The Readability of Australia's Taxation Laws and Supplementary Materials: An Empirical Investigation

DAVID SMITH and GRANT RICHARDSON[*]

'Everything should be made as simple as possible, but not simpler.'

Albert Einstein

Abstract

Australian taxation law has been criticised for many years for its difficulty to read and understand. The Tax Law Improvement Project (TLIP) was established in December 1993 to rewrite in plain language Australia's income tax legislation. The primary purpose of this study is to test empirically the effectiveness of attempts at simplifying the Income Tax Assessment Act 1936 as amended. The study utilises empirical measures in analysing the level of readability of Australia's taxation laws. In doing so, it builds on earlier research, which applied similar methods in examining the New Zealand taxation simplification process. It was found that the sections of Income Tax Assessment Act 1997 sampled were slightly more readable than corresponding sections of Income Tax Assessment Act 1936 as amended, which is consistent with Wallschutzky's (1995) findings. Nevertheless, the results fall well short of acceptable bench-marks, suggesting that the goal of simplification has not been achieved.

[*]Smith is in the Department of Accounting & Management at La Trobe University, Bundoora, Victoria, Australia. Richardson is in the Departments of Accounting & Finance and Business Law & Taxation at Monash University, Clayton, Victoria, Australia.

I. INTRODUCTION

Australian taxation law has been criticised for many years for its difficulty to read and understand. The Income Tax Assessment Act 1936 as amended (ITAA36) increased in length from 126 pages at its inception to over 5,000 pages prior to its simplification. The length and complexity of the legislation have led to increased costs, both for the taxpayer (in the form of increased compliance costs) and for government (in the form of increased administration costs).[1]

In 1993, the Joint Committee of Public Accounts (JCPA) conducted an extensive investigation of the administration of Australia's taxation law. The JCPA tabled a report to Federal Parliament recommending that the government establish a broad-based task force to redraft ITAA36.[2] In response to this recommendation, the government established the Tax Law Improvement Project (TLIP) in December 1993.[3] The TLIP's primary task is to simplify taxation law by rewriting and restructuring ITAA36 to make it easier to understand.[4] This is accomplished by redrafting the taxation law in plainer English, using improved presentation (including the use of maps, graphics, tables and examples) and modern drafting style and techniques.

There are two main underlying goals of the TLIP: first, to reduce compliance and administration costs attributable to the complexity of the legislation, and second, to produce fairer, more easily understood taxation legislation.[5] Of course, the TLIP's mandate was limited to improving the formulation of the existing taxation law. It allowed only very minor changes in taxation policy.[6]

Given the paucity of empirical studies that have considered the success or failure of the Australian TLIP to date, the primary purpose of this study is to test empirically the effectiveness of the Australian government's attempts towards simplifying, and thereby improving, ITAA36. This is accomplished by using accepted empirical measures of the level of readability to operationalise Adam Smith's (1776) maxim of *simplicity*. This study builds on the previous research of Tan and Tower (1992) and Richardson and Sawyer (1998) which applied a similar methodology to New Zealand taxation law. The results of this study should have implications for further attempts to simplify taxation law in

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[1]Commonwealth of Australia, 1985, p. 9.
[2]Joint Committee of Public Accounts, 1993.
[3]The Hon. J. Dawkins, MP, Treasurer, Press Release, December 1992.
[4]Joint Committee of Public Accounts, 1993.
[5]Joint Committee of Public Accounts, 1993.
[6]Joint Committee of Public Accounts, 1997.

Australia, as well as providing a serviceable comparison with the New Zealand results reported in the literature.[7]

The paper is organised as follows. Section II provides an overview of the attempts to simplify Australian taxation legislation, culminating in the implementation of the TLIP. Section III focuses on the link between simplification of taxation law and readability criteria. A discussion of the research methodology that is employed in this study for comparing key sections of ITAA36 and the Income Tax Assessment Act 1997 (ITAA97) using readability formulae follows in Section IV. Section V details the results of the study and considers them in the context of the findings of Tan and Tower (1992) and Richardson and Sawyer (1998) in New Zealand. Section VI comprises a discussion of the implications of the study. The final section contains the overall conclusions and a statement of the limitations of the study and future research opportunities.

II. BACKGROUND

The genesis for reform of Australia's taxation laws arose in October 1984, when the then Prime Minister, Mr R. J. Hawke, announced that his federal government would conduct a comprehensive review of Australia's taxation system. The review was based on widespread community consultation, leading to an announcement on a tax reform package near the end of 1985. This led to the first Australian Tax Summit in July 1985 and the introduction of significant tax changes announced in September 1985.

At the time the first Tax Summit was held, Mr Hawke stated that 'any reform must lead to a simpler system, which therefore all Australians can understand more easily and which therefore makes taxation avoidance and evasion more difficult'.[8] However, as Richardson and Devos (1998, p. 370) noted, it took almost another 10 years '… to commit bureaucratic rhetoric into action with respect to taxation simplification in Australia'. This occurred on 17 November 1993 when the JCPA tabled a report to Federal Parliament, containing the following two major recommendations:

- the government establish a broad-based task force in order to redraft ITAA36; and
- the government commit sufficient resources to the task force as will allow it to complete a priority simplification of the Act within five years.[9]

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[7]The UK is also in the process of simplifying its tax legislation, albeit behind both Australia and New Zealand in terms of progress to date. This offers a further opportunity for future comparison.

[8]Commonwealth of Australia, 1985, p. 2.

[9]Joint Committee of Public Accounts, 1993.

In response to these recommendations, the federal government established the TLIP in December 1993, with a Tax Law Improvement Team working in conjunction with a Consultative Committee to revise ITAA36. The team originally dealt with rewriting the substantiation provisions of ITAA36. These provisions were preferred as the subject of initiatory work because they affected 70 per cent of Australian taxpayers and had attracted specific criticism that they were overly complicated to understand and too onerous to operate.[10] The TLIP team produced a draft bill of substantiation legislation, which was introduced into Parliament on 8 December 1994 as the Tax Law Improvement (Substantiation) Bill 1984 and became law on 7 April 1995. The legislation was appended to ITAA36 until ITAA97 was introduced, since this was the first area of taxation law to be rewritten and did not sit well within the existing legislative framework.[11]

The first major instalment of the rewritten taxation legislation — the Income Tax Assessment Bill 1996 — was introduced into Parliament in June 1996. This Bill contained core provisions, such as the general income provisions in Division 6. In December 1996, the Tax Law Improvement Bill 1996, containing rewrites of provisions of many key sections of ITAA36 (including those provisions that dealt with assessable income, exempt income, various deductions and trading stock), was introduced into Parliament. The first two instalments of Bills make up ITAA97 and were operative from 1 July 1997. Finally, the third instalment, comprising the new capital gains tax provisions, made up the Tax Law Improvement Bill (No. 1) 1998. The Bill forms part of ITAA97 and applies from 1 July 1998.

