
TAX KNOWLEDGE IN LARGE CORPORATIONS: INSIGHTS AND ANALYSIS



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Professor Chris Evans and Shirley Carlon, University of New South Wales and
Professor Kevin Holland, Cardiff University, United Kingdom



charteredaccountantsanz.com

Tax knowledge in large corporations: Insights and analysis

**Research report prepared for the Institute of Chartered
Accountants in Australia (ICAA)**

by

Chris Evans

Professor of Taxation, School of Taxation and Business Law, University of New South
Wales (UNSW) Australia

Shirley Carlon

School of Taxation and Business Law, UNSW Australia

and

Kevin Holland

Professor of Accounting and Taxation, Cardiff Business School, Cardiff University, United
Kingdom

Contents

Introduction and context	1
Research objectives	2
Existing literature	2
Research method	4
Interviews.....	4
Surveys.....	5
Research outcomes.....	5
Interview results	6
Conclusions.....	15
Appendix 1: Overview of Interviews.....	17
Appendix 2: Tax Knowledge Research Project Issues List:.....	18
Appendix 3: Online Surveys	20
External Corporate Tax Advisers' Survey	20
In-house Corporate Tax Staff Survey	22
References.....	27

Introduction and context

This report provides details of a research project undertaken to explore aspects of knowledge management in the tax context in large Australian corporations. It is based on similar UK research and considers the management and sharing of tax knowledge by way of insights derived from key stakeholders in the tax decision-making system: administrators employed by the revenue authority; employees within the large corporations; and external tax advisers (usually employed by the “Big Four” accounting firms).

Knowledge management is critical to the efficient functioning of tax systems and the ability of corporates to manage and control their tax obligations. As corporate tax systems are increasingly used to influence decision making in a range of typically non-financial fields, tax decision makers and their advisers must now be able to interact effectively with experts across a range of fields as well as within their own traditional domains of accounting and finance. The recent revision to the Research and Development Tax Incentive (R&DTI) (Berger, 2011; AusIndustry, 2012) is a clear example of a tax provision designed to influence decision makers located outside of the areas typically occupied by accountants.

The decision of whether to respond to the R&DTI is dependent both on factors familiar to accountants, for example, assessing resource availability and costing, and other factors less familiar, for example, the potential scientific and commercial success of the contemplated R&D. If the R&DTI is to work in reducing the marginal cost of commissioning R&D, a process of combining expertise across domains is required. More critically, if the R&DTI is to have an ex ante influence on behaviour, individuals responsible for commissioning R&D must be aware of its existence and broad workings. Thomson (2010) quotes anecdotal evidence that previous attempts to stimulate expenditure on R&D through the tax system can simply lead to an ex post analysis for eligibility of previously committed expenditure rather than an ex ante influence on commissioning decisions. More central to the effectiveness of incentives, Thomson (2010) concludes that regular changes in policy reduce its effectiveness as investor uncertainty is increased. McKerchar and Hansford (2012) report a similar finding based on a survey of the UK’s R&D concession. McKerchar and Hansford (2012) recommend the practice of HM Revenue and Customs (HMRC) in the UK of using tax practitioners to disseminate details of the relief to their clients should also be adopted in Australia.¹

The above discussion in the context of R&DTI raises the broader issue of how accountants generally interact with non-accountants within corporates. This is of importance both to accountants working within a company and to accountants working outside of a company in an advisory capacity. The effectiveness of the advice may be partly dependent on the quality of information about the company that the adviser can access (Hasseldine, Holland and van der Rijt, 2011).

Although there is an increasing literature which examines knowledge sharing and decision making in a taxation setting, the focus has primarily been on the relationship between corporates and tax administrations, such as HMRC in the UK and the Internal Revenue Service in USA (Oats and Tuck, 2008; Mulligan and Oats, 2009). Hasseldine et al. (2010;

¹ However it is clear that tax adviser firms can play conflicting roles. From a tax administration perspective, tax advisers are analogous to a bee: they provide a useful knowledge transfer function (pollination) but simultaneously can facilitate higher levels of tax planning (a sting!) (Hasseldine et al., 2011).

2011) take a wider approach by focusing on tax knowledge sharing within corporates as well as between external tax advisers, corporates and a tax administration.

While a general examination of the role of accountants in tax knowledge management would be of interest, to provide a necessary focus and allow a manageable comparison among participants, two specific areas of tax are examined in this research. The first is the R&DTI as previously discussed and secondly, remuneration planning and payment (RPP). This is an area where again non-accountants, in this case human resource (HR) specialists, are involved in decisions which can have significant tax consequences. These tax issues cannot be ignored as many RPP decisions are not optional, as is often the case with considering a claim under the R&DTI.

Research objectives

The rationale for this research is firstly to investigate in an Australian context general issues of tax knowledge management; and secondly to extend Hasseldine et al. (2010; 2011) by examining the experiences of non-accountants, i.e. R&DTI and RPP experts.

The research addresses the following issues in the context of corporates' R&D and RPP activities:

- (1) What are the roles of accountants and non-accountants in tax knowledge management within corporates?
- (2) As suppliers of tax knowledge to corporates, how do external tax advisers facilitate knowledge management within corporates?
- (3) What are the factors that act as facilitators or barriers in the knowledge management activities examined in (1) and (2) above?
- (4) What changes can be made to improve knowledge management and can these changes be applied more generally to other tax related settings?
- (5) How do accountants assess tax risks that can arise within the specific R&D and RPP functional activities and more generally throughout corporates?

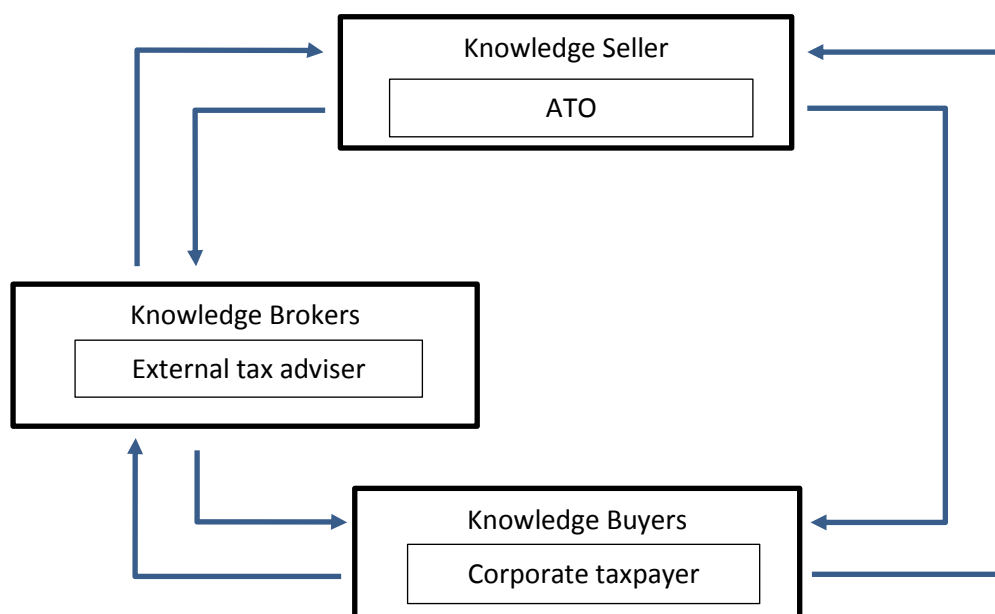
Existing literature

Although there is a vast literature on knowledge management in other business disciplines such as organisational management, accounting, and economics, very little has been published in the tax context. However literature in the tax context is growing, initially with a primary focus on knowledge flows between the corporate sector and the revenue authority (e.g. Oats and Tuck, 2008). More recently a wider approach is developing in the tax context, with a focus on intra-corporate knowledge management flows and tax knowledge management (e.g. Hasseldine et al., 2010; 2011).

