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REFORM/MVC2021/002

**Evaluation of the pilot phase of Cooperative Compliance
Programme
Deliverable 4
SUMMATIVE EX-POST EVALUATION REPORT**

The project was funded by the European Union via the Technical Support Instrument, managed by the European Commission Directorate General for Structural Reform Support. The Beneficiary of the Project is the Polish Ministry of Finance

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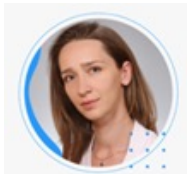
Warsaw, 16.02.2024

Authors of the study – the Kozmiński University project team

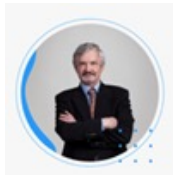
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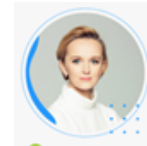


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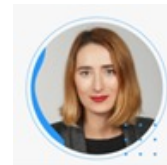


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SUMMARY



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Project background

“The Cooperative Compliance Programme is a form of cooperation between the National Revenue Administration and large entities, based on mutual trust and understanding as well as transparency beyond statutory obligations.

The Programme aims to undertake joint actions aimed at ensuring compliance with tax legislation with particular attention paid to the individual needs and expectations of key taxpayers to ensure better conditions for economic activity in Poland. The Programme takes into account the OECD guidelines (The Organization for Economic Co-operation and Development). Information about it was included in the Tax Ordinance Act in 2019.

Under the Programme, the National Revenue Administration will provide an individualised service tailored to the individual taxpayer and will adapt its level of supervision and monitoring of the taxpayer to the measures the taxpayer has implemented to supervise its internal processes, including supervision of tax matters.

Horizontal monitoring, unlike a tax inspection, is not a direct supervision of the correct enforcement of tax obligations, but a supervision of the taxpayer’s internal schemes implemented by the taxpayer to correctly comply with the taxpayer’s tax obligations. The taxpayer will, in principle, audit their own accounts and the tax administration will supervise the taxpayer’s internal audit schemes.”*

Project background

The operating process of the Cooperative Compliance Programme consists of:*

- 1 The taxpayer reports that they are willing to participate in the Programme.
- 2 Building a taxpayer profile. Analysing the available information on the applying entity.
- 3 Meeting of the parties. Determining if it is possible to cover the taxpayer in the Cooperative Compliance Programme.
- 4 Assessment of fulfilling tax obligations.
- 5 Analysis of the tax control framework.
- 6 The signing of the cooperation agreement.
- 7 Cooperation with the taxpayer under the Programme.

The pilot of the Programme, which assumes the start of cooperation under CC with up to 20 entities, was launched in 2020 and is expected to be completed in 2023.

Kozminski University signed a contract to carry out an evaluation study on 17 June 2021.

The companies applying for CC were at Stages 2 to 5 then.

Data sources

The current report is based on the available data sources:

- **Hard data** – anonymized tax and financial data on the population covered by the study
- **CAWI survey** – based on interviews with programme stakeholders (survey questionnaire agreed upon with NRA)
- **IDI interviews** – conducted in-depth interviews with selected programme stakeholders based on a scenario agreed upon with NRA
- **Workshops** – meetings with selected groups of Programme stakeholders

The data source for the results presented can be found in the upper right corner of the slide.

Hard data

CAWI
survey

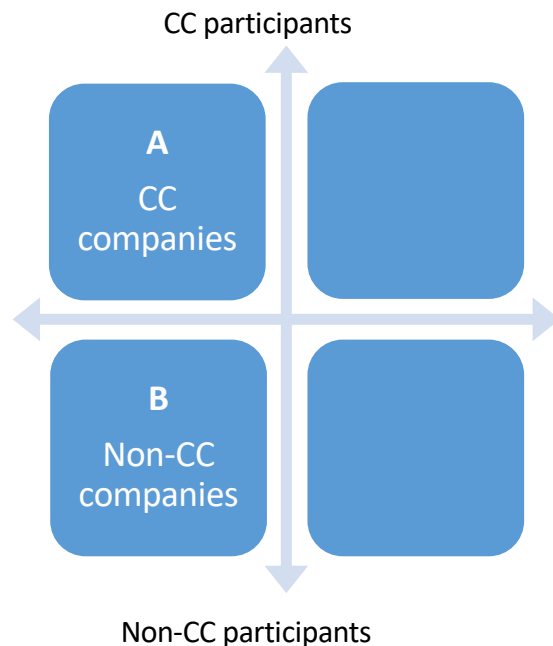
IDI
interviews

Workshops



Data source: hard data

Data on two stakeholder groups



Entities covered:

