

The Increasing Imperative of Cross-Disciplinary Research in Tax Administration

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Abstract

National research agendas are focusing increasingly on encouraging cross-disciplinary research collaboration. Research into tax administration should provide a natural context for cross-disciplinary research as it operates at the intersection of several disciplines. However, there is little evidence of cross-disciplinary research in tax administration beyond research into tax compliance and tax evasion. This article argues that such research will provide significant benefits to research output and impact. It provides examples of the benefits in developing frameworks for and measures of good practice in tax administration.

1. INTRODUCTION

Many of the most urgent problems we face require novel approaches which facilitate collaboration across the traditional boundaries of disciplines, including those between the ‘hard sciences’ and the humanities and social sciences.¹

The proposal of Dr Jim Peacock, Australia’s Chief Scientist, for interdisciplinary National Priority Research Centres was endorsed by the Cutler Review of Innovation in Australia (Cutler Review), released in September 2008.² It is by no means a novel perspective. As early as 1776, Adam Smith identified the importance of the division of labour.³ However, he noted the importance to ‘improvement’ of a high level of commerce and communication.⁴ This interaction between specialists to improve innovation and encourage best practice forms an important element of the wider policy debate on research and innovation.

The Cutler Review is one of many such reviews over the years, bment of Accounting, Waikato Management University of Waikato and Duncan Bentley is Professor at Curtin Business School, Curtin University of Technology. The authors wish to thank an anonymous referee for constructive comments.

¹ T Cutler, *Venturous Australia Report* (2008), <<http://www.innovation.gov.au/innovationreview/Documents/NIS-review-web1.pdf>> 75, at 19 September 2008.

result of these reviews.⁵ He explores, through a range of data, different forms of contribution to innovation and the sources of knowledge from which innovation is drawn.⁶ The Cutler and other reviews acknowledge the importance of universities in this process.⁷ Hughes suggests that their role may be under-emphasised and that their major strength is their multi-faceted role in contributing to a diverse range of interactions.⁸ In other words, they provide a ‘public space’⁹ where specialists can interact and thereby support innovation and good practice.

An area of significant public policy importance, where specialists from a range of disciplines interact is taxation. A subset of taxation is tax administration. Current tax administrations generally focus on delivering efficiency and effectiveness while maintaining the requirements for the tax system to be fair and equitable, certain, simple, and neutral within the intended design parameters.¹⁰ This flows from the public finance analysis within public economics but has become widely accepted

good practice in tax administration is found at the intersection of disciplinary theory. It raises issues in that what we measure and how we measure it can depend on our perspective and approach: it may also significantly influence the results. However, reviews such as that by Cutler and programmes such as those by Hughes suggest that it is research collaboration across disciplines that will lead to innovation and best practice. Such collaboration does not appear widespread in tax administration research. This article suggests significant gains may accrue from encouraging cross-disciplinary research.

Public finance and economic theories drive much of the policy agenda surrounding the structure of the tax system. The influence of those theories flows naturally into tax administration. However, a revenue authority is either a government department or an agency that reports to and is responsible to government. Public administration and public sector performance management theories therefore provide useful insights into best practice operation. As a revenue authority goes through change and focuses increasingly on serving taxpayers better, it is also subject to theories of organisational behaviour, change management theory and personnel psychology. Emphasis on service quality introduces a substantial literature on service management, customer relationship economics, social psychology and consumer behaviour. Audit commissions are concerned with budgeting and accountability from an audit and accounting perspective. Legal theory is interested in the constitution, rules, structure and operation of tax administration and extends to public sector governance theory.

Unlike the extensive cross-disciplinary work that underpins the design of tax systems,¹⁵ the research into tax administration is not comprehensive. There are areas where the work is increasingly sophisticated and a broader approach has been taken, such as research into tax compliance, avoidance and evasion.¹⁶ However, the literature is not sufficiently comprehensive to provide a set of measures of good practice in tax administration that embraces most relevant disciplines.

Section 2 of this article illustrates that collaboration across disciplines is not widespread in tax administration research. A brief review of the papers delivered at an international conference on tax administration demonstrates that most remain focused within a particular discipline and do not generally cite literature from other disciplines. The remainder of the article illustrates how an inter-disciplinary approach to research using accepted frameworks enhances the value of tax administration research and therefore fits within national research policy.

