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## Imagining cooperative tax regulation: Common origins, divergent paths

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## ABSTRACT

In many countries, relational field dynamics between tax administrators and corporate taxpayers have undergone significant changes in recent years. We conceive of cooperative compliance models implemented in the Netherlands and the UK between large corporate taxpayers and the respective tax administrations as dynamic strategic action fields, nested within the wider tax field and influenced by shifts in the external environment. Drawing on a series of interviews with skilled actors we identify similarities between the two countries in terms of the initial motivation for introducing cooperative compliance. We also identify differences in the subsequent trajectories. We find that within the respective strategic action fields, an imaginary of cooperation built around mutual trust contributes to the sustainability of the field. Vulnerability to developments in proximate fields on the other hand undermines field sustainability. Together these concepts help to explain the different trajectories and demonstrate the value in exploring shared understandings in strategic actions fields as imaginaries and paying more attention to the influence of proximate fields. The findings have implications for regulatory policy design in other settings.

## 1. Introduction

The current focus on tax planning by multinational entities (MNEs) has a long history, albeit one that gathered pace significantly since the early 2010s as it moved out of the shadows and into the public arena. Considerable attention has been given by both scholars and the tax commentariat more broadly (Oats & Morris, 2018) to the actions of MNEs to reduce corporate tax liabilities which, consistent with an anti-capitalist narrative, have been branded as unethical, socially irresponsible, immoral and even 'evil' (Oats & Tuck, 2019).

Against this backdrop, this paper analyses the strategic action field of large business corporate tax regulation in the UK and the Netherlands and seeks to understand how two professional fields with similar and concurrent origins subsequently develop with different trajectories. The two countries provide advanced but distinct illustrations of cooperative compliance, which are tax regulatory innovations with the professed aim of generating mutual benefits for both the tax administration and large corporate taxpayers. We conceptualise cooperative compliance as a regulatory policy intervention resulting in change in the strategic action field of large business corporate tax (Fligstein & McAdam, 2011, 2012a, 2012b), in which two main groups of actors, the tax authority and large corporate taxpayers along with their tax advisors, have historically engaged in a struggle to achieve consensus as to the appropriate amount of tax to be paid. Cooperative compliance constitutes a significant shift in the relational field dynamics between tax

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administrators and large corporate taxpayers.

Together with several other OECD countries, including Australia, Denmark, Ireland and the US, the Netherlands, and the UK can be seen as pioneers in reconfiguring regulatory control in the field of large business corporate taxation into one that purports, in principle, to better balance interests between the tax authority and corporate taxpayers. Initially promoted by the OECD as an “enhanced relationship” (OECD, 2008), these innovations were rebranded as cooperative compliance in 2013 (OECD, 2013). Cooperative compliance moves away from traditional strict command and control methods, seeking a more collaborative relationship in which corporates commit to a high level of internal control and transparency, whilst the tax authority reciprocates by offering a more supportive approach, such as giving speedier replies to taxpayers’ enquiries. This sets the parameters for the strategic action field in which coordinated action towards a specific objective requires not just cooperation but “framing lines of action that appeal to others in the field” (Fligstein & McAdam, 2012a, p. 25).

Cooperative compliance is therefore a collective endeavour between regulator and regulatee; an approach to tax regulation that recognises that both tax authorities and taxpayers need to modify their behaviour to make the arrangement successful, particularly in terms of resource savings for both parties. Its stated hallmarks include mutual respect and more timely interactions. Co-operation in cooperative compliance is between sophisticated actors with high levels of specialist expertise in the tax law and practice. In principle, this must surely facilitate mature engagement in regulatory conversations (Black, 2002) within the tax field. We find, however, that this is not always the case and the competition traditionally associated with encounters between tax authorities and taxpayers remains in tension with the stated aspirations of co-operation. Notwithstanding the technical sophistication of the actors involved, frictions emerge as a result of external pressures and the differing objectives of each of the parties, as well as the fact that ultimately, the engagement is between individuals who come with a variety of soft skills and levels of expertise in negotiating the ultimate financial contribution of the taxpayer. Our findings carry relevance for regulatory engagements beyond the tax domain as in many fields for regulation to be effective a degree of collaboration between regulator and regulatee might be essential (e.g., for audit, see Guénin-Paracini et al., 2015).

Cooperative compliance has spread, largely through OECD endorsement (OECD, 2008, 2013, 2016), to many other countries in various guises. It represents a shift in thinking, away from adversarial approaches towards a more responsive and collaborative approach (Björklund Larsen & Oats, 2019), described by Gribnau (2015a) as a soft law instrument. Björklund Larsen & Oats (2019) note that the introduction of cooperative compliance programmes has resulted in cultural reorientations requiring both changes in attitudes within both tax authorities and large corporate taxpayers and the introduction of new ways of working. New practices include tax authorities and taxpayers working in real time rather than through protracted written communication, closer interactions in the form of frank discussions, and speedier resolution of points of contention.

As an innovative phenomenon, cooperative compliance has been studied in several settings including Denmark (Boll, 2014); Finland (Potka-Soininen et al., 2018), Norway (Brøgger & Aziz, 2018), Sweden (Björklund Larsen, 2015, 2018a, 2018b), the Netherlands (Huisken-Stoop, & Gribnau, 2019), Goslinga et al., 2019), the UK (Oats & De Widt, 2019), the US (De Widt et al., 2019), and more generally (Bronzewska, 2016; Van der Hel & Siglé, 2015). Björklund Larsen and Brøgger (2021) compare Norway and Sweden and describe the temporal dimension of cooperative compliance in practice, drawing on Braithwaite (2016), as a ‘dance’ with the tax authorities, albeit of uncertain rhythm (tango, waltz or breakdancing).

We add to this body of work by taking two countries with broadly similar starting points, however, over time the systems have increasingly diverged.<sup>1</sup> The UK and the Netherlands are interesting cases to compare for several reasons. First, they are distinctive as early implementers of cooperative regulatory policy interventions, which offers a unique possibility to observe the subsequent divergences. Second, primarily through the OECD, but also as a result of policy mimesis, the influence of cooperative compliance in the UK and the Netherlands has spread beyond both countries’ borders; however, little scholarly attention has been paid to the implementation of cooperative compliance in practice by reference to the actors directly involved. A third reason to investigate cooperative compliance in the UK and the Netherlands is that as a discrete form of regulatory intervention within well-established institutional settings, conceptualising the practice as a strategic action field arguably allows us to probe field change, in this case incremental rather than radical. Hence, this paper seeks to answer the question: *how do two professional fields with broadly common origins diverge, over time, in sustaining an imaginary of co-operation?* To answer this, we examine key features of the strategic action field and address two sub-questions:

1. *how are imaginaries used to sustain strategic action fields? and*
2. *to what extent is field sustainability impeded by vulnerability to external influences?*

These sub-questions concern different aspects of the working of strategic action fields, specifically, the shared understanding essential to the existence of the field, and the way in which fields are nested within wider fields and are influenced by same. Analysis of our empirical material identifies two key themes: trust, and vulnerability, the first of which speaks to research sub-question 1, and the second to research sub-question 2. By analysing this regulatory strategy through the lens of relational field theory in which these two themes emerge, we are able to shed light on the workings of everyday practices over time and in different settings, by paying attention not only to the narrow field of regulatory interaction, but also to the wider socio-political dynamics that put pressure on the field as it evolves.

<sup>1</sup> This is observed in diverse comparative studies and is consistent, for example, with the observations of Spence et al. (2015) in relation to partner promotion in professional service firms in several countries.

Our study also contributes to the growing body of work examining tax interactions in the context of large businesses. In recent years, there has been considerable scholarly attention paid to allegations of aberrant behaviour by large corporates, particularly multinationals. The tax avoidance behaviour of multinationals has been analysed as a corporate social responsibility issue (Bird and Davis-Nozemack, 2018; Gribnau, 2015b; Hasseldine & Morris, 2018; Panayi, 2014; Ylönen & Laine, 2015), a legitimacy issue (Holland et al., 2016), an ethical issue (Datt, 2014; Scheffer, 2013), and a moral issue (Payne & Raiborn, 2018). In this paper, however, we are less concerned with the tax avoidance practices of multinationals, and more with the mundane practice of regulating a largely compliant population of regulatees. Although this runs counter to the popular narrative (Morrell & Tuck, 2014), our interviewees from tax authorities in both countries concede that most large businesses seek to comply with the rules. We do recognise, however, that regulatory encounters will be inevitably infused with concerns about potentially unacceptable avoidance, but this, per se, is not the focus of our study.

Many studies of tax regulation are one-sided, for example focusing on tax advisors (Addison & Meuller, 2015; Christensen, 2020; Radcliffe et al., 2019; Sikka, 2015; Sikka and Willmott, 2013), multinationals (Finér & Ylönen, 2017; Holland et al., 2016; Mulligan & Oats, 2016), or the tax authority (Aberbach & Christensen, 2007; Berg & Davidson, 2017; Boll, 2011, 2014; Björklund Larsen, 2015; Currie et al., 2015; Gracia, & Oats, 2012; Tuck, 2010, 2013). By focusing on the regulatory process as a strategic action field, we bring all into view, as do Anesa et al. (2019), albeit using an explicitly Bourdieusian framework. We bring new insights by examining both relations within the field and relations between fields in two different country settings.

The paper is structured as follows. Section two presents a description of our theoretical framing which is based on insights from relational field theory, specifically Fligstein and McAdam's (2011, 2012a) vision of strategic action fields. This is followed by our methodology. Section four then presents our first order analysis of the implementation and design of cooperative compliance initiatives in the Netherlands and the UK. The fifth section provides a second order analysis in which we link our empirical data with the theoretical frame to answer our research questions. The concluding section highlights major issues arising and avenues for further research.

## 2. Theoretical framework

Relational field theory comes in various guises, largely depending on the discipline in which it is used, but also to some extent on geography, with some theorists broadly more prominent in European scholarship and others in North America. The term strategic action field was developed by Fligstein and McAdam (2011, 2012a) to capture meso level social orders, with a focus on collective actors engaged in coordinated action developing shared understandings, but nonetheless vying for control over the ideas that underpin them (Modell & Yang, 2018). Strategic action field theory draws on Bourdieu, among other theorists, and incorporates some features of his work into a new conceptual framework to better understand change and interorganizational relations (Fligstein, 2013, p. 40). Fligstein and McAdam (2011, 2012a) sought to bridge theoretical developments in Europe and North America (Fligstein and Vanderbroeck, 2014) and to gather together a framework to provide one 'conceptual umbrella' (Swartz, 2014) as a counter to increased theoretical specialization across several disciplines. The concept of strategic action fields is not without its critics, (e.g., Goldstone & Useem, 2012; Swartz, 2014) and we take these into account in our application to the case of cooperative compliance.

