



H2020-EURO-SOCIETY-2014

OCTOBER 2018

Nordic Experiences of Co-Operative Compliance Programmes: Comparisons and Recommendations

Lotta Björklund Larsen, Linköping University, lotta.bjorklund.larsen@liu.se

Karen Boll, Copenhagen Business School, kbo.ioa@cbs.dk

Benedicte Brögger, BI Norwegian Business School, benedicte.brogger@bi.no

and

Jaana Kettunen, University of Jyväskylä, jaana.m.kettunen@jyu.fi

Tuulia Potka-Soininen, University of Jyväskylä, Tuulia.Potka-Soininen@seamk.fi

Jukka Pellinen, University of Jyväskylä, jukka.o.pellinen@jyu.fi

Mette Brehm Johansen, Copenhagen Business School, mbj.ioa@cbs.dk

Kiran Aziz, BI Norwegian Business School, kiran.aziz@bi.no



The FairTax project is funded by the European Union's Horizon 2020 research and innovation programme 2014-2018, grant agreement No. FairTax 649439

Contents

1	Executive summary	5
1.1	Challenges.....	6
1.2	Findings: Comparison across cases on seven dimensions.....	6
1.2.1	Dimension I – Cultural orientation.....	7
1.2.2	Dimension II – Efficiency evaluations	7
1.2.3	Dimension III – Competences in tax administrations	8
1.2.4	Dimension IV – Structural and organisational hindrances	8
1.2.5	Dimension V – Resistance.....	8
1.2.6	Dimension VI – Trust	9
1.2.7	Dimension VII –Fair competition and equitability	9
1.3	Conclusion	10
2	Introduction.....	11
2.1	Co-operative compliance.....	11
2.2	Aim and background of working paper	12
2.3	Structure of paper	13
3	Methodology	15
4	Experiences from four Nordic countries and classification of cases.....	18
4.1	Sweden—the <i>extreme</i> case	19
4.2	Norway—the <i>maximum variation</i> case.....	20
4.3	Denmark—the <i>paradigmatic</i> case I.....	21
4.4	Finland—the <i>paradigmatic</i> case II.....	22
4.5	Sub-conclusion: Our selection of cases	24
5	Approaches to comparing co-operative compliance.....	25
5.1	Review of existing co-operative compliance comparisons	25
5.1.1	Academic analyses	25
5.1.2	Policy oriented analyses	28
5.1.3	Sub-conclusion: Many facts, fewer specific practices/in-depth experiences..	31

6	A comparative approach inspired by anthropology.....	33
7	Comparison of the Nordic experiences	36
7.1	Dimension I: Cultural orientation.....	38
7.1.1	Dimension I: Comparison by drawing on practices/experiences	39
7.1.2	Dimension I: Summary	51
7.1.3	Dimension I: Recommendations	52
7.2	Dimension II: Efficiency evaluation	53
7.2.1	Dimension II: Comparison by drawing on practices/experiences.....	55
7.2.2	Dimension II: Summary	62
7.2.3	Dimension II: Recommendations.....	63
7.3	Dimension III: Competences in tax administrations	64
7.3.1	Dimension III: Comparison by drawing on practices/experiences	65
7.3.2	Dimension III: Summary.....	71
7.3.3	Dimension III: Recommendations	73
7.4	Dimension IV: Structural and organizational hindrances.....	74
7.4.1	Dimension IV: Comparison by drawing on practices/experiences.....	75
7.4.2	Dimension IV: Summary	83
7.4.3	Dimension IV: Recommendations.....	84
7.5	Dimension V: Resistance	86
7.5.1	Dimension V: Comparison by drawing on practices/experiences	87
7.5.2	Dimension V: Summary.....	94
7.5.3	Dimension V: Recommendations	94
7.6	Dimension VI: Trust	95
7.6.1	Dimension VI: Comparison by drawing on national practices/experiences.....	97
7.6.2	Dimension VI: Summary	107
7.6.3	Dimension VI: Recommendations.....	108
7.7	Dimension VII: equitability and fair competition	110
7.7.1	Dimension VII: Comparison by drawing on practices/experiences	112
7.7.2	Dimension VII: Summary.....	118

7.7.3	Dimension VII: Recommendations	119
8	Conclusion.....	120
9	Acknowledgements	124
10	References	125
11	Project information	131
	Appendix 1. Abbreviations and national concepts	132
	Appendix 2. Structural differences between CC-programmes in Nordic countries	134
	Appendix 3. Key similarities and differences in national contexts	135

1 Executive summary

For the last decade a major trend within tax administrations has been to shift from a roughly *one size fits all* approach—where close to all taxpayers experience a deterrence approach—to a more *responsive* and *collaborative* approach as in co-operative compliance programmes. Such programmes build on the idea that the participating corporations disclose relevant information including their tax risks and are transparent to the tax administrations and in return will tax administrations provide real-time predictability and clarity concerning taxation issues of relevance for the corporation. In brief, co-operative compliance builds on the slogan: “...certainty in exchange for transparency” (OECD 2016, 7). Co-operative compliance has increasingly become a core concern and way of organizing the relation between tax authorities and large corporate tax payers when it comes to securing tax compliance.

This working paper is the result of research by Work Package 6 in EU’s Horizon 2020 funded programme FairTax that has been running for the four-year period 2015-2019. Our research in Work Package 6 addresses how proactive engagements with large corporate taxpayers have affected regulation of tax collection and administrative processes, changed relationships between stakeholders and tax administrations, and influenced tax compliance in the Nordic countries. The aim of this working paper is to provide a *comparison* of the experiences in four of the Nordic countries: Denmark, Finland, Norway and Sweden and to propose recommendations.

The Nordic countries are considered similar and so were the co-operative compliance programmes that were implemented in each country, yet the outcomes were very different. We thus dealt with various case characteristics (Flyvbjerg 2006) where the outcomes hinged on a complexity of elements. We argue that the Swedish case is an *extreme case* due to its turbulent life and concomitantly with only a handful of participants that have very little activity. The Norwegian case, in contrast, is an example of a *maximum variation case* because of the much longer history of collaborative relationships and the outcome of the work with tax risk. The combination of a collaborative way of working and systematic risk management and monitoring may either reflect a most likely scenario of future tax administration—or perhaps the least likely. Lastly, we argue that the Danish and Finnish cases represent *paradigmatic cases* because both of these align largely with the standards set by the OECD and because they therefore present more ordinary or regular ways of working with co-operative compliance. Analyzing a wide variety of case characteristics means that our findings can be of general interest, beyond the Nordic countries.

1.1 Challenges

In our research we are interested in *experiences* and *practices* of co-operative compliance projects. Our comparison aims to go beyond differences in jurisdictions and organizations—we compare how co-operative compliance has been practiced in the specific everyday interactions of the actors involved in each of the Nordic cases. Our ambition with comparing four Nordic cases is to transcend or—at least—to add another perspective on the ways that co-operative compliance cases have so far been compared. What we aim to do is not only to describe various national interpretations of “co-operative compliance” (which we did in our national reports: Boll and Brehm Johansen 2018; Brøgger and Aziz 2018; Kettunen et al. 2018), but to propose some theoretical understanding of societal responses to these programmes. Our aim is thus to conceptualize which dimensions of co-operative compliance work on a societal level and which do not. Simultaneously we retain an awareness of existing relations between actors in the tax arena. Relations are built over time and relations develop. We have to understand relations especially between large corporate taxpayers and tax administrations, but also to take into account the roles tax advisors and other stakeholders on the tax arena have played—and are playing.

A comparison on *experiences* with co-operative compliance programmes has a number of implications. First, we take into consideration a broad range of actors involved in co-operative compliance programmes; actors that have had an impact on how the programmes played out. Second, we are interested in how these programmes played out in *practice*. We do not compare how co-operative compliance *ought to be* according to models or guidelines, but instead focus on what *have become* of the model and its variations when implemented and worked with in practice by the different tax administrations. Third, our data material is mainly based on in-depth qualitative interviews with involved actors and supplemented with other material actors use while working with co-operative compliance.

1.2 Findings: Comparison across cases on seven dimensions

The core element of this working paper is the comparison between the experiences with co-operative compliance in the Nordic countries. The comparisons are made on seven dimensions developed in an inductive manner from the empirical material. Our approach to comparison is inspired by anthropology (Schnegg 2014, van der Veer 2016) and our

main focus in the comparisons is more broadly how the compliance programmes were applied in practice and how they have an impact on existing relations between actors in the national tax arenas. The findings of each of the dimensions will be given in brief in the following.

1.2.1 Dimension I – Cultural orientation

The comparison shows that the co-operative compliance programmes have resulted in cultural reorientations in all the Nordic countries. Discussing the cultural reorientations we draw on the notions of time, space and organization of relations. In case of Denmark and Finland, time, space and the organization of relations are weighty elements of the cultural change that can be argued to happen through the reoriented interactions between the tax administrations and large corporate tax payers with the introduction of new principles and routines of working. In Norway, the main concern was with the temporal reorientation. Each tax payer had to work out the meaning of a number of changes individually. However, the changes were contained by a long collaborative tradition. In Sweden, the spatial reorientation evoked strong reactions, and as there was neither any new organizational programme, nor a strong collaborative tradition to contain the changes and the plans for co-operative compliance programme were not realized, they were instead considerably downsized.

1.2.2 Dimension II – Efficiency evaluations

The comparison of the Nordic cases also points to that the evaluation of co-operative compliance programs against the criteria of effectiveness and efficiency is very difficult. It is not unproblematic to try to find a point of comparison in order to determine what the outcomes would have been without co-operative compliance. Therefore, it is difficult to infer which outcomes are attributable to the co-operative compliance, or overall attributable to the tax administration's actions. Based on the data collected for the present research, it cannot be determined whether the use of tax administration's resources is more efficient than before or to say that co-operative compliance would have materialized direct cost savings.

1.2.3 Dimension III – Competences in tax administrations

In this dimension the question of competences required by tax officials when working with co-operative compliance programmes is dealt with. The comparison shows that how the requirement for changed competences was articulated differed both between countries and between stakeholders e.g. between corporations and the tax administrations. The participating corporations and the tax administrations do not look for the same criteria assessing competences. First, that tax officials lack knowledge about business reality was a view expressed by corporations in all four countries. Secondly, the additional, ‘new’ knowledge required from a tax official was in Denmark expressed as a skill to resolve conflicts, in Finland as providing good customer service and good answers to help getting the clients to disclose relevant issues, and in Sweden it was articulated that the contact persons should be a ‘people person’.

1.2.4 Dimension IV – Structural and organisational hindrances

We find similar kinds of hindrances across the cases, some of which are *external structural hindrances* and some of which are *internal organisational hindrances*. External structural hindrances are matters connected to legal issues—such as public access to documents, equality and possibilities of attaining binding responses from the tax administration. The internal organisational elements comprise organizing principles (in both the tax administration and the corporations) challenging the work with the co-operative compliance programme; different but co-existing ‘schools of thought’ in the tax administration and internal discussions in the tax administration on impartiality. Overall, regarding the external structural hindrances the comparison shows that legal matters can come to impede a programme while the internal organisational hindrances are more subtly shaping the way the programmes unfold. If the external structural hindrances become too large to overcome, the co-operative compliance programmes might not get as far as to be faced with internal organizational hindrances – as in the Swedish case.

1.2.5 Dimension V – Resistance

The comparison shows that outspoken resistance has played a minor role in the implementation of co-operative compliance measures in the Nordic countries, with the exception of Sweden. In case of Denmark, Finland and Norway the most apt description of the stance of the corporations is “Voice” and “Loyalty”. It can be described as characterized

by the co-existence of silent resistance—declining the invitation to participate or postponing letters and meetings—and loyalty—stay in place and cope in either a proactive way or through a more passive stance of accepting the premises, but not taking the lead in the collaboration. In Sweden the stance was “Voice” and “Exit”, which stalled the implementation of the co-operative compliance programme.

1.2.6 Dimension VI — Trust

Trust is essential in building enduring co-operative compliance programmes and relationships between tax administrations and corporations. In all four countries, the dominant form of trust involved appeared to be the inter-organisational trust. Along the interaction between tax administration and corporations, trust seems to persist even if the individuals change. There were also differences between the countries as to the types of trust, however. The interpersonal trust between the tax officials and tax directors in the corporations played a significant role, especially in the Danish and Finnish cases. However, as the case of Sweden shows, a generally high level of measured trust towards tax administrations is not a guarantee for a success of the co-operative compliance approach.

1.2.7 Dimension VII — Fair competition and equitability

The last dimension, shows that with regards to fair competition and equitability there was a substantial variation between the countries. In Norway it was not an issue at all. Here the tax law is structured according to industrial sectors which means that corporations as an outset are used to that different industries might be subject to different treatment. In Denmark was the issue up for discussion as *potential* favorable treatment. The discussion was pronounced in terms of consultancy vs. guidance. The first type of activity is not allowed for Skat’s tax officials, whereas the latter is. In the context of the Finnish Syvennetty has discussion about unequable treatment been scarce. In Sweden, the discussion of unequitable treatment was one of the major obstacles to *Fördjupad dialog/Fördjupad samverkan*. The very idea of a VIP lane for certain ‘customers’ at a public bureaucracy did not go down well in Swedish society. Overall, equitable treatment of taxpayers according to the law and to societal values is a fundamental issue in constitutional jurisdictions like the Nordic countries. The dimension of equal treatment is one where the diversity of our Nordic cases is most distinctly pronounced.

1.3 Conclusion

In this working paper, the comparison between actual co-operative compliance practices in four Nordic countries provides evidence that a number of cultural, institutional and societal factors also influence compliance practices. First, tax compliance does not only depend on the will of the taxpayers but is as much shaped in the course of the actual interaction between the taxpayer and the tax administration as well as by contextual factors. Second, key principles of the OECD guidelines, namely voluntary disclosure and real-time responses are too narrow, and perhaps too idealistic, to be feasible guidelines for all circumstances when compliance is mitigated. In this working paper, we show that real-time responses are generally highly valued but are neither welcome nor possible under all circumstances. It is actually more crucial to be explicit about a change in time frame, than to have all interaction real-time. Third, the possibility to get reliable measurement and evaluations of effects when it comes to co-operative compliance is highly sought after. A key ambition for the co-operative compliance measures has been to increase efficiency and effective use of resources for tax administration and many are the stakeholders that demand ‘proof’ for efficient usage of resources, not least the taxpayers themselves. A conclusion from our project confirms findings from an earlier OECD study that there is so far not identified one single objective method for assessing effectiveness and efficiency (OECD 2001). In actual practice, such evaluations of costs and effects need to combine subjective and objective criteria, statistical analysis, logical argument, common sense, human skills and judgement.

2 Introduction

For the last decade a major trend within tax administration has been to shift from a roughly *one size fits all* approach—where close to all taxpayers experienced a deterrence approach—to a more *responsive* and *collaborative* approach. Large multinational corporate taxpayers were at the centre of attention for these changed ways of working. On the one hand there were initiatives to identify various segments of taxpayers to receive treatment according to their motivational positions on compliance (Braithwaite 2003). On the other hand, there was a move to increase taxpayer services in the name of efficiency and thus reduce the costs of compliance.

The Forum on Tax Administration (FTA) at the Organisation for Economic Cooperation and Development (OECD) was one of the main proponents for these new ideas. The FTA is made up of representatives from member states tax administration. In a collaborative effort they have developed a framework for these new ways of working. OECD, through the work of FTA, thus recommends that the corporations that have an effective internal tax control framework and are willing to disclose their uncertain tax positions and other relevant information to the tax administration can be enrolled into what are called “co-operative compliance programmes” (OECD 2013, 2016).

2.1 Co-operative compliance

The main idea of co-operative compliance in the OECD framework is for tax administrations to work proactively with corporations in order for them to report due information and pay the right tax at the right time. This proactive approach aims to enhance tax compliance before tax statements are delivered and legal control systems take over. This is a change from the traditional obligation-based relation and has various implications for ways of working—both for the tax administrations and for the large corporate taxpayers that participate. Co-operative compliance programmes are intended to make the taxation process more efficient and beneficial for both parties.

The OECD defines co-operative compliance as a regulatory framework building on the idea that—on the one side—the participating corporations disclose relevant information including their tax risks and are transparent to the tax administrations. And—on the other—the tax administrations will in return provide real-time predictability and clarity concerning taxation issues of relevance for the corporation. In brief, co-operative compliance builds on the slogan: “...certainty in exchange for transparency” (OECD 2016,

7). One proposed advantage of this approach is that the extent of backward looking reviews and audits of returns submitted to the tax administrations are significantly reduced. This is an advantage for both the large corporate taxpayers and the tax administrations, as engaging in this work requires many resources.

While the OECD framework (2008, 2013, 2016) is relatively stable and consistent in its definition of what co-operative compliance is and which elements ought to be included in co-operative compliance programmes, the implementation and adaptation of the OECD framework within the various national tax administrations comes in many forms (see also OECD 2017, 147–153). As is noted: “National revenue bodies face a varied environment within which to administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance” (OECD 2013, 3). In this report, we focus on the adaptation and implementation of ideas from the co-operative compliance framework in four Nordic countries.¹

2.2 Aim and background of working paper

The aim with this working paper is to provide a comparison of the experiences of Nordic countries of programmes inspired by the OECD proposed co-operative compliance framework. Our qualitative research approach makes possible a comparison beyond legal perspectives and economic outcomes. Based on our comparison we suggest a number of recommendations concerning the adaptation and implementation of these new regulatory approaches. This working paper builds on previously published results from each country (Björklund Larsen 2016; Boll 2018; Boll and Brehm Johansen 2018; Brøgger and Aziz 2018; Kettunen et al. 2018). Here we draw together our national cases of four Nordic countries in a *comparison* and provide *recommendations* concerning these programmes.

In our research we have addressed how proactive engagements with large corporate taxpayers have affected the regulation of tax collection and administrative processes, changed relationships between stakeholders and tax administrations, and influenced tax compliance in Sweden, Norway and Denmark. These proactive engagements all aim to increase tax compliance. We are grateful for the opportunity to include Finland in our research group, thus expanding the research focus to four Nordic countries. The start of

¹ In what follows, for the sake of readability we use the term “Nordic countries” despite our awareness of the fact that only *four* of the Nordic countries are represented in this study.

this part of FairTax was an invitation by the Nordic Agenda, a collaboration between Nordic tax administrations, to study co-operative compliance programmes. We were thus generously given access by the tax administrations. Yet, it is essential to underline that this project has been carried out as independent research funded by the Horizon 2020 programme.

Our research approach is qualitative and more specifically inspired by ethnographic methods. From the outset it is important to take a holistic approach to co-operative compliance programmes, engaging with all stakeholders within such programmes. We have thus focused not only on tax administrations but equally on large corporate taxpayers, third parties (e.g. tax advisors) and other stakeholders having an interest in the taxation of large corporations. We are most grateful to all participants who have generously given us time and information about their participation in the national co-operative compliance programmes. Thank you.

This report builds on insights from the national reports: Sweden (Björklund Larsen 2016); Denmark (Boll 2018; Boll and Brehm Johansen 2018); Norway (Brøgger and Aziz 2018); and Finland (Kettunen, Pellinen and Potka-Soininen 2018), each detailing how elements of co-production and co-operative compliance come into play when large corporate taxpayers are being regulated in this specific way.

Further information about our research on co-operative compliance in the realm of FairTax in four Nordic countries can be obtained at [FairTax Website](#).

2.3 Structure of paper

This working paper is structured as follows. In Section 3, we start by introducing our methodology. This not only presents methods used but also our approach to this research. In Section 4, we proceed to briefly presenting the co-operative compliance programmes in each of the four Nordic countries. We also make an overall categorization of our national cases arguing that general insights can also be had from a relatively small number of cases. Hereafter—in Section 5—we discuss comparisons of co-operative compliance programmes. We start with a review of existing comparisons, from an academic perspective and from a policy-oriented perspective. This is followed by a presentation of the comparative approach we have applied in our research. In Section 7, we define our comparative concepts which we call *dimensions*. We explain how we arrived at this concept and tease out the various dimensions through which we compare our cases. The dimensions we propose are: cultural orientations; efficiency evaluation; competences in tax administrations; structural and

organizational hindrances; resistance; trust; and equitability and fair competition. Each of our proposed dimensions ends with a set of recommendations made on the basis of the comparison. Finally, in Section 8 we conclude our findings.

There are three appendices to help the reader. Appendix 1 contains a list of abbreviations and national concepts. Appendix 2 outlines a basic comparison of the programmes.

Appendix 3 contains a table of key differences and similarities summarizing our findings.

This is a collaborative effort by eight researchers from four different countries. We have collaborated throughout the project, conducted our national research in very similar ways and have had extensive discussions, arriving at results. Yet, our style of writing differs and we have decided to keep it as such with the ambition of making the text more authentic.

3 Methodology

What is unique about the research conducted in relation to Work Package 6 in the FairTax research project is that all four country studies draw on qualitative research approaches inspired by ethnography. A similar study on co-operative compliance but with more focus on the role of tax advisors has been done in FairTax Work Package 7 where the countries studied are United Kingdom, the Republic of Ireland, the Netherlands and Germany.²

While taxation has most often been researched by means of legal or quantitative approaches (Lamb et al. 2005), qualitative and ethnographically inspired studies of tax administration and taxation are increasingly in demand (Alm 2012; Oats 2012; Peters 2014; Ring 2010). Taxation is a complicated issue and we need knowledge on how policies are adapted in practice and how taxpayers respond to them (Steinmo 2018). Notably this has been promoted by some of the authors behind this working paper (Björklund Larsen 2017a, 2017b, 2018; Boll 2011, 2014, 2015), but also by others interested in promoting interdisciplinarity within the research field of taxation (Currie et al. 2015; Gracia and Oats 2012; Morrell and Tuck 2014; Oats 2012; Radcliffe et al. 2018).

All four cases presented in this working paper build on extensive qualitative studies inspired by ethnography, where especially in-depth qualitative interviews form the basis of the methodology. Moreover, in each of the four cases, a compilation of documents reflecting the research topic has been collected. When we say that the studies are inspired by ethnography, we do not claim that they draw on the core ethnographic elements such as extensive fieldwork or participant observation. Access to meetings where in essence corporate secrets are discussed or tax administrative strategies revealing tax avoidance is to say the least difficult. Instead we rely on in-depth qualitative interviews and document studies. Our focus is on the specific *doings* of co-operative compliance. Our consequent data analyses have aimed to investigate how co-operative compliance has been practised in the specific everyday interactions of the actors involved. Furthermore, we have presented our findings, insights and knowledge of what works or not in co-operative compliance ways of working in numerous meetings, workshops and conferences with the various stakeholders we have interviewed. This is an essential outset for all four national projects on which this working paper is based.

We have thus worked inductively teasing out our insights. We have analysed our material on our own, in FairTax workshops and presented our insights and results for our

² <http://www.org.umu.se/fairtax/english/research-groups/wp7/tax-advisers-and-large-business-tax-compliance/>

informants qua stakeholders in seminars. Our project is a true collaboration; between us researchers as well as including our informants—those we study. For further information about the specific methods used in each country study, please consult the respective national reports. For the purpose of this report suffice it to say that it aims to compare cases studied *qualitatively*. This poses both some challenges and opportunities which we address in more detail in Section 6.

We need to include a methodological caveat relating to *time*. The FairTax research project has been running since 2015. While it is a privilege to have four years to conduct one's research, it is also an impediment. The challenge in this time frame is that data collected at the beginning of the research period may be outdated by the end of the research period. What we mean by outdated is that the practices that we have studied may have changed or been overtaken by other practices during this period. New practices are constantly being implemented in the tax administrations that we have been studying. We acknowledge that this means that our data in some cases may reflect previous practices and interpretations already succeeded by new practices and interpretations. On the other hand, the participants' reflections on the changes have been a rich and valuable source of data. There have been changes in organization structures, which influence everyday work routines. In preparation for and evaluation of such structural changes, co-operative compliance has been considered as one element among others. Also, changes and amendments to the law and regulations governing these particular ways of working have taken place. Simultaneously technological advancement during this period has been disruptive which makes for changed practices in both tax administrations and corporations.

Yet, at the same time we see that there is stability when it comes to the larger picture of running a tax administration and also inertia when it comes to radically shifting working practices. None of what we have seen implemented in the Nordic tax administrations studied during this research project has been done overnight. Where there have been questions regarding these programmes and new ways of working they have always been posed in relation to previous experiences. For some countries co-operative compliance was a radical change, for others a slight variety of ways of working already implemented. The point is that the programmes we have studied are part of a larger movement that goes under a variety of names. The co-operative compliance experiences are examples of the emerging new trend of “co-producing” (Mindlab 2013), “nudging” (Thaler and Sunstein 2008), “distributing” (Grabosky 1995) and proactively “engaging and involving stakeholders” (OECD 2013). In these processes, public administrations engage stakeholders outside their own organizational boundaries to further their institutional interests, and thereby “distribute” their powers of enforcement. Co-operative compliance

programmes are just one variety that tax administrations have introduced; there are many other examples of tax administration-initiated collaborations with accountants, lawyers, unions, employer associations, the media, politicians, and the general public. These programmes are of particular interest as they engage large corporations as precursors; the idea is that if they are seen to comply, other corporations will follow (Björklund Larsen 2016, 15).

Hence, we are aware that new programmes have been started and we acknowledge that modified programmes have been introduced, yet we hope to convey the message that this is not as such a problem. It is a sign of how tax administrations are continually developing their ways of working. Our aim is to provide a glimpse into such developments and propose a more encompassing way of discussing these changes on a societal level. With this project we aim to understand the larger picture of how the four Nordic tax administrations have started to work in new collaborative ways with large corporate taxpayers and how these collaborations work out in practice. Based on our cases we also propose some general recommendations when working with co-operative compliance, recommendations that might also be of interest beyond the Nordic countries. More than 20 OECD member countries are committed on a broad level to implementing these frameworks (OECD 2017).³ Discussions are held to implement these measures in even more countries, e.g. in Africa.⁴ Insights from the comparisons and recommendations in this working paper may be used to inform the planning and development of new—or the revision of existing—co-operative compliance programmes. Needless to say, much further research is needed, drawing on other countries, other experiences.

³ https://www.oecd-ilibrary.org/taxation/tax-administration-2017/table-a-143-cooperative-compliance-requirements-for-participation_tax_admin-2017-table201-en#page1.

⁴ A cooperation between the WU Global Tax Policy Center in Vienna, the African Tax Institute (ATI) at the University of Pretoria's Faculty of Economic and Management Sciences and the Commonwealth Association of Tax Administrators (CATA) work with the implementation of these ideas in a few select African countries.

4 Experiences from four Nordic countries and classification of cases

This section introduces the co-operative compliance cases of the four participating countries. This will be done briefly as the respective national reports can be consulted for further information and detail.⁵ The section focuses on the question of what characterizes the cooperative and collaborative compliance programmes in the respective countries—programmes that shape in new ways relationships and interactions between tax administrations and the large corporate taxpayers.

Our comparative analysis of these four cases is inspired by Bent Flyvbjerg and his research on case-study research (Flyvbjerg 2006). Two of his points are emphasized. First, inspired by philosopher Ludwig Wittgenstein—who argues that the meaning of a word is given by its use—Flyvbjerg proposes how best to understand an issue is by studying how it is practised. In detail Wittgenstein illustrated this with getting to know a city. We should not just follow a map and explore the most important streets and sites; it is just as important to wander through the backstreets and alleys which also make up the city. The point is that we ought to understand *all* the city’s different parts in order to get to know the city. Relating this to how we can “get to know” co-operative compliance means that we need grounded, detailed and in-depth knowledge on how co-operative compliance is done in practice. This includes knowing when such programmes do not work out as intended.

Second, Flyvbjerg argues that the generalizability of case studies can be increased through a strategic selection of cases and that in order to achieve the greatest possible amount of information on a given problem—in this case the adoption of co-operative compliance ideas—a *variety* of cases is suitable (ibid., 229). Our cases are thus *information oriented cases*; we base our research on national cases yet aim for a comparison between them. It is crucial to underscore that our comparison goes beyond legal specificities or programmatic descriptions of co-operative compliance; we focus instead on the practices, relations and practical outcomes of co-operative compliance in the Nordic countries. Inspired by Flyvbjerg and his typology for classifying cases, we argue that our material consists of an *extreme*, a *maximum variation* and two *paradigmatic* cases. This classification was not a hypothesis going into our research, since our qualitative ethnographically inspired approach does not build on hypothesis testing as a core methodological principle. That we in fact had such a selection of cases, we must admit we did not know at the outset of the

⁵ Denmark (Boll and Brehm Johansen 2018); Finland (Kettunen, Pellinen and Potka-Soininen 2018); Norway (Brögger and Aziz 2018); Sweden (Björklund Larsen 2016).

research. The cases we studied were ongoing co-operative compliance programmes that took place during our research.⁶ Yet, we believe that the diversity of the cases, and especially how they played out in practice, provides a solid background for generating rich knowledge and information about the various experiences of co-operative compliance in the Nordic countries. There are thus lessons to be learnt beyond the Nordic context. Although the Nordic countries are considered similar, as were the co-operative compliance programmes that took place in each country, the outcomes hinged on a complexity of elements. Our findings are thus of general interest.

4.1 Sweden—the *extreme* case

The case from Sweden (Björklund Larsen 2016) outlines a co-operative compliance programme called *Fördjupad samverkan* (enhanced collaboration) introduced in SKV in 2011 and relaunched in a modified version as *Fördjupad dialog* (enhanced dialogue) in 2014. This case shows that SKV proposed an initiative—co-operative compliance—which carried international success stories from similar programmes. Yet, in the concrete Swedish version and context it was met with strong resistance from various stakeholders. The strong resistance that the programme met in Sweden was primarily based on the programme’s conflicts with existing laws regarding tax confidentiality, principles of legality governing administrative law and equal treatment before the law (cf. Hambre 2018). Yet, there was also an underlying scepticism from many large corporate taxpayers and their advisors towards SKV rooted in their previous initiatives (Björklund Larsen 2016). Accordingly, *Fördjupad dialog* lives a quiet existence with only five participants (October 2018). Yet, there are discussions with a few additional corporations that have shown interest in participating; there is a dormant discussion about making changes in the law, and SKV continues to follow the international development.

Based on Flyvbjerg (2006) we categorize the Swedish case an *extreme* case. Flyvbjerg argues that an extreme case can be used to obtain knowledge through an unusual and problematic case (2006, 230). Also, extreme cases often activate more (and perhaps other) actors than “normal” cases, and thus, the extreme case provides insights into more mechanisms in the situation studied. Last, extreme cases are well-suited to get points across in an especially dramatic way (ibid., 229). Following this, we understand the

⁶ The simultaneous unfolding of these projects also underscores the point that there is an international if not pressure so at least a nudge brought on by collaborative organizations such as OECD to perform such programmes. They are in fashion (cf. Björklund Larsen 2016, 13).

