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Title: Enhanced Customer Cooperation : Experiences with cooperative compliance in Finland

Year: 2018

Version: Published version

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Please cite the original version:

Potka-Soininen, T., Pellinen, J., & Kettunen, J. (2018). Enhanced Customer Cooperation : Experiences with cooperative compliance in Finland. Umeå University. FairTax : Working Paper series, 19. <http://urn.kb.se/resolve?urn=urn:nbn:se:umu:diva-153402>



Enhanced Customer Cooperation: Experiences with cooperative compliance in Finland

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Abstract¹

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 (ECC², *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 Denmark, 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 ECC 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.

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

Please respect that this report was produced by the named authors within the FairTax Project and has to be cited accordingly.

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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