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Citation:

Lin Mei Tan; Greg Tower, The Readability of Tax Laws:
An Empirical Study in New Zealand, 9 Austl. Tax F. 355
(1992)

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Wed Jan 17 06:49:17 2018

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The Readability of Tax Laws: An Empirical Study in New Zealand

Lin Mei Tan & Greg Tower*

Introduction

In July 1989, Caygill, the (then) Minister of Finance, announced the New Zealand Labour Government's intention to simplify the tax system so as to achieve an effective tax structure. The Tax Simplification Consultative Committee (known as the Waugh Committee) was thus set up to address this issue. After the final report of the Waugh Committee,¹ the government indicated that most of the Committee's recommendations would be implemented. These include the Minister's agreement to simplify the legislative language. This commitment has been restated by the National Party which came into power in late 1990.

The purpose of this study is to test empirically the effectiveness of the New Zealand government's initiatives towards simplifying the legislative language, using the measure of the level of readability of the tax laws as a surrogate for simplicity. The results of this study may have implications for the appropriate presentation style of the tax law.

The next part of this article provides an overview of the New Zealand tax reforms and their present state of complexity. In the

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The authors would like to thank Hector Perera, Rex Marshall, Suzette Chapple, Stuart Tooley, Brenda Porter and anonymous reviewers for their valuable comments on earlier drafts of this paper.

1. New Zealand, Tax Simplification — *Final Report of the Consultative Committee (Waugh Committee Report)* (Wellington: Government Printer, 1990).

following section, tax simplification is linked to readability criterion, where communication theory is discussed. There is then a report on an empirical investigation which examines the readability of the tax legislation before and after the tax simplification exercise, using the Flesch Readability formula. The findings are then discussed and the article concludes with a summary of the study and its implications.

An Overview of New Zealand Tax Reforms

In the nineteenth century, the tax system in New Zealand was rather basic, both in concept and in application.² The primary purpose of taxation was (and is) to provide a source of revenue to finance government expenditure.³ Initially, taxes collected were based solely on expenditure. In the late 1800s, taxes were also levied on land and property.⁴ As the revenue from these sources proved to be inadequate to meet the government's growing expenditure needs, the tax base was gradually extended in all three fields — income, expenditure and wealth.⁵ Income tax was first imposed in New Zealand by the *Land and Income Tax Assessment Act* 1891.⁶ The trend towards income tax as the dominant source of government revenue, was evidenced in the *Land and Income Tax Act* 1954, which was later consolidated into the *Income Tax Act* 1976 and the *Land Tax Act* 1976.⁷

As observed by the Taxation Review Committee, the tax system had grown increasingly complex with the increased sophistication of the commercial structure.⁸ Recent tax reforms have further increased the complexity of the tax system.⁹ As Stephens noted,¹⁰

2. Taxation Review Committee, *Taxation in New Zealand (Ross Committee Report)* (Wellington: Government Printer, 1967).

3. L.N. Ross, *Taxation Principles, Purpose and Incidence* (Wellington: NZSA, 1964).

4. Taxation Review Committee, *supra* note 2, at 52.

5. Taxation Review Committee, *supra* note 2.

6. Commerce Clearing House New Zealand Limited (CCH), *1991 New Zealand Master Tax Guide* (Auckland, 1991).

7. *Ibid.*

8. *Supra* note 2.

9. New Zealand, *Key Reforms to the Scheme of Tax Legislation*, Discussion Paper (Wellington: Government Printer, October 1991), at 6.

10. R.J. Stephens, 'New Zealand Tax Reform', in J.G. Head, ed., *Australian Tax Reform: In Retrospect and Prospect* (Sydney: Australian Tax Research Foundation, 1989), 65.

comprehensive tax reform was seen as necessary by the Labour Government (1984-1990) because it was regarded as an integral part of their economic strategy. The stated aims of these tax reforms were to improve the efficient use of resources and to introduce a greater degree of equity into the tax and benefit system.¹¹ However, it is not clear whether these aims have been achieved. Perhaps, more important was this explicitly stated wish of the new government to ensure the collection of the desired amount of tax revenue in view of the deficit in the government's budget.¹²