The current research adopts a knowledge management framework (Hasseldine et al., 2010; 2011). In such a framework, knowledge is conceptualised as an economic asset which can be traded between different parties (Davenport and Prusak, 2000; Van der Rijt, 2007). The parties can be categorised as knowledge buyers, sellers and brokers. In the settings under examination in this research, the Australian Taxation Office (ATO) administers the taxation

law and communicates new tax legislation; it can be characterised as the knowledge ‘seller’. Corporate taxpayers are the ‘buyers’ so they can fulfil their tax obligation and/or avoid their obligations by tax planning and avoidance. However, participation as knowledge buyers is compulsory as there are explicit penalties for errors. The external accounting firms acting in an external tax adviser role are also important as they can supply tax knowledge from outside of the company relating to legislation or administrative processes; as such the advisory firms can be characterised as knowledge ‘brokers’. These intermediaries who supply/disseminate tax knowledge also pose a risk to the tax authority by virtue of their tax planning role (Hasseldine et al., 2011). The relationships of the parties are depicted in Figure 1.

Figure 1 Knowledge markets in tax legislation²



Other influences: Professional accounting and tax associations; Industry and business associations; and International organisations.

The role played by each of the three parties can change depending on specific circumstances, for example, an external adviser can move between the roles of acting as a knowledge buyer, supplier or broker. Similarly, within corporate taxpayer companies, the accounting and non-accounting experts can at different times fulfil the roles of buyers or suppliers. Accountants within companies, in raising awareness of R&DTI among non-accountants, may involve them in the role of knowledge sellers with non-accountants in the role of buyers. Subsequently, the positions can be reversed when a claim is being contemplated as the accountants may be dependent on the non-accountants for specialist information. In RPP activities a similar reversal can occur. Accountants may supply tax information to RPP staff at the remuneration planning stage but when compliance requirements are being addressed the direction of the knowledge sharing can reverse.

In summary, the adequacy of knowledge management can influence: the effectiveness of the R&DTI in promoting increased R&D expenditure; corporates' awareness of effective remuneration planning; and their awareness of tax responsibilities and related risks associated with R&DTI and RPP activities.

² Adapted from Hasseldine et al., 2011.

The broader knowledge management literature has identified a range of factors which can be classified as barriers or facilitators depending on the direction of their influence on attempts to share knowledge (Szulanski, 1995; Hinds and Pfeffer, 2003; Riege, 2005). Building on the work of Szulanski (1995) and Hinds and Pfeffer (2003), Riege (2005) classifies potential barriers into three sources: individual, organisational and technological. So far as the first is concerned, lack of time, lack of trust and demographic differences can affect individuals' willingness to share information. Secondly, there can be organisational barriers, for example lack of leadership, an unsupportive culture and internal competition. Finally, there are potential technological barriers, including lack of technological support and insufficient technological training. Szulanski (1995) identifies a range of factors at the level of the individual. In addition to basic underlying willingness to share, a lack of perceived reliability of the source, a shortage of absorptive and retentive capacity of this recipient and negative previous experiences between the source and recipient are significant factors. More generally cognitive barriers to sharing can be related to several factors, such as an inadequate level of knowledge-sharing skills and opportunities, a lacuna in expertise between sharing parties and characteristics of the knowledge that is shared (Hinds and Pfeffer, 2003).

Hasseldine et al. (2010) examined, inter alia, barriers and facilitators within UK corporates. Due to a limitation in access to a sufficient number of non-accountants, the perspective obtained was that primarily of accountants both working within the corporates and externally as advisers.

Research method

In examining the Australian tax knowledge market, this research initially replicates the approach of Hasseldine et al. (2010; 2011) before extending the analysis by including the role of non-accountants within firms.

A two stage research approach was adopted, comprising semi-structured interviews (stage one) and the conduct of four surveys (stage two). The role of the interviews was to inform the researchers' understanding of contexts and to identify any additional issues for inclusion in the ensuing survey instruments.

Interviews

Nine interviews were conducted face-to-face in late 2012. Two initial contextual interviews were conducted with senior officials from the ATO (knowledge sellers). Five in-depth interviews were then conducted with corporate personnel from Australian Stock Exchange (ASX) listed companies (knowledge buyers): one General Finance Manager (GFM); two Tax Directors/Managers; one HR Director/Manager; and one Head of R&D/Innovation. Finally two interviews were conducted with tax partners from major accountancy firms (knowledge brokers). Appendix 1 provides an overview of the interviews that were undertaken.

A semi structured interview approach was adopted in all the interviews, with an outline of the questions sent to the interviewees in advance.³ The questions covered general tax knowledge and the two specific areas of R&D and RPP. The interviews with the ATO (the sellers) concentrated on communication policies, risks and benefits, who they communicate with, and what they considered external barriers and facilitators to managing and sharing tax knowledge. The interviews with corporate personnel from ASX listed companies centred

³ Appendix 2 contains the Interview Guides (list of research issues) sent to interviewees.

upon how they obtained and shared knowledge, including identifying risks, and the internal and external barriers and facilitators of knowledge sharing. Lastly the interviews with the tax partners from external accounting firms (the brokers) dealt with communication between themselves and the ATO and with their clients, and included knowledge sharing within their own organisations.

The interviews were conducted in the presence of two of the researchers and all interviews were recorded, transcribed and agreed to by the interviewees. Subsequently the transcripts were coded and analysed using NVivo software. The data was coded into six main themes: risk; facilitators; barriers; interactions with external advisers; interactions with the ATO; and in-house interactions.

Surveys

Following the interview stage, four online surveys were developed, with one survey administered to each of the following groups: External Corporate Tax Advisers (ECTAs); In-House Corporate Tax Staff (IHCTS); Human Resource Managers (HRMs); and Scientific or Technical Personnel (STP). The original surveys used in Hasseldine et al. (2010; 2011) were adapted to take into account the Australian context and the results from the interviews.⁴

The ICAA advertised the survey and provided the link in its weekly *Tax Bulletin* for three weeks and also in two issues of *Institute News* (both emailed correspondence). There was a poor response so, in the final week of the survey period, mention was also included in the Institute's "Linkedin" page. Unfortunately the overall response rate was still poor, with only 22 responses in total: 16 from IHCTS and six from ECTAs. The six ECTAs were from very small practices⁵ and it was considered that it was unlikely that they would be dealing with the large corporates that were the subject of the research project. Not surprisingly they all believed that their clients valued their services to minimise tax risk and minimise taxes paid. There were no responses from the HRMs or STP cohorts.

As a result of the poor response to the online surveys, no meaningful conclusions or comments can be made from that aspect of the project. Whilst disappointing, the preparation of the survey instruments will allow further attempts to examine the topic in the future if better access to the relevant survey populations can be achieved. This possibility is being actively considered by the researchers.

Research outcomes

The tax knowledge market, with the ATO in the role of seller, corporate taxpayers as buyers and external accounting firms as brokers, was outlined in the literature review above. This section initially provides appropriate further context prior to outlining the results of the interview phase of the project.

Contextual background

The Australian taxation system, like most modern tax systems, is based upon self-assessment, with the ATO using a risk-based approach to ensure maximum voluntary compliance. As the knowledge seller, the ATO has a very extensive website, containing not only the law but also its interpretation of the law in the form of rulings, determinations and other ATO

⁴ Appendix 3 contains the online survey for the ECTAs and the IHCTS cohorts.

⁵ Five had fewer than four partners and one had 12 partners.

interpretative guidelines and policy statements. The ATO advice products, such as private, product and public rulings, are binding on the Commissioner, whereas guidance products are not but provide general assistance.