- 15 companies that declared participation in the pilot of the Cooperative Compliance Programme and agreed to share information about involvement in the pilot with KU researchers
- and other companies (approx. 2,300) - revenues over EUR 50 million (as of 2020)

Matters covered:

- time series: 2018-2022, company-level data (e.g. sector/industry, etc.), financial and tax data

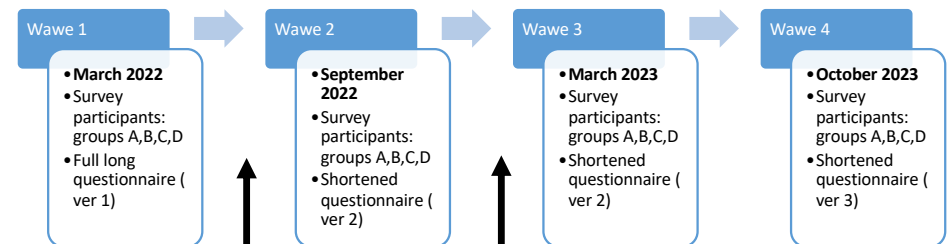
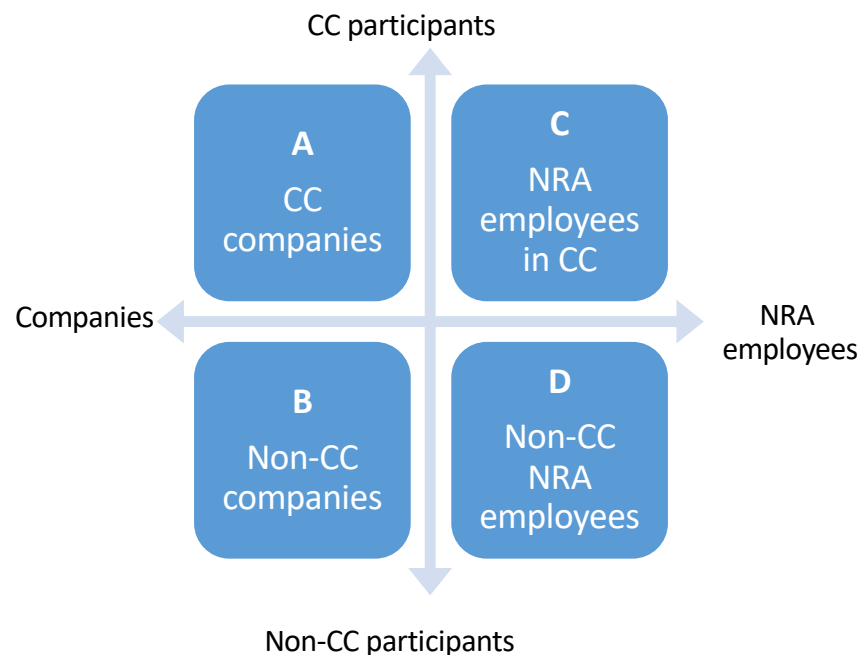
Data sources:

- anonymous data provided by NRA
data packs provided to Kozminski University in March 2022, September 2022, April 2023 and September 2023 / data on timely payment of taxes, disputes, corrections in tax returns
- EMIS (Emerging Market Information Service) database - access via KU:
data collected in March 2022 and April 2023
financial data from the balance sheet and profit and loss account for all companies with revenues over EUR 50 million (as of 2020)

Data source: CAWI survey

Completed with four groups of CC stakeholders

- A: Contact database (e-mail addresses of contact persons representing N=16 companies) provided by NRA
- B: A list of 2,288 companies meeting the turnover criteria was provided by the NRA (a database of 4,800 email addresses was obtained through scraping GUS, KRS, and EMIS databases and public websites)
- C: Contact database (N=180 email addresses) provided by NRA
- D: Contact database (N=320 email addresses) provided by NRA

