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Ethical reasoning in tax practice: Law or is there more?

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ABSTRACT

Private sector tax practitioners are often accused of unethical behavior in developing contrived tax avoidance arrangements. Such arrangements usually comply with the letter of the law but contravene its underlying (often unstated) 'spirit'. Prior research comparing the ethical reasoning of private sector tax practitioners, government revenue tax practitioners and a non-tax (control) group in both social and tax contexts found no significant differences between them in a social context. However, where tax dilemmas were concerned, private sector tax practitioners demonstrated lower levels of ethical reasoning. We seek here to examine whether this difference results from the regard private sector tax practitioners have for the law – in other words, whether they have a law and order orientation when facing ethical issues or whether the professional context offers other motives. Using the Defining Issues Test (DIT) and a tax-specific context version of the DIT, we test whether there is a law and order dominance in the ethical reasoning of private sector tax practitioners in both tax and social contexts, in comparison with government revenue tax practitioners and a non-tax control group.

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1. Introduction

Attitudes to tax avoidance have altered substantially over time. Tax avoidance continues, however, to generate both academic and public attention (Christensen & Seabrooke, 2020; Frecknall-Hughes et al., 2017; Hasan et al., 2017; Radcliffe et al., 2018). Corporations such as Starbucks, Amazon, Google, and Vodafone have excited public protest about their tax behavior over many years. Demonstrations were seen in 2012, with some banners declaring, "They're our bucks not Starbucks – close tax loopholes" (McVeigh et al., 2012). Furthermore, the idea of "tax shaming" was used in the press (e.g., Barford & Holt, 2012; De Simone et al., 2016). The United Kingdom (UK) Public Accounts Committee interrogated senior members of large accounting and tax firms about the type of advice they provided in the wake of allegations of aggressive and unethical tax avoidance practices (Frecknall-Hughes et al., 2017, p. 729). More recently, further tax avoidance 'scandals' occurred in respect to Apple's Irish tax residency and the Panama and Paradise papers (Christensen & Seabrooke, 2020; Weisbord, 2016; Zucman, 2014). The 'tax arbitrage' underlying much international tax avoidance (whereby one tax jurisdiction's rules are 'played off' against another's to exploit gaps and mismatches between them) is allegedly facilitated by the tax profession. Such 'tax arbitrage' remains a key focus of professional and academic literature, following the Organisation for Economic

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Cooperation and Development's (OECD) 2015 publication aimed at addressing the resultant base erosion and profit shifting (BEPS).

While the particular allegations and scandals referred to above occurred several years ago, the focus on tax practice behavior remains intense. Her Majesty's Revenue & Customs (HMRC) in the UK, for example, in 2020 issued a call for evidence on *Raising standards in the tax advice market* (HMRC, 2020a). They published a summary of responses received later in the same year (HMRC, 2020b). In 2021, HMRC followed this with two further consultation documents, *Raising standards in the tax advice market: professional indemnity insurance and defining tax advice* and *Tackling the promoters of tax avoidance*, so the issues addressed in this paper remain current (HMRC, 2021a,b).

Tax avoidance is now referred to variously as 'acceptable', 'legitimate', 'unacceptable', 'abusive', 'aggressive', or 'illegitimate'. The demarcation line between acceptable and unacceptable avoidance practices is continually subject to subtle shifts. Such shifts occur as a result of court judgments and changes over time in attitudes and opinions within revenue authorities, governments, and the taxpaying public at large (Christensen & Seabrooke, 2020; Doyle et al., 2009; Lymer & Oats, 2009).

Private sector tax practitioners¹ are intermediaries typically placed between taxpayers and tax authorities in a tripartite relationship in the tax field (OECD, 2008). Such practitioners are frequently accused of being the architects of contrived structures associated with the tax planning now deemed 'unacceptable' by revenue authorities. Private sector tax practitioners allegedly seek and find ways to achieve legal compliance while undermining the (typically unstated) policy intention behind the legislative wording – its 'spirit', in other words (Christensen & Seabrooke, 2020; Field, 2017; OECD, 2008; Payne & Raiborn, 2018; West, 2018). It is suggested that private sector tax practitioners contribute to the risks that a revenue authority must manage in order to collect taxes and can, therefore, have a negative impact on global tax systems (OECD, 2008, p. 4). This behavior makes them worthy of focused academic research. Shafer and Simmons (2008) suggested that some private sector tax practitioners have abandoned any concern for social welfare or the public interest in their pursuit of commercialism and client advocacy. Such abandonment implies that private sector tax practitioners do not believe in ethical or socially responsible behavior (see also Stuebs & Wilkinson, 2010). Radcliffe et al. (2018) observe that tax practitioners are not trained to think about what is right or wrong, so much as what is within the letter of the law.

Marshall et al. (1998, p. 1266) question the role that private sector tax practitioners play in areas that go beyond the responsibility to serve a client taxpayer's interest. They examine whether such private sector tax practitioners have a collective or civic allegiance to the tax system and the community at large. If private sector tax practitioners have a collective or civic obligation, then how should it be balanced against their moral obligation to provide the best advice to their clients? Should following the letter of the law be the lowest common denominator for private sector tax practitioners' ethical behavior or a yardstick to guide them?

Taking a different perspective, Boucher (1993, p. 52) considers that "[e]thics is an intrinsic aspect of providing tax advice. Private sector tax practitioners play a role in shaping our tax morality. Whether in-house or external they become involved in the decision-making processes of the enterprises they advise". Hume et al. (1999, p. 231) depict private sector tax practitioners as "the moral agents in the compliance related decisions of their clients". Field (2017, p. 263) questions whether a private sector tax practitioner can be both aggressive and ethical. (For a comprehensive review of recent private sector tax practitioner research, see Hahn & Ormeño Pérez, 2020).

In a previous study, we examined the ethical reasoning of a sample of private sector tax practitioners, government revenue tax practitioners, and a non-tax control group (Doyle et al., 2013). All sample participants responded to both social and tax context predicaments. We found no significant differences between the three groups for social context quandaries. However, once the context changed to tax, private sector tax practitioners demonstrated a fall in the proportion of principled ethical reasoning they used. One potential reason for this fall suggested, but not empirically examined as part of that study, is the emphasis that private sector tax practitioners place on legal rules when working in the tax context. In other words, the reduction in principled reasoning may have arisen due to an emphasis on law based ethical reasoning instead of on principled ethical reasoning, when the context changed.

Private sector tax practitioners may focus on legal rules in a tax context due to the tension between duty to the client and broader concerns for society as a whole. Concern about fulfilling professional obligations might lead a private sector tax practitioner to adopt a 'legal is ethical' approach when operating in a tax context. A 'legal is ethical' approach rationalizes that the law provides much clearer guidelines than ethical discretion, especially in situations where perception changes regularly of

¹ Various different terms are used in both academic and professional literature to describe persons who work in the tax domain, including tax accountants, tax advisers (or advisors), tax agents, tax intermediaries, tax lawyers, tax practitioners, tax preparers, and tax professionals – without any significant differentiation made between these terms (Frecknall-Hughes, 2012, p. 178). In addition, some of these differences result from whether individuals see themselves as accountants or lawyers, as the tax profession is fragmented. Some individuals are professionally qualified both as accountants and lawyers. Hahn and Ormeño Pérez (2020, p. 99) in their review of the tax practitioner literature noted the use of terms such as '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'. 'Tax structurer' is also now found. Some of these terms, however, indicate more precisely the work domain of an individual. 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. In this article, we use the following terms: 'private sector tax practitioner' is an individual who works in professional tax practice, typically as a member of a firm of accountants or lawyers, or in a tax department of a multinational company; 'government revenue tax practitioner' is an individual working for a country's revenue authority; 'tax practitioner' is when a generic tax practitioner is meant, or where we do not need to distinguish between different types of tax practitioner; and 'non-tax control group' indicates individuals (all over 18 in age) who do not work in the tax domain in any capacity and who comprised the control group in this study. See also Section 4, Research method.

what constitutes legitimate as opposed to illegitimate tax avoidance. The increasing importance of risk management in tax practice (Doyle et al., 2009; Radcliffe et al., 2018) may also underpin a law and order orientation, as it can provide a benchmark for judging the risk to reputation.