In 2002, the ASX established the ASX Corporate Governance Council which produced a document entitled *Corporate governance principles and recommendation* (now in its 3rd edition). All Australian listed entities, as part of the ASX listing requirements LR4.10.3, are required to disclose the extent to which they have followed the ASX corporate governance recommendations, and, if they have not followed the recommendations, the reasons for adopting alternative governance practices must be stated. One of the recommendations is for corporates to establish a Board of Directors' Remuneration Committee for approval of key management personnel remuneration. This may have an impact on the RPP knowledge sharing within the organisation, as the HR department consults directly with the Directors' Remuneration Committee independent of the finance and tax functions of the corporations.

Interview results

In this section the interview responses relating to how corporates manage their tax knowledge are addressed on the basis of the following six key themes that emerged from those interviews:

1. Risk to all parties of incorrect knowledge;
2. Factors that facilitate knowledge flows;
3. Barriers to knowledge flows;
4. Corporate interactions with external advisers;
5. Corporate interactions with the ATO; and
6. In-house interactions.

Each of these is considered in turn.

1 Risk

All three parties (sellers, buyers and brokers) have risks associated with how tax knowledge is or is not assimilated and known in corporate organisations.

The key risk for the ATO (seller) is the risk to revenue: not collecting the correct amount of taxes. Hence the ATO has developed an “open risk rating” approach to compliance audits, epitomised by its Risk Differentiation Framework (RDF). The ATO has developed the RDF in order to assess the likelihood of large businesses not meeting their tax obligations and the consequences of potential non-compliance (ATO, 2011, p. 6). The RDF is based on two criteria: likelihood of non-compliance and consequences of non-compliance. Using this framework, large business taxpayers are placed into four broad categories (quadrants): (1) higher risk taxpayers; (2) key taxpayers; (3) medium risk taxpayers; and (4) low risk taxpayers; as shown in Figure 2 (ATO, 2011, p. 23). This framework is applied by the ATO to determine a review stance appropriate to the level of the risk of non-compliance. Thus, higher risk taxpayers are subject to continuous review and key taxpayers to continuous monitoring. At the other end of the risk spectrum, low risk taxpayers attract a periodic monitoring stance and medium risk taxpayers a periodic review stance (ATO, 2011, p. 24). Two separate risk profiling exercises are conducted by the ATO – one for income tax compliance and a second for GST compliance.

Figure 2: ATO Risk Differentiation Framework Matrix



Source: ATO 2011: Figure 7.2.

The ATO communicates how they have rated the business directly with the corporate and not to their tax adviser. It is up to the corporate to let their external adviser know of the rating. Of prime importance to the ATO is understanding how the taxpayer manages its risks.

“We’ll actually go in and the first questions will be around tax governance, about how the decision making works, how the escalation processes go, who signs off on the tax treatment on various levels of transactions and importance from the Board level down kind of thing” (ATO interviewee 1).

“But with saying [that], we’ve had interactions with very large corporates where the Boards haven’t thought about tax risk management at all until we’ve gone out there and said ‘You probably should’” (ATO interviewee 2).

The rating will determine the level of scrutiny and the type of audit the ATO undertakes on a company’s transactions. To minimise risk some corporates also enter into advance compliance agreements (ACAs) for transactions to gain certainty around the ATO’s tax interpretation for the transaction.

For corporate personnel (buyers), it was perceived that it is important to have the correct interpretation of the law and make decisions based on complete information. It is also imperative to structure the transactions correctly and not begin to deal with the tax consequences only after the transactions have occurred. If returns are prepared incorrectly, the corporate may face penalties and also suffers inefficient use of resources remedying the error or engaging in litigation.

The internal tax directors were concerned about the provision of incorrect internal advice — hence sign off with external advisers was required. In this way the external advisers were seen as assurance providers, for which service a fee was charged. The GFM expressed the concern that, when engaging external consultants who may not be familiar with company processes, there may be a risk that their advice was not correct for the business. His organisation, unsurprisingly, had an internal centralised tax department.

The HRM was concerned with the lack of monitoring by the in-house tax department and in that organisation HR did not inform the internal tax department when engaging external advisers. Most of the interactions of the HR department were done directly with the Remuneration Committee of the Board of Directors. There was no formal procedure in place to ensure the internal tax department was aware of the RPP arrangements.

“No, it would be informal (communication with internal tax department), so yeah, we would be just ensuring that we had the appropriate taxation sign off from whatever we were doing, and we try and ensure that our taxation department is always informed of anything that has taxation implications, even if we are engaging with third party on that matter” (RPP interviewee).

Internally, the other non-accountant who was interviewed was responsible for R&D claims within the organisation. The interviewee had both a science degree and a law degree and had worked as an external tax adviser in the section which specialised in R&D. The main perceived risk was submitting incorrect claims or omitting valid claims, so all the work was reviewed by an external consultant.

One of the external tax advisers (brokers) commented that the main risk was due to the complexity of the tax system and rules. Complexity, it was perceived, inevitably increased the levels of risk.

In summary, therefore, each of the parties had somewhat different perceptions of risk: for the ATO the critical issue was loss of tax revenue and appropriate take up of reliefs to ensure effectiveness of the related policy initiative; for the corporates, the key concern was ensuring tax experts were informed of all tax sensitive decisions taken within corporates to allow identification of tax risk and compliance with reporting requirements; and for the external advisers the complexity of tax law was the most significant risk, impacting directly upon their capacity to provide legal certainty to their clients whilst managing their own exposure to associated tax risks.

2 Factors that facilitate knowledge management flows

All the interviewees were asked specifically about what they thought were the most important factors that may facilitate internal tax knowledge flows and the sharing of tax information with external parties.

One of the main themes from the ATO interviews was again the governance issue. If the responsibility for tax was at a high level within the corporate organisation, this aided the transfer of the tax message and the ATO did not see it as an avoidance flag.

“They [the corporates] may pay less tax, but they’ll pay tax as required by the law, and that’s what we are looking for, and that’s a better outcome I think than some of the deals you see where they try to retrofit the facts later to get the tax outcome that they probably should have got up front if they had structured it properly....” (ATO interviewee 1).

As mentioned in the introduction to this section, the ATO has an extensive website which it uses to help sell or disseminate new tax knowledge. The ATO is very aware that the information published on its website is picked up by the tax press or tax media, including external advisers, who then broadcast the information in their daily and weekly news bulletins. Hence ATO tax knowledge procedures are designed to achieve a cascading or escalating effect by deliberately directing activities at knowledge brokers.

At another level, with respect to specialised areas such as the R&DTI, the ATO believed it was essential for corporates to be addressed directly. Here the establishment of forums (such as the Large Business Liaison Group and the ATO Tax Practitioner Advisory Group) provided a mechanism for direct communication between ATO and tax experts in corporates alongside adviser firm experts. Despite direct communication with corporates, the importance of adviser firm involvement was still considered beneficial in this setting. This was mentioned by the first ATO interviewee.

“I think I’d have to say that if I see the registrations and other forms that AusIndustry are making decisions on, those that aren’t using a professional adviser, struggle to describe their process in a way that meets the legislation” (ATO interviewee 1).

In relation to RPP, the external advisers were seen as facilitators. The HRM dealt directly with the external advisers,⁶ and generally did not involve the internal tax department for interactions with the ATO as the external advisers were perceived as experts and also knew ‘who’ to contact within the ATO. The external accounting firms also send regular updates to the HR department concerning changes to legislation and also hold seminars for clients where *“they talk about what best practice is, in terms of tax effective approaches to the programmes we run, or things like benefits for example”* (HRM interviewee).

Generally the use of the external tax adviser to help in claiming R&DTI or to liaise with the ATO on RPP matters is done for a fee. However the external advisers (brokers) also provide information free of charge in newsletters and bulletins. One interviewee’s response as to why they provide the service for free was *“..if I’m not telling my client about something, then someone else potentially will”* (external adviser interviewee 1).

