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The setting for collaboration about tax compliance in Norway

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Contents

Abstract 4
1 Introduction 5
2 Research Method and Data 7
3 The Infrastructure of the Collaboration 8
3.1 The Central Office for Large Taxpayers 8
3.2 The Permanent Teams 9
3.3 The Contact Person 10
3.4 The Large Companies 11
3.4.1 Tax Department 11
3.4.2 Tax Advisors 11
4 The "Normal" Processes 12
4.1 The Normal Process in The Central Office 12
4.2 The OECD-initiatives 13
4.2.1 The "Reinforced Dialogue"- Pilot Project 14
4.2.2 Risk Assessment Methodology 16
4.3 The "Normal" Process After the Extension of The Central Office 17
4.4 The Normal Processes in the Other Stakeholder Groups. 18
4.4.1 Companies 18
4.4.2 Tax Advisors 18
5 Why Was This Approach Chosen? 19
5.1 The Central Office 19
5.2 Companies 20
5.3 Tax Advisors 21
6 How is Tax Compliance Defined? 21
6.1 The Central Office 22
6.2 The Companies 22
6.3 The Tax Advisors 22

7 How is Tax Compliance Measured? 22
7.1 The Central Office 22
7.2 The Companies 23
7.3 Tax Advisors 23
8 How is the Collaboration Perceived? 24
8.1 The Central Office 24
8.1.1 The Central Office: Regarding the Tax Advisors: 24
8.1.2 The Central Office: Regarding the Companies: 24
8.2 The Companies 24
8.2.1 The Companies: Regarding the Central Office: 24
8.2.2 The Companies: Regarding the Tax Advisors: 25
8.3 Tax Advisors 25
8.3.1 Tax Advisors: Regarding the Central Office: 25
8.3.2 Tax Advisors: Regarding the Companies: 26
9 Summary 26
9.1 Pragmatic practices 26
9.2 Limitations of the Study 26
9.3 What Happens Next? 27
10 References 28
11 Project information 30

Abstract[1]

The concept of "cooperative compliance" has been used by the Organisation for Economic Co-operation and Development (OECD) as a guideline for reform of tax administrative practices in many countries (OECD, 2013, 2014). The purpose of this working paper is to give a description of the institutional context for the adaptation of the guidelines in Norway, describing viewpoints from each stakeholder group.

The data is based on analyses of project documents from the Norwegian Tax administration, annual reports, white papers, tax memos and tax strategies from large companies and tax advisors, and 31 interviews with tax officials, tax managers and tax advisors.

Findings are that the motivations for paying or avoiding taxes vary, both within the stakeholder groups and between them. The national tax administration is concerned with compliance as the transparency and fairness of taxpayer treatment, measured in terms of the filing and assessment procedures. The companies are concerned with tax compliance as paying what it costs and fair competition, while the tax advisors balance commercial and legal aspects of different compliance alternatives. Regardless of differences in positions and tasks done, the infrastructure for collaboration and the normal process of work that feeds into it, the common denominator is pragmatism, working out a way to handle tax administration with as little fuss as possible and with as limited use of resources as possible.

Keywords corporate tax compliance, collaboration, institutions, administrative practices

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1 Introduction

This report examines a recent study of how administrative practices regulate relations with taxpayers. The administrative practices in question are those of The Central Office for Large Taxpayers and its interactions with large companies and tax advisors. The regulatory aspects of the administrative practices were brought into view as a number of OECD-cooperative compliance initiatives (CCI) were worked into the established routines and as an expansion of The Central Office took place. These simultaneous changes in process brought the stakeholders together in new ways, and led to questioning of previously taken-for-granted understandings of corporate tax compliance in all stakeholder groups. The period of change covered here, from roughly 2013-2017, provides a rare opportunity to get a glimpse of the inner workings of an immensely complex institutional infrastructure.

The Central Office was established in 1992 to work out the practical and legal consequences of a major corporate tax reform with the stakeholders, Norway's largest companies and their tax advisors. The Central Office, generally speaking, works based on dialogue. All its taxpayers have a known contact person, and vice versa. The Central Office works through a known contact person in each company, and there is an established custom of non-binding conversation as required to sort any out ambiguity or doubt.

The OECD-inspired initiatives are an enhanced relationship pilot project from 2011-2013 and a risk assessment methodology/tax control framework gradually introduced in 2009. The expansion of The Central Office was part of a change in the national governance structure of the Large Taxpayer segment, which took into account the OECD-guidelines. (In 2008, there was a major reorganisation of Tax Norway. The workings of The Central Office were little affected by this reorganisation, and thus it will not be further mentioned in this report).

The infrastructure of collaboration on corporate tax compliance is peopled mainly by lawyers, accountants and economists with highly specialised professional language and skills. What tax compliance means in practice is worked out by this small, influential and culturally similar group of professionals when they collaborate to produce the annual tax returns for the large companies, within each company and when they interact to sort out suspicious transactions or contentious issues. What they do and how they interact has direct impact on the practice of corporate tax compliance in Norway. This everyday administrative work must not be conflated with the discourse on tax avoidance, tax crime and tax havens, although in some instances they are related.

In order to distinguish between established practices and the OECD concept of "co-operative compliance", the established practices in Norway are labelled "collaborative". The term "collaboration," in this case, is used purely for pragmatic reasons; there is vast literature on collaboration, on cooperation, the differences between them, and from competition, but these discussions are not relevant here (see for example foundational volumes by (Ostrom, 1990; Axelrod, 2006). The stakeholders did not use the terms cooperation, collaboration or any other generic categorization of this kind to describe what was going on. The social space between them simply did not have a proper label of its own. The space manifested itself when needed, in a meeting, a letter, a seminar, etc, but what went on was talked about in terms of submitting forms, assessing files, paying taxes, identifying dubious transaction and so on. It was as if the relations between the stakeholders were natural, unavoidable consequence of their daily work.