Another explanation for the reduction in the principled reasoning of private sector tax practitioners found by Doyle et al. (2013) was that when the context changed from social to tax, there is an increased emphasis on personal interest ethical reasoning. This increased emphasis might be motivated by the client/practitioner relationship which involves the client paying a fee for tax work undertaken. The reward structures (e.g., bonuses and promotions) in firms might cause private sector tax practitioners to reason differently in a tax context compared to how they would approach a similar dilemma in a social context. Additionally, the organizational culture in which private sector tax practitioners work might promote a particular way of regarding a situation. 'Belonging' to or having a sense of identity strongly associated with a firm might lead to this type of practitioner prioritizing the interests of the firm when reasoning about dilemmas.

Given the crucial role tax practitioners play in the tax compliance and tax planning processes, enhancing our understanding of how they approach ethical dilemmas is critically important in any mission to enhance tax compliance and reduce tax avoidance. Doyle et al. (2013) examined how context impacted on the principled ethical reasoning level of tax practitioners, which is the approach usually taken in the empirical literature. However, the law and order and personal interest ethical reasoning levels have never been investigated in the tax practitioner literature before now. We seek in this paper, therefore, to examine whether the difference in private sector tax practitioners' ethical reasoning in a tax context is driven by their regard for legal rules. In other words, is this due to tax practitioners having an overriding law and order orientation (law and order ethical reasoning), as suggested in Doyle et al. (2013), or an increased emphasis on personal interest ethical reasoning.

More specifically, this study focuses on four research questions (RQs). RQ1 asks if the law and order level of ethical reasoning of tax practitioners is typically higher than in the general population in a social context (i.e., Are individuals with a strong law and order orientation self-selecting into the tax profession)? RQ2 wonders whether the tax context drives law and order reasoning in tax practitioners in a manner significantly different from the general population (i.e., Does a difference arise due to risk management, a rules-based education, professional guidelines, etc., leading to a tendency towards compliance with legislation)? RQ3 asks if the personal interest level of ethical reasoning of tax practitioners is typically higher than in the general population in the social context (i.e., Are individuals with a strong personal interest orientation self-selecting into the profession)? RQ4 wonders whether the tax context drives personal interest ethical reasoning in private sector tax practitioners in a manner significantly different from the general population and/or government revenue tax practitioners (i.e., Is private sector tax practitioners' reasoning affected by bonuses or identity with the firm, the client, or colleagues)?

We examine these questions by testing the ethical reasoning of a sample of tax practitioners (both private sector and government revenue tax practitioners) and a non-tax control group in both a social and a tax context. The different orientations underlying ethical reasoning have different priorities. Therefore, knowing in more detail how tax practitioners reason in a tax dilemma context might reveal ways in which tax educators, professional institutes, and the revenue authorities could encourage private sector tax practitioners to enhance their clients' tax compliance behavior and reduce tax avoidance.

The remainder of this paper is structured as follows. The next section (Measuring levels of ethical reasoning: The Defining Issues Test (DIT)) explains the concept of ethical reasoning and outlines the DIT. The third section (Research questions and hypotheses) develops testable hypotheses from the research questions, while the fourth section (Research method), describes the method used. The fifth section (Results) presents the findings of the study, which are then discussed in the sixth section. Conclusions are offered in the final section (Discussion and conclusions), together with the limitations of the research and suggestions for future research.

2. Measuring levels of ethical reasoning: The Defining issues test (DIT)

Cognitive developmental psychologists posit that before a person makes a decision about whether and how to behave ethically when faced with a dilemma, ethical reasoning takes place at a cognitive level. Ethical reasoning research aims to understand how individuals contemplate ethical dilemmas and the cognitive processes they use when approaching them. Kohlberg (1969) developed a model of ethical development based on longitudinal interviews during which participants explained how they would approach and respond to certain ethical vignettes. Kohlberg's model sets out three distinct developmental levels: 'pre-conventional morality', 'conventional morality', and 'post-conventional morality'. Within each of these three levels are two developmental steps, resulting in a total of six stages, the second stage in each level being more advanced than the first. Each successive step or stage in Kohlberg's model is considered to be higher both cognitively and ethically. Individuals are posited to move upwards through the steps as they develop ethically, although not everyone will reach post-conventional morality.

Cognitive moral development theory centers around the notion that ethical judgements emerge from a conscious process during which an individual moves from conscious reasoning to ethical verdict (Kohlberg, 1981), ignoring the importance of emotion (Greene & Haidt, 2002). It is argued that both conscious reasoning and intuition play a role in decision making (Cushman et al., 2006; Greene & Haidt, 2002; Zollo et al., 2017). The ethical scenario itself (Greene et al., 2001), the cognitive approach of the decision maker (Lewicka, 1997), and the ethical principle being evoked (Cushman et al., 2006) may all influence the degree to which cognitive reasoning dominates intuition or vice versa. Haidt (2007) recognizes that the use of con-

scious verbal reasoning, the reframing of the situation, and discussing the issue with others all serve to supersede an individual's initial intuitive response, particularly in a professional services' context.

Private sector tax practitioners must communicate their reasoning to a client, and potentially to the relevant revenue authority. The situations private sector tax practitioners deal with are not personal to them. So, as suggested by Green et al. (2001), cognitive reasoning may play a more dominant role. Kohlberg's cognitive moral reasoning theory, therefore, offers useful insights and continues to be a valid construct in the context of examining tax practitioners. Academic literature acknowledges Kohlberg's enormous impact on research. His work is widely discussed in the field of business ethics which continues to use his framework as a basis for research (DeTienne et al., 2021).

Using Kohlberg's ethical development theory as the foundation, James Rest developed the DIT in 1979 (Rest, 1979, 1986). The DIT measures ethical reasoning using social context vignettes. The test is a multiple-choice, self-administered instrument, employing the same ethical predicaments used by Kohlberg in his original interview study. Rest (1979) developed the DIT based on his interpretation of the steps in Kohlberg's stage-sequence model (see Table 1).

Rest et al. (1999a) then reformulated Kohlberg's stages into three distinct schemata. These authors explain schemata as general knowledge structures inhabiting the long-term memory, which are created as individuals observe similarities and recurrences in experiences. Schemata are triggered by a current stimulus that invokes previous stimuli. The three schemata are the personal interest schema (Kohlberg's Stages 2 and 3 above), the maintaining norms schema (Kohlberg's Stage 4 above), and the post-conventional schema (Kohlberg's Stages 5 and 6 above). Stage 1 is dropped.

The personal interest schema focuses on individual social interaction, such as making deals that benefit both parties as well as being considerate, nice, and kind to support the development of relationships. Ethical behavior is what pleases others and is commended by them. Morality is focused on building and maintaining enduring positive relationships with others.

The maintaining norms schema (also referred to as law and order ethical reasoning in the academic literature) focuses on the law as a way of regulating relationships and behavior in society; it is right to obey the law because the law protects and maintains society as a whole. Ethical behavior involves doing one's duty, maintaining order for its own sake, and respecting authority.

The post-conventional schema is a reclassification of Kohlberg's highest level reasoning, and is also referred to as principled ethical reasoning (see Table 1). Individuals at the post-conventional level differentiate themselves from the rules and expectations of populist society, and develop their own values that respect and balance the conflicting claims of various stakeholders. The reclassification of Kohlberg's stages into Rest et al. (1999a)'s schemata has no impact on how the DIT instrument works, but alters slightly the terminology used.