Another facilitating factor mentioned by both the corporate personnel and the external advisers was the dissemination of knowledge and experiences that resulted from Board members having multiple directorships.

When asked what may facilitate knowledge sharing within the corporate organisation itself, the following factors were suggested:

- the regular consultation with in-house tax expertise to build up internally held knowledge (R&D interviewee);
- internal forums (R&D interviewee);
- forums held by the external adviser in relevant project areas (R&D interviewee); and
- internal seminars to non-tax and accounting personnel (internal tax director interviewee 2).

Both an internal tax manager and the GFM mentioned that a formal sign off policy on projects would be beneficial to the non-tax decision makers in corporates. Neither of these organisations had such a policy, although there was an internal tax sign off on new projects in place at one of the other corporates.

In summary, external advisers assist the ATO in the dissemination of tax knowledge through their use of the ATO website, involvement in ATO forums and in subsequent interactions with corporates. Within corporates, the involvement of senior management in taxation is seen by the ATO as an indicator of appropriate knowledge management and tax awareness.

⁶ The external adviser for RPP is a different firm than the corporate’s auditor. This is required by legislation.

However, informal tax knowledge management procedures are the norm with only limited formal requirements in existence.

3 Barriers to knowledge flows

Whilst there are factors which facilitate knowledge management and flow within a corporate, there are also barriers that impede the management and flow of knowledge within and between organisations.

The ATO (sellers) considered that the external advisers unjustifiably added to a perception of complexity. For example in relation to the R&DTI, the ATO believed that the external advisers created a view that the R&D regime was complex and that you needed an expert to make the claim. This however was then tempered by the admission that the external advisers do add value.

“I’ll ask the AusIndustry personally that’s done the assessment, you know, was there an adviser involved, because this looks really amateurish. And so I think that they generally do add value” (ATO interviewee 1).

The R&D interviewee raised the issue that claimants are limited by the nature of the claim form and also by what the legislation and guidelines say must be provided. The completion the R&D claim is not as straightforward as the ATO believe. It was noted that to remedy this, AusIndustry is providing exemplars as guidelines on how to complete an R&DTI claim.

When the corporate personnel (buyers) were asked about barriers they did not raise the complexity of the tax system or communication issues. Rather, one of the issues raised was the language barrier where in overseas tax audits are conducted in languages other than English. In this instance there is a need to engage external advisers in the overseas jurisdiction. Another issue raised, by the HR interviewee (and mentioned above), was the limitation on engaging experts under the Corporations Act, which states that Board approval must be obtained in matters dealing with key management personnel in the organisation. Because of this internal tax departments are not aware of all RPP dealings with external consultants, as HR personnel deal directly with the Board of Directors. The HR corporate interviewee also noted that there was no formal communication system between HR and the internal tax staff in the company.

The external advisers (brokers) were more forthcoming on what they saw as barriers to knowledge flows between the ATO, themselves and their clients. Firstly it was the direct contact the ATO had with their clients; for example, advising them of their tax rating and contacting the client directly for review and audits of their tax returns. The external tax advisers also felt they were perceived as promoter of tax schemes.

Another issue raised by the external advisers related to their own internal processes. In particular they noted an unwillingness to share knowledge within adviser firms and also the lack of keeping a data base on precedents. They acknowledged that this may be for proprietary reasons where they do not want the knowledge to become a publicly available commodity.

“So the people who are the high flyers who deal with you know, innovative products, that’s the infrastructure development M & A work, are less inclined and don’t wish to put all their precedents into the system, because again, they consider themselves specialists, and it would be too dangerous for the generalist to pick it up and try to copy it” (external adviser interviewee 2).

One of the revealing observations for the external adviser was, in his opinion, the lack of understanding on how corporates work and thereby a barrier to the efficient transfer of correct tax knowledge, whether free or for a fee.

“But one of the big difficulties with the tax profession, both locally and globally, is that we have had insufficient experience in working within corporates and know what’s involved there, and that can be not just from a tax knowledge management or the way they approach tax practice, it’s just Actually not from tax knowledge, but just generally how they do approach tax practice within a corporate, and for instance, it’s not just about saving tax dollars, you’ve got to think about how it affects the accounts. You have to think about how the Board’s reaction might be; so there’s a lot of education involved with the profession to – sorry – with the qualification I’ve never worked in a corporate, please, I’ll say this, my observation is that still the tax department in corporates, they are regarded as dungeons! ..They are a body of tax boffins, living separately from the rest of the organisation” (External adviser interviewee 2).

In summary, therefore, it was suggested that barriers can arise for two main reasons: behavioural and institutional. Behavioural barriers arose when external advisers were perceived by the ATO as adding to tax complexity for commercial purposes. In turn, external advisers complained of ATO attempts to have direct dialogue with corporate taxpayers by excluding external advisers. Competition within external advisers’ organisations resulted in an unwillingness to share information. Behavioural factors clearly influence how the various parties interact which, in turn, affects the effectiveness of knowledge management activities. Institutional barriers exist in the form of restrictions imposed by the Corporations Act on corporate taxpayers on engaging experts which hinders knowledge flows within corporates. When corporate taxpayers have reporting responsibilities to a tax administration outside of Australia linguistic barriers may be encountered.

4 Corporate interactions with external advisers

This section considers how the external tax advisers (brokers) interact with the corporates (buyers). The interviews with the advisers were with tax partners of two large accounting firms. From their perspective the main point of entry was primarily through the finance function of the company. They considered that the various specialised departments of the client can have direct contact with the tax advisers. Consequently, the corporates’ internal tax specialists are not always fully aware of all the tax issues.

“...they [the executive service section of external advisers] deal with HR, they don’t deal with the tax people. Tax are aware of it etc. Their window to work is through the HR department of the corporate.....R & D, you are quite right, it’s not necessarily through the tax people, it is through the – or whatever – the innovative department the corporate would have, and so that’s where – and even with transfer pricing, it may not be through the tax people, it may be another particular development, a new development, it might be new acquisition or whatever it is, but it’s mainly executive services, international executive services as we call it, then R & D.

Another good one is GST, you know, are you going to be talking to the tax people in relation to GST? Possibly not. It’s possibly going to be more an IT solution, you know, because the IT system is in place is missing something, so we have a product that does go and reviews the IT system to make sure it’s picking up everything for GST purposes.” (external adviser interviewee 2).

The relationship with the external advisers from the corporate personnel’s points of view confirmed that often they deal directly with an external adviser without advising the internal

tax department or the finance department. For example with HR issues of key management personnel, the company uses a different accounting firm to that of their auditor. This is required by legislation. The R&D interviewee also used an external adviser without consulting the internal tax department.

However, from the interviews, the two main drivers which determined when to engage an external adviser were cost and the assurance that using external expertise could provide. Cost was an issue for all of the corporate stakeholders: the internal tax department, HR and R&D. If the issue could be dealt with in-house then that was what was attempted. Often the transaction or issue was resolved in-house and then an external adviser was engaged essentially to provide assurance. One of the interviewees commented that the in-house solution was not usually as conservative as the external advisers, as the advisers were more concerned about the risk of litigation for their advice. If the areas for advice needed was perceived to be specialised e.g. an employee share plan, then an external adviser would be engaged, based upon that specialised expertise.

“And we probably generally use that adviser to help us seek that ruling, particularly when the issues are complex. So that would generally be the approach” (internal tax interviewee 1).

