The influence of tax authorities on the employment of tax practitioners: Empirical evidence from a survey and interview study[1]

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[1]Data for all studies can be accessed from the OSF repository https://osf.io/c4re6/.

Abstract

Tax practitioners play a crucial role in the degree of taxpayers' compliance – a role that has increased as tax systems worldwide have become more complex. However, little is knownabout tax authorities' impact on taxpayers' decisions to employ tax practitioners. Based on earlier research on motivations to employ a tax practitioner and the extended slippery slope framework of tax compliance, we conducted two studies which provide some answers. A survey study – comprising a representative sample of 500 Austrian self-employed taxpayers– revealed thatfinancial gain is not the most important reason to employ a tax practitioner but instead the motivation to avoid problems with the tax authorities. Related to that, we also find that taxpayers' perception of tax authorities wielding coercive power motivates them to employ tax practitioners. In theinterview study with 33 self-employed taxpayers and 30 tax auditors, taxpayers indicated that they soughtto avoid contact with tax officers by employing tax practitioners. This finding was supportedby tax officers who reportedpreferring interaction with tax practitioners over direct contact with taxpayers. The two studies point to the complex relationship between taxpayers, tax authorities and tax practitioners, and allow the drawingof theoretical and practical implications.

Keywords: tax practitioners; self-employed taxpayers; tax auditors; extended slippery slope framework; tax compliance and tax avoidance

JEL classification: H25; H26; M41, M49

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1. Introduction

States levy taxes from citizens to finance public goods, which are deemed essential to meet a modern society's needs, such as health care, education, infrastructure and public security, which are valued to different degrees by its members (see Inglehart et al., 2014). Taxes are also a means to regulate individual and firm behavior by providing incentives for desired behavior and disincentivesfor undesired activities; and progressive taxes are an instrument against excessive differences in wealth. The tax code of many countries builds a complex legal environment in which taxpayers find it difficult to comply with their obligations. Many taxpayers, particularly those who run a business, employ a tax practitioner who assists, for example,in the preparation and filing of tax returns or claims for refunds. If a tax practitioner is employed, taxpayers themselves do not usually engage directly with tax authorities. This has been the case for many years (Arzoo, 1987; Devos, 2012; Gupta, 2015; Levy, 2015; Murphy, 2004) and is a worldwide phenomenon. For instance, Drumbl (2014, p. 1365) notes that more than 78 million individual income tax returns were "assembled" by a range of preparers in 2011 in the USA. McKinstry and Baldry (1997), andMcKerchar, Bloomquist and Leviner (2008) report varying levels of use of tax practitioners from the mid-1980s for Italy, Australia, the USA, the UK, Ireland, Canada and New Zealand (following the 2005 OECD survey), attributing the growth in usage to the wider adoption worldwide of self-assessment, with this being particularly the case for business taxpayers in Australia.

There is a continually developing academic interest in the work of tax practitioners across a wide spectrum of subject disciplines (see Hahn and Ormeño Pérez, 2020), which includes literature on taxpayers' reasons for employing a tax practitioner. Many of these studies have been survey-based, mostlybeing conducted in the 1990s or earlier, frequently in the USA, andwith a quantitative focus. As taxation is a constantly changing topic, it is therefore useful to determine not only whether the motivations previously reported in different countries and contexts remain generally valid, but also to determine their importance and to conceptualize their meaning for taxpayers. For instance,the existing literature does not provide a theoretical framework, such as the distinction between authorities' power and taxpayers' trust in the tax authorities, that is able to suggest why taxpayers choose to employ a tax practitioner. In the present paper, we therefore address two basic research questions: (i) what motivates taxpayers to employ a tax practitioner; and (ii) how do tax authorities' power and taxpayers' trust in tax authorities influence taxpayers' decisions to employ a tax practitioner? To answer these questions, we conducted two empirical studies: a survey study including 500 self-employed individuals with small business turnover, and interviews with 33 self-employed taxpayers and 30 tax authority employees (tax auditors), based in Austria.

The remainder of the paper is structured as follows. Section 2 considers who tax practitioners are, and what they do, as the role, title and remit differ in perception and between countries; section 3 examines prior literature on taxpayers' reasons for employing tax practitioners; section 4 looks at tax authorities' influence on the use of tax practitioner services; section 5 sets out our research questions and methods; section 6 presents the research results; and section 7 offers our conclusions.

2. Who tax practitioners are and what they do

A variety of different terms is used in both academic and professional literature to describe tax practitioners – tax accountants, tax advisers (or advisors), tax agents, tax intermediaries, tax lawyers, tax practitioners, tax preparers and tax professionals – without any significant differentiation between these terms (see Frecknall-Hughes, 2012, p. 178). Hahn and Ormeño Pérez (2020, p. 99) in their review of the tax practitioner literature also used 'tax attorney', 'tax counsel', 'tax solicitor', 'tax litigator', 'tax consultant', 'tax expert', 'tax specialist', 'tax partner', 'tax executive', 'tax director', 'tax manager', 'tax provider', 'tax worker', 'tax planner', 'tax auditor' and 'tax inspector' as terms to identify those professionally involved in tax work. Some of these terms, however, indicate more precisely the work domain of an individual.Frecknall-Hughes and Moizer (2015,p. 54) comment that the term:

> 'tax intermediary' is a more recent development adopted by the OECD, whereas 'tax preparer' is especially used in the USA to denote firms or individuals who provide chiefly assistance in tax return completion (such as, compliance work ...). A currently emerging term seems to be 'tax structurer', which may have significant implications.

Stephenson (2010, p. 118) notes that she uses "the term tax preparer when discussing the restricted activity of tax preparation and tax professional when the actions taken are broader, for example, to include tax planning", but such a distinction is rarely drawn.

The tax profession is often fragmented (Frecknall-Hughes, 2012, p. 178) and there is a wide variety of individuals offering services: in the UK, for example, there are accountants, solicitors, barristers, payroll agents, tax experts working within industry, designated tax consultants with membership of tax dedicated professional bodies, and former and current members of government revenue authorities, although the latter work in the public sector. Depending on the country in which they work, practitioners may also be subject to different regulations, different levels of involvement(see Federation of European Accountants, 2015, and Accountancy Europe, 2017),different licensing arrangements, etc. (Frecknall-Hughes and McKerchar, 2013a, 2013b). In Austria, the country for this paper's study, tax practitioners ('Steuerberater') and public accountants ('Wirtschaftsprüfer') are both regulated professions, and membership of the chamber of tax practitioners and public accountants (Kammer der Steuerberater und Wirtschaftsprüfer(KSW)) is compulsory for both.In the past 'Wirtschaftsprüfer' were required also to pass the examination for 'Steuerberater' and were therefore licensed to perform services as 'Wirtschaftsprüfer' (e.g., statutory audits) and also all professional services reserved for 'Steuerberater'. Under new rules, in force since 16 September 2017, there is now separate access to the two professions, in that a person can become a 'Wirtschaftsprüfer' without passing the examination as 'Steuerberater' and therefore will not be licensed to perform services reserved for 'Steuerberater' unless he/she also takes the examination as 'Steuerberater' (see Chartered Institute of Taxation, 2020, p. 27).