Section 3 revisits why good practice in tax administration is important and how this has flowed through to current research. It identifies its cross-disciplinary nature and the development of common approaches. However, it is suggested that research

Arguably, it does. For the purposes of this article it is sufficient to illustrate the point using as an example the research presented at probably the leading conference on tax administration in Australasia.

The 8th *International Tax Administration Conference* organised by Atax, University of New South Wales, was held on 27–28 March 2008. It is a biennial conference and appears widely respected given the range of high profile tax officials, academics and practitioners who speak and attend.²³ Most papers from these conferences are subsequently published as an edited collection.²⁴ There were 25 papers delivered at the 8th Conference. The papers can be classified as set out in the table below and are compared with the 25 papers delivered ten years earlier at the 3rd *International Conference on Tax Administration* held on 16–17 April 1998. The classification is not rigorous and is simply based on the discipline focus set out in each paper and the accompanying citations.

| Classification topics | Number of papers 2008 | Number of papers 1998 | Cross-disciplinary citation |
|-----------------------|-----------------------|-----------------------|-----------------------------|
|-----------------------|-----------------------|-----------------------|-----------------------------|

that different disciplines use.²⁶ She suggests that although adapting to a different methodology can be challenging, given most researchers have a narrow discipline background, “the possible combinations for mixed method research are almost unlimited”.²⁷

The rest of this article seeks to demonstrate that a cross-disciplinary approach could yield valuable insights that are not currently explored. Researchers may use mixed method research as McKerchar suggests. They could also find it useful simply to apply the results of existing research from one discipline to the results of research in another discipline. As noted above, some tax compliance related literature demonstrates the significant benefits of this approach.²⁸

3. WHY IS GOOD PRACTICE NEEDED IN TAX ADMINISTRATION AND HOW MIGHT IT BE PURSUED FROM A CROSS-DISCIPLINARY PERSPECTIVE?

The basis for research into good practice in tax administration

Normative theory tends to underpin our fundamental conceptions of property rights. Murphy and Nagel suggest that there are two theoretical strands: consequentialist and deontological.²⁹ Consequentialist theory follows the utilitarian views of Bentham and

as a legitimate interference with individual property rights in order to maintain society. To put it another way, taxation is not a public good.³³ Rather, it is necessary to allow the efficient and effective operation of society.

It is worth revisiting the assumptions on which the rationale for taxation is based for it drives the analysis of tax administration across all disciplines. If taxation were itself a public good, there would be less importance in determining limits on it. Because it represents interference with the basic order, albeit to allow that order to function, the manner and form of those limits become much more important. Taxation is introduced to perform a function and it should perform that function in the best way possible, within the framework of rules chosen

most often interested in research into tax administration and common issues they seek to answer. There are areas of collaboration. Other areas produce fewer cross-disciplinary works. The table is not intended to be comprehensive but illustrates the significant potential for cross-disciplinary cooperation. In the search for new knowledge, advances are likely to occur more easily if different perspectives are brought to bear.⁴⁴

| Discipline | Issues |
|------------|--|
| Accounting | <ul style="list-style-type: none"> • Administrative process • Best practice • Collection • Compliance and compliance measurement • Data management • Harmonisation • Information management and delivery • Intermediaries • Performance and productivity measurement, indicators and(ors c9.)-7.1(i)10.6(ndicat)10.6(ors)7. • |

| | |
|--------------------------|--|
| | <ul style="list-style-type: none"> • Legal aspects of administrative design and implementation • Regulation • Regulation of intermediaries • Tax governance • Taxpayers' rights • Tax policy |
| Marketing | <ul style="list-style-type: none"> • Customer information management • Customer relations management • Quality assurance and taxpayer satisfaction • Service delivery • Service strategy • Taxpayer segmentation |
| Political Science | <ul style="list-style-type: none"> • Accountability • Administrative design and process • Compliance and compliance measurement • Data management • Harmonisation • Information management and delivery • Integrity and corruption • Performance and productivity measurement, indicators and benchmarking • Policy implementation • Reform and optimisation • Regulation • Reporting standards – effect on administration • Simplification • Systems management • Tax governance • Taxpayers' rights • Service strategy • Tax policy and reform |
| Psychology | <ul style="list-style-type: none"> • Best practice • Change management • Compliance and compliance measurement • Harmonisation • Information management and delivery • Integrity and corruption • Organisational behaviour • Performance and productivity measurement, indicators and benchmarking • Personnel management • Regulation • Reporting standards – effect on administration • Risk management • Systems management • Tax policy and reform • Tax ethics |
| Public Sector Management | <ul style="list-style-type: none"> • Change management • Dispute resolution • Organisational behaviour • Performance and productivity measurement, indicators and benchmarking • Personnel management • Policy implementation • Processes and procedures • Quality assurance • Values |