The collaboration on tax compliance takes place between people in a limited number of specific positions. Each position is defined by certain responsibilities and tasks. The positions and tasks are similar within a stakeholder group and different between them. People fill the positions and so personal aspects may have some influence on the quality of the collaboration, but in Norway, institutional position overrules personal preferences and networks. In the words of a company tax manager: "We change hats when we change employer". Therefore, this report only deals with institutional positions and tasks, and how tax compliance is seen from the various institutional vantage points within the collaborative space.

The institutional nature of the study is reflected in the outline of the report. In the section on the research methodology and data, important limitations of access to data are discussed, as it related to matters of privacy in general, and protection of trade secrets in particular. The emphasis on the institutional level continues in the sections describing the infrastructures of collaboration and the normal scope of work in each of the stakeholder groups. The descriptions are generalized and present the in-house practices of each stakeholder in turn. The final sections deal with different aspects of the collaboration on tax compliance, which makes up the collaborative space between them, as seen from each stakeholder's point of view. The report is written this way in recognition of the tasks and responsibilities of each stakeholder group and its part in producing corporate tax compliance.

2 Research Method and Data

The research has followed a para-ethnographic approach. An ethnographic approach requires long-time intimate immersion in the daily life of a community to learn about their norms and criteria for judging ongoing affairs (Moeran, 2006). In many instances this ideal is not possible to realize, as people move between locations and institutions. It also runs the risk of subsuming various interpretations into one master-narrative of a "one-size does not exactly fit anyone"-kind. There is also a risk of overlooking muted groups and not hearing stories that do not fit with dominant accounts.

In a para-ethnographic approach, researchers take pains to record stories told about the same topic in different places and also temporarily discontinuous fields. In the writing of a para- ethnographic account, the aim is to "help make visible the difference of interests, access, power, needs, desires and philosophical perspectives" (Marcus, 2013:202). In this study, this is also hard to realize, especially in a brief report, however that tenet has guided the writing of this report, as mentioned above. It was also a principle in the design of the research project; two researchers attempted talk with, read the documents of and, whenever invited, participate in the activities of each stakeholder group in order to get information about viewpoints and local corporate tax compliance practices. The research platform was developed among a group of Nordic ethnographers to study cooperative compliance practices in the Nordic countries. For a summary of the empirical material see table 1 below.

Table 1. Stakeholders and sources of empirical data from Norway

	No. of units	**Oral sources**	**When**	**Written sources given by interviewees**
Companies	14	14 individual interviews 1 group interview 4 thematic interviews Meetings Participant observation Personal communications with business managers	Feb. 2015-Feb. 2017	Tax strategy, audit and compliance memos and presentations Annual reports/CSR reports Emails, letters and rulings

Tax agency	3	2 individual interviews 4 group interviews Personal communications with tax administrators	Dec. 2013-present	11 classified reports and project evaluations 2 published articles References: one book
Tax advisors (lawyers, consultants)	4	4 individual interviews Personal communications with tax experts	Feb. 2015-June 2016	Exemplary court cases Government documents Academic articles
Interest groups	3	2 individual interviews Personal communication	Oct 2015-June 2016	Policy documents webpages comments

3 The Infrastructure of the Collaboration

Three main stakeholder groups make up an institutional infrastructure for collaboration on corporate tax compliance in this study: The Central Office for Large Taxpayers, the large companies and the tax advisors, tax lawyers/accountants.

The largest group of stakeholders in the infrastructure is the large companies or groups of companies, about 200 in all, with more than 4000 subsidiaries. Each subsidiary is a separate legal entity for tax purposes, but administratively, a unified internal tax management system may regulate all subsidiaries in a group. In the report therefore, the term company refers to a unified tax administrative whole, regardless of how many legal entities it includes. Each company has a CFO or Head of Tax, and only a small staff to deal with tax affairs. Tax advisors may mediate between the taxpayers and The Central Office for Large Taxpayer, on the condition that the company makes the final decision about its tax filings. The Central Office for Large Taxpayers, hereafter shortened to The Central Office, has about 135 employees who monitor the large companies and assess their tax returns. Of tax advisors, the main ones are from the companies referred to as main national corporate law firms and “The Big 4” international audit firms.

3.1 The Central Office for Large Taxpayers

The Central Office of Large Taxpayers is a specialized unit for the monitoring of large companies with extensive and complex tax affairs.

The Central Office's census is based on three taxpayer criteria: size of revenue, industry and complexity of tax affairs. From 1992-2014, its census included all companies or groups of companies with more than 10 billion NOK in revenue. Initially, it was only responsible for assessment of corporate taxes. After an expansion in 2014, the census now includes companies with 3 billion or more in revenue, and VAT, increasing from 75 to 200 companies. To accommodate the extension, the number of employees increased from 50 to 135.

The companies in the census include large foreign-owned or foreign-owning companies (NOKUS), companies within separate tax regimes, as well as companies owned by individuals and companies with particularly complex tax returns.

The Central Office for Large Taxpayers is also responsible for special transfer pricing projects, and for negotiating MAPA and APAs (Mutual Agreement Procedures and Advanced Pricing Agreements). Before 2014 there was only one main office, and a small cell office dealing with country level agreements. The main office was located in a small town in the south-eastern part of Norway, close to its border with Sweden. After the reorganization, the number of offices increased to three. One of the two new branches of The Central Office is located close to Oslo, the capital, and the other in a large town on the west coast. The term "The Central Office" here refers to all units indiscriminately. The Central Office is managed by a director who reports to the national level. The top management group includes the managers of the branch offices and two staff units.