An example of how cognitive ethical development might work in a tax practice context is useful to illustrate how the theory can be applied. For instance, a private sector tax practitioner may advise a client against pursuing an aggressive tax avoidance scheme because the scheme might be challenged by the revenue authority. If the challenge is successful, the client may have penalties imposed, be dissatisfied with his/her tax practitioner, and decide to seek tax advice elsewhere. There are several possible ethical reasoning paths leading to the advice not to pursue the aggressive avoidance scheme. The private sector tax practitioner's reasoning process could be driven by: (i) a personal interest orientation, such as keeping the client and the associated fees; (ii) respect for the wording of the tax legislation, which maintains norms/law and order reasoning; or (iii) due to a belief that the client has an ethical duty to contribute to the exchequer for the benefit of the whole economy, congruent with post-conventional reasoning. All paths have the same behavioral result, but the underlying ethical reasoning is at different levels.²

There is usually a developmental direction in the way in which individuals progress in ethical reasoning, with individuals moving upwards through the levels during their development. However, Rest developed the DIT on the basis that an individual can operate at different development stages and, therefore, use several schemata at any one time (Rest et al., 1999b). Instead of attempting to gauge the level to which a person 'belongs', the test measures the understanding of and preference for different schemata. The test focus is traditionally on the post-conventional or principled schema, as measured by the P score produced by the DIT (for more, see Section 4). A P score focuses on the number of post-conventional items a participant

² As the above example illustrates, ethical reasoning theory is not necessarily concerned with the actions that individuals will eventually take, but with the reasoning that they will rely upon to arrive at such action (DeTienne et al., 2019; Ponemon, 1990). Kohlberg suggests that ethical reasoning and ethical behavior are related, owing to the individual's drive for consistency between thoughts and action (Kohlberg, 1971). Prior research indicates that there is a relationship between ethical reasoning and ethical action (Blasi, 1980; DeTienne et al., 2019; Higgins et al., 1984; Rest, 1986; Rest et al., 1999). In an attempt to model the decision making process that takes place prior to ethical behavior, and taking on board the contention that ethical reasoning does not solely dictate ethical behavior, Rest (1983) set out a four component framework. The four components are ethical sensitivity, ethical judgement, ethical intention, and the implementation of ethical intention. Rest (1983) posited that in order to behave ethically, an individual must perform all four of these psychological processes. Ethical sensitivity refers to the ability of the decision maker to identify that the decision has ethical implications that may impact on others. Ethical judgement or reasoning concerns the considerations involved in determining the ethically correct course of action and is the component addressed in Kohlberg's model. Ethical intention ensures that the decision maker does not allow other values, such as religious teaching or the protection of one's organization, to override ethical values. Finally, to ensure ethical behavior, the decision maker must have enough strength of character (component four) to carry out the ethical intention. A failure to behave ethically can result from deficiencies in any one of the four components. During the mid-1980s and early 1990s, several theoretical models were advanced that built on Rest's (1983) four component model (Jones, 1991; Rest, 1986; Trevino, 1986). A wide variety of variables were suggested and tested to gauge their influence on the four step process. While there is no definite consensus on the extent of the role that ethical reasoning plays in predicting or explaining ethical behavior, the literature generally accepts that ethical reasoning is a necessary element of ethical behavior, even if not sufficient of itself to dictate action (Fraedrich et al., 1994; Kohlberg & Candee, 1984). The examination of ethical reasoning as a component of ethical action, therefore, remains a valid exercise and may serve to inform subsequent behaviour.

Table 1
Six stages of ethical reasoning . adapted from Rest (1994)

Developmental Levels	Stages	Stage Description	Link to Schemata
Pre-conventional: Focus is on the individual.	Stage one	The morality of obedience: do what you are told.	Schemata
Conventional: Focus is on the group and relationships.	Stage two	The morality of instrumental egoism and simple exchange: let's make a deal.	Personal Interest Schema
	Stage three	The morality of interpersonal concordance: be considerate, nice and kind: you'll make friends.	
Post-conventional: Focus is on the inner self and personally held principles.	Stage four	The morality of law and duty to the social order: everyone in society is obligated to and protected by the law.	Maintaining Norms Schema
	Stage five	The morality of consensus-building procedures: you are obligated by the arrangements that are agreed to by due process procedures.	Post-Conventional Schema
	Stage six	The morality of non-arbitrary social cooperation: morality is defined by how rational and impartial people would ideally organise cooperation.	

selects in the test, but is silent on the inclusion of personal interest or law and order items. Some individuals with low P scores may use relatively advanced law and order reasoning in decisions, with others guided largely by personal interest considerations (Mudrack & Mason, 2016). The underlying data collected by the DIT, however, do allow responses to other schemata to be measured and some studies focus specifically on the law and order schema. In the context of tax practitioners, assessing the law and order schema is one of this paper's focuses.

2.1. Relevant DIT studies examining law and order reasoning

Given our interest in how the law affects reasoning for tax practitioners in a professional context, previous work on ethical reasoning and particularly law and order reasoning in related contexts can usefully be considered. Rest's DIT is only used to examine tax practitioners in four prior studies (Blanthorne et al., 2014; Doyle et al., 2013; Doyle et al., 2014; Frecknall-Hughes et al., 2017). None of these studies looked beyond the P score. Thus, the law and order and personal interest reasoning levels of tax practitioners remain unexamined until now. Blanthorne et al. (2014) use Big Four and non-Big Four accounting firm respondents and students in a master of taxation degree, but do not use a non-tax group as a control. Their study found lower levels of ethical reasoning in tax practitioners in comparison with findings from prior studies in the accounting literature.

Prior studies on tax practitioners used a non-tax control group (Doyle et al., 2013, 2014, 2017; Frecknall-Hughes et al., 2017). As mentioned earlier, Doyle et al. (2013) finds that tax practitioners do not reason significantly differently from a non-tax group in a social context. This prior work also found, however, that the ethical reasoning scores of all participants were very low relative to the published results generally used in comparisons. The low score existed regardless of the context and participant type (tax practitioner or the non-tax control group). Despite their similarity in the social context, private sector tax practitioners had significantly lower levels of post-conventional reasoning in a tax context compared with the non-tax control group. Government revenue tax practitioners, however, remained in line with the non-tax control group. These different findings may reflect the different perspectives generated by the two distinctively different tax roles.

Other research was done in related areas, most notably in the accounting field. The accounting literature motivates and informs our research questions. However, we acknowledge that tax practitioners are not always accountants, as solicitors and others often work in the tax area.

DIT studies in the accounting area typically use the social dilemmas' DIT rather than a specialist accounting-based version. Much of the accounting research finds a lower level of ethical reasoning in accountants and accounting students than would be expected based on education and age (Arfaoui et al, 2016; Armstrong, 1987; Arnold & Ponemon, 1991; Bernardi & Arnold, 1997; Fisher & Ott, 1996; Lampe & Finn, 1992; Ponemon, 1990, 1992; Shaub, 1994; Sweeney, 1995). Such findings must be treated with caution. These comparisons are made with previous results published by Rest (1986), rather than with a comparable adult sample or control group in the same jurisdiction at the same time.

It was suggested that accountants may have lower P scores than other professional groups. The reason suggested for the lower scores is the salience for accountants of compliance with professional and societal regulations, guidelines, and norms (Lampe & Finn, 1992; McDonald, 2005). Using a scale adapted from Bacharach & Aiken (1976), Jeffrey et al. (1996) suggest that rule observance attitudes may mitigate against continued ethical development. They found that accountants who perceived rule observance as important were reasoning at conventional levels of ethical development, in other words, measures relating to the law and order schema. However, accountants who perceived rule observance as less important were reasoning post-conventionally.

The correlation between attitudes towards rules and ethical development is consistent with the results reported by Jeffrey and Weatherholt (1996) for auditors in the United States (US). Several studies indicate that auditors utilize more rule-based ethical reasoning than post-conventional reasoning (Bernardi & Arnold, 1997; Lampe & Finn, 1992; Massey, 2002; Ponemon, 1990, 1992). Such studies highlight the possibility that systematic characteristics, such as training or regulation, may affect auditors' ethical reasoning. These systematic characteristics prevent auditors from utilizing as much post-

conventional ethical reasoning as one would expect, given their level of education. Wood et al. (1988) found that many students and professionals functioned using law and order reasoning. Individualism and egoism, which also reflect the personal interest schema, emerged as strong orientations in the ethical reasoning of many professionals. However, these orientations drove the ethical reasoning of students far more than that of professionals (Wood et al., 1988). Within the legal domain, Landwehr (1982) found that lawyers predominantly use law and order reasoning, suggesting that the nature of legal reasoning drives this use.

