpayers choose the alternative that promises the most favourable outcome. The description of rational decision-making is followed by considerations of effects of repeated audits. Finally, it is argued that decision-makers often depart from rational decision-making by applying heuristics and falling victim to biases. Prospect theory, which addresses risk bias, has been successfully applied to tax behaviour.

The next chapter is dedicated to the tax behaviour of self-employed and entrepreneurial individuals. The obligation to collect various taxes for the tax office, paying taxes out of pocket and having various opportunities to cut income declarations or exaggerate expenditures makes the tax situation of the self-employed unique. Throughout the book, the focus is on individual income taxpayers. Therefore, payment of other taxes is rarely addressed, nor are corporations' tax engagement and corporate crime explicitly addressed.

The next section of the book deals with the interaction processes between tax authorities and taxpayers as a central theme. The approach tax authorities and tax officials take, their beliefs about taxpayers' behaviour and the respective interaction styles are of paramount importance in determining the tax climate. I argue that taxpayers react in

accordance with the approach taken by the tax authorities. A ‘cops and robbers’ approach is likely to breed distrust, corrupting voluntary cooperation. However, ‘trust is an important lubricant of the social system,’ wrote Kenneth Arrow (1974, p. 23). ‘It is extremely efficient; it saves a lot of trouble to have a fair degree of reliance on other people’s word ... it [is] essential in the running of society.’ In a climate of distrust, authorities resort to control and punishing misbehaviour and must enforce citizens’ compliance. On the other hand, a ‘service and client’ approach, which is characterised by supportive and respectful treatment of taxpayers, transparency of procedures and acceptance of authorities, is likely to enhance trust and a cooperative atmosphere leading to voluntary compliance. Whereas a ‘cops and robbers’ or ‘command and control’ approach establishes a climate of distrust, a ‘service and client’ approach is assumed to reduce the ‘social distance’ (Bogardus, 1928; V. Braithwaite, 2003a) between taxpayers and tax authorities, thus creating a climate of mutual trust and voluntary cooperation.

The final section offers conclusions that are to be taken cautiously. Firstly, economic-psychological research is still in its infancy, providing merely isolated results rather than an integrative model of tax behaviour. Secondly, research on tax behaviour faces a bulk of methodological problems, vague conceptualisations of phenomena and heterogeneous operationalisation of assumed determinants of tax behaviour. Unsurprisingly, effects of determinants (or consequences) of tax behaviour were sometimes found to be strong, sometimes weak and sometimes insignificant or even in the opposite direction to expectations. Contradictory findings may be due either to methodological idiosyncrasies or to the neglect of relevant differentiating variables. Furthermore, tax behaviour has not been systematically studied in different political and tax systems, nor have cultural differences been satisfactorily explained. I argue that the tax climate predominantly results from the interaction style between authorities and taxpayers, which might be a crucial differentiating variable: in case of a ‘cops and robbers’ approach, a hostile, non-cooperative climate may result. In a system of hostility and non-acceptance of authorities, taxpayers may seek to maximise their individual profit, make (rational) decisions, and comply only if the authorities have the power to command and control taxpayers and to enforce compliance by effective audits and severe fines. On the other hand, a ‘service and client’ approach should create a basis for mutual trust and a cooperative tax climate, with taxpayers accepting the authorities and being spontaneously willing to contribute to the collective good.

I argue – and summarise in the ‘slippery slope model’¹ – that trust in the authorities and voluntary compliance integrate favourable social representations, that is, basic comprehension of tax laws, favourable tax mentality, favourable personal, social and societal norms and a perceived fairness with regard to distribution of tax burden, benefits and procedures. Trust depends on cooperation and favours cooperation. A cooperative climate is based on and favours compliance, which is derived from commitment as a motivational posture and from high tax morale in the society. Rather than guaranteeing compliance, audits and fines may have opposite effects in a trustful climate and thus corrupt voluntary compliance. Trust can spiral downwards to reduced levels when authorities respond to low levels of cooperation with control and punishment. Audits and fines may be highly effective in a completely distrustful climate with high social distance between authorities and taxpayers. In such a climate with no voluntary compliance, compliance can be enforced by the power of the authorities. However, audits and fines as the ‘tools’ to command and control taxpayers will not be suitable to create a cooperative tax atmosphere.

