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Editorial

There is a story from the 1990s involving a conversation with a Russian tax inspector. The Russian was incredulous at the high rate of voluntary tax compliance in Sweden. He was told that most Swedes paid their taxes for two reasons: because everyone else does and that the revenue will be honestly spent on purposes beneficial to society. The Russian replied that, by way of contrast, Russians avoided paying taxes because they believed few of their fellow citizens paid their taxes in full and that their money would be misappropriated through corruption.

This story is relayed in a 2005 book by Bo Rothstein called *Social Traps and the Problem of Trust*¹. At the heart of this story is a delineation between an insidious circle of distrust and a virtuous circle of trust. Rothstein refers to the former as a “social trap” where individual “rationality” of avoiding paying tax as far as possible has socially disastrous consequences for the revenue system.

While Government plays a major part in whether a society is experiencing the virtuous or the insidious, the critical institutional framework at the forefront of this divide is that of Tax Administration. This is a broad concept and includes not only the Tax Administrator *per se*, but the academics, legal practitioners and accountants that provide the setting.

The Hon Michael Kirby AC CMG, former justice of the High Court, has on several occasions² drawn a parallel between the histories of Australia and Argentina in the 20th Century. Both countries had very similar economic circumstances at the beginning of the century, but not at the end. Kirby attributes this in no small way to the way each country administered their tax system.

In short, tax administration is crucial to the well-being of our society. This significance is reflected in the substantial interest shown in the 12th International Conference on Tax Administration held on 31 March and 1 April 2016 in Sydney. The conference featured Commissioners’ Chris Jordan AO from Australia and Naomi Ferguson from New Zealand and Deputy Director Dr Puspita Wulandari from Indonesia. The program also included Mr Ali Noroozi, Inspector General of Taxation in Australia, Ms Nina Olson, Inland Revenue Service in USA, Mr Shinichi Nakabayashi from the Asian Development Bank Institute in Japan, Professor Duncan Bentley, Pro-Vice Chancellor of Swinburne University of Technology, Mr Jeremy Sherwood, the former head of the Office of Tax Simplification in the UK, and Dr Ian Taylor, Chair of Tax Practitioners Board in Australia. There were a wide variety of academics and administrators from Australia, Austria, Indonesia, New Zealand,

¹ Bo Rothstein, *Social Traps and the Problem of Trust*, Cambridge University Press, 2005 pp. 2-4 quoted in Geoffrey Hosking, *Trust: A History*, Oxford University Press, 2014, pp 2-3.

² Kirby, Michael --- "Of 'Sham' and Other Lessons for Australian Revenue Law" [2008] MelbULawRw 27; (2008) 32(3) Melbourne University Law Review 861

Turkey, the United Kingdom and the United States who delivered papers at the Conference.

This Special Edition of the eJTR features a selection of those papers.

We commence with the winner of the Cedric Sandford Medal for 2016, Michelle Lyon Drumbl for her work *Beyond polemics: Poverty, taxes and noncompliance*. This very insightful paper suggests practical solutions to a number of issues concerning the earned tax credit system in the United States. It is based on strong empirical research.

This is followed by Duncan Bentley, *Taxpayer Rights in Australia twenty years after the introduction of the Taxpayers' Charter* and Binh Tran-Nam and Michael Walpole, *Tax disputes, litigation costs and access to tax justice*. Both papers consider very different angles on the nature of disagreements between the taxpayer and the Revenue in the Australian context.

Tamer Budak, Simon James and Adrian Sawyer, embrace the ubiquitous problem of complexity in *International experiences of tax simplification and distinguishing between necessary and unnecessary complexity*. Thought on this theme is extended in a later paper by Tamer Budak and Simon James, *The applicability of the OTS Complexity Index to comparative analysis between countries: Australia, New Zealand, Turkey and the UK*.

There is a deeply analytical piece by Ann Kayis-Kumar titled *What's BEPS got to do with it? Exploring the effectiveness of thin capitalisation rules*. Simon James and Andrew Maples explore *The relationship between principles and policy in tax administration*. The paper carries a subtitle: *Lessons from the United Kingdom capital gains tax regime with particular reference to a proposal for a capital gains tax for New Zealand*.

One of the most important issues going forward will be how developing country tax administrations, bring taxpayers “into the fold”. Setting a framework for this issue, is a paper by Arifin Rosid, Chris Evans and Binh Tran-Nam, *Do perceptions of corruption influence personal income taxpayer reporting behaviour? Evidence from Indonesia*.

Kalmen Datt enters the difficult area of reputational risk with Hamletian aplomb in his paper *To shame or not to shame: That is the question*.

Finally we return to the practical day to day administration with a paper by Agung Darono and Danny Ardianto, *The use of CAATTs in tax audits-lessons from some international practices*.

We hope you enjoy this Special Edition as much as we have enjoyed our role as Guest Editors.

Grant Wardell-Johnson

Robin Woellner