In addition to The Central Office, there are three Regional Office for Large Taxpayers. Their census includes large companies or groups with more than 1 billion NOK in revenue, about 250 groups or large companies. The Offices for Large Taxpayers work together on strategic issues or issues of common interest, but have sole responsibility for monitoring the companies in their census.

3.2 The Permanent Teams

The Central Office is organized in permanent teams divided according to the separate tax regimes for companies in Norway, energy, shipping, oil and gas, finance and one team for large companies in general. The team members all monitor companies in the same industry, and team members accompany each other when there are meetings between the companies and The Central Office. Tasks other than those directly related to the company are distributed between the team members according to their skills and interests. Some tasks are team tasks and solved collaboratively. The teams regularly, at least once a week,

meet to discuss disputed claims and the progress of the cases. In addition to the generalist teams, there are a few specialist teams with officers who can assist the contact person when need arises, like legal specialists, country experts, or people especially skilled in conflict resolution and dialogue.

At the national level, there are groups who work only with special themes, like Transfer Pricing, Country-by-Country-reporting or BEPS. These experts may also be called to assist a contact person or a team on an ad hoc basis.

3.3 The Contact Person

Each company is assigned a contact person; a contact person is generally responsible for the tax assessment of one to three companies, and coordinates and registration of all contact with them on behalf of The Central Office.

The contact person works with the apex of the company and coordinates all work with of the company's tax affairs. The contact persons have a large measure of discretion in how they execute their work. They are recruited not only for their knowledge about tax law or accounting, but also based on assessment of pedagogical and dialogue skills.

They are expected to maintain regular and cordial relations with the companies they monitor, which may include making phone calls and sending emails or letters, depending on the nature of the issue. One contact person who had worked for many years in a county tax office expressed how scary it was at first to engage directly and proactively with these large, professional taxpayers, after formerly working with tax controls in small companies after their tax filing. At The Central Office she was expected to always be on the alert, and follow up with a company whenever a doubtful issue surfaced and in whatever form it surfaced, whether in the news, in a letter from the company, a phone call from someone, or within the tax files.

The contact person may go for meetings or a lunch with the contact person in the company, but never alone; there must not be any meetings between individuals. Additionally, each point of contact, the form, content and reasons, are logged in a central database. Much effort is invested in having a transparent and open process. (And yet, it is a bone of contention within the media and activist groups that much information is not publicly accessible for reasons of trade secrets and protection of privacy.) Each contact person does continuous assessments of where to draw the line, and this is an ongoing topic in team discussion, as well as in training sessions and especially during training of new employees. Another safety measure to ensure fair treatment of the taxpayers is the regular rotation of

contact persons between companies. This is to avoid build-up of loyalty and mutual dependence.

3.4 The Large Companies

Norway enjoys a stable economy with a vibrant private sector. A large company or group of companies is defined as one with more than 1 billion NOK in annual turnover (about 1 bn. EURO) and there are currently about 500 of this size. Each company is considered an individual taxpayer and responsible for their obligations. Externally, there are no formal network, or common collaboration, to handle tax obligations. However, there are some forums for the large companies such as "Storbedriftenes skatteforum" in order to discuss and exchange of experience on tax issues.

3.4.1 Tax Department

The companies have professional tax management units either managed by a separate Tax department or the Accounting Department. The Head of Tax usually reports directly to the CFO, chief financial officer. There are regional managers to handle the local business, reporting to the Head of Tax with significant cases such as audit. Each business area is responsible for the reporting obligations and handles compliance. The Head of Tax is also the main contact person towards the tax authorities. The majority in the tax units have legal backgrounds, and their focus is on complying with the rules considering the operative business. The units are relatively small, and rely heavily on tax advisors. For example, one company with about 2500 employees and 60 subsidiaries in 20 countries has 6 tax managers in total who work with corporate taxes. This requires a coherent tax management system and tax control framework.

3.4.2 Tax Advisors

The tax advisors can be divided into two groups, tax lawyers and accountants. There are an estimated 8-10 main tax law firms in Norway. In addition to these tax experts, there are a small number of auditing and consulting firms, referred to as "The Big 4". They employ people with legal as well as business administration education and experience as managers and consultants.

Tax advisors are active disseminators of tax legislation news both in Norway and internationally. They arrange seminars and workshops for their customers, and use social media, blogs, and mailing lists to spread information about the latest about changes and rulings.

The lawyers were, or aspired to become, partners in the law firms. The law firm itself had a central staff, with each of the lawyers attached through a contracting agreement. The same pattern held for the international relations. The law firms were connected with an international network of other law firms. The accountants and consultants may be either ordinary employees or contracted through their own companies. The firms may be shell organisation with only a skeleton crew responsible for administrative routines or a full scale classical company with full employer responsibilities, the latter company model is becoming less common.

Several of the corporate tax lawyers have previous work experience from the Ministry of Finance, Tax Norway or both, and have an advantage when it comes to understanding the workings of Tax Norway in general and Central Office in particular. There were disparate stories concerning the direction of professional movement within the infrastructure—some suggested that young lawyers would start in the tax administration and move over to the companies when they gained experience as they were drawn by higher pay and more responsibility for their own cases. Others maintained that people moved in both directions, both from and to the tax administration. This latter point of view was confirmed by employees in The Central Office. From the interviews, it was also clear that some people had knowledge that could only come from personal experience.

4 The "Normal" Processes

4.1 The Normal Process in The Central Office

The Central Office was established in 1992 as part of a major tax reform to work out the immediate legal and practical consequences of the tax reform. Part of this job involved encouraging and guiding the largest companies through the adjustments to the new tax regime, as well as to uncover legal wrinkles that needed to be ironed out of the law.