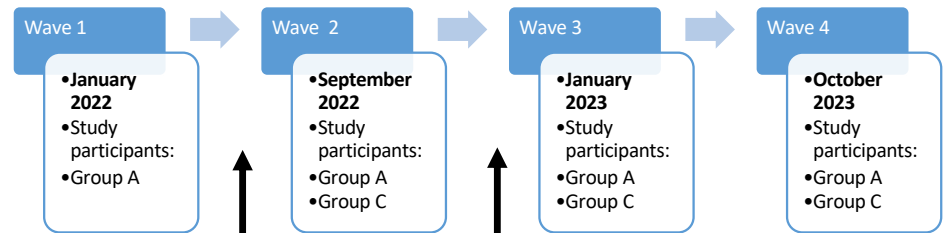
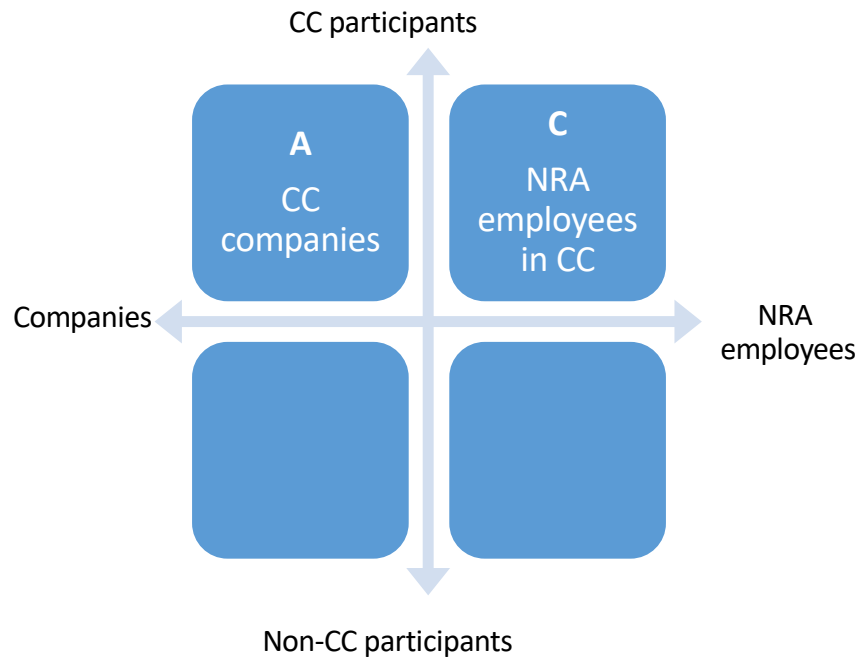


29 March 2022, The Head of the NRA signs 1st of the 11 cooperation agreements concluded so far

29 November 2022: Conference "Tax transparency. Cooperative Tax Compliance Programme – cooperation and better compliance with tax law regulations".