If interaction between tax authorities and taxpayers is a crucial variable, future research should consider tax climate as a variable that moderates the effects of both audits and fines and social representations. If the climate is characterised by distrust, but the state has the legitimate and expert power to control and fine non-compliant citizens, compliance can be enforced. However, if the climate is characterised by trust, authorities’ power is of less importance: citizens will comply voluntarily. If the tax authorities’ approach to taxpayers proves to be of crucial importance to establish mutual trust and voluntary compliance, the practical consequences are, among others, to aim for more simple tax laws comprehensible to ordinary taxpayers, better information detailing the distribution of tax burden and benefits, guaranteed procedural and retributive justice and efficient communication of social norms in order to promote taxpayer collaboration and enhance tax morale.

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¹ The term ‘slippery slope model’ was introduced by Henk Elffers at a conference in Leiden, The Netherlands, on ‘Managing and maintaining compliance’ (10–11 April 2006), where I had the opportunity to talk about ‘Why people comply’.

me to research, select and review hundreds of scientific articles for the writing of this book. The Australian National University at Canberra and the University of Sydney, Australia, deserve special gratitude for the invitation to spend six months with them and for all the necessary support for conducting this work. Enormous thanks go to Valerie and John Braithwaite and their research teams at the Research School of Social Sciences (Centre for Tax System Integrity, Regulatory Institutions Network), Australian National University for their collegiality and extraordinary generosity in providing material and scientific support, for invitations to join their workshops on tax compliance and regulatory justice and discussing research on tax compliance. I owe many thanks to Erik Hölzl and Stephan Mühlbacher, and many other research fellows at the University of Vienna, who cast a critical eye over the text and made many suggestions for improvements, and to Elisabeth Höllner, Eva-Maria Holy and Christine Talker for their attention to compiling the references, creating tables and drawing figures, and to Kate Connery for language correction and excellent assistance in editing the original manuscript of this book.

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ERICH KIRCHLER

Vienna, Austria, September 2006

1 Introduction

Is tax evasion a hot topic in economics and social sciences? A search for citations in the 'Web of Science' (January 2006; SSCI, SCI and A&HCI) yielded confirming results: from the beginning of documentation in 1945 to 1980, 75 citations were produced when the key words 'tax', 'taxes', 'taxation' and 'evasion' or 'compliance' were entered. In the following decade, 1981 to 1990, the number increased to 141, and reached 372 in the years spanning 1991 to 2000. Even faster growth is seen from 2001 to 2005, with 278 new publications registered. In 1986, Freiberg wrote that little is known about the extent of tax evasion, and even less is known about the criteria for enforcement of the law, or why some cases are selected for prosecution and others are not. Andreoni, Erard and Feinstein (1998) observed that from the beginning of the 1980s until the completion of their tax compliance review in the late 1990s there was an increasing tide of research on tax compliance. This tide has continued to grow into the present. As most of the publications are in the field of economics, an overwhelming majority refers to the influential models of tax evasion developed by Allingham and Sandmo (1972) and Srinivasan (1973) on the basis of Becker's 1968 theory of crime, which is tested by econometric modelling and analyses of empirical data, and further refined by adding specific variables which are assumed to influence tax compliance (cf. Franzoni, 2000).

The terms 'psychology' or 'psychological' appear in only 10% of the titles and abstracts of publications, with little variation over the years: from 1981–1990, 1991–2000 and 2001–2005, the respective percentages are 12%, 9% and 11%. From the beginning of registration (1945) to 1980, the term 'psychology' appeared in only 1% of the publications. Clearly, the field is dominated by economics. Nevertheless, the increase of publications relating to psychological aspects of taxes, from 1 to 17, 33, and 32 publications in the periods from 1945 to 2005, looks promising.

