

Research Methods in Taxation



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19 February 2022

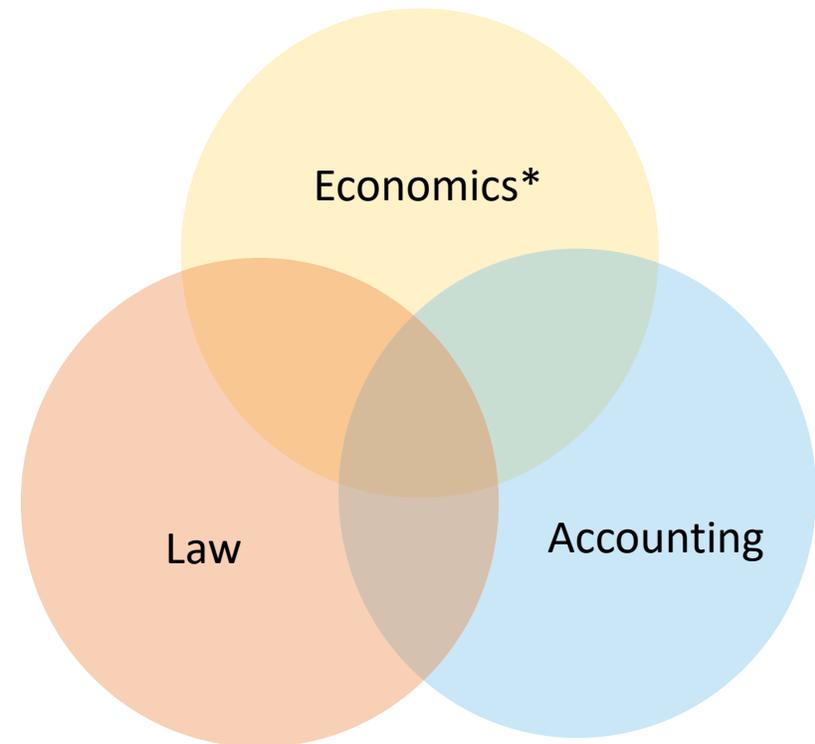
What is **research**?

- ❑ Research is **not mere information gathering** or presentation or **description of facts**.
- ❑ Research is a **systematic**, careful inquiry or examination **to discover** new information or relationships and **to expand** or **verify** existing knowledge for some specified purpose.
- ❑ Research contains three key elements:
 - ✓ **Purposeful action** – well motivated and purposeful;
 - ✓ **Systematic inquiry** – systematic, thorough, rigorous and demonstrating critical thinking;
 - ✓ **Expansion** or **verification** of current knowledge – make a meaningful contribution.

What is **research** in **tax**?

- ❑ Tax is a **social construct** that can be studied through many and various disciplinary lenses.
- ❑ As part of '**social research**', it draws on a number of disciplines.
- ❑ Law, economics and accounting attract the majority of tax researchers, with political science and social policy also play influential roles in the area of tax policy and practice.

Main areas of tax research

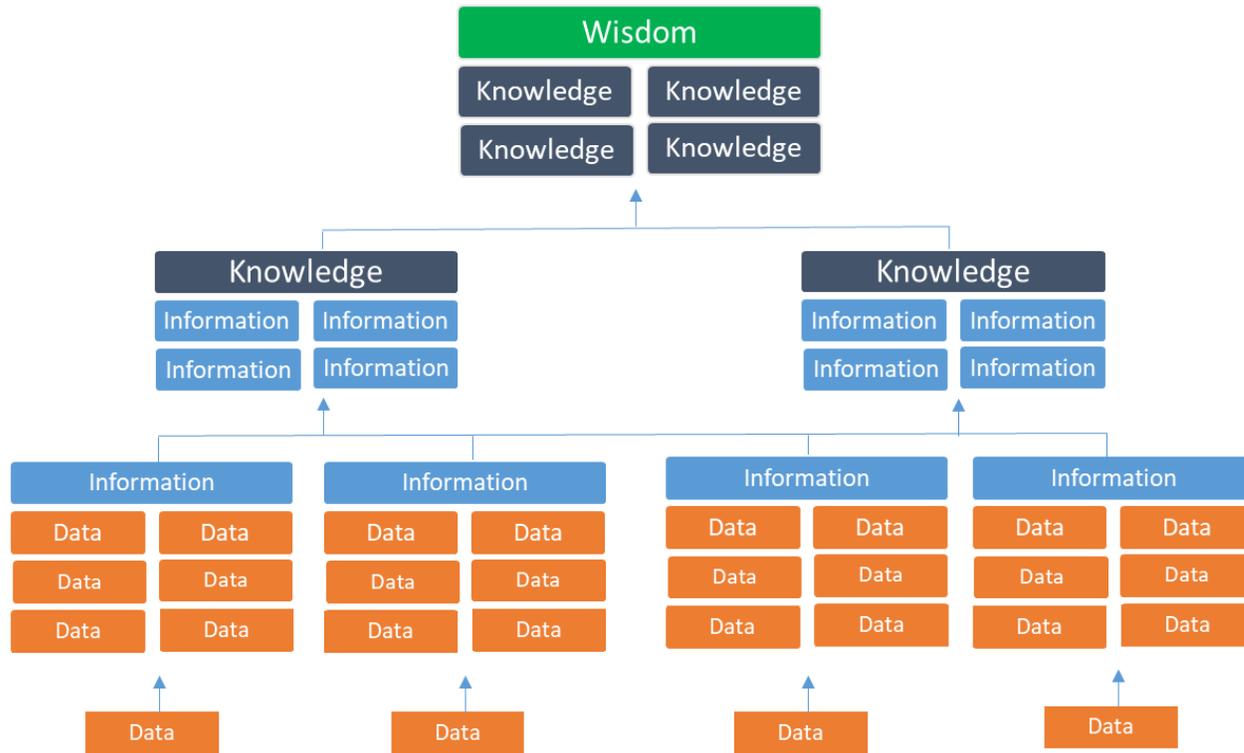


* Including finance

The subject area of **tax research**

- ❑ Tax research is **interdisciplinary** in that it is produced by accountants, lawyers, psychologist, economists, and finance researchers.
- ❑ In **interdisciplinary research**, researchers interact with the goal of transferring knowledge from one discipline to another. Allows researchers to inform each other's work and compare individual findings.
- ❑ Tax research might be classified as follows: (i) **tax law**—tax technical; (ii) **tax policy**; (iii) **tax administration**; and (iv) studies using **aspects of tax** as the context of the investigations (eg, an investigation of people's perceptions of the new tax law).