Swedish case is an extreme case precisely because it is unusual—we have no knowledge of any other co-operative compliance programme that has been as much debated in the public as is the Swedish case. Also, it is a problematic case because it caused so much fuss that the programme was almost brought to a stop. What the Swedish case also does—compared to the rest of our cases—is that it shows that more or at least different mechanisms are at play because the public scrutiny of this programme was so intense. In the case, we hear about judges, public opinion makers and interest organizations that are all eager to express their views on the programme. Last, the case is simply dramatic, as the proposal for the co-operative compliance programme triggered a number of mechanisms that no one in SKV foresaw and which basically surprised them.

4.2 Norway—the *maximum variation* case

The case from Norway (Brøgger and Aziz 2018) identifies—as in the other country cases—how the OECD framework on co-operative compliance has been adapted to this specific national context. Since 1992, collaboration has been part of the permanent way of operating in the Central Tax Office for Large Enterprises (LTO). It was a way of operating internally, with the large enterprises and with the headquarters, SKD (Skattedirektoratet) in the Norwegian Tax administration (Tax Norway). The Norwegian case shows that the OECD inspired ideas of co-operative compliance came into the LTO in two main ways. One was by means of an enhanced relationship pilot programme running from 2011–2013, called “Reinforced Dialogue”. The other was through refined tools for risk analysis developed for the whole of Tax Norway. The pilot programme on co-operative compliance ended in 2013, yet this did not mean that the ideas behind co-operative compliance were abandoned. Quite the contrary; several of the collaborative ideas within co-operative compliance had already been implemented in the normal working ways of the LTO since its establishment in 1992. This had come to be known as “the LTO way” of working. It is based on multidisciplinary, risk analysis, one point of contact and dialogue. The pilot programme documented the internal tax control systems and processes in the corporations.

The participants have a common interest in ensuring high quality in work with tax risk. Reasons for refinement of the risk assessment tools in SKD were to monitor tax risks professionally to protect the legitimacy of the tax system, guard against loss of tax revenue, and ensure correct national accounts. Corporations conceptualize their analyses of tax risk as strategic and responsible management of corporation resources. The case shows how the

institutional infrastructure for this collaboration on corporate tax compliance was perceived and experienced by different key stakeholders.

We describe the Norwegian case as a maximum variation case. Referring to Flyvbjerg (2006), a maximum variation case is characterized by being very different in one aspect—in comparison to the “normal” case (ibid., 230). Moreover, the maximum variation case may be used to test a verification; is this case showing what is least or most likely to happen? (ibid., 231). Compared to the rest of the four Nordic cases, we see that the Norwegian case is different in relation to one central aspect, namely as to how the ideas of collaboration were stretched out to cover all of the work with tax risk monitoring in the LTO ever since it was established in 1992.

The Norwegian case is also an expression of a maximum variation case as it is relevant to pose the question as to whether what we see happening in this case is what is least or most likely to happen. Is it the most possible scenario that tax risk monitoring actually gets implemented in “whole” departments as part of the collaboration, reflecting the normal ways of working; or is this the least possible scenario—as such a radical change from the normal ways of working is difficult to accomplish? In brief, the Norwegian case shows a maximum variation of how co-operative compliance becomes a means to strengthen the routine of ongoing clarification in the tax administration and systematic internal tax auditing in corporations, with implications for mutual trust and taxpayer empowerment.

4.3 Denmark—the *paradigmatic* case I

The Danish tax administrations have been working with a co-operative compliance programme in relation to regulating a segment of their large corporate taxpayers since 2008 (Boll 2018; Boll and Brehm Johansen 2018). The aim with the programme has been (and still is) to cultivate extended collaboration with selected large corporate taxpayers in Denmark to pre-emptively secure their tax compliance. In Denmark, more than 50 corporations were invited to participate in the programme and in 2017 as many as 30 corporations were participating in Tax Governance (from 2017). Moreover, since the programme has been running for approximately ten years much experience has been built up over the years. In this brief introduction it suffices to say, first, that the Danish programme in many regards mirrors how the OECD defines co-operative compliance in general (Boll 2018). Second, that the Danish programme reflects a movement—also found in the OECD—where more rigour and systematism have become part of co-operative compliance programmes (Boll and Brehm Johansen 2018). In the Danish case, this

especially applies to how the tax administration demands that participating corporate taxpayers perform tax risk assessments and document their internal controls, and how these are then to be assessed and monitored by the tax administration.

We see the Danish case as a *paradigmatic* case. Flyvbjerg (2006) defines a paradigmatic case as one that sets the standard (ibid., 232). It has the potential to establish a school for the domain/theme that it concerns (ibid., 230). Finally, citing Dreyfus, Flyvbjerg writes that one may recognize a paradigm case because it “shines” (ibid., 232). We find that the Danish case is paradigmatic because it provides a clear example of how the core elements of co-operative compliance may be implemented and worked with in a tax administration. It closely mirrors—so to speak—OECD standards on co-operative compliance. Saying that the Danish case “shines” may provide the wrong connotation as indeed not everything in this case shines and works. The report on experiences in Denmark shows several challenges in the programme. Yet, it does “shine” in the sense that it provides something close to an exemplary implementation and execution of co-operative compliance with the possibilities and challenges this inevitably implies.

4.4 Finland—the *paradigmatic* case II

In Finland, the ideas on co-operative compliance were introduced at the beginning of 2013 through a co-operative compliance programme called Enhanced Customer Cooperation—ECC, *Syvennetty asiakasyhteistyö*. It ran as a pilot programme from 2013 to 2015 with five participating companies. Since the beginning of 2016, Syvennetty has become a part of the permanent ways of operating in the Large Taxpayers’ Unit (Konserniverokeskus, KOVE) in the Finnish tax administration (Verohallinto, VERO).

The goals for introducing co-operative compliance in Finland were to take steps towards working in real time, to improve the predictability and legal certainty in taxation and to establish a dialogic relationship with the tax administration. According to interviews conducted for the present study, the Finnish tax administration also hoped for a general improvement in relationships between the tax administration and large corporate taxpayers.

Participation in Syvennetty was on a voluntary basis. In order to participate, however, companies were required to be known as a “good corporate citizens”. The tax administration aims to successfully invite approximately ten new corporations into co-operative compliance each year.

The Finnish co-operative compliance programme links relatively closely to the OECD definition. Especially as co-operative compliance involves documenting internal tax processes and controls in corporations, a more proactive and dialogical relationship between the tax administration and large corporate taxpayers, and, it is hoped, a win-win situation for these parties. The case of Finland shows that the introduction of co-operative compliance in tax administration has brought about a cultural change where a “culture of discussion” is more prominent than earlier. The changes in the culture of discussion seem to have taken place, however, between the tax administration and the corporation. Apart from a couple of corporations disclosing their participation in Syvennetty, the programme has not gained publicity in the sense that this regulatory approach would have been discussed in the media, which makes the case of Finland very different from that of Sweden.

In line with the Danish case, we call the Finnish case a *paradigmatic* case. The reason is that this case also has the signature of being like the co-operative compliance programme as defined in the OECD reports and it is also a case that sets a standard for how a “normal” co-operative compliance programme may be implemented and executed by a tax administration. In scale, the programme is smaller than the Danish one, yet there are no major differences. The themes where these two cases differed were in the efficiency evaluation, the structural hindrances and resistance to the programme.

As we see it, the Finnish case adds to the notion that there is a more or less standard or paradigmatic way of developing co-operative compliance programmes. The Finnish and Swedish legal systems and societal structures are considered to be similar, and it is not rare that Sweden is used as a point of comparison when legislation is being prepared or interpreted in Finland,⁷ or administrative changes or reforms are planned. The fact that introduction of co-operative compliance programmes resulted in opposite outcomes in these two countries, where legal systems and societies are rather similar, underscores the importance of conducting qualitative analysis that allow for capturing the significant nuances that contributed to the opposing outcomes despite similarities at the outset.

⁷

https://www.eduskunta.fi/SV/tietoaeduskunnasta/kirjasto/aineistot/ulkomainen_oikeus/Sidor/Ruotsi.aspx

4.5 Sub-conclusion: Our selection of cases

The above brief introductions to the cases show some of the core elements of how co-operative compliance has been implemented and adopted differently in four of the Nordic countries, Sweden, Norway, Denmark and Finland. With this we want to convey the message that there is a huge element of local adaptation when it comes to understanding how co-operative compliance—and co-production of tax compliance more broadly—actually comes to play out in practice.

We have used Flyvbjerg's proposal for various case characteristics to convey the message that we—in fact—deal with quite distinct cases. On the one hand the cases are comparable as they all thematize co-operative compliance and attempts to establish new collaborative relationships between tax administration and large corporate taxpayers based on a standard proposed by the OECD and on the perceived successes of OECD members' tax administrations. In the guidelines they were intended to work in similar ways. Albeit they are implemented in four different countries, these countries are similar culturally, socially, and in regard to their tax systems. On the other hand—and this is where Flyvbjerg comes in—the cases have different characteristics. We argue that the Swedish case is an extreme case due to its turbulent life and with concomitantly only a handful of participants that have very little activity. The Norwegian case, in contrast, is an example of a maximum variation case because of the much longer history of collaborative relationships and the outcome of work with tax risk. The combination of a collaborative way of working and systematic risk management and monitoring may either reflect a most likely scenario of future tax administration—or perhaps the least likely. Last, we argue that the Danish and Finnish cases represent paradigmatic cases because both of these align largely with the standards set by OECD and because therefore they present more ordinary or regular ways of working with co-operative compliance.

5 Approaches to comparing co-operative compliance

A considerable number of analyses exist which—implicitly or explicitly—compare co-operative compliance programmes. This section reviews a selection of these comparisons. These studies build on different approaches to doing comparison, both explicit and implicit approaches. Although there are many insights to be gained from them, they also provide us with a stepping stone for how our own approach to comparison adds knowledge to this existing body of research about co-operative compliance.

5.1 Review of existing co-operative compliance comparisons

This section presents literature on experiences of co-operative compliance with a focus on selecting work that implicitly or explicitly *compares experiences*. The first part describes analyses of co-operative compliance made in academia. The second part focusses on two policy-oriented analyses provided by the OECD and a national tax administration respectively.

5.1.1 Academic analyses

In this subsection first, two academic studies on co-operative compliance with an *explicit* comparative approach and subsequently two studies with a more *implicit* comparative approach are presented.

A recent publication analysing co-operative compliance is Katarzyna Bronzewska's PhD dissertation which has been published as a book in the IBFD⁸ Doctoral Series (Bronzewska 2016). It is a legal study taking sociological and psychological issues into account. Chapter 4 of the book is devoted to the issue of practical questions of introducing co-operative compliance in Australia, the Netherlands (NL), the United Kingdom (UK) and the United States (US). The chosen countries represent long and solid experiences of co-operative compliance programmes. In addition they are chosen because they represent various legal systems, have various types of tax systems and diverse roles for the tax administrations set to collect and control the taxes (*ibid.*, 13–14). Yet while the choice of countries is argued for, there is no explicit argument for why the specific dimensions of comparison have been chosen. The comparative element that she introduces in comparing NL, UK, Australia and

⁸ International Bureau of Fiscal Documentation

the US consists primarily of building descriptions of the individual countries around common themes: “every jurisdiction is described in a similar way” (ibid., 17). Bronzewska introduces “building blocks” that are needed for co-operative compliance. These are: a successful working basic relationship; political and social acceptance; tax culture; organizational tax culture; readiness of tax administrations; readiness of taxpayers; and a legal environment within which co-operative compliance can develop. Furthermore, additional countries⁹ are compared with the four main ones on basic factual dimensions (year of initiation, name, target group and “essence of strategy” (ibid., 222–223). Bronzewska’s study thus focuses more on the introduction of co-operative compliance initiatives (the what, why and how of implementation), rather than on how these initiatives are running, what are the experiences of being part of them, and what effects they have more generally on the relation between tax administrations and large corporate taxpayers.

Another study with an explicit comparative element is Dennis de Widt and Lynne Oats’s study “Risk Assessment in a Cooperative Compliance Context: A Dutch-UK Comparison” (de Widt and Oats 2017). The article “compares risk assessment techniques applied to large corporate taxpayers in the UK and the Netherlands” (ibid., 230). Their comparison is based on interviews: 21 interviews in the Netherlands and 18 in the UK. All are conducted with tax specialists, either tax administrators, tax professionals in corporations or tax advisors. They describe how the risk assessment has been conducted in the two countries and compare “risk-assessment in a co-operative compliance context” in a table on the four elements: which corporations the programme applies to, the main risk assessment criteria, the main actor responsible for risk assessment, and the main outcome (in terms of categories used to describe the outcome of the risk assessments with regards to risk level (UK) or regardless if it is a corporation with a covenant or not (NL)) (ibid., 236). How these four elements have been chosen is not explicated. The article ends with an in-depth analysis of the different kinds of impact these techniques have had for both companies and tax administrations in the UK and the Netherlands.

Both studies provide important information on the design of co-operative compliance programmes. The studies share broadly the same approach: countries are described one after the other on different parameters, but parameters that are not explicitly argued for why they are chosen. Following initial descriptions is a table stating similarities and differences, also without an explicit argument for why they are chosen. Yet, importantly, whereas Bronzewska’s study only briefly touches on the practices of how co-operative compliance is done, de Widt and Oats’s study comes much closer to bringing us into the

⁹ Austria, Canada, Denmark, Finland, France, Ireland, Japan, New Zealand, Russia, Singapore, Slovenia, South Korea, Spain, Sweden.

machinery of how co-operative compliance *works*. They draw extensively on interviews with key stakeholders involved in working with co-operative compliance and use them for an in-depth analysis of risk assessment techniques.

The next two studies to be treated in this section use more implicit comparative approaches than the two discussed above. One of the earliest comparative studies of co-operative compliance is Justin Dabner and Mark Burton's comparison of Australia's and New Zealand's experiences of adopting OECD's enhanced relationship model (Dabner and Burton 2009). In the article, experiences with what they call the "partnership model" are described for the two countries one by one. Subsequently "the question of which implementation issues will need to be addressed if other countries adopt the partnership model" is addressed (*ibid.*, 317) in the section "Challenges with the Adoption of the Enhanced Relationship or Partnership Model" (*ibid.*, 318). The section is opened with the following:

Australia's and New Zealand's experiences provide almost ten years of evidence of the difficulties in embracing the OECD's call for an "enhanced relationship" between tax administrators, taxpayers and tax intermediaries. This evidence suggests that there are many obstacles to sustaining such a relationship, including: (...). (Dabner and Burton 2009, 324)

Then obstacles are listed and discussed. We understand that this implicit "comparison" is more like an implicit pooling of the separate experiences of the two countries that are then used as a basis to draw out obstacles from which other countries may learn. While we in this working paper not only address obstacles, our aim is similar to Dabner and Burton's as we point to dimensions to be attentive of when implementing co-operative compliance programmes, areas grounded in specific practical experiences that other countries hopefully can learn from when facing the task of implementing a co-operative compliance programme.

A recently published analysis on co-operative compliance with an implicit comparative focus is Rita Szudoczky and Alicja Majdanska's (2017) examination of "the conditions under which the EU Member States can introduce co-operative compliance regimes without the risk of providing illegal state aid to the taxpayers participating in them" (*ibid.*, 204). Part of this examination is a section (Section 3) giving an "overview of co-operative compliance programmes in place in the EU" (*ibid.*, 208). This section has comparative elements, however, not explicitly stated. For all countries, there is a list of co-operative compliance programmes' duration, their administrative and their legislative status. Next comes what they describe as a "common feature" which means the extent of inclusion of taxpayers' being able to participate in the co-operative compliance programmes (*ibid.*,

209). They state that the co-operative compliance programmes were developed in order to address aggressive tax planning among large corporations which is a noteworthy difference compared to what the Nordic tax administrations have argued. This background provides the “bridge” to the article’s main focus—whether the co-operative compliance programmes provide illegal state aid to participating corporations. In brief, although comparison is not the main focus of this article, it paints a broad picture of co-operative compliance programmes. Yet, this study resembles Bronzewska’s in that it primarily reports on the main general *characteristics* of co-operative compliance programmes, not the practical experiences of running the programmes.

In short, although these studies are mostly descriptive of how such programmes ought to work, they provide many insightful questions to address our research on how co-operative compliance programmes are done and enacted in practice. Our contribution is about practical experiences in the Nordic countries, complementing the array of countries studied by de Widt and Oats on NL and UK, as well as Dabner and Burton’s study of Australia and New Zealand. In addition, we propose a theoretically grounded comparative perspective in that we thoroughly ground our findings in the social science literature as well as in inductive and collaborative reasoning. This is further elaborated on in Section 6.

5.1.2 Policy oriented analyses

In this section, two central policy oriented analyses of co-operative compliance are discussed in terms of a comparative approach.

The first is the OECD report *Cooperative Compliance: A Framework* (2013) which is based on input from OECD member states’ tax administrations. The purpose of this OECD report is stated as:

addresses past and current experiences and it is dedicated to *evaluating* the co-operative compliance approach and how revenue bodies *assess its contribution* to the delivery of compliance outcomes. (ibid., 3) [emphasis added]

Furthermore, it is noted that:

This report is based on a detailed study of the *practical experiences* of countries that have developed co-operative compliance programmes and the views of the business community (...) The report is based on a survey of 21 FTA members and consultations with the Business and Industry Advisory Committee. (ibid., 13) [emphasis added]

and:

Chapter 2 describes the current state of play, and includes a *stock take* of country experiences, *illustrative examples and common features* of co-operative compliance approaches as well as *interesting and significant differences*. (ibid., 16) [emphasis added]

Chapter 2 introduces a table of countries and a few details of their programme (name, duration, pilot or not, for some countries also a few details on the content of the programme are included) (ibid., 22–24). Two countries—Australia and Singapore—are then described “to *illustrate in more detail* how the principles have been translated into practice” (ibid., 24)—but how and why these specific two countries were selected is not mentioned. The chapter then goes on to list and discuss “common features” of co-operative compliance (ibid., 29): pillars, context (part of a wider compliance strategy), implementation, corporate governance. Hereafter “interesting and significant differences” are presented based on survey results. How they are selected is not explicated, it is just stated that “This part describes the most significant differences” (ibid., 30)—but “significant” is not explicated. The section is organized around common features of co-operative compliance and poses the following questions:

- Is the co-operative compliance approach established in regulation?
- Inclusiveness: Are co-operative compliance approaches open to all taxpayer segments?
- Entry techniques: Is entry into the co-operative compliance programme upon application or invitation?
- What are the conditions for acceptance into the programme?
- Is disclosure mandatory or voluntary?
- Does multilateral co-operative compliance work?

The questions are answered in a descriptive way—typically mentioning one country after the other (but not all countries for each question), or in compiled categories such as “in most countries”, “many countries”, “several countries”, “a few countries”. Hereafter a section on challenges follows. It is stated that:

survey results demonstrate, that implementation of co-operative compliance programmes comes with challenges. Both revenue bodies and businesses need to address the following challenges [it is followed by five elements]. (ibid., 35)

The linkage between the survey and the list of “need to address”-challenges is not explicated further. Instead, the last section of chapter 2 is a section titled: “principal findings of reviews or evaluations” (ibid., 36). Here is described one after the other how programmes have been evaluated in different countries. This has in general been done through surveys but also through external evaluations, telephone interviews or a

compliance effectiveness framework (the last developed and used in Australia to measure the impact of the compliance strategy). Some of the issues in chapter two are explored in depth in subsequent chapters (e.g. tax control frameworks and evaluation). Finally, Annex F is an “overview of lessons learnt” and a number of “difficulties encountered, solutions and lessons learnt” are presented—some of them based on one country, some on more countries. However, again, we miss an explanation of the selection criteria for comparison.

Another key policy oriented analysis and comparison of experiences of co-operative compliance is L.G.M. Stevens et al.’s report *Tax Supervision—Made to Measure* (2012), ordained by the Dutch Tax Administration. This report addresses primarily the Dutch context and is in many ways a seminal study. First, because the Netherlands was at the forefront of implementing co-operative compliance;¹⁰ and second, because this is the first comprehensive analysis of these experiences. For our purpose here, the report contains a chapter (chapter 6) on “Horizontal monitoring from the international perspective” (ibid., 105). The question this chapter sets out to answer is explicated: “Is the Tax and Customs Administration’s development of horizontal monitoring compatible with international developments in supervision?” This is broken down into two questions: (1) “How have ‘enhanced relationships’ developed with foreign tax administrations?” and (2) “What are the consequences of the development of ‘enhanced relationships’ for the business community?” (ibid., 105).

The first sub-question is answered by way of descriptions that have been sent out for commentary from tax administrations (ibid., 105). Summaries of strategies from Canada, the US, New Zealand and Australia are presented in one table and ten EU countries in another (ibid., 108, 109). They are summarized on their dimensions: strategy, core, target group, year implemented. In the notes following each of the tables a few comparative comments are added, for example the number of businesses entering during 2005/2006 or comments on the target groups (ibid., 109, 110).

The second sub-question is answered on the basis of telephone interviews with “a number of”¹¹ large businesses in the UK and Sweden (ibid., 105, 112). These two countries were selected for different reasons—the UK for having run it for a number of years and since the committee finds that “the UK tax administration’s drive is comparable to that of the Tax and Customs Administration”. Sweden was selected “since the Netherlands regards

¹⁰ The Dutch programme Horizontal Monitoring was introduced as a pilot in 2005; it thus preceded the introduction of the term “co-operative compliance” by OECD in 2013. However, for the sake of clarity—and due to the connections between the programmes—we use cooperative compliance as a common denominator in this section.

¹¹ Not defined how many corporations were contacted.

Sweden as an example of a state with transparency and open cooperation between the business community and government” (ibid., 112). Noteworthy is that the Swedish variety of co-operative compliance had hardly started at the time of interviewing. The two countries are treated in separate sections. The report goes on to list “vulnerabilities and points of attention” provided in the survey. They are not country-specified, but rather a pool of points.

Summing up the report by Stevens et al. (2012), we see that it is the most explicit about their chosen methods—compared to the rest of the reports provided in these two sections. However, like the others it is not very explicit about the selection of comparative dimensions. The practical experiences of working with co-operative compliance are slightly touched upon in the sections on Sweden and the UK while the other countries are compared on dimensions of factual and descriptive characteristics.

5.1.3 Sub-conclusion: Many facts, fewer specific practices/in-depth experiences

On the basis of this glance at other studies on co-operative compliance with an implicit or explicit comparative element, we want to draw attention to two areas where our approach—and thereby this report—differs. First, since our research interest has been focused on *practices* and *experiences* of co-operative compliance, our data material is primarily based on in-depth qualitative interviews with involved actors. Our data material is therefore suited to answer questions and make comparisons of a different kind than studies based on survey data or other kinds of data. We can step beyond the checklist-like approach and descriptive dimensions of formal set-ups of the programmes in various countries as well as the normative details on how co-operative compliance *ought to be* according to the “model”. Instead we focus on what *has become* of the model—and its variations—when implemented and worked with in practice by the different tax administrations. Moreover, we take into consideration a broad range of actors involved in co-operative compliance programmes; actors that have had an impact on how the programmes played out.

Finally, we set out to be more explicit about our *selection* of dimensions to compare across the Nordic cases. In subsection 5.2 we will explicate our approach to comparison which is inspired by anthropology. Then, in Section 7, we provide an analysis of a number of key comparison dimensions, with each subsection concluding with recommendations based on this analysis.

6 A comparative approach inspired by anthropology

This section is devoted to a brief theorization of how we compare our qualitative case studies. Our aim is to compare beyond the choice of the various “models of co-operative compliance”, across national tax laws, policies and guidelines, number of participants or size of participating corporations, year of introduction and similar basic factual dimensions. We aim to compare how these programmes worked out; why did they take the shape they did in different societies despite being quite similar on the drawing board? With this research aim we find inspiration in anthropology. *We take a holistic approach to co-operative compliance programmes: we account for the views of a broad range of stakeholders, we are interested in the programmes’ outcome in practice, and we see taxation as creating relations* (cf. Steinmo 2018). This has a number of implications.

In anthropology, a case study is “a detailed examination of an event (or series of related events) which the analyst believes exhibits the operation of some identified general theoretical principle” (Mitchell 1982, 27). This approach was inspired by legal reasoning, where conflicting legal principles were debated in connection with concrete cases. In examining the cases in this research, the theoretical principle is co-operative compliance. It is a gloss over a range of different practices, which the review of the comparative literature above confirms (see Subsection 4.1). An anthropologically inspired case study is also a very suitable approach for gaining knowledge about co-operative compliance because it allows the analysis move from theoretical principles to empirical data and back again. It is an iterative process of arriving at insights which will also be apparent from discussion of the cases below.

Our ambition with comparing four Nordic cases is to transcend or—at least—to add another perspective on the ways that co-operative compliance cases have so far been compared. Our project compares the programmes across different legal jurisdictions and various tax collection infrastructures although these are quite similar. What we aim to do is not only to describe various national interpretations of “co-operative compliance” (which we did in our national reports: Boll and Brehm Johansen 2018; Brøgger and Aziz 2018; Kettunen et al. 2018), but to propose some theoretical understanding of societal responses to these programmes. Our aim is thus to conceptualize which dimensions of co-operative compliance work on a societal level and which do not. Simultaneously we retain an awareness of existing relations between actors in the tax arena. Relations are built over time and relations develop. We have to understand relations especially between large corporate taxpayers and tax administrations, but also to take into account the roles tax advisors and other stakeholders on the tax arena have played—and are playing.

Comparison lies at the very heart of the anthropological discipline (Eriksen 2004). Case studies in anthropology were developed as an alternative to “armchair studies” of travelogues and snippets of information in policy briefs about ongoing social life in different parts of the world. Such armchair studies largely generated speculative accounts that confirmed stereotypes. There was an urgent need for empirically valid accounts that advanced social theory; of being there, seeing what people actually engaged in and hearing them talk about it. Anthropologists could then describe and reflect on what people said and did in practice and to compare the various accounts from different parts of the world. Yet, *the world* includes our own societies and anthropology has since long cast its gaze on contemporary issues “at home”.

Even in faraway places there are very few, if any, issues studied that are untouched by outside contacts. In our comparison, anthropology thus studies specific issues in a given society that interacts with outside forces. In order to understand these interactions, anthropology has on the one hand to continuously reflect on one’s own concepts; and on the other hand, on the ways the history of such interaction has affected the issue under scrutiny (van der Veer 2016). Our comparison is thus distinct from the more sociological generalism and especially from a rational choice theory. We find it fruitful with comparison *without* striving for unified theories (van der Veer 2016, 6, referring to the work of Marcel Mauss [1922] and Max Weber [1954]). While so doing we raise a warning for “easy comparisons” of concepts used across nations; neither if the word or expression itself is the same (as English descriptions in Anglo-Saxon countries show), nor if it is translated into similar concepts in other languages. The risk is even larger when translating between similar languages such as the Scandinavian ones (Finnish excluded).¹² Although researchers from the outside look at programmes called “co-operative compliance”, we have to understand the specific meanings of adopted concepts; how they play out in practice and how they affect established relations. As we will see in Section 7, various aspects of co-operative compliance take on different meanings in different countries. We thus take seriously the problem of translation between languages and across cultures (van der Veer 2016, 20).

In order to get closer to describing our assumptions and decisions when it comes to comparison, we draw also on Michael Schnegg who writes:

By comparing, anthropologists thus check the similarity or dissimilarity of phenomena or processes across cases. [...] [comparison] requires three fundamental operations: defining the

¹² Even the same concept in wording can have various local meanings depending on laws, history, culture, etc. (there are well-known examples in our everyday language, e.g. “rar”).

case and the dimensions to be compared and an operation to determine whether the observations differ or are the same. (Schnegg 2014, 57–58)

Schnegg thus argues for three elements of special methodological importance when doing comparisons: (1) defining cases, (2) determining dimensions for comparison, (3) interconnectedness of the cases to be compared (ibid., 57). In the following comparison of national cases, we take inspiration from Schnegg’s approach, considering the challenges with translation (cf. van der Veer 2016) and analysing our cases along dimensions drawn from the social sciences. As we are eight researchers with different backgrounds, we have each consulted with literature in our academic fields to identify possible dimensions. We discussed a number of them, and developed those that most clearly reflected stakeholder concerns. This means that we look beyond specific concepts, the national jurisdictions and specific tax laws, the policy documents and the choice of the various “models of co-operative compliance”. These issues are definitely not unimportant, but our main focus is how these issues have interacted when co-operative compliance programmes were applied in practice and how they have an impact on existing relations between actors on the national tax arenas.

7 Comparison of the Nordic experiences

In this section, we use the above theorization about comparison inspired by Schnegg (2014) and van der Veer (2016) as a ground on which to compare the concrete experiences of co-operative compliance programmes in our four Nordic cases.

A first challenge is to define the cases that we want to work with. This we have done at the outset of our research. With co-operative compliance as the common denominator, we identified the practices and relationships it framed in each country. These cases were presented in Section 4. The second challenge is to define and argue for the dimensions to be compared in those cases; that is, to provide definitions and classifications of dimensions that are both locally meaningful and, indeed, comparable. In relation to this, Schnegg—referring to others' work—mentions that categories or dimensions to describe the social world must be built on an inductive process (ibid., 62). We have analysed our diverse cases and presented and discussed them in numerous meetings, workshops and conferences. Such meetings were both internal and external presenting for various groups of stakeholders and at academic conferences. Through inductive reasoning, a common language for talking about the different observable practices gradually emerged. We draw on Schnegg and call each set of observable practices that can be compared for *dimensions*. These dimensions are those that “survived” as meaningful to account for what works and what does not regarding co-operative compliance programmes in the Nordic countries.

In this section we suggest seven dimensions that can be compared across the four national cases. Each dimension, is illustrated with examples from our cases. These are summarized in a comparison that substantiates a set of recommendations for what to consider if implementing co-operative compliance programmes. Importantly, our focus is from the detailed experiences and specific practices that comprise co-operative compliance when programmes are implemented and worked with in practice. We have included views from a broad variety of stakeholders. Most of the dimensions are illustrated by examples from all four Nordic cases. A few dimensions are important across all countries as illustrated by our cases; other dimensions have elaborate and substantial illustrations from a few countries and fewer from others. How each dimension exactly plays out in practice differs. Yet, we found all dimensions important to consider when implementing co-operative compliance programmes.

