

## COOPERATIVE COMPLIANCE PROGRAMMES: WHO PARTICIPATES AND WHY?

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### Abstract

This study examines which organisations participate in cooperative compliance programmes (CCPs) and why by comparing large organisations in the Netherlands that do and do not participate in them. We use data from surveys conducted among representatives of large organisations and their Netherlands Tax and Customs Administration (NTCA) account managers between 2014 and 2018 (n=394). The results show that there are few differences in *organisational characteristics* between CCP participants and non-participants, but that larger organisations are more likely to participate in CCPs. Furthermore, CCP participants have better *working relationships* with the NTCA, better Tax Control Frameworks (*TCFs*), and display greater *transparency* than non-participants. In addition, CCP participants report having a greater *need for certainty* and higher perceived *certainty* about their tax positions than non-participants. Within the group of CCP participants, we also assess whether there are differences related to the intensity of contact with the NTCA and the *duration of participation*. We find that the *working relationship* and the level of *transparency* are somewhat better, and that *compliance costs* for the organisation are reduced, when there is more frequent contact between a large organisation and the NTCA. At the same time, we find a negative relationship between the duration of CCP participation and the quality of the *TCF*. We conclude that large organisations may benefit from CCP participation in terms of gaining more *certainty* about their tax position, whereas the tax authority may benefit because the organisation displays greater *transparency*. Both parties may benefit from the development of a better *working relationship*, but it appears that both parties need to continuously invest time and effort into the programme in order to actively maintain the cooperative relationship.

**Keywords:** Cooperative Compliance Programmes, Corporate Tax Compliance, Working Relationship, Transparency, Tax Control Framework

### 1. INTRODUCTION

A large number of tax authorities attach high importance to cooperative compliance programmes (CCPs) as a treatment strategy for large (corporate) taxpayers (Organisation for Economic Co-operation and Development [OECD], 2017). Along with the U.K., Ireland, and the U.S., the Netherlands was one of the first countries to introduce a CCP (in 2004) and many other countries followed (OECD, 2017). The aims of a CCP are to move away from an adversarial relationship, to establish a more collaborative relationship, and to better balance the interests of both the tax authority and large organisations. This should lead to improved *transparency* and *tax compliance* on the part of the large organisation, while offering early disclosure and resolution of issues by the tax authority, and thus providing *certainty* about the tax position, minimising unnecessary audit time, and lowering *compliance costs*. Tax

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authorities can then shift resources to the less cooperative and more risky taxpayers, making their treatment strategies more efficient. CCPs thus aim to create a “win-win situation” for both large taxpayers and the tax authority (Majdanska & Leigh Pemberton, 2019; OECD, 2008). CCPs in different countries are all based on three main pillars—mutual trust, understanding and *transparency*—and are rooted in the overall *compliance* strategy of the tax authority (OECD, 2008; 2013). However, they also differ in terms of, for instance, eligibility criteria, their legal basis, and the practical organisation of interactions (Björklund Larsen & Oats, 2019).

While previous studies have addressed the benefits of participation for large taxpayers and participants’ reasons for joining the programme (e.g. De Widt & Oats, 2017), no studies have addressed the question of who actually participates in a CCP. We will focus on the Netherlands, where all organisations that qualify as “large”, as defined by the Netherlands Tax and Customs Administration (NTCA), have the opportunity to participate in the CCP. However, not all large organisations actually participate in the CCP, which might be due to the eligibility criteria and/or motivations for participation. Therefore, in this study, we will examine possible differences between CCP participants and non-participants in order to shed light on the types of organisations for which participation in the CCP is desirable and attainable. A deeper understanding of what characterises the organisations that participate could help tax authorities to tailor their CCP to potential participants more effectively.

The remainder of this paper is structured as follows. In the next section, we will look at the previous studies on CCPs and develop our research hypotheses. In Section 3, we present the research method used in this study. Data analyses and results are presented in Section 4. In Section 5, we discuss the contributions made by and implications of this paper, as well as its limitations and suggestions for future research.

## 2. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

The academic literature regarding CCPs has taken different perspectives and utilised diverse methodologies. Several publications focus on the legal aspects of CCPs (e.g. Hambre, 2019; Huiskers-Stoop & Gribnau, 2019; Majdanska & Leigh Pemberton, 2019) and discuss, for instance, the legal status of the CCP covenant or agreement that is concluded with organisations that join the programme. Some analytical studies explore the underlying assumptions of CCPs (e.g. De Simone et al., 2013; Van der Hel-Van Dijk & Siglé, 2015; Ventry Jr., 2008). These studies suggest that, from a theoretical viewpoint, CCPs might indeed increase taxpayer *compliance* and reduce *compliance costs*. Ventry Jr. (2008), for example, argues that under a cooperative model, taxpayers and their advisors will get *certainty* about tax positions and face fewer post-filing challenges. The tax authority will be in a better position to identify emerging taxpayer issues and *compliance* risks, and be able to shift its limited resources from post-filing activities to other areas. Such a relationship, which is characterised by *transparency* and an open dialogue between taxpayers and tax authorities, is crucial in establishing “a shared understanding of what it means to comply with the law” (Ventry Jr., 2008, p. 466).

Surveys show that, in most countries, large taxpayers are positive about CCPs and those who are in a CCP are positive about being in the programme (e.g. Enachescu et al., 2019; Stevens et al., 2012). Large taxpayers consider the possibility of acquiring faster and greater tax *certainty* to be the most important benefit of a CCP (e.g. De Widt, Mulligan, & Oats, 2019). Other potential benefits for large taxpayers include reputation advantages and reduced *compliance costs* (OECD, 2013).

A few studies have empirically tested (some of) the underlying assumptions of CCPs (e.g., Beck & Lisowsky, 2014; Colon & Swagerman, 2015; Goslinga et al., 2019; Siglé et al., 2020). Most of these studies focus on some of the key elements of CCPs, as described in the OECD publications (e.g. OECD, 2008; 2013). These studies are correlational and do not allow for causal inferences, but do find support for some of the main assumptions underlying CCPs, such as the *need for certainty* as a driver for CCP participation (Beck & Lisowsky, 2014) and the importance of the *working relationship* between large taxpayer and the tax authority, the quality of the so-called *TCF* of the organisation (which enables a large organisation to be “in control” on tax issues), and disclosure and *transparency* for the functioning of the CCP (Goslinga et al., 2019; Siglé et al., 2020).

While the studies conducted so far offer important insights into what large taxpayers consider the benefits of the programme, it is not clear who actually participates and which factors determine whether organisations participate in the programme or not. In most countries, participation in a CCP is voluntary and motivation, such as the *need for certainty* about the tax position and the benefit of reduced *compliance costs*, can therefore be expected to play a role in an organisation’s decision to participate in one (De Widt et al., 2019). Eligibility criteria that concern an organisation’s characteristics, the way it deals with fulfilling tax obligations, and its interaction with the tax authority could, however, also play a role (OECD, 2013). Some eligibility criteria concern an organisation’s objective characteristics—such as its size in terms of turnover or assets, and the complexity of its structure and international operations—which cannot easily be changed. Other criteria for acceptance in the CCP lie within the organisation’s range of influence and concern the way that the organisation performs with regard to its internal tax control, *transparency*, and its interaction with the tax authority. Thus, although organisations may perceive participation in a CCP to be beneficial, they may be prevented from joining due to the eligibility criteria.