Fligstein and McAdam (2011, 2012a) pay close attention to the political aspects of strategic action fields, arguing that the state is instrumental in the construction of fields and that the rules of the game in operation are the result of constant political contestation (Fligstein & McAdam, 2012b). The action within strategic action fields is concurrently cooperative and competitive. Collective action is an achievement resulting from the ability of field actors to create and maintain shared meanings, skilfully framing issues so as to induce other actors to co-operate. Social skills and tactics are used by field actors to shape field dynamics and engage others without the need for coercion. Competing frames lead to contestation, adding to the evolutionary process by which strategic action fields change; they are always in flux (Bozic et al., 2019). We believe that shared understanding of the rules of the game is central to sustaining a strategic action field in the face of calls for change, but that such shared understanding does not need to be of concrete practices, but rather can take the form of an imaginary. Imaginaries are ways of understanding the world through ideas; making sense of practices (Taylor, 2002). Imaginaries build "upon implicit understandings that underlie and make possible common practices" (Gaonkar, 2002, cited in Salazar, 2012).<sup>2</sup> In our case, the imaginary is a form of wishful thinking; imagine how much better the field would be if tax authorities and large businesses co-operated with one another.

Many strategic action fields also contain what Fligstein and McAdam (2012a) call "internal governance units", the purpose of which is to devise and oversee compliance with new field rules, usually favouring the interests of incumbents over challengers and which may be embedded in broader fields (Modell & Yang, 2018). An example of internal governance units from the tax field are governance mechanisms set up within many tax administrations to manage and resolve tax enquiries that have remained unsettled between tax inspectors and corporate taxpayers. Even more relevant to this study, another example is internal working groups operating in both Dutch and UK tax authorities that specifically discuss operational aspects of cooperative compliance to assist the smooth working of the strategic action field. In this respect, Fligstein and McAdam take a wider view than Bourdieu, who sees the governance role largely in the hands of bureaucratic state agencies (Swartz, 2014). McAdam and Scott (2005) also use the term "external governance units", by which they refer to authority and power structures operating at the broader societal level, not being direct part of the strategic action field. Whilst external governance units are external strategic action fields, and perhaps therefore have received little attention in the

<sup>2</sup> We are grateful to Lotta Björklund Larsen for drawing our attention to this line of thinking, which is prominent in anthropology. For a discussion of the origins and ambiguities of the concept, see Stankiewicz (2016).

strategic action field literature, they potentially conduct a critical role, providing opportunities and constraints that affect field-level actions. Illustrations in the context of tax regulation are parliamentary scrutiny, for example the Public Accounts Committee in the UK, and involvement by supranational actors such as, increasingly, the European Union.

Strategic action field theory emphasises that change may be radical or incremental within fields and rarely occurs in isolation since they are nested within and related to other fields. The vulnerability of strategic action fields to external influences means that the specifics of any field under consideration must be set against other proximate fields and a broad array of actors and linkages. An important element of strategic action fields is thus the relationship with other strategic action fields. Fligstein and McAdam (2012a) emphasise the nested nature of strategic action fields, using the imagery of Russian matryoshka dolls to describe vertical relationships arising from their embeddedness in other fields. Similar to Goldstone and Useem (2012), we recognise that societies are organised multidimensionally, fractally, and that a tight focus on specific strategic action fields without understanding the values and institutions that span multiple levels can preclude significant insights. Horizontal relationships between strategic action fields and other fields that do not form part of the hierarchy of fields are also important elements in understanding field change. Spence et al. (2017) note that this understanding of the relationships between fields is more explicit in Fligstein and McAdam's field theory than that of Bourdieu. Gomez (2015) suggests that the originality in strategic action fields stems from this emphasis on the dynamics among and across fields.

State fields have considerable power to interfere with most strategic action fields through promulgation of laws and regulation as well as through indirect action. As Fligstein notes, much of the "turbulence in the playing of the game can be explained by the relationships to other strategic action fields" (2013, p. 46). Drawing as it does on social movement theory (Fligstein & McAdam, 2014), the concept of strategic action fields is particularly useful for examining the conditions under which fields change in response to external events as well as the interactions between different fields. Strategic action fields respond to changes in the conditions in which they operate, for example conditions of uncertainty or crisis. There are occasions on which collective action in the form of collaboration, for example, by otherwise competing firms, may be an appropriate response to sustain the field (Bozic et al., 2019). In some cases, exogenous shocks alter the salient sources of authority for a strategic action field, leading to a re-framing of what is considered to be legitimate practice and the creation of additional sources of authority. Events occurring in proximate fields trigger change and socially skilled actors can influence how such change will be received, working to maintain the status quo or brokering the change.

The strategic action field concept has been used by a variety of scholars in diverse areas of study. Moulton and Sandfort (2017), for example use strategic action fields to examine a public service intervention in which they find an array of authorities and observe that actors draw on "to legitimate field interactions" (p. 163). Modell and Yang (2018) use the strategic action field framework to better understand the agency exercised by regulatory bodies in a new context. They use the theory to see how fields emerge in conditions of radical change, identifying the important role of internal governance units in this strategy. Bozic et al. (2019) examine the horse meat scandal in the UK as a reputational scandal that reverberated throughout the whole field. Here the authors observe that "under conditions of uncertainty or crisis within a field, a new shared sense of power relations governing the field emerges" (Bozic et al., 2019, p. 60).

Parker and Corte (2017) use strategic action fields to contribute to the sociology of creativity. Peter et al. (2019) explore adoption of digital transformation in Swiss business enterprises, conceptualising them as a set of highly related and nested strategic action fields. Sandfort and Phinney (2017) highlight the need for analysts to "appreciate and engage the complex systems dynamics within nested social contexts" and the "multiple and often overlapping" strategic action field involved during policy implementation (2018, p. 127). Reflecting growing interest in strategic action fields within international relations scholarship (as noted by Swartz, 2014), Kauppinen et al. (2017) apply the concept in their study of the emergence of the European Research Area. They enrich the theory by paying close attention to social mechanisms as well as actors, which they claim Fligstein and McAdam only deal with implicitly. Several scholars draw concurrently on strategic action field and Bourdieusian field theory, for example Spence et al.'s (2017) study of the differing habitus of public and private auditors in Spain. Haines and Macdonald (2019) similarly draw on both in their study of two cases of new regulation in Indonesia (2019, p. 2 & 8).

To the best of our knowledge, strategic action field has not been used explicitly in relation to tax regulation, although some tax scholars have drawn on Bourdieusian field theory (Anesa et al., 2019; Gracia & Oats, 2012; Rogers & Oats, 2021). Using two case studies of cooperative compliance in the tax field, this paper provides an empirical analysis of how imaginaries are used to sustain strategic action fields, and the extent to which field sustainability is impeded by incursions from proximate fields, which, over time, may cause increasing divergence between what were at the outset very similar fields. We recognise that action in strategic action fields is both cooperative and competitive and that cooperation is achieved through shared meanings which require continued maintenance. In order to better understand how the UK and the Netherlands have evolved differently, we focus in particular on the maintenance of shared meanings and the nested nature of fields, leading to pressure for changes in field practices.

### 3. Research issue and methodology

The two cases, we study here, the UK and the Netherlands, were chosen in light of their similarities in terms of sophistication of the tax systems and tax authorities and their common response to similar pressures leading to field change with the adoption of cooperative compliance in the mid-2000s. In both countries, the regulatory style is generally not adversarial, indeed they have been described as 'pragmatic' (UK) and 'consensual' (Netherlands) (see Wunder, 2009, p. 17). By analysing similar developments in similar countries, we are able to identify features of their respective strategic action fields that diverge, thereby allowing us to draw important conclusions in relation to how otherwise similar fields evolve differently in different settings. We gathered and analysed publicly available documentation for both countries including official reports and commentaries by practitioners and others with an interest in cooperative compliance.

The methodology used for this study also includes qualitative interviews, primarily face to face. Between 2015 and 2018, we conducted 56 interviews in total, including interviews with senior tax specialists working for large corporates, specialist tax advisors who provide advice to large corporate taxpayers and both current and former tax officials including those with direct responsibility for interacting with large corporates. Unlike many regulatory encounters which are bilateral engagements between regulator and regulatee, in the tax field advisors play an important role (OECD, 2008), acting as intermediaries between the two thereby forming the third side of the triangle, albeit with a smaller role in the case of very large businesses which tend to have their own in-house tax expertise.

All interviewees have had experience with working directly with cooperative compliance regimes or acting in an advisory capacity in relation to these regimes. Most interviewees were able to reflect upon the evolution of cooperative compliance arrangements since their introduction in the early 2000s. Reflecting the ‘revolving door’ (Mulligan & Oats, 2016) that is prevalent in the tax field in many countries, some interviewees had over time worked in more than one capacity; within the tax authority, an advisory firm, or a large corporate taxpayer. This multiplicity of experience gave added value to our interviews through the generous reflections of our interviewees on experiences on each side. We also interviewed representatives of business lobby groups and professional tax associations, which enriched our insights as these bodies represent different categories of corporate taxpayers and tax advisors. Finally, several academics with knowledge of cooperative compliance regimes were interviewed to elicit their perspectives on developments.

Interviews were in-depth and semi-structured, providing some flexibility and spontaneity and allowing the interviewees freedom to pursue their particular interests. The interviews lasted on average 60–90 min and were mainly conducted in the premises of the interviewee. All interviews were digitally recorded and then professionally transcribed and analysed using NVivo analysis software, which also served to manage the data. The Dutch interviews totalled 27, 7 from large businesses, 10 from the Netherlands Tax and Customs Administration (NTCA) and 8 from the tax advisory profession. In addition, two Dutch tax academics were interviewed, who hold long practitioner careers in the area of corporate tax. The UK interviews totalled 29, 9 from large business, 7 from Her Majesty’s Revenue and Customs (HMRC) and 13 from the advisory profession.<sup>3</sup> Identifying potential interviewees commenced with existing networks of connections and the snowballing method was used to find additional participants. The interviews were primarily conducted by one of the researchers, and the subsequent analysis by both researchers following extensive discussion of the various findings.