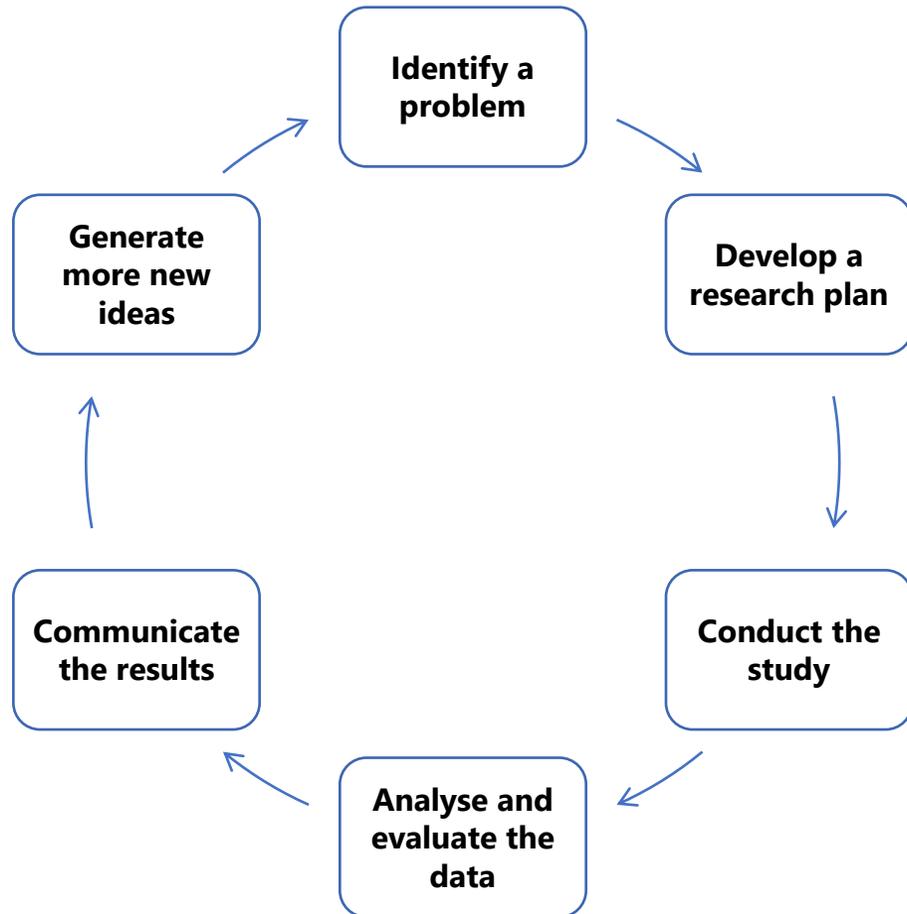
What can be achieved by **research**



(Russell Ackoff, 1989)

- ❑ Research is about discovery; **rarely about truth.**
- ❑ What can be best achieved by research is understanding.
- ❑ With understanding, comes **informed knowledge.**
- ❑ Used wisely, informed knowledge can **influence others** in forming **opinions, making decisions, shaping policies.**

The research **cycle**



Key characteristics of scientific research

- 1 Research originates with a **question** or **problem**, requires clear articulation of a **goal**.
- 2 Research requires a **specific plan** for proceeding
- 3 Research is **guided** by the **specific research problem, question, or hypothesis**.
- 4 Research requires the **collection and interpretation of data** in an attempt to resolve the problem that initiates the research.
- 5 Research is, by its nature, **cyclical** or, more exactly, **helical**.

