

TAX PROFESSIONALS IN THE ACADEMIC SPOTLIGHT: A REVIEW OF RECENT LITERATURE

Till-Arne Hahn¹ & Rodrigo Ormeño Pérez²

Abstract

Interest in tax professionals has increased significantly over the years in disparate ways. This review examines 46 articles published in 26 different journals with the aim of providing an overview of the current academic research on the topic. Seven themes were identified, which are discussed under three headings: tax professionals' relationships with clients; their relationships with tax laws, their work more broadly and the profession; and, the broader relationship of their work with regulation, society, and ethics. The article concludes with general observations about the current literature and provides several suggestions for the direction of future research.

1. INTRODUCTION

The *Journal of Tax Administration* put the spotlight on tax professionals with its event in London in 2018, but academics have investigated all forms of tax intermediaries from all sorts of angles for decades. The problem is that the literature, like research in the tax field more broadly, remains very fragmented (Oats, 2012). Given the national specificity of tax laws (Thuronyi, 1996), geographic fragmentation might be expected, but tax is also interdisciplinary (McKerchar, 2008; Oats, 2012), drawing on expertise from fields like law (Freedman, 2005), accounting (Lamb, 2005), economics (James, 2005), political sciences (Radaelli, 2005; Steinmo, 1993), and psychology (Kirchler, 2007). Although these factors may sometimes constrain the transfer of knowledge, findings from other countries and other fields can still inform tax scholars across borders, regardless of their discipline.

In the decade since Hanlon and Heitzman's (2010) highly cited review of tax research, a multiplicity of literature reviews have been written within the broader tax field on subjects ranging from tax competition (Genschel & Schwarz, 2011) and base erosion (Dharmapala, 2014) to tax-related corporate political activity (Barrick & Brown, 2019) and the relationship between corporate governance and tax avoidance (Kovermann & Velte, 2019). However, there have not been similar reviews on the subject of tax practitioners, despite the important role these professionals play in keeping tax systems operational by assisting taxpayers with compliance and planning, and as governmental advisers in respect of tax laws and policy more broadly. A notable exception is Roberts' (1998) review on tax accountants' judgment and decision-making research. Since then, some authors, such as O'Neil and Samelson (2001), and Kelliher (2014), have discussed tax professionals within their more general reviews of behavioral research in taxation, while others have either extensively reviewed narrower topics, such the role of client advocacy (Bobek, Hageman, & Hatfield, 2010), or provided extensive summaries in their articles on tax practitioners (e.g., Fogarty & Jones, 2014; Frecknall-Hughes & Kirchler, 2015). This article acts as an overall update, centering on articles published between 2013 and 2018. Unlike many of these earlier reviews, it examines articles from a broader range of literature with the explicit aim of considering tax practitioners more widely.

¹ Assistant Professor, Department of Accounting Studies, HEC Montréal

² Assistant Professor, School of Economics and Business, University of Chile

Summarizing 46 articles about tax practitioners from 26 journals, this review provides an insight into the topics that have been studied in a range of countries and fields in recent years. The summary and the thematic analysis are intended to help researchers to take stock of what has been studied, as well to identify possible avenues for future research. While it should be of interest to both existing tax scholars, as well as students and others interested in the area (such as policymakers and tax administrations) for this reason alone, the review also seeks to forge new links between different areas of the field. As similar concepts are frequently referred to using distinct terminology, moving toward a more common understanding should help to foster future exchanges. Oats and Morris (2017) welcome the increased attention that the tax field has received in recent years, but they also express some trepidation about scholars rushing in to study topics in an area in which current understandings can be difficult to decipher given the existing fragmentation. By identifying and linking some of the language used in different contexts, this review aims to advance broader knowledge of the field.

We identify seven general themes addressed within the articles and organize these into a framework that expands the Organisation for Economic Co-operation and Development (OECD)'s (2008) tripartite characterization of the field to include tax practitioners' relationships to tax laws, their work, and their profession, and to society more widely. We draw several broad observations from our review. While we observe that a multiplicity of methods has been used and that a wide range of topics has been studied, we note that accessing relevant data remains challenging for many researchers and that articles tend to focus on a narrow set of countries. Both this and the relative prevalence of studies on topics like tax avoidance, regulation, and ethics, which can be attributed to the increased scrutiny that tax practitioners have faced in recent times (Rostain & Regan Jr., 2014; Russell & Brock, 2016; Syal, 2012; Tansey, 2018; Turner, 2017; Wood, 2017), has meant that certain subjects have been, comparatively, understudied. We thus conclude with some specific ideas for future research.

This review is structured as follows. Section 2 establishes the common ground on which to understand and clarify what being a tax professional means. This is followed by a description of the method used to select and analyze the studies reviewed (Section 3). In Section 4, we provide a general overview of the articles analyzed and, in Section 5, which constitutes the core of this paper, we discuss the main themes identified in the current literature. We then make several general observations and outline our suggestions for future research in our concluding section.

2. DEFINING TAX PRACTITIONERS

As stated by Devos (2012), “[t]he concept of a single ‘tax practitioner’ is difficult to comprehend” as, in practice, the term “covers a diverse group of individuals, business structures and professional groups who provide a range of tax services for their clients” (p.5). Others have recognized that there is “a multiplicity of terms used to describe tax practitioners or tax preparers” (Frecknall-Hughes & Kirchler, 2015, p. 290) and that terms are often used interchangeably in the literature (Frecknall-Hughes & McKerchar, 2013).

As there is no consensus in the literature about what a tax practitioner is, the conceptualization that can be found in the OECD's (2008) study into tax intermediaries is a useful starting point when trying to develop a definition. Specifically, tax practitioners can be seen as the actors that sit opposite both taxpayers and tax authorities in the tripartite relationship that exists within the tax field. For the purpose of this article, the definition of tax practitioners embraces the entire category of actors situated in this corner of the triangle, with the exception of intermediaries

who are involved in tax matters in a more peripheral or auxiliary manner, such as financial institutions. By employing such a broad definition, we encompass a wide spectrum of workers, ranging from those offering simple tax return preparation services to those providing sophisticated tax advice. This group would include tax preparers, tax agents, tax accountants, tax lawyers and other tax professionals. We intentionally adopt the broadest definition possible for the purposes of this review, but we realize certain established subcategories have been of specific interest to academics, the two most obvious subsets in most countries perhaps being accountants and lawyers. In trying to be all-encompassing, we have disregarded such subcategorization when selecting articles for this review but, wherever relevant, we have highlighted distinctions between different forms of practitioners in our analysis of the literature.

Overall, the set of actors included can be organized in a multitude of ways (Devos, 2012). However, for the purpose of this literature review, the definition focuses on the individuals and not on the organizations that they work for, with the exception of the overall occupational collectivity and certain recognized professional sub-collectivities. We acknowledge that, as a result, there is a certain imprecision inherent in the categorization espoused. For instance, the OECD (2008, p. 88) includes individual tax professionals working within corporate tax departments in its definition of tax advisers. We include individual workers within the other two categories in our definition and review articles related to them only when they are acting more as members of the broader occupational category embraced by the term tax practitioner (i.e., providing similar expert services to their employers) and not as taxpayers or tax authorities in a delegated capacity. Having clarified the meaning of tax professionals for this paper, we now describe the article selection and analysis methods used.

3. METHOD

As discussed in the previous section, we intended this literature review on the topic of tax professionals to be as wide-ranging as possible. Nevertheless, it is almost impossible for it to be all-inclusive, especially given the highly fragmented state of scholarship in the tax field mentioned earlier (Oats, 2012). Thus, rather than being exhaustive, this review can be seen as comprehensive. In this regard, this section details how the articles included were identified.

First, for practical reasons, only publications written in English were considered. Second, we decided to restrict our review to articles published between 2013 and 2018. Although we acknowledge that much has been written about tax practitioners in other formats, such as book chapters, the focus of this literature review is on studies that have been written largely for an academic audience and published or accepted for publication in peer-reviewed journals.³

We were aware that a gamut of journals has published articles on tax practitioners so, although it was necessary for us to create an initial list of publications, we purposely did not limit our search to these. The composition of our original list was guided both by this specific awareness of published articles and other lists of recognized publications in the tax field (e.g., Lamb, Lymer, James & Freedman, 2005). Although most of the journals originally examined were selected this way, we identified additional journals during the course of our review and added these to our list. In terms of the specific articles selected, we conducted a systematic search of all of the abstracts in the journals we had selected.⁴ Specifically, a Boolean approach was used,

³ The selection was carried out in August 2018. Two of the articles selected were in press at the time of selection and thus officially published in 2019.

⁴ For journals which do not provide abstracts (which was frequently the case for law journals), we conducted a search of the article titles or descriptions using the same terms.

which combined the term “tax” with one of the following (or its variants): “adviser”, “advisor”, “agent”, “intermediary”, “accountant”, “lawyer”, “attorney”, “counsel”, “solicitor”, “litigator”, “professional”, “practitioner”, “consultant”, “expert”, “specialist”, “partner”, “executive”, “director”, “manager”, “preparer”, “provider”, “work(er)”, “plan(ner)”, “auditor”, or “inspector”.

While taking this approach enabled us to create an extensive shortlist, many articles were quickly identified as not being relevant to this review. For instance, tax practitioners were frequently the intended audience (or part thereof) rather than the subjects. Our intention was to select only articles where tax practitioners were the subject of the study and, in this sense, we employed the previously elaborated definition.⁵ Although they were usually the main subject of the papers chosen, we also considered articles where tax practitioners were an important part of a broader subject (but generally did not if they were simply a single variable among several considered in a study).⁶ For articles where the selection criteria left some ambiguity, we came to a collective decision about their ultimate inclusion or exclusion in our review. A total of 17 articles were removed from the initial list as part of this selection process. Ultimately, as described in more detail in the next section, we reviewed a total of 46 articles from 26 journals.

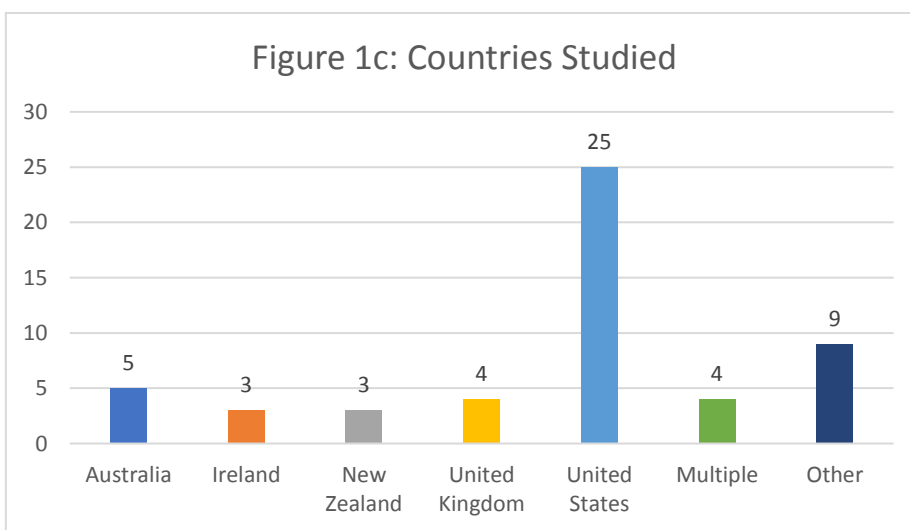
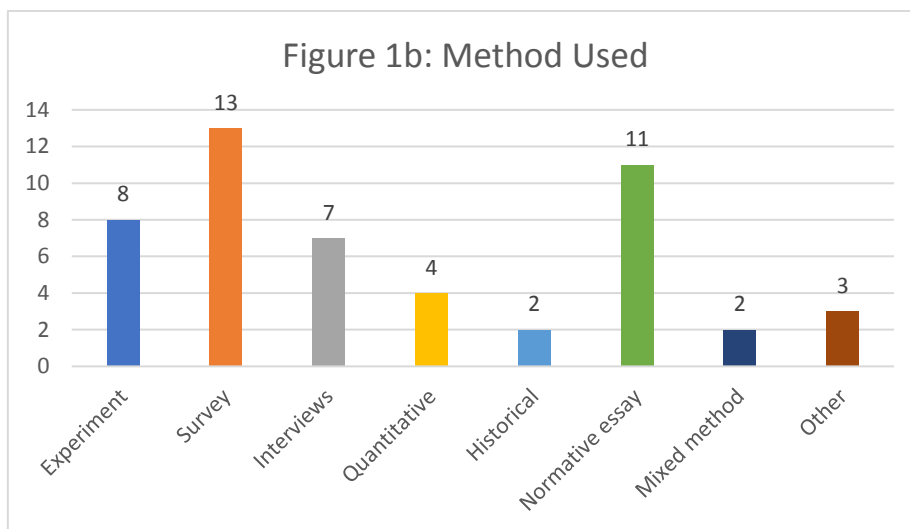
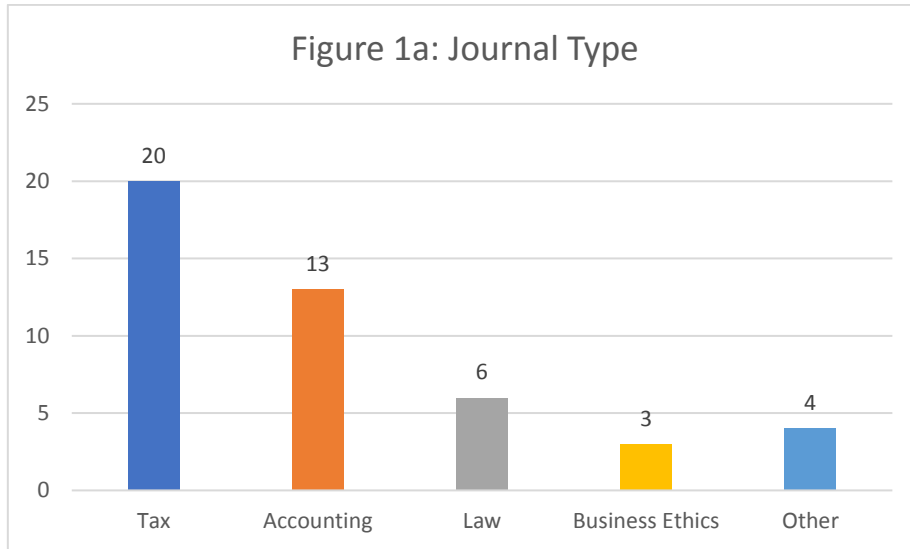
In the initial stage of the process, we split the articles between us. Inspired by other accounting reviews that compiled reviews (e.g., Kelliher, 2014; Kovermann & Velte, 2019; Napier, 2006; O’Neil & Samelson, 2001; Roberts, 1998), we summarized the following information for each article in a table (see appendix): the method used in the study, the relevant country, the type of tax practitioner that was considered, any theories employed, and the main ideas, arguments, and findings. In the second stage, each article was read by the other author. While the information in the table was verified as part of this step, we also considered the entire set of articles at this stage in order to identify the overall underlying themes. After discussion, we reached a consensus on the seven themes, which are described in more detail in Section 5. The next section provides a general overview of the articles reviewed.

4. OVERVIEW

Figures 1a to 1c highlight the type of journal that the 46 articles reviewed and summarized in the table in the appendix were published in, as well as the method used and the countries studied in each article. Of the journals from which the articles were drawn, eight (31%) are from the accounting field, seven (27%) are tax journals, six (23%) are legal journals, and the remaining five (19%) are from other, usually broader, disciplines (such as business). However, in terms of the articles themselves, more (20, i.e., 43%) were published in tax journals than in accounting journals (13, i.e., 28%). Only six articles (13%) were published in law journals, with the remaining seven (15%) being published in the five other journals.

⁵ Consequently, we did not generally include articles that focused on corporate taxpayers (and their tax departments) or on tax administrations, except – as mentioned – where the articles emphasized their occupational role as tax practitioners.

⁶ For instance, articles that considered auditor-provided tax services as a variable in broader research questions (e.g., Donohoe & Knechel, 2014) which otherwise did not specifically examine tax practitioners are not examined as part of this review.



Overall, surveys were the most commonly employed empirical method (used in 13 articles, i.e., 28%), followed by experiments (used in 8 articles, i.e., 17%), and interviews (used in 7 articles, i.e., 15%), arguably reflecting the individual nature of the subject. In contrast, only four (9%) of the studies employed the quantitative or archival approach, the most common method used in traditional tax research within accounting (Oats, 2012). Only two used a mixed method approach, with interviews being combined with a survey in the case of Devos and Kenny (2017) and with an experiment in the case of Doyle, Frecknall-Hughes and Summers (2014). Most of the remaining articles were normative in nature, with several others being more conceptual or historical.

While there is a certain variability in the robustness, some common challenges were noted across the studies reviewed. In many cases, the lack of a clearly defined population together with the difficulty in obtaining access to tax practitioners means that findings are limited in their generalizability. For instance, while three studies managed to achieve response rates of more than 50% (Bobek Schmitt, Hageman, & Radtke, 2014; Borrego, Loo, Lopes, & Ferreira, 2015; Borrego, Lopes, & Ferreira, 2017), the surveys generally had low response rates (ranging from 4 to 25% and averaging 15% overall). With the exception of the pair of studies by Borrego, Loo, Lopes, and Ferreira (2015) and Borrego, Lopes, and Ferreira (2017), which managed to obtain an impressive 1,233 responses, on average surveys collected 250 responses (ranging from 109 to 448 overall).⁷

It was also not uncommon for data availability to drive subject choice, especially when it came to the quantitative studies. For example, Finley and Stekelberg (2016) focus on auditor-provided tax services, because tax fees more broadly are not publicly disclosed. Meanwhile, Neuman, Omer and Thompson use not-for-profits in their 2015 study on tax service providers given the public availability of information through Form 990 in that sector in the United States. The challenge in obtaining relevant data makes studies like that published by Klassen, Lisowsky and Mescall in 2016, which makes use of confidential Internal Revenue Service (IRS) data, all the more noteworthy. Other studies that stand out in terms of the data collected include Stephenson, Fleischman and Peterson (2017), which surveyed both preparers and their actual clients on expectation gaps.

Although four studies considered practitioners from more than one country (Eberhartinger & Petutschnig 2017; Frecknall-Hughes & McKerchar, 2013; Radcliffe, Spence, Stein, & Wilkinson, 2018; Spilker, Stewart, Wilde, & Wood, 2016), reflecting the jurisdictionally specific nature of tax practice (Thuronyi & Vanistendael, 1996), most focused on one. Leaving Eberhartinger & Petutschnig's (2017) multi-jurisdictional study aside, the studies examined a total of eleven countries, of which five were outside of the Western Anglosphere and only China and India were outside of the West. Article-wise, the concentration was even greater, with 37 (80%) focused on the Western Anglosphere, and 23 (50%) focused exclusively on the United States.

5. ANALYSIS

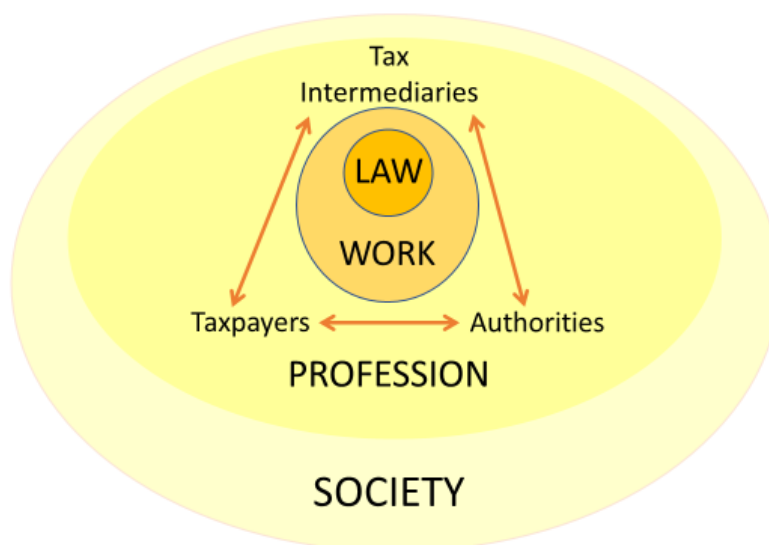
As discussed in Section 3, the themes according to which the articles are analysed in this review emerged, in part, from the review process. The seven identified themes are: (1) tax

⁷ The high number of responses by Borrego, Loo, Lopes and Ferreira (2015), and Borrego, Lopes and Ferreira (2017) is explained by their survey having been handed out at a national tax event with 2,391 attendees. By comparison, online survey collected only 334 responses. Overall, they estimate that they obtained responses from 4% of their target population.

practitioners' relationships with clients; (2) their relation to tax laws more narrowly; (3) their relation to work in a broad sense; (4) their relation to professional responsibilities; (5) their relation to regulation; (6) wider societal debates about tax practitioners and their work in general; and (7) ethics and morality associated with tax work more narrowly.

Figure 2 illustrates how the review of the articles has been organized. While the OECD (2008) emphasized the tripartite nature of the tax field, we expand this idea to include further elements that are key to understanding tax professionals and the world within which they operate. At the center of the tripartite relation between tax intermediaries, taxpayers, and tax authorities is the law itself. Tax professionals' work envelops the law and it is generally performed within the confines of the tripartite relationship. Underlying the law, the work of tax professionals, and the narrower relationships between tax professionals, taxpayers, and tax authorities are the broader relationships that professionals have with their profession and with wider society. Each article is discussed under one of the relationships depicted, but since some of the studies straddle topics and thus defy neat categorization, they are discussed in the section that most closely reflects their content. Furthermore, given the close relationships between several of the themes, we have grouped several of them in the discussion that follows. The articles are discussed next.

Figure 2: Relations Between Tax Intermediaries and the Tax Field



Relationship with Clients

The first theme centers on the relationships between tax professionals and their clients – or taxpayers in the OECD's (2008) tripartite model. As summarized in Table 1, eight of the articles reviewed focus on this relationship. Overall, the studies tend to take one of two broad approaches to this theme. The first set tends to focus on clients' general expectations of, and satisfaction with, tax practitioners, with many adopting a market research approach. For instance, looking at the situation in New Zealand, Gupta (2015a, 2015b) examines clients' perceptions of tax practitioners' skills, including soft skills, like communication, and the correlation of these to trust, service satisfaction, and client commitment. Notably, Gupta finds

that client satisfaction is lower when practitioners give comprehensive explanations (2015a) and that clients prefer tax practitioners to make judgments on their behalf (2015b). Tan, Braithwaite and Reinhart (2016) conduct a similar study in the Australian context. While they also note a relationship between trust, communication, and client loyalty, they find that trust is much more prevalent in relationships with small advisors than in relationships with the Big 4 accounting firms. Somewhat surprisingly, they observe no correlation between client commitment and the offering of other services. Stephenson et al. (2017), updating the work carried out by Christensen in 1992, look at tax practitioners in local firms in the United States. They find that the biggest motivator for taxpayers hiring preparers is to save time and money, while gaining potential protection from tax authorities matters the least. As previously mentioned, their study is unique in that it uses data obtained from both preparers and their clients, something which allows them to assess expectation gaps. The final article in this set is by Neuman et al. (2015). Capitalizing on publicly available data in the not-for-profit sector in the United States, they examine factors that influence the choice of tax service provider, such as proximity and knowledge availability, and the consequences of this choice. Significantly for the sector studied, they observe a negative relationship between self-preparation and a decline in contributions, something which they attribute to lower preparation quality.

The second set of studies in the table focus on the actual interactions between clients and tax practitioners. In this regard, Fogarty and Jones's (2014) inductive field study delves into some of the day-to-day realities faced by tax professionals in the United States. Noting that the tax law is often only of secondary importance, they provide insight into how tax practitioners try to strike a balance between their role as client advocates and their duty to the tax system, a topic considered in more depth in the next section, under the theme of professional responsibilities. Contentious interactions more generally, and the role of client pressure more specifically, are also considered by Bobek, Dalton, Hageman and Radtke (2018) via their experiential questionnaire, and in the experimental studies of Bobek, Hageman and Radtke (2015), and Blanthorne, Burton and Fisher (2014) (included in Table 7). While Bobek et al. (2015) note that tax professionals are more willing to concede to pressure in situations when a client's position is not supported, Blanthorne et al. (2014) find that, contrary to prior studies, client pressure does not have an impact on the aggressiveness of positions, but that moral reasoning does. The results of Bobek et al.'s (2018) survey reveal that contentious interactions with clients can involve both clear-cut and ambiguous issues, and while they may not be pervasive, they are not uncommon and can result in the termination of a client relationship. Their study includes several recommendations on how tax professionals might be better prepared to deal with such conflicts. Notably, they recommend training in negotiation, which links directly to Frecknall-Hughes and Kirchler's (2015) effort to develop a more general theory related to tax work, which is discussed in the next section.

Table 1: Papers By Theme – Relationship With Clients – In Year Order

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Fogarty, T., & Jones, D. (2014). Between a rock and a hard place: How tax practitioners straddle client advocacy and professional responsibilities	Tax professionals	Duty to clients (advocacy role) vs. professional duties to the tax system (compliance obligations)	n/a (largely an inductive field study involving “thick” descriptions)	<ul style="list-style-type: none"> - Study examines the day-to-day realities of tax professionals, focusing on the dilemmas faced in balancing advocacy role with the duty to the tax system - Behavioral research provides limited insight, given “highly nuanced” nature of tax world - Finding 1: tax law has only secondary importance (i.e., does not provide “game ending” answers) and the gray in the law is an advantage to advisors and clients - Related to this, clients often do not support practical tax research - Finding 2: work is about the relationships and tax authorities are involved in the dynamic (i.e., threat of enforcement helps advisors to get clients to accept certain responsibilities). Otherwise role would be very similar to management consultants
Bobek, D. D., Hageman, A. M., & Radtke, R. R. (2015). The effects of professional role, decision context, and gender on the ethical decision making of public accounting professionals	Professional accountants (working in audit or tax)	Ethical decision-making of professionals in different contexts	Rest’s (1986) model of ethical decision-making and role morality theory	<ul style="list-style-type: none"> - Study considers the willingness of professionals to concede to pressure when a client’s position does not appear to be supported - Willingness to concede is higher in tax condition overall and also among tax vs. audit professionals - Overall, the results are driven by male participants - The authors suggest that moral intensity (e.g., social consensus concerning competence in audit context) may explain the results and that the findings may point to males and females following different decision-making processes
Gupta, R. (2015a). Relational impact of tax practitioners’ behavioural interaction and service satisfaction: Evidence from New Zealand	Tax practitioners (broadly defined)	Clients’ perceptions of tax practitioners’ soft skills and competence, and how these relate to service satisfaction and client commitment	n/a (hypothesized relationships based on findings from prior literature and market research)	<ul style="list-style-type: none"> - Authors examine clients’ perceptions of tax practitioners’ explaining and listening skills, technical experience, and competence, and their correlation with client satisfaction and commitment to service relationship - Client satisfaction mediates behavioral interaction factors’ effect on relationship commitment - Notably, service satisfaction is lower when a tax practitioner provides clients with comprehensive information about their tax issues and explains their obligations under the law

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Gupta, R. (2015b). Understanding clients' ties to a tax practitioner: The mediating influence of trust and service satisfaction	Tax practitioners (broadly defined)	Relationship between trust of tax practitioners and satisfaction with their services, and client commitment	n/a (hypothesized relationships based on findings from prior literature and market research)	<ul style="list-style-type: none"> - Trust and service satisfaction mediate the relationships between five interaction behavior factors and client commitment - Notably, a client's trust in a tax practitioner is lower when the tax practitioner gives an honest opinion which is unfavorable to the client about any ambiguous or gray areas of tax laws involved, or when they spend time preparing detailed working papers and notes for the client to evaluate their tax issues - Also, respondents expressed a preference for tax practitioners to make judgments on their behalf, rather than investing time in explaining the implications of different approaches
Neuman, S. S., Omer, T. C., & Thompson, A. M. (2015). Determinants and consequences of tax service provider choice in the not-for-profit sector	Tax service providers	Determinants and consequences of tax provider choice among not-for-profit (NFP) entities	n/a (hypotheses based on prior literature - i.e., proximity and knowledge availability as factors explaining professional service firm heterogeneity (Malhotra & Morris, 2009))	<ul style="list-style-type: none"> - NFP entities are more likely to purchase tax services from non-auditor preparers - The existence of substitute providers does not affect the choices they make between using auditor-provided tax services and self-preparation of their returns - Preparation quality does not vary among paid preparers along this dimension of the Form 990 - One hypothesis suggests that the negative association between contributions and self-preparing the Form 990 is due to lower preparation quality, weaker financial condition, or a combination of both factors - The decline in contributions following the change to self-preparation is attributable to the decline in Form 990 preparation quality
Tan, L. M., Braithwaite, V., & Reinhart, M. (2016). Why do small business taxpayers stay with their practitioners? Trust, competence and aggressive advice	Tax practitioners	Characteristics associated with the commitment of small business owners to their tax practitioners	n/a (hypotheses based on market research linking customer satisfaction and loyalty)	<ul style="list-style-type: none"> - Special relationships often develop between small businesses and their advisors - Study notes importance of both instrumental and relational factors in client commitment - Experience of aggressive advice (= instrumental reason for retaining advisor), trust and communication through engagement letter all correlated with commitment, whereas no correlation noted between other services and commitment to advisor - Notably, trust was more prevalent in relations with small advisors (vs. Big 4)

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Stephenson, T., Fleischman, G., & Peterson, M. (2017). Demand for tax-preparation services: An exploratory examination of client versus tax-preparer expectation gaps	Tax preparers in local firms	Gap between client motivations to hire preparers and preparers' perceptions thereof	Gaps Model of Service Quality	<ul style="list-style-type: none"> - Study is an update of Christensen (1992) - For clients, saving money and saving time are the most important motivations for hiring a preparer, while seeking protection from the Internal Revenue Service (IRS) is the least important - Client versus preparer expectations reveal the smallest gap variance for saving money and the greatest gap variance for IRS protection - Positive gap means for money, legal compliance, and IRS protection suggest that these matter more to taxpayers than preparers expected, whereas the negative saving time gap suggests that this matters less to clients than perceived - Study also explores demographic characteristics associated with taxpayer motivations revealing, for example, that taxpayers with children are more concerned about saving money than perceived, as well as preparer characteristics, which show that female preparers may be more sensitive to client needs than their male counterparts
Bobek, D. D., Dalton, D. W., Hageman, A. M. & Radtke, R. R. (2019). An experiential investigation of tax professionals' contentious interactions with clients	Certified Public Accountants (CPAs) working as tax professionals in public accounting firms	Contentious interactions between tax professionals and their clients	Cialdini's (2007) typology of persuasion and prior audit literature referenced	<ul style="list-style-type: none"> - Study provides descriptive evidence of contentious issues in tax and examines the most common & effective persuasive tactics used by professionals - Experiential questionnaire findings: "clear-cut" issues common, persuasive arguments often focus on legal arguments and possible tax authority actions, and not uncommon for relationship with clients to be terminated - Issues often concern deductions and business vs. personal expenses - Follow-up survey: little training offered to tax professionals in negotiation, mostly mentoring - Study solicited advice from professionals on how stressful interactions should be approached

Relationships with the Law, Work, and the Profession

Three themes are centered on tax practitioners' day-to-day work. The first relates to tax statutes themselves. The studies summarized in Table 2 all consider tax professionals' perceptions of tax law complexity, with the articles by Borrego, Loo, Lopes and Ferreira (2015) and Borrego, Lopes and Ferreira (2017) considering the topic from the perspective of tax practitioners in Portugal. Building, in particular, on the research of McKerchar (2002; 2005; 2007), Borrego et al. (2015) examine the sources of complexity, which are grouped into indices. In addition to the law itself, they investigate the different dimensions of administrative complexity, which include both the nature of tax forms and the required preparation of information. Overall, respondents cited frequent tax law changes as one of the main reasons for complexity. In the second study, Borrego et al. (2017) explore the relationship between perceptions of complexity, intentional and unintentional noncompliance, and the profiles of tax professionals. While tax knowledge is, surprisingly, not found to have any relationship with any of these, they find that younger professionals and those working in larger companies are more likely to engage in intentional noncompliance. For their part, Burton and Karlinsky (2016) offer an extension of an earlier study (Karlinsky & Burton, 2010), by examining specific areas of perceived complexity within the tax code of the United States. Five of the ten most complex topics identified relate to international issues, which is not particularly surprising. More notably, in contrast to prior research results (and to those of Borrego et al., 2015), their respondents rated some commonly perceived sources of complexity, including the frequency of tax changes, as relatively less complex.

Table 3 summarizes the seven articles that examine tax professionals' work more broadly. Two of these are more general studies, which look at tax work more holistically. In the first, Frecknall-Hughes and Kirchler (2015) endeavor to develop a general theory of tax practice which, they note, the literature continues to lack two decades after Erard (1993) remarked on its absence. Based on their conceptual analysis, they single out Wall's (1985) negotiation theory as a general theory which fits many aspects of the work of tax practitioners, largely because it copes well with the complex interactions involved in tax practice (Frecknall-Hughes & Kirchler, 2015, p. 298). In the second study, Frecknall-Hughes and Moizer (2015) focus on the quality of tax work. As this cannot be easily ascertained, they conclude that markets will fail to ensure quality and the only way to protect the public interest is through additional regulation, a topic which is extensively examined by the articles reviewed in the next part.

The second set of articles in Table 3 look at more specific aspects of the way in which tax practitioners approach their work. Long and Basoglu (2016) examine how tax judgments are affected by task interruptions. Their experiment reveals that interruptions amplify motivated reasoning, which ultimately leads to more aggressive recommendations. Not only is tax aggressiveness considered by Blanthorne et al (2014) in their experimental study (see Table 7), it is also discussed by Klassen et al. (2016). The latter compare auditor-provided tax services with non-auditor provided tax services and internally prepared returns using confidential tax return data obtained from the IRS. They find that in-house preparers are associated with the most aggressive tax positions and auditor preparers with the least aggressive tax positions, as measured by unrecognized tax benefits. Although they are unable to establish causality, one possible reading of their results is that restricting auditors from providing tax services to their clients might actually lead to more tax aggressiveness by corporations. Arguably, there is a link between tax aggressiveness and advocacy attitudes, something which is considered by several of the articles in Table 4 (discussed further below) and has been extensively studied in prior judgment and decision-making literature (see Bobek et al., 2010, for a review). By examining

Table 2: Papers By Theme – Relationship with Tax Law In A Narrow Sense – In Year Order

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Borrego, A. C., Loo, E. C., Lopes, C. M. M., & Ferreira, C. M. S. (2015). Tax professionals' perception of tax system complexity: Some preliminary empirical evidence from Portugal	Tax professionals - Tecnicos Oficiais de Contas (TOCs)	Tax professionals' perceptions of tax complexity and its different dimensions	n/a (different dimensions of complexity based on prior literature)	<ul style="list-style-type: none"> - Portuguese tax professionals perceived their tax system as having a high level of complexity (89.1%), with the five main causes being: (i) frequent change of tax laws; (ii) tax law too widely dispersed; (iii) preparation of accounting information for fiscal purposes; (iv) too many exceptions to the rule and transitional arrangements; and (v) low perception and ambiguity of tax language - Three indices of complexity were constructed, relating to legal complexity, preparation of information and record-keeping, and the complexity of tax forms - Tax knowledge appeared to be the only exogenous factor that showed a negative relationship with the perception of tax system complexity and size of companies, with a positive effect on TOCs' perceptions of tax complexity
Burton, H. A., & Karlinsky, S. (2016). Tax professionals' perception of large and mid-size business US tax law complexity	Corporate tax directors and tax partners and managers from international public accounting and law firms	Perceptions of tax law complexity	n/a	<ul style="list-style-type: none"> - Overall, five of the ten most complex issues related to international tax - Foreign mergers and acquisitions were rated the most complex, followed by deferred income taxes - Compared to prior research, certain issues, like depreciation and frequency of tax changes, were rated as relatively less complex - There were few significant differences in the perception of the complexity of the tax factors based on experience, and between those in public accounting and corporate tax departments
Borrego, A. C., Lopes, C. M. M., & Ferreira, C. M. (2017). Tax professionals' profiles concerning tax noncompliance and tax complexity: Empirical contributions from Portugal	Paid tax professionals (certified accountants)	Relationship between intentional and unintentional noncompliance and the profiles of professionals	n/a (questionnaire guided by prior tax compliance literature)	<ul style="list-style-type: none"> - Study distinguishes between more intentional noncompliance through tax planning schemes and unintentional noncompliance due to complexity - Portuguese professionals perceive a high level of tax complexity and nearly half have engaged in unintentional noncompliance due to it at least once - Overall, results suggest a relationship between perceptions of complexity and involuntary errors - Study also finds younger professionals and those who work in larger companies are more likely to engage in intentional noncompliant behavior - No link is found between tax knowledge and intentional or unintentional noncompliance

Table 3: Papers By Theme – Relationship with Work More Broadly (e.g. Approaches) – In Year Order

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Frecknall-Hughes, J., & Kirchler, E. (2015). Towards a general theory of tax practice	Tax practitioners	The work of tax practitioners	Negotiation theory (Wall, 1985) is proposed as a general theory applicable to tax practice	<ul style="list-style-type: none"> - Authors argue that fragmentation of the field contributes to “the lack of a holistic view being taken of tax practitioners’ work” - Article examines “who tax practitioners are” and “the nature of the market in which they work” - Study reviews the prior literature, the definition of a “tax practitioner”, and the taxation services market - The work of tax practitioners can be broadly divided into tax compliance and tax planning work - Upon the analysis of the work of practitioners, six possible theories of tax practice are suggested - Authors conclude that negotiation theory best fits the relationship between practitioners and their work
Frecknall-Hughes, J., & Moizer, P. (2015). Assessing the quality of services provided by UK tax practitioners	Tax practitioners	Quality of tax services provided by tax practitioners	Economic analysis employing Simunic and Stein’s (1987) model	<ul style="list-style-type: none"> - Study considers overall market for tax services, looking at economic forces affecting work with a view to answering how quality can be assessed and/or measured, given that it is not readily observable - Tax work is an area with frequent malpractice suits - Reputation may signal quality, but not always - Overall conclusion is that market forces are unlikely to ensure quality on their own and that some additional measures are necessary - either regulation, registration, or responsibility at law (e.g., third party penalties, as in the US or Canada)
Klassen, K. J., Lisowsky, P., & Mescall, D. (2016). The role of auditors, non-auditors, and internal tax departments in corporate tax aggressiveness	Internal tax preparers and external tax preparers (both auditors and non-auditors)	Tax preparer type and tax aggressiveness	n/a (no explicit use of theory - costs of tax aggressiveness assumed to be higher for auditors)	<ul style="list-style-type: none"> - Using confidential Internal Revenue Service (IRS) data, the study investigates the relationship between the signatories on tax returns and tax aggressiveness (proxied by increase in unrecognized tax benefits) - Costs assumed to vary for different types of preparers, with highest costs expected for auditors - Findings: significant positive relationship between current-year FIN 48 tax reserves and internal (and external non-auditor) tax return preparation vs. auditor preparation - Other findings: auditor-provided tax services correlated with tax aggressiveness, and lower levels of tax aggressiveness observed when Big 4 auditor is the tax preparer, which suggests that the audit relationship imposes costs on tax aggressiveness for Big 4 preparers

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Long, J. H., & Basoglu, K. A. (2016). The impact of task interruption on tax accountants' professional judgment	Tax accountants	Effects of task interruption on tax judgments	Goal-Based Choice Model and motivated reasoning theory	<ul style="list-style-type: none"> - Study finds task interruption amplifies motivated reasoning, resulting in higher perceived levels of support for tax positions, higher perceived chances of winning, and more aggressive recommendations - Additionally, performance of interrupted task weakened in highly motivated context - The authors attribute the effect to goal activation escalation
Mulligan, E., & Oats, L. (2016). Tax professionals at work in Silicon Valley	In-house tax professionals	Tax departments within high-tech companies	Mainly institutional theory	<ul style="list-style-type: none"> - Tax departments are often "black boxed" - Study looks at the institutional work carried out by tax professionals on three levels: micro (within the organization), meso (within the field, involving professional associations), and macro (interacting with the government in shaping tax laws) - Findings are that the networks on the meso level allow for the rapid diffusion of tax plans and that, on the macro level, there is clear evidence of tax professionals affecting the development of tax rules, supporting the notion of the law being endogenously, rather than exogenously, determined
Spilker, B. C., Stewart, B. W., Wilde, J. H., & Wood, D. A. (2016). A comparison of U.S. and offshore Indian tax professionals' client advocacy attitudes and client recommendations	Tax professionals in large international accounting firms	Client advocacy attitudes among different types of tax professional	Hofstede (1980) referenced with respect to cultural differences and advocacy literature cited, including Mason & Levy's (2001) advocacy scale	<ul style="list-style-type: none"> - Extensive research exists on effect of advocacy on judgment and decision-making of tax professionals, but it is not clear if these effects are consistent across settings - Tax compliance work is increasingly carried out offshore, but nature of work is different (e.g., fewer client interactions may lead to lower advocacy attitudes) - Study finds no difference for inexperienced professionals, but experienced US professionals exhibit stronger advocacy attitudes than all others
Feller, A., & Schanz, D. (2017). The three hurdles of tax planning: How business context, aims of tax planning, and tax manager power affect tax expense	Corporate tax managers, tax consultants, and one tax authority individual	Factors beyond firm characteristics affecting tax planning in corporations	Three hurdle model developed using a grounded theory approach	<ul style="list-style-type: none"> - Study looks into "black box" of tax planning in order to try to explain variance in tax aggressiveness - Three hurdles in tax planning process identified: (1) firm characteristics define set of available tax planning methods; (2) corporate aims/values define set of desirable planning methods; (3) tax manager power determines implementable tax planning methods - Overall, tax plans need to pass all hurdles before tax avoidance can be achieved, which may explain the under-sheltering puzzle

the differences in advocacy attitudes between professionals in India and the United States, however, Spilker, Stewart, Wilde and Wood (2016) offer a unique take on the subject. While they note that there are no significant differences between less experienced professionals in their experiment, the more experienced professionals in the United States exhibited stronger advocacy attitudes than all others, something which they attribute to these professionals being more directly involved in client interactions.

