

# Research Methods in Taxation



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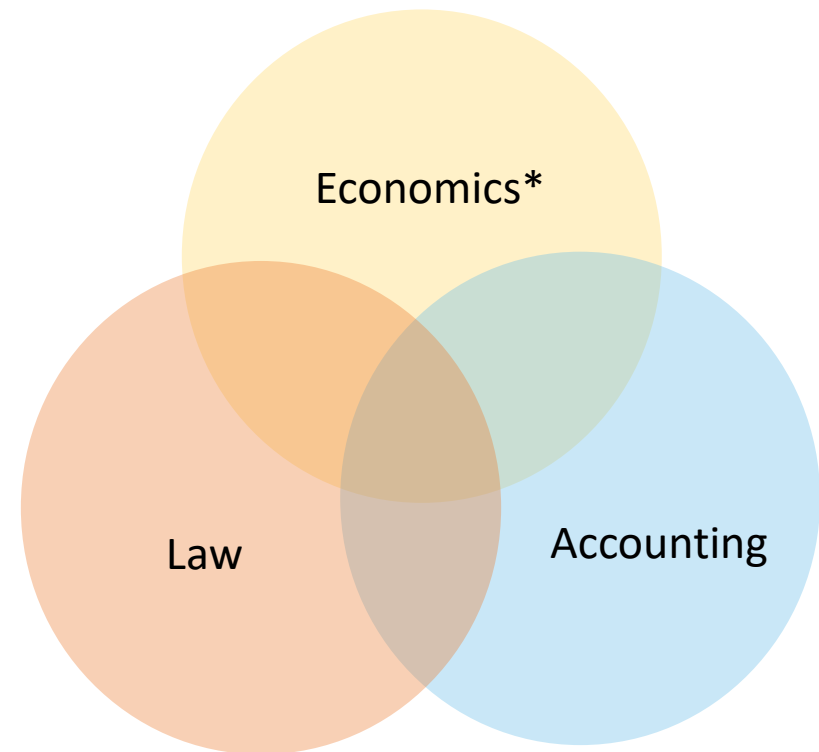
# What is **research**?