Compared with other countries (especially the USA, the UK and Australia) noted above, Austria has thus a highly regulated tax preparation market– and, indeed, is a non-self-assessment country. Hence considering the views of taxpayers in such an environment will add to knowledge, in terms of whether taxpayers share the same concerns as taxpayers elsewhere about taxation and tax authorities,in more recent contexts.

The tax assistance provided by practitioners is varied. Thuronyi and Vanistendael (1996) list six broad categories: tax planning; advice ancillary to financial and other services; preparation and auditing of commercial accounts; preparation of tax returns; representation of the taxpayer before the tax administration; and representation before the courts, although what precisely tax practitioners may do will be jurisdiction specific. More broadly their work can be classified as compliance and planning services(see Frecknall-Hughes and Moizer, 2015). Frecknall-Hughes and Kirchler (2015, p. 296)comment:

> Tax compliance work involves the preparation of tax computations for submission on the taxpayer's behalf to the tax authorities, dealing with subsequent queries and the resolution of any uncertainties. Tax planning (or avoidance or mitigation) work occurs when the tax practitioner attempts to devise ways of reducing the taxpayer's liability to tax or maximizing after-tax returns … It should be said that this categorization is not universally agreed, as many would analyse the work done into further divisions and/or subdivisions or see certain work as comprising elements of the two basic categories of compliance or planning, though most would accept tax planning as a separate category.

Obviously, these activities make tax practitioners an important factor for tax compliance and an important link in the relationship between tax authorities and taxpayers – a fact recognized by the OECD (2008). Significantly, Frecknall-Hughes and Kirchler (2015) posit that the role of a tax practitioner is that of a negotiator or mediator between taxpayer and tax authority, which is relevant in the context of this study. In this paper, we adopt the term 'tax practitioner', meaning by it an individual or member of a firm employed, usually for a fee, to provide assistance with taxation issues.Some practitioners do provide services pro bono, of course. in certain circumstances.

Tax practitioners themselves perceive tax law as complex. Borrego, Loo, Lopez and Ferreira (2015), in their study of Portuguese tax practitioners, identified three particular dimensions: legal complexity; complexity of preparation of information and record keeping; and complexity of tax forms. Often the literature considers the various ethical dimensions underlying tax practitioners' decision making processes (e.g., Dal Ponte, 2015). Not only do tax practitioners have to implement tax regulations, but there are often rules governing how they might do so in reference to their clients, for example, professional conduct rules produced by professional bodies of which they might be members (see e.g., Field, 2017, on US tax lawyers). Not all practitioners will undertake the same kind of work or for the same type of clients. For instance, it would now be most unusual to find a Big Four accountancy firm providing tax services to self-employed individuals (unless of high financial worth) or small owner-managed businesses. The costs of employing a Big Four firm are particularly prohibitive for individuals and small businesses.

There is also considerable debate about the extent to which tax practitioners must take account of responsibilities beyond their duties to their clients, for example, to the government/tax authority, their firm, their profession, the wider society, and the public interest (e.g., Fogarty and Jones, 2014; Holmes, 2010; McKerchar et al., 2008, p. 401; Niemirowski and Wearing, 2003, p. 189; Stuebs and Wilkinson, 2010). Paid practitioners who are members of professional bodies, for instance, are subject to more onerous legal and ethical obligations than other practitioners and may experience ethical/legal conflicts between their clients and a tax authority where a client wishes to pursue aggressively minimizing a tax liability (Scotchmer, 1989).They must also take account of possible sanctions to which they may be subject (Newberry, Reckers and Wyndelts, 1993).

Klepper and Nagin (1989) specifically examined the conflicts present in practitioners' roles: they guard against the law being breached, but at the same time exploit legal ambiguities in favour of their clients (see also Larue and Reckers, 1989; Spilker, Worsham and Prawitt, 1999). This work was extended by Klepper, Mazur and Nagin (1991) with a model that highlighted the 'enforcer/ambiguity-exploiter' effect, whereby practitioners were predicted to enforce non-compliance in situations of legal certainty, but to exploit instances of legal ambiguity – mirrored in more recent findings by Hasseldine, Holland and van der Rijt (2011, p. 49) who comment that "accounting firms play conflicting enforcer and exploiter roles". This, however, has been challenged by Lavoie (2013), suggesting that a gatekeeper role is more appropriate for practitioners than an adversarial role, given that relatively few tax issues will come before a court. Erard (1993) found that more highly qualified practitioners, for example, CPAs, were associated with a greater level of aggressiveness and taxpayer non-compliance – possibly because they were more skilled in legal matters (Klepper and Nagin, 1989; Smith and Kinsey, 1987). In particular, wealthy taxpayers are reported as being advised by such aggressive tax practitioners (Gangl and Torgler, 2020). Other studies, however, reveal different results. According to Hite and McGill (1992) and Tan (1999), studying US and New Zealand taxpayers respectively, clients preferred conservative advice over aggressive advice, with some actually choosing a practitioner who aligned with their own stance on compliance(Murphy, 2004; Sakurai and Braithwaite, 2003). Schisler (1995), however, found that taxpayers can beaggressive, with a lower perception of fairness than practitioners, particularly on ambiguous matters. Overall, however, findings across different jurisdictions are inconclusive as to which party initiates an aggressive stance and the extent to which that stance is "affected by contextual conditions, including penalty exposure, opportunity, personal circumstances, and attitudes" (McKerchar et al., 2008, p. 406). This thus adds a level of complexity to the environment for taxpayer use – and choice – of practitioner services. It might ultimately be the case that employing a tax practitioner could result in a lower, rather than greater, level of compliance than tax authorities might have originally envisaged. Such a lower level might be a corollary to tax practitioners being prepared to advise taxpayers to exploit, for example, ambiguities or loopholes in tax law or use tax law creatively in development of ‘schemes’ or ‘financial engineering’ – exploiting the letter of the law rather than complying with its underlying spirit or intention, in so far as this is allowed: many jurisdictions have now, of course, clamped down on such behaviour. While such behaviour is not actually considered as tax evasion (which is, and always has been, illegal), this kind of ‘creative compliance’ is now generally regarded as unacceptable, and a form of non-compliance, although it is different in concept (it is deliberate) from an individual, say, forgetting to file a tax return or making an error on a return (accidental non-compliance).

3. Taxpayer motivations for using tax practitioner services

The literature proposes many different motivations why taxpayers consult a tax practitioner. However, rarely havethese different reasonsbeen analyzedin comparisonor weighted empirically for their importance.

McKerchar et al. (2008,pp. 403–406) note that early research inthe USAand Canada aimed primarily to identify the types of taxpayers who used tax practitioner services, as well as why they did so (e.g., Ayres, Jackson and Hite, 1989; Long and Caudill, 1987; Yankelovich, Skelly and White, 1984). The wish to file an accurate return was a dominant motive (evident also in Lubbe and Nienaber’s 2012 study of South African firms). Later studies revealed that individuals using practitioners had a high level of commitment to compliance and were confident that practitioner-prepared returns would be more accurate (Collins, Milliron and Toy, 1990a; Hasseldine et al., 2011; Hite and McGill, 1992; Hite, Stock and Cloyd, 1992; Klepper et al., 1991; McKerchar, 2003; Niemirowksi and Wearing, 2003; Smith and Kinsey, 1986). Niemirowski and Wearing (2003, p. 188) specifically identify as reasons (in ranked order): the wish not to make any mistakes; the fact that it is the practitioner’s responsibility to ensure the taxpayer pays the correct amount of tax; that using a tax practitioner ensures that all entitlements are claimed; because a tax practitioner gives good advice; because the taxpayer does not understand all the questions; because using a practitioner guarantees no errors in the return; because the taxpayer finds the forms unclear; and a practitioner receives better service than ordinary taxpayers from the Australian Tax Office (ATO).