The two remaining articles seek to open the “black box” of tax planning within corporate tax departments and both use a qualitative field study approach. Mulligan and Oats (2016) focus on high-tech companies in the Silicon Valley and find that tax professionals operate not only within their organizations, but also on a more meso-level through networks that enable the rapid diffusion of tax plans, and on a macro-level by interacting with the government in shaping tax laws. Interviewing tax managers in Germany, Feller and Schanz (2017), for their part, find that tax plans go through a filtration process, which may offer an explanation for the under-sheltering puzzle observed by Weisbach (2002). Specifically, while firm characteristics define the initial set of possible tax plans, corporate aims and tax manager power determine which plans are ultimately implemented.

Table 4 summarizes the six studies that focus on tax practitioners’ professional responsibilities. In countries where there is no formally recognized tax profession, these responsibilities are often chiefly associated with the professions from which tax practitioners typically stem. In this regard, many of the articles about professional responsibilities in the United States are written from the perspective of the legal profession, including Lavoie (2013), Hatfield (2014), and Thorndike and Mehrotra (2018). The latter two offer historical overviews. While Thorndike and Mehrotra (2018) trace the emergence of the American tax bar, Hatfield (2014) – in a sequel to Hatfield (2012) – examines the shift in legal ethics and the regulation of tax lawyers between 1965 and 1985. Commenting on the inherent tension between the dual role of tax lawyers as defenders of the tax system on the one hand, and as client advocates on the other hand, both suggest the latter has generally been privileged, especially with the overall shift to a more legalistic approach in tax work in the last few decades. This opposition between tax professionals as the enforcers, and tax professionals as the exploiters, has been long recognized in the literature (Klepper, Mazur & Nagin, 1991; Klepper & Nagin, 1989), but Lavoie (2013) challenges the current balance. In his essay, he argues that gatekeeping is in the interest of the profession and that the zealous advocacy that is borne out of an adversarial system is misplaced in a realm where few matters will ever be contested in a court. Taking a longer view on the subject, he also suggests that the decline in the gatekeeping role has occurred in the broader context of shifting societal norms.

Apostol and Pop’s (2019) study offers an interesting contribution from the perspective of a post-communist society in this regard. Looking at the Romanian context through the lens of institutional theory, they note that a commercial logic dominates and that the ethical logic has failed to take hold, notwithstanding the public scrutiny that tax consultants have increasingly faced over the last decade, as discussed further in the next section. Bobek Schmitt et al. (2014) also look at the subject from the standpoint of the accounting profession. While they find, perhaps unsurprisingly, that tax professionals in accounting firms show higher levels of client advocacy than auditors, they also note that, contrary to earlier views (Pinsker, Pennington & Schafer, 2009), professional skepticism and client advocacy are entirely separate and are not opposing constructs on the same continuum.

Table 4: Papers By Theme – Relation to Professional Responsibilities – In Year Order

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Lavoie, R. (2013). Am I my brother's keeper? A tax law perspective on the challenge of balancing gatekeeping obligations and zealous advocacy in the legal profession	Tax lawyers	Gatekeeping as part of tax lawyers' ethical obligations	n/a	<ul style="list-style-type: none"> - Gatekeeping function encompasses the notion of safeguarding the law – seen as an ethical obligation for tax lawyers which mitigates excesses, but which may conflict with zealous advocacy - Author examines what gatekeeping entails, as well as justifications for and arguments against this role - The American Bar Association (ABA)'s 1965 and 1985 Opinions are linked to a decline in gatekeeping and to the tax sheltering activity in the 1970s and 1990s, which ultimately prompted increased government regulation - Other factors associated with decline in gatekeeping: changing business, legal services, and judicial norms, plus a lower social impetus toward taxpaying - Article argues that gatekeeping is in the interest of clients and the profession, and offers suggestions for how a gatekeeping role might be restored
Bobek Schmitt, D., Hageman, A. M., & Radtke, R. R. (2014). A research note on the relationship between professional skepticism and client advocacy	Professionals (both audit and tax)	Professional skepticism and client advocacy	n/a (an exploratory research question based on prior literature)	<ul style="list-style-type: none"> - Study examines the relationship between client advocacy and professional skepticism to determine if they are the opposing ends of a continuum - Findings corroborate those of Pinsker et al. (2009) in that tax professionals show higher levels of client advocacy than audit professionals - There is no correlation between professional skepticism (and five of its six subscales) and client advocacy, thus advocacy and skepticism are separate (and not opposing) constructs

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Hatfield, M. (2014). Committee opinions and treasury regulation: Tax lawyer ethics, 1965-1985	Tax lawyers	Legal ethics and regulation of tax lawyers	n/a	<ul style="list-style-type: none"> - Article is a sequel to a 2012 article documenting the evolution of tax ethics between 1945 and 1965 - The study examines the debate within the legal community on the responsibilities of tax lawyers and summarizes various legislative changes which occurred largely in response to abusive tax shelters - Opinion 314, issued in 1965, related to the professional duties of lawyers in general, but while it provided little guidance on tax practice, it suggested that tax lawyers did not owe the Internal Revenue Service (IRS) any special duties - Overall, there was a shift toward a more legalistic approach from legal ethics to rules on lawyering - In 1985, the ABA reacted to external prodding and the changes in Circular 230 with Opinion 85-352 - Problems with “reasonable basis” standard were acknowledged, but the position that tax lawyers played an adversarial role in the system was maintained
Dal Pont, G. (2015). Ethical conflicts and the tax practitioner	Tax practitioners	Ethical conflicts - tax practitioners’ duties to clients	n/a	<ul style="list-style-type: none"> - Ethics of tax advice tends to focus on ethics of advising clients on ways to reduce tax - Study focuses on the more concrete area of conflicts of interest, which can involve duty-interest conflicts and duty-duty conflicts - In their professional advisory role, tax professionals have fiduciary duties towards their clients - Issues around managing duty-duty conflicts within firms through Chinese walls are also discussed
Thorndike, J. J., & Mehrotra, A. K. (2018). “Who speaks for tax equity and tax fairness?” The emergence of the organized tax bar and the dilemmas of professional responsibility	Tax lawyers	History of the tax bar and the challenges of its dual role as client advocate and defender of the fisc	n/a	<ul style="list-style-type: none"> - Article traces the emergence of the ABA’s Section of Tax during the period from 1900 to 1961, focusing on its dual role - Tax lawyers emerged as clearly identifiable group in the early 20th century as complexity of tax system created demand for professional guidance (coincided with changing nature of public finance/shift towards income taxation) - Although tax lawyers have a collective stake in the tax system, the ABA/tax bar have tried to refrain from becoming directly involved in tax policy debates, and have usually focused purely on technical aspects - Article refers to Surrey’s calls (in 1961) for more active defense of the tax system by tax lawyers, but recognizes that their duty to their clients restricts this

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Apostol, O., & Pop, A. (2019). 'Paying taxes is losing money': A qualitative study on institutional logics in the tax consultancy field in Romania	Tax consultants and tax authorities	Evolving logics within the tax field in Romania	Institutional theory/logics	<ul style="list-style-type: none"> - Study examines the tax field in Romania, a unique context given its transitional nature and communist legacy - The tax field is defined by a multiplicity of logics but, traditionally, it predominantly embodies a commercial logic - The commercial logic encompasses two dimensions, compliance & avoidance (i.e., tax optimization), but Romanian practitioners focus more on the former - Lack of traction is attributed to state corruption and insufficient professional guidance with respect to avoidance - Despite increased public scrutiny, the ethical logic (i.e., refraining from avoidance) has not taken hold

Dal Pont (2015) rounds out the studies summarized in Table 4. Looking at the subject from an Australian point of view, he also examines professional responsibilities, but considers it from a narrower perspective, focusing on the conflicts of interests that tax professionals may face in their work. Given that the wider debate on ethics, which is discussed in more detail in the next part, often almost exclusively emphasizes ethics more broadly, his article offers a useful reminder that, as professionals, tax practitioners have obligations which are intended to protect their clients.

Broader Relationships with Regulations, Society, and Ethics

Three themes relate to tax professionals and their work more broadly. The first – the regulation of tax work – is arguably the narrowest of the three and can be regarded as the broader societal complement to the professional responsibilities associated with such work, as previously discussed. An extensive number of studies address this topic, as shown in Table 5. All of these focus on either the American or the Australian context, which can, in part, be explained by recent regulatory developments in these countries. For example, Walpole and Salter (2014), and Devos and Kenny (2017), both consider the Tax Agent Services Act (TASA), while Hopkins (2014), Levy (2015), and Oyer (2015) all examine the recent failure of the IRS to regulate tax preparers. While Walpole and Salter (2014) offer a detailed outline of the new regulatory regime in Australia, Devos and Kenny (2017) provide an assessment of the actual commitment to and compliance with the Code of Professional Conduct under the TASA. Noting that the Australian Taxation Office has managed to align tax agents' interests with its own – which might make sense from the perspective of the public purse – Walpole and Salter (2014) also raise some concerns, arguing that safeguards that allow outcomes to be challenged must remain in place. For their part, Devos and Kenny (2017) find that, although tax practitioners in Australia are generally supportive of the new standards, there is a lack of understanding about some of the measures, especially the actual penalties. As practitioners stated that reputation would matter more than penalties, Devos and Kenny (2017) suggest that blacklisting practitioners might offer a more effective deterrent mechanism.

Hopkins (2014), Levy (2015), and Oyer (2015) provide detailed accounts of how the IRS's recent attempt to regulate tax preparation failed before the courts. While Levy (2015) and Oyer (2015) focus on the Loving decisions, which concerned unregulated preparers, Hopkins (2014) also considers the Ridgely decision, which concluded that the IRS was similarly restricted in regulating the tax preparation work of otherwise regulated professionals, as it did not constitute practicing before the IRS. Given that the majority of tax returns in the United States, like those in Australia, are prepared with the assistance of tax preparers, there is a general recognition by these authors that some form of regulation is necessary in order to deal with the incompetence and (not infrequent) outright fraud that occurs within the field. Although narrowing the tax gap is commonly cited as one of the main motivations in this respect, Soled and DeLaney Thomas (2017) advance a further argument. They suggest that, in a country where many social benefits are directly administered through the tax system, low income individuals in particular are negatively affected by unscrupulous preparers. Their call for regulation goes further, as they suggest that tax software should also be regulated as it represents another form of tax intermediary and is susceptible to many of the same problems afflicting the tax preparation industry. Perhaps one of their most interesting arguments is that better regulation might also strengthen the fiscal citizenship that others, such as Zelenak (2013) have associated with the annual ritual, given that the tax return preparation process is “one of the few areas in which

Table 5: Papers By Theme – Relation to Regulation – In Year Order

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Afield, W. E. (2014). A market for tax compliance	Tax preparers	Tax preparer regulation, voluntary compliance certification	n/a	<ul style="list-style-type: none"> - The paper examines the issue of the inconsistent quality of tax returns prepared by paid preparers, suggesting that it contributes to the tax gap - Instead of tightening the regulation as the Internal Revenue Service (IRS) had proposed through its mandatory measures, the author argues a voluntary program would be better - The first part discusses how such a program might be structured, including the incentives that would have to exist for both preparers and taxpayers - The second part discusses the benefits of such a program, including higher compliance quality, as compared to a mandatory regime where only minimum standards are enforced
Hopkins, J. P. (2014). Loving v. IRS: The IRS's Achilles' heel for regulated tax advice?	Tax professionals and non-professional tax preparers	The effect of the 2013 and 2014 Loving decisions, and the 2014 Ridgely decision, on Circular 230 and the regulation of tax advice	n/a	<ul style="list-style-type: none"> - The paper describes the development of IRS rules pertaining to unregulated non-professional tax return preparers, and summarizes the Loving and Ridgely cases, explaining how the courts' decisions limit the IRS's ability to regulate tax preparation - Overall, only "practice" before the IRS can be regulated by the IRS, but some uncertainty remains about what this entails - Without congressional action, the IRS's ability to regulate tax services will continue to be restricted
Walpole, M., & Salter, D. (2014). Regulation of tax agents in Australia	Tax agents	Shift in regulation resulting from the Tax Agent Services Act (TASA)	n/a	<ul style="list-style-type: none"> - As most taxpayers rely on tax agents, they play an important role in tax compliance - The TASA created a single national system for regulation and included an enforceable code, which was seen as an efficient and effective way to increase compliance and maintain the integrity of the tax system - Having shifted the principal allegiance of tax agents from clients to the tax administration, the authors raise concerns about risk profiling

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Wilson-Rogers, N., Morgan, A., & Pinto, D. (2014). The primacy of client privilege: designing a statutory tax advice privilege for accredited non-lawyer tax advisors	Registered tax agents	Professional privilege	n/a	<ul style="list-style-type: none"> - Since tax advice provided by lawyers and non-lawyers is often the same, the article argues in favor of a separate statutory tax advice privilege for credentialed non-lawyer tax advisors (NLTAs) - The current concession granted to accountants in Australia is reviewed, including its shortcomings - The rationale for privilege (e.g., promoting client candor) is explained and the extension to NLTAs is justified (i.e., reducing competitive advantages) - A general outline of a possible system (i.e., one which would be linked to legal professional privilege and which would involve three qualification criteria in addition to agent registration) is proposed
Diehl, K. A. (2015). Does requiring registration, testing, and continuing professional education for paid tax preparers improve the compliance and accuracy of tax returns? – US results	Paid tax preparers	IRS's paid tax preparer identification number program	Deterrence theory	<ul style="list-style-type: none"> - Registration, education, and testing of tax preparers are possible ways of improving tax administration - The IRS launched a certification program for tax preparers in 2011 - Paper concludes that, based on the decrease in the amount (\$) of compliance penalties and the reduced number of specific item errors (referred to as math errors), the IRS program is a success
Lee, R., & Curatola, A. P. (2015). The effect of detection risk on uncertain tax position reporting: Experimental evidence	Corporate tax professionals	Corporate tax professional recommendations regarding uncertain tax positions (UTPs) and tax reserves, and the interplay between them	Deterrence theory, and Mills, Robinson and Sansing's (2010) model	<ul style="list-style-type: none"> - The Schedule UTP requirement set up by the IRS in 2010 increased detection risk, but the effect on actual reporting behavior is not clear - Study finds that UTP recommendations depend on UTP strength and not the disclosure environment - A significant interaction effect is observed for tax reserves, with professionals recommending higher (lower) tax reserves reported when UTP position is weaker (stronger) in the low detection risk context of FIN 48, but the opposite under the new higher detection risk environment - The results support the concerns of the American Institute of Certified Public Accountants that the Schedule UTP requirements would undermine FIN48 reporting, as firms appear to be concerned about the signals sent by their tax reserves

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Levy, A. H. (2015). Believing in life after Loving: IRS regulation of tax preparers	Tax preparers	The IRS's failure to regulate tax preparers	n/a	<ul style="list-style-type: none"> - Author details the background of the tax preparer regulations, highlighting the pervasive fraud and incompetence that initially motivated the IRS to act, and summarizes the motivations for the court challenge and the main legal arguments raised - The paper suggests that the Institute for Justice leveraged the power of narrative in its successful legal challenge and that the IRS's inability to enact its regulations is both a political and judicial failure - Existing regulations in California, Oregon, Maryland, and New York are summarized for comparison
Oyer, S. (2015). Unregulated tax return preparers: Not <i>Loving</i> the penalties	Tax preparers	The IRS's attempt to regulate unregulated tax return preparers	n/a	<ul style="list-style-type: none"> - Unregulated tax return preparers contribute to taxpayer noncompliance, increasing the tax gap - Paper reviews the 2011 regulations, the associated problems, and the legal arguments in the <i>Loving</i> case - Suggestions are made for future regulation related to authorization, requirements, and penalties - A cautionary note is raised about the potential for over-penalizing those who fail to comply with these regulations
Finley, A. R., & Stekelberg, J. (2016). The economic consequences of tax service provider sanctions: Evidence from KPMG's deferred prosecution agreement	External tax service providers	Economic consequences of sanctions against a tax service provider	n/a (hypotheses based on prior literature)	<ul style="list-style-type: none"> - KPMG's 2005 Deferred Prosecution Agreement (DPA) related to its marketing of tax shelters to wealthy individuals from 1996 to 2002 - Even though tax shelters targeted individuals, it affected corporate tax practice - Authors find significant decrease in KPMG's auditor-provided tax services post-DPA (i.e., clients leaving or buying less services), with the results driven mostly by high avoidance clients - Authors find no evidence of change in avoidance for clients remaining with KPMG post-DPA, suggesting that elevated standards and external monitoring did not affect clients' tax outcomes - Overall, there are deleterious effects on sanctioned firms' abilities to sell services, but no real influence on outcomes for continuing clients

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Devos, K., & Kenny, P. (2017). An assessment of the Code of Professional Conduct under the TASA 2009 - six years on	Tax practitioners (includes tax professionals, tax preparers, tax agents, tax accountants, and tax lawyers)	Commitment to and compliance with the Code of Professional Conduct under the TASA, 2009	n/a (expectations developed based on prior literature)	<ul style="list-style-type: none"> - Respondents strongly endorsed professional standards, but there were some mixed results in dealing with matters beyond one's competence - While there was an overall agreement with the appropriateness of penalties, there was a low awareness/familiarity with them - Mixed views on outsourcing, dealing with transfer of client information to other practitioners - Authors recommend, among other things, requiring client engagement letters to clarify scope of services, providing clearer guidelines around outsourcing and the transfer of client information, and increasing awareness of penalties through education
Soled, J. A., & DeLaney Thomas, K. (2017). Regulating tax return preparation	Tax return preparers and the tax return preparation software industry	Regulatory oversight of the tax return preparation process	n/a	<ul style="list-style-type: none"> - Authors call for a comprehensive approach to regulating tax return preparers and the tax return preparation software industry, arguing that it would result in more accurate returns, protect taxpayers, and ensure a fairer and more efficient tax system - They call for Congress to both extend Circular 230's application to the tax return preparation and submission process, and to empower the Treasury Department to regulate the tax return preparation software industry through minor amendments - Specific suggestions include the regulation of fees for services offered and mandating the removal of the prepayment-position status bar from the top of the screen in software - Overall, the regulation of tax return preparation software would aid low income taxpayers and improve the delivery of government benefits

taxpayers' private and public lives regularly intersect" (Soled & Delaney Thomas, 2017, p. 176).

Two other studies offer further perspectives on the IRS's initiative. Diehl (2015) compares the errors as well as the civil penalties associated with non-compliance both before and after the implementation of the IRS's paid preparer identification program. While he concludes that the program is a success based on the overall decreases in both, his conclusions are arguably tentative, as the results appear to be driven by specific items, such as the fluctuations in errors related to particular credits, which are not examined further. Afield (2014), for his part, offers what might be considered a novel proposition in his essay. Given the failure of the IRS's mandatory measures, he advances the idea of a voluntary system of regulation which, he suggests, could improve compliance quality more than a compulsory system if it included the right incentives for both taxpayers and preparers.

Each of the three remaining articles in Table 5 explore other regulatory topics in the American or Australian contexts. Lee and Curatola (2015) use an online experiment to examine the effect of the Uncertain Tax Position (UTP) schedule requirement set up by the IRS in 2010. While, overall, the measure increases detection risk, they note an interaction effect with the tax reserves required to be reported under FIN 48. Whereas previously higher reserves were recommended when UTPs were weaker, what appear to be concerns about signaling lead to the opposite result in the new higher detection risk environment. For their part, Finley and Stekelberg (2016) consider the effect of KPMG's 2005 Deferred Prosecution Agreement (DPA) on its corporate tax practice. Although they note a statistically significant decrease in KPMG's auditor-provided tax services, mainly driven by high-avoidance clients reducing their business or leaving, no effect is observed on the actual tax avoidance of clients remaining with KPMG. Thus, the sanctions may have had an impact on KPMG as a service provider, but they appear to have had a limited effect on corporate tax behavior. Finally, just as Dal Pont (2015) rounded out the studies on professional responsibility with an article that focused on the protection of clients, Wilson-Rogers, Morgan and Pinto (2014) complete the list of studies on regulation with their article on the more client-focused topic of professional privilege in Australia. Contributing to a long running debate in many countries (Dixon, 2010; Farrell, 2000; MacArthur, 2019), they argue that, given that the tax advice offered by lawyers and non-lawyers is often the same, statutory privilege should be extended to all credentialed advisors. They go on to provide a general outline of what such a system might look like.

The final two themes encompass societal matters that extend beyond the direct regulation of tax practitioners. The first relates to broader debates about tax practitioners, which have arguably grown much louder in the last decade (Addison & Mueller, 2015; Oats & Morris, 2017; Sikka & Hampton, 2005; Sikka & Willmott, 2013), and which were alluded to in the earlier discussion about Apostol and Pop (2019). Russell and Brock's (2016) normative article is an example of a highly critical view. Overall, they argue that, given that tax professionals have both facilitated and benefited from abusive tax avoidance, and that they have the capacity to help to end it, they have a responsibility to remedy the harm caused by it. Notably, when reviewing the factors that contribute to tax avoidance, they include tax law complexity, one of the topics discussed earlier. For their part, Addison and Mueller (2015) look at a specific public debate that took place in the United Kingdom – the House of Commons Public Accounts Committee inquiry into the role of the big accounting firms in tax avoidance. They explain how the big accounting firms simultaneously used both defensive rhetorical tactics, mainly in an attempt to draw a clear distinction between evasion and avoidance, and more offensive discursive frames, which emphasized the global forces at play within the tax field, the need for

Table 6: Papers By Theme – Wider Societal Debates – In Year Order

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Addison, S., & Mueller, F. (2015). The dark side of professions: The big four and tax avoidance	The Big 4/ professional services firms	House of Commons Public Accounts Committee (PAC) investigation into tax avoidance and the role played by the Big 4 professional firms	Sense-making and giving literature, framing, discourses, and the professions	<ul style="list-style-type: none"> - Study examines the discursive tactics employed during the PAC sessions that looked into the role played by the Big 4 accounting firms in tax avoidance - Frames are part of a contest, where positions emerge incrementally - Authors identify two competing rhetorical frames - A clear distinction is drawn between evasion and avoidance, although this distinction is contested - The first frame is offensive, with the Big 4 being accused of conflicts of interest, and the second, defensive, with the Big 4 downplaying their agency and emphasizing the external global forces - Overall, as the issue of tax avoidance is ongoing, discursive closure has not yet been reached
Russell, H., & Brock, G. (2016). Abusive tax avoidance and responsibilities of tax professionals	Tax professionals - focus is on accountants, lawyers, and financial advisors	Tax professional responsibility for deprivation caused by tax avoidance	n/a (broadly based on moral philosophy and notions of justice)	<ul style="list-style-type: none"> - Paper reviews factors which account for tax avoidance, including: (1) market demand; (2) transfer pricing manipulation; (3) tax haven secrecy; (4) lack of enforcement; and (5) tax law complexity - Additional factors in developing countries include poor institutions and low tax morale because of corruption - Three connective grounds considered: (1) causal responsibility (i.e., facilitation); (2) direct benefit obtained (i.e., fees); (3) capacity to remedy (e.g., helping to change tax legislation, influence clients) - Based on convergence of all three, tax professionals have a special responsibility, but the article does not delve into policy suggestions or pragmatic solutions

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Eberhartinger, E., & Petutschnig, M. (2017). The dissenting opinion of BRICS practitioners on the BEPS agenda	International tax practitioners	International tax experts' views on the 14 BEPS (base erosion and profit shifting) Actions	Waltz's (1979) neo-realist theory	<ul style="list-style-type: none"> - Interests of Organisation for Economic Co-operation and Development (OECD) countries, Brazil, Russia, India, China, and South Africa (BRICS countries), and developing countries are expected to differ with respect to tax policy given their states of economic development - Overall, the OECD/G20 BEPS Actions on intangibles, hybrid mismatch arrangements, and weak controlled foreign corporation (CFC) rules are rated as the most important by practitioners, and tax transparency, dispute resolution, and the changing permanent establishment definition as the least important - While BRICS practitioners have the most distinctive views, emphasizing the strengthening of CFC rules in particular, practitioners in OECD and developing countries have surprisingly similar views on most of the BEPS Actions - The distinct perspective coming from BRICS countries is in line with the theory of neo-realism and, as the economic clout of these countries grows, they can be expected to have an increasing normative influence on international tax policy
Radcliffe, V. S., Spence, C., Stein, M., & Wilkinson, B. (2018). Professional repositioning during times of institutional change: The case of tax practitioners and changing moral boundaries	Tax professionals - both in-house experts and external advisors	Institutional change, BEPS project by the OECD (= form of soft law)	Institutional theory	<ul style="list-style-type: none"> - Study considers tax professionals' reactions to the BEPS project - The OECD-led initiative is seen as a disruption in tax practice - Scrutiny by society has introduced a moral logic into a system hereto mostly rules-based - BEPS also presents opportunities for both advisors and internal experts, as their expertise is called upon in tax risk management and governance - As tax is not easily understood by others, those with technical know-how, which is seen as a resource, move up in the hierarchy

expertise, and the overall importance of remaining competitive.

The two other articles in Table 6 look at some of the current debates within tax directly from the perspective of tax practitioners. Radcliffe et al.'s (2018) interview-based study considers tax professionals' reactions to the OECD's base erosion and profit shifting (BEPS) initiative (OECD, 2013). Like Apostol and Pop (2019), they see the introduction of a new moral logic as a potentially disrupting force within the field, but they find there to be a differential impact. While in-house experts and consumer-facing companies – those that might be expected to be more susceptible to the “Wall Street Journal test” (Gallemore, Maydew & Thornock, 2014; Hanlon & Slemrod, 2009) – are directly affected, often by the added burdens, it represents an opportunity for external advisors, as their expertise has become even more highly valued. Eberhartinger and Petutschnig (2017) looked at the different BEPS Actions in more detail, surveying the views of tax practitioners from more than 60 countries. As tax policy priorities can be expected to vary based on overall states of economic development, they compare the responses of those from the OECD countries with those from Brazil, Russia, India, China and South Africa (BRICS) countries, as well as those from developing countries. Although there was widespread agreement between the three on some issues, like the need to address hybrid mismatch arrangements, BRICS practitioners were found to have the most distinctive views, for instance, emphasizing the need to broaden controlled foreign company rules much more than others. Eberhartinger and Petutschnig (2017) suggest that, as the economic clout of the BRICS countries grows, these dissenting views will become much more important in shaping international tax policy.

The last theme identified relates to ethics in the broad sense. The five articles summarized in Table 7 all rely directly or indirectly on Kohlberg's (1969, 1973) and/or Rest's (1979, 1986) theorizations on moral development and ethical decision-making. Tying in with some of the other themes discussed, Shafer, Simmons and Yip's (2016) investigation into the relation between beliefs in corporate social responsibility, professional commitment, ethical judgment, and the behavioral intentions provides mixed results. Their vignette-based study involving a scenario with client pressure to commit tax fraud reveals some relationships but, somewhat surprisingly, they fail to observe any significant relationship between professional commitment and behavioral intentions. As previously mentioned, Blanthorne et al. (2014) also consider client pressure by manipulating it in their quasi-experimental survey and find that it does not have any effect, something which they speculate may relate to the study having been conducted during a period of increased scrutiny.

Moral reasoning, which is found to have an impact in Blanthorne et al. (2014), is also examined by the remaining trio of studies in Table 7 (Doyle et al., 2013, 2014; Frecknall-Hughes, Moizer, Doyle & Summers, 2017), which delve more deeply into some contextual factors. While Doyle et al. (2013) find no evidence of self-selection into the tax field by tax professionals based on ethical reasoning in their experiment, the differences they note between social and tax situations, and between those working in private practice and revenue, suggest that there is a possible socialization effect. Relying on both exploratory interviews and a quasi-experimental survey, their second study (2014) also reveals no significant differences either in ethical reasoning between large versus small firm practitioners or based on any other demographic factors. However, they do note a difference in the approach to ethical dilemmas, with practitioners in larger firms relying more on structures and risk-management tools, and those in smaller firms relying more on professional judgment. Finally, Frecknall-Hughes et al. (2017) also observe that the situational context drives the approach to ethical reasoning. Specifically,

Table 7: Papers By Theme – Ethics and Morality of Tax Practitioners and Their Work – In Year Order

Authors	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Doyle, E., Frecknall-Hughes, J., & Summers, B. (2013). An empirical analysis of the ethical reasoning of tax practitioners	Private sector practitioners compared with revenue practitioners and non-specialists	Moral reasoning	Theories on moral reasoning (Kohlberg, 1973, and Rest, 1979) - use of the Defining Issue Test (DIT)	<ul style="list-style-type: none"> - Overall, it is not clear if tax professionals self-select into tax field or if context influences decisions. As per Kohlberg (1973), moral reasoning is cognitive - Authors find evidence of less principled reasoning being applied by practitioners in the tax context - There is no evidence of self-selection into profession based on ethical reasoning, but differences are evident once the context changed from a social to a tax situation - Differences in reasoning might be attributable to weight given to legal rules by practitioners - Results suggest a possible socialization effect, as differences are noted between those working in private practice and those in revenue - No age or gender differences noted
Blanthorne, C., Burton, H. A., & Fisher, D. (2014). The aggressiveness of tax professional reporting: Examining the influence of moral reasoning	Tax professionals and Master of Taxation students	Effects of moral reasoning on tax reporting decisions	Theories on moral reasoning (Kohlberg, 1973, and Rest, 1979) - use of the DIT	<ul style="list-style-type: none"> - Expectation is that moral reasoning interacts with client pressure in determining aggressiveness of positions. Prior studies have not considered both together (or have not manipulated client pressure, as in the case of Cruz, Shafer & Strawser, 2000) - Three tax scenarios presented involving income inclusion, expense deduction, and cost basis - Results: moral reasoning has an impact, but client pressure does not (contrary to prior studies), and no interaction was observed - Suggestion that findings (i.e., lower aggressiveness) may relate to timing of study (i.e., 2003, in wake of scrutiny following Enron) - Moral reasoning score for tax professionals noted to be very low (lower than for accountants more generally, who already score low)

Authors/Year/Title	Type of Practitioner	Topic/Key Words	Theory	Main Ideas/Findings
Doyle, E., Frecknall-Hughes, J., & Summers, B. (2014). Ethics in tax practice: A study of the effect of practitioner firm size	Practitioners in private practice	The influence of firm size on ethical decisions in the tax field	Theories on moral reasoning (Kohlberg, 1973, and Rest, 1979) - use of the DIT	<ul style="list-style-type: none"> - Based on accounting literature more broadly, the expectation is that there is higher level of moral reasoning in Big 4 firms. However, contradicting this, many aggressive tax avoidance schemes are marketed by Big 4 firms - Results: no significant differences noted between the Big 4 and other firms (and no correlation with any demographic factors, including education) - Some differences noted in the processes used to resolve ethical dilemmas: Big 4 practitioners rely more on structures and risk management tools while small practitioners rely more on individual judgment - Overall, practitioners showed a lower level of moral reasoning in the professional (vs. social) context - Also, interviewees stated that there was no real place for ethics in tax, with the focus being on “getting it right” or risk management. The common good was largely ignored
Shafer, W. E., Simmons, R. S., & Yip, R. W. Y. (2016). Social responsibility, professional commitment and tax fraud	Tax personnel in local Chinese firms (mostly Certified Public Accountants)	Antecedents to ethical judgments and behavioral intentions to commit tax fraud	Expectations mainly developed based on prior literature - plus some reliance on Rest’s (1986) 4-step model of ethical decision-making	<ul style="list-style-type: none"> - Study considers relationship between belief in corporate ethics and social responsibility, professional commitment (both affective and normative), and ethical judgments/intentions in a case involving client pressure to commit tax fraud - Argument is that belief in corporate ethics and social responsibility influences professional commitment and, therefore, ethical decisions - Results reveal strong positive relationship between belief in corporate ethics and social responsibility and professional commitment, as well as behavioral intentions related to tax fraud by a client, but not with ethical judgments - Professional commitment is strongly associated with ethical judgments, but not with behavioral intentions
Frecknall-Hughes, J., Moizer, P., Doyle, E., & Summers, B. (2017). An examination of ethical influences on the work of tax practitioners	Tax practitioners (same data as Doyle et al., 2013, 2014) compared to non-specialists	Ethical reasoning	Deontology and consequentialism, as well as Kohlberg’s (1973) theories on moral development	<ul style="list-style-type: none"> - Study considers the conceptual approach used to making ethical decisions focusing on deontology (i.e., rules-based approaches) and consequentialism (i.e., judging actions on their consequences) - Ratio of rating (i.e., consequentialist to deontological items) is close to 1 in social settings (for both practitioners and non-specialists), but below 1 in tax settings (i.e., deontological issues matter more) - Ratio is more pronounced for tax practitioners but analysis reveals that the context matters more than the practitioner/context interaction - The relatively higher weight given by tax practitioners to deontological items is likely a reflection of the legal nature of tax

they find that tax practitioners resort to more deontological or ruled-based, as opposed to more consequentialist, reasoning in tax situations, something which they acknowledge is a reflection of the “fundamentally legal nature of tax” (p. 741).

While the articles in this review have been grouped according to theme in the analysis, many studies covered more than one theme. Additionally, Dalton, Buchheit and McMillan (2014) do not directly address any of the seven themes identified, but provide additional insight into tax practitioners and their work. Their study on accounting students’ choice to pursue a career path in tax uniquely compared students’ perspectives with those of professionals. In another article, Frecknall-Hughes and McKerchar (2013) examine the evolution of the tax profession in both the United Kingdom and Australia. The tax field has, historically, been characterized by fragmentation in both countries and this contributed to the emergence of professional tax associations as second tier bodies in each nation. However, as a result of the formal regulation there, the Tax Institute in Australia managed to achieve a much more independent status than the United Kingdom’s Chartered Institute of Taxation.

6. DISCUSSION AND CONCLUSION

Although a large number of articles have been written on tax professionals in the years leading up to the *Journal of Tax Administration*’s event in 2018, this is perhaps not immediately apparent given the fragmented state of the literature (Oats, 2012). When writing our review, we intended to provide a comprehensive picture of the studies that have been conducted in recent years. While reading and analyzing the 46 articles that we identified has allowed us to provide a synopsis of the most recent academic research into tax professionals, it has also permitted us to make several broader observations, which we outline here.

As already stated in the overview section, we observed a certain variability in the robustness in the studies we reviewed. Although all of the articles we selected were peer-reviewed, we purposely did not limit our review to what might be recognized as the more elite journals, in tax (Tran-Nam & Tran, 2011) or otherwise (Lee, 1997; Swanson, Wolfe & Zardkoohi, 2007), and thus a certain range in quality can be expected. (*Note:* Given that only nine of the articles were written in journals included in Financial Times Research Rank, a metric commonly used in business schools, we hasten to add that being published in such a journal should not be the main – and certainly not the only – standard by which to measure the quality of the tax studies examined in this review, as many of the other studies make important and robust contributions). Across the spectrum, authors acknowledged limitations to their studies. In some cases, these were tied to shortcomings associated with the method selected – for example, Shafer et al. (2016) accepted that the correlations in their survey provide no evidence of causal relations. Given that every research approach has its own limitations, we are encouraged by the multiplicity of methods used overall, as this allows different studies to complement each other. We are concerned, however, that some authors may not have not given sufficient consideration to alternate explanations for their findings (e.g., Diehl, 2015). Finally, in many cases, the availability of data was a limiting factor. The frequent challenge in accessing tax professionals and data related to their work is something that we hope can be addressed, at least in part, by other relevant stakeholders, including tax authorities and professionals themselves, recognizing the importance of the research being conducted in the area. To facilitate this, though, we encourage researchers to continue to strive to conduct their studies in the most rigorous manner possible.

Another observation relates to the terminology used in the studies. Given the interdisciplinary nature of the field, it is unsurprising that authors from different disciplines use different terms even when discussing the same or similar concepts. For instance, the gatekeeping role referred to in the legal literature (e.g., Lavoie, 2013) is clearly analogous to the enforcer role referred to in the accounting or economics literature (Klepper et al., 1991). We hope that by having reviewed articles from different journals together in our thematic analysis, we are helping to facilitate potential conversations in the literature between tax scholars who might not be in the habit of citing each other. While a more explicit recognition of equivalencies might enable more exchanges across disciplinary boundaries, we also have a concern related to terminology, i.e., the conceptual muddling identified by Oats and Morris (2017). The clearest example of this is with terms such as “tax avoidance”, “tax evasion”, and “tax aggressiveness”. Frequently, such terms are further qualified in studies without definitions being provided, with some examples being “socially unacceptable tax avoidance” (Addison & Mueller, 2015) and “abusive tax avoidance” (Russell & Brock, 2016). In this regard, authors of quantitative studies may seemingly be at an advantage, as they are able to use well-defined empirical measures of tax avoidance, thus, perhaps, sidestepping this concern. However, by not delving more deeply into some of the nuances of value-laden arguments, they arguably also effectively duck some of the issues that matter the most to society at present. Overall, our worry is that not only will conceptual looseness reduce the ability to meaningfully interpret or compare findings, it will also, as Oats and Morris (2017) warn, ultimately result in much more superficial debates about the issues taking place.

A final, related, observation from the review concerns currently popular topics. At least 28 of the articles reviewed addressed professional conduct, regulation, ethics, or the recent societal debates around taxation as one of their main subjects. We realize that this relative emphasis is very much a function of the current times, so active discussion around these matters should not only be expected, but also encouraged given their societal relevance. Our concern, however, is that the discourse is heavily focused on specific aspects of these topics and, sometimes, the nature of the field does not readily lend itself to the import of some concepts, especially when it comes to practice. For instance, as Freedman (2011) states, “there are areas of genuine uncertainty in the tax arena and appeals to morality will not resolve these uncertainties”. She adds that, given that the “morally right answer to the question of how much tax should be paid” will often not be obvious, some matters can only be settled by the law (p. 650). Values clearly matter in the current context and critical perspectives, such as those of Russell and Brock (2016), help to invigorate the debate. However, if studies are to provide actionable recommendations, then the practical limitations that might apply to the field must be both understood and acknowledged.

Beyond this note of caution, however, our concern is that other, arguably equally important, aspects of the topics indicated tend to be overlooked. For example, although tax professionals’ “enforcer role” might be readily acknowledged in the literature, as more studies focus on client advocacy, we find that far less attention is being paid to the effective role that they play in the tripartite relationship with taxpayers and tax authorities. In their day-to-day work, tax professionals are called on to apply tax law as enacted by governments. Frequently, tax rules are far from perfect (Rogers, 2008; Salter, 2010; Vording, Hemels, van den Heuvel, & Lubbers, 2006) so, as intermediaries, tax advisers not only assist clients, but play crucial roles in the development of laws and the overall tax system (Hasseldine, Holland, & van der Rijt, 2011). Two things matter in this context, both of which relate to professional conduct. The first is competence. While the skills of tax professionals have been extensively considered in the past (e.g., see Roberts, 1998, for the most comprehensive review of early research, and Magro &

Nutter, 2012, for citations to more recent research), we find the relative lack of emphasis on this in the set of articles we reviewed somewhat surprising, especially given the rapidly evolving nature of tax laws (Burton & Karlinsky, 2016; Olson, 2013). The studies that examine the need for regulation in the United States in the wake of the IRS's failed initiative highlight the importance of competence, but do so without exploring its nature or the actual competence of practitioners in depth. However, they do draw attention to a second matter: client protection. While many of the more critical studies focus on professionals' societal obligations, tax practitioners, by virtue of being professionals, must also tend to a narrower dimension of the public interest (Mayson, 2011) – the obligation that they have to their clients. As we noted in our review, both Wilson-Rogers et al. (2014) and Dal Pont (2015) examine the topic of professional conduct and regulation from the perspective of client protection but this concern sometimes appears to have been sidelined in the broader debate. As Soled and DeLaney Thomas (2017) usefully point out, regulation is not just beneficial because it protects the public purse, but also because it protects individual citizens, who may rely on the tax system for the delivery of benefits and, thus, can be harmed by incompetent or unscrupulous practitioners.

Our final observation about the topics being studied in the literature leads us into our summary of the directions that we would like to see future research take. Our review shows that there is a propensity for studies to be empirically grounded in the Western Anglosphere, with most focusing on the United States. Although this can partly be attributed to the fact that we limited our selection to articles in publications in the English language, we note that research on any tax topic conducted in non-English-speaking environments is frequently published in English (e.g., in the Spanish speaking world, see Bergman, 2010, and Fairfield, 2015, for comparative studies about tax policy and compliance in Argentina and Chile, and Martinez-Vazquez and Torgler, 2009, for the evolution of tax morale in Spain). English has been recognized as the language of scientific research, dominating and – as some contend (e.g., Husillos & Larrinaga, 2019) – marginalizing other languages and cultures. While the explanations for this domination may be diverse, including disciplinary, economic, and even political reasons, they fall outside of the remit of this review. We strongly believe, however, that even with the national specificity of tax laws (Thuronyi, 1996), tax scholarship would stand to benefit from increased diversity in the contexts being studied.