- ❑ 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

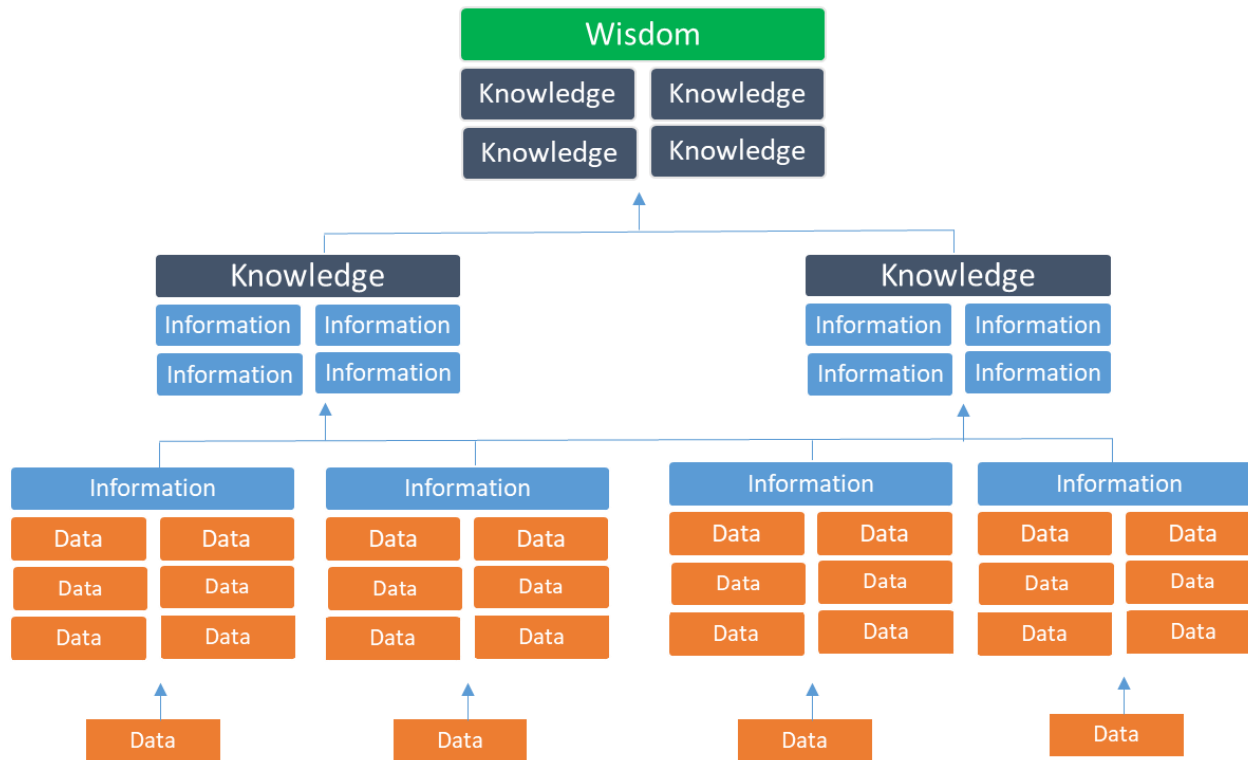


\* Including finance

# 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).

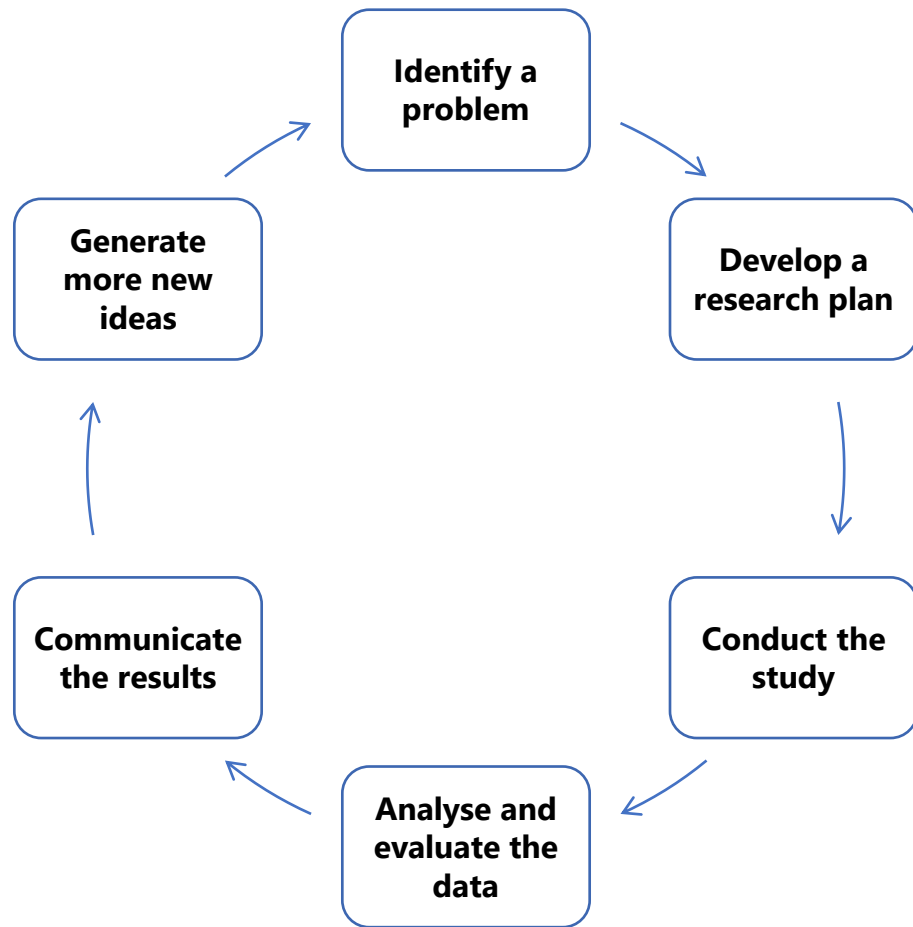
# What can be achieved by **research**



(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**.