Data source: IDI interviews

Completed with two groups of CC stakeholders

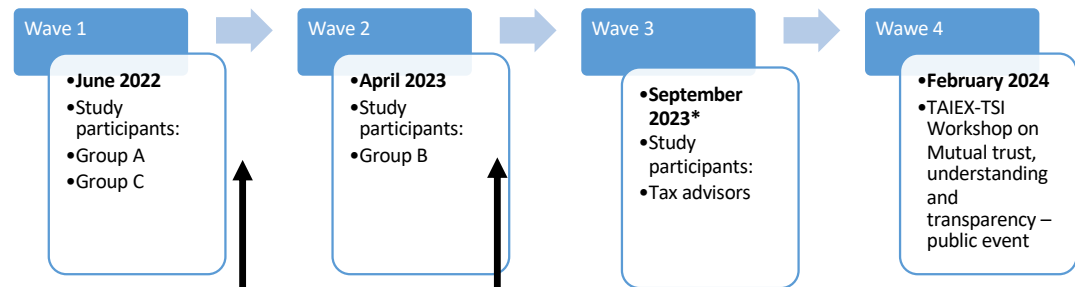
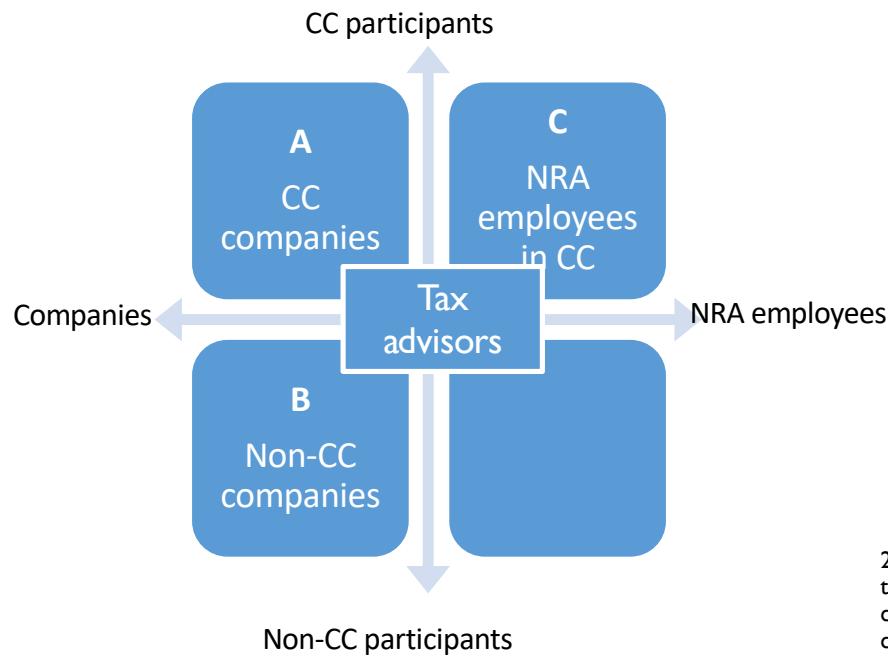


29 March 2022, The Head of the NRA signs 1st of the 11 cooperation agreements concluded so far

29 November 2022: Conference "Tax transparency. Cooperative Tax Compliance Programme – cooperation and better compliance with tax law regulations".

Data source: Workshops

Completed with CC stakeholder groups



29 March 2022, The Head of the NRA signs 1st of the 11 cooperation agreements concluded so far

29 November 2022: Conference "Tax transparency. Cooperative Tax Compliance Programme – cooperation and better compliance with tax law regulations".

The report is organized around the *Key Performance Indicators (KPIs)* defined in the offer

Area I: Fulfilling tax obligations (unpublished)

- KPI 1: Improving companies' internal tax processes
- KPI 2: Reducing the number of disputes between companies and the tax authority (NRA)
- KPI 3: Companies' financial indicators

Hard data

Area II: Relations between the National Revenue Administration and key entities participating in the pilot of the Cooperative Compliance Programme

- KPI 4: Mutual trust
- KPI 5: Mutual transparency
- KPI 6: Mutual understanding

IDI interviews

CAWI survey

Area III: Implementation of the Cooperative Compliance Programme pilot

- KPI 7: Programme feedback
- KPI 8: Pilot programme implementation process feedback

IDI interviews

Workshops



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Area II: Relationship between NRA and large companies participating in the Cooperative Compliance Programme

KPI 4: Mutual trust

KPI 5: Mutual transparency

KPI 6: Mutual understanding





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KPI 4: Mutual trust

KPI 5: Mutual transparency

KPI 6: Mutual understanding



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Cooperative Compliance Programme Values – building aggregate indicators

Scale: 1= I strongly disagree, 7 = I strongly agree



Mutual transparency (KPI 5)	Mutual understanding* (KPI 6)	Mutual trust (KPI 4)
<ul style="list-style-type: none"> NRA provides all relevant information on tax matters. The enterprise provides NRA with all relevant information on tax matters. NRA takes the initiative in providing helpful information to the taxpayer The enterprise takes the initiative in providing information to NRA. NRA provides transparent information on tax matters. enterprise offers NRA transparent information on tax matters. 	<ul style="list-style-type: none"> I understand the NRA-specific functions. I understand the impact of the enterprise's specific characteristics on fulfilling tax obligations. I understand the motives behind NRA's actions concerning tax obligations I understand the enterprise's motives concerning tax obligations NRA and my enterprise have common tax purposes* 	<ul style="list-style-type: none"> My enterprise can rely on NRA for support in meeting tax obligations NRA may rely on my enterprise fulfilling tax obligations My enterprise regards NRA as a business partner NRA regards my enterprise as a business partner My enterprise has confidence in the NRA's activities NRA has confidence in the activities of my enterprise