This section is organized around our proposed dimensions. We start with describing what we mean with each dimension, then follows national descriptions in alphabetical order. As it happens, the *Paradigmatic cases* (Denmark and Finland) come first, followed by the

Maximum variation case (Norway) and finally the *Extreme case* (Sweden). Each dimension ends with our recommendations.

7.1 Dimension I: Cultural orientation

Culture influences the way co-operative compliance programmes fare. The question is how? This dimension addresses how we can understand cultural implications. The OECD co-operative compliance framework inspired new routines. New routines have impact at a deep cultural level as they affect the details of everyday work, which are based on taken-for-granted cultural assumptions. Therefore, when routines change, cultural orientations might also change which create ample opportunities for misunderstandings. Tax authorities cannot be held accountable for cultural orientations. However, when aiming to change the relationship with taxpayers, talking about the cultural increases mutual understanding.

This dimension reveals that there is more to the measures than merely a matter of voluntary disclosure of uncertain tax positions. In highly charged deliberations such as those between tax administrations and large corporations about the latter's tax returns, an understanding of whether the source of a disagreement is a cultural misunderstanding or a real conflict of interest influences the outcome of the interaction. A misunderstanding may result in a lengthy and costly audit, or an even lengthier and costlier court case, when an exploration of the disagreement in cultural terms could have cleared the air and resulted in continued discussions about only the contentious issue.

Cultural orientations are basic notions about the world and peoples' interactions in it (Hills 2002). Summed up after more than 50 years of comparative research on culture in organizations, there appears to be a limited number of orientations, which, when combined in different ways, are the sources of cultural variation—and misunderstandings; cultural orientations include ideas about the nature of people, the relationship to nature, the relationship to other people, the modality of human activity (being versus doing), the temporal focus of human activity, and the concept of space (Browaeys and Price 2015, 31; Kluckhohn and Strodtbeck 1961). Each orientation is further subdivided into categories that are commonly used for analyses of organizational cultures (Adler 2002; Schein 1996) and cross-cultural comparison (Hofstede 2011; Smith et al. 1996). Making use of the original definitions from 1961, we discuss the routine changes driven by the co-operative compliance measures in light of three of these orientations that most clearly embed administrative work:

- time (past, present, future)
- space (private/public)
- organization of relations (hierarchical, mutual, contractual).

The new OECD guidelines are ripe with possibilities for cultural misunderstanding. An example is the change from assessment of historical records (past) to real-time assessments (present). Such changes need to be explained to ensure a sense of predictability. If not, they may create conflict and discontent, or in the worst case take attention away from material issues. In terms of spatial horizon, the tax control framework represents a shift in the boundary between the tax administration and the corporation. Previously, internal tax management routines of a corporation were its private matter. When the tax administration requires to know about them and assesses them to determine levels of compliance, they are no longer internal. In terms of relationships, if the tax administration sees itself as the apex in the hierarchy of sovereign power while a tax director in a corporation regards the relations as mutual, this is likely to cause friction. Explicitly addressing cultural issues will make clear unspoken criteria for assessment of compliance, criteria that have nothing to do with taxation.

7.1.1 Dimension I: Comparison by drawing on practices/experiences

Denmark: Time has been a central cultural element in the changes in administrative routines in the tax administration (Skat) and the corporations brought about by the introduction of Tax Governance.¹³

Time orientation in the Tax Governance programme and in the basic relation between Skat and large corporate taxpayers has changed due to the move away from reactive backward looking audits to an emphasis on real-time clarification and payment of the correct amount of tax. This is a cornerstone in Tax Governance collaboration and marks a strong shift in time orientation from reactive to real-time orientation. Generally, corporations highly value this element of being able to regard tax processes as finalized and closed—of being able to define the past as the past and not having it present as a constant potential source of uncertainty.

This is not the only shift in time orientation encountered in the Danish case. With the radically changed time orientation of Tax Governance in the relation between Skat and the large corporate taxpayers some important nuances of the development of new time orientations have also emerged. A time related nuance means that the path towards “future” states of tax compliance has become less of a given. Several tax directors point to new kinds of collaborative decision making with regards to what the specific next step is

¹³ For a detailed description of the methodology and specific data material that the Danish case draws on, see Boll and Brehm Johansen (2018, 10–11).

and how to move forward; this becomes something that to some degree can be negotiated, discussed and agreed upon with Skat, not something fully prescribed in advance.

Therefore, moving forward to a non-predetermined future becomes contextually defined and varies with the pace of the corporations' participation.

Last, another nuance of time orientation to be included here is working in multiple coexisting time frames in the relation between Skat and large corporations in Tax Governance. Due to the circumstance that Tax Governance participants are not exempt from the traditional audit system in Skat, corporations can have to be subjected to lengthy audits in the traditional reactive system while at the same time working real time in the realm of Tax Governance. This is not always seen as beneficial for the collaboration, and one corporation has even postponed their participation in Tax Governance due to an encompassing ongoing audit. All in all, the changed work practices oriented differently timewise (reactive to real time; contextually and collaboratively defined path towards the future; coexisting time frames) are important elements of the changed (work) culture of both Skat and the corporations brought about by the introduction of Tax Governance.

With regards to a change in cultural orientation related to space—particularly understood as changes in relation to public and private space—two elements stand out in the data material. First, with the introduction of a new principle of regulation building on collaboration, the spaces of the tax administration and the spaces of the corporations are no longer just connected by the flow of paper/data material travelling between spaces electronically or physically through rather minimal interaction between Skat and the corporation. With the introduction of new working routines in the realm of Tax Governance, the physical presence of Skat employees in the corporations—in regular meetings and with Skat employees working based in the corporation for some days—is a prominent new mode of spatially organizing collaboration. In that sense what was the corporation's private space is increasingly inhabited by Skat—a change that is described by the tax directors to be predominantly an advantage of Tax Governance; but a few other tax directors use the opening up of the private space of the corporation as an argument for not participating in Tax Governance.

The second element that stands out in relation to changes in spatial orientation is the way Skat has not been allowed to disclose and make public which corporations are part of Tax Governance, since this question can be seen as an internal administrative issue in Skat. However, corporations themselves are free to publicly announce their participation in Tax Governance. For several corporations in Tax Governance the main concern is not to conceal their participation but rather to disclose it due to tax policy/tax strategy being

increasingly requested for elements of a corporation's external communication and as part of their public image. More of the corporations interviewed therefore explain that they actively use their participation in Tax Governance as an element of their tax policy or tax strategy and as part of their larger corporate social responsibility (CSR) efforts in order to signal to the public that they are tax compliant and a responsible corporation. Opening up a corporation's private space to interact with Skat in new ways is a strong reorientation of Tax Governance. This seems to be an element that is either highly appreciated or a weighty reason for not participating in Tax Governance—the issue of the shifting of private and public space in relations between Skat and the corporations thus cover polarized positions in the interview data. The change in corporations' societal relation, however is much more agreed upon in the data and can be argued to be facilitated by a general reorientation in Danish society where tax policy, tax strategy and CSR have become increasingly important elements of being a responsible corporation. This has become a public matter, not just a private or internal matter.

With the introduction of Tax Governance, the very organization of the relation between Skat and corporations has also changed—and this relates to the third cultural element introduced above. The traditional hierarchical relation between Skat (the authority) and the corporation (the regulated) has changed and corporations are increasingly able to take the lead in relation to Skat with regards to defining frames, the “playing field” and time frames of the collaboration—if they take the initiative to do so. Skat and corporations thus operate in a more mutual relationship where the direction of the initiative to work forward is not predetermined. In addition, some of the interviewed tax directors explain that they internally in their own organization have experienced a shift in their position due to their participation in Tax Governance. One tax director for example explains that he finds he has gained more impact since the corporation he works for has committed to Tax Governance. So paradoxically, the dissolving of the hierarchical relation between Skat and corporations can in some regards be seen to contribute to a shift in the position of the tax directors internally within corporations. They explain a move towards a position with more influence and authority due to the emphasis and weight the taxation area is given.

Last, in relation to discussing organization of the new relationship, it is worth pointing to the basic detail that Tax Governance builds on the formal signing of a declaration of intent, *hensigtserklæring*, by both parties. This can be understood as a form of contractual relationship—despite the fact that it does not contain juridical aspects; it solely formulates some frames of interaction and intentions of the collaboration. In the Danish case a few of the interviewed tax directors however find that collaboration has developed to encompass more elements than they expected when they entered Tax Governance collaboration. In

this light the Tax Governance programme can also be understood to have developed at a different pace from the specific practices it first encompassed in its “contractual form”, which can be seen as an impediment to the programme.

What the two above paragraphs argue is that this basic reorganization of the relation between Skat and the corporations inscribed in the Tax Governance programme has moved from a hierarchical towards a collaborative—and more mutual—relation. In this way it seems that the cultural orientation to some extent has been changed with regards to the basic relation between Skat and the corporations. However, the data also points to the fact that this is not the only reorientation that has taken place in the sense that some of the tax directors describe changes in their basic relation with management and the rest of their organization due to the formal collaboration with Skat in Tax Governance. Therefore, it can be argued that the cultural reorientation of the basic relation between Skat and the corporations has resulted in effects on other relations.

Finland: The overall view of cultural changes in the Finnish tax administration VERO is similar to Denmark’s. Co-operative compliance has brought about changes to the temporal orientation, changing the emphasis from past-oriented control towards the present and the future. There have been some changes to the private/public boundary between the tax administration, and steps have been taken from hierarchical towards mutual or contractual orientation to organization. These aspects of the cultural change are elaborated below.

The orientation towards the present and the future in co-operative compliance entails the corporation in taking the initiative to disclose to the tax administration relevant information concerning uncertain tax matters in case the corporation expects for example that an interpretation of the law might differ between the corporation and the tax administration. Both the tax administration and corporations aim at working in real time on tax matters.

While the emphasis of co-operative compliance is in the present and the future, it is possible that traditional tax audits are conducted in the corporations participating in the programme. The data collected for this study does not, however, include information on any corporation where a traditional tax audit would have taken place after entering the co-operative compliance programme. The tax administration may adjust the forms and extent of control based on the perceived risks and other control mechanisms that there are in place in the corporation, meaning that the tax administration may not deem it necessary to carry out full-scale tax audits.

Overall, co-operative compliance programmes can be viewed as one aspect of the broader present-time or future orientation that has strengthened in the Finnish tax administration

during recent years. Changing the emphasis from backward looking control to proactive guidance is part of the strategic goals of the Finnish tax administration.

Regarding the spatial orientation—the private vs public sphere—have increased transparency within co-operative compliance caused changes to the public/private boundary between tax administration and corporations. Increased transparency by the corporation includes an obligation to disclose the corporation’s tax strategy and relevant plans to the tax administration. It also entails documenting tax processes and controls, and disclosing them to the tax administration as a part of a so-called “compliance scan”.

Traditionally, internal controls and processes in corporations have been part of the private sphere, and efforts by the tax administration used to focus on controlling the outcomes, not the processes involved in producing these outcomes.

Similarly, tax administration promises to be transparent about why it is asking for certain information. Previously, the reasons for posing certain questions were considered part of the tax administration’s private matters.

Tax administration has argued that participation in co-operative compliance falls within the private sphere in the sense that it cannot make public which corporations participate in co-operative compliance. The conclusion is in line with Finnish legislation which retains taxation in the private sphere (apart from exceptions specified in the Act on public disclosure and confidentiality of tax information [1346/1999]).

Yet, participating corporations can bring the information into the public sphere if they wish to do so. For example, one corporation writes in its sustainability report that it “has been collaborating with the tax administrations to enhance transparency in taxation”. When entering the programme, another corporation communicated that in co-operative compliance, “the parties have a joint interest in handling taxation in real time and timewise efficiently”. It further stated that “co-operative compliance is a proactive and transparent way of working, which is based on trust and common understanding between the tax administration and tax payer”. As these disclosures show, some corporations have chosen to make their cooperation with tax administration a public matter, and to emphasize the voluntary compliance and mutual trust between the taxpayer and the tax administration.

A co-operative compliance relationship is started by signing a Letter of Intent by the corporation and by the tax administration—which is an element of contractual relationship. The Letter of Intent outlines the agreements between the parties, the expected ways of working and the mutual goals of trust, transparency and real time

processes. As the participation in co-operative compliance is voluntary, the contractual element also requires the willingness of both parties to enter co-operative compliance.

With the introduction of co-operative compliance, the traditionally hierarchal relationship between the tax administration and the taxpayer has become a more mutual one. In co-operative compliance, corporations readily take the initiative in contacting the tax administration, as an interviewee described:

Even more often than every month, we have contacted them. We have now asked for guidance concerning VAT in two cases. VAT is a typical one, where we have these questions. They can be very complicated. And there are difficult questions. And I believe that our payroll also has had different questions every now and then. And then we have been in contact with the transfer pricing people at the tax administration. And we have met several times during this spring, for different reasons. (Interview, tax Director)

As the above quotation illustrates, new practices have created a new culture of discussion between tax administration and large companies. Previously the style of communication was very “official” and the exchange of information was based solely on written documentation. When handling matters, different forms were filled in and sent back and forth, and it was a very slow and difficult process to get any answers from the tax administration. The new culture where tax administration and companies share more information to create tax compliance is at the core of understanding what the new practices are built on.

There were some concerns within tax administration towards the new culture. New skills and ethics are required from tax administrations when meeting clients in face-to-face communication, understanding different business cases and giving their opinions more promptly. The status of public servants has not changed, however, but the virtues of the past did not hold any more. Tax officials are now required to be “ambidextrous”. On the one hand they have to be proactive and help their customers to do the right thing. On the other hand they have to enforce tax laws and keep up the threat of punishment following on from non-compliance with a tax audit.

Even more apparent as a signal of cultural change—orientation to mutual organization—was the expression of a common interest with tax agencies in other countries, or resolving tax questions in international settings. A tax director interviewed in a corporation explained one of the rationales for entering co-operative compliance as follows:

Finland is always at the other end. This is one of the strongest reasons for why we wanted to be a part of Enhanced Customer Collaboration. To have enough focus on us by the tax

administration. So that they really try to help us and co-operate with us (in international cases) ... They understand that we are in the same boat. (Interview, tax director)

While the culture of discussion between the tax administration and corporate taxpayers has changed, even the new discussion culture has its limits.. New co-operative compliance practices are initiated and put forward without any public discussion in the media, with the exception of a few articles on the topic written by the tax administrators in professional media (e.g. Piiskoppel 2017). In this sense, new practices are built on the prevailing culture where decisions are made and information shared with stakeholders within smaller groups and not directly in the public sphere. There has been some criticism towards co-operative compliance in Finland, as an interviewee described:

Yes, we are bound by the same rules and regulations as anyone else. Because sometimes it has been claimed that this whole co-operative compliance is some kind of plotting behind the scenes. Or that we do some sort of horse-trading and other things. But my understanding is that we work on the tax matters when they are on the table, and not five years after. That's the idea. (Interview, tax director)

As the above excerpt describes, there has been criticism against and doubt about co-operative compliance. Yet, these discussions have not entered the public sphere and have not taken place in the media or in courtrooms. In respect of private/public sphere, where the formation of ECC practices take place, Finland and Sweden seem to lie at opposite extremes of the continuum.

Norway: In the case of Norway, it must be remembered that no formal Tax Governance programme as in Denmark and Finland was set up. Instead, the changes were incremental and dealt with as part of ongoing everyday work. We therefore discuss the routine changes in light of two identifiable initiatives: one a pilot “Reinforced Dialogue” of LTO from 2011–2013; the other a bundle of what we interpret as interrelated, strategic initiatives to improve routines for the assessment of compliance in all of Tax Norway. For the purposes of discussion of cultural reorientation, we set the starting point to revisions of the risk assessment methodology in 2009 and the end point to an organizational expansion in 2016. The initiatives impacted on everyday routines and resulted in a number of cultural reorientations.

In terms of a time horizon, with the pilot programme, there was no reorientation. Administrative practices had been based on assessment of the present risk (implementation of new laws and regulations, investment decisions). The interaction was in real time. Historical data was not required in the regular contact between corporations and LTO, but was used on an ad hoc basis for discussions about specific issues and for

regular assessment of the corporation's tax returns (*selvangivelse*). This did not change with the "Reinforced Dialogue" programme. With organizational expansion in 2016, and the use of the more systematic risk assessment methodology, there were time reorientations of several kinds. One was from the present to the past as the tax administration required large amounts of historical data extending further back in time than what had been established practice. The other time reorientation was the result of confusion about the requirements. The tax directors we interviewed did not know if the past time horizon was to be a new routine or if it was an ad hoc occurrence in connection with something they had not been informed about. They therefore adopted various varieties of "wait-and-see" attitudes, in case the perceived changes were caused by temporary adaptations and hoping that the relationship would eventually revert to normal. In this case, the initiative to the temporal reorientation came from the tax administration. None of the tax directors interviewed expressed a wish or a need to act on it immediately. In this sense, the routine change occasioned a temporal break, a pause, in the collaborative relationship with the tax administration, and signals of a possibly lasting spatial reorientation.

In terms of spatial orientation and organization, there were major changes from the beginning. The main dividing line between private and public did not run between the corporation and the tax administration, but between these two institutions and the general public. The corporations had regularly for many years had their boundaries crossed by tax administrators. LTO habitually asked about internal matters, which was nothing out of the ordinary. In this sense, tax administration was also situationally given room in the private space and there was a degree of mutuality in the interaction. A discussion would start with an inquiry from a known contact person from either side. Occasionally a tax advisor would be the first point of contact. The context for the inquiry could be some issue relating to the corporation's financial dispositions, or external factors thought to directly affect them. It would be solved by discussions between a small group of people who knew who the others were. The process and solutions were recorded in the internal system of each organization and the records were confidential, and not publicly available knowledge. Hence, even if there was a reorientation from the private to the public in the relationship between the tax administration and corporations, there was no reorientation of the boundary between private and public in terms of the media. On the other hand, the corporations found it problematic that there was no reorientation of the boundary between the Norwegian tax administration and the tax administrations in other countries. When several countries claimed taxes from a corporation, the tax directors had to weigh the claims against each other. If they had to pay double, the Norwegian tax administration was of no help. Either

the corporations' own tax directors or local tax advisors had to step in and negotiate to get the excess payment back. This could be a costly affair. One tax director estimated that even if ideally he should get it all back, an 80 per cent reclaim rate was a more realistic estimate.

There was also another kind of reorientation between private and public as a result of the organizational expansion. When in 2016 the tax administration started to request large amounts of data without giving any hints about why, this created confusion among the tax directors in corporations, and led to speculations that they were suspected of something without knowing what. This uncertainty was further aggravated as tax administrators, who were unknown to the tax directors, were sent in. This generated a need to know who these persons were, not as specific individuals, but as professionals working in certain units and with certain reputations. Because the tax directors were not informed about what the requested information would be used for, the need to know who would use it became urgent. Suddenly, the formerly private exchanges had turned into potential public information. Reactions to this were that such internal matters were not relevant for the media or tax advisors not working for a corporation. One tax director in a corporation that operated in a highly competitive international industry was concerned with the risk that anyone with access to the vast material they were asked to provide could identify the corporation's business models. Hence, he identified a risk of trade secrets becoming public knowledge. The response from all the tax directors interviewed was consideration about how to withdraw behind the boundary of the private. They searched for non-confrontational ways to limit the tax administration access by limiting the quality and amount of information to be sent over. By not doing anything proactively, the risk of unintentionally revealing something would also be reduced. The tax administration had not revealed anything about what was going on in their organization. Even though it was clear to the tax directors that something was going on, their reaction was that they had not been informed about it. Symbolically, the tax directors were turned out of the space they had previously shared with tax administrators. There was no longer a mutual effort, and the tax administrators demonstrated their sovereignty, their power to make the taxpayers do what they wanted without asking or explaining. This was a big change from the previously more mutual relations moving towards a more hierarchical one, only the taxpayers were not informed.

As this reorientation represented a dramatic shift in the quality of cooperative collaboration, and we got the same reaction from all tax directors interviewed, we decided to discuss the findings with the tax administration directly. From that discussion, it became clear that this outcome was an unintended consequence of the reorientations in time, space and relations.

Concluding on how “culture” has played a role in the Norwegian case, the most apt description of the corporations’ reactions as well as those of the tax administration might be a cultural misunderstanding due to different interpretations of the changes.

Sweden: The announcement of a co-operative compliance programme in 2011 (*Fördjupad Samverkan*, FS) disturbed existing orientations in time, space and the organization of relations. In the Swedish tax administration (SKV), co-operative compliance was thought to be just a change to a more collaborative, modern way of working (cf.

Ekonomistyrningsverket 2012; Skatteverket 2012). This view was not shared by everyone, and the programme occasioned a heated media debate. This debate gives valuable insight into the cultural reorientations expected from the programme, and the reactions to them.

In terms of the temporal orientation there were several possible changes, all questioned in different ways. The guidelines for the programme stated that the aim was not to change faulty historical decisions, but to work proactively with taxpayers to ensure that information, taxes and fees were to the largest extent correct as early as possible in the taxation process. Participating in the programme would provide a quicker response time for questions posed, there would be less uncertainty in tax positions as questionable tax issues would be resolved before reporting, and there would be fewer issues to be decided in court. This signals a reorientation from the past to the present. Taxpayers on their part reacted to the prospect for reorientation to the future. Before entering into any co-operative compliance agreements, they wanted to know to what extent the additional information gathered through the programme from and about a corporation would be used if the agreement between SKV and a corporation ended? Furthermore, the corporations questioned that for their part, they would perhaps even spend more time administratively addressing concerns that the participation required. Reporting information in real time increased the workload, which would not be offset by the legal requirement of fewer audit controls.

The spatial orientation in the Swedish case is articulated in what information is private and public. Information exchanged under co-operative compliance programmes was decided in court to be a counselling practice and thus not considered part of tax confidentiality under current laws. A private person demanded information about participating corporations, referring to the principle of public access to official records, *offentlighetsprincipen*. He argued that this type of collaboration was more like counselling than having a specific relation to specific tax cases (which are excluded from public access). SKV denied this request and the case went to the Administrative Court of Appeal who ruled SKV to be correct (February 2013). The case was then taken to the Supreme Administrative Court,

Högsta förvaltningsdomstolen, which ruled that SKV had to provide information about participating corporations. Information that can be publicly disclosed did not stop there; it was also ruled that details about issues handled were not part of the secrecy if these did not refer to specific tax cases. Given this ruling one corporation did decide to withdraw (July 2013). Spatial reorientation implied that the public–private distinction was completely eliminated.

The cultural reorientation was also noteworthy on an organizational level. New ways of working disturbed the distinction between regulator and regulated. In terms of organization of relations, SKV had the ambition to change how the Swedish tax system should work in practice; that it should not only rest on the application of black letter law but be governed by the spirit of the law. This view is contested by opponents to the programme, who state that it is the law that rules relations between tax administration and taxpayers, and that laws should be obeyed to the letter. According to them, it is not up to SKV to make these changes. Hence, even though SKV's position was challenged, the paradoxical result was that the position taken by opponents to the changes confirmed the hierarchical relation between regulator and regulated. Furthermore, there were also internal critiques at Swedish administration which voiced the opinion that with *Fördjupad samverkan*, SKV outsourced control to those who were supposed to be controlled. The resistance to cultural changes in terms of organization was voiced not only by opponents in the corporate sector, but also from within the tax administration itself.

Some light on how the changed relations between SKV and large corporations were voiced can be had from the media debate that unfolded after the launch of the first programme. “Should SKV be a buddy?” asked professor of law Robert Pålsson in a heading (Pålsson 2011). The article questioned how well the programme fitted with contemporary Swedish law especially concerning the issue of equal treatment before the law. *Fördjupad samverkan* was situated as one among many of SKV's changing strategies over the years—the tension between control on the one hand and increased information to taxpayers on the other. The programme was argued to be two sides of the same coin. Behind the rational legal arguments proposed in the article is a sentiment of mistrust. Pålsson writes (author's translation):

I choose to interpret SKV's initiative seriously and not at all as an insidious or conspiratorial way to undermine economic discretion or entrepreneurship. Although there is always a risk when roles coincide; when an institution that should control and make difficult decisions also aims to be a buddy. (Pålsson 2011)

The “buddy” issue also highlights the previous point; the aim to keep the existing private—public relation. The corporations did not want to risk that information hitherto reserved for treatment in the private sphere should become available in the public sphere. This confirms a strong-private—public distinction, and the idea of the independence and right of the business community to manage its own affairs.

SKV responded promptly with an article under the heading “SKV does not aim to cheat corporations” (Påhlsson 2011). Påhlsson’s legal apprehensions were recognized, yet the article argued for the need to change ways of working at governmental bureaucracies in general. “Laws and taxation rules apply to all, yet bureaucracies have to adapt their service and administration to the users, in our case tax payers, diverse needs”. *Fördjupad samverkan* was described to be just one of many adaptations that SKV had undertaken in its change of strategies and ways of working, e.g. information in different languages; information directed towards newly registered corporations; and e-services. SKV’s view was more directed towards a timely change in society. The incumbent Director General Ingemar Hansson argued that the programme was just an illustration of changing tax morals (in Swedish society). Taxpayers in general were now less forgiving towards tax planning; to pay tax is to show a concern for the society in which the taxpayer works and operates. Hansson went on to argue that tax policy ought to be part of a corporation’s ethical guidelines and he compared taxation to environmental issues where many corporations have larger ambitions (cf. CSR) than just following the letter of the law. This also signals a shift in spatial orientation, in situating the corporations more clearly in the public space.

Moreover, as the information exchanged between participating corporations and SKV is not subject to tax confidentiality (as ruled by the Supreme Administrative Court), this way of working ends up in an “informal greyzone”, not previously encountered in Swedish administrative law. It was suggested that *Fördjupad samverkan* cannot be categorized for a Swedish administrative authority in the usual triangulation of organizational activities, between the actual administration of issues, case handling and the exercise of public authority towards subjects. The proposed ways of working within the programme would mean SKV departing from the traditional and ordinary roles of public authorities as stated in administrative law (Bernitz and Reichel 2015). Simply put—what role would SKV have when it acts both as an arbiter and a consultant? What would the changing societal role of a tax administration which is engaged in co-operative compliance programmes with taxpayers do to the trust in SKV and to tax compliance in society writ large?

The reorientation of the organization of relationship is further underscored by how SKV tried to reformulate the first programme, *Fördjupad samverkan* from 2011, into *Fördjupad dialog* in 2014. *Samverkan*—literally meaning collaboration—was changed to *Dialog*—dialogue. The new guidelines were considerably shortened compared to those describing the previous programme and cooperation ambitions were much lower key. The change of name displays the ambition of retaining distance; it is now a dialogue instead of a collaboration emphasizing communication instead of working together.

7.1.2 Dimension I: Summary

The intention of this section was to compare how culture influenced the implementation of co-operative compliance measures in the Nordic countries. The co-operative compliance measures did result in cultural reorientations in all the Nordic countries.

In the case of Denmark and Finland, time, space and the organization of relations are weighty elements of the cultural change that can be argued to happen through the reoriented interactions between tax administrations and large corporate taxpayers with the introduction of new principles and routines of working. The changes were contained by the process of setting up a new programme and units. This enabled taxpayers to locate the source of the changes and see them as part of a new and common frame for cooperation. It was a matter of an organizational change and not their own tax compliance level. In Norway, the main concern was with the temporal reorientation. Each taxpayer had to work out the meaning of those changes individually. However, the changes were contained by a long collaborative tradition. In Sweden, the spatial reorientation evoked strong reactions, and as there was neither any new organizational programme, nor a strong collaborative tradition to contain the changes, the plans for a co-operative compliance programme were considerably downsized.

Each case exemplified the complex interplay between national context and co-operative compliance measures. A number of cultural reorientations were the result. Discussion of these reorientations revealed that there is more at stake in co-operative compliance than the simple action of voluntarily disclosing uncertain tax positions. The possible need to look into cultural nuances of the measures was not considered in any of the countries except Sweden where the programmes occasioned a heated public debate. Explicitly addressing cultural dimensions of such measures would make clearer unspoken criteria for assessment of compliance, criteria that have little to do with taxation per se. We have suggested a number of possible trajectories to investigate such criteria. The simplest way to

do it is for the tax administration and the taxpayer to go through the three key orientations together and clarify differences in orientations and discuss how to deal with them. These orientations are so fundamental that arriving at an agreement of what is the “right” orientation if they are very divergent may not be realistic. However, the more each side is aware that the differences exist and may skew their assessment of compliance, the more realistic will be the assessment.

7.1.3 Dimension I: Recommendations

- Consider collaboration about the conditions for co-operative compliance in terms of time, space and prior organization of relationships.
- It is important to ground changes in ways of working. Inform taxpayers well in advance about organizational and routine changes in tax administration.
- Agree internally on priorities and direction of changes internally before involving taxpayers.
- Identify alternatives to either/or categorizations, for example the categorization of taxpayers into either compliant or recalcitrant, either friendly or hostile.

7.2 Dimension II: Efficiency evaluation

The co-operative compliance initiative has been promoted by OECD with references to ideals of effectiveness and efficiency. Co-operative compliance is grounded on the assumption that when the tax control framework in the participating corporation is well documented and it has been declared effective by the tax administration “the extent of reviews and audits of the returns submitted can be reduced significantly” (OECD 2016, 7). Nevertheless, it is questioned whether these programmes lower the administrative costs, or further, whether co-operative compliance demands more human resources, in tax administrations and/or in corporations (Boll and Brehm Johansen 2018; de Widt and Oats 2018). In this dimension we discuss the challenges of evaluating co-operative compliance programmes.

The efficiency of taxation can be evaluated based on the costs of taxation and the related outputs (such as tax audits, responses given to taxpayers up front, education). Total costs of taxation can be divided into *administrative costs* and *performance costs*. The administrative costs of taxation fall both on tax administrations from collecting taxes and on corporate taxpayers in the form of administrative costs and tax planning. The performance costs of taxation are various unintended effects from taxation in society when taxpayers try to optimize their behaviour with the negative performance effects for society as a whole (Tuomala 2009, 175).

Effectiveness is a concept that is used in evaluating whether an organization or a change programme has met the objectives and targets set a priori. Effectiveness means the extent to which tax administrations’ “activities and outputs achieve desired outcomes” (OECD 2014, 14). The expected outcomes of co-operative compliance programmes are broader and more versatile than the decrease in administrative costs borne by tax administrations and/or large corporations. The expected outcomes of co-operative compliance programmes can relate to the following aspects of compliance (see also OECD 2014):

- the amount of taxes collected/decreasing the tax gap
- voluntary compliance
- integrity and confidence in the tax administration system.

