

## WHAT TAX MORALE? A MORAL ANTHROPOLOGICAL STANCE ON A FAILED COOPERATIVE COMPLIANCE INITIATIVE

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### Abstract

This article sheds light on why cooperative compliance initiatives can fail even when introduced in a country where tax compliance is deemed to be high and which has a “successful” tax administration that scores high on taxpayer trust surveys. The country in question is Sweden.

The Swedish Tax Agency aims to make taxpayers pay “the right tax”, not necessarily the maximum tax, in order to increase tax compliance and thus societal trust in the Agency. One way in which to work towards this goal is to work proactively with large businesses, i.e. Multinational Enterprises (MNEs), for example, through so-called cooperative compliance initiatives. These “modern, efficient and successful” ways of working are currently in fashion among the Organisation for Economic Co-operation and Development (OECD) members’ revenue authorities. However, the Swedish version of such initiatives was met with strong resistance and, today, very few MNEs participate. How can we understand this resistance given the good standing the Swedish Tax Agency is said to have among the taxpayers it serves (Skatteverket, 2013a, 2013b)?

In order to illuminate the contradiction between this “successful” Agency and the “failure” of this cooperative compliance initiative, this article explores various stakeholders’ moral stances on the issue. The article obviously encompasses the views of the Agency, but also includes those of enrolled MNEs, as well as some that declined to participate and various other stakeholders, such as policymakers, tax scholars, tax advisors and corporate interest organisations. By borrowing from Didier Fassin’s moral anthropological approach—not a moralising account, but an examination of moral reasoning among all stakeholders in the Swedish tax arena—we can better understand why the initiative failed. This approach is also helpful as proponents and opponents of the initiative could be found in all stakeholder categories.

### INTRODUCTION

Cooperative compliance is a way of working proactively with taxpayers to ensure that information, taxes and fees are, to the fullest extent, correct as early as possible in the taxation process. It has been promoted by OECD’s Forum on Tax Administration, the International Fiscal Association (IFA) and Fiscalis (EU collaborations for the exchange of information and expertise among national tax administrations), as well as various national Tax Administrations (TAs), as an efficient and modern way of working. In practice, it means that TAs and MNEs should cooperate, learn more about each other’s way of handling taxation and aim to settle questionable tax issues prior to handling them in annual tax returns.

By around 2010, cooperative compliance was seen as an international success. OECD members’ tax administrations were encouraged to start such initiatives and report on their

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experiences (e.g. IFA, 2012; OECD, 2008, 2010, 2013, 2014). The Swedish Tax Agency (the Agency or SKV) did not want to be left behind and Agency representatives visited, for example, the Netherlands and Ireland to learn from their national tax administrations' experiences. The Agency adopted this way of working in 2011, with the launch of *Fördjupad samverkan* (FS), or “enhanced collaboration”, the main inspiration for which, it is claimed, was the “well-marketed” Dutch project, *Horizontal Monitoring*. However, it met with strong resistance and criticism from potential participating corporations and various other stakeholders—policymakers, tax scholars, tax advisors and corporate interest organisations—in the Swedish tax arena. This was quite unexpected at the Agency. It took the critique to heart, and modified and relaunched an altered initiative, *Fördjupad dialog* (FD), or “enhanced dialogue”, in 2014. This did not change much; hardly any new MNEs were recruited and the initiative has now been almost entirely put on hold and has only a handful participants.

There are a number of explanations for the failure of the Swedish cooperative compliance initiatives; most noteworthy are the various legal objections (Bernitz & Reichel, 2015; Hambre, 2018; Pålsson, 2012), but there are also other demurrals concerning fair competition, competence and project management (Björklund Larsen, 2018). Such explanations can elucidate what makes these initiatives successful or unsuccessful. As has been pointed out, these practical aspects seldom stand alone, but are drawn upon in various combinations, making both encouragement and criticism possible. Furthermore, what could not be understood by looking at such practical explanations is the stakeholders' strong resistance to it, heated discussions and moralising standpoints. These emotional criticisms demand further enquiries and explanations.

This article sheds additional light on the failure of the Swedish cooperative compliance initiative by looking at moral reasonings as expressed by various stakeholders in the Swedish tax arena. In this quest, it borrows insights from moral anthropology and especially from the work of French anthropologist Didier Fassin. The article starts out with some notes on the ethnographic methodology applied; how the material was gathered and analysed. The article proceeds by briefly describing the Swedish Tax Agency's work with tax compliance, homing in on the concept of the ‘right tax’. It then looks at the Swedish cooperative compliance initiative and the aspects that would have been required in order for it to have been successful, (see also Björklund Larsen, 2018). Having set the stage, I then discuss what a moral anthropology implies. Finally, I talk about how thinking about this initiative from a moral anthropological perspective can increase our understanding of this failure.