The Central Office operationalized collaboration as an integral part of it tax administrative practices from the beginning. The managing director of the new entity decreed that the employees should actively engage with the taxpayers; that they should meet and talk with them to find out their perceptions of the tax reform, practical problems and compliance issues. A work pattern was established that still functions more or less according to the same basic design as a practice called "parallel assessment and control". The companies could be contacted any time about a tax issue, and could also contact The Central Office contact person if needed. This practice differed considerably with the practices of the other

offices; their practice was sequential assessment and control, no contact until the company had filed, and frequent controls. The Central Office did not use on-site visits or full audits for their controls, while this was more common in the other offices.

This work practice resulted in a strong esprit de corps and company culture, which was called "The Central Office way". One tax administrator had worked in a county tax office for 8 years when she heard of the "Office-way". She had worked with audits and controls of small and medium sized entities and said "I was tired of being lied to," and immediately applied for a position with the Central Office. She preferred to work with the large companies, she said, because they were professional and aimed to comply, even if they fought hard for their interpretations of compliance. She preferred to work with them even though the new position required a two hour commute every day compared to the 20 minutes required by her previous job.

The company culture of The Central Office is also well known among its external stakeholders. An interest group representative fondly referred to The Central Office as a place for the "nerdy" tax people, those whose main interest is corporate taxation for its own sake, not for the money or careers. A prominent tax lawyer said he found The Central Office people accessible and competent. He could contact them when a client asked about a new tax planning scheme of which he was in doubt. His experience was that The Central Office staff were willing to talk such issues through without committing to or expecting commitment to any one solution. The "Office way" is an early example of a co-operative compliance practice. The Central Office was the hub in the infrastructure of collaboration.

4.2 The OECD-initiatives

The corporate tax compliance collaboration in Norway is, as mentioned in the introduction, inspired by guidelines from Organisation of Economic Co-operation and Development (OECD). The idea of co-operative compliance has roots in earlier policies to enhance relationships with large taxpayers and has developed gradually over the last 15-20 years. A 1999 review of a large body of research concluded that neither objectively reliable data nor consensus about which method to use when measuring compliance had emerged (OECD 2001). OECD therefore recommended its member states to leave earlier approaches and try out more innovative ones.

Two mechanisms for dealing with non-compliance, or near non-compliance in the form of aggressive tax planning, were identified. One was to engage in agreements to enhance

relationships and productive dialogue; the other was to implement risk assessment methodologies or Tax Control Frameworks (OECD, 2008).

The enhanced relationship policies cast the taxpayer in the role of a paying customer and the tax administration as service provider. Enhanced relationship-policies was a move away from the dominant command and control-policies, from relations of domination and subordination, to relations simulating market exchanges, in line with the ethos of globalization.

In Norway, the initiatives did not result in separate programs as cooperative compliance initiatives did in other countries (Stevens et al., 2012). Instead, recommendations were operationalized and phased into everyday operations, The Tax Control Framework Initiative being an example of one such recommendation that had the most influence. Another, the Enhanced Relationship pilot project, had little direct institutional consequences, but did help The Central Office gain deeper knowledge about the companies' tax management systems. Tax legislation, especially for companies with international operations, is quite complex—one of the Norwegian Central Office contact persons put it like this: "you cannot safely walk the line, because no one knows where it is".

4.2.1 The "Reinforced Dialogue"- Pilot Project

The story of the Reinforced Dialogue (*Forsterket dialog*) project, which started in 2011 and formally ended in 2013, is rather straightforward. Its aim was to increase compliance by improving the quality of cooperation between The Central Office and the companies. 6 companies participated. The companies as well as The Central Office channelled best practice lessons into their own management systems as each saw fit, and an evaluation report summed up findings. The straightforwardness of the project is remarkable given the critique and disagreements these projects sparked in other countries (Stevens et al., 2012).

Was the project a success story of cooperative compliance or was it not? No one really knows. In terms of design, as dialogue projects go it was done very much according to the book, and this may be one possible explanation as to why the project ran only briefly and caused little conflict. Developmental dialogue projects are, in essence, supposed to be like that (Gustavsen, 1995). The form of this project form was in line with a well-developed collaborative tradition in Norway (Gustavsen, 2011).

Three key design features of the project may help explain its smooth execution. First, project activities were kept strictly separated from the usual tax assessment. Participation in the project did not mean preferential treatment and it did not provide any temporary tax

haven, a principle that the project team adhered to strictly. This is well-illustrated by an incident in which a participating company received a note about an audit and yet another about a separate tax issue. The company in question was not happy about it, and the Office did not know if it would withdraw from the project—and yet it did not.

A second important component of the project was that participation in the project was completely voluntary. The aim of the project was to improve compliance, but participation was neither a reward for being compliant nor a punishment for being non-compliant. The project team spent more than a year recruiting participants before the project start date, and this proved to be slow and hard work, with several companies declining. The most common reasons given were lack of time or the lack of perceived benefit. So what made participating companies join? In the end, they cited a mix of reasons for participating, from wanting to improve their own routines, to better understand tax risks, or simply to use the opportunity to get to know The Central Office better. A more pragmatic answer was provided by a company manager about the companies who did participate. His answer was that the companies participated because of their relations with The Central Office, even though they could not see any benefits to themselves. Another pragmatic answer was given by a manager in The Central Office, who commented that the Office had been one of the early starters back in 2011. By the time of writing (December 2016), it had become a laggard, but they were contemplating starting up a new dialogue-project.

The third design aspect of this project that may have lent to its success was that it was designed as a knowledge development project, taking the form of open-ended, participatory inquiry. A small, internal project team worked with the participating companies and the project team had separate meetings with each company and arranged joint meetings with all participants. The tax administrators inquired about the setup of the companies' internal control systems. They also conveyed information about tax regulations and tax administration routines and requirements. The dialogues enabled meta-communication about ambiguous definitions and conflicting demands, but stopped well short of discussing concrete cases. Hence, the project made it possible to thematise "compliance" as a relatively neutral topic, not as a morally or legally loaded pointer to some behaviour of the company.