The wish to avoid mistakes is especially clear from the earlier literature (see Christensen, 1992; Collins et al., 1990b; Hite and McGill, 1992; Klepper et al., 1991; Smith and Kinsey, 1987; Tan, 1999). Niemirowski and Wearing (2003,p. 188), for instance, found a high level of agreement among taxpayers with the following statement: “Because I do not want to make any mistakes, I use a tax professional to prepare my tax return”. Scotchmer (1989) suggested that a primary function of a practitioner is to resolve uncertainty, by ensuring that a return is completed correctly, and so is unlikely to be challenged by the Internal Revenue Service (IRS), while simultaneously minimizing taxes and taking into account the likelihood of a challenge. Fleischman and Stephenson’s 2012 US study, which also examined client perceptions, found that clients like a practitioner who can act as an advocate and protect them from revenue authorities.More recent studies on taxpayers’ use of practitioners have considered the quality of returns filed by practitioners (see Frecknall-Hughes and Moizer, 2015). Hite and Hasseldine (2003) find that returns filed by US CPAs required fewer adjustments than those filed by non-CPAs. The reason for this is unclear and may be because higher-credentialed practitioners are more accurate or can defend a tax position before the revenue authority more successfully.A 2006 US Government Accountability Office study, however, found that certain ‘chain’ practitioners submitted returns with substantial errors, with lack of education and changing tax codes being possible reasons. However, the extent to which taxpayers fear revenue authority challenges, audits and fines as a possible result of making errors remains unclear, as does their overall perception of revenue authorities’ power and level of trust in such authorities.

Lack of fiscal knowledge is another reason to seek the assistance of a tax practitioner. The ever-increasing complexity of tax systems makes it more and more difficult and time consuming to understand how a tax return should be completed correctly (Devos, 2012; Tan, 1999). Niemirowski and Wearing (2003, p. 170) point out that, for taxpayers, successfully lodging a tax return themselves “involves drawing on a repertoire of skills that are neither learned, nor strongly established … [and] not rehearsed frequently or routinely”, and also involves “inter-related financial management skills”, such as “numeracy, literacy, abstract thinking, monetary formulations and reasoning”, and in “a specific sequence”. Furthermore, the increasing digitalization of tax matters can provide insurmountable challenges for those who are older or less well versed in the use of computers (Frecknall-Hughes, Monir, Summers and James, 2020).

Financial gain (a lower tax liability) through tax avoidance is a motivation mentioned by taxpayers themselves for using tax practitioner services (e.g., Collins et al., 1990b; Hite et al., 1992; Hite and McGill, 1992; Kinsey, 1987; Klepper and Nagin, 1989; Leviner, 2012; Tan, 1999; Yankelovich et al., 1984), and is more generally considered a common motivation for employing a tax practitioner's services (Burns and Kiecker, 1995; Cruz, Shafer and Strawser, 2000; Doyle, Frecknall-Hughes and Summers, 2013, 2014; Frecknall-Hughes, Moizer, Doyle and Summers, 2017; Kirchler, 2007; Marshall, Armstrong and Smith, 1998; Shafer and Simmons, 2008). Tax practitioners also mention financial gain as a reason their services are sought, for instance, reporting that clients put pressure on them to alter returns and to commit tax fraud (Finn, Chonko and Hunt, 1988). However, empirical research shows that in contrast to what tax practitioners think, many taxpayers in reality prefer conservative over aggressive tax planning (Christensen, 1992; Hite and McGill, 1992; Stephenson, 2006). It is clear that, while some taxpayers do not want to pay taxes because they reject the tax system (Braithwaite, 2003) and think that it is unfair and authorities cannot be trusted, others simply want to maximize their personal gain (Kirchler, 2007), although Leviner (2012,p. 1091) reports that "at least 2 million taxpayers overpaid their 1998 taxes by approximately $945 million because they claimed the standard deduction when it was more beneficial for them to itemize. About half of these taxpayers used a paid tax preparer".

McKerchar et al. (2008) note that a second, subsequent wave of research on taxpayers' use of tax practitioners shifted the focus to examining the influence of tax practitioners on taxpayer compliance, especially in terms of the type of advice given to clients, notably how 'aggressive' practitioners were prepared to be in terms of giving advice that was likely to be challenged by a revenue authority and thus putting themselves at risk of penalties if revenue authority challenges were successful (see Gargalas, 2010; Newmark and Karim, 2002; Schmidt, 2001). While this links to the idea of financial gain for the taxpayer, it also brings into consideration ethical considerations (see Doyle et al., 2013, 2014).

Other studies have examined different aspects of the taxpayer's choice of tax practitioners (e.g., Sakurai and Braithwaite, 2003). For taxpayers, an ideal tax practitioner is honest, competent, can be trusted to keep taxpayers 'on the right side of the law',is risk averse, makes them feel that their tax affairs areunder control and that they are acting lawfully (Hite and McGill, 1992; Tan, 1999). Christensen (1992), with a US survey of 235 taxpayers and 31 tax practitioners, notes that client expectations about a high-quality tax service differ from tax practitioners' perceptions about those same expectations. Tan (1999) also found this ‘expectation gap’, in that practitioners were unaware that their clients expected higher technical proficiency from them (see also Gupta, 2015). Stephenson, Fleischman and Peterson (2017), updating Christensen’s 1992 study, and using data from tax practitioners and their clients, also explore different aspects of this ‘expectation gap’ between taxpayers and practitioners. They find that saving money and time (thus allowing them to do other things)is the biggest incentive for taxpayers to hire tax practitioners, with protection from revenue authorities the least important. Clients also appreciate tax practitioner services being quick and easy to access (Chang and Bird, 1993). Neuman, Omer and Thompson (2015), in their study of the US not-for-profit sector’s use of tax practitioners, similarly find that proximity and availability of knowledge are important.

Stephenson (2010) has carried out what is, perhaps, the most thorough investigation of taxpayers’ motives to hire tax practitioners in recent years (see especially Stephenson, 2010, pp. 103–110), using factor analysis to develop a four-construct scale to identify the commonest reasons to use practitioner services, namely, time savings, IRS protection/avoidance, money savings and legal compliance. Given the use of factor analysis, these constructs inherently group together the related concepts that have been identified in prior research. She acknowledges (at pp. 99–100), however, that taxpayers will give different weightings to different considerations:

> Although prior research has shown that tax minimization and accuracy are both important to taxpayers, there is an implicit trade-off between the two. For example, a taxpayer may wish to save as much time and money as possible while filing a return that is unlikely to be audited.

However, Bertolini, Higgs and Hooks (2011) find that older taxpayers and female taxpayers are more likely to defer decision making on their behalf to a tax professional, whereas those who have more business exposure are less likely to do so, “because as individuals accrue business exposure, the knowledge and the power asymmetries between the lay client and the tax professional are reduced” (Bertolini et al., 2011,p. 25).

