JYU DISSERTATIONS 480

Tuulia Potka-Soininen

Co-operative Compliance in Taxation of Large Corporations in Finland

Process and Outcomes

JYVÄSKYLÄ UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS

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Editors
Tuomo Takala
University of Jyväskylä School of Business and Economics
Päivi Vuorio
Open Science Centre, University of Jyväskylä

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ABSTRACT

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This dissertation is a case study in *Syvennetty asiakasyhteistyö,* in the implementation of the co-operative compliance principles and the development of the initiative as a regulatory regime. Using qualitative methods, this dissertation describes and analyzes the change that has taken place in the regulation of Finnish corporate taxation. The consequential regulatory transformation, transnational influence, the underlying principles, and fairness of *Syvennetty asiakasyhteistyö* are researched topics in this study. This dissertation consists of an introduction and four separate essays: an essay describing and analyzing *Syvennetty asiakasyhteistyö* followed by three essays with different viewpoints to the initiative.

In 2008 and later in 2013, the OECD proposed new recommendations to be applied in the taxation of large corporate taxpayers. These new recommendations, under the name of co-operative compliance, were aimed at replacing the earlier confrontational tax practices with new measures based e.g. on mutual trust, transparency and co-operation between the tax agency and the corporate taxpayers. In Finland, these co-operative principles were embraced in an initiative *Syvennetty asiakasyhteistyö* by the Finnish Large Taxpayers' Unit (*Konserniverokeskus, KOVE*).

The principles of co-operative compliance are expected to bring benefits to both the taxpayers and the tax administration in the form of decreased administrative burden, improved tax certainty and predictability of taxation, to name a few. The end goal of co-operative compliance is improved corporate tax compliance as a result of behavioral changes regarding tax avoidance and tax planning.

This dissertation examines taxation as an organizational-societal phenomenon, where of significance are the various tax field practices and the interrelationships between the different actors and the various practices. Overall, this dissertation presents a field-level analysis of the tensions between reform ideals and practices of taxation.

Keywords: tax practice, co-operative compliance, regulatory change.

TIIVISTELMÄ

Potka-Soininen, Tuulia
Syvennetty asiakasyhteistyö suuryritysten verotuksessa Suomessa – prosessi ja tulokset
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Tämä väitöskirja tutkii *Syvennettyä asiakasyhteistyötä* ja sitä, kuinka OECD:n suosittelemia uusia, yhteistyöhön perustuvia tapoja toteuttaa suuriyritysten verovalvontaa (*co-operative compliance*) on sovellettu Suomessa ja kuinka *Syvennetty yhteistyö* sääntelyjärjestelmänä on kehittynyt. Tässä tutkimuksessa käytetään laadullisia tutkimusmenetelmiä suomalaisessa yritysverotuksessa tapahtuneen muutoksen kuvaamiseksi ja analysoimiseksi. Verotuksen sääntelykentässä tapahtunut muutos, ylikansalliset vaikutteet, sääntelyn taustalla olevat periaatteet ja *Syvennetyn asiakasyhteistyön* oikeudenmukaisuus ovat tutkimuksen kohteena. Väitöskirja koostuu johdannosta ja neljästä erillisestä esseestä. Näistä esseistä ensimmäinen kuvailee ja analysoi *Syvennettyä asiakasyhteistyötä* ja kolme muuta esseetä tutkii sitä kukin omasta näkökulmastaan.

Vuonna 2008 ja myöhemmin vuonna 2013 OECD antoi suosituksia uusiksi tavoiksi toteuttaa suuryritysten verovalvontaa. Näiden ”*co-operative compliance*” –nimellä olevien uusien suositusten tarkoituksena oli muuttaa verotuskäytäntöjä siten, että aikaisemmat, vastakkainasetteluun perustuvat käytännöt korvautuisivat uusilla käytännöillä, joiden pohjana oli verovelvollisten ja veroviranomaisten välinen yhteistyö sekä mm. molemminpuolinen luottamus ja avoimuus. Suomessa Konserniverokeskus pilotoi ja otti käyttöön nämä uudet periaatteet *Syvennetty asiakasyhteistyö* –toimintatavan nimellä.

OECD:n suositusten tavoitteena on hyödyttää sekä verovelvollista että verohallintoa, kun muun muassa hallinnollinen taakka pienenee ja verotuksen varmuus ja ennakoitavuus paranevat. Päätavoitteena on parantaa yritysten verolainsäädännön noudattamista ja vähentää verovälttelyä.

Tämä väitöskirja tutkii verotusta organisatorisena ja sosiaalisena ilmiönä, jossa merkityksellisiä ovat verotuksen kentän erilaiset toimintatavat sekä näiden toimintatapojen ja verotuksen eri toimijoiden väliset suhteet. Yleisesti ottaen, tässä väitöskirjassa esitetään analyysi jännitteistä, joita esiintyy verotuksen kentässä muutosihanteiden ja verotuksen käytäntöjen välillä.

Avainsanat: verokäytänteet, Syvennetty asiakasyhteistyö, sääntelyn muutos.

Author

Tuulia Potka-Soininen
Jyväskylä University School of Business and Economics
University of Jyväskylä
tuulia.k.potka-soininen@student.jyu.fi

Supervisors

Professor Jukka Pellinen
School of Business and Economics
University of Jyväskylä

Assistant Professor Jaana Kettunen
Hanken School of Economics

Professor Emerita Aila Virtanen
School of Business and Economics
University of Jyväskylä

Reviewers

Associate Professor Matias Laine
Faculty of Management and Business
Tampere University

Professor Emer Mulligan
Discipline of Accounting and Finance
J.E. Cairnes School of Business and Economics
NUI Galway

Opponent

Associate Professor Matias Laine
Faculty of Management and Business
Tampere University

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The work on this dissertation is drawing towards its end. Often times research has been solitary work, but, at the same time, I have always known that there are people around me whom I can turn to and talk with, if and when the research hit a snag. Now is the time for me to thank all these people for their invaluable support and assistance. Although a cliché, without this help this dissertation would not have been possible.

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Another dream has come true.

Seinäjoki, December 7th, 2021

Tuulia Potka-Soininen

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1 OVERVIEW AND JUSTIFICATION FOR THE RESEARCH

1.1 The research topic

This doctoral dissertation examines tax regulation by studying the implementation and development of a national regulatory initiative in corporate taxation, *Syvennetty asiakasyhteistyö (Syvennetty)*, a co-operative compliance approach adopted by the Large Taxpayers' Unit (*Konserniverokeskus, KOVE*) in the Finnish tax administration (*Verohallinto)*. This initiative has its focus on improving tax compliance among the large corporate taxpayers aiming to restore trust and confidence in the relationship between the tax agency and the corporate taxpayers (Piiskoppel, 2017).

Syvennetty asiakasyhteistyö follows the recommendations of the OECD (2008, 2013a) on how relationships between the tax administration and the large corporate taxpayers should be constructed (Piiskoppel, 2017). *Syvennetty* is a part of a larger regulatory transformation in *KOVE* as *KOVE* has initiated other regulatory improvements for the supervision and guidance of taxpayers, pre-emptive discussions (Konserniverokeskus, 2018) and 'supervisory calls' (*valvontakäynti*) (Huovinen, 2018), aimed at, similarly to *Syvennetty*, working in real-time and improving early certainty of taxation (Waal, 2017). *Syvennetty* was started as a pilot in 2013 and it has been a part of the permanent tax administration operations since 2016 (Piiskoppel, 2017, p. 455). With *Syvennetty*, the tax administration hopes e.g. to increase tax compliance and the certainty of taxation and to improve the relationships between the tax administration and the taxpayers (Piiskoppel, 2017, pp. 455—456). This dissertation is a case study aimed at describing and analyzing a change in regulatory approach using this regulatory reform within this particular regulatory field as a point of departure.

Corporate taxation and its regulation is a multidisciplinary field of research, a target of interest for academics within various disciplines, e.g. economics and law in addition to accounting (cf. Anantharaman, 2012; Murphy et al., 2013; Boll, 2014a, 2014b; Ylönen & Laine, 2015; Sikka, 2015a, 2015b; Alon & Dwyer, 2016; Wynter & Oats, 2019) with each researcher paying attention to the particularities of taxation from their own vantage points and drawing on the research traditions of their own fields. The premise for this dissertation is to approach taxation as an organizational-societal phenomenon while contributing to accounting research with the focus on tax practices (Sikka, 2011; Gracia & Oats, 2012; Boll, 2014a; Björklund Larsen, 2015; Mulligan & Oats, 2016), where e.g. the interrelationships between the different actors and the various practices within the tax field are issues of interest. More specifically, the purpose of this dissertation is to investigate the development of a new regulatory approach in the context of Finnish corporate taxation.

Taxation as a subject has received increasing attention in recent years. Media attention has focused on high profile cases, where the boundaries between acceptable and unacceptable corporate tax practices and the problems associated with globalization have been highlighted (e.g. Miettinen, 2020, on the boundary between corporate tax evasion and tax planning). Tax administrations have been under pressure to become more efficient but still, at the same time, to secure the collection of tax revenues (OECD, 2013a, p. 17). Globalization has created an environment, where jurisdictions compete against each other when trying to attract large corporate taxpayers. Taxation is one of the means used in this game, while at the same time, an increasing effort and emphasis is placed on maintaining the tax base and preventing erosion of tax revenues. (Hasseldine et al., 2012, p. 532; also Killian, 2006; Otusanya, 2011; Sikka, 2018.) Taxpaying behavior of large multinationals is of importance, as these taxpayers account for the most part of corporate tax collected as well as contribute to tax administration efficiency by enabling easier collection of indirect taxes (Braithwaite, 2005b, p. 30; Verohallinto, Konserniverokeskuksen asiakkuus). Furthermore, recent research has emphasized the central role of taxation in democracies, since "[w]ithout taxes there is no cooperation, no prosperity, no common destiny" (Saez & Zucman, 2019, p. VIII).

As tax administrations have acknowledged the confrontational relationships between the large corporate taxpayers and the tax administration, tax authorities have tried to improve their operations and move the focus away from control activities towards proactive measures. (OECD, 2013a, p. 4). To combat difficulties arising as an outcome of globalization, to alleviate the confrontational relationships between the taxpayers and the tax agency, and as an answer to the increased demands of tax administration efficiency, the OECD (2008, 2013a) has proposed recommendations for new approaches to be applied in corporate taxation. One of these recommended solutions has been the introduction of *co-operative compliance* (OECD, 2008, 2013a). Co-operative

compliance was introduced in 2008 by the OECD (2008) and was first dubbed "*Enhanced relationship*". The name was later changed in 2013 to reflect better the ideas of co-operation between the different parties the recommendation entailed and to ensure that the name did not carry any implicit connotations e.g. regarding the fairness between different taxpayer groups (OECD, 2013a). Developing a tax regime all parties can subscribe to has been seen important by e.g. tax professionals as this support is a central factor in voluntary compliance (Cadesky et al., 2016, p. 1).

Co-operative compliance as an approach is supposed to bring benefits to both the corporate taxpayers and the tax administrations involved, as corporate tax transparency will increase certainty of taxation (OECD 2013a, p. 11). As the name implies, the approach is based on co-operation between the different actors in the tax field, and trust is an important underlying feature of the approach. The approach is assumed to reduce the need for tax audits and lengthy court disputes, and, thus, to decrease administrative burden for both the taxpayers and the tax administration. The underlying feature of co-operative compliance is the idea of voluntarism, as it is voluntary to both the taxpayer and the tax administration. (OECD, 2013a.)

Co-operative compliance, similarly to other types of regulatory regimes based on the ideas of co-operation, is influenced by the ideas of New Public Management or New Public Governance that have their focus on transforming the role of the regulatee into a role of a "customer" in the regulator-regulatee relationship (Thomas, 2013). It is also an example of so-called "soft-lawsation", referring to the increased use of soft law tools, here the OECD recommendations, by nation-states, to complement hard law (Kourula et al., 2019, p. 1102). Co-operative compliance is a form of soft regulation based on soft law (Koutalakis et al., 2010, p. 329).

Overall, among the tax administrations, the trend has been to move away from regulatory regimes that are based on deterrence and on using punitive measures as means to increase compliance, towards trust-based regulatory approaches emphasizing co-operation and voluntary compliance (OECD, 2013a). Increasingly, the tax administrations are using the carrot instead of the stick, soft power (Nye, 2004, 2008) to attract taxpayers into adopting compliant behavior, and practices aimed at producing compliance. In these regulatory environments based on principles of command-and-control, in antagonistic environments, the taxpayer and the tax administration are seen as opposite forces engaged in a zero sum game, whereas in environments emphasizing collaborative measures, in synergistic environments, the taxpayer and the tax administration are seen to share common goals (Kirchler et al., 2008, p. 220; Hamilton, 2012, p. 485; Datt, 2014, p. 428). Not only the OECD and the tax administrations have expressed their concern over securing tax revenue and over tax avoidance (e.g. OECD, 2008, 2013a, 2013b), but also the tax professionals have called for a "more resilient and fit" tax system with a more extensive implementation of co-operative compliance

programs (e.g. Accountancy Europe, 2020), as "[a] well-functioning and efficient tax system promotes economic stability and prosperity, while a poorly functioning tax system can lead to bankruptcy and economic ruin" (Cadesky et al., 2016, p. 1).

According to Mulligan and Oats (2017), corporate tax field consists on the one hand of the actions relevant to producing and maintaing the field doxa, the professional aspect, and on the other hand of the regulatory aspect, the relationship between the regulator and the regulatee (p. 60). In addition to taxation, regulation plays currently a central role in many aspects of the economic life, and understanding regulation is essential to understand the functioning of the state, the power different administrative bodies hold, and the increasing attempts to control different parts of and activities in society (Baldwin et al., 2010, p. 4). Hancher and Moran (1989; also Scott, 2001) propose that regulation on the one hand is a political process about power, but, on the other hand, it also is influenced by the legal structures of a society, thus locating regulation in the crossroads of politics and studies of law (p. 4).

The concept of regulatory regime is used in this dissertation to describe "the full set of actors, institutions, norms and rules' making up a particular regulatory arrangement" (Eberlein & Grande, 2005, p. 91; see also Tusikov, 2017, p. 340). The usefulness of the concept stems from encompassing all the private and public actors and all the different types of regulation, not only legislation, relevant to the regulatory field.

When researching regulation, the focus needs to be on both the objective and the subjective existence of regulation. Objective existence refers to concepts such as power of law and responses to regulation that can be objectively observed (e.g. tax compliance, an objective event, albeit with fuzzy boundaries), while subjective existence is about the subjective experience of regulation that is influenced by an actor's earlier involvement with regulation. To study the socio-cultural side of regulation, emphasis is on the subjective existence of regulation due to its strong impact on the interrelations in the regulatory field. (Losoncz, 2017, p. 79.) Regulation does not exist in a vacuum, but is affected by its socio-cultural context, and the transnational environment where it operates. Thus, although this study is about a particular regulatory regime operating in a national context, the global context must be accounted for, as global changes influence both how regulation develops and expands (Henne, 2017, p. 98).

Studying regulation in the context of large corporate taxpayers is important as "[p]roblems of regulation are, to put it simply, dominated by questions about the control of, or the control by, big corporations" (Hancher & Moran, 1989, p. 3) as exemplified with a recent dispute between Facebook, Inc. and the Australian government (Ziady, 2021). Thus, to shed light on regulation of large corporates, a change that has taken place in the regulation of large corporate taxpayers, a change that influences the relationships between these taxpayers and the Finnish tax administration, is researched in this dissertation.

1.2 The aims of the research

Overall, this dissertation aims at adding to the limited number of accounting studies concerned with tax practices and taxation in socio-cultural context by investigating an evolving tax practice and the interrelations of the actors in the field of corporate taxation (e.g. Boden et al., 2010; Gracia & Oats, 2012; Finér & Ylönen, 2017). As an ethnographic study, this dissertation approaches the tax field through the understanding of the individual field-level actors (Sherman Heyl, 2001; Maurer & Mainwaring, 2012).

The following picture describes the framework of this dissertation and the way transnational regulation influences national tax practices.

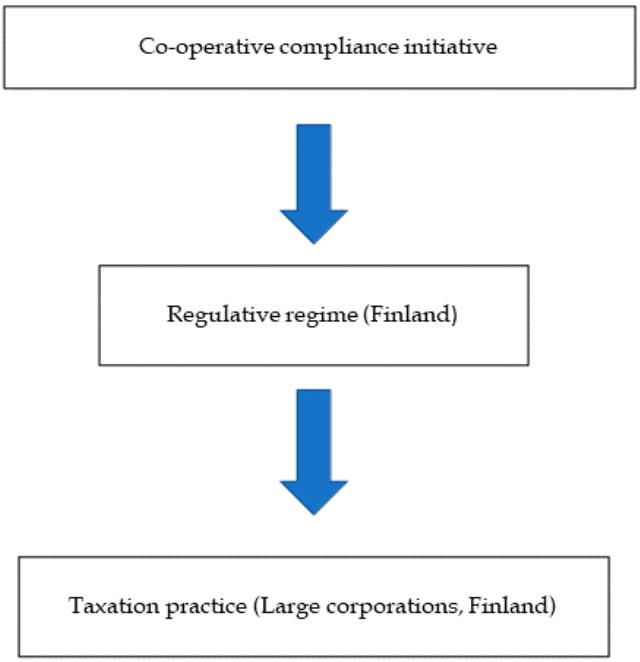

FIGURE 1 Regulatory context of the dissertation.

For the first, in this dissertation I describe and analyze the regulatory initiative *Syvennetty* using an ethnographic approach (Sherman Heyl, 2001; Maurer & Mainwaring, 2012), and, with the help of in-depth interviews of those involved in the regulatory field of taxation, I identify the issues and questions deserving and demanding further studies. As a result of this analysis, questions regarding the regulatory transformation that has taken place in the regulatory field of taxation (cf. Gracia & Oats, 2012; Radcliffe et al, 2018), questions about transnational influence in the form of soft law (cf. Suddaby et al., 2007; Chua & Taylor, 2008; Pucci & Skærbæk, 2020; Kettunen, 2020), about underlying principles in regulatory regimes, (cf. Arnold, 2009; Murphy et al., 2013; Sikka, 2015a, 2017), and about the fairness of taxation (Moser et al., 1995; Braithwaite,

2013) emerged as central issues. These issues were the focus of the contingent investigations on *Syvennetty*.

The second aim of the research is to investigate how *Syvennetty* as a boundary object (Star & Griesemer, 1989; Star, 2010; Akkerman & Bakker, 2011) acted in co-operation with the different actor groups in the tax field as institutional boundaries were penetrated, and interrelationships between the different actors were constructed and renewed (Gracia & Oats, 2012; Radcliffe et al., 2018). This research shows how a regulatory change was orchestrated with *Syvennetty* by enhancing communication within the field, and by developing new practices and actor identities. Simultaneously, this dissertation enhances our understanding on boundary objects in accounting context (Llewellyn, 1998; Gracia & Oats, 2012; Arena et al., 2017).

For the third, to extend the scope of extant research on taxation and tax regulation (Tuck, 2010; Gracia & Oats, 2012; Boll, 2014a, 2014b; Björklund Larsen, 2015; Mulligan & Oats, 2017), this study adds a new perspective to the research on regulation in the accounting context, as this study aims to uncover the underlying principles of *Syvennetty* as a regulatory approach. The focus of the study is on the embeddedness of the ideas of post-political regulation (Garsten & Jacobsson, 2013) in the structures of *Syvennetty,* on identifying post-political discourse and practices within *Syvennetty*, and on the evidence of the influence of transnational recommendations on the new co-operative compliance practices (cf. Suddaby et al., 2007; Chua & Taylor, 2008; Pucci & Skærbæk, 2020; Kettunen, 2020).

For the fourth, to shed light on the fairness of taxation, an aspect that so far has gained only limited attention in the accounting context (e.g. Williams, 1987; Gracia & Oats, 2012), this dissertation focuses on identifying different dimensions of fairness and justice within *Syvennetty.* Due process of regulation, i.e. fairness, accessibility and openness of regulation, are required components for good regulatory regimes (Baldwin et al, 2012). Due process is also a cornerstone the public approval of regulatory regimes is based on. The existence of due process can be interpreted as a guarantee of proper democratic regulatory oversight, as well. (Baldwin et al., 2012, p. 29). Earlier research has approached fairness of taxation as a question of what constitutes a 'fair share' of taxes for multinational entities (cf. Sikka, 2011, 2015, 2018; Björklund Larsen, 2018) to provide for the functioning of the society. This dissertation has a dual goal, as the aim on the one hand is to uncover perceptions of fairness regarding the co-operative compliance practices in the Finnish tax administration (Moser et al., 1995; Braithwaite, 2013), and, on the other hand, to investigate, whether the theoretical principles of justice as fairness (Rawls, 1971) are upheld in the Finnish tax administration practices in the *Syvennetty* context.

1.3 Research process

Interest in this research stems on the one hand from my personal interest in corporate taxation and especially in its behavioral and socio-cultural aspects, and on the other hand on the significance of taxation in the societal context. My original ideas for a dissertation were aimed at researching auditing, which seemed like a logical choice for a former certified public accountant (CPA) with practical knowledge on the area, and, at the same time, seemed to present a regulatory field with a multitude of interesting topics to research. However, as I was offered a chance to take part in a project studying corporate taxation, I did not hesitate and did not need to consider my options. Hence, while the framework of corporate regulation remained the target of my studies, the particular field of regulation changed.

This research started as a part of EU-funded Horizon 2020 –project, project FairTax and its Work Package number 6. The project started in 2015 and ran until 2018 with participants from three of the Nordic countries, namely Sweden, Norway and Denmark, with Finland joining in later in 2015 without an official status in the program. The purpose of this Work Package was to investigate the effects of proactive tax administration approaches on the relationships between tax administration and the large corporate taxpayers, on the regulation of taxation and tax practices, and eventually on large corporate tax compliance in the Nordic countries. Additionally, this Work Package aimed at comparing similar initiatives on co-operative compliance in the four Nordic countries, observing similarities and differences, and making recommendations based on the findings. (Björklund Larsen, et al., 2018, p. 5.) Several other members from Jyväskylä University Business School also took part in this project, as my first supervisor Professor Aila Virtanen was the principal investigator in Finland at the beginning of the project and Professor Jukka Pellinen at the later phases of the project. Assistant Professor Jaana Kettunen was involved in the project from the very beginning.

FairTax as a cross-disciplinary project set out to contribute to fair and sustainable taxation by introducing recommendations on taxation and social policy reforms with the aim e.g. to increase economic stability, equality and security within the EU. FairTax brought together academics from the disciplines of law, economics, accounting, economic history and business among others, with participants from eleven universities from six EU-countries and three countries outside the EU. The FairTax-project was coordinated by Umeå University (Sweden) (Umeå University; Björklund Larsen, et al., 2018, p. 5).

Taking part in this project gave my dissertation a flying start as, when researchers from Jyväskylä University Business School were asked to join in the Work Package number 6, the project was already well on its way with its timetable for the coming years set up, and with a fixed schedule for deliverables

to be drawn up. The start-up meeting for the Work Package had been in Umeå in April 2015, and the first meeting we as Finnish partners participated in was in September 2015 in Copenhagen. In this meeting, the initial plans and, with some, work in progress was deliberated, and, for all, the way forward was planned.

For the Work Package number 6, the methodological choice for the research, i.e. ethnography, had been made, thus making it the methodological choice for this dissertation, as well.

The actual work started with the first interviews with the Finnish tax administration representatives in December 2015. As the Finnish tax administration was interested in finding out about the success of their co-operative compliance initiative that had started as a pilot in 2013, they suggested collaboration in this project, ensuring, for their part, the start of the Finnish part of the project. Other interviews followed suit so that the last interviews were conducted in July 2017. The interviews were carried out between all four Finnish FairTax participants with me taking part in all the interviews, and in most of the interviews, I was accompanied by one of the other three researchers.

The FairTax-project continued during these four years with regular meetings between the researchers to keep track of the process of research in the four countries involved, and to plan for the deliverables set out in the project plan. The first deliverable was in schedule already for March 2016, when the preliminary findings from all the countries were introduced to the Nordic tax agencies. Other deliverables followed, as reports on national co-operative compliance initiatives were in schedule in August 2018 (Björklund Larsen, 2016; Boll & Brehm Johansen, 2018; Brøgger & Aziz, 2018; Potka-Soininen et al., 2018), and the final deliverable on Nordic comparisons in October 2018 (Björklund Larsen, et al., 2018). This last deliverable was presented in November 2018 in Brussels to a large number of interested parties from the EU, the OECD, tax agencies, corporations and the academia (Jyväskylän yliopisto, 2018).

The FairTax-report on the Finnish initiative *Syvennetty asiakasyhteistyö*, the Finnish national report (Potka-Soininen et al., 2018) on co-operative compliance, serves as the first article of this dissertation, describing the initiative and its outcomes. The second author in this article is Professor Jukka Pellinen and the third author Assistant Professor Jaana Kettunen. This article was published as a working paper in the FairTax working paper –series (Potka-Soininen et al., 2018).

As a part of the Finnish research team in FairTax, I had access to interviewees I would not have had otherwise, with the FairTax-project co-operating with the Finnish tax administration. Being part of the FairTax-team collaborating with the tax administration opened doors to interview the corporate taxpayers, tax consultants and all the other interviewees, as the interviewees were interested in having their voice heard. This invaluable co-operation, and the contacts it enabled, allowed me, and the other researchers, to have access to the rich interview data the first article, and consequently, the

following three essays, as well, are based on for a thick description of the initiative, and a solid background for an analysis of *Syvennetty*.

For the second essay included in my dissertation, I used the same interviews as material as in the first article. In this essay, I wanted to investigate the change that had taken place in the tax field. Many of the interviewees discussed the poor relationships between the tax administration and the corporate taxpayers, and deliberated on the presumed reasons for the unsatisfactory state of the relationships. As *Syvennetty* was seen as a potential tool to improve the relationships, I wanted to investigate *Syvennetty* as a boundary object (Star & Griesemer, 1989; Star, 2010) joining the different actors within the field to create shared understanding. At the same time, my aim was to look into the ways the tax field, especially the tax administration practices, had changed because of *Syvennetty*. Two anonymous reviewers of the Critical Perspectives on Accounting 2020 conference have reviewed this paper. My supervisor Professor Jukka Pellinen is the second author in this essay.

The third essay is based on a conference paper presented at ASOP Workshop in 2018, and further developed with the comments received from the participants at the conference. The essay is based on the same rich interview data as the previous studies. The original main author of this essay is Assistant Professor Jaana Kettunen, with Professor Jukka Pellinen as the second author and me as the third author. During the development period of the essay, I have been the main contributor to the essay. As *Syvennetty* is based on the OECD recommendations on how the relationships between the tax agency and the large corporate taxpayers should be organized, the meaning and influence of such recommendations seemed interesting from the point of view of research, but as a matter of practical relevance, as well. Thus, we wanted to find out, how the ideas of post-political regulation (Garsten & Jacobsson, 2013) have been embedded in the tax administration practices when the ideas of co-operative compliance have been followed. We were also interested in finding out, whether a change had materialized in the tax administration practices. To help in analyzing *Syvennetty* and to structure our findings, the theory of post-political regulation (Garsten & Jacobsson, 2013) was applied. Currently, Assistant Professor Jaana Kettunen is the second author of this essay and Professor Jukka Pellinen the third author. This paper in its developed form was presented at Critical Perspectives on Accounting Emerging Scholars Colloquium (online) in July 2020.

As many of the themes surfacing in the interviews were in some way connected to the ideas and principles of fairness, and as the interviewees openly discussed the fairness of taxation, it seemed appropriate and also called for to look into aspects and perceptions of fairness in *Syvennetty*. Additionally, the perceived instances and experiences of unfairness were seen as a contributing factor to the disruption that had taken place in the tax field, and a reason for the poor relationships between the tax administration and the corporate taxpayers.

To explore these perceptions and experiences of fairness, and to look into the ways the issues of justice and fairness were embedded in the practices and constructs of *Syvennetty*, I chose the theory of "justice as fairness" by Rawls (1971) to structure the empirical data. To excavate the instances of fairness and unfairness, and to make justice and injustice visible, Rawls' (1971) theory was used to dissect *Syvennetty*. This essay was presented at the IABS 2020 Virtual Doctoral Consortium in July 2020.

I have played a key role in the collection and analysis of the interview material for the dissertation, and in writing all the essays included in it. I have had a significant role in formulating the research problems in the dissertation and in each of the essays the dissertation consists of, in analyzing relevant literature and in forming the results.

In all these studies, the context and the content is regulation and the regulation of taxation, in particular. The topic of regulation speaks to me, as all through my academic and professional life I have been involved in matters concerning regulation: whether studying standards used to regulate financial accounting, taxation and auditing, or following these standards as a part of my daily professional activities. I have acted as a co-regulator in the role of an auditor making sure these standards are complied, while at the same time been heavily regulated myself in this role. In addition, regulation plays currently a key role, when teaching the different standards and the significance of compliance.

2 THEORETICAL FOUNDATIONS

2.1 Tax compliance of large corporate taxpayers

Syvennetty in itself is not an end but a means towards accomplishing a larger goal in taxation, namely corporate tax compliance (Piiskoppel, 2017). Therefore, justifications for this research can be found in the framework of enhancing corporate tax compliance.

In this framework of taxation and tax compliance, large corporate taxpayers are an important topic of study as these taxpayers not only contribute a large share of the corporate income tax, but also are responsible e.g. for payroll taxes for many employees, and for collecting and reimbursing value added tax (Braithwaite, 2005b, p. 30). Large organizations are also often multinationals by nature and thus transnational regulation *Syvennetty* is an example of, is an important issue. Additionally, large corporate taxpayers can influence the society they operate in in a multitude of ways, including individual compliance behavior (Gribnau & Jallai 2018, p. 12).

According to some studies, individual taxpayers perceive large taxpayers as non-compliant, and since perceived honesty of other taxpayers is a factor in individual compliance behavior, this assumed corporate noncompliance presents a risk to the compliance of individual taxpayers (Braithwaite & Wirth, 2001, p. 9). Research focused on specifically large corporate taxpayers is important also as corporate taxpayers are not a homogenous group, but large taxpayers possess characteristics, e.g. lobbying (Gribnau & Jallai, 2018, p. 13), that separate them from other taxpayers in the corporate taxpayer group. These characteristics affect the relations between the large taxpayers and the tax administration and thus their tax compliance behavior (cf. Gribnau & Jallai, 2018, pp. 12—13; also Morrell & Tuck, 2014).

Besides accounting for a large part of corporate income tax collected and the perceived moral responsibility to pay taxes (Gribnau & Jallai, 2018, p. 10), the complexity and transnational nature of many large corporations emphasize the significance of researching tax compliance in this context (cf. Sikka, 2018). The international dimension of large corporate taxpayers affects their tax planning in a multitude of ways (Gribnau & Jallai, 2018). As multinationals, these large taxpayers have the chance to shop for legislations and choose the one that best suits their needs (Ruggie, 2018) and, on the other hand, to avoid certain rules, thus potentially distorting competition and creating an unfair corporate environment. The possibility to have an own in-house tax department or to use outside tax advisers provides the large taxpayers with an improved ability to engage themselves in tax planning and to use the gaps in national tax laws to their own advantage (Gribnau & Jallai, 2018, pp. 12—13; also Gracia & Oats, 2012).

Large multinationals have also been known to make deals with the tax authorities (see International Consortium of Investigative Journalists ICIJ Lux Leaks, 2014; de Widt, Mulligan & Oats, 2016; de Widt, 2017), and, in addition, multinationals are in possession of other means to minimize their taxes. They are able to take advantage of their standing in society and their mobility to efficiently lobby (Christians, 2017, pp. 152—153; also Ruggie, 2018) for financial, political and legislative gains (Sikka, 2008a, p. 399) and to change tax legislation to suit their needs and purposes (Christians, 2017, p. 152; Mulligan & Oats, 2016). Doing this, they change how the burden for tax revenue to be collected is distributed among the taxpayers (Gribnau & Jallai, 2018, p. 9). Due to the problematic nature of tax compliance and the effects of large corporate tax avoidance, different solutions have been proposed to solve the issue of tax avoidance, with increased transparency of taxation as one (Sikka, 2018; Oats & Tuck, 2019). Increased transparency would also be an answer to those demands for increased communication between the different stakeholder groups to achieve mutual understanding of what constitues fair corporate tax liability (Hillenbrand et al., 2019).

Historically, the study on tax compliance has been dominated by economics-of-crime approach (Allingham & Sandmo, 1972). Allingham and Sandmo's theory (1972) proposes that a taxpayer makes her compliance decisions based on the expected economic benefits of evading taxes and on the risk of being audited, as an audit would result in incurred expenses e.g. in the form of penalties and increased tax liability. Thus, tax rates, expected magnitude of penalties on tax evasion and the probability of a tax audit are the key factors affecting individual tax compliance (Allingham & Sandmo, 1972, p. 338).

In the last two decades, however, interdisciplinary research on tax compliance with the emphasis on the psychological factors of compliance behavior has increased (Kirchler et al., 2014, p. 87). Additionally, societal factors in tax compliance studies have become more relevant in recent years (Hasseldine

et al., 2011, p. 39; Boll, 2014b) acknowledging the role of the various players in the field. As these players interact with each other, they all contribute to tax compliance (Alm et al., 2012). Because of these interrelationships and relations, and their impact on tax compliance, research should not focus solely on the actions of the taxpayer and the tax agency, but all these players need to be considered (Alm et al., 2012).

Current research has presented various explanations to compliance: "Is it self-interest, normative beliefs, cognitive taken-for-grantedness, or just third-party power? How important is it for compliance that transnational governance platforms be accountable and perceived as legitimate by regulatory targets? Is competition in moral markets and the avoidance of reputation damage enough to motivate companies to comply with and implement the rules? Does governmental and civil society pressure make a difference?" (Djelic & Quack, 2018, p. 136).

The review of this corpus of studies shows the lack of field level studies, as most of the extant studies have their interest in one or two players of the field. Such research is needed to produce a more comprehensive understanding of tax compliance with a focus also on the interrelations of the tax field and of tax compliance as a socio-cultural phenomenon (Gracia & Oats, 2012; Boll, 2014b). This study offers a field level analysis of the interrelations and practices that influence large corporate taxpayer tax compliance.

2.2 Regulatory approaches on tax compliance

Following Black's (2001) definition of regulation, regulation can be characterized as "a process involving the sustained and focused attempt to alter the behaviour of others according to defined standards or purposes with the intention of producing a broadly defined outcome or outcomes" (p. 142). The ideal for economic regulation has been a process where a public authority exercises control over private actors and the assumed sovereignty of the public authority (Hancher & Moran, 1998, pp. 273—274).

Abbott et al. (2012) have categorized models of governance using two dimensions: direct-indirect and hard-soft (p 5). Governance, and hence regulation as a form of governance (Jordana & Levi-Faur, 2004, p. 1), can be based on either 'hard' rules, such as legislation, or 'soft' rules, such as recommendations (Abbott et al., p. 5). Direct-indirect axis refers to the directness of interactions between the regulator and the regulatee.

	Direct	Indirect
Hard	Hierarchy	Delegation
Soft	Collaboration	Orchestration

FIGURE 2 Four modes of governance (Abbott et al., 2012, p. 5)

According to Abbott et al. (2017), most regulation is a combination of these two, as the softer rules, called for example 'standards', are needed for the implementation of the harder rules (p. 17).

Command-and-control type of regulation is an example of hard, direct governance that is based on deterrence and punishment (see Black, 2001, p. 105). This type of regulation assumes a regulator-regulatee relationship where e.g. attention flows in one direction only, from the regulator to the regulatee, with a potential intermediary in the middle (Abbott et al., 2017, p. 17). These instances, where the state has delegated some of its regulatory power to an intermediary, can be categorized as examples of hard, indirect governance, i.e. delegation (Abbott et al., 2012, pp. 5—6).

As "the state, acting through the government, defines the rules of the game of the society and enforces them through the state bureaucracy" (Abbott et al., 2012, p. 5) to regulate the society, command-and-control types of regimes with their emphasis on deterrence and punishment for non-compliant behavior have gradually and to an extent been replaced with different types of regulatory mechanisms based on collaboration between the regulator and the regulatee (Baldwin et al., 2010, p. 3) and market based regimes (Baldwin et al., 2010, p. 6).

Collaborative regulation falls within a wider field of collaborative governance, which "is a strategy used in planning, regulation, policy-making, and public management to coordinate, adjudicate, and integrate the goals and interests of multiple stakeholders". Collaborative governance is about finding mutual goals and problem-solving. (Ansell, 2012, p. 28.) Collaborative regimes acknowledge the need for co-operation of the different actors within the regulatory field to provide information and to produce regulation (Gribnau, 2008, p. 86).

Collaborative modes of governance rely on soft methods to procure, in co-operation with the targets, i.e. the regulatees, voluntary compliance and self-regulation (Abbott et al., 2012, p. 6). These collaborative programs are based on the notion of a compliant regulatee and self-regulation, as regulatees may be, at

least partially, in charge of monitoring their own behavior. Regulatees may be motivated to self-regulation because of the potential reputational benefits, which fall on the regulatee, as it is perceived as a socially responsible company. (Provost, 2012, p. 30; also Black, 2001, pp. 119—120; Braithwaite, 2005b.) As a result of this co-operation to co-produce regulation, boundaries between the regulator and the regulatee can become blurred, and an actor's activity regarding the regulatory process correlates with the actor's vested interest in the regulations (Djelic & Quack, 2018, p. 129).

Collaborative regulation can be achieved through co-operation between the regulator and the regulatee, and as a joint effort by the different actors in the regulatory field (Boll, 2014b). The state may act as an orchestrator resorting to the help of different types of intermediaries, e.g. accounting firms, to facilitate regulation (Abbott et al., 2017, p. 15; also Braithwaite, 2005b). These different actors also include transnational organizations, private or public, with a shared interest in creating regulation. The opposite can also be the case, when international governance organizations (IGOs) act as orchestrators enlisting intermediaries (e.g. states) to achieve their own goals (Abbott et al., 2012, p. 2, 15). When regulation is co-produced as a coordinated effort between different actors, the states as regulators may benefit from the more thorough knowledge of the regulated field of e.g. multinationals operating in the field or of self-regulatory bodies of the industry (Braithwaite, 2005b, p. 29, 32).

These different intermediaries occupy various roles in regulation: "from providing expertise and feedback to facilitating implementation, from monitoring the behavior of regulatory targets to building assurance and trust" (Abbott et al., 2017, p. 15), and can provide their services either to the regulator, e.g. to monitor compliance, or to the regulatee to ensure the attainment of regulatory demands (Abbot et al., 2017, p. 19). Within the field of taxation, these intermediaries can operate either in "markets in virtue", selling services to increase tax compliance, while in the "markets in vice" services to aid in regulatee noncompliance are provided (Braithwaite, 2005a, 2013; see also Mitchell & Sikka, 2004; Sikka, 2008a, 2015b; Sikka & Willmott, 2013).

In a regulatory reform, where the different actors co-operate to produce regulation, their interactions and interrelations should be the focus of attention (Scott, 2001, p. 3). Attention must not be placed on an individual actor in the regulatory space (Scott, 2001, p. 3; also Young, 1994) as in a regulatory space (Hancher & Moran, 1998) power does not reside on an individual player, but is fragmented (Scott, 2001, p. 2).

An important part of the current corporate regulation is the transnational regulation targeted at internationally operating companies, whose compliance is seen as a prerequisite for the success of corporate taxation (Braithwaite, 2005b). This regulatory field with a multitude of actors is a source for different types of soft law in the form of "voluntary standards and codes of conducts [-] claiming authority over rule making" (Djelic & Quack, 2018, p. 124), and bringing about a

multitude of transnational rules regulated by transnational regulators (Djelic & Quack, 2018, p. 129). Within regulation, the application of soft law has become a more widespread method since 1990's, due to the emergence of the ideas of new governance in public administration and since horizontal networks have gained prominence among globally operating organizations (Gribnau, 2008, p. 68). As a vehicle of regulation, soft law's significance is in legitimizing policy-making and regulation (Gribnau, 2008, p. 68), potentially enhancing regulatory compliance (Djelic & Quack, 2018, p. 136).

According to Senden (2005, p. 23), soft law consists of three principal elements: soft law pertains to "rules of conduct" or "commitments", soft law is not legally binding, and soft law has a potential to impact behavior. On the basis of these elements, Senden (2005) has defined soft law as "[r]ules of conduct that are laid down in instruments which have not been attributed legally binding force as such, but nevertheless may have certain -indirect - legal effects, and that are aimed at and may produce practical effects"(p. 23; see also Gribnau, 2007, p. 297).

Soft law does not exist on its own, but always in conjunction with hard law, as either a "supplement" or a "precursor" to hard law (Gribnau, 2007, p. 297). Soft law provides a means by which complex public problems can be solved in co-operation and in constant interaction between the different actors in the regulatory field (Gribnau, 2007, p. 297). The basis and the legitimacy of soft laws are in expertise and science, not on political decision-making, and soft law can be seen as a form of managerialization, as forms of soft law are similar to the instruments used in management (Djelic & Quack, 2018, p. 129). Soft law does not have any legal basis, it cannot be coerced, but it has to rely on the regulatee's motivation to comply (Senden, 2005; Djelic & Quack, 2018). Since nation states do not take part in the rule making of soft laws, different competing solutions to a regulatory dilemma may come into existence (Djelic & Quack, 2018, p. 129).

Soft regulation is regulation that is founded on soft law instead of legislation. When soft regulation is used jointly with e.g. public regulatory authorities with a legal mandate to control regulatees, the outcomes of regulation are heavily dependent on the extent of the various resources (cognitive, material and political) in possession of the regulator. If the regulators lack the adequate resources, the regulative outcome may turn out inadequate and even negative, while this deficiency may also influence the perceived authority of the regulator. Regulators have turned to the softer methods of regulation e.g. due to the complexity of the regulatory issues and the interconnectedness of the private and public sectors. Additionally, uncertainty over the expected regulatory outcomes contributes to resorting to soft regulation. In parallel with soft law existing only in conjunction with hard law, also self-regulation and co-regulation are successful only in conjuction with a strong hierarchy. (Koutalakis et al., 2010.)

In tax regulation, the prevailing theory on taxpayer compliance behavior has been the theory of individual income tax evasion by Allingham and Sandmo

(1972), an example of control-and-command approach of regulation. Their theory based itself on the economics of criminal behavior and tax compliance as a decision-making dilemma, and considerations over individual risk taking and economic considerations.

Allingham and Sandmo's (1972) theory was designed to explain individual tax compliance, and its suitability to explain corporate tax compliance can be and has been questioned (Sandmo 2005, p. 655). In addition, economics-of-crime approach to tax compliance has been criticized because it assumes that taxpayer behavior is the result of purely financial considerations of the taxpayer, of the effects of enforcement and of the fear of punishment (Alm, 2012, pp. 60—61). Alm et al. (2012) argue that as the probability of audits and hence the fines incurred as a result of these audits are low, based on the theory of Allingham and Sandmo (1972), there should be no income reported (p. 34). Alm et al. (2012) further suggest that tax compliance is a result of also other factors than those proposed by Allingham and Sandmo (1972): guilt, shame, morality, altruism, and alienation (p. 34). In addition to these 'motivational factors', social norms, social customs, fairness, sense of justice, trust, reciprocity and tax morale are among other factors affecting individual tax compliance behavior (Alm et al., 2012, p. 35). However, not only the motivational or societal factors are of significance, when an individual is making a decision, whether to comply or not, as in this decision making process the actions of the relevant others, i.e. the other taxpayers, and knowledge of tax legislation (Kirchler, 2007, p. XVI) play a role. Individual taxpayers are also cognizant of the way tax revenue is being spent by the government and call for efficiency with this spending (Alm, et al., 2012, p. 35).

As the behavior of a taxpayer is an outcome of a variety of factors and considerations besides those deemed relevant by Allingham and Sandmo (1972), the economics-of-crime approach is additionally criticized for assuming that all taxpayers are influenced by the same set of factors, namely financial considerations and threat of punishment. As Alm et al. (2012) have concluded, each individual is different and makes her decisions based on different, individual criteria. Therefore, Alm et al. (2012) have posited, that these different patterns of behavior should be taken into account in research (p. 36).

Expanding the compliance framework to include e.g. relational aspects and ideas on voluntary compliance, Ayres and Braithwaite (1992) introduced in 1992 their theory on regulatory enforcement, responsive regulation, based on combining ideas of both compliance and deterrence paradigms. Responsive regulation is framed around the idea of "what triggers a regulatory response and what the regulatory response should be" (Ayres & Braithwaite, 1992, p. 4). In responsive regulation, the question is about the right combination of punishments and persuasion (Ayres & Braithwaite, 1992, p. 21). Hence, regulatory responses should be in proportion to the actions of the regulatee (Ayres & Braithwaite, 1992; also Braithwaite, 1985). As long as the regulatee co-

operates with the regulator, punitive activities are unnecessary, but if the regulatee resorts to noncompliance, then punitive enforcement becomes necessary (Ayres & Braithwaite, 1992; also Braithwaite, 1985, p. 21). According to the theory on responsive regulation (Ayres & Braithwaite, 1992), a regulator should start with co-operative actions but, in case these co-operative actions do not succeed, should also have an adequate number of punitive responses of varying degree at its disposal to respond proportionately to the compliance transgressions. The authors (Ayres & Braithwaite, 1992) express this idea by proposing that a regulator should be a "benign big gun" (p. 40). Without an adequate repertoire of punitive responses, a corporate citizen can deem the regulator's responses either too harsh or too lenient, hence resulting in an unwanted outcome. The regulator may also altogether fail to intervene in the regulatee's activities. (Ayres & Braithwaite, 1992.)

Ayres and Braithwaite (1992) illustrated the different corporate taxpayer actions and regulative responses in a form of a pyramid. The base of the pyramid illustrates the minimum level of intervention and, in the case of large corporate taxpayers, these interventions can consist of such tax agency activities as advising the taxpayers, acknowledgements and educating taxpayers (Braithwaite, 2002, p. 195). As the pyramid is ascended, the obtrusiveness of the tax authority regulative actions increase. These regulative actions are aimed at changing the regulatee behavior and at increasing the regulatee responsiveness. (Braithwaite V, 2009, p. 42) Responsive regulation improves the regulator – regulatee relationship by improving communication, thus creating a channel for the regulatees to voice their concerns over taxation (Braithwaite V, 2009, p. 43).

The following picture offers an illustration of a regulatory pyramid designed for large corporate taxpayers in the Australian Tax Office (ATO) (Braithwaite, 2002, p. 196).

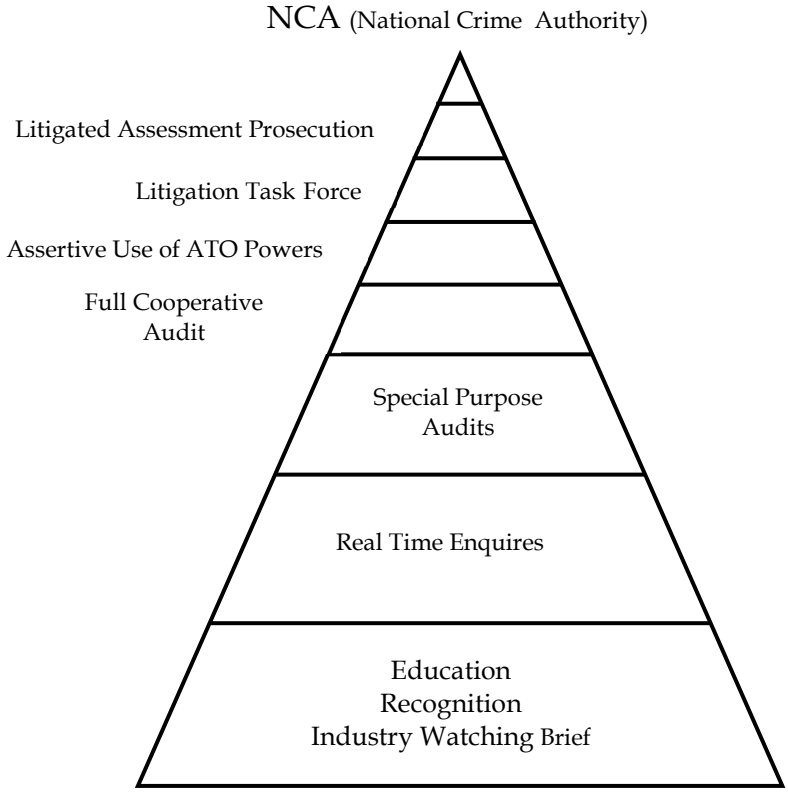

FIGURE 3 Large business compliance pyramid (Braithwaite, 2002, p. 196)

The pyramid presents the different enforcement options available for the tax authorities, in this case the Australian Tax Office, and, according to Braithwaite (2002), "[b]y thinking pyramidically about the enforcement options available , the tax officer engenders confidence and motivates co-operative compliance through showing a willingness to escalate up the pyramid" (p. 198). The apparent willingness by the tax authority to use the different regulative options at hand is in itself a strong incentive for a taxpayer to comply, thus preventing escalation of disputes (Braithwaite, 2002, p. 197). Different types of enforcement activities require the tax authorities to adopt alternating approaches in their relations with the taxpayer, from appealing to the corporate social responsibility to deterrence and ultimately to punishment (Ayres & Braithwaite, 1992, p. 53).

Valerie Braithwaite (2009) further developed the theory of responsive regulation by combining taxpayer motivation with tax compliance behavior (p. 38). Her theory is based on the notion that different individual taxpayer compliance positions affect the taxpayers' attitude towards tax compliance, enabling or preventing it. According to Braithwaite (2009), these different 'motivational postures' can be defined as follows: commitment to the regulatory system and its goals, capitulation to authority, resistance to authority,

disengagement from authority and game playing with law and authority (p. 38). These different motivational postures describe taxpayers' behavior towards tax authority and taxpayers' potential willingness to co-operate with the tax agency (Braithwaite V, 2009, p. 38). At the same time, the postures give guidance to the tax authorities on how to treat taxpayers with these different motivational approaches, as described by Alm et al. (2012), "[a] service orientation is needed for some taxpayer segments, while 'an iron fist in a velvet glove' should await those who repeatedly and deliberately violate the law" (p. 36).

A further development in the tax compliance paradigms and regulatory approaches has been the inclusion of psychological factors in the equation (Alm et al. 2012, pp. 36—38). In this framework, it is assumed that social contracts affect an individual's compliance behavior: when an individual assumes that complying is the social norm, she will comply. The opposite is also true, as presumed pervasive noncompliance affects an individual's own compliance behavior. In this psychological contract, attention is paid to the relations between the different actors in the tax field and the reciprocal nature of the relationship between the taxpayers and the tax agency. This reciprocity demands commitment from both parties. Contrary to the previous paradigms, especially the Allingham-Sandmo –theory (1972), where the taxpayer has been viewed as an independent operator in the tax field, this psychological contract –paradigm sheds light on the shared nature of taxpayer compliance behavior. All the actors of the tax field, the taxpayers, accountants, the government, and the tax authorities, are seen as partners in the co-operative relationship. (Alm, et al., 2012, pp. 36—38; also Boll 2014a.)

The "slippery slope framework" (Kirchler et al., 2008) emphasizes the significance of trust and power in voluntary tax compliance. In this framework, in the vein of responsive regulation, the tax agency needs to balance its actions against the actions of the taxpayers and needs to decide, when to engage activities designed to impact voluntary compliance and when to resort to measures of enforcement. The focus is on promoting trust and co-operation (Alm, et al., 2012, p. 38). The framework proposes that trust is a contributing factor to voluntary compliance, and under conditions, where tax agency power is high, taxpayers feel forced to comply (Siglé et al., 2018, p. 13; also Batrancea et al., 2019).

In the slippery slope framework, the tax climate, i.e. the attitude of the tax agency towards the taxpayers, is a key factor. Kirchler et al. (2008) describe two kinds of tax climates: antagonistic tax climates, where tax agency and taxpayers are seen to be working against each other, each having their own goals, and synergistic tax climates, where tax agency is seen as a service-provider as the taxpayer willingly complies with rules and regulations (p. 220). The authors argue that due to the costs associated with enforced compliance, moving away from the antagonistic tax climate towards synergistic tax climate is important. Measures used to increase tax compliance in an antagonistic tax climate can even have an adverse effect on the compliant taxpayers, as these measures reflect and

even enhance distrust in the relationships. The authors propose that trust that is associated with synergistic tax climates increases voluntary tax compliance and, as a result, diminishes tax avoidance. It is also assumed that in these synergistic tax climates taxpayers feel it is their duty to pay a fair share of taxes in return of the services the society provides them. (Kirchler et al., 2008, p. 220.)

The original studies on the slippery slope framework concerned the tax paying behavior of individuals, but some studies have also been carried out to find out whether the premises of the theory are applicable in the context of corporate taxation. Siglé et al. (2018) studied tax compliance of large organization and propose that trust and power are factors also in the relationship between large corporate taxpayers and tax agencies. The earlier findings with individual taxpayers were in part corroborated with their research, as trust was seen to increase voluntary compliance whereas power was found to have a negative impact on it. Contrary to the research pertaining individual taxpayers, power was not attributed to having a positive effect on enforced compliance, but increased power may result in decreased voluntary compliance and diminishing trust (Siglé et al. 2018; also Alm et al., 2012).

Datt (2014) warns against holding companies interpreting tax law differently from the tax agency as unethical, amoral or non-compliant, since "[c]orporations are not obliged to pay more tax than is mandated by law" (p. 428). Datt (2014) further calls for synergistic tax climates, where the taxpayer and the tax administration work in co-operation, instead of antagonistic tax climates, where even compliant taxpayers are considered enemies. A change in the tax climate and the way taxpayers are seen within that framework would have a significant positive impact on the relationship between these two actors (Datt, 2014, p. 428). In addition, Picciotto (2007) emphasizes the role of interactions between the different actors in the tax field, and the interpretation of the rules, in tax regulation. Picciotto (2007) has argued that regulatory systems should be seen as social processes, where all the players in the tax field interpret the rules and regulations from their own standpoint. As these players interact with each other, meanings and shared understandings about the rules emerge (Picciotto, 2007, p. 18).

The theoretical framework of the different regulatory approaches to tax compliance is not only a question of intellectual curiosity as the applied theoretical framework has practical implications as well. The impact on the legislative thinking is evident, as according to Gribnau (2015a, p. 233), legislative regulatory measures are based only on the assumptions of taxpayer decision-making consisting of economic-rational considerations, and viewing taxpayers as potential criminals who have to be prevented from committing crimes (Alm, 2012, p. 71). Approaching compliance as an exercise, where taxpayer calculates pros and cons in monetary value leaves out many important aspects affecting this process, such as considerations of legality and ethics (Gribnau, 2015a, p. 233). Despite the fact that the current administrative paradigm in many tax

administrations is the one with the emphasis on deterrence and enforcement as tools to promote compliance, many tax administrations have already changed their dispositions and policies to favor those aimed at promoting voluntary compliance, towards the paradigm of service and the paradigm of trust. As a result, taxpayers are seen as potential clients whose actions are determined by taxpayers' own moral values and how the taxpayer perceives tax administration. (Alm, 2012, pp. 71—72.)

The shift in the tax compliance paradigms from economics-of-crime approach (Allingham & Sandmo, 1972) to approaches acknowledging the different motivational and socio-cultural factors at play (e.g. Ayres & Braithwaite, 1992; Kirchler et al., 2014) signifies a notable change in the underlying assumptions of the taxpayer compliance behavior. Further studies are needed on these new models emphasizing responsiveness and on the concurrent efforts to transform the tax climates from antagonistic to synergistic climates. Additional research could enhance our understanding on how tax compliance is constructed as a combination of the various forces at play in taxation, and on the roles of the different actors in the tax field in producing compliance.

2.3 Research on co-operative compliance

Co-operative compliance as an approach is based e.g. on the premises of, as the name implies, co-operation between the taxpayers and the tax administration, trust and mutual understanding, and described as "the one [tool] that focusses on improving the relationship between the tax administration and taxpayers the most" (Majdanska & Pemberton, 2019, p. 114). Enhanced co-operation decreases the relational distance between these two focal actors of the tax field, resulting in increased likelihood that these actors not only resort to judicial means to solve conflicts (Braithwaite V., 2009, p. 39). Co-operative compliance with its inherent ideas of partnership and co-production of regulation can thus be seen as a means to decrease the use of regulatory force, to decrease taxpayer discontent and to produce amenable attitude towards taxation (Kirchler et al., 2008, p. 211), or as "a lens [-] to view its [the tax administration's] clients" (Hamilton, 2012, p. 485).

Co-operative compliance can be seen as a form of responsive regulation (cf. Braithwaite V., 2009). Research on co-operative compliance has corroborated the ideas of responsiveness of co-operative compliance as evidence is found that the tax administration's perceived ability to up the ante on enforcement measures, if needed, has a positive impact on the taxpayer transparency (De Simone et al., 2013, p. 1974; also Beck & Lisowsky, 2014, pp. 868—869).

The strengths of the approach are in steering away from measures of deterrence and resorting to measures meant to promote voluntary compliance

(Majdanska & Pemberton, 2019, p. 114). In co-operative compliance, the taxpayers, in return of transparency, receive benefits over their taxation (Majdanska & Pemberton, 2019, p. 114) such as improved early certainty over taxation (see Beck & Lisowsky, 2014, p. 898) and decreased compliance costs (De Simone et al., 2013, p. 1971). For the tax administration, the approach provides information on the businesses in general, and specifically on e.g. compliance in general and on demands for services and education (Braithwaite & Wirth, 2001, p. 18). Finding out about the taxpayer concerns and seeking solutions to them improves the relationships with the taxpayers and creates a more benevolent tax environment and better understanding of all the issues associated with corporate taxation, thus potentially improving tax compliance (Whait, 2015, p. 150).

Despite all the assumed and to some extent evidenced benefits of the collaborative approaches, critical views are presented in research. Kornhauser (2007, in Hasseldine et al., 2012, p. 540) argues that following co-operative models presents risks to tax compliance, if the tax administration is perceived either as "too lenient" or as "too hard" on the taxpayers (see also Hamilton, 2012, p. 487). The inherent flexibility of the approach and complexity of tax laws can produce inconsistent judicial outcomes, which erodes procedural fairness (Korhnauser, 2007 in Hasseldine et al., 2012, p. 540; Burton, 2007).

Co-operative compliance programs have been compared to International Compliance Assurance Programme (ICAP) in a review on the different elements of the programs in twelve jurisdictions (Hein & Russo, 2020), and studied with an interest in the risk assessment procedures applied in the approach (de Widt & Oats, 2017). As co-operative compliance regimes are open only to large taxpayers, Szudoczky & Majdanska (2017) have looked into co-operative compliance programs as potential forms of EU-sanctioned state aid. Their research examined the necessary conditions to observe in order to avoid these programs being deemed as illegal state aid.

Co-operative compliance has been studied in different jurisdictions to identify ways in which the ideas have been adopted by different tax administrations. The results of these studies have anticipated evolving of the initiative in the coming years as the initiative is affected by pressures both external and internal to the tax administration (Oats & de Widt, 2019, p. 4), while showing that the corporate taxpayers involved have been in favor of the initiative (Boll & Brehm Johansen, 2018, p. 4). The studies have shown some beneficial ways to adopt the principles of co-operative compliance as e.g. encompassing all taxpayers within the large taxpayer group in co-operative compliance has been found to be advantageous (Oats & de Widt, 2019, p. 40), although some potential pitfalls have surfaced as, for example, becoming overly bureaucratic constitutes a problem co-operative compliance initiatives face (de Widt & Oats, 2018, p. 36). In some instances, there has been a notable shift in the objectives of the initiative over time as, for example, in the Netherlands, the initiative was started as a way to increase efficiency, while, eventually, the goal had become to increase the

number of companies involved. In the UK, the initial goals had pertained to the competitiveness of the national taxation, but had evolved into aims centered around decreasing tax avoidance. (de Widt & Oats, 2018, p. 21.)

The different ways of adopting a similar set of basic principles and the different outcomes produced show that the principles and ideas behind co-operative compliance can be adapted to fit the particular regulatory and cultural context (Björklund Larsen & Oats, 2019). Even in the culturally homogenous Nordic countries the implemented initiatives turned out with varying outcomes (Björklund Larsen, et al., 2018), ranging from the Danish implementation backed up by corporate taxpayers (Boll & Brehm Johansen, 2018) to an unfruitful launch of the initiative in Sweden (Björklund Larsen, 2016), and the implementation of the principles of co-operative compliance in the already existing everyday routines of taxation in Norway (Brøgger & Aziz, 2018; Björklund Larsen & Brøgger, 2021).

2.4 Accounting research on taxation

Accounting-related tax studies are a part of a larger field of research with an interest in taxation, as scholars from various fields have set their goals to study taxation from different vantage points as, for example, an economic, political or a legal phenomenon. Most accounting research concerned with taxation has utilized positivist methods e.g. to study tax compliance, whereas critical and interpretative scholars have maintained the relevance of applying also other approaches to extract new understandings of the topic (Oats, 2012).