Cost was also mentioned when it came to dealing with audit and compliance queries from the ATO. Both the external advisers and the corporate personnel mentioned that at an initial query or interview the external adviser may not be present because of cost considerations and they believed the corporate understood their business better than the adviser. A more subtle consideration was the risk of inadvertently signalling the corporate’s unease over the ATOs enquiries. Further, it was believed that having the external adviser present made the ATO “more guarded”. If it was a risk review the internal tax department would seek confirmation/assurance from the external advisers even though the advisers were not present at the subsequent meeting with the ATO.

“...with the new rules and legislation that we are under, we have asked them to pretty much follow us at each step of the way. They [external advisers] come from obviously the technical specialists, and can advise on certainly the methodologies. ...if we were to be involved in a risk review, even if the questions would appear to be innocuous, I would be inclined to [engage the adviser] – I really would be wanting to have our tax partner, corporate tax partner involved” (internal tax interviewee 2).

One final issue mentioned by an internal corporate tax interviewee was the awareness that the ATO is not only concerned about the taxpayers’ transactions but also seems interested in what the advisers are up to as well.

In summary, therefore, the interactions between the staff of the corporates and their external advisers were characterised by knowledge asymmetries and a lack of awareness in different parts of the organisation. The issues of cost and the desire for risk assurance were key drivers from the corporate’s perspective.

5 Corporate interactions with the ATO

This section considers the interactions of all parties with the ATO from the perspective of knowledge management. The ATO, as a knowledge seller, wants all parties to understand their legal requirements and also wants the corporates to lodge the correct information. As discussed earlier the ATO’s main risk is in not collecting the correct taxes, so there is a need for knowledge concerning the corporate taxpayers’ tax affairs.

From the perspective of keeping the market informed about potential changes to the tax rules and/or interpretation of those rules, the ATO conducts various forums:

“..that’s where a lot of the knowledge sharing happens, and it’s a two way street. It’s sort of like, this is what we are proposing to do, what do you think of it, and at the same time industry, or reps will basically say “Well we are struggling with this stuff, what can you do to make it easier for us” (ATO interviewee 2).

“And often, within those forums like the national reference group, those guys are under secrecy type confidentiality agreement that we will often show them the directions we are going in, and their input, what happened on the way through. So to those guys, what goes out isn’t so much of a surprise, they are pretty much expecting” (ATO interviewee 1).

The main avenue of communication that the ATO has for disseminating changes in tax is through external tax advisers. However, in relation to the R&DTI, the ATO is aware that the tax advisers are too often focused upon the legal and accounting ramifications, and are not considering it from the perspective of scientists or engineers. They therefore do not possess the correct technical knowledge to ensure the R&DTI is successful. Hence the ATO is working with AusIndustry to provide exemplars for R&D claims. This would be particularly relevant for smaller corporates but is not so relevant for the cohort of corporates interviewed for this project.

“I think that what we are trying to do, particularly through AusIndustry, is put out this guidance so that if you are in that kind of thing about “Can I afford an adviser or not?” you can go to their guidance products and get an idea of what a claim should look like, what an advance finding request should look like, so that you can start taking that proforma” (ATO interviewee 1).

While the ATO is usually in the position of knowledge supplier, as indicated above the roles of the various parties can vary. In interactions between the ATO and corporates, the knowledge flows can be also be instigated by the corporates.

“I always follow the golden rule, we respond to what questions they have asked..... but I think equally we do try to work with the ATO to advise them of things that we’ve done beforehand, getting advance rulings and things like that” (internal tax interviewee 2).

The ATO was also mindful of the risk of avoidance of tax and aware that the corporates would also have kept their tax advisers ‘out of the loop’. The ATO was therefore aiming at a direct relationship with the client. This was also revealed in the interviews with the external tax advisers who commented that they felt the ATO was trying to cut the external advisers out when communicating with the client.

The corporate personnel’s (buyers’) experiences with the ATO were mixed. The success of the contact with the ATO for advice depended on the level and nature of the query. If the company contacted the ATO for advice on an issue then only generic advice might be given, and not in a written form.

“And my experience with those is that they’ve been quite inconsistent in their application to different taxpayers –talking about the inconsistency of how ATO personnel treat taxpayers-not because they have different risk profiles but just how government employees interpret their position” (internal tax interviewee 1).

“..if there’s a kind of procedural issue that is not easily answered just by looking at the taxation legislation, then we might go to the ATO to get a clarification on something....I think

that it can be a bit hit and miss in terms of who you end up talking to when you do have to deal with the ATO. (RPP interviewee).

The corporates are more likely to solve the issue themselves or seek an external adviser's opinion. The decision to ask the ATO for advice depended very much on the size of the contemplated transaction, given the costs of obtaining, for example, a private ruling and the extent of existing ATO public disclosures on a topic.

“on the magnitude of the issue, depending on whether the tax office has some fair guidance anyway on the issue; so in terms of public ruling or a determination they may have put out, but certainly any large, public transaction we would usually go to the tax office” (Internal tax interviewee 1).

In order to assist with taxpayer certainty regarding tax compliance, the ATO provides a pre-compliance, or pre-lodgement, review. All parties interviewed perceived this to be beneficial in obtaining certainty around tax compliance.

“it's becoming a healthy environment, because tax payers are getting some benefit from the fact that there are at least flagging up front some of these issues, and therefore they might get certainty sooner” (external adviser interviewee 1).

In summary, therefore, the management and flows of tax knowledge between the ATO and the corporate taxpayers was significantly mediated by external tax advisers. While the ATO and the corporates did have interactions with each other on a number of levels, those interactions were often less than useful unless formalised through external adviser engagement.

6 In-house interactions

The final theme that emerged from the interviews was the nature of in-house interactions so far as knowledge flows were concerned. This aspect of the project revealed somewhat different perspectives about the extent to which tax knowledge was managed and was able to flow within the large scale corporate organisations that were the subject of the research project.

The GFM who was interviewed expressed the opinion that an in-house tax department provided “better value” and did a more “thorough and robust job.” Similar sentiments were expressed by one of the internal tax managers who noted:

“Well, technically you should know your business, and it gives a lot more accountability from the existing team that here's a project they're responsible for, they are writing the advice for, and certainly on key, major or contentious issues, where you go for a second opinion, is actually getting your validation, your own research, so people take more accountability for what they are doing” (Internal tax interviewee 2).

While documentation on tax related matters was retained to support decisions previously made, there was no formal system for storing and accessing tax knowledge in the corporates that were interviewed. This would mean any retained tax knowledge and interactions would be built on personal relationships. While this may have the advantage of easier accessibility in the short term, in the longer term knowledge could be lost as personnel leave the company.

Corporate personnel are generally aware of their company's internal tax expertise and often ask the internal tax staff to find background information, look for any ATO tax rulings and interpretations, even if ultimately they seek advice from the external advisers. Both

interviews with the internal tax managers revealed that more and more they are sought out for advice on tax matters. In contrast both external tax advisers believed that there is poor communication on tax matters within corporates. There was an awareness within corporates of the need to consider taxation at the planning stages, but also an awareness that this may not be reflected in subsequent compliance related knowledge flows.

In summary, corporates and external advisers have different perspectives. In contrast to corporates, external advisers believe there is a lack of coordination within corporates on tax matters. Within corporates internal tax expertise is valued though there is little evidence of corporates formally capturing tax knowledge for future use.

Conclusions

The nine interviews provide rich insights into the knowledge flows between the various parties (tax administrators, corporate personnel and external tax advisers) and within the corporate organisations. While the purpose of the interviews was to provide context and confirm our understanding rather than address directly the specified research questions, they enabled the preparation of the survey instruments. Unfortunately low response rates rendered the data potentially unrepresentative; alternate access to the sample populations is required to induce a more acceptable response rate. Consequently, this report has focussed on summarising the interviews and upon their implications.