It is somewhat self-explanatory that co-operative compliance programmes are expected to improve the overall level of compliance, and in particular, voluntary compliance. However, the programmes may also have influence over how taxpayers, or society more broadly, perceive the fairness of the tax system, and they can affect the level of confidence taxpayers have in tax administration.

As the expected outcomes of co-operative compliance are rather broad and versatile, those evaluating the programmes should not try to capture their costs and merits with a small number of narrow indicators, such as the audit yield (i.e. additional tax revenue resulting from tax audits) or number of corporations participating (de Widt and Oats 2018). Besides the outcomes in terms of taxes collected, co-operative compliance has the potential to impact the compliance environment: the extent to which corporations comply voluntarily, and integrity and confidence in the tax system. The potential impacts of co-operative compliance programmes on the integrity and confidence in the tax system, or the willingness to comply, are likely to manifest in the long short term, if at all.

Broader evaluation of the effectiveness of a co-operative compliance programme could be based on a framework that is developed in a heuristic fashion for this specific purpose, and would include all three aspects above. Hence, in addition to the efficiency of taxation, the evaluation framework could include other broadly accepted criteria for good taxation. Accordingly, fairness between corporations in similar situations, decrease in performance costs from unintended economic consequences for society, and intelligibility or ease of compliance could be among those criteria (Tuomala 2009, 159).

As the OECD (2014) report *Measures of Tax Compliance Outcomes* also points out, tax administrations need to carefully reflect the changes in taxation practices when designing indicators to assess the outputs and outcomes of these practices. While the evaluation of effectiveness and efficiency of co-operative compliance programmes is not unproblematic—and may potentially lead to other unintended consequences—similar reform evaluations have been conducted, however, in other areas, such as privatization (cf. Hodge 2000).

This dimension shows that the extent to which different tax administrations have attempted to assess the efficiency and effectiveness of co-operative compliance varies considerably between countries. And so too does the anecdotal evidence on the outcomes of co-operative compliance vary. The evaluation of co-operative compliance programmes against the criteria of efficiency and effectiveness is difficult but merits thorough consideration. If these programmes are to be evaluated, a comprehensive set of indicators must be developed. One prevailing challenge is inferring which outcomes are attributable to co-operative compliance, or overall attributable to the tax administration's actions, and which result from other contextual factors.

7.2.1 Dimension II: Comparison by drawing on practices/experiences

Denmark: In 2008, a pilot of the Danish Tax Governance programme—then named “Enhanced Relationship”—was introduced primarily in order to make Skat’s work of regulating the largest Danish corporate taxpayers more *efficiently*. This was supposed to be obtained by using less manpower on resources demanding reactive audits and thus lowering costs associated with regulating the segment of large corporate taxpayers already judged compliant. A manager from Skat explains:

Well, they have initiated this [Tax Governance] because the heaviest post we have resource-wise is to go out and make audits in these corporations [the largest]. And because our resources have been cut back, we have to find out whether we can still have control of the many billions that need to come in every year and can we do it in a more appropriate way. And someone has been behind this approach that it could be done by having a dialogue with the corporation. [...] It came to Denmark because the former general manager [...] had attended an OECD-meeting and came home and said “we also need to try this”. (Interview, tax official)

A part of the rationale of introducing Tax Governance is thus that through dialogue—and the more formalized elements of risk assessment and the instalment of internal control systems in corporations—the resources needed for securing tax compliance are lessened due to decreased need for resource demanding reactive audits. The efficiency agenda is thus primarily bound to lowering Skat’s *administrative costs* of regulating large corporate taxpayers. Skat however emphasizes that the new approach will also lower the resource demand in terms of *administrative costs* for corporations. However, our interviews show that evidence of the proposed decreased use of resources is still lacking. On the contrary—and paradoxically—a couple of the corporations interviewed tell of the need to expand their tax departments—or re-staff with employees with other competencies—due to their Tax Governance engagement (Interview, tax directors). It can therefore be argued that through the demand for permanent control measures to be installed in corporations—such as internal control systems—some of the administrative costs of attaining compliance have been shifted from Skat to corporations.

With regards to the aspect of effectiveness—the extent to which tax administrations’ “activities and outputs achieve desired outcomes” (cf. OECD definition above)—the picture is less clear in the Danish case since the overall purpose of Tax Governance is to:

... establish a trust-based collaboration, which means that both the corporations who are included in the collaboration and Skat get greater security that the tax, VAT, duties, etc. paid is initially correct. This means that both the corporations and Skat need to use fewer resources on reactive audits from Skat. (From 2017, 1)

Here the goal of establishing trust-based collaborations is coupled to the expectation of lowered resource use with regards to reactive audits for both the corporations and Skat. So the efficiency element (reduced costs) is tightly coupled to the effectiveness of Tax Governance which then is hinged on both the establishment of trust-based collaborations (which are hard to measure) *and* lowered administrative costs.

Skat usually measures the effects of its activities by drawing on quantitative data from internal records and IT-systems. But when the core elements of Tax Governance are dialogue and proactive work there is no quantitative information to use for measuring effects.

Therefore it is a challenge to measure and provide evidence of the impact and outcomes of the Tax Governance programme when the overall purpose is to create enduring trust-based relations with large corporate taxpayers. A tax official says:

It is difficult to say what parameters support us to get correct behaviour [tax compliance] and how we get a lasting effect because it is not about numbers it is about relations, it is about how you act, and that is for sure difficult to measure. (Interview, tax official)

Another tax official adds:

We talk about KPIs in Skat, well, what is it they want to measure? [...] It gives no regulation if you can sit down with a corporation and say “we are not agreeing, you will get an adjustment if you do it like that”. Then they go home and do what we have suggested and then there will be no adjustment [...] but the money will come in anyway and that is difficult to measure. But it is one of the things where we can say, well the effect of having dialogue might be that we see that this money will come in because they did something other than they had planned to do. (Interview, tax official)

They all point to the behavioural and relational elements as the cornerstones of Tax Governance, but cornerstones that do not easily fit into the agenda of measuring efficiency—or effectiveness when efficiency is included as a goal. These considerations on the theme of measuring the effects of Tax Governance are spurred on by a critique from the National Audit Office, *Rigsrevisionen*. They have questioned Tax Governance exactly because of the lack of documentation on the efficiency of Tax Governance compared to the traditional control approach since Skat has not been able to “account for whether Tax Governance is a more or less resource demanding method to lower the tax gap compared to the traditional control” (Rigsrevisionen 2014, 22). The National Audit Office finds that the shift from traditional control to Tax Governance collaboration should have been based on a convincing collection of effects (ibid.). Partly as a response to this critique of lacking documentation on the efficiency of Tax Governance, Skat has reformed the programme (From 2017, 2) to encompass a phase model (phase 0–4) as this is to enable showing progress for the corporation as the moving between phases can be shown—and measured.

The Danish case thus shows that a strong separation of efficiency and effectiveness is not always the case. We have shown how these aspects are intertwined in the Danish case which has contributed to the fact that it is inherently difficult to measure the effects of Tax Governance. Running a programme based on elements such as collaboration, running dialogue and enduring trust-based relations is not necessarily easy in a context where quantitative performance measures and evaluation means are most often the standard.

Finland: In line with ideals of effective and efficient use of resources, the Finnish tax administration has publicly argued that co-operative compliance with the largest corporate taxpayers was introduced with the aim of achieving as effective and efficient administrative procedures as possible while also achieving predictability and legal certainty (Vero 2017). While the hoped-for cost effectiveness of the approach came up in early meetings between the tax administrators and the researchers authoring the present working paper, and in some of the interviews, it does not seem likely that the tax administration has systematically attempted to evaluate the effectiveness and efficiency of the approach.

Within the tax administration, however, there were concerns about the increase in administrative costs for the Finnish taxation administration especially in the short run. It was unclear how much the need for specialist work would increase due to cooperative practices, and where this additional resource would be found. It was expected that the human resources needed for the new cooperative practices would be gained from automation of processes and reallocating resources from other activities of tax administration, more particularly from tax audits.

In the longer run, however, the overall administrative costs of taxation are expected to diminish due to new practices. Both tax administration and large taxpayers are expected to benefit from a diminishing need for tax audits, whereby administrative costs are expected to decrease. In addition to cost considerations, the qualitative objectives for the programme, such as increased legal certainty and predictability, were significant.

Further, the Finnish tax administration has specified the meaning of efficiency and effectiveness in the context of co-operative compliance somewhat differently from e.g. the OECD 2014 report: VERO states that in the context of co-operative compliance, “*efficiency* means handling the tax matters as close to real time as possible, and *effectiveness* refers to the goals of enhanced predictability and legal certainty” (Vero 2016).¹⁴ As already noted in

¹⁴ https://www.vero.fi/tietoa-verohallinnosta/verohallinnon_esittely/uutiset/uutiset/2016/syvennetty_asiakasyhteistyö_osakskons/

the case of Denmark, such qualitative goals are not easily convertible into quantitative metrics.

As an interviewed tax administrator pointed out, the lack of systematic evaluation of the efficiency and effectiveness of the programme does not mean that the issue has not been considered. Rather, the negative experiences concerning the inadequacy of evaluations in other countries and the overall difficulty of measuring efficiency and effectiveness have been among the reasons for not conducting a broader evaluation.

Norway. In the Norwegian case, goals for the “Reinforced Dialogue” programme were to enhance dialogue and facilitate open and frank discussions about tax control routines. Discussions between LTO and the corporations were not initiated to deal with specific issues in individual corporations. The emphasis was on the meaning of compliance as a generic term, and how internal control systems could reduce the risk of incorrect tax returns. However, if gaps were uncovered, they would be investigated. Neither increased efficiency nor increased effectiveness figured prominently in the discussions in that programme. These outcomes were desired outcomes of LTO’s increased understanding of gaps in internal tax control routines. Refinement of the risk analyses tools on the other hand, were more clearly aimed at reducing costs and increasing revenue. It was therefore coupled to other agendas in Tax Norway than in only co-operative compliance measures per se.

The tax administration early identified the need to evaluate the effects of the new initiatives. Several evaluation methods were considered, and the one finally chosen for further investigation was a methodology for measuring outcome of institution building programmes. A particular characteristic with the methodology was that it made use of the informants’ own theories and concepts. Not only should it make outcomes measurable in “objective” terms, outcomes should also be some of the criteria that participants used. In the end they were not used. We mention this example to point out how complex is the measurement of effects, efficiency and effectiveness.

One habitual way to measure effectiveness was that the contact person for a corporation would assess the difference between expected tax revenue and actual tax revenue. The expected revenue would be estimated based on historical tax returns, previous experience and knowledge about strategic decisions since the previous filing of a tax return. Although this was part of the routine for the contact persons, the exact figures for each corporation would not add up to a grand total. The figures were discussed internally and in the teams, and provided a kind of road map for where to go in future. Apart from this, concerted tax gap mapping was not attempted.

Another habitual way to assess the outcomes was the yearly estimates of the amount of additional tax payments corporations had to make versus the amount of money returned by the tax administration to corporations as the result of tax controls/audits. Figures would be calculated separately for the tax administration and the corporations and the grand total added up. Some years the balance was in favour of the tax administration, in other years in favour of corporations. The tax managers interviewed explained that in the long run, it evened out.

When it comes to assessment of administrative cost, there was a general notion that earlier and more precise targeting on corporations unwilling to pay taxes would reduce the administrative costs of tax audits. A full audit of the books of a multinational corporation was regarded as extremely costly and should be reserved for special cases where suspicions about tax fraud had been confirmed through several channels.

Based on a survey of the willingness of Norwegian businesses to pay taxes, taxpayers either unwilling or lacking the skills and competence to do it properly were estimated to make up only a small percentage of the total business population in Norway. These are very rough estimates, but supported the LTO claim that corporations aim to comply. When it comes to large enterprises, there was even stronger certainty that they aimed to comply as the cost in terms of loss of reputation and credibility outweighed the cost of paying company tax.

One tax manager stated that: “Tax is not a main criterion for doing business. We pay the required taxes. We could have used more resources (on tax management) ... it is important to remember that tax is not crucial as a measurement of doing business” (tax director).

Another tax director was concerned with the increased cost of hiring tax advisors, and how that compared with building up an internal tax administration. He said these were ongoing discussions and we did not get any actual figures or estimates about the corporations’ administrative costs.

Yet another indicator habitually used to assess administrative costs was the number of companies per tax administrator. At the time of an organizational extension of the LTOs in 2016, there was no great difference from the previous ratio.

Even though this had little effect during the time of the initiatives investigated here, it is worth mentioning that Tax Norway is actively engaged in digitizing its services. Taxpayers have been segmented according to the complexity of their tax returns, and eventually only taxpayers with complex tax returns can expect personal service. Already the filing of citizens’ private tax returns and of small and medium-size enterprises (SMEs) with simple tax affairs have been digitized. This is also a way to reduce administrative costs for the

individual taxpayer. Apart from some systems overloads and other “children’s diseases” (barnesykdømmer) early in the process, digitization has been a successful and popular reform. So much so that only 40 per cent of individual taxpayers opened the suggested tax return from Tax Norway in 2018. The fact that individuals did not check their files at first caused some concern in the media as it was feared that responsibility for individuals’ tax returns had shifted to the tax administration. As there were few public complaints, nothing more happened. It is anyway a clear indication of Norwegians’ trust in Tax Norway.

Sweden: An evaluation of efficiency has never had serious discussion in Sweden due to the still very tentative implementation of the programme. Yet, there are two issues to be raised following discussion about the programme’s imagined efficiency and effectiveness: a short-term pragmatic stance resolving everyday issues; and a longer-term question of effectiveness, collecting “the right tax” rather than explicitly decreasing the tax gap and of integrity and confidence in the tax system.

As a background to what could be evaluated, *Fördjupad samverkan*, FS, was argued to be a more efficient and cost-effective way of working, both for corporations and for SKV. SKV argued that the benefits for participating corporations would be a quicker response time for questions posed; there would be less uncertainty in tax positions as questionable tax issues would be resolved before reporting; and there would be fewer issues to be decided in court. At SKV this way of working with corporations was argued to release more resources which could be concentrated on fighting taxpayers deemed more risky. In short it was seen as a modern and more efficient way of building relationships between large corporations and SKV. Yet SKV hosted internal critiques, voicing the opinion that SKV outsourced control to those who were supposed to be controlled. The efficiency aspect was thus more broadly questioned; what might be gained in the short term by being cost-effective and shorten response time for questionable tax issues would be lost in the longer term with corporations’ decreased compliance. Corporations also questioned the efficiency with initiatives like *Fördjupad dialog*; would only an extra workload be given to them? Would we do the work of SKV? asked several of the non-participating corporations.

One of the few participating corporations initially took a sceptic stance towards the programme when it was introduced. Yet, the director of its tax department felt they had to try given earlier issues put to SKV. It had previously taken SKV 26 months to respond to the five unique but characteristic questions for this corporation’s specific situation and even so the responses given were not adequate enough to be translated into practice. “What did we have to lose?” he asked, “We had to try it out.” This corporation operates in peculiar circumstances where new tax issues continually spring up. There is a lot of “new”

knowledge needed for interpreting existing tax laws. The overarching question for this corporation is in regards to who will pay in any given new tax issue: the corporation, other corporations, the municipality, the state or private individuals?

The accumulation of new knowledge regarding these taxation questions, both internally and at SKV, is the most important issue for the corporation. If possible, they would like to keep the contact person at SKV for much longer than the stipulated four years. “The only good thing about changing the initiative from *Fördjupad samverkan* to *Fördjupad dialog* was that now we can keep him for six years. He served for two years under the previous programme and with the new one we could start all over again”. Otherwise the change meant longer response times for questions posed by the corporation.

Both co-operative compliance programmes have thus been very efficient for the corporation for several reasons. Issues are resolved much more quickly and it has given them access to more specialists, and thus knowledge, at SKV. The short-term issues can thus be easier to quantify and evaluate than the long-term goals: response time for issues raised, number of issues raised over a certain period of time, etc. The tax director said:

We have a much larger range of cooperation possibilities [with FS/FD]. SKV has now more knowledge about us, which is deemed positive and which in turn has created opportunities for other ways of working together. There has been no resource demanding audit control since 2008. This is a very positive result as an audit control requires and takes up a lot of resources. (Interview, tax director)

This leads us to the longer-term question, articulated in terms of the need for audit controls or not. These are very resource consuming; both for corporations subject to them and for SKV performing them. In the best of worlds, all would like to get rid of them, yet they are deemed to serve a purpose of efficiency in the long run. A tax expert at the Confederation of Swedish Enterprises argued that it was better for SKV to retain working with audits instead of these modern, so-called efficiency-creating cooperations: “We would prefer that they perform more of the old-fashioned audits to catch the real crooks” (Interview, tax expert).

Yet, the tax director of the participating corporation above was content that they had not been subject to audit control. Participation in the programme does not exclude any corporation from being part of SKV’s Common Risk Evaluation.¹⁵ This fact can empirically be questioned, based on the above corporation’s favourable experience of not being subject to audit since they started participating in the programmes. There is of course no proven

¹⁵ *Allmänna riskvärderingen*.

causality, but this corporation's previous experience was in audits with a few years in between. The corporations' contact person at SKV explained why they had not carried out any audits since the start of the cooperative programme: "We know the corporation better and thus know better when to audit them" (Interview, tax official).

The discussion about pros and cons of audit control and its impact on tax compliance is a broader question that merits a discussion elsewhere, yet there seems to be a belief that the very threat of auditing anyone raises confidence in the tax system writ large in society. This discussion also points to co-operative compliance programmes being deeply intertwined with all other ways SKV conducts its work and relates to taxpayers. It would thus be very difficult to evaluate the long-term assessments of a qualitative way of collaborating.

7.2.2 Dimension II: Summary

Overall, evaluation of co-operative compliance programmes against the criteria of effectiveness and efficiency is very difficult. It is not unproblematic to try to find a point of comparison in order to determine what the outcomes would have been without co-operative compliance. Therefore, it is difficult to infer which outcomes are attributable to co-operative compliance, or overall attributable to the tax administration's actions. Based on data collected for the present research, it cannot be determined whether the use of the tax administration's resources is more efficient than before or to say that co-operative compliance would have materialized in direct cost savings. Based on the cases of Denmark and Finland, co-operative compliance may have even increased the administrative costs, at least in the short run, for some corporation and/or tax administration. This is not to say, however, that collaborative compliance may not have brought about other improvements if evaluated with other criteria, such as improved communication between taxpayers and tax administration, or the potential reduction of tax risk if evaluated from the viewpoint of participating corporations.

Denmark differed from other countries in that those evaluating tax administration (i.e. the National Audit Office) requested information on the efficiency and effectiveness of Tax Governance. As a result, this co-operative compliance programme was reformed to include more measurable elements, encompassing a phase model (phases 0–4). The phase model enables showing progress for the corporation as the moving between phases can be shown, and consequently measured.

7.2.3 Dimension II: Recommendations

- Consider ways to evaluate the outcomes of the approach up front.
- Given the qualitative nature of the expected outcomes, consider how previously used metrics of evaluation (e.g. audit yield) could, should and are interpreted.

7.3 Dimension III: Competences in tax administrations

It has been proposed that “taxes are obscenely complex” (Clemens 1999, 518). A valid question is then what type of competence should tax officials have to deal with this complexity, especially when new ways of working programmes like co-operative compliance challenge routines and competences teased out over centuries. In the Nordic cases we saw several aspects raised regarding tax administrators’ competence. The questioning of competences was argued to be both on an individual and structural level.

First, how can officials at the tax authorities help and/or teach a big corporation to mitigate its extremely complex accounting system with regards to reporting and paying the “right tax”? The large corporations that take part in co-operative compliance programmes have dedicated tax departments staffed by professionals, access to expert tax advisors and operate if not globally, certainly internationally. Their tax affairs are usually very complicated.

Second, the competence requirements of tax administrators engaged in co-operative compliance were somewhat enlarged. It was not enough to be knowledgeable about the technical details of tax; they should be able to communicate with taxpayers.

Problematizing the new competences that are required we draw on insights from the British tax administration, Her Majesty’s Revenue and Customs (HMRC). In the early 2000s, new working practices at HMRC were introduced. Penelope Tuck describes how these new ways of working ultimately changed the identity of tax officials (Tuck 2010). The result was that HMRC’s formerly inward facing public officials with wide technical tax knowledge, here referred to as vertical knowledge, had to transform into “T-shaped” officials. As HMRC had increasingly taken on a strategic and marketing emphasis, a new style of officials had to emerge. It was one that had to master other skills in addition to traditional technical tax knowledge. Such an official had to be more outward looking and have “non-confrontational meeting skills, customer service skills, and treating taxpayers as customers, in addition to greater specialist knowledge as multinational corporates and tax legislation becomes increasingly complex (the horizontal part of the T)” (Tuck 2010, 594).

In the Nordic co-operative compliance programmes, we see that additional skills are recognized in the new roles of being contact persons. Although they have to understand the overall tax technicalities of tax corporations, they should be able to deal with representatives of corporations, be good communicators and also have a large network within the tax administration so that issues raised by corporations could be duly forwarded to an expert and resolved. As Tuck notes, such a transformation of officials has impact both on social and organizational aspects and implications for tax policy writ large.

Third, internally at tax administrations tax officials' competences were questioned. This issue was only pronounced in the Swedish case, emphasizing Sweden as being the extreme case of co-operative compliance. This was not a question of distrusting colleagues, but rather of tax administrations seen as vulnerable in relation to the much larger tax competence available to multinational corporations. This mirrors an old-fashioned view of *adversity* between tax administrations and large corporations; an adversity the very idea of co-operative compliance was set to fight.

7.3.1 Dimension III: Comparison by drawing on practices/experiences

Denmark: On the aspect of whether Skat employees are capable of assisting corporations in their efforts to pay the correct taxes, the Danish case shows that they are seen as competent and capable in this regard—when it comes to certain matters. In the realm of Tax Governance and on specific tax/legal matters corporations seem to be very content with the collaboration and guidance they receive from Skat. A Tax Director explains: “We call them [the relevant persons in Skat in the Tax Governance team] if there is something new or if we need to get something clarified (...) it is one of the elements that works well” (Interview, tax director). The element of presenting questions and dispositions that have unclear tax or legal consequences is generally very well perceived by corporations and explained to be of huge benefit to them. Importantly, this competency of the Tax Governance employees is also directly related to the core tax competences and legal knowledge of a well-trained tax official.

However, regarding the competence repertoire of the tax official—especially Tax Governance managers—new dimensions and demands have been added. In the Danish case this is also found to be an explicit theme occupying employees both in the tax administration and in corporations. A tax official says: “Expressed in popular terms, we turn the cap; it does not say ‘control’ anymore, it says ‘guidance and service’” (Interview, tax official). This shift brings new competencies to the fore. The “control”-approach and tax specific knowledge have not been discarded, but other competencies are-drawn to the foreground as essential new elements of a Tax Governance manager—skills in risk assessment and internal control and also communication and social skills. Whereas the tax officials' competences with regards to “old” core taxation skills are highly acknowledged and appreciated by corporations (as indicated above), skills related to risk assessment and internal control are not aired in the same appraising manner. A tax director explains that he does not think Skat is strong enough in their response:

As you know, it [the Tax Governance programme] starts with a process where we make this risk assessment and we say where things may go wrong (...). So, well, you may say, that we came with this introductory presentation of where we thought something may go wrong in our processes. But, I do not think that we got any response from Skat—because they are really not ready to engage in this mindset. And then I want to say, that *when* we do this, *when* we show where in the processes something may go wrong, then when it comes right down to it, then this is my words, or *our* words come to be worthy of credence. And well, here they [Skat] ought to be better at challenging us. Maybe they will later, over time, because [for them] it is a muscle that “needs training”. (Interview, tax director)

Some tax directors also mention the long response times from Skat on materials submitted in the processes of reviewing specific areas of law in the collaboration. Moreover, their skills regarding internal control are questioned:

You do notice, that they [Skat] do not know, what a control is (...) the tax official has typically only worked in Skat, so they do not know, what a control is (...) In our first discussions it was quite clear that they [the tax officials] did not know what they asked for [when talking about internal control] and that made this part of the collaboration a bit hard, we had to try to talk to them about the fact that when you deal with control and risks then it is unavoidable to also talk about substantiality. (Interview, tax director)

Over to Skat on the element of communication and social skills. One Tax Governance manager explains:

So it [my role] is a lot about seeking dialogue, talking to people, being able to resolve conflicts [...] internally in Skat it can be a challenge [to work in this way] because we need to remember to inform each other that we go out [to the corporation] and all that. It is completely banal, but it is difficult to do collaboration outwardly if you cannot even coordinate and be in control internally. (Interview, tax official)

In general, most of the Skat employees interviewed like the collaborative idea and way of working brought about by the introduction of Tax Governance. However, they also express a need to develop skills in order to satisfactorily master their reconfigured role in relation to corporations. Another Tax Governance manager says:

I think you are not equipped [to this way of working]. You get chosen more or less randomly, who is seen to have the time and so on. In my mind it should be the case that the persons who are to work with this [Tax Governance] also have to get trained or educated and have some tools and methods. (Interview, tax official)

The tax official gives an example that they need to be trained in the self-checking approach, *egenkontrolltilgangen*, instead of the tax control approach, *skattekontrolltilgangen*, since they are two very different principles of working.

Summing up, the Danish case shows that when it comes to the core issue of professionalism of tax officials, their knowledge and skills on taxation matters are generally found to be good. When it comes to knowledge and skills on risk assessment and internal control the picture is less positive. These skills are seen as inadequate by both tax officials themselves and the tax directors they work with. This is problematic as such skills might be termed potentially future core elements of the professionalism of tax officials. It must be mentioned that this issue has been dealt with by the tax administration in recent educational initiatives. Last, an element of competences not so closely connected with the specific taxation work are the specific process and collaboration related knowledge and skills in the areas of communication, contextual knowledge of the corporations and general social skills. When tax compliance becomes a collaborative endeavour will these skills increase in importance for the collaboration to work well?

Finland: “The right tax at the right time” is an old tax administration slogan, which was said to be still valid today. The tax administration’s task under *Syvennetty* is to help its customers find out what is the “right tax” and finding the “right tax” should be the common goal for the taxpayer and the tax administration. In search of the “right tax”, taxpayers should be able to trust the guidance given by the KOVE personnel. The opinion was that the taxpayer must be able to trust the discussion, the content of the discussion, which would place a relatively extensive burden and responsibility on tax administrators on what they say. To succeed in finding the “right tax”, in cooperation with the customer, the first requirement for the tax administration personnel is the ability to cooperate and to communicate. Second, providing trustworthy advice for customers requires adequate expertise of the personnel to handle all the complicated taxation issues. As one of the interviewed tax officials stated: “Of course we should have the expertise so that we are able to give them the right guidance”. (Interview, tax official). Some of the KOVE informants doubted whether KOVE employees always had the expertise: “... sometimes I felt like, are we now really sure of what we are doing, a little bit like, oh help, we are really here pretty ... one should be able to do so much and one should know so much”. (Interview, tax official)

The KOVE interviewees opined that providing good customer service and good answers help in getting clients to disclose relevant issues. In addition, KOVE has to be transparent and open and has to disclose its intentions to clients. Openness creates openness, which is a crucial factor in successful cooperation. Providing “good customer service” requires the right kind of service attitude and considering taxpayers as customers. Interviewees in corporations understood that new communication requirements might pose difficulties for personnel of tax administration. The transition from written exchanges of opinion to face-to-face discussions, where commenting and expressing opinions in real time is of the

essence, requires new skills and determination. To develop these new skills, personnel have to be willing and able to make the transition. The inward facing officials have to become outward looking. This also became evident in some of the tax officials' discussions. A tax official explains:

It [*Syvvennetty*] does require something else in addition to command of the substance; for us it is the cultural change, also this kind of social, that is we have meetings with the clients, it is a different kind of guidance, when you just write your decision on paper, for me personally it has been a threshold here, that you go and meet face to face and that you have to, or you do not have to be able to give the answer right away, but in a sense it requires, it is more demanding in my opinion. (Interview, tax official)

Syvvennetty requires openness, which does not come easily to all personnel of the tax administration, was the opinion. As chemistry between the personnel of tax administration and companies' representatives was also seen as an important factor in making the cooperation work, it was argued that working in *Syvvennetty* was not for every member of the personnel in KOVE. Instead, it was suggested that personnel had to be selected carefully, as the old mistake-oriented attitude still may exist.

One of the requirements for the new "T-shaped tax official" is greater specialist knowledge, which was evidenced in the interviews. It was acknowledged that with increasing internationalization the regulatory environment around taxation is becoming ever more complex and demanding. This, combined with the *Syvvennetty* goal of working in real time, demands high expectations from the knowledgeable tax administrator, whose advice customers are to be able to trust. This ability to trust is a precursor to successful cooperation. Comments on the required level of expertise were twofold: for some contacts, this was a source of some concern, while some saw that KOVE expertise was the very reason cooperation between KOVE and companies had succeeded. Adequate expertise was also named as a prerequisite for impartiality: with enough expertise, tax administrators would have the courage to take a stand and not play it safe siding with tax recipients.

Norway: In the following each of the three aspects are discussed in turn: understanding business; skills to deal with people and technical (tax legal) skills; respect for competences of others in the organization.

The first aspect relates to the kind of knowledge required to assess the "right" tax. Two kinds of knowledge can be distinguished. In line with working definitions at the Norwegian tax administration they are "tax risk monitoring" or "tax management". Tax monitoring is the prerogative of the tax administration. In simple terms, "tax risk monitoring" means to be alert to the goings on in corporations, to register signals that something is not quite

right and a possible loss of tax revenue. This requires tax administrators to follow the news about the corporation, read their publications, or send emails or call to check up on relevant information and so on. “Tax management” on the other hand is what the corporations do to manage the tax part of their financial affairs. Corporations have various management systems. One example of a management system is as follows: A general tax strategy is decided annually by the board. The tax strategy provides a general framework for assessing risk, for each country and in total. Separate tax memos, which assess the tax risk and gain of individual deals are written as needed. The tax memos are decided on a case-by-case basis at different levels of the management hierarchy, following the established order of delegation. Decisions and outcomes are registered in the accounting systems, and reported with ordinary financial reports, or when the tax administration or other licensed parties require facts and figures. Accounting departments are large; however, the separate tax units, if any, are small. The tax risk assessed by a corporation is different from the risk assessed by the tax administration. One way that tax administrators assess the quality of the tax management systems is by noting to what extent the corporation repeatedly make mistakes. (The tax administration was unwilling to share details about their “mistake criteria”, so as not to alert corporations to what they were looking for). When repeated mistakes occur, the corporation is regarded as a risk case, and observed mistakes would be a topic in the regular meetings. Corporations did not report scepticism of the qualifications of tax administrators, but expressed concern that cooperation would benefit if the tax administration had more understanding of the nature of their business operations. On the other hand, their specialist competence on taxation was also appreciated. The organizational culture of LTO is also well known among its external stakeholders. An interest group representative fondly referred to LTO as a place for the “nerdy” tax people, those whose main interest is corporate taxation for its own sake, not for the money or careers. A prominent tax lawyer said he found LTO people accessible and competent. He could contact them when a client asked about a new tax planning scheme of which he was in doubt. His experience was that LTO staff were willing to talk through such issues without committing to or expecting commitment to any one solution. The “Office way” is an early example of a co-operative compliance practice.