In an attempt to improve ITAA36, the TLIP focused on introducing clearer, shorter sentences and on the use of plain English, rather than focusing on taxation policy issues. To this end, the depreciation provisions of ITAA97 are only just over half as long as the provisions in ITAA36.[12] Furthermore, sentence length in the substantiation provisions has been reduced from an average of 241 words to 37 words.[13]

The rewrite of the legislation was directed at someone with the reading age of an individual with 10 years of schooling (that is, around 14–15 years of age), rather than two years of university study.[14] Such an aim would appear to be rather ambitious. The then team director of the TLIP, Brian Nolan, issued a word of caution back in 1994 to those expecting taxation law to become much simpler, saying '… talking about tax simplification can be misleading if it leaves an

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[10]James and Wallschutzky, 1997, p. 453.

[11]James and Wallschutzky, 1997, p. 453.

[12]James, Sawyer and Wallschutzky, 1997, p. 499.

[13]Langenakker, 1995, p. 3.

[14]James, Sawyer and Wallschutzky, 1997, p. 499. The success in attaining this aim is empirically tested in Section V of the current paper.

impression that the income tax law can be made simple'.[15] If this assertion were true, it would appear to be in conflict with the above-stated aim. Furthermore, given that commentators would suggest that tax law must contain some level of complexity, it is arguable as to whether such an aim is desirable, let alone achievable. Indeed, some critics have suggested that it is undesirable to attempt to rewrite taxation legislation to suit the average taxpayer. For example: "It bears remembering that a statute regulating and taxing complex commercial transactions must necessarily embody some of the same complexity, and cannot always be reduced to the language of the *Footy Show*".[16] Lehmann (1995) also criticised such efforts, commenting that '… the rewrite of the core provisions has not resulted in simple legislation, but a loquacious, patronizing and confused babble of educationalese. Reading it is like trying to wade through styrofoam mixed with treacle'. Such rhetoric emphasises the need to test empirically the success of the TLIP's effort to simplify taxation law.

James and Wallschutzky (1997) submit that criticism of the simplification of taxation legislation seems to stem from two main propositions. First, it has been suggested that rewriting legislation may lead to the unintended consequence of the law changing its meaning in some places. In response to this criticism, James and Wallschutzky suggested that it might be reasonable to expect that simplified legislation may in fact reduce the scope for different interpretation of key words and phrases (p. 455).

James and Wallschutzky's (1997) second proposition is that taxpayers themselves do not normally read primary taxation legislation and, consequently, there is no need to direct taxation legislation at them. Such an assertion contradicts recent efforts by the Australian Taxation Office (ATO) to build better relationships with taxpayers, given that research has shown that taxpayer compliance should improve if the ATO has a good relationship with the public.[17]

It can certainly be argued that efforts to simplify taxation legislation are desirable in a bid to improve taxpayer compliance, and also to reduce the costs of compliance (in theory at least) through reducing the amount of assistance required from taxation professionals in completing elementary taxation returns. This could be argued to be desirable for taxpayers, given that Australia has the highest proportion of taxation returns prepared by professionals in the western world.[18] Moreover, in view of the assertions made in the literature (for example, by Lehmann (1995)) that efforts to simplify taxation legislation in Australia have failed, this paper seeks to test empirically whether simplification has been achieved.

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[15] Nolan, 1994.
[16] Tony Slater, QC, quoted in Evans (1995, p. 194.)
[17] Wickerson, 1994, p. 12.
[18] Pope, 1993, p. 292.

III. SIMPLIFICATION OF TAXATION LAW AND READABILITY

Many definitions of readability exist in the literature. As Gilliland (1972, p. 12) noted, most people could make an intelligent guess as to how readability can be defined — it has to do with the ease with which text can be read. However, given the advent and growth in the use of readability formulae, this creates a need for a more precise definition of readability. To this end, Dale and Chall (1948) defined readability as '… the sum total (including interactions) of all those elements within a given piece of printed material that affects the success which a group of readers have with it. The success is the extent to which they understand it, read it at optimum speed, and find it interesting'. It can be seen then, that Dale and Chall identify three aspects of the reading process: comprehension, fluency (reading speed) and interest.

It is argued here that both comprehension and fluency are important considerations in the readability of taxation law; interest perhaps less so. Despite the interest and enjoyment that so many taxation practitioners and academics have derived from a career in taxation law, it is considered unlikely that average readers will be drawn to reading taxation law in the same way as they may feel compelled to read a popular novel. For this reason, a definition or measure of readability that does not focus on reader interest may be considered more appropriate in this particular circumstance.

In keeping with this expostulation, the Flesch Readability Index (or Flesch Reading Ease Index) is used to measure the nature of readability in this study. Flesch (1948) also noted the importance of reader interest in any analysis of readability, and developed the Flesch Human Interest Index. The Human Interest Index has been largely ignored in subsequent research and is therefore not utilised.

As Tan and Tower (1992, p. 361) suggested, there appears to be general agreement in the taxation literature that a low level of readability is one of the most important factors involved in taxation complexity.[19] Cooper (1993) identified 'clarity of expression' as being one of the main issues referred to by taxation commentators when discussing the simplicity or complexity of a taxation system.[20] It is assumed, therefore, that readability (with emphases on comprehension and fluency) is a key consideration in attempts to simplify and thereby improve taxation law, with perhaps the other main consideration being simplification of tax policy. Simplification of tax policy is discussed in more detail in Section VI.

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[19]Koch and Karlinsky, 1984, p. 98.

[20]Furthermore, Cooper also argues that complexity can be found at four different levels of a taxation system. The first level is in the 'choice of the tax base', whatever it may be. The second level is the 'design of the rules' to be applied to the tax base. The third level relates to the 'expression of those rules'. Finally, the fourth level of complexity is related to the 'administrative requirements' imposed on taxpayers. See James and Wallschutzky (1997) for further discussion.

IV. RESEARCH METHODOLOGY

The use of readability formulae is the most common method in contemporary research for assessing readability.[21] Moreover, the use of readability statistics to measure simplicity of the wording of taxation legislation is supported by prior use in taxation research.[22] Readability indices are said to '… take into account characteristics of writing style that are measurable and then evaluate the extent to which each identifiable attribute impacts on readability'.[23]

Readability statistics do not necessarily consider conceptual difficulty, semantics, reader characteristics and presentation of the material (such as font size, layout of text, graphics and tables). Consequently, they cannot result in an absolute measure of clarity.[24] However, prior research has shown that readability indices can be used to assist in predicting the readability of business and legal documents. Indeed, the US Internal Revenue Service has used the Flesch Readability Index to measure the readability of taxation forms and instruction booklets in the past.[25]

There is also a large body of research in the accounting literature: at least 25 studies over the past 40 years, spanning the US, Canada, Australia, the UK and Hong Kong, have addressed the readability of narratives in company annual reports. The Flesch Readability Index was the dominant choice of researchers as the measure of readability in such studies.[26] The use of the Flesch Readability Index has been equated to the use of financial ratios to assess a firm's performance. That is, financial ratios are signposts as to the health of an organisation, rather than independently conclusive. In the same way, readability scores provide an indication as to the overall readability of a selected passage.[27]

The Flesch Readability Index gives written documents a reading ease score from 0 (most difficult to read) to 100 (easiest to read).[28] A score of between 60 and 70 is considered acceptable. Moreover, the Flesch Readability Index is the most widely used readability formula outside education circles.[29] It has been extensively validated and found to be highly reliable.[30] Finally, studies have

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[21]Klare, 1994.