Corporates value tax knowledge as a means of identifying tax risks. Tax experts within corporates want to be informed of all transactions that could have significant tax implications. Despite the importance attached to tax knowledge, corporates tend to use informal means of communicating it internally and rely on informal, often personal, means of retaining tax knowledge. The corporates acquire tax knowledge through interactions with both the ATO and external tax advisers. The ATO satisfies its twin objectives of protecting tax revenues and encouraging appropriate take-up of tax reliefs through indirect and direct contact with corporates.

External tax advisers are used by the ATO to disseminate interpretative and administrative knowledge. They are provided with this knowledge passively through the ATO website and actively in participation in ATO forums. The ATO immediately benefits from using the external advisers' communication networks to disseminate tax knowledge to a large number of taxpayers with a subsequent benefit of better "administrative compliance" with the involvement of such advisers in preparing or assisting in the preparation of corporates' tax documentation.

In the view of the ATO these benefits are not without their costs. While the involvement of tax advisers may result in corporates paying less tax there is the perception that external tax advisers add complexity to generate demand for their tax advisory services from corporates. External advisers were critical of the ATO's attempts to contact their clients directly thereby excluding the advisers, presumably in response to the above complexity concerns. While both external advisers and corporates recognised this direct communication was appropriate in certain circumstances, for example, in the initial stages of responding to ATO queries, there was some unease about the practice.

Corporates valued external tax advisers because of their knowledge of tax law, its interpretation and administrative knowledge. However a number of concerns exist, such as the paid costs of obtaining advice, and the loss of accountability among internal tax advisers

when external advisers were used. In some cases their use was prompted by an insurance motive. In deciding between using internal and external tax advisers, corporates were aware of the risk-averse nature in which external advisers often delivered their advice. This perception was consistent with the risk of negligence identified by external tax advisers. Further, internal advisers were seen as being better informed of the commercial context in which the corporates operated.

While competition between the ATO and external advisers may cause corporates to be uncertain about the respective roles and about the complexity of the tax system, the corporates major concern should be over their lack of formal tax knowledge management practices. This is the failure to identify significant tax risks and the failure to develop a retained body of tax knowledge for use in justifying past actions and assisting in the identification and planning of future actions.

This research project has provided valuable perspectives into aspects the relationship between the ATO and key tax and tax-related personnel in large Australian corporates and their external tax advisers. The insights gleaned from the interviews provide a sound platform upon which to base further research in order to validate and develop the conclusions of this report. The research team now proposes to identify alternative (and more effective) sources for the conduct of major surveys in order to be able to carry out that future research.

Appendix 1: Overview of Interviews

Organisation	Industry	Role in organisation	Number of interviewers
ATO 1	Government Revenue Authority	Assistant Commissioner (Large Business)	2
ATO 2	Government Revenue Authority	Assistant Commissioner (SMEs)	2
ASX listed Corporate	Health Care Equipment & Services	Group Financial Manager	2
ASX listed Corporate	Food & Staples Retailing	Tax Director/Manager	2
ASX listed Corporate	Health Care Equipment & Services	Tax Director/Manager	2
ASX listed Corporate	Health Care Equipment & Services	Head of R&D/Innovation	2
ASX listed Corporate	Health Care Equipment & Services	HR Manager	2
Accounting firm 1	Consultancy & Business	Tax Partner	2
Accounting firm 2	Consultancy & Business	Tax Partner	2

Appendix 2: Tax Knowledge Research Project Issues List:

In this section, the term *tax knowledge* is used to refer to knowledge of tax legislation and tax related administrative procedures while the term *tax information* refers to information about events, transactions etc. that may have a tax consequence).

The interviews will be semi-structured around a number of issues including:

For the interviews with Australian Taxation Office:

1. Communication

Which divisions or units within ATO carry responsibility for the external communication of tax knowledge?

What are the most important external bodies to which ATO's external communication is directed?

Does ATO have different communication policies towards different external bodies?

Does ATO have different communication policies for different types of tax knowledge?

What is your view on the role of accounting firms in communicating and applying tax knowledge and tax information?

Is there any feedback from Accounting Firms, Corporate Taxpayers or representative bodies to ATO about tax knowledge?

2. External barriers and facilitators

What do you consider to be the most important barriers and facilitators to sharing tax knowledge with Accounting Firms, Corporate Taxpayers and representative bodies?

For the interviews with Corporate Taxpayers – accounting experts:

1. Knowledge sharing with ATO and Accounting Firms:

How does your organisation determine which sources (ATO/Accounting Firms) to use to construct tax knowledge?

Does your organisation tend to give feedback to ATO about tax knowledge matters?

What is the role of Accounting Firms in communicating tax knowledge and tax information to your organisation?

What does your organisation regard as the advantages and disadvantages of employing an Accounting Firm?

2. External barriers and facilitators

What do you consider to be the most important barriers and facilitators to sharing tax knowledge and tax information with ATO and Accounting Firms?

3. Knowledge sharing within organisation

In which ways are tax knowledge and tax information shared internally?

How much freedom does your organisation have in interpreting, incorporating, and applying tax knowledge?

4. Internal barriers and facilitators

What do you consider to be the most important barriers and facilitators to sharing tax knowledge and tax information within your organisation?

5. Tax legislation-specific questions

We are particularly interested in the Research and Development tax incentive (R&DTI) and Remuneration Planning and Payment (RPP) responsibilities. Have these areas posed any particular issues for knowledge management in your organisation?

For the interviews with Corporate Taxpayers – experts in research and development and innovation/human resource management:

1. Knowledge sharing

Through, and to, which divisions or units is tax knowledge and tax information communicated internally?

What external sources of tax knowledge do you use?

What is the role of Accounting Firms in communicating tax knowledge and tax information to your area of responsibility?

2. Barriers and facilitators

What do you consider to be the most important barriers and facilitators to sharing tax knowledge and tax information?

3. Tax legislation-specific questions

We are particularly interested in the Research and Development tax incentive (R&DTI)/Remuneration Planning and Payment (RPP) responsibilities. Has this area posed any particular issues for knowledge management in your organisation?

For the interviews with External Accounting Firms:

1. Knowledge sharing

How would you describe the relationships between ATO (Corporate Taxpayers) and your firm with respect to sharing tax knowledge?

Is there any feedback from your firm to ATO on tax knowledge matters?

2. Barriers and facilitators ATO (Corporate Taxpayers)

What do you consider to be the most important barriers and facilitators in the process of tax knowledge and tax information sharing between ATO (Corporate Taxpayers) and your firm?

3. Knowledge and information sharing

In which ways is tax knowledge shared internally?

To what extent does your firm need to create tax knowledge that has a competitive value over the knowledge that other Accounting Firms or Corporate Tax Payer clients have?

What is the role of your firm with respect to sharing tax information within its Corporate Tax Payer clients?

4. Tax-legislation specific questions

We are particularly interested in the Research and Development tax incentive (R&DTI) and Remuneration Planning and Payment (RPP) responsibilities. Have these areas posed any particular knowledge management issues for your organisation?

Appendix 3: Online Surveys

External Corporate Tax Advisers' Survey

1. How many partners or directors does your firm have?
2. How many specialist tax partners or directors does your firm have?
3. Please specify your professional qualifications and/or memberships of professional bodies

4. Listed below are statements with regard to knowledge transactions with corporate tax clients. Please indicate for each of these statements the extent to which you agree.

Strongly disagree; Disagree; Neutral; Agree; Strongly agree

a	Clients primarily value my firm's ability to assess their tax risks.
b	Clients primarily value my firm's ability to facilitate reaching agreement with the ATO.
c	Clients primarily value my firm's ability to minimise their tax liability.
d	Clients primarily purchase tax services as a form of insurance.
e	My firm is proactive in suggesting tax planning opportunities to its clients.
f	Clients primarily value my firm's awareness of legislation.
g	Clients primarily value my firm's experience in the practicalities of complying with tax legislation.
h	Clients provide my firm with necessary tax related information in an appropriate manner.
i	Clients give an appropriate level of attention to taxation matters.
j	Clients have the necessary level of tax literacy to identify their own needs.
k	My firm highlights potential tax risks as a way of marketing its tax services.
l	My firm highlights potential tax savings as a way of marketing its tax services.
m	My firm highlights potential administrative savings as a way of marketing its tax services.

