Abstract
The idea of cooperative tax compliance promotes a partnership relationship between the tax authority and taxpayers, aiming to improve tax compliance. Fair, efficient, and sustainable taxation is central in delivering a greener and more digital world, especially in the recovery process from the fallout of the COVID-19 crisis. Based on the methodology of structured interviews, the paper explores the perception of taxpayers and the tax authority participating in the Slovenian cooperative compliance programme.

The results revealed the attitude towards internal tax control mechanisms, the relationship between stakeholders, the advantages and disadvantages of the programme, and the perception of tax inspections on both sides of this relationship. Based on those, the challenges of internal control mechanism implementation and constant improvement as well as the tax authority experts’ competences were exposed as the most important inhibitory factors of the programme. Additionally, the paper highlights the recommendations for collaboration improvement and an increased number of taxpayers entering the status in the future.

Keywords: cooperative tax compliance, medium-sized and large taxpayers, tax certainty, trust.
1. Introduction

Voluntary tax compliance seems to be a self-evident tax issue, implemented even as a fundamental principle in the USA tax system. Starting from the principle of efficient (having the lowest possible costs to collect taxes) tax collecting, the administration (governance) is providing the maximum possible benefits (Slemrod, 1990). One of the most efficient ways of taxation is voluntary tax compliance (Alm, Kirchler and Muehlbacher, 2012a), contrary to the long-standing prevailing view which argued that deterrence from unlawful conduct is possible through rigid controls or investigations and harsh penalties. The psychological aspect of strict controls and penalties might cause negative side effects, which is the reason for intensive observations and research of social components of taxation strategies nowadays. Social control in general, and especially investigations as key activities of a regulated society, follow the realization that people observe legal order primarily because it represents the legitimate structure of a regulated society and not out of fear of sanctions and penalties (May and Wood, 2003; Sever and Jovanović, 2019).

Those scientific findings have challenged several countries to consider ‘alternative’ approaches to the relationship with taxpayers. Contrary to the hierarchically based tax authority — taxpayer relationship, OECD has introduced principles of a cooperative compliance model (also named enhanced relationship, meaning tax compliance on the voluntary basis), which can be described as the monitoring, forecasting, and prevention of problems that appear in the relationship between taxpayers and the tax authority (Jovanović, 2018). So far, the new model has been introduced in several countries while in many more it is still in the development phase.

The Republic of Slovenia started the first activities of improved relations between the tax authority and taxpayers in 2010, under the project of horizontal monitoring and with the strategic objective to increase voluntary tax compliance. After the pilot project of horizontal monitoring, in autumn 2015, the instrument of voluntary tax compliance for medium-sized and large taxpayers was enacted. The main objective of the paper is to evaluate the tax instrument of voluntary tax compliance, focusing mainly on the important factors that influence taxpayers to enter the status. It is important to emphasize that only 10 taxpayers have applied for the voluntary status. Specifically, the current paper will provide answers to two main research questions:

1. What opinions do the taxpayers (within the status) and the tax authority have about the four most important issues of the status: (a) internal tax control implementation, (b) collaboration/relationship between taxpayers and the tax authority, (c) advantages and disadvantages of the status, (d) possibility of tax inspection for taxpayers with voluntary status; and
2. Which factors can be identified that inhibit and which accelerate the entry of taxpayers into the special status, and which recommendations can be addressed to the tax authority and taxpayers to make the status more attractive for taxpayers?

The paper is divided into five sections; the first one is the introduction, focusing the reader on the theme. The second section presents a literature and legislation review, while
2. Cooperative compliance

2.1. Literature overview

The welfare state can be organized on the basis of ‘sustainable’ tax compliance. The national tax authorities are forced to manage a multi-dimensional factor, called tax risks. Traditionally, ensuring tax compliance involves two key approaches: economic and behavioral (Bătrâncea et al., 2012). The economic rationality is a precondition for the economic approach, assuming that potential taxpayers will act rationally in making economic decisions. According to the economic approach, those engaged in tax non-compliance are supposed to be rational economic actors: calculating the costs compared to the benefits (Hanlon, Mills and Slemrod, 2005; Kirchler and Wahl, 2010) and considering the tax rate, the probability of being audited, and the penalty rate, as important factors of the calculation (Inasius, 2019). The behavioral approach combines sociological and psychological factors, expressing doubts that deterrence from unlawful conduct is possible through rigid controls or investigations and harsh penalties. However, it has been shown that strict controls and penalties can also have unintended side effects, which is why psychological variables (e.g. attitude to taxation, social norms, the perception of fairness, etc.) are increasingly taken into account. The recognition that many do not engage in tax non-compliance when the benefits are greater than the costs has led to an alternative voluntary compliance approach (Alm et al., 2012b; Kirchler, 2007; Williams, Horodnic and Windebank, 2015). According to this, taxpayers are social actors, whose tax non-compliance is the result of a lack of vertical trust in government, but also of the lack of horizontal trust in each other (Williams, 2020).

