

(1) Name, Position, Contact Details for each applicant

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(2) Project Title: Tax compliance behaviour of small businesses in the context of JobKeeper

(3) Updated Project Summary (500 words) including any variations between the project undertaken and the original application

In 2020, the Australian government introduced the JobKeeper scheme to subsidise businesses that were adversely impacted by COVID-19. The eligibility test for the subsidy was based on a fixed percentage of a decline in revenue (30% or more). The threshold in the government's eligibility test could potentially aggravate business owners' tax evasion activities. This survey research aims to investigate small business owners' attitudes towards tax compliance and how social norms affect such attitudes in the context of JobKeeper.

The original project intended to investigate the tax filing behaviour of tax agents. However, due to the reduced funding amount and the time constraint, the project was revised to focus on the tax compliance intentions of small business owners in the context of JobKeeper instead of tax agents. A detailed explanation of this variation was submitted to the AFAANZ and approved on 11 August 2021.

(4) Funds Granted: \$6837

(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained

Qualtrics Survey Service - \$6,500

RA - \$337 (Literature Review)

The items are not changed. Variations in the amount are caused by the reduced funding amount.

(6) Outcomes, for example, working papers, presentations and publications (give full details, including abstracts)

1. Working paper:

Title: Tax compliance behaviour and COVID-19 government subsidy scheme for small businesses

Abstract: The 2019 coronavirus (COVID-19) outbreak posed a serious challenge to Australian businesses, leading the Australian government to institute various financial support schemes, including JobKeeper. Although great attention has been paid by the public and the media towards this scheme, its impact has not yet been systematically evaluated. Our study is the first to investigate small business owners' tax compliance attitudes and behaviours in the context of the government's support scheme for COVID-affected businesses.

Using an anonymous survey targeting 250 small business owners in Australia (i.e., business with an annual turnover below \$10 million), we evaluate individuals' perceptions towards tax evasion in terms of the JobKeeper eligibility test. We provide a hypothetical scenario based on a sole trader, which asks the participants to rate how likely they would be to reduce the indicated income in the scenario to qualify for the JobKeeper subsidy in this scenario. Then, individuals' tax compliance intentions are analysed based on social norms theory.

The four norms, which are assessed in the survey, are personal, subjective, injunctive, and descriptive norms. Using structural equation modelling (SEM), we find that personal and descriptive norms significantly influence compliance intentions. Other norms do not have direct impacts on compliance intentions while subjective norms have a significant influence on personal norms. Then, personal norms fully mediate the social norms compliance relationship. These results still hold when relevant control variables, including gender, age, risk averseness, familiarity with the tax system, type of business, and the use of tax agents are included.

Next, we assess the relationship between tax compliance intentions and the receipt of the JobKeeper subsidy. People with low tax compliance intentions are more likely to have received the JobKeeper subsidy than those with high tax compliance intentions. In a subsample analysis of only those who received the JobKeeper subsidy, their tax compliance intentions significantly influence the difference between their estimated and actual turnovers. In particular, people with low tax compliance intentions who became eligible for JobKeeper based on their estimated reduction in turnover are less likely to meet the eligibility test when it is based on the actual reduction.

2. Research Grants:

The research team has formed a cross-institutional research team for future projects based on the current project in partnership with the Tax Practitioner Board (TPB), the Australian Taxation Office (ATO) and University of Technology Sydney. The new project, entitled "Tax filing behaviour of tax agents in the context of Jobkeeper Scheme", has successfully attracted additional funding of \$10,000 under the Pilot Research Funding at the University of Newcastle.

(7) Future Intentions for this Project (give full details)

a. Conference submissions

The paper will be submitted to the Research Network Conference 2022 – Edinburgh by 8 April, 2022.

<http://taxresearch.network/trn-conference-2022-edinburgh/call-for-papers-tax-research-network-annual-conference-2022/>

b. Journal submissions

The target journal for the working paper is the Journal of Business Ethics (ABDC: A) and Australian Tax Review (ABDC: A). The paper will be submitted to one of these journals in 2022.

c. Grant applications

As stated above, the subsequent project has been awarded with \$10,000 funding during 2021.

d. Others

The findings from the present project will be disseminated via TPB or ATO newsletters in 2022.

(8) Summary of Outcomes and Benefits

Our study is the first to investigate the effects of the government's support scheme for COVID-affected businesses on their compliance attitudes and behaviours. Our research provides new evidence about small business owners' reporting practices and perceptions regarding JobKeeper and offers new insights into their compliance behaviours based on social norms theory.

In particular, our study finds that individuals' personal norms, i.e., one's own expectations for behaviour, are an important factor determining tax compliance intentions along with descriptive norms, i.e., how others behave. Subjective norms, i.e., how important others (e.g., family, friends, etc) would behave, affect tax compliance intentions only via personal norms, through the internalisation of norms. Individuals' tax compliance intentions are significantly associated with the receipt of JobKeeper subsidy where a group with low compliance intentions are more likely to have received the subsidy and to present a higher gap between the estimated and actual reduction in turnover.

Our findings on small business owners' tax filing behaviours in the context of JobKeeper are of interest to regulatory bodies, particularly as governments around the world have established and executed various support schemes for COVID-affected businesses during the pandemic. Our research findings and methodology for testing the motivation of compliance based on social norms theory will be relevant to policy makers in designing future government support schemes and to regulatory bodies, such as the ATO, in monitoring subsidies. These findings are also relevant to accounting professionals, such as accounts preparers, auditors, and tax practitioners registered by the Tax Practitioners Board to prevent fraudulent activity going forward. Furthermore, by identifying the social norm factors affecting compliance, a normative intervention strategy can be developed to discourage individuals' tax evasion activities.