The case I draw upon is Sweden but there is perhaps a more general argument to be made, both for looking at similar initiatives conducted in other countries and also for looking at issues of tax compliance in general. Lifting the gaze from cooperative compliance initiatives, this can also be seen as an attempt to further our understanding of what steers tax compliance in society? Perhaps it can be argued that if we—taxpayers of various kinds and the tax collecting authority—share the same moral reasonings about taxation, societal tax compliance will increase? This article does not attempt to provide an answer; rather, it provides a background for additional research into the question.

## METHODOLOGY

My research approach is qualitative and inspired by ethnographic methods (cf. Boll, 2012). This has a number of implications.

First, the starting point is to take a holistic approach towards those who had an influence on how these cooperative compliance programmes worked out in practice. I engaged with all stakeholders; the focus was not only on the Swedish tax administration and participating MNEs, but also on the views of the MNEs that chose not to participate, third parties (e.g. tax advisors), interest organisations having an interest in the taxation of large corporations, policymakers and legal scholars. The material came from in-depth qualitative interviews with various stakeholders representing the above groups individually and in groups, as well as from the analysis of all documents, media articles and research reports that could be found which addressed the two initiatives (FS/FD).

Second, applying an ethnographic gaze means studying an issue from the point of view of the subjects participating. Ethnographic interviews explore matters of interest and mainly take place as conversations (cf. Spradley 1979, p.58) in a casual and explorative tone (Fangen, 2005; Kvale, 1997, p.94). I posed questions but also discussed issues at length, trying to probe into this delicate and multifaceted matter. I aimed to stimulate the discussion (Wästerfors, 2004, p.20) using increasingly intuitive knowledge for follow-up questions (cf. Flyvbjerg, 2001, p.21; Kvale, 1997, p.102). Some of the interviewees have been contacted several times. An ethnographic reading of documents (Riles, 2011; Björklund Larsen, 2015) aims to understand the views the various authors propose (Björklund Larsen, 2015, p.80) as well as to apprehend their analytical concerns (Riles, 2006). For example, many of the reports are authored by legal scholars reasoning within the realm of the law, yet most of these simultaneously voice negative opinions about FS/FD. Media materials are written with another focus (e.g. newsworthiness and sometimes to stage confrontations). The Agency's intranet articles inform (on) its' employees views, yet often conclude according to its own strategies which, in this case, support FS/FD.

Third, taking an ethnographic approach also means assessing the material inductively. It is a bottom-up approach which relates the various arguments to moral reasonings. In particular, the starting point was to categorise the arguments not by stakeholder group(s), but rather by type of argument.

I collected about 55 reports, media articles and presentations. Twenty people, representing all stakeholder categories, were formally interviewed. In addition, many informal conversations took place and several workshops were held with groups of stakeholders.

## **THE “RIGHT TAX”**

A strategy which has long been in place at the Agency is that (all) taxpayers should report and pay “the right tax”; tax that is not only right at some point, but that is also right from the start (Skatteverket, 2005). The Agency changed strategies during the 2000s (Skatteverket, 2005; Stridh & Wittberg, 2015) and started to work proactively, with the aim of collecting the correct, and not necessarily the maximum, tax from all taxpayers. It should be the “right tax”. Trust would thus be increasingly built with taxpayers when information, taxes and fees were, to the fullest extent, correct as early as possible. The application of law should be equally interpreted for all taxpayers throughout the country. As Swedish politicians from both left and right have

been seen to advocate, it is “cool to pay taxes”<sup>2</sup> and to avoid doing so is “limp”<sup>3</sup> and “unsolidaric”<sup>4</sup>.

The emphasis on “right”, added to serviceable, friendly and amenable tax administrators, and simplified tax reporting and payment procedures, is seen to have contributed to the Agency’s standing as one of the most revered governmental agencies in Sweden (Arkhed & Holmberg, 2015). This standing seems to support the Agency’s vision of Sweden as ‘[A] society where everyone is willing to pay their fair share’ (Skatteverket, 2013c).

So, on the one hand, there is a revenue collector that has succeeded in gaining taxpayers’ trust. However, on the other hand, it proposes a collaborating initiative with large taxpayers that works elsewhere but which, in the Swedish context, becomes a failure. What is going on?

## THE SWEDISH COOPERATIVE COMPLIANCE PROJECT

The Swedish cooperative compliance initiative *Fördjupad samverkan* (FS), or “enhanced collaboration”, was introduced in 2011 and the initiative was modified and relaunched as *Fördjupad dialog*(FD) or “enhanced dialogue” in 2014.