A very prominent theory that has combined the economic and psychological knowledge of taxpayers’ behavior is the so-called slippery-slope framework (Kirchler, Hoelzl and Wahl, 2008). The idea explains that the power of the tax authority and trust in the authority by taxpayers are the two most important factors affecting tax compliance. It was precisely this conclusion that influenced the practices of tax authorities in managing the behavior of taxpayers and the practice of inspection. It turned out that repressive authorities have to promote cooperative compliance far more than relying solely on the deterrent effect of inspections and fines. In the vast majority of cases, partnership-like and preventive assurance of compliance with regulations is more effective among taxpayers (Aliev et al., 2021; Jovanović, 2018).

Based on the presented scientific findings and considering the fact that large business taxpayers are qualitatively different from other categories of taxpayers, the need for a specific tax model has arisen. Besides making a significant contribution to tax revenues collected in most countries and consequently posing a significant risk to tax administration effectiveness, they (particularly multinationals) differ in their complex operations and structure. From the late 1990s into 2000s, the shift in thinking from the deterrence approach
into a collaborative and responsive approach has occurred. Following Australia, Ireland, the Netherlands, South Africa, the United Kingdom, and the United States, a growing number of tax authorities have introduced cooperative compliance programmes (CCP) in addition to traditional enforcement regimes in recent decades with the idea to more efficiently allocate their limited resources and, at the same time, spare low risk taxpayers from unnecessary or excessive tax audits. Based on the experiences of the pioneer countries with CCP programmes, OECD (2008) has extracted some behavioral elements, which were expected to create an enhanced relationship between tax authorities and taxpayers, although there is not any commonly accepted and adopted definition of cooperative tax compliance. The CCPs greatly differ among countries in several aspects; starting with the existence of a formal instrument (any, hard or soft law) between taxpayers and the tax administration, the need to pay past debts before entering the programme, an obligation to implement a tax control framework (TCF), standards and requirements of the TCF, whether the real time solutions are available in respect of tax disputes, etc. (Martini, Russo and Pankov, 2020). Nevertheless, there are few main elements of CCPs that are relevant to incorporate the principles of CCP (cooperation, trust-based, and transparent relationship) between parties in practice. Those main elements are: ‘work in the present’ allowing tax issues to be solved before the taxable event occurs, the possibility to litigate about specific issues in case the parties could not reach an agreement, the existence of a formal instrument to participate in CCP by which the taxpayer formalizes its intention, and whether the TCF is specified in regulation or companies are free to decide how to establish it (Martini, 2022; Goslinga et al., 2021; Huiskers-Stoop and Gribnau, 2019; Jovanović, 2018).

Slovenia has taken the Netherlands’ Horizontal Monitoring Programme platform, which is very similar to the Risk Rating Approach in the UK and the Compliance Assurance Process in the U.S. These CCPOs are open to large organizations that are willing to meet the requirements of disclosure and transparency. The requirements of internal tax control frameworks are placed to ensure that they can comply with their tax obligations, and can also detect uncertain tax positions and disclose these to the tax authority. The benefit for tax authorities can be seen as quick, quiet, fair, and final resolution of tax matters. Those programmes are therefore also named ‘transparency in exchange for certainty’ (OECD, 2013, p. 28).

Due to the fact that CCPs are a relatively new tax approach, the number of studies in the field has greatly increased over the last two decades. Methodologically observed, several studies have used the qualitative approaches, mostly in-depth interviews, and anthropo-