The second aspect, relates to technical or person skills, both of which were identified as crucial for achieving good cooperation. Legal or economics qualifications, or long experience, were required for employment. However, recruiting tax administrators with “people skills” was a key concern as well. This was a special requirement for those tasked with being contact persons for corporations. The appropriate mix of technical and people skills was achieved by the composition of teams. Another example of the concern with

people skills was the introductory programme for new employees. It was a basic programme where the main tenets of the formalized organizational culture were introduced. Employees were advised to be particularly aware of their position of power, and to be careful with the words they used. They were for example advised to not use the adverb “very” at all (very late, very untidy), as it could easily be interpreted to mean much more than intended.

On the third aspect, about internal respect for others’ qualification, a most telling example was the difference between the two “schools of thought”, the Skatt Øst and the LTO way (see also section 7.4. There was internal disagreement as to how strict or how understanding the tax administration should be towards a corporation. Discussions were ongoing and took place internally at seminars, over lunches and during interviews. Another aspect of qualifications mentioned by several tax administrators was that as the tax administration required a high quality of corporation, the tax administration needed to provide the same in return. They need to be fully up to date and have expert knowledge, so that corporations can maintain the respect that was the result of years of systematic investment in competence and high-quality relations.

Sweden: There were various opinions on the competence of tax administration officials. Several representatives from corporations said that SKV employees are helpful and friendly and this goes well with private citizens, qua taxpayers. But corporate taxpayers were concerned that when it comes to the more detailed, in-depth knowledge about complicated tax matters the issue is different. On specific questions they get answers through *Dialoguen*¹⁶ which they overall seemed content with; the issue of competence seemed to be more directed towards the larger question of business knowledge. Yet, again it is important to underline that very few corporations have actually engaged in any of these programmes so their views are stated on previous experiences and imagined ways of working.

From the perspective of SKV, most stated that this criticism was somewhat unfounded. The contact persons at Agency are selected for their experience and communication capabilities. One official qua contact person meant that most questions he received were quite simple ones, either he could respond himself or find someone else at SKV who could provide an answer. In certain cases, he corresponds with SKV’s legal department. This

¹⁶ *Dialogen* is a way for corporations to pose very specific questions to SKV either by email or by phone. The advantages with *Dialogen* are said to be several: corporations obtain SKV’s view on issues from a tax perspective prior to making doubtful transactions; and the possibility of quickly solving unclear issues. Corporations are pleased with *Dialogen* as it has made taxation issues less insecure and more predictable. Questions posed through *Dialogen* are anonymous which means that SKV cannot connect issues with actual tax returns.

contact person reflected that his work had started to look like legal consulting; a task he found somewhat strange. Regarding the help SKV provides, this contact person was proud that on the contrary “his” corporation had adopted several of SKV’s proposals.

The Tax Director of this corporation that operates in peculiar circumstances continually encounters new tax issues. There is a lot of “new” knowledge needed for interpreting existing tax laws. With *Fördjupad dialog* issues are resolved much more quickly as it gives them unprecedented access to more specialists throughout SKV. The SKV contact person seems thus able to communicate well both throughout the tax administration and with the corporation. “We have a much larger cooperation range [with these programmes]” says the tax director, “SKV has now more knowledge about us” (Interview, tax director).

What is missing in the simplified critique from some corporations is *what competence* is at stake. It was never meant that SKV would solve all complicated tax issues through co-operative compliance but would rather help corporations identify issues that make taxation in Sweden unnecessarily cumbersome. SKV would for example help corporations to be timely in the manifold reporting deadlines or help them identify why certain errors are made repetitiously. Second, the contact person is *the* contact; it is not s/he who decides but instead forwards questions to specialists within SKV. The competence should perhaps not be specific tax knowledge but rather being a “people person”. The contact person had to deal directly with the corporation: in writing, in phone conversations and in meetings. The contact person had to ensure that a good, constructive and trustworthy relation was established and maintained. SKV seems to have adopted many of the requirements identified in T-shaped tax officials.

Yet, other tax officials not directly engaged in *Fördjupad samverkan* or *Fördjupad dialog* were concerned about SKV’s lack of competence. They questioned if “we”, SKV, were at risk of being cheated by letting those who should be controlled, control themselves. Such a view moves beyond the requirements of T-shaped tax officials and expresses questions of distrust.

7.3.2 Dimension III: Summary

The question of competences required by tax officials was raised in all countries. As co-operative compliance means a changed way of working this issue is quite obvious. Yet, how the requirement for changed competences was articulated differed somewhat; on the one hand between countries and on the other hand between corporations and tax

administrations. Participating corporations and tax administrations do not look for the same criteria in assessing competences.

First, that tax officials lack knowledge about business reality was a view expressed by corporations in all four countries. In both Finland and Norway this requirement was expressed as knowing how to assess the “right tax”, in Denmark as lack of “contextual knowledge”. Danish corporations expressed the view that there was no question that the contact persons had vertical knowledge, the old-fashioned technical tax ones. Yet regarding risk assessment, internal control and also social and communication skills, the Danish tax officials might be somewhat lagging behind. The Norwegian tax professionals seemed largely content and happily acknowledged that discussions could be had with tax officials regarding tax planning schemes. Corporations in Sweden, being the extreme case, were not all negative about the competence. One of the few participating corporations said they were quite satisfied. The tax director got answers so much quicker and SKV had also learnt about their requirements which made for much quicker responses. One could perhaps argue that “one always wants more” and if the question is posed there can always be additional requirements—wishes—for making a service even better.

Second, we initially drew on the experiences from the UK’s HMRC and learnt from the new “T-shaped official”. The additional, “new” knowledge that a T-shaped official required—the “horizontal” knowledge—in Denmark was expressed as a skill for resolving conflicts, in Finland as providing good customer service and good answers to help in getting clients to disclose relevant issues, and in Sweden it was articulated that the contact person should be a “people person”. There seems to be a lot to learn from the Norwegian experience with its long institutional collaboration with corporations that *Skatteetaten* has had through its LTO department. High competence (e.g. in technical tax-related questions) and high “people” skills is the recipe for a successful workforce (the LTO way). Employees in the department express pride in this way of working and corporations generally agree. Interestingly communicative skills are appreciated through the contact person’s “nerdiness”, e.g. through strong vertical tax knowledge.

Yet, several tax administrations also acknowledged that co-operative compliance should be a team effort on the tax administration side. As tax officials at HMRC acknowledged, now we have to work in teams (Tuck 2010, 593).

Third, regarding the reluctant view from within tax administrations, it seems more a systemic concern than one of individual competences. The Swedes were not the only ones expressing concerns that revealing too much would make SKV an easy target for tax planning schemes to pass. The Finns said that adequate expertise among tax officials was a

prerequisite for impartiality; contact persons would then have the courage to take a stand and not play it safe siding with tax recipients. Ultimately, such concerns do reflect the older way of working where corporations and tax administrations are seen as true adversaries.

All in all, it seems that the competence question is something that can be worked upon. By communicating, tax administrations and corporations will learn about each other's competences, and ways of working can accordingly be adapted. But competence is not static; it has to be maintained so that respect can continuously be earned.

7.3.3 Dimension III: Recommendations

- It is important that the right contact persons are selected: they have to be “T-shaped” both in understanding technical tax issues and in how to communicate well—with the corporation and within the tax administration so that issues raised can be quickly and correctly resolved.
- Tax administrations need to carefully and explicitly explain the work tasks included in a proposed co-operative compliance programme. What are the tasks for corporations and tax administrations respectively and what competencies are needed to fulfil them? With such preparation both parties can be confident that no one is being “used”. This seems an essential ingredient in building trust (see also section 7.6). Be very explicit on what can be expected from the collaboration and on what competences are needed on both sides. Perhaps teams are the way forward as very few people can completely fill out the T-shaped suit?
- Have patience and be generous when competence requirement changes. “Openness creates openness” it was said in the Finnish case, thus the initiating party—the tax administration—needs to lead the way.

7.4 Dimension IV: Structural and organizational hindrances

Under this dimension, hindrances that influence the way co-operative compliance programmes fare are to be discussed. They are grouped in two categories:

- External structural elements
- Internal organizational elements

We draw on a classical definition of social structure to define the external structural elements. These are: “... groups, institutions, laws, population characteristics, and sets of social relations that form the environment of the organisation” (Stinchcombe 2013 [1965], 142). Such a strong disconnection of organization and environment—as Stinchcombe suggests—is questioned in much contemporary organization theory since they are increasingly seen as interconnected. However, for the purpose of this analysis this definition is useful for pointing to *different kinds* of hindrances, some that are primarily sourced *outside* organizations (outside tax administrations and corporations) and some that are primarily sourced *within* organizations. It is important that the internal organizational elements are included, since they also set specific frames for how the co-operative compliance collaborations can unfold—for example through the existence of coexisting organizing principles or the introduction of internal soft law regulations not aimed at the specific programme but nevertheless affecting the co-operative compliance programmes. Neither of these elements can *determine* the outcomes of the co-operative compliance programmes, but as we will see can any of them can be strong hindrances to the running of the programmes.

The specific elements to be considered under the two categories of this dimension are selected since they are strong frames around and influence activities in the co-operative compliance programmes studied. The specific elements have all emerged from the empirical material for example in interviews with employees in tax administrations and with tax directors from corporations. Elements in the category *external structural elements* mostly influence the very mandate of the tax administrations and the co-operative compliance programmes in different ways; while elements in the category *internal organizational elements* of the tax administrations and the corporations are in general slightly more subtle and implicit hindrances. However, both kinds partake in shaping the way co-operative compliance programmes fare.

This dimension is included in the comparison due to its prominence in the empirical material of the co-operative compliance programmes studied. Yet, it is also included

because it consists of relatively hard to change elements. Such elements are important to keep in view when considering the “fit” between a co-operative compliance programme and the specific “tax landscape” in which it is to be implemented.

The analysis below shows that across cases we generally find similar kinds of hindrances, some of which are *external structural hindrances* and some of which are *internal organizational hindrances*. External structural hindrances are matters connected to legal issues—such as public access to documents, equality and possibilities of attaining binding responses from the tax administration. The internal organizational elements comprise organizing principles (in both the tax administration and corporations) challenging the work with the co-operative compliance programme; different but coexisting “schools of thought” in tax administration and internal discussions in tax administration on impartiality. Overall, regarding the external structural hindrances we show that legal matters can come to impede a programme while internal organizational hindrances are more subtly shaping the way programmes unfold.

7.4.1 Dimension IV: Comparison by drawing on practices/experiences

Denmark: In the Danish co-operative compliance programme—Tax Governance—several issues relating to structural and organizational hindrances have been at stake for the employees in Skat (the Danish Tax and Customs Administration) and for the tax directors in participating corporations—which are the primary informants in the Danish case. In the following, two structural hindrances will be presented: (1) the issue of non-binding responses and (2) the decreased possibility of signing off issues due to overall public sentiment regarding Skat. In addition three internal organizational hindrances are discussed: (1) a guideline on when to start case work, (2) the internal departmental organization of Skat, (3) aspects of internal organization of corporations found not easily fitted to the Tax Governance programme. These five elements are all in different ways hindrances to the smooth daily running of the Tax Governance programme.

Regarding the first structural hindrance, the issue of non-binding responses, legislatively stated there is no possibility for corporations to get a binding response on issues taken up in the realm of the Tax Governance collaboration. The responses they can get are informal advance notifications, *uformelle forhåndstilkendegivelser*, which are only indicative of Skat’s position on an issue. The status of these responses is a key concern in the collaboration as one of the main incentives for corporations to participate in Tax Governance is that they are to get certainty in exchange for transparency (cf. OECD 2013,

29; Skat 2018); yet certainty can never be “certain”, but only “indicative” when it comes to informal advance notifications. Several interviewed tax directors explain that they have experience that despite the non-binding character of the responses they can obtain in the realm of Tax Governance collaboration, the responses are typically not contradicted later in the processes. Hence, these tax directors find this not to be a problem. Others—in contrast—find the non-binding character of the informal advance notifications and the insecurity associated with it rather unsatisfactory. A tax director for example explains that it is a problem, that corporations commit to being open and disclose their tax dispositions—that is, provide transparency—but in return they only receive informal advance notifications on how Skat interpret their questions (Interview, tax director). Clearly there is a discrepancy between the aim to provide “transparency in exchange for certainty” within the Tax Governance programme and the legally defined frame within which the programme operates, which states that only informal advance notifications can be provided. If a corporation wishes to get a definitive answer they must apply for a binding response on equal terms with corporations not part of Tax Governance.

The second structural element in the Danish case is the experienced decreased possibility of getting minor issues signed off in the corporations’ interaction with Skat. Several tax directors explain that they have experienced a shift towards more restricted Tax Governance employees when it comes to the possibility of signing off minor issues. Issues that have no direct revenue or tax-related significance but issues that may cause great administrative workload for a corporation to correct—for example to provide the possibility of taxing an asset a year later than planned or to correct an administrative error only going forward—and not from years back—if it only concerns administrative issues and not actual revenue. Importantly, here we are not talking about “sweet-deals”, but only acceptance or “signing off” on issues of an administrative character, which eases daily administration in corporations. Tax directors ascribe this shift to the structural element of public opinion of and media pressure on Skat. A tax director explains that he finds the decreased accommodation from the Tax Governance employees on these kinds of issues to be partly caused by case handling and critical cases in Skat more broadly, cases and decisions that have made it to the media and to public opinion and he finds that it has restricted the Tax Governance employees’ scope for action (Interview, tax director). In plain words, Tax Governance employees are seen to be afraid of making a front page if they are too accommodating to corporations and employees are wary about adding a new case to the somewhat critical image that the Danish tax administration has already experienced having in public opinion. This said, it can be hard to judge whether this is the prime reason for an experienced shift in the Tax Governance employees’ possibilities of signing off

issues. Because, in addition to the media and public opinion, another contributory factor is the issuing of a case handling guideline on when to start casework, which we will now turn to as one of the internal organizational hindrances for Tax Governance.

The first internal organizational hindrance to be discussed on the basis of the Danish case is a guideline issued by the Danish tax administration on when to start casework. The guideline was issued to support correct, uniform and legal case handling when Skat starts a case (Skat 2016)—and is an example of a soft law regulation. It is however also found to lessen the individual employees' discretion and personal judgement on the question of when to start casework—precisely because it is quite detailed on when cases must be taken up. This has been pointed to as a central hindrance for Tax Governance and is mentioned by many of the tax directors in corporations who were interviewed. As indicated, this guideline is found to lessen the manoeuvre room for tax officials to prioritize on the basis of the weight of an issue. The guideline has therefore in the eyes of many of the tax directors interviewed made the question of substantiality a key concern in collaboration with their Tax Governance manager. With “substantiality” we refer to the question of what it is important to prioritize to take up in Tax Governance collaboration. Tax directors find it a waste of resources to have to deal with issues that might mean close to nothing for the amount of tax they are to pay but prefer to work on issues of major substantiality and thus significance in the realm of Tax Governance. However, corporations find that they need to use resources to deal with details of no economic significance due to the hesitance of the employees in tax administration to prioritize or sign off issues when collaborating with corporations (Boll and Brehm Johansen 2018, 31–37) due to the guideline. Moreover, it can easily be the case that the guideline can impede corporations' willingness to be transparent about their tax dispositions—one of the central elements of co-operative compliance—and therefore can also be a hindrance in this regard.

The second organizational hindrance to be discussed here is the internal organization of Skat. The way Skat is organized has been pointed to by some Skat employees interviewed, as well as tax directors from corporations as a hindrance to a well-functioning collaboration. Internally in Skat, the issue of not having the necessary resources anchored in the office for large corporations is mentioned as having caused initial difficulties for the running of Tax Governance. A tax official describes it as a challenge that some of the Tax Governance specialists are anchored in other departments where they do not operate with a collaborative approach and do not necessarily prioritize Tax Governance questions even though they are to be answered in a faster time frame (Interview, tax official). This is more overall related to operating a traversing programme in an otherwise silo divided organization like Skat.

The third organizational hindrance we want to draw out from the Danish case is slightly different in character than the previous two since it relates to considerations of how the internal organizational set-up in a corporation is compatible with entering Tax Governance. From interviews with tax directors of the corporations we give two examples of how specific internal organizing principles in corporations are used in consideration of whether to go into Tax Governance or not. These organizing principles have in some instances been contributory factors for why corporations have chosen not to participate in Tax Governance. One corporation explains that they have a decentralized organization and a very small tax department with just two persons who are responsible for the more strategic tax decisions, while different local financial departments deal with the specific work related to VAT, salary, travel, etc. The tax director explains that the decentralized organization makes it difficult for him to have an overview of all taxation processes—which is a prerequisite in Tax Governance because of the centrality of the elements of tax risk assessments and internal controls on close to all different taxation areas in a given corporation. Moreover, he is critical of the assumption of Tax Governance that a tax director *should* have this detailed overview of the organization (Interview, tax director). Second, a tax director from a private, family-owned corporation—with neither a large shareholder base nor a general public to be accountable to—explained this to be a contributory reason for not participating in Tax Governance because they could not use their participation in a strategic manner in relation to these stakeholders (Interview, tax director). These are examples of how elements of internal organization of the corporation are used as an argument for not participating in a co-operative compliance programme or at least as a hindrance to be overcome before entering.

Finland: In the Finnish case, the main external structural hindrance for living up to the principle of “certainty in exchange for transparency” (OECD 2013, 29) is that tax administrators cannot issue binding responses as part of Enhanced Customer Collaboration; a hindrance that mirrors one of the central hindrances in the Danish case.

While one of the aims with co-operative compliance is to resolve unclear tax issues up front and to avoid potentially lengthy litigation processes, the extent to which the guidance given by tax administrators within co-operative compliance gives *protection of trust in a legal sense* raised doubts among the interviewees. While the legal principle of “protection of trust” is codified in the Finnish tax legislation (see Knuutinen 2014; Tax Assessment Procedure Act), both the tax administrators and the representatives of the corporate taxpayers interviewed were hesitant about how the principle of protection of trust is being practised in the context of co-operative compliance. In principle, the protection of trust relates to cases where the tax matter is open to interpretation, the taxpayer has acted *bona*

fide, and the taxpayer follows the guidance given by the tax administration. However, the corporate tax directors interviewed expressed concerns about under what circumstances the guidance given to taxpayers would actually result in the protection of trust in favour of the taxpayer in case of potential litigation. They assumed that the bar for considering the guidance given as legally binding is rather high. Further, if the matter is open to interpretation, the tax administration may encourage the corporation to apply for an advance ruling from the Central Tax Board. An additional nuance to the structural hindrance to achieving certainty in real time, which often came up in the interviews, was the possibility that the unit within VERO entitled “Tax Recipients’ Legal Services [Vova]” may appeal against a tax assessment decision. An interviewed corporate tax director expressed as follows:

We have started from the assumption that when they reply to us in an email, or elsewhere, it is binding. On the other hand we have talked about the role of Tax Recipients’ Legal Services Unit [Vova] ... But well, the impression that we have is that if they want to flag or show or present something to Vova, they will also tell it to us at the same time. Then we will have the information that Vova may appeal and it is not a surprise then ... But we have somehow thought sincerely, that they are willing to change practices [through co-operative compliance]. (Interview, corporate tax director)

By contrast, e.g. the Dutch Tax Administration can issue binding responses as part of co-operative compliance as documented by de Widt and Oats: “enquiries, or other fiscal issues about which NTCA [The Netherlands Tax and Customs Administration] client managers are uncertain, must be forwarded to working groups of tax inspectors that operate at the national level, who discuss the matter and provide binding advice on how to deal with it” (de Widt and Oats 2018, 12–13). Such mechanism for getting a binding response as a part of co-operative compliance does not exist in Finland, apart from binding advance ruling through regular routes, which all corporations can apply for. In this regard the Finnish case is similar to the Danish case.

With regards to internal organizational hindrances, uncertainty on questions of impartiality and equal treatment of taxpayers has been such a hindrance in the Finnish case. Impartiality and equal treatment of taxpayers have been central concerns discussed broadly within the tax administration and to some extent also by other stakeholders. The tax officials interviewed explained that while some corporations have been invited to participate in co-operative compliance, all corporations have the possibility of participating if they fulfil the criteria and have the right attitude for participating in co-operative compliance:

If a corporation says that they would like to participate, we do not close the door on anyone. Then we see what phase they are in, if they fulfil the prerequisites, if they have the attitude ... That way we see that impartiality and equitability are not a problem. Anyway, we do not promise that you will not be audited, or that you have better rights than others. We do not promise that kind of thing, so there will not be problems regarding equitability. (Interview, tax official)

Further, encouraging the corporation to apply for advance ruling in matters that are open to interpretation was viewed as improving legal certainty and equal treatment of taxpayers in general. For example, a tax official stated that: “We can say that ok, this is such a challenging case and open to interpretation, that for your legal certainty, we encourage you to apply for advance ruling” (Interview, tax official). So while the lack of advance rulings was seen as a hindrance to the protection of trust and legal certainty given to the particular participating corporation, it was also considered to enhance equal treatment of taxpayers in general.

The Finnish case thus points to the issue of binding responses and uncertainty with regards to the question of impartiality as the main hindrances for *Syvennetty*.

Norway: In the Norwegian case several hindrances have influenced the co-operative compliance initiatives. We will present one *external structural* and two *internal organizational* hindrances as they came up in interviews and were the occasion for several green-papers, meetings and seminars.

The external structural hindrance was in the organization and coordination with other compliance initiatives, for example in relation to transfer pricing (TP), Base-and-Erosion Profit Shifting (BEPS) and country-by-country reporting. We describe issues related to such initiatives as external because these originate in institutions outside Tax Norway and are translated into national tax law and regulations. In implementation, administrative resources and skills must be developed. We present TP as the example below:

In the case of TP, the initiative came from OECD and the World Bank. In response, SKD established a separate “national programme” (*Riksprosjekt*) to build up internal competence and to deal with compliance issues in TP cases. Administrators from this programme could be asked to assist the teams responsible for a corporation, but they could also initiate investigations of their own. This resulted in confusion. Several tax managers reported that it was no longer clear which part of the tax administration did what or even who their contact person was. The TP-issue also gave fuel to a discussion about ongoing clarification and to what extent a ruling was binding for the tax administration. Tax Norway firmly held on to the principle that TP-considerations could not be made binding.

There were too many risk factors involved. The chances that international conditions as well as national tax regimes could change did not make that feasible. Such a ruling could bind the tax administration for years to come and in worst case, result in unequal treatment of taxpayers. The international companies and their tax advisors were equally concerned because to them their TP-system was an important part of their fiscal management. Not knowing how a large investment or new distribution channels would be assessed in terms of compliance increased the financial risk of the contract. The decisions about excluding TP-considerations raised doubt about the predictability of the process, although tax managers said they understood the dilemma of the tax administration. However, as companies had to pay for ongoing clarification, it also raised questions about the value of the service. We see all these challenges in relation to the administration/clarification of TP as an external hindrance to the work in Tax Norway because the initiative did not come from within the organization itself.

The first internal organizational hindrance we will mention in relation to the Norwegian case is the existence of two different “schools of thought” in the tax administration. In corporations and among tax advisors, they were referred to as either “LTO” or “Skatt Øst”. Both held that the small percentage of taxpayers who were outright unwilling to pay taxes should be dealt with in no uncertain terms. Taxpayers who cheated should be brought to court. However, there were also differences in the two approaches. The LTO approach is based on ideas that most taxpayers are competent and aim to comply. Some taxpayers lack the skills or systems to get it right. The best approach towards them is friendly guidance to increase the quality of their understanding and routines: “it is better to help them get it right the first time, than to wait for them to make a mistake and then react with controls and audits”, as one tax administrator expressed the LTO sentiment. The Skatt Øst approach is based on the idea that in order to assess anything there must be documentation; therefore files must come before controls. Then well-developed risk monitoring methods will allow the tax administration to identify mistakes and evasions. The taxpayer and tax administrator’s role must be kept separate and impersonal to ensure the professional distance required to do disinterested assessments. All taxpayers should be treated equally and not according to contextual conditions.

Followers of each of the two tenets worked in different offices until the reorganizations mentioned above. After that, new teams were composed of people from the two schools. New leaders for teams and administrative units were trained and employed. For example, one high-level tax LTO administrator conceded that the Skatt Øst approach was more precise and efficient when it came to risk assessment. The corporations noticed that something was going on, but had not been informed. There were discussions in and

between the corporations and discreet attempts to find out what, and if it would have any consequences for the company's tax returns and tax management practices. This indicates that the two different approaches led to a complicated internal adjustment and mutual learning process and thus formed considerable internal organizational hindrance for the implementation of co-operative compliance initiatives.

A second internal organizational hindrance was the development of tax risk monitoring routines and software. This is not exactly a hindrance, as it was developed in order to work more effectively, but perhaps more of an organizational challenge. The development of new tax risk monitoring routines was needed as the census had increased, but was not followed by the same budget increases. Therefore, more should be done with less. First, the job of defining the variables and scales to be used to assess the risk level of a corporation required considerable technical knowledge. Second, the administrative routines and equipment had also to be carefully considered. Seemingly simple matters, like timing of input and output in the systems, how to ensure sharing of key information between teams, training and production of information material have an impact on the quality of the assessment. The tax administration required good, if not perfect, paper trails by taxpayers, and they should not demand less of themselves. At least this is a sentiment expressed by several tax managers. Some also added that it did not seem as if the tax administrators had read the documents they had demanded from the corporation. In sum, these issues related to the development of tax risk management created an internal organizational challenge for working successfully with the ideas related to co-operative compliance.

Sweden: There were several external structural hindrances in terms of contested laws. These put together were the main reason for putting the co-operative compliance programme on hold. First, Swedish legislation regarding public access to official documents is to be considered. Since 1766, with the first Freedom of the Press Act, it is stated that secrecy constitutes a restriction of public access to official documents (Hambre 2015, 122); "public access is the main rule and secrecy is the exception" (ibid., 129). Information exchanged under co-operative compliance programmes was decided in court to be a counselling practice and thus not considered part of tax confidentiality under current laws. The legal issue of public access to the documents involved in the processes of both the Swedish co-operative compliance initiatives (*Fördjupad samverkan* and the lighter version *Fördjupad dialog*) has thus been a major obstacle for the programme. Second, both initiatives implied that not all taxpayers would be treated according to the principle of equality. This goes against the Swedish constitution and also against values held in Swedish society; hence this is also seen as an external structural hindrance.

Participants in co-operative compliance programmes were seen as getting in a VIP lane for certain taxpayers; they would get different—better—treatment that is not consistent with Swedish administrative law or practice, the latter point underscoring how laws and societal values interact. Yet, this was contested. The counter-argument from SKV is that different taxpayers have to be met in different ways. The programme would just continue the long tradition SKV has developed; for example by providing different types of information material for various categories of taxpayers. SKV argued that taxpayers are different and therefore have various needs in order to be able to comply. Not everybody has the capability to adequately pose tax-related questions for example and therefore needs to get help.

Third, the principle of legality is one which raises the question of *who* can make what type of legal decisions (Hambre 2018, 89) and more specifically the extent to which SKV can make rules and enforce norms respectively (ibid., 113). *Fördjupad dialog* does not fulfil the principle of legality within Swedish administrative law. The programme could only be implemented following a change of law, according to Hambre (2018, 176).

The strong external structural, legal, hindrances prevented the Swedish co-operative compliance programme from getting so far as to be contested in terms of internal organizational hindrances; since so few corporations came to be part of the programme due to the above described legal matters, internal hindrances never became an issue.

7.4.2 Dimension IV: Summary

The analysis above shows that across the cases we generally find similar kinds of hindrances, some of which are *external structural hindrances* and some of which are *internal organizational hindrances*. The external structural hindrances cover the Swedish legal framework with regards to public access to documents, equality and principle of legality and the Danish issues of non-binding responses—also found in the Finnish case—and the lessened possibility to sign off minor issues due to the public sentiment on Skat. Moreover, the external structural hindrance from the Norwegian case on the need to coordinate with other compliance initiatives e.g. in the area of transfer pricing. The internal organizational hindrances cover the Norwegian coexisting schools of thought and the development of tax risk monitoring routines/software as well as aspects of the internal organization in Skat and in the corporations in the Danish case. Furthermore the Finnish issues of internal discussions in the tax administration on impartiality and the Danish guideline on when to start casework belongs to this category of hindrances. These are all

elements that in one way or another have caused difficulties in the national co-operative compliance programmes and been influencing the transition of co-operative compliance from a formulated programme to specific work(ing) practices.

However, despite the similarities the elements listed above differ in three important aspects. First, the timing of their introduction—are they pre-existing or were they introduced during the running of the co-operative compliance programmes and thus foreseeable or non-foreseeable? Second, what effects have they had? Have they just created concerns, contributed to setting the programme on hold, causing less flexibility in the collaborative relations or caused what is perceived as more “meaningless” work for the corporations? Third, how have the specific hindrance been perceived by the actors involved? For example some have caused frustration among tax officials but have been learned to live with; others have created the need for better communication on certain issues; and others still have resulted in adjustments to the programmes.

This dimension therefore also shows that the “country context” does not determine the fate of the programme. When looking from outside the four countries discussed here are quite similar with regards to being “classic” Nordic welfare states both with high trust in tax administrations and relatively high tax rates; despite these similarities the co-operative compliance programmes have played out differently in each of the countries. Therefore, these comparative insights of the dimension “structural and organizational hindrances” point to the importance of considering the basic “country context” and conditions for implementing seemingly “detached” and universally applicable models. Our point is that these always need to be fitted to the specific “landscape” and organization they are entering. Importantly, the models are also often—subtly or drastically—reshaped in the implicit or explicit process of fitting the model and the “implementation landscape”. Sometimes this can be done, but sometimes the efforts and possibilities available do not meet the challenges—as in the Swedish case. In this way it can be argued that if the external structural hindrances become too large to overcome, the co-operative compliance programmes might not get as far as to be faced with internal organizational hindrances.