Rest posits that ethical reasoning increases with education and age (Rest et al., 1999b). Armstrong (1987) contends, however, that university education may not nurture continued ethical growth among Certified Public Accountants (CPAs). Other research supports her contention (Bernardi, 1995; Frémeaux et al., 2020; McPhail & Gray, 1996; Murphy & O'Connell, 2017; Ponemon & Glazer, 1990; Shaub et al., 1993). Accounting education is typically technical and rule-based. It is mainly concentrated on professional examinations/exemptions rather than more broadly based business knowledge or acumen (Blundell & Booth, 1988; Douglas & Gammie, 2019; McNeel, 1994; Murphy & O'Connell, 2017). There is typically less emphasis on critical analysis and the broader questions of integrity, ethics, and values (Albrecht & Sack, 2000).

It is posited that accounting education may actually hinder a student's development towards higher levels of ethical awareness. Hindrance results from the focus on following the rules (McPhail, 1999, 2001; Murphy & O'Connell, 2017). Mayer et al. (2005) argue that when accounting is taught as a neutral and objective technical subject, the capacity of students to reflect critically, to ask probing questions, to perceive potential consequences from actions, and to communicate effectively regarding their understanding is not enhanced. The rule-based orientation of accounting education may unintentionally inculcate a law and order orientation in accounting students (Dellaportas et al., 2006). This unintentional inculcation may explain the low levels of post-conventional ethical reasoning found in many studies examining accountants, auditors, and accounting students.

While a few studies examine the law and order reasoning of accountants, we find no prior studies focusing on the personal interest reasoning of tax practitioners, accountants, or accounting students.

3. Research questions and hypotheses

Based on the DIT's P-score, Doyle et al. (2013) find lower levels of private sector tax practitioner ethical reasoning at work than in a social context. One possible explanation is that the lower level may result from private sector tax practitioners having a predominantly legal orientation at work. As noted above, the legal orientation is suggested as driving law and order reasoning in accountants. Other work (Frecknall-Hughes et al., 2017) shows that private sector tax practitioners put a greater emphasis on deontological reasoning versus consequentialist reasoning, which is in line with a predominantly legal orientation in the work domain. Tax practitioners may take a view that it is right to follow the law strictly. Utilizing a non-tax group as a control in the same jurisdiction and at the same time as the tax practitioner respondents, allows us to make a robust comparison. There are no existing data on the mean law and order ethical reasoning score for a given population in the same time period and jurisdiction. Hence, using a control group allows a more robust determination of whether persons with a more dominant law and order orientation than their general population of origin are self-selecting into the tax profession. Therefore, our hypothesis for RQ1 is:

H1: When considering social context ethical dilemmas, tax practitioners will use higher levels of law and order reasoning than a non-tax control group.

The use of a non-tax control group also assists in addressing RQ2 and RQ3. While prior literature in associated fields indicates lower levels of ethical reasoning taking place in a business context, the absence of a control group means it is unclear why lower levels occur. Is it the result of the context itself (affecting reasoning for everyone within that particular context) or a result of the individual's role within that context (a tax practitioner role or a non-tax group role and so on)? The ability to compare the ethical reasoning scores for tax practitioners and the non-tax control group in both social and tax contexts facilitates separating the impact of professional socialization/training from the context itself. Following prior research with accounting professionals and Doyle et al. (2013), our hypothesis is that the lower levels of principled ethical reasoning evidenced in professional versus social contexts are a result of the professional involvement of the tax practitioners rather than the tax context itself. Thus, the professional involvement leads tax practitioners to rely more on law and order reasoning in a tax context. The non-tax control group does not experience professional involvement of this kind, so should stay consistent in their law and order reasoning level regardless of the move in context from social to tax. These considerations lead us to hypotheses H2a and H2b.

H2a: When considering ethical dilemmas in the tax context, the law and order ethical reasoning level of tax practitioners will be higher than it was in the social context.

H2b: When considering ethical dilemmas in the tax context, the law and order reasoning of the non-tax control group will not change from the levels observed in the social context.

If the context of the dilemma only changes the ethical reasoning levels of tax practitioners, or if context change affects tax practitioners differently from the non-tax control group, we can then explore the source of the effect on tax practitioners. Practitioners working in different tax roles have different types of training, socialization, tax experience and reward struc-

tures. Training, socialization, and reward structure can be distinguished from tax experience by examining separately private sector tax practitioners from government revenue tax practitioners. Both categories of practitioner have tax experience. However, private sector tax practitioners typically have engaged in professional tax training through the professional tax institutes. Government revenue tax practitioners are more likely to have trained within the revenue authority. The socialization of these distinct tax practitioners also has a different focus. Private sector tax practitioners have a client-oriented emphasis, seeking to plan for (and usually minimize) their clients' tax liability. Government revenue tax practitioners, however, might tend to emphasize issues in a manner more consistent with the higher stages of Kohlberg's ethical reasoning model, given the revenue authority's purpose to collect tax to fund activities for the common good. Once private sector tax practitioners reach a certain level of seniority, their reward structures differ significantly from government revenue tax practitioners. Annual bonuses and promotion to more senior levels are used to reward private sector tax practitioners but are not typically used in the same manner within the civil service structure of the revenue authority. These structures may prompt private sector tax practitioners to reason in a manner that is different from government revenue tax practitioners. The constitution of the tax practitioner sample facilitates this analysis. Our third hypothesis is, therefore:

H3: When considering tax context dilemmas, private sector tax practitioners will use a higher level of law and order reasoning than the non-tax control group or government revenue tax practitioners.

The third category of ethical reasoning is the personal interest level. Given the reward structures in private practice, we might expect more focus on personal interest ethical reasoning for private sector tax practitioners. A focus on personal interest ethical reasoning is less likely to be the case for government revenue tax practitioners as previously discussed. Non-tax control group members are also unlikely to focus on personal interest considerations when the context moves to tax, as they have no personal interest to consider in the tax context. These considerations and RQ4 lead us to the final hypothesis:

H4: When considering tax context dilemmas, private sector tax practitioners will use a higher level of personal interest reasoning than the non-tax control group or government revenue tax practitioners.

4. Research method

4.1. The research instrument

This research uses a 2×2 quasi-experimental design which compares the distribution of participants' scores between the three schemata identified by Rest et al. (1999a) – personal interest, maintaining norms (law and order) and post-conventional – in the context of both social and tax based ethical dilemmas. Ethical reasoning in the social context is measured using the short-form (three scenario) DIT. A tax-specific version of the DIT, the Tax Practitioner DIT (TPDIT), also with three scenarios, was used to measure tax context ethical reasoning. The development of the TPDIT is comprehensively described in Doyle et al. (2012). The TPDIT was carefully and robustly developed to preserve all the psychometric features of the original short-form DIT. The dilemmas presented in the TPDIT differ from those in the DIT and the related 'items for consideration' (see below) following each dilemma are all tax practice related. While the TPDIT involves tax context dilemmas, they are not tax technical to the degree that would make them non-accessible to a non-tax expert. The careful attention paid to designing the dilemmas to ensure they were generally understandable is outlined in Doyle et al. (2012).

Respondents taking the DIT and TPDIT are presented with a series of dilemmas/vignettes written from a third person perspective. The vignettes describe the circumstances of a third party faced with deciding how to behave in a given situation. Once participants have reviewed the scenarios, they choose what the actor in the vignette should do from three choices offered: 'take the action', 'do not take the action', or 'cannot decide'. The respondent then rates the importance of 12 items for consideration connected to the vignette. They indicate the relative importance of each in making the decision described in the dilemma by using a five-point scale (great importance, much importance, some, little, or no importance). The 12 considerations listed for each scenario in the original DIT were drafted by Rest to include issues that would be dominant at particular stages of cognitive ethical development in each set of circumstances. The considerations included in the TPDIT were also drafted to reflect the stages of ethical reasoning in the DIT.³ After respondents have rated the 12 items for consideration, they are instructed to choose the four items considered to be of most importance to the decision and to rank these considerations in relative order of importance. An example from the short-form DIT is set out in Appendix A. The TPDIT is fully replicated in Appendix B, with the key to how the items for consideration link back to the cognitive development stages and schemata outlined in Appendix C.