This was a project to enhance dialogue, and so it "walked the talk". The project facilitated "double loop learning"(Argyris, 1976), and made it possible to avoid the problem that compliance is "confused with submission to the dominant will" (Burton, 2007:78). Designed with no material conflicts of interest and no questions asked about actual

compliance, its design reflected its purpose as a project created for learning and development.

4.2.2 Risk Assessment Methodology

The Tax Compliance Framework was part of the OECD-guidelines provided the basis for development of a national Risk Assessment Methodology. The OECD framework spells out mechanisms for risk assessment by the tax administrations as well as for internal quality assurance routines in the companies. First, taxpayer behavioural factors are identified and attitude to compliance is determined. Based on this they are classified into different categories making up a taxonomical pyramid, color-coded red, yellow and green. Red are recalcitrant taxpayers and green compliant ones. For each category of taxpayer, an appropriate quality of treatment is defined; close and critical monitoring with many questions and follow-up documents and meetings with the recalcitrant ones, and quick and efficient service to the compliant majority. This was designed to reduce the cost of tax administration as time is mainly spent on controlling the minority of recalcitrant taxpayers.

Several people from Tax Norway, including some from The Central Office, had participated in the OECD work groups, and brought the new tenets back home. Here, they worked to adapt the methodology to the Norwegian context, labelled Risk Assessment Methodology. First, a survey to assess the distribution of different kinds of taxpayers in Norway according to the OECD-tenets was conducted. This confirmed that only a small minority are unwilling to pay taxes. A number of work groups analysed different alternatives for making the administration of the Large Taxpayer segment more economical.

The Central Office began to distinguish between those who will not pay taxes, those who either do not have the skills or resources to do it properly, those who have made some kind of mistake, and the large majority that do in fact comply. The categories and classification schema was combined with the database The Central Office had in place to monitor the work with the companies. Several technical discussions followed about how to monitor the companies. For example, should the risk profiles of all companies be given a cursory reassessment every year so that their “color” was consciously confirmed? Or the assessment be limited to only the companies that had deals and transactions that warranted closer scrutiny? In that case, how could one know from reading the “color” of a company if it had been monitored that year or not? These may sound like minor details, but getting it wrong could cost much in terms of money, time and quality of the relations. A

"green" company would very much resent being treated as a "red" one, while a "green" company that is actually in the red could mean the loss of millions in revenue.

These taxpayers in the Central Office census are among the largest contributors of corporate taxes in Norway.

4.3 The "Normal" Process After the Extension of The Central Office

The Risk Assessment Methodology was implemented along with the extension of The Central Office, and the existing work processes were revised. While previously the Central Office annual work plan (called annual wheel) dictated that tax assessment should be done in the months between May and September, the new routine shortened the time period. New employees were hired from other tax offices with other traditions for collaboration, as mentioned above. A recurrent and contested internal issue in Tax Norway has been how to ensure tax compliance, with two schools of thought. One held that taxpayers shall be subject to controls after their filings, and if there are suspicions of non-compliance, then tax audits must be performed. This is in line with the traditional "command and control posture". The Regional Offices worked according to this principle. The people who ascribed to this approach were the ones most sceptical of enhanced relationships/cooperative compliance initiatives as well. The other school of thought was that a more real-time and responsive posture would be more efficient. i.e. to monitor the taxpayers continuously, be available to answer question of a general nature, and follow up immediately whenever questions arose. This was the practice of The Central Office for Large Taxpayers and its normal routine of "parallel assessment and control". The pros and cons of each was the subject of internal debates, explored by various committees and in various documents.

With the extension, these two cultures were brought together in the company teams, as new employees were placed in teams along company contacts schooled in the established Central Office practice. The team members were supposed to learn from each other and to contribute to the refinement of the Risk Assessment methodology in the process. The companies noticed the differences, but were uncertain about what to make of it and what kind of relationship The Central Office now wants.

4.4 The Normal Processes in the Other Stakeholder Groups.

4.4.1 Companies

A tax management unit is considered to be internal advisors whose mandate is to assist the business areas with understanding tax implications. These will typically be the tax implications of acquisitions and internal restructuring with memos and meeting, including follow-up of external advisors regarding due diligence and advice related to transaction structure. etc. Furthermore, the assistance could be in relation to entering a new contract, or a tax assessment when in pursuit of business in new countries. Upon any internal changes it will also be made an assessment of the tax consequences. Tax reporting and tax calculation is, as a normal procedure, handled by the accounting department in cooperation with the tax unit management.

Communication with the local tax authorities, including follow- up of tax returns, is a crucial part of the job. One other important responsibility is to communicate with management and the board regarding tax matters which should be highlighted. Some tax manager says that they have to "sell" tax as an agenda point to the management and the board.

Many companies have a tax policy in place, which regulates the framework for tax handling. The tax policy gives internal guidelines and is not assessed by the tax authorities.

Companies generally tried to avoid dealings with the tax authorities. Only if necessary would they call or send an email to their contact person, but if they need to contact The Central Office, their tax advisor would be the preferred medium. However, the companies and The Central Office agree that it's in their common interest to get things done right first time, therefore ongoing dialogue will be expedient.

Through the forum "Storbedriftenes skatteforum", the companies can contact The Central Office for clarifications related to new regulation, practices on a principle level.

4.4.2 Tax Advisors

The tax advisors participate in many tasks, from the most mundane task relating to regular internal tax auditing, to representing the company in the Supreme Court. They advise and assist with income tax filings, do cross-border inquiries via their partner firms, and occasionally contact The Central Office on behalf of a client. They give legal opinion on tax issues for corporate clients, advice on the tax strategy in general or specific transactions in particular. Different lawyers and accountants from different firms have specialized in every

conceivable aspect of tax that may become an issue for a company. The large companies usually have one or a few trusted advisors, which is a position of great status and reward. Not every advisor covets such a position, because it is seen as setting limits on the freedom to take on cases according to professional interest and reduces the variety of cases.