A specific topic that could be investigated further through such a broadening is the role played by culture. In their 2013 study, Doyle et al. suggested that the socialization effect might play a role within the tax field and, as such socialization will be environmentally contingent, culture can be expected to play a significant role. Culture's broader influence has long been recognized in critical tax scholarship, where tax is characterized as a cultural practice (Boden, Killian, Mulligan & Oats, 2010). National culture permeates tax in powerful and sometimes unconscious ways (Nerré, 2008; Wihantoro, Lowe, Cooper & Manochin, 2015; Wynter & Oats, 2018). Thus, as countries differ in their cultures (Alm, Bernasconi, Laury, Lee & Wallace, 2017), tax professionals' practices, as they relate to tax laws, professional regulation, the importance of tax revenues for national budgets, and overall societal levels of trust and corruption, can be expected to vary. While we call for more context-sensitive research to be conducted to tease out the influences of cultural heritages and traditions on professionals, given the connected nature of tax work in an increasingly global world (Desai & Hines Jr, 2004), we also encourage more authors to compare perspectives or behaviors across borders, as Eberhartinger and Petutschnig (2017) and Spilker et al. (2016) have done.

Through our review, we have been able to identify several other possible avenues for future research. For instance, we noted a relative absence of contemporary studies into the relationship

between tax professionals and tax authorities, and when considered, it tended to be examined only tangentially (e.g., Mulligan & Oats, 2016). In a context where tax professionals have been singled out for their role in reducing tax payments (Sikka & Hampton, 2005) and there have been recent developments in tax administration intended to improve tax compliance strategies, such as risk management approaches (Walpole & Salter, 2014) or the move to cooperative compliance (Pistone, 2016), it is important to gain more understanding of the interactions between tax professionals and tax administrations. Looking at this side of the triangle in the tripartite relationship will also provide better insight into tax professionals' role as enforcers and a positive influence on the development of tax laws, as suggested previously. Our review also highlights the need for more research to be carried out into different types of tax professionals. For example, although a lot of tax work is carried out by professionals working within corporations, only a few of the studies actually investigate in-house experts (e.g., Feller & Schanz, 2017; Mulligan & Oats, 2016). Similarly, while several studies comment on the fragmented nature of the tax field (e.g., Frecknall-Hughes & McKerchar, 2013; Frecknall-Hughes & Moizer, 2015), we are surprised that none examine the intra-professional battles that have been studied extensively in the past (e.g., Anderson, 1957; Dezalay, 1991; Freedman & Power, 1991; Napier & Noke, 1992). Finally, looking to the future, we think that, with the disruptions that are expected to affect professions more generally (Susskind & Susskind, 2015), researchers could look more closely at how tax practitioners' roles as intermediaries might be affected by technological developments, including the expected rise of artificial intelligence.

We believe that these are exciting times to be a tax scholar given the increased interest in the field in recent years. While our review is intended to take stock of recent contributions to the understanding of tax professionals, we hope that it helps to bring together some of the threads of discussion in different disciplines and acts as a source of motivation for other researchers to look more closely at the many questions that remain in the area. We hope that a similar review conducted in ten years' time would reveal not only a less fragmented literature, but also many new insights into tax professionals and their work.

REFERENCES

- Addison, S., & Mueller, F. (2015). The dark side of professions: The big four and tax avoidance. *Accounting, Auditing & Accountability Journal*, 28(8), 1263-1290. <https://doi.org/10.1108/AAAJ-01-2015-1943>
- Afield, W. E. (2014). A market for tax compliance. *Cleveland State Law Review*, 62(2) 315-341. Retrieved from <https://ssrn.com/abstract=2504901>
- Alm, J., Bernasconi, M., Laury, S., Lee, D. J., & Wallace, S. (2017). Culture, compliance, and confidentiality: Taxpayer behavior in the United States and Italy. *Journal of Economic Behavior & Organization*, 140, 176-196. <https://doi.org/10.1016/j.jebo.2017.05.018>
- Anderson, J. V. (1957). The tax practice controversy in historical perspective. *William & Mary Law Review*, 1(1), 18-37. Retrieved from <https://scholarship.law.wm.edu/wmlr/vol1/iss1/3>
- Apostol, O., & Pop, A. (2019). 'Paying taxes is losing money': A qualitative study on institutional logics in the tax consultancy field in Romania. *Critical Perspectives on Accounting*, 58, 1-23. <https://doi.org/10.1016/j.cpa.2018.05.001>

- Barrick, J. A., & Brown, J. L. (2019). Tax-related corporate political activity research: A literature review. *The Journal of the American Taxation Association*, 41(1), 59-89. <https://doi.org/10.2308/atax-52026>
- Bergman, M. (2010). *Tax evasion and the rule of law in Latin America: The political culture of cheating and compliance in Argentina and Chile*. University Park, PA: Penn State Press.
- Blanthorne, C., Burton, H. A., & Fisher, D. (2014). The aggressiveness of tax professional reporting: Examining the influence of moral reasoning. In D. B. Schmitt, B. D. Clinton, R. J. Daigle, A. M. Hageman, R. R. Radtke, S. Robb, & S. Wright (Eds.), *Advances in accounting behavioural research* (Volume 16, pp.149-181). Bingley, England: Emerald Group Publishing Limited. [https://doi.org/10.1108/S1475-1488\(2013\)0000016011](https://doi.org/10.1108/S1475-1488(2013)0000016011)
- Bobek, D. D., Dalton, D. W., Hageman, A. M., & Radtke, R. R. (2018). An experiential investigation of tax professionals' contentious interactions with clients. *Journal of the American Taxation Association*, 41(2), 1-29. <https://doi.org/10.2308/atax-52174>
- Bobek, D. D., Hageman, A. M., & Hatfield, R. C. (2010). The role of client advocacy in the development of tax professionals' advice. *Journal of the American Taxation Association*, 32(1), 25-51. <https://doi.org/10.2308/jata.2010.32.1.25>
- Bobek, D. D., Hageman, A. M., & Radtke, R. R. (2015). The effects of professional role, decision context, and gender on the ethical decision making of public accounting professionals. *Behavioral Research in Accounting*, 27(1), 55-78. <https://doi.org/10.2308/bria-51090>
- Bobek Schmitt, D., Hageman, A. M., & Radtke, R. R. (2014). A research note on the relationship between professional skepticism and client advocacy. In D. Bobek Schmitt (Ed.), *Advances in accounting behavioral research* (Volume 17, pp. 161-182). Bingley, England: Emerald Group Publishing Limited. <https://doi.org/10.1108/S1475-148820140000017005>
- Boden, R., Killian, S., Mulligan, E., & Oats, L. (2010). Critical perspectives on taxation. *Critical Perspectives on Accounting*, 21(7), 541-544. <https://doi.org/10.1016/j.cpa.2010.05.003>
- Borrego, A. C., Loo, E. C., Lopes, C. M. M., & Ferreira, C. M. S. (2015). Tax professionals' perception of tax system complexity: Some preliminary empirical evidence from Portugal. *eJournal of Tax Research*, 13(1), 338-360. Retrieved from <http://www5.austlii.edu.au/au/journals/eJTaxR/2015/12.pdf>
- Borrego, A. C., Lopes, C. M. M., & Ferreira, C. M. (2017). Tax professionals' profiles concerning tax noncompliance and tax complexity: Empirical contributions from Portugal. *eJournal of Tax Research*, 15(3), 424-456.
- Braithwaite, V. (2000). *Community Hopes, Fears and Actions Survey*. Canberra, ACT, Australia: The Australian National University.
- Burton, H. A., & Karlinsky, S. (2016). Tax professionals' perception of large and mid-size business US tax law complexity. *eJournal of Tax Research*, 14(1), 61-95.
- Christensen, A. L. (1992). Evaluation of tax services: A client and preparer perspective. *The Journal of the American Taxation Association*, 14(2): 60-87.
- Cialdini, R. B. (2007). *Influence: The psychology of persuasion*. New York, NY: HarperCollins.

- Cruz, C. A., Shafer, W. E., & Strawser, J. R. (2000). A multidimensional analysis of tax practitioners' ethical judgments. *Journal of Business Ethics*, 24(3), 223-244. <https://doi.org/10.1023/A:1006140809998>
- Dal Pont, G. (2015). Ethical conflicts and the tax practitioner. *Revenue Law Journal*, 24(1), 1-26. Retrieved from <http://epublications.bond.edu.au/rlj/vol24/iss1/2>
- Dalton, D. W., Buchheit, S., & McMillan, J. J. (2014). Audit and tax career paths in public accounting: An analysis of student and professional perceptions. *Accounting Horizons*, 28(2), 213-231. <https://doi.org/10.2308/acch-50665>
- Desai, M. A., & Hines Jr, J. R. (2004). Old rules and new realities: Corporate tax policy in a global setting. *National Tax Journal*, 57(4), 937-960. <https://www.jstor.org/stable/41790268>
- Devos, K. (2012). The impact of tax professionals upon the compliance behaviour of Australian individual taxpayers. *Revenue Law Journal*, 22(1), 31-56.
- Devos, K., & Kenny, P. (2017). An assessment of the Code of Professional Conduct under the TASA 2009 - six years on. *Australian Tax Forum*, 32(3), 629-676.
- Dezalay, Y. (1991). Territorial battles and tribal disputes. *Modern Law Review*, 54(6), 792-809. <https://doi.org/10.1111/j.1468-2230.1991.tb01851.x>
- Dharmapala, D. (2014). What do we know about base erosion and profit shifting? A review of the empirical literature. *Fiscal Studies*, 35(4), 421-448. <https://doi.org/10.1111/j.1475-5890.2014.12037.x>
- Diehl, K. A. (2015). Does requiring registration, testing, and continuing professional education for paid tax preparers improve the compliance and accuracy of tax returns? - US Results. *Journal of Business and Accounting*, 8(1), 138-147.
- Dixon, D. (2010). Legal professional privilege and advice from non-lawyers. *British Tax Review*, 1, 83-101.
- Donohoe, M. P., & Knechel, W. R. (2014). Does corporate tax aggressiveness influence audit pricing? *Contemporary Accounting Research*, 31(1), 284-308. <https://doi.org/10.1111/1911-3846.1202>
- Doyle, E., Frecknall-Hughes, J., & Summers, B. (2013). An empirical analysis of the ethical reasoning of tax practitioners. *Journal of Business Ethics*, 114(2), 325-339. <https://doi.org/10.1007/s10551-012-1347-x>
- Doyle, E., Frecknall-Hughes, J., & Summers, B. (2014). Ethics in tax practice: A study of the effect of practitioner firm size. *Journal of Business Ethics*, 122(4), 623-641. <https://doi.org/10.1007/s10551-013-1780-5>
- Eberhartinger, E., & Petutschnig, M. (2017). The dissenting opinion of BRICS practitioners on the BEPS agenda. *Australian Tax Forum*, 32(1).
- Erard, B. (1993). Taxation with representation: An analysis of the role of tax practitioners in tax compliance. *Journal of Public Economics*, 52(2), 163-197. [https://doi.org/10.1016/0047-2727\(93\)90019-P](https://doi.org/10.1016/0047-2727(93)90019-P)
- Fairfield, T. (2015). *Private wealth and public revenue in Latin America: Business power and tax politics*. New York, NY: Cambridge University Press.

- Farrell, E. D. (2000). Accounting firms and the unauthorized practice of law: Who is the bar really trying to protect? *Indiana Law Review*, 33(2), 599-630. Retrieved from <https://mckinneylaw.iu.edu/ilr/pdf/vol33p599.pdf>
- Feller, A., & Schanz, D. (2017). The three hurdles of tax planning: How business context, aims of tax planning, and tax manager power affect tax expense. *Contemporary Accounting Research*, 34(1), 494-524. <https://doi.org/10.1111/1911-3846.12278>
- Finley, A. R., & Stekelberg, J. (2016). The economic consequences of tax service provider sanctions: Evidence from KPMG's deferred prosecution agreement. *The Journal of the American Taxation Association*, 38(1), 57-78. <https://doi.org/10.2308/atax-51272>
- Fogarty, T., & Jones, D. A. (2014). Between a rock and a hard place: How tax practitioners straddle client advocacy and professional responsibilities. *Qualitative Research in Accounting and Management*, 11(4), 286-316. <https://doi.org/10.1108/QRAM-06-2013-0024>
- Frecknall-Hughes, J., & Kirchler, E. (2015). Towards a general theory of tax practice. *Social & Legal Studies*, 24(2), 289-312. <https://doi.org/10.1177/0964663915571787>
- Frecknall-Hughes, J., & McKerchar, M. (2013). Historical perspectives on the emergence of the tax profession: Australia and the UK. *Australian Tax Forum*, 28(2), 276-288.
- Frecknall-Hughes, J., & Moizer, P. (2015). Assessing the quality of services provided by UK tax practitioners. *eJournal of Tax Research*, 13(1), 51-75. Retrieved from <http://www5.austlii.edu.au/au/journals/eJITaxR/2015/2.pdf>
- Frecknall-Hughes, J., Moizer, P., Doyle, E., & Summers, B. (2017). An examination of ethical influences on the work of tax practitioners. *Journal of Business Ethics*, 146(4), 729-745. <https://doi.org/10.1007/s10551-016-3037-6>
- Freedman, J. (2005). Taxation research as legal research. In M. Lamb, A. Lymer, J. Freedman, & S. James (Eds.), *Taxation: an interdisciplinary approach to research* (pp. 13-34). New York, NY: Oxford University Press.
- Freedman, J. (2011). Responsive regulation, risk, and rules: Applying the theory to tax practice. *University of British Columbia Law Review*, 44(3), 627-662.
- Freedman, J., & Power, M. (1991). Law and accounting: Transition and transformation. *Modern Law Review*, 54(6), 769-791. <https://doi.org/10.1111/j.1468-2230.1991.tb01850.x>
- Gallemore, J., Maydew, E. L., & Thornock, J. R. (2014). The reputational costs of tax avoidance. *Contemporary Accounting Research*, 31(4), 1103-1133. <https://doi.org/10.1111/1911-3846.12055>
- Genschel, P., & Schwarz, P. (2011). Tax competition: A literature review. *Socio-economic Review*, 9(2), 339-370. <https://doi.org/10.1093/ser/mwr004>
- Gibbins, M., S. Salterio, & Webb, A. (2001). Evidence about auditor-client management negotiation concerning client's financial reporting. *Journal of Accounting Research*, 39(3), 535-563. <https://doi.org/10.1111/1475-679X.00027>
- Gupta, R. (2015a). Relational impact of tax practitioners' behavioural interaction and service satisfaction: Evidence from New Zealand. *eJournal of Tax Research*, 13(1), 76-107. Retrieved from <http://www5.austlii.edu.au/au/journals/eJITaxR/2015/3.pdf>
- Gupta, R. (2015b). Understanding clients' ties to a tax practitioner: The mediating influence of trust and service satisfaction. *Australian Tax Forum*, 30(2), 357-392.

- Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50(2-3), 127-178. <https://doi.org/10.1016/j.jacceco.2010.09.002>
- Hanlon, M., & Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93(1-2), 126-141. <https://doi.org/10.1016/j.jpubeco.2008.09.004>
- Hasseldine, J., Holland, K., & van der Rijt, P. (2011). The market for corporate tax knowledge. *Critical Perspectives on Accounting*, 22(1), 39-52. <https://doi.org/10.1016/j.cpa.2010.06.019>
- Hatfield, M. W. (2012). Legal ethics and federal taxes, 1945-1965: Patriotism, duties and advice. *Florida Tax Review*, 12(1), 1-57. <http://dx.doi.org/10.2139/ssrn.1992138>
- Hatfield, M. (2014). Committee opinions and treasury regulation: Tax lawyer ethics, 1965-1985. *Florida Tax Review*, 15(9), 675-735.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Newbury Park, CA: Sage Publications.
- Hopkins, J. P. (2014). Loving v. IRS: The IRS's Achilles' heel for regulated tax advice? *Virginia Tax Review*, 34(2), 191-228. Retrieved from <https://ssrn.com/abstract=2547716>
- Husillos, J., & Larrinaga, C. (Eds.) (2019). *Critical Perspectives on Accounting in Spanish*. Manuscript in preparation. [https://doi.org/10.1016/S1045-2354\(19\)30025-5](https://doi.org/10.1016/S1045-2354(19)30025-5)
- James, S. (2005). Taxation research as economic research. In M. Lamb, A. Lymer, J. Freedman, & S. James. (Eds.), *Taxation: An interdisciplinary approach to research* (pp. 35-54). New York, NY: Oxford University Press.
- Karlinsky, S. & Burton, H. (2010, June 14). Tax professionals' perception of LMSB tax law complexity. *Tax Notes*, 127, 1273.
- Kelliher, C. F. (2014). A tax planning case using a taxpayer life-cycle approach. In D. Bobek Schmitt (Ed.), *Advances in accounting behavioral research* (Volume 17, pp.119-160). Bingley, England: Emerald Group Publishing Limited.
- Kirchler, E. (2007). *The economic psychology of tax behaviour*. Cambridge, England: Cambridge University Press.
- Klassen, K. J., Lisowsky, P., & Mescall, D. (2016). The role of auditors, non-auditors, and internal tax departments in corporate tax aggressiveness. *The Accounting Review*, 91(1), 179-205. <https://doi.org/10.2308/accr-51137>
- Klepper, S., Mazur, M., & Nagin, D. (1991). Expert intermediaries and legal compliance: The case of tax preparers. *The Journal of Law and Economics*, 34(1), 205-229. <https://doi.org/10.1086/467224>
- Klepper, S., & Nagin, D. (1989). The role of tax preparers in tax compliance. *Policy Sciences*, 22(2), 167-194. <https://doi.org/10.1007/BF00141383>
- Kohlberg, L. (1969). Stage and sequences: The cognitive-developmental approach to socialization. In D. Goslin (Ed.), *Handbook of socialization theory and research* (pp. 347-480). Chicago, IL: Rand McNally.
- Kohlberg, L. (1973). *Collected Papers on Moral Development and Moral Education*. Cambridge, MA: Harvard University.

- Kovermann, J., & Velte, P. (2019). The impact of corporate governance on corporate tax avoidance—A literature review. *Journal of International Accounting, Auditing and Taxation*, 36, 1-29. <https://doi.org/10.1016/j.intaccaudtax.2019.100270>
- Lamb, M., Lymer, A., James, S., & Freedman, J. (Eds.). (2005). *Taxation: An interdisciplinary approach to research*. New York, NY: Oxford University Press.
- Lamb, M. (2005). Taxation research as accounting research. In M. Lamb, A. Lymer, J. Freedman, & S. James (Eds.), *Taxation: An interdisciplinary approach to research* (pp. 55-84). New York, NY: Oxford University Press.
- Lavoie, R. (2013). Am I my brother's keeper? A tax law perspective on the challenge of balancing gatekeeping obligations and zealous advocacy in the legal profession. *Loyola University Chicago Law Journal*, 44, 813-864. Retrieved from <https://www.luc.edu/media/lucedu/law/students/publications/llj/pdfs/lavoie.pdf>
- Lee, T. (1997). The editorial gatekeepers of the accounting academy. *Accounting, Auditing & Accountability Journal*, 10(1), 11-30. <https://doi.org/10.1108/09513579710158694>
- Lee, R., & Curatola, A. P. (2015). The effect of detection risk on uncertain tax position reporting: Experimental evidence. In J. Hasseldine (Ed.), *Advances in taxation* (Volume 22, 177-198). Bingley, England: Emerald Group Publishing Ltd.
- Levy, A. H. (2015). Believing in life after Loving: IRS regulation of tax preparers. *Florida Tax Review*, 17(5), 437-470. Retrieved from <https://ssrn.com/abstract=2585595>
- Long, J. H., & Basoglu, K. A. (2016). The impact of task interruption on tax accountants' professional judgment. *Accounting, Organizations and Society*, 55, 96-113. <https://doi.org/10.1016/j.aos.2016.08.004>
- MacArthur, C. D. (2019). Legal advice privilege for accountants' tax advice. In C. D. L. Hunt (Ed.), *Perspectives on evidentiary privileges* (pp. 167-192). Toronto, Canada: The Carswell Company Ltd.
- Magro, A. M., & Nutter, S. E. (2012). Evaluating the strength of evidence: How experience affects the use of analogical reasoning and configural information processing in tax. *The Accounting Review*, 87(1), 291-312. <https://doi.org/10.2308/accr-10161>
- Malhotra, N., & Morris, T. (2009). Heterogeneity in professional service firms. *Journal of Management Studies*, 46(6), 895-922. <https://doi.org/10.1111/j.1467-6486.2009.00826.x>
- Martinez-Vazquez, J., & Torgler, B. (2009). *The evolution of tax morale in modern Spain*. *Journal of Economic Issues*, 43(1), 1-28. <https://doi.org/10.2753/JEI0021-3624430101>
- Mason, J. D., & Levy, L. (2001). The use of the latent constructs method in behavioral accounting research: The measurement of client advocacy. In T. M. Porcano (Ed.), *Advances in taxation* (Volume 13, pp. 123-129). Bingley, England: Emerald Group Publishing Ltd.
- Mayson, S. (2011). *Legal services regulation and 'the public interest'*. Guilford, England: Legal Services Institute, University of Law.
- McKerchar, M. (2002). The effect of complexity on unintentional noncompliance for personal taxpayers in Australia. *Australian Tax Forum*, 17(1), 3-26.
- McKerchar, M. (2005). The impact of tax complexity on practitioners in Australia. *Australian Tax Forum*, 20(4), 529-554.

- McKerchar, M. (2007). Tax complexity and its impact on tax compliance and tax administration in Australia. In J. Dalton & M. Gangi (Eds.), *The IRS research bulletin: Proceedings of the 2007 IRS research conference* (pp. 185-204). Washington D.C.: US Internal Revenue Service. Retrieved from <https://www.irs.gov/pub/irs-soi/07resconfmckerchar.pdf>
- McKerchar, M. (2008). Philosophical paradigms, inquiry strategies and knowledge claims: Applying the principles of research design and conduct to taxation. *eJournal of Tax Research*, 6(1), 5-22.
- Mills, L., Robinson, L., & Sansing, R. (2010). FIN 48 and tax compliance. *The Accounting Review*, 85(5), 1721-1742. <https://doi.org/10.2308/accr.2010.85.5.1721>
- Mulligan, E., & Oats, L. (2016). Tax professionals at work in Silicon Valley. *Accounting, Organizations and Society*, 52, 63-76. <https://doi.org/10.1016/j.aos.2015.09.005>
- Napier, C. J. (2006). Accounts of change: 30 years of historical accounting research. *Accounting, Organizations and Society*, 31(4-5), 445-507. <https://doi.org/10.1016/j.aos.2005.12.004>
- Napier, C., & Noke, C. (1992). Accounting and law: an historical overview of an uneasy relationship. In M. Bromwich & A. Hopwood (Eds.), *Accounting and the Law* (pp. 30-54). London: Prentice Hall.
- Nerré, B. (2008). Tax culture: A basic concept for tax politics. *Economic Analysis and Policy*, 38(1), 153-167. [https://doi.org/10.1016/S0313-5926\(08\)50011-7](https://doi.org/10.1016/S0313-5926(08)50011-7)
- Neuman, S. S., Omer, T. C., & Thompson, A. M. (2015). Determinants and consequences of tax service provider choice in the not-for-profit sector. *Contemporary Accounting Research*, 32(2), 703-735. <https://doi.org/10.1111/1911-3846.12080>
- Oats, L. (Ed.). (2012). *Taxation: A fieldwork research handbook*. Abingdon, England: Routledge.
- Oats, L., & Morris, G. (2017). Tax avoidance, power and politics. In N. Hashimzade & Y. Epifantseva (Eds.), *The Routledge companion to tax avoidance research* (pp. 458-471). Abingdon, England: Routledge.
- Olson, N. (2013). *2012 Annual report to Congress* (January 9, 2013). Washington D.C.: Internal Revenue Service. Retrieved from <https://taxpayeradvocate.irs.gov/2012-Annual-Report/FY-2012-Annual-Report-To-Congress-Full-Report.html>
- O'Neil, C. J., & Samelson, D. P. (2001). Behavioral research in taxation: Recent advances and future prospects. In J. E. Hunton (Ed.), *Advances in accounting behavioral research* (Volume 4, 103-139). Bingley, England: Emerald Group Publishing Ltd.
- Organisation for Economic Co-operation and Development. (2008). *Study into the role of tax intermediaries*. Paris, France: OECD Publishing. Retrieved from <http://www.oecd.org/tax/administration/39882938.pdf>
- Organisation for Economic Co-operation Development. (2013). *Action plan on base erosion and profit shifting*. Paris OECD Publishing. <http://dx.doi.org/10.1787/9789264202719-en>
- Oyer, S. (2015). Unregulated tax return preparers: Not Loving the penalties. *San Diego Law Review*, 52(1), 233-272. Retrieved from <https://digital.sandiego.edu/sdlr/vol52/iss1/6>
- Pinsker, R., Pennington, R., & Schafer, J. (2009). The influence of roles, advocacy, and adaptation to the accounting decision environment. *Behavioral Research in Accounting*, 21(2), 91-111.

- Pistone, P. (2016). General Report. In M. Lang, J. Owens, P. Pistone, A. Rust, J. Schuch, C. Staringer, & A. Storck (Eds.), *Trends and players in tax policy* (pp. 3-76). Amsterdam, The Netherlands: IBFD.
- Radaelli, C. (2005). Taxation research as political science research. In M. Lamb, A. Lymer, J. Freedman., & S. James S. (Eds.), *Taxation: An interdisciplinary approach to research* (pp. 85-104). New York, NY: Oxford University Press.
- Radcliffe, V. S., Spence, C., Stein, M., & Wilkinson, B. (2018). Professional repositioning during times of institutional change: The case of tax practitioners and changing moral boundaries. *Accounting, Organizations and Society*, 66, 45-59.
<https://doi.org/10.1016/j.aos.2017.12.001>
- Rest, J. R. (1979). *Development in judging moral issues*. Minneapolis, MN: University of Minnesota Press.
- Rest, J. R. (1986). *Moral development: Advances in research and theory*. Praeger: New York, NY.
- Roberts, M. L. (1998). Tax accountants' judgment/decision-making research: A review and synthesis. *The Journal of the American Taxation Association*, 20(1), 278-294.
- Rogers, H. (2008). Drafting legislation at the Tax Law Rewrite Project. In C. Stefanou & H. Xanthaki (Eds), *Drafting legislation: A modern approach*. Abingdon. England: Ashgate Publishing Company, pp.77-90.
- Rostain, T., & Regan Jr, M. C. (2014). *Confidence games: lawyers, accountants, and the tax shelter industry*. Cambridge, MA: MIT Press.
- Russell, H., & Brock, G. (2016). Abusive tax avoidance and responsibilities of tax professionals. *Journal of Human Development and Capabilities*, 17(2), 278-294.
<https://doi.org/10.1080/19452829.2015.1091810>
- Salter, D. (2010). The tax law rewrite in the United Kingdom: Plus ça change plus c'est la même chose? *British Tax Review*, 6, 671-87.
- Shafer, W. E., Simmons, R. S., & Yip, R. W. Y. (2016). Social responsibility, professional commitment and tax fraud. *Accounting, Auditing & Accountability Journal*, 29(1), 111-134. <https://doi.org/10.1108/AAAJ-03-2014-1620>
- Sikka, P., & Hampton, M. P. (2005). The role of accountancy firms in tax avoidance: Some evidence and issues. *Accounting Forum*, 29(3), 325-343.
<https://doi.org/10.1016/j.accfor.2005.03.008>
- Sikka, P., & Willmott, H. (2013). The tax avoidance industry: Accountancy firms on the make. *Critical Perspectives on International Business*, 9(4), 415-443.
<https://doi.org/10.1108/cpoib-06-2013-0019>
- Soled, J. A., & DeLaney Thomas, K. (2017). Regulating tax return preparation. *Boston College Law Review*, 58(1), 152-204. Retrieved from
<https://lawdigitalcommons.bc.edu/bclr/vol58/iss1/5>
- Spilker, B. C., Stewart, B. W., Wilde, J. H., & Wood, D. A. (2016). A comparison of U.S. and offshore Indian tax professionals' client advocacy attitudes and client recommendations. *The Journal of the American Taxation Association*, 38(2), 51-66.
<https://doi.org/10.2308/atax-51502>
- Steinmo, S. (1993). *Taxation and democracy: Swedish, British, and American approaches to financing the modern state*. New Haven, CT: Yale University Press.

- Stephenson, T. (2010). Measuring taxpayers' motivation to hire tax preparers: The development of a four-construct scale. In T. Stock (Ed.), *Advances in taxation* (Volume 19, pp. 95-121). Bingley, England: Emerald Group Publishing Limited. [https://doi.org/10.1108/S1058-7497\(2010\)0000019006](https://doi.org/10.1108/S1058-7497(2010)0000019006)
- Stephenson, T., Fleischman, G., & Peterson, M. (2017). Demand for tax-preparation services: An exploratory examination of client versus tax-preparer expectation gaps. In Hasseldine, J. (Ed.), *Advances in taxation* (Volume 24, pp. 199-231). Bingley, England: Emerald Group Publishing Limited.
- Susskind, R., & Susskind, D. (2015). *The future of the professions: How technology will transform the work of human experts*. New York, NY: Oxford University Press.
- Swanson, E. P., Wolfe, C. J., & Zardkoohi, A. (2007). Concentration in publishing at top-tier business journals: evidence and potential explanations. *Contemporary Accounting Research*, 24(4), 1255-1289. <https://doi.org/10.1506/car.24.4.9>
- Syal, R. (2012, December 6). 'Immoral' financial advisers running rings around tax officials, MPs say. *The Guardian*. Retrieved from <https://www.theguardian.com/business/2012/dec/06/immoral-financial-advisers-tax-officials>
- Tan, L. M., Braithwaite, V., & Reinhart, M. (2016). Why do small business taxpayers stay with their practitioners? Trust, competence and aggressive advice. *International Small Business Journal*, 34(3), 329-344. <https://doi.org/10.1177/0266242614555556>
- Tansey, (2018). *Accounting for influence: how the Big Four are embedded in EU policy-making on tax avoidance*. Brussels: Corporate Europe Observatory. Retrieved from <https://corporateeurope.org/en/power-lobbies/2018/06/tax-avoidance-industry-embedded-eu-tax-policy>
- Thorndike, J. J., & Mehrotra, A. K. (2018). "Who speaks for tax equity and tax fairness?" The emergence of the organized tax bar and the dilemmas of professional responsibility. *Law and Contemporary Problems*, 81(2), 203-240. Retrieved from <https://scholarship.law.duke.edu/lcp/vol81/iss2/8>
- Thuronyi, V. (1996). *Tax law design and drafting* (Volume 1). Washington, D.C: International Monetary Fund. <http://dx.doi.org/10.5089/9781557755872.071>
- Thuronyi, V. & Vanistendael, F (1996). Regulation of tax professionals. In: V. Thuronyi, (Ed.), *Tax law design and drafting* (Volume. 1, pp. 135-163). Washington, D. C: International Monetary Fund. <http://dx.doi.org/10.5089/9781557755872.071>
- Tran-Nam, B., & Tran, A. (2011). Ranking of tax journals: A peer perception study. *Australian Tax Forum*, 26(2), 213-255. <https://ssrn.com/abstract=2708551>
- Turner, G. (2017, April 6). *Protesting PwC: Professionals without conscience*. Retrieved from <https://www.taxjustice.net/2017/04/06/protesting-pwc/>
- Vording, H., Hemels, S., van den Heuvel, R., & Lubbers, A. (2006). The EATLP questionnaire on quality of tax legislation: Background, main findings and further research questions. *Policy*, 22(2), 274-299.
- Wall, J. A., Jr. (1985). *Negotiation theory and practice*. Glenville, IL: Scott Foresman.

- Walpole, M., & Salter, D. (2014). Regulation of tax agents in Australia. *eJournal of Tax Research*, 12(2), 335-358. https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/03_WalpoleSalter_RegulationOfTaxAgentsAustralia.pdf
- Waltz, K. N. (1979). *Theory of international politics*. Boston: Addison-Wesley Pub. Co.
- Weisbach, D. A. (2002). An economic analysis of anti-tax-avoidance doctrines. *American Law and Economics Review*, 4(1), 88-115. <https://doi.org/10.1093/aler/4.1.88>
- Wihantoro, Y., Lowe, A., Cooper, S., & Manochin, M. (2015). Bureaucratic reform in post-Asian crisis Indonesia: The directorate general of tax. *Critical Perspectives on Accounting*, 31, 44-63. <https://doi.org/10.1016/j.cpa.2015.04.002>
- Wilson-Rogers, N., Morgan, A., & Pinto, D. (2014). The primacy of client privilege: designing a statutory tax advice privilege for accredited non-lawyer tax advisors. *Australian Tax Forum*, 29(3), 507-539.
- Wood, R. W. (2017, June 14). Tax advisers who ran shelters, evaded taxes, could face prison. *Forbes*. Retrieved from <https://www.forbes.com/sites/robertwood/2017/06/14/tax-advisers-who-ran-shelters-evaded-taxes-could-face-prison/#71209654503d>
- Wynter, C. B., & Oats, L. (2018). Don't worry, we are not after you! Anancy culture and tax enforcement in Jamaica. *Critical Perspectives on Accounting*, 57, 56-69. <https://doi.org/10.1016/j.cpa.2018.01.004>
- Zelenak, L. (2013). *Learning to love form 1040: Two cheers for the return-based mass income tax*. Chicago, IL: University of Chicago Press.

APPENDIX

Full List of Articles Reviewed

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Addison, S., & Mueller, F. (2015)	The dark side of professions: The big four and tax avoidance	<i>Accounting, Auditing & Accountability Journal</i>	UK	The Big 4/ professional services firms	House of Commons Public Accounts Committee (PAC) investigation into tax avoidance and the role played by the Big 4 professional firms	- Ethno-methodologically-informed study of inquiry interactions - Review of transcripts of the PAC proceedings	- Study examines the discursive tactics employed during the PAC sessions that looked into the role played by the Big 4 accounting firms in tax avoidance - Frames are part of a contest, where positions emerge incrementally - Authors identify two competing rhetorical frames - A clear distinction is drawn between evasion and avoidance, although this distinction is contested - The first frame is offensive, with the Big 4 being accused of conflicts of interest, and the second, defensive, with the Big 4 downplaying their agency and emphasizing the external global forces - Overall, as the issue of tax avoidance is ongoing, discursive closure has not yet been reached
Afield, W. E. (2014)	A market for tax compliance	<i>Cleveland State Law Review</i>	US	Tax preparers	Tax preparer regulation, voluntary compliance certification	Normative essay	- The paper examines the issue of the inconsistent quality of tax returns prepared by paid preparers, suggesting that it contributes to the tax gap - Instead of tightening the regulation as the Internal Revenue Service (IRS) had proposed through its mandatory measures, the author argues a voluntary program would be better - The first part discusses how such a program might be structured, including the incentives that would have to exist for both preparers and taxpayers - The second part discusses the benefits of such a program, including higher compliance quality, as compared to a mandatory regime where only minimum standards are enforced

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Apostol, O., & Pop, A. (2019)	'Paying taxes is losing money': A qualitative study on institutional logics in the tax consultancy field in Romania	<i>Critical Perspectives on Accounting</i>	Romania	Tax consultants and tax authorities	Evolving logics within the tax field in Romania	Two sets of semi-structured interviews (n = 17 + 11) with consultants and tax authorities, supplemented by an analysis of documents	<ul style="list-style-type: none"> - Study examines the tax field in Romania, a unique context given its transitional nature and communist legacy - The tax field is defined by a multiplicity of logics but, traditionally, it predominantly embodies a commercial logic - The commercial logic encompasses two dimensions, compliance & avoidance (i.e., tax optimization), but Romanian practitioners focus more on the former - Lack of traction is attributed to state corruption, and insufficient professional guidance with respect to avoidance - Despite increased public scrutiny, the ethical logic (i.e., refraining from avoidance) has not taken hold
Blanthorne, C., Burton, H. A., & Fisher, D. (2014)	The aggressiveness of tax professional reporting: Examining the influence of moral reasoning	<i>Advances in Accounting Behavioral Research</i>	US	Tax professionals and Master of Taxation students	Effects of moral reasoning on tax reporting decisions	<ul style="list-style-type: none"> - Quasi-experimental survey (n = 143; 126 professionals and 17 students) - Client preference (conservative vs. aggressive) manipulated and moral reasoning measured 	<ul style="list-style-type: none"> - Expectation is that moral reasoning interacts with client pressure in determining aggressiveness of positions. Prior studies have not considered both together (or have not manipulated client pressure, as in the case of Cruz, Shafer & Strawser, 2000) - Three tax scenarios presented involving income inclusion, expense deduction, and cost basis - Results: moral reasoning has an impact, but client pressure does not (contrary to prior studies), and no interaction was observed - Suggestion that findings (i.e., lower aggressiveness) may relate to timing of study (i.e., 2003, in wake of scrutiny following Enron) - Moral reasoning score for tax professionals noted to be very low (lower than for accountants more generally, who already score low)

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Bobek Schmitt, D., Hageman, A. M., & Radtke, R. R. (2014)	A research note on the relationship between professional skepticism and client advocacy	<i>Advances in Accounting Behavioral Research</i>	US (not explicitly stated)	Professionals (both audit and tax)	Professional skepticism and client advocacy	- Survey - Two scales administered and the relationship between both and various demographic factors considered	- Study examines the relationship between client advocacy and professional skepticism to determine if they are the opposing ends of a continuum - Findings corroborate those of Pinsker et al. (2009) in that tax professionals show higher levels of client advocacy than audit professionals - There is no correlation between professional skepticism (and five of its six subscales) and client advocacy, thus advocacy and skepticism are separate (and not opposing) constructs
Bobek, D. D., Dalton, D. W., Hageman, A. M., & Radtke, R. R. (2019)	An experiential investigation of tax professionals' contentious interactions with clients	<i>Journal of the American Taxation Association</i>	US (South Carolina)	Chartered Public Accountants (CPAs) working as tax professionals in public accounting firms	Contentious interactions between tax professionals and their clients	- Experiential questionnaire (EQ) plus a follow-up survey (n = 89 + 140) - EQ adapted from Gibbins, Salterio and Webb (2001)	- Study provides descriptive evidence of contentious issues in tax and examines the most common & effective persuasive tactics used by professionals - EQ findings: "clear-cut" issues common, persuasive arguments often focus on legal arguments and possible tax authority actions, and not uncommon for relationship with clients to be terminated - Issues often concern deductions and business vs. personal expenses - Follow-up survey: little training offered to tax professionals in negotiation, mostly mentoring - Study solicited advice from professionals on how stressful interactions should be approached
Bobek, D. D., Hageman, A. M., & Radtke, R. R. (2015)	The effects of professional role, decision context, and gender on the ethical decision making of public accounting professionals	<i>Behavioral Research in Accounting</i>	US	Professional accountants (working in audit or tax)	Ethical decision-making of professionals in different contexts	- Online experiment (2x2 between subject) - Context (tax vs. audit) manipulated, professional role (& gender) based on participant	- Study considers the willingness of professionals to concede to pressure when a client's position does not appear to be supported - Willingness to concede is higher in tax condition overall and also among tax vs. audit professionals - Overall, the results are driven by male participants - The authors suggest that moral intensity (e.g., social consensus concerning competence in audit context) may explain the results and that the findings may point to males and females following different decision-making processes

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Borrego, A. C., Loo, E. C., Lopes, C. M. M., & Ferreira, C. M. S. (2015)	Tax professionals' perception of tax system complexity: Some preliminary empirical evidence from Portugal	<i>eJournal of Tax Research</i>	Portugal	Tax professionals (TOCs)	Tax professionals' perceptions of tax complexity and its different dimensions	<ul style="list-style-type: none"> - Survey (n = 1,567; 1,233 paper and 334 online) - Questionnaire consisted of an assessment of the overall complexity of the tax system, and a rating of the causes of legal and administrative complexity 	<ul style="list-style-type: none"> - Portuguese tax professionals perceived their tax system as having a high level of complexity (89.1%), with the five main causes being: (i) frequent change of tax laws; (ii) tax law too widely dispersed; (iii) preparation of accounting information for fiscal purposes; (iv) too many exceptions to the rule and transitional arrangements; and (v) low perception and ambiguity of tax language - Three indices of complexity were constructed, relating to legal complexity, preparation of information and record-keeping, and the complexity of tax forms - Tax knowledge appeared to be the only exogenous factor that showed a negative relationship with the perception of tax system complexity and size of companies, with a positive effect on TOCs' perceptions of tax complexity
Borrego, A. C., Lopes, C. M. M., & Ferreira, C. M. (2017)	Tax professionals' profiles concerning tax noncompliance and tax complexity: Empirical contributions from Portugal	<i>eJournal of Tax Research</i>	Portugal	Paid tax professionals (certified accountants)	Relationship between intentional and unintentional noncompliance and the profiles of professionals	<ul style="list-style-type: none"> - Survey (n = 1,567; 1,233 paper and 334 online), examining perceptions of tax complexity, its impacts on unintentional noncompliance, and propensity of professionals to intentional noncompliance - Stratified random sample of 994 generated to reflect target population 	<ul style="list-style-type: none"> - Study distinguishes between more intentional noncompliance through tax planning schemes and unintentional noncompliance due to complexity - Portuguese professionals perceive a high level of tax complexity and nearly half have engaged in unintentional noncompliance due to it at least once - Overall, results suggest a relationship between perceptions of complexity and involuntary errors- Study also finds younger professionals and those who work in larger companies are more likely to engage in intentional noncompliant behavior - No link is found between tax knowledge and intentional or unintentional noncompliance