4.2. Scoring the research responses

In terms of scoring the DIT, weighted points are allocated to the items for consideration chosen as the four most important by the participant for each dilemma. The points corresponding to the highest levels of ethical reasoning (post-

³ Established DIT scholars checked the items for consideration in the TPDIT for robustness. They confirmed that the TPDIT preserved the integrity of the DIT in every aspect and that all measures of ethical reasoning possible using the DIT were also valid in the context of the TPDIT.

conventional) are then used to construct a single measure known as the 'P' score (standing for 'post-conventional ethical reasoning') for each respondent (Rest, 1994). The P score measures the percentage of a person's thinking that is at a post-conventional level. It is important to keep in mind that the P score does not capture advances in ethical development below post-conventional level even if development has occurred (Dellaportas et al., 2006). A participant who predominantly selects law and order (maintaining norms) considerations with a few post-conventional considerations would receive the same P score as a participant who predominantly selects personal interest considerations but the same number of post-conventional considerations. Kohlberg's stage sequence theory would identify these participants as reasoning at very different stages, although their P scores on the DIT would be the same (Bay, 2002).

The raw data collected by the DIT also allow responses to the maintaining norms (law and order) and personal interest schemata to be assessed separately in a similar manner to the P score (Rest et al., 1999a, 1999b). A separate assessment allows a much more nuanced examination of ethical reasoning than using the P score alone, although separate assessment is rarely done. The separate assessment is also possible for the TPDIT, though it was not done before now. Totals of the points allocated to each schema in the items for consideration for each scenario are used as raw scores for this paper. The totals allow comparisons of the weight given to personal interest, maintaining norms, and post-conventional reasoning separately across the DIT and TPDIT scenarios. As far as we are aware, this level of analysis of ethical reasoning has not been done in the literature before now in any professional context.

4.3. The respondents and sample size

The research instrument, consisting of a demographic survey, the DIT, and the TPDIT, was disseminated to a non-tax control group comprising 306 individuals and to 384 tax practitioners in Ireland⁴ using a combination of random, convenience, and snowball sampling techniques. The research method used here represents a move away from many tax studies that are purely theoretical, use experimental methods conducted in laboratory settings, or use students as proxy taxpayers (Shafer et al., 2016). Two versions of the research instrument were produced, one with the DIT scenarios first and the other with the TPDIT first. The two versions allowed any order effects to be identified and subsequently controlled for.

The tax practitioner respondents worked across a range of tax-related roles, including the revenue authority as well as in private tax practice within accounting firms, legal firms, or industry. The non-tax control group had no professional involvement or expertise in taxation. The presence of two types of tax practitioner is important. Private sector tax practitioners tend to focus on professional obligations to the client, typically on reducing client tax liabilities. However, government revenue tax practitioners (from the Irish Revenue in this case) would be concentrated on collecting taxes to provide public goods and for the benefit of society as a whole.

The response rate from tax practitioners was 39% (150 research instruments) with 45% of the non-tax control group responding (137 research instruments). After checking for full completion of the vignette-based questions and the various participant reliability checks outlined in the DIT manual (Rest, 1986), there was a useable sample of 201 instruments available for statistical analysis. Of these, 101 are tax practitioners, including 77 private sector tax practitioners and 24 government revenue tax practitioners, and 100 are in the non-tax control group). Demographic information on the participants is given in Table 2.

A survey of the wider literature on ethical reasoning notes a range of sample sizes and rate of response in this kind of research. Focusing specifically on the ethics research done on tax practitioners, Burns and Kiecker (1995) had 418 tax practitioner participants while Cruz et al. (2000) tested 67. Sample sizes in Yetmar and Eastman (2000) and Hume et al. (1999) fell between these extremes at 413 and 164, respectively. Shafer and Simmons (2008) had a sample size of 176. In her study on the ethical reasoning, judgement and behavior of auditors using both the DIT and a context-specific instrument, Massey's (2002) usable sample consisted of 71 subjects. Of these 71, 28 were experienced auditors and 43 were students who served as proxies for entry-level auditors without audit experience. According to Randall and Gibson (1990, p. 464), "many researchers view 100 subjects as a minimum sample size". Hence, our sample size compares favorably with prior investigations.

Response rates reported in prior studies also vary significantly. Burns and Kiecker's (1995) response rate of 47% appears to represent a high point in terms of ethics research in tax. Hume et al. (1999) report a 45% rate while Cruz et al. (2000), Yetmar and Eastman (2000), and Shafer and Simmons (2008) achieved response rates of 34%, 26%, and 17%, respectively. Randall and Gibson (1990) found that response rates for business ethics research most commonly fall within the 21% to 50% range, with 43% being the mean. They attribute the frequently low response rates to the sensitive nature of business ethics issues. Thus, our response rate of 42% compares favorably with prior literature.

The statistical analysis of the data was done using SPSS (Statistical Package for the Social Sciences). This allowed for a robust approach to check our processes, and its syntax carried out all relevant consistency checks and the calculation of scores.

⁴ Ireland is a common law jurisdiction. There is no reason to believe that the findings would be inherently different in other countries with similar systems, such as the US, the UK, Australia, New Zealand, and Canada.

Table 2
Demographic information on participants.

	Private Sector Tax Practitioners	Government Revenue Tax Practitioners	Non-Tax Control Group
Absolute number of participants	77	24	100
Educated to bachelor's degree level or higher	88% (n = 68)	58% (n = 14)	76% (n = 76)
Gender	M – 44%, F – 56%	M – 48%, F – 52%	M – 39%, F – 60%
Mean age (Standard Deviation)	32.48 (8.194)	39.91 (12.255)	40.39 (14.136)
Mean years of tax experience (Standard Deviation)	9.92 (8.151)	16.88 (13.82)	–

Note: Percentages do not add to 100 where data is missing.

5. Results

Initial tests examining the impact of gender, age, and education on ethical reasoning, found that education was the only variable to have an impact. So, we included education level in our models. Further tests on the tax practitioner participants found that years of tax experience and the level of seniority in the organization had no statistically significant impact on ethical reasoning, so we excluded these variables from our models. H1, H2a, and H2b were investigated using a generalized linear model (GLM) repeated measures analysis, with the results outlined in Table 3.

All participants use a similar level of law and order reasoning in a social context. Therefore, H1 is not supported. However, once the context changes to tax, H2a is supported as tax practitioners, whether private sector tax practitioners or government revenue tax practitioners, use higher levels of maintaining norms reasoning. Interestingly, so does the non-tax control group, therefore, H2b is rejected. Also, H3 is not supported as there is also no difference between private sector tax practitioners' and government revenue tax practitioners' law and order reasoning in the tax context. The effect of context is significant, but there is no significant difference between the different types of participants as all groups show to a similar extent an increased focus on law and order in the tax context. The scenarios outlined in the TPDIT do not involve tax technical issues, enabling us to ascertain what participants think is important without reliance on their knowledge of tax law.

Doyle et al. (2013) found that private sector tax practitioners exhibit lower levels of post-conventional ethical reasoning in a tax context than other groups (see Table 4 below adapted from Doyle et al. (2013) for completeness). However, we found that these lower levels are not due to a differential level of focus on maintaining norms issues, so we examined the personal interest scores to complete the picture.

To examine the personal interest score we used a GLM repeated measures analysis with the results outlined in Table 5. These results support H4, private sector tax practitioners use higher levels of personal interest reasoning than the non-tax control group and government revenue tax practitioners. The government revenue tax practitioners, like the non-tax control group, retain their level of post-conventional ethical reasoning in the tax context (Table 4). Both groups increase their focus on law and order reasoning (Table 3) by reducing their focus on personal interest reasoning.