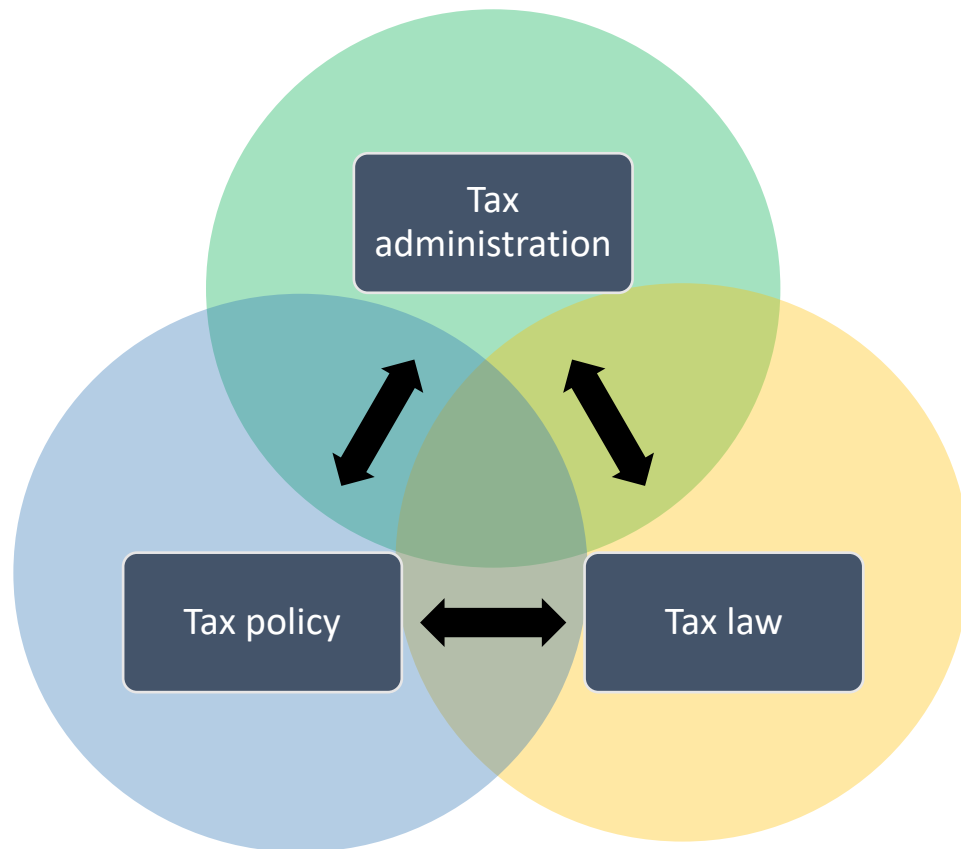
# Identifying the **research problem**

- ❑ 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

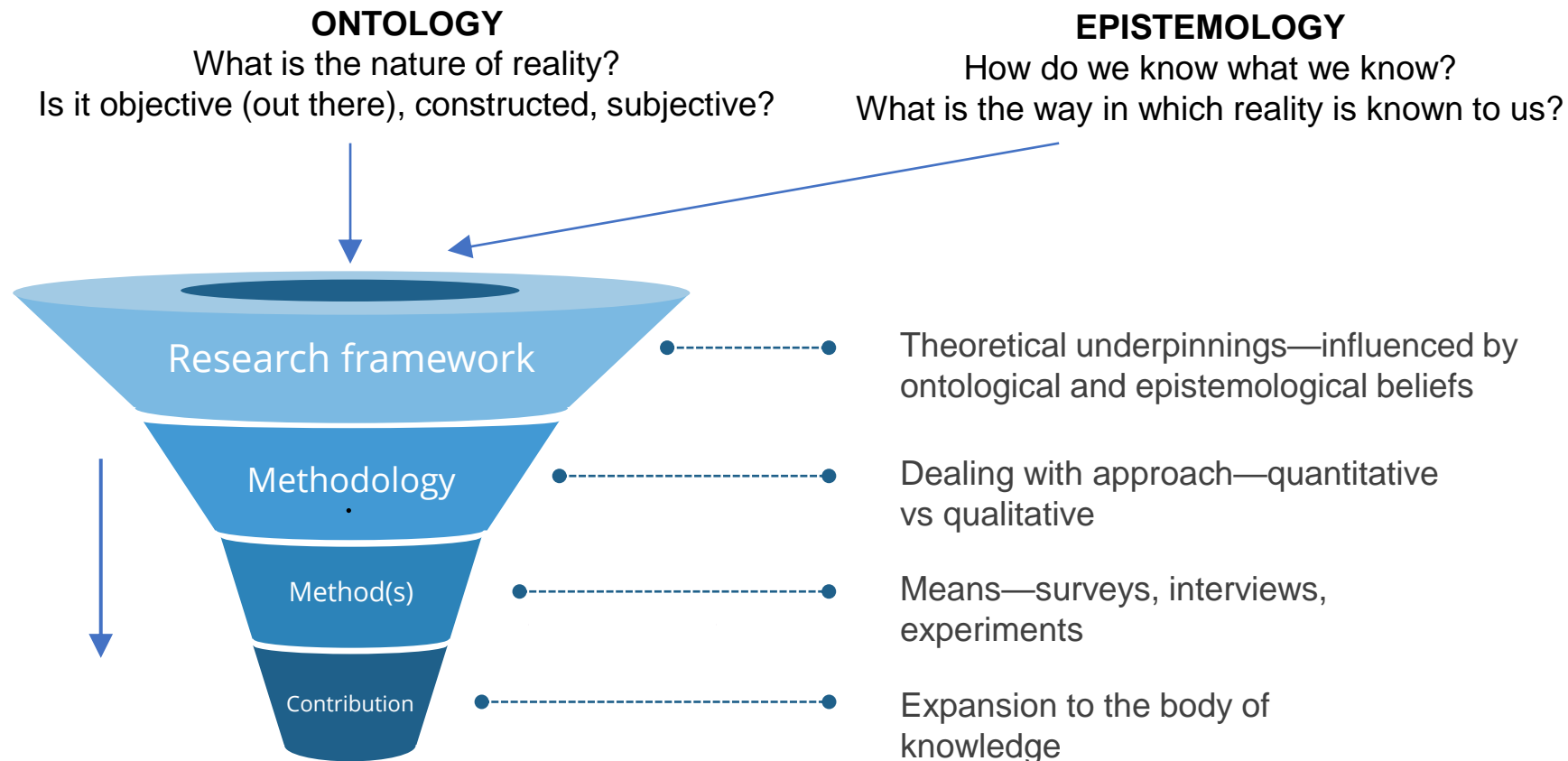
# Detailed **examples**

- ☐ 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)