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Burton, H. A., & Karlinsky, S. (2016)	Tax professionals' perception of large and mid-size business US tax law complexity	<i>eJournal of Tax Research</i>	US	Corporate tax directors and tax partners and managers from international public accounting and law firms	Perceptions of tax law complexity	Survey of external and internal tax professionals (n = 109) with experience in large and medium-sized businesses about 40 areas of the tax law	<ul style="list-style-type: none"> - Overall, five of the ten most complex issues related to international tax - Foreign mergers and acquisitions were rated the most complex, followed by deferred income taxes - Compared to prior research, certain issues, like depreciation and frequency of tax changes, were rated as relatively less complex - There were few significant differences in the perception of the complexity of the tax factors based on experience, and between those in public accounting and corporate tax departments
Dal Pont, G. (2015)	Ethical conflicts and the tax practitioner	<i>Revenue Law Journal</i>	Australia (but informed by court cases from other common law countries)	Tax practitioners	Ethical conflicts - tax practitioners' duties to clients	<ul style="list-style-type: none"> - Essay - Review of rules, including examples of ethics and legal cases in different countries 	<ul style="list-style-type: none"> - Ethics of tax advice tends to focus on ethics of advising clients on ways to reduce tax - Study focuses on the more concrete area of conflicts of interest, which can involve duty-interest conflicts and duty-duty conflicts - In their professional advisory role, tax professionals have fiduciary duties towards their clients - Issues around managing duty-duty conflicts within firms through Chinese walls are also discussed

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Dalton, D. W., Buchheit, S., & McMillan, J. J. (2014)	Audit and tax career paths in public accounting: An analysis of student and professional perceptions	<i>Accounting Horizons</i>	US	Students and audit/tax professionals	Behavioral intentions related to career path in audit or tax	<ul style="list-style-type: none"> - 2 separate surveys: students (n = 171) and professionals (n = 310) - Students' beliefs (audit vs. tax) and other factors measured (e.g., extroversion) - Professionals responded about advantages/disadvantages of audit vs. tax 	<ul style="list-style-type: none"> - Person-job fit matters, but often career choices are made based on limited information - Findings: perceived coursework difficulty and enjoyment matter, females are more likely to choose audit vs. tax, but extroversion and important others play no significant role - Professionals corroborated some perceived advantages and disadvantages, but disagreed on others (e.g., tax not more black and white, client interaction opportunities not greater in audit, & tax offers more opportunities for learning and for setting up own practice but involves less teamwork) - Overall, study helps students to make better-informed decisions and clears up some misconceptions
Devos, K., & Kenny, P. (2017)	An assessment of the Code of Professional Conduct under the TASA 2009 - six years on	<i>Australian Tax Forum</i>	Australia	Tax practitioners (includes tax professionals, tax preparers, tax agents, tax accountants, and tax lawyers)	Commitment to and compliance with the Code of Professional Conduct (CPC) under the Tax Agent Services Act (TASA), 2009	<ul style="list-style-type: none"> - Mixed method survey using four approaches to collect responses (n = 214), supplemented by interviews - Survey comprised 11 mini-scenarios involving professional standards and penalties outlined under the CPC - 10 respondents were interviewed to strengthen the results 	<ul style="list-style-type: none"> - Respondents strongly endorsed professional standards, but there were some mixed results in dealing with matters beyond one's competence - While there was an overall agreement with the appropriateness of penalties, there was a low awareness/familiarity with them - Mixed views on outsourcing, dealing with transfer of client information to other practitioners - Authors recommend, among other things, requiring client engagement letters to clarify scope of services, providing clearer guidelines around outsourcing and the transfer of client information, and increasing awareness of penalties through education

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Diehl, K. A. (2015)	Does requiring registration, testing, and continuing professional education for paid tax preparers improve the compliance and accuracy of tax returns? – US results	<i>Journal of Business and Accounting</i>	US	Paid tax preparers	IRS's paid tax preparer identification number program	<ul style="list-style-type: none"> - Quantitative - Descriptive review of IRS statistics on noncompliance penalties from 2004 to 2013 	<ul style="list-style-type: none"> - Registration, education, and testing of tax preparers are possible ways of improving tax administration - The IRS launched a certification program for tax preparers in 2011 - Paper concludes that, based on the decrease in the amount (\$) of compliance penalties and the reduced number of specific item errors (referred to as math errors), the IRS program is a success
Doyle, E., Frecknall-Hughes, J., & Summers, B. (2013)	An empirical analysis of the ethical reasoning of tax practitioners	<i>Journal of Business Ethics</i>	Ireland	Private sector practitioners compared with revenue practitioners and non-specialists	Moral reasoning	<ul style="list-style-type: none"> - Quasi-experiment (2x2 between subject) - Context (tax vs. social) manipulated and participant (practitioner vs. not) - Tax specific Defining Issue Test (DIT) developed 	<ul style="list-style-type: none"> - Overall, it is not clear if tax professionals self-select into tax field or if context influences decisions. As per Kohlberg (1973), moral reasoning is cognitive - Authors find evidence of less principled reasoning being applied by practitioners in the tax context - There is no evidence of self-selection into profession based on ethical reasoning, but differences are evident once the context is changed from a social to a tax situation - Differences in reasoning might be attributable to weight given to legal rules by practitioners - Results suggest a possible socialization effect, as differences are noted between those working in private practice and those in revenue - No age or gender differences noted

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Doyle, E., Frecknall-Hughes, J., & Summers, B. (2014)	Ethics in tax practice: A study of the effect of practitioner firm size	<i>Journal of Business Ethics</i>	Ireland	Practitioners in private practice	The influence of firm size on ethical decisions in the tax field	<ul style="list-style-type: none"> - Exploratory interviews (n = 10) with (mostly) partners and a quasi-experimental survey of practitioners (n = 74 partners; 36 Big 4 and 38 other) - Context (tax vs. social) manipulated and participant (large firm practitioner vs. small) - Tax-specific DIT used 	<ul style="list-style-type: none"> - Based on accounting literature more broadly, the expectation is that there is higher level of moral reasoning in Big 4 firms. However, contradicting this, many aggressive tax avoidance schemes are marketed by Big 4 firms - Results: no significant differences noted between the Big 4 and other firms (and no correlation with any demographic factors, including education) - Some differences noted in the processes used to resolve ethical dilemmas: Big 4 practitioners rely more on structures and risk management tools while small practitioners rely more on individual judgment - Overall, practitioners showed a lower level of moral reasoning in the professional (vs. social) context - Also, interviewees stated that there was no real place for ethics in tax, with the focus being on “getting it right” or risk management. The common good was largely ignored

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Eberhartinger, E., & Petutschnig, M. (2017)	The dissenting opinion of BRICS practitioners on the BEPS agenda	<i>Australian Tax Forum</i>	Worldwide grouped into Organisation for Economic Co-operation and Development (OECD), Brazil, Russia, India, China, and South Africa (BRICS), and developing countries	International tax practitioners	International tax experts' views on the 14 BEPS (base erosion and profit shifting) Actions	<ul style="list-style-type: none"> - Online survey (n = 448 complete responses; 326 from OECD countries, 215 from the EU, 53 BRICS and 64 from developing countries) - Questionnaire responses were analyzed using conjoint analysis 	<ul style="list-style-type: none"> - Interests of OECD, BRICS, and developing countries are expected to differ with respect to tax policy given their states of economic development - Overall, the OECD/G20 BEPS Actions on intangibles, hybrid mismatch arrangements, and weak controlled foreign corporation (CFC) rules are rated as the most important by practitioners, and tax transparency, dispute resolution, and the changing permanent establishment definition as the least important - While BRICS practitioners have the most distinctive views, emphasizing the strengthening of CFC rules in particular, practitioners in OECD and developing countries have surprisingly similar views on most of the BEPS Actions - The distinct perspective coming from BRICS countries is in line with the theory of neo-realism and, as the economic clout of these countries grows, they can be expected to have an increasing normative influence on international tax policy
Feller, A., & Schanz, D. (2017)	The three hurdles of tax planning: How business context, aims of tax planning, and tax manager power affect tax expense	<i>Contemporary Accounting Research</i>	Germany	Corporate tax managers, tax consultants, and one tax authority individual	Factors beyond firm characteristics affecting tax planning in corporations	<ul style="list-style-type: none"> - Expert interviews (n = 19) - Three broad topics discussed (i.e., the context of tax planning, the process, and outcomes) 	<ul style="list-style-type: none"> - Study looks into "black box" of tax planning in order to try to explain variance in tax aggressiveness - Three hurdles in tax planning process identified: (1) firm characteristics define set of available tax planning methods; (2) corporate aims/values define set of desirable planning methods; (3) tax manager power determines implementable tax planning methods - Overall, tax plans need to pass all hurdles before tax avoidance can be achieved, which may explain the under-sheltering puzzle

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Finley, A. R., & Stekelberg, J. (2016)	The economic consequences of tax service provider sanctions: Evidence from KPMG's deferred prosecution agreement	<i>Journal of the American Taxation Association</i>	US	External tax service providers	Economic consequences of sanctions against a tax service provider	- Quantitative event study (i.e., natural experiment)	<ul style="list-style-type: none"> - KPMG's 2005 Deferred Prosecution Agreement (DPA) related to its marketing of tax shelters to wealthy individuals from 1996 to 2002 - Even though tax shelters targeted individuals, it affected corporate tax practice - Authors find a significant decrease in KPMG's auditor-provided tax services post-DPA (i.e., clients leaving or buying less services), with the results driven mostly by high avoidance clients - Authors find no evidence of change in avoidance for clients remaining with KPMG post-DPA, suggesting that elevated standards and external monitoring did not affect clients' tax outcomes - Overall, there are deleterious effects on sanctioned firms' abilities to sell services, but no real influence on outcomes for continuing clients
Fogarty, T., & Jones, D. (2014)	Between a rock and a hard place: How tax practitioners straddle client advocacy and professional responsibilities	<i>Qualitative Research in Accounting & Management</i>	US (single metropolitan area)	Tax professionals	Duty to clients (advocacy role) vs. professional duties to the tax system (compliance obligations)	<ul style="list-style-type: none"> - Semi-structured interviews (n = 29) - In-depth discussion facilitated by interviewers 35 years of experience as a practitioner 	<ul style="list-style-type: none"> - Study examines the day-to-day realities of tax professionals, focusing on the dilemmas faced in balancing advocacy role with the duty to the tax system - Behavioral research provides limited insight, given "highly nuanced" nature of tax world - Finding 1: tax law has only secondary importance (i.e., does not provide "game ending" answers) and the gray in the law is an advantage to advisors and clients - Related to this, clients often do not support practical tax research - Finding 2: work is about the relationships and tax authorities are involved in the dynamic (i.e., the threat of enforcement helps advisors to get clients to accept certain responsibilities). Otherwise role would be very similar to management consultants

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Frecknall-Hughes, J., & Kirchler, E. (2015)	Towards a general theory of tax practice	<i>Social and Legal Studies</i>	None in particular	Tax practitioners	The work of tax practitioners	<ul style="list-style-type: none"> - Conceptual paper, which tries to develop a general theory of tax practice - Review of the extant literature used to develop a conceptual framework 	<ul style="list-style-type: none"> - Authors argue that fragmentation of the field contributes to “the lack of a holistic view being taken of tax practitioners’ work” - Article examines “who tax practitioners are” and “the nature of the market in which they work” - Study reviews the prior literature, the definition of a “tax practitioner”, and the taxation services market - The work of tax practitioners can be broadly divided into tax compliance and tax planning work - Upon the analysis of the work of practitioners, six possible theories of tax practice are suggested - Authors conclude that negotiation theory best fits the relationship between practitioners and their work
Frecknall-Hughes, J., & McKerchar, M. (2013)	Historical perspectives on the emergence of the tax profession: Australia and the UK	<i>Australian Tax Forum</i>	Australia and the UK	Tax professionals (i.e., those who are members of professional tax bodies)	Evolution of professional tax bodies in the UK and in Australia	<ul style="list-style-type: none"> - Historical /archival review of (mostly) other secondary documents 	<ul style="list-style-type: none"> - Addressing the limited academic attention given to the fragmentation of the tax profession and its lack of monopoly, the article traces the historical path of the tax profession in two related but different countries - Demand for tax specialists is driven by two key factors: complexity of legislation and increasing tax rates - In both countries, accountants dominated tax work - Professional bodies emerged as second tier bodies out of concern about who was performing tax work - Formal regulation of tax agents in Australia has excluded the ineligible and has provided the Tax Institute with more independent status, whereas in the UK, the lack of restrictions on practicing tax has forced the Chartered Institute of Taxation to be more mindful of the other professions

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Frecknall-Hughes, J., & Moizer, P. (2015)	Assessing the quality of services provided by UK tax practitioners	<i>eJournal of Tax Research</i>	UK	Tax practitioners	Quality of tax services provided by tax practitioners	- Conceptual paper - Arguments tied to a review of the prior literature and an overview of the present field in the UK	- Study considers overall market for tax services, looking at economic forces affecting work with a view to answering how quality can be assessed and/or measured, given that it is not readily observable - Tax work is an area with frequent malpractice suits - Reputation may signal quality, but not always - Overall conclusion is that market forces are unlikely to ensure quality on their own and that some additional measures are necessary - either regulation, registration, or responsibility at law (e.g., third party penalties, as in the US or Canada)
Frecknall-Hughes, J., Moizer, P., Doyle, E., & Summers, B. (2017)	An examination of ethical influences on the work of tax practitioners	<i>Journal of Business Ethics</i>	Ireland	Tax practitioners (same data as Doyle et al., 2013, 2014) compared to non-specialists	Ethical reasoning	- Quasi-experiment (2x2 between subject) - DIT is applied to practitioners and a control group in three social and three tax settings	- Study considers the conceptual approach used to making ethical decisions focusing on deontology (i.e., rules-based approaches) and consequentialism (i.e., judging actions on their consequences) - Ratio of rating (i.e., consequentialist to deontological items) is close to 1 in social settings (for both practitioners and non-specialists), but below 1 in tax settings (i.e., deontological issues matter more) - Ratio is more pronounced for tax practitioners, but analysis reveals that the context matters more than the practitioner/context interaction - The relatively higher weight given by tax practitioners to deontological items is likely a reflection of the legal nature of tax

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Gupta, R. (2015a)	Relational impact of tax practitioners' behavioural interaction and service satisfaction: Evidence from New Zealand	<i>eJournal of Tax Research</i>	New Zealand	Tax practitioners (broadly defined)	Clients' perceptions of tax practitioners' soft skills and competence, and how these relate to service satisfaction and client commitment	- Survey (n = 211) - Questionnaire developed from factors identified from prior literature and through a focus group	- Authors examine clients' perceptions of tax practitioners' explaining and listening skills, technical experience, and competence, and their correlation with client satisfaction and commitment to service relationship - Client satisfaction mediates behavioral interaction factors' effect on relationship commitment - Notably, service satisfaction is lower when a tax practitioner provides clients with comprehensive information about their tax issues and explains their obligations under the law
Gupta, R. (2015b)	Understanding clients' ties to a tax practitioner: The mediating influence of trust and service satisfaction	<i>Australian Tax Forum</i>	New Zealand	Tax practitioners (broadly defined)	Relationship between trust of tax practitioners and satisfaction with their services, and client commitment	- Survey (n = 211) - Questionnaire developed from factors identified from prior literature and through a focus group	- Trust and service satisfaction mediate the relationships between five interaction behavior factors and client commitment - Notably, a client's trust in a tax practitioner is lower when the tax practitioner gives an honest opinion which is unfavorable to the client about any ambiguous or gray areas of tax laws involved, or when they spend time preparing detailed working papers and notes for the client to evaluate their tax issues - Also, respondents expressed a preference for tax practitioners to make judgments on their behalf, rather than investing time in explaining the implications of different approaches

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Hatfield, M. (2014)	Committee opinions and treasury regulation: Tax lawyer ethics, 1965-1985	<i>Florida Tax Review</i>	US	Tax lawyers	Legal ethics and regulation of tax lawyers	Historical review of the tax ethics literature and regulatory documents	<ul style="list-style-type: none"> - Article is a sequel to a 2012 article documenting the evolution of tax ethics between 1945 and 1965 - The study examines the debate within the legal community on the responsibilities of tax lawyers and summarizes various legislative changes which occurred largely in response to abusive tax shelters - Opinion 314, issued in 1965, related to the professional duties of lawyers in general, but while it provided little guidance on tax practice, it suggested that tax lawyers did not owe the IRS any special duties - Overall, there was a shift toward a more legalistic approach from legal ethics to rules on lawyering - In 1985, the American Bar Association (ABA) reacted to external prodding and the changes in Circular 230 with Opinion 85-352 - Problems with “reasonable basis” standard were acknowledged, but the position that tax lawyers played an adversarial role in the system was maintained
Hopkins, J. P. (2014)	Loving v. IRS: The IRS’s Achilles’ heel for regulated tax advice?	<i>Virginia Tax Review</i>	US	Tax professionals and non-professional tax preparers	The effect of the 2013 and 2014 Loving decisions, and the 2014 Ridgely decision, on Circular 230 and the regulation of tax advice	Normative essay	<ul style="list-style-type: none"> - The paper describes the development of IRS rules pertaining to unregulated non-professional tax return preparers, and summarizes the Loving and Ridgely cases, explaining how the courts’ decisions limit the IRS’s ability to regulate tax preparation - Overall, only “practice” before the IRS can be regulated by the IRS, but some uncertainty remains about what this entails - Without congressional action, the IRS’s ability to regulate tax services will continue to be restricted

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Klassen, K. J., Lisowsky, P., & Mescall, D. (2016)	The role of auditors, non-auditors, and internal tax departments in corporate tax aggressiveness	<i>The Accounting Review</i>	US	Internal tax preparers and external tax preparers (both auditors and non-auditors)	Tax preparer type and tax aggressiveness	- Archival - Confidential IRS data used to determine preparer type, regressed against increase in unrecognized tax benefits (UTBs).	- Using confidential IRS data, the study investigates the relationship between the signatories on tax returns and tax aggressiveness (proxied by increase in UTBs) - Costs assumed to vary for different types of preparers, with highest costs expected for auditors - Findings: significant positive relationship between current-year FIN 48 tax reserves and internal (and external non-auditor) tax return preparation vs. auditor preparation - Other findings: auditor-provided tax services correlated with tax aggressiveness, and lower levels of tax aggressiveness observed when Big 4 auditor is the tax preparer, which suggests that the audit relationship imposes costs on tax aggressiveness for Big 4 preparers
Lavoie, R. (2013)	Am I my brother's keeper? A tax law perspective on the challenge of balancing gatekeeping obligations and zealous advocacy in the legal profession	<i>Loyola University Chicago Law Journal</i>	US	Tax lawyers	Gatekeeping as part of tax lawyers' ethical obligations	- Normative piece with a historical review mainly relying on other articles	- Gatekeeping function encompasses the notion of safeguarding the law – seen as an ethical obligation for tax lawyers which mitigates excesses, but which may conflict with zealous advocacy - Author examines what gatekeeping entails, as well as justifications for and arguments against this role - The ABA's 1965 and 1985 Opinions are linked to a decline in gatekeeping and to the tax sheltering activity in the 1970s and 1990s, which ultimately prompted increased government regulation - Other factors associated with decline in gatekeeping: changing business, legal services, and judicial norms, plus a lower social impetus toward taxpaying - Article argues that gatekeeping is in the interest of clients and the profession, and offers suggestions for how a gatekeeping role might be restored

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Lee, R., & Curatola, A. P. (2015)	The effect of detection risk on uncertain tax position reporting: Experimental evidence	<i>Advances in Taxation</i>	US	Corporate tax professionals	Corporate tax professional recommendations regarding uncertain tax positions (UTPs) and tax reserves, and the interplay between them	<ul style="list-style-type: none"> - Online experiment (2x2 between subject) - Detection risk (FIN48 = low vs. UTP schedule = high) and UTP reporting quality (strong vs. weak) manipulated 	<ul style="list-style-type: none"> - The Schedule UTP requirement set up by the IRS in 2010 increased detection risk, but the effect on actual reporting behavior is not clear - Study finds that UTP recommendations depend on UTP strength and not the disclosure environment - A significant interaction effect is observed for tax reserves, with professionals recommending higher (lower) tax reserves reported when UTP position is weaker (stronger) in the low detection risk context of FIN 48, but the opposite under the new higher detection risk environment - The results support the concerns of the American Institute of Certified Public Accountants that the Schedule UTP requirements would undermine FIN48 reporting, as firms appear to be concerned about the signals sent by their tax reserves
Levy, A. H. (2015)	Believing in life after Loving: IRS regulation of tax preparers	<i>Florida Tax Review</i>	US	Tax preparers	The IRS's failure to regulate tax preparers	Normative essay	<ul style="list-style-type: none"> - Author details the background of the tax preparer regulations, highlighting the pervasive fraud and incompetence that initially motivated the IRS to act, and summarizes the motivations for the court challenge and the main legal arguments raised - The paper suggests that the Institute for Justice leveraged the power of narrative in its successful legal challenge and that the IRS's inability to enact its regulations is both a political and judicial failure - Existing regulations in California, Oregon, Maryland, and New York are summarized for comparison

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Long, J. H., & Basoglu, K. A. (2016)	The impact of task interruption on tax accountants' professional judgment	<i>Accounting, Organizations and Society</i>	US	Tax accountants	Effects of task interruption on tax judgments	<ul style="list-style-type: none"> - Web-based experiment (2x2) - Interruption (scheduling task vs. not) and goal commitment (aggressive vs. conservative) manipulated 	<ul style="list-style-type: none"> - Study finds task interruption amplifies motivated reasoning, resulting in higher perceived levels of support for tax positions, higher perceived chances of winning, and more aggressive recommendations - Additionally, performance of interrupted task weakened in highly motivated context - The authors attribute the effect to goal activation escalation
Mulligan, E., & Oats, L. (2016)	Tax professionals at work in Silicon Valley	<i>Accounting, Organizations and Society</i>	US (Silicon Valley)	In-house tax professionals	Tax departments within high-tech companies	Qualitative, semi-structured interviews (n = 26) with professionals working in 15 high-tech firms	<ul style="list-style-type: none"> - Tax departments are often "black boxed" - Study looks at the institutional work carried out by tax professionals on three levels: micro (within the organization), meso (within the field, involving professional associations), and macro (interacting with the government in shaping tax laws) - Findings are that the networks on the meso level allow for the rapid diffusion of tax plans and that, on the macro level, there is clear evidence of tax professionals affecting the development of tax rules, supporting the notion of the law being endogenously, rather than exogenously, determined

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Neuman, S. S., Omer, T. C., & Thompson, A. M. (2015)	Determinants and consequences of tax service provider choice in the not-for-profit sector	<i>Contemporary Accounting Research</i>	US	Tax service providers	Determinants and consequences of tax provider choice among not-for-profit (NFP) entities	<ul style="list-style-type: none"> - Quantitative study relying on Form 990 informational returns - NFP entities selected (n = 940) with data available in both the IRS statement of income files and the Federal Audit Clearinghouse database of the Office of Management and Budget's Section A-133 audit reports for the period between 2004 and 2008 	<ul style="list-style-type: none"> - NFP entities are more likely to purchase tax services from non-auditor preparers - The existence of substitute providers does not affect the choices they make between using auditor-provided tax services and self-preparation of their returns - Preparation quality does not vary among paid preparers along this dimension of the Form 990 - One hypothesis suggests that the negative association between contributions and self-preparing the Form 990 is due to lower preparation quality, weaker financial condition, or a combination of both factors - The decline in contributions following the change to self-preparation is attributable to the decline in Form 990 preparation quality
Oyer, S. (2015)	Unregulated tax return preparers: Not <i>Loving</i> the penalties	<i>San Diego Law Review</i>	US	Tax preparers	The IRS's attempt to regulate unregulated tax return preparers	Normative essay	<ul style="list-style-type: none"> - Unregulated tax return preparers contribute to taxpayer noncompliance, increasing the tax gap - Paper reviews the 2011 regulations, the associated problems, and the legal arguments in the <i>Loving</i> case - Suggestions are made for future regulation related to authorization, requirements, and penalties - A cautionary note is raised about the potential for over-penalizing those who fail to comply with these regulations

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Radcliffe, V. S., Spence, C., Stein, M., & Wilkinson, B. (2018)	Professional repositioning during times of institutional change: The case of tax practitioners and changing moral boundaries	<i>Accounting, Organizations and Society</i>	Multiple - Canada, US, UK, & China	Tax professionals - both in-house experts and external advisors	Institutional change and the BEPS project by the OECD (= form of soft law)	- Qualitative interviews with external advisors and in-house experts (n = 32) - Supplemented by documentary analysis and participant observation at professional tax conferences	- Study considers tax professionals' reactions to the BEPS project - The OECD-led initiative is seen as a disruption in tax practice - Scrutiny by society has introduced a moral logic into a system hereto mostly rules-based - BEPS also presents opportunities for both advisors and internal experts, as their expertise is called upon in tax risk management and governance - As tax is not easily understood by others, those with technical know-how, which is seen as a resource, move up in the hierarchy
Russell, H., & Brock, G. (2016)	Abusive tax avoidance and responsibilities of tax professionals	<i>Journal of Human Development and Capabilities</i>	Not focused on any country in particular	Tax professionals - focus is on accountants, lawyers, and financial advisors	Tax professional responsibility for deprivation caused by tax avoidance	Normative paper	- Paper reviews factors which account for tax avoidance, including: (1) market demand; (2) transfer pricing manipulation; (3) tax haven secrecy; (4) lack of enforcement; and (5) tax law complexity - Additional factors in developing countries include poor institutions and low tax morale because of corruption - Three connective grounds considered: (1) causal responsibility (i.e., facilitation); (2) direct benefit obtained (i.e., fees); (3) capacity to remedy (e.g., helping to change tax legislation, influence clients) - Based on convergence of all three, tax professionals have a special responsibility, but the article does not delve into policy suggestions or pragmatic solutions

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Shafer, W. E., Simmons, R. S., & Yip, R. W. Y. (2016)	Social responsibility, professional commitment and tax fraud	<i>Accounting, Auditing & Accountability Journal</i>	China	Tax personnel in local Chinese firms (mostly CPAs)	Antecedents to ethical judgments and behavioral intentions to commit tax fraud	- Survey (n = 276) using a vignette involving client pressure to facilitate tax fraud - Scales used to measure professional commitment and attitudes to corporate ethics and social responsibility	- Study considers relationship between belief in corporate ethics and social responsibility, professional commitment (both affective and normative), and ethical judgments/intentions in a case involving client pressure to commit tax fraud - Argument is that belief in corporate ethics and social responsibility influences professional commitment and, therefore, ethical decisions - Results reveal strong positive relationship between belief in corporate ethics and social responsibility and professional commitment, as well as behavioral intentions related to tax fraud by a client, but not with ethical judgments - Professional commitment is strongly associated with ethical judgments, but not with behavioral intentions
Soled, J. A., & DeLaney Thomas, K. (2017)	Regulating tax return preparation	<i>Boston College Law Review</i>	US	Tax return preparers and the tax return preparation software industry	Regulatory oversight of the tax return preparation process	Normative essay	- Authors call for a comprehensive approach to regulating tax return preparers and the tax return preparation software industry, arguing that it would result in more accurate returns, protect taxpayers, and ensure a fairer and more efficient tax system - They call for Congress to both extend Circular 230's application to the tax return preparation and submission process, and to empower the Treasury Department to regulate the tax return preparation software industry through minor amendments - Specific suggestions include the regulation of fees for services offered and mandating the removal of the prepayment-position status bar from the top of the screen in software - Overall, the regulation of tax return preparation software would aid low income taxpayers and improve the delivery of government benefits

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Spilker, B. C., Stewart, B. W., Wilde, J. H., & Wood, D. A. (2016)	A comparison of U.S. and offshore Indian tax professionals' client advocacy attitudes and client recommendations	<i>Journal of the American Taxation Association</i>	US and India	Tax professionals in large international accounting firms	Client advocacy attitudes among different types of tax professional	<ul style="list-style-type: none"> - Quasi-experiment (2x2 between subject) - Client preference manipulated with participants (US vs. Indian) 	<ul style="list-style-type: none"> - Extensive research exists on effect of advocacy on judgment and decision-making of tax professionals, but it is not clear if these effects are consistent across settings - Tax compliance work is increasingly carried out offshore, but the nature of work is different (e.g., fewer client interactions may lead to lower advocacy attitudes) - Study finds no difference for inexperienced professionals, but experienced US professionals exhibit stronger advocacy attitudes than all others
Stephenson, T., Fleischman, G., & Peterson, M. (2017)	Demand for tax-preparation services: An exploratory examination of client versus tax-preparer expectation gaps	<i>Advances in Taxation</i>	US	Tax preparers in local firms	Gap between client motivations to hire preparers and preparers' perceptions thereof	<ul style="list-style-type: none"> - Survey mailed to the clients of tax preparers - Responses for clients (n = 361) compared with preparers (n = 21) - Stephenson's (2010) Tax Motivation Scale used to examine determinants for hiring preparers 	<ul style="list-style-type: none"> - Study is an update of Christensen (1992) - For clients, saving money and saving time are the most important motivations for hiring a preparer, while seeking protection from the IRS is the least important - Client versus preparer expectations reveal the smallest gap variance for saving money and the greatest gap variance for IRS protection - Positive gap means for money, legal compliance, and IRS protection suggest that these matter more to taxpayers than preparers expected, whereas the negative saving time gap suggests that this matters less to clients than perceived - Study also explores demographic characteristics associated with taxpayer motivations revealing, for example, that taxpayers with children are more concerned about saving money than perceived, as well as preparer characteristics, which show that female preparers may be more sensitive to client needs than their male counterparts

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Tan, L. M., Braithwaite, V., & Reinhart, M. (2016)	Why do small business taxpayers stay with their practitioners? Trust, competence and aggressive advice	<i>International Small Business Journal</i>	New Zealand	Tax practitioners	Characteristics associated with the commitment of small business owners to their tax practitioners	<ul style="list-style-type: none"> - Survey (n = 181; part of a larger survey) - Expectation and experience measures based on 17 items adapted from prior literature, and trust and commitment measured using Braithwaite's (2000) and Christensen's (1992) scales 	<ul style="list-style-type: none"> - Special relationships often develop between small businesses and their advisors - Study notes importance of both instrumental and relational factors in client commitment - Experience of aggressive advice (= instrumental reason for retaining advisor), trust and communication through engagement letter all correlated with commitment, whereas no correlation noted between other services and commitment to advisor - Notably, trust was more prevalent in relations with small advisors (vs. Big 4)
Thorndike, J. J., & Mehrotra, A. K. (2018)	"Who speaks for tax equity and tax fairness?" The emergence of the organized tax bar and the dilemmas of professional responsibility	<i>Law & Contemporary Problems</i>	US	Tax lawyers	History of the tax bar and the challenges of its dual role as client advocate and defender of the fisc	<ul style="list-style-type: none"> - Historical review mostly relying on other articles 	<ul style="list-style-type: none"> - Article traces the emergence of the ABA's Section of Tax during the period from 1900 to 1961, focusing on its dual role - Tax lawyers emerged as clearly identifiable group in the early 20th century as complexity of tax system created demand for professional guidance (coincided with changing nature of public finance/shift towards income taxation) - Although tax lawyers have a collective stake in the tax system, the ABA/tax bar have tried to refrain from becoming directly involved in tax policy debates, and have usually focused purely on technical aspects - Article refers to Surrey's calls (in 1961) for more active defense of the tax system by tax lawyers, but recognizes that their duty to clients restricts this

Authors /Year	Title	Journal /Venue	Country	Type of Practitioner	Topic /Keywords	Method	Main Ideas/Findings
Walpole, M., & Salter, D. (2014)	Regulation of tax agents in Australia	<i>eJournal of Tax Research</i>	Australia	Tax agents	Shift in regulation resulting from the TASA	Normative essay critiquing the developments in regulation in Australia	<ul style="list-style-type: none"> - As most taxpayers rely on tax agents, they play an important role in tax compliance - The TASA created a single national system for regulation and included an enforceable code, which was seen as an efficient and effective way to increase compliance and maintain the integrity of the tax system - Having shifted the principal allegiance of tax agents from clients to the tax administration, the authors raise concerns about risk profiling
Wilson-Rogers, N., Morgan, A., & Pinto, D. (2014)	The primacy of client privilege: designing a statutory tax advice privilege for accredited non-lawyer tax advisors	<i>Australian Tax Forum</i>	Australia (but also refers to New Zealand and the USA)	Registered tax agents	Professional privilege	Normative essay	<ul style="list-style-type: none"> - Since tax advice provided by lawyers and non-lawyers is often the same, the article argues in favor of a separate statutory tax advice privilege for credentialed non-lawyer tax advisors (NLTAs) - The current concession granted to accountants in Australia is reviewed, including its shortcomings - The rationale for privilege (e.g., promoting client candor) is explained and the extension to NLTAs is justified (i.e., reducing competitive advantages) - A general outline of a possible system (i.e., one which would be linked to legal professional privilege and which would involve three qualification criteria in addition to agent registration) is proposed

TAX EFFORT IN DEVELOPING COUNTRIES: WHERE IS SRI LANKA?¹

Harsha Konara Mudiyansele², Anu Rammohan³, Shawn Xiaoguang Chen⁴

Abstract

This paper investigates the problem of the declining tax/gross domestic product (GDP) ratio in Sri Lanka by estimating the tax efforts of lower-middle-income countries (LMICs). Using a panel data set from 1990-2014 with two stochastic frontier models, we reveal that Sri Lanka's tax effort declined during that period. Although the two different stochastic frontier analysis (SFA) models used in this paper produce different tax effort estimates, both models show a decline in tax effort in Sri Lanka. Estimations of personal income tax using available micro-level income data reiterate the low level of tax effort in Sri Lanka at present. We further analyze reasons for the weak tax effort in Sri Lanka and propose appropriate policy recommendations.

Keywords: Tax Effort, Stochastic Frontier Approach, Sri Lanka.

JEL Classification: H20, H21, H30, E26

INTRODUCTION

The importance of an efficient and effective revenue mobilization mechanism in facilitating economic development is of interest to policymakers worldwide. Factors affecting the government revenue potential of an economy are of critical concern, especially in developing countries, due to the fact that generating sufficient revenue to finance public spending is challenging for them. Weak revenue performance has often resulted in higher budget deficits and public debt levels which, consequently, have caused government investments in infrastructure and social welfare projects to be restricted.

In Sri Lanka, government revenue as a percentage of gross domestic product (GDP) has been declining during the past few decades; it fell from around 23% in 1990 to 11% in 2014. The main contributor to this weak revenue performance is decline in tax revenue, as tax revenue accounts for around 80% of the government's total income. With an average economic growth rate of around 5% and positive changes in the tax determinants during the period, it is disconcerting that tax share has been declining. This continuous decline has created macroeconomic imbalances, such as higher budget deficits and increased amounts of public debt.

¹ The authors are grateful to their co-editors and two anonymous referees for their valuable comments and suggestions. Acknowledgements go to Ken Clements, Abu Siddique, Peter Robertson, and participants of Work-In-Progress seminar at the University of Western Australia's Business School for their feedback. The authors bear the responsibility for any errors in this paper. Sponsoring Institution: The Central Bank of Sri Lanka. The views expressed in this paper are those of the authors and do not necessarily represent the views of the Central Bank of Sri Lanka.

² Department of Economics, Business School, University of Western Australia.

³ Professor, Department of Economics, Business School, University of Western Australia.

⁴ Associate Professor, Department of Economics, Business School, University of Western Australia.

Against this background, this paper focuses on identifying the reasons for the decline in tax share in Sri Lanka. The study involves a panel data analysis covering 52 lower-middle-income countries (LMICs), including Sri Lanka, over a period of 25 years (from 1990 to 2014). We use two different SFA models in order to estimate the tax effort in Sri Lanka: the Battese and Coelli (1995) model, and the Kumbhakar, Lien and Hardker (2014) model. Our results show that tax effort declined during the period under both models, but in different magnitudes. We then analyzed the tax effort of Sri Lanka further using available micro-level income data.

This paper is organized as follows. The first section provides an analysis of Sri Lanka's current fiscal situation. The next section consists of a review of literature concerning tax performance and the development of the SFA model. The third section presents the data and methodology, and the fourth section discusses the results gained using the SFA models. The fifth section discusses the tax effort in Sri Lanka and the final section comprises our policy recommendations and concluding remarks.

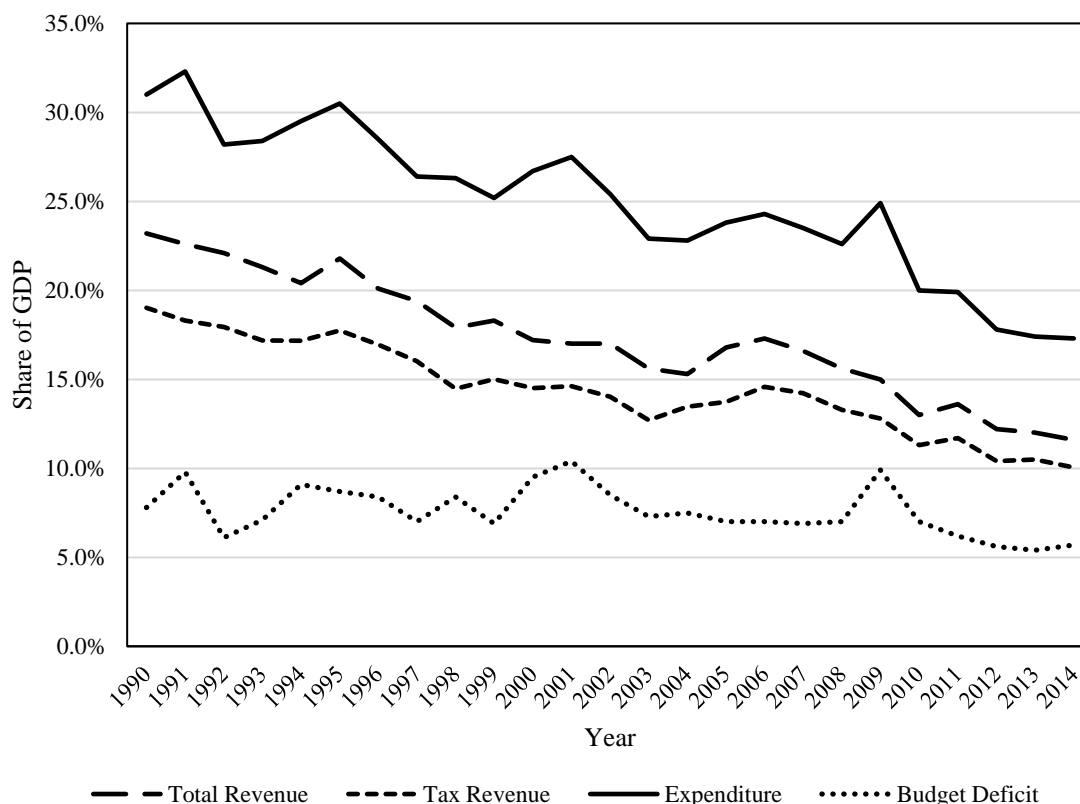
SRI LANKA'S FISCAL PERFORMANCE

Sri Lanka was an LMIC until 2018, with an economy of around 89 billion USD.⁵ Its economy has grown by, on average, 5% per year during the last 25 years, and its per capita income increased from 472 USD in 1990 to 4,102 USD in 2018.

There are several direct and indirect taxes operating in Sri Lanka. Indirect taxes, which include Value Added Tax (VAT) and trade taxes, account for more than 80% of the total tax revenue collected. Direct taxes, including personal and corporate income taxes, account for less than 20% of the total tax revenue collected (Central Bank of Sri Lanka, 2017). Personal income tax in Sri Lanka has a progressive tax rate, while corporate tax is at a flat rate of 28%. Lower rates apply to certain identified sectors, such as agriculture, education, and tourism. However, revenue generation has not kept pace with macroeconomic developments, and total government revenue and tax revenue as a percentage of GDP have declined during the last 25 years. Government expenditure has also declined during this period and the budget deficit has been on the higher side, at an average of around 8%. Figure 1 (below) shows how total revenue, tax revenue, expenditure, and budget deficit, as percentages of GDP, have changed in Sri Lanka over time.

This lackluster revenue performance during the last few decades has increased government debt to unsustainable levels. Furthermore, debt service payment has increased to around 90% of government revenue, thereby further reducing the fiscal space which, in turn, has led to further borrowing, creating a vicious cycle (Central Bank of Sri Lanka, 2017). Table A1, in the appendices, provides details of Sri Lanka's main fiscal variables.

⁵ Sri Lanka was upgraded to an upper-middle-income country (UMIC) on 1st July 2019. However, it was an LMIC for the previous 22 years (Wijewardena, 2019).

Figure 1: Sri Lanka's main fiscal variables as shares of GDP

Source: Annual reports of Central Bank of Sri Lanka.

Note: This shows that both total revenue and tax revenue as percentages of GDP have declined during the period. However, government expenditure share has also declined. The budget deficit has remained, on average, 8% of GDP.

A government's efforts to curtail its expenses may negatively affect the continuation of social welfare and infrastructure development programs. Moreover, financing higher budget deficits, either from local or foreign sources, would create several other macroeconomic imbalances. Excessive local borrowing may crowd out private sector investments, and borrowing from the Central Bank or from commercial banks could create inflationary pressure on the economy. Sri Lanka is now classified as an upper-middle-income country (UMIC) and, therefore, most concessionary foreign loans are no longer available to it. The current situation has forced policymakers to rethink the efficiency of the tax system when it comes to generating sufficient revenue to improve fiscal control.