In contrast, private sector tax practitioners show a similar shift of focus to law and order in the tax context. However, they lower their focus on post-conventional reasoning and retain their level of focus on personal interest issues. A separate GLM for private sector tax practitioners shows no significant increase in focus on personal interest issues; rather, these private sector tax practitioners maintain a similar level of focus on personal interest issues in both contexts. This is a significant and unanticipated finding, and in the next section we explore possible reasons for its occurrence.

6. Discussion and conclusions

To recap, law and order (maintaining norms) reasoning places a focus on legislation to regulate relationships and behavior in society. The basic premise is that it is right to obey the law because the law protects and maintains society as a whole. Emphasis is placed on doing one's duty, respecting authority, and maintaining social order for its own sake. Personal interest reasoning focuses on individual social interaction, making deals that benefit both parties, and being considerate, nice, and kind to support the development of relationships. Good behavior is what pleases others and is approved by them. Post-conventional reasoning, in contrast, involves an individual looking beyond legal rules to focus on consensus building and considers how rational and impartial individuals would ideally organize social cooperation.

We initially set out to examine whether private sector tax practitioners have a dominant law and order orientation in a tax practice context and, if so, to explore why that might be the case. In the social dilemmas, all our participant groups have similar levels of law and order reasoning, indicating that individuals with dominant law and order reasoning are not self-

Table 3

Marginal means by participant group for the raw maintaining norms schema scores. Estimated marginal means.

	Non-tax control group	Private sector tax practitioners	Government revenue tax practitioners
Social dilemmas (DIT)	11.098	11.247	12.168
Tax dilemmas (TPDIT)	14.441	15.69	16.137

Notes: This table shows the marginal means by participant group from a GLM repeated measures analysis of the raw maintaining norms score for each context (social and tax). These scores are captured by the within-subjects measure CONTEXT. PARTICIPANT (non-tax control group, private sector tax practitioner or government revenue tax practitioner) is included as a between-subjects measure. TAXFIRST was also included as a between-subjects measure to control for order effects. EDNODEGREE (indicating education ending below the bachelor's degree level) was included as a covariate. Our results show a significant effect for CONTEXT ($F(1,188) = 40.960, p < 0.001$), with the maintaining norms scores being higher for all groups in the tax context. A multivariate analysis of variance (MANOVA) on both scores with PARTICIPANT as a between-subjects effect confirmed that PARTICIPANT is not significant for either score ($p > 0.1$ in both cases).

Table 4

Marginal means by participant group for the P score (adapted from Doyle et al., 2013). Estimated marginal means.

	Non-tax control group	Private sector tax practitioners	Government revenue tax practitioners
Social dilemmas (DIT)	31.303	32.574	30.024
Tax dilemmas (TPDIT)	28.660	19.020	28.024

Notes: Table adapted from Doyle et al. (2013, Figure 2p. 333) to illustrate our earlier finding that private sector tax practitioners exhibit significantly lower levels of post-conventional reasoning in tax dilemmas, compared with government revenue tax practitioners and the non-tax control group. There were no significant differences in P score between groups in social dilemmas. A description of the analysis starts part way down column 2 on p. 332 (begins "To investigate Research Question 4..."). Doyle et al. (2013) measures P scores based on the four issues identified as most important for each scenario. In the current paper, given the broader focus on all levels of reasoning, the data on the importance given to all the items for consideration is used to produce scores.

Table 5

Marginal means by participant group for the raw personal interest schema scores. Estimated marginal means.

	Non-tax control group	Private sector tax practitioner	Government revenue tax practitioner
Social dilemmas (DIT)	7.354	7.234	6.894
Tax dilemmas (TPDIT)	5.930	7.790	4.648

Notes: This table shows the marginal means by participant group from a GLM repeated measures analysis of the raw personal interest score for each context (social and tax). These scores are captured by the within-subjects measure CONTEXT. PARTICIPANT (non-tax control group, private sector tax practitioner, or government revenue tax practitioner) is included as a between-subjects measure. TAXFIRST is a between-subject measure with EDNODEGREE included as a covariate. Results show a significant effect for CONTEXT ($F(1,188) = 4.738, p = 0.031$). There is a significant interaction with PARTICIPANT ($F(2,188) = 4.513, p = 0.012$), with PARTICIPANT being marginally significant ($F(2,188) = 2.389, p = 0.094$). A MANOVA on both scores with PARTICIPANT as a between-subjects effect showed that PARTICIPANT is not significant for the social score ($p > 0.1$ in all comparisons), but private sector tax practitioners are significantly different from both other groups in the tax context ($p = 0.033$ for the comparison with government revenue tax practitioners, and $p < 0.001$ for the non-tax group). The non-tax control group and government revenue tax practitioners are not significantly different ($p > 0.10$).

selecting into the tax profession. Similarly, private sector tax practitioners do not have a significantly different level of personal interest reasoning from the other groups in a social context. The fact that private sector tax practitioners use the same mix of post-conventional, law and order, and personal interest reasoning in the social context as the other two groups is a positive finding. It provides us with evidence that the tax profession is not attracting individuals who reason differently from the population as a whole. This indicates that there is no issue with recruitment into the profession from the perspective of ethical reasoning. The only differences in the reasoning levels of private sector tax practitioners arise in the tax context.

Furthermore, although private sector tax practitioners do have a higher focus on law and order reasoning in a tax context as we expected given the prior literature on accountants, their pattern of behavior is not significantly different from government revenue tax practitioners and the non-tax control group. All three groups switch to a higher level of law and order reasoning when the context changes to tax. This change suggests that the dominance of law and order reasoning in a tax context does not result from professional risk management, a rules-based education, or professional guidelines, given that none of these issues would be relevant for the non-tax control group. These latter reasons are those cited in the existing literature to justify the law and order reasoning of accountants, but the presence in our study of a non-tax control group brings these suggested reasons into question.

Turning to the personal interest measures, private sector tax practitioners do not have a significantly different level of personal interest reasoning from the other groups in a social context. Moreover, they do not increase their reliance on personal interest reasoning when the context changes to tax. The distinguishing feature of private sector tax practitioners compared with other groups is that their increased focus on law and order in tax contexts links to a lower level of post-conventional reasoning, while for other participants the link is to lower levels of personal interest reasoning.

One reason for this finding may link to private sector tax practitioners facing conflicts within their role, in that they owe duties simultaneously to different parties. Their primary responsibility will be to their clients, but duty is also owed to tax-

payers (the wider public), revenue authorities (the government), the firm for which they work, their profession, and themselves. As Frecknall-Hughes et al. (2017, p. 731) comment: “[a] role with multiple facets creates greater ethical complexity”. Tax practitioners are advocates for their clients, but they also have a broader role as intermediaries within the tax system structure (OECD, 2008). It may be that the ‘trade off’ between post-conventional reasoning and law and order reasoning reflects different weightings being given to different duties. However, the fact that all groups increase their focus on law and order to a similar extent suggests that this increase is not just focused on risk management or client obligation, as these latter issues are less likely to be a focus for government revenue tax practitioners and the non-tax control group. This finding suggests that the law is being generally used to provide a clear guideline for what is acceptable in a tax context for all groups.

There are also reasons why private sector tax practitioners may have a greater personal interest orientation in the tax context than other groups as they retain this orientation in preference to the post-conventional reasoning found in social dilemmas. It may be the case that private sector tax practitioners are simply self-serving, focusing on approaches that generate the best return (financial or otherwise) for them. As Shafer and Simmons (2008) suggest, some private sector tax practitioners may have abandoned concern for the public interest or social welfare in favor of commercialism and client advocacy.