In an ethnographic study<sup>5</sup> of this initiative(s), I proposed eight aspects that have to be paid attention to if a successful cooperative compliance initiative is to be implemented (Björklund Larsen, 2018). These quite practical aspects seldom stand alone but are drawn upon in various combinations, making both encouragement and criticism possible.

First, a cooperative compliance initiative has to be in accordance with existing laws; in the Swedish case, this is especially relevant with regard to confidential information. Sweden is a somewhat special case when it comes to access to public records. Since 1766, when the first Freedom of the Press Act came into force, secrecy has constituted a restriction of public access to official documents (Hambre, 2015, p.122); “public access is the main rule and secrecy is the exception” (ibid., p.129). Yet there are instances when secrecy is needed for the protection of individuals and organisations. Taxation is one of these issues. Accordingly, only decisions taken at the Agency and documented in official documents are made public (ibid., p.152), such as decisions regarding annual tax returns. The key question here is, therefore, when documents should be regarded and treated as official under the Freedom of the Press Act and when secrecy should be applied. *Högsta förvaltningsdomstolen* (the Supreme Administrative Court) ruled

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<sup>2</sup> Mona Sahlin, former leader of Social Democratic Party, in an interview on Swedish Television on 8 September 1994.

<sup>3</sup> Per Schlingman, former chief strategist to Moderaterna, the Swedish conservative party.

<sup>4</sup> ibid.

<sup>5</sup> This is an anthropological study of cooperative compliance initiatives and the investigation is made from a qualitative research perspective, drawing on interpretive taxation methods in analysing relevant information. Using interpretive taxation methods means that we approach taxation as an organisational, institutional, social and cultural phenomenon (Boden et al., 2010; Oats, 2012). I argue that the qualitative and holistic approach is well suited to addressing and understanding the complex unfolding of events and manifold issues that made FS/FD unsuccessful in Sweden in contrast to many other places in which cooperative compliance projects are working. More specifically, the research is conducted with an ethnographic gaze in order to understand the views and actions of all stakeholders. It is a “polymorphous engagement” (e.g. Gusterson, 1997. p.116) which took me to wherever the project was professionally carried out. Data derives from interviews with various stakeholders: with employees working with this issue at SKV, members of the Confederation of Swedish Enterprise, and with financial officers/managers at corporations that had participated or declined to participate in FS/FD. In addition, diverse documents are also used: academic articles, newspaper articles, reports, correspondence made public, legal [court] decisions and a selection of SKV’s intranet articles.

that the documents produced under the auspices of FS could not be considered to be part of what should be protected by secrecy. The cooperative compliance way of working is seen as counselling, despite the Agency's said intention to make taxpayers' annual statements more accurate. Information about who participates in FS/FD and the matters addressed in the discussions between the Agency and the participants can thus be publicly disclosed if this is requested. There were numerous legal objections to the initiative from legal scholars, from corporations and, in particular, from their interest organisation, the Confederation of Swedish Enterprise, which brings attention to a second aspect, beyond specific tax laws: the larger legal framework has to be taken into consideration.

A third aspect is fairness: fair market competition and legal equality have to be assured. Information exchanged in FS/FD is thus seen as a counselling practice and is not considered part of tax confidentiality under current laws. This is crucial in terms of what is kept public and what is private. However, the reason given for the issue brought to court was that one taxpayer had asked for such information, arguing that other taxpayers, who were engaged in FS/FD, had received more advantageous decisions regarding VAT levels. The result was that the former had lost customers. Not only is the issue of fair competition at stake, these court decisions also bring us on to the issue of the unequal treatment of taxpayers. A related reason for opposing FS/FD is thus that it creates *gräddfil*, i.e. a VIP lane for certain taxpayers. Participants in FS/FD would get different—better—treatment, which is not consistent with Swedish administrative law or practice. Many decisions would be made in smaller meetings with a potential risk of accusations of *vänskapskorruption* (cronyism and what have been referred to as sweetheart deals).

A fourth aspect is that stakeholders' societal roles cannot be drastically changed. Lars, a legal expert at the Confederation of Swedish Enterprise, mused on the differences of cooperative compliance experiences between Sweden and other countries:

Compared to many other nations, we, in Sweden, have well-defined roles between authorities and the private sector. I think many other countries would love to have similar relations. The Netherlands, for example, where the first attempts at "Horizontal Monitoring" were made, has a culture of negotiation. They are an old trading nation and, in the Netherlands, a corporation negotiates with the tax administration as to how much tax should be paid. You get to know each other by giving and taking. Denmark [the Danish Tax Authority] has also tried this with three different corporations, each with diverse results. They apparently thought there was too much room for arbitrary decisions.<sup>6</sup>

Lars and his colleagues at the Confederation were not the only ones to take a somewhat conservative view of different actors' roles and responsibilities within the tax arena in Swedish society. Employees of the Agency also had diverse concerns about its role in society as both arbiter and adversary in such cooperations. Their main concern was the possibility of being cheated if audit controls did not take place.

