Contemporary Issues in Taxation Research: An Overview

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The chapters in this collection had their origins in the 22nd annual conference of the Tax Research Network (TRN), held at the University of Exeter in September 2013. The conference was sponsored by the Chartered Institute of Taxation, the Centre for Business Performance of the Institute of Chartered Accountants in England and Wales, and the Institute of Chartered Accountants in Scotland. Participants at the conference were invited to submit chapters for this special volume, which is dedicated to the memory of Tim Vollans, a former TRN secretary and a much loved and greatly missed member of our tax community.

The TRN is an interdisciplinary group of academics and practitioners from the UK and elsewhere with a shared commitment to pursuing and furthering academic research in taxation. The TRN held its first conference in 1991 and since then has gone from strength to strength, attracting scholars from all over the world and now incorporating a special workshop for early career academics as part of the commitment to capacity building.

Recent developments in the UK and elsewhere have raised the profile of tax issues significantly, and in the case of the UK this has brought to the surface concerns about underinvestment in tax as an area of academic research. This volume serves as a reminder that tax research is, in fact, alive and well, if unfortunately, often lacking in visibility. Indeed, the diversity of the topics covered in the ensuing chapters is testament to a vibrant community of scholarship with wide ranging interests and approaches to research.

This diversity has made the task of thematic grouping extremely difficult, and so they are presented alphabetically according to the last name of the first author. Although the editors of this volume have shied away from thematic grouping of the chapters, there are nonetheless topic overlaps and parallels that are worthy of mention:

- Several chapters deal with aspects of tax compliance for large corporate taxpayers (Gribnau, Lavernicocca and McKerchar, Mulligan et al), providing fascinating insights into the position in The Netherlands,
Australia and the USA respectively.

- The relationship between tax and trade is considered in two chapters, Letete at a broad, interregional agreement level, and Mohamed et al at the more micro level of individual agents involved in import taxes.

- The administration of tax systems features in chapters by Bevacqua (UK and Australia), Burkinshaw and Frecknall-Hughes (UK), and Gangl et al (Austria), dealing with the status of HMRC guidance, protection from administrative inequity and the relationship between power of revenue authorities and taxpayer trust in those authorities respectively.

- Tax policy choice also features, in relation to owner occupied housing (Alexander), virtual currencies (Bal) and inbound investment (Taylor).

The following overview gives a flavour of the content of each of the ensuing chapters.

Phyllis Alexander considers vertical equity with specific reference to the preferential treatment of owner occupied housing; comparing the UK and the USA tax systems in this regard. The analysis is underpinned by comprehensive micro simulations using consistent parameters to facilitate comparison, drawing on the Suits method to measure the progressivity of the two systems.

Aleksandra Bal provides a primer on digital money, explaining the operation of the two most prominent virtual currency schemes, bitcoin and virtual world money, before analysing the tax implications, by reference to Germany’s schedular income tax and the United States’ global system. As a relatively new phenomenon, digital money presents challenges for any tax system and its administration and it will no doubt take considerable time for consensus to be reached on appropriate treatment and regulation.

John Bevacqua presents a comparative study of the UK and Australia and the respective aspirations of both countries’ tax authorities to treat taxpayers fairly. In neither jurisdiction, indeed in very few jurisdictions worldwide, is fair treatment of taxpayers codified, and proposed reforms are suggested to rectify this through formal monitoring and sanctions. The doctrine of legitimate expectation that applies in the UK has been rejected in Australia, leaving the likelihood of legislative protection of rights unlikely. There are three policy recommendations: express legislative pronouncement, compensation for taxpayers found to have been treated unfairly and, finally, independent oversight and sanctions.

Lynda Burkinshaw and Jane Frecknall-Hughes examine the legal status of tax authority guidance, with particular reference to Her Majesty’s Revenue and Customs (HMRC). After observing that the proliferation of both forms and volume of guidance in the UK is linked to the complexity of the tax
system, the authors consider how guidance fits with tax legislation, and the difficulties faced by taxpayers seeking to rely on such guidance.