As part of the reforms, tax bases were broadened, the number of steps in the income tax scale were dramatically reduced and many tax incentives and subsidies were removed.¹³ Since 1985, new tax regimes have been introduced and major changes were made to various parts of the tax legislation. As noted by the Waugh Committee,¹⁴ these include:

- Goods and Services Tax;
- Fringe Benefit Tax;
- tax reforms in the primary sector;
- accruals regime for income and expenditure relating to financial arrangements;
- a new provisional tax regime;
- superannuation and life insurance changes;
- resident withholding tax on interest and dividends;
- dividend imputation and foreign dividend withholding tax;
- new tax residence rules;
- an international tax regime covering New Zealand controlled foreign companies and investments in foreign investment funds;
- a new tax regime for domestic and offshore trusts;
- removal of many special exemptions, reliefs and preferences.

The *Income Tax Act* 1976 now contains more than 750 sections (with many subsections and parts to subsections) which make up the basic structure of the tax system. The Waugh Committee felt that parts of the tax legislation are confusing and unclear, making

11. *Ibid.*

12. R. Douglas, Minister of Finance, *Budget 1987* (Wellington: Government Printer, 1987).

13. Stephens, *supra* note 10.

14. *Supra* note 1, at 3.

compliance difficult for the ordinary taxpayer.¹⁵ This legal complexity has become an area of major concern for many taxpayers and seems in direct conflict with the spirit of Adam Smith's *Canons of Taxation*.¹⁶

In response to growing pressure over the increased complexity of the tax system due to these radical reforms, the Labour Government publicly acknowledged their intention to simplify the tax structure. As a first step, the appointed Waugh Committee's mission was to recommend measures which could reduce taxpayers' compliance costs without diminishing the tax revenue intake.¹⁷

The narrow framework within which the Waugh Committee had to work with meant that any proposals put forward by them would need to be revenue neutral and must relate to non-policy issues. The Committee, in its final report released in September 1990, made 176 recommendations.¹⁸ Many of these recommendations aimed at simplifying the tax system, therefore, lie in the area of the alignment of payment dates, the reduction of returns and forms and the increase in thresholds so as to reduce taxpayer's compliance costs.

The Committee also recommended that the wording of the *Income Tax Act 1976* be simplified in a number of regards. For example, they suggested¹⁹ that:

- tax legislation be drafted in simple and clear language which is understandable to the ordinary taxpayer so that intent of the legislation is clear;
- the wording of section 64H²⁰ of the *Income Tax Act* should be simplified and its intent and scope clarified;
- the IRD should simplify the accrual rules determinations²¹ and make them user-friendly for non-specialists;
- the IRD should publish plain language supplements to the determinations and also provide clear explanations of exemptions from these determinations.

15. *Supra* note 1.

16. A. Smith, *An Inquiry into the Nature and Cause of the Wealth of Nations* (E. Cannan, ed.) (London: Methuen, 1961), at 350-352.

17. *Supra* note 1.

18. *Supra* note 1.

19. *Supra* note 1, at 99-125.

20. This section requires taxpayers to disclose certain inter-related financial arrangements to the IRD.

21. Determinations are issued by the Commissioner of Inland Revenue telling taxpayers how to apply the accrual rules.

Upon the release of the final report, the Labour Government indicated that most of the Committee's recommendations would be implemented. The current National Government has also made a similar pledge. Since 1990, a number of amendments to the *Income Tax Act* 1976 were made to incorporate the recommendations. With the Labour and National Governments' agreement to simplify the statutory language, one would anticipate that the drafting of any amendments to simplify the tax system is in clear and simple language. However, as observed below, the effectiveness of these tax simplification initiatives is questioned.

Communication Considerations

The lack of readability of tax laws has long been subject to vigorous criticism. Ross stresses that:

effective collection from the standpoint of the economy as a whole requires minimum cost not only to the government but also to taxpayers as well. Simplicity in tax legislation and provision of adequate, clearly worded information are of greatest importance.²²

The most frequent complaint in regard to readability lies in the use of one sentence for each section or subsection of the Act. This makes it difficult for taxpayers to discern the meaning.²³ As shown in the next section, this is an important ongoing problem with the New Zealand tax legislation.