RELATED LITERATURE

The tax literature has mainly focused on identifying the determinants of tax revenue using time series, cross-sectional, or, more recently, panel data. Lotz and Morss (1967) were the first to introduce the idea of "tax effort", estimating it as a function of the level of economic development and foreign trade. Using a cross-sectional dataset of 72 countries, with data on a three-year average of GNP per capita and foreign trade, they estimated international tax ratios for each country. Based on the results, both variables were found to be significant, but a division of countries based on income revealed that they were only significant in the case of low-income countries. However, in another study in 1970, they also highlighted the possibility

that tax collection capabilities are likely to be fully utilized in developing countries due to a higher demand for social services by the low-income population, but that the limitation of the availability of tax bases keeps the tax levels down. Shin (1969) extended the previous model by incorporating the share of agriculture, population growth, and inflation as independent variables which determine tax revenue. Interestingly, the results were different from the initial model where, in the case of low-income countries, inflation and population growth were found to be significant. Chelliah, Hessel and Margaret (1975), and Tait, Grätz and Eichengreen (1979), also estimated the tax ratio, mainly using the Lotz and Morss (1967) model with cross-country data, and produced similar results.

Leuthold (1991) first used panel data analysis for the Sub-Saharan African region to show that trade share had a positive impact on tax revenue, while agriculture share was negatively related. Stotsky and WoldeMariam's (1997) study on the same region found that low per capita income, subsistence agriculture, ill-structured tax systems, and weak tax administration contribute to poor tax performance.

Bird, Martinez-Vasquez and Torgler (2004) found that, in addition to the conventional variables, demand factors such as corruption, rule of law, and entry regulations play important roles in determining government revenue. Additionally, they argued that improving social institutions, by enhancing the rule of law and reducing corruption, for example, may take no longer and be no more difficult than changing the economic structure, such as the relative share of agriculture and share of import and export.

Furthermore, the tax literature highlights a vicious cycle that could exist whereby economic agents' unwillingness to pay taxes results in a government being unable to provide adequate and quality public services, further reducing the economic agents' incentive to pay taxes (Davoodi & Grigorian, 2007). Davoodi and Grigorian (2007) focused on the size of the informal economy as a determinant of tax revenue and their results showed that an increase in tax collection of approximately 1.5% could be expected for every 10-percentage point drop in the shadow economy ratio.

Even though trade share was considered to be a significant determinant of government revenue, it was not subject to in-depth analysis until Aizenman and Jinjark (2009) analyzed the impact of globalization on developing countries. The effect of trade liberalization on government revenue may be ambiguous. It may sometimes have a negative impact on government revenue, as policies aimed at trade liberalization will result in reduced import and export tariffs. Conversely, trade liberalization could lead to greater economic growth and higher tax income with an increased tax base. The results also showed that an increase in trade and financial openness could have a positive impact on value added and income taxes, which are often viewed as hard to collect taxes, but have a negative impact on tariffs which are identified as easy to collect taxes. A more recent study on trade liberalization and tax revenue by Zarra-Nezhad, Ansari and Moradi (2016) showed that trade liberalization, GDP growth rate, agriculture share, official exchange rates, urbanization, and democracy have significant influences on tax revenue.⁶

The resources available for fiscal policy are inadequate in South Asian countries in particular and developing countries in general, and this will make it difficult for governments to meet

⁶ Ehrhart (2009) also found that there is a positive relationship between democracy and tax collection in an analysis of 66 developing countries for the period from 1990 to 2005.

public expenditure requirements. Therefore, they only tend to focus on specific expenditures, due to political pressure (Jha, 2010). The inability of developing countries to meet their revenue targets and to increase public expenditure have resulted in significant fiscal imbalances. Therefore, governments in many developing countries constantly struggle with higher budget deficits and debt sustainability.

TAX PERFORMANCE USING THE STOCHASTIC FRONTIER APPROACH

Empirical research on stochastic frontier models was pioneered by Aigner, Knox Lovell and Schmidt in 1977. Initial studies on SFA focused on the development of a production frontier which could be estimated with the usual regression model but with two distinguishable error terms. The error term (v_{it}) represents the usual statistical noise which is beyond the control of the production firm and a second error term (u_{it}) represents the level of inefficiency or the failure to produce the maximum output for a given level of input (Alfirman, 2003). Further improvements to the model have been incorporated by researchers such as: Battese and Coelli (1988, 1995); Cornwell, Schmidt and Sickles (1990); Greene (1990); Kumbhakar and Knox Lovell (2000); Kumbhakar, Lien and Hardaker (2014); Schmidt and Sickles (1984); and Stevenson (1980).

Alfirman (2003) first used the SFA model to develop a tax frontier when he analyzed the tax potential of local Indonesian governments. He found that none of the local governments had maximized their tax potential and pointed out that the actual tax ratio was smaller than the tax potential. A similar study for Indian states was conducted by Grag, Goyal and Pal (2017), the results of which indicated that there was a significant variation in tax effort across the states and that the variation has been increasing over time. Furthermore, Vallés-Giménez and Zárate-Marco (2017) used an SFA model to estimate the tax effort of local governments in Spain. They estimated that the tax effort of Spanish local governments was between 72 and 85 percent, and that it could be further improved by intensive tax authority at the local government level and an increase in efficiency.

Fenochietto and Pessino (2010, 2013) estimated tax capacity and effort using an SFA model, initially with 96 countries covering a period of 16 years (from 1991 to 2006), and then with an extended sample of 113 countries covering a period of 22 years (from 1991 to 2012). In these studies, they tried to account for the observed heterogeneity by using the model developed by Battese and Coelli (1992, 1995). This extension to the model allowed them to obtain the maximum likelihood estimation of parameters of the stochastic tax frontier assuming a truncated normal distribution with observed heterogeneity such that corruption shifts mean inefficiency and inflation as the decay in inefficiency. They found that tax effort is different in different income groups where higher income countries have higher tax efforts. However, they also found that tax effort in lower income countries is higher than that of middle-income countries.

Cyan, Martinez-Vazquez and Vulovic's (2013) study includes a critical analysis of the traditional methods of tax effort estimation using an SFA model. Their findings show that there was no change in the determinants of tax revenue due to the change in econometric model. However, they argued that the SFA model is important for analyzing inefficiencies, as it provides an additional dimension which can help those participating in policy discussions to identify factors that influence inefficiency. Langford and Ohlenburg (2015) examined the tax capacity and effort of 85 non-resource-rich countries during a 27-year period (from 1984 to 2010). They focused on the determinants of tax capacity, either directly or as environment

variables, and found that a higher manufacturing share, higher levels of education, and a higher share of imports were associated with higher tax potential or tax capacity. In the second stage of their analysis, they found that level of corruption, better security and legal systems, and making the state more responsive to its citizens' wishes are associated with higher tax efforts.

Brun and Diakite (2016) compared two different SFA models: those of Battese and Coelli (1995), and Kumbhakar, Lien and Hardker (2014). Their results showed that lower income countries made higher tax efforts over the period, even though that started to decline toward the end, and the inefficiencies in tax systems depend more on policy decisions. Nerudova and Dobranschi (2019) also used Battese and Coelli's (1995) model and Kumbhakar, Lien and Hardker's (2014) model to estimate the Value Added Tax (VAT) gap in the European Union (EU). In this analysis, Battese and Coelli's (1995) model addressed the heteroscedasticity issue, assuming that inefficiency is affected by exogenous factors which are not part of input variables in the SFA model. The Kumbhakar, Lien and Hardker (2014) model separated the time-varying inefficiencies and country-specific inefficiencies, which addressed the issue of country heterogeneity. The results showed that the SFA estimates were different to the estimates produced when using the top-down method to calculate the VAT gap. Additionally, the results produced using Battese and Coelli's (1995) model showed that low value imports tend to go unreported, and VAT inefficiency decreases when value increases. The results produced using Kumbhakar, Lien and Hardker's (2014) model, meanwhile, showed that the persistent VAT gap is higher than the time-varying VAT gap.

DATA AND METHODOLOGY

Sample and Data

According to the World Bank's (2016) classification, countries with a gross national income (GNI) per capita of between 1,026 US dollars and 4,035 US dollars are considered to be LMICs. This study analyzes all 52 LMICs (according to the World Bank's definition) and covers a period of 25 years (from 1990 to 2014). A full list of the countries included is available in Table A2 in the appendices.

The dependent variable for our analysis is government tax revenue as a percentage of GDP, taken from the December 2015 government revenue dataset published by the International Centre for Tax and Development (ICTD). The tax/GDP ratio includes all of the tax revenue collected by the government through different types of taxes, but excludes resource revenue and social contributions.

Guided by previous studies in the tax literature, we include a range of explanatory variables that influence tax/GDP ratio. The level of economic development is proxied by GDP per capita (Constant 2010 US Dollars). Output composition is represented by agriculture share and manufacturing share of GDP, and trade openness is represented by the import and export shares. Other economic variables include inflation, external debt stock as a percentage of GNI, and domestic credit provided by financial sector.

Furthermore, we include urbanization, age dependency, the Gini coefficient, and education level as non-economic variables. It is important to note that education level can be considered to be a widely used explanatory variable of tax capacity with a positive relationship. Cyan et al. (2013) put forward a different argument in respect of the relationship between tax revenue and education level, claiming that educated people are more aware of tax laws and use that

knowledge to avoid taxes. Some studies have used public expenditure on education as the variable by which to represent education level (Fenochietto & Pessino, 2013). However, more recent studies use UN Education Index (Cyan et al., 2013; Langford & Ohlenburg, 2015) to represent the level of education which is a more relevant and a comprehensive measure of education level. Thus, this study also uses the United Nations' Education Index to represent the level of education. Data for all the independent variables, with the exception of the Education Index, were obtained from the World Development Indicators (WDI) while the Education Index data was collected from the United Nations Development Program (UNDP).

Finally, shadow economy estimates by Medina and Schneider (2018) have been used as the exogenous variable in Battese and Coelli's (1995) model. Appendix Table A3, in the appendices, displays the descriptive statistics of all the explanatory variables.

Stochastic Frontier Approach

In comparison with a simple regression model, the SFA model differs in terms of estimation of the error term. In a simple regression model, the error term fully represents the inefficiency, which can be either positive or negative. This indicates that a country can deviate from the average estimated tax revenue by underperforming or overperforming. The SFA model, however, estimates a non-negative error term, which ensures that the actual revenue cannot exceed the optimal maximum revenue (Pessino & Fenochietto, 2010; Cyan et al., 2013). Therefore, use of SFA model allows us to estimate the tax effort of Sri Lanka and investigate the variance of tax effort over time. Additionally, Sri Lanka's tax effort could be compared with the tax effort estimations of other LMICs with similar economic backgrounds. In this study, we estimate tax effort by using two SFA models: Battese and Coelli's (1995) inefficiency model, and the latest innovation, Kumbhakar, Lien and Hardker's (2014) model. Battese and Coelli's (1995) model allows us to test the effect of exogenous factors, while Kumbhakar, Lien and Hardker's (2014) model allows us to separate time-varying inefficiency and country-specific inefficiency. We use statistical software (STATA) for the estimation process, using the method explained by Kumbhakar, Wang and Horncastle (2015).

The stochastic tax frontier for the panel dataset could be defined as:

$$Y_{it} = \exp(\beta X_{it} + v_{it} - u_{it}) \quad (1)$$

Where Y_{it} is the tax/GDP ratio for i -th ($i= 1, 2, \dots, N$) Country at t -th ($t= 1, 2, \dots, T$) time period:

X_{it} is the vector of input variables affecting tax/GDP ratio;

β is the vector of unknown parameters.

The composite error term could be decomposed into two parts; v_{it} and u_{it} , where u_{it} is the inefficiency term which is non-negative. According to the structure of this paper, this inefficiency is interpreted as the lack of tax effort.

v_{it} is the statistical noise or the random shock that takes either a positive or negative value. Additionally, v_{it} follows a normal distribution with mean μ and variance σ^2 . Both v_{it} and u_{it} are statistically independent. Jondrow, Knox Lovell, Materov and Schmidt (1982) introduced the most commonly used method, by which estimates of v_{it} and u_{it} can be separated from the

estimated composite error; and, going by the literature, this study also uses the same method to separate the tax inefficiency and statistical noise. According to the model, technical efficiency is the ratio of actual to potential output (Kumbhaker & Knox Lovell, 2000) and, as in this study, tax effort is the ratio of actual tax revenue to estimated tax capacity, and is expected to be between zero and one. This means that when a country's actual tax/GDP ratio is getting closer to its tax capacity, the tax effort approaches one. Thus, the tax effort is given by:

$$\text{Tax Effort} = \frac{Y_{it}}{\exp(\beta X_{it} + v_{it})} = \frac{\exp(\beta X_{it} + v_{it} - u_{it})}{\exp(\beta X_{it} + v_{it})} = \exp(-u_{it}) \quad (2)$$

Battese and Coelli's (1995) model assumes that the tax inefficiency term is a function of explanatory variables beyond government control. This could be specified as:

$$u_{it} = \delta Z_{it} + W_{it} \quad (3)$$

where Z_{it} is the exogenous variables and W_{it} is a set of random variables that could be defined by the truncation of normal distribution with zero mean and variance σ^2 . Conversely, Kumbhakar, Lien and Hardker's (2014) model considers two subcomponents of u_{it} which separate the country effect from the inefficiency. Therefore, under that model, the equation could be specified as:

$$\text{Tax}_{it} = \alpha + \beta X_{it} + \mu_i + v_{it} - \eta_i - u_{it} \quad (4)$$

As explained by Kumbhakar et al. (2015), this model has four subcomponents of the error term. μ_i is the country effect and v_{it} is the standard statistical white noise. The final two components – $\eta_i > 0, u_{it} > 0$ – are inefficiency terms which represent persistent country-specific inefficiency and time-varying technical inefficiency respectively. Kumbhakar et al. (2015) recommend using a three-step procedure to estimate the components of the error term using panel data. The first step is to run a standard generalized least squares (GLS) model with random effects to estimate the country effects and error term. In the second step, time-varying inefficiency u_{it} is predicted using the estimates of the error term obtained in the first step. They use the standard stochastic frontier technique for this purpose and the prediction is computed using the formula proposed by Jondrow et al. (1982). In the third step, country-specific inefficiency η_i is estimated using the same stochastic frontier model used in step two and using the country effects estimated in the first step. Finally, overall technical efficiency (TE) is calculated as:

$$\text{Overall TE} = \text{Time-varying TE} \times \text{Persistent TE}$$

RESULTS AND DISCUSSION

Main Results

We first checked the validity of using the SFA model by examining whether the residuals of ordinary least squares (OLS) estimation have a negative skew. As shown in Table A4, in the appendices, the skewness of the error term is -0.06, which is consistent with the SFA model specification.

Then, as discussed in the previous section, we used Battese and Coelli's (1995) model to estimate the tax effort of LMICs. The first part of Table 1 (below) shows the results of the Battese and Coelli (1995) SFA model frontier estimation and the second part shows the inefficiency model, where inefficiency is determined as a function of the shadow economy. As per the coefficients of the frontier, the GDP per capita is positive and significant, reiterating the fact that higher income levels generate higher tax revenue. Considering the argument that level of tax share could affect GDP, we also estimated all of our models without GDP as a dependent variable and the tax effort estimates did not change significantly (Figure A1 in the appendices). Agriculture share has a negative relationship with tax revenue with a significance level of 10%. This is particularly evident in developing countries due to their subsistence nature and the lower productivity of their agriculture sectors. However, manufacturing share has a positive and significant relationship with tax revenue, as it is a well-organized sector with proper financial record-keeping mechanisms.

Both import and export shares have shown positive and significant relationships with tax revenue. The benefits of international trade have helped countries to achieve higher economic growth, which has led to higher tax revenues. The convenience of taxing imports and exports through customs has also resulted in higher tax revenues. The level of development in the financial sector, as represented by the domestic credit provided by the financial sector as a percentage of GDP, is also a significant determinant of tax revenue, with a positive relationship. As a newly identified tax determinant, this shows that development in the financial sector is vital in increasing tax revenue in developing countries, as it allows financial transactions to be recorded through financial systems where the information gathered could be used for tax purposes. Inflation and external debt are not significant variables in determining tax revenue in LMICs.

Education level is a significant and positive determinant of tax share, and this is in line with previous tax literature, which argues that a well-educated society can better understand the importance of paying taxes to the provision of public goods. Urbanization and age dependency are not determinants of tax revenue, but income inequality is positively related to tax revenue in the case of LMICs at a significance level of 10%. Previous studies, which have mainly focused on developed countries, have found that income inequality has a negative relationship with tax revenue. This may be because developed countries mostly depend on income taxes, which results in more equal income distribution in larger tax bases. However, in developing countries, tax revenue mainly consists of indirect taxes, or taxes on goods and services based on consumption.

Table 1: Estimation using Battese and Coelli's (1995) model

Stochastic tax frontier model (truncated-normal)		
Dependent variable: lnTax share		
lnGDP per capita	0.141***	(0.044)
lnAgriculture share	-0.082*	(0.049)
lnManufacture share	0.112***	(0.031)
lnImport share	0.281***	(0.048)
lnExport share	0.097**	(0.041)
lnExternal debt	-0.026	(0.022)
lnDomestic credit	0.056***	(0.022)
Inflation	0.000	(0.000)
lnEducation Index	0.221***	(0.068)
lnUrban population	-0.052	(0.037)
lnAge dependency	-0.032	(0.104)
lnGini	0.175*	(0.101)
Constant	0.353	(0.615)
Inefficiency model		
Mu		
lnShadow	0.135*	(0.078)
Constant	-0.075	(0.286)
Usigma		
lnShadow	1.512	(1.231)
Constant	-8.907*	(4.702)
Vsigma		
Constant	-2.891***	0.377
N	610	
Log likelihood	-124.7	
Sigma_v(σ_v^2)	0.056***	(0.021)

Source: Authors' estimation.

Note: Standard errors in parentheses; * p<0.1, ** p<0.05, *** p<0.01. Sigma_u squared is a function of variables, therefore, STATA does not provide transformation values. All variables are in natural logarithms except inflation. The results show a similar relationship with tax share as in the tax literature. The tax inefficiency model shows that size of the informal economy is positively related with the tax inefficiency. Tax effort for Sri Lanka based on Battese and Coelli's (1995) model is in Table 4.

Estimates of the shadow economy as the exogenous variable of the inefficiency term are positive, showing that the existence of a larger informal sector leads to more inefficiency in the tax system. However, Kumbhakar et al. (2015) stress that the impact of independent variables on inefficiency should be interpreted carefully, as the maximum likelihood estimate of μ (μ) is not very informative due to the nonlinear relationship between $E(\mu)$ and the external determinants. Tax efficiency under the Battese and Coelli (1995) model was then estimated using the formula presented by Jondrow et al. (1982).

The second model we used was that of Kumbhakar, Lien and Hardker (2014), which is the latest SFA model and tries to overcome the problems of previous SFA models. Table 2 shows the results of using this: the first column presents the estimated time-varying tax inefficiency results and second column shows the country-specific tax inefficiency results. The results show that all of the time-varying inefficiency terms are significant, but only the V-sigma term is significant in persistent tax inefficiency. Comparison of the lambda values shows that the variation in the total error term due to the time-varying inefficiency is relatively high. As with the previous model, we used Jondrow et al.'s (1982) formula to predict both time-varying efficiency and country-specific efficiency values. Finally, we calculated overall tax efficiency by multiplying these two subcomponents.

Table 2: Time-varying and persistent tax inefficiency estimates using the SFA model

	Time-varying inefficiency (half-normal)		Persistent inefficiency (half-normal)	
Dependent variable	ε_i		α_i	
Constant ¹	0.068***	(0.019)	-0.002	(0.261)
Usigma				
Constant	-4.932***	(0.556)	-12.152	(285.468)
Vsigma				
Constant	-4.315***	(0.118)	-2.220***	(0.055)
N	657		657	
Log likelihood	426.8		-202.8	
Sigma_u(σ_u^2)	0.007*	(0.004)	0.000	(0.002)
Sigma_v(σ_v^2)	0.013***	(0.002)	0.108***	(0.006)
Lambda (λ)	0.540		0.000	

Source: Authors' estimation.

Note: Standard errors in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Tax effort in Sri Lanka based on this model is presented in Table 4.

¹ As recommended by Kumbhakar et al. (2015), a new variable which takes the value of 1 was introduced as constant, since it is required in order to run the standard SFA in STATA.

As an alternative to the two SFA models discussed above, we also tried using the true fixed-effect model proposed by Greene (2005) and the results are presented in Table A5 in the appendices.

Robustness Check

In this section, we adopt the method introduced by Karakaplan and Kutlu (2017) to check whether the exogenous variable of Battese and Coelli's (1995) SFA model is correlated with the two-sided error term. Karakaplan and Kutlu's (2017) model assumes a normal/half normal distribution in SFA estimation and the results are presented in two parts, where the first part assumes that variables are exogenous, and the other part assumes that variables are endogenous. The literature on the shadow economy considers the cost of starting a business to be an appropriate instrumental variable for use in shadow economy estimations, as higher startup costs lead to a larger shadow economy (Dreher & Schneider, 2010; Buehn & Schneider, 2011). Furthermore, the cost of starting a business has no direct impact on tax share. Instead, it has an indirect impact through variances in the shadow economy. Therefore, we use business startup costs as a percentage of GNI per capita as the instrumental variable for the size of shadow economy.

The first column of Table 3 below (Model EX) shows the results obtained under an assumption that explanatory variables are exogenous. The results in the second column (Model EN) assume that the shadow economy is correlated with the two-sided error term. According to the results, the endogeneity test does not reject the null hypothesis, meaning that the size of shadow economy variable is correlated with the error term. However, the mean and median efficiency estimations under these two models do not show significant differences. Additionally, Table A6, in the appendices, shows the efficiency estimations of exogenous and endogenous models for Sri Lanka, which do not show a significant difference.

As another robustness check, we re-estimated tax efficiency using Kumbhakar, Lien and Hardker's (2014) model by leaving out GDP per capita. Since our dependent variable is tax as a share of GDP, we wanted to check whether or not excluding GDP per capita could affect our baseline results. The tax efficiency estimates for Sri Lanka using Kumbhakar, Lien and Hardker's (2014) model with and without GDP per capita are shown in Figure A1 in the appendices. The results show that there is no significant difference in tax efficiency estimates under different specifications.

Table 3: Endogeneity test for the shadow economy using the SFA model

	Model EX		Model EN	
Dep.var: lntax share				
Constant	2.316*	(0.917)	1.338	(0.965)
lnGDP per capita	0.265***	(0.068)	0.240***	(0.070)
lnAgriculture share	0.149***	(0.038)	0.180***	(0.040)
lnManufacture share	0.019	(0.031)	0.037	(0.035)
lnImport share	0.122**	(0.043)	0.088	(0.047)
lnExport share	0.024	(0.031)	0.006	(0.032)
lnExternal debt	-0.019	(0.015)	-0.001	(0.019)
lnDomestic credit	0.025	(0.016)	0.033	(0.017)
Inflation	-0.000	(0.000)	-0.000	(0.000)
lnEducation Index	-0.124	(0.093)	-0.105	(0.097)
lnUrban population	0.253**	(0.094)	0.387***	(0.100)
lnAge dependency	-0.381***	(0.112)	-0.267*	(0.115)
lnGini	-0.159*	(0.071)	-0.076	(0.083)
Dep.var: $\ln(\sigma^2_u)$				
Constant	0.753	(0.668)	-0.315	(0.781)
lnshadow	0.009	(0.172)	0.363	(0.210)
Dep.var: $\ln(\sigma^2_v)$				
Constant	-4.133***	(0.059)		
Dep.var: $\ln(\sigma^2_w)$				
Constant			-4.183***	(0.060)
eta1 (lnshadow)			0.258*	(0.127)
eta endogeneity test			X2=4.12	p=0.042
Observations	610		589	
Log likelihood	284.94		375.05	
Mean tech efficiency	0.3349		0.3151	
Median tech efficiency	0.3013		0.2632	

Source: Authors' estimation.

Note: Standard errors in parentheses; * p<0.1, ** p<0.05, *** p<0.01. Cost of business start-up procedures as a percentage of per capita GNI was used as an instrumental variable for the size of shadow economy.

Since our main concern is to examine the tax effort in Sri Lanka, we devote the next section to a discussion about Sri Lanka's tax efficiency estimates.

SRI LANKA'S TAX EFFORT

Table 4 (below) shows the tax effort estimates of Sri Lanka under Battese and Coelli's (1995) and Kumbhakar, Lien and Hardker's (2014) SFA models. According to Battese and Coelli's (1995) model, tax effort is a single tax efficiency estimation considered as a function of size of

the shadow economy, while according to Kumbhakar, Lien and Hardker's (2014) model, tax effort is the multiplication of time-varying and persistent tax efficiencies.

Table 4: Tax effort estimates of Sri Lanka

Year	BC (95) model	Kumbhakar, Lien & Hardaker model		
		Residual	Persistent	Total
1990		0.970	0.998	0.968
1991	0.737	0.968	0.998	0.966
1992	0.710	0.964	0.998	0.963
1993	0.692	0.961	0.998	0.960
1994	0.677	0.958	0.998	0.957
1995	0.675	0.959	0.998	0.957
1996	0.662	0.955	0.998	0.953
1997	0.639	0.947	0.998	0.945
1998	0.611	0.932	0.998	0.930
1999	0.617	0.935	0.998	0.934
2000	0.590	0.922	0.998	0.920
2001	0.601	0.929	0.998	0.927
2002	0.576	0.927	0.998	0.925
2003	0.560	0.914	0.998	0.912
2004	0.566	0.921	0.998	0.920
2005	0.571	0.925	0.998	0.923
2006	0.583	0.933	0.998	0.931
2007	0.579	0.927	0.998	0.925
2008	0.573	0.909	0.998	0.907
2009	0.588	0.913	0.998	0.911
2010	0.596	0.920	0.998	0.918
2011	0.568	0.896	0.998	0.894
2012	0.566	0.892	0.998	0.891

Source: Authors' estimation using Battese and Coelli's (1995) and Kumbhakar, Lien and Hardker's (2014) SFA models.

Note: Both models show that tax effort has declined during the period in Sri Lanka. When compared to Kumbhakar, Lien and Hardker's (2014) model, Battese and Coelli's (1995) model shows a greater decline in tax effort.

According to the estimations produced using Battese and Coelli's (1995) SFA model, Sri Lanka's tax effort decreased from around 74% in 1991 to around 57% in 2012. This represents a significant decline of around 17% over the course of 21 years. During the same period, actual tax share declined from 18.3% to 10.4%. However, according to Kumbhakar, Lien and Hardker's (2014) model, Sri Lanka's total tax effort declined from 97% in 1990 to 89% in 2012, which is around 8 percentage points. Moreover, Kumbhakar, Lien and Hardker's (2014) model shows that Sri Lanka has a higher country-specific persistent tax efficiency, while time-varying tax efficiency has declined during the period. Although both SFA models show a decline in estimated tax efficiency, the estimated values produced differ. This result is similar

to that produced by Nerudova and Dobranschi (2019), who also recorded substantially different estimates of the VAT gap in EU countries using the same SFA models. However, no form of decline in tax effort can be considered to be acceptable, as this could be the main contributor to the decline in tax share in Sri Lanka during the last few decades. Furthermore, Table A7, in the appendices, shows the tax effort of countries for the latest available year under both of the SFA models. Sri Lanka was seen to have the third lowest tax effort under Kumbhakar, Lien and Hardker's (2014) model, only ranking higher than Nigeria and the Republic of the Congo. Under Battese and Coelli's (1995) model, Sri Lanka has the fourth lowest tax effort, only ranking above the Republic of the Congo, Guatemala, and Nigeria.

Personal Income Tax Analysis Using Micro-Level Data

Table 6: Estimation of personal income tax - 2009 and 2012

Description	2009	2012
Estimated personal income tax for the sample (Rs. Mn)	187	115
Number of taxpayers in the sample (1)	2,206	1,305
Sample size (2)	21,305	21,768
Percentage of taxpayers in the sample (1)/(2)	10.35%	6.00%
Employed population (Mn)	7.14	8.12
Estimated personal income tax of employed population (Rs. Mn) (3)	62,629	42,993
Actual personal income tax collected (Rs. Mn) (4)	28,229	21,413
Average tax per person (Rs.)	84,713	88,340
Average effective tax rate	11.26%	7.24%
Performance of personal income tax (4)/(3)	45%	50%

Source: Authors' calculation using HIES income data for 2009 and 2012.

Note: Estimation of personal income tax was conducted using the income data from the HIESs. This analysis considered a sample of 21,305 (2009) and 21,768 (2012) people earning from employment in Sri Lanka. The estimated amounts of personal income tax payable by the sample using 2009 and 2012's tax rates were used to estimate the amount of potential personal income tax payable at country level, which was then compared with the actual amounts of personal income tax collected in these years by the Inland Revenue Department. This estimation also provides evidence of lower tax effort in personal income tax category.

To further analyze Sri Lanka's declining share problem, we carried out an independent estimation of personal income tax payments. The estimation was done using the limited available micro-level income data from the Household Income and Expenditure Surveys (HIESs) conducted by the Department of Census and Statistics (DCS) for 2009 and 2012. We used the personal income data of the employed members of each household as recorded in the two surveys and estimated the potential amount of personal income tax payable by applying the personal income tax rates that prevailed in the applicable years, as shown in Table A8 in the appendices. According to our estimation, the percentage of people in the sample paying tax

decreased from 10.4% in 2009 to 6.0% in 2012, mainly due to an increase in the tax-free threshold. The effective tax rate also decreased from 11.26% in 2009 to 7.24% in 2012 due to changes made to personal income tax rates from 2009 to 2012. Next, we estimated the potential amount of personal income tax payable at country level by comparing the percentage of people in the sample who paid tax and the total employed population of the country. Then we compared the estimated potential amount of personal income tax payable with the actual amount of personal income tax collected by the local revenue authority. Accordingly, the estimated potential amount of personal income tax payable for 2009 was 62.6 billion Sri Lankan Rupees while actual amount collected was 28.2 billion Sri Lankan Rupees, showing that only 45% of the potential personal income tax payable was collected. For 2012, the estimated amount of potential personal income tax payable was 43 billion Sri Lankan Rupees while the actual amount collected was 21.4 billion Sri Lankan Rupees, representing a performance level of 50%. This estimation again emphasizes the observation that Sri Lanka's tax effort is low. Table 6 (above) shows a summary of our estimation of personal income tax.

Lower tax effort in developing countries in general and, more specifically, in Sri Lanka could be due to several problems in the tax system. Cyan et al. (2013) argue that factors such as corruption, tax morale, and political fractionalization could affect tax efficiency. Additionally, Zárate-Marco & Vallés-Giménez (2019) consider variables such as financial and non-financial budget expenditure, regional inefficiencies, and economic cycles. However, in the case of Sri Lanka, data is not readily available for most of these variables. Therefore, we used several local studies which provided anecdotal evidence that could be related to the decline in tax effort. One such concern relating to the tax system is the use of unplanned and ad hoc tax concessions and tax incentives (Kelegama, 2010b). The motivation for employing such concessions and incentives is that these tax incentives can attract investment. However, such tax concessions have a direct, as well as indirect, impact on tax revenue. This direct impact is the revenue loss from the firms and individuals who are directly targeted by the concessions.

Additionally, these concessions create opportunities for other firms and individuals to take advantage of the system by misreporting or even using rent-seeking behavior, which impacts the tax effort. Although the direct impact of tax concessions is estimated to be around 1% of GDP (Presidential Tax Commission, 2010), the indirect impact is hard to estimate. Another important concern is the complicated tax system and weak tax administration (Waidyasekera, 2017) which impacts the tax effort and discourages taxpayers from voluntary compliance. In the case of Sri Lanka, weak tax administration is a result of several problems, such as lack of coordinated information systems between government agencies, lack of talented human capital, and the amount of bureaucracy in government services. Tax authorities should be equipped with the information systems necessary to cross-check information, tax invoices, and other transaction-related documents in order to detect underreporting or fraud, particularly in countries with sophisticated taxation instruments, such as VAT. These prolonged tax effort-related problems have resulted in a decline in tax share in Sri Lanka and the policy changes that have been made during the past few decades haven't delivered any significant results in respect of reversing the trend.

CONCLUSION AND POLICY RECOMMENDATIONS

The continuous decline in tax/GDP ratio in Sri Lanka from the early 1990s has emerged as a critical concern for policymakers. It has adversely impacted the Sri Lankan economy, as the government has been forced to curtail critical welfare and capital expenditure projects something which, in turn, could negatively impact the growth momentum. The lack of fiscal

space has resulted in Sri Lanka missing out on an important opportunity to achieve robust economic growth.

Given this background, a more sustainable solution would be to increase local revenue to an optimal level. In light of the government's commitment and the positive changes to macroeconomic conditions in the country, it is surprising that the tax/GDP ratio has been in a continuous decline. Therefore, the purpose of this study was to identify the possible causes by estimating the tax effort of LMICs, and comparing Sri Lanka's tax performance with other members of the LMIC group.

Tax effort estimates from the two SFA models used showed that Sri Lanka has recorded a decline in tax effort during the period studied. Additionally, Sri Lanka is among the worst performers in terms of tax effort within LMICs. An independent estimation of personal income tax for the years 2009 and 2012, using HIES data, reiterated the decreasing tax effort levels, whereby the actual tax collected was only around 50% of the estimated potential personal income tax payable.

From a policy perspective, the findings of this study provide valuable insights which could inform the development of future policies designed to overturn the declining tax share. Tax effort should be increased in order to harness the higher available tax capacity, mainly by introducing policies to address the weak tax effort. In particular, for Sri Lanka, one of the policy recommendations is to revise the exemption schemes. As Kelegama (2010a) suggests, certain exemptions for key income groups, such as professional and government employees, should be corrected, and the range of exemptions provided to the corporate sector should be reconsidered. Lack of information sharing between different regulatory authorities, such as the Inland Revenue Department, the Customs department, the Land Registry, and Department of the Registrar of Companies, hinder the efficiency in the taxation system and create opportunities for taxpayers to evade tax. Therefore, the government should invest in advanced communication and information technology to facilitate automation and increase connectivity between government agencies. Moreover, the legal structure of the revenue authority should be strengthened by minimizing the ability to provide penalty waivers and grants at officers' discretion, something that leads to rent-seeking behaviors. These policy recommendations could, generally, be applicable to any developing country facing the challenge of increasing revenue performance.

Finally, as with all studies based on empirical analysis, this study suffers from some minor shortcomings, mainly due to a lack of data availability from all LMICs. Having access to reliable and continuous data on institutional variables could further enhance the output of the SFA model. Notwithstanding the above, it is expected that the findings of this study will be useful in providing an accurate evaluation of the problem of declining tax/GDP in Sri Lanka, and informing the design of policies to overcome the current situation and to achieve sustainable revenue growth and increase the living standards of the people through the supply of quality public services.

REFERENCES

- Aigner, D. J., Knox Lovell, C. A., & Schmidt, P. (1977). Formulation and estimation of stochastic frontier production function models. *Journal of Econometrics*, 6(1), 21-37.
[https://doi.org/10.1016/0304-4076\(77\)90052-5](https://doi.org/10.1016/0304-4076(77)90052-5)

- Aizenman, J., & Jinjarak, Y. (2009). Globalisation and developing countries – A shrinking tax base? *The Journal of Development Studies*, 45(5), 653-671.
<https://doi.org/10.1080/00220380802582338>
- Alfirman, L. (2003). *Estimating stochastic frontier tax potential: Can Indonesian local governments increase tax revenues under decentralization?* (Discussion Papers in Economics, Working Paper No. 03-19). Boulder, CO: University of Colorado at Boulder. Retrieved from <https://www.colorado.edu/economics/sites/default/files/attached-files/wp03-19.pdf>
- Alonso, J. A., & Garcimartín, C. (2011). *Does Aid Hinder Tax Efforts? More Evidence* (CREDIT Research Paper, no. 11/04). Nottingham, England: University of Nottingham. Retrieved from https://www.academia.edu/17712859/Does_Aid_Hinder_Tax_Efforts_More_Evidence
- Ansari, M. (1982). Determinants of Tax Ratio: A Cross-Country Analysis. *Economic and Political Weekly*, 17(25), 1035-1042. Retrieved from https://www.jstor.org/stable/4371045?seq=1#references_tab_contents
- Battese, G. E., & Coelli, T. J. (1988). Prediction of firm-level technical efficiencies with a generalized frontier production function and panel data. *Journal of Econometrics*, 38(3), 387-399. [https://doi.org/10.1016/0304-4076\(88\)90053-X](https://doi.org/10.1016/0304-4076(88)90053-X)
- Battese, G. E., & Coelli, T. J. (1992). Frontier production functions, technical efficiency and panel data: With application to paddy farmers in India. *Journal of Productivity Analysis*, 3(1/2), 153-169. <https://doi.org/10.1007/BF00158774>
- Battese, G. E., & Coelli, T. J. (1995). A model for technical inefficiency effects in a stochastic frontier production function for panel data. *Empirical Economics*, 20, 325-332. Retrieved from <http://pages.stern.nyu.edu/~wgreene/FrontierModeling/Reference-Papers/Battese-Coelli-1995.pdf>
- Bird, R. M., Martinez-Vazquez, J., & Torgler, B. (2004). *Societal institutions and tax effort in developing countries* (International Tax Program, Working Paper no. 04011). Retrieved from <https://pdfs.semanticscholar.org/1c0d/71dc0ee67fcd2f43ef59dbaf54218ce5424d.pdf>
- Brun, J. F., & Diakit  M. (2016). *Tax potential and tax effort: An empirical estimation for non-resource tax revenue and VAT's revenue* ( tudes et Documents, n  10). Clermont-Ferrand, France: Centre d' tudes et de Recherches sur le D veloppement International (CERDI). Retrieved from <https://halshs.archives-ouvertes.fr/halshs-01332053/document>
- Buehn, A., & Schneider, F. (2011). Corruption and the shadow economy: Like oil and vinegar, like water and fire? *International Tax and Public Finance*, 19(1), 172-194. <https://doi.org/10.1007/s10797-011-9175-y>
- Central Bank of Sri Lanka. (2017). *Annual report 2016*. Colombo: Central Bank of Sri Lanka. Retrieved from <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports/annual-report-2016>
- Chelliah, R. J., Hessel, J. B., & Margaret, R. K. (1975). Tax ratios and tax effort in developing countries, 1969-71. *International Monetary Fund Staff Papers*, 22(1), 187-205. DOI: 10.2307/3866592
- Cornwell, C., Schmidt, P., & Sickles, R. C. (1990). Production frontiers with cross-sectional and time-series variation in efficiency levels. *Journal of Econometrics*, 46(1-2), 185-200. [https://doi.org/10.1016/0304-4076\(90\)90054-W](https://doi.org/10.1016/0304-4076(90)90054-W)

- Cyan, M., Martinez-Vazquez, J., & Vulovic, V. (2013). *Measuring tax effort: Does the estimation approach matter and should effort be linked to expenditure goals?* (International Center for Public Policy, Working Paper no. 13-08). Atlanta, GA: Andrew Young School of Policy Studies, Georgia State University. Retrieved from <https://scholarworks.gsu.edu/cgi/viewcontent.cgi?article=1038&context=icepp>
- Davoodi, H. R., & Grigorian, D. A. (2007). Tax potential vs. tax effort: A cross-country analysis of Armenia's stubbornly low tax collection (IMF Working Paper no. 07/106). Washington, D.C.: International Monetary Fund. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2007/wp07106.pdf>
- Department of Inland Revenue, Sri Lanka. *Income Tax Acts*. Retrieved from: <http://www.ird.gov.lk/en/publications/sitepages/Acts.aspx?menuid=1601>
- Dreher, A., & Schneider, F. (2010). Corruption and the shadow economy: An empirical analysis. *Public Choice*, 144(Issue 1-2), 215-238. <https://doi.org/10.1007/s11127-009-9513-0>
- Ehrhart, H. (2009). *Assessing the relationship between democracy and domestic taxes in developing countries* (Etudes et Documents, no. E 2009.30). Clermont-Ferrand, France: Centre d'Études et de Recherches sur le Développement International (CERDI). Retrieved from <https://halshs.archives-ouvertes.fr/halshs-00553607/document>
- Eltony, M. N. (2002). *Determinants of tax efforts in Arab Countries* (Arab Planning Institute Working Paper, no. 207). Kuwait: Arab Planning Institute. Retrieved from http://www.arab-api.org/images/publication/pdfs/256/256_wps0207.pdf
- Fenochietto, R., & Pessino, C. (2013). *Understanding countries' tax effort* (IMF Working Paper no. 13/244). Washington, D.C.: International Monetary Fund. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2013/wp13244.pdf>
- Garg, S., Goyal, A., & Pal, R. (2016). Why tax effort falls short of tax capacity in Indian states: A stochastic frontier approach. *Public Finance Review*, 45(2), 232-259. <https://doi.org/10.1177/1091142115623855>
- Greene, W. H. (1990). A Gamma-distributed stochastic frontier model. *Journal of Econometrics*, 46(1-2), 141-163. [https://doi.org/10.1016/0304-4076\(90\)90052-U](https://doi.org/10.1016/0304-4076(90)90052-U)
- Greene, W. H. (2005). Reconsidering heterogeneity in panel data estimators of the stochastic frontier model. *Journal of Econometrics*, 126(2), 269-303. <https://doi.org/10.1016/j.jeconom.2004.05.003>
- Gupta, A. S. (2007). *Determinants of tax revenue efforts in developing countries* (IMF Working Paper no. 07/184). Washington, D.C.: International Monetary Fund. Retrieved from <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Determinants-of-Tax-Revenue-Efforts-in-Developing-Countries-21040>
- Javid, A. Y., & Arif, U. (2012). Analysis of revenue potential and revenue effort in developing Asian countries. *The Pakistan Development Review*, 51(4), 365-380. Retrieved from <http://www.pide.org.pk/pdf/PDR/2012/Volume4/365-380.pdf>
- Jha, R. (2010). *Fiscal policies and challenges in South Asia* (ASARC Working Paper 2010/01). Canberra, Australia: Australia South Asia Research Centre (ASARC), Australian National University. Retrieved from https://acbee.crawford.anu.edu.au/acde/asarc/pdf/papers/2010/WP2010_01.pdf

