UNDERSTANDING THE DEMAND FOR TAX DISCLOSURES: A SOCIOLOGICAL PERSPECTIVE

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Abstract

The purpose of this study is to understand how tax officers become suspicious and decide to demand disclosures from taxpayers in a developing country, using the context of Ghana. We draw on the concept of police stop and search to uncover some of the cues that inform tax officers' suspicions and decisions to demand tax disclosures from taxpayers. We used an interpretive qualitative methodology. Data was collected through interviews and publicly available documents. Braun et al.'s (2018) thematic analysis was employed in order to analyse the data. The study's findings show that *risk profiling or assessment*, *third-party information*, *informant reporting*, awareness of *known tax offenders*, *incongruent tax returns*, and an understanding of *the economic and political status of taxpayers* prompt tax officers to form suspicions and decide to demand tax disclosures. We also observe that the use of these cues can be discriminatory. This study argues that these unfair practices can make taxpayers uncooperative and cause them to lose trust in the tax administration. It contributes to our understanding of social justice and state power in tax revenue administration. It is also original, as no other study seems to have employed the theoretical concept of stop and search in order to understand the demand for tax disclosures in the context of a developing economy.

Keywords: Stop and Search, Demand for Tax Disclosures, Stereotypical Perception and Symbolic Assailants, Risk Profiling.

1.   INTRODUCTION

Tax is a major source of finance for most governments in the world and makes a significant contribution to the funding of public goods, services, and infrastructure (Otusanya, 2011; Sikka & Hampton, 2005). Despite this, governments struggle to raise adequate tax revenue to support their expenditure, particularly in developing countries (International Monetary Fund [IMF], 2018; Pomeranz, 2015; Sikka & Hampton, 2005). According to the IMF (2018), the tax to gross domestic product ratio of countries in sub-Saharan Africa is less than 20%, which is far lower than that of most developed countries. Previous studies have highlighted the importance of the relationship between a tax administration and taxpayers in respect of improving tax compliance for tax revenue mobilisation (Kornhauser, 2007; Murphy, 2008).

The purpose of this study is to understand how tax officers form suspicions that prompt them to demand disclosures from taxpayers. The study is an interpretive tax study and seeks to use the concept of stop and search to identify the cues for tax officers to demand disclosures from taxpayers. Prior studies have described the tax field as a battleground between taxpayers' attempts to conceal their identities and activities, and tax officers' efforts to make these identities and activities visible (Boll, 2014b; Munoz, 2010). The primary resource used in this

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struggle is complete and accurate taxpayer information. Taxpayer information has been described as the key to effective taxation in modern economies (Bird, 1996; Kopczuk & Slemrod, 2006). In developing economies, such as Ghana, accessing sufficient and accurate taxpayer information remains a major challenge (Kopczuk & Slemrod, 2006). This explains, in part, why developed economies raise more tax revenue than developing countries (Gordon & Li, 2009; Pomeranz, 2015).

In the last decade, several tax jurisdictions have adopted self-assessment systems in order to promote tax compliance and effective tax administration. Under this type of tax regime, the responsibility for computation, filing of tax returns, and payment of tax liability rests with the taxpayer (Bahari & Ling, 2009; Marshall et al., 1997). However, self-assessment regimes are characterised by the failure of taxpayers to submit returns, the declaration of false returns, and the provision of incomplete information (Bahari & Ling, 2009). These challenges often mean that audits and investigations are required in order to ensure superior tax compliance (Boll, 2014b). Tax officers are, however, constrained by resources and, as a result, cannot undertake extensive tax audits (Boll, 2014b). Thus, it is impossible to demand disclosures in respect of all taxpayer information (Boll, 2014b). Therefore, tax officers usually only select a proportion of taxpayers for tax audit and investigation purposes (Boll, 2014b; Chan et al., 2013). However, the existing empirical research does not reveal much about how tax officers become suspicious and decide to demand disclosures from taxpayers.