In summary then, the commonest mentioned reasons in the literature for taxpayers employing tax practitioner services are: accuracy – the filing of a correct return on a timely basis, such that the risk of audit/enquiry by a tax authority is avoided; lack of knowledge on the part of taxpayers in terms of taxes themselves and the procedure of filing – a high level of technical competence is expected from tax practitioners; and financial gain, though not necessarily in terms of expecting or demanding ‘aggressive’ tax advice.Interestingly, taxpayers only consider their own personal circumstances. They do not comment, for example, whether they employ a tax practitioner because someone else does, nor do they demonstrate any perception of what the common problems might be that impel others to employ practitioners, although prior research does indicate that taxpayers talk to and communicate with one another (see, for instance, Alm, Bruner and McKee, 2016).

It is worth noting at this point that individuals often demonstrate in business practices – and indeed, in life generally – a tendency to follow the behavior of others ("herding"), intentionally disregarding information they themselves possess (Bikhchandani, Hirshleifer and Welsh, 1992; Chiang and Zheng, 2010; Van Parys and Ash, 2018). This is distinct from imitation behavior, whereby individuals mimic the actions of others on the basis of their success, which also sometimes covers the idea of non-payoff-based conformity. Thereby, imitation behavior is a large sub-field in behavioural economics (in particular within the category of "learning in games"; see, for example, Alós-Ferrer and Ritschel, 2021; Alós-Ferrer and Weidenholzer, 2014; Bardsley and Sausgruber, 2005; Dannenberg, Diekert and Händel, 2022; Invernizzi, Miller, Coen, Dufwenberg and Oliveira, 2021; Schlag, 1998). In terms of taxation, both herding and imitation are possible reasons why a taxpayer would employ a tax practitioner because others do so. However, in our study these reasons are not mentioned by taxpayers.

As the literature lacks a theoretical integration of the different reasons for taxpayers employing tax practitioners, in the following section, we theorize a taxpayer's reasons to employ a tax practitioner from another angle, starting with the perception of the tax authorities as coercive versus trustworthy as proposed in the slippery slope framework. Thus, we suggest that the reasons why a taxpayer employs a tax practitioner probably is related to the perceived work of the tax authorities.

4. Tax authorities' influence in the use of tax practitioner services

A substantial amount of previous research considers the importance of tax authorities' integrity and the trust taxpayers have in tax systems (e.g., Alm, Cherry, Jones and McKee, 2010; Braithwaite, 2003, 2007; Brizi, Giacomantonio, Schumpe and Mannetti, 2015; Casal, Kogler, Mittone and Kirchler, 2016; van Dijke&Verboon, 2010; Eichfelder and Kegels, 2014). Positive experiences of tax authorities lead to greater tax compliance intentions in taxpayers (Enachescuet al., 2019). Apostol and Pop's (2019) study of tax consultants and tax inspectors in Romania shows the continuing relevance of these concepts. The Romanian tax system is relatively young, being established after the fall of communism in Eastern Europe in 1989, yet it is already seen as complex, with “legislative inconsistencies and instabilities” (Apostol and Pop, 2019, p. 4). Compliance is not straightforward as the law is difficult to understand and apply in practice, often because of frequent changes. Taxpayers require assistance to prevent them making mistakes accidentally and need protection against allegations of mistakes. Great fear is felt about the implications of submitting a return that is genuinely incorrect or alleged to be so. Such fear results from the legacy of Romania’s communist past, “characterised by a large power distance” and an “antagonistic tax collection climate” (Apostol and Pop, 2019,p. 11), and a general distrust of public institutions. Larger businesses saw the value added by employing a tax practitioner to ensure that there was no “accidental non-compliance” (Apostol and Pop, 2019,p. 12), often seeking a second opinion from a practitioner as a check on their internal staff’s calculations. However, the economic hardship experienced in the transition from communism led emerging entrepreneurs to evade tax as part of their financial survival tactics, and only to seek help from a tax consultant when a tax inspection was on-going, as ‘damage limitation’. Unreliable legislation, combined with institutional/power dynamics and economic hardship, produced a tax system “unprepared to face non-compliance” (Apostol and Pop, 2019,p. 11).

LikeApostol and Pop (2019), we identified the necessity to investigate the impact of tax authorities’ conduct on the employment of tax practitioners, but we base our research on a well-known theory in tax research, namely the extended slippery slope framework of tax compliance (Gangl, Hofmann and Kirchler, 2015a). This framework was generated from the slippery slope framework whichhas been developed and widely used in economic psychology (Batrancea et al., 2019; BayissaGobena and Van Dijke, 2016; Gangl, van Dijk, van Dijk and Hofmann, 2020; Kastlunger, Lozza, Kirchler and Schabmann, 2013; Kirchler, 2007; Kirchler, Hoelzl and Wahl, 2008; Kogler et al., 2013; Prinz, Muehlbacher, Kirchler, 2014).

While the original slippery slope framework models how the power of a tax authority and the trust taxpayers have in an authority determine tax compliance, the extended slippery slope framework (Gangl et al., 2015a) distinguishes between different forms of tax authorities’ power and different forms of taxpayers’ trust, postulating that they are determining tax compliance.The power of tax authorities is distinguished into: (i) coercive power, based on perceivedfrequent audits and harsh fines; and (ii) legitimate power, based on perceived legitimate procedures, good reputation, appropriate information allocation, and professional expertise. Trust in tax authorities can be: (i) deliberate, based on shared goals and on reasons such as tax authorities' perceived benevolence, motivation and competence, but also based on external factors such as the politicalsupportthat allows the authorities to work smoothly; and (ii) implicit, based on associative learned and automatic reactions to stimuli such as official documents or friendly treatment.

According to the slippery slope framework, the qualities of power and trust can all increase tax compliance. However, they lead to different tax climates. An authority focusing only on high coercive power is likely to create a climate of fear and distrust in which tax authorities are perceived as adversaries (antagonistic climate). Tax authorities which use legitimate power, however, that is related to taxpayers' reason-based trust, thereby create a service climate in which taxpayers feel that they are competently supported in complying with the regulations. When taxpayers' implicit trust emerges after a long periodof tax authorities' application of legitimate power,a climate of confidence comes into life whereby taxpayers perceive that tax authorities work in their interest (Gangl et al., 2015a; Gangl, Hofmann, Hartl and Kirchler, 2016). We therefore suggest that how taxpayers perceive tax authorities' power and the type of taxpayers' trust in the authorities also influence the motivation to employ a tax practitioner. High perceived coercive power should increase the demand for tax practitioners because taxpayers are likely to feel the need to protect themselves. High legitimate power and reason-based trust should reduce the demand for a tax practitioner because taxpayers think they receive all the support they need from the tax authorities, which they trust to support them with the required knowledge. In addition, implicit trust should reduce the demand for tax practitioners as tax authorities will be trusted to process tax returns in the interest of the taxpayers.

Summing up, to the best of our knowledge Apostol and Pop's (2019) study is the most recent one that has analyzed whether tax authorities can influence taxpayers in terms of employing a tax practitioner – and in a context that is different from other studies that sheds light on coercive power. However, they did not seek the opinions of taxpayers andonly used the concept of coercive power but notconcepts like legitimate power or implicit trust, based on the extended slippery slope framework. Therefore, a particular objective of this paper is to investigate whether tax authorities influence the decision to employ a tax practitioner by seeking the perspective not only of tax auditors, as representatives of the tax authorities, but also taxpayers – and particularly the kind of self-employed individuals shown to be so adversely affected. Additionally, we apply a theoretical framework to answer the research questions.