- Jondrow, J., Knox Lovell, C. A., Materov, I. S., & Schmidt, P. (1982). On the estimation of technical inefficiency in the stochastic frontier production function model. *Journal of Econometrics*, 19(2-3), 233-38. [https://doi.org/10.1016/0304-4076\(82\)90004-5](https://doi.org/10.1016/0304-4076(82)90004-5)
- Karakaplan, M. U., & Kutlu L. (2017). Endogeneity in panel stochastic frontier models: an application to the Japanese cotton spinning industry. *Applied Economics*, 49(59), 5935-5939. <https://doi.org/10.1080/00036846.2017.1363861>
- Keen, M., & Mansour, M. (2009). *Revenue mobilization in Sub-Saharan Africa: Challenges from globalization* (IMF Working Paper no. 09/157). Washington, D.C.: International Monetary Fund. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2009/wp09157.pdf>
- Kelegama, S. (2010a). *Anomalies in the taxation system in Sri Lanka: Need for reform and restructuring*. n.p.: Institute of Policy Studies of Sri Lanka. Retrieved from <https://www.scribd.com/doc/30433210/Anomalies-of-the-Tax-System-in-Sri-Lanka>
- Kelegama, S. (2010b, November 21). Tax issues – Current system not delivering needed revenue. *Sunday Times*. Retrieved from <http://www.sundaytimes.lk/101121/BusinessTimes/bt10.html>
- Kumbhakar, S., & Knox Lovell, C. A. (2000). *Stochastic frontier analysis*. Cambridge, England: Cambridge University Press. <https://doi.org/10.1017/CBO9781139174411>
- Kumbhakar, S. C., Lien, G., & Hardaker J. B. (2014). Technical efficiency in competing panel data models: a study of Norwegian grain farming. *Journal of Productivity Analysis*, 41(2), 321-37. <https://doi.org/10.1007/s11123-012-0303-1>
- Kumbhakar S. C., Wang, H.-J., and Horncastle, A.P. (2015). *A practitioner's guide to stochastic frontier analysis using Stata*. Cambridge, England: Cambridge University Press. <https://doi.org/10.1017/CBO9781139342070>
- Langford, B., & Ohlenburg, T. (2015, August). *Tax revenue potential and effort: An empirical investigation* (IGC Working Paper S-43202-UGA-1, version 3). London, England: International Growth Centre. Retrieved from <https://www.theigc.org/wp-content/uploads/2016/01/Langford-Ohlenburg-2016-Working-paper.pdf>
- Le, T.M., Moreno-Dodson, B., & Rojchaichanthorn, J. (2008). *Expanding taxable capacity and reaching revenue potential: Cross-country analysis* (World Bank Policy Research Working Paper no, 4559). Washington, D.C.: The World Bank. <https://doi.org/10.1596/1813-9450-4559>
- Leuthold, J. H. (1991). Tax shares in developing countries: A panel study. *Journal of Development Economics*, 35(1), 173-185. [https://doi.org/10.1016/0304-3878\(91\)90072-4](https://doi.org/10.1016/0304-3878(91)90072-4)
- Lotz, J. R., & Morss, E. R. (1967). Measuring “tax effort” in developing countries. *International Monetary Fund Staff Papers*, 14(3), 478-499. DOI: 10.2307/3866266
- Lotz, J. R., & Morss, E. R. (1970). A theory of tax level determinants for developing countries. *Economic Development and Cultural Change*, 18(3), 328-341. <https://doi.org/10.1086/450436>
- Medina, L., & Schneider, F. (2018). *Shadow economies around the world: What did we learn over the last 20 years?* (IMF Working Paper No. 18/17). Washington, D.C.: International Monetary Fund. Retrieved from <https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583>

- Ndiaye, M. B. O., & Korsu, R. D. (2011). *Tax effort in ECOWAS countries*. n.p.: Mimeo. Retrieved from http://www.crepol.org/images/my_pdf/july-paper-09.pdf
- Nerudova, D., & Dobranschi, M. (2019). Alternative method to measure the VAT gap in the EU: Stochastic tax frontier model approach. *PLoS ONE*, 14(1): e0211317. <https://doi.org/10.1371/journal.pone.0211317>
- Pessino, C., & Fenochietto, R. (2010). Determining countries' tax effort, *Hacienda Pública Española/Revista de Economía Pública*, 195, 65-87. Retrieved from https://www.academia.edu/9527922/Determining_countries_tax_effort
- Presidential Tax Commission. (2010). *Presidential Taxation Commission report*. Colombo, Sri Lanka: Ministry of Finance.
- Schmidt, P., & Sickles, R. C. (1984). Production frontiers and panel data. *Journal of Business & Economic Statistics*, 2(4), 367-374. <https://doi.org/10.1080/07350015.1984.10509410>
- Shin, K. (1969). International difference in tax ratio. *The Review of Economics and Statistics*, 51(2), 213-220. <https://doi.org/10.2307/1926733>
- Stevenson, R. E. (1980). Likelihood functions for generalized stochastic frontier estimation. *Journal of Econometrics*, 13(1), 57-66. [https://doi.org/10.1016/0304-4076\(80\)90042-1](https://doi.org/10.1016/0304-4076(80)90042-1)
- Stotsky, J. G., & WoldeMariam, A. (1997). Tax effort in Sub-Saharan Africa (IMF Working Paper no. 97/107). Washington, D.C.: International Monetary Fund. Retrieved from <https://www.imf.org/external/pubs/ft/wp/wp97107.pdf>
- Tait, A. A., Grätz, W. L. M., & Eichengreen, B. J. (1979). International comparisons of taxation for selected developing countries, 1972–76. *International Monetary Fund Staff Papers*, 26(1), 123-156. DOI: 10.2307/3866567
- Tanzi, V. (1992). Structural factors and tax revenue in developing countries: A decade of evidence. In I. Goldin and L. A. Winters (Eds.), *Open economies: Structural adjustment and agriculture* (pp. 267-285). Cambridge, England: Cambridge University Press.
- Vallés-Giménez, J., & Zarate-Marco, A. (2017). Tax effort of local governments and its determinants: The Spanish case. *Annals of Economics and Finance*, 18(2), 323-348. Retrieved from <http://aeconf.com/Articles/Nov2017/aef180205.pdf>
- Waidyasekera, D. D. M. (2017). Taxation: Current trends and perspectives. In S. Kelegama (Ed.), *Tax policy in Sri Lanka: Economic perspectives* (pp. 43-102). Colombo, Sri Lanka: Institute of Policy Studies of Sri Lanka. Retrieved from <http://www.ips.lk/wp-content/uploads/2017/10/Tax-Policy-in-SL-ips.pdf>
- Wijewardena, W. A. (2019, July 08). Sri Lanka's elevation to upper middle income status: Attainment is welcome but challenges are more. *Daily FT*. Retrieved from: <http://www.ft.lk/columns/Sri-Lanka-s-elevation-to-upper-middle-income-status-Attainment-is-welcome-but-challenges-are-more/4-681449>
- World Bank (2016). *World Bank country and lending groups*. Retrieved from <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>
- Zarate-Marco, A. & Vallés-Giménez, J. (2019). Regional tax effort in Spain. *Economics*, 13(2019-31), 1-32. <http://doi.org/10.5018/economics-ejournal.ja.2019-31>

Zarra-Nezhad, M., Ansari, M. A, & Moradi, M. (2016). Determinants of tax revenue: Does liberalization boost or decline it? *Journal of Economic Cooperation and Development*, 37(2), 103-126. Retrieved from https://www.researchgate.net/publication/309427057_Determinants_of_Tax_Revenue_Does_Liberalization_Boost_or_Decline_It

APPENDICES

Table A1: Sri Lanka's main fiscal variables as a share of GDP

Year	Total Revenue	Tax Revenue	Expenditure	Budget Deficit	Debt
1990	23.2%	19.0%	31.0%	7.8%	96.6%
1991	22.6%	18.3%	32.3%	9.8%	98.5%
1992	22.1%	18.0%	28.2%	6.1%	95.4%
1993	21.3%	17.2%	28.4%	7.1%	96.9%
1994	20.4%	17.2%	29.5%	9.1%	95.1%
1995	21.8%	17.8%	30.5%	8.7%	95.2%
1996	20.1%	17.0%	28.5%	8.4%	93.3%
1997	19.4%	16.0%	26.4%	7.0%	85.8%
1998	17.9%	14.5%	26.3%	8.4%	90.8%
1999	18.3%	15.0%	25.2%	6.9%	95.1%
2000	17.2%	14.5%	26.7%	9.5%	96.9%
2001	17.0%	14.6%	27.5%	10.4%	103.3%
2002	17.0%	14.0%	25.4%	8.5%	105.6%
2003	15.6%	12.7%	22.9%	7.3%	102.3%
2004	15.3%	13.5%	22.8%	7.5%	102.3%
2005	16.8%	13.7%	23.8%	7.0%	90.6%
2006	17.3%	14.6%	24.3%	7.0%	87.9%
2007	16.6%	14.2%	23.5%	6.9%	85.0%
2008	15.6%	13.3%	22.6%	7.0%	81.4%
2009	15.0%	12.8%	24.9%	9.9%	86.2%
2010	13.0%	11.3%	20.0%	7.0%	71.6%
2011	13.6%	11.7%	19.9%	6.2%	71.1%
2012	12.2%	10.4%	17.8%	5.6%	68.7%
2013	12.0%	10.5%	17.4%	5.4%	70.8%
2014	11.6%	10.1%	17.3%	5.7%	71.3%

Source: Central Bank of Sri Lanka.

Note: This table shows that there was a clear decline in revenue and tax share in Sri Lanka over the years studied. As a result of weak revenue performance, there was a decline in government spending. Budget deficit always remained above 5% of GDP and debt share was also higher, giving lower fiscal space for the government.

Table A2: List of all LMICs

Armenia	Guatemala	Mongolia	Swaziland
Bangladesh	Honduras	Morocco	Syrian Arab Republic
Bhutan	India	Myanmar	Tajikistan
Bolivia	Indonesia	Nicaragua	Timor-Leste
Cape Verde	Kenya	Nigeria	Tonga
Cambodia	Kiribati	Pakistan	Tunisia
Cameroon	Kosovo	Papua New Guinea	Ukraine
Congo Rep.	Kyrgyz Republic	Philippines	Uzbekistan
Côte d'Ivoire	Lao PDR	Samoa	Vanuatu
Djibouti	Lesotho	São Tomé and Príncipe	Vietnam
Egypt	Mauritania	Solomon Islands	West Bank and Gaza
El Salvador	Micronesia, Fed. Sts.	Sri Lanka	Yemen, Rep.
Ghana	Moldova	Sudan	Zambia

Source: World Bank

Table A3: Descriptive statistics

Variable	No of Obs.	Mean	Std. Dev.	Min	Max
Tax share	1079	15.27	7.36	1.73	62.83
Per capita GDP	1234	1,695.10	902.22	186.90	4,329.25
Agriculture share	1158	22.61	11.01	3.06	63.01
Manufacturing share	1133	14.12	7.79	0.38	45.67
Import share	1155	47.53	24.86	0.12	193.24
Export share	1155	32.91	16.66	0.18	100.95
Urbanization	1275	39.92	16.71	12.98	77.26
Age dependency ratio	1276	75.20	16.01	34.55	118.78
Inflation	1092	29.14	301.27	-18.11	7,485.49
External debt	1099	70.99	78.85	0.24	1,111.27
Domestic credit	1143	34.08	27.25	-52.6	248.9
Education Index	550	0.49	0.13	0.16	0.80
Gini coefficient	302	28.34	8.78	4	65
Size of shadow economy	960	37.89	10.94	12.02	71.34

Source: ICTD, World Development Indicators, UNDP, Medina and Schneider (2018).

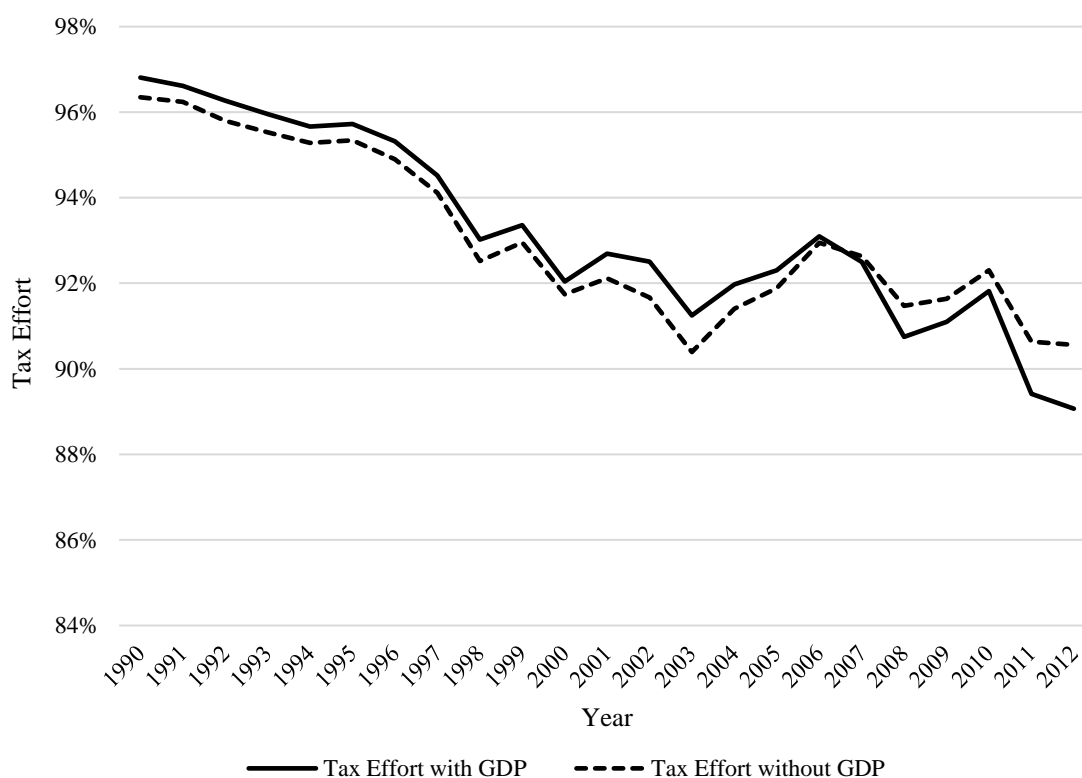
Note: Education Index and Gini coefficient have been interpolated before using in SFA analysis.

Table A4: Skewness test of the statistical noise

ϵ_{it}				
	Percentiles	Smallest		
1%	-0.336	-0.625		
5%	-0.177	-0.613		
10%	-0.131	-0.492	Obs.	657
25%	-0.076	-0.430	Sum of Wgt.	657
50%	-0.003		Mean	-1.29e-10
		Largest	Std. Dev.	0.127
75%	0.066	0.394	Variance	0.016
90%	0.145	0.402	Skewness	-0.061
95%	0.220	0.494	Kurtosis	6.022
99%	0.340	0.556		

Source: Authors’ estimations.

Figure A1: Sri Lanka’s tax effort estimates with and without per capita GDP (KLH, 2014. model)



Source: Authors’ estimation using Kumbhakar, Lien and Hardker’s (2014) model.

Note: This figure shows that there is no significant deference with and without GDP per capita in the model, as explained in second part of the robustness check section.

Table A5: Results using Greene's (2005) true fixed-effect model

Dependent Variable lnTaxshare	Stochastic Tax Frontier Model (Exponential)	
lnGDP per capita	0.207***	(0.055)
lnAgriculture share	0.144***	(0.036)
lnManufacture share	0.026	(0.029)
lnImport share	0.106***	(0.039)
lnExport share	-0.003	(0.029)
lnExternal debt	-0.019	(0.014)
lnDomestic credit	0.023	(0.014)
Inflation	-0.000	(0.000)
lnEducation Index	-0.214**	(0.083)
lnUrban population	0.389***	(0.081)
lnAge dependency	-0.447***	(0.104)
lnGini	-0.213***	(0.066)
Inefficiency Model		
Usigma		
lnShadow	2.589***	(0.078)
Vsigma		
Constant	-4.548***	(0.096)
N	608	
Log likelihood	431.7	
Sigma_v(σ_v^2)	0.103***	(0.005)

Source: Authors' estimations.

Note: Standard errors in parentheses; * p<0.1, ** p<0.05, *** p<0.01. As an alternative method, we used Greene's (2005) true fixed-effect model and the results also show that the size of the shadow economy is positively related to tax inefficiency.

Table A6: Efficiency estimates for Sri Lanka using Karakaplan and Kutlu's (2017) method

Year	Model EX	Model EN
1991	0.2845	0.2700
1992	0.2846	0.2713
1993	0.2846	0.2731
1994	0.2846	0.2738
1995	0.2846	0.2734
1996	0.2847	0.2754
1997	0.2847	0.2759
1998	0.2847	0.2776
1999	0.2847	0.2786
2000	0.2848	0.2811
2001	0.2847	0.2787
2002	0.2847	0.2779
2003	0.2848	0.2788
2004	0.2848	0.2796
2005	0.2848	0.2792
2006	0.2848	0.2788
2007	0.2847	0.2769
2008	0.2847	0.2786
2009	0.2847	0.2752
2010	0.2849	0.2851
2011	0.2850	0.2892
2012	0.2851	0.2923

Source: Authors' estimations.

Note: Tax effort estimates for Sri Lanka using Karakaplan and Kutlu's (2017) method under EX and EN models showed that there is no significant difference.

Table A7: Tax effort in LMICs

Country	Latest year	BC (95) model	KLH model
Armenia	2012	0.705	0.941
Bangladesh	2012	0.619	0.937
Bhutan	2012	0.694	0.962
Bolivia	2012	0.823	0.968
Cabo Verde	2006	0.691	0.935
Cambodia	2012	0.600	0.951
Cameroon	2013	0.704	0.948
Congo, Rep.	2005	0.473	0.890
Cote d'Ivoire	2013	0.705	0.937
El Salvador	2012	0.596	0.949
Ghana	2013	0.663	0.948
Guatemala	2012	0.531	0.927
Honduras	2012	0.577	0.913
Kenya	2013	0.718	0.927
Kyrgyz Republic	2013	0.717	0.955
Lao PDR	2010	0.716	0.960
Lesotho	2013	0.872	0.958
Mauritania	2012	0.667	0.923
Moldova	2013	0.694	0.912
Mongolia	2013	0.766	0.941
Morocco	2012	0.733	0.925
Nicaragua	2012	0.626	0.946
Nigeria	2007	0.542	0.868
Pakistan	2013	0.712	0.941
Papua New Guinea	2004	0.792	0.955
Philippines	2012	0.610	0.922
Solomon Islands	2005	0.736	0.945
Sri Lanka	2012	0.566	0.891
Swaziland	2011	0.655	0.924
Tajikistan	2012	0.711	0.937
Tunisia	2012	0.666	0.926
Ukraine	2013	0.723	0.930
Vietnam	2012	0.726	0.897
Zambia	2010	0.663	0.910

Source: Authors' estimations using Battese and Coelli's (1995) model) and Kumbhakar, Lien and Hardker's (2014) model. Note: The results show that tax effort in Sri Lanka is lower than in other LMICs.

Table A8: Personal Income Tax Rates - 2009 and 2012

Description	2009	Description	2012
Tax Free Allowance - Rs.	300,000	Tax Free Allowance - Rs.	500,000
First Rs. 400,000	5%	First Rs. 500,000	4%
Next Rs. 400,000	10%	Next Rs. 500,000	8%
Next Rs. 400,000	15%	Next Rs. 500,000	12%
Next Rs. 500,000	20%	Next Rs. 500,000	16%
Next Rs. 500,000	25%	Next Rs. 1 million	20%
Next Rs. 500,000	30%	Balance	24%
Balance	35%		

Source: Department of Inland Revenue of Sri Lanka.

PROPOSAL FOR VOLUNTARY DISCLOSURE PROCEDURES IN CHINA

Noam Noked¹ & Yan Xu^{2,3}

Abstract

How should taxpayers who have not complied with their Chinese tax obligations voluntarily correct their tax affairs? Many countries have adopted tax amnesties and voluntary disclosure procedures for that purpose. Unlike those countries, China does not have nationwide voluntary disclosure procedures. However, the Chinese tax authorities frequently reduce or waive penalties for taxpayers who voluntarily disclose their noncompliance and settle their unpaid taxes. This article calls for the adoption of nationwide voluntary disclosure procedures in China and explores the design considerations of such procedures. As China is modernizing its tax laws and strengthening its tax enforcement, this proposal is worth serious consideration.

Keywords: China, Tax Amnesty, Tax Enforcement, Voluntary Disclosure.

I. INTRODUCTION

How should taxpayers who have not complied with their Chinese tax obligations voluntarily correct their tax affairs? Many countries have adopted tax amnesties and voluntary disclosure procedures for that purpose.⁴ Unlike those countries, China does not have nationwide voluntary disclosure procedures. Nonetheless, in practice, the Chinese tax authorities have been reducing or waiving penalties for taxpayers who voluntarily disclose their past noncompliance, file tax returns for previous years, and pay the required taxes. In contrast to the lack of nationwide tax voluntary disclosure procedures, China's customs authorities have been implementing a nationwide voluntary disclosure program since 2016.

Correcting tax noncompliance will have increasing importance in China in the next few years. Following global trends, China is rapidly strengthening its tax enforcement, targeting both domestic tax residents and foreigners with Chinese tax obligations. Since late 2018, China has started and will continue to receive, on an annual basis, details of Chinese tax residents who hold offshore financial assets in financial institutions in dozens of countries.⁵ This automatic exchange of financial account information (AEOI) is expected to expose noncompliance by taxpayers who have not reported income from offshore financial assets in their tax filings in China, and strengthen the enforcement of the tax rules that apply to offshore income and assets.

¹ Assistant Professor, Faculty of Law, The Chinese University of Hong Kong.

² Associate Professor, School of Taxation and Business Law, University of New South Wales.

³ The work described in this article was fully supported by a grant from the Research Grants Council of the Hong Kong Special Administrative Region, China (Project No. CUHK 24611118). The authors thank Amy Ling, Ori Noked, Michael Olesnicky, Shanwu Yuan, Xuebin Zhang, and Hardy Zhou for their helpful comments.

⁴ The Organisation for Economic Co-ordination and Development (OECD)'s (2015) survey of 47 countries found that most countries operate a general voluntary disclosure program (p. 9).

⁵ For China's AEOI relationships, see "Activated Exchange Relationships for CRS Information" (2020) on the OECD website: <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/>.

The Chinese tax authorities have also taken other important steps to improve the enforcement of the country's income tax laws. China's individual income tax (IIT) reform, which came into effect on 1 January 2019, aims to tackle inequality by reducing the tax burden on low and middle-income earners, and by increasing tax collection from high-income earners (Wong, 2018; Zhou, Jiang, Sarelius, & Zhang, 2018). Zhou et al. (2018) note that "IIT enforcement, particularly vis-à-vis wealthy Chinese nationals, may see a significant uptick in severity in the years ahead", a view that is also held by several other commentators. The high-profile case of Fan Bingbing, who was ordered to pay nearly 884 million yuan in unpaid tax and penalties, may be part of a broader campaign by the Chinese tax authorities against tax evasion (Zou, 2018). The combination of these reforms and enforcement efforts indicates that China is transitioning into a regime in which tax laws are enforced more strictly.

How do tax evaders react to increases in enforcement efforts? Some tax evaders might be caught by the authorities and will be required to pay their taxes, as well as civil and criminal penalties. Others may try to continue to evade tax, possibly taking actions to avoid detection by the authorities (Noked, 2018a, 2018b). However, others may choose to correct their tax affairs voluntarily (Johannesen, Langetieg, Reck, Risch, & Slemrod, 2018). The decision about whether or not to voluntarily report past noncompliance depends on several factors, including the tax evader's risk aversion, and the expected costs and benefits of self-reporting in comparison to those of continuing to evade tax (Noked, 2018c). The features of the voluntary disclosure procedures substantially impact the costs and benefits of becoming compliant voluntarily.

In general, providing a way for noncompliant taxpayers to correct their tax affairs voluntarily can be beneficial for society.⁶ As shown in the law and economics literature, an optimal law enforcement scheme that includes self-reporting (i.e., a way for noncompliant people to voluntarily disclose their noncompliance and pay a reduced penalty) is superior to an optimal law enforcement scheme without self-reporting (Kaplow & Shavell, 1994). First, a voluntary disclosure scheme should reduce enforcement costs because fewer resources are needed to identify and prosecute the people that voluntarily disclose their noncompliance. Second, risk-averse people benefit from paying a certain penalty. Third, a voluntary disclosure can save social costs where the sanctions imposed without self-reporting are costly (Kaplow & Shavell, 1994). Fourth, a voluntary disclosure may result in better remediation of social harm because it enables tax evaders to correct their noncompliance and to do it earlier (Innes, 1999a, 1999b; Livernois & McKenna, 1999). Fifth, it can also reduce social costs by reducing incentives for tax evaders to undertake costly activities in order to avoid detection (Innes, 2001).

However, voluntary disclosure schemes may reduce deterrence and create stronger incentives for tax evasion (Malik & Schwab, 1991). There are mixed views in the literature about this effect, and as to whether voluntary disclosure schemes are desirable despite this effect (Marceau & Mongrain, 2000). Even if voluntary disclosure schemes reduce deterrence, the empirical evidence documents only small effects on post-amnesty compliance (Alm, 2012). The risk that a voluntary disclosure scheme will reduce deterrence appears to be lower where there is a transition into a stricter enforcement regime.

Although China does not have a nationwide voluntary disclosure policy, the Chinese tax authorities have been following voluntary disclosure practices, under which taxpayers who

⁶ According to the OECD, a carefully drafted voluntary disclosure scheme can benefit everyone involved: taxpayers participating in the scheme, the general population of compliant taxpayers, and the government (OECD, 2015, p. 9; OECD, 2009, p. 7).

voluntarily disclose their past noncompliance and pay the required taxes are subject to reduced or no penalties. The Chinese tax authorities occasionally announce a grace period for taxpayers within a particular sector to correct their tax affairs voluntarily without sanctions and, if they fail to do so, they will be subject to a greater risk of penalties. Local tax authorities have been following voluntary disclosure practices that vary across localities.⁷ While some local tax authorities have adopted formal and detailed voluntary disclosure procedures, most Chinese tax authorities follow practices that are largely informal, in the sense that there are no clear rules as to the applicable procedures and penalties.

The fact that the Chinese tax authorities already implement voluntary disclosure practices means the relevant policy question is not whether China should allow noncompliant taxpayers to voluntarily disclose their noncompliance and receive reduced penalties—the Chinese tax authorities have already answered this question in the affirmative. The main question for China is how to design its voluntary disclosure policy: should it adopt nationwide voluntary disclosure procedures and, if so, what should the terms of such procedures be?

This article calls for the adoption of nationwide voluntary disclosure procedures by the State Taxation Administration (STA). It argues that adopting nationwide voluntary disclosure procedures in China would result in enhanced transparency, consistency, and certainty, thereby improving the efficiency and the fairness of the Chinese tax system.

There are several potential advantages of such procedures. First, improved predictability and certainty regarding penalties would incentivize noncompliant taxpayers, especially risk-averse ones, to participate in the voluntary disclosure scheme. Second, a nationwide voluntary disclosure policy may improve the rule of law in taxation through enhanced clarity and transparency. Such a policy may also increase the perception of fairness if the voluntary disclosure procedures are designed to treat noncompliant taxpayers similarly where their conduct is similar, and if the procedures can be implemented nationwide in a consistent manner. Third, the government's cost of administering, and the taxpayers' cost of participating in, a formal nationwide scheme could be lower than the costs of varying practices that are separately designed and enforced at various levels. Fourth, a formal scheme could facilitate coordination with non-tax regulators, such as the State Administration of Foreign Exchange (SAFE) at the national level. It would be in the government's interest to reduce tax evasion and recover lost tax revenues. The adoption of such procedures is in line with the approach other countries have taken to facilitate and encourage voluntary disclosure.⁸

The article explores several key considerations for policymakers when designing the voluntary disclosure policy: which taxes and offenses should be covered? Who should be eligible to participate in a voluntary disclosure scheme? What penalties, taxes, and interest should be applied? What information should be collected? Should the voluntary disclosure policy also cover currency exchange control violations? The purposes of this article are to open a

⁷ This was particularly the case prior to the 2018 reform of China's tax administration. China introduced a substantial reform of the organization of its tax administration in 2018, which ended the separation of central tax administration and local tax administration. Although the reform has led to an integration of tax administration, the tax revenue sharing system between central and local governments remains; many local tax regulations and rules introduced prior to the integration are still effective. For further discussion about this reform, see Li and Krever (2018).

⁸ The OECD's (2015) survey of 47 countries found that most countries operate a general voluntary disclosure program (p. 30).

discussion about what the terms of China's voluntary disclosure policy should be and to identify the key design issues that should be considered.

This article is organized as follows: Part II provides an overview of voluntary disclosure schemes and the relevant literature. Part III discusses the current voluntary disclosure practices in China. Part IV explores the design considerations of voluntary disclosure procedures in China. Part V offers a conclusion.

II. BACKGROUND: VOLUNTARY DISCLOSURE SCHEMES

According to the OECD, voluntary disclosure schemes or programs are “opportunities offered by tax administrations to allow previously noncompliant taxpayers to correct their tax affairs under specified terms” (OECD, 2015, p. 7). Tax amnesties are generally similar to voluntary disclosure programs and, although there is no clear distinction between them, tax amnesty programs are typically offered on a temporary basis and provide a larger reduction in penalties and tax liability (Baer & Le Borgne, 2008). Voluntary disclosure programs can be offered on a temporary or permanent basis and, although they reduce or waive penalties, they generally do not reduce the tax liability (OECD, 2015, p. 14).⁹ This article refers to both types as “voluntary disclosure schemes.”

Voluntary disclosure schemes have been adopted by dozens of countries in recent decades (Michaels, Beck, & Jarrett, 2015; OECD, 2015). While many countries have adopted permanent voluntary disclosure procedures, others have adopted temporary schemes.¹⁰ The schemes had a notable proliferation in the last decade as a way for countries to recover shrinking tax revenues during the financial crisis¹¹ and as a response to the anticipated implementation of AEOI.¹²

The law and economics literature analyzes the potential benefits and costs of voluntary disclosure schemes. Kaplow and Shavell (1994) show that an optimal law enforcement scheme that includes self-reporting is superior to an optimal law enforcement scheme without self-reporting. Under an optimal voluntary disclosure scheme, a participant should pay a sanction equal to (or slightly less than) the penalty that would apply if he or she were caught, multiplied by the probability of being caught. The deterrence against harmful acts should not be materially affected by such a scheme because the individual's expected gain from the harmful act is the same as without voluntary disclosure. While such a scheme does not change the deterrence of tax evasion, it has several advantages. First, it reduces enforcement costs because fewer resources are needed to identify and prosecute the people that self-report their noncompliance (Kaplow & Shavell, 1994; Malik, 1993). Second, risk-averse people benefit from paying a certain penalty. Third, schemes with self-reporting can save social costs where the sanctions imposed without self-reporting are costly (e.g., imprisonment) (Kaplow & Shavell, 1994).

⁹ Some voluntary disclosure programs are offered on a temporary basis (e.g., the United States' 2009 offshore voluntary disclosure program).

¹⁰ For a discussion on global trends in tax amnesties until 2004, see Baer and Le Borgne (2008, pp. 20-21); for more recent trends, see OECD (2015); Michaels et al. (2015).

¹¹ For example, the United States enacted its 2009 offshore voluntary disclosure program as a way to increase tax revenue during the financial crisis.

¹² For example, Indonesia implemented its tax amnesty in 2016 in order to encourage its noncompliant taxpayers to correct their tax affairs before AEOI began.

Self-reporting may also result in better remediation of the social harm caused by tax evasion (Innes, 1999a; Livernois & McKenna, 1999). Taxpayers who voluntarily disclose their past noncompliance are typically required to pay the tax they owe with certain reduced penalties. A failure to pay the required tax and penalties may result in the taxpayer being rejected from the scheme, and harsher penalties may apply. If there is no voluntary disclosure option, only the taxpayers that are caught will pay the tax and penalties (Innes, 1999a; Livernois & McKenna, 1999). Voluntary disclosure also enables tax evaders to correct their noncompliance earlier (Innes, 1999b). Thus, governments that offer voluntary disclosure schemes may be able to recover tax revenues that would have been harder to collect otherwise. Voluntary disclosure may also save social costs by reducing incentives for tax evaders to engage in costly activities in order to avoid detection (Innes, 1999a). Where tax evaders are averse to lying, self-reporting can better deter violations at a lower monitoring cost (Innes, 2017).

Although voluntary disclosure schemes may increase the compliance of tax evaders who choose to participate in these schemes, they may reduce deterrence and create stronger incentives for tax evasion (Alm, McKee, & Beck, 1990; Fisher, Goddeeris, & Young, 1989; Langenmayr, 2017; Malik & Schwab, 1991).¹³ However, voluntary disclosure schemes may be desirable despite the fact that they provide people with an increased incentive to evade tax (Marceau & Mongrain, 2000). The impact on compliance may depend on the enforcement efforts made after the voluntary disclosure scheme has been introduced (Gerlach, 2013). The risk that a voluntary disclosure scheme would reduce deterrence appears to be lower where there is a transition into a stricter enforcement regime (Alm et al., 1990; Baer & Le Borgne, 2008; Fisher et al., 1989).

The empirical literature on voluntary disclosure schemes has largely focused on the impact of such programs on long-term noncompliance and revenue effects (Alm & Beck, 1990, 1993; Alm et al., 1990; López-Laborda & Rodrigo, 2003; Stella, 1991). Other aspects analyzed in the literature include the impact of tax amnesties on tax evaders (Alstadsæter, Johannesen, & Zucman, 2017; Fisher et al., 1989), and whether tax amnesties should be followed by stricter enforcement of tax evasion (Alm et al., 1990; Alm & Beck, 1991; Alm et al., 1990; Uchitelle, 1989). Much of the empirical work on amnesties has focused on amnesties at the state level in the United States (Alm & Beck, 1990; Alm et al., 1990; Fisher et al., 1989; Luitel & Sobel, 2007; Mikesell & Ross, 2012), although some studies focus on other countries, such as India, Spain, and Norway (Alm, Martinez-Vazquez & Wallace, 2009; Alstadsæter et al., 2017; Castro & Scartascini, 2017; López-Laborda & Rodrigo, 2003; Torgler, Schaltegger & Schaffner, 2003). The empirical evidence shows only small effects on post-amnesty compliance, and the evidence on the revenue impact of amnesties is mixed (Alm, 2012).¹⁴

Importantly, China has already adopted voluntary disclosure practices as part of its tax enforcement apparatus, as discussed below. These voluntary disclosure practices probably impact the compliance incentives and the enforcement costs, possibly in the manners identified in the literature.

¹³ Boise (2007) notes that tax amnesties are potentially detrimental to compliance for the following reasons: (a) tax amnesties may undermine the perceived fairness of the tax system among taxpayers; (b) tax amnesties may diminish the perception of tax evasion as a serious offense and; (c) taxpayers may expect the government to offer more tax amnesties in the future, which may undermine the incentives for tax compliance. Lederman (2012) applies Boise's analysis to the U.S. Offshore Voluntary Disclosure Program (OVDP).

¹⁴ From a policy perspective, if the impacts on compliance incentives and revenues are small, this could support the view that the design of voluntary disclosure policies should focus on other considerations, such as fairness, enforcement costs, and compliance costs.

III. CHINA'S VOLUNTARY DISCLOSURE PRACTICES

China does not have formal, nationwide voluntary disclosure procedures for taxes implemented in the country.¹⁵ The draft amendment to the Law of the People's Republic of China on Tax Collection and Administration (LTCA) in 2015 proposed that tax authorities may reduce or waive penalties for taxpayers who voluntarily disclose tax noncompliance and settle their unpaid taxes.¹⁶ However, this draft provision was not included in the final amended LTCA.¹⁷ It is unclear whether such provision would be included in future amendments to the LTCA.

The STA notice on random tax inspection provides that taxpayers who are selected in a random tax inspection can be provided with a self-correction opportunity, and those who can disclose noncompliance and voluntarily pay taxes should be given penalty reductions or waivers.¹⁸ The "self-correction" procedure appears to be similar to a voluntary disclosure scheme. However, this notice cannot provide a general legal basis for voluntary disclosure.¹⁹

Despite the lack of a nationwide voluntary disclosure policy, the Chinese tax authorities have been following voluntary disclosure practices under which taxpayers who voluntarily disclose their past noncompliance and pay the required taxes are subject to reduced or no penalties.²⁰ The Chinese tax authorities occasionally announce a grace period for taxpayers within a particular sector to correct their tax affairs voluntarily without sanctions. If they fail to do so, they are subject to a greater risk of penalties. A recent example is the STA enforcement effort targeting the entertainment industry and the use of yin-yang contracts to evade and avoid taxes. To encourage self-reporting, the STA announced that those who corrected their conduct voluntarily and paid the evaded taxes by 31 December 2018 would not be penalized (Luo, 2018). In addition to the STA's informal voluntary disclosure practices, local tax authorities have been following voluntary disclosure practices that vary across localities. In addition, China's customs authorities formally adopted a voluntary disclosure procedure in 2016. Although China has separate tax authorities and customs authorities, the way the Chinese government addresses voluntary disclosure in the context of customs (an indirect tax) can provide insights into wider voluntary disclosure matters. The local and customs voluntary disclosure policies are discussed below.

¹⁵ The Chinese government had short-lived experiences with a self-correction program at the national level in the 1990s. See State Council Notice on Inspection of Taxation, Finance, and Pricing Administration in 1995 (Guofa, [1995] 26); State Council Notice on Inspection of Taxation, Finance, and Pricing Administration in 1997 (Guofa [1997] 33). This article does not focus on the experiences with the self-correction in the 1990s because the relevant factors, including the Chinese economy and the Chinese tax system and enforcement, have substantially changed since the 1990s.

¹⁶ See draft amendment to the Law on Tax Collection and Administration, article 124.

¹⁷ Law on Tax Collection and Administration (NPCSC, passed 4 Sep. 1992, amended for the third time, 24 Apr. 2015).

¹⁸ STA Notice on Issuing Implementation Measures on Promotion of Random Tax Inspection, art. 2(4) para. 2 (Shuizongfa [2015] 104, effective Aug. 25, 2015).

¹⁹ Under China's legal system, administrative rules such as the above-mentioned STA Notice must be in accord with national laws and administrative regulations. Such central government department rules can only be used as reference in tax litigation by the courts. See Law on Legislation (NPC, passed 15 Mar. 2000, amended 15 Mar. 2015), arts. 80, 87-91; Law on Administrative Litigation (NPCSC, passed 4 Apr. 1989, effective 1 Oct. 1990, amended 1 Nov. 2014 and 27 Jun. 2017), art. 63. For a general discussion of China's legal system, see Chen (2019).

²⁰ According to tax professionals, tax authorities typically reduce or waive the administrative penalty, but the late payment surcharge is usually not waived.

The structure of the Chinese tax administration in the past may explain why local tax practices proliferated while no nationwide voluntary disclosure procedures were ever adopted. Until 2018, local tax authorities were responsible for the collection of IIT and various other taxes, including income tax on private companies (Li & Krever, 2018). While local practices developed, no voluntary disclosure procedures were adopted at the national level. Both local tax authorities and local offices of the STA applied various voluntary disclosure practices to improve tax collection and administration. Local tax authorities may have felt that they had more leeway when managing the collection of taxes for which they were responsible, which led to the development of different local policies. Since the integration of the national and the local tax bureaus in 2018, the STA has been responsible for all tax collection and administration at the local level (Li & Krever, 2018). This has created an opportunity for the STA to consider whether the current voluntary disclosure practices could be standardized and improved.

A. Local Voluntary Disclosure Practices

As there are no nationwide voluntary disclosure rules to correct tax noncompliance, local tax offices have been deciding whether or not to adopt voluntary disclosure practices locally.²¹ Many local tax authorities have introduced rules concerning self-reporting of past noncompliance.²² These rules, which are frequently titled as “self-reporting” or “self-correction,” provide ways for noncompliant taxpayers to voluntarily disclose their past noncompliance and receive reduced penalties. The legal basis for implementing a voluntary disclosure program at the local level in the absence of national law or regulation appears to be the Law on Administrative Penalty (LAP).²³ Article 27 of the LAP provides that an administrative body shall reduce the administrative penalty where a party has taken the initiative to eliminate or lessen harmful effects caused by its illegal act; no penalty should be imposed where the illegal act is minor, without harmful consequences, and the party has corrected its illegal act.²⁴ It is unclear whether this provision is a sufficient legal basis for local practices when reducing or waiving the applicable penalties.²⁵

²¹ This was particularly the case prior to the 2018 reform of China’s tax administration. This measure has raised the issue of whether local rules and policies are still valid after the reform, given that the local tax administration established prior to the reform no longer exists. Thus far, there has been no clear answer. In practice, if local rules issued before the 2018 reform are not contradictory to later rules promulgated by the STA or have not expired, they may remain valid.

