



Contents lists available at [ScienceDirect](#)

Accounting Forum

journal homepage: www.elsevier.com/locate/accfor



An examination of the political salience of corporate tax avoidance: A case study of the Tax Justice Network

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ARTICLE INFO

Article history:

Received 9 September 2016

Received in revised form 9 November 2016

Accepted 1 December 2016

Available online xxx

Keywords:

Corporate tax avoidance

Politics

Civil society

Tax justice network

ABSTRACT

Corporate tax avoidance (CTA) has become a high profile issue despite being a complex area of accounting practice. One reason for this has been the civil society campaign opposing tax avoidance. The paper provides a case study of one key civil society actor: the Tax Justice Network (TJN). Existing accounting analysis offers little to explain how some accounting issues acquire political attention and media coverage. To address this, the concept of political salience is introduced into accounting analysis – understood as the creation of focal points in campaigns – to consider how the TJN contributed to the political profile of CTA.

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1. Introduction

Corporate tax avoidance (CTA) involves an extremely complex set of accounting practices that give rise to difficult political, legal and accounting issues not necessarily amenable to mainstream media coverage. Yet in recent years CTA has become probably the most prominent accounting issue in contemporary politics (Cameron, 2013; Public Accounts Committee, 2015). For example, for the last four years CTA has ranked as the issue which concerns the British public most in business conduct in the Institute of Business Ethics Survey (IBE, 2016). Yet only 10 years previously, the Oxford Centre for Business Taxation found that a collection of business respondents and HMRC representatives viewed CTA as too technical and complex for the general public to engage with (Freedman, Loomer, & Vella, 2007: 40). The problem is essentially that many large multinationals 'are able to avoid an alarming proportion of their tax obligations through complex and contrived arrangements' (Brock & Russell, 2015) involving secrecy and offshore locations (Palan, 2003). This paper provides a partial answer to *how* CTA has been transformed into a high profile issue, through a case study of one NGO that has been at the centre of the emergence of the issue: the Tax Justice Network (TJN).

Civil society campaigning has been an important, and often academically overlooked, factor in the transition that CTA has made from a complex issue that was largely the preserve of tax lawyers and accountants to an issue that sparks widespread political debate and controversy (see for example Holland, Lindop, & Zainudin, 2013; Dyreng, Hoopes, & Wilde, 2014; Seabrooke & Wigan, 2015a). The TJN is an unusual advocacy NGO, based around distinctive accounting and tax expertise. The network has been situated as a 'clear leader' (Seabrooke & Wigan, 2015a: 6) in the tax justice campaign. While the TJN is an international NGO (INGO) type network, its origins and many of its key staff are based in the UK, and consequently the analysis is centred on the UK. The UK is a country that has adopted policies of austerity (Sikka, 2015) and has a powerful

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<http://dx.doi.org/10.1016/j.accfor.2016.12.002>

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Please cite this article in press as: Dallyn, S. An examination of the political salience of corporate tax avoidance: A case study of the Tax Justice Network. *Accounting Forum* (2016), <http://dx.doi.org/10.1016/j.accfor.2016.12.002>

financial sector. In this context – which does not appear to be particularly conducive to political reform – the emergence of CTA as a high profile issue makes the UK a particularly interesting case.

The key research question I address in the paper is: how has the TJN contributed to the dramatic emergence of CTA as a high profile political issue? By a political issue I am referring to a topic that generates substantial media coverage and which captures the attention of political leaders. This is a crucial question for further research because it sheds light on how complex accounting issues can acquire broader public recognition and political attention. This examination of how the TJN contributed to the politicisation of CTA is concentrated on 2010–2015, since content analysis indicates that the media profile of the issue increased dramatically over this period (see [Appendix A Fig. A1](#)). The particular focus around CTA in campaigning and media coverage has been on a particular form of avoidance, which may be legal but is seen as not in-keeping with the spirit of the law and involves reductions in tax that are not intended by lawmakers ([Brock & Russell, 2015: 10–11](#)).¹

To address this research question the key contribution of the paper is to introduce the concept of *political salience* into accounting analysis to understand how the practice of CTA emerged as a high profile political issue. Political salience, derived from [Wong's \(2012\)](#) analysis of human rights NGOs, is understood as the creation of focal points in political debate and media coverage. Political salience serves as a heuristic to illuminate *how* some campaigns for accounting reform, in this case the campaign against CTA, become focal points in media and policy debate (see [Wong, 2012: 189](#)).