5. In communicating with your corporate tax clients how often do you have contact with each of the following client staff?

Very rarely; Rarely; From time to time; Often; Very often

a	Dedicated tax specialist within an accounting and finance function
b	Tax specialist with non tax responsibilities in an accounting and finance function
c	Individual with Human Resources related responsibilities
d	Individual with Research and Development related responsibilities
e	Individual with Production related responsibilities

6. Listed below are statements with regard to tax specialists employed within your corporate tax clients. Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	Tax specialists are required to consider the tax risks of their decisions.
b	Tax specialists have the necessary knowledge/skills to consider the tax risks of their decisions appropriately.
c	Tax specialists have the necessary knowledge/skills to consider the tax benefits/costs of their decisions appropriately.
d	Tax specialists are evaluated on a basis that takes into account taxation.
e	Tax specialists are proactive in seeking tax advice from external sources.
f	Tax specialists provide my firm with necessary tax related information in an appropriate form e.g. level of detail.
Please add any other observations you may have on the above questions here:	

7. Listed below are statements with regard to operational decision makers in operating functions employed within your corporate clients, e.g. Research and Development, Human Resources and Production. Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	Operational decision makers are required to consider the tax risks of their decisions.
b	Operational decision makers are required to consider the tax benefits/costs of their decisions.
c	Operational decision makers have the necessary knowledge/skills to consider the tax risks of their decisions appropriately.
d	Operational decision makers have the necessary knowledge/skills to consider the tax benefits/costs of their decisions appropriately.
e	Operational decision makers are evaluated on a basis that takes into account taxation.
f	Operational decision makers are proactive in seeking tax advice from internal sources.
g	Operational decision makers are proactive in seeking tax advice from external sources.
h	Operational decision makers provide internal tax specialists with necessary tax related information on a timely basis.
i	Operational decision makers provide my firm with necessary tax related information in an appropriate form e.g. level of detail.
Please add any other observations you may have on the above questions here:	

8. Listed below are statements with regard to formal tax governance policies which your corporate tax clients may have.

Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	Tax governance policies are effective in communicating corporate tax clients' objectives in tax compliance matters.
b	Tax governance policies are effective in communicating corporate tax clients' objectives in tax planning matters.
c	Tax governance policies are effective in identifying corporate tax clients' planning opportunities.
d	Tax governance policies are effective in identifying corporate tax clients' taxation risks.
e	Tax governance policies are effective in managing corporate tax clients' taxation risks.
f	Tax governance policies are effective in allocating tax policy decisions to the appropriate level of management within corporate tax clients'.
g	Tax governance policies are effective in managing the role of external advisers in the corporate tax clients' taxation matters.
Please add any other observations you may have on the above questions here:	

9. Listed below are statements with regard to formal agreements with the ATO and other national tax administrations which your corporate tax clients may have.

Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	Annual Compliance Arrangements with the ATO assist my corporate tax clients in managing their tax risks.
b	Advance Pricing Agreement(s) with the ATO assist my corporate tax clients in managing their tax risks.
c	Arrangement(s) with another national tax administration similar to Annual Compliance Arrangements assist my corporate tax clients in managing their tax risks.
d	Arrangement(s) with another national tax administration similar to Advance Pricing Agreements assist my corporate tax clients in managing their tax risks.
e	The Tax Risk Rating produced by the ATO's "Risk Differentiation Framework" assists my corporate tax clients in managing their tax decision making.
f	My corporate tax clients disclose their Tax Risk Rating to their corporate tax advisers.
Please add any other observations you may have on the above questions here:	

My gender is: Male/Female

My age is: <25; 25-34; 35-44; 45-54; 55-64; >65

Any other comments

.....

Thank you for completing the survey

All responses will be treated in strict confidence and the identity of respondees and their organisation will not be known. However, if you are willing to be contacted in the event that we would like to discuss some of your responses in more detail please give your name and contact details.

In-house Corporate Tax Staff Survey

Please answer the following questions in the context of your organisation (where your organisation consists of a group of companies please respond in the context of the group).

1. My organisation has a high need for tax knowledge

Strongly disagree; Disagree; Neutral; Agree; Strongly agree

2. Which best describes the provision of tax specialists within your organisation?

Please click one of the following boxes.

Centralised tax specialists	
Decentralised tax specialists	
Tax responsibilities dealt with by central accounting and finance staff	
Tax responsibilities dealt with by decentralised accounting and finance staff	
Tax responsibilities are outsourced to external advisers	
Other- Specify.....	

3. Listed below are statements with regard to sharing knowledge about tax matters with the ATO. Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	The ATO is an important source for my organisation in learning about tax matters.
b	My organisation uses the ATO in implementing and applying tax knowledge.
c	My organisation has the ability to share knowledge with the ATO.
d	My organisation has sufficient opportunities to share knowledge with the ATO.
e	My organisation has a good relationship with the ATO.
f	My organisation finds the ATO accessible.
g	My organisation has positive experiences with the ATO.
h	My organisation is motivated to share knowledge with the ATO.
i	Sharing knowledge with the ATO is reputationally beneficial.
j	Sharing knowledge with the ATO enables them to determine the correct tax liability.
k	Sharing knowledge with the ATO enables them to increase the tax liability.
Please add any other observations you may have on the above questions here:	

4. Does your organisation use an external tax adviser? Yes / No

If yes answer Questions 5 and 6

5. Listed below are statements with regard to sharing knowledge about tax matters with (an) external tax adviser(s).

Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	My organisation has the ability to share knowledge with the external tax adviser(s).
b	My organisation has a good relationship with the external tax adviser(s).
c	My organisation has positive experiences with the external tax adviser(s).
d	My organisation possesses sufficient expertise to share knowledge with the external tax adviser(s).
e	My organisation is motivated to share knowledge with the external tax adviser(s).
f	Sharing knowledge with the external tax adviser(s) is reputationally beneficial.
g	Sharing knowledge with the external tax adviser(s) enables the determination of the correct tax liability.
h	Sharing knowledge with the external tax adviser(s) enables a decrease in tax liability.
Please add any other observations you may have on the above questions here:	

6. Listed below are further statements with regard to the sharing of tax knowledge with (an) external tax adviser(s).

Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	The external adviser(s) is helpful in assessing my organisation's tax risks.
b	The external adviser(s) facilitates reaching agreement between my organisation and ATO.
c	The use of an external adviser(s) is designed to provide a form of insurance.
d	The external adviser(s)'s experience in the practicalities of complying with tax legislation is important to my organisation.
e	The use of an external tax adviser(s) inhibits my organisation's ability to develop its tax knowledge.
f	The external adviser(s) is willing to share tax knowledge when employed by my organisation.
g	It is more effective to use an external tax adviser(s) than attempt to capture internally generated tax knowledge.
h	The accounting/finance function is the principal point of contact with the external tax adviser(s).
i	The external tax adviser(s) is effective in knowledge sharing with tax specialists within my organisation.
j	The external tax adviser(s) is effective in knowledge sharing with non-tax specialists within in my organisation.
k	The external tax adviser(s) is effective in facilitating knowledge sharing between tax specialists and non-specialists within my organisation.
Please add any other observations you may have on the above questions here:	

7. Listed below are a number of statements on capturing tax knowledge created internally within the organisation.

Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	My organisation has formal procedures designed to capture internally generated tax knowledge for future use.
b	Formal procedures are effective in capturing internally generated tax knowledge.
c	My organisation has informal procedures designed to capture internally generated tax knowledge for future use.
d	Informal procedures are effective in capturing internally generated tax knowledge.
e	Capturing internally generated tax knowledge is an important aspect of the tax function's role.
f	Responsibility for capturing internally generated tax knowledge lies with the tax specialists within my organisation.
Please add any other observations you may have on the above questions here:	

8. Listed below are statements with regard to operational decision makers in operating functions within your organisation, e.g. Research and Development, Production, and Human Resources.