Grbich and Walker view tax statutes as 'a means of communicating basic policy and delegating decision making to self-assessing taxpayers'.²⁴ They further reiterate that if the legislator is to manage the decision making process of delegates, the clarity of communication should be optimised.²⁵ As a result, Grbich and Walker assert, 'We must make sure that we make it easy for ordinary taxpayers to understand and comply with the law'.²⁶ Couzin²⁷

22. *Supra* note 3, at 6.

23. D.J. Sherbaniuk, 'Tax Simplification — Can Anything be Done About it?', in *1988 Conference Report: Report of the Proceedings of the Fortieth Tax Conference* (Toronto: Canadian Tax Foundation, 1988).

24. Y. Grbich and M. Walker, 'The Tax Code Needs Rewriting', (1988) 5 *Australian Tax Forum* 385, at 386.

25. *Id.*, at 387.

26. *Id.*, at 385.

27. R. Couzin, 'The Process of Tax Simplification', (1984) 32 *Canadian Tax Journal* 487, at 491.

similarly notes that to facilitate compliance, clarity in the tax language is important²⁸ when he states:

The relationship between language and compliance is obvious. A taxpayer cannot assess himself, his advisers cannot advise, administrators cannot examine or reconsider, and courts cannot adjudicate if no one can understand what the statute says . . .

Starkman supports these views.²⁹ He points out that when 'tax laws are difficult to understand and comply with, taxpayers lose respect for the system itself'.³⁰ The Waugh Committee believes that 'given that the New Zealand tax system relies on voluntary compliance, it is essential that the objectives of the government are expressed in certain and clear language'.³¹ An effective and efficient tax system would therefore depend to a large extent on the taxpayer's ability to understand the tax laws.

Simplification is seen as one important element of the communication process, in this case between the taxpayer and the government tax authority. Sligo cites seven elements of the communication process:

- the original idea
- encoding the message
- sending the message
- distortions to the message
- receipt of the message
- decoding of the message
- the re-interpreted idea.³²

This study focuses on Steps 2 [Encoding the message] and 6 [Decoding the message]. Readability is considered an important criterion in the ability to decode the message.

28. Couzin also cites simplification of concepts and administration as other areas that can facilitate compliance.

29. J. Starkman, 'Prelude to Simplification: Why Taxes are so Complex', [1990] 129 *Journal of Accountancy* 78.

30. *Ibid.*

31. *Supra* note 1, at 24.

32. F. Sligo, *Effective Business Communication* (Palmerston North, NZ: Dunmore Press, 1988), at 28.

Methodology

There appears to be general agreement in the tax literature that the low level of readability is one of the factors of tax complexity.³³ The New Zealand Law Commission advised that the use of short sections, the use of short sentences and the use of the active voice rather than passive voice would greatly improve tax legislation.³⁴ An objective of this study is therefore to empirically test the readability of tax laws (and other related tax documents) in line with recommendations of the Waugh Committee and the New Zealand Law Commission. The results may have implications as to the effectiveness of the tax simplification exercise using readability as the surrogate for simplicity criterion.

A review of tax literature indicates that one method of measuring reading complexity is to apply standard readability tests. Readability scales are statistical tools used to estimate the difficulty of written prose.³⁵ They take into account characteristics of writing style that are measurable and then evaluate the extent to which each identifiable attribute impacts on reading difficulty.³⁶

There are limitations to this methodology. Most formulas are typically based on easy to count factors such as sentence length and word length. Therefore, they do not take into consideration other important factors such as conceptual difficulty; semantics;³⁷ reader characteristics such as interest level, motivation, experience and maturity;³⁸ and presentation of the material such as size, type of print and general format.³⁹ Due to these inherent limitations, the readability formulas do not guarantee an absolute measure of clarity.⁴⁰

33. B.S. Koch, and S.S. Karlinsky, 'The Effect of Federal Income Tax Law Reading Complexity on Students Task Performance' (1984) 2 *Issues in Accounting Education*, 98.

34. See *supra* note 9, at 66.

35. J. Selzer, 'Readability is a four-letter word', [1981] *Journal of Business Communication* 57.

36. P.M.J. Reckers, and A.J. Stagliano, 'State Income Tax Forms: A Test of Readability', [1980] *Akron Business and Economic Review* 42.