²² The discussion here is based on a survey of around 40 local rules on self-correction or voluntary disclosure issued from 1995 to the present time. The rules were issued by about 30 tax authorities at the provincial, city, and county levels. These surveyed rules include: (1) rules issued by state tax bureaus at the local levels, including state tax bureaus in the provinces of Anhui, Gansu, and Jiangxi, in Beijing municipal, and in the cities of Dalian and Xiamen; (2) rules issued by local governments, including Liaoning provincial government, the city governments of Benxi, Dazhou, Fushun, Jinzhou, Liupanshui, Luohe, Loudi, Shenyang, Tieling, Zhengzhou, and Zhoukou, and Xinbin Manchu autonomous county; and (3) rules issued by local tax bureaus at various local levels, including those of Hubei, Hunan, Jiangsu, and Guangdong, as well as the cities of Anshan, Beijing, Chengdu, Dalian, Fushun, Guangzhou, Haikou, Nanning, Qingdao, and Xiamen. The covered regions span from China’s northwest to its coastal areas, and from developing regions to developed regions.

²³ Law of the People’s Republic of China on Administrative Penalty (NPCSC, passed Mar. 17, 1996, amended for the first time Aug. 27, 2009 and the second time Sep. 1, 2017) (hereinafter LAP).

²⁴ LAP, art. 27 para. 1(1) and para. 2.

²⁵ Some local practices involve waiving penalties in respect of taxes where the revenue has been assigned to local governments. For example, Notice of Fushun City Government on Implementation Measures of Conducting Census on Tax Bases of Property Tax and Urban Land Use Tax (Fuzhengfa [2010]106), art. 4(1). While the Notice was issued to investigate the enforcement and compliance of the two taxes from Jul. 2010 to Dec. 2011, it appears to be still effective.

Another ambiguity arises in the interpretation and application of the term “fine on late payment” under the Law on Mandatory Administrative Procedures (LMAP). According to this law, a “fine on late payment” is one type of mandatory administrative execution.²⁶ Such a fine can be waived if the illegal act is minor or does not cause obvious social harm.²⁷ This is different from the provisions under the LTCA which provide that where a taxpayer fails to pay taxes (or where a withholding agent fails to withhold taxes) within the specified time, the tax authorities shall impose a late payment surcharge on the late tax payment on a daily basis, at the rate of 0.05 percent of the amount of taxes in arrears, from the date the tax payment was due, in addition to the payment of any taxes due.²⁸ The meaning of the term “fine on late payment” under the LMAP seems to overlap with that of the term “fine on late tax payment” used in various places in the LTCA. The provisions under the LTCA seem to prevail on the grounds that special laws take priority over general laws.

Local voluntary disclosure practices vary as to the taxes and the taxpayers to which they apply. These practices frequently focus on the collection of local taxes, especially from profitable industries that operate in the local area.²⁹ Voluntary disclosure schemes are occasionally used by some local governments to facilitate specific economic activity in the region.³⁰ Most local voluntary disclosure practices are largely informal, in the sense that they do not follow specific rules or procedures.³¹ However, several local tax authorities have adopted detailed procedures at the local level.³² In most local tax authorities, which allow voluntary disclosure through informal practices, the tax officers have broad discretion with regard to the appropriate reduction or waiver of penalties.³³ In contrast, several local governments have adopted rules

²⁶ Law on Mandatory Administrative Procedures (NPCSC, passed Jun. 30, 2011, effective Jan. 1, 2012), art. 12(1).

²⁷ *Ibid.*, art. 16 para. 2.

²⁸ LTCA, art. 32. According to tax professionals, the late payment surcharge is usually not waived.

²⁹ Such local taxes frequently include stamp duties, property taxes, and urban land use taxes. For example, Liaoning province, Fushun city, Benxi city, and Xinbin Manchu autonomous county have all issued specific documents about tax self-correction, targeting only property tax and urban land-use tax.

³⁰ For example, in Hubei province, where a small or medium-sized enterprise (SME) prepares to become a listed company, the enterprise will be relieved from the administrative penalty and the overdue fines during the process of self-correction for listing if it pays taxes that are delayed unintentionally. See Hubei Provincial Local Tax Bureau Opinions on Tax Policy for Supporting the Development of Small Companies (Edizhengfa [2013] No. 71), art. 27.

³¹ For example, there are no specific rules for the self-correction practices in the cities of Haikou, Tieling, and Loudi. See Notice of Haikou Local Tax Bureau on Conducting Self-Correction on Stamp Tax ([2016] 7); Notice of Tieling City Government on Forwarding Implementation Measures of City Local Tax Bureau on Census of Property Tax and Urban Land Use Tax Bases ([2015] 55); Notice of Loudi City Government on Conducting Special Inspection of Tax Collection and Administration ([2009] 3).

³² For example, the local rules adopted in Hunan. See Hunan Provincial Local Tax Bureau Public Announcement on Hunan Tax Inspection Office Measures on Management of Self Correction ([2014] 5, issued and effective Feb. 17, 2014).

³³ For example, under the local rules on self-correction procedures in the cities of Fushun, Dalian, and Liupanshui, local tax bureaus have the discretion to decide whether or not to reduce or waive administrative penalties and even fines relating to late tax payments. They also have the discretion to determine administrative penalties within a broad range of 50 percent to five times the amount of tax due. See Notice of Fushun City Government on Forwarding Implementation Measures on Census of Property Tax and Urban Land Use Tax Bases ([2010] 16), Notice of Dalian Office of State Taxation Administration on Implementation Measures on Inspection of Tax Leakage ([2002] 62), and Liupanshui City Government on Forwarding Implementation Measures of Six City Bureaus on Special Tax Inspection on Vehicles Operation Industry in the City ([2005] 104).

that provide criteria for the reduction or waiver of penalties.³⁴ These local voluntary disclosure practices are not temporary measures, as they are not limited in time. Yet, the local authorities can change these practices or terminate them.

B. Customs Voluntary Disclosure Program

Chinese customs authorities have adopted a nationwide voluntary disclosure program. In 2014, China's General Administration of Customs (GAC) launched a pilot voluntary disclosure program in ten customs offices, including Beijing, Shanghai, and Shenzhen. The program aimed to incentivize companies to voluntarily report noncompliance with the applicable customs rules and receive reduced penalties.

The pilot program began to be rolled out across the nation in October 2016 through a major overhaul of the Regulations on Customs Inspection (RCI), the most basic legislation relating to investigations by the customs authorities.³⁵ Article 26, which was added into the revised RCI, provides that enterprises or entities that import or export goods shall be subject to a reduced administrative penalty if they voluntarily disclose to the customs authorities any noncompliance with customs rules and regulations. This amendment offers a legal basis for the customs authorities to provide formal voluntary disclosure procedures.

After enacting this amendment, the GAC introduced a detailed chapter on customs voluntary disclosure procedures in the Implementation Measures of RCI (IMRCI).³⁶ A business entity's voluntary disclosure may be confirmed if the entity has taken the initiative or has voluntarily disclosed to the customs authorities its noncompliance or violation of the customs' regulatory rules, unless such disclosure falls into one of the following exclusions:³⁷ first, cases where the customs authorities had already obtained information about the disclosing entities' noncompliance; second, cases where the customs authorities had notified disclosing entities of an inspection; and third, cases where the disclosed information is substantially incorrect or incomplete.³⁸ An entity filing a timely and complete voluntary disclosure will be subject to reduced or no penalties once the disclosure report has been verified by the customs authorities.³⁹ Another IMRCI provision is that where the noncompliance is minor, has been corrected by the disclosing entity, and no damage has been caused, it should not be subject to

³⁴ For example, local tax authorities in Anshan and Dalian have adopted rules that determine when the tax authority should grant a reduction or waiver of penalty. See Anshan Local Tax Bureau Implementation Measures (Provisional) on Regulating Administrative Discretion on Administrative Penalty (Andishuifa [2011] 37) art. 28, and Dalian State Tax Bureau Standards on Application of Tax Administrative Penalty (Dalian STB Public Notice [2014] 16), art. 43. The Beijing local tax bureau issued a similar document in 2003 to regulate the application of fines for late tax payment in 2003, though the document ceased to be in effect in 2007; see Beijing Local Tax Bureau Measures on Administration of Overdue Fines (Jingdishuizheng, [2003] 536) art. 24.

³⁵ Regulations of the People's Republic of China on Customs Inspection (State Council, revised Jun. 19, 2016, effective Oct. 1, 2016).

³⁶ Implementation Measures of RCI (GAC, Order No. 230, issued Sep. 26, 2016, effective Nov. 1, 2016), ch. 4.

³⁷ Implementation Measures of RCI, art. 25.

³⁸ *Ibid.* It is unclear whether the customs authorities have the discretion to deny a disclosure from the voluntary disclosure program where the disclosure satisfied all requirements and did not fall into the exclusions. Article 26 of RCI stipulates an entity shall be granted a reduction of penalty if it voluntarily discloses noncompliance and accepts handling decisions made by the customs authorities. By contrast, the relevant provision of IMRCI uses the term "may" in respect of confirming an entity's disclosure as "voluntary disclosure."

³⁹ Implementation Measures of RCI, arts. 26, 27.

the administrative penalty.⁴⁰ Finally, IMRCI provides that the customs authorities can reduce or waive fines for overdue taxes at their discretion.⁴¹

Prior to the roll-out of the nationwide customs voluntary disclosure program in October 2016, the rules and practices adopted by selected pilot regions varied.⁴² For example, in Guangzhou, a voluntary disclosure report required participants to submit detailed information about their noncompliance, the reasons for such noncompliance, and details of the steps they would take to prevent noncompliance in the future.⁴³ In contrast, Shanghai's voluntary disclosure procedure was much simpler, requiring only the reporting entity's basic information and details of the violation.⁴⁴ The discrepancy in the local practices was eliminated upon the nationwide implementation of the revised RCI in 2016.⁴⁵

It is unclear whether or not the customs voluntary disclosure program creates a sufficient incentive for noncompliant entities to self-report their noncompliance. According to the rules of the program, an exemption from penalties should only apply in cases of minor noncompliance, i.e., either a missed tax payment (or export tax refund) accounting for less than 10 percent of customs payable or refundable taxes, and the total amount should not exceed 250,000 yuan, or a procedural violation without leading to revenue losses to the government (Song, Xia, & Zheng, 2018). As a result, the incentive to participate is lower where the noncompliance is more serious and the customs underpayment is higher. In addition to the penalties, noncompliant entities may decide against participating in the program because they may incur indirect costs as a result of a reduction in their credit rating and their inclusion in governmental noncompliance lists. These factors may result in a suboptimal incentive to participate in the voluntary disclosure program. There is empirical evidence showing that large companies tend to have a greater motivation to participate in the program (Song et al., 2018).

IV. PROPOSAL FOR VOLUNTARY DISCLOSURE PROCEDURES

We have shown in the previous part that China has already adopted voluntary disclosure practices as part of its tax enforcement apparatus. Although the Chinese authorities could, in theory, outlaw these practices and disallow any reduction in the penalties for taxpayers that voluntarily report past noncompliance, the likelihood of this appears to be remote. As discussed above, the Chinese tax authorities have been increasing enforcement efforts, while reducing or waiving penalties for taxpayers who voluntarily disclose their past noncompliance and pay the required taxes. The fact that the STA and many local tax bureaus have long been implementing voluntary disclosure practices indicates that voluntary disclosure should generally result in lower penalties. The roll-out of the nationwide customs voluntary disclosure program indicates that China is in the process of facilitating more, not fewer, opportunities for voluntary disclosure as part of its efforts to improve law enforcement and tax compliance. The

⁴⁰ Implementation Measures of RCI, art. 27 para. 1.

⁴¹ Implementation Measures of RCI, art. 27 para. 2.

⁴² China currently has 43 customs offices, and each office has subordinate offices. GAC of PRC, *Organization Structure*, <http://www.customs.gov.cn/customs/zsgk93/302254/index.html>.

⁴³ Guangzhou Customs Public Notice on Implementation of Enterprises Voluntary Disclosure [2016] No. 3.

⁴⁴ Shanghai Customs Public Notice on Implementation of Enterprises Self Disciplinary Management in Shanghai Pilot Free Trade Zone [2014] 32.

⁴⁵ GAC also issued rules for specific issues and zones, such as relief of overdue fees, and rules for selected regions, primarily designated free trade zones (FTZ). It is possible that GAC issued specific documents for FTZs because there are many international and domestic businesses engaged in cross-border trade in these FTZs. The procedures in the FTZs are largely similar to the nationwide procedures.

international experience and trends show that this approach is shared by many countries (OECD, 2015, p. 30).

The policy question that this part explores is whether the current voluntary disclosure policy is optimal. We first consider whether China should adopt nationwide voluntary disclosure procedures or whether it should continue the current practices. After concluding that nationwide procedures are likely to be superior to local and largely informal practices, we discuss the design considerations of such procedures.

A. Nationwide Procedures v. Current Practices

China's current tax-related voluntary disclosure practices are largely informal.⁴⁶ At the national level, the STA does not follow a formal voluntary disclosure policy. At the local level, as discussed above, local tax authorities frequently have rules that allow self-reporting of tax noncompliance. However, in many localities, there are no detailed rules on the procedures and penalties.

Formal voluntary disclosure procedures, unlike informal practices, generally follow explicit statutory or regulatory rules on several substantive and procedural issues. A formal scheme will typically provide the parameters for calculating the applicable penalties, taxes, and interest, so that the implications of participating in the scheme will be predictable and certain. A formal scheme will also provide rules on eligibility for the scheme, the procedural requirements, and the prescribed process. Informal practices leave more discretion and flexibility to tax authorities, which could lead to the abuse of power without sufficient legal safeguards and scrutiny of the exercise of the discretion. The OECD (2015) states that a carefully drafted voluntary disclosure program can benefit everyone involved: taxpayers participating in the program, the general population of compliant taxpayers, and the government (p. 7). As discussed below, adopting nationwide formal voluntary disclosure procedures in China could improve the efficiency and the fairness of the Chinese tax system, and promote the rule of law in taxation.

1. Predictable Penalties and Participation Incentives

Under current voluntary disclosure practices, the tax authorities frequently have broad discretion regarding the penalties, which may be assessed on a case-by-case basis. In addition, where there is no formal policy regarding the non-indictment of people who voluntarily disclose their tax noncompliance, participants could be at risk of criminal prosecution. Thus, under the current voluntary disclosure practices, taxpayers cannot predict with certainty the consequences of voluntarily disclosing their noncompliance. In contrast, the applicable penalties under a formal voluntary disclosure scheme are generally more predictable and certain.

As noted above, one of the advantages of a voluntary disclosure scheme is that risk-averse people benefit from paying a certain penalty (Kaplow & Shavell, 1994). Uncertainty regarding the applicable penalties under a voluntary disclosure scheme reduces that benefit. Noncompliant taxpayers, especially risk-averse ones, will have weaker incentives to voluntarily disclose their noncompliance if there is a substantial risk of high penalties.

⁴⁶ This discussion does not refer to the customs voluntary disclosure program but only to the practices relating to taxes administered by tax authorities.

Therefore, it is possible that fewer taxpayers will voluntarily disclose their noncompliance under informal practices if the penalties are uncertain.

2. *Fairness*

Formal voluntary disclosure procedures can enhance the perception of fairness in the tax system.⁴⁷ Under nationwide voluntary disclosure procedures, taxpayers with similar conduct are more likely to be treated similarly. Where various local and largely informal procedures are implemented, and tax officers have broad discretion regarding the penalties and the process, there is a higher likelihood that taxpayers with similar conduct will be treated differently. This variation should be lower where the penalties and the process follow nationwide procedures.

In addition, voluntary disclosure procedures should not create an unfair advantage for noncompliant taxpayers who participate in the voluntary disclosure scheme over compliant taxpayers. Under varying local and largely informal voluntary disclosure practices, there is a risk that some tax officers might grant excessively favorable treatment to tax evaders who voluntarily disclose their tax evasion. This concern can be addressed by the STA adopting uniform nationwide procedures.

3. *Administrative and Compliance Costs*

The government's costs of administering, and the taxpayers' costs of participating in, a nationwide scheme would likely be lower than the costs of the current practices. With nationwide voluntary disclosure procedures, noncompliant taxpayers who wish to voluntarily disclose their noncompliance will likely need to engage tax advisers (such as tax lawyers and accountants), who will prepare the required tax returns, forms, and documents. The reporting requirements can address common problems encountered by voluntary disclosure filers.⁴⁸ Where the requirements are clear, and common problems are addressed, the cost of filing a voluntary disclosure (exclusive of the cost of the applicable penalties and taxes) should be relatively low. The cost of filing a voluntary disclosure might be higher where there are no formal and uniform procedures. Where the practices vary across tax authorities, the cost of services provided by tax advisers could be higher because tax advisers need to invest more time in learning the applicable requirements, and communicating and negotiating with the relevant tax officers.⁴⁹

The cost of administering nationwide procedures could be lower than the cost of administering local and largely informal practices. The cost of implementing well-designed rules that require little or no discretion is likely to be lower than the cost of implementing practices under which tax officers have broad discretion to make decisions on a case-by-case basis. In addition, tax officers incur additional costs when they need to communicate their requirements to the taxpayers and their representatives, and to negotiate with them.

⁴⁷ For further discussion about tax fairness and horizontal equity, see Galle (2008) and the literature reviewed in that article.

⁴⁸ For example, the U.S. OVDP offered a simplified computation method for passive foreign investment companies because many participants did not have the historical data required for the tax filings under the general rules. This solution reduced the compliance costs without materially changing the taxes due (Noked, 2018c).

⁴⁹ This argument is similar to the comparison of rules and standards in the law and economics literature (Kaplow, 1992). If each local bureau or each officer needs to develop their own rules, then the cost would be higher than implementing centrally designed rules.

4. Coordination with Non-Tax Regulators

More costs may be saved by adopting nationwide procedures that facilitate coordination with non-tax regulators. Some taxpayers who have not reported their offshore assets and income may also have violated China's currency exchange control rules. Nationwide voluntary disclosure rules can provide a way for taxpayers to correct their affairs with the tax authorities and other regulators at the same time. As discussed below, countries with currency exchange control regimes typically address the exchange control issues as part of their voluntary disclosure schemes. It would be harder to facilitate such coordination under local and largely informal practices.

5. Compliance Incentives and Stricter Tax Enforcement

Where the expected penalties under formal procedures and informal practices are similar, the *ex-ante* incentive for taxpayers to engage in tax evasion should generally be similar. To the extent that compliance is affected by taxpayers' notions of the tax system's fairness, formal procedures have the potential to increase the general compliance because they are fairer, as discussed above, in Section IV. A. 2 ("Fairness"). In addition, well-designed formal procedures could result in more tax evaders becoming compliant, as discussed above, in Section IV.A.1 ("Predictable Penalties and Participation Incentives"). Therefore, adopting formal voluntary disclosure procedures instead of informal practices may increase long-term compliance.

Importantly, China is transitioning into a stricter tax enforcement regime, especially with respect to offshore financial assets. As from late 2018, China has received, on an annual basis, information about Chinese tax residents who hold offshore financial assets in financial institutions in dozens of countries. As of February 2020, China has been conducting AEOI with 69 jurisdictions, and this number will increase in the future.⁵⁰ AEOI will likely expose noncompliance by some Chinese tax residents who have not reported income from these offshore financial assets in their tax filings in China. Introducing formal nationwide voluntary disclosure procedures with enhanced information transparency could incentivize noncompliant taxpayers to become compliant before the government spends resources on investigations.

In addition to implementing AEOI, the Chinese tax authorities are increasing their efforts to curb onshore individual tax evasion. China's IIT reform, which took effect on 1 January 2019, aims to tackle inequality by reducing the tax burden on low and middle-income earners, and taking a tougher stance on high-income earners and foreign workers (Wong, 2018; Zhou et al., 2018). Several commentators note that the enforcement efforts targeting wealthy Chinese tax residents may see a significant increase in the next few years (Zhou et al., 2018). They also note that the merger of state tax bureaus and local tax bureaus in 2018 is also likely to strengthen IIT enforcement, particularly vis-à-vis wealthy Chinese residents (Zhou et al., 2018).⁵¹ One reason for this improvement in enforcement is the STA's increased ability to collect information from various provinces and sources (Li & Krever, 2018).

Moreover, the rapid advancement in information systems for tax administration, and the enhanced collaboration and cooperation with other government agencies that have taken place

⁵⁰ For China's AEOI relationships, see "Activated Exchange Relationships for CRS Information" (2020) on the OECD website: <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/>

⁵¹ Until the reform in 2018, local tax bureaus were responsible for the collection of IIT. After the reform, the unified tax administration is responsible for the implementation of IIT (Li & Krever, 2018).

in recent years have played a role in improving tax law enforcement.⁵² These reforms and developments indicate that China is transitioning into a regime of stricter enforcement of tax laws.

Some analysts contend that voluntary disclosure may be desirable where there is a transition into stricter compliance (Alm et al., 1990; Fisher et al., 1989). Amnesties facilitate a fairer transition to a tougher enforcement regime (Leonard & Zeckhauser, 1987), and an amnesty that comes unexpectedly may accelerate the transition to such a regime (Macho-Stadler, Olivella & Pérez-Castrillo, 1999). Increasing enforcement efforts is likely to lead to more formal and informal voluntary disclosures.⁵³

In light of China's transition into a stricter tax enforcement regime, adopting nationwide voluntary disclosure procedures would be timely and advantageous. There could be substantial cost savings if China were to adopt nationwide procedures. Tax authorities' resources are frequently scarce. Adopting such procedures at the national level can achieve cost-efficiency in the transition to a better tax enforcement regime. Such procedures could enhance transparency, consistency, and certainty. Finally, when there is a transition into a stricter enforcement regime, offering a scheme that provides penalty relief incentives for participants is less likely to erode long-term tax compliance (Alm et al., 1990; Fisher et al., 1989; Macho-Stadler et al., 1999), and could be perceived as fair (Leonard & Zeckhauser, 1987).

B. Design Considerations

The question of how to design voluntary disclosure procedures involves several policy decisions. The discussion below elaborates on several key issues that policymakers in China should consider.

1. Covered Taxes and Offenses

Voluntary disclosure schemes are generally available for taxpayers who have committed tax evasion or related offenses. In countries with currency exchange control, schemes may provide relief for currency exchange control violations.⁵⁴ Voluntary disclosure schemes do not typically provide relief for offenses unrelated to the tax noncompliance. In general, if a taxpayer has earned taxable income through illegal activities, such as drug trafficking, and this income has not been reported, he or she might be able to report the income through a voluntary disclosure scheme, avoiding prosecution and harsh penalties for the tax offenses. However, the taxpayer

⁵² As noted by several tax commentators, China's tax authorities have become more equipped to supervise and detect taxpayers' non-compliance with the assistance of the latest big data technologies to perform data analysis (Zhou et al., 2018). For a recent review of China's tax development and the use of internet and information technology in taxation, see STA, State Taxation Administration Annual Report 2018, available at <http://www.chinatax.gov.cn/download/pdf/swnb2018en.pdf>, at 80-89. China's active participation in the OECD-led information exchange programs has also helped tax authorities to obtain necessary information about taxpayers' financial situations overseas to improve tax law enforcement. See STA Annual Report 2018, at 90-106.

⁵³ Johannesen et al. (2018), estimated the compliance responses to the U.S. enforcement efforts starting in 2008. They documented a sharp increase in self-reporting of offshore accounts that coincided with the enhanced enforcement efforts (Johannesen et al., 2018). Some of the self-reporting of offshore accounts was through the formal voluntary disclosure program (OVDP), although the majority of people who self-reported filed "quiet disclosures" outside the OVDP. For taxpayers participating in the OVDP and filing quiet disclosures, there was a substantial increase in the reported taxable capital income after the disclosure.

⁵⁴ See the discussion *infra* on currency exchange control issues.

may be charged for the non-tax offenses he or she has committed. Some countries' voluntary disclosure schemes do not apply to taxpayers with illegal sources of income.⁵⁵

It is important to determine the taxes and offenses that would be covered under the voluntary disclosure scheme. One approach would be to specify that the scheme will cover specific taxes and laws (e.g., income tax, value-added tax, customs duty, and currency exchange control violations). Alternatively, it is possible to adopt a broader approach in which the participants who satisfy the requirements of the scheme will not be subject to any criminal liability for any offense committed in connection with the reported conduct except certain serious crimes.

Immunity from criminal charges can also be provided to parties related to the participants who may have been involved in related offenses. For example, a voluntary disclosure scheme in Argentina exempted from criminal liability not only the participants, but also other parties that may have been involved in related offenses, including managers and auditors (Michaels et al., 2015). This approach increases the incentive to participate in the voluntary disclosure scheme. If a director or another party who might have been involved in the noncompliance is not released from liability, that party might use its influence over the noncompliant taxpayer so as to not participate in the voluntary disclosure program.

2. Eligibility

Who should be eligible to participate in a voluntary disclosure scheme? Some countries' schemes require that the taxpayer is not currently under an audit or investigation. For example, in the United States, a taxpayer is generally not eligible to participate in a voluntary disclosure program if he is under investigation, regardless of whether he knows about the investigation.⁵⁶ As taxpayers might be under investigation without their knowledge, they can ask for pre-clearance to confirm that they are eligible for the voluntary disclosure program.⁵⁷ Similarly, entities under investigation cannot participate in China's customs voluntary disclosure program. South Africa's voluntary disclosure program disqualifies taxpayers who were given notice of an audit or investigation, although exceptions can be made if the tax authority believes the reported noncompliance would not have been detected through the audit or the investigation.⁵⁸ Other countries have adopted more lenient approaches to eligibility. For example, Sri Lanka's past tax amnesties allowed taxpayers under investigation or prosecution to participate.⁵⁹ The economic literature suggests that a voluntary disclosure scheme with reduced penalties may be optimal not only before criminals are detected, but also where criminals are detected but not yet convicted (Feess & Walzl, 2005). As China's customs voluntary disclosure program excludes entities that are already under investigation, it is likely that tax voluntary disclosure procedures in China will adopt a similar approach. The current practices of the Chinese tax authorities appear to be consistent with this position.

⁵⁵ For example, see the U.S. Voluntary Disclosure Practice; U.S. IRM section 9.5.11.9(2)

⁵⁶ U.S. IRM section 9.5.11.9(4). This was also a requirement under the U.S. OVDP.

⁵⁷ For more information about the pre-clearance process, see Noked (2018c). A U.S.-style approach might deter taxpayers from voluntarily disclosing their unreported income and assets. This is because the tax authority might have some information about the taxpayer, such as information obtained through AEOI, but it has not yet launched a meaningful investigation against the taxpayer. Depending on the tax authority's definition of "investigation," there is a risk that such a taxpayer might be disqualified from participating in the voluntary disclosure scheme. If such a taxpayer files a pre-clearance request, this might increase the likelihood of him being investigated and prosecuted. As a result, tax evaders might decide to avoid this risk by not participating in the voluntary disclosure scheme.

⁵⁸ South Africa Revenue Service (n.d.) at 4.

⁵⁹ Sri Lanka, Inland Revenue (Special Provisions) Act (No. 10 of 2003) sec. 4.

China will also need to consider whether both entities and individuals should be allowed to participate in the schemes. Some countries, such as France and Austria, had special programs that allowed only natural persons to participate (OECD, 2015, pp. 41, 60). In cases where entities are closely held, there may be little practical importance to such limitations. China's current practices have primarily focused on entities. However, it is possible that the improvement of individual income tax enforcement would result in a stronger incentive for individuals to correct their tax affairs.⁶⁰

In order to deter voluntary disclosure filers from future noncompliance, it is possible to allow taxpayers to participate in a voluntary disclosure scheme only once. Alternatively, it is possible to allow repeat tax evaders to voluntarily disclose their noncompliance more than once, but impose harsher penalties on recurring noncompliance.⁶¹

3. Penalties, Taxes, and Interest

a. Penalties

Most countries that offer voluntary disclosure schemes generally do not impose criminal charges on eligible participants that comply with the terms of the schemes (OECD, 2015; Michaels et al., 2015). Although China's current practices do not explicitly address this issue, it appears that noncompliant taxpayers who make timely and complete voluntary disclosures on their own initiative are not charged with tax crimes. If the government intends to provide a waiver of criminal penalties for filers of timely and complete voluntary disclosures, this should be made clear in the formal procedures. This would benefit risk-averse people and create a stronger incentive for voluntary disclosure (Noked, 2018c).

Countries often reduce or waive civil penalties for voluntary disclosure filers (OECD, 2015). As noted above, the penalties should be equal (or slightly less than) the penalties that would apply if the taxpayer were caught, multiplied by the probability of the taxpayer being caught (Kaplow & Shavell, 1994). In reality, setting the penalties at their optimal level is challenging because taxpayers' probabilities of getting caught and the expected penalties vary. As it is impractical to calculate the optimal penalty for each taxpayer, it is possible to group together taxpayers with similar characteristics (Noked, 2018c). The United States tries to follow this approach by treating taxpayers who willfully evade tax and non-willful noncompliant taxpayers differently. Although it is justified to impose stricter penalties on taxpayers with a higher level of culpability, it is more costly to administer multiple schemes for multiple groups of voluntary disclosure filers, and there is a risk that tax evaders with high levels of culpability would falsely argue that they meet the criteria that qualify them for a more lenient penalty regime.⁶²

As noted above, Chinese tax authorities have already been reducing or waiving penalties for taxpayers who voluntarily reported their past noncompliance and settled their unpaid taxes. Adopting a predictable and certain penalty policy would encourage taxpayers to disclose their noncompliance voluntarily. It would also promote fairness and transparency because participants with similar conduct would be subject to the same penalty regime. However, to mitigate the potential unfairness between taxpayers with higher and lower levels of culpability,

⁶⁰ The broad term "parties", under Article 27 of AML for eligibility of penalty relief, can be interpreted to include individuals.

⁶¹ There should be some reduction in penalties to create an incentive to participate in the scheme.

⁶² In the United States' experience, there was a concern that willful tax evaders certified that they were non-willful in order to receive lower penalties (Oei, 2018).

the voluntary disclosure procedures can provide that the applicable penalties may deviate from the standard penalty policy in certain limited circumstances, subject to case-by-case approval by the STA.

b. Taxes

General voluntary disclosure schemes usually require the payment of the full tax due with respect to a period of noncompliance (OECD, 2015, p. 30). Some countries adopt certain simplified calculation methods for calculating the tax owed in past years.⁶³ This simplification can be designed so that it does not reduce the amount of tax due. Some countries' temporary tax amnesties relieve, in whole or in part, taxpayers from paying their unpaid taxes (OECD, 2015, p. 30). International Monetary Fund researchers recommended that tax amnesties should not reduce the amount of tax owed (Baer & Le Borgne, 2008). Reducing tax evaders' tax liability may be perceived as being unfair to taxpayers who have been compliant and may erode long-term compliance. However, some analysts argue that reducing the tax liability may accelerate the transition to a regime of stricter enforcement (Macho-Stadler et al., 1999). Therefore, permanent voluntary disclosure procedures should require full payment of the unpaid taxes for previous years. Reduction of the tax liability may be considered on a limited basis where stricter tax enforcement is expected.

Currently, China's voluntary disclosure practices and government rules do not grant any reduction of the tax liability for voluntary disclosure filers. We expect that the payment of the unpaid tax would be required if China were to adopt formal voluntary disclosure procedures. The procedures should explicitly require the payment of the unpaid tax for a specified number of previous years in order to enhance certainty and incentives for taxpayers to participate.⁶⁴

c. Interest

The approach with respect to interest charges depends on whether the interest is punitive or whether it reflects the time value of money. Reducing or waiving punitive interest charges should be considered a reduction of penalties. Where interest is not charged at all under the terms of a voluntary disclosure scheme, the benefit for the participants goes beyond waiving penalties because they receive the time value of money from deferring the payment of their unpaid taxes. Thus, a permanent voluntary disclosure scheme that only reduces penalties should impose interest charges to account for the time value of money (Baer & Le Borgne, 2008). Following this approach, the STA should consider adjusting the late payment surcharge so that it would account for the time value of money without punitive charges for voluntary disclosure filers.

4. What Information Must be Disclosed

The details of the disclosure requirements should be based on the features of the voluntary disclosure scheme. Many countries require the filing of amended tax returns for a specified number of previous years. In addition, some countries prescribe certain forms or require additional certifications and information from participants in voluntary disclosure schemes. If

⁶³ For example, a scheme in the United Kingdom offered a simplified method of calculating the taxes due (Michaels et al., 2015). The U.S. OVDP offered a simplified computation method for passive foreign investment companies (Noked, 2018c).

⁶⁴ For example, the United States requires the filing of tax returns for the past six years. See Updated Voluntary Disclosure Practice (2018).

there are eligibility requirements, the voluntary disclosure filers should provide information and documents to support the claim that they meet these requirements.⁶⁵

The OECD (2015) notes that governments can use the information obtained from voluntary disclosure filers for intelligence gathering in order to gain a better understanding of tax evasion practices and weaknesses in the tax enforcement system (p. 15). Governments can also use this information to identify financial institutions, advisers, and other intermediaries who have helped to facilitate tax evasion.⁶⁶

5. The Permanent Nature of the Procedures

Voluntary disclosure in exchange for a reduced penalty, as suggested in the law and economics literature, should be a permanent part of the law enforcement system (Kaplow & Shavell, 1994). Thus, the voluntary disclosure procedures envisaged in this article should be offered on a permanent basis, so that taxpayers will always be able to voluntarily disclose their noncompliance and receive reduced, predictable penalties. The STA can be authorized by law to change the procedures from time to time. This should be in line with China's LAP on penalty reduction and waiver in general.

6. Foreign Exchange Issues

It is important to consider the coordination between tax and currency exchange control policies. In general, the same conduct of holding unreported offshore assets may violate both tax laws and foreign exchange control laws. Currently, where Chinese taxpayers' conduct involves noncompliance with tax laws and currency exchange laws, they cannot correct their affairs with the relevant tax bureau and the relevant currency exchange control office on a coordinated basis—they need to approach each authority separately.

Several countries that have currency exchange restrictions addressed currency exchange control issues through their voluntary disclosure schemes.⁶⁷ The Chinese government may consider providing a similar mechanism for coordination between the tax authorities and SAFE. This could address noncompliance that involves both tax and currency exchange rules through one process, and reduce the overall administration and compliance costs.

Importantly, uncoordinated penalty policies may disincentivize taxpayers from voluntarily disclosing their noncompliance. If a taxpayer voluntarily discloses that he or she holds offshore assets, this information might be shared with SAFE. Even if there are reduced penalties or no penalties for the tax violations, taxpayers may decide not to voluntarily disclose if they believe that SAFE might impose high penalties based on foreign currency control rules. Therefore,

⁶⁵ For example, under the U.S. Streamlined Procedures for taxpayers whose failure to report offshore financial assets and income was non-willful, filers should certify, under penalty of perjury, that their noncompliance “did not result from willful conduct on their part.” See “Streamlined Filing Compliance Procedures” (2020).

⁶⁶ For example, the U.S. OVDP required disclosing details of the financial institutions that handled unreported offshore accounts, details of people who advised or assisted the participant in opening the offshore accounts, and information on representatives of foreign financial institutions that advised the participant to hold funds offshore or not to report them in the United States. See IRS Form 14454.

⁶⁷ For example, South Africa, Argentina, and Sri Lanka offered schemes that addressed both tax and currency exchange control noncompliance. See Rosso Alba (2016) regarding Argentina; “Voluntary Disclosure Programme (VDP)” (2018), (regarding South Africa's Special Voluntary Disclosure Programme); Sri Lanka, Tax and Foreign Exchange Amnesty Act (No. 4 of 1997); Sri Lanka, Tax and Foreign Exchange Amnesty Act (No. 47 of 1998); Sri Lanka, Inland Revenue (Special Provisions) Act (No. 10 of 2003).

adopting a coordinated, predictable, and certain penalty policy that addresses both the tax and currency exchange issues could incentivize taxpayers to disclose their noncompliance voluntarily.

The design of the voluntary disclosure procedures can address concerns about tax privacy.⁶⁸ For example, the voluntary disclosure procedures can provide that a person who files a voluntary disclosure with the tax authorities could choose that his or her information would also be shared with SAFE, and that both tax and currency exchange noncompliance issues would be addressed through one process.⁶⁹

Policymakers can further consider whether the repatriation of offshore funds back to China should be required, and whether taxpayers' choice to repatriate funds should affect their tax liability and penalties.⁷⁰

V. CONCLUSION

The OECD (2015) stated that “[f]or countries that have not yet done so, it would seem timely to consider introducing a voluntary disclosure programme and how it might be designed” (p. 14). Following the OECD recommendation, this article considers how China should design its voluntary disclosure policy. It identifies the advantages of adopting nationwide voluntary disclosure procedures to replace the current voluntary disclosure practices. It also explores the design considerations of such procedures. Adopting nationwide voluntary disclosure procedures would be timely and appropriate as China is modernizing its tax laws and strengthening its tax enforcement.

REFERENCES

- Activated Exchange Relationships for CRS Information. (2020, February 20). Retrieved from <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/>
- Aguayo-Garza, G., & López-Domínguez, J. I. (2017). *Mexico 2017 Repatriation Tax Amnesty*. Mexico City, Mexico: White & Case, SC. Retrieved from <https://www.whitecase.com/sites/whitecase/files/files/download/publications/mexico-2017-repatriation-tax-amnesty.pdf>
- Alm, J. (2012). Measuring, explaining, and controlling tax evasion: Lessons from theory, experiments, and field studies. *International Tax and Public Finance*, 19, 54-77. <https://doi.org/10.1007/s10797-011-9171-2>
- Alm, J., & Beck W. (1990). Tax amnesties and tax revenues. *Public Finance Review*, 18(4), 433-453. <https://doi.org/10.1177/109114219001800404>

⁶⁸ For a discussion on the benefits and costs of tax privacy and the extensive literature on this topic, see Blank (2011). This debate is outside the scope of this article.

⁶⁹ The discussion about tax privacy assumes that there is little or no information leakage and informal information sharing in the absence of formal information-sharing mechanisms. This discussion has little importance if tax privacy is not protected, even if there are no formal information-sharing mechanisms.

⁷⁰ For example, the Indonesian tax amnesty imposed lower tax rates where the taxpayers repatriated the relevant offshore funds (“Tax Amnesty Program Indonesia”, 2017). Another example is a Mexican tax amnesty which required the repatriation of all the unreported offshore funds (Aguayo-Garza & López-Domínguez, 2017).