Furthermore, large taxpayers may have reasons for *not* joining the programme, even when they might benefit from participation. As De Widt (2017) notes, foreign-based multinational enterprises (MNEs) originating from fiscal cultures with adversarial relationships between taxpayers and tax authorities (such as the U.S.) tend to stay out of the Netherlands’ CCP because they are reluctant to develop a close relationship with the tax authority. Large taxpayers may also be hesitant to join the CCP because the *transparency* required puts (moral) pressure on fiscal arrangements that are legal, but just within the boundaries of the law (that could be considered as [aggressive] tax planning) (Björklund Larsen, 2016; Freedman et al., 2009).

Qualitative studies that focus on the perceptions and experiences of the parties involved in a CCP corroborate the idea that both large taxpayers and tax authorities perceive participation in CCPs to be beneficial but also raise some questions about whether CCPs deliver on all expectations (Björklund Larsen & Oats, 2019). With regard to the Internal Revenue Service (IRS), De Widt et al. (2019) report that the programme puts a high demand on IRS resources. In addition, both Stevens et al. (2012) and De Widt (2017) note that the expected efficiency of the Netherlands’ CCP (i.e. shifting scarce resources to higher risk taxpayers) could not be established. This was due, amongst other things, to the need for the NTCA’s resources to support organisations that were in the process of entering the CCP to establish the required higher level of fiscal control (De Widt, 2017). The high workload for the tax authority could threaten the benefits for CCP participants, such as quick responses to questions and resolution of tax issues. This might increase as more large taxpayers enter the programme. The

experiences of large taxpayers in the CCP and the benefits they perceive might thus change over time and during participation.

In order to shed some light on what characterises large taxpayers who are in the CCP, the present study will systematically compare large taxpayers that do and do not participate in the programme. Information on an individual or aggregate level about which taxpayers or types of taxpayers are in the CCP is not readily available and, as far as we know, no previous studies have addressed the question of who actually participates in a CCP.

Our study concerns the CCP of the NTCA, the so-called Horizontal Monitoring programme. The Netherlands provides an interesting setting because all organisations that are categorised as “large” by the NTCA have the opportunity to participate in the CCP. Furthermore, the threshold for qualifying as a large organisation is among the lowest of all countries that have introduced CCPs.<sup>4</sup> As a result, the Netherlands has a relatively large “potential” of organisations that could, in principle, participate (about 8,500) and, at this point in time, approximately one out of six of this population actually participate.

We will use data from a survey among representatives of large (corporate) taxpayers and a survey among NTCA’s account managers to examine whether large organisations in the Netherlands that do or do not participate in the CCP differ from each other. By comparing organisations with regard to the eligibility criteria for participation in the programme (both the objective and the *performance criteria*), we aim to learn *who* participates and, by comparing the motives for participation, we also aim to learn *why* large taxpayers do or do not participate. These insights could help tax authorities to better tailor CCPs to individual organisations or to design different types of CCPs for specific groups of organisations. Additionally, we examine whether, *within the group of CCP participants*, there are differences related to the *duration* and *intensity of participation*. By doing this, we aim to provide insight into whether the performance and motivation of large taxpayers in a programme changes during their participation in it.

## Hypotheses

### *Organisational characteristics*

The size of an organisation is usually one of the eligibility criteria for participation in a CCP. This criterion differs widely between countries. In the Netherlands, CCP participation is possible for all large organisations with a revenue of more than about 10 million euros, while in Italy, participation is limited to large organisations with a revenue of 10 billion euros or more (Rossi, 2013). In the U.S, the CCP programme is open to corporations with assets of more than 10 million US dollars, and in Australia, it is open to entities that are part of an economic group with a combined turnover of more than 250 million Australian dollars.<sup>5</sup> While tax authorities differ in where they draw the line, they all limit participation in the CCP to the largest (corporate) taxpayers.

The OECD focussed on CCPs for large (corporate) taxpayers because these organisations have the ability and the means (e.g. sophisticated advice and legal resources) to enter into complex,

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<sup>4</sup> The Dutch tax authority distinguishes large organisations from other taxpayers based on the following criteria: a) turnover exceeds ten million euros and gross wages exceed two million euros; or b) gross wages exceed eight million euros; or c) assets exceed one billion euros.

<sup>5</sup> See: U.S. (Internal Revenue Service, 2019); Australia (Australian Tax Office, 2019).

cross-border tax arrangements that could constitute aggressive tax planning (Huiskers-Stoop & Gribnau, 2019, OECD, 2008). Large corporate taxpayers seek cooperation with tax authorities for reasons related to corporate governance concerns (following financial scandals and new legislation, e.g. the Sarbanes-Oxley Act), financial and other public disclosures (i.e. increased public scrutiny), and accounting for uncertain tax liabilities (e.g. in relation to the evolution of financial accounting standards). Large corporate taxpayers need to have more control over, and more assurance about, their tax position, and perceive that participation in a CCP will meet these needs (OECD, 2008). For MNEs, these needs might be even more pronounced, due to increased public scrutiny into their cross-border activities and the introduction of country-by-country reporting standards. Such standards demand *transparency* from MNEs, while public scrutiny increases the importance of *certainty* for them (e.g. because missteps are likely to have severe effects on their public image). MNEs can also feel morally obligated to participate in a CCP because they want to express to society that they act responsibly and care about *compliance* (Boll & Brehm Johansen, 2018). These demands and needs make MNEs especially suited to CCP participation. For this reason, most countries with CCPs consider MNEs to be their main targets.

All organisations in our sample are large enough to qualify for the CCP. However, since CCPs are deemed to be more suitable for larger organisations and the initial focus was on the largest taxpayers, we expect that CCP participants within the population of large organisations are, on average, larger than non-participants.

In the Netherlands, both large profit and not-for-profit organisations can participate in the CCP.<sup>6</sup> Profit-oriented businesses and not-for-profit organisations can be expected to have different external demands or expectations that may influence their participation. As noted, MNEs might have reasons for participating in a CCP. At the same time, however, for-profit organisations, in general, may be more reluctant to participate in the CCP as a result of shareholder concerns about limited possibilities for tax planning, as this could lead to higher effective tax rates (Siglé et al., 2018). Not-for-profit organisations, on the other hand, are generally funded through (tax funded) public funds. Therefore, we expect government agencies that fund not-for-profit organisations to encourage these organisations to be *transparent* and participate in voluntary *compliance* programmes, such as CCPs, to avoid misuse of public funds.

Within this context, it could be argued that, given the variety of the group of (relatively) large organisations that can formally qualify for participation in a CCP in the Netherlands, a large taxpayer's *organisational characteristics* (e.g. size, MNE status, for-profit/not-for-profit status) may play a role in its decision to participate. We expect that:

*Hypothesis 1: Large taxpayers are more likely to participate in the CCP when they are (relatively) larger and when they belong to the MNE and not-for-profit categories.*

### *Performance criteria*

Tax authorities use various *performance criteria* in order to determine whether large organisations qualify for CCP participation. Generally, these criteria concern the taxpayer's degree of *transparency*, the quality of the *TCF*, and the quality of their *working relationship* with the tax authority (OECD, 2013; Siglé et al., 2020).

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<sup>6</sup> As far as we know, the Netherlands is unique in allowing not-for-profit organisations to participate in the CCP.