As taxation is seen as a social and institutional practice, studying taxation in this context means studying tax practices and the interrelations between the different players in the tax field. These studies aim at understanding the intricacies of the everyday tax practices, the relevance of taxation for those affected by it, and e.g. the composition of tax compliance of the various actions by the different players. In accounting research, this approach has not historically gained extensive attention, and research interested in tax practices and the relationships between the different actors in the tax field has been scarce (Boden et al., 2010; Gracia & Oats, 2012; Finér & Ylönen, 2017). Extant accounting research of tax practices has investigated topics such as corporate tax compliance (Boll, 2014b), taxable and tax-free income (Björklund Larsen, 2015), organizational changes in tax administration and in the administrative roles (Tuck, 2010), tax practices in the companies (Anesa et al., 2019) and in the tax administrations (Gracia & Oats, 2012; Wynter & Oats, 2018).

Tax administration practices are an outcome of cultural influence (Björklund Larsen, 2015; Wynter & Oats, 2018), and a tax administrator's knowledge, mindset and the interactions with the taxpayers are all influenced by

the cultural context the tax administration operates in (Wynter & Oats, 2018, p. 64). This connection with surrounding culture shows how taxation is not only about technical intricacies of legal nature, but also a phenomenon with implications on the organizational and societal level. Tax administration practices are negotiated as a part of the daily activities in the interactions between the different players in the tax field (Boll, 2014a; Björklund Larsen, 2015), and the interactions between the two focal players, the tax administration and the taxpayer, are of significance for the field-level interrelations and tax field practices (Gracia & Oats, 2012).

The ideas of New Public Management, modernizing government and networked governance have changed tax administration practices, as taxpayers are seen as customers, recipients of tax administration services (Tuck, 2010; Currie et al., 2015). These changes in practices have resulted in new demands on tax administration personnel, shaping the identity of those working in tax administration (Tuck, 2010; also Currie et al., 2015). Tax administrators have of old operated with written documents and this has changed, as the new tax administration practices require verbal communication and face-to-face interaction with the taxpayers. The tax administration practices still demand detailed technical knowledge of taxation, but the tax administrators also need to be aware of the demands placed on them as a part of a marketing organization (Tuck, 2010, p. 584). Despite the existing changes in tax administration practices, still the need for more co-operative regulatory tax regimes and for tax agency transformation towards increasingly customer-oriented regulatory body was in evidence in the study by Gracia and Oats (2012). Changes in regulatory practices can enhance the relationships between the tax administration and the corporate taxpayers (de Widt, 2017).

The different tax administration practices, such as tax audits, show how taxation is not only about the technicalities of taxation, but also about "an organisational, institutional, social and cultural phenomenon" (Boll, 2014a, p. 1). While tax audits are carried out to e.g. uncover a taxpayer's efforts to evade paying taxes, this tax evasion is not only about a taxpayer's actions, since accounting firms have been found to act as contributors to corporate tax compliance and tax avoidance (Mitchell & Sikka, 2004; Sikka, 2008a, 2015b; Sikka & Willmott, 2013; Boll, 2014b). Tax compliance, paying what is legally owed, has, of old, been seen an outcome of a technical and legal process, about the actions of a single taxpayer. Yet, tax compliance can be understood as a "distributed action" where tax compliance is achieved as a joint effort with the different actors of the tax field contributing to the effort (Boll, 2014b). As evidenced, tax accountants have a central role in the tax field, and this role incorporates acting as a link in the "management of tax knowledge within and between accounting firms, companies and tax agencies" (Hasseldine et al., 2011, p. 49) and interpreting legislation (Hasseldine et al., 2011, p. 40), as well.

In addition to accountants, different actors in the tax field play different roles in taxation. As regulatory environment can influence the tax practices within corporations enhancing the role of corporate tax experts (e.g. Radcliffe et al., 2018), research has also shown evidence of the role and influence the regulatees may have on the regulator. Mulligan and Oats (2016) have described how tax professionals working in MNEs have the power to shape the implementation of tax law and tax practices, exemplifying the power MNEs possess over regulatory authorities, i.e. regulatory capture (cf. Hancher & Moran, 1998). Similar to in-house tax professionals, also tax advisers are in a position to influence the drawing up of tax laws (de Widt, Mulligan, & Oats, 2016, p. 32). On the other hand, tax advisers manage a dual role in regulatee tax compliance, as these advisers operate in two separate markets: "markets in vice" for those regulatees needing services to engage in non-compliant behavior and tax avoidance, and "markets in virtue" for those wishing to remain compliant (Braithwaite, 2013). Braithwaite (2013) sees these markets as extensions of "regulatory capitalism", i.e. regulation with private actors (e.g. stock exchanges, accounting firms, to name a few) as regulators (p. 461). To change these markets in vice into markets in virtue, different approaches are needed, that is, penalties, influencing the demand-side of the services, increasing transparency, and using restorative justice and qui tam (Braithwaite, 2005a, 2013).

Taxation is a field with constant ongoing boundary work as different boundaries, e.g. between legal and illegal, are redefined and redrawn as a part of the tax administration's daily practices (e.g. Gracia & Oats, 2012; Björklund Larsen, 2015). For example, the difference between taxable and tax-free income is negotiated in the daily activities of the tax administration, as a part of the decision making process (Björklund Larsen, 2015).

Research on corporate tax minimization strategies and their legitimacy shows how, despite criticism, tax minimization itself is perceived as legitimate (Gribnau, 2015b). Lack of alternatives to the law, when calculating tax liability, has resulted in limited questioning of these strategies and unsuccessful introduction of moral perspectives to taxation (Anesa et al. 2019, p. 17, 37; see also Ylönen & Laine, 2015). Nevertheless, the significance of "having a sound triple bottom line – financial, environmental, social" is acknowledged in the corporate world (Braithwaite, 2005b, p. 7).

To recapitulate the extant research, the scarcity of accounting research interested in change in the tax administration practices, interested in the implications of this change to the regulatory regime as a whole, and to the individual actors in the field, is notable. There is also paucity of research with a focus on the changing roles and identities of the tax administrators (e.g. Tuck, 2010; Currie et al., 2015). The influence of transnational recommendations as a form of soft law, inducing transformation and affecting tax administration practices, is yet another underresearched territory within accounting (Cooper & Robson, 2006). In addition, most studies have investigated situations with one or

two actors, while studies encompassing the whole field, describing the interrelationships in the field and the field dynamics are limited in number (Gracia & Oats, 2012; Boll, 2014b; Wynter & Oats, 2018).

2.5 Accounting research on regulation

In accounting, research with the focus on regulation is vast in number and approaches, therefore the focus of this following review on existing literature is limited to those studies relevant to this research, notwithstanding the previously mentioned studies on taxation. Hence, the reviewed studies have their interest in regulation of financial accounting standards, since financial accounting forms the basis for taxation (Botzem, 2008; Chua & Taylor, 2008; Arnold, 2009; Chiapello & Medjad, 2009; Johansen & Plenborg, 2018; Kettunen, 2020), and in auditing as a practice assuring the validity of the financial information, and due to the role of auditors in corporate tax compliance (Dwyer & Roberts, 2004; Cooper & Robson, 2006; Sikka, 2008a, 2015a; Thornburg & Roberts, 2008).

Following relevant standards is an integral part of financial accounting as the standards impact the everyday practices of accountants and their legal obligations as both the content of financial accounting and the extent of public financial disclosures are regulated in detail with these standards (Scott, 2015, p. 489). As financial accounting environment, i.e. the norms governing the field, is in constant change, in order to remain compliant, accountants need to keep a keen eye on the regulations to stay informed of these changes taking place (Scott, 2015, p. 488). Regulation regarding the production of corporate financial information is needed, as, despite the incentives to produce this information, companies will not voluntarily produce it to the extent to meet society's demands (Scott, 2015, p. 519; also Mohamed & McKinley, 2006).

In addition to the OECD, different transnational orgnizations, such as the World Trade Organization (the WTO) and the International Monetary Fund (the IMF), influence regulation on national levels, changing the regulatory field (Braithwaite, 2005b, p. 4; also Suddaby et al., 2007). These transnational organizations not only use soft power to influence national regulation, but also rely on actor motivation to achieve desired results (Suddaby et al., 2007, p. 351; also Braithwaite, 2005b). The influence of these organizations has decreased the national sovereignity of regulation as it has "weaken[ed] the capacity of state governments to regulate" (Suddaby et al., 2007, p. 344; also Arnold, 2012, p. 362).

Transnational regulatory bodies such as the former IASC and the IASB have had an influential position in accounting standard-setting on the national level, as well (Susela, 1999; Arnold, 2012). Internationalization of regulation has resulted in a wide-spread acceptance of the IFRS standards as financial accounting standards (Arnold, 2009, p. 48; McLeay et al., 2000; Alon & Dwyer,

2016), and in some cases resulting in the displacement of national accounting standards by the IFRS standards (Botzem, 2008; also Chua & Taylor, 2008). In the EU, applying the IFRS standards is mandatory for the listed companies in their consolidated financial statements, and this decision has been described as "subcontracting" by the EU (Chiapello & Medjad, 2009). With e.g. the adoption of IFRS standards, some of the regulatory power within standard setting in financial accounting is divided between the national governments and independent and semi-independent regulatory bodies both on national and transnational levels as a networked and distributed practice (Richardson, 2009; Huikku et al., 2017). The merging of accounting standards presents a threat to the national regulatory bodies and legislators as the powers of national institutions may be transferred to transnational organizations such as the IASB (Sikka, 2017, p. 398; also Kirsch, 2012).

In addition to these transnational organizations, also private-party actors have the potential to influence accounting standards, as well, e.g. to secure their interests (Jiang et al., 2018). Influencing the accounting standards may take place through affiliations with independent regulatory bodies such as the FASB (Jiang et al., 2018), or by directly influencing these standards. For example, the Big Four accounting firms yield substantial power in setting these standards (Braithwaite, 2005b, p. 32). Regulatees may also try to influence legislators, as regulatees have attempted to influence the standard setters for example with donations to political campaigns (Thornburg & Roberts, 2008). Financial statement preparers, specifically large corporations, exert power over the accounting standards as "it is difficult for the process to promulgate a standard adverse to the preferences of preparers" (Kwok & Sharp, 2005, p. 95; also Roberts & Bobek, 2004).

Financial statemtent standardization is carried out in the standard setting bodies, but also as a part of the everyday activities of those preparing financial statements and auditing them, thus contributing to this standardization (Cooper & Robson, 2006; Pucci & Skærbæk, 2020; Kettunen, 2020; Kohler et al., 2021). Economic theories, through a process of translation, "in trying to find tolerable solutions" have influenced the issuance of the IFRS standards (Pucci & Skærbæk, 2020). The attempts of convergence between the standards by the IASB and the FASB show evidence of yet another type of influence private-sector considerations (i.e. through the FASB) have on accounting regulation (Pucci & Skærbæk, 2020).

The influence of neo-liberal ideas has been in evidence in accounting standards in the form of embedded emphasis of "decision-usefulness" for the investors and creditors, and as "decision-usefulness" is an objective in the financial accounting standard frameworks (Murphy et al., 2013, p. 87). Neo-liberal ideas emerge also in the form of reliance on the markets to provide adequate amount of financial information, resulting in deregulation of the markets (Braithwaite, 2005b).

When auditing financial information, audit firms, i.e. private actors, act as co-regulators in the regulatory field, constituting a form of regulation with the purpose of securing the production of correct financial information (Cooper & Robson, 2006). Due to information asymmetry and as financial information is meaningful for shareholders and for a number of other stakeholders outside the company, auditing plays an important role in securing the quality and the credibility of this information, and also the adequacy of public disclosures (Scott, 2015). Auditors have been criticized, as well, for their role in providing services that enable corporate tax avoidance that contributes to a number of additional inequalities in the society (Sikka, 2008, 2015a, 2015b; Addison & Mueller, 2015).

The attempts to deregulate the financial accounting sector were not only brought to a halt with the financial disasters of the first decade of the 21zf century, e.g. Enron and WorldCom, and the financial crisis of 2008, that were seen as results of inadequate regulation (Scott, 2015, p. 488), but new regulatory bodies, such as Greek ELTE, were introduced, as well (Caramanis et al., 2015). These new regulatory bodies have founded their regulatory approaches, to an extent, on the ideas of responsive regulation (Ayres & Braithwaite, 1992), when regulating the large auditing firms (Ege et al., 2020), while also a "form of allegiance" had developed between the regulator and the regulatee (Malsch & Gendron, 2011).

Auditors are co-regulators of financial accounting, but the field of auditing itself is extensively regulated as, for example, the entry to the field is restricted only to those meeting certain criteria (Sathe, 2010). A part of this field-level regulation has consisted of self-regulation of the field, and a study by Canning and O'Dwyer (2013) illustrates how a financial disruption generated a change in the accounting sector regulation. A new independent regulatory body replaced self-regulation of the field, as trust and accountability of the financial audits needed to be restored (Canning & O´Dwyer, 2013).

Audit quality is an integral part of the framework of audit regulation. Despite the regulator-regulatee relationship in financial audits, the co-operation between these two, the service provider and the client in essence, is an essential component in audit quality (Knechel et al., 2020). Audit quality is not only a regulatory issue, as it influences a company's market value, provides credibility to the financial statements, insures relevance and adequacy of financial disclosures (Scott, 2015, p. 494) and poor audit quality has been linked to corporate failures and financial crisis (Holm & Zaman, 2019, p. 51). Research has suggested that incorporating neo-liberal ideas into regulatory arrangements has resulted in poor audit quality and, in consequence, in corporate failures and financial crisis (Sikka 2015a).

In qualitative accounting studies, there is a paucity of studies concerning taxation in the socio-cultural context. The extant studies in this niche have focused on tax practices, and the interrelations of the actors in the 'tax triangle', namely taxpayers, tax administration and the tax consultants. These studies have covered tax practices (Gracia & Oats, 2012; Boll 2014a; 2014b; Björklund Larsen,

2015), the tax practioners (Fogarty & Jones, 2014; Mulligan & Oats, 2016), the role of tax advisors in tax compliance (Braithwaite, 2013), and the differences in regulatory regimes in different jurisdictions (de Widt & Oats, 2018; Björklund Larsen et al., 2018). Focus has been on the role and on the identity of the tax administrators, as well (Tuck, 2010; Currie et al., 2015). This review of existing research uncovers the lack of accounting studies in tax compliance (Braithwaite, 2013; Boll, 2014b), and of studies covering the whole tax field with all the actors. Additionally, accounting studies on tax fairness are few in number in general (Moser et al., 1995; Braithwaite, 2013), and absent in the reviewed body of accounting research in socio-cultural context. As taxation is a field with shifting boundaries, boundaries between taxable and tax-fee income (Björklund Larsen, 2015), and acceptable and unacceptable tax practices (Gracia & Oats, 2012) have been researched. Most of the reviewed studies had their focus on static situations, as research on dynamic situations was limited.

With this dissertation I add to the existing body of literature in accounting-related tax research in socio-cultural context as I have researched an evolving tax practice, and interactions and interrelations between the different actors in the tax field. Thus, this study has enhanced understanding on how tax works. With the focus on a dynamic situation, on a tax field transformation, this research informs on change in tax practice and on how this change is orchestrated in the tax field.

To a great extent, accounting related research on regulation covers topics with focus on financial standards and financial standard setting (Gibbins et al., 2001; Braithwaite, 2005b; Scott, 2015; Kettunen, 2017; Jiang et al., 2018; Kohler et al., 2021), and auditing and auditors (Sikka, 2008b, 2015a; Sikka & Willmott, 2013; Addison & Mueller, 2015). Accounting-related research on the regulation of taxation is scarce, and this dissertation has enhanced the understandig of tax regulation by investigating a regulatory regime transformation, and the consequent change in the regulatory culture and in the roles and in the identities of the actors. This dissertation participates in the discussions on tax field transformation by looking at the influence of transnational actors in the change, and the role of these actors in regulation on national level. This analysis on the role of transnational actors in regulation may have value in understanding accounting regulation beyond the field of taxation. This dissertation also speaks to the body of literature interested in fairness of taxation by excavating perceptions of fairness regarding the tax administration practices and the processes of taxation in the *Syvennetty* context. This dissertation also adds to the knowledge on the implementation of the princpiles of responsive regulation and the resulting change in tax environment.

3 METHODOLOGICAL CHOICES

3.1 Critical ethnography

The methodological approach for this study is ethnography. This dissertation follows in the footsteps of such ethnographic tax studies as Björklund Larsen's (2016) studies on how an estimate on the magnitude of a tax gap is produced, on the risk assessment procedures of the Swedish tax agency (Björklund Larsen, 2013), and in vein of Boll´s (2012) ideas on the usefulness of ethnography in studying taxation.

Ethnographic studies are studies of culture (cf. Van Loon, 2011), and being a part of the Nordic FairTax project (Björklund Larsen, et al., 2018) brought the cultural element into this ethnographic research. The Nordic FairTax project compared the different ways the ideas of co-operative compliance were introduced and applied in four different Nordic tax cultures. Ethnographic research relies on various research methods to gather data, such as fieldwork that can be for example multi-sited and short-term, digital devices can be used, research can be conducted in collaboration with the participants (cf. Atkinson, Coffey , Delamont, Lofland, & Lofland, 2011), and data can be collected with interviews (cf. Sherman Heyl, 2001), as has been done in this current study.

This dissertation draws on the ideas of "ethnoaccountancy" (MacKenzie, 1996, pp. 59—61 in Skaerbaek & Tryggestad, 2010, p. 111) to describe how accounting, here taxation, is practiced to enable more generalized, theoretical illustrations of how tax is carried out (Crvelin & Becker, 2020). As this research has been interested in the "social world" of taxation, ethnographic interviews collecting the required rich data directly from the actors in the tax field have made it possible to understand and to analyze the new regulatory initiative, the regulatory change and the implications of this initiative and the change in the

field (cf. Sherman Heyl, 2001). As a result, a detailed description of *Syvennetty*, the practical implementation of the ideas of co-operative compliance in the Finnish context emerges.

As ethnographic interviews are used as tools to gather information on the complex human experiences by having the interviewees explain and interpret these experiences (Sherman Heyl, 2001), in this dissertation, these in-depth interviews helped in understanding the social and cultural context taxation takes place in. The interviews give meaning to the different practices and interactions between the different actors in the tax field, thus explaining taxation in the socio-cultural context and enabling the attainment of the named goals of this research, i.e. researching taxation from the societal and cultural perspectives and as a phenomenon comprising of different practices and interactions of the actors in the tax field (cf. Ahrens & Chapman, 2006).

The focus is on the individual actors, on the interrelations between the different actors and on the different practices in the tax field, as well. Thus, with ethnographic research and interviews, this dissertation has been able to gain insight into the individual experiences of the different actors and the dynamics of the tax field, while learning about the "cultural meanings of participants in their social worlds" (Sherman Heyl, 2001).

This research is critical as it is interested in the tax practices in a broader organisational and social context, and as I have aimed to "understand the set of relations that surround it" (Chua, 1986, p. 619). Practices, such as in taxation, and individuals operate in conjunction as individuals "reproduce and transform" these practices, and without this reproduction and transformation these practices would not exist (Chua, 1986, pp. 619—620). In critical research, truth is seen as existing in a particular time and context, and not as something that can be objectively observed out of this context. The findings are not presented as an objective truth as this spatiality and dependency on the context are taken into account. As such, this research follows in the footsteps of critical accounting reserch as it is interested in organizations, processes and societal relations and their environments focusing on the historical events to provide rich explanations on the links between these. (Chua, 1986, pp. 620—621.) This study not only describes and interprets *Syvennetty* in its socio-cultural context, but aims at uncovering injustices and power structures inherent in *Syvennetty* in order to facilitate improvement (Chua, 1986, pp. 621—622; also Ahrens & Chapman, 2006, p. 826).

As this research set out to explain and analyze the regulatory change that took place in the tax field, the reasons for and the outcomes of the change following the introduction of a new regulatory regime, *Syvennetty*, ethnography as a chosen method helped in describing this novel situation (Maurer & Mainwaring, 2012). Focusing on the societal and cultural aspects to understand taxation is important, as "[w]e are both in the middle and not capable of being disentangled from our habitat, the surround that we ourselves have helped co-

constitute and in which we operate" (Maurer & Mainwaring, 2012, p. 193). To both corroborate the findings and, at the same time, to extend my view, in addition to the conducted interviews, I have also studied and analyzed other archival material and documents, e.g. tax administration instructions, organizational strategies, and a number of media articles and blog entries (cf. Björklund Larsen, 2013).

Anthropological studies, i.e. ethnography, are able to "make a difference" and to make contributions to such areas as regulation. Since ethnographic studies do not focus on the "technoscientific aspect of finance", they are able to pay attention to the legalities, political and ethical issues, and regulatory aspects of the financial world. (Maurer & Mainwaring 2012, p. 181.) In parallel with these suggested areas of research, it can be argued that by not focusing on the technical aspects and legal intricacies of taxation, ethnographic studies are also able to uncover the political, ethical and regulatory questions that constitute some of the many faces of taxation. This study follows the calls to apply critical ethnography already in the design and development stages of accounging systems (Dey, 2002), and, by extension, in taxation. Ethnography has been found to be helpful in bringing together "empirical understanding" and "theoretically informed explanation", as well (Dey, 2002, p. 106).

This dissertation follows in the vein of "multi-sited ethnography" (Marcus, 1995) as this research, with the rich data from the interviews and the archival material, produces "in-depth research attuned to the influence of world systems". With the help of these micro-level events and with the focus on relationships, this dissertation aims at creating a bigger picture of tax regulation in a global context (Henne, 2017, p. 103).

Qualitative research, e.g. ethnography, requires close contact between the researcher and the field. In this research, these contacts were with the 28 interviewees who formed the contact zone (Hastrup, 1997 in Ahrens & Chapman, 2006, p. 827) of the research. This contact zone provided the researcher a window to study the social reality of the field (Ahrens & Chapman, 2006). Researchers have not tended to spend a notable amount of time in the organizations engaging with the different actors in the fields of accounting in general and taxation in particular. Ahrens & Chapman (2006, p. 828) explain this deviation from the common research practice with the accounting researchers' "familiarity with social realities of organizations" and with the researchers being part of the field, e.g. as educators or consultants. In this research, this familiarity stems from my academic background in accounting and the extensive work experience within accounting, e.g. as a CPA, extending well over 25 years. These same factors also contribute to me being a part of the field, as a part of the daily tasks in my earlier work as an accountant and currently as an accounting educator, included and include issues concerning taxation, and co-operation with the different actors in the tax field. Thus, prior to starting the research, the field in itself and many of its

practices were already familiar, enabling making the most use of the contacts with the interviewees.

3.2 Data and methods

The principal method to collect data for this research has been interviews that have been conducted in the domain field, i.e. taxation. In this research, interviews were used to understand how tax practices and the different issues in the context were comprehended among the different actors in the tax field (cf. Ahrens & Chapman, 2006, p. 822). The interviews consist of 28 semi-structured in-depth interviews with the representatives of tax functions of five corporate taxpayers, 14 tax administration representatives from different organizational levels and representing varying expertise on taxation, three tax consultants, two tax lawyers, three members of corporate stakeholder groups, and a member of the academia specializing in corporate taxation. Four out of the five corporate taxpayers interviewed were, at the time of the interviews, participants of *Syvennetty*. The small number of corporate taxpayers interviewed was contingent on the number of corporations involved in *Syvennetty* at the time of the interviews, which was five. The interviews were conducted at the place of business of those interviewed and in a university office, although for the most part not in the offices themselves, but in the negotiation rooms of tax administration, corporate taxpayers, and of the other interviewees. In most interviews, there were two interviewers present, and in all but one interview, the interviews were carried out with one interviewee at a time. In the one exception, there were two interviewees present at the same time. The interviews were held between December 2015 and July 2017 and the duration of interviews ranged between 70 and 90 minutes. The interview questions can be found in the appendices section of the dissertation, in Appendix 1.

TABLE 1 The interview data comprises semi-structured interviews with 28 interviewees.

Actor group	Number of interviewees
Tax administration	14
Corporations	5
Academia	1
Tax lawyers	2
Tax consultants	3
Interest groups	3

TABLE 2 Positions held by the interviewees working at KOVE.

Positions	Number of interviewees
Top management	2
Leading specialists for the different tax types	4
Representative of the tax control processes,	1
Team manager	1
Project manager of the ECC – pilot	1
Tax administrators at the operational level	5

Other material for this research consists of tax administration documents, blog entries, and newspaper and magazine articles. To adapt the research to the emerging findings, some of this material, i.e. media articles, blog entries and governmental documents, was collected as it emerged and was seen to fit the purposes of the dissertation, to supplement the existing data and to corroborate existing findings (Gendron, 2009, p. 126). Thus, this dissertation presents a versatile picture of corporate taxation as it is being observed from a number of different vantage points in the context of *Syvennetty.* With the help of these different and differing viewpoints a more informed and refined understanding of the corporate taxation in the regulatory context could be formulated.

This study draws on different theoretical backgrounds to research corporate taxation in the regulatory context, using the theories to explain the field-level activities (Ahrens & Chapman, 2006). To do this, the research utilizes the theories to organize and demonstrate the findings using abductive inference (Niiniluoto, 1999) as the research is "reasoning from effect to cause" (Peirce in Niiniluoto, 1999, p. 436). Grönfors (2011, p. 17) has interpreted abduction in research as meaning that new scientific findings (theory) are possible only, when observations are associated with a "guiding principle", e.g. a hypothesis, that can be described as a "way of seeing" (Timmerman & Tavory, 2012, p. 172). This guiding principle, in this research the theories drawn on, aids in focusing

attention to aspects and circumstances researched. This focusing is believed to create new interpretations and ideas, new theory on the phenomenon in question, i.e. taxation in this research. The role of a theory in abduction is to offer new perspectives to look at the world and to inform on questions to ask (Timmerman & Tavory, 2012, p. 174), to create new understandings and to act as a tool to communicate (Ahrens & Chapman, 2006, p. 836). Nonetheless, to avoid"theoretical closure" (Dey, 2002, p. 114), theories should not be used as instructions or orders. The researcher has to stay open-minded during the processes of data collection and analyzing to evaluate different potential theoretical frameworks to find the one best suited to structure and explain the findings (Ahrens & Dent, 1998, pp. 11—12; Ahrens & Chapman, 2006, p. 823).

Grönfors (2011), interpreting Peirce (e.g. 1958), explains that facts, i.e. the actual experiences when sociological qualitative research is in question, are always logical and cannot be doubted. What can be doubted, though, is how these experiences are presented as this presentation can be either logical or illogical. It is the task of science to uncover this logic in practice, in the actual experiences. (Grönfors, 2011, pp. 17—18.) The purpose of abductive analysis is to contrast empirical findings against relevant theory to produce observations (Timmermans & Tavory, 2012, p. 174). In this research, I use abduction and abductive analysis as methods and the background theories as "guiding principle[s]" to help me shift my focus on the experiences of the actors in the tax field in order to uncover the logic in practice and to create new understandings (Grönfors, 2011, p. 18).

The material gathered with the interviews was first transcribed and after the transcription, the transcribed interviews were sent to the interviewees for validation and verification of the content (Gendron & Bédard 2006). The following analysis of these transcribed interviews took place using, what Grönfors (2011) calls "analysis and synthesis". Analysis was used to dismantle the material into concepts and with synthesis, these concepts were compiled to form scientific conclusions. (Grönfors, 2011, p. 35.) Analysis took place in several rounds with analysis and synthesis following each other to see things maybe missed in the first rounds of analysis (Timmermans & Tavory, 2012, p. 176). The initial analysis was done with Atlas.ti – application to enable finding the themes emerging from the interviews. These themes were selected based on the interviewers' initial inferences on the emerging concepts. The following rounds of analysis were performed with "crayon and paper" –method. Using transcribed interviews in the process of analysis in the described manner helps firstly to deepen the observations, as illustrated earlier, and secondly in focusing on issues we might otherwise bypass due e.g. their familiarity. This is a concept called "defamiliarizing", which enhances the process of abductive analysis and improves its results. (Timmermans & Tavory, 2012, p. 177.)

Within these various rounds of analysis, utilizing categorization by Grönfors (2011, pp. 35—36) and in the vein of abductive analysis, the analysis of

the transcribed material that took place can be described as follows. The first part of the analysis consisted of creating an abstract impression of the target group and the strategies that could be used to approach the material. Organizing the material (i.e. the transcribed interviews and other material) and the detailed examination of the material was the second step in the process of analysis. Conceptual part (i.e. the theoretical framework) and the material from the interviews and other material used were then combined to create a logical entity in the third part of the process. The material has been analyzed using active qualification, where diverse empirical evidence is sought on the practices within the tax field to uncover "surprising" observations. These surprising observations can prove meaningful when analyzing the material, enabling the inclusion of a-typical observations and thus providing new information on the phenomenon. (Grönfors, 2011, p. 36.) The rich empirical data in this study was combined with the accounting theories, and as these two were linked together, the data was analyzed in several rounds to highlight the key theoretical findings of the study (cf. Ahrens & Chapman, 2006, p. 830).

Concurrently with this process of analysis, the process of casing took place (Timmermans & Tavory, 2012, p. 177). In casing, evaluating different potential frameworks to understand and analyze the data takes place while coding and taking notes of the observations. The purpose of the process of casing is to find the theory that best explains the observations (Timmermans & Tavory, 2012, p. 177; Ahrens & Chapman, 2006, p. 830). The research started out with a broader theoretical idea that was used to "guide empirical observation to the right context and specific locales of interest" (Vaivio, 2008, p. 74). As the data collection and data analysis proceeded, the initial results were compared to different applicable frameworks, and the frameworks with the best explanatory power emerged (Crvelin & Becker, 2020).

Syvennetty was analyzed as a "processual affair", a result of "certain procedures, routines, agreements, etc." (Ahrens & Chapman, 2005, p. 831). Analyzing *Syvennetty* as such an affair not only brings to light the different relationships, but also shows how the different actors in the tax field construct the concepts of transformation, post-political regulation and fairness in the different actions (Ahrens & Chapman, 2006, p. 831). When analyzing and interpreting the data, it was important not to "thin out" the data, to over-simplify it, so that the data would lose its context-specific content (Ahrens & Chapman, 2006, p. 832).

This analysis resulted in observations, which were categorized using abduction (Timmermans & Tavory, 2012, p. 171). The aim of the abductive analysis was to create a generalized illustration of the phenomenon, void of any references to the particular instance studied (Timmermans & Tavory, 2012, p. 174), and to add new insights to the theoretical foundations applied (Timmermans & Tavory, 2012, p. 180). The applied theories helped in generating these insights in two ways: structuring the existing data and informing of its

significance (Ahrens & Chapman, 2006, p. 836). Theory was used to explain the observations that were formed as a synthesis of the subjective experiences of the interviewees, instead of using these observations as objective facts to verify a theory (Ahrens & Chapman, 2006, p. 819).

In addition to gathering material through the interviews and archival material, and subsequently analyzing the gathered material with abductive and thematic analysis, close reading and inductive reasoning were used to tease out observations based on *Verohallinto* published documents. Close reading enabled interpreting the texts and drawing conclusions to excavate new knowledge on *Verohallinto* approaches and practices. To achieve this, attention was paid to the "repetitions, contradictions and similarities" in *Verohallinto* texts from different periods. (Kain, 1998.)

Basic understanding of taxation was the starting point for this research, and the actual research started with conducting the interviews and analyzing them. In between the different rounds of analysis, we familiarized ourselves with the theories to add new points of view to rereading of the data, and to be able to structure the data using the theoretical concepts. The first article describes the initiative and the following three articles focus each on a certain main theme with a specific theoretical approach, which is used to analyze the material.

3.3 Trustworthiness of the study

As a qualitative account on *Syvennetty,* this study does not propose to be an objective view, but rather a subjective analysis of *Syvennetty* based on the experienced reality of those interviewed in a specific place and time. Due to this subjective nature, the trustworthiness of this account has been enhanced in the following ways. To assure the quality of the research, questions regarding the validity and reliability, i.e. trustworthiness (Harrison et al., 2001, p. 324) need to be addressed (Baxter & Chua, 2008, p. 111), "to instil reader confidence that the researchers have captured and delivered an authentic and genuine account of their field data so as to deliver a plausible and convincing conclusion regarding the phenomenon they set out to study" (Parker & Northcott, 2016, p. 1116). To achieve this confidence, authenticity of a study is required, a genuine contact between the researcher and the actors that the target of the interest consists of (Lukka & Modell, 2010).

Special attention was paid to the interviewee selection, which was made based on the potential interviewees' knowledge and experience in taxation in general and in *Syvennetty* in particular. The interviewees from tax administration were chosen by *Verohallinto* based on their involvement in *Syvennetty* and expertise on it. The rest of the interviewees, the corporate taxpayers, the tax consultants, the tax lawyers, the representatives of the stakeholder groups and

the representative of academia, were chosen to be interviewed as participants in *Syvennetty*, or due to their involvement in corporate taxation and their knowledge and interest in *Syvennetty* as a tax practice. (Vaivio, 2008, p. 75.)

After the semi-structured interviews (Qu & Dumay, 2011, p. 246), the transcribed interviews were sent to the interviewees to ensure the correct transcription of their accounts (Covaleski et al., 1998, p. 307). These interviews were returned only with minor changes resulting i.e. from incorrectly transcribed words, although one piece of information was also removed. Numerous quotes by the interviewees were added to the studies to enhance the authenticity of the personal experiences and perceptions of the interviewees, while also references to the archival material were included to create a holistic picture of the phenomenon. Nonetheless, it needs to be noted, that as these interpretations are subject to the limitations of a researcher's imagination (Ahrens & Dent, 1998, p. 10) and the result of the various interactions between the researcher and the field, these interpretations might differ from those of another researcher (Covaleski et al., 1998, pp. 307—308).

The interviews provided rich data for the research to produce a "thick description" of the phenomenon at hand (Lukka, 2014, p. 559; also Geertz, 1993, Parker and Northcott, 2016), enhancing the validity of the dissertation. The interview data gathered, although rich, does have its limitations. For the first, the interviewed tax administration personnel were handpicked by KOVE, and the researchers could not influence this selection. The initial idea behind the selection of the interviewees was to have those persons interviewed who had personal experience in *Syvennetty*. This selection may have left out the more critical voices, hence influencing the results. In order to ensure the adequacy and versatility of the research data, the interviewers asked each interviewee to suggest additional tax administration employees to be interviewed. Regardless, no suggestions were made that would have added interviewees to the initial list. For the second, with only five corporations, the number of corporations involved in *Syvennetty* at the time of the interviews was very small. This limited number most likely has influenced the extent of different experiences by the corporations. For the third, some potential interviewees declined to be interviewed as they considered the subject matter to be too sensitive. Some companies had opted out of *Syvennetty*, and interviewing these companies would have added to our research, if we had had knowledge of these companies. All in all, although these limitations of the interview data and the context-specific nature of ethnographic studies may restrict the generalizability of the results, the interview data still provides unique information on the tax practices in the Finnish context.

Archival material and documents have been used to corroborate the findings of the interviews (Björklund Larsen, 2013) and observations in the interviews were reconciled against each other (Covaleski et al., 1998, p. 307) to ensure that "patterns adequately represent the observed world" (Ahrens & Dent, 1998, p. 10; also Parker & Northcott, 2016). At the same time, the different roles

the different interviewees play in the field and in taxation were kept in mind, and, additionally, attention was paid to deviant pieces of data and analyzing their significance to the study not to "suppress inconvenient data" (Ahrens & Chapman, 2006, p. 836). The data analysis was carried out as a co-operation with three researchers, the author of the dissertation, Professor Jukka Pellinen and Assistant Professor Jaana Kettunen. As the researchers discussed the findings, meanings emerged as an outcome of theorizing the observations.

Contrary to qualitative studies in general, regarding studies of accounting and of taxation in particular, due to the nature of the field, time spent in contact with the field is limited. In this research, the contacts consist of the interviews carried out. The absence of more extensive contacts is compensated with my "familiarity with social realities of organizations" (Ahrens & Chapman 2006, p. 828) as a researcher. This familiarity is based on both an academic background in accounting and on practical expertise in accounting, law and auditing extending well over 25 years. Hence, this prior experience and knowledge of the tax field enabled me to make most use of the contacts with the interviewees. This earlier experience with the ability to speak "the language" of my object (Chua, 1986, p. 621), enhanced the reciprocity in the interviews, thus improving the quality of the data gathered (Harrison et al., 2001). To conclude, this prior expertise helped in conducting meaningful interviews, as "it is necessary for the researchers to develop as much expertise in relevant topic areas as possible so they can ask informed questions" (Qu & Dumay, 2011, p. 239).

While the earlier experience helped in gathering the data, at the same time, I was cognizant of the pitfalls attached to this prior knowledge. To avoid these pitfalls, I used a set of semi-structured questions applied by all the researchers in this FairTax–project, aware of the potential for bias (cf. Roethlisberger & Dickson, 2003, p. 3). At the same time I followed the interesting topics brought up by the interviewees, nevertheless making sure that the discussion remained in the topics relevant to the research (Vaivio, 2008, p. 75). I also made sure to pay special attention not to let my earlier knowledge distract me from truly hearing the interviewees, and I also was keen on avoiding the assumption of already being familiar with the topics of the interviews (Ahrens & Dent, 1998, p. 11).

Notwithstanding all the precautions taken to secure the trustworthiness of this dissertation, in the words of Quattrone (2006, p. 153): "The researcher's identity is the end of an interpretative journey through all these acts, which are the trace of the researcher, the testimony of her/his work, which is, as such, a sign of her/his imperfection."

4 OVERVIEW OF THE ORIGINAL STUDIES

To contribute to the field of tax-related accounting research and the existing body of knowledge regarding tax in the socio-cultural context, this dissertation aims at studying the development of tax practices and a regulatory regime, and investigating the relationships between the corporate taxpayers and the tax administration.

In this dissertation, the subject matter is approached in four steps: in an introductory article and in three separate research papers, each drawing on a different theoretical framework.

4.1 Study 1: Enhanced Customer Cooperation: Experiences with co-operative compliance in Finland

The first article serves as an introductory article to the topic by explaining the content and the context of *Syvennetty* and the experiences of those involved in and with knowledge of *Syvennetty*: tax administration personnel, corporate taxpayers, tax consultants, tax lawyers, business interest group representatives and academia. The purpose of the article is to provide a descriptive illustration and analysis of the actors, the process, the change, and the factors contributing to the change and the outcomes of the change in the tax field. This analysis is based on in-depth interviews with all the actor groups in the national tax field and archival documents. As an outcome of this analysis, new tax practices that *Syvennetty* as a regulatory process is constructed of, tax practices that are the result of *Syvennetty*, and questions requiring a more thorough investigation were identified. In the following three studies, the focus has been placed on these questions stemming from the extensive material-based analysis. Choosing these questions for further studies was not based only on the empirical material, but personal interests of researchers also influenced the choice of questions, although

keeping constantly in mind that the aim was to find theories that can be contributed to with the existing data and the existing research questions (Ahrens & Chapman, 2006, p. 820).

4.2 Study 2: Co-operative tax compliance initiative as a boundary object - From confrontation to co-operation with large enterprises in Finland

Using the framework of boundary-work (Star & Griesemer, 1989; Star, 2010; Akkerman & Bakker, 2011), this study provides a narrative of the transformation that has taken place in the Finnish field of corporate taxation, explaining and illustrating the change. Our research aims at answering the following research question:

RQ: How is a regulative change in large corporate taxation orchestrated, and what is the role of a boundary object in this?

To be able to answer this question, we researched the driving forces and socio-cultural conditions surrounding the change, looked into the interrelations between the different actors in the tax field, and described the boundary object, *Syvennetty*. Using the framework developed by Akkerman and Bakker (2011), the tax agency and the tax field changes have been analyzed to describe the process of transformation and to identify the events and driving forces leading to the transformation and its consequences. Attention is paid to the regulatory change: how the Finnish tax agency has changed its operational style, and how the tax agency has transformed as an outcome of boundary-work taking place at the boundaries between the different actors in the tax field.

With this study, we are able to describe the disruption that took place in the corporate tax field, and the emergence of a new regulatory regime that in its wake has brought about many changes: increased transparency and certainty of taxation, oral communication, working in real-time and appreciation of a customer's time orientation, to name some. The idea of a shared new goal of tax compliance between the different actors has been powerful in changing the ways of working aimed at co-operation and finding consensus. On the other hand, this new practice also created some unresolved issues: e.g. the question of protection of trust, the new identity of the tax authority, and the role of tax consultants in the changed tax triangle.

As a result, using socio-cultural framework, this paper adds to the existing body of knowledge aimed at understanding the different relationships in the tax field and the significance of these relationships in shaping the field (Gracia &

Oats, 2012; Boll, 2014b). We are also able to show that tax is not only a legal issue, but it is a multi-dimensional concept with many faces. We also add to the literature on regulation, as we describe the change that has taken place in a regulatory field. As we have gathered new knowledge on the use of boundary objects as vehicles for regulatory change, we are able to enhance understanding on boundaries and boundary objects in general.

4.3 Study 3: Towards post-political regulation? Co-operative tax compliance in Finland

In the third paper, we investigate *Syvennetty* in the framework of Garsten and Jacobsson's post-political regulation (2013), following the ideas of post-political vision by Mouffe (2005a, 2005b, 2013). Drawing on their theory and utilizing its theoretical concepts, *Syvennetty's* construct is broken down to identify abstract and concrete structures and underlying principles to find out, whether *Syvennetty* is based on these post-political principles, and to find out problems and contradictions in these types of co-operative compliance approaches. Typical to these approaches, they are presented as win-win –situations to both the taxpayers and the tax administration sharing a common goal, i.e. to achieve tax compliance, while emphasizing consent and co-operation. With consent and co-operation as the key features, these approaches gloss over the disputes and divergent interests parties involved may have. We draw on the concepts of "politics" and "political" and on post-political theory to analyze *Syvennetty* as a regulatory arrangement with an aim to organize regulation of corporate taxpayers, while focusing on the influence *Syvennetty* as a transnational co-operative compliance approach has on Finnish regulatory corporate tax regimes.

More specifically, this paper's first research question is as follows:

RQ1: How have the ideas of post-political regulation been constituted in the Finnish tax administration practices when the OECD recommendations on co-operative compliance have been followed?

In answering this question, we were also interested in the kinds of problems applying the principles of post-political regulation in taxation can create.

The second research question pertained to the change Syvennetty generated in the existing tax regime:

RQ2: How and why was Syvennetty able to change an existing tax regime?

With our second question, we aimed to investigate, how *Syvennetty* as a regulatory policy based on transnational soft law influenced tax regulation. In addition, as post-political regulation assumes that the regulator exerts soft power on the regulatees, we aimed to investigate the nature of power within *Syvennetty* and whether soft power is hidden in the practices and principles of *Syvennetty*.

4.4 Study 4: How fair is the new co-operative compliance practice? The case of Finland

In the fourth paper of this dissertation, I look into the construct of *Syvennetty* and the assemblage of practices and principles, which constitute *Syvennetty*, to find out how principles of justice and fairness are embedded in *Syvennetty*. *Syvennetty* as a post-political regulatory regime constitutes of aspects that in themselves are of interest in the context of justice and fairness. These aspects constitute of the OECD recommendations as soft law (Abbott & Snidal, 2000; Christians, 2007), assumed consensus, differences in interests, unequal power relationships, and inconsistent decision-making inter alia. Impartiality, understood as consistency, objectivity and equality before the law, is one of the seven key pillars of the OECD (2013a, p. 19) recommended co-operative compliance approach, and fairness has been found to be a contributing factor in corporate tax compliance (Moser et al., 1995). Drawing on the theory of justice by John Rawls (1971), I analyze the practices and principles in place in *Syvennetty* to find out, how fairness is perceived among the actors of the tax field, and how tax fairness on the societal level is contingent on the fairness of taxation on the level of an individual corporation.

To do this, this paper aims to find answers to two specific research questions:

RQ1: What are the perceptions of justice and fairness of those involved in Syvennetty?

RQ2: Are the theoretical principles of justice as fairness by Rawls upheld in tax administration actions and practices?

As fairness is an aspect of both tax compliance and regulation, it is important to study perceptions of tax fairness. Tax can be viewed as a social practice and it can be studied from the viewpoint of fairness, as tax is a practice that has implications for fairness and is affected by fairness. Thus, this research adds to the body of knowledge on both taxation and regulation.

5 DISCUSSION AND CONCLUSION

5.1 Discussion of the results

By studying *Syvennetty*, its initiation, and the built-in regulatory processes and practices, this dissertation adds to the body of accounting literature in taxation with the emphasis on the relationships between the different players and the tax field practices in the socio-cultural context (e.g. Gracia & Oats, 2012; Boll, 2014a, 2014b; Björklund Larsen, 2015). This chapter discusses the ramifications of the findings and the contributions to existing research. This dissertation has added new insights into co-operative compliance (OECD, 2008, 2013a) approaches (Björklund Larsen, 2016; de Widt, 2017; Boll & Brehm Johansen, 2018; Potka-Soininen et al., 2018; Brøgger & Aziz, 2018) as it presents issues of interest that are made visible with the analysis of in-depth interviews and archival documents. As lack of information and dependency on publicly available data have limited the ability to research tax field extensively (Mulligan & Oats, 2017), this study has benefited from access to senior level tax experts in the tax administration and in the corporate world.

This dissertation shows, as illustrated in the following figure, how the principles of co-operative compliance initative by the OECD have been implemented in the Finnish tax regulation and have, thus, become a part of the tax practices influencing the interactions between the large corporate taxpayers and the tax administration, specifically *KOVE*.

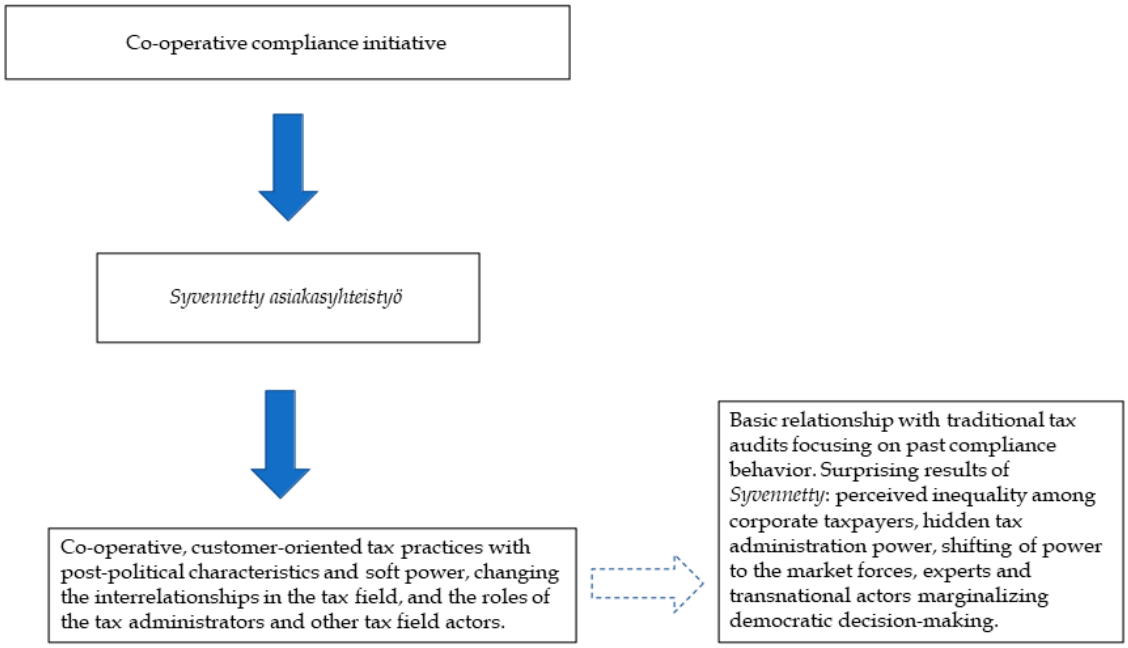

FIGURE 4 Implementation of the ideas of co-operative compliance

By explicating the interrelationships and the interactions between the different actors in the tax field and the significance of these interrelationships and interactions in taxation, this dissertation corroborates the earlier findings on the nature of taxation as a practice that is about communication and interaction between the different actor groups (Boll, 2014a, 2014b; Björklund Larsen, 2015), about the nature and quality of the interrelations (Gracia & Oats, 2012), and about the identities and the roles of the different actor groups (Tuck, 2010; Morrell & Tuck, 2014; Radcliffe et al., 2018). As an outcome of this new tax practice, *Syvennetty*, with calls for consensus, downplaying of disputes (Garsten & Jacobsson, 2013), and the influence of New Public Management (Wiesel & Modell, 2014), shifts in respective roles and actor identities took place (Llewellyn, 1998; Tuck, 2010), and the relationships between the different actors were transformed. In the tax administration, the taxpayers were referred to as 'clients', 'partners' or even as 'pals', and the tax consultants were addressed as colleagues tax administration shares customers with. Addressing the taxpayers as 'customers' of tax administration changed the demands placed on tax administrators (Tuck, 2010; Currie et al., 2015). Technical expertise on taxation and of the legal intricacies was still required, but, additionally, tax administrators needed to pay attention to their new role with its increased verbal communication and interaction with the taxpayers (Tuck, 2010). These new demands created concerns over tax administration adaptability and readiness for change, as old methods with written communication and only limited face-to-face interaction had to be abandoned and were replaced with new interactive ways requiring more proactive approach. As the earlier relationships between

the tax administration and the corporate taxpayers had been described in antagonistic terms, this study shows a notable change towards a more co-operative relationship with the emergence of the new practices (Black, 2001; Gracia & Oats, 2012; Kirchler et al., 2014).

With *Syvennetty*, the institutional change with the new practices required the tax field actors to re-evaluate their roles (Annisette, 2017; Radcliffe et al., 2018). The corporate taxpayers expressed their interest in influencing regulation, the tax consultants were interested in co-operating with the corporate taxpayers and the tax administration in improving corporate tax compliance, and the tax administration expanded its boundaries towards auditing corporate business controls and engaging in more proactive advisory work. The outcome of the change with *Syvennetty* was different for each actor. The tax administrators were able to expand their roles, although the tax administrators themselves and other tax field actors as well questioned the new role of tax administrators and the blurred boundary between a tax administrator and a tax consultant. Corporate taxpayers were introduced with new responsibilities as co-regulators of their own taxation. For the tax consultants, a potential for the diminishing of their role and risks over their autonomy existed, as the more customer-oriented tax administrators threatened their professional role (cf. Radcliffe et al., 2018, p. 55; Aburous, 2019). On the other hand, propositions were made to expand the role of the tax consultants into co-regulating the tax field with auditing corporate tax controls. The suggested extension to the tax consultants' role as co-regulators of the field is in contradiction with some of the existing literature on the role of the different private party actors, i.e. accountants and tax advisors, in corporate tax avoidance (Sikka & Willmott, 2013; Braithwaite, 2013; Sikka, 2015b). Nonetheless, research also exists acknowledging the role of in-house tax experts and tax advisors in enhancing tax compliance (Braithwaite, 2013; Mulligan & Oats, 2016), and describing agreeable relationships between the tax administration and the tax advisers (de Widt, Mulligan & Oats, 2014, p. 11). These changes in the respective roles show, how the institutional change with *Syvennetty* contributed to fuzzy boundaries surrounding different professions and to demarcation work taking place to establish new boundaries (Gracia & Oats, 2012; Aburous, 2019). The actors questioned the existing boundaries, and, at the same time, were in a position to 'remake' their professions (cf. Gieryn, 1983; Suddaby et al., 2015).

Shedding light on regulatory power, this study shows, how *Syvennetty* uses soft power of attraction (Nye, 2004, 2008), to achieve a potential change in taxpayer compliance behavior. The attractiveness of *Syvennetty* is based on its underlying principles deemed constructive: emphasis in working in real-time, replacing written communication with oral, and focusing on future compliance. *Syvennetty's* inherent voluntarism for both the taxpayer and the tax administration, and the promised benefits for the corporate taxpayers, for example in the form of increased certainty of taxation and decreasing administrative burden, added to this attractiveness. The moral dimensions of

taxation and of *Syvennetty* were in evidence in the discussions on *Syvennetty*, e.g. in rhetoric of 'good for Finland', 'impartiality' and 'trust'. The inherent and perceived moral aspects in *Syvennetty* increase the attractiveness of *Syvennetty*, as well. As these different dimensions enhanced soft power, they also contributed to the perceptions of legitimacy and moral authority of tax administration (Nye, 2004, 2008).

This study adds to our understanding on regulation as it has analyzed, how a new regulatory regime based on the OECD (2008, 2013a) recommendations in the form of soft law (Garsten & Jacobsson, 2013, p. 422, 425; also Senden, 2005; Djelic & Quack, 2018, p. 124) is implemented in a national context (Malsch & Gendron, 2011, p. 474; Djelic, 2011). This dissertation argues that with the implementation of these recommendations in the form of *Syvennetty*, power was transferred from the legislators to the experts in taxation (cf. Djelic, 2011, p. 51; Djelic & Quack, 2018, p. 129; Mörth, 2006), as international examples were benchmarked (cf. Djelic, 2011), and undisclosed criteria (cf. Djelic & Quack, 2018) drawn up by the tax administration were used to select corporate taxpayers eligible to join *Syvennetty*. In addition, power was also shared with those making decisions in the OECD. Hence, *Syvennetty* is not the result of democratic deliberations and legislative decision-making, but an outcome of following the OECD recommendations, of benchmarking similar initiatives, and of drawing up of practices by tax administration experts. Additionally, we argue that this shifting of power from the democratically elected legislators to the civil servants and to the OECD decision-makers (cf. Djelic & Quack, 2018, p. 132; Sikka, 2017; Jiang et al., 2018; Pucci & Skærbæk, 2020) raises questions of transparency and legitimacy of regulation (Wilson & Swyngedouw, 2014) as the legitimacy of a regulatory regime is contingent on adequate democratic involvement (Baldwin et al., 2012).

This dissertation also contributes to the current accounting research on fairness of taxation. Fairness of taxation can be approached on two different levels as, on the one hand, considerations can be placed on fairness of taxation pertaining to an individual corporate taxpayer with the focus on e.g. the fairness of tax administration practices and their ability to produce correct tax liability (Moser et al., 1995; Braithwaite, 2013). This study adds to the discussions on corporate tax fairness in accounting context by uncovering tax administration practices that were found to be inconsistent with the principles of justice: acceptance of corporate taxpayers in *Syvennetty*, absence of pertinent legislation, uncertainty of the conditions that provide legal protection for the taxpayers, and impartiality of tax administration.

Fairness of taxation also refers to the equal distribution of the tax burden, i.e. whether corporate taxpayers pay their 'fair share' of taxes (Sikka, 2008b, 2011, 2018; Björklund Larsen, 2018; Gribnau & Jallai, 2018). Perceived fairness of corporate taxation is contingent on fairness on the level of individual corporations (Freedman, 2018). If the tax administration principles and practices

regarding corporate taxation are deemed fair (Freedman, 2018), then the overall fairness of corporate taxation is given, as the fair practices on corporate taxation guarantee the correct tax liability for each corporate taxpayer. The ambidextrous nature of *Syvennetty* contributes to the perceived fairness of taxation: although a field-level reform, *Syvennetty* pertains only to a small fraction of field-level actors. This ambidexterity has its roots in *Syvennetty's* voluntarism, characteristic of soft regulation, producing perceived unfairness of taxation. Influencing the perceptions of fairness of corporate taxation would thus require, for the first, ensuring the fairness of tax administration practices, and, for the second, increased tax administration transparency and independent assessment of the practices to verify the claimed fairness (de Widt, 2017; Freedman, 2018).

This dissertation has explored regulation of taxation, changes in the regulatory field and the implications of these changes. With the introduction of a new co-operative regulatory regime, *Syvennetty*, with trust as one of the underlying principles, and emphasis on enhanced methods and styles of interaction between the corporate taxpayers and the tax agency, fundamental changes in the relationships between the two central actors, tax administration and corporate taxpayers, and in the tax field in general, were in evidence. *Syvennetty* as a co-operative compliance initiative is an example of the problems embedded in the principles of responsive regulation (Ayres & Braithwaite, 1992), and of the influence of soft regulation. Problems were in evidence in both the implementation of *Syvennetty* and in the emergent new tax practice. Transnational framework, *Syvennetty* as a boundary object based on voluntarism and as a loosely structured reform, brought together the tax administration and a group of corporate taxpayers in developing new practices in tax compliance. Yet, the underlying tenets produce, to an extent, a random configuration, creating new kinds of boundaries between those companies engaged in *Syvennetty* and those in the basic relationship. The lack of pertinent regulation and democratic processes in the new co-operative compliance initiative were sources of obscurity and unfairness in the taxation of large corporate taxpayers. Both the transformation process and the outcome possess features that make *Syvennetty* unfair.

As a theoretical framework, responsive regulation (Ayres and Braithwaite, 1992) is void of specificity of e.g. legislation, allowing for a variety of implementations and regulatory outcomes to fit particular jurisdictions (cf. Björklund Larsen et al., 2018; de Widt and Oats, 2018). Hence, different understandings of 'responsive regulation' and surprising results in the framework of co-operative compliance emerge. Questioning the roles and identities of the tax administrators and the tax consultants, the introduced ideas of tax consultants and auditors acting as co-regulators to produce tax compliance, and the overall fuzziness surrounding the different roles were such surprising results in implementing *Syvennetty*.

The requirements and the benefits of responsive regulation (in the form of *Syvennetty*) did not meet the needs of all corporate taxpayers and some decided to opt out. Some tax administrators found the trust responsive regulation requires absent in the tax administrator-taxpayer relationship and they did not rely on 'softer ways' of regulation to produce tax compliance. Additionally, questions over the conditions providing protection of trust and over the impartiality of tax administration surfaced as outcomes of the new practices of *Syvennetty*. These questions influenced the interrelationship between the tax administrator and taxpayer, as well, and resulted in increased uncertainty of taxation. This result was opposite to the proclaimed goal of co-operative compliance, i.e. increasing certainty of taxation. Another surprising outcome was how the focus was placed on having taxes paid in Finland and, consequently, was incorporated in corporate goals of taxation, appearing as an extension of corporate social responsibility (cf. Ylönen & Laine, 2015). Furthermore, the premises of *Syvennetty* were doubted, as some interviewees were surprised that "something as consequential as corporate taxation" was based on soft law in the form of OECD recommendations, instead of hard law, a result of democratic decision-making.

These surprising outcomes make visible the contradictions and shortcomings embedded in *Syvennetty* as a form of responsive regulation. They need to be addressed for a successful implementation of the ideas of responsive regulation and to balance the tax administration regulatory accountability and "regulatory duty of care to individual taxpayers" (Gracia & Oats, 2021, p. 318).

This dissertation set out to find out, what the Finnish version of co-operative compliance practice is, and how the change in the tax administration practices has taken place, compared also to other countries in the FairTax project. In this study, a detailed description of the change and the new regulatory practices in the Finnish co-operative compliance initiative are presented. This tax administration change was the result of boundary work where *Syvennetty* served as a boundary object, exemplifying the role of a strong framework, such as co-operative compliance, in carrying out a successful change.

Due to this central and significant role of the OECD co-operative compliance framework, the change in the tax administration practices was possible. The OECD framework served as a recommended way to handle the taxation of large corporate taxpayers and benchmarked international co-operative compliance examples emphasized its role. The top management in the Finnish tax administration was committed to the framework and, in the vein of New Public Management, believed in a new type of relationship between the taxpayers and the tax administration. As the tax administration wanted to and set out to improve the relationship with the corporate taxpayers in a convincing way, taking part in *Syvennetty* seemed like an attractive option for the corporate taxpayers. Actual and perceived fairness of taxation were enhanced at the same time. As the results of this study show, fairness of the processes and of the

outcomes of taxation are essential for taxation to succeed in the long run. Not only the tax administration, but also the other actors in the tax field embraced the benefits co-operative compliance would bring to the tax administration and the corporate taxpayers, but also to the society as a whole in the form of enhanced tax compliance.

Following the OECD framework was not without its drawbacks. This study has shown, how the ideas of post-political regulation are embedded in the principles of co-operative compliance. As a result, the OECD, other transnational actors, tax experts and corporations have marginalized the role of Finnish government and its relative power in setting new regulations.

In order to create a holistic picture of a regulatory regime, this dissertation combined two different viewpoints to regulation, political and legal, in the vein proposed by Hancher and Moran (1989). These two different frames of reference are used to study regulation and to show that both are needed to create a comprehensive account of regulation: on the one hand as a political process and on the other hand as a product of legal structures. A good regulatory regime requires both: fair procedures, i.e. proper legal structures, and democratic influence (Baldwin et al., 2012).

5.2 Practical and policy implications

General aims of academic studies are two-fold: on the one hand to inform on theory and to enhance theory development and on the other hand to identify issues and themes that have relevance to the practitioners of the field (Parker & Northcott, 2016, p. 1101).