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1 Those elements (named principles by Huiskers-Stoop and Gribnau, 2019) are: (a) commercial awareness, which means that tax administrations should focus on the business and commercial reasons behind the pure accounting and tax transactions; (b) impartiality when solving taxpayers’ cases regardless of the amount of taxes involved; (c) proportionality in the relationship with taxpayers, (d) openness through disclosures and transparency of taxpayers but also the tax administration, which is supposed to share their supervisory function and strategy, and (e) responsiveness so that taxpayers’ tax uncertainties are minimized to the greatest possible extent.
logical methods (Björklund Larsen, 2019; De Widt and Oats, 2017; De Widt, Oats and Mulligan, 2019), while the quantitative methodology has been used in fewer cases (Goslinga, Siglé and Veldhuizen, 2019; Sigle et al., 2022). There are a few streams observed in the literature considering CCPs. Several papers have focused on the legal aspect (Hambre, 2019; Huiskers-Stoop and Gribnau, 2019) or even specific principles within it (Majdanska and Pemberton, 2019). Majdanska and Pemberton (2019) concluded that the potential economic advantages of CCP that influence tax liability might be disproportionate and inconsistent with the principle of equality. More economically oriented studies have oriented on factors (mainly incentives) affecting large companies in regard to participating in (in most countries) voluntary programmes. In this context, Beck and Lisowsky (2014) proved that the probability of an organization joining the CCP is positively associated with tax uncertainty, and negatively associated with tax aggressiveness. This means that the tax uncertainty is an important incentive for companies to join the CCPs, a fact that has been also proved by De Widt, Oats and Mulligan (2019). Similarly, the study, based on two surveys carried out in 2011 and 2014 for the Netherlands case, confirmed a positive effect on the perceived tax certainty about the tax position (Goslinga, Siglé and Veldhuizen, 2019). While there are some papers theoretically proving the positive effects of CCPs on taxpayers’ compliance and tax certainty (Ventry, 2008; van der Hel and Siglé, 2016), very few papers have empirically covered the tax compliance effects of CCPs. This gap has recently been filled with the paper of Siglé et al. (2022), which found that corporate taxpayers perceive procedural justice and transparency with the tax authority to be positively associated with the quality of the relationship between taxpayer and tax authority, although this increased quality refers only to corporate income tax compliance but not value added tax compliance. Even more, it has been proven that the quality of internal tax control contributes to taxpayer transparency and compliance. The taxpayers’ transparency, the quality of tax control framework, the quality of their working relationship with the tax authority, and the motivation for CCP participation have been proven to be important factors in terms of the decision to participate. Even more, CCP participation is supposed to improve motivational factors, especially tax certainty and reduced tax compliance costs (Goslinga et al., 2021).

By far, most research has been devoted to CCP performance analysis in different countries, with the majority being devoted to countries that started with CCPs first. Some were successful (like the Dutch), while the Swedish have not proved to be successful due to certain legal issues that may explain the reasons for the implementation failure. For Sweden, Björklund Larsen (2018) claims that the perception of the tax authority’s success and the instrument’s failure has to be analyzed in light of tax morale. The study confirms that if tax compliance is to be increased, all stakeholders should share the same type of moral reasoning about the role of taxation in society. The programme cannot succeed if any side (tax authority or taxpayers) represents the position of the strict reading of the law, more or less doing nothing.

On the other hand, Dutch Horizontal Monitoring, as one of the first implemented instruments, has shown remarkable results. It differentiates from the OECD horizontal
monitoring mainly in addressing the obligations for both sides, not only the tax authority, and creates obligations of a more reciprocal nature between the tax authorities and taxpayers. The improvement of the model is required due to changing views on tax enforcement, tax compliance, and tax planning (Huiskers-Stoop and Gribnau, 2019).

Fewer studies are dedicated to countries that implemented CCPs later, although they exist for Austria (Enachescu et al., 2019), Slovenia (Jovanović, 2018), Croatia (Čičin-Šain, 2016), and Brazil (Martini, 2022). Namely, OECD (2019) reports that 33 countries had implemented a cooperative programme; some of the most recent were Belgium in 2018 and Austria, France, and Poland in 2019. Though they were reported as CCPs, there are certain differences among them as far as important factors are concerned. In half of these countries, the tax control framework is placed as a condition for participating in the programme, in 30% of countries, taxpayers are not obligated to disclose relevant tax issues on a real-time basis, and in around 30% of countries, the tax authorities do not resolve tax issues on a real-time basis before the tax return is filed. Also, an important factor to compare is pending tax issues, which is not a condition to be resolved before entering the programme in 40% of reported countries (Martini, 2022).

All of the above presented past scientific work in the field has inspired us to research the CCP in Slovenia, whereby the main contribution of our paper can be observed through a) filling the under-researched area for countries implementing the CCP in the last few years, and b) presenting the practice and state of the art as well as contributing to the development of public (tax) policy in the future.