The following analysis of the TJN develops political economy accounting approaches, which have made a long-standing critique of the neglect of political antagonisms (see for example [Tinker, Neimar & Lehman, 1991](#); [Shenkin & Coulson, 2007](#); [Sikka, 2013](#); [Catchpowle & Smyth, 2016](#)) and civil society (see for example [Spence, 2009](#); [Thomson, 2014](#); [Thomson, Dey, & Russell, 2015](#)). The political economy intervention presents an important critique of corporation centred (see [Shenkin & Coulson, 2007](#)) accounting analysis but offers little to explain *how* and *why* some accounting issues and campaigns acquire more political attention than others. Academic discussions around CTA have tended to focus on questions of reputation and the tensions it may have with the ethical (social responsibility) commitments of businesses (see for example [Sikka, 2010](#); [Sikka, 2013](#); [Haseldine & Morris, 2013](#); [Dowling, 2014](#); [Ylönen & Laine, 2015](#)). However, there has been far less academic analysis of the political campaign for reform around corporate taxation, which is addressed here through a case study of one important civil society actor, the TJN

The paper is structured as follows: in Section 2, I argue that the existing academic literature on CTA tends to neglect the political campaign surrounding it; to engage with this aspect I draw on the political economy intervention to highlight the role of civil society actors. While this intervention is an important one, political economy approaches offer little to explain how some accounting issues acquire media attention and political profile. To remedy this in section 3, 'political salience' ([Wong, 2012](#)) is introduced as a conceptual tool to examine the increasing profile of CTA and the role of the TJN in this. In Section 4, the case study methodology is outlined, which is based on content analysis, in depth semi-structured interviews with key actors ([Wengraf, 2001](#)), direct observation, and an analysis of relevant reports and publications. Section 5 is the case study analysis of the TJN. This is presented in three subsections to draw out different aspects of how the TJN has been able to generate political salience around the issue: organization structure and actors, communication strategies, and media reception. The findings are then discussed further in section 6, where the broader context around CTA is highlighted, in the final subsection the progress of political demands for accounting reform and the obstacles to these reforms, are considered. In the concluding remarks, section 7, the implications of the case study are drawn out through an identification of the key factors behind the political salience of CTA.

2. CTA: from reputation to political economy

The work on CTA in accounting and finance has focused on quantitative measures of the effects of disclosure on reputation (see for example [Hanlon & Slemrod, 2009](#); [Gallemore, Maydew, & Thronock, 2013](#); [Dyreg et al., 2014](#)). However, this firm level focus on reputation neglects the crucial issue that is the key focus of analysis here, which is: how has CTA developed into a critical issue for the media and in public debate, and how have civil society actors contributed to this?

Critical approaches have developed a different analysis of reputation and tax avoidance, by drawing out a tension between company commitments to social responsibility on the one hand and tax avoidance arrangements on the other (see [Christensen & Murphy, 2004](#); [Sikka, 2010, 2013](#); [Ylönen & Laine, 2015](#)). Because of the paucity of available data on CTA ([Lisowsky, 2010](#)), critical accounting analysis has tended to focus on specific cases or examples of CTA (see for example [Sikka, 2010](#); [Ylönen & Laine, 2015](#)). However, broader issues around political conflict and civil society mobilisation tend to be a secondary issue in the existing critical accounting literature on tax avoidance, due to the firm level focus in the analysis.

In regard to ethics, [Sikka \(2010, 2013\)](#) discusses several case studies of CTA and situates this as an instance of 'organized hypocrisy'. In Sikka's analysis much evidence of tax avoidance/evasion is provided and this approach renders visible the marked inconsistency between social responsibility commitments on the one hand and tax avoidance arrangements on

¹ In terms of what we mean by tax avoidance, it is important to initially distinguish it from tax evasion. Tax evasion is a criminal offence which can be contrasted with tax compliance when a company or individual seeks to comply with the law in all the countries in which they operate, makes full disclosure to relevant authorities, and seeks to pay the right amount of tax ([Palan et al., 2010: 9](#)). The grey area between full and active compliance and evasion is tax avoidance. In an oft-quoted line the former Chancellor of the Exchequer, Denis Healey, is reported to have said that the difference between tax avoidance and tax evasion is the 'thickness of a prison wall' ([Shaxson, 2011](#)).

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