Throughout our field work we continuously coded the interview data, using a relatively open-ended coding scheme, and constantly compared our findings with archival material and extant research. This inductive analysis resulted in the compilation of an extensive description through which patterns emerged, and some probes became more appropriate than others in the context of stories around the main themes of enquiry emerging (Oats & Mulligan, 2016, p. 68). We gave priority to what our informants told us as actors with first-hand experience of the design and implementation of cooperative compliance. A first order coding of interview data provided a basis for mapping developments in each country descriptively. In this phase of analysis, the insights provided by the interviewees allowed us to get a better understanding of how the respective strategic action field emerged and developed over time, and also to begin to pinpoint differences in the structure and processes in the fields as well as their relationship with proximate fields, laying the foundations for our comparative analysis.

Once we reached a point of understanding the structure of the respective strategic action field and their relationships with proximate fields, following considerable discussion and reflection between the researchers, we were in a position to undertake a second order analysis to identify themes relevant to better understand how the differences between the two strategic action fields originated and developed. This abductive analysis comprised multiple readings of the transcripts to identify recurring themes in light of the theory and extant literature. We sought to understand features of this specific regulatory regime that can help to explain why it plays out differently in different settings, paying particular attention to external influences. We were keen to ensure that we did not focus too tightly on each strategic action field which, as noted by Mulligan and Oats (2016) can potentially lead to misunderstanding or oversimplification. This resulted in a more thematic ordering of data centred on the evolving relationships between the actors under examination, including how actors sought to influence evolving cooperative compliance practices, and responded to shifts in proximate fields. In the next section we present the outcome of our first order analysis which explains the origins and design of cooperative compliance in each country drawing on the insights and views of our interview participants.

#### 4. Cooperative compliance in the UK and the Netherlands: Origins and design features

Cooperative compliance is a new way of working for tax administrations and large businesses in which adversarial relationships are replaced by a cooperative approach on both sides – the stated aims being greater sharing of information and more streamlined processes that lead to securing certainty about tax liabilities more quickly. The starting point of cooperative compliance in the UK and the Netherlands is relatively similar, in particular the perceived need to change in the relationship between the tax authorities and the large business taxpayer population. For simplicity we refer to tax authority officers as tax inspectors, corporate tax specialists as in-house specialists and external advisors as tax advisors. The terms ‘large corporates’ and ‘large businesses’ are used interchangeably, and we use the term cooperative compliance throughout, although it was not used in the earlier years of implementation.

In both countries, the tax affairs of large businesses had been managed for some time by a specialised unit within the tax authority.<sup>4</sup> The old ways of establishing tax liabilities for large corporates using protracted written correspondence and a ‘scatter gun’ approach, as

<sup>3</sup> Please see Appendix for full details of the interviews.

<sup>4</sup> A large business unit was established in the Dutch tax administration in 1990. In the UK, prior to the merger of the previously separate tax agencies, for indirect taxes a large business unit was established in 1984, for direct taxes in 1997.



one of our UK interviewees described it, to seeking information from taxpayers, were widely applied by both the Dutch and UK tax administrations in the 1990s and caused significant frustration and ill-will on both sides. The audit process, which led to regular tax disputes between corporates and the tax administration, was perceived to be costly given the significant resources they consumed from both sides, putting both the efficacy and legitimacy of the corporate tax system at risk. In both countries, the tax administrations had become particularly aware of the poor state of their relationship with businesses following consultations in the early 2000s and both became enrolled in the idea that change was needed. The implementation of cooperative compliance around 2005 was driven by a shared belief amongst corporates and the tax administration that their relationship needed improvement. We describe the origins and design features of the two respective systems of cooperative compliance drawing on publicly available information, but importantly also the insights of our interviewees, some of whom were intimately involved in developments and described them in considerable detail.

#### 4.1. Origins

In the UK<sup>5</sup>, several reviews by the tax authority<sup>6</sup> recommended change, including new, faster processes for audits and enquiries, a stronger focus on customer relations and service, a need for greater certainty over tax due, speedier resolution of tax issues and more effective consultation and dialogue with businesses. HMRC subsequently published an operating model “Approach to Compliance Risk Management for Large Business” in 2007 and began prioritising clearing the backlog of audits, either moving on to litigation or through settlement using a process of negotiation and compromise. Interviewees indicate that during this period, HMRC also put considerable effort into better understanding the commercial environment in which large corporates operate.

In the same period, the NTCA, together with the Dutch Ministry of Finance solicited feedback from the business community regarding the relationship with large business. In discussions held in 2003 and 2004 with representatives from large businesses, the Dutch Employers Organization, and the Dutch Association of Tax Advisors, participants stated that the NTCA was “guilty” of adopting a “them and us” mentality (Stevens et al., 2012, p. 28).

The emergence of cooperative compliance strategic action fields relates to the wider political climate in the early 2000s, in which, against a background of increasing globalization, politicians in both countries were eager to enhance international tax competitiveness, not only through tax rates and rules, but also through administrative arrangements. The Netherlands, for example, had a long-standing practice of providing rulings on tax treatment, which bestowed considerable discretion on individual tax inspectors and was curtailed following European Commission intervention in 2001. This amenability was attractive to MNEs and subsequently became part of cooperative compliance, as a way of reinstating the ‘room to speak to each other’, in the words of one of our interviewees.

In addition, major international stock market scandals with companies including Enron and WorldCom had increased calls for stronger corporate governance and more stringent regulations for the internal control systems of businesses.<sup>7</sup> Although tax was not the focus of these regulations, the introduction, or modification, of the corporate governance codes provided impetus for the Dutch and UK tax administrations to modify their approach to regulating large businesses. The governance changes and consultations with the business community in the early 2000s resulted in a joint emphasis by the tax administration and the business community, in both the UK and the Netherlands, on avoiding increasingly time-consuming audits.

Dutch cooperative compliance, now generally known as horizontal monitoring, started in 2005 with a pilot including twenty large, mostly listed, mostly Dutch companies. Horizontal monitoring is a regulatory approach favoured in the Netherlands that places regulator and regulatee on a more equal (horizontal) footing as opposed to top-down (vertical) regulatory control methods. The NTCA had to make little effort to convince the companies to participate in the pilot (Stevens et al., 2012). It was agreed that the NTCA and companies participating in the pilot would work on the basis of “mutual understanding, trust and transparency”, with the objective to conclude a covenant between the NTCA and every participating company. In a letter sent to Parliament in April 2005, the Dutch Secretary of State for Finance described horizontal monitoring as aimed at “adjusting the NTCA’s supervision to a company’s level of fiscal control”. By this is meant tailoring the regulation to the company’s situation, in line with the ethos of responsive regulation that was gaining traction worldwide at the time.<sup>8</sup>

The emergence of cooperative compliance strategic action fields reset the relationship between the tax authorities and large business taxpayers, arguably giving more power to the former by correcting the information asymmetry that previously prevailed where large businesses were able to control both the timing and quality of flows of information to the tax authorities. In return for greater and more timely access to information, tax authorities were required to develop greater business acumen to facilitate co-operation, consistent with the ‘third wave of state privatisation’ that naturalises the neoliberal agenda, as identified in Morales et al. 2014 (p. 424). In the large business space, although external advisors have less prominence than with small and medium sized businesses, cooperative compliance could also be seen as an attempt to reduce the power of the tax advisory industry in light of their

<sup>5</sup> See Tuck (2013) for a historical review of the UK context, and also Oats and De Widt (2019).

<sup>6</sup> These reviews led to reports in 2001, “Review of Links with Business”, also referred to as the Hartnett Report, after its author Dave Hartnett, then Director General of Inland Revenue (Inland Revenue, 2001), and in 2006 “Review of Links with Large Business” (HMRC, 2006), also known as the Varney Review.

<sup>7</sup> In the Netherlands, this resulted in the introduction of the Dutch Corporate Governance Code in 2004, and in the UK in the Combined Code, comprising the Cadbury and Greenbury Codes, introduced in 2003.

<sup>8</sup> Dutch Lower House (*Tweede Kamer*), Parliamentary Documents II 2004/05, 29 800, No. 2. The Hague. On responsive regulation, see Braithwaite (2011).

alleged predatory practices (see for example [Sikka & Hampton, 2005](#)). In this regard, several Dutch interviewees indicated that the introduction of horizontal monitoring effectively ‘squeezed out’ external advisors.

Cooperative compliance in the UK, in contrast to the Netherlands, has never been a clearly delineated programme, but rather is a suite of policy initiatives directed at large corporate taxpayers and introduced at various times throughout the period from 2005 to 2018 on which we focus in this paper. This is an important point of distinction between the two models to which we will return later. As will also be shown later, whilst openness and transparency have been central referents to the relationships in both systems, Dutch horizontal monitoring has continued to emphasise a trust-based relationship, whereas we observe a diminution of trust in the UK.

The contemporaneous shift in policy in these two countries, alongside others, is not surprising. The emergence of this new way of working reflects a ‘travel of ideas’ ([Czarniawska & Sevón, 1996](#)) facilitated by high level interactions between tax authorities in such forums as the OECD Forum on Tax Administration, as well as more focussed arenas such as the Joint International Taskforce on Shared Intelligence and Collaboration, and informal venues such as conferences of tax administrators. We should also not be surprised to find local adaptations whereby similar policy choices are implemented differently. What is of particular interest here, however, is *how* a new policy becomes embedded and sustained. The next section highlights the key points of similarity and difference between the two models.

#### 4.2. Design features

The Dutch and British models differ in terms of *compulsion*. In the Netherlands, participation in cooperative compliance is voluntary and by application from the corporate taxpayer. In the UK, not only was there no distinct programme, unlike the Dutch case, but cooperative compliance applies to all business taxpayers falling within the purview of the large business unit, i.e., no application process is required.