37. Selzer *supra* note 35, at 25.

38. L.J. Guidry and D.F. Knight, 'Comparative Readability: Four Formulas and Newbery Books', [1976] *Journal of Reading* 552.

39. J.E. Smith and N.P. Smith, 'Readability: A Measure of the Performance of the Communication Function of Financial Reporting', [1971] *Accounting Review* 552, at 554.

40. H. Battison and D. Goswami, 'Clear Writing Today', [1981] *Journal of Business Communication* 5, at 10.

Although, the formulas cannot be interpreted with absolute certainty, they can still assist authors to predict the readability of their writing.⁴¹ The extensive use of this methodology by academic researchers to measure the readability of accounting information, finance, marketing, management and even business communication textbooks denotes that it does provide some good indication as to the readability of the text.

In the tax arena, the US Internal Revenue Service uses the Flesch Readability Index to measure the readability of tax forms and instruction booklets.⁴² This Index has also been used by Reckers and Stagliano to determine the readability of tax instruction booklets published by the federal government and various eastern states.⁴³ The above studies provide support for using this index in the analysis of income tax information.

The Flesch Index utilises word length and sentence length to measure the level of readability of a given passage. The Index is calculated using the following formula:

$$\text{The Flesch Reading Ease Score} = 206.835 - 0.846wl - 1.015sl$$

where:

wl = number of syllables per 100 words

sl = average sentence length in words

For this study, the Flesch Index is applied to three different types of reading materials: the New Zealand tax legislation, the Technical Information Bulletins (TIBs) and the guides to the tax returns. These three sources are examined to allow comparisons of the communication content of disparate types of information available to New Zealand taxpayers.

- A sample of the sections (post-simplification) of the *Income Tax Act 1976* [ITA] and the *Goods and Services Tax Act 1985* [GSTA], was compared to the readability of the same sections before the amendments were made (pre-simplification). A comparison was made to the readability of the same sections before the amendments were made (pre-simplification). Only the sec-

41. See P. Healy, 'Can You Understand the Footnotes to Financial Statements?', [1977] *Accountants' Journal* (July) 219; and G. Klare, 'Readable Technical Writing: Some Observations', [1977] 24 *Technical Communication* 2.

42. Koch and Karlinsky, *supra* note 33.

43. *Supra* note 36.

tions which have been rewritten pursuant to the Waugh Committee's recommendations were examined, comprising 10 GSTA and 30 ITA code sections. For each section, the entire contents (both pre and post-simplification) were evaluated through the use of the Flesch Formula.

The readability of the Tax Acts is also compared to two other taxation reading materials, the TIBs and the tax return guides, which have different presentation styles.

- The TIB is an Inland Revenue Department publication designed for people with an interest in New Zealand taxation. It provides a regular information service interpreting tax legislation. As the purpose of this information package is to assist people to comply with taxation law, all 23 TIBs issued since inception (July 1989) were selected for examination. From each of the TIBs, 100-word passages were randomly selected for the readability test. Two samples were taken from each TIB: the first 100-word and last 100-word passages of clarifications made with regard to different areas of the tax law.⁴⁴
- Tax return guides are designed to assist taxpayers in completing their tax return forms. To make it easier for people to comply with the laws, it is essential that the forms are simple to complete and the guides understandable. 100-word passages were randomly selected from each of the seven separate 1991 tax return guides for the readability test. The first 100 words and the last 100 words of the notes of each tax return guide were taken as representative of the entire guide.⁴⁵

Results and Discussion

The Flesch Readability Index generates a reading ease score from 0 (most difficult) to 100 (least difficult). Thus, the lower the reading ease score for a particular passage, the harder it will be to read. Tables 1 and 2 reveal very low scores for the tax code sections examined.

44. Passages containing numerical examples or which were dissemination of general information such as due date reminders were excluded. In such situations, the next 100 word passage were selected.

45. Only notes in the guide which assist taxpayers in filling up the tax return were randomly selected. Other general information or numerical examples were excluded.

The Flesch scores shown in Tables 1 and 2 indicate that the sections of the ITA and the GSTA analysed are very difficult to read. On a 100 point scale, the scores for both the old and new code sections have a mean of below two. This provides strong evidence of the ongoing complexity of the tax code and the apparent failure of the communication component of tax simplification initiatives. There is no significant difference between the Flesch scores for the old sections (pre-simplification) and the new (post-simplification) sections. Indeed the Flesch scores for both the ITA and GSTA code sections are even more difficult to read after the changes.