Within a CCP, taxpayers are expected to be *transparent* about all tax matters that give rise to a material degree of risk or uncertainty (OECD, 2008; 2013)<sup>7</sup> and disclose these in a timely matter (OECD, 2007). This expectation might even go beyond taxpayers' statutory obligations (OECD, 2008). *Transparency* can be expected to discourage aggressive tax planning (European Union, 2018) and contribute to an effective and efficient regulatory process, and thus to the success of the CCP (cf. Rickwood & Braithwaite, 1994).

Taxpayers who want to participate in a CCP should display a sufficient degree of *transparency*, in return for which the tax authority will shift the emphasis of its regulatory activities away from "auditing after filing" to a reliance on the quality of the *TCF* (OECD, 2017). Therefore, the *TCF* has emerged as an important component of a CCP (OECD, 2013; 2016). Within a CCP, a *TCF* serves two functions: first, to enable taxpayer *transparency* and second, to enable taxpayer *compliance* (OECD, 2013; Siglé et al., 2020). A *TCF* signals and informs taxpayers about all tax risks, which can stem from all activities and parts of an organisation, and thus makes it possible for an organisation to be *transparent* by disclosing relevant tax risks to the tax authority. A *TCF* also enables organisations to be compliant, for example, by preventing unintentional non-compliance (OECD, 2014), and by increasing its ability to identify tax risks and implement effective controls, thus preventing these risks from occurring and leading to actual non-compliance.

Large (corporate) taxpayers and tax authorities have a shared interest in making their *working relationship* as effective as possible (OECD, 2007). A better *working relationship* helps both parties to better understand each other's attitudes, behaviours, and needs, and, thus, to provide an ongoing dialogue and make interactions more efficient (Freedman et al., 2009; OECD, 2009; Ventry Jr., 2008). This efficiency is, *inter alia*, achieved through engaging upfront (before submitting a tax return) and working together "in real time", which is an important feature of many CCPs (OECD, 2017).

In the Netherlands, CCP participation is based on a formal agreement or covenant that the NTCA concludes with large organisations. In this covenant, the key elements of the CCP, e.g. building an efficient and effective *working relationship* based upon mutual trust and understanding, *transparency*, and the development of a system of internal and external control (the *TCF*), are explicitly addressed. These elements are eligibility criteria for participation in the CCP that concern the performance of organisations. Accordingly:

*Hypothesis 2: Large organisations that do participate in the CCP score more positively on the relevant performance criteria for participation in the CCP (e.g. the working relationship, the TCF, and transparency) than those that do not participate.*

It must be noted that the *performance criteria* discussed above often play two roles in a CCP. Organisations have to achieve a minimal level of performance in order to be allowed to enter the CCP. However, the qualifying level leaves room for further improvement, which many CCPs aim to achieve. Participating organisations can, therefore, also differ in how they score in relation to the *performance criteria*. We discuss this further in the development of our fourth hypothesis.

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<sup>7</sup> See, for example: Australia (Australian Tax Office, 2018); Ireland (Office of the Revenue Commissioners, 2020).

## Motivation

An important feature of most CCPs is that participation is on a voluntary basis (OECD, 2013). Organisations that are likely to participate have to perceive sufficient benefits from participation (Čičin-Šain, 2016). One of the most important benefits of CCP participation is a higher degree of (perceived) tax *certainty* (Beck & Lisowsky, 2014; Goslinga et al., 2019; OECD, 2013). Therefore, the OECD (2013) summarises CCP participation as “*transparency in exchange for certainty*”. Another advantage for organisations participating in a CCP is reduced *compliance costs* (Majdanska & Leigh Pemberton, 2019; OECD, 2008). These could be achieved through faster tax issue resolution and less audit intrusion (OECD, 2013). Besides these more direct benefits, large taxpayers “also simply want to signal that they care about their tax compliance by being in the program and that they want to collaborate and have dialogue on a regular basis—in contrast to simply engaging with the authorities when they have a (conflict) case” (Boll & Brehm Johansen, 2018, p.15). Thus, a third possible motivation for participation is the importance that the organisation attaches to *compliance*. CCPs are developed for large taxpayers who are willing to be compliant. By participating, they can efficiently and effectively deal with their tax obligations (OECD, 2013).

The standard covenant between the NTCA and the large organisation articulates that the NTCA will provide rapid *certainty*, as well as its viewpoints regarding the legal consequences of specific issues, when the large organisation actively discloses all facts and circumstances relevant for its fiscal position. In addition, real-time working should enable fast processing of tax returns, which will also increase *certainty* and reduce *compliance costs*. Moreover, in the Netherlands, participating organisations are expected to demonstrate the ability and *willingness to comply* with fiscal rules (De Widt, 2017). Accordingly:

*Hypothesis 3: Large organisations that participate in the CCP have a stronger need for certainty about their tax position, incur fewer compliance costs relating to tax matters, and are more willing to comply with tax laws.*

## CCP participation as a process

As mentioned above, participation in the CCP might influence performance and alter the motivation of organisations over time. The NTCA’s decision to allow an organisation access to the CCP is mainly based on the assessment of its level of *transparency* and its willingness to gain tax control (De Widt & Oats, 2017). Some organisations will already possess high levels of tax control when entering the CCP, while others may be allowed access to the CCP under the agreement that they achieve such control within a certain timespan. NTCA documents explicitly state that there is room for the *TCF* to be improved after the covenant between the large organisation and the tax authority has been concluded (NTCA, 2013).

Over time, the *working relationship* and the level of *transparency* could also change for various reasons. The *working relationship* between the tax authority and the large organisation is based upon mutual trust. As mutual trust takes time to build up, improvement in the *working relationship* will not happen instantly, and its development will depend on the contact and exchange between the organisation and the tax authority. When an organisation has a high-quality *TCF* in place, it can detect and disclose relevant tax risks and, when it has a good *working relationship* with the tax authority, it can be *transparent* about these risks. However, if one of the parties is not able to perform as agreed, this could attenuate the *working relationship*. De Widt (2017) suggests that the NTCA’s interaction style has changed in recent

years due to political and societal factors that have affected the Dutch tax system. This appears to have slowed down the promised “quicker issue resolution” and could thus have a negative influence on the *working relationship*.

Participation in the CCP might also alter the motivation of organisations. If participation delivers the expected benefits, we can expect organisations to stay motivated to remain within the CCP. However, motivation might wane if organisations do not or no longer perceive that participation has (sufficient) benefits (De Widt, 2017) or when working cooperatively within the CCP over time becomes business as usual, which might make the perceived benefits of participation less apparent.

Hence, performance and motivation might change over time and this could be dependent on the intensity of the contact between the organisation and the tax authority, and the *duration of participation* in the CCP. However, Enachescu et al. (2019) report that perceptions of CCP participation remain invariant over time, which—as they suggest—might be because perceptions are formed when participation begins and are maintained afterwards (perhaps due to cognitive dissonance). Therefore, whether participation will have a positive, a negative, or no effect on the variables of interest in this study is uncertain and we empirically assess, *within the group of CCP participants*, whether there are differences related to the *duration* and intensity of participation in the CCP. This enables us to study whether the performance and motivation of large organisations change during participation in the CCP. Accordingly:

*Hypothesis 4: The duration and intensity of participation in the CCP affect the performance criteria and motivational factors of CCP participants.*

### 3. METHOD

#### Sample and Procedure

We use data from a large research project carried out by NTCA between 2014 and 2018, in which data was collected on three occasions (in 2014, 2016, and 2018) by means of surveys among representatives of large for-profit and not-for-profit organisations and their account managers at the NTCA.<sup>8</sup> The fieldwork with regard to the surveys was commissioned to an external research agency to guarantee respondents’ anonymity. The method of data collection was the same every time: a sample was drawn from a population of approximately 8,500 large organisations<sup>9</sup>, and representatives from these organisations and their account managers within the NTCA received requests to fill out an online questionnaire. The data from the representatives from the large organisations and the account managers at the NTCA were later combined at the level of the large organisation.