In both systems, large corporates are allocated a *single point of contact* within the tax administration. In both the UK and the Netherlands, a dedicated tax inspector acts as relationship manager for each large business. This contrasts to the previous situation where corporate tax specialists interacted with different tax inspectors depending upon the type of tax or specific issue under review. As a policy model, the narrative of cooperative compliance in both countries emphasises openness and transparency by the corporate taxpayer to enable discussion of issues with the tax authority before tax returns are filed, preferably in real time. This creates space to jointly consider the application of the law to particular fact situations thereby avoiding frictions resulting from unnecessary information requests ([Bronzewska, 2016](#); [OECD, 2013](#)).

The emphasis on interaction on a real-time basis, means that implementation of cooperative compliance is critically affected by relationship managers interacting directly with corporate tax specialists. In both the UK and the Netherlands, significant resources have been invested in aligning frontline implementation with cooperative compliance principles, such as special courses to enhance tax administrators’ communicative skills. A majority of tax inspectors appear to have constructively dealt with the mental shift required, whilst interviewees indicated that those “who did not buy into the new arrangements” were frequently transferred to functions in the administration where they no longer had direct client facing interaction. Those who were more flexible were able to adapt to the new approach.

The two systems differ in their *scope*, with the Netherlands having a much larger population within horizontal monitoring. Since horizontal monitoring was rolled out to the NTCA’s Large Businesses Division, around 40% of the approximately 9,600 companies included in this division joined horizontal monitoring. In the UK, initially approximately 700 large businesses were included in cooperative compliance, and this was increased to approximately 2,100 as the large business unit expanded its coverage in 2014.

The programmes also differ in terms of level of *formality*, with the Netherlands requiring participating companies to enter into a covenant, which is a standard text outlining the future working relationship, whereas in the UK there is no written agreement underpinning the relationship. The Dutch covenants are concise and concentrate on the intentions of both parties to develop a cooperative relationship, without detailing terms or standards ([De Widt & Oats, 2017](#), [Gribnau, 2015a](#)). The absence of specified standards in the Dutch model<sup>9</sup> has given flexibility to businesses in arranging their fiscal control structures but it does, however, provide a breeding ground for misunderstanding about what risks need to be shared, for example, “the company assumes that the tax authority is aware of something, and then it turns out it is not” (Interview, tax partner, Big-4 firm, NL20).

In terms of the central *mechanism of control*, the UK system is tax authority focussed and the primary oversight mechanism comprises a formalised risk rating system, under which each large business is evaluated by tax inspectors in terms of the risk it poses to revenue collection. This process recognises that various characteristics of large businesses will lead to higher likelihood of non-compliance, for example complex multinational structures. Although the ‘risk rating’ is discussed with the large corporate, the determination of the level of risk and the consequences flowing from that in terms of scrutiny rests with HMRC. As at 2017, HMRC defined a low risk taxpayer as ‘one who has an open and transparent relationship with HMRC, effectively manages their own tax compliance risk and who we trust will not engage in aggressive tax planning’ ([HMRC, 2017, p. 8](#)) and can therefore be trusted to bring issues to discuss in real time, and pay the right tax at the right time.

The Dutch system, on the other hand, is based on the self-evaluation of internal control systems, the tax control framework, by the large business taxpayer. The entrance criteria of horizontal monitoring are based on a company’s ability to convince the tax authority that it has the ‘willingness and ability’ ([NTCA, 2013, p. 19](#)) to improve its level of internal control. This puts particular emphasis on the

<sup>9</sup> In this respect, the Netherlands model is consistent with regulatory practice in other Dutch fields, for example the relationship between municipalities and theatres described by [Bogt and Tillema \(2016\)](#).

intentions of a company regarding its future aspirational level of control rather than its current ability.<sup>10</sup> Although the tax control framework was developed over time and has become the NTCA's main criterion to assess a company's readiness for horizontal monitoring, the NTCA has remained hesitant to formalise any aspects of the tax control framework, which contrasts to the UK approach where the parameters for risk rating are made publicly available (De Witd & Oats, 2017).

This brief overview of the origins and development of the cooperative compliance strategic action fields in each country demonstrates descriptively how two countries faced with a similar problem – how to regulate the tax affairs of large business taxpayers – adopted similar solutions but with distinctive design features. To better understand the subsequent development and divergent trajectories of, we draw on relational field theory, specifically strategic action fields.

## 5. Emergent themes

In this section, we develop the second order themes that allow us to answer our research questions. Through a close reading of interview transcripts and other material, including practitioner articles and studies of cooperative compliance by other scholars, as well as our engagement with strategic action field literature, we identified two overarching themes, one related to the internal workings of the strategic action field, and one to the relationship with proximate fields. The first theme, mutual trust, has been identified by other scholars who study cooperative compliance in a tax setting (e.g., Björklund Larsen et al., 2018). This theme helps us to understand how field actors strategically weave an imaginary to which they broadly subscribe in order to maintain field stability. The second theme, vulnerability, is derived from our reading of the strategic action fields and helps us to better understand the relationship of fields with proximate fields. Together, these themes form the basis for our analysis of how the two strategic action fields took divergent paths over time. Thinking about cooperative compliance through a relational field lens and in particular as a strategic action field, allows us to probe more deeply the socio-political dynamics of field change in two settings. In this section, we discuss these thematic concepts in turn to lay the foundations to address our research question.

### 5.1. Mutual trust at the core of the imaginary of cooperation

Mutual trust is a key element of the shared understanding of the rules of the cooperative compliance game and is pivotal in the functioning of the strategic action field. We conceive of trust as an integral part of the imaginary of cooperation; the shared vision of how things are supposed to be. By subscribing to mutual trust as the foundation of the imaginary of cooperation, field actors are able to promulgate a rationale for the continuation of the strategic action field, protecting it from challenge from either internal challengers or from proximate fields.

Trust is a relational concept entangled with uncertainty (Six & Verhoest, 2017) and existing at all levels of the nested fields: interpersonal level, organizational, national and international. In the context of this study, superficially at least, the tax administration trusts taxpayers to know best how to organize their internal control systems and taxpayers trust the tax administration to support that without undue interference. Trust implies give and take, or reciprocity (Björklund Larsen, 2018a); a mutual obligation which means that both the tax authority as regulator and the taxpayer as regulatee give something to the other to cement the relationship and bind each party to the game. In both countries, large corporate taxpayers, in return for greater certainty, were induced to provide a higher level of openness towards the tax administration than they did previously. From inception, cooperative compliance was framed as creating a more collaborative, frictionless mutually beneficial relationship: an imaginary of cooperation through mutual trust that underpinned the shared understanding of how the strategic action field operates.

The NTCA openly emphasised mutual trust from the outset stating that horizontal monitoring focuses upon increasing “trust, transparency and mutual understanding” between the tax administration and corporate taxpayers. Interviewees frequently referred to the model as a “gentleman’s agreement” with trust clearly visible in practice in its low level of formalisation.

The imaginary of mutual trust is resilient in the face of critics of horizontal monitoring who suggest that there should be stronger punishment for non-compliance once a company has concluded a covenant, given the considerable amount of trust placed in, and simultaneous benefits enjoyed by, horizontal monitoring companies. In addition, whilst the NTCA is able to unilaterally dissolve or temporarily postpone the covenant agreements, NTCA interviewees indicate this happens rarely even with companies that consistently demonstrate non-compliance. The NTCA has resisted change in this regard. A tax administrator explains this reluctance is partly driven by the NTCA's desire to maintain good relations with the company, which reflects the desire to preserve the imaginary of co-operation:

“What is your alternative? You have a company with which you have a covenant, you are not satisfied with it and then you cancel it. What will you do as a tax authority? The ultimate goal is to have a long-term impact on the behaviour of the company in a way that makes it easy to arrive at taxation. It does not help to say: “The covenant will be dissolved”, because then you have to think about an alternative. How are you going to communicate with each other? What will you do in the future? I think, even

<sup>10</sup> This approach is also visible in the absence of a due diligence investigation prior to a company joining horizontal monitoring, which is unlike the approach taken by other tax administrations that operate voluntary co-operative compliance arrangements, such as the US tax administration. The NTCA instead focuses on pending tax issues that are known to the business and the NTCA at the start of the horizontal monitoring process. E.g., the NTCA's guideline document (2013, p. 22) emphasises: ‘when the horizontal monitoring process is initiated the [NTCA's] account management team does not, within the scope of this process and within the discretionary powers of the account management team, actively search for unknown past misstatements.’



if it went completely wrong, you will have most options within the programme. You always have the psychological contract of the covenant, whereby you want to do your best for each other to get it back on track.” (Interview, NTCA tax administrator, NL18).

In the UK the narrative of mutual trust is less overt in HMRC communications but was articulated by several of our interviewees, one of whom observed:

“...[I]f you had a relationship based on trust and transparency, then you could collect taxes more easily, you could make it more attractive for businesses to come to the UK, and everyone was a winner.” (Interview, former HMRC senior tax official, UK21).

Mutual trust is also portrayed as a mechanism to secure certainty, as another interviewee observed:

“the words “cooperative compliance” sound like a cosy relationship, and I think businesses see it as far from that. It is a way in which you can build mutual trust and understanding, but businesses really just desire certainty. It’s not about getting a favourable tax decision; it’s just reaching that certainty which is the primary benefit that businesses like.” (Interview, Business Representative Body member, UK18).

Relatedly, another UK interviewee noted:

“I think what it basically comes down to is a neutral environment of trust and openness. And basically, the key phrase, I think, is “no surprises”.” (Interview, inhouse tax specialist, UK24).

While the imaginary of cooperation reflected in the notion of mutual trust underpins the shared understanding in the strategic action field, it has been eroded in both countries over time. One of the presumed benefits of cooperative compliance for businesses is achieving certainty more quickly through faster tax administration responses. The speed of cooperative compliance interactions in both the UK and the Netherlands is increasingly, however, hampered by governance arrangements. One such governance arrangement is the risk assessment process (De Widt & Oats, 2017).

The NTCA’s stated risk assessment approach, for example, is not always implemented by tax administrators in practice as “some colleagues do ask for far too much information” (NL18). In addition, several Dutch in-house tax specialists interviewed highlighted what they perceived as reduced willingness, over time, by NTCA tax administrators to utilise their discretionary space, which they said reduces the speed by which the tax administration provides clearance on corporate tax enquiries. Although not discarding the corporate criticisms, senior Dutch tax administrators interviewed mentioned the role of the executive board of the NTCA – the NTCA Management Team – which they claimed continuously seeks to ensure the reciprocal nature of horizontal monitoring. An illustration provided, and hereby reflecting its role as an internal governance unit, is the executive board frequently encouraging national level working groups of tax inspectors, which have been established to address complex fiscal queries arisen in the interaction with corporate taxpayers, to resolve these as quickly as possible.