Further analysis of the Flesch formula reveals that the main reason for the high reading difficulty of the tax legislation results from extremely long sentences, rather than word length. Many readers would be able to understand the vocabulary used in the sections of the ITA and GSTA examined as the average word length in both is 1.56 (1.57 for the old sections) syllables per word. However, in terms of sentence length, the old and new sections of the ITA displayed an average sentence length of 141.60 words and 135.22 words respectively. For GSTA, the old and new sections scored an average of 125.69 words and 128.11 words respectively. This result reflects the typical usage of one sentence for each section or subsection of the Act, running into hundreds of words. In addition, the over-usage of passive voice (35-55 per cent), a factor not incorporated into the Flesch score, makes it even less readable.

Table 3 reveals an improved Flesch scores for the Technical Information Bulletins [TIBs] as compared to the Acts. The average Flesch score is 39.26.

However, even this score indicates that 92 per cent of the TIBs are difficult or very difficult to read for individuals without university training. The sentence length of an average words of 23.45 adds to the reading complexity. The average passive voice of 37.17 per cent also decreases reading comprehension.

As compared to the tax laws and the TIBs, the tax return guides were considerably easier to read (see Table 4).

As shown in Table 4 the Flesch score of 65, average sentence length of 15 words and a passive voice of 16.29 per cent is within a reasonable range for most readers to understand.

Table 5 provides a summary analysis of Tables 1-4. This highlights the relationship between the readability scores of particular

Table 1: Flesch Readability Scores — Sections of Goods and Services Tax Act (GSTA) 1985

Sections of the Act	Flesch		Average				Passive Voice (%)	
			Sentence Length (Words)		Word Length (Syllables)			
<i>GSTA 1985</i>	<i>old</i>	<i>new</i>	<i>old</i>	<i>new</i>	<i>old</i>	<i>new</i>	<i>old</i>	<i>new</i>
Section 15 Taxable Periods	0	0	81	85.5	1.63	1.60	14	14
Section 15A Change in Registered Person's Taxable Period	0	0	80	89	1.66	1.66	42	50
Section 16 Taxable Period Return	3	0	67	71	1.60	1.61	66	66
Section 17 Special Returns	0	0	103	102.5	1.38	1.38	50	50
Section 19 Accounting Basis	0	0	123.8	123.8	1.62	1.62	60	60
Section 20 Calculation of Tax Payable	0	0	174	174.6	1.54	1.54	80	80
Section 24 Tax Invoices	0	0	82	82	1.68	1.60	53	53
Section 51 Persons Making Supplies	0	0	108.1	108.1	1.63	1.63	28	28
Section 78B Adjustments Following Change in Tax Rate	0	0	151	164.2	1.50	1.49	50	50
Section 78C Change in Accounting Basis	0	0	287	280.5	1.47	1.46	100	100
Mean	0.3	0	125.69	128.11	1.57	1.56	54.3	55.1
Standard Deviation	0.9	0	62.66	60.41	0.09	0.08	23.29	22.99

Table 2: Flesch Readability Scores — Sections of the *Income Tax Act (ITA) 1976*

Sections of the Act	Flesch		Average				Passive Voice (%)	
			Sentence Length (Words)		Word Length (Syllables)			
	old	new	old	new	old	new	old	new
Section 64C Accruals Regime	0	0	154.1	202.3	1.68	1.64	28	33
Section 64D Accruals Regime	0	0	167.1	178.3	1.58	1.58	50	44
Section 106B Motor Vehicle Expenses	0	0	174.7	108.1	1.60	1.61	50	33
Section 316 NRWT	0	0	121	121	1.58	1.58	50	50
Section 319 NRWT	0	0	236	236	1.53	1.53	100	100
Section 320 NRWT	0	0	93.7	93.7	1.58	1.58	75	75
Section 327E RWT	0	0	103	103	1.56	1.56	50	50
Section 336N FBT	0	0	279.8	302.8	1.52	1.52	68	58
Section 336s FBT	0	0	263	116.6	1.42	1.53	0	40
Section 336zc SSCWT	0	0	162	162	1.56	1.56	100	100
Section 336zd SSCWT	0	0	114.5	114.5	1.67	1.67	50	50
Section 336zf SSCWT	0	0	302	302	1.67	1.67	100	100
Section 353 Tax Deductions	0	0	130.2	130.2	1.59	1.59	21	21
Section 355 Tax Deductions	0	0	153	153	1.34	1.34	100	100
Section 361 Tax Deductions	0	0	118	108.5	1.43	1.45	50	50
Section 374A FSTC	0	0	295.5	287.6	1.59	1.58	0	0
Section 374H FSTC	0	0	155.7	116.4	1.51	1.45	83	85