The extant literature on tax disclosures has focussed, mainly, on the supply perspective and there have been relatively few studies from the demand perspective. For example, studies have examined the sufficiency and relevance of tax information to the investor market (Hasegawa et al., 2013; Hoopes et al., 2018; Lenter et al., 2003; Mgammal et al., 2015) but have neglected to consider the decision-making processes of the tax officers who demand tax information. In this context, taxpayers are the suppliers of tax information and tax officers primarily demand tax information.

Therefore, the research question motivating this study is: "How do tax officers form suspicions that prompt them to demand tax disclosures?". To address this research question, we interviewed tax officers and tax consultants in order to understand their lived experiences of the phenomenon. We draw on the concept of stop and search in order to explore the cues that cause tax officers to demand disclosures from taxpayers. It is worth noting that the study extends beyond the legal requirements for disclosures in order to uncover the social, political, and economic considerations underpinning tax officers' demands for disclosures.

The rest of the paper is structured as follows. The next two sections discuss the literature on the theoretical concept of stop and search. The fourth section presents the study's methodology and the fifth section analyses its findings. The sixth section discusses the policy implications of stop and search. The final section highlights the major contributions made by the study and suggests directions for future research.

2.   POLICE STOP AND SEARCH

Stop and search is a legally mandated power given to police organisations across the world to stop citizens, check their identities, demand that they account for their movements, and search their possessions (Bradford & Loader, 2016; Weber & Bowling, 2013). This power, mostly backed by law, is exercised in contexts where public-policy interactions take place, including shopping centres, major streets, drinking spots, and sports centres (Bradford & Loader, 2016).

Stop and search is an investigative system, a law enforcement strategy, and a crime control mechanism, and seeks to achieve a broader objective of crime prevention, detection, and information acquisition (Allen, 2016; Delsol & Shiner, 2006; Lustgarten, 2002; La Vigne et al., 2014). Antovonics and Knight (2009), however, argue strongly that the practice is often used in way that discriminates against minority group members in societies. In addition, some studies argue that the practice is an incursion of individual privacy, something that temporarily deprives subjects of their liberty, and an instrument of social control and oppression (Flacks, 2018; Parpworth, 2014).

How Stop and Search Works

Chakravarty (2002) explains that stop and search is a process of uncertainty and follows a sequential procedure. First, a certain number of suspected individuals from a large number of people in a particular public space are stopped. Second, a subset of these individuals is searched. Third, a subset of those who are stopped and searched is arrested for a crime, a few of whom are prosecuted and some of whom may be found guilty (Quareshi & Farrell, 2006). Delsol and Shiner (2006) reveal that stop and search normally leads to low arrest rates, making people doubt the power given to police officers. Several studies have, therefore, raised concerns about the objectivity of the basis of suspicion (Johnson & Morgan, 2013; Parpworth, 2014; Zander, 1999).

The modus operandi of police stop and search is similar to that of tax disclosure demands by tax officers. Both practices are administered by a regulatory institution (Gracia & Oats, 2012). Braithwaite (2009) states that "a regulatory institution can be defined as an enduring and organized set of rules, norms and roles that socially prescribe the behaviour expected of occupants of the roles" (p. 35; Gracia & Oats, 2012). Similarly, in the tax arena, not all tax returns are investigated or audited (Boll, 2014b; Chan et al., 2013). Chan et al. (2013) explain that some of a population of taxpayers are targeted for further investigation, especially in a self-assessment regime. Thus, the demand for tax disclosures is initiated when there are indications of suspected non-compliance (Chan et al., 2013).

3.   SUSPICION FORMATION IN STOP AND SEARCH

It has been established in literature that the decision to stop and search a person or a vehicle in a public space is usually made because the decision-maker is suspicious (Johnson & Morgan, 2013; Parpworth, 2014; Qureshi & Farrell, 2006; Zander, 1999). Johnson and Morgan (2013) examine how the police form suspicions that prompt them to stop and search individuals. Their framework outlines four broad methods of suspicion formation: stereotypical perceptions about typical criminal offenders (the symbolic assailant); prior knowledge about specific citizens; incongruent circumstances; and suspicious nonverbal cues (Johnson & Morgan, 2013). These factors are reviewed in turn.