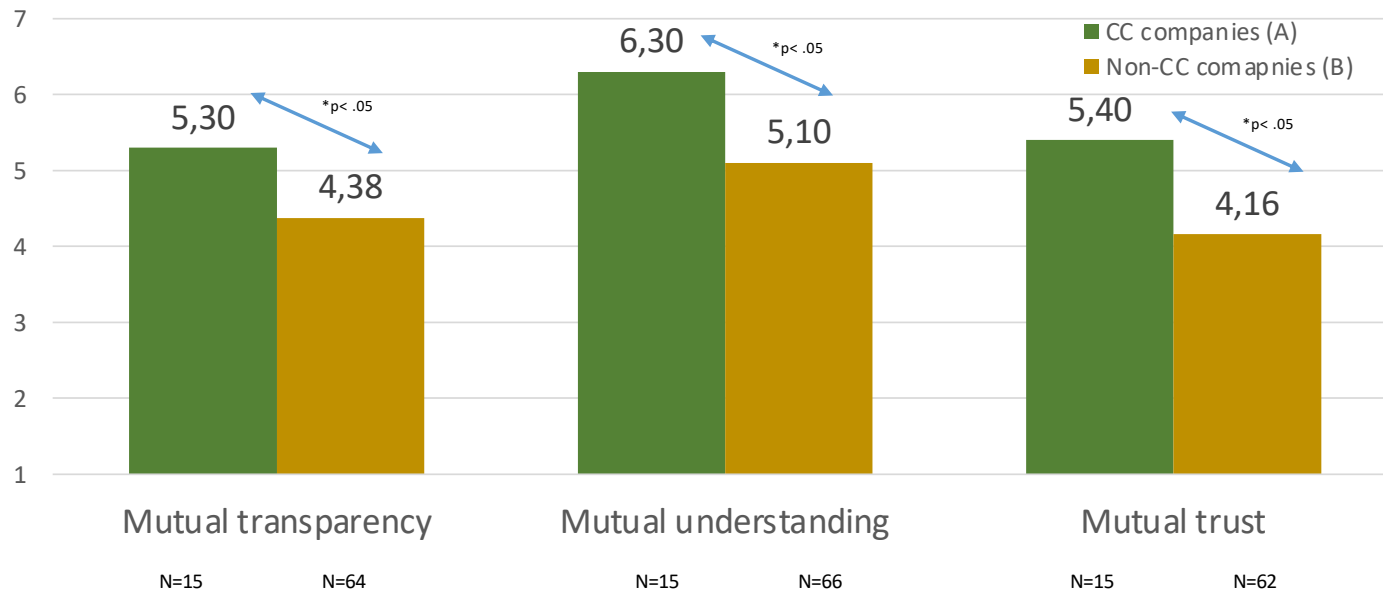
Aggregate Indicators of the Cooperative Compliance Programme Values
 (arithmetic mean of the statements making up the scale)
 have good internal coherence (Cronbach's $\alpha > .8$)

*the statement was removed from the final version of the “mutual understanding” scale to improve its psychometric measures (internal coherence)

October 2023: Cooperative Compliance Programme Values – comparison of CC companies (group A) with non-CC companies (group B)



scale: 1= I strongly disagree, 7 = I strongly agree
Based on: All persons who answered the given question