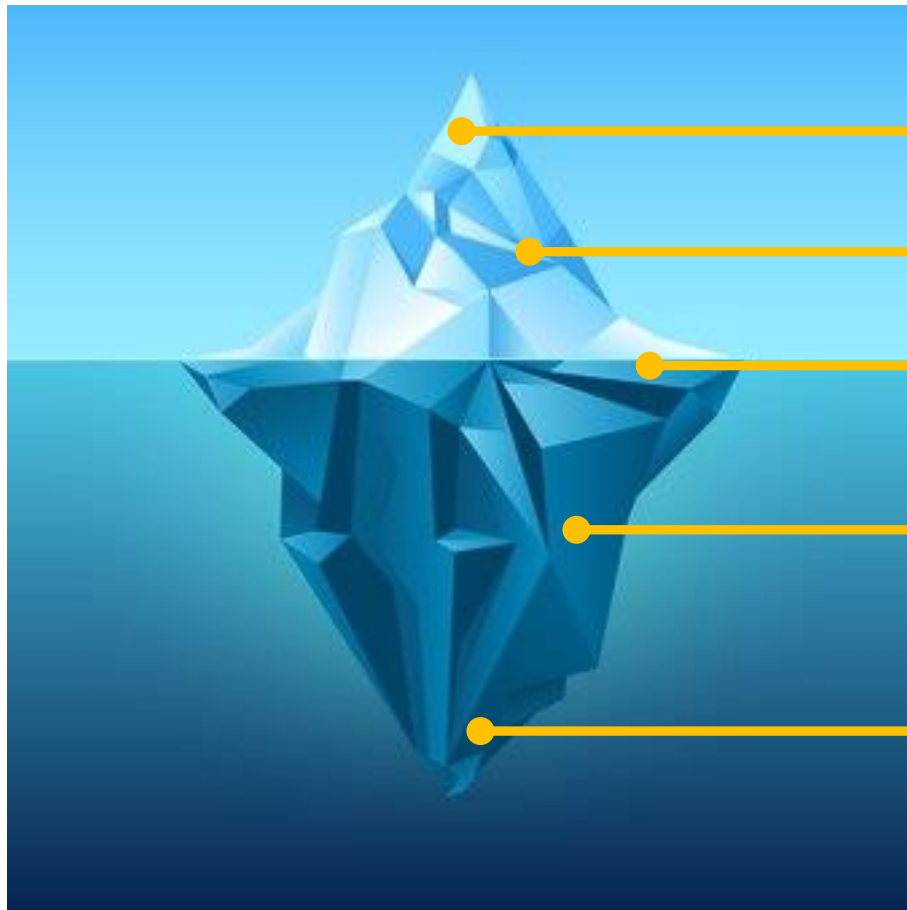
## The 'big picture' philosophical concept



# 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

## **NON-POSITIVISM**

Interpretivism  
Critical theory  
Participatory theory  
Symbolic interactionism  
Post-modernism