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<sup>8</sup> The data was collected as part of a larger NTCA research project that also comprised field audits of the large organisations in the sample. Field audits require a relatively high investment in terms of tax authority capacity and, therefore, their inclusion in the research project made it necessary to spread the workload over multiple years. In 2014, a large part of the NTCA’s audit capacity was reserved for this research project with less capacity reserved for it in 2016 and 2018, leading to smaller sample sizes in those years. We do not believe that this multi-year approach has introduced biases in our study; if anything, it has loaded the dice against our hypotheses by introducing noise caused by possible small changes in the horizontal monitoring approach (and if any such small changes did occur, the inclusion of multiple years increases the external validity of our study). Since the focus of this paper does not concern the results of these audits, we will only report the results of the surveys.

<sup>9</sup> The 81 largest organisations were excluded from the research population, because they receive a somewhat different regulatory treatment from the NTCA.



In 2014, the sample consisted of 350 large organisations, while in 2016 and 2018 the sample size was 100. Large organisations that had already participated were excluded from subsequent sampling frames. Due to non-responses, predominantly among the representatives of the large organisations, complete data is only available for 394 large organisations.

Approximately 18% of the total population of 8,500 large organisations participates in the horizontal monitoring programme. In our sample, 102 of the 394 large organisations participate in horizontal monitoring (26%). This over-representation of participants in horizontal monitoring in our sample is the result of the oversampling of CCP participants in the first instance of data collection and, to a somewhat lesser degree, to a lower response rate among non-participants in 2014.

### *Participants*

The respondents from the large organisations were mostly males (85%) and the majority (77%) were between 40 and 60 years old. Most of them fulfilled the function of director/owner, financial director, or head of finance and control within the organisation. The account managers at the NTCA were also mostly males (71%) and half of them were between 50 and 60 years old.

Most of the large organisations in the sample were for-profit organisations (80%) and 20% were not-for-profit organisations. The number of employees working for each organisation in the Netherlands varied from fewer than 50 to more than 2000, with 72% of the organisations having fewer than 250 employees. A little over 10% of the organisations had a yearly turnover (excluding VAT) of more than 100 million euros, approximately 40% had a turnover of between 25 million and 100 million euros, approximately a third had a turnover of between 10 million and 25 million euros, and fewer than 10% had a turnover of less than 10 million euros. One third of the organisations had branches or establishments abroad.

## **Measures**

### *CCP participation*

We determined whether the large organisations participated in the horizontal monitoring programme based on information obtained from the survey among the NTCA account managers. We used the existence of a formalised covenant as the deciding factor when considering whether an organisation was a CCP participant or not.

### *Organisational characteristics*

We measured the following *organisational characteristics*: for-profit vs. not-for-profit organisation, the size of the organisation (in terms of the number of employees, the yearly turnover, the fiscal complexity of the organisation as measured by the number of fiscal registration numbers, the number of establishments within the Netherlands, and whether the organisation is listed on a stock exchange), and whether the organisation is an MNE (measured by whether the organisation has establishments in other countries).

The survey items used in this study to measure how organisations performed against the *performance criteria* and how they scored for different *motivational factors*, as well as the descriptive statistics and reliability estimates for the multi-item measures, are presented in

Appendix A (items from the survey for the large organisations) and Appendix B (items from the survey for the NTCA account managers). All items were scored on a seven-point scale, ranging from “completely disagree” (1) to “completely agree” (7).

#### *Performance criteria from the survey among the representatives of large organisations*

The *working relationship* between the large organisation and the tax authority was assessed using five items (e.g. “The tax authority and my organisation try to cooperate as much as possible”). Cronbach’s alpha was .89. Our measure for the quality of the *TCF* consists of 22 items. Initially, 23 items reflecting the five different aspects of internal control as described by the Committee of Sponsoring Organisations of the Treadway Commission (1992) were assessed. However, factor analysis did not yield a clear solution. For this reason, we decided to compute our *TCF* measure as an average of all items except one because of a low factor loading.<sup>10</sup> The remaining 22 items formed a reliable scale with a Cronbach’s alpha of .93. *Transparency* was measured with three items (e.g. “My organisation actively shares all relevant tax risks with the tax authority”). Cronbach’s alpha was .91.

#### *Motivational factors from the survey among the representatives of large organisations*

The *need for certainty* about the tax position was assessed by a single item (“It is of great importance for my organisation to get certainty about the tax position from the tax authority”). *Perceived certainty about the tax position* was measured by four items (e.g. “My organisation feels certain about tax returns that are filed”). Cronbach’s alpha was .87. The costs and efforts involved in complying with tax rules and regulations (*compliance costs*) were assessed with three items (e.g. “My organisation is seriously disturbed by administrative burdens related to fiscal matters”). Cronbach’s alpha was .68. The importance that large organisations attach to *tax compliance* was measured with three items (e.g. “How important do you think it is that the tax office receives complete and correct tax returns from your organisation?”). Cronbach’s alpha for this scale was .93.

#### *Performance criteria from the survey among the account managers of the NTCA*

In addition to examining the views and perceptions of the large organisations, we investigated the views and perceptions of account managers from the tax authority. Where possible, similar items were used to measure the quality of the *working relationship*, the quality of the *TCF*, and the degree of *transparency*.

The quality of the *working relationship* was assessed with the same five items that were used in the survey for the large organisations, but the words “organisation” and “tax authority” were switched (e.g. “The organisation and tax authority try to cooperate as much as possible”). Cronbach’s alpha was .88. The quality of the *TCF* was assessed with four items (e.g. “The fiscal internal control of the organisation mitigates the relevant tax risks”). Cronbach’s alpha was .95. *Transparency* was measured using the same three items that were used in the survey for large organisations. Here, the phrase “my organisation” was replaced with “the organisation” (e.g. “The organisation actively shares all relevant tax risks with the tax authority”). Cronbach’s alpha was .90.

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<sup>10</sup> The item we dropped was: “In my organisation, internal control monitoring is performed by an external expert (e.g. a tax advisor)”.

### *Additional measures*

To examine Hypothesis 4, we analysed the association between the intensity and duration of CCP participation and the *performance criteria* and *motivational factors* discussed above. We measured *duration of participation* as the number of years since the conclusion of the covenant. In our sample, the maximum number of years for which an organisation had participated in the CCP was eight. Consequently, the scale used ranges from less than a year to eight years. We measured the *intensity of participation* in two ways. First, within the CCP, the NTCA and the large organisation are expected to discuss the *TCF* on a regular basis and we measured this using the *number of contacts about fiscal control* as reported by the NTCA account managers. The account managers were asked about the number of discussions that had taken place in the past with the organisation about the *TCF*. It is possible that some of these discussions took place before the covenant was formalised. In addition, large organisations are expected to consult the NTCA about any tax issue that might give rise to a material risk. We measured this using the *number of preliminary consultations* that have taken place over the last three years as reported by the NTCA account managers. In the analysis, ordinal scales were used for both the *number of contacts about fiscal control* and the *number of preliminary consultations*, distinguishing between 0, 1, 2, 3, 4, 5 and more than 5 contacts/consultations.