Fifth, when introducing radical changes to established ways of working, these have to be explained carefully. As with any governmental institution, the Agency has efficiency goals to live up to, which include showing results from any extraordinary projects it undertakes. It was

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<sup>6</sup> Despite Lars's demurrals, the Danish project, *Tax Governance*, is actually seen as a success by most parties involved (Boll, 2018; Boll & Brehm Johansen, 2018).

argued that, with FD, it might be easy to go after the low-hanging fruit and miss out the more elaborate tax planning schemes. Any audit only has a specific amount of time allocated to it, and the Agency has to both collect the money and show that it has spent its time on the right issues. As one of the tax experts at the Confederation of Swedish Enterprise said, “it is all according to the agenda of New Public Management”.<sup>7</sup>

Sixth, both the participating tax authority and the taxpayer have to prove they have clear competencies. All critical stakeholders—both among corporations and at the Agency—noted that FD was deemed to be naive from a legal, practical and policy perspective. The reasoning went along the lines of: how can one of the Agency’s tax auditors help and/or teach a big corporation to ameliorate its extremely complex accounting system with regards to reporting and paying the “right tax”? The Agency employees are helpful and friendly, and this goes well with private citizens qua taxpayers, yet when it comes to the more detailed, in-depth knowledge about complicated tax matters, Agency employees do not always pass muster.

The seventh aspect is that clear benefits for both taxpayers and tax administration have to be evident and recognised. In the Swedish case, it was the Agency that was proactive and seen to be the main beneficiary of such a cooperation, by learning more about contemporary tax planning, and transferring certain elements of its workload to the corporations, thus increasing the taxation workload for corporations. The corporations, meanwhile, were required to make initial investments of time and resources for which it was difficult to envision the “pay-back”.

Finally, it is a matter of good project management. The proposed eighth aspect is that such an initiative must be well planned and carefully launched. In hindsight, there seems to be a consensus that the introduction of FS was too fast and somewhat sloppily executed. Several interviewees voiced the opinion that the Agency should perhaps have invited MNEs, the Confederation of Swedish Enterprise and tax advisors to discuss the initiatives in depth, so that the ideas might have been supported by stakeholders.<sup>8</sup>

Many of these aspects are comparable to the prerequisites for advocates of cooperative compliance initiatives, e.g. the OECD and the Institute for Austrian and International Tax Law at Wirtschaftsuniversität Vienna. Yet, although I (obviously) agree with them that the starting point is that such initiatives have to be in accordance with the legal framework, considerations have to include other aspects in order to provide the full picture. Many of the reasons articulated for opposing FS/FD could also be viewed as reasons for supporting it. One such issue was the critique posed that having an assigned contact person at the Agency could make sweetheart deals possible; yet corporations simultaneously expressed their need to have someone who “knows” them. Another criticism was that the Agency did not have the legal expertise it ought to have and that it was bringing badly prepared legal cases to court. This argument could also be turned around and instead be a sign that the Agency is not as high-handed as its opponents claim. A third argument stated that the Agency’s employees were said to lack commercial awareness. When the Agency stated that one of its aims in introducing FS/FD was to make their administrators learn more about “taxation in practice” at corporations, this was rejected as letting the corporations do the work (that tax administrators ought to do).

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<sup>7</sup> New Public Management refers to the changed way of organising and running public service organisations, in which said bureaucracies have implemented ideas from the business sector.

<sup>8</sup> Four information meetings were held (cf. Björklund Larsen, 2016, p.14), but the emphasis was on providing information.

These few examples could be seen as contradicting claims; I see them as an indication that there is more at play here than just the practical aspects for or against the initiative. Looking at the arguments offered by all stakeholders more closely, there are also a number of moral arguments at play.

## MORAL ANTHROPOLOGIES?

A moral anthropological approach takes moral tension and debates as its objects of study, borrowing both from Emile Durkheim—“Moral facts are a phenomenon like any others” (1984 [1893], p. xxv) —and Max Weber—“It can never be the task of an empirical science to provide binding norms and ideals” (1949 [1904], p. 52). A moral anthropology deals with:

how moral questions are posed and addressed... It concerns the creation of moral vocabularies, the circulation of moral values, the production of moral subjects and the regulation of society through moral injunctions. The object of a moral anthropology is the moral making of the world (Fassin, 2012, p.4).<sup>9</sup>

It is crucial to underscore is that a moral anthropology is not intended to moralise; in this case, about MNEs’ willingness to participate in the initiative and thereby be seen to increase their tax compliance. I want to seriously consider all stakeholders’ positions and to explore how the different stakeholders give meaning—in a moral sense—to their arguments. Thus, in the following section, I will address how different stakeholders take moral positions concerning the Swedish variety of cooperative compliance.