2.2. Cooperative (voluntary) compliance in Slovenia

The Slovenian Tax Administration started the first activities related to its own concept of a cooperative compliance programme in 2010, under the name horizontal monitoring. The programme was designed in cooperation with the Netherlands Tax and Customs Administration (NTCA), which is ranked in the first third of the tax administrations in EU Member States according to five indicators reflecting their characteristics associated with a certain level of efficiency (Pîrvu, Duţu and Mogoiu, 2021). The Slovenian model was planned in the Business Strategy of the Slovenian Tax Administration 2010−2013, in which the first strategic objective was to increase voluntary tax compliance by a) simplifying procedures for taxpayers who want to voluntarily fulfil tax liabilities, b) providing assistance to taxpayers who want to fulfil obligations, but are not always able to, c) preventing taxpayers prone to tax avoidance or even evasion from such behavior by quickly and effectively recognizing any such cases, and d) applying all enforcement measures provided by law to those taxpayers who intentionally do not fulfil their tax liabilities (Šinkovec, 2012; Jovanović, 2018). 721 medium and large companies have been invited to participate in the pilot project that was supposed to evaluate the implementation potential of the instrument. At the time, participation was completely voluntary, since the country did not have any legislation in the field. 18 taxpayers decided to participate in the pioneering attempt to establish improved partnership relations between the Slovenian tax administration and taxpayers. After two-years, the project was assessed in the results analysis phase, conducting
mainly interviews with taxpayers as well as among employees of the tax authority. Both sides evaluated the project positively; afterwards, the decision was made to continue development of the concept of voluntary compliance or partnership co-operation (Verbič, Čok and Šinkovec, 2014). In 2014, the Slovenian Tax Administration (DURS) transformed into FURS (Financial Office of the Republic of Slovenia), on the basis of the Financial Administration Act (Article 99), which, among other things, enacted the so-called ‘special status to persons liable for tax in terms of promoting voluntary compliance’, which is the Slovenian corporate compliance programme.

From October 2015 until now, 10 taxpayers have entered the status, which demands the fulfilment of certain conditions (Rules on granting special status for promotion of voluntary compliance, 2015), such as:

- unqualified opinions from the business auditor (financial statements audit) in the last three years preceding the submission of the application;
- the establishment of internal tax controls at the moment of signing the agreement, or a period of at least two years after that time;
- the taxpayer’s management must sign a statement that obliges the taxpayer to: a) inform the tax authority about any circumstances of the business that give (or could give) rise to tax risk; b) provide access to all information related to internal tax controls, and take into account all FURS findings and recommendations regarding the adequacy of the established internal tax controls;
- the taxpayer’s management have not been convicted of a criminal offence by a final decision or an offence concerning regulations on compulsory charges in the period of three years prior to the submission of the application for the special status;
- the taxpayer must fulfil the commitments under the special status for a period of three years prior to the submission of the application for the special status;
- the taxpayer can submit the application if at least three years have elapsed from the time the taxpayer actually started doing business.

3. Methodology

3.1. Research approach

The paper applies a qualitative research methodology, whereas structured interviews were used as the main data collection technique. The interviews were preceded by a broad-ranging review of the literature and an examination of numerous and diverse sources containing the CCP-related content. The selection of the research methodology was based on the specificities of the research problem and its wider implications (Yin, 2017). Methodologically speaking, the paper follows the majority of previous studies in the field focusing on the perceptions and experiences of the parties involved in a CCP. In this and similar studies of an exploratory nature, quantitative empirical methods would not provide satisfactory results due to the inherent features of the topic, and also the number of taxpayers involved in the programme. Accordingly, the methodological approach used
was estimated to be the most reasonable to analyze this intricate field of research. The presented study, including structured interviews with the management of FURS and taxpayers’ management officials, was carried out from 2019 to 2021.

3.2. Sample, data collection and analysis

Since the taxpayers perceive the information about CCP participation as a professional secret, obtaining contacts posed a great challenge. The only available information was the number of taxpayers that had entered the programme — 10 taxpayers. Upon our request, FURS forwarded our application to taxpayers. Most of the taxpayers were obtained by sending e-mails requesting participation in our study, after considering the recommendation and hints of other taxpayers. In view of that, a non-random sampling method was used to ensure a representative sample of taxpayers that fulfil the required conditions. Out of 10 invited companies, 8 responded to the invitation and ultimately participated in the interviews, beside the FURS. For the purposes of the study, the participating taxpayers enabled interviews with their high management officials who have excellent knowledge and many years of experience in this field. Proficient knowledge of the business, tax, legal, and accounting-financial characteristics of the companies by the proposed interviewees was planned to ensure the integrity and credibility of their opinions and interpretations, as well as to facilitate their productive participation throughout the study (Mohajan, 2018). The authorized persons from companies participating in the interviews were mainly members of the management boards in charge of finance, or executive managers from the financial-accounting departments. In half of the interviews with the taxpayers, only one representative participated, while in the other half of the interviews, two or even three persons participated. The general director and chief coordinator of the CCP participated in the interview on behalf of the FURS.