## **4. RESULTS**

### **Differences in Organisational Characteristics**

In order to shed more light on the question of *who* participates, we first examined whether there are systematic differences in the (objective) *organisational characteristics* of the large organisations that do and do not participate in the CCP. All large organisations in our sample are—as far as their (objective) characteristics are concerned—eligible for participation in principle, since they belong to the population of large organisations as defined by the NTCA. However, as we discussed in Section 2, *organisational characteristics* could play a role in an organisation's decision to participate.

We examined CCP participation in relation to seven *organisational characteristics*. The results are displayed in Table 1.

The rate of participation in the CCP does not differ between for-profit and not-for-profit organisations. When organisations are bigger, both in terms of number of employees and yearly turnover in the Netherlands, the chance that they participate in the CCP is greater.<sup>11</sup> No differences between CCP participants and non-participants emerged with regard to any of the other characteristics. Thus, only the size of the organisation is related to the chance of participation in the CCP.

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<sup>11</sup> For-profit and not-for-profit organisations do not significantly differ in their number of employees and yearly turnovers.

*Table 1. Differences in organisational characteristics of large organisations that do and do not participate in the CCP (n=394)*

	CCP (N=102)	Not CCP (N=292)	X <sup>2</sup>	p
<i>Not-for-profit or profit organisation</i>			0.07	.79
Not-for-profit	18.6%	19.9%		
Profit	81.4%	80.1%		
<i>Number of employees in the Netherlands</i>			10.61	.01
Fewer than 100	26.5%	44.2%		
100-249	37.3%	31.2%		
250-499	15.7%	11.3%		
500 or more	20.6%	13.4%		
<i>Turnover</i>			9.71	.02
Fewer than 10 mln Euros	12.7%	12.7%		
10 - 25 mln Euros	22.5%	38.4%		
25 - 50 mln Euros	28.4%	24.3%		
50 mln Euros or more	36.3%	24.7%		
<i>Number of fiscal numbers (fiscal complexity)</i>			1.99	.74
1-3	13.7%	19.2%		
4-7	15.7%	16.1%		
8-15	19.6%	18.2%		
16-31	23.5%	23.6%		
32 or more	27.5%	22.9%		
<i>Number of establishments</i>			2.83	.42
1	47.1%	51.7%		
2	12.7%	13.7%		
3-5	16.7%	18.5%		
6 or more	23.5%	16.1%		
<i>Establishments in foreign countries</i>			.00	.97
Yes	33.3%	33.6%		
No	66.7%	66.4%		
<i>Listed on a stock exchange</i>			.09	.77
Yes	12.7%	11.6%		
No	87.3%	88.4%		

### Differences in Performance Criteria as Reported by Large Organisations

As mentioned before, as is the case with CCPs in other countries, large organisations that want to participate in the horizontal monitoring programme in the Netherlands have to meet several *performance criteria*. They need to establish that they have a sufficiently effective *TCF* in place, maintain a professional *working relationship* with the NTCA, and be *transparent* by disclosing and discussing all relevant tax issues with the NTCA. Therefore, we expect large organisations that participate in the CCP to differ from those that do not participate in it on these three *performance criteria*. Table 2 presents the scores for these variables for CCP participants and non-participants.

Table 2. Differences in performance criteria of large organisations that do and do not participate in the CCP as reported by contact persons at the large organisations (n=394)

	Means (SD)		F	p
	CCP (N=102)	Not CCP (N=292)		
Working relationship	5.93 (0.86)	5.02 (1.09)	58,4	< 0.01
TCF	4.84 (0.89)	4.20 (1.10)	28.5	< 0.01
Transparency	5.61 (1.12)	3.68 (1.58)	129.3	< 0.01

We find that large organisations that participate in the CCP have higher average scores for all *performance criteria* than large organisations that do not participate. The differences are significant and substantial, especially with regard to the reported level of *transparency* towards the NTCA.

### Differences In Motivational Factors as Reported by Large Organisations

As indicated in Section 2, the motivation of large organisations to participate in the CCP might stem from the expected benefits involved, such as more *certainty* about their tax position and fewer *compliance costs*, as well as from the wish to be compliant. We examined whether large organisations that participate in the CCP differ from those that do not participate in respect of their *need for certainty* about their tax position, their *tax compliance costs*, and the importance that they attach to *tax compliance*. The results are displayed in Table 3.

Large organisations that participate in the CCP have higher average scores for the *need for certainty* about their tax position and for perceived *certainty* about their tax position. No significant differences emerged between CCP participants and non-participants with regard to their *compliance costs* and the importance that they attach to *compliance*.

Table 3. Differences in motivational factors of large organisations that do and do not participate in the CCP as reported by contact persons at the large organisations (n=394)

	Means (SD)		F	p
	CCP (N=102)	Not CCP (N=292)		
Need for certainty	6.00 (1.05)	5.59 (1.21)	6.4	< .05
Perceived certainty	6.12 (0.67)	5.71 (0.93)	17.2	< 0.01
Compliance costs	3.51 (1.14)	3.64 (1.09)	1.1	0.10
Importance of compliance	6.42 (0.94)	6.24 (0.97)	2.6	0.10

## Differences in Performance Criteria as Perceived by the NTCA

In addition to examining the views and perceptions of the large organisations, we also investigated whether the NTCA account managers responsible for those large organisations perceived differences in the *performance criteria* of large organisations that do and do not participate in the CCP. The account managers were asked about their perceptions regarding the quality of the *working relationship*, the quality of the *TCF* and the level of *transparency*. The differences in these *performance criteria* between CCP participants and non-participants are presented in Table 4.

Table 4. Differences in performance criteria of large organisations that do and do not participate in the CCP as reported by the account managers of the NTCA (n=394)

	Means (SD)		F(1,392)	p
	CCP (N=102)	Not CCP (N=292)		
Working relationship	5.91 (0.92)	4.90 (1.08)	70,5	< 0.01
TCF	4.84 (0.93)	3.88 (0.79)	101.9	< 0.01
Transparency	4.79 (1.17)	3.20 (1.27)	123.0	< 0.01

The results are in line with the findings from the survey among the representatives of large organisations. The NTCA account managers evaluate large organisations that participate in the CCP differently from non-participants on all three constructs. CCP participants are perceived to have higher quality *TCFs* and to be more *transparent*. The account managers also perceive that they have better *working relationships* with participating large organisations than with non-participants.

## Differences Related to the Intensity and Duration of Participation in the CCP

In the previous paragraphs, we examined the differences in *organisational characteristics*, *performance criteria*, and motivation between participating and non-participating large organisations. Not only are the *performance criteria* and the motivation for participation important factors in terms of the decision to participate, it is expected that they can be (further) influenced by intensity and *duration of participation*. CCP participation is expected to improve the *performance criteria* (i.e. the *working relationship*, the quality of the *TCF*, and the degree of *transparency*) of large organisations. Furthermore, CCP participation might also influence the *motivational factors*, especially those related to the direct benefits that are expected from participating, i.e. increased *certainty* and reduced *compliance costs*. In order to examine these dynamics of CCP participation, we performed additional analysis of the relationships between the intensity and *duration of participation* in the CCP and the *performance criteria* and *motivational factors within the group of CCP participants*.