Niemiowski, Baldwin and Wearing (2001) presented a historical overview of thirty years of tax compliance research in economics and social sciences, beginning with its development in the late 1950s with the early

work of Schmolders (1959). The overview centred on attitudes and social norms in the 1970s (e.g., Vogel, 1974), and included knowledge as a determinant of compliance (e.g., Eriksen and Fallan, 1996; Wärneryd and Walerud, 1982). Additionally, Niemiowski and colleagues covered the analyses of justice perceptions and tax ethics (e.g., Song and Yarbrough, 1978; Spicer and Lundstedt, 1976), the analyses of anomalies in compliance decisions (e.g., Schepanski and Shearer, 1995) and finally, the study of cooperative interaction between tax authorities and taxpayers (e.g., V. Braithwaite, 2003b). The accumulated volume of knowledge is impressive. Indeed, by the late 1970s, the US Internal Revenue Service (IRS) had already identified more than sixty factors likely to determine taxpayer behaviour. Yet, important recent additions like gain and loss framing of tax dues and withholding phenomena were not included (IRS, 1978, quoted in Chang and Schultz, 1990). The field has seen several literature reviews (e.g., Andreoni, Erard and Feinstein, 1998; Brandstätter, 1994; Franzoni, 2000; Hasseldine and Bebbington, 1991; Hasseldine and Li, 1999; Jackson and Milliron, 1986; James and Alley, 2002; Lewis, 1982; Milliron and Toy, 1988; Richardson and Sawyer, 2001; Slemrod, Blumenthal and Christian, 2001; Torgler, 2002; Webley *et al.*, 1991; Weigel, Hessing and Elffers, 1987), as well as collections of research in taxation such as the annual publication 'Advances in Taxation', edited by Thomas M. Porcano, and, since 2004, Suzanne Luttman, or special journal issues (e.g., *Journal of Economic Psychology*, 1992, edited by Paul Webley and Dick J. Hessing). This accumulated knowledge provides insight into taxpaying behaviour and is of practical relevance for fiscal policy (cf. OECD, 2004). However, research has yet to be integrated into a comprehensive model of taxpayer behaviour. Thus, the fast-growing evidence on tax behaviour and the still widely neglected psychological determinants of tax behaviour in economic models call for a review and for a model integrating the most recent findings in the social sciences.

This volume provides an overview of studies on income tax behaviour as related to psychological aspects and keeps purely economic approaches on the margin. It aims to summarise and integrate findings of tax research and present conclusions that are both scientifically cutting-edge and practically applicable. Tax behaviour has been investigated from a political perspective, mainly focusing on tax law complexity and shadow economy, and from an economic perspective, with the focus on rational decision-making and the impact of tax audits, fines, tax rates and income on compliance. Tax behaviour researched from a behavioural economic and economic-psychological slant has focused on various attitudinal variables, norms and fairness and decision anomalies. Taking all of this

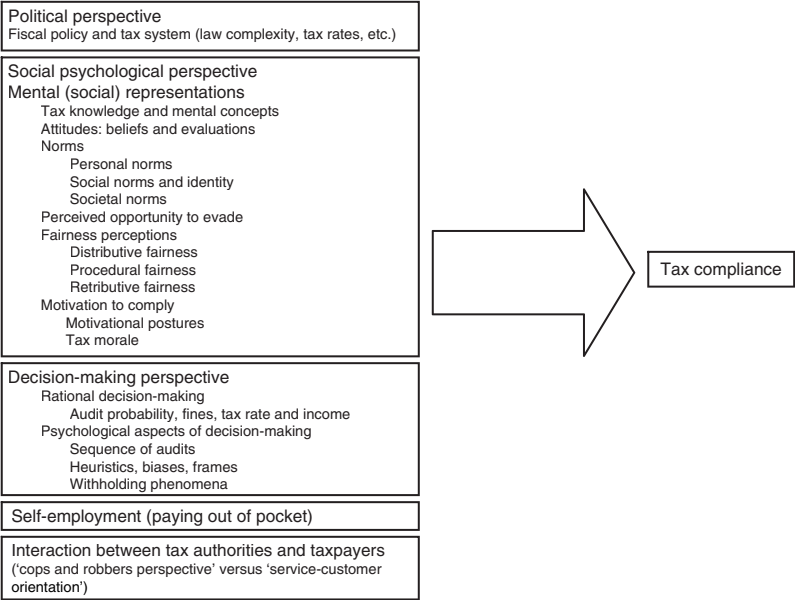


Figure 1: Classification of determinants of tax compliance

into account, the present work classifies this research into two main thematic fields: social representations of taxation and decisions to comply. Two additional sections focus on the specificity of tax behaviour of the self-employed and entrepreneurs, and on the interaction between taxpayers and tax authorities. The latter topic has predominantly been studied from a social psychological perspective. Figure 1 displays the various perspectives and variables under consideration.