Stereotypical Perceptions and the Symbolic Assailant

The symbolic assailant is a construct developed by police sociologist Jerome Skolnick to identify persons whose behaviour and conduct police view as those of typical offenders (Skolnick, 1966). The symbolic assailant emanated from police officers' views of the world. Skolnick (1966) argues that the characteristics of police work result in officers developing a "working personality" typified by suspicion, authoritarianism, and cynicism. This working personality is shaped by the police officer's working environment and is usually passed on to

young officers through the sharing of an informal list of features considered to be indicators of likely offenders (Johnson & Morgan, 2013). Skolnick (1966) mentions that age, sex, race, socioeconomic status, and location, among other factors, contribute to the image of a typical offender.

Known Offenders

Johnson and Morgan (2013) also reveal that police officers may become suspicious about an individual as a result of having prior contact with, or information about, that individual. Vito and Walsh (2008) emphasise that this suspicion formation is based on the belief that people previously arrested for criminal offences would commit another crime. Alpert et al. (2005), however, note that such mental representations are impressionistic and based on perceptions that may or may not be legally justifiable. They add that using mental representations may result in a higher percentage of innocent minority citizens being viewed suspiciously, and consequently being stopped and questioned, because of their status (Alpert et al., 2005). Grounds for suspicion may include an awareness of a suspect's criminal records, recent criminal reports, and belief that a warrant has been issued for the arrest of the individual (Johnson & Morgan, 2013).

Incongruity

According to Johnson and Morgan (2013), incongruity involves observing whom or what is normal at a particular time, such that anything inappropriate is easily identified. Alpert et al. (2005) note that police officers are more likely than ordinary individuals to become suspicious about people or actions that they think do not fit the environment or situation. Quinton et al. (2000) add that skill, expertise, and experience are required in order to determine whether something is incongruent. They note, however, that normality is context-dependent. For instance, a vehicle that appears normal in one environment may appear inappropriate in another environment. Thus, appearance, time, and place are important in police officers' suspicion formation. The problem with this method of suspicion formation is that it is often tied to issues of race and social status, and, in most cases, minorities are targeted (Johnson & Morgan, 2013).

Non-Verbal Behavioural Cues

Non-verbal cues, including frequent disruptions to speech, frequent inappropriate smiles, eye contact avoidance, and increased fidgeting, are sometimes used as grounds for suspicion (Akehurst et al., 1996, as cited in Johnson & Morgan, 2013). Garrido et al. (2004) reveal that non-verbal cues have been used by police officers and other law enforcement agencies to detect deception, dishonesty, and criminal behaviours. Vrij (2008) notes that the use of non-verbal cues is perceived to be effective because suspects are seen to be less capable of controlling their non-verbal cues (gaze, postures, and movements) than what they say and, "consequently, nonverbal cues to deception are more likely to leak through" (p. 1323). However, he argues that non-verbal cues are less accurate than verbal cues and, therefore, forming decisions based on them can lead to a higher probability of accusing individuals wrongly (Vrij, 2008).

4.   METHODOLOGY

The study followed an interpretive qualitative approach, as the authors sought to elicit participants' views, perceptions, beliefs, assumptions, and lived experiences (Myers, 2013; Yin, 2017). The study is interpretive, as it seeks to present the social reality of the demand for

tax disclosures from the perspectives of tax officers and tax consultants within a real-life context (Myers, 2013). The interpretive approach is essential, as it raises pertinent questions about tax practices and the power dynamics within the field, which currently remain hidden behind the technical positivist façade (Boden et al., 2010; Boll, 2014a; Gracia & Oats, 2012).