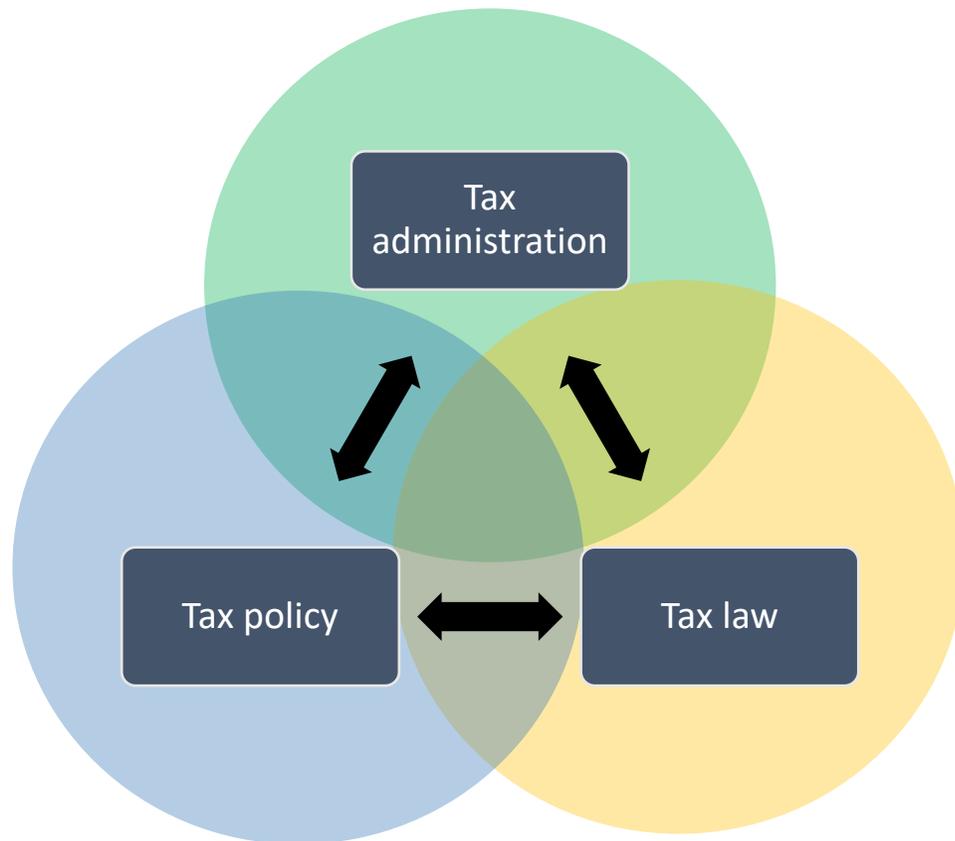
Identifying the **research problem**

- ❑ It is crucial to identify and understand the **research problem** and its context.
- ❑ **A research problem** is a statement about an area of concern, a condition to be improved, a difficulty to be eliminated, or a troubling question that exists in scholarly literature, in theory, or in practice that points to the need for meaningful understanding and deliberate investigation
- ❑ The **literature review** is the foundation for the argument the researcher construct—and, it is an iterative process.

“A beautiful research design cannot compensate for a flawed research question.”

— Webster & Sell (2007, p. 11)

The origin of **research problem**?



- Tax rate
- Tax compliance
- Tax avoidance and evasion
- Tax gap
- Policy gap
- Impact evaluation
- Tax dispute
- Law enforcement
- Tax audit
- Tax incentives
- Economic growth
- Institutional factors
- Socio-economic factors
- Base erosion profit shifting