Questions of morality are usually given to philosophers, whereas anthropological enquiries are usually grounded in ethnographic approaches; of being there, of talking to people and seeing what they do. Although inspired by philosophy, a moral anthropology deals with empirical material that takes into account real people acting in real situations. This also means that “morality and ethics are inextricably mixed with the political, the economic and the social” (Fassin, 2011, p.485). We have to be aware of stakeholders’ reasonings, not as relativising, but as trying to comprehend these reasonings in terms of the larger issues at stake.

Didier Fassin outlines three types of moralities that actors invoke, borrowing from moral philosophy (Fassin, 2011), as follows.

Deontological morality is an act or rule to be assessed according to its intrinsic value. This intrinsic value determines whether the act was performed in accordance with applicable ethical values. These values are not universal, but commonsensical, in that they follow rules and principles that the act refers to when executed. This regards how one’s duty and obligations are fulfilled (Widlok, 2012, p.193). To what extent were the rules followed? In what circumstances were they declined? A deontological morality looks backwards, towards already defined rules or legal codes.

The second is the “virtuous” morality. It is an inherent sense of doing the right thing. This kind of morality is more subjective and varies between actors; it is a psychological set of making the right decisions—to do right—so that “a good life” can be led and achieved. Virtues are

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<sup>9</sup> Whether moral behaviour can be attributed to organisations like bureaucracies, organisations and corporations can be questioned. Implicitly, such entities do not have morals like humans do. However, they are populated by humans and represented by human voices, and I argue that *the behaviour and the practices* that humans carry out can be applied to a discussion of different moralities.

often cultural (Widlok, 2012). Views on what “a good life”, or more appropriately perhaps in this context, on what “a good society” is, differs between actors. What constitutes virtues moves slowly in society, yet there are certain virtues we can agree upon at any given time.

Consequentialist morality, the third type of morality, judges an act by its consequences. If an actor considers doing something, the actor tries to predict what impact this action has on other actors in society. A consequentialist morality is forward-looking and imagines what will happen given certain actions. The end seems to justify the means.

These three different moral arguments are often difficult to distinguish from one another in both particular and mundane situations. In the following, I will try to distinguish different stakeholders’ use of these arguments in respect of the cooperative compliance way of working in order to illuminate the Swedish failure.

## **MORAL REASONINGS IN THE SWEDISH TAX ARENA**

So how were different moral arguments articulated which render the Swedish failure more understandable? We will look how the different actors articulated this in turn, starting with the Agency and its vision: “[A] society where everyone is willing to pay their fair share” (Skatteverket, 2013c).

This is really a moral call and, as I read this, can exemplify all three types of morality that Fassin outlines. Do not only pay “the right tax” to follow the laws and rules defies only a deontological moral, a stance which could otherwise be expected from a governmental bureaucracy. Instead, the emphasis is on the idea that we/citizens/taxpayers also want to pay our fair share to society. We ought to share the Agency’s vision of what a fair share is. This could be seen as taking a virtuous moral standpoint. Yet, in order to become such a society, we (the taxpayers and the Agency) ought to work together. We are not told exactly how this should be done; the point is that how we pay our taxes and how they are collected have consequences. One of the cornerstones of tax compliance research states that our willingness to comply depends on our belief that others do so as well. The Agency thus urges us to pay our fair share; which, translated into more legal language, becomes the “right tax”.

### **Proponents at the Agency**

Looking more closely at the reasoning for launching the FS/FD initiatives, we can see that the Agency uses entirely moral reasonings, yet mainly follows the consequentialist line.

A deontological moral approach is obviously the starting point. The FS concept was said to have been thoroughly looked into by the Agency’s legal department, yet a definite clearance of the details would have been completed before the actual launch. It was stated that FS is not contrary to the principle of equality or against the uniform application of the law. All laws and tax rules apply to everybody and the Agency, like other public authorities, adjusts its handling methods and measures depending on the subjects that it serves; in this case, large corporations. Thus, a need-based service can actually be a prerequisite for equal treatment, as different taxpayers are deemed to have different needs. FS was described as being just one of many adaptations that the Agency had undertaken in its change of strategies and ways of working, alongside, for example, providing information in different languages, information directed towards newly registered corporations, and e-services. Countering the argument about the



unequal treatment of taxpayers, the Agency argued that, on the contrary, the provision of different services is a necessity so that the law can be applied equitably.