We collected data through semi-structured interviews and from publicly available documents. Although an interview guide was designed in order to give the conversations some level of focus, the questions were not posed in a strict order (Hasseldine et al., 2011; Horton et al., 2004). Semi-structured interviews were conducted to enable participants to express themselves fully while allowing the researchers to elicit detailed meanings from participants. Additionally, the semi-structured interviews helped us to gain important insights into issues as they arose (Rubin & Rubin, 2012).

Table 1: Interview Schedule

Interviewee	Position	Experience	Duration
TO1	Audit supervisor	15 years	45 mins
TO2	DMCE supervisor	13 years	32 mins
TO3	DMCE supervisor	15 years	25 mins
TO4	Head of Audit	16 years	49 mins
TO5	DMCE supervisor	16 years	48 mins
TO6	Assist. commissioner	23 years	28 mins
TO7	Audit supervisor	22 years	40 mins
T08	Audit supervisor	18 years	33 mins
TO9	Audit supervisor	15 years	22 mins
TO10	DMCE supervisor	16 years	31 mins
TC1	Tax - Partner	25 years	51 mins
TC2	Senior tax consultant	16 years	36 mins
TC3	Senior tax manager	14 years	30 mins
TC2	Senior tax consultant	16 years	25 mins

DMCE means Debt Management and Compliance Enforcement Unit; TC means tax consultant; TO means tax officer.

The participants were senior staff members from the Ghana Revenue Authority (GRA) and senior tax consultants from reputable tax firms in Ghana. Senior tax officers and senior tax consultants were targeted because they represent two key types of actor within the tax field. Senior tax consultants were included because they possess expert knowledge about, and experience of, tax laws and tax disclosure practices. Purposive and snowball sampling techniques were employed in this study. Most of the interviews were tape-recorded and transcribed immediately after the interviews (Miles et al., 2014). In the few instances where the participants refused to be tape-recorded, detailed field notes were taken and reviewed immediately after engagement with participants. In all, we conducted fourteen interviews and we ended data collection when we believed we had attained data saturation (Charmaz, 2008). That is a stage where further engagement with new participants added no relevant insight to the study. The schedule of interviews is provided in Table 1.

We also employed publicly available documents to augment, confirm, and corroborate the interview data. These publicly available documents included tax laws and regulations, practice notes, media content, website information, and the GRA's practice manual.

Data Analysis

We followed the six-stage thematic analysis process according to Braun et al. (2018). First, we familiarised ourselves with the data while considering how the theoretical lens is reflected in the data set. The activities we carried out at this stage included transcription of data, synchronisation of transcripts, and reading and re-reading the data while linking initial ideas to the theoretical concept of stop and search. Second, we generated the initial codes. At this stage, we paid attention to codes that can be linked to the theory of stop and search. Some of the initial codes derived included *bias*, *stereotype*, *discrimination*, *risk profile*, *risk assessment*, *previous offence*, *past offences*, *unfit*, *deviation*, *non-conformity*, *informants and whistleblowing*, and *information*. Third, we collated and categorised the codes into potential themes. Codes that represented similar patterns were categorised together to form themes. For instance, the codes *deviation* and *unfit* were to form the theme *incongruence*. Fourth, we reviewed the themes, making sure that they worked in relation to both the coded extracts and the entire data set. At this stage, some themes were dropped, either because they were not relevant to the subject matter or could not be connected to the theoretical lens. For instance, themes such as *tax default*, *tax penalty*, and *information flow* were dropped because they could not be linked to the theoretical concept of stop and search. Following that, we generated clear definitions and names for the themes. For instance, between *whistleblowing* and *information from informants*, we found it more appropriate to label the theme *informant reporting* The final stage was the presentation of the report, as demonstrated in the next section.

5.   PRESENTATION AND ANALYSIS OF FINDING

The themes which explain how tax officers form suspicion include: *risk profiling or assessment*, *third-party information*, *informant reporting* (whistleblowers), *incongruent tax returns*, an awareness of *known tax offenders*, and *the economic and political status of taxpayers*. These themes were informed by both literature and engagement with empirical data. The themes are discussed in turn.