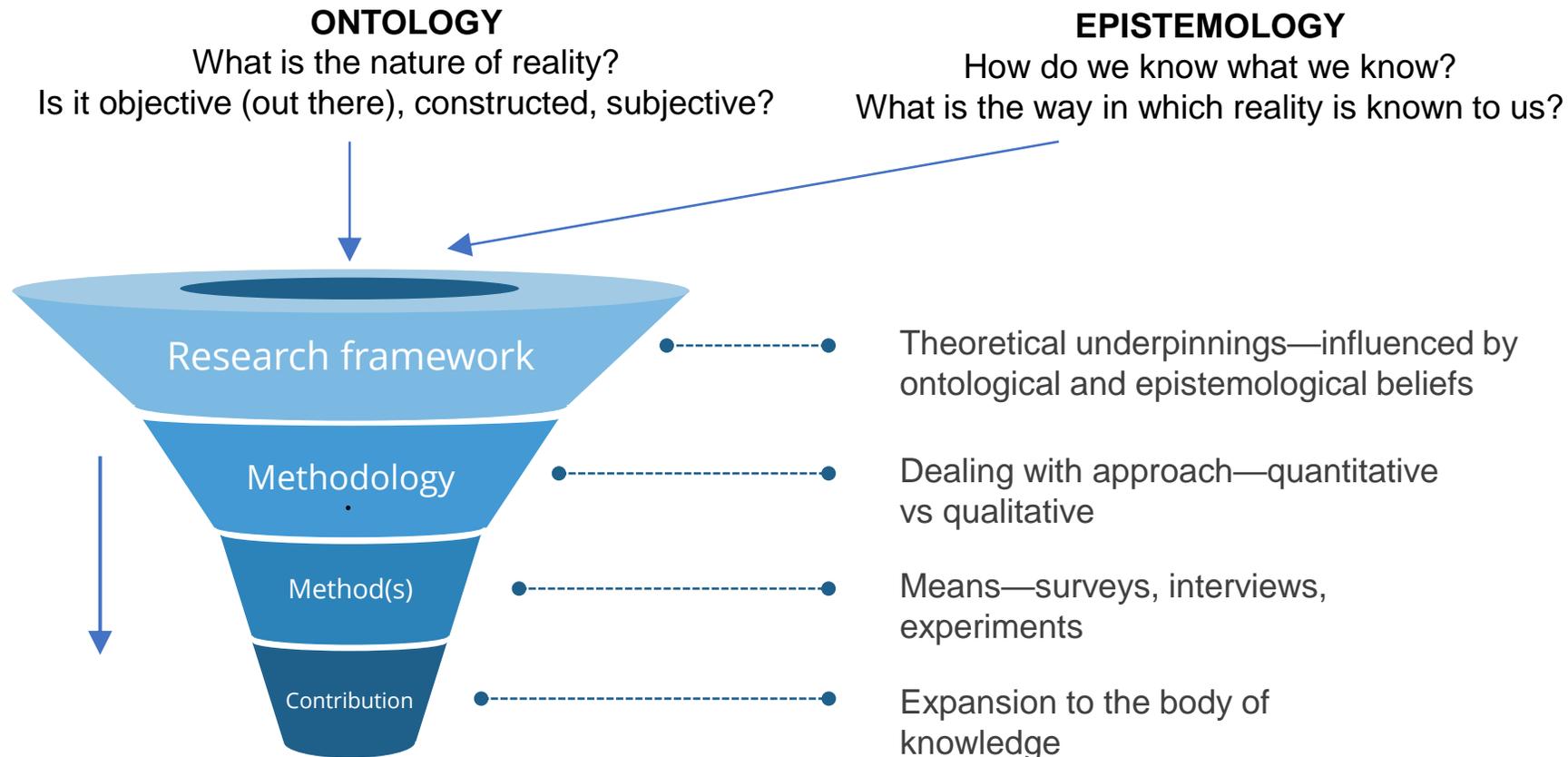
Detailed **examples**

- What effects do tax audits have on taxpayer reporting decisions?
- Do alternative sanction mechanisms used by a tax agency work?
- Do positive incentives encourage compliance?
- Does tax simplification contribute to more tax compliance?
- Can better tax agency services improve taxpayer compliance?
- Do tax amnesties result in increased or decreased future compliance rates?
- Does withholding status at year-end (tax owing/refund) affect voluntary compliance?
- What role do tax preparers play in tax reporting decisions?
- How do other societal institutions and social processes affect tax compliance?
- Do perceptions of “fiscal inequity” affect compliance?
- What is the role of social norms (or related notions) in compliance?
- When do psychological factors work/fail, and can government “exploit” these factors?
- Do higher tax rates encourage/discourage compliance?
- How effective are penalty rates?
- Etc.

Designing **tax** research

(1/2)

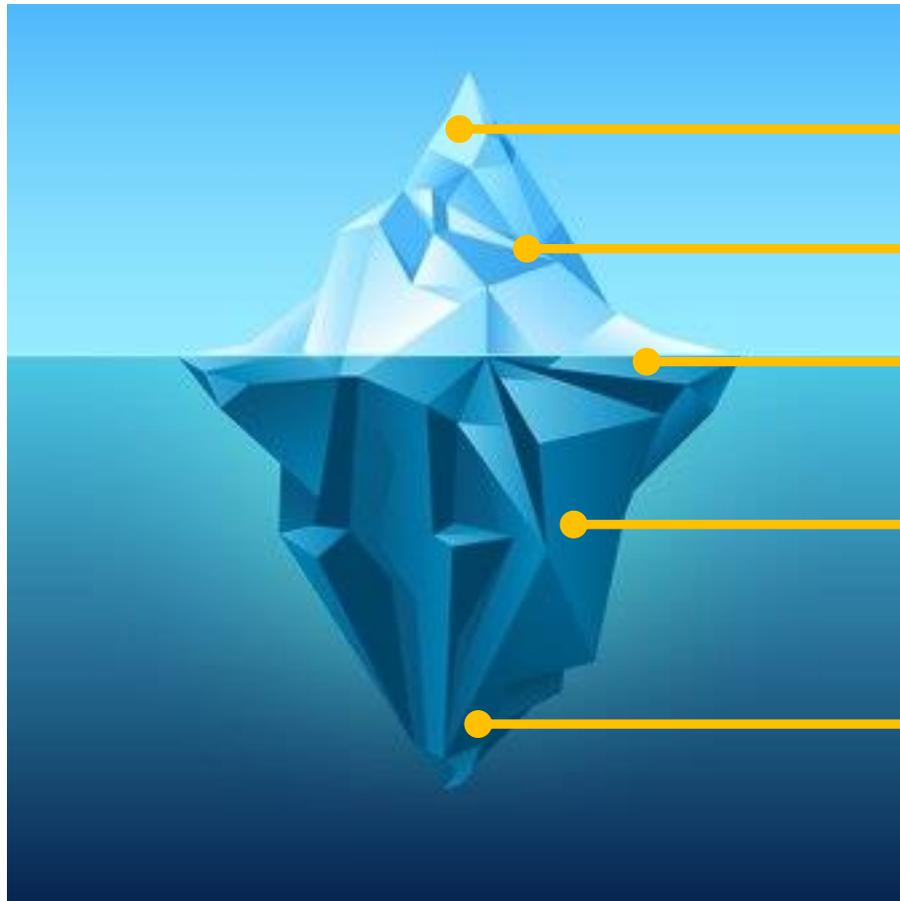
The 'big picture' philosophical concept



Designing **tax research**

(2/2)

What can be seen from a research paper?



Results/findings → *our contribution*

Method(s) → *Specific means we use*

Methodology → *What approach we adopt*

Epistemology → *How we believe that knowledge is created*

Ontology → *How we view the world*

The continuum of **research frameworks**

POSITIVISM

Legal positivism
Post-positivism
Legal post-positivism
Structuralism
Post-structuralism

CRITICAL REALISM PRAGMATISM

NON-POSITIVISM

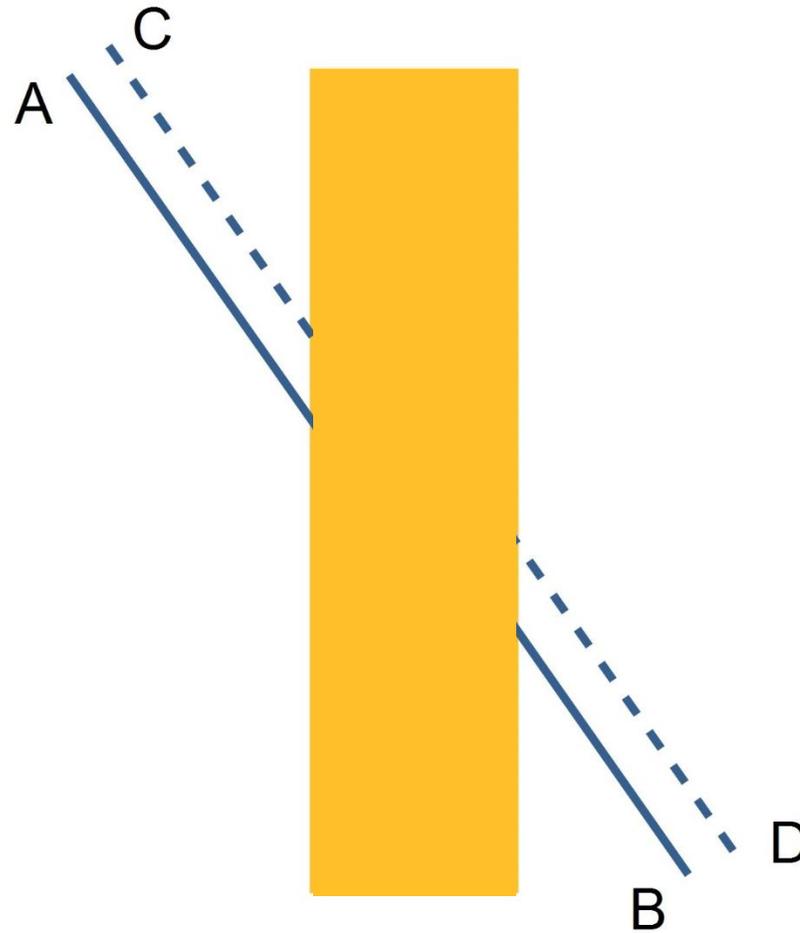
Interpretivism
Critical theory
Participatory theory
Symbolic interactionism
Post-modernism