In order to increase trust, there has been a conscious shift towards HMRC developing a better understanding of the commercial motivations and drivers of tax planning arrangements as arguably poor relationships previously were in part attributable to a lack of commercial awareness on the part of tax inspectors. Developing tax authority expertise in this way has strengthened HMRC’s hand, and they are arguably less vulnerable to deceit and obfuscation on the part of large firms as a result of better understanding the context of commercial decisions.

In the UK, tax advisors and corporates reflect critically on the evolution of cooperative compliance. These interviewees were almost unanimous in their view that, over time, in particular after 2012, UK cooperative compliance had become less cooperative and trust based. In the words of one interviewee, it “ceased to be two-way and it’s become more one-sided” (Interview, Big-4 tax partner, UK 17).

In the UK, the introduction, for example, of anti-avoidance legislation goes against the imaginary of co-operation, implying as it does, mistrust. Another example is the Senior Accounting Officer rules introduced in 2009 requiring a designated senior accounting officer for large UK companies to sign an annual declaration that ‘appropriate accounting arrangements’ have been used to calculate the company’s tax liabilities.<sup>11</sup> Many companies indicate that they had to make significant changes in their organisation to comply with the Senior Accounting Officer legislation (cf. MacPherson et al., 2010). Unlike the Netherlands where companies are trusted to manage, or aspire to better manage, their internal controls, the UK Senior Accounting Officer rules signals a lack of trust.

The imaginary of co-operation through mutual trust fluctuates over time as changes occur within the strategic action fields as a result of shifts within the field that destabilise it, but importantly also, in response to external influences as seen in the next section.

## 5.2. Vulnerability and relations with proximate fields

Vulnerability relates to the stability of a strategic action field in its relations with proximate fields. Some strategic action fields remain relatively stable, maintaining consistency in the shared understanding of the rules of the game and only gentle ‘jockeying for position’ between field actors. Other strategic action fields, however, experience more turbulence leading to more frequent shifts in how the game is played. In the Netherlands and the UK, the strategic action field of large business corporate tax demonstrates many

<sup>11</sup> In the event of these accounting arrangements falling below this standard, the Senior Accounting Office is personally responsible and subject to a financial penalty of GBP £5,000 per instance. Although the penalty is perhaps not significant in itself, the fact that it is levied personally on the SAO could have significant reputational repercussions. The legislation was introduced as part of the Finance Act 2009 (Sch. 46) and applies to companies with a minimum turnover of GBP £200 million, or a balance sheet of more than GBP £2 billion. For a discussion of the introduction of the SAO legislation, see Freedman (2009).

links with both other organisational units within the tax administration and the macro policy level of the tax field, both national and international. Vulnerability of a strategic action field to the influence of changes in proximate fields is evident in both countries, but we identify significant differences between the two tax systems depending on system specific issues that arise and the constellation of actors within and outside the field.

Although the Dutch strategic action field demonstrates resistance to change, it has not been immune to influence from various proximate fields, even though generally articulated in a more subtle manner compared to the UK. Drawing on our Dutch data, we observe four influential proximate fields in particular, the Dutch government, the tax advisory and legal professions, the European Commission, and the media which we discuss in turn below.

Whilst cooperative compliance was rolled out quickly following the positive evaluations of the initial pilots in 2006/07 (see section 2), the Dutch government published a more in-depth evaluation of horizontal monitoring in 2012.<sup>12</sup> This review raised a number of serious concerns, most importantly a lack of empirical information to evaluate the cooperative compliance tax arrangements going beyond subjective user experience data, a problem which the review attributed to the NTCA's failure to formulate "explicit performance indicators" (Stevens et al., 2012, p. 127). Multiple interviewees indicate that despite the serious concerns raised by the review the NTCA's response to its findings was rather slow. To address the need for more empirical information the NTCA ordered a follow-up investigation, results of which were published in 2017, five years after concerns had been raised by the initial review.

The follow-up investigation<sup>13</sup> found that the number of adjustments by the tax administration of the tax returns of large companies were not bigger or smaller for companies with or without a covenant. In other respects, as well, such as timely filing of tax returns, horizontal monitoring companies did not perform better than those under traditional supervision. There are signs that horizontal monitoring forced the NTCA to invest far more time in supervision than expected, partly due to the large number of companies admitted to horizontal monitoring needing above average support from the NTCA to arrive at an adequate level of fiscal control (Essers, 2017). Hence, several of our NTCA interviewees referred to horizontal monitoring as being "a relatively expensive model" of regulation, at least in its current form. The findings of the 2017 report by the NTCA's Knowledge Center constitute one of the motivations of the NTCA's project Further Development of Horizontal Monitoring ("Doorontwikkeling Horizontaal Toezicht"), which started in 2018<sup>14</sup>.

Interviewed tax advisors in the proximate Dutch professional services field were critical of what they referred to as the NTCA's "blind trust approach", and favoured clearer, more formalised regulations that would show how the NTCA decides on its level of supervision, and how changes in a company's behaviour impact upon the NTCA's risk assessment. We found mixed views however amongst corporate interviewees with a majority showing limited enthusiasm for formalisation. In part the advisors' urge to formalise the tax control framework is driven by a commercial rationale; to sell tax control frameworks. A Dutch tax administrator explains:

"This is a very complicated game, where there are several parties involved. In the Netherlands, you have large advisory firms who really want us to come up with rules, because it gives them a good business case on the basis of which they can go to clients saying: "We can build this [tax control framework] for you". (Interview, NTCA tax administrator, NL17).

Another influential proximate field is that of the Dutch legal profession. As horizontal monitoring has caused a significant decline in legal disputes between the NTCA and corporate taxpayers, fewer cases have ended up at the Dutch Supreme Court. According to the legal critique, the decline in cases has impeded the Supreme Court's constitutional duty to contribute to the development of corporate tax law. Whilst this critique has been articulated over multiple years, members of the proximate legal field have been rather subtle in vocalizing their critique of horizontal monitoring, limiting their discussions to specialised tax and legal circles (e.g., Dutch Association for Tax Science, 2015).

A significant influence on the Dutch strategic action field is the European Commission, which acts as an external governance unit. Interviewees indicate that, following rulings by the European Commission that have branded certain Dutch tax rulings as illegal state aid (e.g., Starbucks), interactions between companies and the tax administration in the Netherlands have come under growing pressure. This, according to the majority of interviewees, has resulted in a higher level of caution in horizontal monitoring's frontline implementation by tax administrators. Yet interviewees from all sides demonstrated resistance to the European Commission's

<sup>12</sup> The review was carried out by the Committee Horizontal Monitoring Tax and Customs Administration, also known as the Stevens Committee, named after its chair Leo Stevens, a widely respected Dutch tax professor. Other members of the committee included two professors, both of which with existing links to the NTCA, a civil servant from the Interior Ministry, and a former tax director of Royal Dutch Shell.

<sup>13</sup> The investigation published in 2017 ('Rapport Onderzoek Grote Ondernemingen') was undertaken by the Knowledge Center of the NTCA and drew on a survey of 350 randomly selected large Dutch companies, comparing the compliance performance of corporates with and without covenant.

<sup>14</sup> This has resulted in a number of changes to be gradually implemented during 2020–2022. This includes the termination of horizontal monitoring covenants with the one hundred largest companies operating in the Netherlands and replacing those covenants with an 'individual tax monitoring plan'. Medium-sized companies will continue to be able to conclude a covenant but under stricter requirements, whilst other large companies can only participate in horizontal monitoring through their tax advisor. It remains to be seen however to what extent the announced measures will result in genuine change in the practice of Dutch horizontal monitoring.

allegations, and often defended horizontal monitoring, as well as the Dutch ruling practice generally, for its ability to provide corporates with early certainty, which, in their view, is a demonstration of the NTCA's high-level professionalism. This stance is also reflected in the Dutch government's decision to appeal at the EU court against the European Commission's rulings – where EU judges ruled in favour of the Netherlands in the Starbucks case – and the Dutch government's refusal to make significant changes to the NTCA's relationship with corporate taxpayers.<sup>15</sup> Hence, actors did not expect any significant policy interventions in the Dutch corporate tax field, at least in the short term, apart from the government's announced "fine-tuning" of the Dutch ruling practice (which will no longer be available for companies that are solely seeking Dutch tax residency, or where the sole purpose of the ruling is to reduce a company's tax contribution).<sup>16</sup>

The Dutch media has fuelled concerns about horizontal monitoring's capacity to deliver its originally intended efficiency gains for the tax administration. In particular, a growing stream of critical media reports have emerged, some of which drawing on interviews with retired tax inspectors, that impute horizontal monitoring has reduced the NTCA's awareness of the tax position of companies because of the considerable reduction in audits, and, would therefore pose risks to the collection of taxes amongst corporate taxpayers (e.g., Kleinnijenhuis & Kuijpers, 2017). Several interviewees reflected critically upon what they referred to as "a standstill of Dutch cooperative compliance" – one interviewee comments:

"It seems as if the law of the handicap of a head start now comes into force. I have the impression that other countries are now overtaking us, while cooperative compliance with us seems to be more or less standing still. With us it seems that it does not go much further than... having a good relationship with the tax authority. But it might actually need to go a little further than that." (Interview, Big-4 tax advisor, NL21).

This implies that the imaginary of cooperation through mutual trust, and hence the stability of the strategic action field, is eroded by perceptions of stasis in the Netherlands. In the main, however, critique of horizontal monitoring has been vocalized by actors professionally engaged with the cooperative compliance field, which may help to explain why most critique has been articulated softly and restricted to professional circles. The European Commission however stands out for the public manner in which it has criticized Dutch cooperative compliance, and, even though legally the Commission's case has faced setbacks, most Dutch interviewees indicate that it is the Commission's scrutiny which has most significantly impeded trust relationships in the Dutch cooperative compliance field.

In the UK, we find a slightly different group of proximate fields exerting pressure on cooperative compliance. Despite a challenging start, interviewees indicate that relationships between companies and HMRC significantly improved in subsequent years. Due to the more frequent interactions, tax liabilities were concluded much faster, which significantly reduced the corporate tax workload. However, relationships between corporates and HMRC began to deteriorate in the post-2009 period. Indeed, although there had been some earlier probing of HMRC's approach to large business, from 2009 the attitude towards cooperative compliance shifted significantly.