[22]See, for example, Reckers and Stagliano (1980, p. 42) in Tan and Tower (1992, p. 361), Tan and Tower (1992) and Richardson and Sawyer (1998).

[23]Tan and Tower, 1992, p. 361.

[24]Zakaluk and Samuels, 1988; Tan and Tower, 1992, p. 361.

[25]Tan and Tower, 1992, p. 362.

[26]Courtis, 1998, p. 459.

[27]Courtis, 1998, p. 469.

[28]Harrison, 1980, p. 77. Moreover, Harrison notes that, while it is theoretically possible to produce scores that fall outside the range of 0 to 100, in practice such scores are rare.

[29]Klare, 1988, p. 20.

[30]See, for example, England, Thomas and Paterson (1953) and Hayes, Jenkins and Walker (1950).

shown high correlations between the Flesch formula and other readability indices.[31] The index is calculated using the following formula:

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

where wl = number of syllables per 100 words and sl = average sentence length in words. This calculation may be undertaken using a computer program (for example, Microsoft Word 97). According to Harrison (1980), computers are typically quite accurate in counting syllables, with the few errors made tending to be in either direction, thus cancelling each other out. By comparison, human calculation has been shown to be wildly inaccurate, overestimating the number of syllables in words, leading to highly unreliable results. However, Richardson and Sawyer (1998, p. 159) noted that some computer programs appear to have difficulty in processing long sentences.[32] To this end, long sentences were checked manually here, and results were adjusted if they were found to be inappropriate.

Given the size of the current project and the fact that computer calculation has been demonstrated to be considerably more accurate than human calculation, a computer program (Grammar Tools on Microsoft Word 97) was utilised. Because of the large number of sections analysed, it was felt that the possibility of error affecting the results was small. In keeping with Harrison's (1980) assertion, such errors were likely to cancel out across the entire sample. Furthermore, many annual report readability studies published in reputable accounting journals have used computer programs to calculate Flesch scores.[33]

Consistent with the methodology applied by Tan and Tower (1992) and Richardson and Sawyer (1998), the current study uses the Flesch Readability Index to measure the simplicity of a random sample of sections from ITAA36. The corresponding sections from ITAA97 were then tested for improvement in readability. The study was extended to include a sample of other taxation reading materials, including recent Taxation Rulings[34] and Taxation Determinations (pre- and post-TLIP implementation), and the Australian Individual Taxation Return Guide (*Taxpack*)[35] to provide a basis for comparison with Tan and Tower (1992).

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[31]Gilliland, 1972.

[32]It should be noted that Richardson and Sawyer (1998) were questioning the accuracy of earlier versions of word-processing packages, not Microsoft Word 97.

[33]See Courtis (1998, p. 470).

[34]It would be worth while to extend the New Zealand research of Richardson and Sawyer (1998) to apply the Flesch Readability Index to a sample of the binding Taxation Rulings regime to complement our study.

[35]The aim of *Taxpack* is to assist individual taxpayers in completing their income tax returns. Given that the role of *Taxpack* is to make it easier for individual taxpayers to comply with the taxation legislation, it is reasonable to expect that the readability score for *Taxpack* would be higher than that obtained for the taxation legislation.

Passages of 100 words[36] were randomly selected from the Taxation Rulings, Taxation Determinations and *Taxpack*.[37] General information, headings, tables and numerical examples were excluded from analysis.[38] The sample framework excluded sections from ITAA36 and ITAA97 of less than 50 words, in keeping with Harrison's (1980, p. 111) assertion that 50 words is generally taken to be a length below which text samples are considered inappropriate for analysis.

The paper extends the research methodology employed by Tan and Tower (1992) and Richardson and Sawyer (1998) in using the Flesch–Kincaid Grade Level (F-KGL) Index.[39] This index was chosen to test the claim that the simplification of Australian taxation law was directed at an individual with a reading age of 14–15 years. The F-KGL Index rates text on a US-grade-school level and the formula can be expressed as follows:

$$\text{F-KGL} = 0.39 \ (\text{words/sentence}) + 11.8 \ (\text{syllables/word}) - 15.59.$$

While the authors acknowledge that this test is not ideal for testing the readability of taxation law, it does provide some further information about a text's readability, and has therefore been employed in this study. A score of eight on this test indicates that an eighth-grade US student can understand the document. Grade-level indices such as the F-KGL Index have been demonstrated to be accurate to plus or minus one grade level.[40]

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[36]Consistent with the approach applied by Richardson and Sawyer (1998), in situations where a 100-word section ended midway through a sentence, the rest of the sentence was included as part of the analysis. However, in cases where Taxation Determinations were less than 200 words in length, the entire Determination was subsequently analysed.

[37]Conforming to the method employed by Tan and Tower (1992), the 100-word samples selected were taken as being representative of the rest of the Taxation Rulings, Taxation Determinations and Tax Guides. This approach rests on the assumption that the text is generally consistent in both vocabulary and syntax, something that is generally true of written text (Harrison, 1980).

[38]These were excluded for two reasons: first, to allow direct comparison with Tan and Tower (1992), who used this approach; second, it was felt that to include them would distort the values obtained by applying the formulae.

[39]Kincaid et al., 1975.

[40]Harrison, 1980, p. 109. Furthermore, it is reasonable to expect that the reading ability of Australian and US students is approximately the same, all else equal. This would mean that if a document receives a score of eight on the F-KGL Index, a 14–15-year-old Australian should be able to read and understand the document. On this basis, a score in excess of eight for ITAA97 would suggest that the TLIP had failed in its aim to prepare taxation legislation suitable for an individual with a reading age of 14–15 years. The F-KGL Index is also applied to taxation legislation and the three types of taxation reading material listed above, namely: Taxation Rulings, Taxation Determinations and *Taxpack*.

V. RESULTS AND DISCUSSION

1. Taxation Legislation

The average Flesch scores shown in Table 1[41] indicate that the sections of ITAA97 analysed are more readable than the ITAA36 sections they replace, with an average Flesch score of 46.42 reported for ITAA97 compared with 38.44 for ITAA36. This result provides support for Wallschutzky's (1995) finding (using Cloze Analysis) that ITAA97 was marginally easier to understand than ITAA36.

This result conflicts with the finding of Woellner et al. (1998), who found that the readability of ITAA97 was less than that of ITAA36. However, they acknowledged that their study was preliminary, and indeed analysed only seven sections of ITAA97 (Woellner et al., 1998, p. 202). Therefore it is submitted here that Woellner et al.'s (1998) results are not generalisable as the sample may not be representative of either ITAA36 or ITAA97.

Nevertheless, the slight improvement in readability should not be treated as cause for celebration. Rather, both averages reported fall well short of the generally accepted bench-mark of 60–70 discussed previously. This finding shows that ITAA97 can still be considered difficult to read.

Overall, of the ITAA97 divisions analysed in this study, there were 16 for which direct comparisons with ITAA36 sections were possible. The ITAA97 divisions had higher average Flesch scores than the ITAA36 sections they replaced in 11 out of the 16 cases (68.75 per cent of cases). Of these, the most readable division, according to the Flesch Readability Index values, was Division 375, which covers film losses, recording a Flesch score of 62.1.