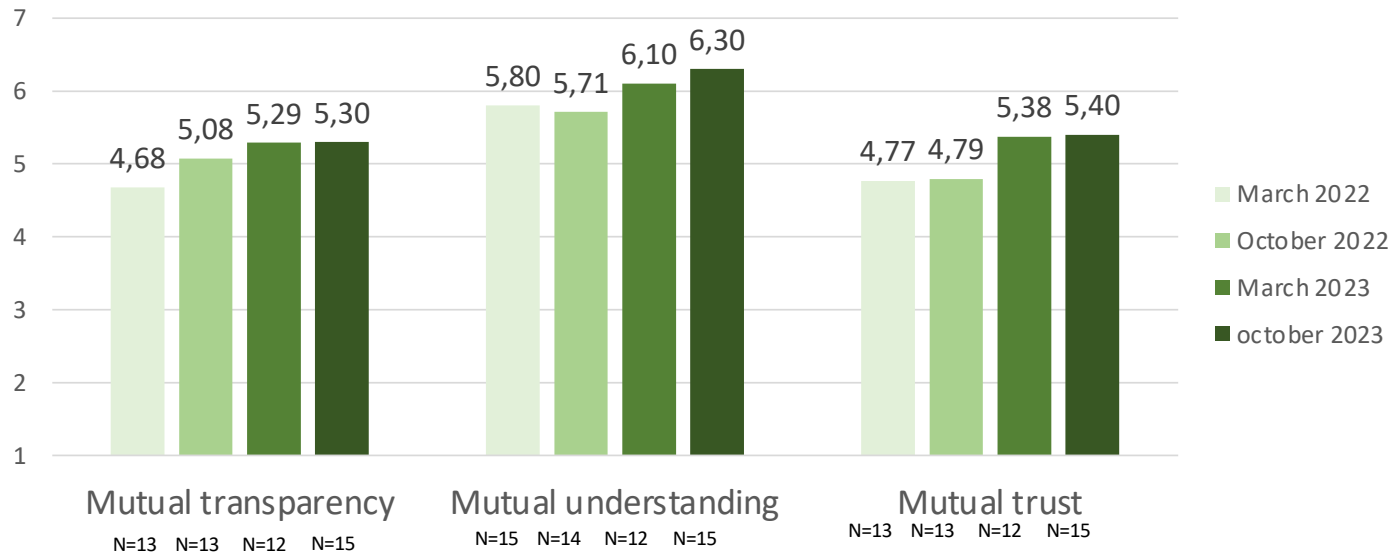
Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), indicate to what extent you agree with the following statements (list of statements creating a given cumulative indicator).
(Respondents were asked this question in Waves I, II, III, IV)

↔ The arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

Cooperative Compliance Programme Values – longitudinal data: CC companies(A)



scale: 1= I strongly disagree, 7 = I strongly agree
Based on: All persons who answered the given question



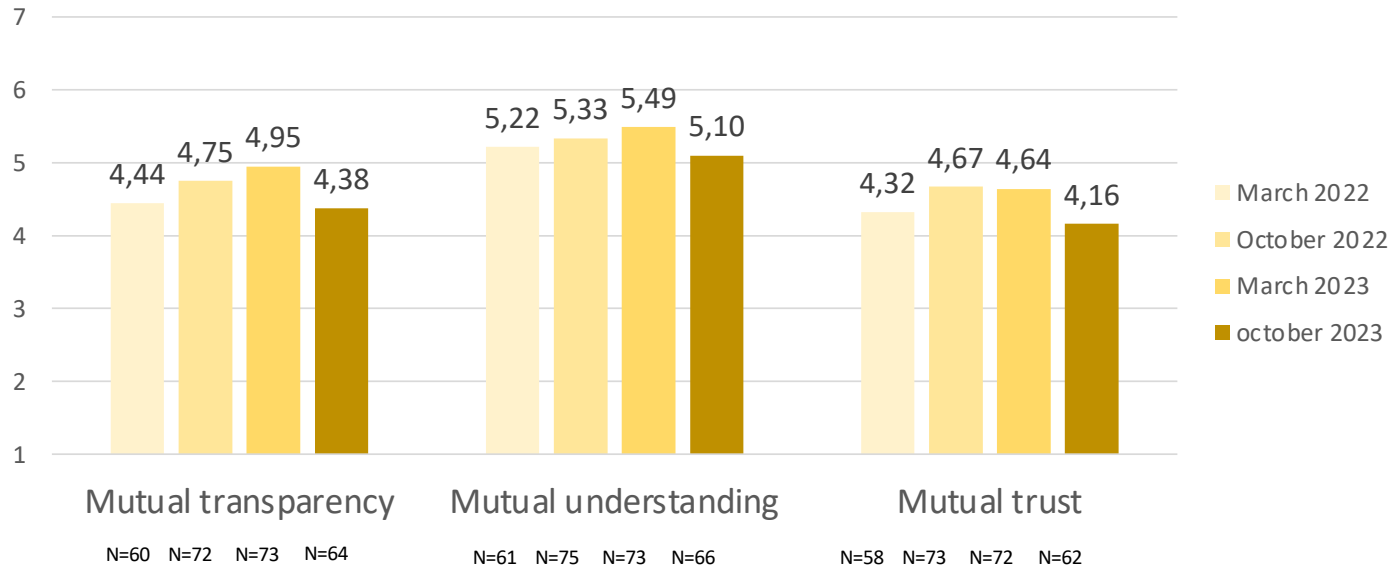
→ Difference test only Wave I vs. Wave IV; an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), indicate to what extent you agree with the following statements (list of statements creating a given cumulative indicator). (Respondents were asked this question in Waves I, II, III, IV)