7.4.3 Dimension IV: Recommendations

On the basis of this comparison on the dimension of external structural and internal organizational hindrances we have the following recommendations:

- We encourage national tax administration to thoroughly consider the specificities of the legal “landscape” in which the programme is to be implemented. The Swedish

case teaches us the importance of letting independent scholars look into legal and soft law issues *before* launching co-operative compliance programmes.

- We point to the importance of creating security or stability concerning the “mandate” of the tax administration, for instance in relation to issuing “binding responses”.
- We suggest that national tax administrations carefully consider ways to make space for more ongoing clarification, or at least make the procedures for determining what can be clarified more transparent and predictable.
- Be aware of potentially conflicting organizing principles or schools of thought that are to co-exist in a co-operative compliance programme.

7.5 Dimension V: Resistance

It is well known that policy changes as well as organizational change processes arouse opposition and resistance. As the purpose of the co-operative compliance measures is to drive change we expected, saw and heard that there was resistance to the changes. Hence, resistance is a useful common denominator that makes it possible to compare the unfolding of co-operative compliance measures. A comparison of the resistance will yield valuable understanding of how the measures work—or do not work. Hence, the discussion in this section can be used to search for good practice. The discussion in this section only concerns resistance directed towards tax administrations adoption and implementation of co-operative compliance programmes.

The aim is that tax administrations should ensure that tax returns are filed in the “correct” way and on time (OECD 2014, 60). Correct here refers both to the quality of the paperwork and of the numbers disclosed. Both should be of such a quality that the tax administration can assess the correct amount of tax that the taxpayer is required to pay. Taxpayers are responsible for disclosing the information needed, the tax administration for providing the tools to make disclosure possible.

Resistance can take many forms. In order to compare the Nordic countries in terms of resistance to the co-operative compliance measures, we make use of a conceptual model known as the Voice-Exit-Loyalty model (Hirschman 1970). The model is a basic cost–benefit model that has had considerable impact since it was designed. We use it here as a heuristic device to bring out comparable aspects of the empirical material about co-operative compliance measures as they have been tried out in the Nordic countries. The point we want to make is that resistance to administrative changes may not always be a sign of ill will and low morale. It may very well relate to concerns that can be solved practically.

What then is the “Voice” form of resistance in relation to co-operative compliance measures? That is simply arguments against some aspect of the co-operative compliance measures. The “voicing of resistance” can be loud and appear in national media, or it can be only a few comments in a meeting. Often strong, vocal protests are part of larger political conflicts, and for purposes of devising new policies. However, in case of tax administration, resistance may be less loud and vocal as the interaction is related to humdrum everyday affairs and of little interest to others than those directly concerned. It is also possible to identify “silent resistance”. The notion of a “silent voice” may sound like a contradiction in terms. However, by “silent resistance” we refer to things that are not said, like information that is not shared by the taxpayer unless the tax administration

explicitly asks for it, terse emails, convoluted letter exchanges, outdated information about the corporation, to name a few examples. In short “silent resistance” is expressed in actions that limit access to information (excluding information about doubtful tax positions, which *shall* be shared according to the co-operative compliance measures). In a change process like the implementation of co-operative compliance measures, to identify and react to signals of resistance can make the difference between a smooth process or a bumpy ride. Attentiveness requires the tax administration to be willing to listen and ask follow-up questions carefully if there is a suspicion that some form of resistance is at work. It also requires taxpayers to make sure that the resistance is registered by the tax administrations.

The other option is “Exit”. That is when taxpayers leave the co-operative compliance programme. In principle, if participation in co-operative compliance is voluntary, taxpayers can step out of an already established co-operative compliance relationship of which they have been a part. However, as taxpayers are citizens, not consumers or customers, there are fewer options for exits than in a conventional commercial relationship. We therefore include instances when taxpayers decline an invitation to enter into a co-operative compliance programme as an exit strategy. To stay out is also a form of exit. Assessing the reasons why taxpayers choose this strategy is necessary to ascertain whether it is an expression of resistance or not.

In addition, there is according to Hirschman’s model one sentiment that mediates either of the voice and exits options, namely loyalty. Loyalty is defined as to stay in place and cope with the decisions that have been taken without either voicing protests or opting out of it altogether. The degree of loyalty or commitment affects how taxpayers, or tax administrators, cope with problems when they arise. Resistance is therefore a key dimension when it comes to making co-operative compliance measures work. Resistance affects both the efficiency of tax collection and the legitimacy of the tax system.

Understanding resistance and proactively engaging with it is an important factor of successful co-operative compliance as the following examples illustrate.

7.5.1 Dimension V: Comparison by drawing on practices/experiences

Denmark: In the Danish case the element of resistance has played out primarily in rather subtle ways. Relating to the aspect of “exit”, to our knowledge no corporation has stepped out of an already established Tax Governance collaboration. However, there has been what can be termed a silent resistance towards the programme. This silent resistance is indicated in the following numbers: during 2013–2015 more than 50 corporations were

invited to be part of Tax Governance and in 2017 30 corporations participated (From 2017). This means that a substantial number have declined the invitation from Skat for different reasons: lack of resources, a perceived low likelihood of tax audits, not wanting to expose the organization to Skat and different structural hindrances (see also Boll and Brehm Johansen 2018, 16–23). This we see as a form of silent resistance to Tax Governance.

With regards to “voice”—resistance voiced in protests and arguments—Tax Governance has not spurred public debate among corporations, however objections and critiques have been voiced by national bodies such as the auditors’ organization, *Foreningen Danske Revisorer* (personal email communication 2014), and the National Audit Office, *Rigsrevisionen* (Rigsrevisionen 2014). The National Audit Office has aired public critique of introducing Tax Governance, their critique is primarily aimed at the lack of evidence of the programme’s effectiveness: “The investigation from the National Audit Office has shown that Skat has started a programme on ‘Tax Governance’ despite the fact that there exists no documentation of the effectiveness of the method compared to more traditional forms of control” (Rigsrevisionen 2014, 22). This publicly voiced critique can be seen as aimed more fundamentally at the very goal and purpose of Tax Governance.

Except from the examples just mentioned, neither a clear “exit” nor “voice” have been weighty elements in the Danish case. “Loyalty”, in contrast, is prominent in the interview material with the tax directors of large corporations participating in Tax Governance. Loyalty is defined as to stay in place and cope with the decisions that have been taken without either voicing protests or opting out (cf. definition above). Overall, the tax directors interviewed are very concerned with compliance and to point out that they “play by the rules”. Most of the tax directors interviewed explain that they see entering Tax Governance as the only right thing to do, that in their opinion there is no alternative. The reasons for this are primarily expressed as a moral, ideational and societal obligation. However, a concern regarding the consequences of declining the invitation to enter, mentioned in brief by a few interviewees, was that it could reflect unfavourably on them. They explained this concern as a contributory reason for accepting the invitation. So, for many the moral imperative of participating is explained as outweighing the practical troubles or heavy resource demands some of them explain they are faced with in their daily work with Tax Governance. It should be noted that the corporations’ specific engagements in Tax Governance differ—some go in proactively, take the lead in the relation and prioritize adding the resources needed in their tax department in order to be dedicated to the collaboration. Others take a more passive stance and try to cope with the new kinds of

demands from Skat using as few resources as possible while still being loyal to the programme.

The loyalty position in the Danish case thus covers both the ideational and moral element of societal responsibility and a stance towards the practical collaborative working principle that is highly valued by many. Concluding with how “resistance” has played a role in the Danish case, the most apt description of the stance of corporations towards Tax Governance might be the coexistence of silent resistance—declining the invitation to participate—and loyalty—staying in place and coping either in a proactive way or through a more passive stance of accepting the premises but not taking the lead in the collaboration.

Finland: The existence of either voice- or exit-responses would be markers of dissatisfaction in the co-operative compliance relationship, i.e. the relationship between the tax administration and corporations. In an existing relationship, these options would manifest themselves either in voicing the dissatisfaction (voice) or in the decision to withdraw from the relationship (exit). In a proposed, potential relationship, a voice-response would have been evident in a critique against the chosen approach, with the purpose of e.g. improving the suggested relationship, and an exit-response in opting out of the proposed cooperative relationship.

In the Finnish case, the resistance towards the cooperation was neither vocal nor public, but was rather hidden in the processes and could be found e.g. in declining participation. It can be safely argued that voice-option was not used in resisting the approach. The resistance against the approach, if existing, could be found in companies resolving to decline cooperation. The assumed reasons for the exit-responses were manifold.

In general, the tax administration found the overall attitude towards the cooperation positive although some corporations had decided to decline the offer to join the relationship. As participation in *Syvennetty* is voluntary, the decision to join or to opt out is in both parties’, a corporation’s and the tax administration’s, discretion. A tax official who was interviewed described that the fact that co-operative compliance was somewhat newly established and its practical implications for the corporations had not been sufficiently spelled out may have been a reason not to join the programme:

... in one case it was also that they were not ready to take part at this point because they did not exactly know, what it means at this stage. (Interview, tax official)

Other assumed reasons not to join *Syvennetty* were the high workload related to the initial “compliance scan” or the unwillingness to disclose the required information, e.g. concerning the tax strategy, to the tax administration. In some cases, it remained unclear

to the tax administration why certain corporations chose not to join the co-operative compliance programme, as a tax official explained:

One potential customer opted out, it raised some questions about why that was, when we thought that the negotiations were held in a positive atmosphere and it came a little bit out of the blue when they said that, okay, we won't be joining this. (Interview, tax official)

The corporate informants suggested that the increase in the administrative tax burden that has taken place in the past few years might also contribute to declining cooperation. For example, the recently introduced country-by-country reporting is one of the sources of this added burden to consolidated companies, and therefore some companies may have been reluctant to take on new responsibilities. Representatives of business interest groups and tax consultants presumed the same: the approach was feared to take up too much of a corporation's resources, it was too heavy and the benefits were also in doubt. The contentment with the current operating procedure was also stated as a reason for the exit-responses: some of the corporate taxpayers maybe did not find closer cooperation with the tax administration necessary as they found that matters were well enough taken care of with the current operating procedure.

As described above, becoming a partner in the cooperation was a source of some concerns for some companies, resulting, according to the informants, in some companies choosing the exit strategy as a reply to the offer to join the cooperative relationship. Joining the cooperation was not without problems, but opting out was not always seen as a viable solution, either. According to some informants from the business interest organizations, some companies feared that declining the offer to join would result in an immediate tax audit.

Pertaining "loyalty", some businesses regarded participation as a part of their CSR, implicitly presumed to manifest itself in joining the co-operative compliance programme. Another aspect of loyalty may be perceived in the comments made by some of the companies interviewed: they did not see problems involved in declining to join, but rather found that the tax administration is aware of the limited resources companies nowadays have for taxation issues. The tax administration's stance towards companies is mainly empathetic, as they understand the administrative burden the companies and their tax departments have to carry, one of the interviewees concluded.

Concluding on how "resistance" has played a role in the Finnish case, the most apt description of companies' stance might be loyalty, to stay in place and cope with what participation brought up. A number of companies expressed expectations of fair and emphatic treatment, which is a signal of a strong, collaborative tradition already in place.

Norway: In Norway, neither of the CC projects raised strong resistance. There seemed to be neither strong Voice nor forceful Exit. There was however, one initiative that created much silent protest. It is neither an example of Voice nor of Exit, but it is an example of Loyalty, which mediates both,

Before the extension of Large Tax Offices, all corporations received a letter with information about the organizational change and the name of the corporation's contact person. Then, in 2016, all corporations interviewed had received another letter requiring more information. The letters also notified taxpayers that the tax assessment could be issued beyond the ordinary deadline. These letters generated surprise and frustration among tax directors. Some said they reacted to the "tone" of the letters, others to the amount and nature of information required. Interpretations varied as to why they had got the letter.

... there are cultural changes between the tax officers ... a lack of understanding for the complexity of the business. It was requested to see liability clauses in all the supplier contracts. There are several of them and no standard liability clause ... The tax officials' approach towards co-operative compliance will have an impact on the decisions ... it is a much more controlling approach. (Tax director, Finance)

This director understood the request as the result of internal changes in Tax Norway, as a mix of different "audit cultures". Another found that the quality of the relationship was changing:

... the company is "used as pilot" for practice, for training purposes ... an introvert approach ... unpredictable and lacking in understanding of the facts. They are now acting as counterparty ... correspondence through letters is inappropriate. (Tax director, Manufacture)

The need for training was also the theory of another tax director who said that the corporation was "[u]sed for teaching (of a new team), especially trials", and continued that they "do not follow good case law ... expect the company to do audits instead of doing it itself ... (there is) not any trust as they only act as authority for controlling purposes" (Tax director, Media).

What is particularly salient in the responses was that tax directors perceived the new situations as a step away from the collaboration as the corporations had experienced it earlier. When we asked how they would react, the Finance tax director would, "become more reserved in the "co-operative compliance approach", the Manufacture tax director would "ask for more meetings", and the Media Tax director would also be more reserved and "only enclose documents, not upfront communication". Other reactions varied from considerations of minimizing contact with LTO to go-slow actions like sending all

correspondence and documents by post. What is significant in these reactions is the fact that none of these tax directors considered protesting. A few had sent emails or called about specific issues and one had contacted their lawyer to find out what was going on. None of the tax directions mention forms of exit. The tax directors were committed to sort out the problems, or bear the consequences. The tax officials on their part said they had heard rumours that not all had gone smoothly in the use of the new measures. Neither party accused the other of deliberately making the cooperation more difficult. The corporations would wait and see what happened. The tax administration would adjust the routine. This confirms that the initiative for changing the relation lies with the tax administration. They have the initiative and they set the standard for the relationship. If the tax administration uses a proactive approach, the corporations would act accordingly.

Concluding on how “resistance” has played a role in the Norwegian case, the most apt description of the stance of the corporations might be a combination of silent resistance (limiting the amount and content of the information provided) and loyalty, to stay in place and cope. A number of companies expressed expectations that the relationship would eventually return to the established collaborative practice once LTO had got its act together again.

Sweden: The first co-operative compliance programme, *Fördjupad samverkan*, was met with fierce resistance which was publicly played out in a heated media debate. Resisting voices were so loud in the Swedish case that exit never even became an issue. There were many ways to articulate resistance (which has been illustrated in some of the other Dimensions, noteworthy in I, III and IV). Here, the event leading up to the strong chorus that never made participation an issue for most large corporations illustrates Swedish resistance.

The larger business community was introduced to *Fördjupad samverkan* in early March 2011 in an article in *Dagens industri*, Sweden’s pink business journal signed by SKV’s director general and by the manager for the Department for Large Corporations (Hansson & Landén 2011). The article describes the background for developing the programme being the result of SKV’s increased focus on multinational corporations’ risk taking and their internal control procedures in the aftermath of the 2007–2008 financial crisis. It was argued that such corporations’ management had difficulties foreseeing tax risks that could potentially result in drawn out legal processes and costly tax reassessments. *Fördjupad samverkan* was argued to be a new way of working; it was formalized cooperation where large corporations would get a specified contact at SKV. Yet, the details of cooperation were not yet teased out as SKV would be perceptive to the wishes of participating

corporations. A few large corporations would be invited to participate at the end of 2011, a group that would be enlarged to eventually encompass all larger multinationals. The aim with the programme was thus a long-term commitment and both parties would sign a declaration of intent. These declarations would however not be legally binding. The article concluded that both SKV and participating corporations would benefit from this way of working. The article was quite invitational.

A hectic and high-pitched media debate ensued in the same newspaper. Support for resistance was articulated in an array of articles. These discussed insights from public workshops on reports by legal scholars. Resistance was also raised in closed meetings in various tax contexts (especially through the Confederation for Swedish Enterprise) and in various academic workshops (e.g. Kristoffersson 2014) criticizing the programme(s). SKV obviously defended FS, whereas representatives of the Confederation of Swedish Enterprises and several law professors argued against it or at least recommended putting the initiative on hold awaiting legal decisions. The arguments against the initiative were mainly from a legal perspective, yet the resistance displayed underlying emotional currents that for various reasons deny closer relations between SKV and large corporations.

All these discussions resulted in a letter signed by 25 of the largest Swedish corporations declining to even be invited to participate. Although the content of the letter is a compromise and the text is quite bland, as the signers had different views on the initiative, one cannot understate the importance of this letter. It stated that although the corporations were pleased with services like *Dialogueen*, which was said to increase trust in their relations with SKV, they had numerous concerns with the collaboration suggested in FS. Corporations were already required to report on many and diverse types of risk and also had an obligation to provide an increasingly large amount of information to SKV. The administrative burden had increased, although the result was that they also have good control over tax risks and are very transparent regarding those. If engaging with FS, the benefits of it had to correspond to the increased administrative burden AND legal risks, especially concerning the secrecy of information. In addition, the letter argued that the tax law environment in Sweden does not provide proper prerequisites for co-operative compliance (here the reference was to the OECD report) and Swedish law limits this type of collaboration. Newspaper editorials followed suit with a call for arms against such programmes. It was a heated debate as arguments for the programme could also be turned around and used against it (Björklund Larsen 2016). Parts of the resistance were even cultural arguments raised in terms of “we are not a trading nation where we negotiate taxes, compared to Denmark or the Netherlands” (Interview, tax expert).

This letter ended the public debate and attention in the media petered out. Later a less ambitious programme, *Fördjupad Dialogue*, was started.

Concluding on how “resistance” has played a role in the Swedish case, the most apt description of the corporations’ stance might be a combination of loud voice and exit.

7.5.2 Dimension V: Summary

Outspoken resistance has played a minor role in the implementation of co-operative compliance measures in the Nordic countries, with the exception of Sweden. In the cases of Denmark, Finland and Norway the most apt description of the stance of the corporations is “Voice” and “Loyalty”. It can be described as characterized by the coexistence of silent resistance—declining the invitation to participate or postponing letters and meetings—and loyalty—staying in place and coping in either a proactive way or through a more passive stance of accepting the premises, but not taking the lead in the collaboration. In Sweden the stance was “Voice” and “Exit”, which stalled the implementation of the measures.

7.5.3 Dimension V: Recommendations

- We urge the tax administrations to carefully clarify expectations about the corporations’ rights and duties within the scope of the collaboration.
- Advance information to all stakeholders about internal changes in the tax administration.
- It is important to anchor changes in policies and practices among all stakeholders in the tax arena before launching initiatives that might be questioned. Benefits ought to be apparent.
- Do not rely on a sole point of contact when trying out several initiatives; have more than one channel into corporations.

7.6 Dimension VI: Trust

Co-operative compliance programmes—in most countries that have such programmes—have been implemented in the context of developing risk management strategies (OECD 2013, 2016). The shift from “traditional” control to co-operative compliance has happened in parallel with tax administrations setting their clients into categories based on the taxpayer’s perceived willingness and ability to comply. The same setting can be viewed alternatively, and equally well, from the perspective of trust: “The path-dependent connection between trust and risk arises from a reciprocal relationship: risk creates an opportunity for trust, which leads to risk taking” (Rousseau et al. 1998, 395).

In this dimension we will explore various ways trust—or lack of it—is articulated between tax administrations and corporations. Already the initial process of selecting which corporations to invite—and who is seen to be willing to participate—in co-operative compliance programmes entails implicit evaluations of trust between the tax authority and the corporation. Although we mainly deal with trust between organizations, the issue of trust in co-operative compliance programmes can also be articulated on a personal level.

When corporations enter co-operative compliance, they are both promised and expected “certainty in exchange for transparency” (OECD 2016). This means that in a co-operative compliance relationship, the tax administration is expected to work on the assumption that it may “trust that uncertain tax positions and other problematic tax positions [...] will be brought to its attention” (OECD 2016, 11). Co-operative compliance is “based on justified trust and empirical evidence” (OECD 2016, 10). The process of collecting evidence to justify trust by the tax administration towards the corporation typically entails self-assessment and documentation of internal tax control by the participating corporations (de Widt and Oats 2018).

Accordingly, tax administrations “adjust the risk management strategy for an individual large business in the context of a (voluntary) co-operative compliance relationship” (OECD 2016, 7).

Trust within or between organizations, or between individuals, has been examined in numerous academic studies (e.g. Rousseau et al. 1998; Schoorman et al. 2007). While definitions of trust may differ, trust is often characterized through “confident expectations and a willingness to be vulnerable” (Rousseau et al. 1998). Rousseau et al. (1998) define trust as follows:

Psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.

Mayeret al. (1995) and Schoorman et al. (2007) argue that the following characteristics of the trustee (the person that is being trusted) are important for the trustor to continue to assume that the trustee is reliable and trustworthy:

- ability
- benevolence
- integrity.

These three are distinct, yet intertwined characteristics. Trust may be hampered or lost if the trustor considers that any of the three is missing. According to our empirical research, all three dimensions are at work, or at stake, in how trust affects and is affected by the co-operative compliance relationship. Trust is not static: the reciprocal assessments concerning the *ability*, *benevolence* and *integrity* of the other party in co-operative compliance can change over time.

First, the level of trust by the tax administration (trustor) towards a particular taxpayer (trustee) is affected and assessed e.g. by documenting the internal tax control framework in place within the corporation. Furthermore, previous evidence that the tax administration has accumulated of a corporation e.g. through recent tax audits can affect the level of trust. As de Widt and Oats (2018, 21) point out: the corporation's future tax strategy and whether the corporation shows "willingness and ability" to improve its internal tax controls play a role (rather than merely the current level of these controls).

One the other hand, the level of trust by the corporation (now the trustor) given to the tax administration is affected by the perceived *ability*, *benevolence* and *integrity* of the tax administration, and the persons involved. Working more closely involves increased interdependence between the parties involved. The need for trust, however, only arises in situations that involve risk. Accordingly, trust is a necessary component of cooperation occurring only if the cooperation involves risk (Mayer et al. 1995) As co-operative compliance involves "going beyond statutory obligations" and increased transparency (OECD 2008, 39), from the perspective of the corporation, providing such voluntary disclosure can involve risks. Therefore, the *ability*, *benevolence* and *integrity* of the tax administrators are essential.

Trust can be also divided into *interpersonal vs. inter-organizational trust* (Zaheer et al. 1998). Zaheer et al. (1998) argue that while trust is inherently an individual level concept, trust operates at both individual and organizational level. *Interpersonal trust* "refer[s] to

the extent of a boundary-spanning agent's trust in her counterpart in the partner organization" (ibid., 142). *Inter-organizational trust*, on the other hand, is defined as "the extent of trust placed in the partner organization by the members of a focal organization" (ibid., 142). The relationship between organizations, and trust therein, is not "faceless or monolithic" but actively managed and built up by the individuals "whose orientations and motivations may well be different from those of the organization as a whole" (ibid., 142). The connection between interpersonal and inter-organizational trust is established through institutionalizing processes: with repeated ties between organizations over time stabilizing cooperative practices. Therefore, whereas individual boundary spanners may change over time, their roles have become stabilized and taken-for-granted organizational structures (ibid.).

The *ability* required from the tax administrations involved in co-operative compliance is elaborated on in Section 7.3, Competencies.

People differ in their general willingness to trust other people, both based on their previous experiences, cultural backgrounds and other factors (Mayer et al. 1995). The empirical research reported in this study has been conducted in four Northern European countries in which the general level of trust of other people and governmental institutions is generally high.

This dimension shows that trust at both interpersonal and inter-organizational level are important to consider when implementing a more cooperative approach to tax compliance. However, trust is not only an abstract phenomenon but it comes down to issues of *ability*, *benevolence* and *integrity* (Mayer et al. 1995). Or alternatively to – *reliability*, *predictability* and *fairness* – the inter-organizational level as Zaheer et al. (1998) conceptualize it. Considerations of trust should entail both the existing orientation to trust and how trust could be cultivated in co-operative compliance. As the unsuccessful implementation of co-operative compliance in Sweden illustrates, how the introduction and running of co-operative compliance affects the level of trust between the parties involved and society more broadly should be carefully considered.

7.6.1 Dimension VI: Comparison by drawing on national practices/experiences

Denmark: In the Danish case trust is—mirroring the formal setup of co-operative compliance programmes more generally—described as a fundamental cornerstone in the Tax Governance programme. Yet, to specify what is implied with trust, we show that the

Danish case is characterized by three interconnected kinds of trust: inter-organizational trust between Skat and Tax Governance corporations, interpersonal trust between Tax Governance managers and tax directors of corporations and inter-organizational trust between Tax Governance and their “evaluator”.

Inter-organizational trust between Skat and the corporations

During an interview a tax official reads aloud from the Tax Governance script on the question of how corporations are selected for participation:

The corporations who are part of the programme are selected manually from lists of the largest Danish corporations. In the selection, the individual corporation’s suitability for entering a trust-based collaboration is taken into consideration. The corporations are selected on the basis of Skat’s experiences with the individual corporation [...] and the experiences are to be collected from all law areas in Skat. (Interview, tax official)

Here being part of a trust-based relation is linked with *suitability* and *experiences*. Trust here becomes something you are suitable or non-suitable for building a relation with Skat based on Skat’s prior experiences with the corporation in question. Another element in this relation commented on by the tax official is the balancing of expectations to the collaboration that is to take place in the trust-based relationship:

You balance expectations [at the introductory meeting], what is it [Tax Governance] about and you plan a meeting structure. It is incredibly important that this balancing of expectations takes place, so that they [the corporation] do not all of a sudden have the understanding that they can avoid reactive audit controls, for example. Because they [reactive audits] can still be there but the point of departure is that we are to trust each other. (Interview, tax official)

Trust is described here as the very point of departure for the Tax Governance approach. It is about establishing trust through balancing expectation between organizations (Skat and the corporation) when moving away from the well-known control-based relationship to a trust-based relation. A tax official explains one of the dilemmas of this shift:

[...] we had quite some episodes where other employees in Skat had gone out [to the corporations she is Tax Governance manager of] [...] and that was a bit unfortunate because we had been promising them something else [one access to Skat through the Tax Governance manager], so there were some conflicts. With regards to the approach and attitude, we went out in a spirit of collaboration and then someone else came wearing their duty-caps (the traditional control approach). Not that there is something wrong with that [...] but it was something different we were trying to build, it was to get a relationship of trust with the corporations. (Interview, tax official)

Here control is explained to be detrimental—almost incompatible—with a trust-based relationship, and the coexistence of these principles is claimed to sometimes cause the need for mending of the relation by the Tax Governance manager.

Overall trust is explained to be the point of departure and a core element of the *approach* between organizations in Tax Governance. However, trust is also talked about by the interviewees as something *developed* in specific relations between specific persons—as interpersonal trust.

Interpersonal trust between Tax Governance managers and tax directors

Informants typically agree that interpersonal trust is important; a tax official states: “The trust between the tax governance managers and the tax director of a corporation is the alpha and omega” (Interview, tax official). The relation is fore-fronted here as an essential element of the collaboration. Another tax official explains:

It is about building a relationship of trust, that you know you can trust each other. They know they can trust the answers they get from me, but I can also trust that the answers I get from them are honest and correct. But it is also very much about that if they are in doubt about something they contact me and ask “is it okay if we do like this, do you see any problems with it?” and so on. (Interview, tax official)

Here trust is relational and resides in the specific relation between a Tax Governance manager and his/her counterparts in the corporation. Furthermore, trust is described as something built up (e.g. through running dialogue) in this specific relation and moreover it is connected to predictability.

Another tax official points to when the trust relation is established it can reach a more general level and turn role-based: “you establish a trust relation to a corporation [...] then the manager might be replaced but the trust relation is still in place” (Interview, tax official). As the cooperation endures over time, role definitions become stabilized and inter-organizational trust evolves. In this, the trust based in the specific interpersonal relation is seen to be able to persist beyond the specific persons when the trust relation is well-founded. Yet another tax official adds a nuance on how trust is grounded: “You have checked the systems they [the corporation] have for avoiding errors and you know the systems get updated, then you have created a running certainty and then you need to be in a running dialogue with this corporation” (Interview, tax official). This can be seen as a way of shifting away from trust as only residing in the specific personal or role-based relation, towards trust being upheld by internal control systems in corporations, in line with OECD’s (2016) recommendation concerning “justified trust and empirical evidence”. The internal control systems and the dialogue are somehow seen to “carry” trust over time

once it has been established. Another tax official adds to this aspect of trust grounded in systems:

... the primary goal [is] to get a trust relation established so that we do not have to audit the reports from the corporation on different law areas [...] you look at the corporations' internal controls and get a well-founded conviction that everything is as it should be. (Interview, tax official)

The interpersonal trust between Tax Governance managers and the tax directors of large corporations has been pointed to as trust established in relations between specific persons but also as trust as potentially becoming independent of these specific persons. There has been a shift over time in Tax Governance following the increasing formalization of the programme towards more role-defined trust building on established control systems that are to carry an enduring trust over time.

Inter-organizational trust between Tax Governance and its evaluators

Last, trust is also an element between Tax Governance and its prime “evaluator”, The National Audit Office [*Rigsrevisionen*], is the Danish authority responsible for auditing and monitoring Skat as an organization and therefore also Tax Governance. The relation between Skat and the National Audit Office, however, does not mirror the trust approach and relation between Tax Governance and corporations. Instead this relation is largely defined through measurability and “trust in numbers”. The demand for measurability of the effectiveness of Tax Governance (see Dimension 2) can be argued to resemble the control-based relation between Skat and the corporations that Skat is trying to move away from with the introduction of Tax Governance. A tax official explains:

... this [Tax Governance] is not suitable for strict quantitative performance management, because how can you detect if Søren is productive? No, you cannot, you can only see that still 80% [of the corporate tax revenue] comes from these corporations, but this is useless for a statistician. That is a huge challenge, because just as we have trust in the corporations, then there also needs to be someone who has trust in that we follow these concepts. Therefore they need to be standardized so that we can document it. (Interview, tax official)

With trust primarily taking the shape of numbers and measures not as something built in relations, Tax Governance has difficulties in the wider context of Skat (where quantitative performance management is also widely in use) and in relation to the National Audit Office. This is also reflected in the attempt to reform Tax Governance for example by inserting levels to measure progression in the degree of participation in the reformed Tax Governance programme (see also Dimension 2 and Boll and Brehm Johansen 2018, 73–74).

Summing up, the Danish case shows interconnected kinds of trust—the inter-organizational trust of the very Tax Governance approach, interpersonal trust based on specific relations, trust based in role-relations and system-based trust to endure over time. Moreover, it can be argued that Tax Governance and the connection with these different kinds of trust can be difficult to evaluate—and hence accept—from the surrounding environment. Further, Tax Governance as a programme is not subjected to the same trust-based approach by its own evaluators as Tax Governance bases its relation to the corporations. This has been one of the reasons for reforming the Danish Tax Governance programme to include more measurable elements such as the four-phase model (discussed in Subsection 7.2 of this paper).