Certain sections of the taxation legislation stand out as worthy of special mention. For example, section 8-1 of ITAA97 had a Flesch score of 44.2. By comparison, the ITAA36 section it replaced, perhaps the most well-known section of all — section 51(1), which relates to general deductions — had a Flesch score of zero. A comparison of section 42-85 from ITAA97 and the section it replaced — ITAA36 section 56(3) — appears as Appendix B.[42]

TABLE 1

Summary of the Readability of Tax Legislation

Legislation	Flesch	F-KGL	Passive sentences (%)	Words per sentence (average)
ITAA36	38.44	10.79	17.1	39.02
ITAA97	46.42	10.76	20.81	22.27

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[41]A detailed list of results obtained for sections analysed for readability appears as Appendix A.

[42]Section 42-85 had a Flesch score of 61.1, while section 56(3) had a Flesch score of zero.

Chapter 6 of ITAA97 — the Dictionary — is also worthy of mention. It would be expected that taxation legislation defining particular terms for taxpayers and therefore, in a sense, underpinning the entire Act should, fittingly, score high on readability. Surprisingly, the Dictionary of ITAA97 scored only 29.9 on the Flesch Readability Index. This finding indicates that the Dictionary is very difficult to read and understand in practice, implying an insufficient drafting effort by the TLIP team.

The results found in this study supply an interesting comparison with those obtained by Tan and Tower (1992) for the New Zealand Income Taxation Act (1976). They reported average Flesch scores of 1.77 for the old sections analysed and 1.03 for the new sections (p. 367). Similarly, Richardson and Sawyer (1998) analysed 26 sections from the New Zealand Income Taxation Act (1994) and reported an average Flesch score of 16.11 (p. 169). Based on the results of this study, it can be said that Australian taxation legislation (both the old and the new) appears to be significantly easier to read than New Zealand taxation legislation.[43]

Results obtained using the Flesch–Kincaid Grade Level Index to measure readability provide a less impressive outcome, however.[44] The average F-KGL Index obtained for ITAA97 was 10.76, versus 10.79 for ITAA36.[45] When these results are rounded to the nearest grade level, obviously they are the same. Furthermore, an F-KGL Index of 11 suggests that the TLIP has not succeeded in its attempt to prepare taxation legislation suitable for an individual with a reading age of 14–15 years.

Of major concern is the number of sections that recorded the maximum possible F-KGL Index score of 12. Fifty-four out of the 89 sections analysed in ITAA36 (or 60.7 per cent) recorded the maximum possible score. For ITAA97, the figure was lower (44 out of 95, or 46.3 per cent) but is still unacceptable. The average F-KGL Index scores may have been even higher if the scale had extended beyond the threshold of 12.

Since neither Tan and Tower (1992) nor Richardson and Sawyer (1998) used the F-KGL Index to measure readability, it is not possible to make direct comparisons between the results of the present study and the results of these New Zealand studies.[46] However, Tan and Tower (1992) and Richardson and Sawyer (1998) both included a summary table which performs a similar function.

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[43]Nevertheless, there are some subject area differences between the taxation sections considered in Tan and Tower (1992), who examined 'simplification initiatives designed to reduce administrative related compliance costs', Richardson and Sawyer (1998), who examined the 'core provisions', both in New Zealand taxation legislation, and this study.

[44]See Appendix A.

[45]The maximum F-KGL possible in the computer program used was 12.

[46]Setting a reading age was not part of the objectives of the New Zealand rewrite; rather, sentence length was the major priority. Nevertheless, we would argue that setting a reading age is a worthy objective, which could be tested in relation to the New Zealand taxation legislation.

TABLE 2

Summary of Flesch Readability Scores[a]

Flesch score	*ITAA97*		*ITAA36*		*Education level[b]*	*General reading ease scale*
	Number	Per cent	Number	Per cent		
Below 30	11	11.58	27	30.34	University graduate	Very difficult
30–50	47	49.47	30	33.71	University undergraduate	Difficult
50–60	22	23.16	19	21.35	Forms 5–7	Fairly difficult
60–70	11	11.58	10	11.24	Forms 3–4	Standard
70–80	4	4.21	2	2.25	Form 2	Fairly easy
80–90	0	0.00	1	1.12	Form 1	Easy
90–100	0	0.00	0	0.00	Standard 4	Very easy
Totals	*95*	*100.00*	*89*	*100.00*		

[a]Based on Tan and Tower (1992, p. 370) and Richardson and Sawyer (1998, p. 170).
[b]Australian and US grade levels are approximately equal — for example, a Year 7 Australian student roughly corresponds to a seventh-grade US student. Forms 2–7 in New Zealand correspond to Years 7–12 in Australia.

For completeness, and to aid comparability, a similar table is included here for analysis and discussion.

As can be seen from Table 2, the number of ITAA97 sections found to have Flesch scores under 30 was 11 (or 11.58 per cent) of the total sample. This compares favourably with both Tan and Tower's (1992, p. 370) result (97.5 per cent of the total sample of sections in their study had a Flesch score below 30) and Richardson and Sawyer's (1998, p. 170) result (80.7 per cent of the total sample). However, only 15.79 per cent of the sections analysed in ITAA97 in this study surpassed the acceptable Flesch score of 60, compared with 14.61 per cent in ITAA36. The results were much lower for both New Zealand studies (0 per cent for Tan and Tower and 3.8 per cent for Richardson and Sawyer).

Of greater importance is the observation that 61.05 per cent of the ITAA97 sections analysed had Flesch scores that indicate that they can only be read and understood by those who have at least reached a university undergraduate level of education. This figure was only slightly higher for sections in ITAA36 (64.05 per cent). This provides further support for the assertion that the TLIP has largely failed in its aim of preparing legislation that could be read by an individual with a reading age of 14–15 years.

Another important issue that should be discussed with respect to the readability of Australian taxation legislation is the use of passive sentences, even

though they are not directly incorporated in the readability formulae.[47] Table 1 shows that the use of passive sentences rose slightly in ITAA97 (an average of 20.81 per cent) compared with ITAA36 (an average of 17.1 per cent). This result was unexpected, given the efforts of the TLIP team to write clearer and more direct taxation legislation. It should be noted, however, that the increase is small, and that on the basis of these results at least, the use of passive sentences in ITAA97 is not of a level that could be considered excessive.

The number of words per sentence can also impinge on readability of text. Although this information is incorporated in the readability formulae, it is worth isolating in order to illustrate the significant reduction in words per sentence in ITAA97 compared with ITAA36. Of the sections analysed, average number of words per sentence (WPS) in ITAA97 was 22.27 versus 39.02 in ITAA36. This result compares favourably with New Zealand: Richardson and Sawyer (1998, p. 166) found WPS to be 53.3 post-rewrite and 93.4 pre-rewrite.[48] Furthermore, WPS in ITAA97 ranged from a minimum of 6.6 to a maximum of 68.5, which compares most favourably with ITAA36, which had a range of 5.5 to 501. Obviously, a reduction in WPS is desirable, as it can serve to improve readability.[49]

2. Taxation Rulings

While the Taxation Rulings were not specifically targeted for simplification as part of the TLIP's mandate, it was expected that they would demonstrate some improvement in readability over time. Nevertheless, the results (see Table 3) show that the Flesch scores were lower and the F-KGL Index values were higher in the post-TLIP Rulings than in the pre-TLIP Rulings.