Some considerations were part of normal affairs among the tax advisors we interviewed, more so than among companies or in The Central Office. Assessing possible conflicts of interest is of special concern. The advisors explained how they must judge the ethical and legal aspect of a case they are asked to take on, and especially if there were possible conflicts of interests of their firms, the companies and The Central Office. All advisors also pointed out that they only provide advice and that the final decision is up to the company. One advisor said that "I always think - how will it hold up in the Supreme Court? We as lawyers must prove the actual fact. It is a fight against every external advisor who wants to make it as cheap as possible and recommend the lowest possible amount of tax".

5 Why Was This Approach Chosen?

5.1 The Central Office

The interviewees gave several reasons for the SFS-way of working with the companies. One was that the tax revenue from these companies constitutes a large part of the national corporate tax revenue, hence constant attention was important to keep track as the companies' tax affairs constantly evolved. A second was that these taxpayers have extensive international operations as well as many large transactions, and generally have their books in order. They expect The Central Office to focus on the big and important issues, not insignificant details. A third reason was to maintain the standing of the Office in the eyes of the taxpayers. They had high expectations about the services of The Central Office, so to deliver sub-par service would lead to a loss of trust. One interviewee said that, "if they find that the tax administration is not particular about the quality of its service, they may be less diligent in following the rules themselves".

The collaborative approach was defended for economic, pedagogical and social reasons. In terms of resources, an early phone call could steer a company away from a shady course of action, and was a more cost-efficient way to increase revenue compared to a full audit. In terms of education, the tax system is complex, rules and regulations change and The Central Office from the beginning had a mandate to help the companies chart courses through the dire straits of the legislation, which would also help The Central Office identify

administrative implications of tax laws and regulations. For this purpose, The Central Office publishes a large, edited volume about every four years with all The Central Office's rulings and cases (Carlsen, 2012). In terms of civility, it was better to be polite and respectful than to turn companies into angry, hurt or suspicious adversaries and thus close off channels of communication. The Central Office knew about the few high-risk companies, and most of The Central Office's resources were spent working on those cases anyway.

After the expansion in 2014, the reactions were mixed as both clear advantages and disadvantages were identified of combining the two "schools of thought" on compliance. An advantage that interviewees from "old" Central Office recognized, was that their new colleagues were better versed in digitized risk assessment, and knew other indicators and possibly more efficient ways to manage the data and monitor the companies. A disadvantage was that there would be less time to cultivate relations with the companies. At the time of writing, it appears that the established processual and the sequential routines operate in tandem, as employees with the cultural background on one or the other tradition is placed in the same team, and a synthesis had not yet appeared.

5.2 Companies

As with The Central Office and the tax advisors, the companies had a range of explanations for their participation in the collaboration. One important reason was the need to "close their books". If there were pending tax issues, their annual accounts could only be preliminarily approved. That affected accounting and the valuation of the company, and if the issue was kept open it might take years to return to normal.

One Head of Tax confirmed the existence of the "new normal" referred to above, and how it had taken years to establish it. She had held the present position for 4-5 years, and in that time, she had to find a way to sort out the tax implications of more than hundred subsidiaries that had been registered in the 2000s and their many thousands of deals. Many of the companies were established for purely financial reasons that had little to do with commercial and operational concerns of the company. However, not all were established as a result of financial innovation; some were established as required in requests for tender, others due to requirements about local presence in some countries of operations. Equal for all deals was assessment of tax regime, tax cost and the professionalism of the local tax authorities in each country. Double taxation was unavoidable, she said, although they tried to avoid it as far as possible. One manager reported that in his industry, the profit margins are small, and thus with double taxation,

the company would lose money. If he was not absolutely diligent with the transfer pricing system, his experience was that the company would be taxed in two countries for the same transactions. And, as he said, "I never got the money back, despite these international agreements. The Norwegian tax administration is of no help, they only care about their own revenue". So in order to protect the economic interests of the company he complied to the very best of his and his advisors' knowledge with every new rule and scheme. Collaboration subsequently helped to reduce ambiguity. He was aware that even so, there might be conflicting interpretations of an issue, and in that case he was prepared to take it to court.

5.3 Tax Advisors

In the normal process as described by both lawyers and accountants, keen attention to the distinction between the legal and the commercial aspects of what their clients proposed to do was crucial. It was crucial to establish the commercial value of a transaction without the tax to ascertain if it was a transaction done merely to reduce taxes. In this case, several interviewees said, it was illegal. They advised against it and would not accept the commission. However, reducing tax cost was clearly an issue and they respected that it was part of top managers' duty to protect the economic interests of the company. One interviewee emphasised that *her* duty on the other hand was to promote right and prevent injustice, and she should also act to protect the standing of the company. Furthermore, it was equally important to avoid deals that risked her own name or the reputation of her firm.

One tax advisor mentioned that a new normal was appearing. It began after the 2008 financial crises in the USA with an instruction from G20 to OECD to do something. He fixed 2012 as the year of noticeable change in Norway. The same year was mentioned by another tax advisor. Both reflected on the fact that from that point, active tax planning was no longer socially acceptable. It had negative effects on the companies' top line and their reputation among its customers and suppliers.

6 How is Tax Compliance Defined?

Tax Compliance is not a clearly cut and dried concept; below are the general definitions of compliance as given by discrete groups.

6.1 The Central Office

Tax compliance is defined in terms of the quality of the paperwork. Tax compliance is to comply with the procedures, provide the required forms with the required information and pay the required sum in time, as well as open and voluntary disclosure of claims where there is reasonable doubt.