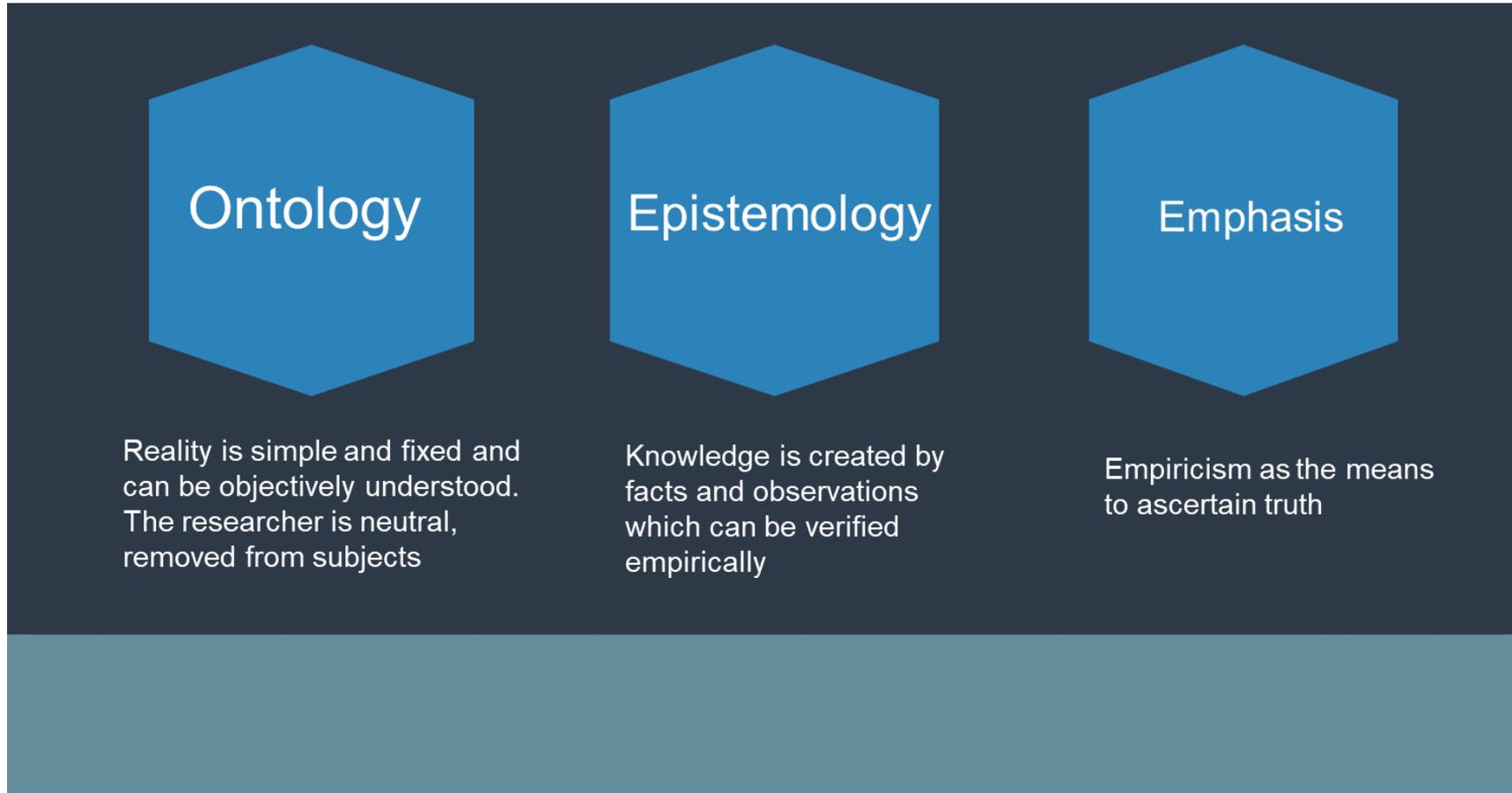
ANARCHY

A very **simple** illustration

How does adopted research framework shape the way we view research problem?



Quantitative methodology



Qualitative methodology

Ontology

Reality is always subjective, rather than objective. It is interpretive in nature.

Epistemology

Knowledge is usually created inductively with no expectation that the research can or will be replicated.

Emphasis

The identification of patterns and the making of meaningful and analytical generalisation that are limited to the study.