5. Research methods

Data from the survey and interview studies carried out in Austria were analyzed both quantitatively and qualitatively, with the aim of examining the relative importance of different motives to employ a tax practitioner (research question (i)) and related to that,the impact of authorities' power and trust on the decision to employ a tax practitioner (research question (ii)).We want to note that the present study is part of a larger research project on tax behavior (financed by the Austrian Science Fund (FWF) under grant number P24863-G16) and that parts of the current data sets were analyzed and reported in a previous paper (Gangl, Hartl, Hofmann and Kirchler, 2019), a book chapter (Kirchler, Hartl and Gangl, 2017) and a working paper (Gangl, Hofmann, Hartl and Kirchler, 2015b). However, in no previous work have the data on tax practitioner use been analyzed.

5.1 Survey study

We used a survey study administered to a representative sample of 500 Austrian self-employed taxpayers (39% women; M_{age} = 44.46 years, SD_{age} = 10.55; representative quotas for age, gender, industry). The sample was recruited by an Austrian market research agency. Participants had been working as self-employed for, on average, 12.10 years (*SD* = 11.15). Most participants reported a yearly turnover of less than 25,000 Euros (35.6%; 26.2% 25,000–50,000 Euros; 23.6% 50,000–250,000 Euros; 14.6% above 250,000 Euros). Of the participants, most (75%) had no employees (20% had 1–5 employees; and 5% more than 5 employees). All participants were remunerated with 1.50 Euros for taking part in the study.

Data collection took place via an online questionnaire seeking to establish whether participants had sought external help for their tax issues. If so, they were asked to identify the main reasons they had done so (they were asked to choose up to three reasons); and if they had not, the main reasons they thought other taxpayers might have had for seeking external help (again they were allowed to choose up to three reasons), to obtain information about their overall perception of reasons to hire a tax practitioner. Additionally, we measured perceived coercive power (three items, α = .85, e.g., The tax authority punishes severely; *M* = 4.90; *SD* = 1.40), perceived legitimate power (13 items, α = .83; e.g., The tax authority is an expert on tax regulations and their implementation; *M* = 3.88; *SD* = 0.92), implicit trust (three items, α = .96, e.g., I trust the tax authority usually without thinking about it; *M* = 3.53; *SD* = 1.71), and reason-based trust (14 items, α = .92, e.g., I trust the tax authority, because I agree with its main goals; M = 3.36; SD = 1.14). Survey participants were forced to answer a question before being allowed to continue; therefore, data were complete and did not contain missing values. The research instrument was adapted from Hofmann, Gangl, Kirchler and Stark (2014). Responses were given on a seven-point Likert scale with the format, 1 = disagree, 7 = agree. Socio-demographic data (e.g., age, gender, turnover) were also collected. For the German original and the English translation of the questionnaire see ~~Table A1 in~~ the online Appendix.

5.2 Interview study

Thirty-three self-employed taxpayers (15 women; M_{age} = 44.34[2] years, SD_{age} = 11.69) were recruited as participants via an Austrian market research agency and invited to an office at the University of Vienna for an interview. This sample had, on average, 10.58 years (SD = 10.31) of experience being self-employed and the number of employees working for them ranged from 0 (n=16 interviewees) to 50 (n=2interviewees). The majority of participants reported having an annual turnover of less than 25,000 Euros (n=9) or between 25,000 Euros and 50,000 Euros (n=9). About one-third (n=11) reported that they had been audited at least once. A direct question about whether tax practitioners were employed was not asked, although the majority (n=17) reported that they had engaged a tax professional. All interviews were conducted by one interviewer, accompanied by two assistants, who tape-recorded all interviews. Interviewees signed an agreement to consent to tape-recording and data use and were remunerated with 50 Euros.

In addition, a sample of 30 tax auditors from the Austrian Ministry of Finance was also interviewed (13 women, M_{age} = 46.73 years, SD_{age} = 4.59). As in the eyes of taxpayers, tax auditors are representatives of tax authorities, they are therefore not only familiar with their practices, but also apply coercive and legitimate power. All tax auditors were visited in their offices by two researchers, who conducted the interviews. No monetary or other form of remuneration was given for participation. Tax auditors reported their job experience, ranging from six years (n=1 tax auditor) to 34 years (n=1), with an average of 20.70 years (SD = 7.52). Half of the tax auditors was responsible for auditing small enterprises (turnover below 10million Euros) with the other half responsible for auditing large enterprises (turnover above 10million Euros). Although tax auditors for large enterprises do not deal with the interviewed

[2] N= 32; one person did not indicate her age.

self-employed who manage small enterprises, tax auditors of large enterprises are more knowledgeable and experienced in tax matters and therefore might have a meta-perspective which allows important insights. Finally, they also represent tax authorities and therefore constitute the application of coercive and legitimate power for taxpayers.

All interviews were semi-structured, lasting between 30 and 90 minutes. The interviews opened with a very general question about the self-employed taxpayers' experience with the tax authority or the tax auditors' work routine.This was followed by questions about the potential of tax authorities to impact on tax behavior, about taxpayers' trust in the authority, and about the impact of power and trust on compliance. Direct questions on power and trust were only raised if the issues were not mentioned by the interviewees themselves.[3]

From the overall number of interviews (*n*=33 taxpayers, *n*=30 tax officers), the issue of whether tax practitioners were employed emerged in 59 interviews (*n*=30 interviews with taxpayers and in *n*=29 interviews with tax auditors), despite individuals not being asked about it specifically. The interviews were coded by four independent researchers, whereby the coding was deductively taken from the literature for employing a tax practitioner (e.g., Niemirowski and Wearing, 2003) for research question (i), and based on the extended slippery slope framework (coercive power, legitimate power, reason-based trust, implicit trust; Gangl et al., 2015a) for research question (ii).

6. Results

We analyze our results by reference to the research questions, whereby for each research question, we first present the results of the survey and then of the interview study.

6.1 Taxpayers' motivation to employ a tax practitioner – research question (i)

Of the sample in the survey study,[4] 69.6% had employed a tax practitioner. Table 1 displays the motivations for individuals to employ a tax practitioner. It also sets out the reasons why those who did not employ a practitioner thought others might employ one. For those who employed a tax practitioner the most important three motivations were: (1) avoiding problems (64.4%); (2) lack of knowledge (54.3%); and (3) financial gain (47.1%). In contrast, those

[3]Original and translated interview materials for both samples can be found in the supplementary material of Gangl et al. (2019).
[4]All material, interview quotations, etc., from the studies were translated from German into English for the current paper.

who did not employ a tax practitioner thought that others did so mainly because of: (1) a lack of knowledge (76.3%); followed by (2) financial gain (47.4%); and (3) the motive “It is easier; I do not want to do it myself” (38.8%). In line with earlier research (Niemirowski and Wearing, 2003), avoiding problems with the tax authorities was reported as the most important motivation of taxpayers to employ a tax practitioner. Obtaining a financial gain,in being ranked third, militates against the findings of Stephenson et al. (2017), although it must be noted that the latter study particularly included smaller preparer firms, which might have different client bases from the individuals in our study.