When FS was launched, it was described as a way of ensuring that the correct measures would be taken with regard to the right corporations. The Agency argued that MNEs are role models, so what they do has consequences for societal tax compliance. The idea is that other taxpayers, particularly SMEs but also employees, would increasingly comply if large corporations were seen to be leading the way by exhibiting greater tax compliance.

For example, the early guidelines (Skatteverket, 2011) stated that the aim of the initiative was to decrease aggressive tax planning among all taxpayers. In addition to the earlier stated arguments in respect of decreased tax risks and tax errors, FS would increase the flow of information between MNEs and the Agency. Communication would be more direct and transparent, and thus trust between the Agency and the participating corporations would increase.

The FS proposal can thus also be seen in a wider context of the Agency's ambition to change how the Swedish tax system should work in practice; i.e. that it should not only rest on the application of black letter law but be governed by the spirit of the law, something which could be exemplified by the Agency's chosen vision. Ingemar Hansson, the former Director General, argued that today's taxpayers, in general, are less forgiving towards tax planning; to pay tax is to show a concern for the society in which the taxpayer works and operates. Tax policy therefore ought to be part of a corporation's ethical guidelines and thus part of the overall concept of corporate social responsibility (CSR). The Director General compared taxation to environmental issues, where many corporations have greater ambitions than just following the letter of the law; to be seen as not paying "the right tax" could diminish trust in a corporation and in its brand name. Participation in initiatives such as FS would thus be a way for corporations to show societal responsibility and also to minimise the risks arising from uncertainty about taxation issues.

### **Opponents to cooperative compliance**

Not all stakeholders in the Swedish tax arena consider tax compliance to be a virtuous moral question. Following the launch of FS, an editorial in the Swedish pink daily newspaper, *Dagens industri*, noted that cooperative compliance initiatives have to rest on a foundation of trust and that there ought to be more advantages than drawbacks in such cooperation (following the prerequisites for cooperative compliance initiatives).

The editorial's author voiced a suspicion that the Agency's intention with FS was to collect information about new tax planning schemes while offering a certification stamp with moral overtones for participating MNEs. The Agency's motto of "providing one's fair share" does not apply to corporations, it was argued; instead, the overarching aim for a corporation is to run a profitable business and to keep its costs, one of which is corporate tax, down. Compliance emphasis should be on personal income tax as this, in financial terms, provides a much larger source of revenue for the Swedish state than corporate tax. The editorial's concluding message was for Swedish institutions to keep their traditional roles: laws are passed by the *riksdag* (parliament); courts should adjudicate when taxpayers and tax collectors do not agree; and the Agency should fulfil its mission of collecting tax. Full stop. According to this reasoning, a moral actor in society's tax arena applies a deontological morality—nothing else.

Several stakeholders in the tax arena, led by the Confederation of Swedish Enterprise, brought up one legal issue after another for a thorough investigation following a deontological morality: whether documents created under cooperative compliance arrangements were confidential or public; the unequal treatment of various taxpayers creating a VIP lane for corporations participating in FS; unfair market competition between participants and non-participants; and the roles of actors in public governance according to administrative law.

Along these lines, Robert Pålsson, Professor of Law, stated in another media article that the Agency should “not be a buddy” (Pålsson, 2011). Pålsson argued that the Agency and the taxpayer should retain their more separate and explicit roles in taxation issues. “We have different roles in society; diverse interests, tasks, capabilities and responsibilities. We cannot blend roles and responsibilities in a big cuddle box” said Niklas, a tax expert at the Confederation of Swedish Enterprises. Following on from these arguments, roles teased out over centuries by different societal institutions are important; such roles should be retained unless the law states otherwise.

However, in addition, the opponents do not entirely stick to the deontological moral reasoning. Two consequentialist moral issues came to fore in the above statements. First, there were several MNEs who spoke about the need to get “the right person” at the Agency. The right person is a knowledgeable employee; someone who is knowledgeable both about the issue at stake (e.g. VAT issues) and the corporation in question. Having issues handled by the right contact person would be more efficient, and provide quicker and more accurate responses. On the other hand, criticisms were articulated to the effect that that having such relationships could also create diverse types of sweetheart deals. An apt question is whether the real issue here is the concern about having such issues documented in policies and guidelines? Is it better to keep such relationships informal? Needless to say, there has always been communication and contact between the parties in the tax arena; the issue is how formalised they have been. One report criticising the FS/FD initiative concluded that the Agency’s new ways of working differed from the generally accepted public management model in Sweden. As the information exchanged between participating corporations and the Agency was deemed to be counselling and not subject to tax confidentiality, this way of working ended up in an “informal grey zone” not previously encountered in Swedish administrative law. FS/FD is not applicable for a Swedish administrative authority in the usual triangulation of activities between the actual administration of issues, case handling and the exercise of public authority towards subjects (Bernitz & Reichel, 2015).