Finland: During the interviews with different parties in the tax triangle—corporate representatives, tax administrators and tax advisors—issues of trust surfaced in several discussions. In the Finnish case, inter-organizational trust, or occasionally the lack of thereof, was the most prevailing form of trust discussed.

Interestingly, tax advisors interviewed pointed out that most often there cannot be interpersonal trust in the persons working at the tax administration in the first place. The rationale behind this statement was that there has not previously been real dialogue between the tax administrators and the tax directors or tax advisors, where interpersonal trust could have been built up. A tax advisor interviewed described:

In the Large Taxpayers' Office, they are not that eager to enter into a dialogue, so personal relationships are not formed, and therefore no trust in any individuals either. If the co-operative compliance is the way that we are going, I think that the meaning of trust will be emphasized, because it is more personal, and there they are the same persons who work there. So, then it would be emphasized a lot. During my career, for example, the interpersonal relationships with the tax authorities have been at a minimum, the kind of relationships that you could not say that there is any trust involved in a particular person. The existing trust is towards the institution or to the Large Taxpayers' Office. (Interview, tax advisor)

Another tax advisor agreed saying that she has never thought that the personal chemistry between people at the corporation and the tax administration could affect the outcomes, or be otherwise of much importance in taxation. She continued saying, however, that things can actually escalate either when an advance ruling is applied or when a corporation is being audited:

In a case where the corporation applies for an advance ruling, the interpersonal trust can have an effect. The trust culminates in whether they trust what is said in the appeal. In principle it should be clear: what has been written in the appeal, *hakemuksessa*, should count as facts. And if it later turns out that the facts do not hold, then the advance ruling does not

bind. But it is not like that in practice. If there is not trust, it does not proceed right.

(Interview, tax advisor)

She also pointed out that trust can be built by meeting face to face:

I think that meeting people is the most important [element in developing trust]. And what corporations can contribute to trust building is not having the trust lost. If the trust [by tax administration to the corporation] has been lost, it does not matter anymore what you do.

(Interview, tax advisor)

Trust as an outcome of the exchanges and cooperation was discussed by tax directors. For example, a tax director explained that “trust should be built in the process”. The interviewees from corporations raised high-level expertise (*ability*), integrity and predictability as the main elements that create trust, for example, as a representative of a corporation stated:

It is important that you can build trust on the fact that the tax administration is up-to-date, for example, in international matters, and that each corporation receives similar advice.

Keeping everybody at the same level of expertise is a big challenge. (Interview, tax director)

This view was echoed by other corporate interviewees also highlighting predictability and competence. Some interviewees pointed out that co-operative compliance can be a way to establish trust by corporations in the tax administration. Yet, trust can also become weakened in co-operative compliance if the expectations and assumptions are not met. As an example of this, an interviewee from a business interest organization described how the expectation of the cooperation can be broken, for example, if the corporation participating in co-operative compliance is audited “as usual” and if the persons at the corporation get the impression that the information that they provide is not trusted.

Overall, interviewees representing the business interest groups were more critical when it comes to inter-organizational trust in the tax administration. As factors contributing to the weakened trust, they referred to e.g. recent litigation processes concerning TP where they considered that the tax administration had been “aggressive”. Such litigation cases concerning TP, where the corporation has won the case, have also caught attention in the Finnish media in the recent years. These interviewees also mention that the recent distrust towards the tax administration has led some corporations to no longer aim to participate in co-operative compliance.

The fact the trust was discussed in different contexts by different groups of interviewees can also relate to the sampling of interviewees for the present study. The majority of tax directors interviewed were from corporations that participate in co-operative compliance, and are therefore more likely to represent organizations where the trust orientation

towards the tax administration is likely to be more positive, given to voluntary participation in this trust-based approach.

In sum, the prominent form of trust discussed in Finland was the inter-organizational trust between the corporations and the tax administration. In contrast to Denmark, the inter-organizational trust, or the lack of thereof, between the tax administration and its evaluators did not appear to be a significant element in how the practices of co-operative compliance have evolved.

Norway: The distinguishing feature of co-operative compliance measures is the voluntary disclosure of uncertain tax positions. To reveal uncertainty is challenging and requires a high degree of trust. Norway is rated as a high-trust country both in terms of interpersonal trust and inter-organizational trust. This means that there is a platform of trust that facilitates co-operative compliance. Even so, trust can be lost. The most certain way for a corporation to lose the trust of the tax administration was if their tax files did not to reveal which position(s) they were in doubt about, and it later became clear that corporations had had doubts. Interviewees in the tax administration strongly emphasized this point. Not disclosing uncertainty was regarded as cheating. Contact persons told how affronted they felt when that had happened. This loss of trust was not in individuals, but in the corporation as the counterparty. On the other hand, the tax administration risked losing the trust of the corporation if it did not show ability, integrity, or benevolence. This became apparent in the tax directors' reactions to the letters sent out by the tax administration in 2016. In the letters, the tax administration asked for new information and gave notice that previously accepted and closed accounts might be reopened if the information provided was not deemed sufficient. The tax directors questioned the ability of the new teams, their commitment to earlier decisions and their concerns for the taxpayers' situation.

In Norway the dominant form of trust is institutional (inter-organizational). We will point out three aspects of this institutional trust to make clear what it means in practice. The first aspect is trust in the tax institute itself, the tax laws and regulations of the country. The second is trust in organizations, the tax administration and the corporations respectively. The third is trust in professional bodies. The complex weaves of these kinds of trust was revealed in a comment from one tax official who in an interview explained that "when we change employers, we change hats" (interview, tax official). The tax director had also worked in the tax administration and as a tax advisor before being employed in the corporation. She knew from first-hand experience the informal rights and duties of the different positions. Her comment came as a conclusion to a discussion among the tax directors interviewed about what to do with the letter mentioned above. The first step was

to find out what was going on in the tax administration. Who could they ask? It turned out that there was no one to rely on to informally share the information needed, neither former colleagues, members of their professional network or tax directors in other corporations. The interviewees briefly considered drawing on their personal relationships, but after a quick check, abandoned the thought. Questions about individuals in the tax administration could not be asked via personal networks. Institutional positions trumped personal relationships. To develop lasting co-operative compliance relations, it is crucial to consider the type of trust that dominates and develop relationships in accordance with this.

Sweden: Perhaps it is the *lack* of trust in the first place, the very essence of relationships within co-operative compliance ways of working (OECD 2008, 2013) that rendered the Swedish case a failure? This is counter-intuitive as most corporations according to surveys feel correctly treated by SKV, although corporations increasingly dislike the tax system (compared to the last survey in 2013). It is doubtful that the explanation for the Swedish failure is as simple as one of general (mis)trust that governs the relation between large corporations and SKV. The trust issue needs to be explored in detail; for example if governance of the relationship between large corporations and SKV is structured in such a way that changes in issues that governs it, relationship could lead to greater distrust. Corporations seemed pleased with the pre-existing tools for communication, *Dialogueen*. It is a way for large corporations to pose questions to SKV either by email or by phone. The advantages with *Dialogueen* are said to be several: the corporations obtain SKV's view on issues from a tax perspective prior to making doubtful transactions; and the possibility of quickly solving unclear issues. Although *Dialogueen* is not subject to secrecy, it had made taxation issues less insecure and more predictable with the result that there was growing trust in relations between SKV and corporations. Yet, SKV argued that a greater number of questions with increased complexity had been posed within *Dialogueen* and that many corporations responded with follow-up questions through this forum. SKV concluded that other measures were needed which were one of the underpinnings for the *Fördjupad samverkan* initiative. Do not rock the boat seems to be the message. In the following, SKV's (dis)ability to create trust is explored in terms of ability, benevolence and integrity.

As we have seen in the section on competence, Dimension III, SKV's professional *ability* to help corporations pay "the right tax" was questioned. What was missing in this simplified critique was not that SKV would solve all complicated tax issues but would rather help to identify those issues that make taxation in Sweden unnecessarily cumbersome. For example, helping corporations to be timely in the manifold reporting deadlines or identify why certain errors are made repetitiously. One of SKV's contact persons proudly suggested that "his" corporation had adopted several of his proposals. Even non-participants in the

programme agreed on this. One chief finance officer (CFO) meant that trust is built on getting adequate answers. She meant that SKV often has a good view on what is right and reasonable when it comes to specific questions. There are always new commercial sectors and new techniques for which tax aspects need to be addressed. The corporation she works for did still steer away any communication it has with SKV unless directly stipulated by law. “It is not only SKV that should have the goodies without listening to our concerns” (Interview, tax director).

Yet, SKV’s ability can also be seen on a societal level and encompass how SKV intends to work with all large corporations. Working with them does not always mean cooperating but also taking proper action with them. *Fördjupad samverkan* is described as a way of identifying that the correct measures would be taken towards the right corporations. For example, the initial guidelines did state that the aim is to decrease aggressive tax planning among all taxpayers. In addition to the earlier stated arguments of decreased tax risks and tax errors, this programme would make possible an increased flow of information, transparency and thus trust between SKV and participating corporations. Yet, while the programme was introduced, SKV ran a large programme where the aim was to identify massive tax planning on the fringes of licit behaviour among larger corporations.¹⁷ The programme aimed to classify corporations based on risk evaluations, especially focusing on corporations active in tax planning schemes. Inspired by the UK’s HMRC’s and the Australian Taxation Office (ATO)’s work with classifications of risky taxpayers, Swedish corporations were to be divided into three different groups of taxpayers where audits and control measures were applied according to “riskiness”. So this classification programme seemed to backfire on the new cooperative programme. It was stated in its guidelines that corporations who were not willing to participate would possibly be categorized as riskier. So instead of admiring SKV’s ability to target non-compliant corporations, SKV was seen as targeting all corporations that were not willing to communicate as non-compliant. Corporations see all SKV initiatives taken together; SKV regards each initiative as separate. This leads us to benevolence. Benevolence can be expressed in two ways from SKV’s perspective: the way tax collectors regard the taxpayer (large corporations in this case) and how the amount of revenue is calculated. First, trust in the tax collector depends on the attitude it has towards taxpayers (Wittberg 2005, 6). SKV has worked long and hard to change the older attitude among its employees basing strategies¹⁸ on international research and following a trend of working together with taxpayers to ensure that information, taxes

¹⁷ Interview 14.1.2016. It was the so-called SPA, *skatteplaneringsaktiva*, project.

¹⁸ Interview 14.1.2016.

and fees were to the largest extent correct as early as possible. SKV officials previously often described the relation with corporations as a cat and mouse game; SKV and corporations were seen as opponents. These older strategies did not provide tools for SKV officials either to develop or ameliorate the relationship with corporate taxpayers and the programme was therefore abandoned. The co-operative compliance programme was seen as a way to give the benefit of doubt and help corporations pay “the right tax”.

Second, it is argued that SKV works proactively with the aim of collecting the correct, not necessarily the maximum, tax from all taxpayers and in this way increase trust (Wittberg 2005). Successful work at the Agency in the 1980s–1990s seemed to take place under the slogan “the more tax collected, the merrier” and the Agency’s emphasis was not on the right tax, but on collecting as much as possible. In those days there were even competitions between Agency offices, and the official who found most errors was a hero (Stridh and Wittberg 2015, 34). One official, Magnus, once reduced taxes by 200 million *krona* for a taxpayer, a result that dented his performance for the rest of the year. His nickname was “Minus-Magnus” from then on (ibid., 34; cf. Björklund Larsen 2018, 60). The current emphasis that SKV officials make corporations pay the right, not the maximum, tax at the right time is down to SKV’s integrity. To put this concern on a societal level, a valid question is what role SKV will have when it acts both as an arbiter and a consultant. When SKV’s old role of solely being a revenue collector changes to be engaged in a cooperation like *Fördjupad dialog* with taxpayers; what will this do to the trust in SKV and to tax compliance in general?¹⁹

One CFO said that he actually missed the audits; not for their own sake but as he sees it, it is the only way to thwart non-compliance among competitors. “Does SKV not have the resources [to perform audits anymore]?” he asked rhetorically. In addition, he questioned what all the knowledge amassed at SKV would be used for. All issues combined, he concluded that *Fördjupad samverkan* had not had anything to offer for the corporation he works for. Trust in SKV, described as a prerequisite for an enhanced relationship/co-operative compliance ways of working, was just not there.

How ability, benevolence and integrity come together can be illustrated by an editorial in *Dagens industri* that commented on a seminar on *Fördjupad samverkan* held by the Confederation of Swedish Enterprises (Dagens industri 2011). The editorial argued that co-operative compliance initiatives have to rest on a foundation of trust and that there ought to be more advantages than drawbacks in such cooperation (following the prerequisites for co-operative compliance initiatives). This seems, it was said, to be missing on both SKV’s

¹⁹ Explorative interview with an SKV analyst 2013.

and Confederation of Swedish Enterprises’—accounts in the proposed FS. Referring to the OECD recommendation to consider the cultural, administrative and legal environment when putting such initiatives to work (OECD 2010) it appeared there were a number of provisions applying in the Swedish context to this way of working. First, Sweden’s legal constitution provides the right of public access to almost all documents, a fact that differs from many other OECD countries that have co-operative compliance initiatives. Second, commercial awareness for example at the Dutch Tax Administration²⁰ (seen as implementing a successful co-operative compliance programme) is greater than at SKV. It has to be noted that this fact could be changed if the programme was broadly implemented and tax officials thus learnt more about tax operations in large corporations. Finally, SKV needs to take an increasingly impartial role if it is to judge what ought to be subject to tax and what not. This impartiality seems difficult to connect with SKV’s contemporary role as a judge of what the “right tax” is. This points to SKV’s ability to act with integrity.

7.6.2 Dimension VI: Summary

The above analysis shows that trust is essential in building enduring co-operative compliance programmes and relationships between tax administration and corporation. In all four countries, the dominant form of trust involved appeared to be inter-organizational trust. Along the interaction between tax administration and corporations, trust seems to persist even if individuals change.

There were also differences between the countries as to the types of trust, however. The interpersonal trust between the Tax Governance administrators and tax directors in corporations played a significant role. It should be noted that a Tax Governance programme had been running a longer time in Denmark at the time of the interviews than their counterparts in Finland and Sweden. Given that trust is something that is developed in interaction and cooperation, it has been possible for interpersonal trust to develop in the course of the co-operative compliance programme in Denmark for a longer time period than in Finland and Sweden.

As the case of Sweden shows, a generally high level of measured trust towards tax administrations is not a guarantee to the success of the co-operative compliance approach.

²⁰ The Dutch tax administration paid much attention to broadening its employees’ skills while introducing horizontal monitoring. The focus was on the commercial structure of businesses beyond the tax function, and the commercial “way of thinking” in general, but also on softer skills, such as how to interact with taxpayers in a friendlier, less hierarchical manner. They aimed to create a “shift in mindset” which seems to have largely paid off, as proposed in interviews with Dennis de Widt 2015 and 2016.

For example, most corporations according to surveys feel correctly treated by SKV. Yet, they were not willing to join the co-operative compliance programme, FS/FD. A potential explanation for this is that governance of the relationship between large corporations and SKV is structured in such a way that changes in issues that govern the relationship could lead to greater distrust. While corporations were satisfied with extant working methods, co-operative compliance was rocking the boat. It is worth noting that co-operative compliance can also have adverse consequences on trust in the tax system. The case of Sweden illustrates that co-operative compliance was not viewed as primarily targeting the non-compliant corporations, which taxpayers might expect, leading representatives of corporations to conclude that traditional tax audits may, after all, be the only way to thwart non-compliance among competitors.

Trust can be also lost. In Norway, the cooperative working methods with the large corporate taxpayers are more encompassing than in the remaining three countries. A certain way for a corporation to lose trust in the tax administration was if their tax returns did not to reveal which position(s) they were in doubt about.

The four country cases were analysed under the following elements that are important for the trustor to continue to assume that the trustee is reliable and trustworthy: *ability*, *benevolence* and *integrity*. Ability was a crucial element for trust: For trust to develop and persist, corporations need be able to trust that the guidance that is given to them is of high quality and aims at paying “the right tax” rather than the maximum tax. Furthermore, predictability appeared to be a key element in developing and maintaining trust. Equally, for trust to prevail in tax administrations requires evidence of the willingness and ability to comply, which accumulated before entering into and along with the co-operative compliance relationship.

7.6.3 Dimension VI: Recommendations

- Consider the *type* of trust that dominates and develop relationships between tax administrations and other stakeholders in the tax arena.
- Consider the more specific elements in co-operative compliance that have implications on trust. What are the effects of different measures taken on the (perceived) ability, benevolence and integrity between the actors?

7.7 Dimension VII: equitability and fair competition

Equitability in taxation is about procedural justice and procedural justice has implications on many facets of corporate lives, including perceived fairness of taxation and fair competition between corporations. How co-operative compliance programmes might influence equitable treatment of corporations and thus fair competition between them is discussed in this dimension.

Procedural justice is the idea that “authorities can be trusted not to abuse their power” (Gobena and van Dijke 2016, 26). According to Gobena and van Dijke (2016, 25), procedural justice, “fair play”, is a combination of three factors. The first factor pertains to the administering of the procedures: are they administered uniformly regardless of when they are applied and regardless of the clientele? The second one concerns the meticulous application of the procedures and whether or not the authority seeks its own advantage when applying them. The third factor is about the clients having the possibility to be heard in the process (Gobena and van Dijke, 2016, 25). Procedural justice and the resulting perceived fairness in taxation are important, as fairness is a factor in economic behaviour. Although empirical research pertaining to procedural justice and corporate tax compliance is limited, research on procedural justice in the individual tax compliance setting shows that fairness is an important factor in tax compliance (van der Hel et al. 2015, 764–765).

The legal environment surrounding an organization, a corporation, can be seen for example as a “facilitative environment, in which law passively provides an arena for organizational action” (Edelman and Suchman 1997, 479). When providing this arena for businesses to operate in, the tax administration’s task is to maintain an even playing field for all the players in a given arena, where competition between companies is one facet of these organizational actions. If some corporations can cooperate with tax administrations in ways that are seen to influence their organizational actions on the market, and other corporations cannot, it is inherent in co-operative compliance programmes that market competition can be an issue. For corporations this also means that the issue of fair competition is at stake. If some corporations receive favourable treatment from the tax administration, this might have implications for corporate activities *outside* the tax arena. If not all corporations are subject to equitable treatment corporations that do not participate in co-operative compliance programmes might be impeded in competing on the same terms in the market.

Studies show that if people experience situations where, according to their own moral standards, they are treated in an unfair manner, they adjust their own behaviour accordingly, i.e. by seeking retribution and by becoming less compliant (Cornelissen et al.

2013, 1). The experienced unfairness not only increases non-compliant behaviour in the context in question, but the perception of unfairness can result in impacts on other fields of society, labelled “fairness spillover” by Cornelissen et al. (2011, 1). Fairness spillover potentially results in less compliant behaviour in other contexts creating economic costs to society as a whole. As an example of the behaviour described, in their study Cornelissen et al. show a link between experienced injustice in taxation and work morale (2013, 20). Due to the existence of fairness spillover, the perceived fairness of taxation is not only important to tax compliance itself but to compliance in society in general. Since one of the goals in co-operative compliance is to increase tax compliance, the notion of perceived fairness and experienced fairness, not only among participants in co-operative compliance programmes, but also in the eyes of non-participants, should be paid attention.

The effects of procedural justice on tax compliance are twofold. First, procedural justice has effects on experienced fairness, which in turn has implications for compliance (Gobena and van Dijke, 2016, 26). Second, procedural justice has a positive effect on trust in the authority itself (ibid., 26) and trust, in turn, is a factor in compliant behaviour (ibid., 31).

Before proceeding to national cases, we state three caveats to what we include (or understand) with our focus on procedural justice and “fair competition”. First, it is important to underline that at an outset we do not consider *tax* competition between countries here. These latter are national policy issues that are beyond the responsibility of tax administrations and therefore not directly relevant for our study. We mean fair competition as one of the principal tenets for corporations to act on markets. There is a large scholarship on this issue; our point is to underscore that initiatives like co-operative compliance can have implications beyond specific tax laws. Yet, it has been questioned whether these programmes, available only to certain corporate taxpayers, make for unfair competition in view of EU state aid rules. Under certain circumstances participating corporations could receive advantageous tax treatment (Szudoczky and Majdanska 2017).

Second, this dimension could be regarded as a part of structural hindrances. Equitability does after all mean equal treatment before the law. However, the issue of fair competition stands out as it has implications that go to the core of corporate activities when competing with other actors on markets. As for the third caveat, procedural justice is covered only in the context of how companies are treated depending on whether they are in a cooperative relationship or outside it. No other contexts of procedural justice, e.g. whether procedures are applied consistently over time regarding a single corporation, are covered.

7.7.1 Dimension VII: Comparison by drawing on practices/experiences

Denmark: In the Danish case, the element of questioned equitability and unfair competition is not at first sight a dominant theme. On the contrary, there is a positive focus internally in Skat on the issue of equal treatment of corporations in the programme and those not in the programme. This equal treatment is mostly talked about in the manner that both kinds of corporations are equal to the same law; no exceptions or special rules exist for corporations in Tax Governance. This is explained by one of the interviewed tax officials in Skat who says:

I do not think so [that we treat corporations differently if they are a Tax Governance member or not]. [...] Because it has the same legal effect [*retsvirkning*] [if Skat goes out and finds a mistake in traditional control and if the corporation come to Skat does have a dialogue about something], no doubt about that, it is just a question whether you discover it versus a corporation who inquires themselves. (Interview, tax official)

Hence, from this we infer that Skat keeps a close eye on not privileging or making favourable treatments of Tax Governance corporations.

That said, equal treatment in the specific approach from Skat towards corporations in their daily interactions is an element that raises concerns of potential favourable treatment of certain corporations. In the Danish Tax Governance programme a Tax Governance manager is the main contact and direct access to Skat for corporations participating in Tax Governance. Therefore the specific approach and engagement of the Tax Governance manager is highly formative of the relation and interactions taking place in the collaboration. The challenge that a Tax Governance manager with a certain proactive or very dedicated approach to the corporations he/she is responsible for may form the basis for a kind of unfair competition due to a potentially uneven treatment or engagement (from both corporations and tax officials) due to the non-detailed specifications of the steps and progress of a tax governance collaboration (an element that has recently been addressed in the reformed Tax Governance programme). With regards to this challenge, a tax official explains: “We are trying to make some guidelines, *retningslinjer*, and some instructions, *vejledninger*, because everyone here should preferably have the same approach. And they should also have some help as to how they call for that, how to approach things” (Interview, tax official). Moreover the tax official points to their role with regards to the corporations:

We might be able to give some input and suggestions as to how they get internal controls established in specific areas. But it is still only guidance, and we do not make them [the

internal controls], they do. It is their job, we do not offer consultancy [rådgivning], we are not allowed to. (Interview, tax official)

Here the interviewee points to a central element of the Danish case—the strong discursive distinction between *consultancy* and *guidance*. This distinction is important in the way tax officials describe their new role in relation to corporations. It can be argued that some of the importance of this might relate to overstepping the demarcation between consultancy and guidance being potentially a step towards unfair competition. The seemingly mundane everyday interactions where Tax Governance managers interact and engage with corporations are important since they are a potential source of unfair competition—yet still keeping in mind that there is a huge step between what we may call an uneven engagement and actual unfair competition on a more regular/structural basis. That this is—in practice—not such a big problem, is perhaps best illustrated by the tax directors' views on this. Asked whether they find any issues of unfair competition or other related challenges in relation to Tax Governance they are close to uniform in their answers: they do not find the issue of equitability and fair competition to be a problem in Tax Governance. And we may most likely trust that if there were any challenges in this regard, the corporations would probably be the first ones to notice and raise their voice. This we have not seen signs of.

Finland: Public discussion on the procedural justice of taxation, on equitability, in the context of *Syvennetty*, i.e. does *Syvennetty* place companies in unequal positions, has been scarce. The topic was brought up, however, by the interviewees for the present study.

As stated in the Finnish Law on tax administration (Laki Verohallinnosta), VERO has to promote correct and uniform taxation, which translates into treating all companies equally. VERO actively promotes this view as, for example, a goal in VERO strategy is to become “one of the best in the world in terms of reputation and results”, and VERO sees the expected prestige deriving from both operating in a trustworthy, uniform manner and from possessing personnel with expertise (https://www.vero.fi/tietoa-verohallinnosta/verohallinnon_esittely/verohallinnon_strategia_2013201/).

The question of consistent application of procedures across the corporate clientele of VERO came up in the interviews. VERO's corporate clients can be divided into two groups: the larger companies whose taxation is handled in KOVE and the smaller companies who are customers of the regional offices of the Corporate Taxation Unit. The question of fair treatment between the larger companies (the KOVE customers with the potential access to *Syvennetty*) and the smaller companies (without the access to *Syvennetty*) was brought

up: do the larger companies get something more, something that is out of the reach of smaller companies?

When discussing the question of equal treatment regarding the potential juxtaposition of larger companies vs smaller companies, the informants did not find the approach chosen by VERO, with *Syvvenetty* only being available to the customers of KOVE, problematic or presenting concerns regulation-wise. Choosing the larger companies, the clients of KOVE, as a target group for *Syvvenetty* was deemed a well-founded solution, as it was seen that the new ways to operate were easier to test and develop with larger companies with tax departments and personnel focusing on tax issues. One tax advisor interviewed saw the larger companies in *Syvvenetty* receiving special treatment, but that the tax administration also requires more of those companies. The tax advisor also added that it is debatable if, at the end of the day, these companies are provided with different or better tax treatment by VERO as every corporation has the possibility of acquiring similar certainty regarding its taxation as the companies in *Syvvenetty*, the process is just different. Preliminary rulings, available for all corporate taxpayers, were named as one way a corporation can seek to improve certainty over tax issues. A tax advisor explains:

They [corporations in *Syvvenetty*] do ... get a different kind of treatment. And especially if it [*Syvvenetty*] works well, they do get a different kind of treatment ... but on the other hand, a lot more is also demanded of them. But do they get, regarding the process, I believe that they are treated differently and they may get some kind of certainty on issues, something that other companies don't get, but do they, at the end of the day, get a different kind of and better tax treatment, that I don't necessarily believe in, when a corporation ... each corporation has a possibility to get similar certainty ... It is just a different kind of a process
(Interview, tax advisor)

Focusing on the larger companies was also seen as a question about resources and tax revenue. The larger companies generate an extensive portion of the tax revenue, and therefore, to enhance the effectiveness and efficient use of the limited resources of tax administration, the decision to concentrate on larger companies was not disputed. As an academic said "Of course, the largest revenue is there [in the larger companies], that is obvious. It is about economy, too". (Interview, academic)

The question about the equitability among the clients of KOVE was also raised. Are the clients divided into two categories: those in *Syvvenetty* and those outside *Syvvenetty*? Among the informants, trust in KOVE was high, as companies believed, like most interviewees, in KOVE treating all larger companies equally, and did not see the collaborative approach bringing special benefits. The informants relied that the same rules, as per the law, are applied in all cases and the laws bind all the parties involved. Although

trust in KOVE, (as discussed in section 7.6), may have experienced some blows in the past few years—as certain interviewees suggested—the fairness of the process, vis-à-vis from one corporation to another, was not questioned.

Some interviewees from KOVE were more critical of their own organization and of their own procedures. The prevailing opinion was that, in accordance with current legislation and reflecting the VERO strategy, equal treatment of all companies was a goal, and that the same legislation and rulings were applied to all companies, regardless of involvement in *Syvvenetty*. While concurring with this statement, some interviewees maintained that companies did actually benefit from being in *Syvvenetty*. Based on the findings of this current study, benefits might come, for example, from real-time taxation and prompt replies to inquiries.

... the exact same regulation and laws and everything apply to all customers in *Syvvenetty* and outside *Syvvenetty*, but for sure, of course, to some extent maybe more service is provided or such to a taxpayer in Enhanced Customer Cooperation, but I do not know if it can be interpreted as a deviation from equality, but as such all the regulation is the same and this [*Syvvenetty*] is voluntary. (Interview, tax official)

Cooperative relationships have been presented in different jurisdictions in order to shift the emphasis from the traditional ways of promoting compliance, i.e. deterrence in the form of e.g. tax audits, and to introduce new ways emphasizing cooperation and trust. OECD presented co-operative compliance (earlier “enhanced relationships”) as a means of influencing the “demand side” of aggressive tax planning schemes (OECD 2013, 15). Despite this underlying purpose and distinction between the traditional approach and cooperative regimes, *Syvvenetty* was in some discussions argued to fall within justifiable discretion of the tax administration. If we draw an analogy to tax supervision, the tax administration has the authority to use different forms of tax supervision at their own discretion in different cases, prioritizing and selecting where and how to use their resources. Some companies and some interviewees from the tax administration shared this opinion and emphasized that different regimes of tax supervision target different taxpayer groups. Thus, *Syvvenetty* was not perceived to violate the fairness or equal treatment of taxpayers. A tax director explained:

... but it has been an old strategy of the tax administration that using a particular sampling to choose the customers demanding a more thorough review and then those demanding less review, and that is just reasonable allocation of resources and I think that the corporate world understands it very well that this is how prioritization is done in every place, and selection. (Interview, tax director)

The other factor of procedural justice, the accurate application of procedures and without authorities seeking to benefit from the situation, received only a few comments in the interviews. Fulfilling the requirement of accuracy demands adequate expertise and know-how from the VERO personnel. One of the companies interviewed questioned whether it ever would be possible for the tax administration to treat all corporate clients in a similar manner and all personnel to possess the same level of knowhow:

Maybe we will never truly get to the situation, where the tax administration would have the possibility to treat all companies in a similar way and that everybody working in the tax administration would have the same know-how. (Interview, tax director)

Without the required level of know-how or with varying levels of know-how among personnel, the fairness of the process may be compromised. In *Syvvenetty*, companies all have teams with assigned personnel to handle their taxation. In the interviews, this possibility of concentrating on particular customers was seen as a factor in improving the expertise and know-how of the personnel. If companies in *Syvvenetty* have more experienced personnel working with them than other companies, will this impair the relative procedural justice for those outside of *Syvvenetty*? Relating to the question of know-how was the question of the quality and quantity of information on which taxation decisions are based. *Syvvenetty* was seen to level the playing field between VERO and the companies, when all the parties involved have to make their decisions at the same time, based on the same set of information available to them.

... what I find very positive here, is that now we are on the same line, that both [a corporation and tax administration] have to base their decisions on the same set of facts at the same time and not so that the other one comes five years later and says that you should have taken this issue and that issue into account; they cannot do this anymore afterwards, which means they have to adjust to the rhythm of the business; here we cannot wait for a year or two.