Table 1: Motivations to employ a tax practitioner

		Motivation why I employ a tax practitioner *N* = 348 (69.6%) %	Motivation why others employ a tax practitioner *N* = 152 (30.4%) %
1.	Avoiding problems with the tax authorities	64.4	37.5
2.	Lack of fiscal knowledge	54.3	76.3
3.	Financial gain through tax avoidance	47.1	47.4
4.	I like to spend my time with other things than taxes	31.6	29.6
5.	It is easier; I do not want to do it myself	26.4	38.8
6.	It is faster	22.1	17.8
7.	Lack of personal connection to the issue of taxation	11.2	24.3
8.	It is cheaper	5.2	3.9

In the following, we present the results fromthe interview data, which confirm the findings of the survey study. Owing to the specific interview method, the results allowed for in-depth insights into the first three ranked reasons of taxpayers, who employed a tax practitioner:avoiding problems with the tax authorities, lack of fiscal knowledge, and financial gain through tax avoidance.

Avoiding problems with the tax authorities

In the interview study, taxpayers as well as tax auditors stated that tax practitioners acted as intermediaries in order to defend taxpayers against tax authorities and to act as a buffer in direct conflicts. Tax practitioners were seen as a means of defending oneself against (unjustified) demands from the tax authorities and of checking the correctness of decisions by tax auditors.

> *I can only rely on what is prescribed by [tax authorities], and then I have to rely on what the tax practitioner thinks about it. If, for example, the tax practitioner says: 'It is not justified that the tax auditor demands that, then he can be seen as a monitoring entity between me and the tax auditor'.*(Self-employed taxpayer employing a tax practitioner)

Tax auditors reported that tax practitioners would mediate in conflicts because of their neutral position. Practitioners were also used to convey information between taxpayers and tax authorities, which also links to the issue of taxpayers lacking fiscal knowledge.

> *I mean, this adds up […] that we are looking at some kind of solution. How can the [taxpayer] finance [his accrued taxes]? […] I also use the tax practitioner [for joint solutions of problematic issues], because he can be seen as a neutral mediator. If there is a basis for discussion, this is very good, because then he is able to bring it to [the taxpayer's] mind.*(Tax auditor)

Tax auditors also thought that tax practitioners acted as a buffer by taking care that negative and unwelcome communications from the tax authorities were not directly forwarded to taxpayers. What taxpayers received through a tax practitioner was a reduction in unpleasantness: the force of negative communication was diminished.

> *So therefore, one often has no opportunity to attack the taxpayer. And the tax practitioner usually tries to absorb it.*(Tax auditor)

Lack of fiscal knowledge

Taxpayers in the interview study reported that they lacked the necessary knowledge to prepare the tax returns themselves. Tax practitioners were seen as experts who had more profound knowledge than taxpayers.

> *You cannot know everything. And exactly therefore there are practitioners and those are the tax consultants.*(Self-employed taxpayer employing a tax practitioner)

In the same vein, taxpayers saw tax practitioners as a source of information regarding tax law and procedures of the tax authorities, although interviewees rarely distinguished between a tax practitioner's expertise and his/her role as source of information. A self-employed taxpayer not employing a tax practitioner states hypothetically:

> *[…] or I [would] ask an expert immediately, who gives the answer that I need within one minute.*(Self-employed taxpayer employing no tax practitioner)

It also emerged that tax auditors trusted tax practitioners in their role as experts. They felt confident that tax practitioners mostly worked within legal boundaries and for the good of their clients.

> *One knows that tax practitioners … proceed exactly according to law … some go a bit further and try, but on the whole they never go so far to do something illegal. Certainly not! They do not, because otherwise they will lose their license. Because of this, one has a certain amount of trust.*(Tax auditor)

Financial gain through tax avoidance

Taxpayers indicated that they employed tax practitioners because their work promised to save them financial resources. With their knowledge of the tax laws, tax practitioners know of legal ways to reduce the tax burden:

> *You should seek advice from a tax practitioner or a real expert who tells what the aspects are where we can save taxes. So, based on their behavior I would say the trend goes towards the 'consulting of experts', who help me to save money for myself.*(Self-employed taxpayer employing a tax practitioner)

The motivation to gain financially was interrelated with the motivation 'lack of knowledge', in that taxpayers also reported that they themselves lacked the knowledge to maximize their financial interest in the tax return.

> *[Tax practitioners] can clarify tax benefits, what I can use in my tax return, what I can deduct*. (Self-employed taxpayer employing a tax practitioner)

Overall then, the survey study confirms that the reasons to employ a tax practitioner fall into three categories of avoiding problems, lack of knowledge and financial gain, as indicated in the academic literature (e.g., Niemirowski and Wearing, 2003). However, in contrast to muchprevious literature (Christensen, 1992; Collins et al., 1990b; Hite and McGill, 1992; Klepper et al., 1991; Smith and Kinsey, 1987; Tan, 1999), the motivation to avoid problems is the most important reason whereas the motivation to gain financially is clearly less important.

It must be remembered thatthis is a group of taxpayers whose expertise will lie in the area of their own particular businesses, so it is not surprising that they want to avoid issues with a revenue authority, in order to keep their businesses free of tax problems, and lack the fiscal knowledge to deal with tax issues themselves. It should be noted that the type of taxpayers considered in the prior literature is not always clear, that is, whether they are employees, retired individuals or those running their own businesses, as self-employed, sole proprietors or small, owner-managed companies. The self-employed often have tax affairs which are complex: this is not the domain only of large companies and the wealthy (see Frecknall-Hughes et al., 2020). In line with the literature, avoiding problems was related to unintentional mistakes, indicating that these taxpayers did not seek assistance with aggressive tax planning but so as to comply and pay tax correctly (Frecknall-Hughes and Kirchler, 2015).

The interview study also showed that avoiding problems, lack of knowledge and financial gain were important motivations to employ a tax professional. Tax practitioners were perceived as experts who provided legal advice to taxpayers. Interestingly, also the tax auditors valued this role of the tax practitioners because, as a result of that service, tax returns of a guaranteed quality were ensured. However, given that tax practitioners might help to exploit legal loopholes, the advantage of using a well-prepared tax practitioner return might be questioned. Some taxpayers did just seek the expertise (knowledge) of tax practitioners to maximize their own profit, although in the sense of obtaining their just entitlements and appropriate allowances, rather than becoming embroiled in complex avoidance schemes.Taxpayers (showing similarity in terms of demographic significance to earlier studies in different contexts) sought the assistance of practitioners to defend themselves during audits or against unjustified demands. Tax practitioners could also prevent the necessity of an audit and buffer negative requests. Additionally, the auditors seemed to use tax practitioners to avoid problems by engaging the practitioner to transmit information which otherwise would probably not be accepted by the taxpayer. Tax practitioners were thus used by both parties, the taxpayers and the tax auditors, to avoid direct interaction, with the hope of avoiding problems, as an information conduit and as a filter for communications taxpayers might find unwelcome.