The organisations in the CCP had, on average, participated in it for about four years. Only four organisations had entered the CCP in the year preceding the survey, while six organisations had been in it for eight years (see Table 5). Table 5 shows the *number of preliminary consultations* and the *number of contacts about fiscal control* for participating organisations.

Table 5. Descriptives of intensity and duration of participation for CCP participants

Number of preliminary consultations		Number of contacts about fiscal control		Number of years in the CCP	
0	7	0	2	≤1	4
1	15	1	9	2	19
2	19	2	24	3	25
3	17	3	26	4	18
4	14	4	19	5	12
5	10	5	12	6	10
>5	20	>5	10	7	8
				8	6
Total	102		102		102

We also calculated the correlations between the *number of preliminary consultations* and the *number of contacts about fiscal control* and the duration of CCP participation. The results show that the *number of preliminary consultations* and the *number of contacts about fiscal control* are positively and significantly associated ( $r=.33$ ,  $p<.01$ ). The duration of CCP participation is not significantly associated with the *number of preliminary consultations* or with the *number of contacts about fiscal control*.

We used linear regression analyses to analyse the relationships between the intensity and the *duration of participation* in the CCP and the *performance criteria* and *motivational factors*. In these analyses, we controlled for three *organisational characteristics* of the large organisations in order to rule out the possibility that these were the drivers of any effects we might find: the fiscal complexity of the organisation, the difference between for-profit and not-for-profit organisations, and the size of the organisation measured in annual turnover. The results are presented in Table 6 (*performance criteria*) and Table 7 (*motivational factors*).

When, during the period of CCP participation, the large organisations and the NTCA had more intensive contact in the form of preliminary consultations, the *working relationships* were evaluated more positively by the representatives of the large organisations ( $\beta=.22$ ,  $p=.05$ ). We find a marginally significant relationship between the *number of contacts about fiscal control* and the *working relationship* ( $\beta=.20$ ,  $p=.06$ ). When assessing the other two *performance criteria* (i.e. the quality of the TCF and the degree of *transparency*), we only find a marginally significant relationship between the *number of contacts about fiscal control* and *transparency* ( $\beta=.20$ ,  $p=.06$ ).

Table 6. Regression analyses of the performance criteria for the group of CCP participants as reported by contact persons at the large organisations (n=102)

	Working relationship		TCF		Transparency	
	Beta	p	Beta	p	Beta	p
Complexity	-.02	.84	-.04	.73	-.18	.12
Not-for-profit	-.19	.09	-.03	.77	-.28	.02
Size	.02	.82	-.19	.09	-.05	.68
Preliminary consultations	.22	.05	.12	.29	.16	.15
Contacts about fiscal control	.20	.06	.14	.21	.20	.06
Years in the CCP	-.15	.12	-.23	.03	-.10	.31
<i>F</i>	3,13**		1,85†		2,48*	
<i>adj. R2</i>	.11		.05		.08	

†=two-tailed  $p < .10$ , \*=two-tailed  $p < .05$ , \*\*two-tailed  $p < .01$

The regression model with the quality of the *TCF* as the dependent variable is only marginally significant. Interestingly, large organisations that had been in the CCP for a longer period were less positive about the quality of their *TCFs* than those who had participated in it for fewer years ( $\beta = -.23$ ,  $p = .03$ ). It might be that large organisations improve the quality of their *TCFs* in order to be able to participate and pay less attention to them after that. We also find negative but non-significant coefficients for the relationships between the duration of CCP participation and the quality of the *working relationship* and the level of *transparency*.

The regression model for the *need for certainty* is significant. There is one marginally significant predictor in this model, namely the *number of contacts about fiscal control* ( $\beta = .20$ ,  $p = .06$ ). The causal direction of this association is not clear; a higher *need for certainty* could motivate organisations to have contact with the NTCA about their fiscal control, but it could also be that contact about fiscal control makes organisations more aware of the relevance of fiscal control and that this increases the *need for certainty*.

The regression model with *compliance costs* as the dependent variable is also significant. A higher number of preliminary consultations is negatively and significantly related to the perceived *compliance costs* of the participating large organisations ( $\beta = -.25$ ,  $p = .03$ ). It seems that more frequent preliminary consultations with the NTCA help to reduce an organisation's *compliance costs*. The *number of contacts about fiscal control* and the *duration of participation* are not significantly related to the perceived costs of *compliance*.



Table 7. Regression analyses of the motivational factors for the group of CCP participants as reported by contact persons at the large organisations (n=102)

	Need for		Perceived		Compliance		Importance of	
	certainty		certainty		costs		compliance	
	Beta	p	Beta	p	Beta	p	Beta	p
<b>Complexity</b>	-.25	.03	-.04	.74	-.16	.16	.07	.54
<b>Not-for-profit</b>	-.12	.29	-.16	.18	.19	.11	-.14	.22
<b>Size</b>	.12	.28	.12	.27	.16	.14	.12	.29
<b>Preliminary consultations</b>	.03	.76	-.03	.77	-.25	.03	.18	.11
<b>Contacts about fiscal control</b>	.20	.06	.10	.38	.13	.23	-.02	.89
<b>Years in the CCP</b>	-.10	.23	.04	.69	.09	.37	.07	.47
<b>F</b>	2,72*		0,81		2,26*		1,56	
<b>adj. R2</b>	.09		-.01		.07		.03	

†=two-tailed  $p < .10$ , \*=two-tailed  $p < .05$ , \*\*two-tailed  $p < .01$

The regression models with perceived *certainty* and the importance of *compliance* as the dependent variables are not significant. Apparently, the degree of perceived *certainty* and importance attached to *compliance* are not dependent on the intensity and duration of CCP participation. Taken together, these results suggest that the *motivational factors* of CCP participants are not strongly affected by the intensity of the contacts and duration of CCP participation.

With regard to the *performance criteria*, we also performed a regression analysis using the perceptions of the NTCA account managers as dependent variables. The results are presented in Table 8.

The results are quite similar to those based on the responses of the representatives of the large organisations. As with those results, we find that the *number of contacts about fiscal control* is (marginally) significantly related to the quality of the *working relationship* ( $\beta = .18$ ,  $p = .09$ ) and the degree of *transparency* ( $\beta = .29$ ,  $p = .00$ ) but not to the quality of the *TCF*. In contrast to those results, we find no relationship between the *number of preliminary consultations* and the quality of the *working relationship*. This might reflect that preliminary consultations are more important for the large organisation than for the NTCA. Like the results of the representatives of the large organisations, these results show that perceived quality of the *TCF* is lower when an organisation has participated in the CCP for longer ( $\beta = -.22$ ,  $p = .03$ ). When considering the perceptions of the NTCA account managers, we also find a negative relationship between the number of years in the CCP and the *working relationship* ( $\beta = -.22$ ,  $p = .03$ ) and a marginally significant relationship, which is also negative, between the duration of CCP participation and the level of *transparency* ( $\beta = -.18$ ,  $p = .06$ ).