Please indicate for each of these statements the extent to which you agree.

Strongly disagree Disagree Neutral Agree Strongly agree

a	Operational decision makers are required to consider the tax risks of their decisions.
b	Operational decision makers are required to consider the tax benefits/costs of their decisions.
c	Operational decision makers have the necessary knowledge/skills to consider the tax risks of their decisions appropriately.
d	Operational decision makers have the necessary knowledge/skills to consider the tax benefits/costs of their decisions appropriately.
e	Operational decision makers are evaluated on a basis that takes into account taxation.
f	Operational decision makers are proactive in seeking tax advice from internal sources.
g	Operational decision makers are proactive in seeking tax advice from external sources.
h	Operational decision makers provide tax specialists with necessary tax related information on a timely basis.
i	Operational decision makers provide the tax function with necessary tax related information in an appropriate form e.g. level of detail.
Please add any other observations you may have on the above questions here:	

9. Does your organisation have formal tax governance policies? Yes /No

If yes

10. Listed below are statements with regard to formal tax governance policies in your organisation.**Please indicate for each of these statements the extent to which you agree.***Strongly disagree Disagree Neutral Agree Strongly agree*

a	Tax governance policies are effective in communicating the organisation's objectives in tax compliance matters.
b	Tax governance policies are effective in communicating the organisation's objectives in tax planning matters.
c	Tax governance policies are effective in identifying taxation planning opportunities.
d	Tax governance policies are effective in identifying taxation risks.
e	Tax governance policies are effective in managing taxation risks.
f	Tax governance policies are effective in allocating tax policy decisions to the appropriate level of management.
g	Tax governance policies are effective in managing the role of external advisers in the organisation's taxation matters.
Please add any other observations you may have on the above questions here:	

11. My organisation currently has the following in place:*Yes No Do not know*

a	Annual Compliance Agreement(s) with the ATO.
b	Similar arrangement(s) to an Annual Compliance Agreement with another national tax administration.
c	Advance Pricing Agreement(s) with the ATO.
d	Similar arrangement(s) to Advance Pricing Agreements with another national tax administration.
e	Tax Risk Rating under the ATO's Risk-Differentiation Framework.
f	Similar rating arrangement(s) to Tax Risk Rating under the ATO from another national tax administration.
g	Private Rulings with the ATO
h	Similar arrangement(s) to Private Rulings under the ATO from another national tax administration.
Please add any other observations you may have on the above questions here:	

12. Listed below are statements with regard to formal agreements with the ATO and other national tax administrations.**Please indicate for each of these statements the extent to which you agree.***Strongly disagree Disagree Neutral Agree Strongly agree*

a	Annual Compliance Agreement(s) with ATO assist in managing my organisation's tax risks.
b	Advance Pricing Agreement(s) with ATO assist in managing my organisation's tax risks.
c	Arrangement(s) with another national tax administration similar to Annual Compliance Agreement(s) assist in managing my organisation's tax risks.
d	Arrangement(s) with another national tax administration similar to Advance Pricing Agreement(s) assist in managing my organisation's tax risks.
e	The Tax Risk Rating produced by ATO's "Risk Differentiation Framework" influences tax decision making in my organisation.
f	My organisation's Tax Risk Rating is disclosed to its external tax advisers.
Please add any other observations you may have on the above questions here:	

Remember: Please answer all questions in the context of your organisation (where your organisation consists of a group of companies please respond in the context of the group).

13. My organisation is:

Public - listed company	
Public - unlisted company	
Proprietary listed company	
Other - please state	

14. Please supply the following information.

In which industry(ies) does your organisation operate?
How many employees are there in your organisation, approximately?
With how many tax jurisdictions does your organisation interact approximately?
How many years have you been employed by this organisation?
Please specify your professional qualifications / memberships of professional bodies?

My gender is: Male/Female

My age is: <25; 25-34; 35-44; 45-54; 55-64; >65

Any other comments

.....

Thank you for completing the survey

All responses will be treated in strict confidence and the identity of respondees and their organisation will not be known. However, if you are willing to be contacted in the event that we would like to discuss some of your responses in more detail please give your name and contact details.

References

- Australian Securities Exchange (ASX), (2014), *Corporate Governance Principles and Recommendations*, 3rd edition.
- Australian Taxation Office (ATO), (2011), *Large Business and Tax Compliance*, Canberra.
- AusIndustry (2012), *Research and Development Tax Incentive*, accessed at www.ausindustry.gov.au/InnovationandRandD/RandDTaxIncentive/Pages/RandDTaxIncentive.aspx
- Berger, T. (2011), 'Tax Hangover or Cure? Reforms for Research and Development Tax Incentives', *Australian Intellectual Property Law Bulletin*, Vol. 24, No. 2, p. 39.
- Davenport, T. H. and Prusak, L., (2000), *Working knowledge: How organizations manage what they know*, Boston: Harvard Business School Press.
- Guthrie, J., Petty, R. and Ricceri, F., (2007), 'Intellectual Capital Reporting: Lessons from Hong Kong and Australia', *The Institute of Chartered Accountants of Scotland*, Edinburgh.
- Hasseldine, J., Holland, K. M. and van der Rijt, P. G. A., (2010), *Management of Tax Knowledge*, Research monograph published by Certified Accountants Educational Trust (London), pp 1-60.
- Hasseldine, J., Holland, K. M. and van der Rijt, P. G. A., (2011), 'The market for corporate tax knowledge', *Critical Perspectives on Accounting*, Vol. 22, Issue 1, pp. 39-52.
- Hinds, P. & Pfeffer, J. (2003), 'Why organizations don't "know what they know": Cognitive and motivational factors affecting the transfer of expertise', In M. Ackerman, V. Pipek, and V. Wulf (Eds.), *Beyond Knowledge Management: Sharing Expertise*, pp. 3-26, Cambridge, MA: MIT Press.
- McKerchar, M. and Hansford, A., (2012), 'Achieving innovation and global competitiveness through research and development tax incentives: lessons for Australia from the UK.', *Australian Tax Forum*, 27 (1) pp 3 – 23.
- Mulligan, E., and Oats, L., (2009), 'Tax risk management: evidence from the US', *British Tax Review*, Vol 6 (2009), pp. 680-701.
- Oats, L., and Tuck, P., (2008), *The relationship between HM Revenue and Customs and large corporate taxpayers: The changing role of accountants*, London: ICAEW, 2008.
- Riege A., (2005), 'Three-dozen knowledge-sharing barriers managers must consider', *Journal of Knowledge Management*, 9(3), pp 18–35.
- Szulanski, G., (1995), 'Unpacking Stickiness: An Empirical Investigation of the Barriers to Transfer of Best Practice Inside the Firm', *Academy of Management Best Papers Proceedings*, pp 437-441
- Thomson, R., (2010), 'Tax Policy and R&D Investment by Australian Firms,' *The Economic Record*, Vol. 86, no. 273, pp. 260-289, accessed at <http://onlinelibrary.wiley.com/doi/10.1111/j.1475-4932.2010.00636.x/pdf>

Van der Rijt, P. G. A., (2007), *Precious Knowledge: Virtualness and the Willingness to Share Knowledge in Organizational Teams*, Print Partners Ipskamp.