In both of these samples, the readability scores were outside the bounds of acceptability. For example, the Flesch scores of 39.17 pre-TLIP and 29.71 post-TLIP were both well below the acceptable bench-mark of between 60 and 70.[50] The F-KGL Index scores of 11.41 pre-TLIP and 11.97 post-TLIP were close to the maximum possible F-KGL Index upper limit of 12.

One positive outcome that can be drawn from the analysis of the Taxation Rulings, however, is that the use of passive sentences fell from an average of

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[47]The use of the passive voice is a grammatical form whereby the subject of the sentence is acted upon — for example, 'The boy was hit by the ball'. This may be compared with use of the active voice, such as in 'The ball hit the boy'. Overuse of the passive voice serves to decrease readability.

[48]Note, however, that the average sentence length in New Zealand taxation legislation is noticeably greater than in Australia, both before and after the rewriting process.

[49]Richardson and Sawyer, 1998.

[50]Direct comparisons cannot be made with Tan and Tower's (1992) results for New Zealand Tax Information Bulletins as such Taxation Bulletins do not represent Taxation Rulings at all. Rather, they are Internal Revenue Department guides on taxation-related issues which are given to the public. Moreover, we cannot compare our Australian Taxation Rulings readability results with New Zealand Rulings here since no research considering New Zealand's binding Taxation Rulings regime has been attempted to date.

TABLE 3

Readability of Taxation Rulings

Taxation Rulings 1993

TR number	Flesch	F-KGL	Passive sentences (%)	Words per sentence (average)
93/3	41.4	12	12.5	31.7
93/4	34.15	12	20	24
93/5	36	12	25	32.1
93/6	48.7	10.7	24	17.4
93/7	35.6	10.35	0	22.6
Average	*39.17*	*11.41*	*16.3*	*25.56*
Standard deviation	*5.36*	*0.73*	*9.26*	*6.29*

Taxation Rulings 1997

TR number	Flesch	F-KGL	Passive sentences (%)	Words per sentence (average)
97/21	24.65	12	0	31.2
97/22	44.1	11.85	0	40
97/23	23.4	12	30	28.7
97/24	32.95	12	0	25.7
97/25	23.45	12	0	18
Average	*29.71*	*11.97*	*6*	*28.72*
Standard deviation	*8.03*	*0.06*	*12*	*8.03*

16.3 per cent in the pre-TLIP rulings to 6 per cent in the post-TLIP rulings. Finally, the Taxation Rulings were analysed according to WPS: pre- and post-TLIP rulings had WPSs of 25.56 and 28.72 respectively.

3. Taxation Determinations

An analysis of pre- and post-TLIP Taxation Determinations yielded slightly more positive results (see Table 4) than the Taxation Rulings considered above. The average Flesch score improved from 33.02 to 37.78, while the average F-KGL Index improved slightly from 11.92 to 11.84, and the use of passive sentences fell dramatically from 52.2 per cent to 21.7 per cent. Finally, WPS fell slightly from 26.46 to 24.54.[51]

While the results suggest that the readability of Taxation Determinations has improved marginally, these findings suggest that further improvement needs to

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[51]No comparison can be made with Tan and Tower (1992) and Richardson and Sawyer (1998) here since neither study examined any of the Taxation Determinations issued in New Zealand.

TABLE 4

Readability of Taxation Determinations

Taxation Determinations 1993

TD number	Flesch	F-KGL	Passive sentences (%)	Words per sentence (average)
93/213	12.8	12	60	33
93/214	20.4	12	71	29.1
93/215	42.8	12	0	24.2
93/216	46.5	11.6	50	24.7
93/217	42.6	12	80	21.3
Average	*33.02*	*11.92*	*52.2*	*26.46*
Standard deviation	*13.69*	*0.16*	*27.99*	*4.60*

Taxation Determinations 1998[a]

TD number	Flesch	F-KGL	Passive sentences (%)	Words per sentence (average)
98/15	52.05	11.35	30	23.2
98/16	46.55	12	37.5	23.7
98/18	25.85	12	28.5	25.4
98/19	24.4	12	12.5	28.5
98/20	40.05	11.85	0	21.9
Average	*37.78*	*11.84*	*21.7*	*24.54*
Standard deviation	*11.02*	*0.25*	*13.57*	*2.54*

[a]TD 98/17 was excluded from analysis as it only contained a table.

be made in readability in this area. Nevertheless, it could be said that the results obtained for both the Taxation Rulings and the Taxation Determinations could be a function of the small sample analysed as part of the study. Thus these results should be read with some caution.

4. Taxpack

An empirical analysis of the readability of *Taxpack* suggests that the Australian Taxation Office has been successful in its concerted attempts over many years to provide readable explanatory material to individual taxpayers (see Table 5). The average Flesch score for the *Taxpacks* analysed in the sample is 67.41.[52] This represents an acceptable score with regards to readability. In addition, the F-KGL Index reading was low: a score of 7.64 which means the text could be read and understood by a Year 7 school student. Furthermore, *Taxpacks* scored well

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[52]Comparison of pre- and post-TLIP *Taxpack* results is not possible given the low sample size of post-TLIP *Taxpacks*.

TABLE 5

Readability of *Taxpacks*

	Flesch	F-KGL	Passive sentences (%)	Words per sentence (average)
Taxpack 89/90	71.25	6.45	0	12.75
Taxpack 90/91	66.65	8.15	7	17.05
Taxpack 91/92	60.75	8.95	15	16.95
Taxpack 92/93	66.15	8.7	8	18.9
Taxpack 93/94	75.65	6.65	7	15.85
Taxpack 94/95	63.85	8.15	6	11
Taxpack 95/96	72.55	5.8	5.5	11
Taxpack 96/97	65.95	6.75	5.5	15.55
Taxpack 97/98[a]	63.9	9.2	0	19.6
Average	*67.41*	*7.64*	*6*	*15.41*
Standard deviation	*4.78*	*1.24*	*4.47*	3.18

[a]The 97/98 *Taxpack is* the only post-TLIP *Taxpack* in our sample.

on the use of passive sentences (average of 6 per cent) and WPS (average of 15.41).

The Australian results are also consistent with the findings of Tan and Tower (1992) for New Zealand Taxation Return Guides. They reported an average Flesch score of 65 for the seven New Zealand Taxation Return Guides analysed, while average passive sentences were 16.29 per cent and WPS was 15 (p. 369).

VI. IMPLICATIONS

The finding that ITAA97 is only marginally easier to read and understand than its predecessor has some important implications. From a researcher's perspective, it provides empirical support for results obtained in Wallschutzky's (1995) study using different methodologies.

On the practical side, the implications are wider reaching. The readability scores obtained in this study suggest that a major proportion of ITAA97 (over 60 per cent) requires a university level of education to understand. It seems that too many Australians are still unable to read and understand taxation legislation, despite the best effort of the TLIP team to rectify the situation. The results of this study suggest that even greater effort needs to be made in order to provide simpler taxation legislation, particularly if the ATO expects taxpayer compliance to improve.[53]

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[53]Nolan and Reid (1994, p. 450) also argued that taxation law that is easier to understand will be less costly to comply with.