Table 8. Regression analyses of the performance criteria for the group of CCP participants as reported by the account managers of the NTCA (n=102)

	Working relationship		TCF		Transparency	
	Beta	p	Beta	p	Beta	p
<b>Complexity</b>	-.05	.67	-.13	.25	-.05	.63
<b>Not-for-profit</b>	.10	.38	-.11	.34	.01	.95
<b>Size</b>	.13	.23	.23	.03	.22	.03
<b>Preliminary consultations</b>	-.02	.84	-.16	.13	.00	.99
<b>Contacts about fiscal control</b>	.18	.09	.16	.12	.29	.00
<b>Years in the CCP</b>	-.22	.03	-.22	.03	-.18	.06
<b>F</b>	2,91*		3,14**		5,02**	
<b>adj. R2</b>	.10		.11		.19	

†=two-tailed  $p < .10$ , \*=two-tailed  $p < .05$ , \*\*two-tailed  $p < .01$

## 5. CONCLUSIONS AND DISCUSSION

We used data from a survey conducted among representatives of large taxpayers and a survey conducted among NTCA account managers to examine whether large organisations in the Netherlands that participate in the CCP differ from large organisations that do not in respect of their *organisational characteristics*, *performance criteria*, and *motivational factors*. To figure out whether differences emerge because of (self-)selection or as a consequence of actual participation in the CCP (or both), we also examine whether, within the group of participating organisations, differences can be linked to the intensity and the *duration of participation*.

As expected, with regard to *organisational characteristics*, we find that larger (both in terms of yearly turnover and number of employees, but not in terms of fiscal complexity, number of establishments, and whether or not the organisation is listed on the stock exchange) organisations are more likely to participate in a CCP. This could suggest that CCP participation is more feasible or beneficial for the larger organisations within the population. Changes in the Dutch Corporate Governance Code have compelled larger organisations to invest in their internal control systems for purposes other than tax (Stevens et al., 2012). Therefore, the (additional) investments that they have to make in their *TCFs* and in the intensification of their contact with the tax authority in order to participate in the CCP are relatively easier to realise. We find no difference in participation rates between for-profit and not-for-profit organisations. In many countries, CCP participation is limited to for-profit organisations. Our results indicate that when participation is possible, it can also be interesting and feasible for not-for-profit organisations. It is not explicitly clear whether other countries also allow not-for-profit organisations to participate in their CCPs, but the literature suggests that they do not. Based on our findings, tax authorities might reconsider the exclusion of not-for-profit organisations. The reasons for allowing or not allowing large not-for-profit organisations to participate in the CCP,

and the possible benefits for tax authorities and participating organisations are interesting topics for future studies.

With regard to the *performance criteria*, we find that participating organisations report having better quality *TCFs*, better quality *working relationships* with the NTCA, and higher levels of *transparency*. Analyses of the data obtained from the survey carried out among NTCA account managers confirm these results. These results are in line with the way that the CCP is expected to function, as described in the documents and guidelines of both the NTCA (2013) and the OECD (2016). However, as we will discuss later, these findings could also mean that CCP participants and non-participants already differed at the time of entry into the programme, or that they changed because of and during participation, or both.

Regarding the *motivational factors*, we find that participating organisations have greater need for tax *certainty* than non-participating organisations. However, our results show that participating and non-participating organisations do not differ in respect of their perceived *compliance costs* or the importance that they attach to *tax compliance*. This suggests that the dominant motive for CCP participation is the *need for certainty* about the tax position and not a possible reduction of *compliance costs* or the wish or need to be (more) tax compliant. This acknowledges the importance of tax *certainty* as a driver for CCP participation (cf. Beck & Lisowsky, 2014; De Widt et al., 2019; OECD, 2013; 2016).

We conclude that the organisations that enter the CCP are the larger organisations from the population that are able to meet the *performance criteria* of having a good *TCF*, being *transparent* about tax issues, and maintaining a good *working relationship* with the tax authority, and that have a relatively high *need for certainty* about the tax position.

An important question regarding the differences between participating and non-participating organisations is whether these differences emerge because of selection by the tax authorities or the organisation (self-selection), or as a consequence of actual participation in the CCP (or both). We therefore examined whether any differences within the group of participating organisations can be linked to the intensity and the *duration of participation*.

With regard to the *performance criteria*, we find (some partly marginally significant) evidence that a more intensive relationship is associated with a better *working relationship* and more *transparency*, but not with the quality of the *TCF*. It thus seems that a beneficial cooperative relationship can (further) develop when parties invest in their contacts. It is possible that the quality of the *TCF* is a hard criterion for entry and, therefore, does not (have to) improve. It could also be that the NTCA tailors the number and intensity of the contacts about fiscal control to specific organisations so that all organisations' *TCFs* reach the required level of quality in a short time. Another explanation could be that organisations with lower quality *TCFs* do not opt to participate in the CCP because, for instance, they do not have the means to or do not want to invest in improving their *TCFs*.

We find that the *duration of participation* in the CCP is negatively related to the quality of the *TCF* and also, to some extent, to the quality of the *working relationship*. A possible explanation for these negative effects of the *duration of participation* is that, in order to enter the CCP, large organisations and the NTCA invest in their relationships, and the organisations' *TCFs* and *transparency*, as De Widt (2017) reports, but that their attention eventually wanes. On the taxpayer's part, being admitted into the programme could be perceived as a signal that no further improvement is necessary and, over time, a lack of attention could lead to a decline in

the quality of the *TCF*. Meanwhile, the NTCA might shift its attention to other, higher risk taxpayers, something which, after all, should be one of the merits of the CCP (Majdanska & Leigh Pemberton, 2019). Previous studies suggest, however, that tax authorities do not succeed in shifting resources because the existence of a CCP forces them to devote a lot of their attention to (potential) participants (De Widt et al., 2019; De Widt & Oats, 2017). Another explanation is that we pick up some kind of a cohort effect, whereby the organisations that joined in the earlier days of the CCP differ from those who joined later. Since we have no (longitudinal) data on criteria for participating in the CCP, it is hard to interpret these findings and draw conclusions. Future research is needed to examine the possible explanations for these findings, and to map the dynamics and possible changes in performance during CCP participation.

With regard to the *motivational factors*, a more intensive relationship is not associated with *perceived certainty about the tax position* and the importance that organisations attach to *compliance*. We do find that a more intensive relationship is associated with lower perceived *compliance costs*. Lower *compliance costs* are important for large taxpayers (Majdanska & Leigh Pemberton, 2019; OECD, 2008). The effect of the number of preliminary consultations on *compliance costs* is likely to be because post-filing audit time is shorter (cf. De Simone et al., 2013; Ventry Jr., 2008) and there is less need to invest in knowledge (e.g. through hiring external advisors) since the position has been approved up front by the tax authority.

We find that the *duration of participation* in the CCP is not related to any of the *motivational factors*. This might suggest that the benefits of participation are received from the moment of entry and the motivation to participate does not change over time. This is in line with Enachescu et al. (2019), who also reported that perceptions of CCP participation remained invariant over time.