Risk Profiling or Assessment

One major cue for tax officers to become suspicious and demand further disclosures from taxpayers is the outcome of *risk profiling or assessment*. Risk profiling is a predefined systematic criteria that tax officers use to enable them to select and demand disclosures from taxpayers for tax audit and investigation purposes. The outcome of risk profiling becomes the basis for the decision to demand further disclosures. One respondent said:

> To profile a taxpayer is trying to risk assess the person. Profiling a person, we would need certain parameters. Basically, much of it is predefined, like turnover. If it is a company, whether they have auditors, how many times they have been filing their returns, how much in itself have they been disclosing, whether they have consultants, how long have they been in existence (TO8).

This suggests that tax officers depend on some predefined criteria to define what a typical tax offender looks like. These parameters are developed through the knowledge that tax officers have about specific entities and similar entities within the industry. Consistent with Skolnick's (1966) concept of the symbolic assailant in police stop and searches, tax officers label an entity as a potential offender once they fit the predefined criteria. Thus, predefined parameters (characteristics) may inform tax officers' decisions to demand more disclosures from particular taxpayers. As confirmed by Skolnick (1966), and Johnson and Morgan (2013), these predefined features are normally informally shared with new officers by experienced officers and may vary among tax types, industries, and organisational sizes. The assumption that underlies risk profiling is that tax officers know what a good tax return looks like and will notice when a taxpayer has not prepared their tax return correctly. For example, one respondent said:

> Sometimes people go and register their businesses at Registrar General's department and they will not come to us, and later they will come, after five or ten years before they come and register with us, and so that also will determine how we will look at that business. We want to know what happened in the gap (TO5).

As can be observed above, delay in registering with the tax authority, in this context, is a parameter that may cause a tax officer to become suspicious and demand more disclosures. This approach for identifying tax offenders disproportionately targets smaller taxpayers. Small businesses normally take time to register with the tax authority due to their nature. These small businesses are characterised by poor bookkeeping processes and location problems. Large corporations, unlike small businesses, usually register with the tax authorities before the commencement of business activities. Therefore, using a parameter such as this discriminatorily targets smaller taxpayers, rather than larger organisations who are often able to register and submit their returns periodically.

We also observe that taxpayers may be grouped into high-risk, medium-risk, and low-risk taxpayers. This is usually based on several predefined risk indicators and the impact of these risk indicators on tax revenue. Medium to high-risk taxpayers are therefore targeted for information disclosure purposes.

> So we have parameters that are predefined and there are ratings attached to these parameters. So it's like we score the person or company against the parameters, then we apply the rate to determine who is high-risk taxpayer, medium-risk taxpayer, or low-risk taxpayer (TO7).

Consistent with Skolnick (1966), several indicators may be considered when determining a taxpayer's risk level. However, the impact of each indicator on the overall risk level may differ. For instance, not filing tax returns for several years is a greater signal that the taxpayer is high risk than poor bookkeeping, although both are risk indicators. Tax officers, therefore, assign ratings to each indicator in order to determine a taxpayer's overall risk level. Indicators are rated so that tax officers attach a level of importance to them and are less likely to consider immaterial issues when deciding whether or not to demand additional disclosures. Again, the outcome of the risk profiling exercise enhances tax officers' decision-making in terms of the type and scope of information to demand from taxpayers and the prioritisation of resources. This is consistent with Boll's (2014b) view that risk assessment is conducted in order to prioritise resources. The interviews that we conducted reveal that tax officers normally carry out field audits when an organisation is highly risky. This observation agrees with Pentland and Carlile's (1996) view that tax officers' approaches depend on the risk level associated with the taxpayer.