Rest’s schemata do not specifically address the professional environment and the issue of professional responsibility as distinct from involvement with close friends and family. The DIT may, therefore, result in professional obligation manifesting itself in the form of the personal interest schema. In other words, private sector tax practitioners may feel a professional responsibility to prioritize the optimal tax outcome for their clients. Prioritizing the tax outcome for clients will also benefit the client’s employees, shareholders, suppliers and others, rather than just supporting the development of close relationships with clients for personal interest reasons. However, because such a focus falls short of prioritizing society as a whole, it would be classified as personal interest rather than post-conventional reasoning.

Professional obligation may also serve to restrict post-conventional reasoning in private sector tax practitioners. It may not be considered professionally acceptable to impose personal morality on a client. As an expert facilitating an informed decision process by making a client aware of the various issues involved, private sector tax practitioners may stop short of giving an opinion based on their own ethical reasoning orientation.

Whatever the reason, it is clear from our analysis that private sector tax practitioners’ reasoning in a tax context is different from that of government revenue tax practitioners and the non-tax control group. However, the answer is not as simple as an increased reliance on law and order reasoning in a tax context, as initially assumed for the reasons cited in the accounting literature. The differences inherent in the role of the private sector tax practitioner could have a significant part to play. The ethical position adopted by private sector tax practitioners may need to accommodate the various duties owed to different parties, trading one against the other, so making their reasoning difficult to interpret.

Inevitably, a study of this kind has limitations. However, some of these limitations also offer scope for future possible research. While it is clear that the subject of the paper remains topical and current, the original data were collected in 2009. Therefore, further research could collect additional data. While we might not expect any radical changes to be revealed, new data would help in determining the direction and nature of the continuing subtle shifts in the demarcation line between acceptable and unacceptable avoidance practices that we referred to earlier. Moreover, collecting data from different jurisdictions would also help develop the richness and depth of this field of research. Given the wealth of professional and academic literature on tax ethical issues, the potential for additional research is considerable.

Another limitation is the restrictions imposed by our sample size. While the number of respondents compares favorably with other studies on ethical reasoning and tax, it would have been helpful to have responses from a larger number of participants. However, the emphasis on law and order ethical reasoning that these respondents exhibited and the resultant empirical work remain a significant development of DIT work and show a valuable contribution to knowledge in the area of ethical reasoning in tax practice.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix A. DIT scenario One: Heinz and the drug (Rest, 1986)⁵

Scenario One: Heinz and the drug

In a small European town a woman was near death from a rare kind of cancer. There was one drug that doctors thought might save her. It was a form of radium that a pharmacist in the same town had recently discovered. The drug was expensive to make, but the pharmacist was charging ten times what the drug cost to make. He paid €200 for the radium and charged €2,000 for a small dose of the drug. The sick woman's husband, Heinz, went to everyone he knew to borrow the money, but he could only get together about €1,000, which is half of what it cost. He told the pharmacist that his wife was dying and asked him to sell it cheaper or let him pay later, but the pharmacist said, "No. I discovered the drug and I'm going to make money from it". So Heinz got desperate and began to think about breaking into the man's store to steal the drug for his wife.

1. Should Heinz steal the drug?

Should steal it.
 Can't decide.
 Should not steal it.

2. Rate the following 12 items in terms of importance.

	Great importance	Much importance	Some importance	Little importance	No importance
1. Whether a community's laws are going to be upheld.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Isn't it only natural for a loving husband to care so much for his wife that he'd steal?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Is Heinz willing to risk getting shot as a burglar or going to jail for the chance that stealing the drug might help?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Whether Heinz is a professional wrestler, or has considerable influence with professional wrestlers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Whether Heinz is stealing for himself or doing this solely to help someone else.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Whether the pharmacist's rights to his invention have to be respected.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Whether the essence of living is more encompassing than the termination of dying, socially and individually.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. What values are going to be the basis for governing how people act towards each other.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Whether the pharmacist is going to be allowed to hide behind a worthless law which only protects the rich anyway.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Whether the law in this case is getting in the way of the most basic claim of any member of society.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Whether the pharmacist deserves to be robbed for being so greedy and cruel.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Would stealing in such a case bring about more total good for the whole society or not?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. From the list of 12 items above, select the four items you consider to be of most importance in making the decision (identify the items by their number from 1 to 12).

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Second most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Third most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fourth most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

⁵ The scenario was altered slightly from the original version in order to update the language slightly for the Irish context. For example, the dollar figure was replaced with Euro and the word 'druggist' was replaced by 'pharmacist'.

Appendix B. The TPDIT instrument (the key to the stages for the items for consideration is set out in Appendix C). For a full explanation of how the instrument was developed see Doyle et al. (2012)

Scenario Four: Capital Allowances

Anne is a tax practitioner with an accounting firm. She is working on a capital allowances claim to benefit one of her firm's corporate clients that is in financial distress. Despite profitable trading, the client has suffered severe cashflow problems as a result of adverse economic conditions. The capital allowances claim relates to a new factory building and will significantly reduce taxable corporate profits (and thus the tax the client has to pay). To be eligible for capital allowances the factory has to be in use at the end of the client's financial year. Without the reduction in tax from the capital allowances, it is unlikely that the company will survive, which will result in 5,000 employees losing their jobs.

It is now a month since the client's financial year end and Anne has asked the financial controller for documentary evidence that the factory was in use at the end of the financial year. The financial controller sends her a copy of the minutes of the latest directors' board meeting. The last item on the board minutes notes that the factory premises became fully operational on the last day of the financial year. However, Anne is convinced that this was not the case as she drives past the factory every evening and it is clearly unoccupied. However, she also knows that the company will not survive if the capital allowances cannot be claimed.

1. Should Anne file a tax return claiming capital allowances for the financial year?

She should
 Can't decide
 She should not

2. Rate the following 12 items in terms of importance

	Great importance	Much importance	Some importance	Little importance	No importance
1. Would it be fair to all the taxpayers who have met the legal requirements to claim capital allowances if one client is permitted to claim allowances without meeting the criteria?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. What impact will the company's demise have on the accounting firm Anne works for?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Under self-assessment, once Anne has the proper documentation on file her position is covered regardless of whether the building is actually 'in use'.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Whether Anne's notification juxtaposes immediate Revenue authority cognisant of the client's actions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Whether Anne and the financial controller are close friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Isn't a tax practitioner required to file an accurate tax return?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Aren't capital allowances the essence of alternative displacement?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Which values best determine how tax practitioners should interact with their clients and engage with the tax legislation?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Whether a tax system that includes random and meaningless definitions ought to be completely abandoned.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Whether the saving of 5,000 jobs will bring about the best result for society as a whole.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Whether the firm's reputation will be damaged if the claim is subsequently challenged.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Whether it is socially acceptable for management inadequacies to deprive employees of their opportunity to earn a living.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. From the list of 12 items above, select the four items you consider to be of most importance in making the decision (identify the items by their number from 1 to 12).

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Second most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Third most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fourth most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Scenario Five: Bar Talk

Tom is a tax practitioner working in an accounting firm. Sam is the Managing Director of the firm's biggest corporate client. Tom and Sam have had a close working relationship for many years. As well as advising on the tax affairs of Sam's company, Tom looks after Sam's personal tax return. Sam is the patron of a charity that has successfully raised enormous sums of money to help terminally ill children. For years the charity has lobbied the Government for funding but the promised funding has yet to materialise.

While chatting in a bar with three friends one weekend, Tom discovers that one of his friends is also a good friend of Sam. Tom's friend expresses envy at Sam's ability to pay in cash for numerous high specification properties abroad and the enormous rental income Sam earns on the properties. Tom had no idea that Sam owned any foreign property. Tom follows up with Sam who confirms that he does own foreign property, but is determined not to disclose the details of these properties to the Revenue authorities. He argues that earnings from his foreign properties fund his charity work. Sam also assures Tom that the property ownership structure is such that it would be impossible for the Revenue authorities to trace the properties to him in any case. Any tax payment on the rental income would reduce the funds available to the charity.