This research is able to achieve both these goals by adding to the extant literature and by being able to inform the practioners on the following aspects of taxation. For the first, the results presented in this dissertation help legislators and tax agencies to design and implement tax regimes to improve co-operation and tax compliance. The findings have shown how changes in practices may result in added interactions and enhanced interrelations, improving the tax climate (cf. Kirchler et al., 2008; Johansen & Plenborg, 2018). This dissertation also gives an example of the way transnational regulation is adapted to a national context and the implications of this adaptation, aiding in future adaptation in similar instances.

As this dissertation highlights areas of taxation with perceived unfairness, it guides the tax administration and legislators in making necessary changes to tax legislation and tax practices to strengthen and clarify fairness of taxation. With the study's focus on the different dimensions of tax fairness observed in the everyday practices and interactions, the legislators and tax administrators can direct their activities and gaze towards the issues

this study has uncovered as deemed unfair or deserving particular attention. There may be areas that have earlier remained undetected or have not received the emphasis they deserve.

5.3 Limitations of the study and further research

The specific results of this study may not be generalizable due to the specific nature of Finnish taxation and generally high level of tax compliance of Finnish taxpayers (Verohallinto, 2019c; Parviala, 2020), and, as a qualitative study, the results need to be understood in a specific context and in a specific timeframe. In management accounting qualitative field studies, the temporary nature of researched organizational assemblages affecting any particular situation has been noted as a caveat (Ahrens & Chapman, 2006, p. 833), raising questions about the generalizability of any research findings. While true in many cases, it needs to be noted that in the law-governed taxation these assemblages are, for the most part, of relatively permanent nature.

In addition, perceptions of fairness can vary extensively (Ahrens & Chapman, 2006) even among well-informed and knowledgeable individuals. This can be illustrated with two completely opposing perceptions among the Finnish tax professionals in the case of taxation of Apple Group companies in Ireland (Commission decision (EU), 2016). For one tax professional the EU commission ruling was a source of (negative) astonishment and viewed as an infringement on the national sovereignty regarding corporate taxation, while another tax expert considered the intervention by EU a welcomed development in corporate taxation (PwC Uutishuone, 2016; Heiskanen, 2018). This example exhibiting two perceptions on tax fairness, polar opposites of each other, shows how, despite taxation being based on law and being extensively regulated, a same set of objective facts can lead to two, in this case, completely different outcomes in terms of individual perceptions. As this example shows how facts can be interpreted in different ways, it highlights the importance of developing and enhancing fair and transparent principles and practices of taxation in order to build and to maintain trust in the tax administration and taxation process.

With our research, we propose that the following areas would benefit from further studies.

For the first, additional research on regulation and on co-operative compliance specifically would be needed to uncover the circumstances surrounding the implementation of co-operative compliance initiatives and the outcomes of these implementations in different jurisdictions. Studies are needed to uncover, whether or not these implementations have resulted in

changes in tax administration practices, and the underlying circumstances of the different outcomes.

For the second, the outcomes of co-operative compliance initiatives would deserve additional investigation to find out, whether co-operative compliance is able to produce the anticipated increase in tax compliance (OECD 2008, 2013a). Also worth investigating would be the effectiveness of tax administration when co-operative compliance is applied.

For the third, as the OECD reports advocate co-operative compliance initiatives with promises on incurring benefits for both the tax administration and the taxpayers, e.g. improved certainty of taxation, (OECD 2013a), the question is what happens in case the promised benefits for the taxpayers do not materialize. As entering a co-operative compliance initiative demands resources from the company and disclosing of its tax information to the tax administration, we propose further investigating an eventuality, where these promises would not actualize, and its consequences.

For the fourth, we see the question of distribution of power in *Syvennetty* deserving more thorough investigating. As the power on taxation is shifted from the legislators to the experts, to the individual tax administrators, and to the decision-makers in the OECD, it can be asked, whether it has been fully comprehended, what has taken place (cf. Djelic, 2011). Additional question worth looking into concern the mandate tax administration has to carry out the changes in its practices that result in these shifts in power.

5.4 Conclusions

This dissertation has examined the implementation of a co-operative compliance initiative, *Syvennetty asiakasyhteistyö*, in the Finnish tax administration. This study applied ethnography to gather rich data to uncover how taxation is practiced, and to be able to make more generalized, theoretical illustrations of how taxation is carried out in the everyday work in the tax field. The findings in the study highlight the changes that have taken place in the tax field as a result of the underlying principles of co-operative compliance and the implementation of *Syvennetty*. The tax environment changed from antagonistic to more synergistic, and the players in the tax field adapted to the changed situation and assumed new roles. This study shows, how, due to transnational influence, regulatory power in taxation shifted to include co-regulators alongside tax administration to regulate large corporate taxpayers. The existence of co-regulators highlights the nature of tax regulation and taxation as a networked and distributed practice, co-produced in co-operation with the different actors in the tax field. As a study of regulation, this dissertation also had its focus on the moral and

ethical dimension of regulation by investigating the perceptions of fairness in taxation. Tax fairness was in evidence on two levels, on the one hand, concerning the fairness of taxation of individual corporate taxpayers, and, on the other hand, on the societal level, as attention was paid on 'fair' tax liability for corporate taxpayers. As this dissertation has analyzed both the ideational and the practical dimensions of regulation, this dissertation has presented a more comprehensive picture of regulation.

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APPENDICES

Appendix 1. Shared interview questions in the FairTax-project

1. What is the infrastructure/network of the collaborations?
2. Why is this approach chosen?
3. What are the pro-active elements?
    - How are stakeholders engaged?
    - How do they resist?
4. How is the collaboration perceived by different stakeholders?
5. Emic definitions of tax compliance.
6. The role of tax in daily work?

ORIGINAL PAPERS

I

ENHANCED CUSTOMER COOPERATION: EXPERIENCES WITH COOPERATIVE COMPLIANCE IN FINLAND

by

Tuulia Potka-Soininen, Jukka Pellinen & Jaana Kettunen

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Authors:

Tuulia Potka-Soininen, University of Jyväskylä, School of Business and Economics
E-mail: tuulia.potka-soininen@seamk.fi

Jukka Pellinen, University of Jyväskylä, School of Business and Economics
E-mail: jukka.o.pellinen@jyu.fi

Jaana Kettunen, University of Jyväskylä, School of Business and Economics
E-mail: jaana.m.kettunen@jyu.fi

Contents

Abstract[1]

This report examines the experiences with a collaborative compliance project – Enhanced Customer Cooperation (ECC) – introduced by the Finnish Tax Administration. The ECC was introduced by the Large Taxpayers' Unit of the Finnish Tax Administration at the beginning of 2013, and it ran as a pilot until the end of 2015. Since the start of 2016, the ECC has been a part of the permanent operations of the Large Taxpayers' Unit. Based on the interviews with tax officers, corporations participating in the ECC and tax lawyers and tax consultants, the ECC is bringing about a cultural change in the administrative practices and ways of communicating between tax authorities and taxpayers. In general, the ECC's objective of increasing cooperation between tax administration and taxpayers has been welcomed. There were, however, some concerns about the impartiality towards taxpayers, efficiency in the use of human resources and the possible retrospective involvement of the Tax Recipients' Legal Services Unit. In addition, because predictability was described as one of the key aspects of taxation for companies, many questions have been raised regarding whether the ECC can deliver more predictability in taxation practices.

Keywords: Cooperative compliance; Finnish taxation practice; qualitative tax research method

[1] We would like to express our gratitude to those tax officers, civil servants, tax lawyers, tax managers and other stakeholders who have taken their time to engage in the interviews about their experiences with the ECC. We also like to thank Marko Järvenpää, Reijo Knuutinen and Åsa Gunnarson for reviewing this working paper. Their inputs have helped us revise and improve the paper and their feedback provided ideas for further development of our material.

1 Introduction

Taxation has become the subject of intensive media coverage, transnational governance efforts and changing administrative practices. It is also an area where traditional public service ethos and contemporary customer orientation appear to clash and where national tax systems have been deemed insufficient in addressing the complex tax schemes of multinationals aimed at aggressive tax planning. At the same time, in certain situations, the correct interpretation of tax legislation can be difficult for those companies that are willing and attempting to comply with the law.

Tax compliance is the act of "reporting all income and paying all taxes in accordance with the applicable laws, regulations, and court decisions" (Alm, 1991: 577). Although the preceding definition refers to the ideal of full compliance, tax compliance may not be absolute but rather a continuum. As interpretative studies have suggested, the degree of tax compliance in a business is constituted by a wide range of heterogeneous elements (Björklund Larsen, 2015; Boll, 2014; 2016; Gracia and Oats, 2012; Mulligan and Oats, 2016). For example, Boll (2014) advocates for presenting and understanding tax compliance as a socio-material assemblage. At the centre of these interpretative or critical tax studies is the multifaceted nature of tax compliance.

Transnational organisations, most notably the OECD, have been active during the last decade in introducing frameworks or approaches for how national revenue bodies should improve their practices of interacting with corporate taxpayers. The OECD has taken initiatives aimed at improving tax compliance and tax administration practices, a notable example among them being cooperative compliance (OECD, 2013; OECD, 2016). The following principle characterises cooperative compliance: 'businesses that are prepared to be fully transparent can expect certainty about their tax position in return' (OECD 2013: 11).

Overall, tax administrations in various countries have shown interest in developing a more cooperative relationship with corporate taxpayers (OECD, 2016; de Widt, 2017; Björklund Larsen, 2016; Brögger and Aziz, 2018; Boll and Brehm Johansen, 2018). The creation of such a cooperative relationship between taxpayers and tax administrations is assumed to yield advantages for both parties and is described as a solution where everyone benefits (see OECD, 2016). The advantages that the parties are assumed to gain include trust building, risk management, enhanced certainty concerning a company's tax position, voluntary compliance and decreased administrative burden both at the tax administration and the company. Cooperative compliance should help reduce the need for tax audits and lengthy court disputes, both of which consume the tax administrations' and corporate taxpayers' resources.

Cooperative operative compliance regimes bear a resemblance to and have been inspired by other administrative reforms such as New Public Management or New Public Governance, and the increased 'customer' orientation therein (see, e.g., Wiesel

and Modell, 2014; Currie, Tuck and Morrell, 2015). Cooperative compliance regimes have been developed under the auspices of strategy reforms at revenue bodies, wherein corporate taxpayers are increasingly referred to and treated as 'customers' or 'clients'.

The purpose of the current report is to provide an analysis of the experiences with the Enhanced Customer Cooperation (ECC[2], *Syvennetty asiakasyhteistyö* in Finnish) programme created by the Finnish Tax Administration (*Verohallinto* in Finnish) in 2013. The research reported in the present paper was conducted as a part of a Nordic research project focussing on the experiences gained from 'cooperative compliance' initiatives in Demark, Finland, Norway and Sweden (for a Nordic comparison, see Björklund Larsen et al., 2018). Our approach is qualitative, drawing on ethnographic research interests and fieldwork methods.

The experiences of the parties involved in the enhanced cooperation between the tax authorities and larger companies are analysed in the present report. We are also interested in the perceptions regarding the cooperation of other stakeholders, mainly tax advisers, tax lawyers, academics and other interested groups. We pay attention to the antecedents, processes and types of results this cooperation has produced. The purpose of the current report is also to illustrate the expectations that different stakeholders have for the approach and their views on the behaviour, roles and responsibilities of different actors within this context.

To organise our fieldwork and analysis, we have used the following questions: (1) What is the infrastructure of the collaborations? (2) Why was this approach chosen? (3) What are the proactive elements that can engage stakeholders? (4) How is collaboration perceived by different stakeholders? (5) What are the emic definitions of tax compliance? (6) What is the role of tax in daily work?

In Finland, the ECC started as a pilot, with the Large Taxpayers' Office (KOVE, *Konserniverokeskus*) being in charge of it at the beginning of 2013; it ran as a pilot until the end of 2015. The recommendations of the OECD (2013) and experiences of cooperative compliance, for example, in the Netherlands were some of the impulses for the adoption of the ECC approach in Finland. Since the beginning of 2016, the ECC has been a part of the permanent operations of KOVE.

The current working paper is divided into eight sections. Section 2 defines the methods of data collection and analysis. Sections 3 to 6 present the data and describe the practices, impressions and issues surrounding cooperative compliance. Section 7 presents the main findings and discusses the most important issues. Section 8 concludes the report by summing up and relating the findings with previous studies.

[2] For a list of abbreviations, see appendix 1

2 Method and material

The findings presented in the current report are based on 28 interviews with representatives from KOVE, corporations, business interest groups and tax lawyers, tax consultants and one academic (see Table 1). The interviewees were selected based on their expertise and experience on taxation and the ECC so that rich information would be obtained on the subject matter. The interviews were mainly person-to-person interviews, in some instances with two interviewers present and once with two interviewees. The interviews were semi-structured, having a list of issues to be covered, but at the same time, the interviews were exploratory, following the topics presented by the interviewees (Miles and Huberman, 1994). Some internal, unpublished documents from VERO were used as research material.

KOVE suggested 14 members of its personnel to be interviewed based on their participation in the ECC and on their expertise in the subject matter. The interviewees came from different organisational levels of KOVE and had different areas of expertise (see Table 2). All of them had several years of experience in taxation, each having held different positions within the tax administration and some having worked for private companies as well. This varied experience within the realm of taxation was manifested in the diversified discussions that took place during the interviews.

The interviews with the tax officials were held between December 2015 and November 2016. Each of the interviews lasted from 70 to 90 minutes. The interviews took place on the premises of KOVE in Helsinki. All the interviews were recorded and transcribed, after which each interviewee was sent his or her transcribed interview so that each interviewee could clarify the answers given, and "verify the accuracy of the transcript and add changes that they feel might be needed to make them comfortable with what they said during the interview" (Gendron & Bédard, 2006, p. 216). Only a few minor changes were suggested by the interviewees.

The interviewees from KOVE could be labelled as key informants (Tremblay, 1957; Marshall, 1996) because they were an expert source of information able to provide deep insights into the approach thanks to their involvement in the ECC. Despite their involvement, enthusiasm and dedication that the interviewees showed towards the approach, they were not afraid to criticise or express concerns over the way the ECC approach was implemented.

In addition to these face-to-face interviews, the project manager was interviewed twice via e-mail to gather basic information on the ECC. A PowerPoint presentation by KOVE on the ECC was also used as source material for the current report to provide basic information on the pilot and approach in general.

The second set of interviews (the academics, tax consultants, companies and tax lawyers) was carried out between June 2016 and July 2017. These interviews, ranging from approximately 50 to 90 minutes each, took place at the interviewees' work settings. The format for these interviews was similar to the KOVE interviews and were recorded and transcribed in the manner described earlier. Because KOVE, restricted

by the law, was not able to give us the names of the companies participating in the programme we had to find them by following leads from company reports and newsletters. In this search for the pilot companies, invaluable aid was given to the researchers as one of the interviewees offered to act as a courier between the researchers and the companies and delivered a message from the researchers to the companies asking them to be interviewed. The companies then contacted the researchers and interviews were conducted.

Also, from this second set of interviewees, some individuals could be named key informants because they had personal experience with the approach, while some interviewees had more experience with the ECC because of their work with other parties (e.g., clients) and second-hand information or even just from the legality aspects of taxation. Having interviewees with different backgrounds and different experiences proved to be valuable for the research because this secured versatile views on the subject matter. Regardless of their background or personal experience, all those interviewed were interested in the ECC approach and the implications it has on corporate taxation. A similar shifting between careers (between private companies and the tax administration) that was found among those interviewed from KOVE was also noticeable in this group of interviewees. An indication of this shifting might be seen in the interviewees' capability to understand the work of the tax administration and in their ability to see taxation from the tax administration's perspective. As one representative from the corporate side – who had experience working both in the tax administration and as a tax consultant – phrased it:

> … it is very useful… in addition to understanding all the actors, to be able to work on any side of the table….

Actor group	**Number of interviewees**
Tax administration	14
Corporations	5
Academia	1
Tax layers	2
Tax consultants	3
Interest groups	3

Table 1. The interview data comprises semi-structured interviews with 28 interviews.

Positions	Number of interviewees
Top management	2
Leading specialists for the different tax types	4
Representative of the tax control processes,	1
Team manager	1
Project manager of the ECC – pilot	1
Tax administrators at the operational level	5

Table 2. Positions held by the interviewees working at KOVE.

3 The infrastructure of the collaboration

3.1 Background

The Law on Tax Administration (11.6.2010/503) defines the tasks of the Finnish Tax Administration and provides its organisational structure. The Finnish Tax Administration, or VERO, is organised according to taxpayer groups: the Individual Taxation Unit, Corporate Taxation Unit and Tax Collection Unit. The Corporate Taxation Unit is divided into six regional corporate tax offices, five regional tax-auditing units and the Large Taxpayers' office (KOVE), which operates nationwide. The tasks of the Corporate Taxation Unit involve providing services and guidance to all corporate entities, collecting taxpayer registration details, assessing taxes and carrying out tax control and tax auditing for all corporate taxpayers. KOVE is responsible for the taxation of all the larger companies and groups of companies with a turnover of over 50 million euros and for other companies as well, such as listed companies, banks and insurance companies. In 2015, KOVE had 3,900 separate legal entities as its customers, accounting for about 50% of the annual corporate income tax in Finland (Verohallinto, Konserniverokeskuksen asiakkuus).

The ECC pilot started with 20 members of KOVE personnel, and as of August 2017, there are 42 members in the co-operative compliance customer-teams. Most of the team members are experts in different tax types. In the beginning the number of man-years in ECC was 4,1. Since that it has more than doubled.

The pilot involved five consolidated corporations. As of November 2018, 27 consolidated corporations participated, out of which 16 were in the compliance scan phase. The aim for 2016 was to have 10 new clients come into the ECC approach; six corporations ended up joining. For 2017, the goal was kept the same: 10 more corporations to participate each year.

In KOVE, the work is organised into teams, with each consolidated corporation having a team of its own. The different roles in a team are a client account manager, a team member and a specialist leader. A client account manager's task is to act as the contact person both externally between the consolidated corporation and the tax administration and also internally within the tax administration. The client account manager guides the client team's activities in general and for more specific individual assignments. The client account manager plans for, arranges and executes client relationship management as a whole; is responsible for communications internally within the tax administration and externally with the client; and is responsible for organising the regular meetings. Any given employee can be a member of several teams.

A team member's task is to provide the required expertise in a given tax type. The team member's task is also to support the functioning of the team by, for example, keeping the information concerning the client up-to-date. The team member also advises and instructs the client in an anticipatory manner on issues regarding matters of taxation, specifically on questions regarding, for example, VAT or corporate taxation. The specialist leaders in a particular tax type are leading experts and specialist experts who support the team members in the challenging, interpretative and unclear matters of taxation.

Since the pilot started in 2013 and until 2016, a project manager has been in charge of the steering and development of the ECC method – both on the strategic and operative levels – and has been responsible for the administration areas of the programme. Even though the project manager developed the approach with the help of an appointed developing team, most of the personnel involved in the pilot also took part in developing it. In 2016, the process manager for anticipatory guidance and counselling became the head of strategic steering at VERO, and operative steering became the responsibility of the VERO employee in charge of resources. VERO's administration has had a role in the pilot by ensuring that the ECC proceeds as planned.

3.2 Infrastructure and network

The ECC pilot

The partners in the ECC pilot were KOVE and five consolidated corporations. The number of separate legal entities involved in the pilot was greater than five, but KOVE considered a consolidated corporation to be composed of one entity and one client. The exact criteria used in the client selection were not disclosed in the interviews. Some tax administration interviewees saw the benefits in including the 'more aggressive customers doing what they want to' as future clients in the approach, especially if with cooperation could be established and the companies' tax compliance and attitudes could be affected.

The OECD report on cooperative compliance (OECD, 2013) lists behavioural changes regarding tax avoidance and planning undertaken – that is, improved tax compliance – as some of the main benefits of the model. It can be argued that if the purpose of the ECC is to promote compliance among KOVE clients, then choosing already compliant corporations will not yield results, whereas choosing the less compliant companies might. Because cooperation is based on voluntary participation, openness and trust, it can be nonetheless questioned how well these attributes would fit into a relationship with a taxpayer who is engaging in aggressive tax planning.

As already mentioned, in KOVE, the participants in the pilot were the project manager, the client account managers, the experts for the different tax types and the team

members, who together constituted the entire team. Cooperative compliance was supported and approved by the top administration of VERO.

In many of the KOVE interviews, the Confederation of Finnish Industries (*Elinkeinoelämän Keskusliitto*) was seen as one of the stakeholder groups of the approach. The interviewees mentioned that because of the adverse experiences in Sweden, where their corresponding organisation – *Svenskt Näringsliv* – was opposing a similar pilot, VERO had discussed the pilot with the Confederation of Finnish Industries before its launch (cf. Björklund Larsen, 2016). Indeed, the Confederation of Finnish Industries was seen as a strong player and a thought leader among Finnish companies, and several interviewees perceived its opinion as significant in the pilot's success.

Furthermore, practitioners, such as auditors and tax consultants, appeared as groups who might have an interest in the pilot and the modus operandi it presents. According to the KOVE interviewees, tax consultants took two kinds of positions regarding cooperation. On the one hand, the interviewees saw the tax consultants as scared of losing their own role and facing diminishing business possibilities if companies were to communicate directly with the tax administration. On the other hand, some tax consultants saw this approach as a permanent element in taxation and as something they had to adapt to or as beneficial to all parties; the ECC approach was noted as possibly offering new business opportunities for tax consultants. For example, tax consultants can offer companies their services in executing compliance scans and assessing tax processes and systems. Those interviewed also mentioned that the tax consultants could have an interest in securing an entry into the pilot programme for their own customers.

The tax consultants interviewed mentioned that they have also been wondering about the consequences of this cooperation on their own line of business. In some cases, the cooperation might mean diminishing work opportunities for them, for example, when companies are filing taxes, but in other cases, an increased demand for their services might be come in the form of consulting with processes and compliance issues. In general, the tax consultants interviewed had a positive attitude towards the ECC, and it was described as an 'extremely good thing' by one of the consultants interviewed.

Although many of the interviewees saw that there is general interest in corporate taxation as a topic and that taxation is frequently present in the media, the ECC itself has not created much interest outside its participants, corporations and the tax administration, unlike, for example, in Sweden (cf. Björklund Larsen, 2016).

4 Why was this approach chosen?

The OECD (OECD, 2013) mentions improved tax compliance as one of the benefits to revenue bodies from implementing a cooperative compliance framework in the national context. This goal is shared in Finland, even though none of the interviewees working for the tax administration expressed negative views about the general level of tax compliance in Finland without the programme. Similarly, as one tax consultant stated: 'To start with, the Finns are more positively inclined towards paying taxes than the citizens of many other countries'. One of the company representatives interviewed mentioned: 'We want to do things right and pay taxes'.

Nonetheless, the ECC approach contains aspects that, in most of the interviewees' opinions, are worth preserving and being further enhanced to improve corporate taxation for both the companies and tax administration. For example, in many interviews, for example, with the tax consultants and tax lawyers, predictability was the most important aspect in taxation, and 'no surprises' was the common desire expressed. The ECC approach can offer improved predictability to companies, which was what some of the companies interviewed indeed stated. According to a representative of a business interest organisation, all methods that decrease tax disputes are desirable because companies want to avoid unpredictability.

As a caveat to the above, it has to be noted that these results may not be representative of the Finnish corporate tax scene as a whole because the customers of KOVE are the largest companies in Finland, having the best resources to handle taxation.

The presented reasons for choosing this approach can be categorised into four themes: 1) tax administration as an aid to the companies; 2) restoring public confidence in corporate taxation; 3) benefits to the tax administration and 4) international examples. Cooperation was seen as a win–win situation to all those involved; as a way to enhance trust between large corporations and the tax administration; and as a way for VERO to use its restricted resources in a more efficient manner. For the companies, the ECC approach was also seen as a way to provide the sought-after predictability.

Naturally, the KOVE interviewees had inside information into the reasons why the tax administration chose this approach, and the interviewees not from the tax administration viewed the situation from an outsiders' point of view, presenting their own ideas on the underlying reasons why they chose this approach. Although these reasons for choosing the approach are presented by those outside the tax administration, they might not be the exact reasons considered in the tax administration for adopting the ECC approach; hence, this multifaceted approach paints an interesting picture regarding what is seen as needing improvement and of the expectations that are placed on the ECC approach and on KOVE.

4.1 Tax administration as an aid to companies

In the tax administrators' opinions, attaining a direct dialogical relationship and continuous dialogue with clients were two notable factors for why they wanted to choose the ECC approach. With the ECC approach, customer knowledge would improve, and the tax administration would be better informed on the current issues and transactions in the clients' businesses. The clients would be provided with improved service, and their needs could be better met regarding their tax questions.

In many ways, the ECC presents a win–win situation for the tax administration and the companies involved. The KOVE interviewees stated that compared with the basic relationship between the tax administration and taxpayers, the ECC was expected to enable the tax administration in pursuing working in real time, and this would bring benefits to both the clients and the tax administration. For the taxpayers, this would result in better service from the tax administration. In a similar tune, for example, the companies and the tax lawyers interviewed saw working in real time as beneficial for companies because the approach contained the promise of solving the issues when they were topical, not a number of years afterwards.

To attract companies to join the ECC, the advantages must be apparent, which both the companies and tax consultants noted in the interviews. If not, companies would not want to join the ECC, which already had been the case. Among those interviewed, for some, the advantages were visible, while some were more hesitant about these advantages.

Among those who thought well of the ECC approach, the opinion was that the approach seemed to promise companies improvements to the current situation: help with the companies' tax issues, minimising their administrative burden, better clarification of difficult issues and a fluent exchange of information. The emphasis in taxation shifted from auditing historical information to promoting future compliance. The predictability of taxation would improve with, for example, operating in real time. The enhanced business knowledge of KOVE would be reflected in the improved guidance given to the companies. As an example of the services the tax administration could offer its clients, KOVE interviewees mentioned informing the companies of changes in legislation and of noteworthy norms given out by the Supreme Administrative Court and other courts.

Those hesitant about the benefits of the approach feared that the ECC would only add to the administrative burden of the companies. One of the tax lawyers interviewed wondered about the amount of information the corporations would need to deliver to the tax administration and whether this approach would yield any better results than the regular situation.

Although some companies admitted to having, for example, found the compliance scan taking a lot of time and resources, the experiences of the companies interviewed were mainly positive. Companies had, for example, benefited from the compliance scan; they had received good guidance and improved services from the tax administration, finding the tax administration worked in a flexible and expedient manner. As one interviewee expressed:

> … there is a team that takes care of our business and is ready to help….

Some of the companies and tax consultants interviewed stated that a relevant presumed benefit for taking part in the ECC was the help the tax administration would be able to offer with the problems companies might have with the tax administrations in other jurisdictions. A company and the Finnish Tax Administration would be working as a team to achieve a common goal; the tax administration would also be seeking clarification on any international situations and try to support the company therein. As one company stated why it had gotten involved in the ECC:

> … that they [the tax administration] really try to help us, if we cannot handle the cases on our own and work in cooperation with us.

This 'partnership' was seen as something new, as one of the tax consultants put it:

> People wanted to get rid of the juxtaposition [the taxpayers vs. the tax administration]… a change in the culture is taking place….

This change in culture was evident, for example, in the KOVE interviews, specifically in the words used to describe the corporations in respect to the tax administration. According to a KOVE interviewee, the previous big change here had been when the term 'client' had been introduced to describe the taxpayers. Another change seemed to be taking place because the interviewees (in the tax administration and the tax consultant group as well) referred to the tax administration clients as 'partners' or even as 'pals': partners working towards a common goal, whether to fend off other tax administrations or enable the corporations to pay the right amount of taxes at the right time.

Overall, the benefits to the companies were seen to be numerous; among these many benefits, the companies would receive better guidance, would be served promptly, and their needs would be better met. It was also hoped, but sometimes feared, that this would not be the case and that the approach would bring relief to the seemingly ever-increasing administrative burden.

4.2 Enhancing public confidence in corporate taxation

Some of the interviewees saw the relationship between the taxpayers and tax administration prior to ECC, and even currently, as demanding remedying. One of the interviewed tax consultants stated, 'Four or five years ago, there was not much trust

between the tax administration and the Finnish listed companies'. This interviewee went on to say that the elimination of the juxtaposition was hoped for. It was argued by one of the representatives of the business interest organisations that the loss of trust had been incurred as a consequence of both a transfer pricing project carried out and increased aggressiveness in interpreting tax legislation. A few years back, tax administration had started a project targeting transfer pricing, and a representative of a business interest organisation stated that some of the measures taken in that project were deemed excessive. It was even presumed by the interviewees outside the tax administration that the VERO employees involved in the project had set targets as to how much each employees should collect in taxes in these audits, and this had resulted in excessive taxation. In addition, with tax audits in general, VERO's interpretations of legislation were argued to have become more rigid, and the companies had challenged these new interpretations successfully.

A representative of a business interest organisation argued that as a consequence of these actions, the taxpayers could not trust the objectivity of the tax administration and it not trying to tax to the fullest. Legal certainty was lacking, and an atmosphere of distrust prevailed. This same interviewee went on to say that trust had to be earned again, and the ECC could be the remedy for the situation.

The existing tax legislation in general and the problems connected with it were also mentioned as some of the background reasons for why the tax administration implemented the ECC. The complexity of tax legislation, its accretion and the proliferated information requirements for companies had all induced growth in the administrative burden on both the tax administration and taxpayers. The reciprocating tax laws prescribed by the Finnish Parliament worsened the situation: some tax laws were in effect only for a year, after which the Parliament revised them back to their former state. For corporations, this created instability of taxation.

One of the interviewed representatives of the business interest organisations stated that the feelings of mistrust were mutual because there seemed to be a lack of trust on the tax administration's side too. The tax administration could not rely on the companies' willingness to pay taxes, especially in an international context.

Because the tax administration mentioned improving the relationships between the taxpayer and tax administration as one of the goals of the ECC approach, this can be interpreted as an indication that in VERO's view, there is room for improvement here. Interestingly, these instances that seemed to create such distrust on the corporate side were not brought up in the KOVE interviews although the notion of trust was discussed during most of the interviews. The KOVE interviewees stated that corporations have to be able to trust the tax administration, and the tax administration can create trust through its own actions: by being open and honest in their work. As one interviewee stated:

> By acting openly and sort of telling, why a particular question is asked, explaining openly, why we need this information… if some issues are unfinished, by communicating enough, what stage of the process is going on.

The ECC was seen as a method for improving trust and as a tool for helping in clarifying difficult issues, for example, by enabling oral procedures, working in real time and focusing on the future. Traditionally, communications between the tax administration and taxpayers have relied on written exchanges of information, but the demand for discussions and face-to-face exchanges of information have increased. As a representative from a business interest organisation stated, VERO took the cue from legal bodies, where these demands emerged earlier. In-person discussions were a way to expedite the process, to eliminate misunderstandings and to get at the core of the matter more quickly. According to a business interest organisation, both working in real time and having the focus be on the future made discussions easier because the issues were resolved when they were topical, and old decisions would not have to be defended.

One of the interviewees from the business interest organisations saw that the ECC would improve trust and dialogue. The EEC was considered as having the potential to improve trust between the tax administration and taxpayers, and an improvement in the relationships between taxpayers and the tax administration was expected to take place; this was specifically stated by one of the tax consultants interviewed. As one tax consultant put it, there should be more trust on both sides and faith in everybody having a common goal of trying to solve the issues and find out answers, along with trust in the fact that the other party would not try to benefit from the situation.

4.3 Benefits to the tax administration

The interviewees presumed the benefits that the tax administration would gain would be significant. As already stated, KOVE interviewees expected customer knowledge to improve and the tax administration to be better informed on the current issues and transactions in their clients' businesses with the ECC approach. Interactive and conciliatory ways of operating and avoiding conflicts at the organisational level were all seen as making the operations more effective.

The use of KOVE resources would be improved through a couple of mechanisms. The initial compliance scan to check the functioning of the tax processes would not make the tax audits completely redundant as a tool for improving tax compliance, instead decreasing their number, which was expected by many of the companies interviewed. This would free KOVE resources for other uses. KOVE interviewees saw working in real time as a great improvement in their time allocation and use of tax administration resources, resulting in a decrease in the number of advance ruling applied.

Working in real time would not only help the clients, but also ease the work of KOVE as well. According to a tax consultant interviewed, solving issues when they were topical, not a number of years afterwards, would benefit KOVE because, for example,

there would be fewer misunderstandings, getting to the core of the matter would be faster, and the ECC would underline the old tax authorities principle 'right tax at the right time'.

4.4 International influence

International influence has also been a factor in the decision-making process. The ECC stems from the OECD's recommended method for controlling large customers, and the KOVE interviewees noted that the practices proposed by the OECD have all been factors in choosing the ECC approach. The implemented cooperative compliance programmes in several jurisdictions served as a model and benchmark. In the Netherlands and Ireland, similar programmes' positive results were given as examples, and the Dutch Horizontal Monitoring had been benchmarked (for Horizontal Monitoring, see de Widt, 2017; de Widt and Oats, 2017). The interviewees mentioned that none of these examples had been copied as such, but a Finnish version of the cooperation had been developed.

Because the pilot only started in 2013, the work was still underway at the time of the interviews, and the approach was being continuously developed. Developing the approach has created interest on the corporate side also; some of the companies involved in the pilot mentioned the possibility of influencing this approach and being a part of its development as one of the reasons for wanting to join. Based on more recent discussions between the researchers of this report and the tax administration, it appears the practices of cooperative compliance continue to develop.

5 How are the stakeholders engaged? What are the proactive elements?

The basis of the customer relationships in the ECC lies in the informal agreement, a letter of understanding that is signed by KOVE and the corporation in question. Before the letter of understanding is signed, a compliance scan to verify the functioning of a company's tax controls must be completed and approved by the tax administration. In the letter of understanding, both parties commit themselves to forming a bond of trust, mutual understanding and transparency.

The corporation promises, for example, to maintain its internal controls at an agreed-upon level and with agreed-upon content to – unprompted and as early as possible – bring to the tax administration's attention its own opinion on matters influencing the corporation's taxation and promote and support working in real time. The tax administration promises to adapt its controls to an appropriate level by taking into account, for example, the corporation's internal controls, discussing relevant fiscal and other changes with the corporation and promoting and supporting working in real time.

According to the interviewed tax administrators, the focal point of the ECC approach is in the tax administration, which aids the companies with their tax issues. When planning their business and transactions, the companies discuss the effects that different business alternatives have on their tax position. The KOVE interviewees emphasised their role as an authority and wanted to make clear the distinction between their role and that of various tax intermediaries; here, they saw assisting the taxpayers as a part of their job. Their aim, as an authority, was not in seeking out the most beneficial alternative to the taxpayers taxwise, but rather in informing the taxpayers of the results that the different business alternatives would bring them in terms of taxes.

According to a tax lawyer interviewed, both the tax administration's and the taxpayer's goal should be in finding a joint understanding. One of the interviewed tax consultants stated that the taxpayers and tax administration should work together, find agreements on issues, and try to make the cooperation work. Having an annual plan on how this kind of cooperation is carried out would be one way to succeed, as noted by one tax lawyer.

On the corporate side, it was mentioned that although the letter of understanding obligates the companies to disclose important issues to the tax administration as early as possible, acting promptly is not always possible because the business side moves so fast.

5.1 Proactivity and real time

The interviewees from KOVE saw proactivity and working in real time, which are two of the cornerstones in the ECC approach, as going hand-in-hand. Both concepts have to do with time and how to expedite things compared with the normal tax relationship. Proactivity can be demonstrated, for example, when the tax administration, as a part of its obligations, follows up with the companies' businesses and gathers information by communicating actively with them. The interviewees saw communicating consisting of, among other things, inquiring about current issues and transactions, keeping in touch and organising meetings at regular intervals. In this context, proactivity serves the purpose of staying informed of the companies' business plans, which in turn enables the tax administration to – already early on and upfront – map out possible tax risks.

Another example of proactivity is when KOVE carries out its own risk monitoring that can, for example, detect risks connected with a particular industry. These risks should be discussed with the possibly affected clients. For example, by following company acquisitions in the media, the tax administration can identify instances that require contacting clients, which would demonstrate initiative.

According to the tax administrators interviewed, proactivity means accumulating more information on the companies, leading to better informed guidance by the tax administration to the companies. Gathering information also serves as a risk-monitoring method because KOVE can inform companies of possible risks concerning their taxation. Educating companies, informing companies (also on minor tax issues) and giving new or clarified instructions were all given as examples of proactivity. Proactivity by the tax administration would benefit corporations in many ways: because they receive better guidance and are more informed of possible tax risks, companies can save time; in turn, this helps the companies pay the right tax at the right time, possibly saving the companies money in terms of penalty fees or interests.

One of the companies interviewed had been surprised at the proactivity presented by KOVE, when the company had been contacted in a relatively small matter. One company remarked on the usefulness of being informed on changes in legislation and in new guidance issued by the tax administration, stating that even though they might not agree on all the guidance given, at least it was clear what the tax administration's view is (based on all the information). Based on the company interviews, some variance in the proactivity between the different teams was evident, but overall, most of the companies interviewed had found this tax administration's proactivity beneficial.

In the interviews, working in real time was understood as the ability of tax administrators to provide answers to clients promptly, handling issues when they are topical and occur. KOVE had informed its ECC clients that they may have their questions answered promptly. The corporate interviewees saw working in real time as a benefit that tax administration could provide; in fact, KOVE already had provided companies with comments on their tax issues faster than in the basic relationship. For example, for the companies outside the ECC, it can take anywhere from approximately

two months to over a year for an advance ruling to be issued, depending on the legal steps taken . With today's fast-paced business world, waiting for over a year for an advance ruling to be issued may be too long a delay for a business transaction, and any chance to decrease this time is certainly welcomed. One corporate interviewee had already noticed the difference being in the ECC had made because the tax administration had prioritised the ECC clients and had been able to give answers and advance rulings quicker because of improved customer knowledge. This notwithstanding, some corporate interviewees were happy with KOVE's pace, even outside the ECC.

KOVE interviewees explained that operating in real time has a different meaning for different types of taxes. For example, for corporate income tax and VAT, real time has a different perspective in the business world; implementing real time in a corporate income tax context was viewed as problematic because at the latest, filing corporate income tax can take place after almost a year and four months after the actual transaction has occurred. Discussing issues and giving guidance upfront, along with the company committing to filing the issues in question as agreed, were given as examples of implementing a real-time process in corporate tax. The KOVE interviewees stated that the problem with this was the judicial and moral validity of the guidance given.

One of the companies interviewed had found the tax administration and company having to make their decisions based on the same set of facts known to both parties as a positive feature of working in real time. For corporations, waiting for a year or two for the tax decisions to come is not a good option, but when working in real time, the tax administration needs to follow the corporate world's pace instead.

The KOVE interviewees stressed one important point: The ECC, even with its proactivity and real time, does not mean there is different tax treatment or special services for those clients in the ECC and those outside it. Legislation is the same for all clients and is applied similarly in all cases. According to the interviews, the tax administration's ability to offer services to corporations more promptly was the only difference between the companies in the ECC and those in the standard relationship.

5.2 Communication and discussions

According to the KOVE interviewees, one of the cornerstones of the ECC – improving the reliability of taxation – is promoted with communication and discussions. Discussions and the aim to find a consensus with the client have a significant role in the ECC approach. The discussions were regarded as positive because the agenda was to find, for example, an answer to an issue raised by a client. This is a change to the normal situation, where an already made decision has to be defended. In the ECC, the change is of significance: no longer is the focus on the historical information, on the past years and on finding mistakes made, but rather, it is on promoting future compliance. This change in temporal focus is expected to make the discussions between the tax administration and taxpayer easier. One company stated that it also better answers the needs of today's listed companies. The discussions can also give an

opportunity to present further questions and express the company's own view on issues, for example, on guidance given by the tax administration.

For the ECC to succeed, the participants must be able and have to have the possibility of communicating. The KOVE interviewees argued that another prerequisite for success is that the tax issues are openly and honestly disclosed. In addition, the tax administration personnel should also be cooperative and communicative, which had been done. To increase client transparency regarding relevant tax issues, the KOVE interviewees noted that good customer service and good answers to the clients' questions are needed. The corporate interviewees hoped for open discussions to find the correct answers and to attain improved predictability through open information delivered on time. The corporate interviewees saw the approach requiring constant dialogue and convening on a regular basis, with the suggested number of meetings being once a month.

According to a tax consultant, disputes were considered 'normal' in Finland, and discussions helped solve them. Discussions and finding consensus through negotiations were found by the KOVE interviewees to be the only dispute resolution mechanisms available to the tax administration. According to the academic interviewed, the companies should have a real opportunity to react, to defend themselves and to explain the business reasons behind different transactions. The KOVE interviewees mentioned that if a consensus cannot be reached through these mechanisms, a company can proceed with the case using the normal routes of taxation.

Many interviewees stated how dialogues and discussions are seen as a more efficient way of getting to the core of the issue compared with using the written procedures. Additional questions and clarifying remarks can be presented immediately, making it easier to discuss the issues at hand. According to the academic interviewee, conflicts will arise, but the sooner they can be addressed and a mutual understanding can be found, the better. This saves money and time on both sides.

Negotiating on the amount of taxes to be paid is not on the ECC agenda; this has never been a part of the Finnish culture, as it was said to be in some countries, nor is allowed by law. The tax laws state specifically the amount of taxes to be paid. Nonetheless, the opinion of some of the tax consultants and KOVE interviewees alike was that negotiating has been misunderstood when it comes to taxation. Negotiating on taxes does not mean negotiating on the amount of taxes to be paid, but rather, it means discussing and agreeing on the premises and facts that the taxation decisions are based on. One of the KOVE interviewees gave valuations – the values used in taxation – as examples of when negotiating is possible because valuations can be open to interpretation. Through negotiations, it is possible to find a value that both parties can agree on.

KOVE interviewees expressed some concern over the influence that closer contact with clients have on the impartiality of the tax administration. Although the companies involved in the ECC receive no special services from KOVE, nevertheless, the intensive

communication and personal relationships with the representatives of the clients were presumed to have an effect on the quality of the communication and on resolving issues. Despite these concerns, the tax administration's status and responsibilities as a government official and abiding by the tax laws were brought up in the interviews, as well as the fact that it is neither possible, nor is there any need to, make deals with the companies, as was mentioned earlier. The goals of taxation or the legislation governing it have not changed; only the manner in which the tax administration carries out its judicial obligations has changed, the interviewees concluded.

5.3 Personnel

According to the KOVE interviewees, being proactive was seen as relating to the individuals involved in the ECC. An individual's personality shaped how proactive the methods would be and how these methods will be shaped in the future. The ECC requires a new attitude and new ways to be in contact with the client compared with the traditional relationship. Traditionally, according to the interviewees, the taxpayers have been the more active party, and the tax administration has reacted and responded to their contacts. However, the goal is now to increase the tax administration's own initiative in contacting taxpayers.

The corporate interviewees understood the difficulties that the personnel of the tax administration may be experiencing with the new ways of communicating. It takes new kinds of skills and determination to be able to discuss and comment on tax issues with a client if one is used to communicating with written documents and expressing opinions in a written form. Some interviewees concluded that the tax administration personnel must be ready to change the way they operate. Because of these new required skills, some of the interviewees expressed their concern about the needed expertise and possible lack of it among KOVE's personnel, while some saw that thanks to the expertise the personnel possessed, the cooperation between KOVE and the companies has been successful. One tax consultant noted that along with the needed expertise comes the courage to make decisions impartially without advocating only for the tax recipients.

A common opinion among the corporate interviewees was that the openness required by the ECC approach depended to a great extent on the people involved, and the chemistry between these people was a crucial factor for the success of the ECC. Therefore, according to an interviewee from a business interest organisation – who feared that the old 'mistake-oriented attitude' still might exist – KOVE has to carefully select those working on the ECC approach.

The need to clarify the role of the tax administration also came up in the interviews with KOVE personnel. The interviewees expressed uncertainty about these proactive elements and insecurity concerning the tax administration's new ways of operating.

5.4 Proactivity and companies

The corporate interviewees noted how companies demanded proactivity because 'the tax administration cannot know, what is going on in the taxpayer's head, before they tell it'. This proactivity, in the form of disclosing issues to the tax administration, was also seen as a prerequisite to attaining the desired predictability. One interviewee argued that the companies should be ready and willing to be open because they have the obligation to be in contact with the tax administration. Proactivity is demanded of by the companies in the letter of intent they have signed. As an example, one company's

proactivity was demonstrated when the company set up meetings with the tax administration to disclose their plans and preliminary financial information.

A corporate interviewee stated that the fact that proactivity was expected made it easier for the companies to contact the tax administration because this was considered permission for contacting KOVE. Companies needed to be proactive, for example, when being aware of the tax administration's stance on a particular issue was deemed important.

Based on the corporate interviews, it can be stated that the experienced and desired level of proactivity regarding the tax administration seemed to vary across the companies, depending on their situation and needs. Some interviewees thought that meeting once or twice a year would suffice; others had held meetings every other month. In addition to meeting in person, companies had been in contact with the tax administration via e-mails and telephone.

6 Forms of resistance

The KOVE interviewees stated that the corporate tax payers' attitudes towards the ECC have been, as a rule, positive. Despite the overall positive attitude, some of the companies KOVE started discussions with about participating in the ECC decided to opt out. When discussing the reasons for this, they were presumed to stem either from ongoing tax audits where KOVE and the client had differing points of view or from the unwillingness of the company owners to take part in the ECC. The companies may also have estimated the workload required by the initial compliance scan to be too demanding. Some corporations had referred to other ongoing, resource consuming changes as a reason not to participate.

Further, not all the companies were ready for the openness required by the approach concerning their tax strategy. The companies may have also feared that the tax administration would extensively and in detail investigate the tax issues of the company. It was also presumed that some of the customers did not perhaps find closer cooperation with KOVE necessary because they found that the matters were taken care of well enough with the current operating procedure.

The corporate interviewees stated that companies, especially consolidated companies, have seen an increase in their administrative tax burden in the past few years. Country-by-country reporting, for example, is one of the sources of this tax burden increase. Because of this already existing burden, new responsibilities have not been welcomed; that is, the timing for taking part in the ECC has not been favourable.

Some of the representatives of business interest groups, corporations and tax consultants interviewed said that because some companies have deemed the ECC approach as taking up too much of their resources, they have not wanted to be partners. In a tax lawyer's opinion, the ECC sounded like a very burdensome process where companies are required to deliver 'pretty much all' information to VERO, and 'it is not sure, whether … there are benefits for the companies'. As one of the companies interviewed expressed:

> Many companies see the compliance scan as an obstacle; they do not want to take part in the ECC with the control testing because they, to start with, do not have the resources it takes and also because it is wasted time with the tax audits….

Companies are worried about the amount of information they have to disclose to the tax administration and the openness required of them. Some members of business interest organisations stated that the companies' businesses keep them too busy to take part in such a project and that the companies not participating in the ECC did not see themselves benefiting from this programme.

The neutrality of the tax administration was questioned in the interviews with some companies and the tax consultants alike; they saw the tax administration siding with the tax recipients. A concern over a lack of trust and objectivity were also mentioned by the interviewees from a business interest organisation as factors for increasing companies' resistance to take part in the approach, stemming, for example, from public disputes between the tax administration and taxpayers.

The objectivity of the tax administration was questioned because it was suspected that even though the tax administration's task is, according to the law, to objectively apply the right tax being paid at the right time, the tax administration was assumed to lean more towards the tax recipients' side in its decisions. This becomes clear from an excerpt of an interview with a representative of a business interest organisation:

> … this idea (of tax administration neutrality), which from the companies' viewpoint does not hold true at all; from the company viewpoint, it is the tax administration that is on the tax recipients' side. And *VOVA* (Tax Recipients' Legal Services Unit) on the tax recipients' side to the tenth power.

One of the tax consultants interviewed also mentioned that even though seeking legal certainty is one of the reasons why companies would join the ECC, these companies have decided to opt out because of the fear of VOVA getting involved. The fear of VOVA interference undermines the presumed advantage of increased predictability and legal certainty in some companies' minds. Even one of the KOVE interviewees stated that the tax administration 'sort of' advocates the tax recipients' interests.

According to the law, the tax administration is a neutral party between the taxpayers and tax recipients, and VOVA, as an independent actor, oversees the rights of tax recipients in taxation matters and tax appeals. For example, VOVA can appeal advance rulings issued by the Central Tax Board, which was deemed problematic by those interviewed because some interviewees stated that it seems that VOVA appeals all advance rulings that are positive for a company. One tax consultant stated that this kind of pattern was seen as a reason for the companies not applying for advance rulings and thus trying to attain greater predictability because VOVA's appeals may result in lengthy and expensive court cases. The interviewees questioned the role and need for VOVA. An interviewee from a business interest organisation stated, '… for sure the tax administration stands up for the tax recipients', adding that the old juxtaposition with the taxpayer and tax recipient fighting each other with the tax administration as a neutral actor in between is not needed any more.

Being part of the ECC seemed to raise concerns among some companies, but so did opting out of it. According to some of the interviewees of the business interest organisations, the consequences of declining the offer to join the ECC worried some companies. Is joining truly voluntary, or will a tax audit be an immediate result of turning down the tax administration's offer to join? The companies interviewed did not see declining to join a problem because the tax administration is aware that the

companies' resources to handle tax issues are limited and that the tax administration is mainly empathetic towards companies and the administrative burdens they face, as one interviewees noted.

7 Important issues in the Finnish case

7.1 Experiences with the ECC approach

Although some critiques were found, working in the ECC has been a positive experience for all the KOVE personnel interviewed. Increased client contacts, added contacts between people (also within KOVE), working in teams, transitioning away from the standard relationship and the chance for in-depth discussions with clients regarding issues concerning their businesses were all mentioned as positive elements. The approach enables the tax administration and taxpayers to communicate in a constructive manner, seeking answers together to the questions concerning taxation. The tax administration's own activity was seen as a crucial factor in the success of the approach, and increasing this activity requires changes in the traditional ways of operating. Those criticising the ECC stated that the actions and methods used in the programme still demanded planning and learning.

The KOVE interviewees hoped that, as a result of the methods and tools used in the approach, their clients and their businesses would become familiar, and the clients would voluntarily bring issues and questions to the tax administration's attention. All of this would reduce the need for tax audits and long legal processes. The goal of the ECC was seen to be a functioning discourse and open communication that could render tax audits unnecessary. Some of the KOVE interviewees saw that tax audits must be maintained as a possibility and a 'threat', including for the companies participating in the ECC.

Despite some of the negative examples given in the interviews (by the business interest groups, tax consultants and companies), feedback on the tax administration was mostly positive. The tax administration had replied quickly to the taxpayers' inquiries, and arranging meetings had been possible, even at a short notice, which was an improvement to an earlier situation. The interviewees hoped that the methods and mechanisms used in the ECC would be expanded to other processes within corporate taxation. One of the tax consultants interviewed maintained the following: "The ECC has produced some good results or is in a good start, and it will gradually grow... that someday we will have the ability to think more ... in a bigger picture".

7.2 Trust and protection of trust

In general, from the KOVE interviewees' point of view, the culture of the ECC was seen as a redeeming feature, but the protection of trust as a legal issue was seen as creating a problem: What judicial or moral validity do the instructions and guidance given to the customers have? The principle of protection of trust is defined in the Finnish tax legislation (Act on Taxation Procedure 1558/1995) as follows: If a matter is open to

interpretations or unclear and if the taxpayer has acted in good faith according to the conventions or instructions issued by the authorities, the case has to be ruled in favour of the taxpayer if particular reasons do not dictate otherwise. The purpose of this norm is to increase predictability and legal certainty in taxation.

The interviewees saw the protection of trust and legal certainty as problematic in the context of the ECC. The academic who was interviewed stated that in legal practice, the bar to be granted protection of trust has been set high. The interviewees stated that to attain protection of trust, the matter at hand must be inspected by the authorities, and the resulting guidance has to be documented. Advance rulings and tax audit reports, including guidance, have been accepted as documents granting protection of trust to taxpayers. Protection of trust is an important issue in the ECC context regarding improving the predictability of taxation: What kind of guidance given to a taxpayer results in the taxpayer being granted protection of trust?

Most of the interviewees, regardless of the organisation they represented, were of the opinion that the taxpayers should be able to trust the guidance that KOVE personnel gives them and that their taxation will be handled accordingly. A tax consultant stated the following:

> It has to be one of the basic elements in the whole thing that if the facts are in order as they have been discussed, so neither party changes its view… you have to be able to trust these.

One of the tax lawyers explained that protection of trust requires a clear investigation of an issue and making a decision by the tax administration; therefore, protection of trust can be difficult to attain in a consultation. On the other hand, the opinion was that the customers should be able to have trust in the discussions with the tax administration and that, hence, the responsibility lies with the tax administration when it comes to trust.

The issue of trust as a more general term – not restricted only to protection of trust in a legal sense – was a topic in many of the discussions. A lack of trust has already come up in the current report as one of the reasons for initiating the approach. A tax consultant mentioned that because the ECC is about cooperation, there should be trust in the other party's willingness to provide aid. One of the tax consultants commented that in some other jurisdictions, the relationship as a whole is based more on trust than in Finland. Building this trust is not achieved with changes in legislation but rather with a change in the organisational culture. The opinion was that during the last four to five years, there have been measures made towards building and improving trust, and tax administration has steered away from the most aggressive interpretations of tax law. A tax consultant noted that the ECC was seen as an important component in these trust-building endeavours and an excellent step towards the companies seeing the tax administration as a reliable partner.

A business interest organisation interviewee said that a lack of trust towards the tax administration would not show in the non-compliant behaviour of companies but rather in general distrust of the authorities; an outcome of this distrust might be fewer companies being established and less entrepreneurs in Finland or even international companies not wanting to have any operations in Finland. The interviewees stated that for international companies, the function of taxation inside the company is 'no surprise', and the companies should be able to trust the tax administration to deliver this promise.

When discussing trust between the tax administration and taxpayer – even trust between organisations – the question about the role of the people in the organisation arose. It was argued by a tax consultant that relationships between people cannot have been created, and trust with any single person is not formed because the tax official has not traditionally been keen on having a dialogue. Therefore, trust rests on the organisation as a whole. We argue, however, that the ECC is a clear indication of the willingness by the tax administration to increase dialogue with corporations.

7.3 Impartiality towards the taxpayers

As a governmental authority, the tax administration is required to treat all taxpayers impartially, and the concern over this impartiality was brought up in the KOVE interviews: Does the ECC place the different corporate taxpayers, or the customers of KOVE and other taxpayers in unequal positions? Do all taxpayers obtain fair treatment? Furthermore, close cooperation with the customer can raise the question if the tax administration is independent. Although these questions were raised, the interviewees from the tax administration did not consider losing their independence as a potential threat because of the strength of the vocational integrity of the personnel working there.

An interesting juxtaposition that the tax lawyers who were interviewed mentioned was seeing the hypothetical partiality of taxpayer treatment an issue. Some of the interviewees acknowledged the companies in the ECC as being treated differently: these companies have been offered more (e.g., in terms of legal certainty) by the tax administration compared with those companies in the standard relationship with the tax administration, but more is also demanded of the companies in the ECC. It was opined that every taxpayer could seek similar legal certainty for their own taxation, and it is only the process available for those outside the ECC that is different.

7.4 Cultural change

7.4.1 Focus on the future, not on the mistakes of the past

A tax consultant interviewed argued that when the focus is on the future and on applying the correct practices and processes, instead of on the mistakes of the past, it is much easier for a taxpayer to change its conventions and improve compliance. In particular, the listed companies, with their published financial information, have found it hard to accommodate any changes in this information. The initial compliance scan is an example of a future-oriented mechanism in the ECC. Despite these future-oriented aspects, some of the interviewees maintained that in the tax administration, the old fault-seeking attitude could still be found although the corporate attitudes towards tax audits and tax auditors were positive.

To further enhance the processes and improve compliance simultaneously, it was suggested by a tax consultant that the corporate world, the tax consultants and VERO should team up to find the best practices in taxation because this would be in all the parties' common interest.

7.4.2 Discussing culture

A tax consultant stated that the Finnish Tax Administration has not been known for discussing culture; rather, its basic approach has been called very 'official'. VERO has relied on written exchanges of information, and matters are handled based on written documentation, which can, according to the corporate interviewees, result in multiple written documents being sent back and forth when trying to resolve an issue. Therefore, the culture of discussion presented in the ECC is seen as a remarkable cultural change and is enthusiastically accepted by those interviewed. According to the member of academia interviewed, the culture in the tax administration has already advanced: "… they are more ready to discuss, and together, they try to find the solutions. It is not dictation any more."

Although the experience was that the tax administration still does not adequately take a stand on issues in the meetings between the taxpayer and tax administration, the discussions, where the participants can present the issue from their own point of view, are an improvement to the current situation.

As already mentioned, according to a tax consultant, disagreeing on issues is the current norm. The new culture that embraces discussions is hoped to change this situation and reduce, for example, the number of court cases.

The KOVE interviewees saw aiding the companies as one of the main goals of the ECC. Although some of the tax lawyers who were interviewed doubted a bona fide change in

the culture, some saw an actual change having occurred and that this change contributed to attaining this cultural goal. Previously, for example, it would not have been possible for a company to discuss with KOVE the problems concerning a tax administration of another jurisdiction. The changes in the culture and in the ways KOVE operates have made these types of discussions and KOVE responding to the client's needs possible stated. It was additionally argued that the companies and the tax administration should be working as a team with a common goal and keeping in mind what is best for Finland. As one company stated:

> They (the tax administration) understand that they are kind of like in the same boat with us; it is away from Finland if we do not succeed, if they do not succeed after that.

According to a tax consultant, the competition over tax revenues will increase in the future between different jurisdictions. If, as a result of this competition, the income of Finnish companies is taxed in more than one country, this undermines the competitiveness of these companies. In the words of a representative of a business interest group: "Both the tax administration and the company can have a joint interest in having the taxes paid in Finland."

8 Concluding discussion

The ECC at the Finnish Tax Administration is an illustrative example of cooperative compliance programmes that have been advocated by the OECD (2013; 2016) and that have been launched by several tax administrations in various national contexts over the last decade. The current paper has examined the new practices emerging from the ECC programme advocated by the Finnish Tax Administration.

Our description of the contextual dynamics of taxation in Finland adds to other reports in a FairTax project from Sweden (Björklund Larsen, 2016), Norway (Brögger and Aziz, 2018) and Denmark (Boll and Brehm Johansen, 2018), as well as the general understanding of the implementation of cooperative compliance programmes in different national contexts (de Widt, 2017). We have analysed the related expectations, processes and outcomes as perceived within one country's tax triangle. When comparing the experiences between Nordic countries, Finland seems to be very similar to Denmark in creating new kinds of dialogue and working practices between the tax authorities and large companies.

In Finland, the general objective of increasing cooperation between the tax administration and taxpayers was welcomed. All parties expected benefits from quicker processes, person-to-person communication and improved efficiency. To some extent, the new practices were evolving and bringing along at least part of these expected benefits. The number of corporate participants in the ECC was kept relatively small in the first years but was expected to grow in the coming years.

There were, however, some concerns over the impartiality towards taxpayers, efficiency in the use of human resources and the possible involvement of the tax recipients' Legal Services Unit. In addition, because predictability was described as one of the key aspects of taxation for companies, many questions were raised regarding whether the ECC can deliver more predictability to taxation.

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10 Project information

FairTax

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 the harmonisation of tax, social inclusion, environmental, legitimacy and compliance measures, supporting a 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 11 universities in six EU countries and three non-EU countries (Brazil, Canada and Norway) have contributed to FairTax research.

1. 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

11 Partners

Karen Boll, kbo.ioa@cbs.dk

Department of Organisation, Copenhagen Business School

Lynne Oats, L.M.Oats@exeter.ac.uk

The Business School, University of Exeter

Leonel Cesarino Pessôa, leonel.pessoa@fgv.br

São Paulo Law School, Getulio Vargas Foundation (FGV)

Ann Mumford, ann.mumford@kcl.ac.uk

The Dickson Poon School of Law, King's College London

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

Department of Thematic Studies - Technology and Social Change Linköping university

Danuše Nerudová, danuse.nerudova [at] mendelu.cz

Department of Accounting and Taxes (FBE), Mendel University in Brno

Benedicte Brøgger, benedicte.brogger@bi.no

Department of Innovation and Economic Organisation, Norwegian Business School

Emer Mulligan, emer.mulligan@nuigalway.ie

J.E. Cairnes School of Business and Economics, National University of Ireland Galway

Kathleen Lahey, kal2@queensu.ca

Faculty of Law, Queen's University, Kingston Ontario

Åsa Gunnarsson (FairTax Coordinator), asa.gunnarsson@umu.se

Forum for Studies on Law and Society, Umeå University

Margit Schratzenstaller Margit.Schratzenstaller@wifo.ac.at

The Austrian Institute of Economic Research WIFO

Appendix. The list of abbreviations.