The present study has some limitations which mean that the findings should be interpreted with some care. First, our study is based on cross-sectional data and therefore produces associative rather than causal results. Second, we presented the choice to participate as being a large organisation's decision provided it meets certain criteria laid down by the tax authority. However, in practice, it might also be that tax authorities actively approach certain large organisations with a participation request. This could mean that motivation is a less important factor than we assumed and might explain why we do not find strong differences between CCP participants and non-participants in respect of the *motivational factors*. Third, we differentiated between participating and non-participating organisations based on the conclusion of a covenant. However, it could be that some organisations are working, together with the tax authorities, to develop a covenant and are therefore operating in an arrangement that is along the lines of the CCP. It is also possible that some organisations are, perhaps for legal or cultural reasons (cf. De Widt, 2017), unable to conclude a covenant but are also working together with the tax authorities in an arrangement which is along the lines of the CCP. This could mean that we underestimate the differences between those in cooperative relationships and those not in cooperative relationships when using formal CCP participation as a criterion. Fourth, our study concerns only one country and this raises the question of external validity with regard to other countries. Although the Netherlands has played a pioneering role in shaping thoughts about CCPs internationally (e.g. by helping other countries and sponsoring the OECD's 2013 report on cooperative compliance), it still is a unique setting. CCPs in different countries share a lot of similarities but also differ in important aspects (see Björklund Larsen et al., 2018; De Widt et al., 2019; De Widt & Oats, 2017; Holmes, 2010; Nolan & Ng, 2011). On the other hand, there is little reason to expect that the key dynamics will be very different in other countries.

CCPs commonly balance the interests of large (corporate) taxpayers and tax authorities by providing *certainty* in exchange for *transparency*. The only way to find out whether the presented results are also valid for other countries is to conduct more comparable studies in different countries.

CCPs were introduced so that tax authorities and large organisations could move away from adversarial relationships and establish more collaborative relationships. It appears that such a cooperative way of working can indeed be realised with larger organisations that meet the criteria for participation and are in need of *certainty* about their tax positions. Large organisations may benefit from participating in an CCP by gaining more *certainty* about their tax positions, while the tax authority may benefit because the organisation is more *transparent*, and both parties may benefit because they have a better *working relationship*. We find some indications that cooperation within the CCP may recede over time. More (intensive) contact, however, seems to improve the relationship and to safeguard the benefits. It thus appears that both parties need to continuously invest time and effort in the programme in order to actively maintain the cooperative relationship.

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**APPENDIX A**

*Questionnaire items, descriptive statistics, and reliability estimates for the respondents from the large taxpayers (n=394)*

<b>Variable</b>	<b>Items</b>	<b>M</b>	<b>SD</b>
<b>TCF</b>	<i>In my organisation...</i>		
<i>CR=.93</i>	...the fiscal strategy is clear.	5.41	1.35
	...the fiscal targets are clear.	5.00	1.50
	...the fiscal targets are realistic.	5.03	1.47
	...the fiscal strategy contributes to compliance with tax laws and regulations.	5.19	1.64
	...unambiguous fiscal targets are derived from the fiscal strategy.	4.24	1.65
	...fiscal risks are identified.	5.22	1.34
	...the identification of fiscal risks is updated yearly.	3.80	1.87
	...it is stated what fiscal risks must be avoided.	5.35	1.30
	...processes are formally described (for example, in a manual).	4.30	1.91
	...the descriptions of processes include tax risks.	3.34	1.70
	...the descriptions of processes include (formal) internal controls.	4.00	1.83
	...fiscal risks are controlled using (formal) internal monitoring.	4.78	1.64
	...the correct operation of fiscal internal controls is subject to monitoring.	4.40	1.58
	...the monitoring of internal controls is described in a plan.	3.46	1.85
	...the monitoring of internal controls is performed by a separate internal audit department or an internal auditor.	2.95	2.06
	... fiscal performance indicators are derived from the fiscal targets.	3.31	1.69
	... fiscal performance indicators are unambiguous.	3.56	1.77
	...the realisation of fiscal targets is periodically reported to the board.	3.80	1.93
	...the roles and responsibilities of fiscal staff are clear.	4.94	1.65
	...the roles and responsibilities of fiscal staff are formally stated.	4.00	1.86
	...we invest in training and education to keep the knowledge of fiscal staff up to date.	4.66	1.76
	...employees in fiscal positions are competent enough to carry out these tasks.	5.48	1.29



<b>Working relationship</b>	The tax authority and my organisation try to cooperate as much as possible	5.12	1.36
<i>CR = .89</i>	The tax authority invests in the relationship with my organisation	4.80	1.50
	My organisation invests in the relationship with the tax authority	4.96	1.43
	The relationship between the tax authority and my organisation leaves much to be desired RECODED	5.65	1.27
	The tax authority and my organisation respect each other	5.74	1.08
<b>Transparency</b>	<i>My organisation actively shares...</i>		
<i>CR = .91</i>	...its tax strategy with the tax authority	4.24	1.87
	...all relevant tax risks with the tax authority	4.40	1.79
	...the findings from its own monitoring of internal control	3.90	1.86
<b>Need for Certainty</b>	It is of great importance for my organisation to get certainty about the tax position from the tax authority.	5.69	1.18
<b>Perceived certainty about the tax position</b>	My organisation feels certain about tax returns that are filed.	6.08	0.87
<i>CR = .87</i>	My organisation receives sufficient certainty from the tax authority regarding its tax position.	5.47	1.25
	The handling of tax returns provides no surprises for my organisation.	5.91	0.99
	My organisation knows where it stands with regard to fiscal matters.	5.79	1.02
<b>Compliance costs</b>	Tax matters are easy to deal with RECODED	3.95	1.42
<i>CR = .68</i>	It is well manageable to comply with all tax obligations RECODED	3.11	1.43
	My organisation is seriously disturbed by administrative burdens related to fiscal matters	3.59	1.49

<b>Importance of Tax Compliance</b>	<i>How important do you think it is that the tax office...</i>		
<i>CR=.93</i>	...receives your organisation's tax returns on time?	6.22	1.06
	...receives complete and correct tax returns from your organisation?	6.41	0.94
	...receives timely payments from your organisation?	6.25	1.11
<i>Notes:</i>			
<i>All items were measured on a seven-point scale (1=completely disagree to 7=completely agree)</i>			
<i>All translations from Dutch by the authors</i>			
<i>CR=Composite Reliability, M=Mean, SD=Standard Deviation</i>			

**APPENDIX B**

*Questionnaire items, descriptive statistics, and reliability estimates for the account managers of the NTCA (n=394)*

<b>Variable</b>	<b>Items</b>	<b>M</b>	<b>SD</b>
<b>TCF</b>	The fiscal internal control of the organisation detects the fiscal risks timely.	4.22	0.98
<i>CR=.95</i>	The fiscal internal control of the organisation mitigates the relevant tax risks.	4.23	0.98
	The organisation determines with internal monitoring the adequate functioning of the internal control measures.	4.04	1.02
	The organisation determines with internal monitoring the completeness of the internal control measures.	4.02	1.00
<b>Working relationship</b>	The organisation and the tax authority try to cooperate as much as possible	4.86	1.40
<i>CR = .88</i>	The tax authority invests in the relationship with the organisation	5.13	1.38
	The organisation invests in the relationship with the tax authority	4.69	1.47
	The relationship between the organisation and the tax authority leaves much to be desired RECODED	5.57	1.43
	The organisation and the tax authority respect each other	5.57	1.50
<b>Transparency</b>	<i>The organisation actively shares...</i>		
<i>CR = .90</i>	...its tax strategy with the tax authorities.	3.71	1.58
	...all relevant tax risks with the tax authorities.	3.77	1.57
	...the findings from its own monitoring of internal control.	3.36	1.55
<i>Notes:</i>			
<i>All items were measured on a seven-point scale (1=completely disagree to 7=completely agree)</i>			
<i>All translations from Dutch by the authors</i>			
<i>CR=Composite Reliability, M=Mean, SD=Standard Deviation</i>			