Section 374IA FSTC	0	0	214	163	1.64	1.65	0	0
Section 375 Provisional Tax	0	0	150.3	163.3	1.57	1.55	0	0
Section 377 Provisional Tax	0	0	65.3	66	1.66	1.64	0	0
Section 382 Provisional Tax	0	0	84.1	79.8	1.66	1.65	0	0
Section 388 Provisional Tax	36	18	42	62.6	1.51	1.48	0	0
Section 394J Provisional Tax	0	0	96.7	99.5	1.69	1.69	0	0
Section 394L Full Imputation	0	0	92.1	92.1	1.54	1.54	0	0
Section 394N Full Imputation	0	0	71.3	71.3	1.59	1.59	0	0
Section 394ZZF DWP	0	0	83.7	83	1.61	1.60	10	10
Section 394ZZG DWP	0	0	74.6	74.6	1.62	1.62	0	0
Section 395 Payment of Tax	17	13	68	74	1.42	1.4	50	50
Section 398A Payment of Tax	0	0	74.7	76.3	1.57	1.57	0	0
Section 413A Interest on Overpaid Tax	0	0	107.8	115.2	1.53	1.52	33	33
Mean	1.77	1.03	141.60	135.22	1.57	1.56	35.6	36.07
Standard Deviation	7.05	3.92	71.44	67.87	0.08	0.08	36.07	35.13

NRWT = Non Resident Withholding Tax

RWT = Resident Withholding Tax

FBT = Fringe Benefit Tax

SSCWT = Specified Superannuation Contribution Withholding Tax

FSTC = Family Support Tax Credit

DWP = Dividend Withholding Payments

Table 3: Flesch Readability Scores — Tax Information Bulletins (TIB)

TIBs	Flesch	Average		Passive Voice (%)
		Sentence Length (Words)	Word Length (Syllables)	
<i>Vol.</i>				
1.1 July 1989	50	16.6	1.65	33
2.1 August 1989	55	18.8	1.57	40
3.1 September 1989	29	21.4	1.84	20
4.1 October 1989	63	19.5	1.47	50
5.1 November 1989	18	32.6	1.84	66
6.1 December 1989	36	21.0	1.77	40
7.1 January 1990	48	21.8	1.62	0
8.1 February 1990	37	23.0	1.73	33
9.1 March 1990	44	24.0	1.63	0
10.1 May 1990	36	26.2	1.70	40
11.1 June 1990	40	19.2	1.74	0
1.2 July 1990	34	16.5	1.84	50
2.2 August 1990	10	47.5	1.75	50
3.2 October 1990	44	24	1.63	0
4.2 November 1990	38	19.4	1.76	20
5.2 December 1990	44	17.5	1.71	83
6.2 February 1991	38	34.3	1.58	100
7.2 March 1991	47	25.2	1.59	50
8.2 April 1991	49	25	1.57	50
9.2 April 1991	29	16.8	1.90	0
1.3 July 1991	34	21.8	1.78	40
2.3 August 1991	36	24.0	1.73	40
3.3 October 1991	44	23.2	1.65	50
Mean	39.26	23.45	1.70	37.17
Standard Deviation	11.16	6.78	0.11	25.91

Note: The TIBs are issued on a regular basis rather than on a monthly basis.