ECC – Enhanced customer cooperation

KOVE – The Large Taxpayers' Office

VERO – The Finnish Tax Administration

VOVA – Tax Recipients' Legal Service Unit

II

CO-OPERATIVE TAX COMPLIANCE INITIATIVE AS A BOUNDARY OBJECT - FROM CONFRONTATION TO CO-OPERATION WITH LARGE ENTERPRISES IN FINLAND

by

Tuulia Potka-Soininen & Jukka Pellinen

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ABSTRACT

In this essay, we analyze the changes that took place in the corporate tax practices and in the interrelationships between the different actors and their respective roles in the tax field with the implementation of *Syvennetty asiakasyhteistyö*, a Finnish co-operative compliance initiative. In our analysis, we draw on the concepts of boundary work (Gieryn, 1983) and boundary objects (Star & Griesemer, 1989; Star 2010) to research developing regulatory practices and actor identities (Akkerman & Bakker, 2011). This research studies tax agency transformation that took place as the OECD recommended principles on co-operative compliance were introduced in the Finnish tax field in the form of *Syvennetty asiakasyhteistyö*. In *Syvennetty asiakasyhteistyö*, new practices were developed in the taxation of large corporate taxpayers to increase co-operation between the tax administration and the taxpayers. The aim of co-operative compliance initiatives is to improve corporate tax compliance and the relationships between tax administration and the corporate taxpayers.

1 INTRODUCTION[1]

Recently, tax agencies in many jurisdictions have steered away from command-and-control approaches, aimed at producing corporate tax compliance, towards methods emphasizing co-operation and collaboration between the tax agency and the corporate taxpayers. The existence of these confrontational approaches has been recognized already in 2008 by the OECD, as, according to the OECD, in many countries the relationship between large corporate taxpayers and tax agencies "tended historically to be more confrontational than collaborative" (OECD, 2008, p. 15). In its report on the role of tax intermediaries, the OECD (2008) presented the "enhanced relationship" between the revenue bodies and the taxpayers, a relationship that has trust and co-operation as key building blocks (p. 8). In 2013, the OECD adopted the term "co-operative compliance" to describe better the sought-after co-operative relationship between the tax administration and the corporate taxpayers. In the words of the OECD report, "this [the name "co-operative compliance"] makes it clear that the approach is based on co-operation with the purpose of assuring compliance" (OECD, 2013, p. 13).

In Finland, the tax agency's one strategic goal today is a positive customer experience and the organizational values include trust and collaboration (Verohallinto, 2019a). As corporate tax –related controversies existed some ten years ago, this resulted in a need to improve the relationship between the tax administration and the large corporate taxpayers. *Syvennetty asiakasyhteistyö (*from here on *Syvennetty),* a co-operative compliance initiative of the Finnish tax administration, has been seen as one way to enhance the relationship and, at the same time, to improve corporate tax compliance (Piiskoppel, 2017). *Syvennetty* started as a pilot in 2013 and was introduced as a co-operative way of working

[1] *We would like to thank the two anonymous reviewers at the Critical Perspectives on Accounting conference (online) 2020.*

between *Konserniverokeskus* (Large Taxpayers' Unit, from here on *KOVE*) and the large corporate taxpayers (Piiskoppel, 2017).

The changes in tax agency phraseology, e.g. "customers", and approaches parallel the ideas of New Public Management (NPM) on public sector that has its emphasis on seeing the citizens or other beneficiaries of the public sector services as customers (Thomas, 2013). In accounting, Wiesel and Model (2014, p. 200) have highlighted the embeddedness of the ideas of consumerism in the public sector, and the different manifestations of these ideas in the practices. Phraseology used is of significance, as Clegg and Gordon (2012) have posited, "managing statistics and other representations" form a part of the rhetoric of NPM (p. 432).

Taxation is an intricate interdisciplinary subject combining questions of fields such as social studies, law, accounting, economics, political science, and psychology, to name a few. This study contributes to the particular area of accounting-related taxation research that focuses on the interactions between the taxpayers and the tax administration, and the dynamics of change in these tax practices (e.g. Gracia & Oats, 2012; Boll, 2014a, 2014b). Taxation is not only seen as a legal issue or as a means to finance the societies' functioning, but as an organizational and social phenomenon, where attention is paid to the actions and activities of the different players in the tax field. In their study, Gracia and Oats (2012) called for increased attention on the research of tax practice, especially regarding large multi-national organizations (p. 319). Gracia and Oats (2012) propose that the understanding of tax practices needs questioning, and this questioning could be achieved through "broader, more situated research, that explores 'tax in action' and examines the linkages and relationships between tax, accounting and regulatory practices and the influence of the wider contexts in which these practices operate" (p. 319). Lack of tax-related accounting research has also been a concern for Finér and Ylönen (2017, p. 54) and Boden, Killian, Mulligan and Oats (2010), who argued, "it [tax] has not received the intellectual attention it deserves from accounting scholars" (p. 541).

This lack of accounting-related research on tax practices and taxation in socio-cultural context has been highlighted also by Hasseldine, Holland and van der Rijt (2011) who have argued that only recently has there been research on the interrelations of the different actors in the tax field (p. 39; see also Ahrens, 2009). In the past few years, new research covering these less researched areas and context has emerged focusing on e.g. tax administration practices (Gracia & Oats, 2012; Boll, 2014b; Björklund Larsen, 2015, 2016; Boll & Brehm Johansen, 2018; Brøgger & Aziz, 2018; Wynter and Oats, 2018; Potka-Soininen et al., 2018), tax compliance (Boll 2014a), tax professionals (Mulligan & Oats, 2016; Radcliffe et al., 2018), tax officials (Tuck, 2010), corporate tax practices (Anesa et al., 2019) and knowledge sharing in the tax field (Hasseldine et al., 2011).

To synthesize the extant research, it can be concluded that research on tax practices and their evolvement in the socio-cultural context, covering all the actors of the tax field and in an evolving setting is few in numbers. With our

research we want to contribute to this extant literature, where taxation is seen as a socially constructed assemblage (cf. Boll, 2014b), by studying an evolving tax administration practice to shed light on the evolution of this practice and the interactions in the tax field in this context. We focus on the development of the tax field from the viewpoint of the individual actors that represent the whole corporate tax field. Due to the labile nature of regulatory fields and their boundaries, Botzem and Quack (2006) have emphasized the value of field-level studies instead of focusing on an individual standard-setting organization.

The field of corporate taxation in any specific jurisdiction "is a specialized area of expertise with constantly shifting rules and boundaries" (Boden et al., 2010, p. 541). To study these shifting rules and boundaries, especially the changing practices and interrelations between the expert actors with various organizationally defined roles and identities, we apply the concept of boundary object (Star & Griesemer, 1989; Star, 2010). With this concept, we analyze a tax field transformation with its roots in confrontations and the changes in the accustomed practices and deviations from the long-standing taxation doxa. In this research, following Star and Griesemer's (1989) propositions and the ideas of Akkerman and Bakker (2011), a boundary object has been defined as an object that brings together the different tax field actors with the willingness to collaborate in order to achieve both shared and unrequited goals.

Using the concepts of boundary work (Gieryn, 1983) and boundary objects (Star & Griesemer, 1989; Star 2010) as a theoretical premise, we argue that boundary objects, here *Syvennetty*, can be seen as actors in the field of taxation, and respectively also in other regulatory fields, in developing regulatory practices and actor identities (Akkerman & Bakker, 2011, p. 142). Thus, boundary objects can influence the interrelations between the different actors of the field (cf. Gracia & Oats, 2012). We propose that *Syvennetty* is a form of 'shared context', consisting of varied objects, such as tools, processes, organisational arrangements, and ideas that acts as a boundary object (cf. Arena et al., 2017, pp. 65—66).

Applying the theory of boundary work and by studying the everyday work of the actors in the tax field we show "how organizational change is negotiated through people" (Llewellyn, 1998, p. 42). Most of the studies utilizing the concepts of boundaries and boundary work in the accounting context have their focus on changing boundaries or on boundary objects as actors in co-operation between different groups of actors. Thus, our study with its aim in showing how a boundary object brings about a change in a regulatory field adds new insights into this stream of literature.

The OECD recommendations (2008, 2013a) *Syvennetty* follows can be labelled as a form of soft law (Senden, 2005, p. 23) lacking a legal premise. In consequence, a regulation based on these recommendations can be classified as a soft regulation that needs to be backed up by adequate resources and a functioning hard regulation to produce desired outcomes (Suddaby et al., 2007,

p. 354; Koutalakis et al., 2010). Similar to the OECD, transnational trade organizations, such as the World Trade Organization (the WTO), use soft regulatory power that is not based on coercion but for example on actor motivation (Suddaby et al, 2007, p. 351). International trade agreements and these "quasi-regulatory" organizations (e.g. the WTO and the IMF, the International Monetary Fund) have changed the regulatory field, weakening the power governments have in economic regulation (Suddaby et al., 2007; also Arnold, 2012). Earlier also the United Nations has made efforts to influence the accounting regulation of transnational corporations (Rahman, 1998). Arnold (2009) suggests that the internationalization of regulation has potentially been driven by financialization of international economy (Arrighi, 2007), and has taken place in the form of wide global acceptance of the IFRS standards i.a. (Arnold, 2009, p. 48, 58). In some cases, these standards have replaced national accounting standards (Botzem, 2008; also Chua & Taylor, 2008), and, in the EU, the IFRS standards have been adopted as required standards for the group financial statements of listed companies, labeled as "private subcontracting" by the EU (Chiapello and Medjad, 2009, p. 448). Delegating regulatory power to the IASB presents threats to the role and existence of national standard setting bodies (Sikka, 2017, p. 398). As such, the regulatory field of accounting consists of a number of transnational actors influencing on national level, engaged in "turf battles" for power (Arnold, 2009, p. 61).

Regulation is traditionally seen as "an exogenous part of the environment that shapes the behavior of those who operate within it" (Bozanic et al., 2012, p. 461), while recent research has shown evidence of how implementing financial accounting regulation is carried out as a networked and distributed practice (Huikku et al., 2017; Richardson, 2009). Regulatees have taken measures to influence the standards they are regulated by (Bozanic et al., 2012; Thornburg & Roberts, 2008), and regulator behavior has been viewed as a contributing factor to the regulatee attitudes towards changes in regulation (Johansen & Plenborg, 2018, p. 1611).

Accounting standard setting has been viewed as a territory of e.g. national professional bodies of accountancy and a subject to international influence by transnational bodies such as the former IASC (Susela, 1999) and the IASB (Arnold, 2012). Thus, standard setting can be the result of "political processes and power plays by those in positions of influence combined with a strong national identity and ideology" (De Lange & Howieson, 2006, p. 1029; also Botzem & Quack, 2006), where large corporations hold political power over laws (Roberts & Bobek, 2004). Standard setting not only takes place in the official standard setting bodies, neither on national nor on transnational levels. Earlier research has highlighted how different activities by e.g. financial statement preparers and accounting firms, i.e. private-party actors, act as vehicles of financial statement standardization, either with efforts to directly influence the work of the standard setting bodies (Jiang et al., 2018; Pucci & Skærbæk, 2020) or through their daily

activities (Gibbins et al., 2001; Kettunen, 2020). For example, accountants have been found to act as interpreters of these standards (Cooper & Robson, 2006; Kettunen, 2020; Kohler et al., 2021), and financial statement prepares exert significant power over the standards, as "it is difficult for the process to promulgate a standard adverse to the preferences of preparers" (Kwok & Sharp, 2005, p. 95). The FASB as a standard setter uses carefully worded language to create impressions of "good" standards and of the FASB as a "good" standard-setter (Young, 2003). As Suddaby, Cooper and Greenwood (2007) have stated, "[p]rofessional regulation, at the transnational level, is now a negotiated product from an increasingly broad and heterogeneous network of actors" (p. 357).

Existing accounting research on regulation has paid attention to the central role of auditors as regulators and auditing as a regulatory practice (Cooper & Robson, 2006) in securing compliance (Scott, 2015) or, conversely, to the role of auditors in enabling tax avoidance (Sikka, 2008, 2015a; Addison & Mueller, 2015). Auditors as regulatees have taken measures to influence the standards they are regulated by (i.e. regulatory capture, see Bozanic et al., 2012, p. 463), as, for example, auditors have made political campaign contributions (Dwyer & Roberts, 2004; also Thornburg & Roberts, 2008). Audit quality is found to be contingent on client co-operation in the process (Knechel et al., 2020), and research has also suggested co-dependency of the auditor and auditee legitimacy (Power, 2003). Earlier, the accountacy bodies as regulators of auditors yielded considerable power when regulating their members (Mitchell & Sikka, 2004), but significant changes have taken place in the regulation of the field as self-regulation has been abolished and national independent oversight bodies have been formed (Anantharaman, 2012; Canning & O'Dwyer, 2013). Regardless, the true independency of these new regulatory bodies has been questioned, and the difficulties nationally operating regulatory bodies encounter, when regulating a globally operating industry such as auditing, have been investigated (Arnold, 2005; Malsch & Gendron, 2011). The lack of regulatory actions by states has been pinpointed as the nation-states have relied on auditing technologies and audit firms to regulate global business (Arnold & Sikka, 2001), and research has shown how national politics and global forces influence one another and accounting institutions (Caramanis, 2002).

These changes in the accounting field have been highlighted by Suddaby et al. (2007) as "the historical regulatory bargain between professional associations and nation states is being superseded by a new compact between conglomerate professional firms and transnational trade organizations" (p. 334; also Arnold, 2005).

To contribute to the field of tax-related accounting research, the existing body of knowledge regarding tax in the socio-cultural context, and to enhance our understanding of boundary objects as actors in a regulatory change, this paper aims at answering the following research question:

RQ: How is a regulative change in large corporate taxation orchestrated, and what is the role of boundary object in this?

We argue that *Syvennetty* as a boundary object has enabled a change in the regulatory field of taxation by making it possible to cross institutional boundaries, by introducing new practices, and by improving the relationships between the tax administration and taxpayers.

This paper is a qualitative study and the material for it has been gathered from 28 semi-structured interviews with representatives of tax administration, large corporations and business interest groups, tax consultants, academia, and tax lawyers. In addition to analyzing the interviews with the key informants in the tax field, we have examined program plans for *Syvennetty*, relevant legislation and publicly available documentary material from the Finnish tax administration. In addition, articles in different media as well as blog entries have been used as material.

This study is structured as follows. The next section presents the previous qualitative studies on taxation and defines the research gap for this study to fill. The third section continues with the theoretical frame of this study, followed by elaboration on the data and on the methodology of the research. The fifth section presents the results. The paper ends with discussion and conclusions.

2 PREVIOUS RESEARCH ON TAXATION PRACTICES IN ACCOUNTING

Tax is a multidisciplinary field of study incorporating many different fields of science: accounting, economics, politics, social studies, and law, for instance. "[A]n understanding of the institutional details of tax and financial reporting" (Hanlon & Heitzman, 2010, p. 128) is undoubtedly one of the advantages of studying taxation in accounting context, and this understanding can be utilized when studying the tax practices and the tax field (also Sikka, 2017).

Regardless of the expressed benefits of combining the fields of taxation and accounting in a research setting, tax practices and the relationships between the different actors in the tax field have not been targets of extensive studies within accounting. Recent tax-related studies with these viewpoints have had their focus on e.g. tax administration practices (Gracia & Oats, 2012; Boll, 2014a; Björklund Larsen, 2015; Wynter & Oats, 2018), tax compliance (Boll 2014b), tax professionals (Mulligan & Oats, 2016; Radcliffe et al., 2018), tax officials (Tuck, 2010), corporate tax practices (Anesa et al., 2019) and knowledge sharing in the tax field (Hasseldine et al., 2011).

Tax administration practices are the result of cultural influence inter alia as evidenced by Wynter and Oats (2018, p. 56; also Björklund Larsen, 2015). Tax practices are deeply rooted in the surrounding culture that influences a tax administrator's knowledge, mindset, and interactions with the taxpayers (Wynter and Oats, 2018, p. 64). Tax administration interactions with the taxpayers are of significance as these interactions influence interrelations in the field and regulatory practices, when, for example, drawing the boundary between legal and illegal (Gracia & Oats, 2012). In these interactions, regulator commitment to a regulatory strategy is important and greater dialogue could produce mechanisms that "allow meaning to emerge as shared understanding through co-operative and consensual practice that recognizes multiple perspectives" (Gracia & Oats, 2012, p. 319). Gracia and Oats (2012) call for an

institutional tax agency transformation in order to achieve responsive regulation, and a consequent tax agency change towards an agency that is more customer-oriented and sensitive to the customers' issues (p. 319).

Changes in tax administration practices caused by e.g. New Public Management (Thomas, 2013; Wiesel & Modell, 2014), modernizing government and networked governance, place demands on tax administration personnel and on the identity of the tax official (Tuck, 2010; Currie et al., 2015). The new demands shape the identity of the tax official. The tax official becomes a "T-shaped tax official", changing from "bureaucratic inward facing technical civil servant" into "outward facing new style tax official who still has to engage with the detailed technical tax knowledge as a knowledge expert (the vertical part of T) but also has to relate to the new way of operating in a strategic and marketing organization (the horizontal part of T)" (Tuck, 2010, p. 584). As the means of interaction in tax administration change from written documents to oral communication, the tax official, whose "world was restricted to the interior" has to "engage with the exterior world" (Tuck, 2010, p. 594).

As taxation and tax practices are seen as outcomes of interactions between the different actors in the tax field and 'tax in action', Boll (2014a) has described how a tax audit, to uncover unreported income, is carried out as a part of the everyday functions at a tax agency. In Boll's (2014a) study, taxation is shown "as an organisational, institutional, social and cultural phenomenon" (p. 1), and the questions presented concern a taxpayer's efforts to evade tax and the practices in place in tax administration to prevent this unwanted behavior. Tax evasion is not only about a taxpayer's actions to avoid paying taxes and about tax agency's practices to counter these efforts, since accounting firms have been found to be important actors in corporate tax compliance and tax avoidance (Sikka & Willmott, 2013; Sikka, 2015). Tax compliance, the adherence to the provisions of the law when calculating and paying taxes, has usually been seen as a purely technical matter, but can also be illustrated as a distributed action (Boll, 2014b). The act of complying is a "socio-material assemblage" (Boll, 2014b), where, in addition to the taxpayer, different actors in the tax field, i.e. bookkeepers and accountants, contribute with services to calculate and file tax (p. 302). Hence, tax compliance is not only about the taxpayer's behavior and about underlying motivations to comply, but the different actors contribute to the actual act of complying, as well (Boll, 2014b, pp. 301—302).

As the different actors all occupy different roles in "the management of tax knowledge within and between accounting firms, companies and tax agencies" (Hasseldine et al, 2011, p. 49), in tax field knowledge transfer, the accountants act as an important link between the tax agency and the corporate taxpayers. The accountants play a dual role in taxation, as they, on the one hand, provide the corporate taxpayers relevant information to achieve compliancy, while, on the other hand, they act as providers of tax planning services (Hasseldine et al., 2011, p. 49; also Sikka, 2008a, 2015b; Sikka & Willmott, 2013). Both the tax agency and

the taxpayers are aware of the dual nature of tax accountants' roles and the threats these roles pose to both of them (Hasseldine et al., 2011, p. 49). Tax administrations, corporate taxpayers and tax accountants are dependent on each other to successfully carry out new legislation, voluntarily sharing knowledge to succeed (Hasseldine et al., 2011, p. 40).

In parallel with the roles of accountants, the duality of the role of tax advisors has been evidenced as tax advisors operate in two markets: 'markets in vice' selling tax avoidance services and 'markets in virtue' promoting tax compliance (Braithwaite, 2013; also Mitchell & Sikka, 2004; Sikka, 2015b).

Co-operative compliance (OECD 2008; 2013a) as a means to improve corporate tax compliance follows the co-operative ideas of responsive regulation (Ayres and Braithwaite, 1992). Initiatives based on the principles of co-operative compliance have been introduced in different jurisdictions with varying outcomes (cf. Björklund Larsen, et al., 2018). For example, the Swedish initiative was put on hold to wait for legal obstacles to be cleared (Björklund Larsen, 2016, 2019), while in Denmark the corporate taxpayers have been supportive of the initiative (Boll and Brehm Johansen, 2018). In the UK, the corporate taxpayers welcomed the new ways of working, although the enthusiasm faded as new legal procedures were introduced (Oats & de Widt, 2019). Studies have also uncovered the influence of external forces, e.g. public discussions, on the evolving of co-operative compliance initiatives (de Widt & Oats, 2018, p. 36). Different co-operative compliance programs show how the underlying ideas on regulation are implemented in various ways in different jurisdictions, and that there is no 'one size fits all' –approach involved (Björklund Larsen, et al., 2018; Oats & de Widt, 2019). For example in Norway, there has been no single program to promote these ideas, as the principles of co-operative compliance have been embedded in the tax administration practices in a more widespread way (Brøgger & Aziz, 2018).

Despite these different styles of adaptation of the principles, there are common questions that need to be answered and considered when launching a co-operative compliance program, such as compatibility with the existing laws, and the nature of the agreements between the tax administration and the taxpayers (Björklund Larsen & Oats, 2019). Research has already addressed some common questions to all co-operative compliance approaches, for example, the nature of the benefits the large corporate taxpayers receive from the co-operation (Majdanska & Pemberton, 2019). Do the large corporate taxpayers get something "extra" compared to those companies in the basic relationship, something that could even potentially constitue illegal state aid (Szudoczky & Majdanska, 2017)?

As the previous question addressed by Szudoczky and Majdanska (2017) exemplifies, taxation is a regulatory field with an abundance of boundaries as an outcome of e.g. changes in legislation. Björklund Larsen (2015) has looked into this indeterminate nature of taxation with her study on the decision-making over what constitutes taxable or tax-free income. Taxation is a regulatory field with an

abundance of boundaries as changes in legislation and regulation result in consequent need for interpretations, where social and cultural aspects need to be accounted for (e.g. Gracia & Oats, 2012). For example, deciding on what income to tax is a part of the daily work of tax administration, influenced by the social and cultural values surrounding it (Björklund Larsen, 2015). The study by Björklund Larsen (2015) sheds light on the inevitability and the fuzziness of different boundaries in legislation, and in parallel in taxation, and the need to negotiate these boundaries as a part of tax practices, if these boundaries have not been addressed in courts (p. 87). As taxation takes place in a social and cultural context, this contextuality has to be appreciated by the tax agency and taken into account beyond the mere legalities of taxation in order for taxation to be "perceived as legitimate by society" (Björklund Larsen, 2015, p. 87).

When tax compliance is seen as paying what is legally owed, tax minimization in itself is perceived legitimate, despite the extensive criticism tax strategies deemed aggressive have received. Corporate tax minimization strategies and perceptions of their legitimacy have not been extensively questioned as no practical alternative to the law as the underlying principle for calculating tax liability has been offered. Hence, changing the existing tax field doxa to incorporate moral perspectives to taxation has so far been unsuccessful. (Anesa et al. 2019, p. 17, 37; see also Ylönen & Laine, 2015.)

Illustrating the different roles of the various actors in the tax field and showing evidence of regulatory capture, studies have described the tax professionals working in MNEs as "powerful, elite group of knowledge experts" with the power to influence the implementation of tax law and tax practices (Mulligan & Oats, 2016, p. 63). These professionals not only use their power to reduce tax liability, but also co-operate with the tax regulators to enhance certainty and stability of taxation (Mulligan & Oats, 2016, p. 74). The interconnectedness of the tax professionals and regulations is bidirectional, as tax regulation, in the form of OECD recommendations, along with increased public interest in corporate taxation, has enhanced the importance of in-house corporate tax professionals. Under new regulatory demands and increased public scrutiny, taxation has become a central part of corporate risk management. (Radcliffe et al., 2018, p. 55.)

This analysis of the existing tax research shows, how the change taking place in the tax administration practices as understood by the individual actors of the field, has received limited attention among the accounting scholars. Less attention has also been paid on the interrelational aspects of all the actors in the tax field to understand the field dynamics. The focus on most of the existing studies is on stationary situations without a specific interest in change, while, in the current research, we have followed an evolving process over a number of years.

Adding to the body of existing knowledge, this paper aims at contributing to the socio-cultural vein of tax studies within accounting by increasing our

understanding of the change of tax practices, and of the specific agency of *Syvennetty* in changing the interrelations of the actors in the field. Hence, we explain tax agency transformation and evolving tax practices in the light of the circumstances surrounding these changes, thus elucidating the tax field as a regulatory arena and an unfolding tax regime in this particular arena. This research wants to be an answer to those calls for the research of "tax in action" and for research in a direct engagement with the actors in the tax field (e.g. Gracia & Oats, 2012).

3 THEORETICAL DEVELOPMENT

This paper uses the theoretical concepts of boundary work and boundary object to organize and explain the findings (Star & Griesemer, 1989; Law & Singleton, 2005; Star, 2010). The origin of the concept is in the strand of sociology called actor-network-theory (Law & Hassar, 1999). In actor-network-theory, the study of the social is focused on tracing the associations between different actors, both human and non-human. In what it demands from studying the social it shares to a great extent with ethnography. Non-human objects such as technologies or concepts are understood to have agency in assembling the social relations between subjects, and thus these non-human agents should be studied as important part of the social. (Latour, 2005.) Not all non-human actors, however, are equally important but some have a mediating role i.e. the power to transform or maintain the social. Here, the concept of boundary object is helpful in understanding the role of these important but messy objects that can travel between different places, times and social contexts and be understandable in the same way yet, but, at the same time, are flexible enough to have the organizing effect in each context (see Law & Singleton, 2005). In the vein of actor-network-theory, this study "highlights the everyday nature of momentous change [-] by showing the micro activities of macro actors" (Ahrens, 2009, p. 34).

In this chapter, we aim to introduce the theoretical concepts of boundary work and boundary objects, to frame our study, and to validate our contribution to the existing body of literature. Additionally, we elaborate on how these concepts have been used in accounting research. In organizing the empirical material, we draw from the conceptual frame of Akkerman and Bakker (2011) to illustrate the tax field through boundaries as a "dialogical phenomena", constituting of exchanges of information and diverse outlooks. These exchanges provide the feed "for development of intersecting identities and practices" (Akkerman & Bakker, 2011, p. 132) facilitating organizational learning and changes in the social relationships.

Sociologist Thomas F. Gieryn (1983) used the term "boundary work" to describe this process of demarcation, initially introducing the term. Gieryn (1983) saw boundary work as a "stylistic resource" in three different occasions:

(a) expansion of authority

(b) monopolization of professional authority and

(c) protection of autonomy over professional activities (p. 792).

Boundaries can be viewed in many ways: as barriers (e.g. Gieryn, 1983), to demarcate and to guard (Halffman, 2003, p. 65), to separate and to exclude (Lamont and Molnár, 2002, p. 181), as junctures (e.g. Quick, 2014), as a tool aiding in collaboration and co-operation (Halffman, 2003, p. 65), in communication, exchange, bridging and inclusion (Lamont and Molnár, 2002, p. 181) or as boundary-objects (Star & Griesemer, 1989; Star, 2010). Thus, depending on the viewpoint, boundaries serve different purposes. In some cases, boundaries are needed to demarcate and to set apart (barriers), e.g. the boundary between legal and illegal practices (Gracia and Oats, 2012). In a collaborative sense, boundaries are important as sites of co-operation (junctures). In this study, the concept of boundaries and boundary objects is used to shift the focus of the analysis on the boundaries existing in the taxation field, used, for instance, to differentiate between different actors in the tax field, or, as is the case with boundary objects, to aid in co-operation and collaboration among the players within the field.

Star and Griesemer (1989; see also Star, 2010) first coined the term 'boundary object'. As their focus was on groups that were not rivaling each other, but had to co-operate for a common goal, they came up with the concept of boundary object. In their study on scientific co-operation they concluded, "consensus is not necessary for cooperation nor for the successful conduct of work" (Star & Griesemer, 1989, p. 388). In Star and Griesemer's words, "the creation of new scientific knowledge depends on communication as well as on creating new findings. But because these new objects and methods mean different things in different worlds, actors are faced with the task of reconciling these meanings if they wish to cooperate." (Star & Griesemer, 1989, p. 388).

Hence, boundary objects are useful in co-operation between different groups due to the 'interpretative flexibility' (Star, 2010, p. 602) as boundary objects mean different things for different groups of people. Boundary objects make it possible for these different groups to "share meaning, but also to learn about each other's perspectives" (Fox, 2011, p 72). Fox (2011) has defined boundary objects as "entities that enhance the capacity of an idea, theory or practice to translate across culturally defined boundaries, for example, between communities of knowledge or practice", and, as such, boundary objects can be useful in e.g. promoting and establishing new ideas (pp. 70, 72).

Boundary objects can take different forms, as they can be either abstract or concrete (Star & Griesemer, 1989, p. 393), and categories of boundary objects can consist of repositories of things, ideal types, coincident boundaries, standardized forms/work methods (Star & Griesemer, 1989, pp. 411—412), visionary objects

(Briers & Chua, 2001, p. 242) and 'shared contexts' (Arena et al., 2017). The different forms boundary objects may take are not arbitrary as boundary objects are 'organic infrastructures' (Star, 2010, p. 602), and defined as sets of work arrangements (Star, 2010, p. 604).

Akkerman and Bakker (2011) studied boundary work "in the role of maintaining and crossing organizational boundaries" (p. 135). Organizational change, they argue, is about learning at boundaries, where learning can be understood as creating new understandings, developing identity, changing practices and institutional development (Akkerman & Bakker, 2011, p. 135). Based on their research, Akkerman and Bakker (2011) summarize learning done at the boundaries into four categories: identification, coordination, reflection, and transformation further arguing, "these mechanisms show various ways in which sociocultural differences and resulting discontinuities in action and interaction can come to function as resources for development of intersecting identities and practices" (p. 142).

Identification, where boundaries are viewed as demarcating elements between different sites, means, "questioning the core identity of each of the intersecting sites" due to "feelings of threat, increasing similarities or overlap between practices" (Akkerman & Bakker, 2011, p.142). Because of this questioning, there is new knowledge and information on the content of the different practices in each of these sites. In this categorization, identification can take place through two distinctive processes: first by defining how one practice is different from another, "othering", and secondly by "legitimating coexistence". (Akkerman & Bakker, 2011, p. 142). Boundaries of identity are about answering the question "who we are" (Santos & Eisenhardt, 2005, p. 500). The other mechanism of identification, legitimating one's existence, is a process where different parties try to seek acceptance for their identities from the other players in the field (e.g. Huemer et al., 2004; Timmons & Tanner, 2004). Akkerman and Bakker (2011) argue that identification as a learning mechanism, while not creating anything new, helps in understanding and reconstructing different practices and related identities (pp. 143—144). This identification-work is important as a part of organizational change where "the learning potential resides in a renewed sense making of different practices and related identities" (Akkerman & Bakker, 2011, 143).

Regarding the mechanism of **coordination**, boundary objects have centrality as artifacts enabling it. Akkerman and Bakker (2011) have listed prerequisites to be met for coordination to succeed (pp. 143—144). To start with, without communication, there is no coordination, and the existence of boundary objects enables this communication. Secondly, the different perspectives must be translated, i.e. there has to be "effort of translation" (Akkerman & Bakker, 2011, p. 144). Industrial managers translating research results into commercial applications (Fisher & Atkinson-Grosjean, 2002, p. 450) serves as an example of translation. Boundary permeability is a third prerequisite for coordination.

Boundaries have different types of properties and enhancing boundary permeability improves coordination. When permeability is high, discontinuities are not even experienced and operating across different sites is smooth and effortless. The fourth prerequisite for coordination is routinization. When processes and practices become automatic or part of the everyday operations, coordination between the various actors across the different sites improves. Akkerman and Bakker (2011) argue that coordination helps in crossing boundaries, enabling continuity and "facilitating future and effortless movement between different sites" (p. 144).

The third mechanism of learning, **reflection**, is not about crossing the boundaries, but about being cognizant of and being able to illustrate the variations in practices across the boundaries. The knowledge gained through reflection helps in learning something new about both one's own and about the other players' practices. Reflection not only increases comprehension but also the ability to see from different perspectives, including looking at oneself from the other players' perspective, thus creating something new in this process. (Akkerman & Bakker, 2011, p. 146). This ability to see from different perspectives is labeled as either perspective making, which is, according to Boland and Tenkasi (1995) "making explicit one's understanding and knowledge or a particular issue" or perspective taking understood as "this taking of the other into account, in light of a reflexive knowledge of one's own perspective" (p. 362). Reflection as a learning mechanism aims at "expanded set of perspectives" with its focus on the future and on "a new construction of identity that informs future practice" (Akkerman & Bakker, 2011, p. 146).

The fourth learning mechanism identified in the research by Akkerman and Bakker is **transformation**. Akkerman and Bakker (2011) argue that transformation "leads to profound changes in practices, potentially even in the creation of a new, in-between practice, sometimes called a boundary practice" (p. 146). A precursory for a transformation is a **confrontation** due to a shortcoming or a problem. This shortcoming or problem acts as a catalyst for the parties involved to take a new look at the existing practices and the relations between the different parties. (Akkerman & Bakker, 2011, p. 146; also Akkerman et al., 2006). These confrontations can be results of "disruptions in the current workflow" or "[the] appearance of a third perspective" (Akkerman & Bakker, 2011, p. 147). After facing a joint problem, the next step in transformation is for the parties involved to recognize a **"shared problem space"** (Akkerman & Bakker, 2011, p. 147). Finding this space requires that the different players on both sides of the boundary find a common problem they all want to find an answer to, or an area where they all want to see change. This space acts as a binding medium between the parties, and to find this shared problem space, extensive communication between the parties is required (Akkerman & Bakker, 2011, p. 147). Within this shared problem space, new practices can be formed as a result of the old practices transcending their boundaries, and a hybrid of these

old practices is created. This process in transformation is called **hybridization** and the resulting hybrids can be new tools or signs such as new concepts (Engeström et al., 1995, p. 322), analytical models (Postlethwaite, 2007, p. 483) or new practices (Akkerman & Bakker, 2011, p. 148).

As hybridization as a part of the transformation mechanism has created e.g. new practices, with **crystallization** these hybrids become a part of everyday processes when the organization genuinely commits to them and, as a result, actual consequences are achieved (Akkerman & Bakker, 2011, p. 148). Macpherson and Jones (2008) have argued that hybridization and crystallization connect e.g. old practices and create new ones (pp. 192—193), but equally important is "maintaining the uniqueness of the intersecting practices" as "it is precisely the difference [-] that upholds the relevance and value of the intersecting practices to one another" (Akkerman & Bakker, 2011, p. 149).

The process of transformation would not be complete without ensuring that the results brought about with the mechanism are preserved. This is achieved with **"continuous joint work at the boundary"** or "negotiation of meaning" (Akkerman & Bakker, 2011, p. 149). This demand for continuous joint work and transformation require dialogue and communication between people on both sides of the boundary, more so than with the other mechanisms (Engeström et al. 1995, p. 333). The lack of this work is presumed to be the reason for the unsatisfactory results of transformations (Akkerman & Bakker, 2011, p. 149).

Boundary studies in the accounting context have mainly concentrated on boundaries and boundary objects have been less researched. Both these concepts have been used to study various types of connections and different kinds of accounting phenomenon, as illustrated in the following review of extant relevant boundary literature.

Boundary objects can act in co-operation between different groups, enabling communication of new ideas and allowing sharing of knowledge across the boundary, resulting in change of accounting systems (e.g. Briers & Chua, 2001). The study by Briers and Chua (2001) illustrates an accounting change as an outcome of different interactions between local and cosmopolitan networks with boundary objects aiding in the interactions between these two networks (pp. 263—265). In their research, they were able to identify different types of boundary objects, and simultaneously increase understanding about how accounting systems succeed or fail (Briers & Chua, 2001, p. 268). In a similar vein, identifying boundary objects as points of contact "to connect the viewpoints of different actors", Laine, Korhonen, Suomala and Rantamaa (2016) studied boundary objects and boundary subjects in accounting fact construction and communication, emphasizing the role of boundary objects in accounting development (p. 326). Varied objects, such as tools, processes, organisational arrangements, and ideas have been found to form 'shared contexts' that have the ability to act as boundary objects (Arena et al., 2017, pp. 65—66).

Another vein in boundary-oriented accounting research has focused on boundaries, particularly on the redefining of boundaries. In these studies, following the categorization of boundary work by Gieryn (1983), the emphasis has been on expansion of authority, on monopolization of professional authority, or on protection of autonomy over professional activities (Radcliffe et al., 2018; Aburous, 2019). Accounting has been seen as a means to differentiate between organizations with the legal and financial terminology and tools at its disposal, e.g. financial statements, in order to manage organizational boundaries. An organization interacts with its environment at the boundaries, while, simultaneously, manages these boundaries "to maintain its own internal structure". (Llewellyn, 1994, pp. 11, 19—20.) This vein of research also encompasses studies such as Suddaby, Cooper and Greenwood's (2007) study on the creation of "transnational regulatory field in professional services" and the role of big accountancy firms in this process. Boundaries were redefined so that "professional regulation" came to "include new actors, specifically accounting firms and non-governmental organizations" (Suddaby et al., 2007, p. 333). Regulatory fields are an important space for boundary reconfigurations and the roles of different actors change following field-level developments. As a result of such a change in the regulatory field of accounting, auditors have questioned their role in the transformed environment and used boundary work to redefine this role. (Hazgui and Gendron, 2015). According to Hazgui and Gendron (2015), "the notion of boundary work (Gieryn, 1983; Llewellyn, 1998) is particularly relevant to the examination of change in a given regulatory space because actors engage in strategic behaviors as they try to secure a prominent role in the oversight process" (p. 1236).

This stream of literature has also been interested in identity work, as the concept of boundary work has been used to explain the redefining of the boundary between different types of accountants (Annisette, 2017) or different types of expertise in social service (Llewellyn, 1998). In Annisette's (2017) study, she showed how boundary-work and discursive methods were used in "making and remaking of the professions", in identity work and in establishing the identity of a professional as 'foreign-trained accountants' were entering the domain of professional accountants (p. 56). Inter-organizational boundary work can be used to integrate separate organizational domains with specific boundaries, 'costing' and 'caring' in Llewellyn's (1998) study, allowing two previously isolated domains to engage with one another. This boundary-work resulted in organizational change, as some costing-work was allowed to enter the domain of 'caring', exemplifying "how organizational change is negotiated through people" (Llewellyn, 1998, p. 42).

Regulatory changes can cause boundaries between different actors to become fuzzy and to blur, as was evidenced with IFRS standards implementation that corporations were not adequately prepared for. This implementation caused corporate accounting function to depend on the auditors, resulting in the

indeterminacy of the extant boundaries between audit and corporate financial reporting. (Aburous, 2019, p. 1.) As the boundary between these two groups of professionals became blurred, the "autonomy over professional activities" (Gieryn, 1983) was endangered. The introduction of new regulation, along with changing moral boundaries, has brought about regulatory changes enhancing the role of in-house corporate tax professionals as taxation has gained relevance as a corporate risk (Radcliffe et al., 2018, p. 55).

Boundary work can act as a tool to introduce domain change, as exemplified when boundary work has been used to promote and reconfigure accounting expertise, consequently legitimating accounting (Suddaby et al., 2015, p. 52-53). This type of boundary work, either when "making and remaking" a profession or in the "institutional work of domain change" can be labeled as efforts in "expansion of authority", when using Gieryn's (1983) vocabulary.

In a similar vein, the concept of boundary work has been used as a framework for studying how the boundaries of an activity have been defined. Mikes (2011) has used the concept of boundaries to research risk management in the banking sector. In her study, Mikes (2011) described the type of boundary work in place among the risk experts in banks as these experts "engage in various kinds of boundary-work [-] sometimes to expand and sometimes to limit areas of activity, legitimacy, authority, and responsibility" (p. 226).

In taxation, similar to other regulatory fields, a multitude of boundaries exists, as e.g., there are constant negotiations over the boundary between legal and illegal tax practices and taxable and tax-free income (Gracia & Oats, 2012; Björklund Larsen, 2015).

Gracia and Oats (2012) have used boundary work "to explore the dynamic interplay between boundary-work and regulatory practice" (p. 305), as boundaries play a significant role in regulation when demarcating between compliant and non-compliant behavior (p. 306). To study the tax practices and tax regulation, with the specific interest in the relational aspects of taxation, Gracia and Oats (2012) have used the concept of boundary-work (Gieryn, 1983) with a Bourdieusian lens. Their study suggests blurring of the roles of the different actors as a result of changes in regulatory approaches, and, when the principles of responsive regulation are applied, the increased need to rely on the "relational processes of social construction" (Gracia & Oats, 2012, pp. 318—319). The authors argue that "relational regulation would respond to what appears missing at the regulatory boundary of tax compliance – i.e., the mechanisms that allow meaning to emerge as shared understanding through cooperative and consensual practice that recognises multiple perspectives" (Gracia & Oats, 2012, p. 319). To allow "meanings to emerge", novel ways of interaction between the tax administration and the taxpayers are needed (Gracia & Oats, 2012, p. 319).

As another example of the fuzzy nature of taxation and the need to draw boundaries, the tax administration decision making has been researched to find out, how the decision on what constitutes taxable or tax free income is made.

(Björklund Larsen, 2015). Changes in legislation and the need to interpret these changes make taxation an area of regulation replete with boundaries, and these boundaries need to be addressed as a part of the everyday work of tax administration or in courts (Björklund Larsen, 2015, p. 87).

Against the backdrop of Covid-19 and the year 2020, when a multitude of boundaries in different fields were erected to protect from Covid-19 that seemed to know no boundaries, a recent issue of the *Critical Perspectives on Accounting* was dedicated to boundaries and their significance in accounting research and practice (Andrew & Cooper, 2021). In this special issue, the articles covered different boundaries within the scholarship of accounting: boundaries in accounting research (Michelon, 2021), research of the periphery and of the center of the field (Harney et al., 2021), and the role of financial accounting as a boundary between a corporate entity and its environment (Roberts, 2021).

In our study, we build our theoretical framework on this existing literature. To synthetize the current boundary-related research, it can be noted that the concept of boundaries has been used to explain various types of changes in professional fields and among the professionals, to shed light on identity work and on institutional work. The extant literature contains only a few studies utilizing the concept of boundary object in the accounting context. Similar to the current study, the study by Briers and Chua (2001) had its focus on evolutionary change and on boundary objects enabling communication between the different parties at the boundary.

We build our arguments for the agency of boundary objects on their role in developing co-operation between groups that have to work towards a common goal. In this role, boundary objects are actors aiding in organizational transformation in a regulatory environment, creating organizational learning that results in enhanced organizational practices.

4 DATA AND METHODOLOGY

The object of our study is the field of corporate taxation in Finland. Our specific focus in this field is on large corporations and the part of tax administration (*KOVE*) responsible for that sector. In addition to tax administration and large corporations, the field is comprised of tax advisors, tax lawyers and bodies that regulate, control, or influence the regulation and practices in the field.

This research has been carried out in co-operation with a Nordic FairTax-project, a part of EU-funded Horizon 2020 FairTax-programme, investigating co-operative compliance initiatives in the Nordic countries.

This paper is a qualitative study and the material for it has been gathered from 28 semi-structured in-depth interviews. The in-depth interviews provide material for thick description (Geertz, 1993) and allows us to access the "lived experiences of the actors" (Parker & Northcott, 2016, p. 1117). Our methodological choice, namely ethnography, stems, on the one hand, from the methodological choice of the FairTax-project and, on the other hand, from our epistemological standing as we see the world through interpretative lens. This lens emphasizes a "need for explanations of social action and intention" and therefore, in order for those explanations to emerge, studying "actors in their worlds" is required (Chua, 2019, p. 7).

Qualitative interviews were conducted in order to gain insider perspective into the ways the interviewees saw and experienced the tax field in general and *Syvennetty* in particular. These interviews provided the authors with the close contacts that are a prerequisite for a qualitative study (Ahrens & Chapman, 2006, p. 827). Fourteen tax administration representatives coming from different fields of taxation and different organizational levels, five corporate representatives representing the corporate tax function, one academic specializing in corporate taxation, three business interest group representatives, three tax consultants and two tax lawyers have been interviewed. Four out of the five corporate representatives came from corporations involved in *Syvennetty*. It needs to be

pointed out that the number of corporations involved in *Syvennetty* at the time of the interviews was only five, therefore the number of corporate interviews may seem small, although the interviews actually covered all but one company involved.

Although these 28 in-depth interviews provided the authors with ample and rich material, this tax field reality as presented in this paper is by no means an objective representation, but a subjective one, as understood by the interviewees and interpreted by the researchers. The entire Finnish corporate tax field comprises of thousands of individual actors, and as a qualitative study with these close contacts with 28 individuals, our view to the field as researchers is the view provided to us by these 28 individuals. (cf. Ahrens & Chapman, 2006, p. 827)

Before the interviews were conducted, the participants received information on the background, on the purposes of the study and on the methodology of the study. For some interviewees the information was sent beforehand in e-mails, for some, the information was delivered orally before the interview. All interviewees were asked for their permission to record the data and they were told of their possibility to verify the transcribed interviews by reading and correcting the transcripts, when necessary. The participants were also given information on the handling of the data and its confidentiality.

Articles in newspapers and magazines and blog entries were used both as material in getting to know the field and as examples further corroborating and adding to the findings of the interviews. Additionally, government programs for the Finnish government, government proposals, existing legislation and *Verohallinto* (Finnish tax agency) publicly available documents, such as *Verohallinto* annual reports, strategy, and material on *Verohallinto* and corporate websites, were utilized in this research.

Both authors analyzed the data by reading the interviews, making notes of findings, and discussing them to gain shared understanding of the key findings. After an initial analysis, the findings were categorized under themes derived from the applied theory to create a logical entity in line with the theoretical framework. Analysis and detailed examinations followed each other concurringly in rounds to "re-experience the interviews" (Timmermans & Tavory, 2012, p. 176) and to secure a valid interpretation of the content of the interviews.

In reporting the data from the field, we aim to keep the richness and authenticity as observed in the time when *Syvennetty* was still about plans, ideas, and the actual new practices very much in the making. The role of the theory was to help organize the material, narrow the focus of analysis to manageable, to conceptualize the findings, and, with the help of abductive analysis, to "make sense" of the social reality of the tax field "with reference that can illuminate its activities" (Ahrens & Chapman, 2006, p. 827).

We have chosen an interpretative approach to theories with the purpose of gaining rich understanding of the professional groups, their specific rationales, and their interrelationships in the field (cf. Ahrens & Dent, 1998). The aim of the study is to "analyze and explain why and how particular systems of meaning are constructed by those involved" (Chua, 2019, p. 3), illustrating a change in the tax field and the role of a boundary object in orchestrating this change.

5 CASE ANALYSIS: TRANSFORMING BOUNDARIES IN THE TAX FIELD

Viewing *Syvennetty* as a boundary object, we researched how boundary work in the tax field resulted in a transformation of *KOVE* practices and in the ways *KOVE* operates in co-operation with the large corporate taxpayers. The definition of boundary object (Star & Griesemer, 1989; Star, 2010; Akkerman & Bakker, 2011, p. 134) emphasizes three things. For the first, the purpose of a boundary object is to connect different actors of the field in question, here, the actors of the tax field. The second point is that connecting the different actors is not enough per se, but those actors have to be willing to collaborate, regardless of whether they agree or disagree on issues. Finally, it needs to be noted that the actors can have both shared goals for the collaboration but also unrequited goals, goals of importance to an individual actor.

Following the ideas of Akkerman and Bakker (2011), organizational change is here understood as learning at the boundaries, where learning consists of creating new understandings, developing identity, changing practices and institutional development (p. 142). In researching the organizational change in *KOVE*, we analyzed the interviews and different documents to identify the instances of transformation, mechanisms of learning that could be labeled as confrontation, identification of a shared problem space, hybridization, crystallization and continuous joint work at the boundary (Akkerman & Bakker, 2011, p. 142) in the context of *Syvennetty*. The existence of these mechanisms would show evidence of and describe the organizational change taking place in *Verohallinto* and elsewhere in the tax field. These mechanisms make it possible for *Syvennetty*, as a boundary object, to be involved in organizational change and in creating mutual understanding between the different actors in the tax field. Our main emphasis is on analyzing *Syvennetty* and transformation in the tax field to explain how tax agency transformation is orchestrated with *Syvennetty* as a boundary object.

In this empirical part of the research, the interviewees are encoded with letters representing each interviewee group as follows: "K" is used for tax consultants, "VJ" represents tax lawyers, "AT" stands for interest groups, "A" for the academic interviewed, "VH" is for the tax agency personnel and "Y" for the corporate interviewees. The number behind each letter code refers to an individual in each group, thus individualizing each interviewee. This letter code is used in each quotation to specify the interviewee and thus to give the reader information to interpret the quotation in its right context.

5.1 Confrontation

Transformation as a process starts with a confrontation, due to a shortcoming or a problem in the existing relationships or conditions. This confrontation forces the parties involved to reconsider the interparty relationships and the extant practices. Confrontation is the prerequisite for transformation, creating circumstances that allow the emergence of boundary objects, such as *Syvennetty*. (Akkerman & Bakker, 2011, p. 146). Confrontations, discontinuities that form a boundary that is not easily overcome, force the participants to "explore each others' thought worlds" (Akkerman et al., 2006, p. 482), forcing the different actors to engage in the processes of sense-making and sense-taking (Boland & Tenkasi, 1995).

These types of confrontations "encountering discontinuities that are not easily surpassed" (Akkerman & Bakker, 2011, p. 147) existed in the tax field some ten years ago, and antagonism between the taxpayers and the tax authority was described in many of the interviews.

> *Well, we probably want to get rid of the juxtaposition, that the other one is on the other side of the table and the other one on the other side, that we want sort of want to see our taxpayers as partners sort of more than as an opposing party, that if both parties aim is that with as little trouble as possible we collect the tax revenue, then that is in a way the mutual interest for this kind of co-operation. (VH12)*

> *And I specifically emphasize that no process works in a best possible way if the parties both do not have as a distinct goal to find a solution. And this is the big problem. I would say that this is the beef, in every problem, the core in problems created in communication. That as long as the parties, cultures do not meet so that both parties have as their primary goal for the both, mine from your point of view, yours from my point of view to find a joint solution, then that is not the most efficient procedure possible. If there is no will for this. We have been very far, in my opinion, the tax administration and the taxpayers have been in that there has been, historically some inexplicable juxtaposition. (VJ2)*

The reason for the "disruption in the current workflow" (Akkerman & Bakker, 2011, p. 147) and the cause for the confrontations was e.g. a transfer pricing –project *KOVE* had started in 2012 with the goal to audit corporate transfer pricing policies. The project ran from January 1, 2012 until December, 31, 2014 and its goal was to diminish the tax gap due to incorrect transfer pricing methods applied (Verohallinto, 2013). As potential for corporate tax planning had increased, tax administrations carried out aggressive tax audits (e.g. in transfer pricing) and actively applied anti-tax avoidance rules, according to Juusela (2013), although *KOVE* emphasized the project's developmental nature (Verohallinto, 2013). In 2012, based on tax audit proposals in this transfer pricing -project, companies' taxable income was increased by 298 million euros, and these numbers were expected to significantly increase in 2013, as e.g. the number of companies audited was substantially larger (Verohallinto, 2013). To give the increased amount of revenue some perspective, the total corporate income tax in Finland in 2012 was 4.210 million euros and *KOVE*-customers accounted for 55% of that amount (Verohallinto, 2014). Regardless, Tax Director Koski has emphasized the compliancy of large taxpayers and the non-existence of illegal tax evasion within these companies (MTV Uutiset, 2013).

Interviewed consultants, stakeholder group representatives and academic were of the opinion that these transfer pricing audits, along with what was viewed as tax agency overreactions, were some of the reasons for the confrontations and lack of trust between the taxpayers and *KOVE*.

> *The tax agency launched their transfer pricing task force and then, for real, practices that or such constructions or tax treatment that had been considered acceptable or at least had not been intervened in for at least in decades then all of a sudden all these were attacked and it wasn't that one had been attacked, but an artillery battalion of cases were initiated. (K2)*

> *According to Aminoff-Lindblad, also in Finland the atmosphere has changed. The tax agency activities in the matters concerning transfer pricing are more aggressive than before. (Remes, 2013, p. 10)*

> *Tax hunt accelerates: Tax administration continues its transfer-pricing hunt, although it lost its case in the court about a year ago. Over 20 companies are in dispute now with the tax administration over large outstanding taxes. (Virta, 2015, pp. 6 – 7)*

Nevertheless, the world was different some ten, twenty years ago, the interviewees stated. According to the interviewed academic, in the beginning of the current millennium, the appetite for the corporate tax planning was different from today, and the tax planning was "taken to the extreme". Digitalization, internationalization and the tax competition between the different jurisdictions had increased the possibilities for corporate tax planning (Juusela, 2013).

Nobody was interested in corporate taxes and the common view was that "only the stupid pay too much tax, the smart ones know how to plan for them", whereas today it is widely acknowledged that no society is able to function without taxes being paid, an interviewee concluded.

> *It can be that today the situation is such that everybody tries to comply with the regulation and hopes to get comments on them if you have questions needing interpretation, that the world has definitely changed from what it was some ten years ago when the accounting companies these aggressive taxation schemes did. (VJ1)*

The transfer pricing –project was not the only cause for the juxtaposition, but the overall unpredictability of taxation was said to cause, and was still seen to cause at the time of the interviews, problems in the relationships between the corporations and the tax authority. In tax audits in general, the tax agency had started to radically redraw the boundary between unacceptable and acceptable practices, legal and illegal, the interviewees stated (see also Remes, 2017). The tax agency was seen to interpret the tax law in new, unprecedented ways, the interviewees described, and not even following the rulings of the Supreme Administrative Court (see also Virta, 2015). This change in interpreting the tax law took, and has taken, many companies by surprise, it was concluded. The legislation concerning corporate taxation in Finland is relatively old, as the Act on the Taxation of Business Income dates from 1968 (360/1968), and there have been no unresolved issues, was stated by an interest group representative. These boundary-drawing efforts cause problems for the companies, it was concluded, as the companies "always take a hit", regardless of their legal standing, and defending their standing demands both personnel and financial resources. It was also suggested that the tax authority used to have preconceived ideas of the taxpayer malpractices and was aimed at collecting evidence supporting the tax authority's own views. Earlier research has shown how similar efforts to redefine the boundaries between acceptable and unacceptable tax practices have influenced negatively the relationships between the taxpayers and tax administration (Gracia & Oats, 2012).

> *And I think that at the moment it is a little bit of a challenge that the tax agency tries to find the interpretation policy and that what tax agency itself has brought up in the interviews that they can shoot ten times and not hit and the only thing they note is that ´oops, that's ok, let's continue´, when the company always takes a hit [-] but this is where I would say that where we influence to some extent the corporate world and how this tax compliancy and how tax compliant the companies are. (K1)*

> *They [the tax agency] often times seemed to have a strong preconception of an error that had been made, and they were not ready to accept the objective evidence that*

the taxpayer tried to present explaining the grounds for the arrangement. The tax agency was mainly collecting evidence supporting their own claims. (Tax expert in Lassila, Helsingin Sanomat, 2017)

The tax agency approaches, sometimes viewed as aggressive, had left the companies to wonder whether the tax agency has an understanding of how the business operates and where the value is created in the value chain, a tax consultant stated. The tax agency actions have seemed to be justified by the public discussions concerning the moral issues of paying taxes, a tax consultant concluded, adding that these discussions were not ungrounded. Echoing these moral concerns, recent research has paid attention to the moral perspectives of taxation and the legitimacy of tax minimization (Anesa et al., 2019; also Ylönen & Laine, 2015; Sikka, 2015; Sikka & Willmott, 2013).

As the trust in the tax agency had dwindled, the tax agency's ability and willingness to treat the taxpayers in a fair manner was increasingly doubted. Although the tax agency should be an objective party in taxation, this objectivity was questioned.

All of these, that it was surely not one single item that lead to it, but all these issues together, they lead to it that at some stage it was so that trust, it did not exist. (K2)

The taxpayer's trust in the tax agency, processing, in a manner of speaking this kind of objective processing and in that all issues will be handled, like they were just mere issues and the tax agency does not try to tax all the activities to the maximum amount, that is put to test now. (AT1)

The interviewed tax agency employees described the confrontational situation between the tax agency and the corporations in more general terms. Juxtapositions were seen as an uncalled-for result of tax auditing practices, induced by the premises of tax auditing, when "go[ing] there uninvited". The existing juxtaposition was clearly and openly acknowledged, as was the need to improve the situation, highlighting the need "to find tolerable solutions" (Pucci & Skærbæk, 2020).

Instead of that we are in a juxtaposition [-] that we offer, that we have this kind of a model, where we truly are partners with each other and we want that matters are well taken care of that we help you in that. (VH4)

I have done tax auditing for so long, that I probably would not do it anymore, but I really like the job, but there still is the juxtaposition, that we tell them, we sort of go there uninvited to go through their old issues, of course also to guide them with their tax paying behavior for the future, as in this Syvennetty the premise is that we audit their internal tax controls, their functioning. (VH12)

According to a tax expert, regaining trust was seen to present a hurdle for the tax administration, as well, due to the earlier perceived aggressive corporate tax practices (Lassila, 2017).

When the confrontation was the most heated, it was also taken public with articles, comments and opinions published in the media (e.g. Virta, 2015; Remes, 2017).

> *I am under the impression that when the discussions were at the most heated and they were on Talouselämä's and Kauppalehti's pages, then that was not liked by the business world and it was not liked by the Ministry of Finance and I guess on both sides, and there was different kinds of dialogue which all was not done in public on the pages of the newspapers but that there has been different kinds of meetings and I think that there was a wish to get away from the juxtapositions. (K2)*

According to *Konserniverokeskus* Tax Director Koski (2014), the publicity the transfer pricing cases received was, at the time in 2014, exceptional. This publicity was not seen in a positive light, not by the business life or by the Ministry of Finance, it was stated, and discussions were held on how to change the tax agency practices. The need for a change was seen also on the highest level of government as the government prioritized predictability and consistency of taxation in its program (see Valtioneuvosto, 2015).

> *In addition, the Finnish Government intervened in taxation. According to the government program, all taxation practices have to be customer-oriented, consistent and predictable. (Virta, 2015)*

Combined, these changes in tax agency practices and actions, upsetting the established practices and tax field doxa, and seeking to relocate the extant boundaries (cf. Gracia and Oats, 2012), had created a situation where the tax agency had become an unpredictable partner, was stated by a tax consultant. Yet, the tax agency interviewees opined on the need to enhance the interrelations between the taxpayers and the tax agency, as well.

5.2 Shared problem space

Conflicts existed and the need to address the situation had been acknowledged by different parties of the tax field. To alter the situation, finding "the problem space that binds the intersecting practices together" was the next step (Akkerman & Bakker, 2011, p. 148).

The idea of the tax agency and the corporate taxpayers "sharing a problem space" was evidenced in the phrases used by the tax agency interviewees. The interviewees elaborated on the change taking place in the tax administration and

on the efforts to find common goals. As an expression of this change, many of the *KOVE* interviewees referred to the corporate taxpayers as "partners", used terms such as "joint game" and "common goal", or discussed "shared issues" with the taxpayers. This shift in the phraseology and corresponding approaches reflect the influence of the ideas of New Public Management on public sector (Thomas, 2013).

> *I have [learnt] many kinds of things, and one big issue was, for example, that [-] yeah, a sort of lesson is, that this kind of, sort of traditionally we are, nevertheless, authority and a client. And that, that we gradually can achieve that, that we can start to trust that we are genuinely going towards a joint fair goal, that was with one customer clearly [-] and with whom we still have to work to be able to build the trust and to maintain it. (VH3)*

> *We have gradually, over a long time come to that direction [-] this idea of partnership, that we should more start to talk about, that we should increase interaction with customers and specifically talk about partnership, that partnership as a buzzword describes well what we are after, that we are not tax administration and customer in this case no more subservient, tax administration and customer, the relationship should be such that we have a common cause, we are partners in that cause. (VH6)*

The interviewees called for a "joint game" that would conflate the objectives of the taxpayer and the tax recipient and create co-operation that would abolish the set-ups leading to confrontations. All the players of the tax field expressed this desire for a common goal. In addition, the tax authorities found that aiming at joint targets was a viable solution for abating the adversity between the different parties. Nevertheless, it was stated that this was not always possible, as the legally mandated roles of the taxpayer and the tax administration always exist.

> *Well, I myself thought, sort of, that I wanted to be involved in it [Syvennetty] since it is more of a common goal, there isn't so much of confrontation with the client (VH3)*

> *Of course we just have to try [because of the clients] [-] to maintain all the time good atmosphere there, that certainly in its part is fundamentally important, to try to somehow diminish or eradicate the juxtaposition in a way, sort of we have a shared issue, although in reality not always of course there always is a taxpayer and a revenue body. (VH12)*

The *KOVE* interviewees also expressed their willingness to help the corporate taxpayers with problematic issues. This tax agency help was well received by the taxpayers as it reduced the tax risks for the companies: *"that we*

would not together recognize a significant issue", was an expression used by one of the corporate taxpayers.

