

Summary



Since the beginning of this century, tax authorities are using cooperative compliance programmes (CCPs) as part of their overarching compliance risk management strategies. CCPs envisage a relationship between tax authorities and taxpayers (usually large businesses) in which both parties cooperate to effectively and efficiently maintain or improve tax compliance. The core components of CCPs seem to – to a varying degree - based on various assumptions related to scholarly literature on tax compliance. However, while the determinants of *individual* tax compliance behaviour have received ample attention the past few decades, research regarding the determinants of *corporate* tax compliance is relatively scarce. Furthermore, the scholarly literature does not provide much in terms of solid theory that can provide substantiation for the inner workings of CCPs. Therefore, the question arises how CCPs should work and what goals are assumed to be achieved. Based on this thesis, it can be concluded that tax authorities and the OECD expect that CCPs contribute to improving taxpayer compliance by improving perceived procedural justice, increasing taxpayer transparency and improving the tax control framework (TCF) of taxpayers. As it turns out, these assumptions can draw on some theoretical substantiation, but none of them can claim a solid grounding in the scientific literature. Therefore, it is of importance to empirically test these assumptions. This thesis addresses several empirical questions related to these assumptions.

The first empirical question that is addressed concerns whether the implementation of trust-based regulatory strategies aimed at corporate tax compliance can be valuable for tax authorities. Based on the results, it can be concluded that a trust-based regulatory strategy, such as a CCP, might indeed be effective in maintaining or increasing corporate tax compliance. The design, limitations and results of this empirical study gave rise to two important follow-up questions, which constitute the second and third empirical questions addressed in this thesis.

There are two parties subject to a CCP, namely the taxpayer and the tax authorities. Focussing on tax compliance, the first study did not address the main objective of taxpayers for participating in a CCP, i.e., increasing tax certainty. Therefore, the second empirical question that is addressed concerns how tax uncertainty of large businesses can be reduced. Based on the results, it can be concluded that improving the quality of its TCF can help large businesses to increase the perceived level of certainty about their tax position. More specifically, the quality of the TCF (partly) mediates the relationship between the importance attached to tax compliance and the perceived level of certainty about the tax

position. These results support the assumption of the OECD underlying CCPs that a TCF of higher quality increases tax certainty.

From the first empirical study, it can be concluded that a trust-based strategy could improve corporate tax compliance. The question remained how a CCP specifically can contribute to corporate tax compliance. Furthermore, the conclusions of the first empirical question regarding corporate tax compliance were based on self-reported surveys. Such surveys are – especially in the context of taxation – subject to the social desirability bias. Given all of the above, the third empirical question that is addressed concerns the relationships *in between* the core components of CCPs and between these components and corporate tax compliance measured as the outcome of in-depth field audits performed by the NTCA. The results show that both taxpayer and tax authority can contribute to a better working relationship, along the lines suggested by the OECD. From the part of tax authorities, giving taxpayers a consistent, objective and fair treatment appears to improve the working relationship between tax authorities and taxpayers. From the part of the large business, improving transparency can improve this working relationship. Furthermore, a taxpayer that is willing to be transparent seems to invest in TCF quality as that would facilitate adequate disclosure. Overall, these results appear to suggest that an OECD-style CCP can actually improve the way taxpayer and tax authority interact. Results regarding the relationship between the core components of a CCP and corporate tax compliance were less univocal. Regarding the relationship between transparency and corporate tax compliance the results show no positive, direct effect on corporate tax compliance. There are some clues that transparency might have a positive effect on the information position of the tax authority, but based on the results of this study this effect is small at best. Similarly, transparency seems to have an indirect, positive effect on corporate tax compliance through a better TCF, but this effect, too, seems to be small at best. Furthermore, the results suggest that a TCF of higher quality enables large businesses to decrease unintentional non-compliance and a well-functioning working relationship might enable the large business and tax authority to better manage complex tax law such as CIT tax law.

Taken together, the results of all three empirical studies suggest that it is possible to build a better, trust-based relationship between large business taxpayers and the tax authorities. Furthermore, this improvement of the working relationship is possible along the lines suggested by the OECD. To achieve this, the tax authorities should improve the perceived procedural justice of taxpayers and large business should display transparency, for which it seems necessary, among other things, to invest in the quality of their TCF. Besides improving transparency, a



TCF of higher quality also enables large businesses to increase their tax certainty. An improved working relationship, in turn, seems to help large businesses and tax authorities to better manage complex tax law.

The results of the empirical studies indicate a complex relationship between the core components of a CCP and corporate tax compliance that is not addressed in both the OECD documentation and the academic literature. An important conclusion of this thesis is that the development of theory on the various manifestations of corporate tax (non-)compliance and their relationship with the determinants of tax compliance is in need of further maturation. Development of further theory seems also necessary for the role the core components of CCPs play in stimulating corporate tax compliance. In other words, a more formal theory on CCPs is needed. Additionally, the results presented in this thesis give rise to several empirical questions that future research could address.