Second, it is doubtful that anyone participating in this debate wishes to return to the times when the Agency controlled and collected tax without much nuance in its practices (e.g. the way of working prior to 2000, when strategy changes were implemented).<sup>10</sup> But is the implication also to retain what is said to be the old-fashioned role of corporations as profit-making entities, whose sole purpose is to maximise profit and continue to hold down costs, one of which is taxes? Or should MNEs continue to take on a more responsible role in society, as several tax managers interviewed said the corporations they represent now do? Almost all of the interviewees expressed the view that tax planning activities have changed during the last ten

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<sup>10</sup> The Agency would, from then onwards, work proactively with the aim of collecting the correct, not necessarily the maximum, tax from all taxpayers and, in this way, increase trust. These strategies were based on international research and followed a trend of working together with taxpayers to ensure that information, taxes and fees were, to the fullest extent, correct as early as possible. From this viewpoint, trust in the tax collector was seen as being dependent on the attitude that the tax collector has towards taxpayers. Trust and compliance were described as reinforcing each other; trust would increase if all taxpayers were deemed to comply (Wittberg, 2005).

years. Society around us is changing, they said, and so are views about what sustainable and fair taxation is.

### **For or against FS/FD—a complicated story**

Finally, this is not a simple a story about, on the one hand, FS/FD proponents among initiators and tax collectors at the Agency and, on the other hand, opponents among MNEs and their interest organisations (the most noteworthy example being the Confederation of Swedish Enterprise). The Swedish cooperative compliance initiative presents a more complex mix of arguments from various perspectives and raises questions about how issues of tax compliance should be articulated in society.

The few active participants in FD seem to have chosen this route for pragmatic reasons. The Chief Financial Officer (CFO) of the most active corporation was very positive about the initiative. “Issues that before took very long are now quickly resolved; we have one contact person who has access to specialists and we have now a much larger cooperation range...,” he said. “It is really a win-win situation”. In addition, [the corporation] has not been subject to any audit control, an activity which requires a lot of time and effort, since 2008. However, this corporation is not treated more leniently by the Agency: “as they participate in FD, we know what they are doing and can therefore judge that an audit control is not needed” one of the Agency’s experts said.

The Agency’s employees’ opinions about the FS/FD cooperation are divided. Internally, there seems to be fairly widespread reluctance to embrace the initiative, although this view is not publicly expressed. Those working directly with FS/FD are mostly positive about the initiative, yet they also express hesitation in interviews. There seem to be several reasons for this.

One concern is the question of what societal role the Agency will play when it acts both as an arbiter and a consultant. What will the changing societal role of a tax agency which is engaged in cooperation like FD with taxpayers be? And, if changes are made, it is not up to the Agency to change its societal role or how it acts in society; this is a matter for legislators.

Another issue is that changed ways of working always create hesitations and resistance of some sort (Björklund Larsen, Boll & Brøgger, 2018) and if the benefits from such a change are not clear-cut, a lot of resistance may be voiced. This is especially the case as the Agency is well-regarded by Swedish taxpayers as a whole—both by corporations and employees (Skatteverket, 2013a, 2013b). The Agency ranks among the most esteemed bureaucracies in Swedish society (Ekonomistyrningsverket, 2012). It is a position that employees are well aware of and a source of pride for the Agency.

A third concern was whether the Agency risked being taken to the cleaners. In an Agency intranet article, the FD project leader revealed that he had, somewhat surprisingly, overheard that the relationships between MNEs and the Agency in this initiative were being referred to by Agency employees in terms of “snuggling” (Runhage, 2012). This somewhat humorous remark was said to reflect a fairly widespread view among Agency employees that the bureaucracy risked being subject to ridicule in such collaborations; cooperative compliance initiatives provide a way for corporations to deceive the Agency. This view brings us back to the old confrontational and suspicious relationship between the Agency and taxpayers and, if translated into habits... well, the old ones die hard.