6.2 The Companies

Pay the right taxes, be compliant and act in line with the law. Do not try to be smart or construct artificial transactions for tax purposes. Tax is not a main motivation for doing operations. The shareholders and the board expect to do the legal adjustment to reduce the tax cost.

6.3 The Tax Advisors

Just pay the tax. Be honest about the commercial/substantive reasons for the transactions and ensure that they are legal. Do not do anything illegal, and make sure you can document what you do (leave a paper trail). If there is uncertainty about something, it is important to explain this upon tax filing.

7 How is Tax Compliance Measured?

7.1 The Central Office

As mentioned above, compliance was measured according to quality of the company's paperwork. Missing documents, oversitting of deadlines, or incomplete factual information were regarded as an indication of weakness in the company's tax management systems and therefore also possible indicators of poor compliance routines. This definition was summed up as "the right papers in the right time and payment of the right sum". The problem of course, was agreeing on what "right" is. Deadlines and forms are tangible indicators, calculations and sums less so. An indicator of professional management was the company accounts. The better economy in a company, the better resource control, the higher probability of compliance.

The interviewees explained that no single yardstick could be used to measure compliance in general. Those who supported a collaborative approach were as certain of this as those who supported a more adversarial approach. At best, the compliance of each company

could be measured year by year. Experience with and analysis of each company made it possible to make reliable assessment about the expected amount of tax to be paid. However, to add that up and make of it one generalized sum about tax compliance was regarded as unrealistic and not worth it. The Central Office did annual assessment of the results of their different forms of checks and controls. In some cases, they lost, in other cases they won. The sums tended to even out, and in any case, planning and budgeting according to losses and gains of disputed claims was not done.

7.2 The Companies

In description of their internal routines, several interviewees emphasised that compliance is a high priority with a clear mandate of avoiding tax penalties due to late and incorrect filing. It is a clear expectation of having the audit "clear". There are also internal audits to measure the quality of the compliance within the companies. Tax administration is seen as a big cost and requires a lot of resources, but compromising with compliance is not a choice. More resources could be used to handling tax affairs considering the complexity of tax administration and scale of business, but the interviewees said they aim to limit the cost. One area of focus is the avoidance of double taxation. A lot of the companies are required to pay withholding taxes in other countries due to domestic tax legislation. While the tax credit claim is handled by The Central Office in Norway, there are situations with double taxation because the credit refund is not 100% as stipulated in the tax treaty. One interviewee estimated that in practice, the refund is closer to 80%. Seeking 100% compliance in double taxation situation is difficult and a shared experience was that the companies had to bear the extra cost of different policies at the tax authorities in various countries.

One company reported that upon acquisition of other companies, compliance within the company to be bought, is one main criteria they in the due diligence phase.

7.3 Tax Advisors

Among tax advisors, yardstick for measuring tax compliance also differed, but along different lines of reasoning than in the two other stakeholder groups. The tax advisors did, as mentioned above, assess commercial loss and gain against doing the right thing, so there was clearly a normative element in their reflections about the tax compliance. They should notify their clients about risk factors, especially since "most companies think they do it right" as one advisor said. A company should make sure it paid enough taxes in a country to be classified as a citizen, and the effects of tax regimes, capitalization, pricing

and location of individual deals should be taken into consideration. One interviewee claimed that for companies, taxes are no longer economically rational, but the public opinion has increased the cost of not paying taxes. Put plainly, compliance was about staying *on* the margin, and not land on the wrong side of it.

8 How is the Collaboration Perceived?

8.1 The Central Office

8.1.1 The Central Office: Regarding the Tax Advisors:

Tax advisors were not central to the work of the tax administration. The interviewees defined them as answering to the companies that hired them. One tax administrator even said that "The tax advisors help the companies to find new tax schemes. When there is a need to clarify an issue, they bring them to meetings. Then we have to sit down across the table from them and go through everything issue by issue, not matter how scary or uncomfortable it is."

8.1.2 The Central Office: Regarding the Companies:

The Central Office experience is that the large companies aim to comply. Interviewees said that, "in our experience, the companies are responsible. They do use the rules, and it is ok with us that they attempt to get tax deductions, to do otherwise would be a disloyalty towards the company and the shareholders". It is also an expectation that the companies are open about what they have done, "then we can have a conversation so that a doubtful transaction can be sorted out until it is either resolved, or it has become clear that there is disagreement about the facts. Then the courts take over". Hence, there was acknowledgement of the need to be pragmatic and impersonal. However, it was acknowledged that it requires self-discipline and comes at some personal cost. One interviewee firmly stated that "internal advice is to not let anger in one dispute spill over into situations where The Central Office and the company need to collaborate."

8.2 The Companies

8.2.1 The Companies: Regarding the Central Office:

The companies generally embrace the work method of The Central Office as they are considered to be service-minded, doing things such as giving extensions for providing

documents when requested. Companies aim to have a balanced dialogue with The Central Office. They do understand that the tax authorities have a controlling function. However, there are some challenges with the relationship, especially after the extension. For companies it is important that The Central Office understands that predictability is important for a taxpayer, and that it does not act as an "adversary". Several interviewees mentioned that what they missed was a better understanding of the complexity of their business. For example, one company was requested to provide the liability clauses in all the supplier contracts—there are several thousands of these contracts and no single standard liability, which made it impractical to comply with the request. After the extension, one interviewee said that The Central Office has an introverted approach towards the companies, and several felt that the companies are used as "pilots" for testing of new practices. This is especially the case when the queries are not related to any specific fact- rather they are a "fishing expedition". Some companies felt that, in their experience, The Central Office has an expectation of companies to do the audit and is not capable of giving concrete guidance.