| | |
|-----------|--|
| Sociology | <ul style="list-style-type: none">• Administrative relationships• Change management process• Organisational behaviour• Compliance culture• Relationship elements of information management and delivery• Cultural impact of performance and productivity measurement, indicators and benchmarking• Impact of regulation• Impact of tax policy |
|-----------|--|

discipline of the researcher. However, there is much generally accepted good practice implemented in different jurisdictions. This section provides examples of how we might measure good practice in tax administration in three topical research areas: independence of the revenue authorities, governance by and of the revenue authorities and the principles of good practice applicable in tax administration. It bases its analysis in law and governance with a taxpayers' rights perspective. But in each example, the issues bring up questions on which other disciplines could shed light and bring a deeper content.

What makes the area so interesting and rewarding for researchers is that the research outcomes can have a major practical impact on a country's economic and political success. If a tax administration fails or is inefficient, it directly affects the country's revenue base. Tax administration is often used as a vehicle to deliver and monitor welfare payments and is one of the most pervasive and intrusive areas of interaction between the citizen and the state. Ineffective or injudicious tax administration can bring down governments or lead to the resignation of a prime minister.⁵²

For this reason, tax administrators are vitally interested in the effectiveness of their administration and produce useful information that can form the basis of broader research. Over a long period, the OECD, in particular, has produced reports that provide useful guidance on good practice generally; agreed good practice in specific areas such as the exchange of information; and surveys and reports to develop good practice, such as the work on strengthening tax audit capabilities. The International

revenue authority is sufficiently independent of political interference. In this context, Tullock would argue from a public choice theory perspective that the most significant hurdle is that the revenue authority is a public monopoly and it is overcoming the negative effects from this that requires most attention.⁶⁶ It would be useful to draw these perspectives together.

That said, critiques of New Public Management adopted to some extent by the UK, Australia, New Zealand and Canada in the 1980s and 1990s,⁶⁷ note that care needs to be taken in assuming a 'one-size-fits-all' approach to public administration.⁶⁸ Before innovative research is applied to tax administration it needs careful testing, based where possible on empirical evidence.⁶⁹ This is particularly relevant where there are 'ideological schisms' within the discipline from which the theories and research are drawn.⁷⁰

Whether in theory or practice there is a tendency to adopt 'whole of government' initiatives, simply because of the nature of government. Much of the criticism of New Public Management in the literature we have cited appears to focus on this problem. Both researchers and the leaders of tax administrations need to be aware of this. It underlines the need for independence, so that the critically important function of tax administration cannot be driven by current trends. McGuire identifies this problem in her review of the Australian performance monitoring framework developed for the Council of Australian Governments by the Australian Productivity Commission.⁷¹ She notes the different paradigms of performance measures and the tension between political (outcomes-oriented) and managerial (process-oriented) approaches.⁷²

It may be accepted that tax administrators need to be sufficiently independent on a number of levels if they are to administer a fair, effective and efficient tax system. However, even a cursory review of the structure and independence of tax administration suggests that there is scope to draw more effectively on related research from other disciplines to better achieve this. Current research remains largely within discipline boundaries. Although the descriptive reports from institutions such as the OECD demonstrate increasing interest in these areas, broader academic research needs to follow this inquiry.

*Taxpayers' Rights: Theory, Origin and Implementation.*⁷⁹ The importance of governance is critical to effective tax administration. Kaufmann argues that:⁸⁰

The process of economic development does not in itself automatically ensure improved governance, civil liberties and control of corruption. The causality direction is from improved governance (including civil and political liberties) to economic development, and not vice versa.

