



**CORPORATE
CRIME
OBSERVATORY**

COMPLIANCE, AVOIDANCE, AND EVASION IN TAXATION: THE ROLE OF PROFESSIONALS

SESSION II - THE GRAY AREA

PART 2 - THE CONUNDRUMS OF TAX PROFESSIONALS: TECHNOLOGY, WHISTLEBLOWING, AND ETHICAL DECISION-MAKING



2023

COMPLIANCE, AVOIDANCE, AND EVASION IN TAXATION: THE ROLE OF PROFESSIONALS

SESSION 2 - THE GRAY AREA

PART 2 - THE CONUNDRUMS OF TAX PROFESSIONALS: TECHNOLOGY, WHISTLEBLOWING, AND ETHICAL DECISION-MAKING

DOI 10.5281/zenodo.8270410

OVERVIEW AND METHODOLOGY

Throughout the research conducted as part of the EU-funded VIRTEU project,¹ which aimed to investigate the complex interconnections between tax abuses and corrupt practices, the role of tax professionals as facilitators of tax-abusive behaviors emerged as a crucial area of interest requiring further exploration. In light of this, the organizers of this event² – Prof. Diane Ring (Boston College Law School), Dr. Costantino Grasso (Manchester Law School), and Dr. Donato Voza (Roehampton Law School) – have developed this research inquiry focused on this topic. Specifically, the objective of this research-focused event is to explore the "gray" area of tax advisers' professional activities, characterized by unethical behavior that exists at the intersection of legality and illegality.

This line of inquiry encompasses a cohesive and interconnected set of research questions, serving as the groundwork for subsequent investigations. These investigations will involve various components, including a systematic review of existing literature and the research outcomes generated during the VIRTEU project research activities. The aim of this study is to contribute to the cumulative understanding of the current state of knowledge concerning the above-mentioned research topic.

By fostering an open discussion of these questions, employing an interdisciplinary approach, and exploring select subtopics, this event will provide a platform for high-

¹ The main findings of the project VIRTEU, which include the technical reports and the video recordings of the research events, are available online at the following link: www.corporatecrime.co.uk/virteu.

² The event "*Compliance, Avoidance, and Evasion in Taxation: The Role of Professionals - The Gray Area*" will represent an international roundtable during which several high-level academics and experts will explore the key role played by tax professionals in the gray area. This research event follows the first roundtable entitled "*Compliance, Avoidance, and Evasion in Taxation: The Role of Professionals - The Bright Area*," which was held on Zoom on the 3rd of February 2023. The video recordings of all the sessions are published online and accessible at the following link: www.corporatecrime.co.uk/professionals-tax-compliance-and-abuse.

level academics and experts to delve deeper into the subject matter. The researchers will build upon previous findings and integrate new perspectives, enabling a comprehensive examination of the main issues at stake. The organizers will then analyze the results, draw conclusions, and communicate their findings, with the ultimate goal of making significant contributions to the knowledge base in this specific field of research.

1) TRANSPARENCY AND WHISTLEBLOWING

This section delves into the lack of transparency surrounding tax professionals' practices. It highlights the impact of notable leaks like the Panama Papers in uncovering instances of tax abuse. The analysis also considers the ethical dilemma faced by tax professionals in reporting illegal activities and the broader implications of exposing ethically questionable practices. Factors contributing to the determination of public interest in uncovering tax abuse are examined, along with the role of transparent beneficial owner registers in preventing malpractice.

1. Why is it crucial to have transparency of financial flows, and how can the lack of transparency be exploited by tax professionals in the gray area?
2. In what ways do leaks, such as the Panama Papers, contribute to defining the gray area of tax abuses, enhance awareness of these practices, and trigger changes and responses?
3. How can tax professionals be directly involved in disclosing occurrences of illegal or unethical conduct, such as tax advisors reporting clients' misconduct or professionals safeguarding tax whistleblowers?
4. What are the different potential legal and professional implications for a tax professional when blowing the whistle on tax abuses in the following scenarios: As an internal tax adviser for a firm that unveils tax abuses perpetrated by its own company? As a tax professional working in a law or accounting firm that uncovers tax abuses perpetrated by a colleague or the firm itself? As a tax professional who discovers tax abuses committed by their clients?
5. What are the social, political, and legal opportunities for blowing the whistle on unethical but non-criminalized tax-abusive conduct?
6. To what extent does the scale of tax abuse, its geographical relevance, as well as the parties enmeshed in this practice including the involved professionals,

affect the public interest check for assessing the viability of exposing these practices?