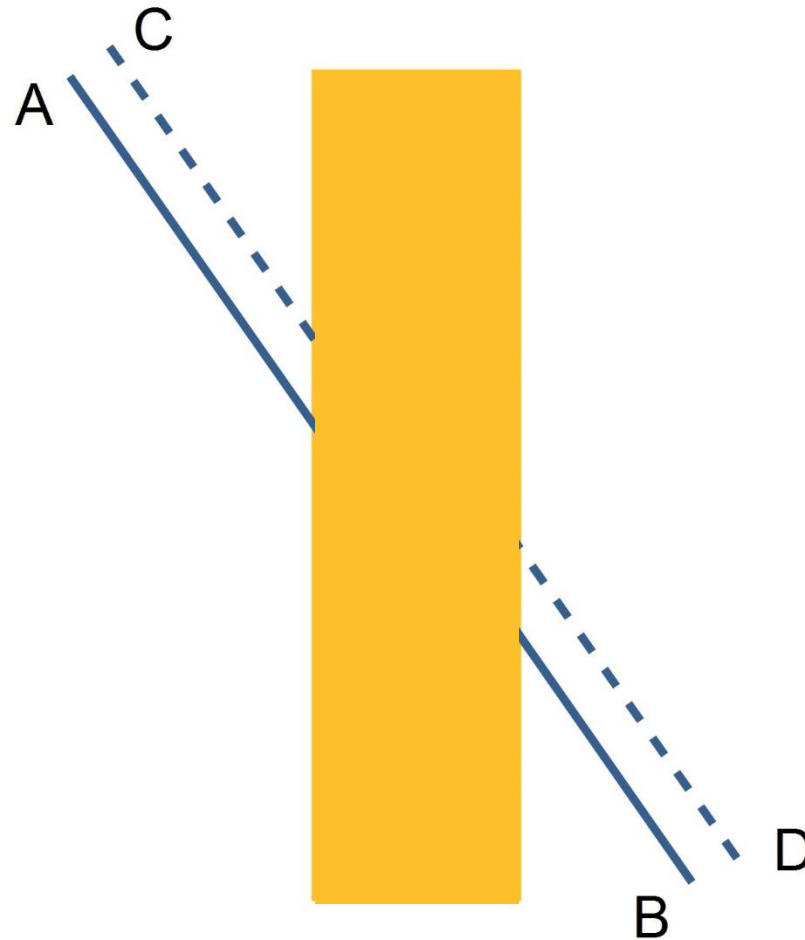
## **CRITICAL REALISM PRAGMATISM**



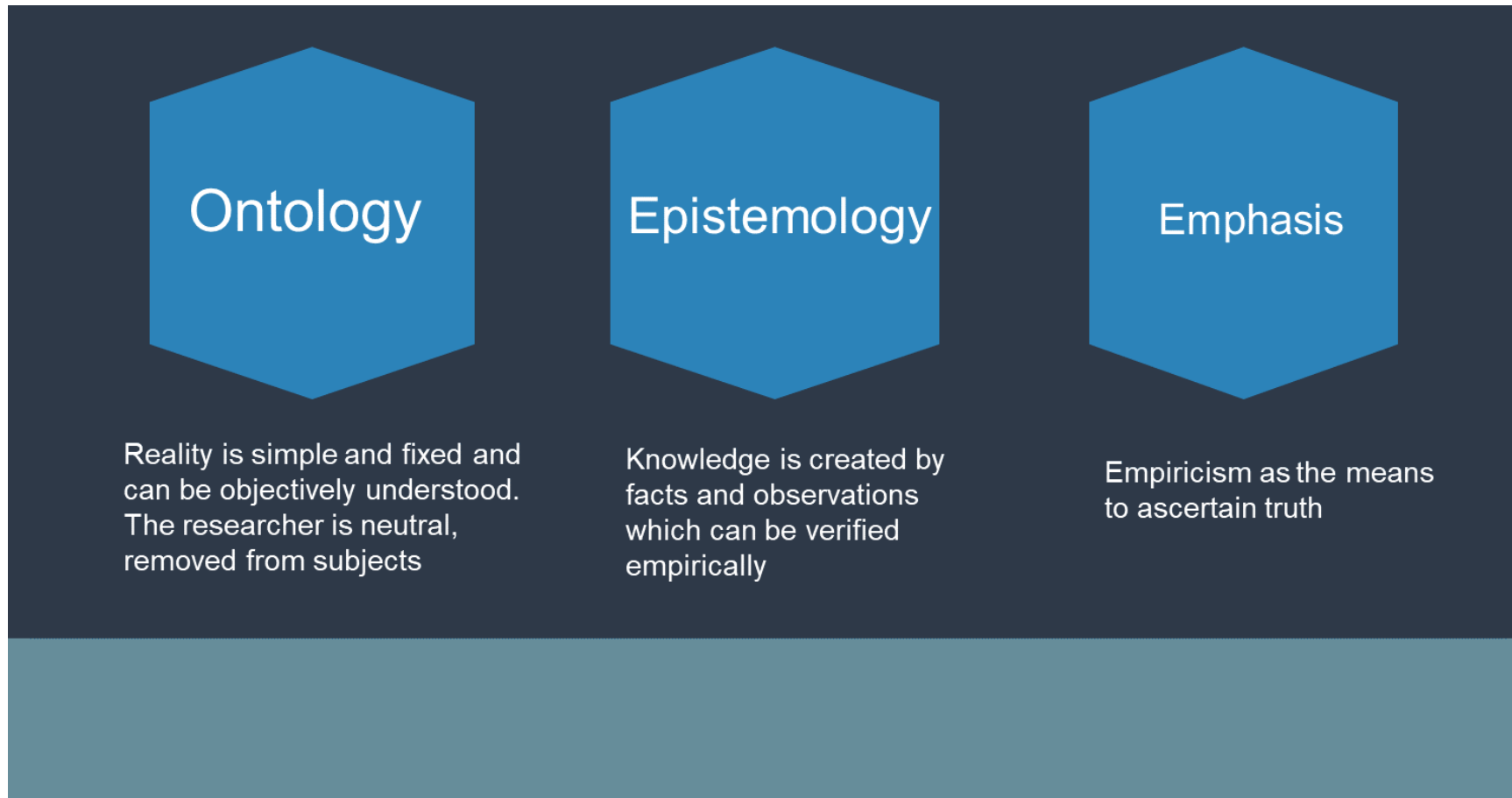
**ANARCHY**

# A very **simple** illustration

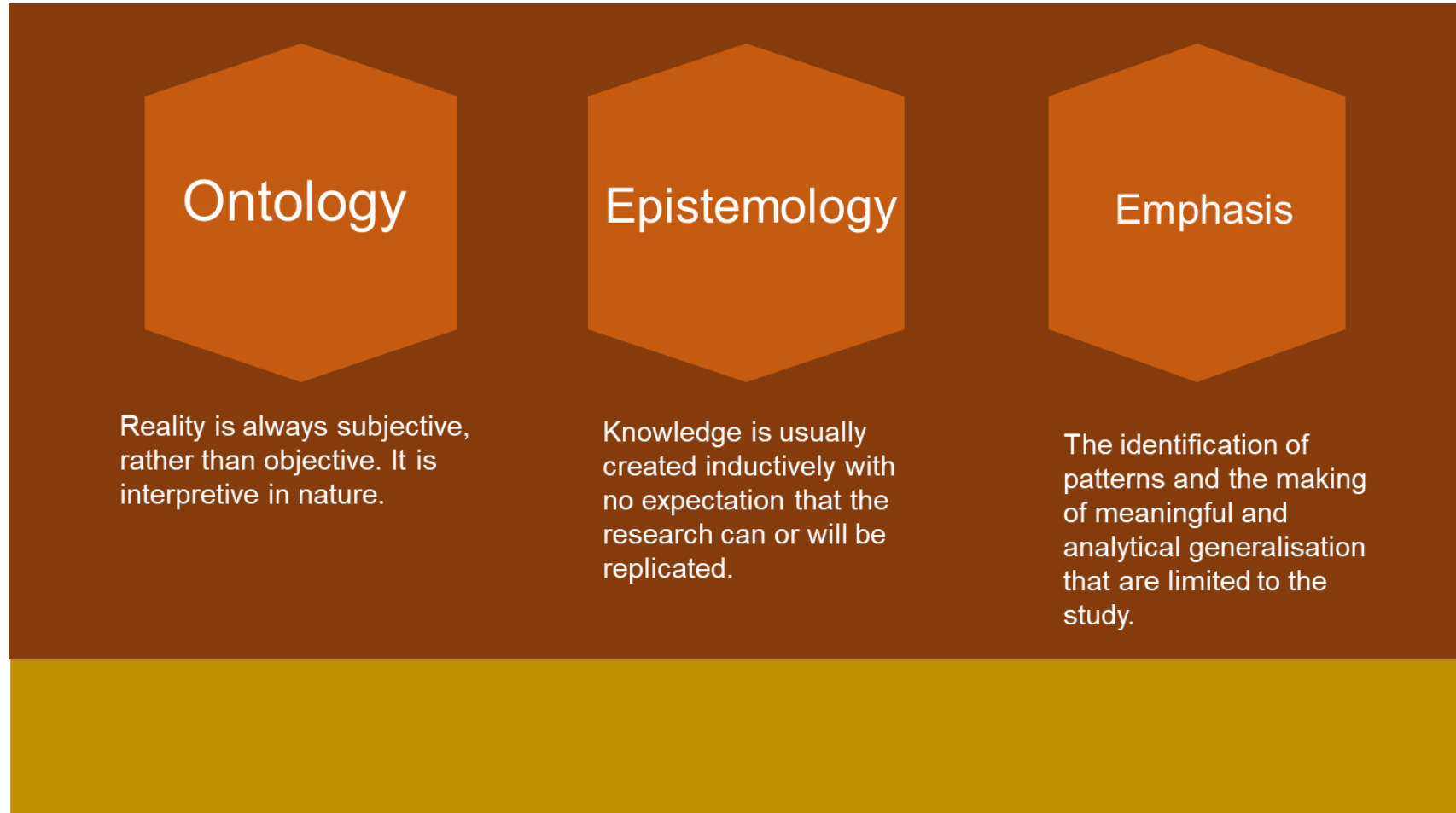
How does adopted research framework shape the way we view research problem?