Before conducting the interviews, the authors performed an extensive review of the literature and other sources containing related materials (papers, comments and opinions, strategy documents, project documentations, reports of the national and international organizations, recommendations and guidelines of the tax authorities, etc.). These readings provided essential groundwork for the substantive construction of questions and conducting the interviews (Thomas, 2021).

The interviews lasted 60 to 90 minutes and were carried out by the authors in person at the official premises of the participating companies. The goals and intentions of the study were carefully explained to all interviewees to clarify the facts and possible uncertainties relating to their tasks. All interviewees were assured anonymity and confidentiality, and special authorization of their responses was not required. The interviews consisted of four compound and in-depth questions in order to deeply explore the complex research field of enhanced tax cooperation with the Slovenian tax authority. The questions focused on the implementation of internal tax controls and mechanisms in the companies, experiences of collaboration and relationship with the tax authority considering the status, advantages and disadvantages of the status, and tax inspection for taxpayers with voluntary status.
All questions were open ended. The answers of the interviewees were recorded in writing, converted into transcripts and data tables, and finally archived.

After an all-encompassing investigation of written sources and interviews, an analysis of the data was carried out. The data acquired through the structured interviews were analyzed according to the guidelines proposed by the content analysis methodological framework (Krippendorff, 2018). Given the relatively small number of interviews, the data analysis was carried out manually with the help of tabulation and the use of additional explanations underlined by the participating experts during the interviews. The analysis of interview content is typically based on the codification of the crucial research concepts (constructs), which are later searched for and evaluated in the responses of the interviewees. The coding constructs are usually a derivative of the preliminary literature review, however they can also be formulated later during the interview phase, if a disregarded aspect turns out to be particularly important (Hsieh and Shannon, 2005). The essential idea behind the codifying process is to test the rearranged constructs against the claims and arguments of the interviewees by searching the confirmatory quotations in their responses (transcripts).

In order to avoid bias and retain the credibility of the research findings, a concluding analysis of the data transcripts was conducted autonomously by both authors, and all identified discrepancies were reconsidered through a cooperative approach. The methodology framework provided a foundation for the synthesis and interpretation of the data obtained, and ultimately enabled the derivation of objective results and evidence-based conclusions.

4. Results

The summary of the research results (i.e. answers) is classified and consolidated in Figure 1. The research process has identified four main constructs that affect the quality of cooperative compliance. The internal control system is the precondition for the taxpayers to enter the status, although the taxpayers may take time to improve it after obtaining the status. At annual meetings, the tax authority encourages the taxpayers to upgrade the internal control system, focusing on specific taxes and even topics, which is the most demanding task according to the taxpayers (7 out of 8). At the entering phase, there were some problems with the lack of instructions for the establishment of the internal control system, and, consequently, the tax authority has developed and published a self-assessment form. Nevertheless, the taxpayers find the construction and implementation of internal control systems very challenging and a time and other resource consuming project. However, due to the fact that Slovenian CCP participants are large companies, which are obligated to provide yearly financial statements audits, the internal control systems are, at least to a certain extent, developed at the beginning, which gives the tax authority certain assurance.

On the other hand, both sides (taxpayers and tax authority) find the partnership cooperative (5 out of 8), although the taxpayers have emphasized the lack of staff and expertise.
on the tax authority side. The resentment on the taxpayers’ side is that a cooperative relationship enables the tax authority to gain important information and study modern business models and transactions of the taxpayers with the status, then coming later with the demand for taxation of those. It has turned out that for the small team of the tax authority (less than 10), it is a great challenge to cope with various transactions in various businesses that operate in a global world. Additionally, and confirmed on both sides, the problem of the term ‘tax advice’ and its content has been an issue on several occasions, while the expectations of some taxpayers have exceeded the jurisdiction and capabilities of the tax authority.