Third-Party Information

Third-party information, particularly from government institutions, contributes to tax officers' suspicions and decisions to demand tax disclosures from taxpayers. It enables tax officers to prepopulate tax returns, leaving the taxpayer to agree or disagree with the amount assessed as payable (IMF, 2018). *Third-party information* is obtained from persons with whom a taxpayer made a transaction. *Third-party information* is not always conclusive. To confirm the details received, tax officers may ask taxpayers to disclose more information. A respondent at the GRA explains:

> We also get third-party information from government institutions. Let's say, if you tell us that you are a tailor and you disclose some few things, that this is your tax. We will be there and we will receive information from, let's say, the Ministry of Health, about a particular person who supplied uniforms to nurses. So, they would give us that information, then based on that, we will use that to assess you or investigate you further to know the true nature of information provided (TO5).

Tax officers consider *third-party information* to be more believable than information provided by the taxpayer. The suspicion is that taxpayers may only be willing to provide information to meet the minimum requirements of the law, hence information received from an independent person will be more truthful than information provided by the taxpayer. The advantages of *third-party information* for the tax officer are that it presents some reality about the taxpayer which the officer has no knowledge of and it provides them with information that might not have been disclosed by the taxpayer. This observation is in line with earlier studies by Kleven et al. (2011) and the IMF (2018).

The study, surprisingly, shows that systems for sharing information between taxpayer offices in Ghana are poor. As a result, processes to discover *third-party information* within taxpayer offices are ineffective. This is particularly worrying when the technique has proven to be effective in enhancing compliance and tax revenue in most developed economies. Kleven et al. (2011) reveal that all advanced economies make use of extensive *third-party information* from entities including individuals' employers, banks, investment funds, and pension funds when assessing the taxable income of entities and individuals. The IMF (2018) also reports that compliance in advanced countries is more than 90 per cent where *third-party information* is well established.

Informant Reporting

Informant reporting is a major cue that informs police suspicion to stop and search (Johnson & Morgan, 2013) and includes reported observations by whistleblowers (Allen, 2016). Similarly, in tax administration, information received from informants plays a significant role in tax officers' suspicion formation and their decisions to demand tax disclosures. Information received from informants is similar to *third-party information*. However, the clear distinction is that informants (whistleblowers) usually demand that their identities remain confidential. These informants are usually individuals who are close to the business and who, for one reason or another, decide to secretly supply tax officers with tax-relevant information about it. A respondent from the GRA stated: "Then we have informants, where people come and report, individuals who come and secretly give us further information. We then request the business to provide us with all information we need to validate the informants' claim" (TO5).

Although reports from informants are a rich source of tax information, tax officers may attempt to verify the details upon obtaining them. To this end, tax officers may demand further documents, especially source documents, to enable them to verify the accuracy and completeness of records, as well as to establish accurate tax liabilities. As informants are usually persons who are close to the entity and may not want to impair their relationship with the entity, they usually demand that their identities are kept confidential. They may risk losing their jobs, fear for their lives and those of their family members, or be afraid of being prosecuted. Our interviews with tax officers further reveal that the GRA's whistleblower system is very weak due to the non-existent compensation package for whistleblowers. This discourages individuals from divulging organisations' tax secrets to the GRA. Meanwhile, Chan et al., (2013) note that the implementation of a whistleblowing system is a proactive and effective way to prevent tax fraud.

Incongruent Tax Returns

A police officer may form a suspicion that prompts them to stop and search an individual or vehicle because it appears to be out of place (Johnson & Morgan, 2013). This assumes that the police are knowledgeable and aware of society's norms, and would be suspicious when a situation appears to be different from the norm. As with police stop and search, tax officers form suspicions that prompt them to demand disclosures when they observe that a particular taxpayer's return appears different from the norm. One respondent from GRA said:

> Then we have what we call performance indicators. So, we do performance indicators of a taxpayer for a particular period, maybe 3 years or 4 years to know the turnover pattern of the person. Maybe a taxpayer in a particular year was doing very well then, all of a sudden, the sales started dropping. We need to find out why. Maybe in a particular year, a taxpayer was reporting revenue 10,000 and all of a sudden it starts dropping to 8,000 to 7,000. We need to find out why (TO7).