# Quantitative methodology



# Qualitative methodology



# Methodological **comparison**

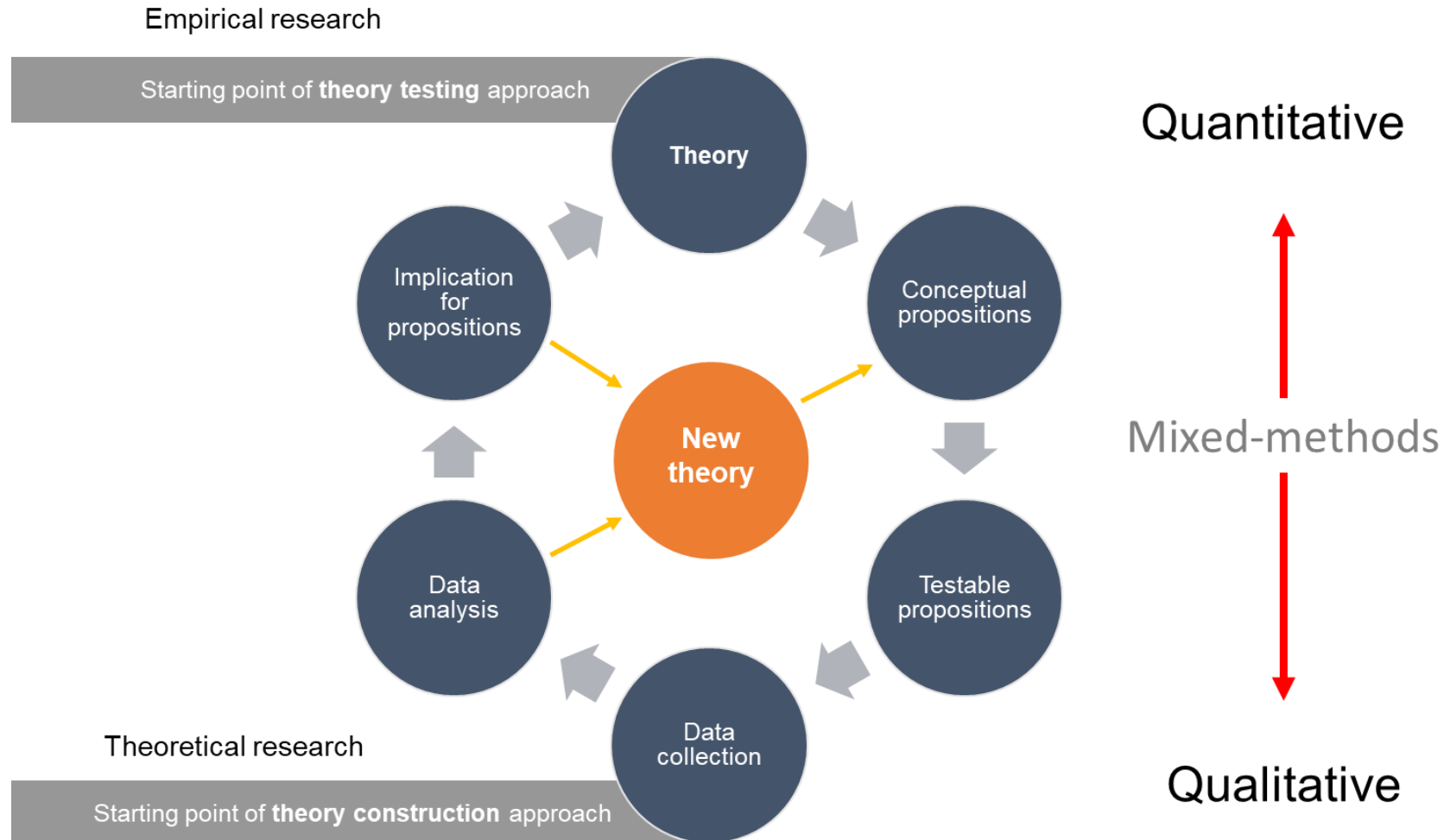
## Quantitative research

- ❑ 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

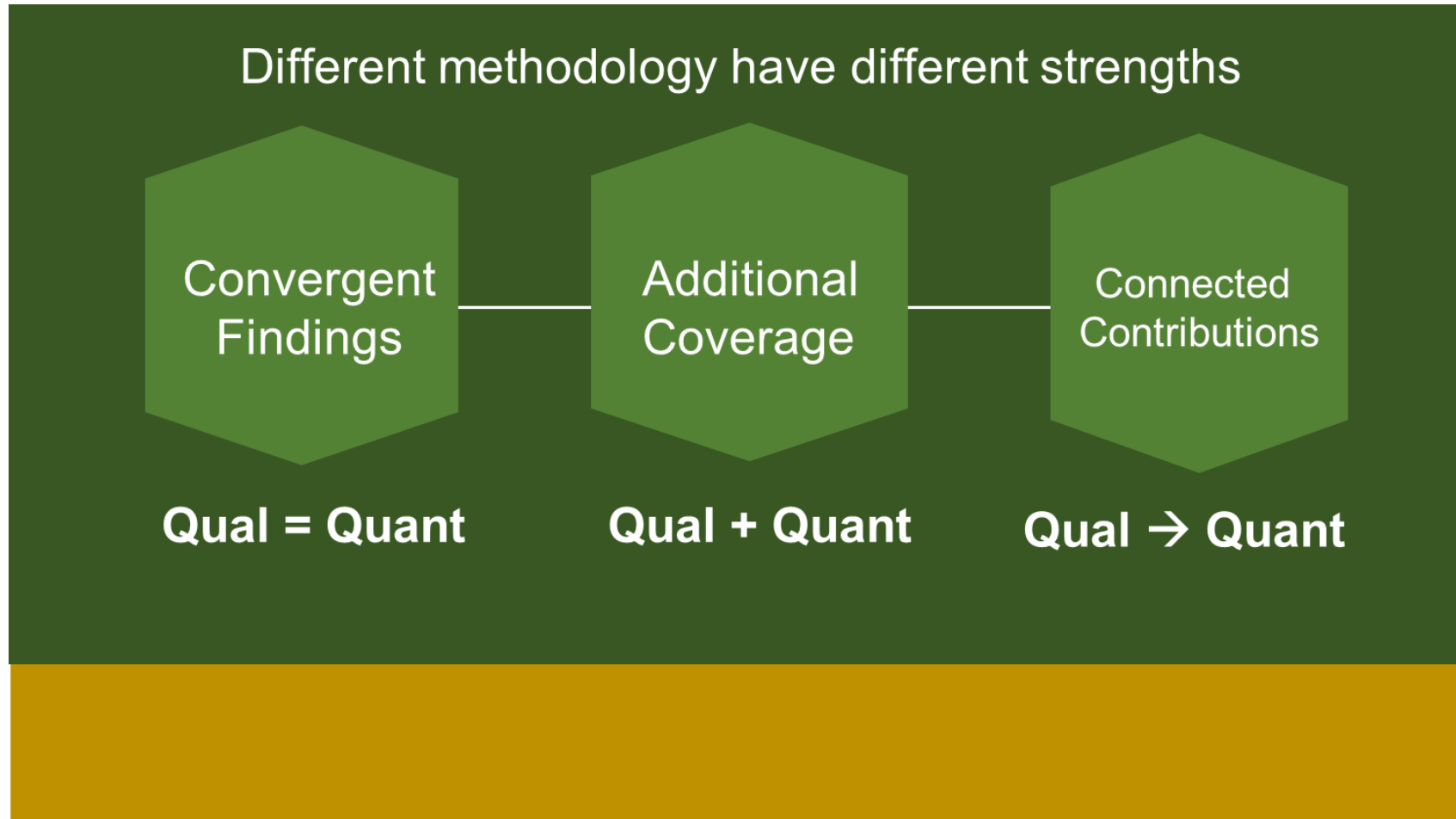
- ❑ Statistics are not used to analyze the data; instead, the inquirer analyzes words (e.g., transcriptions from interviews) or images (e.g., photographs).
- ❑ Rather than relying on statistical procedures, the qualitative researcher analyzes the words to group them into larger meanings of understanding,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