Finally, the taxpayers find direct and faster communication to be the most important advantage of the status, highlighting the risk assessment through the internal control system and tax inspections as the biggest disadvantages. The answers of the tax authority are very similar and consistent with taxpayers’, adding the explanation that tax inspections that happened in the past occurred due to tax inspectors’ engagement in the status and procedures. Finally, only two taxpayers expressed the possibility of tax inspection amnesty for taxpayers with the status, which is far from our expectations.

Based on the interviews’ results, the intention of the second research question was to identify the factors that inhibit or accelerate the entry of taxpayers into CCP and outlines the recommendations to increase the number of taxpayers interested in this special status.

Our results revealed two main inhibitory factors for CCP participation; the internal controls systems and a competent (instead of just cooperative) tax authority. In this manner, a clearer definition of the purpose, content, and concrete procedures to obtain the internal control framework is recommended. The ‘hazy’ status of the internal controls was confirmed by several sub-questions of researchers, in which interviewees were asked about the concrete determinants and understanding of it during interviews. Due to lack of concrete answers obtained, the question remains; how can something that cannot be defined and measured be improved? Comparatively, Huiskers-Stoop and Griebnau (2019) came to similar conclusions for the Netherlands, where a general internal control framework should be customized to the specific company, while the tax authority should actively encourage and support the companies in this process. On the other hand, there remains the problem of the extent to which the tax authority should provide guidance on how to build these controls. In several jurisdictions, those are provided at a highly abstract level, although the Polish and Austrian programme determine it very precisely, including even an audit of the tax system (Hein and Russo, 2020).

Another inhibitory factor refers to the competences of FURS’s experts. The fact arising from the interview with FURS is that it has not invested much in development of the programme in the last couple of years, nor in the number of employees or their training. It is common that tax inspectors without specific specialization in certain business (like banking, pharmacy, etc.) collaborate in the programme. Consequently, the taxpayers report about long periods of studying new transactions. Very similar results were reported in the case of the Swedish CCP (called enhanced dialogue), in which the tax authority’s experts
Figure 1: Identified constructs that affect the quality of cooperative compliance

Source: Authors’ own work, 2021

were very helpful and friendly, but when it came to more detailed and in-depth knowledge about complicated tax matters, the tax authority’s employees ‘did not always pass muster’ (Björklund Larsen, 2019, p. 31). Contrary to our assumption, the tax inspections have not been exposed as an important inhibitory factor. The minority even mentioned this factor, although subsequent self-reporting is often use in practice.
<table>
<thead>
<tr>
<th>Inhibitory factors</th>
<th>Accelerating factors</th>
<th>Recommendations</th>
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<tbody>
<tr>
<td>Whether the status is needed depends on the tax risk of a company.</td>
<td>Elimination of tax uncertainty.</td>
<td>More clearly defined purpose, content, and procedure of internal controls.</td>
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<tr>
<td>Internal controls are not well defined in advance.</td>
<td>Faster resolution of tax problems.</td>
<td>More support by FURS when entering the status.</td>
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<td>Too little support at the beginning when entering the status.</td>
<td>Priority treatment of taxpayers with the status.</td>
<td>More promotion to enter the status by FURS.</td>
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<td>Harder for companies which do not have internal controls and do not have enough resources.</td>
<td>The possibility to consult FURS on contentious issues.</td>
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<td>The procedure of internal control implementation is very complex and requires time and competent staff.</td>
<td>Being under FURS monitoring encourages a higher level of precision and timeliness.</td>
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<td>It is difficult to arrange impartial control (employee cannot perform the control himself/herself).</td>
<td>Perception of the status as one of the achievements mentioned in the yearly report.</td>
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<td>Increased number of internal controls in recent years.</td>
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<td>Lack of staff at the tax authority, which is too bureaucratic.</td>
<td>Collaboration with FURS brings tax certainty and reciprocity.</td>
<td>Employment of new competent staff at FURS.</td>
</tr>
<tr>
<td>FURS cannot act as a consultant in this relationship.</td>
<td>FURS staff are helpful and professional.</td>
<td>Less bureaucratic behavior – assessment of FURS internal processes by identifying the inhibitory factors. Promoting faster action.</td>
</tr>
<tr>
<td>Sometimes, the tax authority does not have enough practical experience and consequently does not understand the taxpayer.</td>
<td>FURS staff have knowledge, competence, and are responsive.</td>
<td>More investment in the practical knowledge of FURS employees.</td>
</tr>
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<td>Sometimes, the replies from FURS are not concrete enough.</td>
<td>Trust is at a very high level.</td>
<td>FURS replies, which are more concrete, solving the taxpayer’s problem.</td>
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<tr>
<td>Sometimes, it takes two years to study some transactions and then intensive controls start, even among taxpayers with special status.</td>
<td>The taxpayer’s errors are rectified on an ongoing basis.</td>
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<tr>
<td>Tax inspection</td>
<td></td>
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<tr>
<td>Self-reporting can be done by any taxpayer.</td>
<td>Probability that an inspection will come is much lower, especially retrospectively.</td>
<td>Amnesty of tax inspections.</td>
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<tr>
<td>Taxpayers within the status are in the same position as others – no guarantees the taxpayer will not be subject to tax control and inspection.</td>
<td>High level of trust – no fear of tax inspection.</td>
<td>Change of tax legislation.</td>
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<td>When having the status, matters should be resolved promptly.</td>
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**Source:** Authors’ own work, 2021
5. Discussion