6.2 The influence of tax authorities' power and taxpayers' trust in tax authorities on taxpayers' decisions to employ a tax practitioner – research question (ii)

In the survey study, to examine how tax authorities' power and trust influence taxpayers' decision to employ a tax practitioner, we conducted a logistic regression, controlling for the effect of socio-demographic variables (logistic regression reporting the regression coefficients can be found in the online OSF data ~~Appendix~~). The results in Table 2 (Model 1) show that coercive power reached significance (*AME* = .04, SE = .02, *p* = .010) whereas reason-based trust missed significance as a predictor (*AME* = -.06, *SE* = .03, *p* = .065) for employing a tax practitioner. Thus, the perception of taxpayers that tax authorities work with coercive audits and fines is positively associated with the demand for tax practitioners.In other words, ifperceived coercive power increases by one point on the seven-point Likert answering scale, the average likelihood of employing a tax practitioner increases by fourpercentage points. In addition, a lack of reason-based trust is not strongly related to a reduced demand for tax practitioners. Controlling for socio-demographics (Model 2 and Model 3), we find additionally that high turnover, better education, and whether a taxpayer is older are significant predictors for the use of a tax practitionerwhereas the significant effect of coercive power remains and the effect of reason-based trust still misses significance.

Table 2: Logistic regression with power and trust as predictors of the use of a tax practitioner (*N* = 500)

	Model 1	*Model 2*	*Model 3*
	AME (SE)	*AME* (SE)	*AME* (SE)
Constant	*-.08 (.55)*	*-1.07 (.80)*	*-1.62 (.95)*
Gender		-.06 (.04)	-.06 (.04)
Age		.01 (.00)*	.00 (.00)*
Education			
medium		.12 (.11)	.11 (.11)
high		.20 (.11)	.20 (.11)
Years of self-employment		-.00 (.00)	-.00 (.00)
Turnover			
Euro 25,001–50,000		.13 (.05)*	.12 (.05)*
Euro 50,001–100,000		.28 (.07)***	.27 (.08)***
Euro > 100,000		.33 (.06)***	.32 (.06)***
Income			
Euro 1,001-2,000		-.03 (.05)	-.03 (.05)
Euro > 2,000		-.06 (.06)	-.06 (.06)

Number of employees		-.00 (.00)	-.00 (.00)
Coercive power	.04 (.01)*		.03 (.01)*
Legitimate power	.05 (.03)		.03 (.03)
Reason-based trust	-.06 (.03)		-.06 (.03)
Implicit trust	.01 (.02)		.01 (.01)
Observations	500	499	499
R^2	.02	.09	.11
Chi^2	12.93*	54.91**	66.07***

Note. Stepwise logistic regression with two steps. AME = Average Marginal Effect, SE = Standard Error, R^2 = Pseudo R^2; Reference group for education is low = compulsory education. Turnover refers to the Euro sum that was earned by the company without subtracting any expenses, tax or social insurance fees. Income refers to the personal net income of the respondent; the reference group is a turnover below 25,000 Euro. Reference group for Income is low = below 1,000 Euro.

*$p < .05$, **$p < .01$, ***$p < .001$.

For the logistic regression reporting the regression coefficients and correlation between the predictor variable and the dependent variable, see Table A2 and Table A3 in the online OSF data ~~Appendix~~.

Survey results show that there is a relationship between perceived coercive power and the employment of a tax practitioner. The effect of reason-based trust was non-significant.Legitimate power and implicit trust have no significant impact on the decision to employ a tax practitioner. We can assume that an increasing perception of a coercive tax authority is related to taxpayers' expectations that the tax authority might act in an unfriendly and imperious manner so that a tax practitioner might be helpful as a buffer between the two parties.

In the following, we present the results of the interview data, providing an in-depth look into the survey findings. In the interviews, coercive power and legitimate power and also reason-based trust and implicit trust were discussed as relevant factors for employing tax practitioners.

Coercive power

Coercive power was mentioned in connection with tax practitioners in regard to audits, reduction of costs and time limits. Taxpayers who felt that they were threatened by audits wanted tax practitioners to act as a barrier between them and the tax authorities. Taxpayers, in fact, preferred to avoid the situation of an audit in the first place and therefore would employ a tax practitioner.

> *So, when the taxpayer feels persecuted, he wants to have a buffer and someone to unload his frustration on to due to the fiscal situation.*(Self-employed taxpayer employing no tax practitioner)
>
> *The best is not to have him [the tax auditor] in the company at all!*(Self-employed taxpayer employing a tax practitioner)

Also, tax auditors thought that employing tax practitioners could save taxpayers from being engaged in an audit, being fined and incurring extra costs.

> *If the things all fit, you have almost nothing to do with the taxable person and the whole audit is undertaken by the tax practitioner*.(Tax auditor)
>
> *Whereas I often tell [taxpayers], if they have a tax related problem, they should look for offers of help. One can manage a lot of work oneself, but the finishing processes and the advice ought to be undertaken by a tax practitioner. This might save a lot of trouble and of additional payment of taxes and often also prevents sanctions.*(Tax auditor)

It was similar with tax authorities setting time limits: taxpayers perceived the time limits set by tax authorities as coercive power, but as tax practitioners were aware of the limits and dealt with them, their action prevented this from being a concern to taxpayers.

Thus, tax practitioners prevented taxpayers from actually interacting with tax authorities during tax audits. Audits can be perceived as strict monitoring and therefore as severe coercive power. Nevertheless, the employment of a tax practitioner, who would work with the tax authorities during tax audits, could reduce the perception by taxpayers of strict monitoring. They then did not get the feeling that harsh coercive power was in place.

Legitimate power

Taxpayers mentioned tax practitioners in relation to legitimate power, meaning expert power and information power. Tax authorities were not seen as having expert power, which many might find surprising. Their procedures and decisions were controlled by tax practitioners who were seen by some as the actual experts who could be easily contacted and asked questions about various matters. Similarly, tax authorities were not seen to hold information power, as information was gathered from tax practitioners. The taxpayers perceived that they did not receive sufficient information from tax authorities to deal with their taxes.

You need a tax practitioner because otherwise you do not get the [relevant] information.(Self-employed taxpayer employing a tax practitioner)

It's just the question, do I have time and feel like it searching momentarily or do I immediately ask an expert [the tax practitioner] and he answers within a minute, what I need?(Self-employed taxpayer employing a tax practitioner)

Reason-based trust

In the interviews, aspects of reason-based trust, such as competence and benevolence, were of importance from different angles. In general, taxpayers did not seem to perceive tax authorities as benevolent. Interviewees report low reason-based trust.

No, the thing with the tax auditor is crazy! (Self-employed taxpayer employing a tax practitioner)

Interestingly, interviews revealed that because of the involvement of tax practitioners, they then perceived the tax authorities as benevolent, because the practitioners filtered out unpleasant elements. For taxpayers, the tax practitioners established reason-based trust between them and tax authorities by controlling the latter's competence, and also by passing on their benevolent behavior.