- Alm, J., & Beck, W. (1991). Wiping the slate clean: Individual response to state tax amnesties. *Southern Economic Journal*, 57(4), 1043-1053. <https://doi.org/10.2307/1060332>
- Alm, J., & Beck W. (1993). Tax amnesties and compliance in the long run: A time series analysis. *National Tax Journal*, 46(1), 53-60. <https://www.jstor.org/stable/41788996>
- Alm, J., Martinez-Vazquez, J., & Wallace, S. (2009). Do tax amnesties work? The revenue effects of tax amnesties during the transition in the Russian Federation. *Economic Analysis and Policy*, 39(2), 235-253. [https://doi.org/10.1016/S0313-5926\(09\)50019-7](https://doi.org/10.1016/S0313-5926(09)50019-7)
- Alm, J., McKee, M., & Beck, W. (1990). Amazing grace: Tax amnesties and compliance. *National Tax Journal*, 43(1), 23-37. <https://www.jstor.org/stable/41788822>
- Alstadsæter, A., Johannesen, N., & Zucman, G. (2017). *Tax evasion and inequality* (National Bureau of Economic Research [NBER] Working Paper 23772). Cambridge, MA: NBER Retrieved from <https://www.nber.org/papers/w23772.pdf>
- Andreoni, J. (1991). The desirability of a permanent tax amnesty. *Journal of Public Economics*, 45(2), 143-159. [https://doi.org/10.1016/0047-2727\(91\)90037-3](https://doi.org/10.1016/0047-2727(91)90037-3)
- Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax compliance. *Journal of Economic Literature*, 36(2), 818-860. <https://www.jstor.org/stable/2565123>
- Baer, K., & Le Borgne, E. (2008). *Tax amnesties: Theory, trends, and some alternatives*. Washington, D.C.: International Monetary Fund.
- Blank, J. D. (2011). In defense of individual tax privacy. *Emory Law Journal*, 61(2), 265-348. Retrieved from <http://law.emory.edu/elj/ documents/volumes/61/2/articles/blank.pdf>
- Boise, C. M. (2007). Breaking open offshore piggybanks: Deferral and the utility of amnesty. *George Mason Law Review*, 14(3), 667-723. Retrieved from http://www.georgemasonlawreview.org/wp-content/uploads/2014/03/14-3_Boise.pdf
- Castro, E., & Scartascini, C. (2017). *Pre-analysis plan: Making people pay their debts: The role of salience, information, and computational costs in a tax amnesty*. Retrieved from <https://www.socialscicenter.org/versions/19614/docs/version/document>
- Chen, A. H-Y. (2019). *An introduction to the Chinese legal system* (5th ed.). Hong Kong: LexisNexis.
- Feess, E., & Walzl, M. (2005). Optimal self-reporting schemes with multiple stages and option values. *International Tax and Public Finance*, 12(3), 265-279. <https://doi.org/10.1007/s10797-005-0495-7>
- Fisher, R. C., Goddeeris, J. H., & Young, J. C. (1989). Participation in tax amnesties: The individual income tax. *National Tax Journal*, 42(1), 15-27. <https://www.jstor.org/stable/41788770>
- Galle, B. (2008). Tax fairness. *Washington and Lee Law Review*, 65(4), 1323-1379. <https://scholarlycommons.law.wlu.edu/wlulr/vol65/iss4/3>
- Gerlach, H. (2013). Self-reporting, investigation, and evidentiary standards. *Journal of Law and Economics*, 56(4), 1061-1090. <https://doi.org/10.1086/674098>
- Innes, R. (1999a). Remediation and self-reporting in optimal law enforcement. *Journal of Public Economics*, 72(3), 379-393. [https://doi.org/10.1016/S0047-2727\(98\)00101-7](https://doi.org/10.1016/S0047-2727(98)00101-7)

- Innes, R. (1999b). Self-policing and optimal law enforcement when violator remediation is valuable. *Journal of Political Economy*, 107(6), 1305-1325.
<https://doi.org/10.1086/250098>
- Innes, R. (2001). Violator avoidance activities and self-reporting in optimal law enforcement. *The Journal of Law, Economics, and Organization*, 17(1), 239-256.
<https://doi.org/10.1093/jleo/17.1.239>
- Innes, R. (2017). Lie aversion and self-reporting in optimal law enforcement. *Journal of Regulatory Economics*, 52(2), 107-131. <https://doi.org/10.1007/s11149-017-9329-7>
- Johannesen, N., Langetieg, P., Reck, D., Risch, M., & Slemrod, J. (2018). *Taxing hidden wealth: The consequences of U.S. enforcement initiatives on evasive foreign accounts* (National Bureau of Economic Research [NBER] Working Paper 24366). Cambridge, MA: NBER. Retrieved from <https://www.nber.org/papers/w24366.pdf>
- Kaplow, L. (1992). Rules versus standards: An economic analysis. *Duke Law Journal*, 42(3), 557-629. Retrieved from: <https://scholarship.law.duke.edu/dlj/vol42/iss3/2>
- Kaplow, L., & Shavell, S. (1994). Optimal law enforcement with self-reporting of behavior. *Journal of Political Economy*, 102(3), 583-606. <https://doi.org/10.1086/261947>
- Langenmayr, D. (2017). Voluntary disclosure of evaded taxes - Increasing revenue, or increasing incentives to evade? *Journal of Public Economics*, 151, 110-125.
<https://doi.org/10.1016/j.jpubeco.2015.08.007>
- Lederman, L. (2012). The use of voluntary disclosure initiatives in the battle Against offshore tax evasion. *Villanova Law Review*, 57(3), 499-528. Retrieved from <https://digitalcommons.law.villanova.edu/vlr/vol57/iss3/5>
- Leonard, H. B., & Zeckhauser, R. J. (1987). Amnesty, enforcement, and tax policy. *Tax Policy and the Economy*, 1, 55-85. <https://doi.org/10.1086/tpe.1.20061763>
- Li, N., & Krever, R. (2018). 24 years later - China finally centralizes its tax administration. *Tax Notes International*, 90(5), 539-544.
- Livernois, J., & McKenna, C. J. (1999). Truth or consequences: Enforcing pollution standards with self-reporting. *Journal of Public Economics*, 71(3), 415-440.
[https://doi.org/10.1016/S0047-2727\(98\)00082-6](https://doi.org/10.1016/S0047-2727(98)00082-6)
- López-Laborda, J., & Rodrigo, F. (2003). Tax amnesties and income tax compliance: The case of Spain. *Fiscal Studies*, 24(1), 73-96. <https://doi.org/10.1111/j.1475-5890.2003.tb00077.x>
- Luitel, H. S., & Sobel, R. S. (2007). The revenue impact of repeated tax amnesties. *Public Budgeting & Finance*, 27(3), 19 -38. <https://doi.org/10.1111/j.1540-5850.2007.00881.x>
- Luo, C. (2018, October 4). Pay off taxes or else, film companies and celebrities warned. *The Standard*. Retrieved from <http://www.thestandard.com.hk/section-news.php?id=200779&sid=11>
- Macho-Stadler, I., Olivella, P., & Pérez-Castrillo, D. (1999). Tax amnesties in a dynamic model of tax evasion. *Journal of Public Economic Theory*, 1(4), 439-463.
<https://doi.org/10.1111/1097-3923.00020>
- Malik, A. S. (1993). Self-reporting and the design of policies for regulating stochastic pollution. *Journal of Environmental Economics and Management*, 24(3), 241-257.
<https://doi.org/10.1006/jeem.1993.1016>

- Malik, A. S., & Schwab, R. M. (1991). The economics of tax amnesties. *Journal of Public Economics*, 46(1), 29-49. [https://doi.org/10.1016/0047-2727\(91\)90063-8](https://doi.org/10.1016/0047-2727(91)90063-8)
- Marceau, N., & Mongrain, S. (2000). Amnesties and co-operation. *International Tax and Public Finance*, 7(3), 259-273. <https://doi.org/10.1023/A:1008701612720>
- Michaels M. J., Beck S. P., & Jarrett, S. A. (2015). *The voluntary disclosure handbook* (10th ed.) (n.p.): Baker & McKenzie.
- Mikesell, J. L., & Ross, J. M. (2012). Fast money? The contribution of state tax amnesties to public revenue systems. *National Tax Journal*, 65(3), 529-562. <http://dx.doi.org/10.17310/ntj.2012.3.02>
- Noked, N. (2018a). FATCA, CRS, and the wrong choice of who to regulate. *Florida Tax Review*, 22(1), 77-119. <http://dx.doi.org/10.5744/ptr.2018.1016>
- Noked, N. (2018b). Tax evasion and incomplete tax transparency. *Laws*, 7(3), 31, 1-15. <https://doi.org/10.3390/laws7030031>
- Noked, N. (2018c). The future of voluntary disclosure. *Tax Notes*, 160(6), 783-792.
- Oei, S.-Y. (2018). The offshore tax enforcement dragnet. *Emory Law Journal*, 67(4), 655-733. Retrieved from <http://law.emory.edu/elj/content/volume-67/issue-4/article/offshore-tax-enforcement-dragnet.html>
- Organisation for Economic Co-operation and Development: Centre for Tax Policy and Administration. (2009). *A framework for successful offshore voluntary compliance programmes*. Paris, France: OECD Publishing. Retrieved from <http://www.oecd.org/ctp/exchange-of-tax-information/44893002.pdf>
- Organisation for Economic Co-operation and Development. (2015). *Update on voluntary disclosure programs: A pathway to tax compliance*. Paris, France: OECD Publishing. Retrieved from <http://www.oecd.org/ctp/exchange-of-tax-information/Voluntary-Disclosure-Programmes-2015.pdf>
- Organization Structure (n.d.). Retrieved from <http://www.customs.gov.cn/customs/zsgk93/302254/index.html>
- Rosso Alba, C. E. (2016). News Analysis: OECD, U.S. Policies put Argentine amnesty on fast track. *Tax Analysts*. Retrieved from <http://www.rafyalaw.com/articulos/93496999.pdf>
- Song, Y., Xia T., & Zheng, L. (2018). Research on China customs voluntary disclosure schemes for enterprises. *China Business Review*, 5, 92-97 (in Chinese).
- South African Revenue Service. (n.d.). *External guide: Voluntary disclosure programme* (revision 4). Pretoria, South Africa: South African Revenue Service. Retrieved from <https://www.sars.gov.za/AllDocs/OpsDocs/Guides/GEN-VDP-02-G01%20-%20Voluntary%20Disclosure%20Programme%20-%20External%20Guide.pdf>
- State Taxation Administration, People's Republic of China. (2019). *State taxation administration annual report 2018*. China: State Tax Administration. Retrieved from <http://www.chinatax.gov.cn/download/pdf/swnb2018en.pdf>

- Stella, P. (1991). An economic analysis of tax amnesties. *Journal of Public Economics*, 46(3), 383-400. [https://doi.org/10.1016/0047-2727\(91\)90013-R](https://doi.org/10.1016/0047-2727(91)90013-R)
- Streamlined filing compliance procedures. (2020, January 21). Retrieved from <https://www.irs.gov/individuals/international-taxpayers/streamlined-filing-compliance-procedures>
- Tax amnesty program Indonesia. (2017, March 27). *Indonesia Investments*. Retrieved from <https://www.indonesia-investments.com/finance/tax-system/tax-amnesty-program/item7124>
- Torgler, B., Schaltegger, C. A., & Schaffner, M. (2003). Is forgiveness divine? A cross-culture comparison of tax amnesties. *Swiss Journal of Economics and Statistics*, 139(3), 375-396. Retrieved from <http://www.sjes.ch/papers/2003-III-7.pdf>
- Uchitelle, E. (1989). The effectiveness of tax amnesty programs in selected countries. *Federal Reserve Bank of New York Quarterly Review*, 14(3, autumn), 48-53. Retrieved from https://www.newyorkfed.org/medialibrary/media/research/quarterly_review/1989v14/v14n3article5.pdf
- Updated Voluntary Disclosure Practice (2018, November 20). *Memorandum for Division Commissioners Chief: Updated Voluntary Disclosure Practice*. Washington D.C.: Department of the Treasury, Internal Revenue Service. Retrieved from <https://www.irs.gov/pub/foia/ig/spder/lbi-09-1118-014.pdf>
- Voluntary Disclosure Programme (VDP). (2018, June 1). Retrieved from <https://www.sars.gov.za/Legal/VDP/Pages/default.aspx>
- Wong, D. (2018, September 5). China's new IIT law: Prepare for transition. *China Briefing*. Retrieved from <https://www.china-briefing.com/news/chinas-new-iit-law-prepare-transition>
- Zou, M. (2018, October 9). Fan Bingbing's fall from grace turns the spotlight on the far-reaching yin-yang economy in China. *South China Morning Post*. Retrieved from <https://www.scmp.com/comment/insight-opinion/united-states/article/2167508/fan-bingbings-fall-grace-turns-spotlight-far>
- Zhou, M., Jiang J., Sarelius, M., & Zhang, S. (2018, December 10). One giant step forward in Chinese IT reform. *International Tax Review*. Retrieved from <https://www.internationaltaxreview.com/Article/3848511/One-giant-step-forward-in-Chinese-IIT-reform.html?ArticleId=3848511>

REVIEW OF RECENT LITERATURE

Various Contributors¹

A selection of recently published papers is reviewed below. The aim is to bring together tax administration-related papers from the diverse range of outlets in which they are published. The review is necessarily selective, and the Journal welcomes suggestions for inclusion of papers in subsequent reviews.

USE OF ADMINISTRATIVE DATA

Boonzaaier, W., Harju, J., Matikka, T., & Pirttilä, J. (2019). How do small firms respond to tax schedule discontinuities? Evidence from South African tax registers. *International Tax and Public Finance*, 26(5), 1104-1136.

This article investigates the causal effect of a small business corporate income tax schedule on small and medium-sized firms' behaviour, by exploiting South Africa Revenue Service administrative data. The authors base their analysis on bunching using discontinuous changes observed in the corporate income tax schedule in order to estimate the distortions induced by the tax system. Their results, which are related to that of previous literature, reveal that small firms were highly responsive to corporate income tax schedule discontinuities. The authors argue that a notable share of the firms' responses could have been induced by reporting effects rather than by real economic changes in business activity. Moreover, they provide evidence that small and medium-sized firms are more likely to underreport their sales and cash holdings in order to avoid paying high taxes.

Almunia, M., Harju, J., Kotakorpi, K., Tukiainen, & Verho, J. (2018). Expanding access to administrative data: the case of tax authorities in Finland and the UK. *International Tax and Public Finance*, 26(3), 661-676.

This paper addresses the typical issues faced by researchers looking to undertake academic analysis on administrative tax data. The authors discuss the mechanisms adopted by the Finnish tax authority and the HMRC in the UK to allow for data access by academics. The main contribution of the paper lies in outlining the different types of feasible collaboration projects between tax practitioners and researchers. The scope for cooperation lies predominantly in the empirical analysis of tax policy reforms and the completion of field experiments which aim to study the effects of pre-defined treatment parameters. The paper highlights the possible ways of aligning the academic research agenda with the primary functions of tax authorities. This is mainly based on careful project planning and precise communication on both sides. Even after suitable data have been identified, close cooperation is key to ensuring safe and effective use of the information. Finally, special care needs to be taken in order to overcome technical hurdles and disseminate the research results.

¹ Lorenz Adams, Shaun Grimshaw, Guylaine Nouwoue, and Luca Salvadori, Tax Administration Research Centre (TARC), University of Exeter.

Gunter, S. R. (2018). Your biggest refund, guaranteed? Internet access, tax filing method, and reported tax liability. *International Tax and Public Finance*, 26(3), 536-570.

This contribution studies the empirical relationship between tax filing behaviour and access to the internet using large-scale administrative data from the American Internal Revenue Service (IRS). In the US, the percentage of tax returns filed as paper returns has dropped by 50% during the period from 1999 to 2004. This trend mainly reflects the dramatic increase in the number of households with access to high-speed broadband. The paper uses zip code-level data to explore the behavioural relationship between individuals gaining access to the internet and changes in tax deductions, as well as the average tax to income ratio. The author utilises suggestive instrumental variables and two-stage least squares estimation to establish a link between changes in how tax returns are submitted and the increased use of tax preparation software packages. These packages are designed to alert users to applicable tax credits and relevant tax reductions. This largely explains the empirical patterns which are evident in the official data. A further aspect of the analysis is that an increased use of tax preparation software potentially results in changes to the labour supply and taxpayers' savings behaviour. This is mainly due to an improved understanding of the tax system and the incentives that it generates for taxpayers. Importantly, this paper calls the results of other contributions produced during the relevant time period into question. This is because such papers would inevitably capture behavioural responses to taxes, as well as shifts in tax filing behaviour.

DEVELOPING COUNTRIES

Caldeira, E., Geourjon, A.-M., & Rota-Graziosi, G. (2019). Taxing aid: The end of a paradox? *International Tax and Public Finance*, 27(1), 240-255.

This article reviews tax exemptions for projects funded by foreign aid. The authors discuss the effects of taxing aid on recipient countries' revenue mobilisation as well as the inconsistency of foreign aid policy induced by exemption claims. They found that tax exemption for aid is not only related to revenue losses in recipient countries reaching 1-3 percent of GDP in fragile states, but also associated with negative effects on economic activities in beneficiary countries. Moreover, the authors argue that systematic exemption reduces the credibility of the policies of donors, as well as the consistency of their aid policy. Finally, the authors examine the main justifications for tax exemption claimed by the donorship in favour of tax exemption for their assistance projects, and shed light on recent moves from some donor countries to let their aid intervention be taxed even though neither international policies nor concrete interactions between both parties have been implemented.

Gatt, L., & Owen, O. (2018). Direct taxation and state-society relations in Lagos, Nigeria. *Development and Change*, 49(5), 1195-1222.

This study discusses the impact of the implementation of direct income tax on the state-society relationship in Lagos state. The authors focus on: changes in Lagosians' awareness and attitudes towards paying taxes following an increase in service provision; people's sense of ownership towards the state; and whether tax reforms induce a renegotiation of state-society relations. To that end, they adopt a qualitative approach. They conducted 46 structured interviews between March and April 2012, and in September 2013, as well as in 2016 and 2017, paying attention to personal income tax only and to participants' perceptions. Overall, their findings suggest that a social contract, defined as a mutually fulfilling set of agreed-upon obligations, is emerging between Lagos State and its citizens, driven by the efforts made by

executives to improve the visibility of their service provision and to link that provision to the tax revenues collected. Specifically, the authors provide evidence that the state-society relationship in respect of market traders and self-employed is different, in that it is shaped by pre-existing concepts of public organisation and the modes of political engagement, which are both based on participants' education levels, as well as their level of access to information.

Castañeda, N., & Doyle, D. (2019). Progressive tax policy and informal labor in developing economies. *Governance*, 32(4), 1-24.

This research argues that left-wing governments in developing economies with large informal sectors have been forced to use regressive tax policies based on indirect consumption taxes in order to fund their redistributive strategies. Drawing on data from a panel of 17 Latin American countries for the years 1990 to 2016, the authors explore the joint effects of the left-right divide and labour market informality on tax policy. Their analyses, followed by some robustness checks that account for alternative consistent estimation techniques, alternative definitions of informality, and alternative control variables, provide consistent results. They find that left-leaning executives' tax strategies depend on the level of labour market informality. If it is low, left-leaning governments' redistribution policies are mainly funded by direct income tax-based policies. In contrast, with larger levels of informality, executives' strategies rely on elite business power. When business elites are less powerful, left-wing officials are more likely to increase the corporate tax burden and increase indirect taxation. If business elites are strong enough to matter, left-wing officials are more likely to build tax strategies that are essentially based on indirect consumption taxes.

Dabla-Norris, E., Misch, F., Cleary, D., Khwaja, M. (2019). The quality of tax administration and firm performance: evidence from developing countries. *International Tax and Public Finance*. Advance online publication.

This paper analyses the impact of the quality of tax administration on firms' performance, using a sample of 11,354 firms in emerging markets and developing economies. The authors construct a novel tax administration quality index (TAQI) using country-specific information about different dimensions of tax administration pertinent to the tax compliance burden faced by firms, and evaluate its heterogeneous effects across firms of different sizes and ages. By using a difference-in-difference approach, the authors show that the existence of a strong tax administration significantly enhances the productivity of small and young firms. This positive impact tends to offset a sizeable share of the productivity disadvantage faced by small and young firms when compared to larger and older firms. These results are robust when: using alternative measures of corporate productivity; controlling for various aspects of tax policy and economic governance that could have heterogeneous effects across firms; using alternative definitions of small and young firms; accounting for firms' size bunching incentives to avoid being monitored by tax authorities; and changing country coverage. The authors conclude that enhancing those aspects of tax administration that tend to lead to lower tax compliance costs (e.g. taxpayer information; filing, payment and post-filing processes; and accountability and transparency) is an alternative and important way of supporting small and young firms, who tend to be the ones facing higher compliance costs and lower levels of productivity.

NON-COMPLIANCE: UNDERREPORTING

Kukk, M., Paulus, A., & Staehr, K. (2019). Cheating in Europe: Underreporting of self-employment income in comparative perspective. *International Tax and Public Finance*. Advance online publication.

This paper applies Pissarides and Weber's (1989) expenditure method framework in order to explore the non-compliance behaviour of the self-employed in 26 European Union (EU) countries. The authors exploit data from harmonised microeconomic data from the 2010 EU budget survey to enhance cross-country comparisons of underreporting behaviour in many EU countries. They provide evidence that there is no relationship between the proportion of non-compliance and the level of development of the countries involved. However, they do find an important change in income underreporting of, on average, from 10% to more than 40%, across countries. The authors conducted robustness checks using either alternative covariates and instruments or alternative definition of self-employment, and concluded that their results were sensitive to the latter.

CORRUPTION

Liu, C., & Mikesell, J. L. (2018). Corruption and tax structure in American states. *The American Review of Public Administration*, 49(5), 585-600.

This paper investigates the extent to which public corruption could influence the tax structure of American states using panel data from the US Department of Justice. The authors ran multiple regressions, and carried out various robustness checks accounting for alternative sets of covariates, alternative estimation strategies for potential endogeneity, and sample biases. Their consistent and robust results provide evidence that corruption has a significant influence on the structure of tax systems. The authors argue that states with high levels of corruption are more likely to have complex tax structures, experience higher tax burdens, and place a greater reliance on regressive indirect taxes.

HIDDEN ECONOMY

Swanson, L. A., & Bruni-Bossio, V. A. (2019). A righteous undocumented economy. *Journal of Business Ethics*, 160(1), 225-237.

This paper explores how entrepreneurship in informal economies contributes to the good life, well-being, and prosperity by building social and economic capacity across a rural business ecosystem, contradicting the scenario described in academic literature where informality is associated with illegal activity and tax evasion. The approach adopted is based on a new paradigm called the community-based participatory action research approach and consisted of a five-year research project that involved 375 participants from seven indigenous communities spread across a large and sparsely populated geographic region in the northern part of the Canadian province of Saskatchewan. As a result, the authors provide evidence that history, culture, and tradition are significant undocumented explanatory factors of the business ecosystem in developed countries. They suggest a move in concept use when defining such ecosystem, from informal, hidden, or underground economy to undocumented economy, in order to incorporate righteous motivations.

ANTI-AVOIDANCE RULES

Titus, A. (2019). Designing a general anti-avoidance rule for the East African community – A comparative analysis. *World Tax Journal*, 11(2), 291-300.

This research seeks to design a general anti-avoidance rule (GAAR) for the East African community (EAC) using a comparative-functional approach in order to address both legal and operational aspects of the implementation phase. The author builds on existing GAARs in all countries in the community and incorporates international best practices through a comparative analysis of GAARs in the European Union, Canada, and South Africa because of their respective similarities in founding treaties with the EAC, experience in jurisprudential practises, and experience of applying GAAR legislation in developing nations. The author argues that the proposed EAC federation, which will involve a political federation, should legislate a common GAAR in order to avoid profit-shifting. In so doing, the author provides essential tools to be considered when designing such legislation in line with international development and adapting it to the EAC environment.

TAX ENFORCEMENT

Wynter, C. B., & Oats, L. (2019). Knock, knock: The taxman's at your door! Practice sense, empathy games, and dilemmas in tax enforcement. *Journal of Business Ethics*. Advance online publication.

This paper explores the Jamaican tax administrators' practices in respect of property tax defaulters with outstanding tax obligations in excess of three years using a qualitative approach. The authors' research strategy was based on 35 semi-structured interviews with purposively selected tax administrators and key agents over a 19-week period, which were conducted in 2012, 2013, and 2016. The aim of the interviews was to gain understanding of tax administrators' perspectives and interactions with defaulters, as well as their engagement with enforcement. In addition to fieldwork activities, the authors used other sources of information regarding citizen character's performance over a six-year period. They found that tax administrators can switch from assimilated empathy to cynical empathy depending on their perception of defaulters and their moral make-up. Considering these two types of empathies, the authors argue that street-level tax administrators are more likely to concentrate on easier cases – those of defaulters who are least able to resist – leaving more resistant defaulters outside of the tax net in order to meet their targets and increase revenue collections. They also found that tax officials claim for doing what they can do rather than what they should do, according to their enforcement engagement, in order to secure compliance. Therefore, the authors conclude that tax administrators' empathy may also arise from self-interest rather than from compassion and social cohesion.

COMPLIANCE: NUDGES

Alm, J., Cifuentes L. R., Niño, C. M. O., & Rocha, D. Can behavioral “nudges” improve compliance? The case of Colombia social protection contributions. *Games*, 10(4), 43.

This paper describes results from a field experiment conducted within the online systems for social protection tax payments in Columbia. The paper details the use of a number of different “nudges” based on different messages relating to audits, penalties, or benefits, which are operationalised through pop-ups within the system and designed to encourage compliance. The

authors use difference-in-difference methods to report limited changes in compliance relative to a control group who received a neutral nudge, but an increase in contributions by self-employed individuals when compared to a group who receive no message. The results do not hold for declarations by company agents acting on behalf of other people, perhaps suggesting that such individuals are already aware of the information about the tax system conveyed within the messages.

Notably the paper details an interesting result, which was consistent across the treatments: 19% of individuals making declarations in the month prior to the intervention opted not to complete their payments after a message appeared. The authors note that this may be due to issues with the payment system or attempts to evade surveillance by the tax authority. The authors conclude that the observation of such decay in responses serves as a basis for using the sample who received no messages as the more appropriate comparison than the sample who received the neutral nudge.

Chirico, M., Inman, R., Loeffler, C., MacDonald, J., & Sieg, H. (2019). Detering property tax delinquency in Philadelphia: An experimental evaluation of nudge strategies. *National Tax Journal*, 72(3), 479-506.

This paper details the results of a field experiment using different content in a reminder about late payments of property taxes which was sent to more than 19,000 homes in the city of Philadelphia. The authors tested seven different treatment letters, with a varied focus on either the penalties associated with non-payment or with sentiments of tax morale potentially associated with the payments. When compared to a “holdout” sample, who were not sent reminder letters, all of the treatments saw cost-effective rises in the revenues raised, with the letters that stressed the nature of the penalties to be applied leading to the largest increase in compliance. While the authors calculate that, even under the returns of the treatment that was most successful in raising compliance, only around 5% of unpaid taxes had been received after three months, they make the case that such intervention could form one, particularly low cost, element of the agency’s fiscal policy. Interestingly, when examining the behaviour of the same households used in the experiment in the following tax year, the authors report no differences in compliance behaviour between the treatment groups.

COMPLIANCE EXPERIMENTS

Casal, S., Grimm, V., & Schächtele, S. (2019). Taxation with mobile high-income agents: Experimental evidence on tax compliance and equity perceptions. *Games*, 10(4), 42.

This paper reports the results of an experiment seeking to examine the potential effects of offering a preferential (low) tax rate to high income earners who have an outside option to leave the tax system, reflecting potential policies designed to counter international tax competition. Experimental subjects undertook a one-shot tax compliance game with contributions to a public good in groups of four, where one subject was to receive a high income of five times that of the other, low-income, subjects. High-income subjects faced a lower tax rate and also received a (weakly payoff dominated) outside option of a fixed return which led to no contribution to the public good. The authors test a hypothesis that the knowledge of such an outside option among the low-income taxpayers would lead to increased compliance under a “justification effect” for the regressive tax schedule.

The experimental sessions comprised of a 2x2 design, where one treatment dimension relates to whether or not low-income subjects were informed about the opt-out option offered to the high-income subject, and the other dimension relates to whether subjects were allocated low or high incomes based on performance in a cognitive test or randomly. The results show that information about the opt-out option did not increase compliance levels among the low-income subjects and that compliance was higher where income was allocated in a random manner. The authors further discuss how subjects' perceptions of equity within the tax system may extend beyond apparent constraints of feasibility, undermining the supposed justification of the regressive tax schedule.

Chan, H. F., Dulleck, U., & Torgler, B. (2019). Response times and tax compliance. *Games*, 10(4), 45.

This paper examines the variation in response times relating to different types of behaviour from a previously published tax compliance experiment. The authors report that the average time taken by subjects to make a declaration on their tax forms has an inverted U shape, with shorter response times observed for both fully non-compliant and fully compliant decisions when compared to the time taken in reporting partially compliant responses. This result suggests that choosing full compliance or full non-compliance represents clear-cut heuristics allowing for faster decision-making. The analysis also shows that response times become shorter over repeated rounds of the experiment as subjects become more familiar with the task. The authors also report variation in response times in relation to scores on a cognitive skills task, observing that higher scores in the task correlate with shorter response times for very low or very high levels of compliance. The authors discuss how such an analysis of response times could be used as a complimentary element of future studies using tax compliance games.

AUDITS

Li, W., Pittman, J. A., & Wang, Z.-T. (2019). The determinants and consequences of tax audits: Some evidence from China. *The Journal of the American Taxation Association*, 41(1), 91-122.

By employing data from a local tax office in China and a difference-in-difference research design, this paper investigates the determinants and the impact of risk-based audits on the future tax aggressiveness of private Chinese firms. In particular, the authors use a sample of 25,000 private firms across four years and employ a propensity score matching approach to mitigate the selection bias due to the non-randomness of the audit selection. The estimation of the propensity score sheds light on the determinants of the audit selection, corroborating that the idea that the tax authority is more likely to select a firm for an audit when that firm employs a certain tax aggressiveness strategy. By employing three different measures of non-conforming tax aggressiveness (namely, the GAAP effective tax rate, the cash effective tax rate, and the book-tax difference) and one measure of conforming tax aggressiveness (discretionary accruals), the authors show that tax audits mitigate future tax avoidance strategies. This result holds true for all of the measures of tax aggressiveness and tends to be driven by the first post-audit year. Specifically, according to this study, audits increase the GAAP (cash) effective tax rate by about 4.9% (5.6%) in following years. Similarly, audits reduce income-decreasing discretionary accruals by about 10.7%. An additional result provided by the paper relates to the role played by a firm's age. Young firms may be less sophisticated and, therefore, have more to learn from the experience of undergoing a tax audit than older firms. Accordingly, this study provides evidence that the improvement in reporting quality after tax audits tends to be

concentrated amongst younger firms. Finally, the paper show that the incentive to repair a relationship with the government which has been damaged by the discovery of tax avoidance is more pronounced where government influence over the firm becomes greater.

TAX ADMINISTRATIONS

Bird, R. M. (2018). Fiscal decentralization and decentralizing tax administration: Different questions, different answers. In A. Valdesalici & F. Palermo (Eds.), *Comparing fiscal federalism* (Studies in territorial and cultural diversity governance, vol. 10, pp. 190-220).

Tax decentralisation and the decentralisation of tax administration are related but separable decisions. This paper analyses different countries' experiences in decentralising tax policy and tax administration by highlighting how they have reached different conclusions about the appropriate way to mix and match these issues. Namely, the author chooses Germany, China, Spain, and Canada as case studies. Germany is a "highly centralised decentralised tax system". On one hand, the states have no autonomy in setting tax rates and only limited control over tax officials. On the other, they have complete autonomy in deciding how to organise and administer both state and most important shared taxes (e.g. with respect to auditing efforts). China is an explicitly unitary country: the central tax office sets both policy and administrative guidelines. However, despite this apparently centrally-controlled structure, all taxes for all levels of government are actually collected by a vast network of regional (provincial) and local tax offices, and many aspects of tax administration remain under regional control to varying extents. Spain has gone from being a unitary, centralised country to a highly decentralised one. In fiscal terms, it is a uniquely asymmetrical decentralised country, which is still working out precisely how, and to what extent, the apparently conflicting desire for increased state autonomy and national unity can best be accommodated. Canada is, by most standards, one of the most fiscally decentralised countries in the world. However, its tax administration is substantially less decentralised than that of Germany, Spain, and China. According to the author, no country may have considered all of the relevant factors when designing the level of decentralisation in tax administration and tax policies, although he recognises there might not be a one-size-fits-all policy design which can be used to address these issues. However, he suggests that thinking through these two distinct questions separately can be a useful step towards achieving better outcomes.

INTERNATIONAL TAX

Ogembo, D. L. A. (2019). The Tax Justice Network-Africa v Cabinet Secretary for National Treasury & 2 others: a big win for tax justice activism? *British Tax Review*, 2019(2), 105-117.

In this paper, the author comments on a landmark case: the Kenyan Court's decision about the constitutionality of the double tax agreement signed by the government of Kenya and the government of Mauritius. Initially designed with the legitimate goal of tackling double taxation, the author argues that this agreement led to double non-taxation, resulting in the erosion of the already limited tax base in Kenya. Although the judgment validates the agreement's unconstitutionality, this paper sheds light on the court's failure at three levels. First, the court failed to set out the legal principles that apply when dealing with constitutional challenges in double tax agreements. Second, it missed the opportunity to shape the emerging jurisprudence on public participation. Finally, the author argues, the judgment introduced some

complexity by holding that double tax agreements are not treaties and do not have to be ratified, a position that is in contradiction to international law principles.

Oats, L., & Tuck, P. (2019). Corporate tax avoidance: Is tax transparency the solution? *Accounting and Business Research*, 49(5), 565-583.

This article discusses the relationship between corporate tax avoidance and the impact that increased tax transparency may have on the behaviour of these corporations. Initially, the authors recognise both the conceptual and definitional difficulties surrounding the topic area of unacceptable tax avoidance. They then discuss the complexities and limits which accompany an increase in tax transparency. In order to further explore the presented topic area, they make use of two recently introduced tax disclosure requirements – country-by-country reporting and tax strategy disclosures – outlining the advantages and disadvantages of both, with a specific focus on their impact on transparency and corporate tax avoidance. In conclusion, they bring together the most crucial aspects of the previous sections, suggesting that an increase in tax transparency could be inevitable but introducing the idea that the availability of too much information may not, in the end, be a positive outcome. Intensifications in transparency could lead to increased pressure on auditing processes whilst encouraging a rise in the cost of compliance for many multinational enterprises (MNEs). Ultimately, the authors state that it is currently not possible to decide whether or not the benefits of greater transparency will outweigh the costs.

Christensen, R. C., & Hearson, M. (2019). The new politics of global tax governance: Taking stock a decade after the financial crisis. *Review of International Political Economy*, 26(5), 1068-1088.

This essay consists of a review of four recent books which are concerned with changing paradigms in international political economy (IPE) scholarship. It links the financial crisis of 2007-2009 to growing challenges in global economic governance, which have been compounded by increased financial instability, inequality in wealth distribution, and over-accumulation of wealth. The work suggests that research has not reacted to the dramatic changes introduced by the financial crisis and still views the international tax regime as being stable and one of incremental reaction. It goes on to proffer that a new research agenda that aims to explain variation in the spread, scope, and depth of change in the institutions of international tax governance is required. The paper explores the environment by analysing the links between global tax governance and four significant changes in the realm of the international political economy. These are: the return of the state through more activist policies; the power shift towards emerging markets; the politics of austerity and populism; and the continued digitalisation of the economy.

van Apeldoorn, L. (2019). A sceptic's guide to justice in international tax policy. *Canadian Journal of Law & Jurisprudence*, 32(2), 499-512.

This paper sets out to answer the following question: “what, if any, are the moral norms governing the international taxation regime if the sceptic is right to think that considerations of distributive justice do not apply beyond the state?”. The author achieves this through a carefully scripted analysis of the book *International Tax Policy: Between Competition and Cooperation* by Tsilly Dagan (2017)., Thomas Nagel’s arguments are identified as predominant in policy debates on international tax in Dagan’s work and, as a result, are also readily discussed in this paper. Furthermore, van Apeldoorn discusses the weaknesses in Dagan’s perspective that

“Nagel is committed to a duty of justice to promote distributive justice abroad”, finally, deliberating that Dagan could further “ground her argument in a humanitarian duty that Nagel does accept.”

Sandler, D., & Watzinger, L. (2019). Disputing denied downward transfer-pricing adjustments. *Canadian Tax Journal*, 67(2), 281-308.

This article seeks to consider “the appropriate forum for disputing a denied downward transfer-pricing adjustment” under subsection 247(10) of the Canadian Income Tax Act. The authors set the scene by exploring when a request for a downward transfer-pricing adjustment may be required, then discuss when such a process should be granted. They then investigate whether the Federal Court or the Tax Court of Canada are the appropriate bodies to rule on a disputed denied downward transfer-pricing adjustment. The language of written legislation, legislative history, restrictions on Federal Court jurisdiction, and other practical considerations would all suggest that the Tax Court of Canada would be the correct forum. Despite this, the authors point out that there are scenarios in which the jurisdictional divide between the Federal Court and the Tax Court becomes less clear, and recommend amendments.

Chatzivgeri, E., Chew, L., Crawford, L., Gordon, M., & Haslam, J. (in press). Transparency and accountability for the global good? The UK’s implementation of EU law requiring country-by-country reporting of payments to governments by extractives. *Critical Perspectives on Accounting*.

This paper concentrates on the United Kingdom’s implementation of Chapter 10 of the EU’s Accounting Directive, which the authors consider to be “an instance of ‘accounting’ mobilisation and functioning in context”. The paper goes on to discuss a variety of evidence in order to explore the law’s transposition and the way in which companies implemented the changes required. The authors begin by outlining their own theoretical framing, and then present a case analysis, discuss the events which led to the regulation being adopted, assess the legal text, review comments written as the law was being transposed, analyse industry guidelines, and assess early reporting. Following their analysis, the authors suggest that the introduction of the law has had a progressive impact, although they go on to conclude that there are ways in which the law could allow for more freedom and point out that there are some regulatory weaknesses.

Lips, W. (2018). Great powers in global tax governance: A comparison of the US role in the CRS and BEPS. *Globalizations*, 16(1), 104-119.

In this paper, the author discusses how the United States impacted the reach and effectiveness of the Common Reporting Standard (CRS) and base erosion and profit shifting (BEPS). Throughout this article, the author address two questions regarding the role played by the US as an important participant in tax governance developments: firstly, “if successful reforms in information-exchange can be traced to US intervention, are the weak BEPS outcomes ascribable to US reticence” and, secondly, “would a self-interested unilateral act by great power, similar to FATCA, be sufficient to open a window for fundamental multilateral form against BEPS practices”? The author begins the investigation by discussing the difference in outcomes between BEPS and CRS, but points out that a comparison of the two may not be straightforward. An analysis of the influence of FATCA to CRS, and a discussion of the US preferences and redistributive conflicts in BEPS follow. The author suggests that the impact

that the US had on both CRS and BEPS is considerably more limited than has been suggested in previous literature.

REFERENCES

- Alm, J., Cifuentes, L. R., Niño, C. M. O., & Rocha, J. Can behavioral “nudges” improve compliance? The case of Colombia social protection contributions, *Games*, 10(4), 43. <https://doi.org/10.3390/g10040043>
- Almunia, M., Harju, J., Kotakorpi, K., Tukiainen, J., & Verho, J. (2018). Expanding access to administrative data: the case of tax authorities in Finland and the UK. *International Tax and Public Finance*, 26(3), 661-676. <https://doi.org/10.1007/s10797-018-9525-0>
- Bird, R. M. (2018). Fiscal decentralization and decentralizing tax administration: Different questions, different answers. In A. Valdesalici & F. Palermo (Eds.), *Comparing fiscal federalism* (Studies in territorial and cultural diversity governance, vol. 10, pp. 190-220). https://doi.org/10.1163/9789004340954_011
- Boonzaaier, W., Harju, J., Matikka, T., & Pirttilä, J. (2019). How do small firms respond to tax schedule discontinuities? Evidence from South African tax registers. *International Tax and Public Finance*, 26(5), 1104-1136. <https://doi.org/10.1007/s10797-019-09550-z>
- Caldeira, E., Geourjon, A.-M., & Rota-Graziosi, G. (2019). Taxing aid: The end of a paradox? *International Tax and Public Finance*, 27(1), 240-255. <https://doi.org/10.1007/s10797-019-09573-6>
- Casal, S., Grimm, V., & Schächtele, S. (2019). Taxation with mobile high-income agents: Experimental evidence on tax compliance and equity perceptions. *Games*, 10(4), 42. <https://doi.org/10.3390/g10040042>
- Castañeda, N., & Doyle, D. (2019). Progressive tax policy and informal labor in developing economies. *Governance*, 32(4), 1-24. <https://doi.org/10.1111/gove.12390>
- Chan, H. F., Dulleck, U., & Torgler, B. (2019). Response times and tax compliance. *Games*, 10(4), 45.
- Chatzivgeri, E., Chew, L., Crawford, L., Gordon, M., & Haslam, J. (in press). Transparency and accountability for the global good? The UK’s implementation of EU law requiring country-by-country reporting of payments to governments by extractives. *Critical Perspectives on Accounting*. <https://doi.org/10.1016/j.cpa.2019.02.001>
- Chirico, M., Inman, R., Loeffler, C., MacDonald, J., & Sieg, H. (2019). Deterring property tax delinquency in Philadelphia: An experimental evaluation of nudge strategies. *National Tax Journal*, 72(3), 479-506. <https://doi.org/10.17310/ntj.2019.3.01>
- Christensen, R. C., & Hearson, M. (2019). The new politics of global tax governance: Taking stock a decade after the financial crisis. *Review of International Political Economy*, 26(5), 1068-1088. <https://doi.org/10.1080/09692290.2019.1625802>
- Dabla-Norris, E., Misch, F., Cleary, D., Khwaja, M. (2019). The quality of tax administration and firm performance: evidence from developing countries. *International Tax and Public Finance*. Advance online publication. <https://doi.org/10.1007/s10797-019-09551-y>
- Gatt, L., & Owen, O. (2018). Direct taxation and state-society relations in Lagos, Nigeria. *Development and Change*, 49(5), 1195-1222. <https://doi.org/10.1111/dech.12411>

- Gunter, S. R. (2018). Your biggest refund, guaranteed? Internet access, tax filing method, and reported tax liability. *International Tax and Public Finance*, 26(3), 536-570. <https://doi.org/10.1007/s10797-018-9528-x>
- Kukk, M., Paulus, A., & Staehr, K. (2019). Cheating in Europe: Underreporting of self-employment income in comparative perspective. *International Tax and Public Finance*. Advance online publication. <https://doi.org/10.1007/s10797-019-09562-9>
- Lips, W. (2018). Great powers in global tax governance: A comparison of the US role in the CRS and BEPS. *Globalizations*, 16(1), 104-119. <https://doi.org/10.1080/14747731.2018.1496558>
- Li, W., Pittman, J. A., & Wang, Z.-T. (2019). The determinants and consequences of tax audits: Some evidence from China. *The Journal of the American Taxation Association*, 41(1), 91-122.
- Liu, C., & Mikesell, J. L. (2018). Corruption and tax structure in American states. *The American Review of Public Administration*, 49(5), 585-600. <https://doi.org/10.1177/0275074018783067>
- Oats, L., & Tuck, P. (2019). Corporate tax avoidance: Is tax transparency the solution? *Accounting and Business Research*, 49(5), 565-583. <https://doi.org/10.1080/00014788.2019.1611726>
- Ogembo, D. L. A. (2019). The Tax Justice Network-Africa v Cabinet Secretary for National Treasury & 2 others: a big win for tax justice activism? *British Tax Review*, 2019(2), 105-117.
- Pissarides, C. A., & Weber, G. (1989). An expenditure-based estimate of Britain's black economy. *Journal of Public Economics*, 39(1), 17-32. [https://doi.org/10.1016/0047-2727\(89\)90052-2](https://doi.org/10.1016/0047-2727(89)90052-2)
- Sandler, D., & Watzinger, L. (2019). Disputing denied downward transfer-pricing adjustments. *Canadian Tax Journal*, 67(2), 281-308. <https://doi.org/10.32721/ctj.2019.67.2.sandler>
- Swanson, L. A., & Bruni-Bossio, V. A. (2019). A righteous undocumented economy. *Journal of Business Ethics*, 160(1), 225-237. <https://doi.org/10.1007/s10551-018-3878-2>
- Titus, A. (2019). Designing a general anti-avoidance rule for the East African community – A comparative analysis. *World Tax Journal*, 11(2), 291-300.
- van Apeldoorn, L. (2019). A sceptic's guide to justice in international tax policy. *Canadian Journal of Law & Jurisprudence*, 32(2), 499-512. <https://doi.org/10.1017/cjlj.2019.14>
- Wynter, C. B., & Oats, L. (2019). Knock, knock: The taxman's at your door! Practice sense, empathy games, and dilemmas in tax enforcement. *Journal of Business Ethics*. Advance online publication.