Simplification of taxation law is multifaceted. Therefore improving the readability of the text contained in taxation legislation is just one aspect of enhancing simplicity. James and Wallschutzky (1997, p. 449) argue that '… it would seem that just simplifying the language is no longer seen as a major contribution to tax policy'. Given the strong empirical evidence provided in this study that the TLIP has not achieved its goal of making the legislation significantly easier to read, simplification of taxation policy in Australia presently seems a long way off.

In relation to taxation legislation, Eagleson (1985) commented that 'the cause of much complicated language is frequently ill-conceived and poorly devised policy. No amount of simplification of language can remove unnecessary complications of content'. If this assertion (obviously made well before the TLIP commenced) is correct, then perhaps the simplification of taxation policy needs to be given greater attention in future taxation legislation rewrites.

Further support for this notion came more recently from James, Sawyer and Wallschutzky (1998, p. 334), who noted that 'there are important reasons why tax legislation has become complex. These include the underlying complexity of the tax system and the changing requirements of tax policy. If these factors are not contained, tax legislation will always be complex, no matter how many times it is rewritten'.

It is perhaps worth noting at this point the current status of the TLIP in Australia. At the time of writing, it was confirmed with the Communications Manager of the TLIP that the rewrite was officially 'on hold'.[54] All resources at this point in time have been devoted to the proposed Goods and Services Tax (GST) and other matters, such as business tax reform. Apparently, much of the work that has been started but not yet completed will be taken up again once the tax policy changes incorporated in the GST legislation have been implemented. As the Communications Manager has indicated that only approximately 30 per cent of ITAA36 has been rewritten, it leaves taxpayers with a great deal of uncertainty surrounding the remaining 70 per cent of the new legislation.

Specifically, the areas of superannuation, international tax, and collection and recovery, not to mention companies and trusts, are still incomplete. It is likely, however, that some of these areas will be dramatically changed during the tax reform process. In the mean time, what has been rewritten to date has been passed and become law, while further Bills regarding changes to the Capital Gains Tax provisions are expected to be passed as normal Taxation Bills in the near future, according to the Communications Manager.

However, with the TLIP exercise being indefinitely deferred in late 1998 due to the announcement of major tax reform plans, the TLIP team as we know it could be totally subsumed in implementing the tax reform plans, due to the experience and expertise the team developed in rewriting ITAA36. In developing

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[54]Personal correspondence with the Communications Manager of the TLIP team.

the proposed new integrated tax code, TLIP expertise may well be diverted away from its original goal of rewriting ITAA36. This would lead to Australia having two Acts operating in tandem for much longer than expected. The fear that the rewrite as originally intended will be incomplete and superseded becomes more realistic as time passes.

Yet the way ahead does not appear that pessimistic according to a Discussion Paper on 'The review of business taxation: a strong foundation', released in November 1998.[55] In particular, the paper talks about establishing objectives, principles and processes in tax reform, including the process of consultation for tax law simplification. John Ralph, who heads the review team, will be assisted by a Secretariat which is located within the Treasury consisting of personnel from the ATO and a number of external advisers.[56] Hopefully, a new-look TLIP team will evolve from this process and be charged with the responsibility of completing the rewrite of ITAA36.

VII. CONCLUSION

The underlying purpose of this study was to test empirically the effectiveness of the Australian government's attempts towards simplifying ITAA36. The study was extended to include a sample of other taxation reading materials, including Taxation Rulings, Taxation Determinations and *Taxpacks* (pre- and post-TLIP implementation), in keeping with prior research.[57]

It was found that the sample sections of ITAA97 were slightly more readable than corresponding sections of ITAA36, which is consistent with Wallschutzky's (1995) findings using Cloze Analysis. Nevertheless, the results for both ITAA97 and ITAA36 fell well below the acceptable standard bench-mark of a Flesch Readability Index of 60 to 70.

Results obtained using the F-KGL Index applied to ITAA97 and ITAA36 were found to be disappointing, suggesting that the TLIP had not succeeded in its attempt to prepare taxation legislation suitable for an individual with a reading age of 14 to 15 years.

Overall, the results were found to be more favourable than the New Zealand studies of Tan and Tower (1992) and Richardson and Sawyer (1998). The use of passive sentences in Australian taxation legislation appears to have risen slightly in ITAA97. This result was surprising, given the TLIP team's mandate to write taxation legislation more clearly and directly. However, the use of passive sentences in ITAA97 is not of a level that could be considered extreme. Moreover, one area where ITAA97 has improved is the number of words per sentence. Of the ITAA97 sections analysed, the number of words per sentence

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[55]Commonwealth of Australia, 1998, p. 131.
[56]Commonwealth of Australia, 1998, p. 138.
[57]For example, Tan and Tower (1992).

compares favourably with ITAA36. The results again are more favourable than those obtained in Richardson and Sawyer's (1998) study in New Zealand.

In relation to the Taxation Rulings sample, it was found that both the pre- and post-TLIP Taxation Rulings were below acceptable readability bench-marks. In fact, no improvement was found in the readability of the Taxation Rulings over time.

An examination of the pre- and post-TLIP Taxation Determinations produced slightly more serviceable results. While both the pre- and post-TLIP Taxation Determinations were below acceptable readability bench-marks, there was some minor improvement in readability over time.

An analysis of *Taxpacks* was also undertaken as part of the study. It was found that the ATO was successful in its concerted attempts to provide readable explanatory material to individual taxpayers. Overall, the *Taxpacks* sampled recorded scores above acceptable readability bench-marks. Furthermore, the use of passive sentences and the number of words per sentence were low. The Australian results were also compatible with findings promulgated by Tan and Tower (1992) for New Zealand Taxation Return Guides.

We acknowledge the concerns held by those who believe that readability formulae, such as the Flesch Readability Index and the F-KGL Index, may oversimplify research into readability of taxation documents. As suggested earlier, readability formulae do not take into account, among other things, conceptual difficulty, semantics, reader characteristics and presentation of materials, so they cannot provide an absolute measure of clarity.

Nevertheless, future researchers in this area could utilise sophisticated psycholinguistic and sociolinguistic techniques such as Cloze Analysis, Multidimensional Scaling, Association Analysis and Classification Analysis[58] in combination with more fundamental readability formula approaches to provide further support for their results.

Future research could also encompass replicating the present study's research design with respect to later instalments of ITAA97 (and supplementary materials). For example, the third instalment of the rewritten taxation legislation consisting of the new Capital Gains Tax provisions would be appropriate to analyse in terms of perceived improvement in readability.

As was previously mentioned, one limitation with the present study is the small sample size in relation to pre- and post-TLIP Taxation Rulings, Taxation Determinations and *Taxpacks*. Therefore future research could utilise a larger sample size to determine whether the present study's results are generalisable in this area.

Internationally, the UK and New Zealand have both embarked upon similar taxation rewrites to that of Australia. Such projects should provide researchers with the opportunity to bench-mark and, indeed, even triangulate Australia's

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[58]Courtis, 1998, p. 459.

attempts to simplify its taxation laws with those of New Zealand and the UK. Future research is encouraged in this area as part of the TLIP evaluation process.