## TO CONCLUDE

This article is an attempt to illuminate a failure of a cooperative compliance initiative. The case in question is Sweden, where we have followed the confrontational debate among stakeholders in the Swedish tax arena. There were certainly those in favour and those against a cooperative compliance initiative; simply put, did those opposing the initiative win? On the surface, this has been a debate mainly articulated in legal terms, where practical aspects are drawn upon in various combinations. Elsewhere, I have proposed eight aspects which are integral to whether cooperative compliance works—or fails. Yet, the undercurrent of the debate is a moral view about how ensuring that taxpayers pay the “right tax” should be achieved. MNEs are often seen as “tax minimising” actors, whereas tax administrations aim to collect, if not the maximum amount of tax, at least enough to minimise the perceived tax gap. If cooperative compliance aimed to collect a more “right tax”, it begs for explanations other than economic benefits drawn, efficiency achieved and legal interpretations. The case of the Swedish Tax Agency’s failed attempt to include cooperative compliance initiatives in its broad array of strategies draws our attention to the moral standpoints as articulated by the various proponents and antagonists.

By taking a moral anthropological approach to this cooperative compliance initiative, I looked closely at the reasoning proposed in debates and disputes. Behind the various arguments are people who “apprehend moral and ethical issues in their network of meaning, within their historical context and in their intricate relation with politics” (Fassin, 2011, p.489). The question is, what can be learnt by applying a moral anthropological approach to the failure of the Swedish variety of cooperative compliance? The purpose is to see how different moral arguments were articulated which render the Swedish failure more understandable. Such an approach also teases out different stakeholders’ perspectives on how tax compliance among MNEs could be increased.

The Agency clearly applies all three moralities discussed here: the deontological, the virtuous and the consequentialist. A governmental bureaucracy, in particular, needs to follow laws and regulations, and thus ought to act within the deontological moral realm. But where there is room for interpretation of the law, the Agency applies a more virtuous reasoning. Its motto is worth repeating: “Our vision is a society where everyone is willing to pay their fair share” (Skatteverket, 2013c) which is a very virtuous moral stance on taxation. In order to have a society where everybody wants to do their fair share, they need to change taxpayers’ views on the law and practices, so they—the Agency and MNEs—can agree on what “the right tax” is. Although the Agency is fine with courts deciding when they and taxpayers do not agree, it also applies a consequentialist reasoning—notably, this was said to be in accordance with the rules and regulations, but with the aim of having a society where actors change their views on what tax compliance means. These changed views should be in accordance with the Agency’s with regard to what “the right tax” ought to be.

Opponents to the initiative kept to a deontological reasoning. Swedish institutional roles teased out over centuries should be kept and any changes in the relationship between the taxpayers and the tax administrator should be clearly stated in the law. The issue appears to be how much room for interpretation there is within the tax law. Should it be followed to the letter or should we look to the spirit of the law? Advocates for a status quo interpretation of tax law, e.g. no change to the relationship between MNEs and the Agency, also refer to a virtuous morality, although differently articulated among the actors. Here, the traditional, partly oppositional, roles are referred to. The actors should act according to defined roles. There are clear

demarcated time slots for the specific practices (bookkeeping, tax advice, preparing annual statements, carrying out assessments for audit—and eventual audits—and making tax payments) to be performed by various actors. The overlaps between the issues being mediated by different actors are minimal from this perspective. The representatives from the Confederation of Swedish Enterprise, in particular, wanted to keep the status quo and always referred to the deontological morality; to not doing anything more, or less, than required by a strict reading of the law. Cooperative compliance ways of working could thus also be made to work in Sweden, but that implies a change of the law that goes beyond the tax legal framework.

Looking into the different moralities also helps to explain why this case was not a simple dichotomy between tax collectors as proponents and corporations as opponents. There are participating corporations. There are tax officials who oppose the initiative. The issue is that they apply different moralities to the question of the role that taxation ought to play in society. The participating corporations clearly see advantages; they take a consequentialist moral standing. The reluctant tax officials share the view of the interviewees at the Confederation of Swedish Enterprise that a deontological morality is the best stance to take.

Tax morals in Sweden are deemed to be high, yet a concluding remark is that if we speak about Swedish—or any tax jurisdiction’s—tax morals, it is important to recognise what kind of moralities we are talking about. This seems to suggest that if tax compliance is to be increased, all stakeholders ought to share the same type of moral reasonings about the role of taxation in society.

## ACKNOWLEDGEMENTS

The research on which this is based was funded by the European Union’s Horizon 2020 research and innovation programme 2014–2018, grant agreement number FairTax 649439. Earlier versions of this paper have been presented at: the special session “Fair and Sustainable Taxation” at the “Enterprise and Competitive Environment” conference organised by Mendel University in Brno, March 2017; the FairTax Workshop “Co-operative Compliance in Retrospect and Prospect”, London, May 2017; and a research seminar at the Department of Social Anthropology, Stockholm University, in October 2017. In particular, I am grateful for comments by Eva Eberhartinger, Emer Mulligan and the two anonymous JOTA reviewers. Any remaining faults are solely my own.

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