There is speculation about the origins of this shift, but the majority of our interviewees indicate it was an amalgam of events including the global financial crisis and subsequent austerity which led to "a massive spotlight that suddenly shone on large business tax" (interview, senior HMRC tax official, UK29; see also Christensen & Hearson, 2019). We identify the political field, the wider tax policy field and the wider tax administration field as exerting pressure on the UK strategic action field to which, unlike the NTCA, HMRC has responded resulting in a diminution of the imaginary of co-operation over time.

In terms of parliamentary scrutiny, the House of Commons Public Accounts Committee, has been an impactful external governance unit. Although the Public Accounts Committee had traditionally dedicated little attention to tax administration – some of our interviewees stated the area could reasonably be perceived as outside the committee's remit – it had started to examine HMRC's management of large business corporation tax in 2008, followed by a review of HMRC's dispute resolution performance in 2011. Under a new Chair Margaret Hodge (now Dame), the Public Accounts Committee once again, but arguably more aggressively, questioned the veracity of HMRC's relationships with large businesses (PAC, 2011). The Public Accounts Committee expressed concern about HMRC's governance arrangements and stated HMRC Commissioners did not have capacity to provide independent oversight of settlement arrangements. The Public Accounts Committee in conclusion expressed concern "about the perception that the Department [HMRC] has an unduly cosy relationship with large companies it is trying to settle tax disputes with" and further "appears to be showing large companies greater leniency in the time it is allowing them to pay their tax liabilities", implying inequitable treatment vis-à-vis other categories of taxpayers.

The observations of the Public Accounts Committee, described by one of our interviewees as a "ruckus", preceded a change in HMRC's senior management in 2012.<sup>17</sup> At this point, according to several of our interviewees, the Large Business Service, as it then was called, was put under increased pressure to justify continuation of cooperative compliance, while at the same time faced with difficulties in retaining highly skilled professionals as the focus of senior management shifted to other parts of the organisation. One UK interviewee noted in this regard that:

<sup>15</sup> The European General Court, the EU's second highest court, ruled in September 2019 that the European Commission was "unable to demonstrate the existence of an advantage in favour of Starbucks" from a "sweetheart" corporate tax arrangement for the US company in the Netherlands. The general court annulled the decision from European Commissioner Vestager, who in 2015 ruled that the corporate tax arrangement constituted illegal state aid by the Netherlands (FT, 2019). Appeals by the Netherlands are pending at the EU court against the European Commission's decision to similarly brand NTCA tax rulings granted to Nike and Ikea as illegal state aid.

<sup>16</sup> Dutch Lower House (Tweede Kamer), Parliamentary Documents II 2018/19, 25 087, Internationaal (fiscal) verdragsbeleid [International tax treaty policy], No. 223. The Hague.

<sup>17</sup> When Dave Hartnett retired, and the Chief Executive Dame Leslie Strathie was replaced by Lin Homer.

“2011 was probably about the time that politicians started to take an interest and accuse HMRC of sweetheart deals. And because of that political interest, over the last few years, I think that HMRC has got tougher.” (Interview, Big-4 tax advisor, former senior HMRC tax official, UK23).

In the context of an intensifying political debate, government ministers provided little defence of HMRC, even though the Public Accounts Committee’s allegations of “sweetheart deals” in the investigated cases were found to be unsubstantiated in a later independent review (Freedman, 2016). One interviewee observed: “They’ve just allowed the Public Accounts Committee to give HMRC a kicking for doing the thing that ministers wanted them to do in the first place” (interview, former HMRC senior tax official, UK21). Another interviewee highlights the deficient public reply by HMRC during that period to the allegations, with the organisation’s initial instinct being “to hide behind the sofa” (interview, senior HMRC tax official, UK29)<sup>18</sup>. In addition, the lack of open political support for cooperative compliance processes by government ministers in this period indicates limited ability by HMRC to mobilise allies in the midst of a crisis. Several interviewees suggest this may have been partly due to limited social skill by HMRC actors, reducing HMRC’s capacity to provide a fast response to a rapidly changing environment, and the department’s shortcomings in framing lines of action, and mobilising political allies in the service of these action “frames” (Fligstein & McAdam, 2011; Jasper, 2004; Snow et al., 1992).

In the UK, tax policy is the preserve of HM Treasury. Several interviewees referred to the “very strong dividing lines” between HMRC and the Treasury, which hindered a more robust defence of cooperative compliance as an administrative innovation. As the tax settlements were the domain of tax administration, the Treasury remained largely uninvolved, with the defence of the settlements left to HMRC. One interviewee comments:

“In many ways, I think, the Treasury was secretly quite pleased that [HMRC] was having a hard time, because they took a view that there’s a lot of sort of fairly thug-like inspectors going around trying to beat up companies and “well, this is what happens, isn’t it?” So it’s an interesting dynamic.” (Interview, Big-4 tax advisor, former senior HMRC tax official, UK27).

UK tax policy level field dynamics thus had an important impact on HMRC and affected the organisation’s operationalisation of cooperative compliance. It instigated several of the policy measures mentioned above, of which the introduction of some measures is explained by our interviewees as HMRC wanting to demonstrate receptiveness to external critique as well as the change in public attitude towards corporate tax practices generally; reflecting the new ‘moral logic’ that Radcliffe et al., (2019) suggest has supplanted the ‘commercial logic’ of tax minimisation previously prevailing among taxpayers and their advisors. The introduction of several policies, summarised in Table 1, is mentioned by the majority of our UK interviewees as having had a destabilising impact on the UK’s strategic action field. One in particular, the special measures regime, was introduced in 2016 in order to deal with a very small number of large companies persistently engaging in aggressive tax planning or otherwise refusing to cooperate with HMRC. The regime places such companies under very close scrutiny. Several of our interviewees were critical of the special measures regime, for example:

“It seems very odd to be introducing these special measures when HMRC say that the number of companies are less than the number of fingers on one hand. Well actually, if that’s the case, why go and burden this for everybody? Go and focus on getting some actual proper investigation in those three/four companies, rather than creating a system which just applies across the board.” (Interview, Big-4 tax partner, UK16).

A second prominent change seemingly running counter to the cooperative compliance model’s imaginary of co-operation through mutual trust is the requirement introduced in 2016 for large corporates to publish their tax strategy online. While resonating with public demands for greater transparency of the tax affairs of large businesses (see section 5.4 below), several interviewees were sceptical about the usefulness of the measure:

“It looks a bit odd to be forcing the companies to publish the tax strategy, because a large proportion of the FTSE 100 actually have. It’s kind of you’re cementing into law a kind of best practice that either will grow or won’t grow, without really justifying why that’s a good strategy. It’s also quite odd that, if this is intended to be of benefit to investors and those actually wanting to know about the company, why would HMRC be the party to determine this?” (Interview, Big-4 tax partner, UK17).

HMRC’s increasing emphasis on companies’ compliance was further reflected by its Customer *Relationship* Managers being renamed as Customer *Compliance* Managers (CCM’s) in 2017 – a relabelling apparently designed to make the relationship look less “cosy” (Freedman, 2018; Moore, 2016). This “playing to the gallery” was widely seen by interviewees as damaging to the established cooperative compliance relationships, especially as many of the measures being implemented were perceived as having questionable value to HMRC in tax compliance terms. HMRC’s compliance focus has influenced social dynamics and expectations in the UK strategic action field. Interactions and response times in the UK’s cooperative compliance strategic action field are slower than previously, whilst tax advisors and corporate tax specialists have increasingly framed their contribution in compliance terms (Holland et al., 2016).

Some measures, however, were perceived more positively by our interviewees. In response to criticisms by external governance units including allegations of “sweetheart deals” by the Public Accounts Committee, but also shifts in media and political discourse, HMRC introduced the role of Tax Assurance Commissioner in 2012 and appointed a Disputes Resolution Board to scrutinise large and/or sensitive tax settlements. The majority of our interviewees endorse the introduction of these internal governance units in the wider

<sup>18</sup> The official explanation for the lack of defence by government ministers of HMRC at this time is the argument that HMRC is a non-ministerial department and hence is independent of government ministers. However, HMRC has a ministerial sponsor and the department’s operation in practice has been described as “ministerial in all but name” (Rutter, 2013, p. 14), giving rise to concern that, on the pretext of preserving independence, government accountability has been reduced (Freedman, 2018).

**Table 1**  
Overview regulatory changes UK corporate tax field.

Year	Regulation	Description
2005	Tax on the Boardroom Agenda	Large corporates encouraged to escalate tax to Boardroom level
2009	Banking Code of Practice	Voluntary code designed to change banks' attitude towards tax avoidance; HMRC may name any bank that it considers has not complied with the code
2009	Senior Accounting Officer (SAO)	Senior accounting officers from large companies are required to sign an annual declaration that 'appropriate accounting arrangements' have been used to calculate the company's tax liabilities
2012	Litigation and settlement strategy and new role of Tax Assurance Commissioner	New governance structures designed to provide assurance that the settlements HMRC reach are appropriate
2013	General Anti-Avoidance Rules	Introduced to contain the market for tax avoidance schemes, not specifically targeted at large business
2016	Special Measures Regime	Aimed at large businesses who 'persistently engage in aggressive tax planning and/or who refuse to engage in an open and collaborative way with HMRC'
2016	Mandatory publication business tax strategy	Tax strategy should be approved by the Board of Directors and be in line with the overall strategy and operation of the business
2017	CRM's name change into CCM's	Renamed into Customer Compliance Managers, as to reflect HMRC's compliance focus
2018	Changes to risk assessment approach	From 'low risk' and 'non low risk' to four levels of risk, with 'non low risk' no longer part of the risk classification (low risk, moderate risk, moderate – high risk, and high risk)

field of HMRC's governance structure as it addressed genuine organisational shortcomings, with the comment by one interviewee being reflective of many:

"I think it [the governance changes] was necessary to make sure that there wasn't one person who was so dominant within the organisation that they were settling cases/disputes on their own, without others being present and others being willing to participate in the decision making and agree to the decision, and that the technical teams that were involved in the actual legal aspects of the dispute were not entirely cut out. I mean, it was not a good time. And what you saw coming out in the press was a very accurate reflection of what was happening within the department at the time. So, we had somebody who was amassing too much power to themselves, and that had to stop, and it was stopped." (Interview, Big-4 tax advisor, former senior HMRC tax official, UK27).