This implies that tax officers expect a certain pattern of tax revenue and would demand disclosures when there is a deviation from this expectation. The demand is made to ensure that the information provided is accurate and complete, as well as to investigate any non-conformity that exists. In this situation, the tax officer will attempt to evaluate the incongruity between observed and expected patterns of tax returns using their knowledge of the person and the tax types. The ability of a tax officer to have expectations about a particular taxpayer depends on their level of familiarity with the taxpayer, as well as the relevant tax types and laws. However,

it is worth noting that, while a return may be reasonable and acceptable in one circumstance (congruent), it may be out of place in another (Alpert et al., 2005). For instance, it would be normal for a tax officer to accept a significant drop in profit in a year when general industry performance is low. It is, however, suspicious when an entity reports negative returns in a period in which the industry's performance has been impressive.

Known Tax Offenders

The study shows that a tax officer may demand additional disclosures from a taxpayer because they have had prior contact with, or hold information about, the taxpayer. When a tax officer reads a past offender's tax return, it may remind them of their previous encounters with that taxpayer. This may cause them to become suspicious and demand further disclosures. Interactions with the tax officers reveal that they may not necessarily have enough evidence of non-compliance but want to convince themselves that the taxpayer has changed. One of the respondents said:

> When the person has evaded taxes in the immediate past years, we may base on that grounds to inspect that person further. We may visit the business premises, look through their records to ensure that they are doing the right thing this time around (TO8).

In the above quote, the tax officer assumes that a person who has evaded taxes in the past would commit the same offence again. This evidence is consistent with empirical evidence from police stop and search practices, where individuals who have committed crimes in the past are more likely to be stopped and searched (Quinton et al., 2000). The study also notes that tax officers may demand further disclosures based on a taxpayer's previous returns. One of the respondents, from a Small Tax Office (STO), said this might include "someone who submits the financial information consistently incurring losses for about four or five years, or consistently, the sales figures are the same" (TO1).

This suggests that tax officers may develop suspicions and demand more disclosures when they know the pattern of the taxpayer's behaviour over time. For instance, reporting the same sales or profit figures over a number of years may suggest that the business is cooking the books in order to satisfy the requirements of tax officers and may not necessarily be providing the tax office with a true picture of its financial performance.

Economic and Political Status

The decision to demand disclosures can be informed by a person's economic or political status. The possession of some political or economic status can help a person to avoid tax investigation and the absence of such power can make an entity a target for tax purposes. Some tax officers have suffered at the hands of powerful individuals and entities. They may, thus, avoid targeting such powerful individuals in order to avoid victimisation or job loss, to protect their lives and those of their family members, and to avoid being transferred to rural communities. One tax auditor narrated how his life was threatened by a taxpayer with high political and economic power: "How much will it take me to finish you? Contract killers will not take more than GHS 10,000" (TO2 quoting the taxpayer). The respondent added: "You want to satisfy your boss; however, you have your life, your job, and your family to protect. We get really frustrated in these circumstances" (TO2).

As narrated above, a powerful taxpayer can threaten the life of a tax officer for targeting him for tax audit purposes. The tax officer will then avoid this powerful person for fear of his life and for the wellbeing of his family. However, tax officers are required to meet revenue targets, so they may resort to targeting less threatening or less powerful individuals or organisations in order to meet these. On this matter, TO2 states: "At times, we have no option. We select taxpayers who will not threaten us so that we can meet our revenue target. At least my life will be safe and I can get to keep my job".

This supports Gracia and Oats' (2012) view that:

> There is some evidence of an enforcement habitus, particularly with regard to relations with smaller tax-payers, such that tax ''[i]nspectors are seen as having an aggressive attitude towards taxpayers and being 'out to get' as much tax from them as possible'' (PCG, 2006) (p. 309).

This practice further supports and enhances the power and wealth of the already powerful while undermining the progress of the disadvantaged minority.