> *As we throughout the year have certain regular meetings, where we look at joint issues and discuss, what kinds of issues happen in the company, where they would need help and in this way. (VH6)*

Although the tax agency top management endorsed *Syvennetty*, not all those working in the tax agency favored this closer partnership, one of the tax agency interviewees explained:

> *For sure those involved in Syvennetty, they see this partnership-setting 100 percent, but if we think in a wider context the whole tax administration, there are this kind of challenges that we can this kind of thinking through the whole organization and in this building, too, that we get that through the organization, that this close partnership with the customer is a good thing. (VH6)*

This negative attitude towards forming close partnerships between the tax administration and the taxpayers was also made public by some of the tax agency employees, as these employees feared that these 'softer methods' would erode the tax moral of the taxpayers (Vuorikoski, 2016).

This problem space shared by the tax agency and the corporate taxpayers contained many problematic issues, according to the interviewees. One of them was the administrative burden and increasingly complicated taxation that were putting a strain on both the corporations and the tax agency.

> *However, in my opinion these are not just a company's viewpoints [increasingly complicated world and administrative burden], but I think these are the tax agency viewpoints, I think these are exactly two same things. In other words, things are so damn difficult that it is very hard for an individual tax administrator to figure them out. And on the other hand, in tax administration this administrative burden, if the other party produces a thousand pages of material and this material has to be sorted out, then how do you come to an understanding concerning the resolving of an issue based on the material, this is what it is about for both of the parties. (AT1)*

> *And our extremely long tax audits increase uncertainty, audits use their resources, but that one thing can last a year, in the worst case a couple of years, one tax audit, when that issue is undecided and the company has no certainty of the outcome. After that, it is the board, the administrative court, and the Supreme Administrative Court with these big cases and it has quickly taken ten years. This is what they would like to avoid and we would like to avoid so I would see that we have a joint interest with the companies that these cases would not stretch out and go into the process, to the legal process. (VH14)*

The interviewees also emphasized acknowledging that the juxtapositions nowadays exist between different jurisdictions having common interest over the same tax revenue, and not between the taxpayer and the tax recipient in Finland.

> *Maybe the places for juxtapositions should not nowadays be any more in this taxpayer and tax recipient -set up inside a jurisdiction, but still more this game should be seen as a joint game and then, maybe the juxtapositions should be seen between jurisdictions and that the fight is over the same tax base and for the companies, the question of course is that there should not be double-taxation, that the revenue should only be taxed once. (AT1)*

Having the taxes paid in Finland was seen as a common objective, and the taxpayer and the tax agency were deemed to be joining forces to accomplish this target and to 'fight the common enemy'.

Additional causes for juxtapositions were the tax agency practices having their focus on the history, for instance with tax audits and tax returns, instead of concentrating on the future. This was seen problematic for all companies in the form of additional administrative burden and potential punitive taxes. Especially problematic reverting to the past financial years was for the listed companies with the requirements regarding transparency and publicity of their financial information. The tax agency, too, found this focus to cause problems.

> *And I totally understand both the tax agency's and the company's need and goal that it would be extremely good that issues are resolved when they are topical and not five years afterwards in a tax inspection. (AT2)*

The corporate interviewees and the tax consultants viewed taxation also in a wider context, taking the whole society in perspective, and, in their views, taxation was not just an issue to settle and to take care of between the taxpayer and the tax agency. On the one hand, the state of Finland was viewed as a responsible actor in taxation, when responsibility was placed on the government, and as interviewees called for the state "to take care of its own" in matters regarding corporate taxation. Hence, not only the tax agency, but also the government at large, was seen as a responsible party in improving the relationships between the different players in the tax field. On the other hand, the state and the society were seen as recipients of the good that is the result of corporate activities, and the tax authorities' ability to "see what is good for Finland", to work for the common good, was questioned. Corporate taxation was not seen only as a corporate issue, but an issue affecting the whole society. This sentiment was evidenced also in a corporate interview published in the media.

> *According to Aminoff-Lindblad, it is for the good of a small country, if everybody can work together for a common goal. (Remes, 2013)*

I would say that a well-functioning Syvennetty, jointly sought after right solution at the right time combined with a reasonable tax burden, that is a win for the national economy. This is how I see that this layout could be crystallized. (VJ2)

Another problem of corporate taxation was the experienced uncertainty. This uncertainty was seen to cause problems for the companies, and reducing this uncertainty was found to be in the interests of the tax agency, as well. In the words of one of the tax consultants,

There needs to be more trust on both sides [the tax agency and the corporate taxpayers] and belief in that everybody's [the tax agency and the corporate taxpayers] common goal for the most of the time is to have the issues solved and to know how a specific issue is handled [in taxation]. (K1)

Uncertainty came up in the interviews as perhaps one of the gravest problems facing corporate taxation, with many interviewees stating the need for certainty of taxation. The task of the corporate tax function is to ensure the certainty of taxation, the interviewees maintained.

Unpredictability is a big problem. (K1)

And one of the tax administration's promises is that we nevertheless give quickly to the companies, when that is one of the advantages, that they get the tax administration resolutions fast, in an ideal situation always already as what has been done, when the possibility for the need for corrections afterwards would be eliminated. (VH13)

The experienced uncertainty was associated with the lack of legal security. The lack of legal security was not caused by tax agency's actions only, but, for example, the back-and-forth legislative actions that took place some ten years ago were seen as a contributing factor.

And these kinds of attempts there has been in the recent years in relatively many isolated incidences and hence it is easy to create this kind of general atmosphere of distrust and what the companies are widely talking about currently is the protection of trust and this atmosphere of distrust was partly caused by back-and-forth legislation during the previous government's tenure. So, there are actually many things, which have gone in that direction, that, from the corporate view, the situation is now a little bit more uncertain than before. (AT1)

The taxation process, according to many interviews, contained elements that in themselves were not helpful in diminishing the instances of and the potential for adversity. One of these problems was that the attitudes and the goals of the tax authorities were seen to be geared towards collecting the maximum amount of tax revenue, instead of towards finding the correct answers to taxation

issues. These presented views echo the ideas of New Public Management on paying attention to statistics and representations (cf. Clegg & Gordon, 2012).

The objectivity of the tax authority was also questioned. According to the Finnish Tax Assessment Procedure Act (1995/1558), tax authority is an impartial actor operating in the tax field between the taxpayer and the tax recipient, but the interviewees doubted this objectivity. Both these experienced problems, the tax agency attitudes and goals, and the objectivity of the tax agency, were seen to create distrust and concern among the companies.

> *What is the tax agency status and if we talk of how the tax agency's duty is to inspect matters both from the taxpayer's and the tax recipient's view [-] and as I said, I do not for one second believe that we would have a tax authority that would inspect the matters on the taxpayer's behalf. (K2)*

As solving the practical tax issues and calculating the correct tax liability were seen as mutual problems, demands were not placed only on the tax agency, but commitment of both parties to finding the 'right tax' was demanded. Trust was seen as a contributing factor in solving this dilemma, as achieving this reciprocal commitment was deemed to require enhanced trust between the parties. Getting the correct answers to the tax questions and solving the tax problems is not possible, if the taxpayer does not trust the tax agency enough to disclose all relevant information, it was stated. Tax agency should also trust the taxpayer enough to disclose its motives, when inquiring about issues from the taxpayer, an interviewee reflected. These ideas are in parallel with the calls by Gracia and Oats (2012) for tax administration institutional change to incorporate the ideas of responsive regulation (Ayres & Braithwaite, 1992) into tax administration practices to achieve a customer-oriented tax administration.

> *The change in the attitude in the tax administration that it is not always that the goal is to get as much tax revenue as possible, but rather to seek the correct answers. (AT2)*

> *There is nothing that a company has to hide either, but they want that everything is done correctly and there are no needless sanctions. (VJ1)*

The taxation process in Finland has traditionally been mostly based on written documents. This practice that has excluded handling matters orally, with the exception of tax audits, was seen to lengthen the disputes, cause misunderstandings, and be a hindrance in "getting to the meat and potatoes" more quickly and sometimes even to aggravate the disputes.

> *I would believe that [-] from the tax agency side, they want, the companies and the tax agency want, for sure a lot of same things in this that we can have real-time, that we can decrease paper work, which causes that matters take a long time, creates misunderstanding, it is hard to find the beef, for sure these kinds of things have*

been the cause of it and then there is the old tax agency principle of right tax at the right time, this emphasizes that same principle. (K1)

Problems inside this 'shared problem space' of corporate taxation were numerous and varied in their nature, sometimes affecting all the actors in the tax field, other times having an effect on an individual group in the field. Yet, consensus seemed to prevail among those interviewed that a joint game between the taxpayers and the tax agency is not only possible but also beneficial to both parties.

5.3 Hybridization

In this tax field transformation, within the shared problem space of corporate taxation, a hybrid of borrowed ingredients, *Syvennetty asiakasyhteistyö,* emerged. *Syvennetty's* roots lie in the OECD recommendations, but ideas were taken also, for instance, from the Dutch "Horizontal monitoring" (de Widt, 2017), as *Verohallinto* representatives benchmarked the Dutch initiative. The resulting practice was adapted to the Finnish legislation and to Finnish taxation culture, echoing earlier research on the influence of cultural and organizational context in taxation and on tax authorities as individuals (Björklund Larsen, 2015; Wynter & Oats, 2018). From these initial ingredients, a hybrid practice with its new borders and new methods of operation was created.

When *Syvennetty* was initiated in 2013 and the practice was started with the first five companies as participants, the initiative was not nearly finished, but many questions regarding its practices and processes remained open. Hybridization was still taking place during the interviews that started in 2016, as the practice was evolving, and the methods of operation were still being built up. The core of the practice was in existence and the basic operating principles were clear, but the practice needed fine-tuning, learning from experience, and taking into account the views of the different parties in the tax field, the interviewees stated.

Let's see how they develop it, it is somewhat open for them, too, yet, that what will happen after this pilot stage after the compliance scan is done, it can be that it a little bit depends on the company, that how many times are met and what issues and with each company different things are important. (Y5)

As a part of the hybridization process, creativity and generation of new ideas were needed, as described by Akkerman and Bakker (2011) "practices crossing their boundaries engage in a creative process" (p. 148). During the interviews, this creative process was still ongoing, and many interviewees expressed their ideas and wishes regarding the content and the operating

methods of *Syvennetty*. Some companies stated as a reason of joining in *Syvennetty* the wish to be able to influence the process and the outcome, reflecting a potential for regulatory capture (cf. Thornburg & Roberts, 2008; Bozanic et al., 2012).

> *But now we practice it here and give a lot of feedback, of course, directly to the tax administration and so forth that there are a lot of upsides, but just somehow maybe the resources and the whole entirety and the amount of time used, and it will Siberia teach you that in no way can you with this kind of thorough, it is not worth it to cover everything this thoroughly. (Y4)*

This potential for the large corporate taxpayers to influence the tax administration practices can be seen as evidence of the political power these corporate taxpayers hold over implementing laws (cf. De Lange & Howieson, 2006).

A great deal of expectations was placed on *Syvennetty*. This process of hybridization was an important one as all those interviewed wanted *Syvennetty* to succeed and wanted it to be the way out of an unsettling situation.

> *As a general message, it can be said that this is a very good and positive development that this kind of [Syvennetty] is taking place. (K2)*

> *I think that it [Syvennetty] is one way to look at it and I think it is one way to enhance trust or sort of invoke or earn the trust again, I do not believe that there is anything, actually this is really a brilliant example of what can be done. That trust is created only when both earn it somehow and if this starts out well, it is an important step towards that our tax administration is seen as a trustworthy partner also from the corporate side. (AT1)*

> *But all in all, if you think that this is actually a radical change to earlier with these companies, so there is nothing here that they would be against of, that this does not work at all, that there would have come such significant challenges, that although for our business but one could say that one would not want to support it, but still with this background would still say, that it has not appeared, that you could say, that this is totally doomed exercise, but on the contrary, that there are a lot of chances for success, but it requires that the tax administration has the ability and the willingness to understand business. (K1)*

One of the aspects of *Syvennetty* was free discourse and processing of issues to a greater extent orally, instead of in writing.

> *The interactive atmosphere of Verohallinto is so essential that [-] conflicts arise, that is very clear, and the sooner they can be straightened, so that both understand that this is the way this has to go, both parties, the better. It saves a lot of money. And time. (A1)*

Increasing verbal communication between the different parties was seen as a solution to many of the problems in the adversarial situation with conflicts. Oral discourse between the different actors, especially the taxpayers and the tax agency, would diminish the number of required written documents being sent back and forth between the corporate taxpayer and the tax agency, which, in its turn, would have a positive effect on the administrative burden on both sides of the table. Handling matters in oral communication would ease the transition into working in real-time, delivering one of the *Syvennetty*-related promises made by *KOVE*, as expressed by a corporate interviewee:

> *This interview, or this kind of meeting, then we had these phone calls, some things have been in writing [-] the one fear we had was that we have to write long stories there, therefore these kinds of oral discussions are easy that you first probe whether you have the right idea, that do we agree, we both understand, that there is no need to write a five-page-memo as it profits nobody else but the tax consultant. (Y3)*

Discussing matters face to face was seen to aid in reaching the significant part of the issues in question faster, in expediting the taxation process, and in finding the common goal that both the corporate taxpayer and the tax agency can share. Additionally, finding the correct answers to the tax questions was seen by those interviewed as a target both these two actors could commit themselves to.

> *Yes, going through the issues exactly so that we avoid these kinds of, misunderstandings, at the very start so that the facts come out early enough because it is so much cheaper for all the parties to get them right the first time that we do not have to argue in court, which is expensive for everybody. (A1)*

> *At the end of the day, you would want to have the cases settled fast. Very seldom you see nowadays anymore that somebody would want to play games with taxation. Too uncertain, expensive, burdensome, will there be any benefits after all. The companies do not do that anymore, increasingly it is thought that as long as we get them [taxes] at a reasonable level, and when only we can take care of them. (K1)*

Increasing "open and honest communication" was seen as a means to improve not only tax certainty but also legal security. Legal security was deemed insufficient at the time of the interviews and a cause for an unnecessary administrative burden, delays, and improper functioning of tax practices. Focusing on the future, not on the past, was seen as another way in which *Syvennetty* could enhance legal security in corporate taxation. Strengthening the legal security and thus future corporate tax compliance would mean less tax audits and a decrease in the number of tax disputes.

> *I have in a way liked that what we have often times called for, what I hope this Syvennetty will also bring and what I think it actually has delivered also maybe to*

the proactivity you can say and what I would like a lot is that in a way exactly this approach that we can disagree on issues but still look forward. (Y4)

Then in that light, too, as those taxpayers, they are treated pretty harshly, there is so much prejudice and this, is it now prejudice but this kind of… some say bias or similar, so if we can prevent these kinds of situations earlier, so that we do not end up, many years afterwards, in difficult situations a) to clarify things b) that are difficult cost-wise, then this leads to equality from the actors' viewpoint if at an earlier stage these things are handled correctly. (VJ2)

Increasing oral discourse and communication were seen as integral parts in enhancing mutual trust between the corporate taxpayers and the tax agency, and, in general, benefiting the relationship between these central players of the corporate tax field. As trust was deemed missing, regaining it was seen possible only through the actions of the different players, and *Syvennetty* was considered as a way for these players to show that they can be trusted and are trustworthy partners in taxation.

The premise has to be that that company that joins it [Syvennetty] has to be ready and it has to be willing to open its own playbook to the tax agency, just like this in a different way from everybody else. I think it is the company's duty and responsibility to bring [-] that the [tax] agency cannot know all the time what is taking place in the company and what is on the drawing board. On the other hand, the [tax] agency has to understand that in a company, there is something going on all the time and there are dozens of things on the drawing board, out of which a couple will be realized and some are such that they come to the tax department's or the finance department's attention only in the last minute, so that one should not be jealous if you do not hear about everything. (K2)

Enhancing trust was in many interviews seen as a core issue, and trust as a factor comes up in many ways as a focal point in *Syvennetty*. In the OECD recommendations (2013a), trust is seen as the primary underlying concept of co-operative compliance. Konserniverokeskus Tax Director Koski proposed that *Syvennetty* is based on justifiable trust (Koski, 2014).

This sort of, this demands absolutely mutual trust, that maybe is not at the moment at a so good a level as it should be and I believe that both parties need to do something here [-] in a way, the tax agency's trust that companies want to pay their taxes is not so great in all, especially in the international context, but on the other hand the taxpayer's trust in the tax agency, processing, in this kind of objective processing and in that all issues will be handled, like they were just mere issues and the tax agency does not try to tax all the activities to the maximum amount, that is put to test now. (AT1)

Mutual trust is a prerequisite for a company even to become a partner in *Syvennetty*. On the one hand, the tax agency's actions rely on the proper functioning of the corporate tax controls and the ability of corporate information systems to produce correct tax-related information. These are confirmed at the initial stage of *Syvennetty* with a compliance scan, where the tax agency's ability to place reliance on the tax controls and on the corporate financial information is verified. On the other hand, the companies need to be able to trust the tax agency being open about the tax agency's own motives and intentions, it was stated. "There is no hidden agenda", was claimed by a tax authority. Compliance scan with its verification of corporate tax controls can be seen as a way tax agency is "expand[ing] [-] areas of activity, legitimacy, authority, and responsibility" (Mikes, 2011, p. 226; also Gieryn, 1983) further into the corporate financial administration.

> *Well, actually we did a poll [-] and to other KOVE-personnel, who are not involved in the pilot, and it was pretty much, partly there were also those, who do not know, what it is, and then also it is, that there were pretty stale ideas about it without even wanting to know, what it is all about [-] When we have quite a lot of people, who think that tax auditing is the only right thing, that there is no other way we are able to get information from there and sort of that, that this kind of strong, or, well, strong, but anyway to an extent this kind of thinking, that how can we trust [-] That they do not tell us everything or what if they do not tell us everything. (VH3)*

An important aspect of trust in the taxation setting is the protection of trust. Law regulates protection of trust and the content of the term has been a subject of legal cases. As a legal term, protection of trust refers to the extent to which a taxpayer can rely on its taxation being processed according to the advice provided by the tax agency, when the taxpayer abides this advice in its own taxation (Juusela, 2012). What protection of trust means in the context of *Syvennetty*, and the new practices incorporated in it, was still relatively unestablished at the time of the interviews. The interviews presented a picture of versatile construed understandings surrounding the concept of protection of trust, ranging from the very strict interpretations regarding when and how protection of trust could be achieved, placing particular attention to, for instance, the manner in which advice is provided to the taxpayer by the tax agency. Interpretations that are more lenient allowed protection of trust to be established regardless of the manner in which the information is conveyed. Björklund Larsen (2015) has described how drawing the boundaries between taxable and tax-free income is addressed in the everyday practices of tax administration, when the boundaries had not been addressed in courts. In a similar manner in *Syvennetty*, due to the lack of pertinent legislation, the boundary between the manners in which protection of trust was established or was not established was negotiated in the daily work of tax administration.

And when will the protection of trust be established, what is the kind of like strong enough of instruction or advice. (AT2)

That is another question that are we able to accomplish validity to what is discussed and to what extent protection of trust is formed, that is a difficult question, that this is maybe one problem with these discussions and it can be said that particularly in these kinds of preliminary discussions that how is protection of trust formed and formation of protection of trust requires after all that the case is clearly investigated and a decision is made, nevertheless, that the validity, validity is hard to accomplish in a negotiation. (VJ2)

This uncertainty over this concept has presumably not gone unnoticed by *Verohallinto* as in December 2019 it issued new instructions on how legislation over protection of trust is to be interpreted in the light of new court rulings. *Verohallinto* also addressed the establishing of protection of trust in the context of the new anticipatory discussions in place in *Verohallinto*, analogical to the practices in *Syvennetty*. (Verohallinto, 2019b). This updated *Verohallinto* instruction will potentially help in clearing the situation concerning this topic.

Since taxation in Finland is regulated by the Constitution (Constitution of Finland 731/1999), questions concerning the legitimacy of *Syvennetty* were raised. Some of the interviewees found it problematic that *Syvennetty* is not based on legislation defining *Syvennetty's* boundaries, and the responsibilities and the rights of the participants. Without adequate regulation, the concern was, whether *Syvennetty* could be based only on the good will of the tax agency and the hopefully good chemistry between those involved. These concerns reflect findings in earlier research on how transnational standards have replaced national standards (e.g. Botzem, 2008; Chua & Taylor, 2008; Chiapello & Medjad, 2009), and how the boundaries of a regulatory field have been redrawn to include new actors as co-regulators (Suddaby et al., 2007).

But that it is a little bit, as I think that it is a little bit based on good will, when we do not have anything, it is not regulated anywhere, it is only like a procedure created by on official, but I see this [-] it is completely in the air, and as the last resort, it depends on the personal chemistries. (AT2)

Earlier research has pointed out that, in order for soft regulation to succeed, it needs to be backed up by hard legislation (Koutalakis et al., 2010).

Some of the interviewees were also concerned about what would happen in case a company turned down an offer to join *Syvennetty* – if the result would be a massive tax audit, and how companies would be viewed by the tax agency after a potential decline, whereas some saw no threat in this.

I am under the impression that some have genuinely declined and with success and have had good reasons for it [-] there have been companies that have said no and I do not think that there are any other results than compassion. (Y4)

Adding to this discussion on the legitimacy of *Syvennetty* and the legalities surrounding it, interviewees addressed the problems of fairness in *Syvennetty*. Does the tax agency treat all the corporate taxpayers equally, when only few of the taxpayers are involved in *Syvennetty* and most taxpayers are in the basic relationship with the tax agency? It was asked, whether those companies involved in *Syvennetty* get something "extra", something the other companies do not get (cf. Szudoczky & Majdanska, 2017; Majdanska & Pemberton, 2019).

> *In my opinion, it is also a problem that how does, when we should treat everybody even-handedly, how does this come true in this context. I cannot say anything more about that. But I have seen that for some corporations [-] they have more people and then they maybe get those answers more quickly and how does this fit together with being impartial when others have to wait in line there. (VH5)*

> *We are all bound by the same rules, when some have occasionally stated that, this whole Syvennetty, this is this kind of scheming, that this is some kind of horse-trading and such, but I have now understood, that here the issues are taken care of when they are on the table instead of five years afterwards, that is the whole idea. (Y5)*

Still, this new hybrid practice was not only seen to be about legislation, or the lack of it, of the processes and methods of operation, but also about the people involved. Those implementing *Syvennetty*, getting *Syvennetty* accepted and succeeding, were the ones seen to make it or break it for *Syvennetty*.

> *It requires new capabilities from the administration. And it is perfectly natural that if for twenty years you have made decisions based on a "paper process" then all of a sudden you would have to change to taking a standing in a meeting, that is different. (K3)*

The mentality of the tax authorities and their attitudes towards the companies were seen as critical aspects, as well as new abilities and skills from the tax authorities. The situation had changed: working with documents, that were "not running away", as expressed by one tax agency employee, had turned into working with real people expecting answers here and now. These findings parallel the demands on tax administration personnel described by Tuck (2010, p. 584), as the tax official changes from "bureaucratic inward facing technical civil servant" into "outward facing new style tax official", who has to navigate both the technical details of taxation and operating in the customer-oriented organization. This situation exemplifies identity work taking place as a new identity of tax administrator is being established (cf. Annisette, 2017), as separate organizational domains are integrated, when the 'technical' domain has to engage with the 'market' domain (cf. Llewellyn, 1998). This mentality is also of importance, as research suggests that regulatee response to regulatory change is contingent on the regulator behavior (Johansen & Plenborg, 2018).

5.4 Crystallization, maintaining uniqueness of the intersecting practices and continuous joint work at the boundary

As, at the time of the interviews, the hybridization was still very much work in progress, these three last parts of the transformation process were not very much in evidence in the interviews.

> *All in all there has been a lot of that these processes have been developed and they have developed while working and they still will surely develop, there has not been a ready template from the start, when the co-operation began. (VH1)*

Crystallization has taken place, when the new practices become a part of the everyday activities as a result of the involved organizations committing themselves to these new mechanisms (Akkerman & Bakker, 2011; Suddaby et al., 2007). As these interviews were carried out at an early stage of the initiative, it was too soon for the crystallization to be in evidence. The interviewees, however, presented some ideas and brought some topics into discussion that could be thematized as belonging into these last three categories.

The idea of creating "best practices", as proposed by a tax consultant, could be categorized under the process of crystallization. The corporate world, tax consultants and tax agency would team up to create these best practices in financial administration and the practices would be shared with all companies. These best practices would enhance the financial administration in corporations, hence affecting the quality of financial information and tax compliance, as well.

> *And then another thing I believe and here we need to genuinely, this could be a place for improvement still that, the corporate world, why wouldn't we consultants and tax agency discuss what would the best practices be in those processes, that we could influence how financial administration processes are run. (K2)*

A corporate representative echoed these sentiments on best practices and the sharing of them. Hope was specifically placed on the tax agency to share best practices or check list –types of material in order to assist companies when building up tax controls.

> *But of course, if this would somehow, this would evolve into a practice where there would be more of sharing of the best practices [-] For example the kind of we asked from the [tax] agency, as we were a little bit going over the systems and exactly these system controls, as we are now creating them, that if they have some good practices, [-] from the SAP-world or otherwise know some good control catalogues or something we at least to some extent could use as a checklist. (Y4)*

Similar to accountants acting as interpreters of financial accounting standards (Cooper & Robson, 2006; Kettunen, 2020; Kohler et al., 2021), with

these proposed best practices, tax consultants and tax administrators would act as interpreters of the tax laws and, hence, would exert power over the laws. These types of checklists or best practice –lists would be a boundary drawing endeavor to delineate between acceptable and unacceptable tax practices (cf. Gracia & Oats, 2012). These lists could be seen as a 'technology', albeit a crude one, setting boundaries for regulatory fields in terms of defining the scope of regulation, here extending the scope further into the area of corporate financial administration (cf. Mikes, 2011; Williams, 2013). This proposition by a tax consultant can also be seen as an effort to expand the authority (Gieryn, 1983) of tax consultants, and to redefine the regulatory boundaries (cf. Suddaby et al., 2007). As regulatory changes can cause boundaries between different actors to become fuzzy (Aburous 2019), this type of co-operation between the tax consultants and tax administration might give grounds to indeterminacy of the boundary between these two actor groups.

This suggestion by a tax consultant also exemplifies the notion of tax compliance as a 'socio-material assemblage' (Boll, 2014b) or a networked and distributed practice (Richardson, 2009; Huikku et al., 2012), where different actors, here the corporate taxpayers, the tax consultants and the tax authorities, jointly contribute to produce tax compliance. Hasseldine et al. (2011) have proposed that the tax administrations, corporate taxpayers and tax accountants "have a mutual dependency in enabling the successful implementation of new legislation, and are considered to be willing to share knowledge for this purpose" (p. 40). The tax consultant suggestion gives evidence of similar mutual dependency with tax consultants and the willingness of tax consultants to share their knowledge.

Despite the ongoing development of the process and the procedures, some practices were already in place and had been adapted. For instance, for a company to be accepted in *Syvennetty,* the functioning of the company's tax processes and controls had to be verified in a compliance scan by the tax agency personnel. In case the tax processes and controls were deemed inadequate, the company would be asked to improve and enhance them. When these processes and controls were deemed acceptable by the tax agency, the tax agency and the corporate taxpayer would sign a letter of agreement, where both parties would commit to transparency inter alia. There is no binding agreement between the two parties as *Syvennetty* is based on voluntarism and either party can withdraw from co-operation at any time it so chooses.

Oral communication and discussions form the basis for *Syvennetty*, and to an extent, at the time of the interviews, these discussions had become a common way of working in *Syvennetty.* This signifies a drastic change to the traditional ways of operating within the tax agency. In *Syvennetty,* when needed and when a customer so wishes, discussions can be held on "different issues, small and big ones", it was stated. As all customers in *Syvennetty* have their own team of experts in the tax agency, the bar to contact the tax agency had been lowered.

Providing prompt replies to the corporate taxpayers in *Syvennetty* was one of the promises given by the tax agency, and this oral communication made it easier for the tax agency to keep its promise, and, as on organizational level, the tax agency had invested in delivering prompt answers, the tax agency interviewees stated.

Representing another part of crystallization in *Syvennetty*, the tax agency promotes proactivity, and a proactive tax agency is one that informs the corporate taxpayers on new issues, instructions, and changes in legislation, it was stated. This proactivity and working in real-time were in evidence as the tax agency and the taxpayers had their focus on the future and on solving current issues to help the taxpayers with their taxation.

Overall, some practices were in place and had become parts of the everyday processes at the tax agency, representing the incurred crystallization. Still, predominantly, work was still very much in progress, and *Syvennetty,* its content and practices were still in the development stage at the time of the interviews.

> *Even though we had the Dutch here to tell us, we have still Finland, Finnish legislative environment, Finnish tax practices, all our administrative cultures and all [-] sort of we started from zero to build it, that it does not help, when someone tells you, how we do it, but we have to create it, this is still very much learning. (VH3)*

Paying attention to the cultural context was needed in adapting the transnational OECD recommendations on a national level. Although international examples and transnational soft law were followed, the acknowledgement of the importance of cultural context, influencing e.g. the interactions between the tax agency and the taxpayers, is in line with earlier research (cf. Björklund Larsen, 2015; Wynter & Oats, 2018; Pucci & Skærbæk, 2020).

As an example of a tax practice that could be executed by different actors is the compliance scan. In *Syvennetty*, the compliance scan is performed by the tax agency, but as it was deemed that there would be demand for the verification of the continued functioning of the tax controls, the question was whether, in Finland, the tax consultants could perform this verification at a later date. In case this scenario would materialize, a disruption of the intersecting practices would be a result, and some of the regulatory power would be transferred from the tax agency to the tax intermediaries.

> *I do not know whether it is partly, of course this can be partly our speculation, too, that whether there is fear [with the consultants] that their business opportunities will decrease and such, that if we move from the juxtaposition towards a common goal [-] But of course, that do we genuinely know what they are, but this is what we have talked about, that is it that one, that they, if there are no more disputes do they run out of bread, but there are new kinds of business opportunities, for example*

reviewing tax control framework and others, but it demands new kinds of software from them as it requires from us. (VH3)

This uniqueness of the different practices of the actors in the tax field was questioned also vis-à-vis tax administration and auditors. As in a compliance scan the functioning of a company's tax processes are verified, and, in consequence, the reliability of the company's bookkeeping processes, it was contemplated, whether the tax administration performs the same procedures and carries out the same assessments as the company auditors. If the auditors have already verified the reliability of these processes, is it necessary to redo it?

For example in income taxation it is to an extent, it [compliance scan] is quite the same as for auditors, that is the general reliability of accounting, reviewing it and, concerning it, I have wondered, that how much is there double work and to what extent is it worth reviewing and investigating, that there are audited accounts and such that us double-checking it for a second time [-] there is this kind of double work and risk, or it is not maybe a risk, but is it worth it. (VH1)

The uniqueness of the intersecting practices was also elaborated in these interviews pertaining to the tax agency practices, the tax consultancy practices, and the roles of these two actors (cf. Hasseldine et al, 2011; Aburous, 2019). Those working in the tax agency wondered about the difference between their work in *Syvennetty* and the work of tax consultants. How does the work of the tax authorities differ from that of the tax consultants, when the tax authorities help their customers with their tax issues? Where does a tax authority's work end and a tax consultant's begin? Some tax agency interviewees pondering this dilemma rationalized that they, as an authority, answer only a specific question, they do not calculate the most beneficial solution to the customers in terms of tax liability. These questions highlight the existing boundaries within the field and show how actors "establish co-presence" (Burke, 1969 in Suddaby et al., 2007, p. 346), and "define which actors are 'in' the field and which are not" (Scott, 1994, in Suddaby et al., 2007, p. 346). Nevertheless, the tax intermediaries may feel the need to protect or reproduce their professional field within the larger tax field to guard their professional niche against other professionals with overlapping areas of occupation, i.e. the tax authorities. To do this, they may draw on the economic, social and cultural capital they possess and seek to legitimize boundaries by defining the activities in question in a way that will show the importance of and need for the expert knowledge they possess. Seeking tax administration co-operation would "legitimate their jurisdictional claim with powerful actors" (Suddaby et al., 2007, p. 347) for the tax consultants.

For both the tax authorities and the tax consultants, adopting a new role signifies conforming to a new situation with a new set of rules and new boundaries and shows an individual actor's understanding of and compliance with the new rules (Suddaby et al., 2007, p. 348).

Maintaining the uniqueness of intersecting practices, and also of the organizations involved, requires active boundary maintenance through "inclusion and exclusion as an organizational identity is maintained and the organization enacts its environment" (Llewellyn, 1994, p. 10).

The Finnish taxation processes and taxation itself ensure the continuous joint work at the boundaries, the last part of the transformation process, as taxation is a joint effort needing the input of at least the taxpayer and the tax agency. With *Syvennetty* as a boundary object joining the large corporate taxpayers and the tax agency, this joint work is more intensive with the new methods and practices applied. The changes contribute to a more formalized joint work, delivering a promise of continuity and coherence of this work.

6 CONCLUDING DISCUSSION

Our empirical account of the transformation of taxation practices within the field of large corporations in Finland allows us to make a few theoretical observations regarding the nature and significance of boundary objects in accounting and taxation, about change in a regulatory field, and of the socio-cultural nature of taxation and implications thereof to taxation.

As a research question, the purpose of this paper was to analyze, how regulative change in large corporate taxation is orchestrated with the help of a co-operative compliance initiative as a boundary object. This paper has described the boundary work and the transformation that took place in the regulatory field of taxation and the tax practices of *KOVE*.

The starting point for this transformation were juxtapositions affecting the relationships between the corporate taxpayers and the tax agency. At the beginning of the 2010s the cultures of tax planning and tax audits were deemed aggressive, leading to a number of legal disputes over e.g. transfer pricing, not only in Finland, but also globally (Sikka & Willmott, 2013; Sikka, 2015b), and to the questioning of the objectivity of corporate taxation. The concept of co-operative compliance was presented as an agenda of the OECD (2008, 2013a) that was already practiced in a few countries, e.g. the Netherlands (de Widt, 2017), and in Finland it offered a new method for the taxation of large corporations.

In *Syvennetty*, common goals between the different players were combined. For both the taxpayer and the tax administration, paying the right tax at the right time was important. In transfer pricing, the shared goal was to have the tax revenue stay in Finland, described as a joint effort by the tax agency and the Finnish company to defy the endeavors of a foreign tax administration. Reducing the administrative burden was also important for both the taxpayer and the tax agency. Helping the taxpayers with their complicated tax issues, addressing the issues when they were topical, and giving the taxpayers a chance to discuss these

issues with the tax authority before executing transactions were all parts of *Syvennetty*. A common goal that would eliminate many of the problem areas was found in the taxpayer receiving the "correct answers" to its tax questions, simultaneously shifting the focus from auditing historical information to ensuring the correctness of future information. *Syvennetty* reflects the co-operative ideas of responsive regulation (Ayres & Braithwaite, 1992) and the idea of tax agency actions reflecting the taxpayer compliance behavior. Since tax administration has seen significant risks located with large companies, as they set an example for other taxpayers with their compliance behavior, and, additionally, have an influential position within the society, securing the compliancy of this taxpayer group has been deemed vital.

After *Syvennetty* as a tax administration project ended in 2015, these more co-operative practices and *Syvennetty* as a whole were adopted as a part of the everyday work of *KOVE*. Even though the number of large corporations that were a part of *Syvennetty* was still very small, the shared new goal of tax compliance was able to change the practices. Oral communication instead of only written and a better understanding of the customers' different time orientation were changing the tax administration practices towards better serving the taxpayers' needs. Some old issues, however, remained as a cause for concern and new ones emerged. For example, protection of trust, the new identity of tax authorities, and the changing businesses for tax advisors were deemed problematic in the new tax environment.

Syvennetty changed the tax practices, contrary to e.g. a similar initiative in Sweden (Björklund Larsen, 2016). The timing for *Syvennetty* was right, as the change in *Verohallinto* (2014) values from impartiality, reliability and extensive expertise to co-operation, trust and renewal reflect a shift in the *Verohallinto* (2019a) approach that could be seen as contributing to *Syvennetty's* ability to change the practices. Additionally, changes in *Verohallinto* phraseology, reflecting a more service-oriented attitude, could be seen as signs of influence of the ideas of New Public Management with its focus on public as customers public management provides services for (Thomas, 2013; Wiesel & Modell, 2014). On the governmental level, consistency and predictability of taxation were included in the program for Finnish government from 2015 (Valtioneuvosto , 2015).

The reasons for the discontinuation of the Swedish initiative were seen to stem from legislative difficulties, requirements for the maintaining of status quo of the tax field roles, and the different moral understandings around taxation (Björklund Larsen, 2019). In Finland, the different actors appeared ready to adopt the change in the tax field and in their own roles in situ and relative to the other players of the field. *Syvennetty* aimed at abolishing earlier confrontational dispositions, and at foregrounding the shared problem space, where different actors had joint interests, and where co-operation would be beneficial for them. Such shared problem spaces could be found e.g. in decreasing the administrative burden, in working in real-time, in avoiding future disputes, in increasing the

certainty of taxation, and in having the taxes paid in Finland. *Syvennetty* brought the different players together to find common goals they all could agree upon, and to see from each other's perspectives (cf. Star & Griesemer, 1989; Andrew & Cooper, 2021). The different players approached *Syvennetty* in a pragmatic way, with the expressed emphasis on the benefits *Syvennetty* would bring to the parties involved.

Syvennetty, based on the ideas of reciprocity, not only demanded from the taxpayers, but also promised benefits to the taxpayers in return, i.e. certainty of taxation against transparency, and seemed to be attuned to delivering the promises it made to the taxpayers involved (cf. Gracia & Oats, 2012). *Syvennetty* formed into a practice of new co-operative methods (cf. Wynter & Oats, 2018), increasing communication and interaction between the different parties, and forging the called-for transparency (cf. Hasseldine et al., 2011, p. 40). With these new practices, it was possible to create a common platform for the players to meet on a more level playground.

When assessing the outcomes of *Syvennetty*, as a caveat it needs to be noted that the companies taking part in the pilot phase of *Syvennetty* were handpicked by the tax administration among those large corporate taxpayers that already had demonstrated their compliancy, and met the undisclosed tax administration criteria for entering *Syvennetty.* As such, these companies do not represent an average corporate taxpayer. In addition, while some interviewees were concerned with the demands *Syvennetty* places on the tax administration resources, in the interviews, this eventuality did not come up as a constraint.

We contribute to the following research areas. Firstly, we contribute to the accounting research in tax regulation in social, cultural and institutional setting (Boll, 2014a, 2014b; Björklund-Larsen, 2015; Wynter & Oats, 2018) by illustrating a change in tax administration, in the relationships between the tax administration and voluntary large corporations, and in tax practices. This research can be seen as an answer to "an urgent need for research which can provide a basis for seeing accounting as both a social and organisational phenomenon" (Ahrens, 2009, p. 30). By looking beyond the intricate and often complicated details of the technicalities of taxation, with this research, we have corroborated the earlier findings of taxation as a regulatory process not only about the legislative work and the statues governing taxation, but also about the interrelationships and the interactions between the different players. This study shows, how increasing interactions between the tax administration and the corporate taxpayers, replacing extensively written communication with oral communication and with meeting in person, and enhancing transparency for both parties were able to create a more benevolent atmosphere, to change the style of discourse, thus making room for co-operation (cf. Kirchler et al., 2008). A shared problem space, a common ground and possibilities for co-operation was found, allowing for interactions and co-operation between these parties to take place. Enhanced and more accessible tax administration aid, and taxpayer

willingness for transparency create a potential for a better-informed taxpayer on the complicated details of tax legislation (cf. Boll, 2014b; Björklund Larsen, 2016; Björklund Larsen, et al., 2018; Boll & Brehm Johansen, 2018; Brøgger & Aziz, 2018; Björklund Larsen & Oats, 2019).

Our second area of contribution is to the literature of boundary work and boundary objects (Briers & Chua, 2001; Gracia & Oats, 2012; Björklund Larsen, 2015; Laine et al., 2016; Arena et al., 2017). We have uncovered how those involved experienced events prior to *Syvennetty* as disruptions and confrontations in the tax field, and how the underlying principles of *Syvennetty* changed, already early on, the discourse as discussions on e.g. "common goals" and "partnerships" emerged. These common goals were, for example, decreasing administrative burden, finding the right tax liability, increasing certainty of taxation, and having the tax paid in Finland. The tax field actors interviewed were able to pinpoint changes in the tax administration practices, showing evidence of actualized and not just rhetorical change in the form of increased oral communication, easier access to tax administration, working in real-time with the focus on the future, increased transparency, and tax agency proactivity. Hence, with our research we have described the disruption that took place in the tax field, we have shown how *Syvennetty* has brought together the tax administration and the corporate taxpayers in close co-operation and has facilitated a transformation of tax administration practices and an organizational change. As an outcome of this transformation, changes in the interrelationships between the tax administration and the large corporate taxpayers have taken place. With *Syvennetty* as a boundary object, the different actors were joined to find a shared problem space and common goals the parties could commit to as they shifted the focus from historical events to future compliance.

Additionally, as we paid attention to the actions of these individual actors, we were able to illustrate how "organizational change is negotiated through people" (Llewellyn, 1998, p. 42), as the new practices, eventually changing the tax administration as an organization, were carried out by individuals with readiness for a change. Hence, we add to the extant accounting research on boundary objects by informing on the change that took place in the tax administration on the individual level. Along with the introduction of new practices, demands were placed on the tax administrator competencies and skills, as the focus was placed on service-orientated approaches with taxpayers as 'customers' (cf. Tuck, 2010; also Radcliffe et al., 2018). The novel competencies and customer-oriented approach were needed, as the transformed tax practices meant closer contacts and increased interactions, in various forms, with the taxpayers. The increased interactions enhanced the possibilities for learning at the boundaries and, in consequence, contributed to the organizational change in tax administration (cf. Llewellyn, 1998).

In addition, our findings add to the existing research on boundary work in taxation with our specific focus on boundary objects and their agency in

developing social relations, regulatory fields, corresponding practices, and facilitating organizational change. As we observed boundary work in the context of this co-operative compliance initiative, we were able to pinpoint field-level changes (cf. Gracia & Oats, 2012; Andrew & Cooper, 2021) in the relationships and in the nature and scope of the inter-field communication and interaction. *Syvennetty* as a boundary object allowed sharing common goals, and committing to transparency, to proactivity, and to practices built around increased and close personal contacts and interactions between the tax administration and the corporate taxpayers. This research shows how the new practices, for example, compliance scans, and personal contacts demanded resources from both the tax administration and the corporate taxpayers, yet they built up boundary infrastructure (Star, 2010) that solidified and re-programmed a width of novel ways to communicate, enabling responsiveness of regulation (cf. Gracia & Oats, 2012).

This study speaks to the extant literature as it informs on how the institutional change that took place required the actors to align their roles and identities to reflect the evolving situation (cf. Annisette, 2017). The new practices defined the actor roles, as the practices placed new claims on the tax administrators and set the parameters for the demand for the different tax services. New regulatory practices influenced actor identities (Tuck, 2010; Currie et al., 2015), as the shifts in the relationship between the tax administration and the corporate taxpayers resulted in the tax administrators questioning their own role in the tax field, and the boundary between the tax administrator and the tax consultant. Likewise, the role of the tax consultants was challenged in the novel situation: whether there still was room for the consultancy services in general, or whether the role is that of a co-regulator, working jointly with the tax administration in regulating the field. Even auditors were suggested as co-regulators of tax administration, as it was wondered, whether the work done by auditors when auditing company controls could be trusted or needed to be redone. This proposition is in stark contrast with the strand of literature describing the role of accountants in corporate tax avoidance (e.g. Sikka & Willmott, 2013; Sikka, 2015b). Hence, a regulatory change in the corporate taxation generated fuzziness of the boundaries between the different actors (cf. Aburous, 2019). These discussions on the actor roles show the need for the actors to "remake" their professions, after an institutional change, in the form of *Syvennetty*, had taken place (cf. Gieryn, 1983, p. 792; Suddaby et al., 2015), and the roles of the different actors had become blurred (cf. Gracia & Oats, 2012). The study by Gracia and Oats (2012) used the concepts of boundary-work to study the boundaries with a Bourdieusian lens, with a specific interest in the relational aspects of taxation.

For the third, contribution is also made to the accounting-related studies interested in regulation as we have "explore[d] the dynamic interplay between boundary-work and regulatory practice" (Gracia & Oats, 2012, p. 305). This

current study's novelty as a regulatory study stems from showing how a regulatory change is orchestrated using an initiative based on OECD recommendations, a form of soft law, as a boundary object (cf. Jiang et al., 2018; Pucci & Skærbæk, 2020), changing the tax field practices and the relationship between the tax administration and the large corporate taxpayers. This study corroborates the earlier findings of the existence of various transnational organizations operating and using regulatory power in a regulatory field, and of the influence of transnational soft law on national regulation (e.g. Suddaby et al., 2007; Botzem, 2008; Chua & Taylor, 2008; Chiapello & Medjad, 2009; Arnold, 2009, 2012), as the tax administration has shaped its regulatory practices following the OECD recommendations. Since Finland is a member of the OECD, the OECD regulatory power may be the result of actor motivation (Suddaby et al., 2007), and an outcome of the consequent "interconnectedness of national politics with global forces" (Caramanis, 2002).

This field-level study incorporating and describing several actors, as well as their interactions and interrelations, highlights the nature of regulation as a networked and distributed practice (Richardson, 2009; Huikku et al., 2017), and not merely a force influencing the behavior of the actors from outside of the field (Bozanic et al., 2012). In *Syvennetty*, the tax administration co-produced regulation together with the corporate taxpayers as they were tasked with self-regulating their own tax controls, and with the OECD as the provider of the soft law *Syvennetty* follows. It was even deliberated, whether some of the regulatory power could be distributed to the tax consultants, or even auditors, and whether they could be added as co-regulators in the regulatory network of *Syvennetty*, as explained in the previous chapters. In parallel with earlier research, this research uncovered actor efforts to expand regulatory authority, as some of the corporate taxpayers expressed influencing regulation as one of the underlying reasons to join *Syvennetty*.

As *Syvennetty*, and co-operative compliance in general, reflect the ideas of responsive regulation (Ayres & Braithwaite, 1992), adopting *Syvennetty* exemplifies the role of theories in standard setting, and the process of "trying to find tolerable solutions" (Pucci & Skærbæk, 2020), e.g. in this described challenging regulatory situation. Responsive regulation is a theoretical framework lacking the specificity of e.g. tax regulation or the IFRS standards. Thus, the tenets of responsive regulation can be implemented in a fitting way in each particular situation in each jurisdiction (cf. Björklund Larsen et al., 2018; de Widt & Oats, 2018), producing different understandings of 'responsive regulation'. As the recommendations of co-operative compliance are adopted in each country-specific context, this may produce some surprising results, as an outcome of learning taking place at the boundary between the tax administration and the corporate taxpayers. As a result of this learning, the questioning of the roles and identities of the tax administrator and the tax consultants, the open question on the role of the tax consultants, the idea of tax consultants and

auditors as co-regulators in taxation, and the fuzziness of the boundary between the actor groups emerged.

Some of the companies decided to opt out, as they deemed the requirements and benefits of this particular application of responsive regulation to be ill-fitted to their needs as taxpayers. Nevertheless, some of the tax administrators were unwilling to commit themselves to the new tax compliance paradigm, as well, as the required trust on the taxpayers was missing, and the perceived negative influence on taxpayer compliance of the 'softer' ways of operating. The new operational ways of *Syvennetty* brought about questions of the legal concept of protection of trust, but also questions of the impartiality of tax administration. This questioning, in its turn, increased the uncertainty of taxation, thus producing results opposite to *Syvennetty's* inherent goal of increased certainty of taxation, and in contradiction to the promises made to the taxpayers. The questions of tax administration impartiality influenced the interrelationships and the required trust between the tax administration and the corporate taxpayers. Seeing foreign tax administrators as 'enemies', finding a joint goal for the tax administration and the taxpayers to exist in 'fightning' this common enemy, and the goal of having the tax revenue being paid in Finland, appear as an interesting extension of the ideas of corporate social responsibility (Ylönen & Laine, 2015). The whole premise of having soft law in the form of the OECD recommendations influence 'something as consequential as corporate taxation' was found unexpected in some of the interviews, eroding the legitimacy of *Syvennetty*. In order to have the ideas of responsive regulation succssfully applied, these 'blurred positions' need to be addressed for a tax administration to "better balance their wider regulatory accountabilities (as a public body), with its regulatory duty of care to individual taxpayers" (Gracia & Oats, 2012, p. 318).

As this study has analyzed a regulatory change, it echoes the suggestion by Johansen and Plenborg (2018, p. 1612) on the importance of analyzing regulatory change to understand the underlying features and the surrounding circumstances of a successful, and also of an unsuccessful, practice change, to avoid antagonistic relationships between the regulator and the regulatee.

In terms of future research, we see a need for more studies concerned with the different paths resulting in a change or a no-change in regulatory regimes as an outcome of co-operative compliance initiatives. How are these co-operative compliance initiatives implemented in different jurisdictions and how does this implementation affect the tax agency practices in general in these jurisdictions? Further research would also be needed on the actual results of the co-operative compliance regimes: whether they are able to reach their ultimate goal of improving corporate tax compliance.

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III

TOWARDS POST-POLITICAL REGULATION? CO-OPERATIVE TAX COMPLIANCE IN FINLAND

by

Tuulia Potka-Soininen, Jaana Kettunen & Jukka Pellinen

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ABSTRACT

We analyze the mixed premises and effects of co-operative compliance building upon the notion of *post-political regulation* (Garsten and Jacobsson, 2013). This study examines an evolving co-operative compliance program in the context of the Finnish tax administration interacting with some of the largest corporate taxpayers. Co-operative compliance, which is operated in Finland under the label of *Syvennetty asiakasyhteistyö (Syvennetty)*, is one of the main initiatives taken by the OECD aimed at improving tax compliance and tax administration practices. According to the OECD, the following principle best characterizes co-operative compliance: "businesses that are prepared to be fully transparent can expect certainty about their tax position in return" (OECD 2013a, 11). *Syvennetty asiakasyhteistyö*, like other co-operative compliance regimes, is premised on the ideas of voluntary participation, mutual trust and respect between the tax administration and its corporate clients.

1 INTRODUCTION[1]

Taxation has become a subject to intensive media coverage, transnational governance efforts and changing administrative practices. It is also an area where traditional public service ethos and contemporary customer orientation appear to clash, and where national tax systems have been deemed insufficient to address complex tax schemes of multinationals aimed at aggressive tax planning. At the same time, in certain situations, correct interpretation of tax legislation can be difficult also for those companies that are willing to comply with the law. Recent examples are also illustrative of a trend in taxation, where 'political' issues are made into 'ethical' issues, as, for a corporate taxpayer, fulfilling legal tax obligations is not always deemed to suffice (cf. Finnwatch, 2020; also de Widt, Mulligan, & Oats, 2016, p. 36).

Transnational organizations, most notably the OECD, have been active during the last decade in introducing frameworks or approaches as to how national revenue bodies should improve their practices when interacting with the corporate taxpayers (OECD, 2008, 2013a; see also Garsten, 2008). As expressed by Djelic (2011), "[g]lobalization can be read as consequential reordering, where national rules of law increasingly have to confront the progress of a transnational law of rules" (p. 35). For example in Finland, the Supreme Administrative Court has established the role of the OECD transfer pricing recommendations as a source in interpreting tax law (Verohallinto, 2021a). The OECD has taken initiatives aimed at improving tax compliance and tax administration practices, a notable example amongst them being the *Co-operative Compliance* (OECD, 2008, 2013a, 2016). The following principle characterizes co-operative compliance: "businesses that are prepared to be fully

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transparent can expect certainty about their tax position in return" (OECD, 2013a, p. 11).

Overall, tax administrations in various countries have shown interest in developing a more co-operative relationship with the corporate taxpayers (OECD, 2016; de Widt, 2017; Björklund Larsen, 2016; Björklund Larsen, et al., 2018; Boll & Brehm Johansen, 2018; Bronzewska, 2016; Brøgger & Aziz, 2018; Potka-Soininen et al., 2018; Björklund Larsen & Oats, 2019). The creation of such co-operative relationships between the taxpayers and tax administrations is assumed to yield advantages to both parties and is described as a solution where everyone benefits (see OECD, 2016).

The present study investigates an evolving co-operative compliance regime where the tax administration operating it has taken inspiration and lessons from the OECD work and revenue bodies in other countries developing similar regimes, to study how global economic ideas evolve and are incorporated in a national setting (cf. Ban, 2016). We look into phenomenon of regulation "as a complex compound of activities bridging the global and the local and taking place at the same time within, between and across national borders" (Djelic & Sahlin-Andersson, 2006, p. 3). The empirical setting in this research is *Syvennetty asiakasyhteistyö (*from here on *Syvennetty)* at the Large Taxpayers' Office (*Konserniverokeskus,* from here on *KOVE*) at the Taxation Unit (V*erotusyksikkö*) at the Finnish Tax Administration *(Verohallinto)*. *Syvennetty* was established in 2013 as a pilot with five voluntary corporate groups involved. Since 2016, it has been a part of the permanent ways of operating at *KOVE.* (Piiskoppel, 2017). When developing *Syvennetty*, *Verohallinto* has drawn on the mixed experiences from other countries, most importantly the Dutch Horizontal Monitoring (cf. de Widt, 2017), which is one of the first and most wide-scale co-operative compliance programs.

We build on Garsten and Jacobsson's (2013) notion of *Post-Political Regulation* to analyze *Syvennetty*, and more broadly, tax work practices that build on a consensus assumption between the tax administration and the taxpayer. Garsten and Jacobsson (2013) argue that the assumed consensus between actors involved in regulation conceals the differences in interests and unequal power relationships. The relationship between the tax administration, the regulator, and the taxpayer, the regulatee, is a contest about power (Mulligan & Oats, 2017, p. 60). The power the regulator possesses over the regulatee can be paralleled with what Nye (2004, 2008) has called "soft power" based rather on attraction than coercion. This power has characteristics of what Gramsci has labeled as hegemony since "supremacy of one class or group over other classes or groups" is in evidence (Fontana, 2008). Hegemony, the relationship between those in power and those without power, parallels soft power, as it is not dependent on coercion to dominate in a society (Fontana, 2008; Howson and Smith, 2008).

In line with Garsten and Jacobsson (2013), we suggest that the notion of post-political regulation is helpful in analyzing the contradictions and

problematics in co-operative compliance, or other initiatives aimed at improving tax compliance.

Post-political as a concept refers to free post-communistic world without partisan conflicts where consensus can be reached with dialogues. Post-political world is a world characterized by globalization and universal liberal democracy. (Mouffe, 2005b, p. 1). The consensus assumption renders unequal power relations and conflicts of interest "invisible" and even irrelevant (Mouffe, 2005b; Garsten and Jacobsson, 2013).

The research aims at contributing to the existing body of accounting literature pertaining regulation in general and tax regulation in particular. To do this, we focus on two specific research questions.

> *RQ1: How have the ideas of post-political regulation been constituted in the Finnish tax administration practices when the OECD recommendations on co-operative compliance have been followed?*

When answering our first research question, using the theoretical concepts of post-political regulation to analyze *Syvennetty*, we research how the OECD recommended co-operative compliance approach has influenced the Finnish tax administration practices in the form of 'soft law' (cf. Senden, 2005; Gribnau, 2007). We investigate *Syvennetty* to shed light on how post-political principles are in evidence in the practices and principles that *Syvennetty* is constructed of (cf. Ban, 2016, p. 3). Certain characteristics are attributed to post-political regulation regimes, and studying their potential existence or non-existence in *Syvennetty,* we try to draw conclusions on their influence, while "excavating the dynamics through which post-political modes of governing come into being" (Wilson and Swyngedouw, 2014, p. 5). We argue that the OECD recommendations form a system of post-political governance, transforming tax practices and supplementing hard law.

> *RQ2: How and why Syvennetty was able to change an existing tax regime?*

Answering these questions, in parallel with Chiapello's suggestion (2017) for "more detailed explorations of the varied, mixed achievements of neoliberalism", and in order to "have a better understanding of how it spreads, meets with resistance, transforms and is reinvented", we show how a post-political idea "expressed at supranational or national level percolates down into national and local contexts" (p. 7). We investigate the circumstances surrounding the change, "how neoliberal hybrids shape policy" (Ban, 2016, p. 7). Earlier research on the Nordic countries points towards "tax regimes [-] steeped in non-neoliberal traditions" (Pedersen, 2007, in Ban, 2016, p. 8).

Djelic and Sahlin-Andersson (2006) have remarked on how extant literature views transnational regulation "as just out there and just come about", whereas the authors want to emphasize the "complex, progressive and highly historical

dimension of re-ordering process that is still, very much, in the making", and additionally propose "a focusing on the re-ordering itself" (p. 2). Taking cue from their proposition, our study aims at excavating, how a new mode of governance, co-operative compliance, was structured in the Finnish regulatory field of taxation with "the rules and regulations and the organizing, discursive and monitoring activities that sustain, frame and reproduce them" (Djelic & Sahlin-Andersson, 2006, p. 2).

The basis for taxation in the Finnish context lies on the constitution as it prescribes that taxes are governed with law (Constitution of Finland 731/1999), although the status of the OECD recommendations (a form of soft law) in interpreting tax regulation has been established by the Supreme Administrative Court (Verohallinto, 2021a). Thus, regulation on taxation is grounded on democratic processes and democratic decision making by the Finnish parliament. This is in stark contrast with the ideas of *post-political regulation* as it is based on the interests of transnational organizations and multilateral agreements, hence glossing over the democratic principles of taxation grounded in the constitution. In a post-political society, political space has been taken over by politics, i.e. practices (Mouffe 2005a, p. 9). Contemporary research has argued for democratic decision-making on matters of taxation, as well (Saez & Zucman, 2019).

Accounting systems as regulatory regimes, in parallel also those producing information for taxation, have been described as systems that have their emphasis on the economic outcomes instead of on the actor behavior (Armstrong, 1994, p. 25). Our focus with the socio-cultural approach of this study is to reverse the gaze from the economic outcomes to the pertinent details of relations between the actors to disclose power relations and problematics in regulatory systems, such as *Syvennetty*. Thus, we aim to contribute to the literature on taxation as a social and organizational practice (Gracia & Oats, 2012; Oats, 2012; Boll, 2016; Mulligan & Oats, 2016; Mulligan & Oats, 2016a) and to the extant knowledge on regulatory change and regulatory processes (e.g. Bozanic et al., 2012, Braithwaite, 2013; Canning & O'Dwyer, 2013; Sikka, 2015a; Holm & Zaman, 2019).

Our paper is structured as follows. In the next two sections, we first cover earlier research on taxation in the societal and organizational context and in the following chapter, we cover earlier research on regulation. Then, we first discuss the theoretical frameworks of regulation and public and private co-operation in the regulatory field. We conclude composing our theoretical base for this study by discussing post-political regulation. Finally, we will present the empirical setting, methods used and data drawn on, findings of our analysis, conclude and discuss our theoretical contribution.

2 ACCOUNTING RESEARCH ON TAX AND REGULATION

Taxation is an interdisciplinary field of enquiry. It has been examined by economists, scholars in finance and law, accountants and anthropologists alike, each drawing on the research traditions of their academic fields. Within accounting, researchers have most often adopted positivist methods to taxation (cf. Jacobs & Sansing, 2017), although, for example, Boll (2014b) has encouraged the researchers to examine the means and practices by which taxation is produced. These recent calls to study taxation as a social and institutional practice parallel with Hopwood's (1983) suggestion to study accounting in the context where it operates – taken to the realm of taxation - and with the renewed interest to study financial accounting as a social and organizational practice (e.g. Robson et al., 2017; Gracia & Oats, 2012, see also Hopwood & Miller, 1994).

The extant qualitative studies on taxation have enquired into tax work practices of the different sets of actors in what is sometimes called "the tax triangle", namely, tax administrators, in-house tax specialists and external tax advisors. These studies have sought to look into tax "in action" by examining e.g. audits in governmental (Hayes & Baker, 2014) and private company contexts (Boll, 2014a), the work of tax practitioners (Fogarty & Jones, 2014; Mulligan & Oats, 2016), the role of tax advisors in large business tax compliance (Braithwaite, 2005a), and the between country-differences and differences between corporations in the regulatory frameworks affecting the tax advisors (Mulligan & Oats, 2016a; de Widt, 2017).

Taxation as a regulatory field is an arena replete with boundaries, e.g. the boundary between taxable and tax-free income (Björklund Larsen, 2015) and boundaries in tax administration practices (Gracia & Oats, 2012). Björklund Larsen (2015) has analyzed the separation between taxable and tax-free income with boundary work noting that in tax law there are always boundaries that

require interpretation and "voids to fill for those issues that have not been addressed in courts" (p. 86). The "complex and fuzzy boundary between acceptable and unacceptable tax practice" was examined by Gracia and Oats (2012), who view regulation as a relational process whereby the boundary between the acceptable and the unacceptable tax practice is created, negotiated and enforced. The boundary between acceptable and potentially illegal practice is fuzzy which results in the regulator and the regulatee potentially having differing subjective interpretations of the boundary. Taken together, these two studies canvass tax as a field where room for interpretation, negotiation and arguable differences of perspectives exist.