Since it has turned out that deterrence strategies to address tax compliance risk are unable to efficiently attain or maintain desired compliance levels, the compliance risk management strategy has developed so-called ‘advice and persuade’ approaches, more commonly known as cooperative tax compliance models. They have become very popular in the last couple of decades. Unfortunately, there are only a few papers reporting the results of countries’ attempts to implement this new tax instrument in their tax systems (van der Hel and Siglé, 2015).

Slovenia started with a pilot project of horizontal monitoring in early 2010, along the lines of the Netherlands. In 10 years of practice, the tax authority has obtained rich experience, while the number of taxpayers joining the status has not increased much. Similarly, to findings of FairTax researchers2, our results exposed that mutual trust, reciprocity, time, tax certainty, and transparency are dimensions of Slovenian CCP practice. The partnership with the tax authority has been by far the most frequently mentioned construct of CCP quality, while elimination of tax uncertainty and direct and faster communication with the tax authority were among advantages. Since communication is one of the building blocks of the relationship, it is clear that constructs are interconnected. ‘A cooperative working relationship can increase tax certainty because it provides opportunities to discuss the tax treatment of complex transactions with the tax authority at an early stage’ (Siglé et al., 2022, p. 2). Namely, several studies confirmed that the wish to reduce tax uncertainty is an important driver of the large corporations to participate in CCPs (Beck and Lisowsky, 2014; Goslinga, Siglé and Veldhuizen, 2019; De Widt, Oats and Mulligan, 2019). On the other hand, such a working relationship based on mutual trust and transparency may frighten the large taxpayers, as they are prone to aggressive tax planning strategies (Freedman, Loomer and Vella, 2009; Björklund Larsen, 2018).

Contrary to the OECD (2013) claim, our results have not confirmed that taxpayers find participation in CCP as a matter of good reputation and reduced compliance cost. Even more, only one company disclosed the participation in CCP in its financial statement, while the results highlight the very complex and time and staff consuming procedure of internal control implementation. The compliance cost reduction has not been reached by Slovenian companies, since yearly improvements of internal control frameworks were reported as unwritten but common practice among all interviewed companies. Since internal control framework challenges and procedures were exposed as one of the greatest inhibitory factors for CCP participation, it would be appropriate to reconsider the Dutch case, which compelled larger organizations to invest in their internal control systems for purposes other than tax. Consequently, the investments in TCFs and in the intensification

2 ‘FairTax – Fiscal EU’: Fair, Sustainable, and Coordinated Tax and Social Policies is a cross-disciplinary four-year research project, aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic stability of EU Member States. It was funded by the EU’s Horizon 2020 research and innovation programme 2014-2018.
of their contact with the tax authority in order to participate in the CCP are relatively easier to realize (Goslinga et al., 2021).

The implications of the Slovenian or any other country’s cooperative tax model are yet to be revealed, since there are only a few papers with underlying assumptions of this strategy and very little evidence of their success. Nevertheless, this model of cooperative compliance seems the only ‘sustainable’ option in the long run for all taxpayers, especially considering the statistics of tax controls in Slovenia. In 2020, there were approximately 132,000 corporate taxpayers (and approx. 114,000 self-entrepreneurs), while the average number of tax inspections was 4,500 in the last four years (FURS, 2020). Insufficient human, organizational, ICT, and other resources of FURS influence the tax gap, and, in such circumstances, the cooperation or at least negotiation between taxpayers and the tax authority might positively influence tax compliance. Such an approach requires, on the one hand, socially responsible corporations that have efficient accounting and financial departments and operate in an area with sufficient added value, meaning that tax compliance will not undermine their business and existence. On the other hand, the model assumes that the tax authority should be well organized and competent, and that their activities should be founded on firm legal bases (Björklund Larsen, 2019). Finally, the legislator should rethink the stimulation and concrete incentivization for corporations entering the CCP.

