

TAXATION PHD – RESEARCH PROJECT

Understanding vulnerable taxpayers for policy changes required to reduce tax vulnerability and enhance tax compliance assistance

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Summary

There can be a variety of reasons why taxpayers can become vulnerable, such as low-income, financial crisis, physical or mental health problems, unemployment, grief due to loss of family members, and financial or physical abuse. These vulnerabilities often prevent these taxpayers from fulfilling their taxation obligations. They also often end up on social welfare. The literature on tax vulnerability is very broad, including: How the ATO deals with vulnerable taxpayers (Law Council of Australia, 2021); Social security policies (Whiteford, 2017); Levels, extent, and nature of poverty (Australian Council of Social Service & University of New South Wales, 2023); An understanding of what is meant by “working poor” (Australians for Native Title and Reconciliation, [2023]); An understanding of remote, rural, and cultural factors that causes vulnerability (Parliament of Australia, 2024).

The PhD research will focus on what are the causes of tax vulnerability in Australia and the policy changes required to reduce tax vulnerability and provide increased tax assistance to vulnerable taxpayers. Utilising real-life data collection methods from tax clinics and case study analyses, the research endeavours to bridge the gap between theoretical frameworks and practical application, fostering a deeper understanding of vulnerability within taxation systems.

Background:

As vulnerable taxpayers may not be able to afford the services of commercial accountants for their tax compliance requirements, they often seek assistance from pro-bono tax clinics in Australia. The birth of tax clinics in Australia has been motivated by the Federal Government’s National Tax Clinic Program (NTCP) which commenced in 2018 (Kayis-Kumar & Noone, 2019), and as of 2023, there are 15 University based tax clinics in Australia, to offer free advice and support for underrepresented, lower-income, in-need or vulnerable taxpayers and assist in developing a practical experience for students as the future of the tax profession (Australian Taxation Office, 2022).

Understanding the tax vulnerability can allow tax clinics to provide better services and promote the required policy changes. Policy issues can arise with the interaction of the *Income Tax Assessment Act 1997* (Cth) with *Social Security Act 1991* (Cth). The vulnerable taxpayers who are on social welfare may have taxable incomes below the tax-free threshold and may normally be exempted from lodging annual income tax returns under Australian taxation legislation. However, under the *Social Security Act 1991* (Cth) and the *Social Security (Administration) Act 1999* (Cth), Centrelink may require tax return information to assess the required level of support. If this tax return information is not provided to Centrelink, there is a risk of Centrelink cancelling ongoing payments, and this can become a cause of vulnerability for individuals.

This project aims to understand the concept of a vulnerable taxpayer through the lens of a pro-bono tax clinic, to aid in the alignment of future policy changes with contemporary principles of social justice, tax justice, and tax fairness. Specific research questions include, but are not limited to the following:

- 1) What lessons can be drawn from general observations and anonymised summaries of confidential case studies to understand vulnerable taxpayers?
- 2) How should government organisations such as the ATO recognise the vulnerable status of individual taxpayers and provide support to them?
- 3) What is meant by poor and working poor in Australia? What changes are required in the taxation and social welfare systems to move people out of the vulnerable status category?
- 4) How can the vulnerable tax clinic client experience be improved?
- 5) What policy changes can be recommended to reduce tax vulnerability?

Reference List:

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