His research shows that specific intervention by the state and the formulation and implementation of policies on governance is necessary to establish the climate both for human rights to be observed and economic development to occur.⁸¹ This suggests that until we get the governance right, there is little point pursuing lower-order performance management. It is particularly relevant, given the emerging international focus on the ethical responsibilities of intermediaries⁸² and corporate social responsibility.⁸³ While pursuing intermediaries and companies the tax administration should model the values and practices it seeks to impose.

However, the debates over tax intermediaries and corporate social responsibility highlight that when detailed measures of governance performance are sought there is less agreement as to exactly what constitutes 'good governance' and what measures should be used to determine whether or not it exists.⁸⁴ The arguments can become ideological.⁸⁵ It suggests that the general principles identified in the introduction (efficiency and effectiveness, fairness and equity, certainty and simplicity, and neutrality) and accepted principles such as the UK Good Governance Standard should provide a framework for the development of more detailed indicators. They provide an agreed base from which more detailed indicators and measures can evolve through

example, Stoker suggests that there are five propositions that help us to frame our governance theory:⁸⁶

1. Governance refers to institutions and actors from within and beyond government;
2. Governance identifies the blurring of boundaries and responsibilities for tackling social and economic issues;
3. Governance identifies the power dependence involved in the relationships between institutions involved in collective action;
4. Governance is about autonomous self-governing networks of actors; and
5. Governance recognizes the capacity to get things done which does not rest on the power of government to command or use its authority.

These propositions suggest that effective governance in a revenue authority requires a detailed understanding of its culture and organisation. Organisational behaviour and change management studies will contribute to our understanding of effective governance, particularly as it is value based. Peters and Pierre note from public administration theory that cultural change often determines whether performance measurement succeeds.⁸⁷ Braithwaite's socio-political perspective identifies system integrity as a key determinant of successful governance.⁸⁸

Van Roosbroek provides a useful analysis of the development of the debates over governance and its measurement, particularly in relation to values and

The 2006 OECD Report notes that performance budgeting and performance management are the strongest performance trends across the OECD with a particular focus on outputs, efficiency and outcomes.⁹⁷ However, it warns of a number of challenges:

- While identifying examples of good practice, the Report notes that many authorities struggle with effective strategic planning to align the purpose, mission and objectives of a revenue authority and its programs for all the stakeholders.⁹⁸ Without this it is difficult to define the principles and performance standards that determine good practice for that tax administration.
- The Report recognises the appeal of outcome measures, particularly for the public and politicians, but notes the difficulty in designing appropriate measures for tax administration generally, finding measures for some activities, the technical difficulty of their application and issues of time lag and control.⁹⁹ There is particular difficulty in relation to target setting. As with many organisations the level at which the target is set is difficult to get right, as is the number of targets to set so that they do not impose too great a burden on administrators.

In the same way, a review of performance budgeting and performance measurement literature generally provides a wide range of useful answers to questions raised in the tax literature as it considers how best to measure tax administration.¹¹⁴ The issues range from definition of terms, through evaluation of value frameworks, to analysis of the personnel and organisational behaviour effects of such measurement.

Of course, the emphasis on service quality in tax administration raises a range of different issues again. There is a significant body of literature on consumer satisfaction and service quality,¹¹⁵ but this does not necessarily translate into service

5. CONCLUSION

The wider research policy framework is placing increasing emphasis on cross-disciplinary research collaboration. The rationale is that in a complex world it is not always possible or sufficient to resolve problems within the research paradigm of a single discipline. This appears to be particularly relevant to research into good practice in tax administration.

To analyse effectively good practice in tax administration, requires a genuinely cross-disciplinary and inter-jurisdictional approach. The strengths of this approach to research have been demonstrated in areas such as tax compliance and tax evasion. Tax administration in both these areas has benefited significantly in its development from the different perspectives brought by the different disciplines.

However, it is apparent that although compliance and evasion have attracted cross-disciplinary research collaboration, this does not extend generally to other areas of tax administration. Yet, the examples in Part 3 identify the benefits of this approach. They also emphasise how important it is to be clear exactly what approach is being taken, from which disciplinary perspective and why. Equally important is to understand the significance of context and the nuances it can bring to research. Perhaps, as McKerchar suggests, there is need for researchers to build confidence in “philosophical research paradigms and strategies of inquiry” different from those with which they are familiar.¹¹⁷

If researchers take into account the opportunities that cross-disciplinary research brings, it will substantially enhance the quality of research into tax administration.