But there are certain mechanisms that I, as a client of the tax authorities, have perceived as consumer-oriented, a kind of accommodation. Of course, everything was channeled, initiated and communicated by the tax practitioner.(Self-employed taxpayer employing a tax practitioner)

Implicit trust

Taxpayers mentioned implicit trust by mainly stating that they did not automatically trust the tax authorities. Many taxpayers seemed to question automatically everything the tax authorities did and needed a tax practitioner because they did not want to follow blindly the procedures of the tax authorities. For instance, they stated the following:

I think this is such a wide field, and it is good to have an external opinion from an impartial person who advises you. Otherwise, if you only stick to the requirements [of tax authorities] then perhaps you do not know a lot of things.(Self-employed taxpayer employing tax practitioner)

Well, you do explain the legal situation. It may be that he makes sure about that and perhaps he calls a representative, in case he has one. If so, he would say that the auditor is here.(Tax auditor)

The survey study indicated that tax authorities' coercive power is definitely a factor to be considered in terms of employing a tax practitioner. The interview study gives more insights into this relationship by demonstrating that taxpayers do not want to deal with the situation of an audit and therefore employ a tax practitioner. Whereas the survey study showed that reason-based trust missed significance as a predictor for the employment of a tax practitioner, the interview study revealed that trust in the tax authorities is low. Interestingly, the tax practitioner is a factor that might determine whether a taxpayer trusts the tax authorities or not. In contrast to the survey study, legitimate power was seen as relevant for the employment of a tax practitioner in the interview study. Taxpayers who employed tax practitioners thought that tax authorities were deficient in terms of expertise and information power. Therefore, they wanted to employ tax practitioners as experts who could oversee the work of the tax authorities. The interview study also showed that implicit trust in the tax authorities might be low among some taxpayers who seemed to question all tax authority requests. In summary, the interview study showed that tax practitioners were seen as an important link between tax authorities and taxpayers. Both parties used tax practitioners as mediators, neutral judges or as a buffer.

So therefore, he [the tax practitioner] has a face and indirectly he is the link to the authority.(Self-employed taxpayer employing tax practitioner)

7. Conclusions

Theresults of the two studies confirm findings of prior studies (e.g., Niemirowski and Wearing, 2003)about taxpayers' motivations for employing a tax practitioner. In contrast to some previous studies (e.g., Stephenson et al., 2017), in which the monetary benefit was key, the present study shows that avoiding problems is the most important motivation. A reason for these divergent results might be the fact that the current research was undertaken in Austria (compared to, e.g., the USA; Stephenson et al., 2017). As the World Value Survey (Inglehart et al., 2014) reveals, tax is valuedmore highly by Austrian than by US citizens, as they see it as a more essential feature of democracy. In Austria it seems that monetary aspects are less essential than the function of taxes to compensatefor societal inequality.Related to that, the present study shows that tax authorities are likely to influence whether taxpayers employ a tax practitioner or not. The coercive power of tax authorities is related to a higher demand for a tax practitioner. The more taxpayers feel prosecuted, the more likely they will be to employ a tax practitioner.Although also other motivations such as a lack of knowledge or financial gain are important, the present research is among the first suggesting that taxpayers' decision to employ a taxpayer also depends on the tax authorities. Thus, taxpayers think of using tax practitioners' services to avoid problems with the tax authorities,and use them as buffers between themselves and the tax authorities (Frecknall-Hughes and Kirchler, 2015). In this light, it appears essential that tax practitioners are also valued by tax auditors. Results show that auditors might prefer tax practitioners to a direct contact with the taxpayers because practitioners make the work of tax auditors easier. However, tax practitioners may have a lower level of ethics (Doyle et al., 2014) and may feel that their primary responsibility is to maximize the financialwell-being of their clients (Christensen, 1992; Tan, 1999), which creates a conflict of interest. If tax authorities want to use tax practitioners as their partners or have an enhanced relationship (OECD, 2008), the conflict of interests must be addressed: it is difficult for tax practitioners to work feasibly towards enhancing the financial well-being of their clients by exploiting ambiguous rulesand at the same time to work towards the public interest, given the likely aims and objectives of their clients. Multiple roles inherently generate conflicts of interest (see Fogarty and Jones, 2014; Holmes, 2010; McKerchar et al., 2008; Niemirowksi and Waring, 2003; Stuebs and Wilkinson, 2010).Thus, an authority wielding coercive power is on the one hand facilitating the work of tax auditors by fostering the employment of tax practitioners and therefore reducing costs, but on the other hand the employment of tax practitioners might lead to lower tax contributions, which are in line with the law but would not be made by the actual taxpayers were they to act without tax practitioner input.In this vein, tax authorities should rather apply legitimate power than coercive power, accepting more interaction with taxpayers but collecting higher taxes. Additionally, the application of legitimate power would assure taxpayers' trustin tax authorities (cf. Gangl et al., 2015a), which again is related to higher tax contributions.

The current study focused on the role of trust and power perception on the taxpayers' decision to employ a tax practitioner. However, by controlling for several demographic variables, the current data reveal further interesting results: the significant effect of turnover on the taxpayers' decision to hire a tax practitioner may indicate that taxpayers with higher turnover have more complex tax affairs and thus are seeking the help of a practitioner. This relates well with the perspective that the tax law is ambiguous and complex and that preparing a tax return may be too onerous a task for some taxpayers (Gargalas, 2010), which may be particularly a problem if turnover is high.

Future studies need to investigate the present results in more detail.The relatively small R Square values of our regression model indicate that other important variables such as tax knowledge might be missing in our model. The sample of experienced taxpayers and the inclusion of important socio-demographic variables that are very likely related to tax knowledge, such as education, age of the company, turnover or number of employees, lead us to the conclusion that the present results are unlikely to contain an omitted variable bias. Nonetheless, to provide future evidence that taxpayers' perception of the tax authority plays a role in consulting a tax practitioner, future survey studies should include detailed questions that can examine relevant tax knowledge or other relevant determinants.

Experiments may provide evidence forthe causal impact of taxpayers' perception of power and trust and the employment of a tax practitioner. Owing to the design of the current study and the method chosen, it is not possible to determine a causal relationship. On the one hand, taxpayers' trust and perception of power may affect their decision to employ a tax practitioner, but on the other hand, employing a tax practitioner may affect taxpayers' trust in the tax authority and their perception of power. This problem can be addressed by longitudinal designs of experimental studies. Online experiments manipulating low versus high coercive power (e.g., Hofmann et al., 2017) in different countries could be conducted with self-employed taxpayers to examine the motivation to employ a taxpractitioner. Importantly, taxpayers hold different reasons for employing a tax practitioner (e.g., lack of knowledge, avoiding problems), which may relate to their trust in the tax authority and their power perception. If taxpayers perceive high coercive power, this may result in employment of a tax practitioner in order to avoid problems. Future interview studies could collect data from all three relevant actors, namely taxpayers, tax auditors and tax practitioners, as the current paper does not explicitly address the tax practitioners' standpoint. Such a study would shed light on the mutual perceptions, prejudices and expectations of all actors. In this context, it would be important to investigate whether, and the circumstances in which,tax practitioners determine trust in, and probably the image of, the tax authorities.Moreover, our study has considered only Austria, which has a highly regulated tax preparation market. While our study makes clear that taxpayers share concerns about tax similar to taxpayers in less stringently regulated environments, future studies could also be extended to consider taxpayers' perceptions in other countries with self-assessment, as a next step.Considering other countries with self-assessment, but maybe a less regulated tax preparation market, would extend the generalizability of our study.

The present results provide empirical evidence on the complex relationship between tax authorities, taxpayers and tax practitioners. Both taxpayers and tax auditors use tax practitioners as intermediaries to negotiate, mediate, filter and buffer. However, this study did not obtain the views of practitioners themselves, which is noted as another area for future research. So far, there has been not much research on tax practitioners in the particular context of smaller clients, although there is much emphasis in prior literature on their alleged involvement in tax avoidance services to large companies, politicians or celebrities. Therefore, a merit of the current paper is that it addressesspecifically the role of tax practitioners of self-employed taxpayers.

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