To help guide the reader through this material, the following maps the course of this book: before summarising research on social representations, decision processes, self-employment and tax compliance, and interaction dynamics, first, the complexity of tax laws is discussed. Second, statistics on the shadow economy in general, and tax non-compliance in particular, are presented. Third, tax compliance and evasion are defined. In the section on social representations of taxes, first, research on subjective tax knowledge and subjective concepts of taxation is presented; second, research on attitudes towards tax non-compliance is summarised; third, norms are addressed; and fourth, opportunities of non-compliance are addressed; fifth, fairness and justice considerations are considered; sixth, motivation to comply and tax morale are discussed. In the section on decision-making, rational decisions and decision anomalies

are presented. In the remainder, evidence on the tax compliance of self-employed taxpayers and entrepreneurs of small or medium businesses is presented. The final section is dedicated to models of cooperation between taxpayers and tax authorities. The volume ends with a reflection on the difficulty of assessing tax behaviour and advantages and disadvantages of widely used research methods and a summary of presented research. In the last chapter, a model is proposed to integrate research findings as well as for serving as a base to develop interaction strategies with taxpayers. The model is based on tax authorities' perception of taxpayers as 'robbers' or 'clients' and the taxpayers' compliance reactions. Whereas a 'cops and robbers' approach is assumed to evoke mistrust and non-cooperation, a 'service and client' approach is assumed to excite cooperation and voluntary compliance. In a climate of distrust, taxpayers are assumed to deliberately take decisions to optimise their own profit. They are assumed to consider whether it pays to evade, given a certain audit probability and fine in case of detected evasion, or whether it is too risky not to comply. In a climate of trust, taxpayers develop favourable representations of taxation and feel less social distance to tax authorities; thus, voluntary compliance is likely to result. In the former case compliance can be enforced if the state has the power to control tax behaviour and fine evasion; in the latter case compliance is the result of spontaneous cooperation.

2 Tax law, the shadow economy and tax non-compliance

2.1 Complexity of tax law

Tax laws are not always clear. As Slemrod and colleagues put it, ‘although one can assert that legality is the dividing line between evasion and avoidance, in practice the line is blurry; sometimes the law itself is unclear, sometimes it is clear but not known to the taxpayer, sometimes the law is clear but the administration effectively ignores a particular transaction or activity’ (Slemrod, Blumenthal and Christian, 2001, p. 459).

The concern of legality grows in parallel with the increasing globalisation of business, the increasing complexity of business structures, the nature of financing and transactions and tax flight by establishing businesses off shore, tax havens and money laundering (Owens and Hamilton, 2004). Bartelsman and Beetsma (2003) and Yaniv (1990) present suggestive evidence of income shifting in response to differences in corporate tax rates for a large selection of OECD countries. Modern organised non-compliant businesses act within the law, exploiting the law’s shortcomings and loopholes. In Cyprus alone, an estimated 37,000 companies have been established using the advantages of a tax haven, and the number is increasing steadily (Courakis, 2001). Businesses take advantage of loopholes in the law and find more sophisticated ways to reduce tax payments when new regulations and laws are established in response to aggressive avoidance. Businesses also respond symmetrically to tax changes, moving into the underground economy if taxes increase, and out when they decrease (Christopoulos, 2003). In addition to businesses, individuals are also ‘tax savvy’ and avoid paying more if they can do so legally (Barber and Odean, 2004), or make their creative tax designs sound legal to tax authorities. Rawlings (2004) reports an event which demonstrates how difficult it is to decide what is legal behaviour corresponding to ‘the letter of the law’, although it is clear what behaviour would have been in line with ‘the spirit of the law’:

In 1999, the Federal Court of Australia . . . was told of a family who had not filed a tax return for 20 years, but had \$A 13 million on term deposit with a Swiss bank managed

by trustees in Vanuatu. The two applicants in this case, Doreen and Barry Beazley, had in the mid-1970s sold a successful business in New Zealand for an undisclosed sum and placed the proceeds in what was then the Anglo-French Condominium of the New Hebrides. They did not move to the New Hebrides with their funds, but relocated to Australia ... Between 1989/90 and 1995/96, these investments generated \$A 4,322,968, which was channelled through Vanuatu managed trusts, offshore corporations, captive insurance companies and debentures. (p. 325)

On the basis of documents seized by the Australian National Crime Authority, it was alleged that Mr and Ms Beazley had each failed to declare income of \$A 1,080,742 between 1989 and 1996. However, the Beazleys claimed that these funds were not income, but the progressive repayment and receipt of 'loans' to and from Vanuatu. To meet their day-to-day expenses the family used Bank of Hawai'i credit cards with entities in Vanuatu paying off the resulting debts. They affirmed that these arrangements were part of 'a sophisticated but lawful taxation structure'. Even though the court found that the documents suggested 'a guilty mind', it conceded that the structure might be 'entirely legal' (*ibid.*, p. 325).