However, interviewees indicate that the introduction of the governance changes in 2012 instigated further changes in the organisation that have reduced the discretion of individual tax administrators including customer compliance managers. One interviewee:

"And so domestically, what we have now within HMRC is a very, I would say, almost overbearing governance process that means that, you know, it is increasingly difficult for a programme like the cooperative compliance programme to operate in the way that it should, because the inspector on the ground is very, very restricted in doing any sort of arrangement, coming to any decision on how to deal with a particular item of income or expense. They're very, very nervous about making decisions, and every large case certainly has to go through several governance boards. It's become a very intensive process, lots of papers have to be produced, and everybody, I think, is very nervous." (Interview, Big-4 tax advisor, former senior HMRC tax official, UK27).

Consequently, frontline implementation of cooperative compliance in the UK is significantly affected by proximate field dynamics. Changes in practice however by frontline staff have not necessarily been the result of formal organisational changes in HMRC. More often they are the result of tax administrators who feel unsupported by senior HMRC management, and therefore are unwilling to take decisions, and instead more quickly forward tax issues up in the organisational hierarchy. The approach is also resulting in HMRC more frequently deciding to litigate instead of choosing for settlement (tellingly one interviewee recalled in relation to this a comment by a HMRC frontline administrator as saying: "I can't be blamed for litigating", interview, Big-4 tax advisor, UK17), which is adding to a growing backlog of appeals for tax tribunals (House of Commons Treasury Sub Committee, 2018; Goodall, 2018). The role of trust in the context of customer relations manager relationships over time was described in the following terms by one interviewee:

"I think the [customer relations manager] approach so far has really built up a level of trust, and much better than it was then [before 2005]; it's just now it's basically jumped and then it's depleted over time." (Interview, Big-4 tax partner, UK 16).

In contrast to the Netherlands, low risk companies in the UK appear to have less access to their customer compliance manager, which in the companies' view, reduces the positive rewards for commitment to compliance. In addition, as HMRC's risk assessment model puts heavy weight on the inherent risk features of a company, our corporate interviewees felt that even if they made changes to their behaviour, it would make little difference to their risk rating, because many of the factors taken into account, such as international operations and group structure, could not be changed. In summary, over time scrutiny of cooperative compliance in the UK has intensified, with the Public Accounts Committee being most vocal in its criticisms. As government ministers kept themselves largely uninvolved with what they depicted as an administrative affair, it was left to HMRC to seek to enhance legitimacy of its working practices with large business, which the organisation has primarily sought to achieve by applying a more coercive approach.

### 5.3. Comparing models

The relative balance between the imaginary of cooperative compliance and vulnerability to proximate fields fluctuates over time



and in different ways in both strategic action fields.

*Mutual trust* is a cornerstone of the imaginary of cooperative regulation; the element of co-operation derives from perceived mutual benefit from improved understanding of the other point of view. The Dutch strategic action field shows greater reciprocity as in return for increased openness, companies in horizontal monitoring have experienced faster treatment. The UK model in contrast has become less reciprocal over time as the model's perceived benefits have reduced, especially due to a reduction in HMRC's response time, whilst simultaneously openness and transparency requirements for large business have increased, eroding mutual trust. This difference can be explained by the fact that the UK model is compulsory which means that interactions in the UK have remained more power based, which, in contrast to the Netherlands, has mitigated against similar wholesale shifts in ways of working.

The Dutch cooperative compliance model places strong discursive reliance on trust-based cooperation, with the NTCA demonstrating considerable willingness to accept vulnerability based on the expectation of companies joining the new regime. In the UK, by contrast, HMRC has put greater reliance on control and accountability mechanisms, with the latter strongly focused on enhancing external trust, even when resulting in a deterioration of internal trust in strategic action field relationships. Yang (2006) distinguishes affect based trust, which is grounded in the belief that regulatees have integrity and are honest, and knowledge-based trust which is grounded in the belief that regulatees have relevant knowledge and skills. Using Yang's (2006) terminology, the NTCA has applied a primarily benevolent or affect based trust approach, whilst HMRC has put increasing reliance on knowledge-based trust, that is trust grounded in beliefs and techniques that enable administrators to determine the extent to which corporates have skills and knowledge deemed important by administrators.

In terms of *vulnerability* to incursions from proximate fields, we argue that the UK regulatory model is more vulnerable to critique than the Dutch model. Though cooperative compliance is challenged in both systems, in the UK critique has been more forceful and often articulated by actors from a wider range of proximate fields, in particular political actors and the media (Holland et al., 2016; Oats & Morris, 2018). This contrasts with the Dutch case, where most critique has been articulated within the wider tax field, but, and in line with what is predicted by strategic action field theory, articulated in a more subtle way. This has subsequently given greater scope for Dutch internal governance units, particularly senior managerial entities in the NTCA and Dutch Ministry of Finance, to defend horizontal monitoring and mollify critique from within the wider tax field without making fundamental changes to the cooperative compliance model in use.

The design of the Dutch model as a defined programme arguably makes it more vulnerable to critique amid expectations that the benefits of the programme should be identifiable, however the benefits are proving difficult to quantify retrospectively. The UK model, as a fragmented suite of individual interventions, is not assessed as a coherent programme and HMRC has not been called upon to identify and quantify the benefits holistically.

The differences in strategic action field interactions are also reflected in frontline implementation. In both systems, social skills of frontline workers appeared to improve due to cooperative compliance as tax inspectors were incentivized to become more familiar with the commercial environment in which companies operate (Tuck, 2010), and develop soft skills, with decision-making and listening skills mentioned by multiple interviewees. In both countries, interviewees on the tax administration but also business side underlined that these changes improved the ability of frontline workers to understand a corporate taxpayers' position. Pressure on organisational resources and rotation of frontline tax inspectors however has reduced knowledge of field conditions amongst some frontline tax inspectors, negatively affecting the imaginary of co-operation.

In both countries, the tax advisory field is somewhat peripheral to the regulatory regime that has been carefully crafted to focus on the direct relationship between tax authorities and large business taxpayers. The advisory profession is not quiescent in either country, however, and in the Netherlands has pushed for formalisation of the tax control framework, but met resistance from the NTCA.

Comparing the two strategic action fields, the willingness by the tax administration to take risk-taking acts, necessary for building mutual trust-based relationships has clearly reduced in the UK case. By having put less emphasis on a company's fiscal track record when entering horizontal monitoring, Dutch tax administrators reveal a stronger reliance on social skills and take trust as a starting point, assuming it will grow with use. The manifestation of trust by the NTCA has been motivational for companies; however, the institutional design of Dutch cooperative compliance has made it very challenging for the NTCA to verify whether a company has improved its fiscal track record, and hence to identify whether by engaging in a risk-taking act, the risks have been returned in the NTCA's favour.

## 6. Conclusion

In the 1990s, tax authorities worldwide began to come under pressure from their respective governments to demonstrate their ability to manage their relationship with large corporate taxpayers. It was widely believed that multinationals, in particular, were gaming inconsistencies between countries' tax laws and also the way those laws were administered. Tax authorities, on the other hand, were assumed to be inept and lacking the knowledge required to keep multinationals in check, allowing tax avoidance to flourish. In the early 2000s, a trend emerged in some countries to seek more consensual approaches to tax regulation for large corporates and move away from adversarial relationships that were thought to disadvantage tax authorities. The ensuing emergence of cooperative compliance in several, but not all, countries can be seen, therefore, as an attempt to shift the balance of power in favour of tax authorities, which would be better able to monitor and collect corporate tax liabilities to the benefit of government and wider society. Yet subsequent developments brought these issues to public attention, leading to increased scrutiny and criticism from the commentariat suggesting that tax authorities had become too 'cosy' with large business and were not enforcing tax payments as a result. This shifting dynamic highlights an ongoing tension between coercive and collaborative regulation, each of which has a power dimension. Our focus is not why tax authorities choose to shift from coercive to cooperative models, nor are we concerned with the respective merits of

each. Rather, our interest lays in understanding how cooperative compliance operates differently over time in two different settings.

To explore this shifting dynamic in a comparative context, we sought the views of actors intimately involved in the practices of cooperative compliance in two countries. In this way, we go against narratives that conceive of cooperative compliance as a phenomenon that can be modelled in a game theoretic sense (De Simone et al., 2013), those that conceive of cooperative compliance as a ‘best practice’ by reference to tax administration’s official accounts (Owens & Leigh Pemberton, 2021), and those of the commentariats that attack cooperative compliance as furthering the interests of MNEs (e.g., Bergin, 2012; Osofsky, 2012). In all of these reductionist accounts, the voices of actors involved in practice are ignored, or at best marginalised, thereby limiting our understanding. In line with Flyvbjerg (2001) we seek to diversify knowledge (Gendron, 2018) by drawing on the practical wisdom of participants and adopting a different interpretive lens; relational field theory.

This paper conceives of the space of large business corporate taxation as a strategic action field and investigates how the field operates in practice. Through the narratives of field agents, past and present, we find two aspects of field practice that help us better understand the dynamics of the field. First, we examined how shared understanding in the form of an imaginary of co-operation sustains the field and buttresses it against incursions from challenge within the field or the influence of proximate fields. We find mutual trust at the core of the imaginary of co-operation.

Second, we examined how relations with proximate fields can lead to strategic action field vulnerability, producing responses that may undermine the shared understanding on which the strategic action field is based. When a field emerges or is subject to radical transformation, there are reverberations across all elements of the field; indeed “everything is up for grabs” (Fligstein, 2013, p. 40). Once fields come into existence and remain relatively stable, there is nonetheless constant change occurring, albeit incrementally; “the game for position is ongoing” (Fligstein, 2013, p. 41) and field actors engage with each other coercively, cooperatively and competitively in combination. Strategic action seeks to create and maintain stable worlds, in the face of constant change, and is highly context dependent in that any given strategic action field must respond to occurrences in both wider and proximate fields. As Fligstein notes, much of the “turbulence in the playing of the game can be explained by the relationships to other strategic action fields” (2013, p. 46).