# Two main research approaches



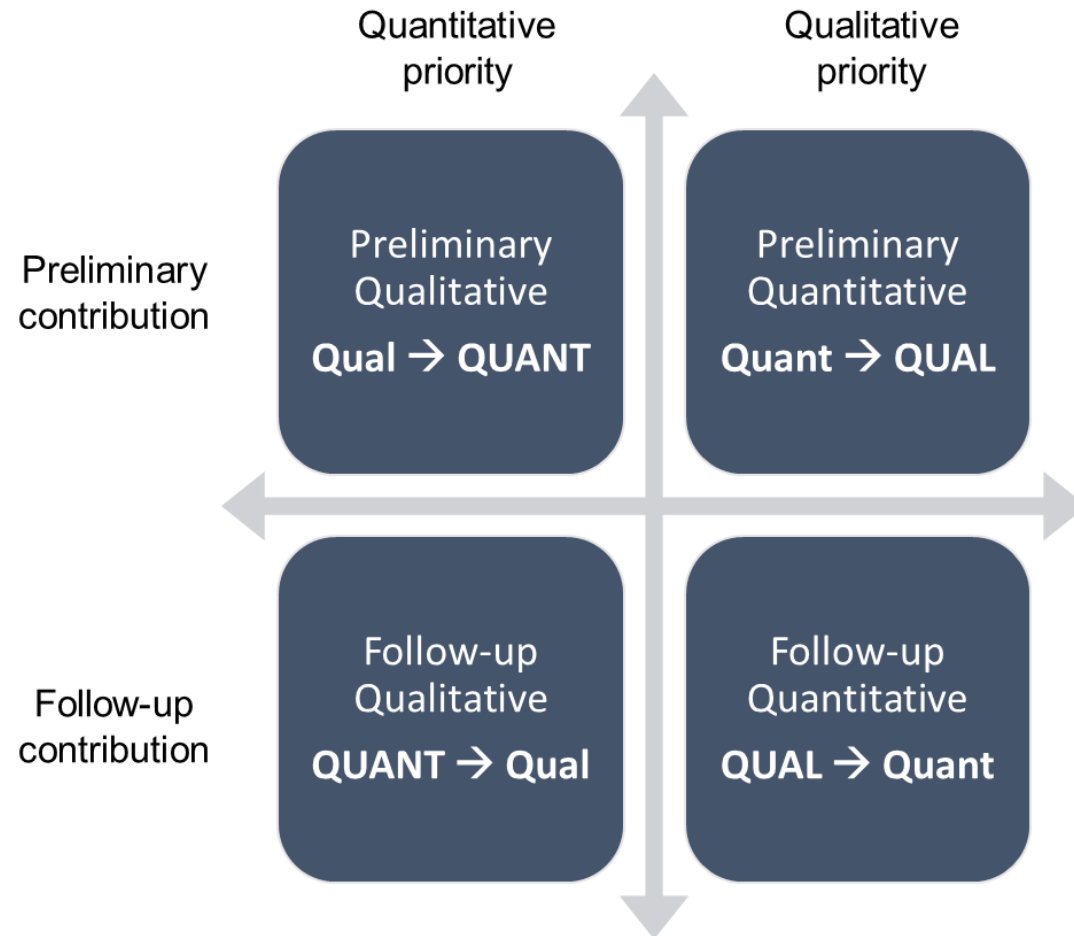
Note however, there are plenty of exemplary scholarly works in tax research that make no reference to theory at all (Oats, 2012).

# 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	Potential issues
<ul style="list-style-type: none"><li>❑ Strongest method for testing causal relationships between two variables.</li><li>❑ Null hypotheses, then a treatment to replicate the situation being studied.</li><li>❑ Null hypotheses rejected or accepted – with different levels of confidence used.</li></ul>	<ul style="list-style-type: none"><li>✓ Usually mediating variables exist – not always able to be controlled.</li><li>✓ In which direction is the causal relationship?</li><li>✓ Experiments in the laboratory or in the field?</li><li>✓ Finding appropriate subjects/proxies</li><li>✓ External validity – the extent to which the results can be generalised to the broader population.</li></ul>

# Interviews

Key points	Potential issues
<ul style="list-style-type: none"><li>❑ Understand the significance of human experience</li><li>❑ Not just what is said; body language, reactions, eye contact etc.</li><li>❑ Finding out what is going on in someone else's mind.</li><li>❑ Two-way flow of dialogue.</li><li>❑ Not an interrogation, but something more revealing when done well.</li></ul>	<ul style="list-style-type: none"><li>✓ Can be costly and time consuming to conduct.</li><li>✓ The interviewer has two contrasting optional roles, either as 'a miner' or as 'a traveller'.</li></ul>

# Surveys

Key points	Potential issues
<ul style="list-style-type: none"><li>❑ Structured, semi-structured, (or unstructured) and conducted by various means.</li><li>❑ Useful for finding out about self-reported behaviour and beliefs.</li><li>❑ Designing survey questions is an art.</li><li>❑ Piloting is advisable.</li><li>❑ Closed questions easier to analyse, but presume we know all the answers.</li></ul>	<ul style="list-style-type: none"><li>✓ Sample frame and recruitment.</li><li>✓ Sampling strategies and sample size.</li><li>✓ Non-responses – what do they mean. and how can they be reduced?</li><li>✓ Internal and external validity.</li><li>✓ Ethical considerations</li><li>✓ Are the results worthless or misleading?</li></ul>

# 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*

<b>Activity</b>	S1-2021	S2-2021	S1-2022	S2-2022	S1-2023	S2-2023
Literature review						
Data collection						
Data analysis						
Report write-up						
Conference						
Fine tune and finalise						

# 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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