(Interview, tax director)

Thus, both VERO strategy targeting the employment of personnel with expertise and *Syvvenetty* with its target in real-time decision making contribute to procedural justice, perceived and experienced fairness, and result, at least theoretically, in increased compliance.

The third factor in procedural justice, the possibility for clients to be heard, was covered implicitly and explicitly in the comments. The subject was touched on implicitly with comments on the special benefits the companies in *Syvvenetty* receive, and explicitly with comments on the possibility of having direct contact and real-time access to the tax administration, and with the comments on the written vs oral procedures. Only comments on the special benefits were in the context of fairness, the other comments were more

general and not seen as indications of unequal treatment of companies, rather as benefits of the approach. As all the companies in the *Syvvenetty* are appointed a team to handle their taxation, and as the approach includes a promise of working in real time and promptly, this all improves the corporations' possibility of being heard. Traditionally, the processes in taxation rely heavily on written procedures and the transition to oral procedures benefits those involved in the cooperation. As mentioned earlier, these aspects were not brought up in the interviews as examples of unequal treatment, but may serve here as examples of improved procedural justice, for the corporations involved, through the approach.

Analogous to the idea of "fairness spillover", perceived fairness and lack of trust were deemed to have spillover effects, albeit effects other than those in the form of deviations in compliance. The opinion of a business interest organization interviewee was that lack of trust in the tax administration would result in general distrust in authorities. This distrust may discourage people from becoming entrepreneurs or establishing companies, or it may prevent international companies from locating to Finland, it was argued.

To summarize the findings, it can be said that the issue of procedural justice (*vis-à-vis* those in *Syvvenetty* and those outside) did not come up very strongly in the interviews. As a caveat, it must be noted that the interviews did not extensively cover companies outside *Syvvenetty*. The prevailing opinion among the informants was that concern over companies being treated differently was not and will not become relevant.

Norway: Different industries have different tax regimes, therefore the treatment of all corporations cannot be judged on precisely equal terms. Corporations followed their competitors closely, but were not interested in just any other corporation. What they were concerned with was that the tax administration ensured a level playing field. Giving preferential treatment to one corporation was likened to giving it state subsidies, which is both against international treaties and against the principle of fair competition. The tax administration thought that the corporations' acknowledgement of the need to ensure fair competition was an important reason why they complied.

Court cases were a source of detailed information about tax dispositions. They were therefore the subject of many discussions and interpretations of the law among tax advisors and managers as they set the standard for what was legal and what was not. Another important source was "the yellow book". This is a volume on tax rulings published irregularly by LTO (Carlsen 2012), which provided input to discussions about, among other things, fairness. In addition to these two sources were scientific articles by prominent tax law professors. Taken together these sources provided a commons, a discursive space

which each party could draw on to find out where the line between fair and unfair competition is drawn. Various tax fora and seminars were public arenas where suspicions of unreasonable treatment or unfair competition would be deliberated informally. Misunderstandings could be cleared up and consensus allowed to develop in the community of taxpayers. These discussions would then be summed up in the form of policy concerns. When it comes to tax administration specifically, each case was a matter between the corporation and the tax administration, and yet another reason why it was so crucial for the tax administration to be seen as not taking sides.

Sweden: one small corporation brought SKV to court arguing that participants in the co-operative compliance programme had more advantageous decisions regarding VAT levels. The results were that the former had lost customers. Corporations cannot compete on equal terms if they are subject to different legal treatment. Not only the issue of fair competition was at stake; the resulting court decision brought out the issue of unequal treatment of taxpayers. In fact, it was even argued that co-operative compliance created a VIP lane, *gräddfil*, for participating taxpayers. Such treatment is not consistent with Swedish administrative law or practice. The programme thus provided another case for criticism of favouring larger corporations in Swedish society. SKV's response was that different taxpayers have to be met in different ways and co-operative compliance would just continue the long tradition which had developed. It has for example a long history of providing different types of information material for various categories of taxpayers (in different languages, written in easily accessible language, etc.) and arranging information meetings for various types of taxpayers, e.g. SMEs and the self-employed. It is an adaptation of research and SKV's recognition that taxpayers *are* different and therefore have various needs.

7.7.2 Dimension VII: Summary

The dimension of fair competition varied substantially between countries. In Norway it was not an issue at all. The tax law is structured according to industrial sectors which means that corporations at the outset are used to the fact that different industries might be subject to different treatment. The treatment of all corporations can never be judged on precisely equal terms.

In Denmark the issue was up for discussion as *potential* favourable treatment. The discussion was pronounced in terms of consultancy vs guidance. The first type of activity is not allowed for Skat's tax officials, whereas the latter is. The contemporary standing is that

it currently does not raise a problem; should a corporation be subject to it they would quickly raise their voice. In the context of the Finnish *Syvennetty* has discussions about unequable treatment been scarce. Yet, there are important issues to be learnt from the Finnish discussion about equitable treatment. First of all, it was argued that it would be easier to develop this way of working with larger corporations as they have both the knowledge and the staff that smaller corporations might lack. Second, there is the reciprocal argument both in terms of taxes paid and of information required. Larger corporations pay a substantially larger amount of tax and while some corporations might receive better treatment, VERO also requires more of them. Some deviating opinions existed among the KOVE interviewees, but the prevailing opinion among informants was that concerns about unequitable treatment of companies was not and would not become relevant.

In Sweden, the discussion of unequitable treatment was one of FS/FDs major obstacles. The very idea of a VIP lane for certain “customers” at a public bureaucracy did not go down well in Swedish society.

Equitable treatment of taxpayers according to the law and to societal values is a fundamental issue in constitutional jurisdictions like the Nordic countries. The dimension of equal treatment is one where the diversity of our Nordic cases is most distinctly pronounced.

7.7.3 Dimension VII: Recommendations

- Ensure that legal equitability and procedural justice prevails for all corporate taxpayers.
- Attention needs to be paid to how co-operative compliance programmes affect taxpayer activity outside the tax arena; how they get their income. Does the programme change the rules of competition for participants in programmes vis-à-vis non-participants?
- The issue of reciprocity might be one attenuating circumstance. Certain taxpayers might have certain responsibilities and therefore it can be argued that they should also receive certain—different/better—treatment.

8 Conclusion

Before summing up, a brief recapitulation of the background for the conclusions is provided as a reminder of what they are based on.

This working paper has documented findings from implementations of OECD inspired co-operative compliance frameworks in Denmark, Finland, Sweden and Norway in the years 2009 and to the present. The empirical material is based on interviews, document analyses and observations by a group of researchers in each country. Making use of a case taxonomy developed by Flyvbjerg (2006), these four countries are identified as representing three different case types. Denmark and Finland are paradigmatic cases, Norway is a multiple variation case and Sweden is an extreme case. In this classification schema, Denmark and Finland represent cases that “shine” and when initiatives work out as, more or less, intended in relation to the aims stated in the OECD framework and more explicitly according to national guidelines. What can be learnt from how these two countries have approached co-operative compliance? Are there good practices that can be borrowed by other tax administrations that aim to implement similar initiatives? (Here, we must add the caveat that even the best of practices cannot be moved full scale from one context to another. However, as the national contexts are relatively similar, it makes it possible to compare similar elements). In spite of their very different experience, can the Norwegian and Swedish cases also serve as exemplary cases, but more in the sense of providing “counterfactual evidence” to those provided by the two paradigmatic cases. What was done differently in Norway and Sweden? What role did the outliers have which made for such different outcomes? Can these differences account for the variation in outcomes?

In order to find out, we investigated how these four countries fare when their co-operative compliance initiatives are compared in light of the same conceptual dimensions. Our aim was to compare beyond the choice of the various “models of co-operative compliance”, across national tax laws, policies and guidelines, number of participants or size of participating corporations, year of introduction and similar factual dimensions. We have taken inspiration from anthropological studies: we account for the views of a broad range of stakeholders, we are interested in the programmes’ outcome in practice, and we see taxation as creating relations (cf. Steinmo 2018).

This means including the literature that our informants are inspired by. An important asset in our work is existing academic and policy inspired literature on co-operative compliance, but we have mostly relied on our national studies and the empirical data these have provided. Thus we have “translated” our informants’ views and experiences of working and

dealing with co-operative compliance frameworks and programmes. An important facet in this work is the validation of our results from interactive discussions in workshops and seminars with our informants. It has been a key concern not to limit the research by the established categories of the legal and economic professions, but to open for other interpretations.

The seven dimensions we propose are

1. cultural orientation
2. efficiency evaluation
3. competencies in tax administration
4. structural and organizational hindrances
5. resistance
6. trust
7. equitability and fair competition

These dimensions are not mutually exclusive, but are defined in such a way that there are possible overlaps between them. We regard this as a strength of the analytical approach because it allows the analysis to capture more nuances and diversity in the material than would a less generous and more limited taxonomy. In the course of the analyses, paradoxes and contradictions have turned up that mirror those that are experienced as part of the actual practice of cooperation about tax compliance. They would more likely than not have been invisible if there had been no “cracks” between the dimensions where the light of understanding could come in.

The seven dimensions we propose are not ordered in hierarchical importance. Yet some of the dimensions show substantial differences between the countries, whereas other dimensions display more similar insights. Our findings are preliminary and we welcome more research to refine the dimensions, and to “thicken” the ethnographic descriptions with more contextual empirical material.

We would like to end this working paper with three concluding remarks. The first is that a number of cultural, institutional and societal factors influence compliance practices. As mentioned above, a major trend within tax administration has been to shift from a roughly one size fits all approach—where close to all taxpayers experienced a deterrence approach—to a responsive approach where various segments of taxpayers receive treatment according to their motivational postures on compliance. That has been a foundational principle of the OECD co-operative compliance guidelines. Hence, the measures are founded on the idea that the will of the individual is the decisive factor for tax compliance. In this working paper, the comparison between actual co-operative

compliance practices in the four Nordic countries provides evidence that a number of cultural, institutional and societal factors also influence compliance practices. Therefore, tax compliance does not only depend on the will of taxpayers. It is as much shaped in the course of the actual interaction between the taxpayer and the tax administration as well as by contextual factors. A contribution from the present working paper is the finding that when other factors are taken into consideration, as they frequently are in actual practice, other venues for cooperation and responsiveness open up. The aim of a more responsive tax administration becomes more attainable than when the only course of action is to influence the taxpayers' will.

The second remark is that other key principles of the OECD guidelines, namely voluntary disclosure and real-time responses are too narrow, and perhaps too idealistic, to be feasible guidelines for all circumstances when compliance is mitigated. The OECD also defines co-operative compliance as a regulatory approach building on the idea that—on the one side—participating corporations disclose relevant information including their tax risks and are transparent to the tax administrations. And—on the other side—tax administrations are in return to provide real-time predictability and clarity concerning taxation issues of relevance for the corporation (OECD 2016, 7). In the paper, we show that real-time responses are neither welcome nor possible under all circumstances. It is actually more crucial to be explicit about a change in time frame than to have all interaction in real time.

The last remark is about the possibility of obtaining reliable measurements and evaluations of effects. A key ambition for the co-operative compliance measures has been to increase efficiency and effective use of resources for tax administration and there are many stakeholders that demand “proof” for efficient usage of resources, not least the taxpayers themselves. For several reasons there is a need to increase efficiency and document it. It is necessary for coping with the increasing complexity of the tax systems, partly due to the huge increase in cross-border transactions. It is needed as tax bases are broadened. It is simply not feasible to control all tax returns in detail every year. It is needed to determine the amount of public money (and time) spent on tax administration. For many years therefore there have been ongoing searches for methods to innovate the control functions of tax administration. New risk management methods are part of this effort and have been implemented as part of co-operative compliance measures. The problem is that tax returns are complex reports that yield information about a number of other issues than merely tax revenue. A conclusion from our project confirms findings from an earlier OECD study that there has so far not been one single objective method identified for assessing effectiveness and efficiency (OECD 2001). In actual practice, such evaluations of costs and effects need

to combine subjective and objective criteria, statistical analysis, logical argument, common sense, human skills and judgement.

9 Acknowledgements

Many people have contributed to this project and we are most grateful to all. There are our informants who have generously given us time and information about their part in national co-operative compliance programmes. There are many experts who have read our reports, participated in workshops giving feedback on our proposed results and suggested improvements. We also acknowledge the reviewers of this working paper: Anna-Maria Hambre, Lynne Oats and Jofrid Trandem Myhre. The P.I. of FairTax, Åsa Gunnarsson, provided valuable comments. Any remaining errors and flaws are our own. Thank you.

10 References

- Adler, Nancy. 2002. *International dimensions of organizational behaviour*. 4th ed. Ohio: Southwestern, Thomson Learning.
- Alm, James. 2012. Measuring, explaining, and controlling tax evasion: lessons from theory, experiments, and field studies. *International Tax and Public Finance* 191: 54–77.
- Bernitz, Ulf and Reichel, Jane. 2015. *Effektivitet eller legalitet? En bedömning av Skatteverkets nya samarbetsformer*. Stockholm: Svenskt näringsliv.
- Björklund Larsen, Lotta. 2016. *SWEDEN: failure of a co-operative compliance project? FairTax Working Paper Series 7: 1-51*.
- Björklund Larsen, Lotta. 2017a. Mind the (tax) gap: an ethnography of a number. *Journal of Cultural Economy* 10(5): 419-433.
- Björklund Larsen, Lotta. 2017b. *Shaping taxpayers: values in action at SKV*. New York, Oxford: Berghahn Books.
- Björklund Larsen, Lotta. 2018. *A fair share of tax: a fiscal anthropology of contemporary Sweden*. New York, NY: Palgrave Macmillan.
- Boll, Karen. 2011. The responsive raid—an analysis of the dual logics of generalization in judging businesses' tax compliance and in doing responsive regulation. *Encounters* 4(2): 7-42.
- Boll, Karen. 2014. Shady car dealings and taxing work practices: an ethnography of a tax audit process. *Accounting, Organizations and Society* 39(1): 1-19.
- Boll, Karen. 2015. Deciding on tax evasion—front line discretion and constraints. *Journal of Organizational Ethnography* 4(2): 193-207.
- Boll, Karen. 2018. Securing tax compliance with collaboration: the case of co-operative compliance in Denmark. In Nigar Hashimzade and Yuliya Epifantseva (eds.). *Routledge Companion to Tax Avoidance Research*. Abingdon: Routledge, 212-224.
- Boll, Karen and Brehm Johansen, Mette. 2018. *Tax Governance: corporate experiences with co-operative compliance in Denmark. FairTax Working Paper Series 17: 1-112*.
- Braithwaite, Valerie. (2003). Dancing with tax authorities: motivational postures and non-compliant actions. In Valerie Braithwaite (ed.). *Taxing democracy. Understanding tax avoidance and evasion*. Aldershot: Ashgate Publishing Group, 15-41.
- Bronzewska, Katarzyna. 2016. *Co-operative compliance. A new approach to managing taxpayer relations* (Vol. 38). Netherlands: IBFD Doctoral Series.

- Browaeyns, Marie-Jöelle and Price, Roger. 2015. *Understanding cross-cultural management*. 3rd edition. Pearson education.
- Brøgger, Benedicte and Aziz, Kiran. 2018. *The setting for collaboration about tax compliance in Norway*. *FairTax Working Paper Series* 18:1-31.
- Carlsen, Knut Morten (ed). 2012. *Bedriftsbeskatning i praksis*. Sentralskattekontoret for storbedrifter. Bergen: Fagbokforlaget.
- Clemens, Elisabeth S. 1999. Review: Good reasons to stop avoiding taxes. *Law & Social Inquiry* 24(2): 517-531.
- Cornelissen, Thomas, Himmler, Oliver and Koenig, Tobias. 2013. Fairness spillovers - the case of taxation. *Journal of Economic Behavior & Organization* 90: 164-180.
- Currie, Graeme, Tuck, Penelope and Morrell, Kevin. 2015. How hybrid managers act as “canny customers” to accelerate policy reform: a case study of regulator-regulatee relationships in the UK’s tax administration. *Accounting, Auditing & Accountability Journal* 28 (8): 1291-1309.
- Dabner, Justin and Burton, Mark. 2009. Lessons for tax administrators in adopting the OECD's "enhanced relationship" model: Australia's and New Zealand's experiences. *Bulletin for International Taxation* 63(7): 316-326.
- Dagens industri Editorial. 2011. Skatteverkets erbjudande förtjänar ett nej tack. *Dagens industri* 28.5.2011
- de Widt, Dennis and Oats, Lynne. 2017. Risk assessment in a co-operative compliance context: a Dutch–UK comparison. *British Tax Review* (2): 230-248.
- de Widt, Dennis and Oats, Lynne. 2018. Regulatory dynamics in Dutch co-operative compliance: the role of trust. Paper presented at the Interdisciplinary Perspectives on Accounting Conference, Edinburgh.
- Edelman, Lauren B. and Suchman, Mark C. 1997. The legal environments of organizations. *Annual Review of Sociology* 23(1): 479-515.
- Ekonomistyrningsverket. 2012. *Medborgares Syn På Myndigheter*. Stockholm: YouGov.
- Eriksen, Thomas Hylland. 2004. *What is anthropology?* London: Pluto Press.
- Finnish Act on the Public Disclosure and Confidentiality of Tax Information [1346/1999]).
- Finnish Tax Assessment Procedure Act.
- Flyvbjerg, Bent. 2006. Five misunderstandings about case-study research. *Qualitative Inquiry* 12(2): 219-245.

- From, Hans. 2017. Skat forbedrer Tax Governance. *SR-SKAT ONLINE* 2017: 1-5.
- Gobena, Lemessa Bayissa and van Dijke, Marius. (2016). Power, justice, and trust: a moderated mediation analysis of tax compliance among Ethiopian business owners. *Journal of Economic Psychology* 52: 24-37.
- Grabosky, Peter N. 1995. Using non-governmental resources to foster regulatory compliance. *Governance* 8(4): 527-550.
- Gracia, Louise and Oats, Lynne. 2012. Boundary work and tax regulation: a Bourdieusian view. *Accounting, Organizations and Society* 37(5): 304-321.
- Hambre, Anna-Maria. 2015. *Tax confidentiality. A comparative study and impact assessment of global interest*. Örebro Universitet.
- Hambre, Anna-Maria. 2018. *Fördjupad dialog: En studie av Skatteverkets arbetsform fördjupad dialog ur ett svenskt offentligt perspektiv*. Uppsala: Iustus.
- Hansson, Ingemar and Landén, Anette. 2011. Skatteverket vill inte lura företag. *Dagens industri* 15.3.2011.
- Hills, Michael D. (2002). Kluckhohn and Strodtbeck's values orientation theory. *Online Readings in Psychology and Culture* 4(4). <https://doi.org/10.9707/2307-0919.1040>. Retrieved 06102018.
- Hirschman, Albert O. (1970). *Exit, voice and loyalty. Responses to decline in firms, organizations and states*. Harvard University Press.
- Hodge, Graeme. 2000. *Privatisation: an international review of performance*. Westview, Oxford.
- Hofstede, Geert. 2011. Dimensionalizing cultures: the Hofstede model in context. *Online Readings in Psychology and Culture* 2(1). <https://doi.org/10.9707/2307-0919.1014>. Retrieved 06102018.
- Kettunen, Jaana, Pellinen, Jukka and Potka-Soininen, Tuulia. 2018. Enhanced Customer Cooperation: Experiences with Co-operative Compliance in Finland. *FairTax Working Paper Series* 19.
- Kluckhohn, Florence and Strodtbeck, Fred. 1961. *Variations in value orientations*. Westport, C.T: Greenwood.
- Knuutinen, Reijo. 2014. Luottamuksensuoja verotuksessa-sääntö vai periaate?. *Lakimies* 112:6.
- Kristoffersson, Eleonor. 2014. Från fördjupad samverkan till fördjupad dialog. Konferens om Skatteverkets nya riktlinje i Gävle den 12 juni 2014. *Skattenytt* 953-957.

- Lamb, Margaret, Lymer, Andrew, James, Simon and Freedman, Judith. 2005. *Taxation: an interdisciplinary approach to research*. Oxford: Oxford University Press.
- Mayer, Roger C., Davis, James. H. and Schoorman, F. David. 1995. An integrative model of organizational trust. *Academy of Management Review* 20(3): 709-734.
- Mindlab. 2013. Co-production. Towards a new welfare model pp. 1-38. Copenhagen, Denmark.
- Mitchell, C.E. (2006). Case and situational analysis. In Theodore M. S. Evens and Don Handelman (eds.). *The Manchester School. Practice and ethnographic praxis in Anthropology*. New York: Berghahn Books, 23-44.
- Morrell, Kevin and Tuck, Penelope. 2014. Governance, tax and folk tales. *Accounting, Organizations and Society* 39 (2): 134-147.
- Oats, Lynne. (ed.). 2012. *Taxation: a fieldwork research handbook*. London and New York: Routledge.
- OECD. 2001. *Compliance measurement - compliance notice*. Tax guidance series. OECD Publishing.
- OECD. 2008. *Study into the role of tax intermediaries*. OECD Publishing.
- OECD. 2010. *Overview: evaluating the effectiveness of compliance risk treatment strategies*.
- OECD. 2013. *Co-operative compliance: a framework. From enhanced relationship to co-operative compliance*: OECD Publishing.
- OECD. 2014. *Measures of tax compliance outcomes: a practical guide*. OECD Publishing, Paris, <https://doi.org/10.1787/9789264223233-en>.
- OECD. 2016. *Co-operative tax compliance: building better tax control frameworks*. Paris: OECD Publishing. <https://doi.org/10.1787/9789264253384-en>
- OECD. 2017. *Tax administration 2017: comparative information on OECD and other advanced and emerging economies*. Paris: OECD Publishing. https://doi.org/10.1787/tax_admin-2017-en.
- Peters, Cees. 2014. *On the legitimacy of international tax law*. IBFD Doctoral Series. Vol. 31. Amsterdam.
- Piiskoppel, Kirsti. 2017. Konserniverokeskuksen uudet työkalut 2/3: Syvennetty asiakasyhteistyö. *Verotus* (4): 454-463.
- Påhlsson, Robert. 2011. Ska Skatteverket bli en kompis? *Dagens industri* 11.3.2011

- Radcliffe, Vaughan, Spencer, Crawford, Stein, Mitchell and Wilkinson, Brett. 2018. Professional repositioning during times of institutional change: the case of tax practitioners and changing moral boundaries. *Accounting, Organizations and Society* 66 (3): 45-59.
- Rigsrevisionen. 2014. *Beretning til Statsrevisorerne om SKATs indsats på transfer pricingsområdet*. København: Rigsrevisionen.
- Ring, Diane. 2010. The promise of international tax scholarship and its implications for research design, theory and methodology. *St. Louis University Law Journal* 55(1):307-330.
- Rousseau, Denise M., Sitkin, Sim B., Burt, Ronald. S. and Camerer, Colin. 1998. Not so different after all: a cross-discipline view of trust. *Academy of Management Review* 23(3): 393-404.
- Schein, Edgar. 1996. Culture: the missing concept in organization studies. *Administrative Science Quarterly* 41(2): 229-240.
- Schnegg, Michael. 2014. Anthropology and comparison: methodological challenges and tentative solutions. *Zeitschrift für Ethnologie* 139(1): 55-72.
- Schoorman, F. David, Mayer, Roger C., and Davis, James H. 2007. An integrative model of organizational trust: past, present, and future. *Academy of Management Review* 32(2):344-354.
- Skat. 2016. *Retningslinjer for sagstilsikring*. Skat.
- Skat. 2018. Guidelines for Tax Governance. Date of publication 07 April 2015. <http://skat.dk/skat.aspx?oid=80161>: Skat, 1-8.
- Skatteverket. 2012. *Medborgarnas synpunkter på skattesystemet, skattefusket och Skatteverkets kontroll*. Solna: Skatteverket.
- Smith, Peter B., Dugan, Shaun and Trompenaars, Fons. 1996. National culture and the values of organizational employees: a dimensional analysis across 43 nations. *Journal of Cross-Cultural Psychology* 27 (2): 231 – 264.
<https://doi.org/10.1177/0022022196272006>. Retrieved 06102018.
- Steinmo, Sven H.. 2018. The leap of faith: the fiscal foundations of successful government in Europe and America. Open Access:
<http://fdslive.oup.com/www.oup.com/academic/pdf/openaccess/9780198796817.pdf>
- Stevens, L. G. M., Pheijffer, M., van den Broek, J. G. A., Keijzer, T. J., and van der Hel--van Dijk, L. 2012. Tax supervision - made to measure. *From Committe Horizontal Monitoring Tax and Customs Administration, Ministry of Finance, The Netherlands* <http://www.ifa>.

nl/Document/Publicaties/Enhanced%20Relationship%20Project/tax supervision_made_to_measure_tz0151z1fdeng.pdf.

Stinchcombe, Arthur, L.. 2013 [1965]. Social structure and organizations. In James G. March (ed.). *Handbook of Organizations*. New York: Routledge, 142-193.

Stridh, Anders and Wittberg, Lennart. 2015. *Från fruktad skattefogde till omtyckt servicemyndighet*. Stockholm: Skatteverket.

Szudoczky, Rita and Majdanska, Alicja. 2017. Designing co-operative compliance programmes : lessons from the EU state aid rules for tax. *British Tax Review* (2): 204–229.

Thaler, Richard and Sunstein, Cass R.. 2008. *Nudge: improving decisions about health, wealth, and happiness*. New Haven: Yale University Press.

Tuck, Penelope. 2010. The emergence of the tax official into a T shaped knowledge expert. *Critical Perspectives on Accounting* 21(7): 584-596.

Tuomala, Matti. 2009. *Julkistalous (public economics)*. 2nd ed. Gaudeamus, Helsinki.

van der Hel- van Dijk, Lisette and Maarten Siglé. 2015. Managing compliance risks of large businesses: a review of the underlying assumptions of the co-operative compliance strategies. *eJournal of Tax Research* 13 (3): 760-783.

van der Veer, Peter. 2016. *The value of comparison*. Durham and London: Duke University Press.

Vero (2016). https://www.vero.fi/tietoa-verohallinnosta/verohallinnon_esittely/uutiset/uutiset/2016/syvennetty_asiakasyhteisty_ osaksi_kons/ Originally published online 16.2.2016

Vero. 2017. Lausunto eduskunnan tarkastusvaliokunnalle. (A statement given to the audit committee of the Finnish parliament.) Accessed online 6.7.2018 at <https://www.eduskunta.fi/FI/vaski/JulkaisuMetatieto/Documents/EDK-2017-AK-144445.pdf>

Wittberg, Lennart. 2005. *Right from the start*. Solna, Skatteverket.

Zaheer, Akbar, McEvily, Bill and Perrone, Vincenzo. 1998. Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance. *Organization Science* 9(2): 141-159.

11 Project information

FairTax is a cross-disciplinary four-year H2020 EU project aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic stability of EU member states, promoting economic equality and security, enhancing coordination and harmonization of tax, social inclusion, environmental legitimacy, and compliance measures, support deepening of the European Monetary Union, and expanding the EU's own resource revenue bases. Under the coordination of Umeå University (Sweden), comparative and international policy fiscal experts from ten universities in six EU countries and two non-EU countries (Brazil and Norway) contribute to FairTax research.

Contact for information

Åsa Gunnarsson

Dr Professor Tax Law, Coordinator

Forum for Studies on Law and Society

S-901 87 Umeå University

Sweden

+46 70 595 3019

FOR DETAILS ON FAIRTAX SEE: [HTTP://WWW.FAIR-TAX.EU](http://www.fair-tax.eu)

Please respect that this working paper was produced by the named authors within the FairTax Project and should be cited accordingly.

Appendix 1. Abbreviations and national concepts

Concept	In English	Country	Explanation
<i>egenkontroltilgangen</i>	self-checking approach	DK	
<i>Fördjupad dialog</i>	enhanced dialogue	SE	
<i>Fördjupad samverkan</i>	enhanced collaboration	SE	
<i>hensigtserklæring</i>	declaration of intent	DK	
<i>Högsta förvaltningsdomstolen</i>	Supreme Administrative Court	SE	
KOVE	Department at VERO handling larger companies	FI	
<i>Laki Verohallinnosta</i>	Finnish Law on tax administration	FI	
LTO	The Central Tax Office for Large Enterprises	NO	
<i>offentlighetsprincipen</i>		SE	
LTO	Central Tax Office for Large Enterprises	NO	
Skat		DK	
<i>Skatteetaten</i>	Tax Norway	NO	
<i>skattekontroltilgangen</i>	tax control approach	DK	
SKD, <i>Skattedirektoratet</i>	The Tax Directorate	NO	
SKV, <i>Skatteverket</i>	The Swedish Tax Agency	SE	
<i>Syvennetty Asiakasyhteistyö</i>	Enhanced Customer Cooperation—ECC	FI	
tax control framework		all	Corporation's internal control mechanisms and systems regarding tax issues
tax director		all	Director, manager or person with similar position, responsible for tax issues at a corporation. Can be a CFO, etc.
Tax Governance		DK	
Tax Governance manager		DK	The contact person for corporations at the Danish Skat

tax official		all	Employee at tax administrations
VERO	The Finnish tax administration	FI	
Vova	Tax Recipients' Legal Services Unit	FI	

Appendix 2. Structural differences between CC-programmes in Nordic countries

Structural difference	Denmark	Finland	Norway	Sweden
Voluntary	Yes	Yes	Yes	Yes
Formal agreement	Yes	Yes	No	No
Pilot	Yes	Yes	Yes	No
Explicit programme	Yes	Yes	No	No
Single point of contact	Yes	Yes	Yes	No
Binding advance rulings	Yes	Yes	No	No
Changes in laws and regulations	No	No	No	No
Inclusion of all corporate taxpayer segments	No	Yes	No	No

Appendix 3. Key similarities and differences in national contexts

	Country	Denmark	Finland	Norway	Sweden
	Dimension				
1a	Cultural orientation—time	Reorientations and inversions of time horizons in all the Nordic countries			
1b	Cultural orientation—space	Balance private—public	Balance private—public	Assessments to be private	Assessments to be public
1c	Cultural orientation—organization	Hierarchical	Mutual	Hierarchical	Contractual
2	Efficiency evaluations	Judged, not objectively measured			
3	Competences in tax administrations	Both person-oriented/service <i>and</i> technical skills required			
4	Structural and organizational hindrances	Both			
5	Resistance	Loyalty	Loyalty	Voice, Loyalty	Voice, Exit
6	Institutional trust	Dominant in all countries			
6	Interpersonal trust	Yes	Yes	No	No
7	Equitability and fair competition	Moral sentiment is that tax administrations should ensure a level playing field			