Finally, it should be noted that the process of simplification of Australian tax law would arguably still be incomplete, even if significant improvements in readability could be made. As discussed in Section VI, commentators such as James and Wallschutzky (1997) have noted that simplifying language used in tax law needs to be accompanied by simplification of tax policy.

Given that the TLIP has not yet successfully provided sufficiently readable legislation, and policy simplification has barely been addressed, simplification of Australian tax law seems a long way off.

APPENDIX A
Readability of Income Tax Legislation

ITAA97 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)	ITAA36 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)
Division 1	47.1	11.8	40	20.6	1[a]	—	—	—	—
Division 2	61	7.4	27	10.8	No equivalent	—	—	—	—
Division 3	59.9	7.7	9	11.5	No equivalent	—	—	—	—
Division 6									
6-5	35	12	20	26.8	19,25(1)	36	12	25	29.3
6-10	39.1	12	33	17.7	19,25(1)	36	12	25	29.3
6-15	55.2	9.7	0	17	25(1)	39.3	12	0	25
6-20	34.6	12	33	20.1	6(1)	34.2	12	28	17.5
6-25	36.4	12	0	20.6	No equivalent	—	—	—	—
Division average	**40.06**	**11.54**	**17.2**	**20.44**		**36.375**	**12**	**19.5**	**25.275**
Division 8									
8-1	44.2	11.7	60	18.6	51(1)	0	12	0	75
Division 28									
28-12	58.7	10.8	20	23.4	Sch 2A 1-3	55.4	9.7	7	16.9
28-15	52.5	10.2	0	17.5	Sch 2A 2-1(1)	55	10.1	0	18.2
28-25	36.6	11.5	14	13.8	Sch 2A 3-2	36.6	11.5	14	13.8
28-45	64.8	11	14	27.4	Sch 2A 4-2	70.1	9.2	16	23.3
28-70	49.2	10.5	0	16.5	Sch 2A 5-2	48.1	10.6	0	16.3
28-75	42.9	12	0	21.6	Sch 2A 5-3	42.9	12	0	21.6
28-90	51.8	10.9	13	19.6	Sch 2A 6-2,11-3	53.8	10.1	7	17.5
28-100	55	8.6	0	12.4	Sch 2A 6-4	59	8	0	12.2
28-110	53.9	10.4	0	19	Sch 2A 7-1	62.1	8.9	0	17.5
28-140	45	12	40	28.2	Sch 2A 8-2	45.9	12	40	27.8
Division average	**51.04**	**10.79**	**10.1**	**19.94**		**52.89**	**10.21**	**8.4**	**18.51**

Continues overleaf.

ITAA97 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)	ITAA36 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)
Division 30									
30-15	47.6	11	25	18	78(4)–(10),(12),(17)	37.3	12	29	20.5
Division 32									
32-5[b]	43.7	11.9	0	19.2	51AE(4)	22	12	0	33
32-10	44.2	9.3	25	9.2	51AE(3)	66.7	5.6	0	7
Division average	**43.95**	**10.6**	**12.5**	**14.2**		**44.35**	**8.8**	**0**	**20**
Division 34									
34-10	36.2	12	40	18	51AL(1),(2),(4)	39.3	11.9	0	16.6
34-15	38.6	9.5	0	6.6	51AL(4)	53.6	8.7	0	12
34-45	26.9	12	25	32	51AL(5),(6)	24.2	12	50	29
Division average	**33.9**	**11.17**	**21.67**	**18.87**		**39.03**	**10.87**	**16.67**	**19.2**
Division 36									
36-10	57	8.8	0	14.1	79E(1)	29.3	12	0	50
36-15	62	9.4	30	19.5	79E(3)	49.8	12	100	31
Division average	**59.5**	**9.1**	**15**	**16.8**		**39.55**	**12**	**50**	**40.5**
Division 41									
41-20	33.2	12	0	37	58(1),58(8),122JAA(1),(23), 122JG(1),(13),123BBA(1), 123BF(1),124AMAA(1),(19), 124GA(1),124JD(1)	33.4	12	66	34
41-30	28.2	12	20	33	58(4),122JAA(4),(5),(8), 122JG(4)–(6),123BBA(4), 123BF(3),124AMAA(3),124GA(2), 124JD(2)	30	12	10	25.7
Division average	**30.7**	**12**	**10**	**35**		**31.7**	**12**	**38**	**29.85**

ITAA97 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)	ITAA36 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)
Division 42									
42-15	46.8	12	33	21.6	54(1)	4.5	12	0	72
42-18	28.2	12	0	26.5	54(2)	84.9	3.6	0	9
42-25	61	9.5	33	19.3	54A,55,56(1),56(1AA),62(1)	39.5	12	6	20.2
42-40	72.6	5.8	0	11	54A(11),55(8A),56(1AB), 59(2A),(2D),59AB(3), 62AAC(2),62AAE(2),62AAF(2)	40.7	12	0	23.4
42-70	42.2	12	75	23.2	57AF(10),(12)(d)	7.2	12	0	58
42-75	50.3	12	50	33.5	56(4),62(3)	66.6	10.6	100	27
42-80	40	12	50	37	57AF(1),(2),(12)(d)	31.9	12	33	33.6
42-85	61.1	10.8	0	24.5	56(3)	0	12	0	113
42-90	31.1	12	25	28	60,62(2),62AAT(3)	13.8	12	60	53.6
42-100	46.2	11.3	0	18.5	54A(1),(11)	32	10.1	0	5.5
42-120	76.5	5.8	0	13	55(1),(8)	58.8	8.4	33	13.6
42-200	34	12	0	26	58(4)(b)(iv),62(1)	0.9	12	0	72
42-280	34.7	12	28	32.1	58(4)	14.1	12	0	53
42-310	51	12	0	30.5	54AA(1),(2)(b)(ii),(8)	57.9	8.5	25	13.6
42-330	52	10.9	0	20	59AA(1)	0	12	0	128
42-345	32.8	12	50	24.3	57AF(3)–(8)	36.4	12	25	22.2
42-390	42.7	12	20	20	62AAT(1)	18.9	12	0	49
Division average	**47.25**	**10.95**	**21.41**	**24.06**		**29.89**	**10.89**	**16.59**	**45.1**

Continues overleaf.