With the changes in regulatory frameworks and regulatory styles, organizational changes ensue and new demands are placed on the tax administration personnel. As the ideas of the New Public Management (NPM) (cf. Thomas, 2013) have been introduced, the demands placed on tax administrators have changed. In the NPM, the focus is on the beneficiaries of public services as customers, and, as a result, with the tax administrators, the knowledge on the intricate details of tax legislation alone is not seen to suffice, as the customer-oriented ways of working need to be observed, as well (Tuck, 2010). Currie et al. (2015) examined the role transition for tax inspectors moving towards hybrid managerial roles in conjunction with increased customer orientation in the tax administration. As an outcome of the NPM, the greater customer orientation challenges the traditional public service ethic, where independence from the regulatees and focus on tax compliance are central (Tuck, 2010; Currie et al., 2015). Not only the role of tax administrators has changed, but the role of corporate tax experts has transformed as a result of, for example, changing moral boundaries and new regulation (Radcliffe et al., 2018), sometimes resulting in fuzzy boundaries between the different actor groups, as evidenced by Aburous (2019) on the shifting roles of auditors and corporate tax experts.

Regulatory thinking in taxation has evolved over time (Gracia & Oats, 2012), and customer-oriented and co-operative regulation has emerged, for example, in the form of co-operative compliance. Globalization and transnational organizations have been influential in changing tax regulation. (OECD, 2008, 2013a; Björklund Larsen, 2016; de Widt, 2017; Björklund Larsen, et al., 2018; Boll & Brehm Johansen, 2018; Brøgger & Aziz, 2018; Potka-Soininen et al., 2018; Björklund Larsen & Oats, 2019). In accounting, globalization has changed the standard-setting procedures and processes, and extended the scope of regulators, as e.g. transnational organizations have increased their power over national practices (Djelic & Sahlin-Andersson, 2006; Richardson, 2009; Bozanic et al., 2012; Huikku et al., 2017).

Globalization is in evidence in the standard setting of financial accounting, as a previously nationally regulated field has internationalized at a fast pace (Arnold, 2009, p. 48; also Suddaby et al., 2007). International financial accounting standard setting is a political process with different actors, e.g. national

professional bodies of accountancy and transnational bodies such as the former IASC (Susela, 1999) and the IASB (Arnold, 2012) contributing to it. It is a field with contests of power (Botzem & Quack, 2006), and financial accounting standards are the result of negotiations between the actors, influence of standard-setters, and economic theories inter alia (Pucci & Skærbæk, 2020, p. 17; also Kettunen, 2020; McLeay et al., 2000). Private-party actors, influenced by their professional background, are able to have their say in drawing up these standards, as the actors operate through the independent standard setting bodies, such as the FASB in the US, influencing the regulatory outcomes (e.g. Pucci & Skærbæk, 2020; Bozanic et al., 2012). Additionally, other actor groups, such as large corporations with political power (Roberts & Bobek, 2004; Kwok & Sharp, 2005) and accounting firms, bringing up issues to a standard setter's attention (Jiang et al., 2018, p. 30; also Pucci & Skærbæk, 2020), influence standard setting. With the multitude of actors, struggles for power are visible "in the turf battles within and between international accounting firms, professional associations, financial regulators, and states that give shape to the institutional arrangements governing the accounting sector" (Arnold, 2009, p. 61; also De Lange & Howieson, 2006; Botzem & Quack, 2006), and accounting firms have actively influenced the formation of global markets for accounting and auditing (Arnold, 2009, p. 54).

Regulation, with a multitude of actors, is no more seen only as an "exogenous part" of the regulatory environment (Bozanic et al., 2012, p. 461), but a networked and distributed practice (Djelic & Sahlin-Andersson, 2006; Richardson, 2009; Huikku et al., 2017). The change from national to international regulation is not without consequence in financial accounting, as on national levels it may result in "offshoring" the work of accountants and auditors, in increased power of multinational accounting firms, and, globally, due to the loose regulation, in the instability of financial systems (Arnold, 2009, pp. 48—49). In addition, it may present threats to the existence of national standard setting bodies (Sikka, 2017, p. 398).

Financial standard setters, for example the IASB, when drawing up financial standards, have their focus on investor information needs and on securing the usefulness of financial statements in the investor decision-making, hence resulting in future-oriented financial statements (cf. Arnold, 2009, p. 52). Difficulties arise as taxation is carried out with the same set of financial information, but in taxation a different temporal orientation is needed as in taxation the right tax liability is calculated using historical information. To remedy the situation, for example in the EU "unitary taxation" and changes in the ways taxable income is calculated have been introduced. These EU proposals would result in changes in the accounting principles, "[a]s IFRSs have reduced the usefulness of accounting numbers for taxation purposes, the EU has sought to recalibrate basic elements of accounting". (Sikka, 2017, p. 390.) This "decision-usefulness embedded in accounting", with e.g. focus on the investor decision-

making, has been criticized by Murphy et al. (2013, p. 87; see also Arnold, 2009, p. 52) as it, along with reliance placed on the markets to regulate the field, has been seen as evidence of neo-liberal principles in accounting regulation. The introduction of neo-liberal ideas as a basis for accounting regulation in general has been criticized, as this has resulted, according to Sikka (2015a), in corporate failures and financial crises.

Accountants play a significant role in financial accounting regulation, e.g. in interpreting financial accounting standards (Kohler et al., 2021; also Cooper & Robson, 2006). When interpreting these standards, accountants can act in dual roles either enhancing tax compliance or contributing to corporate tax avoidance, and research has shown evidence of involvement of accountants in corporate tax avoidance schemes (Sikka, 2008, 2015b; Sikka & Willmott, 2013; Addison & Mueller, 2015). Similarily to accountants, also tax advisers have a dual role in taxpayer tax compliance, as tax advisers operate in two markets: in "markets in virtue" to enhance tax compliance and "markets in vice" to sell tax avoidance advice (Braithwaite, 2013). These two markets are illustrative of "regulatory capitalism", where private actors (e.g. accounting firms) are a part of the regulatory space in the role of regulators (Braithwaite, 2005b).

Auditors have a dual role in the regulatory framework, on the one hand as regulators, and on the other hand as regulatees as auditing as a practice is a target of regulation (e.g. Holm & Zaman, 2019). As such, auditors play a focal role as co-regulators (Cooper & Robson, 2006), and to efficiently fulfil their role, co-operation between the auditors and their clients is needed: to achieve adequate audit quality (Knechel et al., 2020), and to ensure the legitimacy of both the auditor and the client (Power, 2003). The regulation of the audit profession has changed as self-regulation has been replaced with independent regulatory bodies (Mitchell & Sikka, 2004; Canning & O'Dwyer, 2013), although the independency of these new regulatory bodies has been questioned (Arnold, 2005; Malsch & Gendron, 2011).

Despite the significant regulatory role of financial standards and the financial statements they are based on, for example for investors and in taxation, research has uncovered corporate resistance to them (Mohamed and McKinley, 2006).

Evidence of regulatee attempts to secure their own interests and to influence regulation, i.e. regulatory capture (cf. Hancher & Moran, 1998), has been uncovered in studies by Bozanic et al. (2012) as they found evidence of regulatee influence on the SEC insider trading regulations, and by Thornburg and Roberts (2008) as they have illustrated the attempts by the US accounting industry to influence regulation by donating money to political campaigns. Both regulatees and regulators have been found to set out to safeguard their own interestes, when a disruption in a regulatory field and ensuing regulatory change has presented a threat to their roles and standings in the regulatory community. Financial disruption caused distrust in auditors and lack of auditor

accountability, resulting in abolition of field self-regulation, an introduction of an independent regulator, and a consequent change in the respective roles of regulators and auditors as regulatees. (Canning & O'Dwyer, 2013.)

Showing evidence of the interconnectedness of accounting and taxation, research has looked into the effects of financial information transparency on corporate tax compliance with mixed results, as research has shown indications of both potential benefits and potential drawbacks of enhanced transparency (Sikka, 2018; Oats & Tuck, 2019; also Mehrpouya & Djelic, 2019; Hoopes et al., 2018). Taxation has also been seen as a dimension of corporate social responsibility (CSR) (Ylönen & Laine, 2015).

This review of the extant studies shows the prominence of financial standards and auditing as targets of accounting-related research on regulation, with taxation receiving only limited attention. Most of the reviewed studies on regulation are interested in a stationary setup, with the research by Canning and O'Dwyer (2013) an exception with its focus on an evolving situation and on a change in a regulatory regime. Canning and O'Dwyer (2013) also describe the responses of the different actors to a transformation in the field. None of the existing studies in the reviewed corpus has used the theory of post-political regulation as such to analyze and explain the nature of a regulatory regime, although there are a number of accounting studies with neo-liberal approach (Chiapello, 2017)[2].

[2] See Chiapello, 2017, for a review of accounting studies with neo-liberal approach.

3 THEORY OF POST-POLITICAL REGULATION

Regulation is a multi-faceted phenomenon covered by a vast number of definitions (see e.g. Black, 2001), defined for example as "a process involving the sustained and focused attempt to alter that behaviour of others according to defined standards or purposes with the intention of producing a broadly defined outcome or outcomes" (Black, 2001, p. 142). The need for regulation stems largely from the need to control large corporations (Hancher & Moran, 1989, pp. 3—5). Globalization has lead to an increasing amount of regulation on a transnational level (Djelic, 2011, p. 36) as regulation takes place between different nations, and states co-operate with different international organizations, standard setters and corporations (Djelic & Sahlin-Andersson, 2006, pp. 1—2).

Regulatory strategies have, of old, relied on command-and-control type of mechanisms to secure regulatee compliance. Eventually, such regulatory regimes have been deemed inadequate and they have earned a poor reputation for their inability to produce wanted outcomes (Black, 2001, p. 105). Perceived inadequacy and emergence of neo-liberal ideas (Gunningham & Grabosky, 1998, p. 12) have resulted in calls to reform regulation to better service the goals of regulation. New ideas have been introduced: auditing the controls in place within an organization, i.e. meta-regulation, or taking advantage of risk-based approaches to identify those areas that present the largest risks to compliance (e.g. Baldwin et al., 2010). In meta-regulation, controls to guarantee compliance are put in place in the regulated organization that is tasked with the responsibility for regulation (Baldwin et al., 2010, pp. 6, 9) in a form of self-regulation (see Black, 2001, pp. 119—120). Recent theoretical developments in the field of regulation point towards development where focus is on the "institutional design" and on the motivations and behaviors of the actors in the regulatory community, i.e. of the politicians, regulators and the regulated (Baldwin et al., 2010, p. 8). Regulatory strategies placing emphasis on the achievement of regulatee compliance through reciprocating the regulatee's actions have evolved into agendas advocating "responsive regulation" combining both the ideas of compliance and deterrence

(Ayres & Braithwaite, 1992; Kirchler et al., 2014). These notions share the idea of creating and enforcing "an environment where regulatees comply voluntarily, and there is mutual trust and respect between regulators and regulatees" (Gracia & Oats, 2012, p. 305).

Regulation at national levels and the role of the state have been challenged by globalization and the emergence of new regulatory actors, as e.g. transnational organizations have become a part of regulatory networks, resulting in an increasing amount of transnational regulation (e.g. Gilardi, 2005; Thatcher, 2005). Globalization, inter alia, has been seen as a framework for decentered regulation, where regulation is seen to take place as a joint effort between various actors and not by governments alone (Black, 2001; Mörth, 2006; Boll, 2014a). New regulatory networks and regulatory communities are formed, and tasked "to codify, frame, and standardize practices, in particular by negotiating and issuing rules, norms, or standards" (Djelic, 2011, p. 36).

The large corporate taxpayers are often multinationals by nature with businesses located in more than one jurisdiction. This transnational nature makes it difficult for a single tax administration to govern and regulate them (Sikka, 2008a, 2008b, 2011, 2018; Sikka and Willmott, 2010; Ruggie, 2018). In these international instances, the national tax agencies are only one among several regulatory actors sharing the rule-making authority (cf. Garsten and Jacobsson, 2013, p. 425; Rawlings, 2017), and this new networked regulation (cf. Djelic & Sahlin-Andersson, 2006; Richardson, 2009) may take the place of traditional regulation, if the traditional regulation is not found to suffice (Garsten & Jacobsson, 2013, pp. 425—426). In spite of this networked regulation, Garsten and Jacobsson (2013) have concluded that, "[g]overnments still govern but increasingly in partnership with other actors" (p. 425).

Soft law in the form of recommendations or guidelines is one of the possible regulatory modes available for these international situations (Gribnau, 2008; Djelic & Quack, 2018). Soft law differs from hard law e.g. in the possibilities to sanction non-compliant behavior, and in its legal binding (Mörth, 2006). Soft law can adapt to varying circumstances and environments, as pointed out by Djelic (2011, p. 55), "transnational rules can be adopted selectively and in fact locally translated, adapted, and fitted to cohere with peculiar circumstances". The degree of adaptation varies depending, for example, on the co-dependence of different national revenue bodies and the transnational organization issuing the rules, and on lacking or inadequate regulatory frame in the national regulatory context (Djelic, 2011, p. 55). Despite that soft law is not a product of a regular law-making process, soft law in the form of a co-operative compliance regime has been found to improve legitimacy of tax administration as the inherent trust and transparency of the regime enhance corporate tax certainty (Gribnau, 2007, p. 325).

'Soft' regulation where the state actors share the regulatory power with international organizations and multi-national companies has gained relevance

in international and national regulation in the past years (Mörth, 2006; Koutalakis et al., 2010). The types of regulatory regimes that are outcomes of soft regulation are usually located outside of the traditional legislative processes, and the lack of democratic decision-making leaves the power over such regulatory regimes to be held by civil servants and private actors. Issues concerning regulation are deliberated among experts in the absence of ordinary citizens and, often times, without a due democratic process. (Mörth, 2006.) These deliberations are based on scientific evidence rather than on political considerations. This creates a paradox in power and accountability, as " those who have the power [i.e. private actors] cannot be held accountable and those who are accountable [i.e. politicians] have no power". (Mörth, 2006, p. 133-134.) Mörth (2006) argues that the prevalent solution to the dilemma of power and accountability in soft regulation would be to ensure that the private actors are adequately controlled and that the power is located with the public actor (p. 134). In addition, Mörth (2006) suggests challenging our ideas on democracy, as "there may be different ways of achieving and organizing democracy" if "[d]emocracy is understood as something more than just general elections and party politics" (pp. 134—135).

Different fields of transnational regulation share similar characters as they are based on five "institutional forces" (Djelic & Sahlin-Andersson, 2006, p. 23; Djelic, 2011, p. 44): scientization (Drori & Meyer, 2006), marketization (Djelic & Sahlin-Andersson, 2006), organizing (Ahrne & Brunsson, 2006), moral rationalization (Boli, 2006), and 'soft' regulation and democracy (Mörth, 2006).

This sharing of regulatory power between the states and independent or semi-independent bodies can be seen as influence of neo-liberal ideas on regulatory thinking, as these bodies as co-regulators seek professional and expert adivice when carrying out their regulatory tasks (Djelic, 2011, p. 42), and questions have been raised about the legitimacy and accountability of this type of shared regulation (Djelic, 2011, p. 43; also Djelic & Sahlin-Andersson, 2006).

Regulatory environments can be labelled as antagonistic or synergistic. In antagonistic environments, the taxpayer and tax administration are seen as opposing forces, and in synergistic environments, these two actors collaborate with each other to achieve common goals (Kirchler et al., 2008, p. 220; Hamilton, 2012, p. 485; Datt, 2014, p. 428).

In an attempt to improve regulation, following in the footsteps of "better regulation" (Baldwin et al., 2010, p. 5; also Baldwin, 2012) and respronsive regulation (Ayres & Braithwaite, 1992), tax administrations in several countries, the Netherlands (de Widt, 2017), the UK (Oats & de Widt, 2019), and Finland (Potka-Soininen, Kettunen, & Pellinen, 2018), to give a few examples, have introduced new forms of interaction between tax administrators and corporate taxpayers, broadly referred to by the OECD as "co-operative compliance" (OECD, 2008, 2013a, 2016).

These co-operative approaches originate, at least partly, from the OECD reports that encourage revenue bodies to develop a co-operative relationship

with taxpayers that is based on trust (OECD, 2008; also OECD, 2013). The 2008 report goes on to say that, such enhanced relationship entails "both parties going beyond their statutory obligations" (OECD, 2008, p. 5). Since the introduction of *enhanced relationship* in the 2008 report, tax agencies in several countries have introduced regulatory approaches that promise taxpayers certainty of taxation in return for corporate transparency (OECD 2013, p. 11). The significance of improving tax compliance and enhancing the relationship between the corporate taxpayers and tax administration are presented amongst the main reasons for adopting co-operative compliance (OECD 2013, p. 11). Overall, the enhanced relationship and co-operative compliance were suggested to remedy tax compliance issues.

As any initiatives to reform governance, the broad ideas of co-operative compliance and enhanced relationship between revenue bodies and taxpayers can take divergent forms when put into practice (see Wiesel and Modell, 2014). These different ways the ideas of co-operative compliance have been applied are evidenced in existing studies (De Simone et al., 2013; Björklund Larsen, 2016, 2017; de Widt, 2017; Brøgger & Aziz, 2018; Potka-Soininen et al., 2018; Boll & Brehm Johansen, 2018; Björklund Larsen & Oats, 2019).

Co-operative compliance approach to tax administration practice relies on the idea that the tax administration is making it easy for its customers to comply (i.e. taxpayers), and that the compliant and transparent customers of tax administration may expect timelier guidance and early certainty on their tax matters (OECD, 2013). The reforms encompassing conceiving of citizens or other public-sector beneficiaries as "customers" or "consumers" in governance have been introduced in the public sector under the auspices of New Public Management (NPM) or, more recently, New Public Governance (Stokes & Clegg, 2002; Wiesel & Modell, 2014).

In order to explain this expanding and evolving field of transnational regulation, Garsten and Jacobsson (2013) introduced the notion of post-political regulation to make sense of and to critically analyze the conceptual underpinnings of governance efforts which they consider "post-political" (Mouffe, 2005a) in nature. Garsten and Jacobsson (2013) place their analysis in the context of global or transnational governance, where shifts in terms of the type and nature of regulation and of the set of actors involved have taken place. They see these shifts as outcomes of globalization and the ensuing inability of national actors to govern internationally operating organizations. The national regulators have been replaced or complemented by international actors, such as the OECD in case of taxation. Building on Mouffe's (2005a) notion of *post political vision,* Garsten and Jacobsson (2013) contend, "the contemporary forms of regulation are premised on consensual relationships as a basis for regulatory efforts" (p. 421). Mouffe (2013) has defined "political" as "ontological dimension of antagonism" and by "politics" she has referred to "the ensemble of practices and institutions whose aim is to organize human coexistence" (p. 12).

Mouffe (2005a) attributes post-political era to "the fact that, since the collapse of the Soviet model, we are witnessing the unchallenged hegemony of neo-liberalism with its claim that there is no alternative to the existing order" (p. 31). The post-political era coincides with (Mouffe, 2005a, p. 31) and is influenced by neoliberal ideas (Swyngedouw, 2007, p. 24). Neo-liberal ideas have received criticism e.g. due to their demands for de-regulation, their emphasis on market powers, and as financial crises have been viewed as results of the impact of neo-liberal principles on regulation (Sikka, 2015a). Andrew and Cooper (2021) have extended the criticism to the Covid-19 era, when guarding people against health threats would be easier, if "centres of policy making not worked so hard to marginalise the voices of people calling for social safety nets". Neo-liberalism has been defined as "a set of economic ideas and associated policies that have a constant goal (to enlarge the realm of the market) and a variable one (to carry out upwards redistribution)" (Ban, 2016, p. 4).

Following Mouffe, Garsten and Jacobsson (2013) go on to argue that the assumed consensus between actors involved in regulation conceals the differences in interests and unequal power relationships. The consensus assumption renders unequal power relations "invisible" and irrelevant, while Mouffe (2013) emphasizes embeddedness of power in the society and "any order" (p. 11).

'Consensus' and 'co-operative relations' that dominate the discourse in the post-political framework, seem desirable on the surface, but, according to Mouffe (2005b), "vibrant clash of political positions and open conflict of interests" are needed to keep democracy alive as real alternatives are an outcome of these conflicts (p. 6). In consensus, Mouffe (2000, p. 49) sees the existence of hegemony (Fontana, 2008). In the post-political world, as described earlier, conflicts are glossed over and co-operation and reaching common goals are among the predominant features of the extant regulative approaches (Garsten & Jacobsson, 2013; also Meyer, 2020). Without the existence of differences of opinion, social change will not ensue and the legitimacy of regulation is threatened, Garsten and Jacobsson (2013) conclude. Garsten and Jacobsson (2013) find this questionable since "consensus as an end-result of a process is not problematic, consensus as the premise at the point-of-departure is" (p. 423). Echoing these ideas of the role of conflicts in social change, research on regulation has shown, how contestation may become "a driving force" for transnational regulation (Botzem & Quack, 2006).

Garsten and Jacobsson (2013) propose that the contemporary political discourse often represents political decisions through manifestations of the possibility of "win-win" solutions that are presented as beneficial to us all in the society. When the revenue bodies introduce and develop new forms of interaction with the regulatees, such as *Syvennetty* studied in the present manuscript, these new forms of governance seem to rely on the view "that conflicts can readily be transcended" (Garsten and Jacobsson, 2013, p. 423).

Garsten and Jacobsson (2013) further argue that the rhetoric of "win-win" overshadows possible trade-offs and confrontations underneath. An example of rhetorical means of putting forward the argument is the statement "we are all in the same boat". Following Mouffe (2000), Garsten and Jacobsson (2013) argue, however, that such rhetoric of "win-win" and "partnership" are "hegemonic ideal[s], and a typical expression of a harmony ideology" (p. 424). According to Garsten and Jacobsson (2013), and as our analysis of the evolving co-operative compliance program *Syvennetty* will show, such discourses are much present in contemporary forms of governance.

As consent as a premise for the relationships and co-operation as a method in these co-operative approaches leave less space for disputes and differences in opinions, these co-operative regimes exert soft power, Garsten and Jacobsson argue (2013, p. 421). Soft power, as defined by Nye (2004), "is the ability to get what you want through attraction rather than coercion or payments" (p. X). With their examples, Garsten and Jacobsson (2013) propose that political intentions are hidden out of sight in these post-political regulatory regimes by camouflaging these intentions as codes of conducts or rating schemes, with embedded soft power (p. 422). When regulation is carried out with these codes of conduct or rating schemes with their inherent soft power, it restricts the use of actual political power (Garsten and Jacobsson, 2013, p. 422).

Mouffe (2013) argues for the embeddedness of power in the societal constructs (p. 11). Power may be grounded on the resources in one's possession, illustrating a form of hard power (Nye, 2008, p. 28) that uses either a carrot or a stick to achieve the wanted change in another person's behavior (Nye, 2008, p. 29). When using soft power, the need for either carrot or stick is made redundant as the other person is willing to make the asked-for changes because of attraction to what these changes present and promise (Nye, 2008, p. 29). Attraction may be based on "attractive personality, culture, values and moral authority" (Nye, 2008, p. 30). Soft power "co-opts people rather than coerces them" (Nye, 2008, p. 29). Soft power often operates in conjunction with hard power, "a soft layer of attraction overlaid on underlying relationships that rest on coercion or payment" with hard power being applied if using soft power is found ineffective (Nye, 2008, p. 30).

Garsten and Jacobsson (2013) further argue, that in the framework of post-political regulation, power is shared to be used in a network of actors and, at the same time, "made invisible" (p. 430). In these networks, based on trust and the existence of common goals, the different actors join in the regulatory regimes as voluntary partners, and regulation is "built on a general appreciation of market dynamics in the balancing of financial and social priorities" (Garsten and Jacobsson, 2013, p. 422). With private actors as co-regulators, post-political regulation creates new possibilities for market forces to co-operate in regulation (Garsten and Jacobsson, 2013). Post-political "reconfigures the act of governing to a stakeholder-based arrangement of governance in which the traditional state

forms (national, regional, or local government) partake together with experts, NGOs and other 'responsible' partners" (Swyngedouw, 2007). The existence of regulatory private party partners may result in questions about regulatory "capture", i.e. in contesting the assumption of immunity of regulation to the private sector influence (Hancher & Moran, 1998, p. 274).

Mouffe (2005a) has described three kinds of post-political governance: juridification (political issues are seen as judicial issues), technocratization (political issues are translated into issues to be handled by the administration) and moralization (issues are no longer about politics, but are a matter of moral). Garsten and Jacobsson (2013) emphasize the cases of governance where moral and ethical issues are present and have displaced politics, e.g. the upsurge of corporate social responsibility. These forms of governance, based on considerations of ethics, are often built on voluntary co-operation, on the idea of the actors finding solutions together, instead of being regulated by states (Garsten and Jacobsson, 2013, p. 424). Garsten and Jacobsson (2013) further point out how policies have transformed into moral considerations. In the words of Mouffe (2005a): "{i]n place of a struggle between 'right and left' we are faced with a struggle between 'right and wrong'" (p. 5).

The OECD (2008, 2013a) regulations *Syvennetty* follows represent 'soft law' (Senden, 2005; Gribnau, 2008), i.e. regulatory regimes based on voluntarism and materialized in the forms of guidelines, codes of conduct, recommendations (Garsten & Jacobsson, 2013, p. 425), as well as in white papers, standards, guide lines and codes (Kourula et al., 2019, p. 1111), or even in corporate social responsibility, CSR (Ruggie, 2018). Private actors are advocates of soft law to "keep harder laws at bay", and soft law exemplifies the ways private authority has expanded its sphere of influence into arenas earlier commanded by governments and government actions (Kourula et al., 2019, p. 1111).

Garsten and Jacobsson's (2013) analysis of post-political regulation is helpful in analyzing the use of soft law in regulating taxpayers. The Finnish *Syvennetty*–initiative can be used as an example to analyze how co-operative compliance practice that is developed and promoted by the OECD is adapted in a national context and how the OECD (2008, 2013a) recommendations act as a form of soft law complementing national tax laws. Soft law is the underlying component of soft regulation (e.g. Mörth, 2006; Koutalakis et al., 2010), which *Syvennetty* can be seen an example of.

Garsten and Jacobsson's (2013) theory is beneficial in showing how national regulators operating in a transnational environment have to share their rule-making powers with other actors, resulting in either sharing or rendering, to an extent, the task of governance of business conduct to these other actors (p. 425; also Kourula et al., 2019, p. 1104). Drawing on these different notions i.e. on consensus, power, soft law, and on the role of the market actors in post-political regulation, we analyze *Syvennetty* to study the existence and influence of these different concepts to tax regulation.

4 METHODS AND DATA

The findings presented in this research are based on semi-structured interviews and archival materials e.g. tax administration documents, blog entries, and newspaper and magazine articles. The interviews were carried out with 28 representatives of tax administration, companies, business interest groups as well as tax lawyers, tax consultants and an academic.

The interviewees were selected based on their expertise and experience on taxation in general and on *Syvennetty* in specific to provide rich data on the subject matter. The interviews were mainly person-to-person interviews, in some instances with two interviewers present and on one occasion, two interviewees were being interviewed at the same time.

While the interviews were semi-structured with a list of issues to be covered, at the same time, the interviews were exploratory following the topics that emerged during the interviews[3] (Miles & Huberman, 1994). The interview data was complemented with both some internal archival materials from the tax administration, such a PowerPoint presentation of *Syvennetty*, and publicly available materials such as recent annual reports of the tax administration (Verohallinto, 2007, 2015, 2018), performance audit report on the structural reforms in the Finnish Tax Administration by the National Audit Office in Finland, written feedback provided by the Ministry of Finance on Tax Administration (Verohallinto, 2012) and the OECD reports on taxation. Different sources of research data, e.g. media articles and blog entries, were drawn upon to corroborate, complement, contrast and contextualize the findings from the interviews, as well as public corporate documents (Ahrens & Chapman, 2006; Vaivio, 2008).

[3] Our study is a part of a larger research project on co-operative compliance in tax administration in Scandinavian countries. Therefore, the interview guide used in the present study was similar to those used by the other Scandinavian researchers.

We interviewed 14 tax administrators working at *KOVE*. *KOVE* suggested the people to be interviewed, based on the interviewees' participation in the pilot and on their expertise in the subject matter. The interviewees came from different organizational levels and presented different areas of expertise. While we acknowledge that the selection of the interview participants by the tax administration may have some effect on the findings, the researchers conducting the interviews also asked the interviewees to provide us with names of potential interviewees to get a more comprehensive view on the research topic.

All those interviewed at *KOVE* had several years of experience in taxation having held different positions within the tax administration and some had worked in companies or at tax services at large accounting firms. This varied experience within taxation was manifested in the interviews in the form of the diversified discussions that took place.

The interviews with the tax administrators were held between December 2015 and November 2016 with either one or two interviewers. The interviews took place in the premises of tax administration in Helsinki, each of the interviews lasting from 70 to 90 minutes. In addition to these face-to-face interviews, the project manager was interviewed twice via e-mail to gather basic information on the pilot. Despite the interviewees' involvement in *Syvennetty* and the enthusiasm and dedication the interviewees showed towards the approach, they did not appear to be afraid to criticize or to express concerns over the way the approach was implemented.

The second set of interviews (the academics, tax consultants, companies, tax lawyers) was carried out between June 2016 and July 2017. These interviews, ranging from approximately 50 to 90 minutes each, took place at the interviewees' places of business.

Career shifting (between companies, accounting firms and the tax administration) was also noticeable in this set of interviewees. An outcome of this shifting might be seen in the corporate or tax consultant interviewees' capability to understand the work of the tax administration and in their ability to see taxation from the tax administration's perspective. Whereas e.g. Currie et al. (2015) highlight the high turnover rate from the tax administration to private sector, many of our interviewees had changed careers in the opposite direction, as well. As one representative from the corporate side, with experience from working both in the tax administration and as a tax consultant phrased it: "it is very useful [-] in addition to understanding all the actors, to be able to work on any side of the table".

Some interviewees had personal experience on *Syvennetty*, while some interviewees based their views on the approach more on the experience of other parties (e.g. clients) and on second hand information, or on the theoretical aspects of taxation. Having interviewees with different backgrounds and different experience proved to be valuable for the research as these secured versatile views on the subject matter (Ahrens & Dent, 1998).

All the interviews were recorded and transcribed, after which each interviewee was sent his or her transcribed interview for comments so that each interviewee had a possibility to clarify or withdraw parts of the interviews (Gendron & Bédard, 2006). In general, only few interviewees wanted to modify their statements afterwards, usually hoping to delete or alter not more than a few words, or to correct erroneously transcribed word. An interviewee considered the process of selecting companies to participate in *Syvennetty* to be potentially confidential, and therefore refrained from discussing it in detail.

This study draws on the theoretical background of post-political regulation to analyze and organize our findings. While analyzing, we used abductive inference (e.g. Niiniluoto, 1999), using the theory of post-political regulation as our "guiding light" to be connected with our observations and to focus our attention to such observations that will create new interpretations and ideas.

After the interviews were transcribed, they were analyzed using "analysis and synthesis" (Grönfors, 2011, p. 35) to discover concepts and to form scientific conclusions based on these concepts. Atlas.ti was used to perform the initial analysis while following rounds of analysis were performed using "crayon and paper" –method. As a result of the analysis in several rounds were observations, which were categorized to create links between the theoretical background and the empirical data (Timmermans & Tavory, 2012, pp. 171, 174).

To contribute to the creation of a more thorough picture of the changes in the tax field, various published documents produced by *Verohallinto* have been analyzed through close reading of texts to gather observations of the language used in these documents and, by inductive reasoning, make interpretations and conclusions of the language. As a result of this close reading, we were able to pinpoint and highlight changes in *Verohallinto* approaches and practices. (cf. Kain, 1998.)

5 THE CASE OF *SYVENNETTY*

The present section introduces the Finnish Tax Administration *(Verohallinto)*, which forms a large part of the empirical contexts of the study. *Verohallinto* is organized as follows: Taxation Unit (*Verotusyksikkö*) with the responsibility of tax assessments, Customer Relations Unit (*Asiakkuusyksikkö*) in charge of customer-related activities, Product Management Unit (*Tuotehallintayksikkö*), the Administrative Unit (*Hallintoyksikkö*), the Executive and Legal Unit (*Esikunta- ja oikeusyksikkö*), the Communication Unit (*Viestintäyksikkö*), the Internal Auditing Unit (*Sisäisen tarkastuksen yksikkö*), the Security and Risk Management Unit (Turvallisuus- ja riskienhallintayksikkö) and the Grey Economy Unit (*Harmaan talouden selvitysyksikkö*). Four regional corporate tax offices and the Large Taxpayers' Office, (*Konserniverokeskus, KOVE*) which operates nationwide, are part of the Taxation Unit (Verohallinto, 2021).

Syvennetty project is operated by *KOVE* at the Taxation Unit. *KOVE* carries the responsibility for the taxation of all the larger companies and groups of companies with a turnover of over 100 million euro, and other companies such as listed companies, banks and insurance companies. *KOVE* also handles all the transfer-pricing issues in all companies in Finland. In 2018, *KOVE* had 3.100 separate legal entities as its customers, accounting for about 50% of the annual corporate income tax in Finland. (Verohallinto, Konserniverokeskuksen asiakkuus, n.d.)

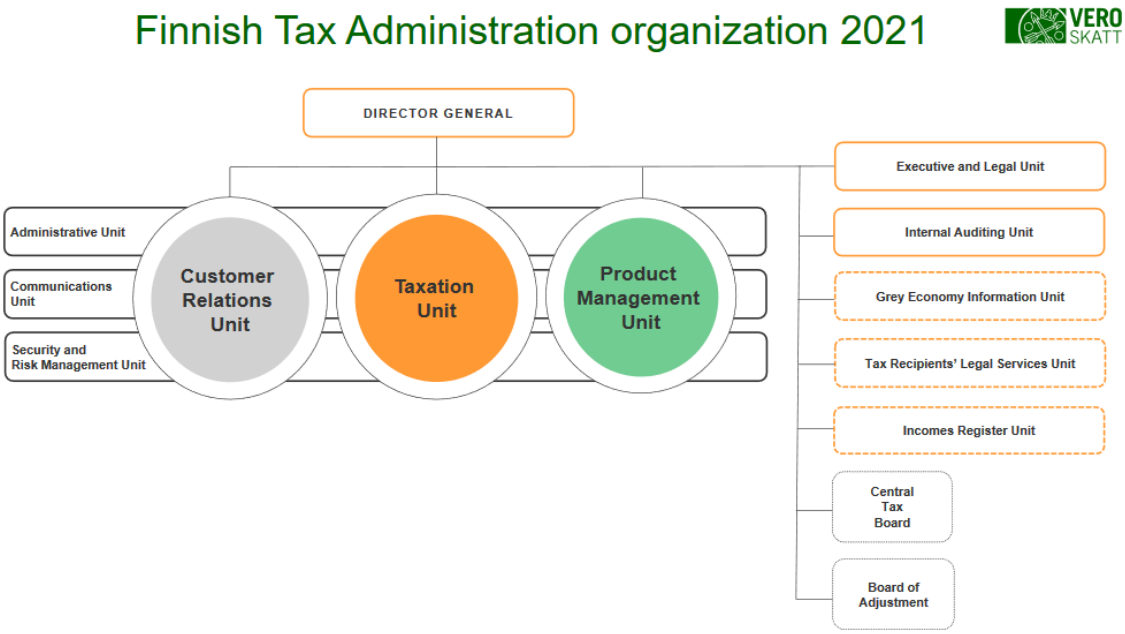

Figure 1. Organization of Finnish tax administration. (Verohallinto, 2021)

At the beginning of the millennium, the Finnish tax administration engaged in strategy work with the purpose of adapting its own operations to the changes in its operating environment. The tax administration strategy for years 2012-2015 defined customer orientation as a determining factor guiding all its work. The ability to function and reliability are defined as central preconditions for the operations. To secure these preconditions, the tax administration sought to attain four strategic goals:

1. securing the accumulation of tax revenue by providing proactive guidance and good service, by maintaining trustworthy tax audits
2. enabling a customer to manage its taxes effortlessly and with minimal cost
3. promoting the productivity and cost-effectiveness of the operations
4. securing the organization's ability to renew itself. (Verohallinto, 2014)

Tax administration's mission was to collect the right tax at the right time. (Verohallinto, 2014.)

Between 2012 and 2019, a notable change took place in the values expressed in the tax administration's strategy. In the organizational strategy for the years 2012-2015, the tax administration's values were *impartiality*, *reliability*, and *high expertise* (Verohallinto, 2014), whereas in the current strategy, for the years 2019-2024, drawn up under the new leadership of director general Markku Heikura, the organizational values are building trust, working together and embracing the new ways on working (Verohallinto, 2019a).

Syvennetty started as a pilot at the beginning of 2013. Since 2016, *Syvennetty* has been a part of the permanent ways of operating in *KOVE*. The aim of the pilot

was to introduce working in real-time in taxation, to improve the predictability of taxation, and to expedite and to bring more flexibility to taxation. *KOVE* also hoped for an improvement in the relationships between the tax administration and the taxpayers. (Verohallinto. Syvennetty asiakasyhteistyö.)

Syvennetty-pilot started with five corporate groups and twenty tax officials working in it. In 2017, there were forty-two tax officials in the customer teams in *KOVE*. Most of the team members were experts in different tax types. In August 2017, there were 13 corporations involved, most of them were in a so-called compliance-scan phase, which is a precondition for entering *Syvennetty*.

In our research, drawing on the concepts of post-political regulation and with the aid of this analysis of *Syvennetty*, we aim to uncover how the ideas of post-political regulation are adapted in *Syvennetty* and how soft law, i.e. the OECD recommendations, have influenced the Finnish taxation practices through *Syvennetty*. We also look into the potential ways *Syvennetty* has influenced corporate tax regimes.

5.1 Consensual relationship with partners

Garsten and Jacobsson (2013) describe post-political regulation regimes with the concepts "partnerships" and "consent", inter alia. The regulatory arena of *Syvennetty* involves several actors and thus several "partners" coproducing regulation aimed at achieving tax compliance. The main partners in *Syvennetty* are the tax administration and the taxpayers, with the tax administration welcoming all taxpayers to express their interest in joining (Piiskoppel, 2017, p. 457), although only those taxpayers meeting the undisclosed criteria of the tax agency are allowed to join. As *Syvennetty* is based on the recommendations of the OECD, the OECD can be labeled as a co-regulator in this framework. The tax consultants were also seen as possible actors in this regulatory network, as they could be potentially tasked with the verifying of tax controls of the corporate taxpayers. (Jacobsson & Sahlin-Andersson, 2006.) The role of tax advisers is acknowledged also in the OECD recommendations, as the OECD in its report from 2008 suggests a construction of co-operative relationships with the tax advisers, as well (OECD, 2013a, p. 15; see also Braithwaite, 2013). Thus, *Syvennetty* not only operates through voluntary engagements of the taxpayers, but also the tax intermediaries' voluntary engagement is called for, exemplifying a typical way for the regulatory regimes to operate through voluntarism of partners (Garsten & Jacobsson, 2013).

> *It is the purpose that we will get together our customers and the representatives of the consults, the representatives of the experts, as we have common customers, and to open up this a little bit more, and we have heard directly from the field, directly and through our customers, also from the customers involved in the pilot, what*

people think of this. And in my opinion, the starting point seems positive, positive but doubtful and we kind of know, what the issues are, that the experts find doubtful, because they are actually pretty much the same issues, which we find challenging, of course. And I find that it is good to discuss them later in the spring to see possibilities for co-operation. Originally, when this whole Enhanced co-operation was done and designed and developed in the Netherlands, big four has been strongly involved in the creation. (tax administrator)

This underlying orientation towards forming partnerships is in stark contrast with the earlier predominant antagonistic approaches in the tax field. In these antagonistic tax climates, the taxpayer and the tax agency were positioned as working against each other, each trying to win its case, engaged in a zero-sum game. (Kirchler et al., 2008.) In *Syvennetty* discourse, the tax administration addresses the taxpayers as 'clients', 'partners' or even 'pals', all phrases emphasizing the co-operative nature of the approach (see Thomas, 2013; Wiesel & Modell, 2014).

Precisely [-] I would see that this Syvennetty yhteistyö, that it is kind of with friends, a kind of partnership this is, so sort of it is easier with a friend to discuss issues, from both sides. (tax administrator)

Not all actors in the tax field have viewed this partnership-type of relationship as a possibility, as tax agency's ability to commit themselves to this type of co-operation has been openly doubted. Also in the tax administration interviews it was posited that previous experience hindered the tax administration personnel from relying on the corporate taxpayers (see Mohamed & McKinley, 2006). These doubts exemplify the many perceptions and biases at play in regulation (Djelic, 2011, p. 42) that are explicitly expressed in both a blog entry by a tax consultant in a Finnish Big Four company and by a tax administration interviewee:

Can you co-operate with the tax administration*? In its customer events, Konserniverokeskus has started to emphasize co-operation with client companies. The means, at least in terms of transfer pricing, include proactive guidance and advice that will be invested in. On the other hand, in tax disputes over transfer pricing, the course of action of Konserniverokeskus does not appear to have changed, but from the point of view of the taxpayer, it still appears that the Administrative Court is the first entity to investigate the contested issue objectively. Is the message about the Konserniverokeskus' desire to co-operate from a corporate perspective credible? [-] Probably, along with companies, Konserniverokeskus has also found that agreeing on things in advance saves time and resources. Co-operation between companies and Konserniverokeskus is probably best placed when both sides can expect to benefit more than from confrontation. The key point of view of the companies is that co-operation provides binding certainty of the acceptability of tax solutions, and that the amount of work required for co-operation is reasonable*

compared to periodic onerous tax audits and subsequent disputes. It can be assumed that co-operation from the point of view of Konserniverokeskus will be useful when it can safeguard Finland's tax base more reliably and cost-effectively than tax disputes. Developing true co-operation would require finding such "win-win" situations. (Sandelin, 2015)

Those involved in Syvennetty see 100% the partnership setting, but there is still a challenge that the idea of partnership in tax administration is generally accepted through the organization and in KOVE, too, that a close partnership with the client is a good deal. [-] resistance inside the house, there can be no partners because there is no trust in customers due to the deliberate abuses observed. (tax administrator)

Further highlighting this partnership-type nature of *Syvennetty*, the tax administration and a company enter the relationship by signing a letter of understanding, confirming their intents to enter a "partnership", exemplifying juridification of governance (Mouffe 2005a; Garsten & Jacobsson, 2013, p. 424). *Syvennetty* holds consensus as the starting point for the relationship, as both parties are required to commit themselves to trust, mutual understanding and transparency. This demand placed on commitment resonates with the OECD (2008) recommendation of both parties going beyond their statutory obligations. Additionally, the corporation pledges itself, among other things, to maintain its internal controls at an agreed level and with an agreed content, to, unprompted and as early as possible, bring to the tax administration's attention its own opinion on issues influencing the corporation's taxation, and to promote and support working in real-time. In consequence, the tax administration transfers some of the regulatory responsibility to the taxpayers in a form or self-regulation (cf. Djelic & Quack, 2018, p. 130), which Black (2001) sees as a part of "the decentred understanding of regulation" where "self-regulation is not just as an option that policy-makers can use or not use as they see fit, but as an inescapable fact of life" (p. 104). All these mechanisms highlight *Syvennetty*'s underlying aim at forming partnerships with the taxpayers in accordance with the OECD guidelines (2008, 2013a). Thus, in alignment with the principles of post-political regulation, *Syvennetty* can be viewed as a partnership that consists of four main actors: the tax administration, the taxpayers, the OECD and the tax advisers.

Different kinds of customers, but we create this kind of co-operative activities so that tax compliance would actualize. (tax administrator)

This quote above exemplifies the ideas of tax compliance as a distributed practice and the different roles the various actors in the tax field play in producing compliance (Boll, 2014b) and regulation as a networked practice (Djelic & Sahlin-Andersson, 2006; Richardson, 2009; Huikku et al., 2017).

In *Syvennetty*, this partnership principle was evident in the emphasis of common goals, as well, as forces are joined either to achieve a shared aim or to

combat "a common enemy". Examples of these shared goals were reducing uncertainty of taxation and diminishing administrative burden. "A common enemy" was another jurisdiction interested in collecting the same tax revenue as the Finnish tax administration. The discussions over shared goals (e.g. Piiskoppel, 2017) and the phrase "a common enemy" illustrate the rhetoric of "win-win" –situation, and "being all in the same boat". This shows evidence of the co-operative nature of *Syvennetty* and of the need for consensus and the displacement of zero-sum games, reflecting the rhetoric of post-political framework (cf. Kirchler et al., 2008).

> *Syvennetty is partnership to the greatest extent, together with the client, we look at how things should be done, help the customer and the customer has a low threshold to ask things, together we address the issues. (tax administrator)*

The evolving co-operation between the tax administration and the companies in *Syvennetty* assumes parallel of interests. According to an interviewed tax lawyer, both the tax administration's and the taxpayer's goal should be in finding a joint understanding. The tax administration's presumption is that the goal for most companies is a correct and lawful taxation, and the complex tax laws impede attaining this goal. *Syvennetty* represents a new, international and efficient practice, which is seen, to a large degree, as a replacement for the old-fashioned tax audits.

> *One starting point is the international development; this method has been pretty extensively used in Europe, EU and even elsewhere in the world, having new ways to control taxation alongside the old-fashioned, heavy tax audits was hoped for. And that this taxation would be carried out together, in closer touch with the taxpayers, the customers [-] the companies' aim certainly is to comply with the tax laws, but the legislation is often very complicated, sometimes obscure, so that it is not very easy to comply with the tax legislation. And then because of the malfunctioning of the companies' internal accounting systems tax losses may occur, even unintentionally. (tax administrator)*

Not only the rhetoric over the common goals among those involved in *Syvennetty*, but the focal concepts, e.g. co-operation, transparency, mutual trust, and the operating principles, such as impartiality and openness, show how *Syvennetty*'s regulatory attempts draw on the assumptions of "basically harmonious social relationships" and "reflect 'harmony ideology' and assuming good will of all those involved", instead of hard law (Garsten & Jacobsson, 2013, pp. 423—424). Similarly, learning and improving as operating principles in *Syvennetty* echo this same regulatory approach, as in *Syvennetty*, the focus is not on the past behavior, but on ensuring future compliance, improving the behavior as needed.

Those interviewed were in favor of the interactive and conciliatory ways of operating and avoiding conflicts on the organizational level, in a post-political manner, as in the experiences of the interviewees, these methods made the operations more effective (cf. Gracia & Oats, 2012). *Syvennetty* was also seen to bring benefits to both the taxpayers and the tax agency, e. g. working in real-time resulting in better service, thus showing evidence of the presumed win-win – situation associated with a post-political approach (Garsten & Jacobsson, 2013).

> *Personally pretty deep in a relationship with a particular customer and I have had the impression that the corporation's CFO kinda sees me as his/her main discussion partner; that we are pretty involved in the operational work, just yesterday I had an hour's conference call with this particular corporation. (tax administrator)*

Regardless of all the emphasis and discussions on co-operation and consent, the law-mandated status of tax administration was still kept in mind (cf. Tuck, 2012; Currie et al., 2015):

> *Yes, we are, however, we are an authority, even though we want to act in good spirits and openly and in agreement, and that is what we are doing, but we are the authority and it is to do so to collect taxes. And for governmental activities, it must always be remembered, nevertheless. (tax administrator)*

Consensus and harmony are the prerequisites of a relationship in the post-political framework and are exhibited in *Syvennetty* as can be concluded from the analysis above. This prerequisite does not come without its drawbacks, if, as Mouffe (2005a, 2005b) argues, a society is not able to evolve without disputes and differences of opinion. Garsten and Jacobsson (2013) posit that consensus should not be the point of departure in a relationship, but it can be set as the goal for the relationship.

5.2 Downplaying of disputes

The described orientating towards consensual relationship and the presumption of consent as the basis for a regulatory regime downplays disputes in post-political regulatory regimes. As Garsten and Jacobsson (2013, p. 422) argue, "conflictual relationships are overshadowed by an appeal to agreement and consensus." This tendency to navigate away from expressing differing opinions was also evident in some of the mechanisms of *Syvennetty*.

To enter a *Syvennetty* relationship with the tax administration requires agreement and consensus from both sides. Despite the overall positive attitude,

some of the companies the discussions on participating in the pilot were started with decided to opt out. A tax inspector explained:

> *One potential customer opted out, it raised some questions why that was, when we felt 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. (tax administrator)*

The tax officials presumed that the reasons to opt out stemmed either from then on-going tax audits where *KOVE* and the client had differing points of view or from the unwillingness of the owners of the companies to take part in the pilot. Thus, absence of consensus was presumed to inhibit the participation in *Syvennetty*.

> *The fact that [the customer didn't go along with Syvennetty] was partly a little unclear, that is, at the same time, there was a transfer pricing audit, which was difficult and complex and multidimensional, and it was that the tax administration and the company did not have the same idea at all. Then there was a little bit of a spirit that they will only consider joining in after the audit is completed. And then the owner of the company [a private person], I understand, was not terribly enthusiastic about this course of action, so that personal reasons may have contributed to it. [-] But that [the owner's influence on the matter] is not as sure as it is, or it was not directly stated, but this is the case. At the same time, the owner has a significant ownership in another corporation, and that corporation was initially going along, but I understand it opted out, specifically at the will of its owner, even though it was already a lot longer involved. (tax administrator)*

Placing the focus in *Syvennetty* primarily on the compliant customers was seen rational, as the guidance given to the taxpayers would promote continuing compliancy. Companies setting the highest priority on the minimization of taxes were not included in *Syvennetty*, as these customers' goals conflicted with the tax administration goals to start with, illustrating the presumption of consensus as a starting point of the co-operative relationship. Nonetheless, evidence shows that earlier disputes with the tax administration do not constitute a hindrance for a taxpayer to be accepted into *Syvennetty* (see Mehiläinen Oy). Although in parallel with the principles of co-operative compliance, with the decrease of instances in tax evasion and aggressive tax planning as some of the assumed main benefits for the revenue bodies (OECD, 2013a), the focus on the already compliant taxpayers could be seen contradictory to the *Syvennetty* goals of increasing taxpayer compliancy.

> *Tax compliance stems very much from the customer, if somebody does not want to pay taxes then they do not want to pay them, so if we have those customers, who want to pay taxes on a normal level, so in my opinion that the tax administration*

sort of gives the right information and the right procedure, what the customer has to do, and makes paying the taxes as easy as possible, then certainly the tax compliance is a little bit higher. (tax administrator)

This [compliance with the tax law] is really like a key big question, set in a few words, but it holds a huge meaning, this question [-] and of course the premise is, and my opinion is and I trust without a doubt that listed companies, talking about KOVE-clients, Finnish listed companies obey the law, want to follow the law, do not want to break the law and commit illegalities, to start with, it is certainly a sure thing [-] But there are also aggressive actors in the other extreme, for us it would seem that some are quite aggressive in trying to find those limits, I am not saying now that there is a desire to go against the law, but a very aggressive point of view is taken on what these tax laws allow and what they don't and there might become big disputes. (tax administrator)

Nonetheless, as the co-operation is based on voluntary participation, openness and trust, it can be questioned, how well these attributes would fit in a relationship with a non-compliant taxpayer. Existing research also suggests that compliance of large corporations is a precursory for effective regulation (Djelic & Quack, 2018, p. 136).

If a company is a Syvennetty company it should be willing to co-operate and be ready to negotiate issues, so that if we say that this cannot work this way, they would be prepared to be flexible and ready to discuss, how it could be made to work. (tax administrator)

Especially with large, multinational companies seeking consensus was seen important as in the recent years, the tax administration had lost several disputes in the court with the large taxpayers[4].

The goal of the whole tax administration is that there would be as few conflicts and reassessments as possible and that the money would be collected to the state at the right time and in the right amount. Those big disputes we have read about in the newspapers are terribly expensive for the state, they take a lot of government resources, they take court resources, they take really a lot of all resources, and for sure dot not help international investments in Finland if it becomes public knowledge that big cases are argued years on in public and in courts. (tax administrator)

Although consensus and co-operation were starting points for the relationship in *Syvennetty*, it was nevertheless acknowledged that mutual understanding may not always be achieved and unresolved issues with

[4] E.g. Helsingin Sanomat, which is a major newspaper in Finland, reported on 3.10.2017 three tax disputes on transfer pricing that the large companies had won during years 2014-2017

divergent opinions must be solved through regular tax administration processes. This is in line with earlier research, as de Widt, Mulligan and Oats (2019) propose that it is unlikely "that their [the regulator's and the regulatee's] interests will synchronise"(p. 158).

> *It may be that there will be [situations where you disagree with things], not all things are agreed on [-] Of course, a part of Syvennetty is about being able to agree to disagree, but that you bring those things to the table, it is known to both sides, if it is a significant issue, then one would have to, or at least I would recommend that an application for a preliminary ruling to be made, subject to an appellate decision, that these discussions they are then nothing. (tax administrator)*

It was also made clear that opting out of *Syvennetty* and returning to the basic relationship with tax audits were also always options in case of insurmountable obstacles in the co-operation. Although *Syvennetty* is based on voluntary participation and the goal is to reach consensus on the right amount of taxes to be paid, all parties involved appeared to be aware of tax administration's options to use other means, too, to enforce compliance, when the tax administration sees the situation to demand it (cf. Nye, 2008). If the tax administration doubts the openness of communication, it can withdraw from *Syvennetty* and initiate a tax audit. Thus, *Syvennetty* acts as the "soft layer of attraction overlaid on underlying relationships that rest on coercion or payment" (Nye, 2008, p. 30), and our analysis illustrates how "states are particularly crucial at the end of the process, in regard to compliance, implementation, and monitoring" (Djelic & Quack, 2018, p. 133).

> *Try to sort of diminish or get rid of the juxtaposition, this is sort of a mutual issue, although in actual fact not always the taxpayer and the tax recipient. In the background haunts the fact that if this thing does not work, we can quit it and go back using the old model. We will come and do tax audits every five years or even more often. For a taxpayer, I notice that the will is to make this work and that their experience is that a tax audit as a process is very heavy. (tax administrator)*

These examples above illustrate how disputes can in some cases be left unsolved and remain suppressed in *Syvennetty*. The tax administration presumptions and operating methods of *Syvennetty* exemplify, how consensus is a prerequisite in *Syvennetty*, and disputes are "overshadowed and invisibilized by appeals to agreement, consensus and morals" (Garsten and Jacobsson, 2013, p. 433).

5.3 Power within *Syvennetty*

According to Garsten and Jacobsson (2013), as the forms of governance change, so do the powers they entail in the regulatory environments (p. 426). Garsten and Jacobsson (2013) follow Rose and Miller (1992) in arguing that "political power today is exercised through a profusion of shifting alliances between diverse authorities" (p. 426). Hence, in the framework of post-political regulation, power does not reside only on the regulatory authority with the legally mandated power, but power is shared with all the actors in the regulatory network (Djelic & Sahlin-Andersson, 2006; Richardson, 2009; Huikku et al., 2017), and, according to Mouffe (2013), power is embedded in societal constructs (p. 11). In the regulatory network of *Syvennetty*, the regulatory power is shared e.g. between the national tax administration and the OECD, as *Syvennetty* is based on the OECD recommendations instead of national legislation, although it is suggested that the goals of *Syvennetty* are already a part of Finnish tax legislation (Piiskoppel, 2017, pp. 455—456).

As a tax administrator discussed the potential for influencing taxpayer compliance behavior:

> *This is a good question, how can you influence it and how can you influence different segments, some you can influence better and with others the possibilities to influence them are not that good. If we start with what I think is harder to influence, it can be a case, that there is a Finnish subsidiary of an international big corporate giant under foreign ownership here in Finland, and necessarily we cannot very much influence how they handle their taxation, whether they are aggressive or not, because the authority and all decisions are made elsewhere than here in Finland, then our means, although however we would provide best possible service, here in the Finnish society the values originate more and more from this kind of good corporate citizen, but if it really were, that decisions are made elsewhere, an American company or whatever, and if it is a globally aggressive player, it is that in Finland, too, it is not interested as Finland is so small, 0,5% of its turnover originates in Finland, it has no interest to operate differently in this direction. This is one kind, they are harder to influence. This does not mean that they all would be aggressive, but if there is, it is terribly difficult to influence. (tax administrator)*

Garsten and Jacobsson (2013) have further analyzed power within these post-political regimes, concluding, "these regulatory practices tend to narrow down the conflictual space, thereby exerting a form of soft power" (p. 421). In these post-political regulations, "the exertion of power, as well as the distribution of power resources, tends to be rendered both invisible and obsolete", Garsten and Jacobsson (2013, p. 426) describe. Thus, using this post-political framework, we analyze *Syvennetty* in order to find out the different ways power is played out

in *Syvennetty*: how power is shared in *Syvennetty* among different actors, how the regulatory practices exert soft power and how power is made invisible.

The mechanisms associated with the process of a company entering into a *Syvennetty*-relationship with the tax administration illustrate the different ways power is in play in *Syvennetty* framework. For a company to enter a *Syvennetty*-relationship, the functioning of the company's tax controls needs to be verified by a tax administration compliance scan. Taxpayers committed to entering a co-operative relationship are presented with the interests of the tax administration and an intrinsic demand for consensus over these interests. This requirement imposes a demand of consent and harmony on the taxpayers vis-à-vis their relationship with the tax administration, "narrowing down the conflictual space" (Garsten & Jacobsson, 2013), a form of soft power (e.g. Nye, 2004, 2008) exerted by the tax administration, as it is up to the tax administration to decide on the acceptability of these tax controls. The taxpayers may be inclined to accept the tax administration's interest over their own in order to be accepted into *Syvennetty*, while the implied demand for consensus may prevent the taxpayer from expressing its own interests. Thus, the experienced disputes and potential injustices are not solved, but suppressed, only to potentially appear at another time. These interests, according to Garsten and Jacobsson (2013), are the focal point of power: "power is intimately connected to 'interests', and it is in denying the articulation of interests that post-political forms of regulation are exerting a form of soft power" (p. 426).

To enter a *Syvennetty* relationship, the taxpayers have to exhibit commitment to accountability, e.g. by adapting their operations over tax controls according to the tax administration demands and expressing transparency by disclosing their tax positions. This type of power is based on the existence of moral values of those governed: "[t]he call for accountability is, in essence, a call for morality and represents a 'benign' form of power that is hard to resist" (Garsten and Jacobsson, 2013, p. 430). Additionally, as the tax agency follows the OECD guidance (2013, p. 57) on this verification of the tax control framework, the tax administration shares its power with the OECD.

As soft power is "subtle forms of steering and control" (Garsten and Jacobsson, 2013, p. 422; Nye, 2004, 2008), the mechanism of accepting corporate taxpayers into *Syvennetty,* associated with voluntarism, can serve as an example of both soft power and "invisible" power within *Syvennetty*. The existence of power in this context was evidenced in the interviews as some of the interviewees questioned the true nature of the presumed voluntarism. Some of the interviewees in the business organization group were concerned, whether declining tax administration's invitation to join *Syvennetty* would be interpreted as an expression of corporate noncompliance and grounds for a tax audit. Reframing this dilemma in the concepts of post-political phraseology, it can be stated that these interviewees feared that in this restricted 'conflictual space' and under demands for harmony, the disputes acted out simultaneously with joining

Syvennetty would not be solved as the taxpayers would not be able to properly express their interests. It was feared that the soft power would force the taxpayers to regard only the interests of the tax agency and not their own.

Furthermore, due to the voluntary nature of *Syvennetty* and as the tax agency has no actual legal mandate over corporate tax controls, the power the tax administration exerts over the construction of the tax framework is hidden in the tax administration's ability to decide over the acceptance into *Syvennetty*. As soft power is power based on attraction (Nye, 2004, p. X; also Nye, 2008), tax administration uses the company's desire to join *Syvennetty* to achieve its own aims and to further its own agenda. The criteria the tax administration uses as it decides on the acceptance of corporate taxpayers into *Syvennetty* was not disclosed in our interviews, as it was deemed confidential information by the tax administration interviewees, a deviation from the prerequisites for a good regulation, i.e. openness (Baldwin et al., 2012, p. 27). The existence of such a criteria illustrates how politics are expressed in terms of criteria, "rating schemes, [-] exemplify[ing] how political realities may be brushed out of sight – all the while performing political operations" (Garsten and Jacobsson, 2013, p. 422), keeping the power structures hidden and the power invisible from views. These illustrative examples show how power in *Syvennetty* is shared, how *Syvennetty* exerts soft power and how this power is hidden, all characteristics of post-political regulation.

Syvennetty is transnational in its nature as it is based on OECD recommendations and benchmarking of similar approaches under different tax administrations. Benchmarking is an activity where reliance is paid on the work of experts and expertise, as experts are relied on to choose the example to follow among the practices showing most valuable expertise on the subject matter. (Djelic, 2011, p. 51). Thus, those experts deciding on the practice to be followed are given the power over the legislative bodies, and political decision-making is replaced with "non-political exercise" (Garsten and Jacobsson, 2013, p. 427; also Mörth, 2006). Additionally, as the OECD recommendations are followed, power is transferred to those deciding on the recommendations (cf. Swyngedouw, 2007). Both following the OECD recommendations and benchmarking international examples restrict the space available for the national decision-making and diminish the potential for alternative visions and ideas as "nation-states have delegated some of their rule-making and rule-monitoring prerogatives to semipublic or independent agencies (Gilardi 2005; Thatcher 2005). In search of expertise, advice, or legitimacy, the latter reach out to many different groups." (Djelic, 2011, p. 42). Thus, Syvennetty can be characterized as a networked practice with several actors (Djelic & Sahlin-Andersson, 2006; Richardson, 2009; Huikku et al., 2017).