In their collection of experiences and innovations in taxation in various countries, Owens and Hamilton (2004) state that in OECD countries one of the major problems in tax administration is understanding what has to be administered, namely the tax laws and how to interpret them. An impressive example can be found in the Australian legislation. The quote below is an uncut selection from the Australian GST Legislation (http://law.at0.gov.au/pdf/ps05_024.pdf; retrieved 7 February 2007). Plain English or clarity are very much lacking. In fact, it verges on the ridiculous and was awarded The Plain English Campaign's 'Golden Bull' Award (see <http://www.plainenglish.co.uk/bull05.htm>; retrieved 7 February 2007):

Australian Taxations Office for its Goods and Services legislation:

"For the purposes of making a declaration under this Subdivision, the Commissioner may:

- a) treat a particular event that actually happened as not having happened; and
- b) treat a particular event that did not actually happen as having happened and, if appropriate, treat the event as:
 - i) having happened at a particular time; and
 - ii) having involved particular action by a particular entity; and
- c) treat a particular event that actually happened as:
 - i) having happened at a time different from the time it actually happened; or
 - ii) having involved particular action by a particular entity (whether or not the event actually involved any action by that entity)."

A half-century ago, in 1959, Schmolders tested politicians in the German parliament and members of its finance committee on their economic knowledge and found poor understanding of fiscal policy. Tax authorities

face the problem of the complexities of public finance and the law, as well as ambiguities in interpreting and executing it. Another trend shows that expert tax lawyers are increasingly specialising in particular domains as the complexity renders it impossible to be an expert in general tax law. Tax practitioners investigated in Australia claimed that maintaining an appropriate level of professional competence by ongoing development of their knowledge and skills is a main problem with regard to correctly filing income tax (Marshall, Armstrong and Smith, 1998). Tax laws have become so intricate that even experts, such as accountants, lawyers and tax officers, have difficulty interpreting many of the law's provisions.

Complex tax law is even more difficult to understand for ordinary taxpayers. In 1994, Moser undertook a linguistic analysis of tax laws and identified several problems that make it difficult for ordinary taxpayers to understand the law. Examples of unnecessary complexity are the high level of abstraction in the language, long and complex sentences, use of abbreviations, and reference to experts rather than to ordinary readers. Lewis (1982) reports that the necessary education to understand tax laws is unreasonably high. According to a formula to assess reading age necessary to comprehend the laws, which is based on length of sentences, complexity of words, etc., the British tax law required, at the time of analysis, thirteen years of school education, while the average citizen had nine years of schooling. The US tax law required twelve and a half years, and the Australian seventeen years. Reading and understanding of a 'quality' journal requires less school education. Complexity of tax laws and trends of increasing complexity in the past fifty years are well illustrated in a USA tax foundation graph depicting the increasing number of words used in the US IRS Code from 1955 to 2000 (see figure 2).

In response to this increasing complexity, many countries have endeavoured to simplify the law, although without much success. For instance, New Zealand's tax law was set into plain English, but still faces the same administrative and compliance problems as before the attempt to make it simpler. 'And if the law cannot be made simple, then it is inevitably going to be difficult to understand and administer,' conclude Owens and Hamilton (2004, p. 350), quoting a review of the simplification efforts in New Zealand (www.businesscompliance.govt.nz/reports/final/final-11.html):

From 1989 to 2001, eleven tax simplification/compliance cost reduction policy documents have been published. Eight of these have been released in the last five years. Despite their relative frequency, and their effort to simplify various taxes and processes, the initiatives have had little impact on the volume of tax regulation, its complexity, and the compliance loading on business taxpayers ... Businesses considered taxation their most significant business compliance cost ... Individuals expressed their anger, frustration, confusion, and alienation about