Together, the two aspects of strategic action fields help us understand how professional fields develop differently in different settings. We compare two pioneering cooperative compliance systems where we find similar origins of the policy change, which were introduced at a similar point in time. In order to appeal to field actors and legitimate the change in approach, the policy was described similarly in both systems, with an emphasis on its capacity to enhance tax certainty for corporates through mutual trust. We observe, however, that due to important contextual differences, the implementation of cooperative compliance arrangements has increasingly diverged over time between the two countries. Our analysis abductively identified two themes iteratively drawn both from related scholarship and the theoretical framework and also prevalent in our data. The first of these themes, mutual trust, relates to intra field relations. The second, vulnerability, is concerned with the relationship between strategic action fields and the proximate fields within which it is nested or otherwise has some form of relationship. Considering these themes in tandem, we are able to reflect on the broader implications of our findings and their implications for our understanding of cooperative compliance as well as strategic action fields more broadly.

The capacity of tax authorities to ensure tax is collected efficiently, i.e., without excessive cost, which is ultimately borne by society, and equitably, i.e., with due regard to taxpayers’ rights, is important to the functioning of liberal capitalist economies. Supporting tax authorities in this endeavour is not only a question of government providing it with monetary resources, but also providing a legal and institutional framework that creates space for adaptability and responsiveness in the development of new tax collection policies.

The origins of cooperative compliance reflect concerns about tax authorities’ inability to manage large corporates’ tax liabilities. It was widely held that information asymmetries and the global reach of multinationals allowed them to obfuscate their tax position and play a cat and mouse game with tax authorities. It was initially expected that cooperative compliance would strengthen the position of tax authorities by speeding up processes and reducing the information asymmetries. Large corporates on the other hand were expected to become more compliant in return for more and earlier certainty in finalising tax liabilities. Our analysis of the interplay between mutual trust and vulnerability between the two models over time shows that the strengthening of the tax authority was more evident in the UK, evident in the range of new regulations introduced. In particular, the Dutch model has not experienced strengthening of the tax authority through new regulations to the same extent as the UK.

The turbulence in proximate fields has had less of an impact on the field in the Netherlands, and the Dutch field has remained relatively stable, with only marginal and indirect changes being made. This means that actors involved in its evolution, such as business lobby groups and high-level tax officials, have maintained their dominance without having to demonstrate that the system is beneficial for stakeholders not being a direct part of the strategic action field. Critical in this context has been robust defence by the Dutch internal governance unit of horizontal monitoring practices in the face of external challenge. The evolutionary model adopted in the UK, by contrast, has led to constant change making maintenance of the imaginary of co-operation more problematic. In the longer term, however, the greater level of flexibility to adapt to external critique by introducing new regulations, as displayed by the UK model, could be seen as a positive attribute and might support the longer term sustainability of the field.

The voluntary nature of Dutch cooperative compliance, and the exit option this provides to companies, has resulted in stronger incentives for the NTCA to try to meet company expectations. This has resulted in high levels of awareness amongst Dutch field actors of the fragility of their heavily mutual trust-based relationship, which has resulted in cautiousness about implementing any changes that may negatively impact upon this relationship.

This may explain why, in contrast to HMRC, the NTCA has been careful of making use of sources of authority beyond social skill and has been particularly restrained as to what is perceived as a relapse of employing regulatory authority, which corporate interviewees described as “reverting to vertical interactions” (NL08), that is, top-down regulation, and harmful to field sustainability.

We found that the stronger links maintained between the NTCA and the Dutch Ministry of Finance, as compared to HMRC and the Treasury, contributed to Dutch politicians showing greater assertiveness, compared to UK politicians, in their defence of the tax administration's cooperative compliance policies. This has also affected HMRC's approach towards large corporate taxpayers, indicative of the role of proximate fields in constraining action within the strategic action field.

Due to the compulsory nature of UK cooperative compliance, HMRC has less need for reciprocity than NTCA, which has been aggravated by HMRC's gradually greater reliance on control measures. The shift towards more coercive measures has constrained the use of social skills and tactics by UK tax inspectors when trying to shape field dynamics. In the UK, the field is criticized by large corporate taxpayers for being too responsive to proximate fields, resulting in the implementation of measures that seemed to have done little in terms of enhancing corporates' tax compliance but rather appear to have been implemented to reassure external actors. This reveals an act of "playing to the gallery" by UK actors, which has been destabilizing UK cooperative compliance. In the Netherlands, we observe less influence from the domestic policy level, with the NTCA and key internal governance units within it being more supportive of the interests of proponents of the model and directing resources to maintaining the cohesiveness of the cooperative compliance strategic action field.

One significant point of interest to wider society is the question of how can we know what the benefits and costs of this new way of working are? An effective way of monitoring cooperative compliance initiatives remains a sticking point (Owens & Leigh Pemberton, 2021). While the Netherlands has attempted to evaluate horizontal monitoring (Belastingdienst/NTCA, 2017) there is no conclusive evidence of its success in shoring up tax authority capacity to deal effectively with large corporates. The lack of empirical evidence in relation to the compliance effects of cooperative compliance models highlights the transparency challenges these models face, for which they are criticised. Indeed, it is curious how little attempt is made to evaluate the effects of cooperative compliance. The imaginary of cooperation through mutual trust appears to benefit both sides, with MNE tax departments able to use it to defend their decisions and tax authorities remaining committed to it despite it being anecdotally a relatively expensive model. Could it be that the provision of evidence is seen as jeopardizing the power of imaginaries in impacting mindsets?

By juxtaposing the two models and considering their operation and development over time through the lens of the relational field approach, we have identified points of comparison that may lead to future improvements as well as extension to other areas of regulatory control. For mutual trust to remain as a lynchpin in the functioning of the strategic action field, care is needed to maintain it, something that the Dutch model has managed better than the UK. Mutual trust as an imaginary of co-operation only has traction when both actors desire the good opinion of the other, a desire itself that is critically affected by vulnerability to critique from proximate fields.

The analysis of the two strategic action fields in this paper reveals the need for ongoing reflexivity in the maintenance of cooperative regulatory relationships. Our findings demonstrate that mutual trust, imagined or otherwise, is unlikely to be a guarantee for the long-term sustainability of a field in the face of vulnerability to proximate fields. The imaginary of co-operation may be a starting point of a regulatory strategic action field, however socially skilled actors can only influence how much change will be tolerated up to a certain extent. Beyond that, wider institutional features need to facilitate ongoing "constructive learning" (Bovens et al., 2008) among field participants. Our findings also highlight the fluidity of the institutional context with the role of mutual trust and proximate fields being both reinforcing and competitive. Thus, it is the interplay between these two field features that is pivotal to the sustainability of a field.

Going forward, with increasing emphasis on cross-country harmonisation of tax administration practices,<sup>19</sup> the Dutch strategic action field may find it increasingly challenging to defend incumbent practices, which, given the strong narrative of mutual trust in Dutch cooperative compliance, may significantly alter practices in the strategic action field. Given increasing incursions from proximate fields, a phenomenon not limited to regulation in the tax domain, it is pertinent to acquire more knowledge as to how fields seek to maintain their imaginary to buttress it against critique.

As a regulatory strategy, cooperative compliance raises several issues that are beyond the scope of the current paper but nonetheless worthy of further research. These include the influence of neoliberalism on the design and ongoing operation of cooperative compliance, and the relationship between cooperative compliance and international tax competition.

All regulators, including tax administrations, face major operational and institutional challenges to introduce, sustain, and substantiate the expected benefits of new ways of working, including shifting political goals, political and media scrutiny, and pressure on resources. A fundamental strategic challenge observed for regulators in our paper which merits further investigation is identifying a level of formalisation of regulatory interactions which satisfies actors operating both inside and outside the strategic action field. Settling on a too high level of formalisation will be detrimental to developing high trust relationships within the strategic action field, however a too low level of formalisation will be prone to generating distrust amongst actors outside the strategic action field.

Our study has implications for policy in respect of oversight mechanisms more broadly and the dangers inherent in emulating practices in other regulatory and country settings. Context matters and a narrow focus on the smallest Russian doll and the practices, strategies and tactics therein risks missing important elements that promote or undermine the success of any new regulatory intervention. Here the same policy, motivated by similar concerns about the relationship between large business and tax authorities and in particular perceived power imbalances, led to different design and responses to changes in the bigger dolls leading to fundamentally different outcomes.

<sup>19</sup> As exemplified by the OECD's work on Base Erosion and Profit Shifting, which has produced numerous best practice models for various aspects of tax administration leading to considerable isomorphism.

## Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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## Appendix. List of interviewees.

UK interviewee no.	Tax actor	Duration (min.)	Dutch interviewee no.	Tax actor	Duration (min.)
UK01	Tax advisor	90	NL01	Corporate representative body	75
UK02	Tax advisor	75	NL02	Tax advisor	85
UK03	Tax advisor	60	NL03	Tax academic	120
UK04	Corporate	50	NL04	Tax advisor	50
UK05	Corporate	60	NL05	Tax administration	110
UK06	Tax advisor	60	NL06	Tax administration	110
UK07	Corporate	70	NL07	Corporate	60
UK08	Tax administration	60	NL08	Corporate	60
UK09	Tax advisor	60	NL09	Corporate	85
UK10	Corporate	40	NL10	Corporate	50
UK11	Tax advisory body	90	NL11	Corporate	50
UK12	Tax advisor	60	NL12	Tax advisor	90
UK13	Tax advisory body	80	NL13	Tax administration	90
UK14	Tax advisory body	80	NL14	Tax administration	90
UK15	Tax administration	70	NL15	Ministry of Finance	90
UK16	Tax administration	70	NL16	Tax academic	100
UK17	Tax advisor	60	NL17	Tax administration	180
UK18	Corporate representative body	60	NL18	Tax administration	180
UK19	Tax advisor	80	NL19	Tax administration	90
UK20	Tax advisor	75	NL20	Tax advisor	90
UK21	Tax administration	60	NL21	Tax administration	75
UK22	Tax advisor	70	NL22	Tax advisor	75
UK23	Tax administration	80	NL23	Tax advisor	75
UK24	Corporate	60	NL24	Tax administration	75
UK25	Corporate	60	NL25	Tax advisor	70
UK26	Corporate	75	NL26	Corporate	75
UK27	Tax administration	100	NL27	Tax academic	75
UK28	Corporate	45			
UK29	Tax administration	105			

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