Methodological **comparison**

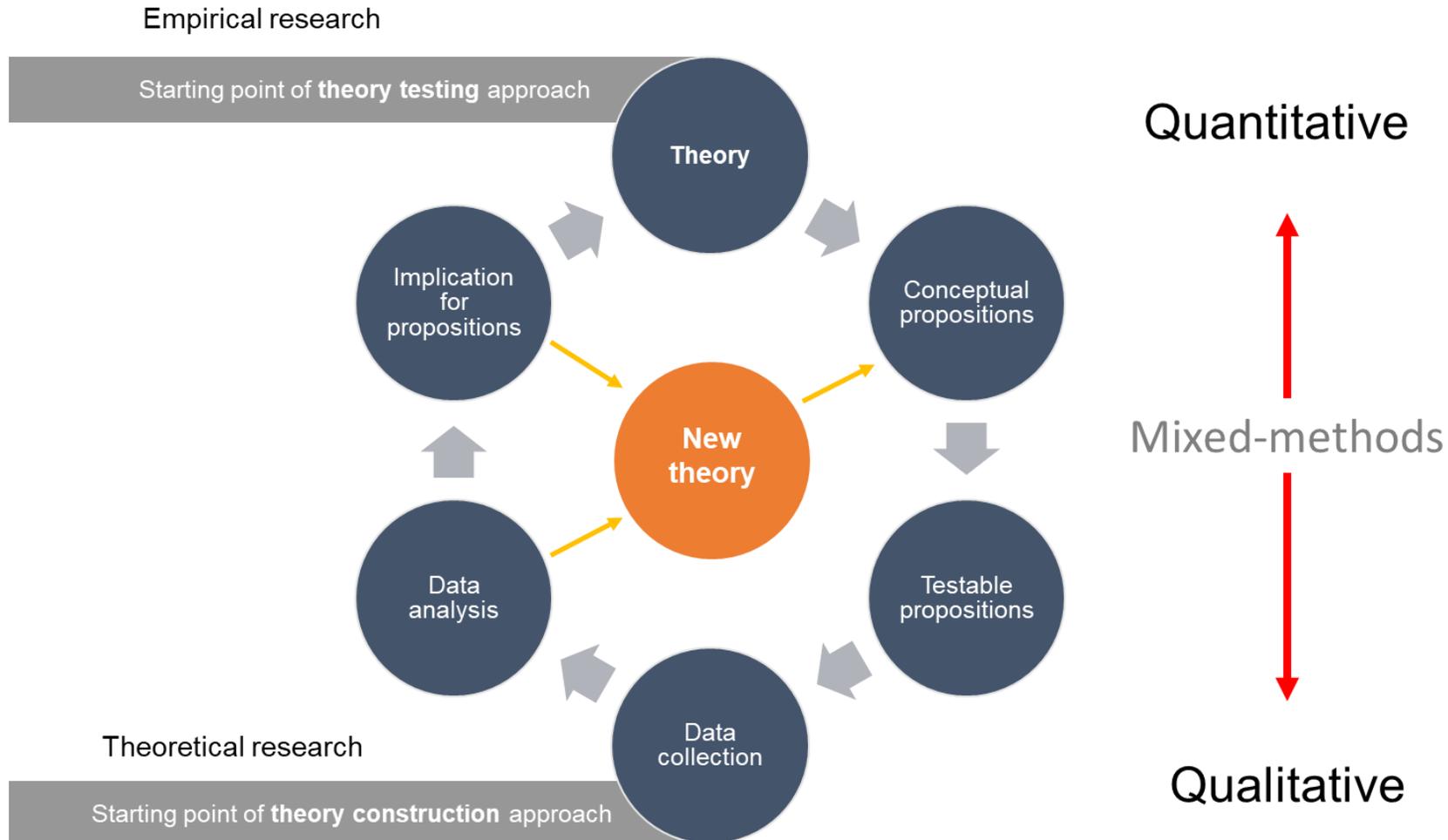
Quantitative research

- ❑ The researcher relies on **statistical analysis** (mathematical analysis) of the data, which is typically in numeric form.
- ❑ The reporting formats are typically different, with the quantitative structure following the typical introduction, literature review, methods, results, and conclusion sections

