

A citizen-centred tax and transfer system: Complexity and compliance Commentary

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Critical issues addressed by Slemrod paper

- How do we assess level of complexity (benchmarks)?
- Is Australia complex?
- Is there an optimal level of complexity?
- When is complexity justifiable?
- What are the political origins and consequences of complexity?
- What might we do in Australia?

Causes of tax-transfer system complexity

- Life is complicated
- Use of the tax system to achieve social and political goals
- Tax and transfer proliferation
- Policy differentiation
- Legislative layering – the compounding effect
- Change (and frequency of change)

Managing complexity: ten principles

1. Accept justifiable complexity
2. Accept rough justice
3. Focus on low-hanging fruit
4. Remove duplication/seek harmonisation
5. Distinguish legal complexity from effective complexity
6. Ensure legal rules are predictable, proportional and consistent
7. Manage change (do it once and do it right)
8. Be wary of choice
9. Minimise grit in the system
10. Monitor complexity – don't be afraid of (imperfect) metrics

Managing complexity: specific measures/trends (OECD 2008)

1. Adjusting tax policy settings
2. Re-engineering government processes for the collection of data and revenue
3. Implementing citizen and business-centric approaches to tax administration
4. Leveraging advances in technology
5. Optimising the use of third party information
6. Re-designing compliance interventions