6.   POLICY IMPLICATIONS OF STOP AND SEARCH

This study seeks to understand how tax officers form suspicions and decide to demand disclosures from taxpayers. The study shows that *risk profiling or assessment*, *third-party information*, *informant reporting*, *incongruent tax returns*, an awareness of *known tax offenders*, and *the economic and political status of taxpayers* are the themes that explain how tax officers form suspicions and decide to demand tax disclosures.

The problems with suspicion formation leading to stop and search are well discussed in the criminology and social psychology literature (see Flacks, 2018; Qureshi & Farrell, 2006; Vrij, 2008). One major challenge is that the practices are often characterised by discrimination against and unfair treatment of minority groups. This study has shown that a similar phenomenon is evidenced in tax administration, particularly in terms of how tax officers make decisions to demand disclosures from taxpayers. Tax officers use similar cues to those seen in police stop and search procedures, such as risk profiling, knowledge of offenders, and incongruency, when deciding to demand tax disclosures from taxpayers. The challenge here is that such practices can lead to biases and discrimination against some taxpayers. For instance, some taxpayers may be targeted not because they have actually offended but because of stereotyping. For example, the use of the *known tax offender* cue may mean that a taxpayer is wrongfully targeted solely because they have committed a tax offence in the past and not because there is evidence that they are currently committing an offence. This study argues that in the tax field, as in the case of police stop and search, the practice can cause embarrassment, anxiety, and fear, and may threaten public cooperation, trusts, and confidence. Some of these consequences are discussed further in the ensuing paragraphs.

Cooperation between a tax administration and taxpayers is critical to achieving superior tax compliance. Using cues, such as *known tax offenders* and *incongruent tax returns*, can impair the cooperative relationship that exists between tax officers and taxpayers. This is because taxpayers may construe the practices as unfair and lacking procedural justice. Previous studies have addressed the importance of cooperation between tax officers and taxpayers in ensuring that revenue administrative systems are effective and efficient (Kornhauser, 2007; Murphy, 2004).

The use of stereotypes and other unfair cues to identify taxpayers from whom further disclosures should be demanded may also affect the trust that exists between tax officers and taxpayers. Contrary to the traditional theory of compliance, which suggests that individuals are tax compliant due to fear of detection and punishment, the literature on tax compliance reveals that tax compliance is also affected by social norms, such as procedural justice, and the trust and legitimacy of government (Kornhauser, 2007). This implies that taxpayers' compliance levels may be affected when they mistrust the tax administration or perceive the basis of suspicion formation to be unjust. As recommended by several tax studies, in order to achieve superior compliance, tax officers should employ accommodating models of regulation, such as gentle persuasion, trust, and cooperation when dealing with taxpayers (see Braithwaite, 2009; Murphy, 2008; Murphy et al., 2009). Finally, lack of cooperation and trust may further affect the revenue mobilisation capacity of the tax administration. Thus, the inappropriate use of these cues to form suspicion can be counterproductive as the wrong taxpayers may be identified. The procedures may not be economical as resources will be used in the auditing processes.

7.   CONCLUSION

We employed the theoretical concept of stop and search in order to understand how tax officers form suspicions and decide to demand tax disclosures. In this study, we focussed on additional disclosures beyond the returns that are filed periodically. We identified six main cues that inform tax officers' suspicions and decisions to demand disclosures from taxpayers. They are: *risk profiling or assessment*, *third-party information*, *informant reporting*, *incongruent tax returns*, awareness of *known tax offenders*, and *the economic or political status of taxpayers*. The study observes that some of these cues involve stereotyping and can discriminate against some taxpayers. Additionally, these practices are unfair to the taxpayers targeted and could affect taxpayer cooperation, trust, and confidence in the tax administration. Furthermore, the practices can be counterproductive to tax compliance and tax revenue generation as taxpayers may become uncooperative. Finally, the study contributes to policy. In particular, the study makes policy recommendations with regard to how taxpayers should be managed in order to increase tax compliance and optimise revenue.

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