Qualitative research

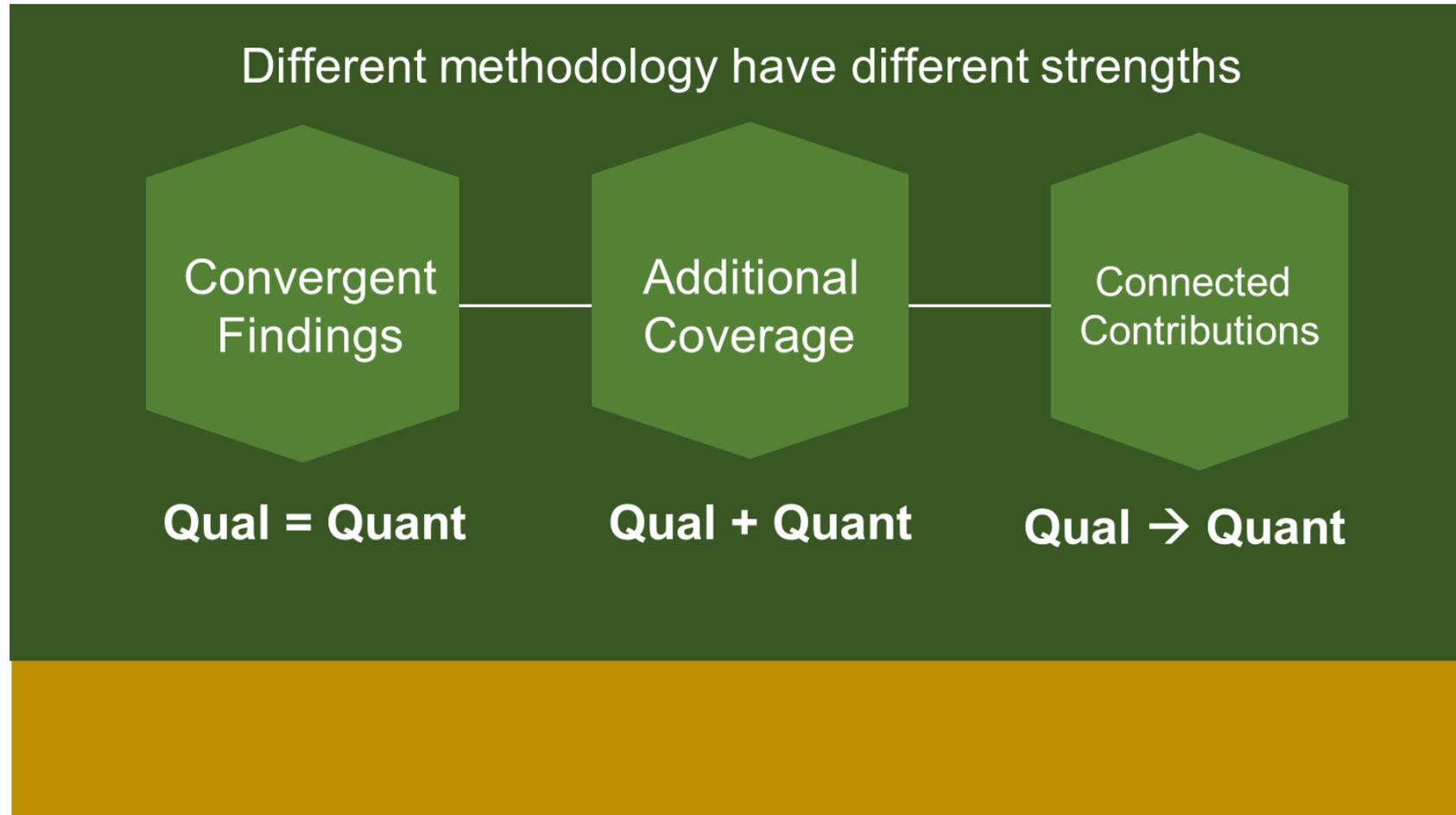
- ❑ Statistics are not used to analyze the data; instead, the inquirer analyzes words (e.g., transcriptions from interviews) or images (e.g., photographs).
- ❑ Rather than relying on statistical procedures, the qualitative researcher analyzes the words to group them into larger meanings of understanding, such as codes, categories, themes

Two main research approaches



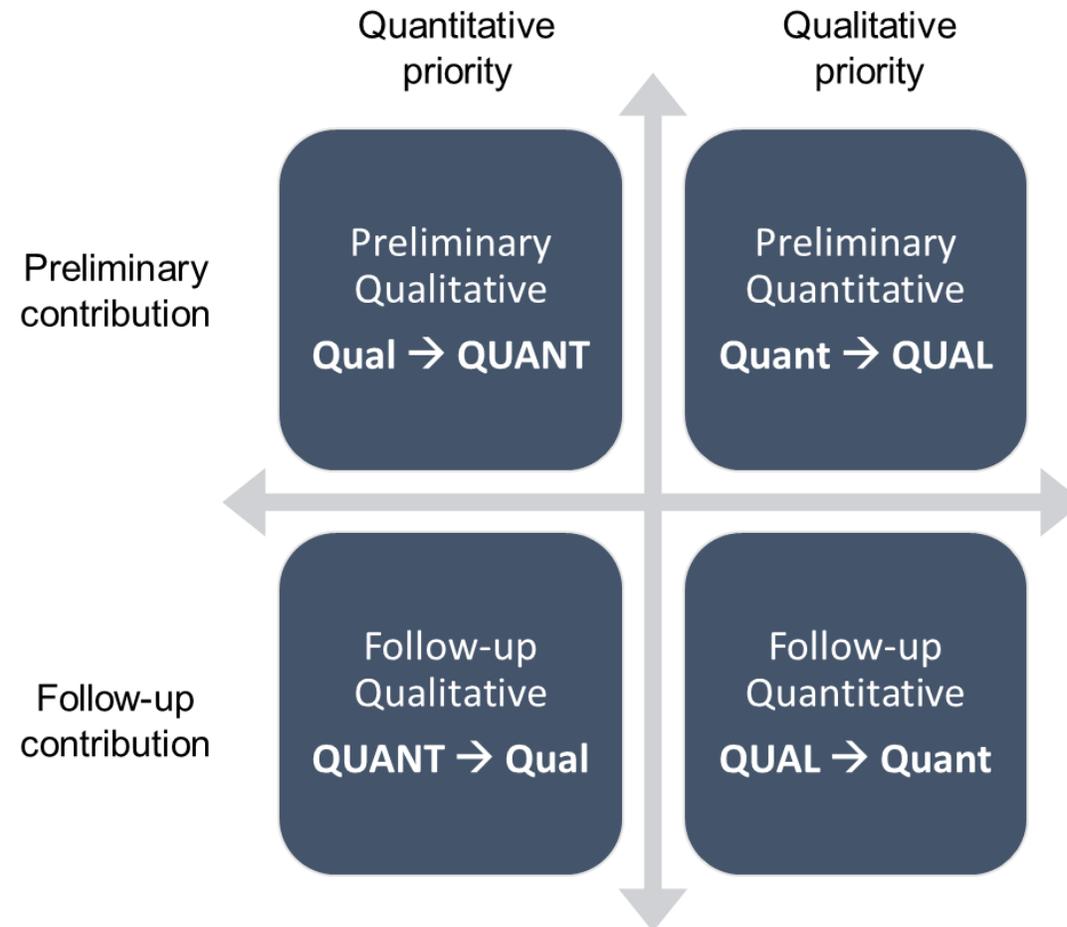
Note however, there are plenty of exemplary scholarly works in tax research that make no reference to theory at all (Oats, 2012).