*Katharina Gangl, Eva Hofmann, Barbara Hartl and Erich Kirchler* present the outcomes of an empirical test of the extended slippery slope framework that analyses the dynamics between power of the tax authority and trust in the tax authority in the presence of enforced compliance in an antagonistic environment, voluntary co-operation in a climate of confidence and committed cooperation in a service environment. Using an online survey to gather data about these interactions, the authors conclude that coercive power erodes trust, but that the additional costs of increasing services may nonetheless be beneficial in encouraging taxpayers to acknowledge taxpaying as a moral obligation.

*Hans Gribnau* raises the important issue of the relationship between corporate social responsibility and corporate tax planning using The Netherlands as a case study. Following a fascinating exploration of the nature of tax rules and their imperfections along with considerations of ethical conduct, he concludes that companies embracing corporate social responsibility should also embrace ethical obligations embodied within the law; the internal morality of the law that underpins the body of rules.

*Catriona Lavermicocca and Margaret McKerchar* present a detailed description of the method adopted in a study of identification and management of tax risk in large Australian companies and the impact of this on compliance behaviour. The authors present a review of the literature before discussing the findings from a series of in depth interviews conducted with tax managers together with a mail survey. The authors find comprehensive identification and management of tax risk leads to improved levels of compliance by large Australian companies.

*Puseletso Letete* introduces the Southern African Development Community (SADC), a free trade area formed in 2000, and examines the relationship between regional trade agreements and tax agreements entered into by SADC member states. She argues that taxation should form part of trade issues and agreements, particularly in developing countries; taxation should not be removed from scrutiny under trade agreements and the two issues need to be considered together, particularly in light of the shared principles of non-discrimination and national treatment.

*Mirza Mohamed, Andrew Grainger and Jane Guinery* use the theory of planned behaviour from social psychology to examine the compliance behaviour of customs agents. The authors develop a compliance behaviour model in relation to import taxes in Malaysia, where customs agents play an important role as intermediaries between importers and the customs department. They describe in some detail their mixed method design comprising an initial
qualitative phase of interviews that then informed the second, quantitative phase using a survey questionnaire. Additional determinant factors that may serve as predictors of customs agents’ compliance behaviour, specifically perception of quality of service, perception of fairness of tax contribution and complexity of procedures are also identified.

Emer Mulligan, James Gawley and James Cunningham bring important insights from the strategy literature to examine the various ways in which large multinationals organise and manage their internal tax function. The authors find that amongst the companies involved in the study, which are all based in Silicon Valley, there is significant variation in the organisation, location and focus of the tax function. Alignment of tax strategy with overall firm strategy was found to be weak, with variable practices in terms of formalisation of the tax strategy.

C John Taylor examines inbound investment for Australia and the prospects for two alternative approaches, an allowance for corporate equity (ACE) and an allowance for corporate capital (ACC) coupled with franked debt; the latter being preferable providing a more attractive environment at lower cost. This policy based study draws on a series of hypothetical examples to evaluate the alternatives. It is mooted that the ACC with franked debt alternative would facilitate removal of complex divisions such as debt/equity, which are problematic within the Australian tax code, as they are in other jurisdictions.

In addition to the rich coverage by topic area, and disciplinary background (law, policy, psychology, economics), the chapters also demonstrate considerable methodological diversity: microsimulation techniques (Alexander and Taylor), quantitative survey questionnaires (Mohamed et al, Gangl et al, Lavermicocca and McKerchar), in-depth interviews (Lavermicocca and McKerchar, Mulligan et al). The authors generously describe their methods, which will be invaluable for scholars interested, subsequently, in following similar paths. A final mention must be made of the geographical spread of the work presented here: Australia, Austria, Africa, The Netherlands Malaysia, the UK, and the USA, which underscores the value of the TRN in bringing together tax scholars from around the world.

We hope that these chapters will serve as inspiration for future research work. We must continue to celebrate, and make visible, the rich and diverse perspectives that can be brought to bear on tax issues, particularly in light of growing public interest in tax matters.

Finally, we would like to acknowledge and thank the contributors of these chapters for their commitment to this volume and for the patience they have shown in its preparation and publication.