ITAA97 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)	ITAA36 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)
Division 43									
43-10	45.4	12	0	22.2	124ZC(1)(a),(b),(2)(a),(b),(2A)(a), (b),(3)(a),(b),(4)(a),(b), 124ZH(1)(a),(b),(2)(a),(b),(2A)(a), (b)	0	12	0	0[c]
43-70	13.7	12	0	20.5	124ZB(3),(4),124ZG(3),(5)	0	12	0	77.7
43-150	9.7	12	0	47	124ZFA(3)	0	12	0	501
43-210	49.5	12	40	28.3	124ZC(2A)(c)–(e),(4A)(c)–(e), (5A),(5B),124ZD(1),(2), 124ZH(2A)(c)–(e),(3A),124ZJ(1)	38.3	12	20	18.6
43-250	53.3	9.6	33	15.3	124ZD(5),124ZE(1)–(4),124ZJ(2), 124ZK(1),(2)	58.2	8.9	25	15.2
Division average	**34.32**	**11.52**	**14.6**	**26.66**		**19.3**	**11.38**	**9**	**122.5**
Division 50									
50-1	39.7	12	20	19.8	No equivalent	—	—	—	—
Division 70									
70-10	74.1	5.6	20	11	6(1)	34.2	12	28	17.5
70-20	52.2	11.7	50	23.2	31C	27.8	12	28	37.7
70-35	69.6	9.4	0	23.6	28	44	12	0	38.4
70-40	48.9	12	66	31	29	32.7	12	0	35.7
70-85	36.7	11.9	0	15.3	36(1),36A(1),37(1)	0	12	0	81.7
Division average	**56.3**	**10.12**	**27.2**	**20.82**		**27.74**	**12**	**11.2**	**42.2**

ITAA97 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)	ITAA36 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)
Division 165									
165-10	19.7	12	0	21.5	80A(1),80E	39.2	12	33	38.6
165-12	47.3	11.6	7	20.2	80A(1),(2)	57.1	10.6	0	21.5
165-13	42.9	12	0	22.5	80A(1),80E	39.2	12	33	38.6
165-15	43.9	12	0	22.5	80DA(1)(d),80E	0	12	33	74.3
165-20	39.3	12	100	40	80A(5)	0	12	0	135
165-35	40.6	12	0	29.5	50A(1),50C(1),50D,50H(1)(a)–(c)	8.8	12	25	54.4
165-70	47	10.6	28	16	50C(2)	22.4	12	0	50
166-155	5.4	12	0	67.5	50H(1)(b),50J(4),(5),80A(1),(3)(b)	18.1	12	0	47.3
165-160	0	12	0	68.5	50H(1)(c),80A(1),50J(4),(5), 80A(3)(c)	8.9	12	0	62.7
165-210	47.2	12	25	28.5	50D,80E	11.2	12	25	53.4
Division average	**33.33**	**11.82**	**16**	**33.67**		**20.49**	**11.86**	**14.9**	**57.58**
Division 170									
170-5	54.3	9.3	27	14.6	80G(6),(7),(10)	32.6	12	0	43.3
170-20	57	11.9	100	26.6	80G(6),(12)	56.4	12	0	35
170-35	35.8	12	0	26.4	80G(6)(a),(ba),(d)(ii),(e)(ii),(9)	26.6	12	0	54
170-40	48.3	10.3	20	15.4	80G(6)(b),(g),(14)	52.6	12	0	42.5
170-55	60.5	12	0	33	80G(11)	16.4	12	0	59
Division average	**51.18**	**11.1**	**29.4**	**23.2**		**36.92**	**12**	**0**	**46.76**
Division 175									
175-20	27.7	12	16	18.1	50H(1)(e)	3.5	12	0	59
Division 375									
375-815	62.1	9.4	0	19.6	79F(6),(7),(12)	46.6	12	20	31.2

ITAA97 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)	ITAA36 Division/Section	Flesch	F-KGL	PS (%)	WPS (av.)
Division 900									
900-15	52.4	9.4	20	14	Sch 2B 2-1,2-3(4)	58.6	8.9	16	15.6
900-20[b]	48.3	10.8	0	17.2	Sch 2B 2-3(2)	62.5	8.3	0	15.3
900-25	55.9	9.5	30	16.6	Sch 2B 2-4	66.7	7.6	27	14.8
900-30	47.8	10.6	11	16.3	Sch 2B 2-2	53.5	9.4	12	14.6
900-35	35.1	12	20	30.4	Sch 2B 2-5	45.7	12	16	24.6
900-70	46.9	12	0	23.6	Sch 2B 3-2	55.6	10.7	0	21.3
900-75	59.6	9	30	16.4	Sch 2B 3-3	67.2	7.5	27	14.8
900-80	52.4	9.4	20	14	Sch 2B 4-2(6),4-3(1),(3)	53.4	9.4	20	14.8
900-90	55.9	9.5	30	16.6	Sch 2B 4-4	66.7	7.6	27	14.8
900-95	48.3	10.3	45	15.2	Sch 2B 4-2	54.1	9.4	41	15
900-110	44.4	12	83	25	Sch 2B 5-3	48.9	12	83	25
900-115	69.9	7.6	33	16.8	Sch 2B 5-4	69.9	7.6	33	16.8
900-120	45.5	12	37	22	Sch 2B 5-5	48.3	11.6	28	20.8
900-125	61.6	8.4	28	15.2	Sch 2B 5-6	66.3	7.7	28	15.2
900-130	27.1	12	50	29	Sch 2B 5-7	40.2	12	50	29
900-135	49.7	11.2	66	26.3	Sch 2B 5-8	54.4	10.7	100	30.5
900-150	69.7	5.5	0	8.3	Sch 2B 6-2	69.7	5.5	0	8.3
900-155	57.4	10.6	40	21.8	Sch 2B 6-3	59.5	10.3	20	21.6
900-175	58.8	10	25	20.2	Sch 2B 7-3	58.8	10	25	20.2
900-195	78.2	4.8	0	10	Sch 2B 8-1	78.2	4.8	0	10
Division average	**53.25**	**9.83**	**28.4**	**18.75**		**58.91**	**9.15**	**27.65**	**18.15**
Dictionary	29.9	12	5	14.1	No exact equivalent — interpretation section	—	—	—	—
Overall average	**46.42**	**10.76**	**20.81**	**22.27**		**38.44**	**10.79**	**17.1**	**39.02**
Overall standard deviation	**14.54**	**1.75**	**23.15**	**9.94**		**22.29**	**1.93**	**23.48**	**55.66**

PS (%) = percentage of passive sentences.
WPS (av.) = average number of words per sentence.
[a]Not analysed as the passage was too brief for empirical testing.
[b]Word count of just below 50 words. As such, some care must be taken in interpreting the results for these particular sections.
[c]The explanation for this result is that the text in the ITAA36 legislation did not actually form a single complete sentence. Any attempt to rearrange the text to form complete sentences would be arbitrary, and thus was not considered.

APPENDIX B
Example of the Difference in Wording between ITAA36 and ITAA97

ITAA36, section 56(3)
Where, in respect of any unit of property, any amount which would, but for this subsection, be part of the cost of the unit has been allowed or is allowable under this Act or the previous Act as a deduction (otherwise than on account of depreciation or under section 70, section 73B, Subdivision B or BA of Division 3 or Part XII) from the assessable income of the taxpayer of any year of income, the cost of the unit shall be deemed to be the amount remaining after deducting from the cost of the unit to that taxpayer, as ascertained apart from this subsection, the sum of any amounts so allowed or allowable.

ITAA97, section 42-85
(1) The cost of plant is reduced by any portion of its cost that you have deducted or can deduct, or that has been or will be taken into account in working out an amount you can deduct, other than for depreciation.

(2) Subsection (1) does not apply to deductions for:
(a) research and development (section 73B of the Income Tax Assessment Act 1936);
(b) development and investment allowances (Subdivisions B and BA of Division 3 of Part III of that Act);
(c) drought investment allowance (Part XII of that Act).

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