Mixed methodology



A detailed **example**: mixed methodology

Variation of sequential priority models



Three main methods*

Methods:

The means by which (primary) data is collected



Experiments

Interviews

Surveys

*) Legal research is not included

Experiments

Key points

- ❑ Strongest method for testing causal relationships between two variables.
- ❑ Null hypotheses, then a treatment to replicate the situation being studied.
- ❑ Null hypotheses rejected or accepted – with different levels of confidence used.

Potential issues

- ✓ Usually mediating variables exist – not always able to be controlled.
- ✓ In which direction is the causal relationship?
- ✓ Experiments in the laboratory or in the field?
- ✓ Finding appropriate subjects/proxies
- ✓ External validity – the extent to which the results can be generalised to the broader population.

Interviews

Key points

- ❑ Understand the significance of human experience
- ❑ Not just what is said; body language, reactions, eye contact etc.
- ❑ Finding out what is going on in someone else's mind.
- ❑ Two-way flow of dialogue.
- ❑ Not an interrogation, but something more revealing when done well.

Potential issues

- ✓ Can be costly and time consuming to conduct.
- ✓ The interviewer has two contrasting optional roles, either as 'a miner' or as 'a traveller'.

Surveys

Key points

- ❑ Structured, semi-structured, (or unstructured) and conducted by various means.
- ❑ Useful for finding out about self-reported behaviour and beliefs.
- ❑ Designing survey questions is an art.
- ❑ Piloting is advisable.
- ❑ Closed questions easier to analyse, but presume we know all the answers.

Potential issues

- ✓ Sample frame and recruitment.
- ✓ Sampling strategies and sample size.
- ✓ Non-responses – what do they mean, and how can they be reduced?
- ✓ Internal and external validity.
- ✓ Ethical considerations
- ✓ Are the results worthless or misleading?

Data analysis using **qualitative approach**

1. Data Coding

A process by which data is organised on themes, concepts etc. to facilitate analytical generalisations

2. Data Analysis

Thematic analysis is common; also narrative analysis extracting the story and presenting the chain of events.

Data analysis using **quantitative approach**

1. Descriptive statistics

To describe basic pattern in the observed data (i.e. mean, median, mode, standard deviation, frequency distribution, cross-tabulation).

2. Inferential statistics

The measures used for making inferences from findings based on sample observations to a larger population, done by either mathematical modelling or statistical analysis

Designing a good **tax research** proposal

'**Rigour**' and '**relevance**' are two key concepts in assessing the quality of good research.

- Your title
- The background to your study (purpose and rationale)
- The overarching aims and objectives and the proposed structure of your proposal
- The final research questions you are going to address in your proposal
- A critical and extensive review of the relevant literature

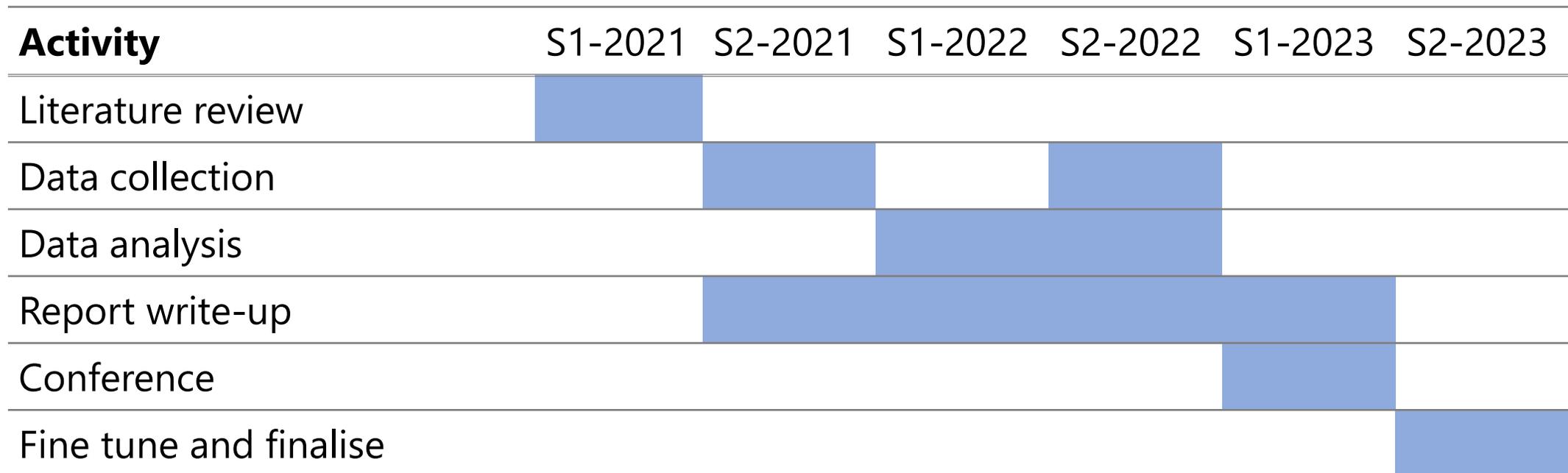
Designing a good **tax research** proposal

(2/2)

- ❑ The research design for your project, together with a robust defense as to why you have chosen this approach and including (where relevant):
 - ✓ Your plans for your data collection, and
 - ✓ Any anticipated data collection issues and your plans for overcoming these problems
- ❑ An **operational plan** including:
 - ✓ A clear timetable for your research
 - ✓ Identification of what support and resources you will require in order to successfully complete the study
 - ✓ Identification of, and a plan to obtain, any necessary ethical clearances for your research
- ❑ A full list of references in the appropriate style.

Developing **operational plan**

Illustration



References & readings:

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'There is no such thing as perfect research and "you cannot please all of the people all of the time" '

— Denscombe (2002, p.3)

 Thank you

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