8.2.2 The Companies: Regarding the Tax Advisors:

"The tax advisors are a good resource to have as often there are not sufficient resources or capacity internally. The tax advisors have international work experience, and local competence and language skills in places such as the Middle East which is valuable. The tax advisors have a function of control between companies and the tax authorities. Long-term relation contributes to that the tax advisors understands the business and its need."

8.3 Tax Advisors

As the following paragraphs exemplify, viewpoints vary a lot among tax advisors:

8.3.1 Tax Advisors: Regarding the Central Office:

"They have made themselves inaccessible. It is no longer possible to call them. Vast amounts of red tape". "The Central office has a good reputation among corporate lawyers. They are welcoming and service minded". "They try to understand the other side. Try dialogue. When a client proposes a new tax scheme, I am in doubts about, I call them. They are willing to talk it through on hypothetical terms. No bindings on either party this way". "I never voluntarily contact them. They demanded specification of transfer pricing."

8.3.2 Tax Advisors: Regarding the Companies:

"I see the shock that foreigners get when they come to Norway for the first time. They need to be educated about the rules and regulations". "The work we do only relates to the legal or economic aspects of this or that disposition. We are not involved in business strategy". One interviewee explained that, "most companies are not preoccupied with the level of taxes. What they are after is robust solutions, not the smartest way to pay the least taxes. The concern with taxes also varies from industry to industry. For example, companies with a high level of own equity worry less about the level of corporate tax than those who have to finance their investments in the market; some are more concerned with VAT than others, and managers in family owned companies are more concerned with wealth tax. There is not one company approach to the question of tax compliance."

9 Summary

9.1 Pragmatic practices

The qualities of the collaboration on tax compliance between three stakeholder groups has been described in this report. The established and largely taken-for-granted practices were brought into view as a number of OECD-cooperative compliance initiatives were worked into the established routines, and with an expansion of The Central Office for Large Taxpayers. The study has shown the various viewpoints within each stakeholder group about how and why to collaborate on tax compliance. The motivations for paying or avoiding taxes vary, both within the stakeholder groups and between them. The Central Office is more concerned with the quality of the process, with deadlines, correct paper and deadlines. The companies are more concerned with the economic outcome, while the tax advisors balance commercial and legal aspects of their advice. Regardless of differences in positions and tasks done, the infrastructure for collaboration and the normal process of work that feeds into it, is first of all a pragmatic solution to the problem of how to produce tax return with as little fuss as possible and with as limited use of resources as possible.

9.2 Limitations of the Study

A limitation of this study is that it only registers collaboration between stakeholders that are part of normal work. When a disputed tax claim crosses the legal threshold to the judiciary system, the form and content of the collaboration changes. How that happens, who is involved and how it affects the normal process of tax filings will give critical

information about conflict management in order to maintain predictability and continuity in the tax administrative work, which can be a topic for further research.

Another limitation is that recalcitrant taxpayers have not been identified and their reasons for resisting studied. Identifying the conditions for the resistance from these companies is an important topic for further research in order to see what is behind this mode. There may be previous experiences with The Central Office that has created the animosity, it may be the results of interpretations of strategic decisions in the board of directors or the top management or it may be due simply to non-compliance or tax avoidance. Finding out which would contribute to the development of risk assessment criteria.

The study has revealed that the stakeholders have a limited understanding of the practical context of the work of the others. The other stakeholders' dispositions are interpreted in light of the dominant ideas and norms in the stakeholder who views them. How the stakeholders manage to work out the, largely tacit, working agreements about what to collaborate about is an issue that would benefit from more research.

Mutual trust and recognition is required to open for further collaboration. With the changes in practices, the established level of institutional trust is tested. So far the parties' expectation about each other, and frustrations, seem not to have changed considerably compared to what they were before the changes. Further research on the outcome of the routine changes is required to follow up on this issue.

9.3 What Happens Next?

After the extension of The Central Office, the companies noticed that they got letters inquiring about compliance issues dating years back. The companies found the requirements more burdensome than earlier inquiries as they increased the workload, disregarded earlier understandings and seemed to be based on unspoken assumptions of poor quality of their previous tax filings. The earlier trust and unspoken social contract between tax authorities and companies was questioned by the taxpayers. After the changes, the taxpayers' reactions were more systems-critical and they found the responses from the Central Office to be more adversarial.

This indicates a need for trust-establishing initiatives if the previous quality of the cooperation is to continue. In order to enhance collaboration, the parties also need to collaboratively establish the rules of the collaboration. This was not part of the design of the changes that were rolled out in front of the companies and their advisors. They were the result of decisions about the administrative routines in Tax Norway and Tax Norway

only. How those changes should in fact occur is something the tax management systems of the companies were not very clear on, nor the advisors, the companies or the researchers. For example, in 2013, some months before the extension, one of the researchers asked about the companies' responses to the inclusion of VAT with The Central Office. Units working with VAT in companies are usually separate from units that work with corporate tax audits. Management of the two tax forms require different routines, knowledge and skills. Had possible changes in the routines within The Central Office been discussed with the companies? Would it require change of contact persons? Someone versed in both tax forms perhaps? The Central Office had not considered informing the companies.

What the stakeholders have in common, even if there are different cultural logics that shape their understanding of taxes and how to comply, is an interest in maintaining their standing and public legitimacy. The stakeholders also have a shared interest in a level playing field, and open and transparent processes in order to create predictability. From the study it appears that the stakeholders in Norway have vested interests in collaborating, which reduces the chances of conflicts to escalate, and enhances practices that are cost-effective, legal and civil.

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11 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 harmonisation of tax, social inclusion, environmental, legitimacy, and compliance measures, support deepening of the European Monetary Union, and expanding the EU's own resource revenue bases. Under the coordination of Umeå University (Sweden), comparative and international policy fiscal experts from eleven universities in six EU countries and three non-EU countries (Brazil, Canada and Norway) contribute to FairTax research.

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