Table 4: Flesch Readability Scores – Tax Return Guides

Tax Return Guide	Flesch	Average		Passive Voice (%)
		Sentence Length (Words)	Word Length (Syllables)	
IR 2 Land Tax	71	15	1.43	14
IR 3 Income Tax	78	13.3	1.36	7
IR 4 Company Taxpayer	63	11.1	1.57	6
IR 5 Income Tax	73	17.2	1.38	25
IR 6 Estate & Trust Taxpayer	72	14	1.43	27
IT 7 Partnership	46	20.8	1.65	20
IT 9 Clubs & Societies	53	14.7	1.64	15
Mean	65	15	1.49	16.29
Standard Deviation	10.87	2.86	0.11	7.60

Note: Generally IR 5 return is used if a taxpayer received income which had tax deducted at source such as salary, interest, benefits, dividends, wages, pension. IR 3 return is used if a taxpayer received income from any other source.

sections of the Act, the TIBs, the return guides and the achieved educational levels of the population.

All but one of the 40 code sections examined (pre and post) of the Acts scored below 30, indicating that they are very difficult to read. The TIBs, although possessing higher scores, are still considered to be difficult to read as 74 per cent of the TIBs score between 30 and 50. However, 58 per cent of the tax return guides are fairly easy to read.

Educational attainment statistics derived from the 1986 Census (see Table 6) indicate that 38.4 per cent of the New Zealand resident population who are aged 15 years and over have no formal school qualifications.⁴⁶

46. This information is extracted from the *New Zealand Official 1990 Year Book*, at 271.

Table 5: Summary of Flesch Readability Scores

Flesch Score	ITA 1976 + GSTA 1985				TIBs		Tax Return Guide		Education Level	General Reading East Scale
	Old		New							
	#	%	#	%	#	%	#	%		
Below 30	39	97.5	40	100	4	18	0	0	University Graduate	Very Difficult
30-50	1	2.5	0	0	17	74	1	14	University Undergraduate	Difficult
50-60	0	0	0	0	1	4	1	14	Forms 5-7	Fairly Difficult
60-70	0	0	0	0	1	4	1	14	Forms 3-4	Standard
70-80	0	0	0	0	0	0	4	58	Form 2	Fairly Easy
80-90	0	0	0	0	0	0	0	0	Form 1	Easy
90-100	0	0	0	0	0	0	0	0	Standard 4	Very Easy
	40	100	0	100	23	100	7	100		

Table 6: Qualifications Population Aged 15 Years and Over

Qualifications	Percent
University	6.7
Teacher's Certificate, Trade, Nursing, Technicians	2.6
NZ Certificates	15.0
Other Tertiary	5.0
Secondary	25.9
Other School	0.6
No Formal Qualifications	38.4
Not Specified	5.8

Source: *NZ Official 1990 Year Book*, at 271.

The 1991 Census⁴⁷ indicates that for those aged 15 or over, approximately 40.1 per cent of the population have no school qualifications. Consequently, the tax legislation can be considered to be difficult to read by a large proportion of the population.

These comparisons (Tables 1-6) reveal that different writing styles have an effect on a person's ability to read and understand. Lengthy complicated sentences coupled with indirect and inactive types of writing appear to be the main contributing factors to reading complexity.

Conclusion

The principle of simplicity has been recognised by governments as one of the criteria of a good tax system. However, this criterion is usually overshadowed by other factors considered to be more important from the viewpoint of the government. It was not until the late 1900s, that the New Zealand government formally announced its intention to simplify the tax system. Their commitment to tax simplification is commendable.

However, this study shows that no progress has been made in simplifying the wording of tax law to make it more readable and understandable. The tax legislation appears to be very difficult to read by a high percentage of taxpayers. The post-simplification code sections appear to be at least as complex as their pre-simplification equivalents. Moves to simplify the tax law appear to

47. This document is not yet published at the time of writing this paper but the pertinent information was confirmed by a Department of statistics officer.

have failed despite the enactment of many of the Waugh Committee's initiatives. The TIB's usefulness appears to be limited to those individuals of a high level of education, a minority of the New Zealand populace. Only the tax return guides are written in a simple fashion. The improved scores obtained from testing the readability of supplementary materials which use shorter sentences, in particular the tax return guides, indicates that readability of the tax laws can be enhanced by reducing the sentence length. The over-use of passive voice also makes the Acts difficult to read. Thus readability can be improved by using a more direct and active style of writing.