Despite the fact, that the Slovenian CCP attracted only 10 large taxpayers, it might be considered as successful on the principal level. All of the above confirms that the Slovenian voluntary (cooperative) tax compliance model has achieved its purpose of establishing cooperation with taxpayers based on transparency, understanding, and mutual trust between taxpayers and tax authorities, to a certain extent. Voluntary tax compliance can be recognized as an instrument to promote fundamental values in public administration, such as market values (e.g. efficiency, effectiveness, innovation, etc.), legal values (e.g. legality, fair procedures, legal accountability of the state, etc.), and political values (e.g. legitimacy, openness, responsiveness). It therefore contributes to the development and improvement of administrative culture in Slovenia. Finally, values and administrative culture are the connecting element between politics and public administration, having a far-reaching impact on future tax policies in Slovenia.

Building on research findings and experience from Slovenia, it is possible to provide some more concrete recommendations for the creation of an appropriate voluntary tax model, which could have an applicative value for all tax authorities that strive to embark on this demanding and complex project. Countries must provide suitable strategic, policy and institutional (financial, human resources, organizational) frameworks so that programmes like the CCP can operate as inclusively, cohesively, and efficiently as possible. The latter can only be achieved by investing a lot of effort in relations with taxpayers and well-defined goals, as well as transparent and consistent procedures for achieving these goals.

The promotion of CCP should emphasize the business excellence and social responsibility of the companies involved and thus raise the reputation of the CCP itself. Namely, tax ‘non-compliance’ is a business decision that results from poor business ethics and is
influenced by the perception of the company’s reputation (Graham et al., 2014), while business ethics is a link between private interests and the public good, which is particularly important in the field of corporate income taxation (Wegener and Labelle, 2017), as companies contribute to the social welfare of the country by paying taxes. CCP must become a kind of ‘brand’ that attracts new taxpayers and at the same time serves to improve the business excellence of companies as well as national tax sustainability.

Initiatives for cooperative tax compliance should be placed in national strategic and development programs; as such, wide-ranging public policies require long-term planning and implementation, which exceeds the period of one government mandate. Slovenia (and probably other countries in the EU) should strive to promote initiatives for cooperative tax compliance in future EU policy documents and development agendas. In this way, on the one hand, it would be possible to achieve the formation of more uniform policies of the Member States in this area and, on the other hand, such a supranational approach would increase the chances of their successful implementation in the Member States. Experience from the previous period in the field of public policy formulation has shown that, at least in Slovenia, initiatives that come from outside or from the EU have significantly greater chances of adoption and implementation. Such policy proposals, supported and driven by EU institutions, represent substantial pressure on national state bodies and, due to their external nature, prevent ideological confrontations and the politicization of important development goals, as often happens in Slovenia.

5.1. Methodological limitations and future research directions

The most notable methodological limitations of this paper concern the objectivity of the interviewing results. Since all the interviewees knew that the number of taxpayers in the programme is very limited and that the results of the interviews will be revealed, self-censorship might be possible. This could be attributed also to the legal and administrative tradition of Slovenia. Namely, the reluctance to be openly too critical against authority could be the legacy of the previous legal and social order of Yugoslavia, based partially also on fear of the state authority. Therefore, the findings could be prejudicial and debatable to some extent, and may not be applicable for small enterprises. However, the research provides significant insights into the background of the voluntary tax model initiative and reveals the complex dynamics between taxpayers and the tax authority in Slovenia. As such, the research is a novelty and an important contribution in this field for Central and Eastern European countries. Issues concerning the relations and conflicts between taxpayers and the tax authorities, as well as the implications of the voluntary tax model for small enterprises, should probably be the focus of future research in the field.

6. Conclusions

The Slovenian cooperative compliance model has gone through a difficult initial period trying to attract taxpayers to enter the status. Since the main long-term goal of FURS is the strengthening of the culture of voluntary fulfilment of legal obligations, a num-
A number of interrelated measures have been continuously implemented in various areas, from preventive to highly targeted ones. Those measures should be improved, more systematically planned, and organized considering the research results of our study. Taxpayers’ attitudes towards the cooperative tax compliance model are gradually improving; however, numerous questions and considerations remain to be resolved. On the other hand, the Slovenian experience might be useful for other countries and tax authorities and may provide an additional driver for international promotion of the voluntary tax compliance model.

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