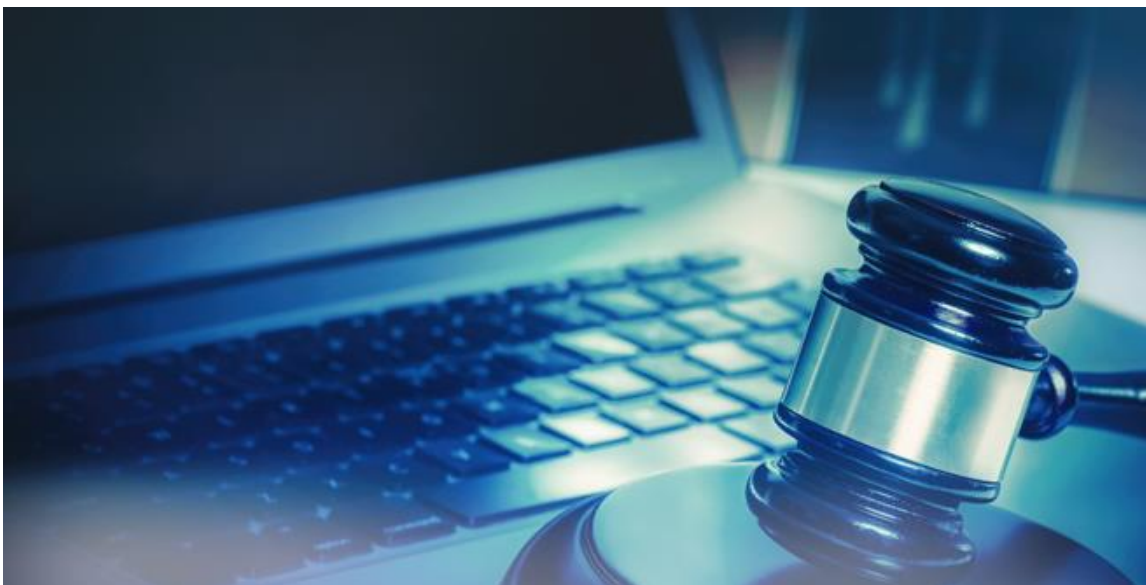
7. How can a situation of uncertainty about a client's conditions affect the gray area and potential tax evasion operations? What are the limits of the practices carried out to examine and understand one's clientele? What are the actual differences in this investigation when conducted within the context of a large firm versus a small private practice of professionals?
8. Why is the transparency of beneficial owner registers and their public accessibility crucial in the gray area of tax abuses? What responsibilities do tax professionals have in ensuring the accuracy and integrity of beneficial owner information provided to authorities and the public (when it spots irregularities should there be a duty to inform the register)?



2) TECHNOLOGY AND INNOVATIONS

This section explores the role of technology and digital innovation within the realm of gray area taxation. It investigates how advancements in technology shape the roles, responsibilities, and practices of tax professionals. It delves into the influence of artificial intelligence on gray area tax operations examining the potential for tax professionals to leverage innovations like AI and machine learning to navigate and exploit gray areas while considering ethical considerations and implications for accountability.

1. In what specific ways is the advancement of technology and digital innovation shaping the roles, responsibilities, and practices of tax professionals who operate within the gray area of taxation? How are these innovations influencing their approach to understanding and interpreting tax laws, handling ambiguous tax situations, providing advice to clients, and ensuring compliance? Furthermore, how are these technological advancements affecting their ability to identify and mitigate potential risks and liabilities associated with gray area tax practices?
2. How has artificial intelligence altered the landscape of gray area tax operations? For instance, what could be the impact of the use of instruments such as predictive analysis, and AI-led Risk Assessment?
3. How many tax professionals use innovations, including AI and machine learning, to navigate and exploit the gray areas of tax law?
4. May the integration of technology in tax professionals' operations reduce ambiguity and promote clarity in gray area tax scenarios and in which way?
5. How can AI and machine learning algorithms assist in identifying patterns and trends in gray area tax operations?
6. What ethical considerations do tax professionals need to consider when using AI and tech innovation in gray area taxation?
7. What are the implications, particularly in terms of accountability, arising from the utilization of AI software to provide tax advice?
8. What does the future of the tax profession look like in light of the advancements in AI and other technologies, particularly for those operating in the gray area?



3) MORAL DISTRESS OF TAX PROFESSIONALS

Moral distress refers to a psychological and emotional state that arises when individuals face situations where their personal values, ethical principles, or moral beliefs are challenged or compromised. It occurs when individuals are aware of the morally right course of action but face constraints that prevent them from acting accordingly because they find themselves in circumstances that require them to make decisions or take actions that conflict with their deeply held moral convictions. Moral distress can emerge in various contexts, including professional environments.

1. What are the most relevant concerns and ethical dilemmas that tax professionals face when they operate in the “gray area”?
2. Psychological factors of professionals, anthropological perspective, understanding tax practitioner and client relationship as well as competition factors from a psychological perspective.
3. What are the primary causes of moral distress experienced by tax professionals within law and accounting firms? What specific factors contribute to the ethical challenges faced in their professional activities?
4. In what ways does moral distress impact the ethical behavior of tax professionals? How does it influence their decision-making processes and adherence to ethical values?
5. Do tax professionals who experience moral distress become more susceptible to making decisions that deviate from ethical principles? How does moral distress affect their judgment and decision-making, potentially leading to unethical practices such as concealing errors and unethical practices or exhibiting tunnel vision?
6. Can moral distress diminish the ethical sensitivity of tax professionals? Do they tend to engage in defensive or self-protective behaviors that may compromise ethical practices? For instance, in extreme cases, where professionals become excessively focused on achieving professional goals, how does this impact their adherence to ethical rules and training?
7. How can tax advisers effectively manage the inherent tension between their professional responsibilities to clients and the broader societal impact of their

advice? What strategies or frameworks can help tax professionals navigate this complex dynamic and ensure ethical decision-making?

8. What are the recommended approaches for coping with moral distress and mitigating its effects on tax advisers? How can individuals in the profession develop resilience and maintain their ethical integrity amidst challenging circumstances? What organizational or systemic interventions can support tax professionals in dealing with moral distress effectively?



Photo by Ben White on Unsplash



**CORPORATE
CRIME
OBSERVATORY**

CORPORATE CRIME OBSERVATORY

The Corporate Crime Observatory is an international platform established by independent academics and experts from different countries and backgrounds devoted to promoting the analysis and discussion of corporate and economic crime issues as well as other forms of corporate irresponsible behavior around the world.

Website: www.corporatecrime.co.uk

Email: corporatecrimeobservatory@gmail.com

 www.linkedin.com/in/corporate-crime-observatory