1. Should Tom report this information to the Revenue authorities?

- He should
 Can't decide
 He should not

2. Rate the following 12 items in terms of importance

	Great importance	Much importance	Some importance	Little importance	No importance
1. The potential consequences for the accounting firm if it loses both Sam and Sam's company as clients.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Every time someone evades taxes, doesn't that just encourage more evasion?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Wouldn't people be better off without the Revenue authorities prying into their personal financial affairs?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Whether the tax legislation on reporting obligations (e.g., whistle-blowing) is going to be upheld.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Whether the Government disseminates tax revenues in a manner which addresses inequality in society.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Whether the quintessence of compliance displaces the development of social programs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. How could anyone be so harsh and unfeeling as to report a good and charitable man to the Revenue authorities?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Whether it is fair to other wealthy taxpayers, who pay all tax that is due, for Sam to evade tax in this manner?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. What action would Tom's friends in the bar expect him to take?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Isn't it Tom's legal duty to report any incidence of tax evasion?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Whether Sam's use of the money will benefit more people than paying the tax to the Revenue authorities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Whether it is in the best interests of society as a whole for Sam's tax evasion to go unreported.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. From the list of 12 items above, select the four items you consider to be of most importance in making the decision (identify the items by their number from 1 to 12).

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Second most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Third most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fourth most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Scenario Six: Interpretation

John is a tax practitioner working in a regional office of a national accounting firm. A team of tax practitioners working in another of the firm's regional offices has been focusing on the interpretation of a particular section of the tax legislation. The interpretation the team is examining is very clearly outside the spirit of the law; however, there is a reasonable legal basis for the interpretation. The interpretation will result in enormous tax refunds for clients within a particular industry. The tax team plans to approach not only their own existing clients with the tax planning product, but to mass market it to all companies within the relevant industry in order to maximise fees for the firm. All the members of the team involved in this work are likely to earn significant bonuses in the year in which the refunds are paid to clients and the clients in turn pay the firm. The Revenue authorities are likely to make a strong challenge against this particular interpretation of the legislation because of the enormous amount of tax that will be taken out of the Exchequer as a result of it and the degree to which the interpretation offends the spirit of the legislation. However, counsel's opinion strongly supports the firm's interpretation. The magnitude of the potential tax refunds will jeopardise the Government's ability to meet their objectives in health and education in the short and medium term. The tax team has just approached John and asked him whether he will join the team and be responsible for marketing this tax planning product to both clients and potential clients in his regional area.

1. Should John agree to become part of the tax team and to mass market the tax product concerned?

- He should
 Can't decide
 He should not

2. Rate the following 12 items in terms of importance

	Great importance	Much importance	Some importance	Little importance	No importance
1. What are the legal guidelines on the mass marketing of tax planning products?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Whether it is John's legal duty as an employee to carry out the instructions of his superiors.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. The magnitude of the bonus that John might earn if he agrees to market the tax planning product.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Whether John's employment contract requires him to market tax planning products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Whether client precedence renders the decision meaningless in the context of confidentiality.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Whether it is important to observe the spirit of the law as well as its wording.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Isn't it only natural for an employee to want to help his firm to be successful?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Whether the mass marketing of this planning product will give the firm a bad name.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Does the majority of society believe that the marketing of tax planning products is an acceptable activity?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. The impact that taking such a large amount of money out of the Exchequer will have on Government spending.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. Whether the exploitation of tax loopholes by some taxpayers undermines the compliant behaviour of those who do not use them.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. Do other firms also mass-market tax planning products that exploit the tax legislation to this extent?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. From the list of 12 items above, select the four items you consider to be of most importance in making the decision (identify the items by their number from 1 to 12).

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Second most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Third most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fourth most important item	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Appendix C: The stages and relevant schema for each of the items for consideration following each scenario*Scenario: Capital allowances*

Items for Consideration	Stage	Schema
1. Would it be fair to all the taxpayers who have met the legal requirements to claim capital allowances if one client is permitted to claim allowances without meeting the criteria?	Stage 4	Maintaining Norms (Law and Order)
2. What impact will the company's demise have on the accounting firm Anne works for?	Stage 3	Personal Interest
3. Under self-assessment, once Anne has the proper documentation on file her position is covered regardless of whether the building is actually 'in use'.	Stage 2	Personal Interest
4. Whether Anne's notification juxtaposes immediate Revenue authority cognisant of the client's actions.	Meaningless	Meaningless
5. Whether Anne and the financial controller are close friends?	Stage 3	Personal Interest
6. Isn't a tax practitioner required to file an accurate tax return?	Stage 4	Maintaining Norms (law and order)
7. Aren't capital allowances the essence of alternative displacement?	Meaningless	Meaningless
8. Which values best determine how tax practitioners should interact with their clients and engage with the tax legislation?	Stage 6	Postconventional
9. Whether a tax system that includes random and meaningless definitions ought to be completely abandoned.	Anti-establishment	Anti-establishment
10. Whether the saving of 5,000 jobs will bring about the best result overall for society as a whole.	Stage 5	Post-Conventional
11. Whether the firm's reputation will be damaged if the claim is subsequently challenged.	Stage 3	Personal Interest
12. Whether it is socially acceptable for management inadequacies to deprive employees of their opportunity to earn a living.	Stage 5	Post-Conventional

Scenario: Bar talk

Items for Consideration	Stage	Schema
1. The potential consequences for the accounting firm if it loses both Sam and Sam's company as clients.	Stage 3	Personal Interest
2. Every time someone evades taxes, doesn't that just encourage more evasion?	Stage 4	Maintaining Norms (Law and Order)
3. Wouldn't people be better off without the Revenue authorities prying into their personal financial affairs?	Anti-establishment	Anti-establishment
4. Whether the tax legislation on reporting obligations is going to be upheld.	Stage 4	Maintaining Norms (Law and Order)
5. Whether the Government disseminates tax revenues in manner which addresses inequality in society.	Stage 6	Post-Conventional
6. Whether the quintessence of compliance displaces the development of social programs.	Meaningless	Meaningless
7. How could anyone be so harsh and unfeeling as to report a good and charitable man to the Revenue authorities?	Stage 3	Personal Interest
8. Whether it is fair to other wealthy taxpayers, who pay all tax that is due, for Sam to evade tax in this manner?	Stage 4	Maintaining Norms (Law and Order)
9. What action would Tom's friends in the bar expect him to take?	Stage 3	Personal Interest
10. Isn't it Tom's legal duty to report any incidence of tax evasion?	Stage 4	Maintaining Norms (Law and Order)
11. Whether Sam's use of the money will benefit more people than paying the tax to the Revenue authorities.	Stage 5	Post-Conventional
12. Whether it is in the best interests of society as a whole for Sam's tax evasion to go unreported.	Stage 5	Post-Conventional

Scenario: Interpretation

Items for Consideration	Stage	Schema
1. What are the legal guidelines on the mass marketing of tax planning products?	Stage 4	Maintaining Norms (Law and Order)
2. Whether it is John's legal duty as an employee to carry out the instructions of his superiors.	Stage 4	Maintaining Norms (Law and Order)
3. The magnitude of the bonus that John might earn if he agrees to market the tax planning product.	Stage 2	Personal Interest
4. Whether John's employment contract requires him to market tax planning products.	Stage 4	Maintaining Norms (Law and Order)
5. Whether client precedence renders the decision meaningless in the context of confidentiality.	Meaningless	Meaningless
6. Whether it is important to observe the spirit of the law as well as its wording.	Stage 5	Post-Conventional
7. Isn't it only natural for an employee to want to help his firm to be successful?	Stage 3	Personal Interest
8. Whether the mass marketing of this planning product will give the firm a bad name.	Stage 3	Personal Interest
9. Does the majority of society believe that the marketing of tax planning products is an acceptable activity?	Stage 5	Post-Conventional
10. The impact that taking such a large amount of money out of the Exchequer will have on Government spending.	Stage 5	Post-Conventional
11. Whether the exploitation of tax loopholes by some taxpayers undermines the compliant behaviour of those who do not use them.	Stage 4	Maintaining Norms (Law and Order)
12. Do other firms also mass-market tax planning products that exploit the tax legislation to this extent?	Stage 3	Personal Interest

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