Syvennetty is an example of how soft and hard powers are intertwined in each other as *Syvennetty* acts as the "soft layer of attraction" covering the hard core of power grounded on law "that rest[s] on coercion" (Nye, 2008, p. 30).

Stokes and Cleggs (2002) describe how, in a public sector organization adapting new public management in its operations, "[i]n transforming the rules of the game within which bureaucratic power had been played in the past it did not eliminate power but reconfigured it" (p. 234), similarly in *Syvennetty* the forms of power changed.

5.4 Syvennetty as an application of a form of soft law

Voluntary regulatory regimes, such as *Syvennetty*, can be described as applications of "soft law" (Garsten & Jacobsson, 2013, 422; also Senden, 2005), and soft law is used e.g. to complement or even replace "hard law", legislation (c.f. Kourula et al., 2019, p. 1108). The lack of hard law governing *Syvennetty* raised concerns among some of the interviewees. The idea that a central part of corporate taxation is based on the recommendations of the OECD and constituting of mere tax administration practices was seen problematic, especially as Finnish taxation, on principle, is grounded on the constitution (Constitution of Finland 731/1999). The Finnish tax administration views *Syvennetty* as soft law (Piiskoppel, 2017, p. 456) where the principles, rules and the application of the method are not legally binding, and complying this soft law is based on voluntarism. Soft law can exist e.g. in the form of guidance and recommendations (Garsten and Jacobsson, 2013, p. 425; Kourula et al., 2019) and a multiplicity of other forms: "contractual agreements secured through alternative dispute resolution, directives and official guidelines or codes, formalized standards, norms and codes of conduct, so-called white books, evaluation, and ranking schemes" (Djelic, 2011, p. 50). The role of contracts in taxation and in interpreting current tax laws has been recognized by the Supreme Administrative Court of Finland in its recent ruling (2021: 73; Verovelvolliselle merkittävä voitto, 2021).

> *Because in Syvennetty it precisely is about operating in an anticipatory manner and as much in real-time as possible, preferably anticipating voluntarily that is, not invoking a section of a law. (tax administrator)*

Following the OECD recommendations seemed to be an aim in itself for the Finnish tax administration:

> *It comes from the OECD, that this might be good for this sort of large companies, that this thing would be taken care of this way. (tax administrator)*

The OECD wishes to further enhance the transnational aspect of the co-operative compliance approach as it hopes for "emergence of multilateral co-

operative relationships, involving an MNE and two, or more, revenue bodies" (OECD, 2013, p. 14, see also recent development OECD, 2019). A similar wish was echoed in some interviews with the corporate taxpayers as they, for the sake of simplifying their own taxation and taxation procedures, hoped for co-operation among different tax agencies within the co-operative compliance framework. Although rationalized with these understandable premises of simplifying taxation and taxation procedures, these wishes can also be seen exemplifying a power struggle on a larger scale: "[a]dditionally, in various areas such as financial regulation, taxation, [-] regulation has lagged behind and often taken the form of self-regulation and self-policing. Notwithstanding various economic and social benefits of globalization, this aspect of diminishing government roles in the "direction of society" has also been associated with the irresistible striving for power and control of business firms, most of all multinational corporations" (Kourula et al., 2019, p. 1106).

Although *Syvennetty* lacks a solid legislative base, the aims of *Syvennetty* are said to be embedded in the Finnish tax legislation in several laws (Piiskoppel, 2017, pp. 455—456). *Syvennetty* has also merited a mention in a government proposal for a new tax law, where *Syvennetty* is presented as an example of new tax administration practices (Valtionvarainministeriö, 2016). The aims of *Syvennetty* are in line with the tax administration discourse as well, as can be concluded when analyzing the wordings used in tax administration documents. Prior to the implementation of *Syvennetty*, in 2007, in the Finnish tax administration's annual report (Verohallinto, 2007, p. 11), the tax administration's task was expressed with emphasis on the "fiscus", whereas in the current strategy (2019—2024) the emphasis on the "fiscus" has been replaced by "society". The current mission statement is expressed as "the right tax at the right time to provide for the society's functioning". (Verohallinto, 2020). The 2007 annual report (Verohallinto, 2007) presented a figurative merging of "good customer service" and "focused supervision" as these two concepts were unified in the same headline, suggesting equal importance of these two concepts: "[g]ood customer service and focused supervision" (p. 11). These words used reflect the influence of the ideas of New Public Management (Thomas, 2013; Wiesel & Modell, 2014), the relational nature of taxation (cf. Gracia & Oats, 2012), and the new demands the changing tax environment places on tax administrators with the increased customer orientation (cf. Tuck, 2010). In the current strategy, supervision does not merit the same kind of standing, and its expressed importance is reduced to a single word in a sentence under the headline of "tax administration goals". Additionally, in the vein of taxation as a partnership and analogous to the principles of post-political regulation, the tax administration vision in the current strategy has been formulated as "the best taxation – together" and the tax administration organizational values include co-operation. (Verohallinto, 2020). These changes in the wordings place the focus of tax regulation on moral considerations, exemplifying what Garsten and Jacobsson

(2013) have described as "transformation of politics into ethics [-] demonstrates the trend towards post-political forms of governance" (p. 422).

The change in the phraseology used in *Syvennetty* discourse shows the impact of the OECD recommendations. Additional vocabulary used in this discourse in *Syvennetty* context includes words and expressions such as "co-operation", "mutual goals", and "working for the good of Finland". This use of words naturalizes these themes and makes the concepts and ideas commonplace, illustrating the effect of soft law on the regulatory environment. This phraseology used is of significance, as it illustrates how "formally non-binding agreements can gradually become politically, socially and morally binding for the actors involved" while using "joint language". As Jacobsson has stated, "[l]anguage use is important because it steers thought and focuses attention, that is, it frames conceptions of reality". (Jacobsson, 2004, pp. 359—361.)

Post-political regulation is transnational by nature and co-operative compliance approaches originate from the OECD recommendations, although adapted to each national context (Bronzewska, 2016; Björklund Larsen, et al., 2018). In addition to originating from the OECD, *Syvennetty* is transnational also in the sense that prior to implementing *Syvennetty*, the Finnish tax administration benchmarked similar approaches, e.g. the Dutch Horizontal Monitoring (cf. de Widt, 2017), and international examples and experiences have been used to construct it (Piiskoppel, 2017). Benchmarking, adapting one's own practices after a valued precedent, implies the existence of "one ideal to measure up against" (Garsten and Jacobsson, 2013). The question is, who determines the ideal and which practices to benchmark? When benchmarking, the decision makers are chosen among 'the elite experts' selected based on their assumed expertise, a characteristic of soft law as "soft law instruments are often legitimated by reference to expertise, if not science" (Djelic, 2011, p. 51; also Mörth, 2006). Thus, in this post-political context, power is given to those deciding on benchmarking and choosing the ideal to follow. In addition, when following e.g. the OECD regulations, the power is given to the OECD decision makers. According to Garsten and Jacobsson (2013), benchmarking is also about learning and "learning is seen as a non-political exercise rather than as reflecting political choices" (p. 427). When benchmarking regulatory approaches, decisions are made affecting the life of the regulated, replacing political considerations with this "non-political exercise". Thus, following universal recommendations and international ideals reduces the space for alternative visions and ideas, and leaves less room for national political decision-making.

These changes emphasize the significance of the OECD recommendations as a form of soft law supplementing national legislation, bypassing democratic decision-making in regulation of taxation. These changes present an example of "a governance world where the transnational law of rules tends to confront or subvert the national rule of law" (Djelic, 2011, p. 36), and also highlight the

emphasis on expertise rather than on political decision making (Djelic, 2011, p. 51; also Mörth, 2006).

5.5 Transformation of politics into ethics and/or economics

In post-political regulation, politics and political discourse have been replaced with ethical and moral considerations and phrases (cf. Mouffe, 2005a, p. 5). Garsten and Jacobsson (2013, p. 424) suggest further investigating regulative approaches to find evidence of these transformations.

Analyzing *Syvennetty* to find instances of these changes, where emphasis is shifted from the political to the ethical, we found e.g. many terms used in the current discourse (such as impartial, fairness, trust) to be associated with the ethical side of taxation and to express ethical and moral considerations "that are hard to contest" (Garsten & Jacobsson, 2013). Expressions such as "good for the society" and "good for Finland" leave little room for argument. Both the interviewed tax consultants and the corporate representatives used such expressions to defend varied arguments. In addition, many of the discussed aims of *Syvennetty* have a moral or an ethical dimension, for example, the inherent voluntarism of *Syvennetty* is an indication of the ethical dimension embedded in the approach.

In this framework of moral and ethical considerations, corporate social responsibility (CSR) was associated with taxation in the interviews (cf. Gribnau, 2015a; Ylönen & Laine, 2015), and some companies disclosed their participation in *Syvennetty* in the CSR section of their annual report or on their internet site (cf. Mehiläinen Oy). Some scholars have questioned this proposition (e.g. Ruggie, 2018).

> *And of course these companies can make it public that they are involved in this, we cannot do that, but they maybe can show it also to those outside that they are this kind of socially responsible corporations. (tax administrator)*

As the quotation above illustrates, disclosing the co-operation with the tax administrations in a CSR report could be beneficial for the company for example in promoting their public image (e.g. Braithwaite, 2005b). If taxation is considered to be a part of the CSR, tax compliance and paying taxes are not only considered as matters of legality, but issues concerning a 'fair share' of taxes, regardless of what is legally owed, are raised (cf. Sikka, 2008a, 2015b; Sikka & Willmott, 2010; Anesa et al., 2019). Thus, an issue concerning politics (paying taxes based on what is stipulated in the tax laws) is transformed into a matter or ethics, in the vein of post-political principles.

People talk as if tax planning, it is some kind of beast of revelation, but certainly tax planning is that taxes are paid once and not twice, it has somehow in the public discussions been confused that it, that it is not enough that those taxes are paid in Finland, which have to be paid according the law. (corporate interviewee)

The OECD (2013) framework for co-operative compliance explains how emphasis on tax compliance has been extended from mere compliance with the letter of the law to complying with the spirit of the law (p. 13). This serves as another example of how political issues are changed to moral issues, as complying with the spirit of the law can be seen as an outcome of moral considerations. With such an extension of the definition of tax compliance, considerations over moral and ethics have been brought to discussion, and taxation is not only viewed as a legal issue but as a moral issue, as well (Anesa et al., 2019).

As *Syvennetty* promotes these moral issues, concurrently, considerations are placed on achieving economic aims, such as collecting tax revenue to provide for the society's functioning. These different aims of *Syvennetty* represent different values and co-operative compliance as an approach presumes that these different aims can be reconciled and achieved simultaneously. Hence, although in *Syvennetty* emphasis to a greater extent is placed on ethical and moral issues, it by no means is an indication of a lack of interest in the financial considerations. In the OECD (2013) recommendations, phrases such as "cost reduction" and "improving revenue" are used in conjunction with expressions "shared interests" and a "level playing field" (p. 15).

An excerpt by a corporate interviewee illustrates how moral aspects have been brought into the discussions, replacing legal considerations:

If you think about this, a little bit of this kind of moral aspect here, then maybe this discussion during the last years connected with reining in of aggressive tax planning, this has brought in its wake [-] that companies pay those taxes they are legally required, but now the discussion is that is it enough, that if we make legal arrangements and solutions that are completely acceptable, now we have a lot of examples that, well, it is not actually enough, it has been perceived that these decisions have been made to reduce taxes and this brings bad publicity for a company.

This evidence above further corroborates the post-political nature of co-operative compliance regimes, as "[p]ost-political regulation occurs precisely at the cross-roads between the economic, the social, and the ethical" (Garsten & Jacobsson, 2013, p. 424). Garsten and Jacobsson (2013) further claim, "arguments favoring moral responsibility and/or market-based solutions to regulation come into play in what is essentially a political sphere" (p. 424), as has been evidenced in the case of *Syvennetty*.

5.6 Greater space for market forces to operate

Syvennetty can be deemed to fit the post-political framework also due to its implied allowance of greater space for market forces to operate (cf. Garsten & Jacobsson, 2013, p. 422). This echoes the concept of "marketization" among the five institutional forces that, according to Djelic (2011), make up the "transnational culture", as "markets are [-] increasingly perceived as the natural way to organize and structure human interactions in all spheres of economic, social, or even cultural and moral life" (p. 44). Naturally, the legal measures as stipulated by law are available for the tax administration, but within *Syvennetty*, instead of using measures designed to deter and to punish all corporate taxpayers into compliance, to a certain extent, the tax administration places trust on self-regulation (Black, 2001, pp. 119—120) of corporate taxpayers in order to produce the desired result. Thus, regardless of the availability of the law-mandated measures, *Syvennetty* is built on the assumption of self-regulation (Black, 2001, p. 119—120). Tax administration approved corporate tax controls are used to ensure and verify tax compliancy (see Baldwin et al., 2010), and as these internal controls are built in the business models, yet again the exerting of soft power in *Syvennetty* is exemplified. *Syvennetty* requirements for the taxpayer early disclosures and transparency (see Sikka, 2018; Oats & Tuck, 2019) over issues affecting taxation also serve as forms of self-regulation and as examples of the way market forces operate within *Syvennetty*. Regulatory responsibilities are shared with the regulator and the regulatee, increasing the market operators', here the taxpayers', operational space. These instances of self-regulation can be seen as examples of the increased involvement of the regulatees in the regulatory process, "[i]n contemporary processes of transnational governance, those who will be regulated tend also to be involved in regulatory framing and monitoring" (Djelic, 2011, p. 42), and characteristics of soft law (Djelic, 2011, p. 51).

Various tax intermediaries, such as tax consultants and tax lawyers, are recognized as actors operating in the tax field, and the OECD recommendations and the tax administrations recognize their importance (OECD, 2008, 2013a; also Black, 2001). By acknowledging their significance in the tax field, the Finnish tax administration makes space for the tax intermediaries to operate in the context of *Syvennetty* as well: "[w]e have openly discussed the initiative [-] with our professional colleagues [-] after all, we share customers" (Piiskoppel, 2017, p. 457). This collegiality of tax advisors and tax administration as well as the benefits tax advisor involvement brings to the handling of tax issues has been noted in the Dutch context by de Widt et al. (2016, p. 11, 31).

> *I mean, if that consultant is involved, and that activity is, in itself, transparent, and those facts remain factual, then it can't be terribly detrimental, that there is a tax consultant, when they are nonetheless tax professionals, new perspectives open in*

the discussion and things are looked from different perspectives, there is certainly no harm in it, on the contrary so. (tax administrator)

That, of course, it is not the idea that we, as if we tried to bamboozle the companies, that when they come in good faith they are cleaned to the bone, of course not, but that when there is a consultant in between, then it will optimize the situation as well for the company, and the conversation takes place, it's a bit different note, than what it would be if it was discussed with the company directly. (tax administrator)

This new relationship between the tax administration and tax intermediaries, some of which represent the globally operating accounting firms, can be seen as an example of a phenomenon described by Suddaby et al. (2007) that "threaten[s] the legitimacy of traditional professions and state governments in defining market relations. Our central proposition is that the historical regulatory bargain between professional associations and nation states is being superseded by a new compact between conglomerate professional firms and transnational trade organizations" (p. 334).

Despite this openness expressed by the tax administration, some of the tax consultants, other stakeholders and actors interviewed questioned the role of tax consultants in *Syvennetty*. As the tax administration and the taxpayers engage in closer communication and increased interaction with each other, it was wondered, whether a need for the tax consultant services any longer exists. Thus, it can be asked, whether the space for market forces within *Syvennetty* decreases instead of increasing. A corporate interviewee even openly expressed the potential future reduction in the demand for tax consultancy services, as the interviewee explained how tax consultants are no longer needed owing to the services provided by the tax administration. These same sentiments had also been expressed to the tax administration employees, even emphasizing the monetary savings *Syvennetty* could bring the corporate taxpayers.

Well, for example, we just with one customer…we consulted or consulting is a wrong word, but we went over their case, that what the facts are and what is our view or what our position is, when the situation is this, then now that they do the move, they do the transactions there, they sort of know, that when these specs are met, the tax agency's opinion is that, that everything is in order, instead that they would now do it and potentially use a consultant, who would determine it and then they would afterwards wonder whether this went right, I think that it has then huge value and also with this client they have said it many times that they find this very good. (tax administrator)

At least in one start-up meeting [-] the CFO was rubbing his hands very pleased that now we can ask you directly [-]that now in Syvennetty we can ask you directly, that we do not have to use consultants, that he directly calculated how much they will save in consulting. (tax administrator)

The original ideas of the OECD on co-operative compliance (OECD, 2008) stem from the demand to limit corporate tax aggressiveness, and the OECD recommendations were aimed at influencing both the taxpayers and the tax advisers (OECD, 2013a, p. 15). The OECD (2008) saw the corporate taxpayers as the "demand side" for arrangements considered as aggressive tax planning, and the tax intermediaries as providers of these called-for services. Originating from these ideas, one of the aims of *Syvennetty* is to reduce the need to employ tax consultants offering aggressive tax planning tools (cf. Braithwaite, 2013; also Sikka, 2008a, 2015a). For that purpose, the tax administration follows different signals relating to the nature of tax planning. Using particular tax consultants may refer to aggressiveness.

> *We do know the names from the consulting world, that who sell what products, these aggressive tax planning products, which we easily interpret as tax evasion, when those names start to come up, we know that something is going on or something is wrong now [-] or if there are a lot of partners involved, then it is a question about bigger issues and if there are junior consultants, then we talk about everyday issues [-] we would like to talk more with the representatives of the company, the CFO, the tax director and with them, without any go-betweens. (tax administrator)*

Hence, the entire concept of *Syvennetty* might be seen aimed, at least partly, to reduce the demand for the tax advisors' services, thus decreasing the space available for the tax advisors to operate.

Contrary to these expectations assuming negative impact on the tax consultancy profession, some interviewees saw a potential for additional services for the tax consultants, e.g. in the form of verifying tax controls. With these type of services, the tax consultants would be added as co-regulators in the regulatory network (e.g. Black, 2001; Djelic, 2011), thus increasing their market space.

> *And when we have marketed this matter in the first place, it has also been marketed right there in the direction of the tax consultancy [-] as the consultants can be of two opinions, and I know that as I have been in this discussion with someone, they seem to be very much thumbs up, saying yes, this is a good thing and also see a niche in being able to sell their own services, but then again I have heard other opinions that what is this thing, not at all something to support, that maybe they can't see then a niche for themselves, rather so that we take bread from their table, something like that can be in the background, but that in that regard, in one way or another, the consultancy side will be involved in the future. (tax administrator)*

Additionally, some of the tax administration interviewees were careful to keep a clear boundary between the work of a government official and the work of a tax consultant, whereas some saw their work in *Syvennetty* containing aspects of tax consultancy.

In a way this is also sort of consulting, that we check their tax controls and their competence regarding the substance matters, sort of free consultation. (tax administator)

Then I wonder about the discord, one is, of course, that when we aim to advice these clients very much, some companies, of course, use all the time tax consultants alongside, but will at some point a company say that hey, no need for it because they get the service so well from us, so that the discord can of course stem from there, that we take customers, when our purpose is not this kind of [-] we are not in a way consulting. (tax administrator)

Based on this analysis, there is inconclusive evidence on the potential evolving of the regulatory space available for a specific market force, i.e. the tax consultants, to operate. Earlier research shows evidence of diminishing significance of tax advisors under co-operative compliance regimes, such as Dutch Horizontal Monitoring, although under some initiatives the importance of the role of the tax advisors has been specifically expressed (de Widt, Mulligan, & Oats, 2016, pp. 34, 37). Under post-political theory, these post-political regimes should provide more room for the market forces to operate, but this theory holds true only to some of the actors within this group of market forces. As *Syvennetty* regulation is partially based on self-regulation, the taxpayers can extend their operations in this regulatory regime. In addition, the OECD is given significance in this context, as a provider of soft law, and a place in the regulatory space. Regarding the tax consultants, the interviews and the documentary readings show evidence directing to both shrinking and towards expansion of the regulatory space available for them.

6 CONCLUDING DISCUSSION

This paper has examined an evolving form of regulator-regulatee interaction, namely *Syvennetty* at the Finnish tax administration. *Syvennetty* is an example of co-operative compliance programs that the OECD has advocated and several tax administrations globally have launched during the last decades. As a result of our study, we present the following findings to our research questions:

> *RQ1: How have the ideas of post-political regulation been constituted in the Finnish tax administration practices when the OECD recommendations on co-operative compliance have been followed?*
>
> *RQ2: How and why Syvennetty was able to change an existing tax regime?*

When answering our first research question, we have analyzed an evolving policy arena, and, consequently, have been able to uncover *Syvennetty* as a hybrid combining both post-political and non-post-political principles. As an answer to our second research question, we have described a process where "universal global standards will be integrated into national legislations and become hybrid in the process" (Djelic & Quack, 2018, p. 136; also Ban, 2016). While doing that, we have analyzed the implications of the changes in the tax regime, and in the tax regulation of the large taxpayers in Finland to show how and why a change took place. By investigating the individual changes, we have been able to paint a larger picture of a corporate tax regime, showing how underlying post-political principles of co-operative compliance result in post-political regulation (see Ban, 2016, p. 4).

To conclude our findings, we address the most central implications in the following. The emphasis of *Syvennetty* on forming partnerships and seeing different actors in the tax field as partners presents a notable change in the tax administration practices and approaches (e.g. Black, 2001, p. 105; Kirchler et al.,

2014). In the vein of New Public Management (Thomas, 2013; Wiesel and Modell, 2014), taxpayers were referred to as "clients", "partners" or even as "pals" the tax administration shares goals in taxation with, e.g. correct taxation and reducing administrative burden. Exemplifying this nature of relationships, in *Syvennetty*, the tax administration and a taxpayer sign a letter of understanding confirming their intentions on forming a partnership, and, in the tax administration discourse, the tax consultants were seen as "professional colleagues" of the tax administration.

With these partnerships, *Syvennetty* has provided market forces, i.e. corporate taxpayers, opportunities to become co-regulators in the regulatory arena (cf. Djelic and Quack, 2018, p. 129), as *Syvennetty* relies on self-regulation (Black, 2001, pp. 119—120) in maintaining the corporate tax controls at a required level, and on voluntary early disclosures of tax issues (cf. Baldwin et al., 2010). The underlying neoliberal ideas in post-political regulation emphasize the significance of market forces as regulators, as markets are deemed "a paradigmatic and universal panacea" in regulation (Djelic & Quack, 2018, p. 128), although extant research has been critical of the role of market forces in regulation (e.g. Braithwaite, 2013; Sikka, 2015b). These findings on the existence of co-regulators are in parallel with Boll's (2014b) proposition of regulation as a distributed practice, where the tax administration and the corporate taxpayers are brought together to coproduce regulation. In a distributed practice with taxpayers as co-regulators, the risks for regulatory capture (cf. Hancher & Moran, 1998), and the questions over divergent interests over taxation are in evidence. In extant research, the tax executives in MNEs have been found to exert power over tax legislation (Mulligan & Oats, 2016), and accounting literature has presented several ways the MNEs are able to exert control over the national regulatory bodies (Sikka, 2008a, 2008b, 2011; Sikka & Willmott, 2010). Yet, responsive regulation (Ayres & Braithwaite, 1992), and the resulting distribution of regulatory power with the corporate taxpayers, may still enhance the power of the MNEs over their own regulation.

The underlying ideas of *Syvennetty* and promises of incurring benefits to the taxpayers, e.g. early certainty of taxation and a decrease in administrative burden, contribute to attractiveness (Nye, 2004, 2008) of *Syvennetty*. This attractiveness, together with calls for morality (e.g. Sikka, 2018; Oats & Tuck, 2019), not only enhance a corporate taxpayer's willingness to commit itself to voluntary co-operation with the tax administration, but also add to the perceptions of legitimacy and moral authority of tax administration, increasing tax administration soft power (Nye, 2004, 2008). Analyzing *Syvennetty* shows, how regulation is rationalized with moral concepts (e.g. "good for Finland") and how *Syvennetty* holds ethical and moral connotations, for example in the form of voluntarism and in calls for taxpayer accountability through increased transparency (e.g. Boli, 2006; also Oats & Tuck, 2019; Sikka, 2018). The rhetoric over partnership, common goals and "what is good for Finland", appeal to the

moral register and transform political issues into moral issues, enhancing the soft power the tax administration possesses (Nye, 2004, 2008).

In parallel with soft power (Nye, 2004, 2008), our discourse analysis (cf. Murphy et al., 2013) shows evidence of rhetoric that is "hard to contest", e.g. "impartial", "win-win", "good for Finland", showing evidence of "hegemonic ideals" (Garsten & Jacobsson, 2013, p. 424) and of hegemony, control of one group (tax administration) over another group (the corporate taxpayers) (Fontana, 2008).

Soft power is also in evidence as the tax administration extends its influence in the corporate tax controls built in the corporate business models. This can be seen as a process of technocratization (Mouffe, 2005a), as those who join in *Syvennetty* are required to open their books to the data-analytics of tax administration, in an expression of hard expert power similar to the criteria used to select those companies eligible to join *Syvennetty*. The undisclosed acceptance criteria, "rating schemes" (cf. Djelic & Quack, 2018, p. 129), and benchmarking other similar initiatives signify the power of expertise in *Syvennetty* (cf. Djelic, 2011, p. 51; Djelic & Quack, 2018, p. 129; Mörth, 2006). They also highlight how power is shared among different actors in the regulatory field, here, with the experts deciding on the criteria and on which examples to benchmark. As Wilson and Swyngedouw (2014) have stated "[i]n post-politics, political contradictions are reduced to policy problems to be managed by experts and legitimated through participatory processes" (p. 6). With technocratization, taxation is appealingly shown as a purely technical matter, void of any political connotations, where different techniques are used in the name of convenience and efficiency. The use of criteria serves also as an example of "scientization" of regulation (Djelic, 2011, p. 44) as rationalization is used as the basis for deciding on the criteria, setting aside political considerations.

Additionally, although *Syvennetty* is about the regulation of taxation, its practices have not been rendered a subject of a constitution-mandated democratic legislative process. As *Syvennetty* follows the OECD (2008, 2013a) recommendations, a form of soft law supplementing national legislation, the power regarding taxation has been transferred outside the realms of democratic preparatory work, to the OECD and to the decision-makers in the OECD. This exemplifies the shift that has taken place in the structures of power in the organizational fields (Djelic & Quack, 2018: 132; also Sikka, 2017; Jiang et al., 2018; Pucci & Skærbæk, 2020).

The taxation of large multinational corporations entails a transnational dimension rendering the tax governance transnational, hence increasing the complexity and number of actors and interested parties across the boundaries. (Djelic, 2011, p. 42). This understanding of the nature of *Syvennetty* and of the change in corporate taxation propelled by the introduction of *Syvennetty* helps us draw conclusions on the transnational influence, i.e. the OECD recommendations as a form of soft law, on a national regulatory regime. We have uncovered, how,

when these recommendations have been adopted, hard law that is the outcome of democratic decision-making has been supplemented with soft law. Our research highlights the problematic nature of *Syvennetty,* and of similar co-operative compliance reforms, against the backdrop of democratic regulation of taxation and the legality principle that is central to the tax administration practices. Maintaining the legitimacy of a regulatory regime requires adequate democratic influence on the regime (Baldwin et al., 2012, p. 29).

This paper contributes to the existing accounting-related literature on regulation in general and on tax regulation specifically in the following ways:

We add to the body of accounting literature on taxation and regulation in general by extending our understanding on the nature and the quality of the interrelations between the tax-field actors as we inform on the new types of partnerships between these different actors forged with e.g. calls for consensus, downplaying of disputes and shifts in respective roles. The post-political ideas applied and the new tax administration orientation towards taxpayers as "customers" (Thomas, 2013; Wiesel & Modell, 2014) has changed the tax practices and the actor roles. In consequence, corporate taxpayers have become, on the one hand, co-regulators in tax regulation as *Syvennetty* relies partly on self-regulation, and, on the other hand, customers of tax administration. In addition, tax consultants have become in tax administration's words "colleagues" tax administration shares customers with (Piiskoppel, 2017). In parallel with earlier research, this study shows, how a soft law instrument that has "a far-reaching intent to renegotiate the tax contract between corporations and society" can be used by professional groups "to transform the [-] agenda into a self-serving expansion of professional boundaries" (Radcliffe et al., 2018, p. 55). The corporate taxpayers expressed their interests to join *Syvennetty* with hopes of influencing regulation, the tax consultants discussed joint efforts, e.g. "creating best practices", together with the corporate taxpayers and the tax administration, and the tax administration extended its influence in corporate business controls and into areas of taxation normally reserved for tax consultants.

In addition, our study shows how institutional changes influence different actor groups in different ways. For the tax administration, *Syvennetty* provided an extension of its regulatory role and regulatory power, while for the tax consultants, their future role was unclear in the shadows of the more customer-oriented tax administrators (e.g. Radcliffe et al., 2018, p. 55; Aburous, 2019). Thus, an exogenous event, the introduction of *Syvennetty*, on the one hand, provided the actor groups with possibilities to engage in boundary work (cf. Gracia & Oats, 2012; Björklund Larsen, 2015) "to enhance their status within surrounding field" (Radcliffe et al., 2018, p. 55), and, on the other hand, presented them with threats over the role and the autonomy of their profession (e.g. Aburous, 2019). Hence, in parallel with earlier research (Gracia & Oats, 2012; Björklund Larsen, 2015), this research shows evidence of the fuzziness of boundaries and the inevitability of boundary work in taxation, as changing rules and regulations require

interpretation and renegotiating of the existing boundaries (Radcliffe et al., 2018; Aburous, 2019).

This research also speaks to the accounting literature on regulation, as we have analyzed how forces outside the national setting, i.e. the OECD recommendations as a form of soft law (Garsten & Jacobsson, 2013, pp. 422, 425; also Senden, 2005; Djelic & Quack, 2018, p. 124), influence the tax practices and the interrelations in the tax field, supplementing national legislation. The OECD recommendations and the underlying principles of co-operative compliance, e.g. voluntarism, ideas of partnership and common goals, and focus on the future and not in the past, changed the *Verohallinto* practices. In *Syvennetty*, reliance was placed on functioning corporate tax controls and early corporate disclosures, attention was placed on customer-friendly tax administration co-operating with the corporate taxpayers to achieve common goals, proactive ways of working in real-time were introduced, and focus was on ensuring future compliance to increase certainty of taxation. In consequence, these new practices transformed the interrelationships (cf. Gracia & Oats, 2012) and the roles of the different players in the tax field (cf. Tuck, 2010).

The use of soft law has created a shift in the power structures as power has been transferred from the legislators to the experts (cf. Djelic, 2011, p. 51; Djelic & Quack, 2018, p. 129), and the regulatory power is shared among different actors, e.g. the OECD, although the tax administration still has a significant role in regulation (e.g. Djelic, 2014, p. 133). This study argues that this shifting in the decision-making powers raises questions about transparency and accountability (e.g. Djelic, 2011, p. 44; Wilson & Swyngedouw, 2014, p. 9), and about empowerment of this specific regulatory coalition: "who or what empowers a particular regulatory coalition?" (Djelic, 2011, p. 43). As support by legislative authority has been seen as one of the cornerstones for a good regulation, it can be also asked, whether *Syvennetty* with its basis on international soft law, fulfils this criteria (Baldwin et al., 2012, p. 27).

This study's contributions to the accounting literature on regulation encompass excavating how tax administration uses soft power (Nye, 2004, 2008) to promote tax compliance among the large corporate taxpayers. Soft power is based on attractiveness (Nye, 2004, 2008), and we show how e.g. the underlying principles (i.e. impartiality, fairness, and trust), inherent voluntarism, and promises of incurring benefits of *Syvennetty* contribute to the perceived attractiveness of *Syvennetty*.

Additionally, as earlier research has proposed that different fields of transnational regulation share similar characters as they are based on five "institutional forces" (Djelic, 2011, p. 44): scientization (Drori and Meyer, 2006), marketization (Djelic & Sahlin-Andersson, 2006), organizing (Ahrne & Brunsson, 2006) , moral rationalization (Boli, 2006), and 'soft' regulation and democracy (Mörth, 2006), we propose that there is another institutional force in play in transnational regulation. This sixth force is 'contractualization', describing

regulation as based on contracts and on agreeing on issues between the tax administration and the taxpayer, instead of tax adminstration using its legally mandated power to achieve compliance (see Vincent-Jones, 2006).

This study also adds to the findings on the difficulties in carrying out empirical accounting research in transnational regulation, since the access to the data is often times restricted (Mulligan & Oats, 2017). Taxation is an activity of public officials and, as such, strictly legislated with confidentiality laws, allowing for only very limited access to the tax administration. As for the corporate taxpayers, tax issues are frequently considered as trade secrets with minimal transparency permitted. As such a phenomenon, studies with observations of taxation in an empirical context are scarce. This complexity of studying taxation parallels the difficulties present with emprical studies on self-regulation of financial accounting and auditing standards (cf. Cooper & Robson, 2006; Kettunen, 2020).

To conclude, we present questions we find deserving more thorough future investigation.

The OECD reports propose that entering a co-operative compliance relationship with the tax administration presents possibilities for the taxpayers in the form of improved certainty of taxation (OECD 2013a, p. 29) with benefits to both parties involved (OECD, 2016, p. 11). In consequence, *Syvennetty* is based on recommendations and promises of incurring benefits, if the recommendations are followed. We propose exploring, what happens in case companies first yield to the requirements of *Syvennetty*, but these promised benefits do not materialize.

Echoing the ideas of Djelic (2011), in conclusion it can be asked, whether it has been fully comprehended, what actually has taken place and whether "the progressive move from the rule of law to the law of rules represents, locally and nationally, a democratic advance" (p. 56). In addition, with the words of Saez and Zucman (2019), it can be questioned whether recent changes in tax policies have been "the result of informed deliberations" and are "conscious choices" (p. IX). On the other hand, are there, as Mörth (2006) suggests, "different ways of achieving and organizing democracy" if "[d]emocracy is understood as something more than just general elections and party politics" (p. 135). Hence, further research would be needed to investigate the mandate the tax administration has to define *Syvennetty* practices through administrative decision-making processes instead of a democratic parliamentary procedure. As *Syvennetty* is rendered an administrative issue, a "consensual management of economic necessity" (Wilson and Swyngedouw, 2014, p. 7), a question regarding its parliamentary supervision, or the lack of it, can also be raised and would benefit of further studies.

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IV

HOW FAIR IS THE NEW CO-OPERATIVE COMPLIANCE PRACTICE? THE CASE OF FINLAND

by

Tuulia Potka-Soininen

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ABSTRACT

This research draws on the principles of justice as fairness by John Rawls (1971) to analyze in the context of *Syvennetty asiakasyhteistyö* perceived fairness of tax administration practices for an individual corporate taxpayer, and whether theoretical principles of fairness are in evidence and applied in these practices to produce fair taxation on the societal level. Overall, this study's focus is in producing new understanding on the role of fairness in regulation in general. This study is a case study on the different aspects of fairness in corporate taxation, where the Finnish co-operative compliance initiative *Syvennetty asiakasyhteistyö* is investigated. The principles of co-operative compliance were first introduced by the OECD in 2008 and in the Finnish context they were implemented in a tax agency pilot in 2013. The underlying principle of co-operative compliance emphasizes mutual trust and transparency, and its goals include increasing corporate tax compliance and improving the relationships between the tax administration and the large corporate taxpayers.

1 INTRODUCTION[1]

In corporate taxation, the last years have witnessed the proliferation of OECD recommended co-operative compliance practices (OECD, 2008, 2013a) based on the ideas of responsive regulation (Ayres & Braithwaite, 1992). Traditional approach to tax compliance with its punitive measures has been replaced with initiatives focusing on co-operative methods (see Ayres & Braithwaite, 1992; Braithwaite, 2013) and on trust as the basis for the relationship between the tax administration and the corporate taxpayers (OECD, 2013a, p. 13). Existing research has reported on the different practical adaptations and outcomes of these recommendations (Björklund-Larsen 2016, 2019; Bronzewska, 2016; de Widt, 2017; Boll & Brehm Johansen, 2018; Brøgger & Aziz, 2018; Björklund Larsen et al., 2018). As these more persuasive tax regimes are inherently based on the assumption of fairness i.a., the relevance of justice in taxation has increased (see OECD, 2008, p. 5; also OECD, 2013a, p. 19).

The purpose of this current field-level research is to extend the research on co-operative compliance by drawing on the theory of Justice as Fairness by John Rawls (1971), and by using Finnish co-operative compliance initiative *Syvennetty asiakasyhteistyö* (from here on *Syvennetty*) as an example to investigate different dimensions of fairness in taxation. Justice in taxation pertains to the fair procedures of taxation (i.e. procedural justice) and the way tax laws, and other tax-related regulation, are applied (i.e. formal justice) (Rawls, 1971). Justice of taxation is a proxy for tax fairness, which is a contributing factor to tax compliance (e.g. Kirchler, 2007, p. XV). Fairness, along with accessibility and openness, is also a prerequisite for a good regulatory practice (Baldwin et al., 2012, p. 27). As transnational private and public actors have replaced governmental regulatory bodies, questions of accountability of the regulator have surfaced (Dowdle, 2017, p. 197). Accountability of regulators is ensured

[1] *I would like to thank Professor James Weber from Duquesne University at the IABS 2020 Virtual Doctoral Consortium in July 2020.*

with national systems of checks and balances, and since transnational regulators and soft regulation exist and operate outside these systems (Mörth, 2006), ensuring regulator accountability, transparency and publicity, and, in consequence, impartiality, is of significance to the perceived legitimacy of the regulator (Gribnau, 2007, p. 326; see also Saez & Zucman, 2019).

Fairness of taxation is about the perceptions of fairness for an individual corporation (Moser et al., 1995; Braithwaite J., 2013; Musimenta et al., 2017) and investigating these perceptions and their relevance is not only of academic interest, but of practical relevance, as well. A recent survey on public trust in G20 tax systems (IFAC, 2019) covering 8.400 participants in twenty G20 countries found inequity of the tax systems one of the main concerns among those interviewed. Tax fairness can also be approached in a wider societal context with interest on what constitutes the 'fair share' of taxes to be paid by corporate taxpayers, especially multinational entities (Sikka, 2008a, 2011, 2015b, 2018; Gribnau, 2015a; Björklund Larsen, 2018).

Incorporating moral issues, such as fairness, in accounting studies is important, as, for example, Williams (1987) has argued that as accounting decisions may have a moral dimension, "more explicit moral language must be added to accounting's lexicon. The ideas of accountability and fairness are central to an understanding of accounting problems" (pp. 169—170). Exemplifying the acuteness of issues of tax fairness, on June 5, 2021, the G7 countries committed themselves to a global minimum tax of at least 15% to tackle the problems globalization has created in taxation (HM Treasury, 2021).

Although taxation as a subject has been extensively studied in accounting, Boden, Killian, Mulligan and Oats (2010, p. 541), have opined that "tax has not received the intellectual attention it deserves from accounting scholars". They propose that as taxation is, to a great extent, seen as a practicality and as the professional bodies play an important role in governing the field, research should be done in order "to open up the black box of technical tax" (Boden et al., 2010, p. 541). Radcliffe, Stein, Spence and Wilkinson (2018) have expressed the need to research tax as a social practice and "the way in which everyday tax practices are interwoven with societal, institutional and political norms and pressures" in direct engagement with the tax actors to understand how norms "successfully infiltrate or otherwise impact the world of taxpayers and their advisors" (p. 46).

Extant accounting research in the socio-cultural vein of taxation has covered areas such as interrelations between the different actors in the tax field and tax practices (Gracia & Oats, 2012; Boll, 2014a, 2014b), tax professionals (Fogarty & Jones, 2014; Mulligan & Oats, 2016; Radcliffe et al., 2018), the identity of tax officials (Tuck, 2010; Morrell & Tuck, 2014; Currie et al., 2015), and tax practices within the corporations (Anesa et al., 2019). Studies have focused on the tax field and on the interrelationships of the different actors in knowledge management (Hasseldine et al., 2011), on boundaries within the framework of decision-making (Björklund Larsen, 2015), and on the boundary between acceptable and

unacceptable tax practices (Gracia & Oats, 2012). Research on tax practices comprises, for example, of inquiries into tax compliance and tax auditing (Boll 2014a, 2014b), whereas studies on tax professionals have been interested in how tax practitioners navigate between the loyalty to their clients and the pressures inserted by tax administration (Fogarty & Jones, 2014). Research has been interested in the power the in-house tax executives possess (Mulligan & Oats, 2016), and in terms of their organizational repositioning in the changing tax environment (Radcliffe et al., 2018).

Accounting-related research on tax compliance has paid less attention to research of taxation as a social phenomenon (Boll, 2014a), as more emphasis has been paid e.g. on the factors affecting tax compliance, such as power and trust (Siglé et al., 2018) and effects of tax audits (Hoopes et al., 2012). Horizontal and exchange equity (Moser et al., 1995) have been investigated as elements of corporate tax compliance, and the principles of restorative justice have been studied by Braithwaite (2013).

Within the framework of tax fairness, academics have questioned whether corporate taxpayers, especially MNEs, pay their 'fair share' of taxes (e.g. Sikka, 2011, 2015, 2018; Gribnau, 2015a; Björklund Larsen, 2018) to contribute to the functioning of the society and to the state's ability to "provid[e] social infrastructure, security, legal system and social stability conducive to the production of economic surpluses" (Sikka & Willmott, 2010, p. 354; see also Saez & Zucman, 2019). Questions have been raised concerning the 'fair share' and how it is calculated (Bronzewska, 2016), as unfairness in taxation may lead to " the burden fall[ing] upon those who cannot escape paying taxes, or it results in the erosion of public services" (Sikka & Willmott, 2013, p. 418). Fairness of taxation has also been presented as a human rights issue where income inequalities are viewed as an outcome of unfair taxation (Gunnarsson) and as a question of democracy (Saez & Zucman, 2019, p. XI).

Determining whether corporate tax liability meets the ambiguous criteria for 'fair share' cannot be achieved based on the current corporate tax information available, and this has resulted in calls to increase tax transparency with more detailed public information on corporate taxes. Increased transparency would serve as a way to enhance corporate tax compliance. (Sikka, 2018.) In opposition, it has been argued, for instance, that increased transparency with vast amounts of information confuscates and hides relevant information in the midst of irrelevant information (Oats & Tuck, 2019) and does not necessarily improve compliance as companies may, for instance, omit disclosure information they do not want to make public. The problems with increasing tax transparency have been in evidence in Sweden, where the demands for public tax disclosures for the participating corporations has been seen as a hindrance to the implementation of a co-operative compliance initiative (Björklund Larsen, 2016, p. 22).

This research contributes to the existing accounting-related research on tax regulation and tax fairness on two levels. For the first, with the focus on individual companies, this study sheds light on the perceived fairness of the tax administration practices on corporate taxation within *Syvennetty*. For the second, this study investigates, whether the theoretical principles of fairness, contributing to the overall fairness of taxation, are upheld in the tax administration practices in the *Syvennetty* context. Regarding accounting research on regulation in general, new knowledge on fairness as an element of regulation is produced.

This research will also contribute to the field of accounting that studies taxation in the socio-cultural context, where taxation is seen as a part of the society and where the interrelations and the actions of the different parties in the tax field are of interest. The analysis of the existing research reveals a paucity of socio-cultural research on corporate tax compliance with fairness as its element, and that studies covering the whole tax field are scarce. This field-level study sheds light on the tax practices and the interrelationships from various angles, and creates a wider view of the tax field: how different norms and values are embedded in the tax practices and played out in the tax field.

As this study's context is the Finnish co-operative compliance initiative, *Syvennetty*, it extends our understanding of regulatory strategies with emphasis on co-operation and mutual trust. Better understanding and knowledge of different tax practices and their implications, of perceived tax fairness and its effects on corporate tax compliance enhances our understanding of the choices or "non-choices" that have lead to the different perceptions of fairness, and makes us better informed on "what's happening in society at large" (Saez & Zucman, 2019, p. X).

To study the conceptions of fairness within taxation, this research aims at answering two research questions:

> *RQ1: What are the perceptions of justice and fairness of those involved in Syvennetty?*
>
> *RQ2: Are the theoretical principles of justice by Rawls upheld in tax administration actions and practices?*

Studying perceptions increases our understanding of how regulation works, as perceptions constitute a significant part of a regulatory framework (Bohne, 2011, p. 257).

As Radcliffe, Stein, Spence and Wilkinson (2018) have called for direct engagement with the tax actors, this research with 28 interviews covering interviewees from corporate taxpayers, tax authorities, tax consultants, tax lawyers, corporate stakeholder groups and academia is an answer to this call. In this research, we tap into the methods of abduction and abductive analysis

against the framework provided by "Justice as Fairness" (Rawls, 1971) to tease out new insights on justice, fairness, and corporate tax regulation in general.

This article is structured in the following way: the next two chapters (two and three) present theoretical background on co-operative compliance and on Rawls's theory on justice as fairness. In the fourth chapter, the applied method and the used data are discussed before presenting the findings in the fifth chapter. In the sixth chapter, the paper elaborates on the findings of the research, and, to conclude, the significance of these findings is discussed in the seventh chapter.

2 CO-OPERATIVE COMPLIANCE – A REGULATORY REFORM INITATIVE TO IMPROVE CORPORATE TAX COMPLIANCE

Recent accounting-related research on taxation in socio-cultural framework has e.g. paid attention to the interrelations between tax administration and the taxpayers (e.g. Hasseldine et al., 2011; Boll, 2014a, 2014b), where emphasis is not only on the legal premises underlying taxation but on "tax in action" or "tax practices". Boll's (2014b) study on tax compliance and its construction in the everyday corporate life is illustrative of these studies where emphasis is on the relationships between the different actors in the tax field.

Tax practioners are an integral part of the tax triangle that consists of, in addition to the tax practioners, taxpayers and tax administration. Tax practitioners are situated "between a rock and a hard place" as they try to navigate between loyalty to their clients, helping them to plan for their taxes, and assisting, under the threat of penalties and loss of reputation, the tax administration to collect tax revenue (Fogarty & Jones, 2014, p. 286, 313). On the other hand, tax professionals in MNEs wield power to shape tax laws and practices, altering the regulatory environment (Mulligan & Oats, 2016, p. 63). The influence between the regulations and the in-house tax professionals is bidirectional, as changes in the tax field, in the form of OECD recommendations, have influenced the work of this actor group. As taxation has become increasingly complicated because of the new regulatory requirements, taxation has gained prominence in corporate risk management, resulting in an enhanced importance of these professionals in their respective corporations. Therefore, tax professionals have repositioned themselves in the tax field. (Radcliffe et al., 2018, p. 55.)

Taxation, in parallel with other regulatory fields, is an area replete with different types of boundaries that need to be negotiated in the daily practices as a part of tax administration work or, when necessary, to be addressed in courts.

As tax laws are indeterminate by their nature and not all eventualities can be addressed in the laws, these laws need to be interpreted by drawing up boundaries for example between tax-free and taxable income (Björklund Larsen, 2015). This drawing up of boundaries constitutes a part of everyday decision-making in the tax agencies, and in the decision-making, societal-cultural aspects need to be considered, as "beyond specific legal interpretations, there are social and cultural dimensions that any fiscal organization must consider fulfilling its aim of being perceived as legitimate by society" (Björklund Larsen, 2015, p. 87). Boundaries are in evidence, as well, as corporate taxpayers draw up tax strategies that take different forms and can be of varying degrees of legality, ranging from acceptable tax avoidance to unacceptable tax evasion. In their daily work, the tax administrators need to locate the boundary between these two ends, between acceptable and unacceptable tax practices. (Gracia & Oats, 2012, p. 304.) These examples show the indeterminacy involved in taxation, indeterminacy, which needs to be addressed as a part of the daily activities in tax administration.

Changes in the regulatory field, e.g. introduction of the ideas of New Public Management (Thomas, 2013; Wiesel & Modell, 2014), influence the identity of the tax officials as "[t]he tax official becomes a T-shaped tax official who has emerged from a bureaucratic inward facing technical civil servant to become an outward facing new style tax official" (Tuck, 2010, p. 584). Tuck (2010) argues that this change is consequential for both tax policy and tax compliance process. Tax compliance is not only about the elements it consists of, for example fairness (e.g. Moser et al., 1995), but corporate tax compliance is also about the interactions between the different actors in the tax field, e.g. the tax officials with their changing identities (Tuck, 2010), constructing tax compliance as a practice (e.g. Boll, 2014b). Hence, tax compliance is produced in the everyday actions in the tax field as a "distributed action" (Boll, 2014b). Tax compliance is also about values and morality, and taxation can be considered a CSR issue (Ylönen and Laine, 2015). Findings also suggest the existence of "a general pattern whereby in some firms the corporate culture promotes less responsible CSR activities and more aggressive tax avoidance" (Hoi et al., 2013, p. 33).

This review of accounting research on taxation makes it apparent that fairness and justice as elements of corporate taxation are only marginally covered in the existing research, corroborating the findings of Gracia and Oats (2012) as they argue, "[l]ittle research has been undertaken in terms of exploring regulation as an ethical practice" (p. 318; see also Williams, 1987). This paper aims to fill this existing gap in research by looking into the tax administration practices, and the interrelations between the corporate taxpayers and the tax administration, to wit perceived justice and fairness associated with these relationships. As the context of this study is a co-operative compliance regime, this study sheds light on how the principles of fairness are embedded and applied in the practices of taxation, and perceived by the different actors in the tax field. Additionally, the review also shows that accounting studies on "tax in

action" and "tax practices" in the corporate context, in the socio-cultural vein of tax studies, are yet to be expanded.

Co-operative compliance as an approach is based e.g. on the premises of co-operation between the taxpayers and the tax administration, trust and mutual understanding, and is described as "the one [tool] that focusses on improving the relationship between the tax administration and taxpayers the most" (Majdanska & Pemberton, 2019, p. 114). Initiatives, such as co-operative compliance initiatives, that are based on co-operation and trust are seen as "indispensable to ensure taxpayer's voluntary compliance" (Gribnau, 2015b, p. 215). Co-operative compliance is a form of de-juridification as trust, fair play, and reciprocity, inter alia, replace regulation based on law in governing taxpayer compliance behavior (Gribnau, 2015b, p. 184), and, as co-operative compliance initatives are based on the OECD recommendations as a form of soft law (Senden, 2005; Mörth, 2006; Vega, 2012). Enhanced co-operation decreases the relational distance, diminishing the likelihood of legal disputes, and affects the inherent power difference embedded in the relationship and punitive sanctions applied in a regulator-regulatee relationship (Braithwaite 2009, p. 39). Co-operative compliance with its inherent ideas of partnership and co-production of regulation can be seen as a means to decrease the use of regulatory force and taxpayer discontent, to produce amenable attitude towards taxation (Kirchler et al., 2008, p. 211), or as "a lens [-] to view its [the tax administration's] clients" (Hamilton, 2012, p. 485).

Co-operative compliance is a form of responsive regulation (see Braithwaite, 2009), where the regulatory authority (e.g. the tax agency) operates under the assumption that most regulatees (e.g. the taxpayers) are willing to act compliantly, and the authorities' regulatory response towards these compliant regulatees should be aimed at advancing these efforts (Ayres & Braithwaite, 1992). The regulators still have a full set of measures at their disposal, including punitive ones, to improve compliance, and as the degree of the regulatee compliancy decreases, the regulator adjusts its responses accordingly (Ayres & Braithwaite, 1992). Accounting research has corroborated the responsiveness of co-operative compliance as researchers have found that the taxpayer transparency is positively influenced by the tax administration's perceived ability to up the ante, if needed, when enforcing compliance (De Simone et al., 2013, p. 1974; Beck & Lisowsky, 2014, pp. 868—869). The strengths of the approach are in steering away from measures of deterrence and resorting to measures aimed at promoting voluntary compliance (Ayres & Braithwaite, 1992).

In co-operative compliance, the taxpayers, in return for transparency, receive benefits over their taxation (OECD, 2008; Majdanska & Pemberton, 2019, p. 114). For the tax administration, the approach provides information on the businesses, e.g. on compliance in general, and on demands for services and education, making these approaches "the best source of evidence of what is going on in the business world" (Braithwaite & Wirth, 2001, p. 18). The tax

administration can expect benefits in the form of correct tax paid by the customers, and for the taxpayers, benefits come in the form of increased certainty of taxation (Beck & Lisowsky, 2014, p. 898), and improved relationship with the tax administration (Huiskers-Stoop & Gribnau, 2019, p. 101). Corporate taxpayers benefit from co-operative methods also in the form of decreased compliance costs (De Simone et al., 2013, p. 1971).

When a tax administration sets out to find out about taxpayers' concerns and seeks solutions to them, the relationships with the taxpayers improve, creating a more benevolent tax environment and enhancing understanding of corporate taxation, thus influencing tax compliance (Whait, 2015, p. 150). The close contacts between the large corporate taxpayers and the tax administration not only bring positive outcomes, as negative effects are possible as well, if the close contacts erode tax administration's relationships with other taxpayer groups (Freedman, 2018, p. 134). To avoid erosion of relationships with other taxpayers in the basic relationship, tax administration transparency is needed to explain the premises of co-operative compliance regimes. Without transparency, public perceptions of these regimes may become skewed with suspicions of "sweetheart deals" between the corporate taxpayers and the tax administration, creating distrust in the tax administration. (Huiskers-Stoop & Gribnau, 2019, p. 101; also Gribnau, 2007.) Freedman (2018) even anticipates a shift away from co-operative compliance in some jurisdictions because of the potential detrimental influence of the close contacts (pp. 134—135).

Studies have covered the adoption of co-operative compliance principles in different jurisdictions, and the evolving of the initiatives due to external and internal pressures (e.g. public opinion) experienced by the tax administrations is anticipated (Oats & de Widt, 2019, p. 4). Individual initiatives have already evolved with e.g. shifts in the objectives, as illustrated with the Dutch Horizontal Monitoring, where the goals have been adjusted from efficiency-related goals to goals regarding the number of companies involved (de Widt & Oats, 2018, p. 21). Other studies on co-operative compliance have shown diverse findings: favorable attitudes of the corporate taxpayers (Boll & Brehm Johansen, 2018, p. 4), the benefits of extending the inititatives to cover all large corporate taxpayers (Oats & de Widt, 2019, p. 40), and the threat of co-operative compliance programs becoming overly bureaucratic (de Widt & Oats, 2018, p. 36).

The principles of co-operative compliance can be applied in different regulatory and cultural environments (e.g. Bronzewska, 2016, Björklund Larsen & Oats, 2019). In some cases initiatives have failed to procure taxpayer participation (e.g. Björklund Larsen, 2016), while some cases have been implemented with corporate support (e.g. Boll & Brehm Johansen, 2018; Björklund Larsen, et al., 2018). The studies have covered the distinct ways these principles have been applied in different jurisdictions, ranging from wider adoption of the principles to cover a larger field of tax administration practices in Norway (Brøgger & Aziz, 2018), to the introduction of separate co-operative

compliance programs as in Denmark (Boll & Brehm Johansen, 2018) and in Finland (Potka-Soininen et al., 2018). When initiating co-operative compliance programs, close proximity to existing tax laws must be maintained (Björklund Larsen, 2019, p. 29), and co-operative compliance initiatives have been considered as applications of existing tax laws (Djelic and Quack, 2018).

Despite the evidenced and potential benefits of these collaborative approaches, critical views have been presented in research, as well, as co-operative models are, for example, viewed as risks to tax compliance, if the tax administration is perceived either as "too lenient" or as "too hard" on the taxpayers (e.g. Hamilton, 2012, p. 487). Another source for concern are potentially inconsistent juridical outcomes, and consequent erosion of procedural fairness as a result of the inherent flexibility of the approach combined with the complexity of tax laws (Burton, 2007, p. 71; Kornhauser, 2007 in Hasseldine et al., 2012, p. 540).

Concerns over fairness in co-operative compliance have been raised as well as questions over whether those involved in these programs get something 'extra' (Björklund Larsen, et al., 2018, p. 119; de Widt & Oats, 2018, p. 17). Hence, presumed unfairness, i.e. inequality among the taxpayers, and lack of transparency have created tensions in the existing co-operative compliance programs (Bronzewska, 2016, p. 1220).

Questions of tax avoidance and of what consitutues the 'fair share' of corporate tax payable have increased and become widespread in recent years (Gribnau, 2015b, p. 214). As Oats and Tuck (2019) have stated, "tax avoidance has morphed from being an arcane phenomenon, the parameters of which were reasonably well understood by tax specialists and large business taxpayers, to something more politically charged, with a proliferation of definitions, variations, interpretations and understandings. Given the current lack of agreement about the scope of the term unacceptable tax avoidance, the quest for policy prescriptions to tackle it has become increasingly complex" (p. 571).

Corporate taxpayers have presented their concern over using the concept of 'fair share' as a basis for taxation since taxation should be based on law, not on moral valuations. Incorporating the concept into co-operative compliance framework would be problematic, since agreeing on the amount of 'fair share' of taxes would be complex. In addition, some scholars have argued that interpretations on the right amount of tax liability should not be based on references to the intentions of the legislator or to the spirit of the law (e.g. Bronzewska, 2016, p. 679). While these concerns over using the concept of 'fair share' to determine tax liability have been raised (Bronzewska, 2016, p. 679), Gribnau (2015b) has maintained the corporate taxpayers' prerogative of arranging their taxation in a way best servicing their needs as long as these arrangements are within the law (p. 214). Opposing opinions have been expressed, as well, and research has called for a substitute for law as a basis for calculating taxes (Anesa et al., 2019). Fairness of taxation has been viewed as a

moral issue (e.g. Williams, 1987), as "there is no hard line between law and morality" (Gribnau, 2015b, p. 214), and tax minimization strategies can be approached through the moral lens (Anesa et al., 2019). Still, Gribnau (2015b) proposes that as an indirect outcome of co-operative compliance and its fair procedures towards taxpayers, taxpayers may voluntarily abandon tax minimization strategies and "accept a certain tax burden as given" (pp. 214—215).

To facilitate estimating, whether corporate tax liability meets the criteria for 'fair share' of taxes, and to improve corporate tax compliance, calls for increased corporate tax transparency have been made, as current financial reporting information is not deemed adequate for this purpose (Sikka, 2018). It is presumed that with added transparency, corporate taxpayers would be able to demonstrate their trustworthiness, and those evaluating the disclosed information would be in a position to evaluate its legitimacy (Oats & Tuck, 2019, p. 572). These calls for added transparency are based on lack of trust in not only the corporate taxpayers, but also in the tax administrations, and on a need for a method for the public to ensure the proper functions of these bodies (Freedman, 2018, p. 124). Despite the acknowledged shortcomings in corporate taxation, researchers have argued against increasing transparency, as well, as increased transparency would result in e.g. overload of information with relevant information being lost amid all the irrelevant information (Oats & Tuck, 2019). Also, companies might choose not to disclose information they wish not to publicize, and this would have a detrimental influence on corporate tax compliance (Freedman, 2018, p. 130). This argument is evidenced with the case of Sweden, where co-operative compliance initiative did not gain momentum because of demands of extensive public disclosures (Björklund Larsen, 2016, p. 22).

Trust, transparency and mutual understanding are considered the core values of co-operative compliance, all elements of 'fair play', according to Gribnau (2015b, p. 184). In the Dutch Horizontal Monitoring, 'fair play' entails the taxpayer a right to disagree on issues, and the fairness of the interactions between the taxpayer and the tax administration. This fairness and 'fair play' are presumed to percolate further on in the corporate tax practices influencing the practices and increasing tax compliancy, as "perceived fair play in the interaction between taxpayers and tax authorities (procedural justice) may make a company less eager to maximise its use of tax-efficient arrangements and accept a certain tax burden as given. Thus, procedural justice may influence the outcome, i.e. the tax liability (distributive justice)". (Gribnau, 2015b, pp. 214—216.) Impartiality, equality, transparency, accountability and publicity are some of the underlying principles of co-operative compliance and adhering to these principles and to what is mandated by law, as well as establishing required legal procedures, i.e. competences, rights and obligations, is required to produce the correct tax liability (Gribnau, 2015b, p. 192).

Perceived fairness is an element of trust, and without taxpayer trust in tax administration as an institution "to manage the information disclosed [-] transparency may even decrease trust" (Freedman, 2018, p. 124). Fair tax practices demonstrate the existence of trust as a combinaton of reliability, honesty and ability (Freedman, 2018, p. 125). When tax adminstration is trusted, taxpayer transparency increases, enhancing tax compliance and resulting in correct tax liability (Gribnau, 2015b, pp. 214—215). As reliance on companies paying the correct amount of taxes cannot be grounded on the corporate tax information, it is up to the governments and tax authorities to implement tax practices and to carry out taxation in a procedurally and administratively fair manner (Freedman, 2018, pp. 121—122). Thus, reliance on the fairness of taxation is contingent on the procedural and formal justice of taxation and trust in tax administration, trust that is "not a matter of blind faith" (Freedman, 2018, p. 122), but tax administration transparency and "independent scrutiny" over e.g. co-operative compliance initiatives (Freedman, 2018, p. 138; also de Widt, 2017, p. 3) are needed to convince the taxpayers and the public that the tax administration deserves the trust (Freedman, 2018, pp. 130—131).

Although it is important to be cognizant of the significance of fairness in tax compliance context, it is also important to recognize that there are other ways to see fairness besides a dimension of tax compliance and as a part of legal framework. A study by Radcliffe et al. (2018) has shown how morality aspects are instilled in taxation, and how tax can be understood "not merely as a practice that has moral implications, but as a practice that is more deeply imbued with morality than has hitherto been recognized. However, morality is not merely something that is thrust upon tax professionals as a whole but something that is used skillfully as a symbolic resource by them with which to advance their own professional project" (p. 55). In parallel, tax can be seen as a practice embedded with fairness and different players in the tax field may use fairness "skillfully [-] to advance their own professional project" (Radcliffe et al., 2018). Fairness of taxation speaks to issues of morality (e.g. Gribnau, 2015b, p. 214) and calls for studies approaching compliance regulation as an ethical issue have been made (Gracia & Oats, 2012, p. 318).

Extant research on co-operative compliance has elaborated on the varied outcomes of applying co-operative methods, and that co-operative compliance can be seen as a new way to look at the regulator-regulatee -relationship with the focus on e.g. mutual trust. Most studies comparing different co-operative compliance inititatives have described an initial position of the programs, while only few (e.g. de Widt & Oats, 2018; Björklund Larsen et al., 2018) have covered the actual experiences (Björklund Larsen, et al., 2018, p. 28). This study adds to the body of literature on co-operative compliance by looking into the actual experiences of those involved in a co-operative compliance inititative.

3 THEORY OF "JUSTICE AS FAIRNESS"

According to Rawls (1971), the principles of justice for institutions are different from those principles governing individuals and their actions (p. 54). Rawls defines (p. 55) an institution as "a public system of rules which defines offices and positions with their rights and duties, powers and immunities, and the like". Justice "is the first virtue of social institutions" and the unjustness of an institution cannot be compensated with efficiency of the institution or with the institution being well-arranged (Rawls, 1971, p. 3). According to Mandle (2009), the question Rawls's theory tries to answer concerns the principles used to evaluate the fairness of the basic institutions of the society, the "basic structure" as Rawls (1971) names it (p. 12).

"Justice as fairness" is, according to Lovett (2011) "a theory of social justice" (p. 66) and Rawls (1985) himself has emphasized in his later writings the theory's nature as "a political conception of justice [-] a moral conception worked out for a specific kind of subject, namely, for political, social and economic institutions" (p. 224). In his original writings, Rawls (1971) explained that the central interest in the theory of justice lays in the basic structure of society, more specifically in "the way in which the major social institutions distribute fundamental rights and duties and determine the division of advantages from social cooperation" (p. 7). Society, in Rawls's (1971) terms, is described as a "cooperative venture for mutual advantage [-] typically marked by a conflict as well as by an identity of interests" (p. 4). According to Jack, Florez-Lopez and Ramon-Jeromino (2018), the focus of Rawls's work throughout his career has concentrated on "what it means to have a well-ordered society based on fair system of co-operation" (p. 21).

Two of the most central concepts of Rawls's theory are the concepts of "original position" and "veil of ignorance" (Rawls, 1971, p. 12). Within the original position, individuals are to choose "a basic structure of society", a structure one would choose not knowing what one's position in the society would be and which would produce "the most just basic structure for a society" (Lovett, 2011, p. 25). Rawls (1971) emphasizes the significance of a basic structure

as, according to his theory, a basic structure has great influence on a person's life (p. 7). Rawls developed the concept of "veil of ignorance" to describe the method of choosing a basic structure without the knowledge of an individual's own position in the societal co-operation. Thus, the "veil of ignorance" forces one to use strictly impartial criteria in choosing the basic structure, resulting in a just society. (Lovett, 2011, p. 20.) "Veil of ignorance" results in a fair initial situation and principles of justice. In this original position, where individuals operate behind this veil of ignorance, the "fundamental agreements reached in it are fair", as Rawls (1971, pp. 12 —13) explains, hence the name "justice as fairness". Rawls points out that justice and fairness do not mean the same thing, but the fairness of the original position enables drawing up of fair principles of justice (pp. 12—13). Fair principles of justice create fairness.

Rawls's (1971) original theory bases itself on the following two principles:

1. "Each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others.
2. Social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all." (p. 60.)

The first principle refers to the "design of the political structure securing the basic liberties", whereas the both parts of the second principle are about the institutions "that regulate social and economic inequalities" (Mandle, 2009, p. 48). According to the first principle, each person's right to liberty is inviolable and taking away freedom from some cannot be compensated by providing more freedom to others (Rawls, 1971, pp. 3—4). The second principle constitutes another cornerstone of Rawls's (1971) theory, namely the "difference principle". This principle proposes that the position of the "least advantaged members" constitutes the yardstick all social inequalities are to be measured against as inequalities are only accepted if they benefit this group. Those better off can profit from these inequalities, as well, as long as the inequalities avail those least advantaged. (Rawls, 1971, p. 75; Häffe, 2013, p. 42; Mandle, 2009, p. 15). By the least advantaged Rawls does not imply the least advantaged individuals, but groups of people evaluated relative to the particular basic structure (Lovett, 2011, pp. 57—58). As Rawls (1985) explains in his later writings, these two principles should be seen as instruments in guiding the institutions to understand the values of liberty and equality (p. 227).

Based on these principles, Rawls's theory identifies two kinds of justice: procedural justice and formal justice. Procedural justice, as Mandle (2009) explains, pertains to the fair procedures instead of the fair outcomes (p. 52), whereas formal justice is about adhering to the regulations and applying them correctly and coherently (Rawls, 1971, p. 58).

Procedural justice can be further divided into three categories: perfect procedural justice, imperfect procedural justice, and pure procedural justice. Perfect procedural justice has to fulfill two criteria with the first being advance

knowledge of what constitutes a fair outcome. The second criterion concerns formulating a procedure that will yield the wanted, i.e. fair, result. (Rawls, 1971, p. 85.) Rawls illustrates imperfect procedural justice with an example of a criminal trial. While the fair outcome of the procedure can be determined (the guilty will be found guilty and the innocent set free), there is no set procedure to make sure that this fair outcome is reached as the outcome. Regardless of how well the procedure of fair trial is followed, it is affected by different circumstances surrounding the trial. (Rawls, 1971, p. 86.) Opposite to these two types of procedural justice, where the fair outcome can be determined beforehand, pure procedural justice exists, when a fair outcome cannot be determined in advance, as the existence of procedural justice is contingent on the fairness of the procedure itself. An example of pure procedural justice, by Rawls (1985), is gambling. While there is no way to determine, what a fair outcome would look like, any outcome that is a result of a fair procedure (i.e. nobody cheating), can be determined as fair (Rawls, 1985, p. 86). Fair rules and procedures are prerequisites for pure procedural justice and only when these requirements are fulfilled, the outcomes of procedures can be described as fair (Lovett, 2011, p. 63).

Formal justice by Rawls (1971) means "impartial and consistent administration of laws and institutions, whatever their substantive principles", i.e. laws and regulations should be applied consistently to all the cases that the laws and regulations apply (p. 58). Formal justice also implies that "the authorities should be impartial and not influenced by personal, monetary, or other irrelevant considerations in their handling of particular cases" (Rawls, 1971, p. 59). Regarding legal institutions, formal justice is a part of the rule of law "which supports and secures legitimate expectations" (Rawls, 1971, p. 59). Adhering to the principles of formal justice prevents those in authority from applying incorrect interpretations when deciding claims, thus forestalling injustice (Rawls, 1971, pp. 59—60), or prevents authorities from letting prejudice of bias against certain groups interfere with fair ruling, thus preventing discrimination (Rawls, 1971, p. 235).

According to Rawls (1971, p. 235), in the context of legal system, formal justice is equivalent to rule of law consisting of e.g. consistency, impartiality and transparency: "[t]he rule of law also implies the precept that similar cases be treated similarly. Men could not regulate their actions by means of rules if this precept were not followed. Nevertheless, the precept that like decisions be given in like cases significantly limits the discretion of judges and others in authority. The precept forces them to justify the distinctions that they make between persons by reference to the relevant legal rules and principles" (Rawls, 1971, p. 237).

As taxation can be considered a legal system, the requirements for rule of law can be argued to be applicable to taxation, also: "What distinguishes a legal system is its comprehensive scope and its regulative powers with respect to other associations. [ ] Moreover, the legal order exercises a final authority over a certain

well-defined territory. It is also marked by the wide range of the activities it regulates and the fundamental nature of the interests it is designed to secure" (Rawls, 1971, p. 236).

Rawls's theory of justice thus provides a framework against which institutions and legal systems, such as tax administration and tax practices, can be evaluated to develop an understanding of the justness or unjustness of the institution and of the practices. Rawls (1971) has also covered the ideas of substantive justice, but in our study this aspect of justice is deemed beyond the scope of research as substantive justice mainly handles issues concerning the distribution of different goods in a fair and equitable way and the criteria of what constitutes 'fair' in this particular context is often times ideological.

Among the corpus of accounting-related studies reviewed, there are only few papers that have had their focus on fairness using Rawls's theory as justice as a framework. Williams (1987) has argued against using decision usefulness as a sole underlying principle in accounting research and practice and has called for incorporating ethical considerations, fairness, into accounting, emphasizing the moral dimensions of accounting (p. 185). These moral dimensions of accounting are in evidence in the study by Jack, Florez-Lopez and Ramon-Jeronimo (2018) as well, as they have studied unfair commercial environment in the context of food chains, and the role of accounting and control practices in indicating unfair commercial relationships. Their study highlights the role of accountants in locating the costs incurred and in contributing to perceived fair outcomes for the different actors in the food chains (Jack et al., 2018, p. 29).

Power (1992, in Jack et al, 2018, p. 21) and Archer (1996) have used Rawls's theory to study financial statements while Flower (2010) used Rawls's theory to investigate distributive justice and the role of companies in ensuring it. Virtanen (2002) studied the perceptions of accounting professionals on sound accounting procedures, accepted tax planning and sound auditing practices. In parallel with her suggestion that as accounting professionals are faced every day with different kinds of moral dilemmas with no specific answers, moral questions are an important and interesting research problem, this study adds to those discussions in accounting concerned with fairness of tax regulation to address the moral dilemmas of taxation.

4 METHODS AND DATA

This study has approached the questions at hand in vein of ethnography (e.g. Boll, 2012; Björklund Larsen, 2013) to illustrate the practicalities of taxation and to draw more generalized theoretical inferences on how tax is carried out, and on the significance of the tax practices (e.g. Crvelin & Becker, 2020). As an ethnographic research, this study has gathered rich data directly from the field to understand *Syvennetty* as a regulatory initiative and the corresponding regulatory change. Of interest have been the ramifications of the initiative to the tax field actors and the tax field itself and the consequent regulatory transformation, as well. This study has analyzed the gathered interviews and documentary data to uncover information on the experiences, while taking note of the interviewees' own interpretations of these experiences (e.g. Sherman Heyl, 2001). With these in-depth interviews, new understanding on taxation in a specific social and cultural context has emerged, showing how taxation consists of various practices and interactions of the different actors in the field (Ahrens & Chapman, 2006), contributing to the goal of this research, i.e. shedding light on the perceptions of fairness in taxation.

This study does not claim to be an objective account of fairness in taxation, due to the context-dependency and spatial nature of truth (e.g. Chua, 1986), and as this study explores aspects of taxation that are "subjectively created" (Ahrens & Chapman, 2006, p. 823) in the practices and interactions of taxation. Since ethnography as a chosen method does not focus on the technicalites of taxation, it is able to uncover issues of fairness in tax regulation (e.g. Maurer & Mainwaring, 2012, p. 181), shedding light on the aspects of fairness embedded in taxation in general, and in *Syvennetty* in particular, to facilitate enhancement of existing practices (e.g. Ahrens & Chapman, 2006).

The data for this study was collected through interviews, and the interviewees came from different actor groups in the tax field: tax administration,

corporate taxpayers, academia, tax lawyers, tax consultants and interest groups, comprising altogether 28 interviewees.

In addition to the data from the interviews, data was gathered from blog entries, tax administration and corporate documents, and newspaper and magazine articles. With all this rich field-level material, this paper is able to formulate multifaceted account of perceived fairness of corporate taxation as a regulatory phenomenon in a socio-cultural context. To analyze and organize the findings, the study draws on Rawls's (1971) theory to "illuminate [the field's] activities" (Ahrens & Chapman, 2006) and to use the theory as a "guiding principle" (Grönfors, 2011, p. 17) to help targeting the experiences and to find the internal logic. Abductive methods are used in this analysis to "reason[ing] from effect to cause" (Peirce in Niiniluoto, 1999, p. 436). When using, in a dialogical manner, the collected data and the theory by Rawls to interpret the findings (Dey, 2002, p. 115), key theoretical findings emerged (e.g. Ahrens & Chapman, 2006, p. 830).

Before the analysis, the interviews were transcribed and the transcripitions were sent to the interviewees to verify the content (e.g. Covaleski et al., 1998, p. 307). The transcribed material was organized based on themes emerging from the interviews, which was followed by a detailed examination of the material. In the next step of the analysis, material and the theory were combined to produce a coherent entity. As a result of this analysis, observations emerged, and these observations formed the basis for a generalized description of the phenomenon (Timmermans & Tavory, 2012, p. 17).

To ensure the trustworthiness of the study, special care was placed on choosing the interviewees through assessments of their knowledge and experience in taxation. The tax administration interviewees were handpicked by *Verohallinto* based on their participation and experience in *Syvennetty* (e.g.Vaivio, 2008, p. 75). It needs to be noted, that as the number of corporate taxpayers interviewed, five, may appear limited, the actual number of participating corporations in *Syvennetty* at the time of the interviews was five. In 2018, the number of corporate clients (separate legal entities) in *Konserniverokeskus* was 3.100 (Verohallinto. Konserni, n.d.). Trustworthiness was increased with the validation of the transcribed interviews as described earlier, as well. To corroborate and to enhance the material from the interviews, various documents were used (e.g. Björklund Larsen, 2013) and different material was compared against each other (Covaleski et al., 1998, p. 307) to produce an account of fairness of taxation as understood by the different actors. In addition, as a caveat, the subjectivity of fairness perceptions (e.g. Ahrens & Chapman, 2006) needs to be noted.

5 ISSUES OF FAIRNESS IN CO-OPERATIVE COMPLIANCE

Justice concerning taxation and fairness of taxation were reasons for some of the corporate taxpayers to join *Syvennetty*, as Johanna Lamminen, the CEO of Gasum Oy explains on the company's web page:

> *It is important for us to be constantly involved in the development of tax legislation and tax practices, and we want to be involved in developing a fair, clear and coherent tax system.* (Gasum Oy)

Using Rawls's theory of justice, the results of our observations are here demonstrated and organized into coherent categories, and the theory is used to explain these observations, thus creating new interpretations and ideas on corporate taxation. Observations fall under the theory's principles covering differences in equality (the difference principle) and the principles concerning procedural and formal justice.

The interviewees are coded as follows: "K" is stands for tax consultants, "VJ" for tax lawyers, "AT" for interest groups, "A" for the academic interviewed, "VH" for the tax agency personnel and "Y" for the corporate interviewees. In addition, each individual interviewee in the relative group is referred to with a corresponding number.

5.1 Rawls's second principle

Rawls's (1971) second principle, the "difference principle", states that inequalities are only accepted, if they benefit the least advantaged group. The inequalities experienced and perceived in taxation and in *Syvennetty* can be analyzed against this backdrop: how injustice and unfairness are perceived by different groups within the field of taxation, and who are the least advantaged who should benefit from these potential inequalities.

The main question in this context was about corporate involvement in *Syvennetty* and potential added benefits for those involved. The Finnish tax administration has the authority to accept or deny entry to *Syvennetty*, and so far, only a small fraction of companies among the customers of *KOVE* is involved. Thus, depending on their involvement in *Syvennetty*, companies are placed in different positions vis-à-vis the tax administration both within the group of large taxpayers and among all the corporate taxpayers, as *Syvennetty* is only available for the customers of *KOVE*. Due to these differences in taxpayer positions in the tax field, it was wondered, whether those involved in *Syvennetty* were recipients of added benefits not available to other taxpayers. Were the corporate taxpayers treated equally? Although research has highlighted the benefits of close contacts between the taxpayers and the tax administration (Whait, 2015), concerns have been voiced over whether these close contacts result in eroding of relationships with those taxpayers in basic relationship (e.g. Freedman, 2018; Huskers-Stoop & Gribnau, 2019; Gribnau, 2007).

Taxpayer segmentation based on various criteria and selecting the appropriate audit method, e.g. *Syvennetty*, for these different segments were seen as prerogatives of tax administration by both corporate interviewees and tax authorities. This was seen as a sensible allocation of tax administration resources and said to be accepted by the corporate taxpayers.

> *This is one form of tax control that in the same way as other forms of tax control in a certain way affects different customers in different ways [-] in the same way other forms of tax control then even tax audits are determined as situation-specific and whether there is something that is against the equality is of course kind of a relative question. (VH1)*

This taxpayer segmentation was defended in other tax agency interviews with the principle of consistency. Though customer equality was said to constitute a top priority in the tax administration, it was maintained that equality in taxation does not mean that all taxpayers are treated the same. Rather, it means that similar companies in similar situations are treated equally.

> *So that (fairness) in a way is always like the number one thing with the tax administration, that we always have to mirror whether this is uniform [-] that it*

does not mean that everybody is on the same line, but similar in the same similar position, situation, characteristics, all those who are sufficiently similar, they can be viewed. (VH6)

Syvennetty as a practice was seen, according to an interviewed tax lawyer, to focus on such taxpayers, who would benefit the most from the real-time aspect and proactive practices of *Syvennetty*, thus decreasing the uncertainty of their taxation. This increased certainty of taxation was seen to benefit both the taxpayer and the revenue body. All individual taxpayers have the possibility to receive guidance from the tax agency, but creating a system similar to *Syvennetty* to include all the taxpayers was not seen expedient. All these aspects, according to this interviewee, alleviated or completely eradicated the problems with potential unequal treatment of taxpayers, as *Syvennetty* was suitable for those companies with large and complicated tax problems. Björklund Larsen et al. have maintained the importance of ensuring equal treatment of all the taxpayers, as those involved should not get anything 'extra' (e.g. Björklund Larsen et al., 2018).

In general, *KOVE* services were given credit by the corporate interviewees, and some of them doubted, whether *KOVE* would treat any differently those in *Syvennetty* and those outside it. Echoing these ideas, the tax authorities emphasized treating all customers in a similar manner, sticking to routines, and creating methods of operation that can be applied to all corporate customers to ensure the equality of customers. Nonetheless, existing research has evidenced tensions due to perceived unfairness and lack of transparency (e.g. Bronzewska, 2016).

Yes they are [routines are the same for all customers] and, of course, they are wittingly tried to be kept the same and to create ways of working that we would work in the same way with everybody, but otherwise the aim is to work in the same way and specifically so that equality between different customers would materialize. (VH1)

The requirements *Syvennetty* places on the customers involved were seen to alleviate the potential added benefits associated with it. *Syvennetty* requires commitment from the corporations, as well as openness and transparency, and committing themselves to a time and resource demanding compliance scan. This was seen to equalize the potentially experienced inequality that may be a result of the direct access *Syvennetty*-customers have to *KOVE*.

Yes, this demands quite a commitment from the customer also that in the sense that this is not such that we are now offering something just to that customer and in the sense that, well, someone may think that, hey, that it is unfair that someone has some contact, that they can call directly, but regarding the substance, our customers, they are not exempt from anything, there is no such risk in it that the

tax legislation would be somehow milder or diluted for them than for others, by no means. (VH3)

Regardless of these arguments defending *Syvennetty* being offered to the large taxpayers only, some interviewees also doubted the ensuing equality of different taxpayer groups: do the large taxpayers get extra benefits with *Syvennetty*? Regular meetings and easy access to the tax administration, support with the corporate tax issues, likewise the absence of tax audits all decrease the administrative burden for the corporate taxpayers, diminishing the uncertainty of their taxation, and improving the rule of law. No other taxpayer groups have access to these benefits.

Yes, I speak specifically of getting involved, because that, in a way, it gives the company no special rights, that it doesn't have any rights that other companies don't have, but what the company gets is more discussions, there are certain regular meetings, where we look at joined issues and discuss what is going on in the company, where would they need support [-] so in a sense, instead of that a company does and afterwards we proclaim that it was wrong [-] it is more active and deeper co-operation [-] we are proactively involved in all those issues and the threshold is lower to get advice to all those things they need so they can do what is right and in that way that is the benefit companies get, distinct save in work involved and security of taxation…we avoid all long tax audits taking a lot of company resources. (VH5)

This same concern has been brought up by European tax professionals (Accountancy Europe and CFE Tax Advisers Europe), as these two professional bodies called for increased implementation of co-operative compliance programs in a joint statement. However, these tax professionals also expressed their concern over "social fairness", as these programs are offered to large corporate taxpayers only. Excluding small and medium sized taxpayers, in their opinion, creates inequality among the taxpayers. (Accountancy Europe, 2020.)

In the interviews, constant and regular communication between the tax administration and the taxpayers were seen as a contributing factor in creating differences in the tax administration disposition towards the corporate taxpayers:

We do try to service all our customers in a flexible way and here the purpose is not to create any fast lane or any gold membership in our direction, the impartiality towards all customers is a factor that we have to be aware of all the time [-] but of course with companies that you are more closely in contact and at least some kind of personal relationship is created, it is natural that the interaction and the official decisions are made sort of with a little bit different kind of chemistry than what they would be if you are communicating through official mail. (VH8)

There can be companies who would like to be involved, but are not allowed as they are not members of Konserniverokeskus, there may be discord that it is unfair that the customers of Konserniverokeskus, who already have (contacts to) Konserniverokeskus then they get still better service there. (VH9)

No fast lane, no gold membership, was a pronounced approach of the tax administration, while at the same time it was acknowledged that, for practical reasons, not all customers can be treated the same way. Only those corporate taxpayers that are customers of *KOVE* are entitled to the special service provided in *Syvennetty*, as the tax administration resources set the limits to the services available to its customers. Similar companies in similar situations should be treated the same way, it was stated. With *Syvennetty*, companies receive different kind of treatment depending on their size, but also the larger companies, all members of *KOVE*, are treated differently as a result of the application of the undisclosed tax administration criteria regarding admission into *Syvennetty*. Whait (2015) has proposed that closer relationships create a more benevolent tax environment enhancing understanding of corporate taxation, although research has uncovered negative results (Freedman, 2018; Bronzewska, 2016) and concerns over different types of relationships being offered to corporate taxpayers, as well (Gribnau, 2007; Björklund Larsen et al., 2018; Huiskers-Stoop & Gribnau, 2019).

5.2 Procedural justice

The observations showed evidence of perceived problems concerning procedural justice of taxation. Procedural justice concerns the fair procedures that are seen as precursors for fair outcomes (Rawls, 1971, p. 96). Lack of appropriate legislation concerning *Syvennetty*, the changing boundaries associated with the legal term 'protection of trust', the lack of tax administration consistency, and doubts over the competency of tax authorities were all issues of concern raised in the interviews and in documentary material studied.

5.2.1 Lack of appropriate legislation

As fairness, according to Rawls (1971), is the outcome of just principles of justice, some interviewees questioned the lack of agreed upon principles, i.e. legislation, governing *Syvennetty*. In Finland, law governs taxation and the right to tax citizens and corporations is based on the Finnish constitution (Constituiton of Finland 731/1999). Therefore, it was questioned whether also *Syvennetty* should be based on legislation, or can it be that *Syvennetty* is just a collection of practices, for example "phone calls and meetings", with no legal premise. The only existing record of *Syvennetty* in legislative documents is in the government proposal for

the new legislation governing taxation procedures (Valtionvarainministeriö, 2016).

> *This has been for some companies in my opinion partly a reason why they have thought about it very carefully and some have even decided not to join this enhanced co-operation as Syvennetty was started without any changes to legislation. (K1)*

Some tax administration interviewees echoed the same sentiments and worries regarding the lack of legislation. As there were no rules or regulations governing *Syvennetty*, anxiety over the arbitrariness of *Syvennetty*, over its discursive culture and preliminary statements that have no legal premise, arose. According to research, if tax administration is perceived either as 'too lenient' or as 'too hard' on the taxpayer, it presents a risk to tax compliance (Hamilton, 2012, p. 487). It was also wondered, how the tax authorities would be able to explain their practices and procedures to the customers, if they did not themselves know what it was that they were doing. This inability to inform on the content of *Syvennetty* may result in lack of adequate transparency and trust among the corporate taxpayers. Inconsistencies in juridical outcomes may be the result of inadequate procedural justice due to the uncertainties surrounding tax processes and procedures (Gribnau, 2015b).

> *This is governmental work and this cannot be sort of arbitrary in itself [-] so what I have been wondering about Syvennetty [-] is specifically this discussing culture and these advance rulings, as there is no juridical base or framework for them at the moment [-] so what is the kinda role and how binding are they or at least morally binding in that, that when we say something to our customers, that we see that this thing is this way, that we stick with that opinion [-] how can we here in our end, how can I construct it in my head, how can I communicate it to the others, how we reached some kind of agreement here over it and that, that we are able to communicate to our customers in each contact, what we are now doing. (VH14)*

To an extent, tax administration practices in *Syvennetty* were, thus, seen arbitrary and lacking a legal premise, hence making *Syvennetty* vulnerable to questions over its procedural fairness. This lack of appropriate legislation has been acknowledged in previous research, and, despite this absence of a legal premise, co-operative compliance regimes, as a form of soft law (e.g. Senden, 2005; OECD, 2007: 7; Vega, 2012), have been found to enhance tax administration legitimacy with their ability to improve certainty over taxation for corporate taxpayers (e.g. Gribnau, 2007, p. 325).

5.2.2 Protection of trust

Interviewees were worried over the practices and conditions concerning protection of trust. In Finnish tax legislation, protection of trust refers to the legitimate expectations of a taxpayer and "the provision stipulates the conditions in which the taxpayer may be entitled to this protection and how it is provided. The intention of the principle is to increase the predictability and legal safety on taxation." For a taxpayer, protection of trust means that "where a disputed tax matter is unclear or there is room for interpretation, and if a taxpayer has acted in good faith abiding by and adhering to guidelines or practices of the tax authority, the disputed matter should be resolved in the taxpayer's favor". (Juusela, 2012, p. 1.)

The problems arose, as with *Syvennetty* the earlier principles concerning protection of trust had become ambiguous, as the taxpayers were uncertain of what constitutes "guidelines or practices of the tax authority" (e.g. Juusela, 2012). In *Syvennetty*, the informal and frequent communication between the taxpayer and the tax authority are the cornerstones, and now the interviewees wondered, which of the communicated new information and instructions given to the taxpayers in a less formal manner guarantee the taxpayers' "protection of legitimate expectations" (Juusela, 2012).

Many of those interviewed among the corporate and the tax administration interviewees, and among the interviewed tax lawyers shared this concern over protection of trust, as well. An interviewed tax lawyer opined that protection of trust is difficult to achieve in a negotiation, but the taxpayer has to be able to rely on the tax authority comments and instructions expressed in these negotiations. It was also asked, whether one person's opinion (i.e. a tax administrator's) could constitute a guideline that would hold in court. If not, what purpose would all these discussions and instructions by the tax authority serve? The tax authority instructions and opinions were seen at least to be morally binding the tax administration, although the value of such a moral pledge can be questioned in a field as heavily regulated as taxation.

> *And the protection of trust is the challenge here. In itself it is a good thing, but how do international operations fit in it and can one tax official's opinion bring protection of trust to the company. (Y2)*

> *Well, I do think, that it does not matter how we give guidance, it kinda does bring legal security, that surely only oral guidance or e-mail guidance, of course companies can rely on it, of course then there is preliminary rulings, if they disagree with us, that they can then appeal. (VH2)*

For a taxpayer, the principle of protection of trust means legal security and certainty of taxation. *Syvennetty* with its emphasis on transparency, increased communication and working in real-time, has created new practices that did not

seem to meet the required conditions under which protection of trust is provided to the taxpayer. This uncertainty, in its turn, resulted in questioning the nature of tax administration advice.

5.2.3 Lack of tax administration consistency and competencies of the tax authorities

Complicated taxation and tax regulation creates a hindrance for procedural justice to materialize, and the interviewees questioned, whether taxation should be simplified in order for the tax administration as an entity to operate in congruence, with all tax administration employees interpreting the legislation in a similar manner. This inconsistency among the tax authorities was seen to present a challenge for the tax administration in meeting the demands *Syvennetty* entails. The tax authorities themselves questioned the consistency of their rulings, as well.

> *In Syvennetty the customer should in no way get different kinds of rulings [-] but there always comes in a certain way, that there are different kinds of procedures, policies regarding solutions that are not in a way so clearly, that you could talk about a more widely accepted tax administration standing… is it normal preliminary rulings procedure or in Syvennetty there is always more risk involved that there will be somehow different kind of ruling or then it will be that in some procedure a similar ruling will be given for example with less extensive account. (VH10)*

Consistency was not only seen problematic as regards to complicated legislation, but also as regards to whether legislation is applied similarly to all corporate taxpayers. The equality of the corporate customers is an element that needs constant paying attention to, the tax authority interviewees stated. This has not always seemed to be the case, as the tax administration has been reported to ignore e.g. Supreme Court rulings and has failed to act consistently with taxpayers (e.g. PwC Uutishuone, 2016). Regardless of the focus equality is given, it was presumed by a tax official that, when the tax authority and the corporate taxpayers interact and communicate more extensively with each other, a personal relationship is formed. This personal relationship changes the interactions and "the official rulings are done with a little bit different chemistry" compared to the basic relationship where written communication is the norm. Some tax authority interviewees emphasized, regardless, that in *Syvennetty,* the customers can get better service than in the basic relationship, but the customers are not given any exemptions, similar issues are solved in a similar manner, whether in *Syvennetty* or in the basic relationship.

The result of the tax law interpretation is the same, whether in Syvennetty or not or is an aggressive taxpayer, that it is maybe just this is just the actions of governmental authority, that not depending on the way taxes are supervised, co-operate, the methods vary according to the segments, which I think is perfectly all right and natural and altogether acceptable, it does not contradict any law, but the result has to be the same taxwise depending on the circumstances. There cannot be any difference, that these nice ones are given a little bit less severe sanctions than these aggressive ones, this is where the actions of government authority best appear. (VH13)

Earlier research has already highlighted the demands for legal equitability and procedural justice in co-operative compliance (Björklund Larsen et al., 2018). As regards to the demands for consistency, new requirements surfaced pertaining to the tax authority competencies. The tax authority competencies were seen as a contributing element to the trust placed on the tax authorities. Possessing up-to-date knowledge on matters e.g. concerning international taxation, as well as consistency of the tax authority advice, were seen as prerequisites for this perceived trust. These calls echo the findings by Tuck (2010) on the duality of the demands on tax administrator competency, as, on the one hand, detailed technical knowledge on the intricacies of taxation is required, while, on the other hand, customer-orientation is needed. Competent tax administrator is not only a matter of trust, as research has found regulator expertise to be one of the cornerstones for good regulation (Baldwin et al.; 2012, p. 27).

5.3 Formal justice

Following Rawls's theory, observations on formal justice could be gathered under categories of impartiality, consistency, and personal, monetary and "other irrelevant" considerations (Rawls, 1971). According to Rawls (1971), in the context of legal system, formal justice is equivalent to rule of law (p. 235), i.e. treating similar cases in a similar way (p. 237). In this study, observations pertaining to the rule of law are categorized and analyzed under formal justice.

5.3.1 Impartiality

Impartiality of the tax administration vis-à-vis taxpayers was questioned in the interviews, as the tax administration was seen as an institution interested in securing the interests of the fiscus, and not in arriving at an objective outcome regarding taxation. In theory, there are two parties in taxation (the taxpayer and the fiscus) and the tax administration is an impartial actor between these two

parties, it was stated, but whether this theoretical situation is represented accurately in reality was questioned. It was additionally argued that if the theoretical standpoint would hold true, the tax agency, as an impartial actor in the tax field, should investigate the tax issues taking into account the interests of both the taxpayer and the fiscus, but it was doubted whether this is ever realized. This perceived lack of impartiality caused even questioning the sincerity of the co-operation tax administration offers (see Sandelin, 2015).

> *On the one hand, it is expressed that the tax agency is an impartial actor investigating these things and in a way it takes into consideration both the taxpayer's and the tax recipient's interests, but I have not, I have been working also in the tax administration, but I have not seen so many cases, when the tax agency would have investigated matters on the taxpayer's behalf. (K2)*

It was also stated that if the tax administration takes a standing in discussions, they make sure that their opinions are very much in favor of the fiscus. Some also claimed that tax administration takes strict standings on taxation, favoring the fiscus, just to be on the safe side, and the prevailing attitude within the tax administration is, "let the taxpayer complain".

> *And if they take a standing in this Syvennetty or in a discussion, they want to be on the safe side in protecting the tax recipient's interests [-] in ceremonial speeches it sounds good, but the real life is something else. (K3)*

It was even opined in a tax administration interview, that tax administration's task is to promote the interests of the fiscus.

> *The tax administration in a way promotes maybe the tax recipient's interests. (VH10)*

Regardless of the theoretical impartiality of the tax administration and the implied neutrality of tax administration in its role located between the taxpayer and the fiscus, these quotes above show, how doubts over impartiality exist among the corporate taxpayers and the tax advisors. In addition, at least for some in the tax administration, impartiality did not seem to constitute a value to be upheld.

5.3.2 Consistency in applying tax laws

The Finnish corporate income tax law dates from 1968 and most of the problems concerning corporate income tax and the interpretations of the law have been solved for relatively many years ago, according to a stakeholder interview. Recently, the tax administration interpretations of the legislation changed,

causing the once stable situation to become unstable and creating uncertainty of taxation.

> *I find it a bit of a challenge nowadays that the tax administration actively seeks the interpretations now and what the tax administration itself has pointed out in discussions, that they can shoot ten times and not hit, and the only thing they state is "oops, that's okay, let's continue", as for a company, they are hit every time. (K1)*

The inconsistency in interpreting tax laws was seen to result in general distrust in tax administration and in lack of protection of trust, hence increasing the uncertainty of corporate taxation. Ensuring tax agency consistency was seen important as consistency was considered a factor in corporate tax compliance. The inconsistency did not only pertain to applying tax laws, but also to following court rulings in similar cases, even rulings by the Supreme Administrative Court (PwC Uutishuone, 2016).

> *This is maybe where, I would say, that where we to an extent influence the business and how this tax compliance and how tax compliant companies are. (K1)*

Inconsistency had created uncertainty of taxation, and many of the interviewees expressed how the uncertainty of taxation is what companies most want to avoid; the function of corporate tax department is "no surprises". These sudden changes in interpretations of legislation were problematic also because of the publicly traded companies' reporting requirements. If a company changes a tax practice that has been in place for several years, the company would also have to amend its published financial reporting covering the previous years, and for a listed company, this would be problematic, it was stated.

> *That there may be history, that for dozens of years something has been done in a certain way and it has been accepted until this day, and all of a sudden there is a change in opinion in tax administration, as a result the company is placed in a situation where they cannot change it because they just have to, there are so severe consequences regarding history that they just have to defend their existing point of view. (K2)*

The consistency of tax administration practices was also an issue regarding the relative position of the individual corporate taxpayers. The tax authority interviewees maintained that the tax agency interpretations must be the same, whether a taxpayer is in *Syvennetty* or not, or regardless of the taxpayer engagement in aggressive tax planning. Not all interviewees saw this described and sought for consistency as a reality in all cases. An interviewed tax consultant presented an opposing view, illustrated with an example of a penalty imposed on a corporate taxpayer. The tax consultant suggested that, in that case, the characteristics of the taxpayer were a factor in deciding on the amount of the penalty fee.

[A company] has a small disagreement and in these disagreements when it is time for the debiting of tax there will be tax penalty and sort of pretty standard tax penalty has historically been five percent. But let's say that five percent would have been pretty normal lately but the company in question got ten percent because of who they were. It had a bad reputation. And once there was this kind of question it [the company] was made to pay a heavier penalty. (K3)

Consistency of taxation was an issue that received attention also from the politicians as they called for predictability and stability of taxation (e.g. Ala-Nissilä, 2017) as poor predictability was seen as the worst problem in Finnish corporate taxation, raising questions about the alignment of the tax administration agenda with the agenda of the political leaders (see PwC Uutishuone, 2016). Poor predictability was also seen to inhibit the emergence of proactive and fair tax system (see PwC Uutishuone, 2016).

5.3.3 Personal considerations in handling of a particular case

As *Syvennetty* is not based on any legislation or other formal regulation, some interviewees worried whether the practices and outcomes of *Syvennetty* would depend on the interrelationships between the taxpayers and the tax administration.

When we don't have anything, it is not regulated anywhere, it is only a practice set up by a government official… it is all in the air, and when it all boils down, it is a question about personal chemistry. (AT2)

Of course as with all other activities, where we interact with people [personal chemistry matters], but in this situation it is, we are government officials and we sort of have the right to get the information we need, so in a sense it is always that if things get complicated, we still are, we have the right to get the information, but of course it is nicer to interact with people, when we genuinely are in good spirits. (VH3)

Trust was seen as a 'personal consideration' influencing the relationships between different actors in the tax field. In principle, interpersonal relationships should have no effect on taxation, one of the interviewees maintained, as taxation is based on law. However, according to an interviewed tax consultant, situations occasionally escalate and in these escalated situations, relationships between the different actors, to wit trust, can influence the outcome. When deciding on preliminary rulings, whether or not the tax authorities have trust in the taxpayer and in what the taxpayer has stated in its application can have significant influence on the outcome. Lack of trust may also be a contributing factor in tax

audits as potential conflicts are easily personified, resulting in losing dialogical connection and ending in a conflict, the interviewee maintained. The interviewee concluded that whether the tax administration trusts the taxpayer or not should not depend on personal considerations, but rather on evaluating facts impartially, as should be the case with the taxpayers' trust on the tax administration, as well.

> *I do hope that us trusting them [taxpayers] does not depend on the individual, but rather would be real and of course the other way around, too, that it should be based on sort of evaluating the facts, the trust here and not on the other person being nice, it should not be that way. (VH7)*

The personality and attitudes of the tax authority were seen as contributing factors in the relationships between the tax agency and the taxpayers and the tax authorities were seen to hold varying predispositions towards taxpayers. Some were seen to be more aggressively geared towards the taxpayers while some were more attuned towards them. A critical tax authority attitude was seen acceptable but approaching the taxpayer with a preconceived idea of "finding the committed tax fraud" was not, a tax consultant stated.

> *That they also know [in tax administration], of course they know there are differences between people on how aggressively they are positioned towards issues and how they have acted. (VJ1)*

Even some interviewees from the tax administration admitted to some authorities harboring negative views on the taxpayers. These negative views were said to stem from a long experience as tax auditors and of frequent exposure to dishonest taxpayers, echoing the findings of Morrell and Tuck (2014) on the sense-making process of different actor of their environments with the help of tales with different characters.

Predispositions and personal considerations regarding the taxpayer or taxpayer's behavior should have no significance for a tax authority, as the tax authority's only task is to accurately follow the law, was stated by an interviewed tax lawyer. Nevertheless, this is not the case, as "cool detachment" does not always come easily neither to the tax authority nor the taxpayers, the interviewee added.

> *The only purpose a government official has is to strictly abide the law, which they should strongly adhere to so that there should be no relevance as to what kind of a person the taxpayer is or how he behaves. Nothing should provoke the government official, he should only coolly stick [-], but this is not the case. That there are sometimes people with red ears one after another on both sides of the table. (VJ2)*

The absence of appropriate legislation is the background for many of the concerns connected with *Syvennetty*, including tax administrators' personal considerations when handling taxation. Tax administrators' own personal experiences and interpretations of tax laws were seen as underlying circumstances in creating inconsistency and uncertainty of taxation. Research has also evidenced the influence of close relationships between the taxpayer and the tax administration on the nature of the relationship (Whait, 2015).

5.3.4 Monetary considerations in handling of a particular case

According to some instances illustrated by the interviewees, monetary considerations have affected the outcome of tax administration activities. In addition, the tax officials presumed that these kinds of ideas could be found among the taxpayers, affecting the perceived trust on the tax administration:

> *I think that [-] you cannot trust a tax official or tax administration, they always find a way to wrongly collect money, that this, I would argue, that this kind of predisposition is also on the other side [the taxpayers], that we are no partners, that you try to take money from us more than we should pay using fraudulent methods, of course I cannot say anything for sure, but I would presume, that a little bit same kind of lack of trust or similar is behind it. (VH6)*

According to an interviewed tax consultant, some ten years ago, excessive tax audits and new interpretations on tax legislation were the results of tax administration placing monetary revenue targets for tax auditors auditing corporate transfer pricing. Some business interest group interviewees called for a change in the motivations behind the tax administration practices, as collecting the maximum amount of tax revenue should not be the point, but rather finding the right solutions.

5.3.5 Rule of law

In Finland, the rule of law gets its justification from the constitution (Constitution of Finland 731/1999) and the rule of law is the basis of our society. Abiding the principle of the rule of law guarantees everyone an equal treatment under the law and that the processes for enforcing the laws are clear and fair (Mäenpää, 2021).

Legitimate expectations and protecting them, i.e. rule of law, were seen as significant issues by the interviewees, as, for example, it was considered important that the taxpayers know how they will be taxed, and that the processes of taxation are clear and fair, as stipulated by the principle. The interviewees

questioned how the taxpayers could rely on the advice and opinions tax administration gives them, a dimension of the rule of law.

> *That the information goes back and forth, and the customer knows how taxation is handled by the tax administration in this and this and this different issue. (AT1)*

> *At least partly it [rule of law] is still an issue that we constantly internally go through, that what everything means, but as far as I understand, at this moment our opinion is that if we have received all the information from the customer concerning a particular case and we have based on that information given our opinion, it is applicable for at least a year. (VH3)*

The predictability and the fairness of taxation were the main exigencies a corporate taxpayer interviewee placed on the fiscal system. Fairness was seen as a basic principle in taxation, meaning that similar cases are treated in a similar way.

> *So what we in general want from the tax system is predictability, as for the corporate business environment there is nothing worse than that there are unexpected changes and rulings in taxation, and of course that the fiscal system is fair, which now is more of a basic principle, that all similar cases are handled in the same way. (Y1)*

Another corporate taxpayer viewed predictability as a factor influencing trust in tax administration. If taxation is unpredictable and if tax rulings are not in line with the company's expectations, it all affects trust in tax administration practices. *Syvennetty* was seen as a means to increase predictability.

> *I would say that trust is, that is one word, the predictability of taxation is terribly important, that we place pretty big value on that, that is has to be predictable, that if something totally unfathomable comes out, it is, it means that trust erodes, that we, that is maybe, that is maybe what we are after, that everything that can be anticipated, will be anticipated. (Y5)*

The interviewees conceded that in Finland there are very strong traditions on adhering to the principle of rule of law. In some countries, it is possible to negotiate on the amount of tax liability, whereas in Finland this is not the case, an interviewee assessed.

> *In Finland, I think, it is good that we have, this very strong principle of legality, that in Finland we have not done what in some other countries has been done in Central Europe that for example you can negotiate on how much taxes are to be paid. (A1)*

A tax authority interviewed stated that the aims of *Syvennetty* are relatively ambitious: to increase the predictability of taxation and to enhance the rule of law. *Syvennetty* was also, by another interviewed tax agency employee, seen to increase the fairness of taxation as in *Syvennetty*, both the taxpayer and the tax administration base their decisions on the same set of information, when making their decisions at the same time.

The perceived discrepancies in the rule of law were assumed to have significant and far-reaching effects on the society as a whole, as the unpredictability of taxation was seen to create major problems for companies (e.g. Burton, 2007; Kornhauser, 2007 in Hasseldine et al., 2012). It was even added that problematic relationships with the tax administration and the unpredictability of taxation could even influence the decisions companies make regarding their headquarter locations. The threat that taxation would undermine all the benefits our society could offer to companies, was expressed by a tax consultant and a stakeholder interviewee.

6 PRINCIPLES OF JUSTICE BY RAWLS IN TAX ADMINISTRATION ACTIONS AND PRACTICES

Rawls's (1971) theory is based on the concept of "original position" which is assumed as a fair starting point for any regulation as those operating in this original position are behind "a veil of ignorance", where none of the actors have knowledge of e.g. their position in the society. This said it is evident that different principles of justice, such as tax legislation, are not "a result of a fair agreement or bargain" where actors operate behind the "veil of ignorance", but legislation is based on the legislators' deliberations in a position with knowledge of those potentially benefiting and of those disadvantaged by proposed legislation. Furthermore, the legislators' deliberations are potentially influenced by different stakeholder groups each promoting their own agenda. Regardless of the hypothetical nature of the original position, the principles formulated in the theoretical situation should be upheld in actions and practices, i.e. in the tax administration practices, such as *Syvennetty* (Rawls, 1971, pp. 120—121).

Drawing on the "difference principle" (Rawls, 1971), the question of what constitutes the least advantaged group in corporate taxation is asked. Treating different taxpayer groups in different ways would be justified in case this group would benefit from the inequality (see Freedman, 2018; Gribnau, 2007; Huiskers-Stoop & Gribnau, 2019). The large corporate taxpayers were seen as a group with the largest and most complicated tax issues compared to smaller companies with more straightforward problems. Nevertheless, these large taxpayers have the best resources to handle the complicated tax questions either with their own in-house tax departments or with access to external counsel (e.g. Mulligan & Oats, 2016). Co-operative compliance programs offer "benefits [that] may have an indirect impact on the finances of the taxpayer" (Majdanska & Pemberton, 2019, p. 139), and in some countries, these benefits influence directly the taxpayers' tax liabilities (Majdanska & Pemberton, 2019, p. 139; also Gribnau, 2007). Financial

benefits for a taxpayer might come in the form of a decrease in the administrative costs to comply (De Simone et al., 2013), as the need for tax consultancy services decreases, or in the form of easier access to tax administration and enhanced certainty of taxation (Beck & Lisowsky, 2014). The mere closeness of the relationship between the large corporate taxpayers and the tax administration has generated feelings of unfairness (de Widt, 2017, p. 34; Bronzewska, 2016). The public has perceived large taxpayers as untrustworthy taxpayers, and other taxpayer groups have no access to similar kind of relationship with the tax administration (Freedman, 2018, p. 134).

Segmentation within the group of large taxpayers was defended on the grounds of the demands *Syvennetty* places on those involved, placing them in a disadvantaged position as compared to those in the basic relationship (e.g. Oats & de Widt, 2019).

In extant accounting research, Virtanen (2002, p. 145) has proposed that those complying rules and regulations are the most disadvantaged in the field of accounting. With large taxpayers, compliance to rules and regulations is ensured with tax administration oversight, as, according to the corporate interviewees, the interviewed companies are targets of regular tax audits. Thus, compared to those companies not willing to comply, and to those companies that are maybe less in the focus of the tax administration due to their smaller size, the large taxpayers are in a disadvantaged position, in an analogy to Virtanen's (2002) arguments. The taxation of large taxpayers is nowadays frequently the focus of media, as conceiving taxation as a part of corporate social responsibility (Ylönen and Laine, 2015), calls for 'fair tax' (Sikka, 2011, 2015), and increased transparency of corporate taxes (Sikka, 2018) place an added emphasis on the issues of corporate taxation. Increased transparency requirements (e.g. BEPS, see OECD, 2013b; and IFRIC 23) have extended the scope of tax issues to be disclosed in corporate financial statements. All this presents corporations and their tax affairs with new risks (Radcliffe et al., 2018, p. 55).

Morrell and Tuck (2014) have argued that vis-à-vis the tax administration and other corporate taxpayers, multinational entities (MNEs), as many customers of *KOVE* are, are in a more advantaged position due to, for example, their capabilities and resources, and their notability as large taxpayers and employees with a significant impact on national economies (p. 137). Multinationals have the potential to lobby governments (e.g. Sikka, 2008b), and are able to use agreements to restrict the governments from using their regulatory power to the detriment of a MNE (Sikka, 2011). The MNEs have several options to choose from, when deciding on where to locate, with considerations placed on e.g. taxation. Transfer pricing has also been presented as a means for multinationals to influence their own taxation (e.g. Sikka & Willmott, 2010), and they can gain competitive advantage by planning their corporate structures (Sikka, 2018). These different forms of power were in evidence also in this research in the interviews, as the interviewees described discussions with the politicians on

taxation, deliberated on how taxation affects the corporate decisions on where to locate, and as corporations wanted to join *Syvennetty* to be able to influence the practice.

Nevertheless, research has shown that no inequality between the different taxpayers is involved, if the differentiated treatment between the corporate taxpayers is limited to procedural aspects of taxation only. In addition, the differentiated treatment has to be based on the complexity of large corporate taxpayer taxation and their significance as taxpayers, and the outcome in terms of a tax liability has to be the same for all companies in a similar situation regardless of the taxation process. (Majdanska & Pemberton, 2019, p. 111.)

Syvennetty is not based on any specific legislation, contrary to similar initiatives in some other jurisdictions, where co-operative compliance programs have been introduced (see Majdanska & Pemberton, 2019, p. 139). *Syvennetty* follows the OECD (2008, 2013a) recommendations on enhancing the tax compliance of the large corporate taxpayers, and, additionally, is a result of benchmarking of similar initiatives (Piiskoppel, 2017). Thus, *Syvennetty* is a combination of practices created by the Finnish tax administration (e.g. Björklund Larsen et al., 2018), and, as such, not a result of a fair process leading to a fair outcome in accordance with Rawls's (1971) principles. This lack of legislative foundation was seen pivotal in some interviews. On the other hand, other interviewees maintained that *Syvennetty* is only a form of a tax audit and, as such, its existence is justified as an application of the existing tax laws (see Djelic & Quack, 2018). Research has maintained that in order for co-operative compliance programs to succeed, they have to be in line with the current laws (Björklund Larsen, 2019, p. 29). Bronzewska (2016) has suggested "taking a step back from a full fledged-CC [co-operative compliance]" and adding a strong legal foundation and framework to co-operative compliance, replacing, to an extent, trust, transparency and understanding with increased regulation (p. 1222).

Experienced inconsistent behavior of the tax administration in interpreting tax laws, an element of procedural justice, was in evidence in the interviews. Perceived inconsistencies existed over systematic application of complicated tax laws throughout the tax field, by all the personnel, and with all the companies in similar situations (e.g. Burton, 2007: Kornhauser, 2007, in Hasseldine et al., 2012, p. 540). These inconsistencies, consequently, created distrust in tax administration and lack of protection of trust (e.g. Gribnau, 2015b). Increasing certainty of taxation was the focal aim for corporate taxpayers in *Syvennetty* (e.g. Beck & Lisowsky, 2014), as the inconsistencies in tax administration behavior could prevent the taxpayers from achieving their goals. Research has shown that to alleviate these threats, the tax administration should be precise in explaining the different tasks and required competencies for both the taxpayers and the tax administration to eradicate the fear of being "used" (Björklund Larsen, et al., 2018, p. 74).

Tax administration competencies are another element of experienced inconsistencies, and calls were made for 'T-shaped' customer-oriented tax officials able to communicate the intricacies of tax issues effectively (Tuck, 2010; Björklund Larsen, et al., 2018, p. 74). According to Rawls (1971), even unjust laws applied in a consistent manner are better than just laws and regulations that are applied inconsistently, as inconsistent application of laws prevents those subjected to the laws from knowing what is required of them (p. 59).

Adhering to the principles of formal justice prevents those in authority from applying incorrect interpretations when deciding on claims (Rawls, 1971, pp. 59—60), and prevents authorities from letting prejudice or bias against any taxpayer group interfere with fair ruling (Rawls, 1971, p. 235). In parallel with earlier studies (e.g. de Widt & Oats, 2018), formal justice, or rule of law, was seen as an important issue among the taxpayers, as they need to know, in advance, how they are taxed and what the different processes of taxation are. As in *Syvennetty* the tax administration informs the taxpayers on tax issues, the question was what piece of advice from the tax administration could be trusted to form a basis for taxation (Björklund Larsen & Oats, 2019). Traditionally, only written instructions and advice have been seen as giving the taxpayer legal protection (Juusela, 2012). Therefore, the legal status of increased oral communication in *Syvennetty* was questioned. This issue of protection of trust could be seen as an external hindrance to the success of *Syvennetty* as it influences perceived fairness (Björklund Larsen, et al., 2018, p. 74).

In the relationships between taxpayers and the tax agency, the personality of the tax authority was deemed an important feature (see Björklund Larsen, et al., 2018). Tax authorities were seen, also by the tax administration interviewees themselves, to be geared towards the taxpayers with varying motivations and attitudes, some more aggressively and some in a more understanding and service-oriented way (e.g. Tuck, 2010). Some tax administration interviewees saw these negative attitudes of the tax administrators stemming from a long experience as tax auditors and the resulting distrust in the taxpayers. These attitudes and the characterizing of taxpayers resemble what Morrell and Tuck (2014) found in their study on narratives of taxation: "actors understand their work in terms of an overarching narrative of hero–villain struggle", as a part of "sensemaking of professional selves" (p. 143). Despite this all, it was stated by the interviewees that these types of considerations, personal or other, should have no room in taxation, as taxation is always carried out in accordance with the law. Competencies and attitudes of tax administrators have been found to be of significance to the success in other co-operative compliance programs as well (de Widt, 2017, p. 31).

In case *Syvennetty* is unable to deliver its promise of certainty of taxation in return for taxpayer transparency (OECD, 2008), the taxpayers may start questioning the purpose of staying in *Syvennetty*, as *Syvennetty* nevertheless

demands commitment and resources from the taxpayers. (e.g.Bronzewska, 2016, p. 1222).

The lack of regulation on *Syvennetty* and the undisclosed criteria of taxpayer selection can be considered as issues threatening formal justice. The taxpayers are unable to observe whether the tax administration abides the law and whether all taxpayers are treated equally. This may eventually erode taxpayer trust in tax administration (Freedman, 2018). Transparency and objectivity of the admittance criteria are cornerstones in maintaining and securing the perceived fairness of co-operative compliance regimes such as *Syvennetty* (Majdanska & Pemberton, 2019, p. 139). The need for increased transparency to open up co-operative compliance practices and procedures in order e.g. to avoid criticism has been evidenced in earlier studies, as well (de Widt, 2017, p. 33; Gribnau, 2007; Huiskers-Stoop & Gribnau, 2019).

As procedural justice is the result of fair procedures, the fact that *Syvennetty* is not based on any legislation, but on tax administration practices, was seen as an issue of concern. The principles of justice these practices are based on are determined by tax administration, not as a result of a legal process. The tax administration treats different taxpayers in different ways, and the lack of legislation affects justice-related issues, such as the conditions for providing protection of trust, and it may lead to inconsistencies in tax administration practices and behavior, e.g. how tax laws are applied and interpreted. This is in contradiction with the ideas of good regulation, and the requirement for a legislative support to regulatory practices (Baldwin et al., 2012, p. 27).

This lack of legislation could also be seen as an issue in formal justice, i.e. abiding the law in a consistent manner, as these practices in *Syvennetty* are not transparent and are subject to change, thus violating the principle of openness of good regulation (Baldwin et al., 2012, p. 27). Other issues under formal justice considered a threat were the perceived impartiality of the tax administration, inconsistency of tax administration, and the tax administration using personal considerations in taxation. The existence of formal justice is a prerequisite for fair treatment of the taxpayers, and only by adhering to the agreed upon rules and regulations, discriminatory practices can be avoided. Thus, it is important for all the parties to know the rules and regulations to follow. In *Syvennetty,* there is no legislation and the tax administration practices are not transparent. Increasing tax administration transparency over its practices, as suggested by Freedman (2018; also de Widt, 2017), would improve procedural justice and, in consequence, fairness of taxation.

7 CONCLUDING DISCUSSION

As in this research, the task was to explore fairness of taxation, and to do this, this research set out to answer two research questions:

> *RQ1: What are the perceptions of justice and fairness of those involved in Syvennetty?*
>
> *RQ2: Are the theoretical principles of justice by Rawls upheld in tax administration actions and practices?*

As an ethnographic study based on interviews and documentary evidence, this research by no means claims to present an objective answer to the question of fairness of taxation. Instead, as shown by the research questions, the study's aim is to uncover subjective perceptions of justice and fairness, and to highlight the potential existence of different structures of justice (Rawls, 1971) in the tax administration practices in the context of *Syvennetty*.

This research on a new co-operative compliance practice and tax fairness has contributed to the existing body of literature in the following ways.

Fairness of taxation is in evidence in different parts of and forms in taxation. On the one hand, fairness can be viewed with reference to perceptions regarding taxation of an individual corporate taxpayer. On the other hand, fairness can be examined on the societal level with questions over companies paying their 'fair share' of taxes.

For the first, this research contributes to the extant body of literature on accounting-related research on taxation and tax regulation by informing on the different perceptions of tax fairness, namely perceived unfairness of taxation. By studying the tax practices and associated perceptions on fairness, this study has extended our understanding of how tax works, as perceptions form an integral part of a regulatory framework (Bohne, 2011, p. 257). Treating corporate taxpayers in different ways was viewed as a potentially discriminatory practice,

as only those large corporate taxpayers that met the undisclosed criteria set by *KOVE* were allowed to join, and concerns were raised over large corporate taxpayers receiving something 'extra' (Björklund Larsen et al., 2018, p. 119; de Widt & Oats, 2018, p. 17; Bronzewska, 2016, p. 1220). The lack of pertinent legislation (Huiskers-Stoop & Gribnau, 2019, p. 68; Majdanska & Pemberton, 2019, p. 139) created a number of fairness issues, e.g. inconsistency of tax administration interpretations of tax laws and of tax administration practices (e.g. Burton, 2007; Kornhauser, 2007 in Hasseldine et al., 2012, p. 540). The experienced inconsistencies in taxation in themselves were a source of concern and a reason for perceived potential unfairness. Protection of trust was presented as a major concern since for many of the interviewees it was unclear, what, in the framework of *Syvennetty* with its increased oral communication, constituted a piece of advice establishing legal protection (Björklund Larsen & Oats, 2019).

The discussed attitudes of some of the tax administrators showed evidence of impartial predisposition toward the taxpayers and potential influence of personal considerations in tax administration work (e.g. Tuck, 2010; Morrell & Tuck, 2014). Thus, the personality of the tax administrator seemed to constitue a factor in tax fairness (Björklund Larsen et al., 2108), as these predispositions can influence the procedures taken and the outcome of the tax administrator's work.

Secondly, fairness of taxation is an issue concerning the society as a whole, i.e. the equal distribution of tax burden and the 'fair share' of taxes to be paid by corporate taxpayers (Sikka, 2011, 2015, 2018; Björklund Larsen, 2018). Enhancing fairness of tax administration practices contributes to trust needed on the tax administrations to accurately calculate the tax liability for each individual corporation (Freedman, 2018). In parallel with Freedman, 2018, this study adds to the body of literature concerned with what constitutes the 'fair' tax liability for a corporate taxpayer. Following the principles of justice as fairness (Rawls, 1971), this study proposes that this called for 'fair' tax liability is the outcome of fair tax administration procedures. Enhanced perceptions of fairness increase reliance on tax administration practices, and, consequently, on corporate taxpayers paying their 'fair share' of taxes.

This research not only has theoretical relevance, as these results help legislators and tax agencies to design and to implement tax regimes to improve co-operation and tax compliance, to make necessary changes to tax legislation and tax practices to strengthen and clarify the fairness of taxation. With the focus on the different dimensions of tax fairness observed in the everyday practices and interactions, the legislators and tax administrators can direct their activities and gaze towards the issues this study highlights as unfair or deserving particular attention in order to improve the perceived fairness of taxation. There may be areas that have earlier remained undetected or have not received the emphasis they deserve.

The specific results of this study may not be generalizable due to the specific nature of Finnish taxation and general tax compliance of Finnish taxpayers

(Parviala, 2020; Verohallinto, 2019c), and, as a qualitative study, the results need to be understood in a specific context and in a specific timeframe. In management accounting qualitative field studies, the temporary nature of researched organizational assemblages affecting any particular situation has been noted as a caveat (Ahrens & Chapman, 2006, p. 833), raising questions about the generalizability of any research findings. While true in many cases, it needs to be noted that in the law-governed taxation these assemblages are, for the most part, of relatively permanent nature.

Regarding further studies, in parallel with Gracia and Oats (2012) and Williams (1987), I propose approaching accounting in the moral register, as accounting as an academic field would benefit from further studies on accounting an ethical practice (see also Anesa et al., 2019).

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