Cooperative Compliance Programme Values – longitudinal data: non-CC companies(B)



scale: 1= I strongly disagree, 7 = I strongly agree
Based on: All persons who answered the given question



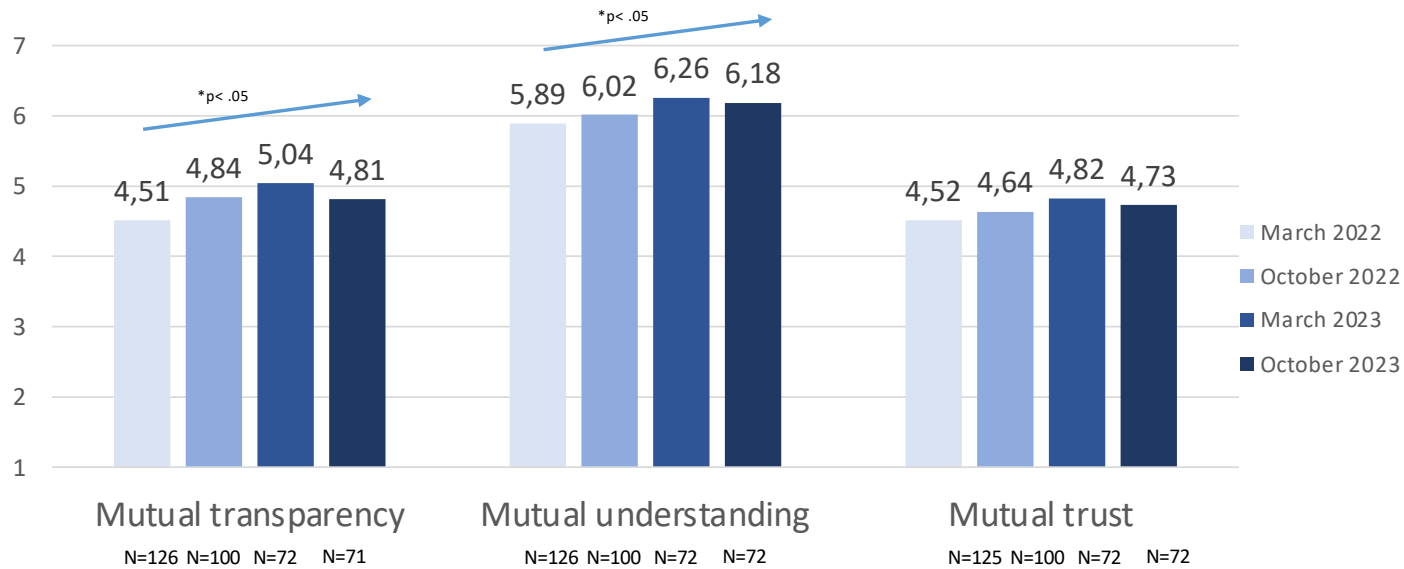
Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), indicate to what extent you agree with the following statements (list of statements creating a given cumulative indicator). (Respondents were asked this question in Waves I, II, III, IV)

→ Difference test only Wave I vs. Wave IV; an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

Cooperative Compliance Programme Values – longitudinal data: NRA in CC (C)



scale: 1= I strongly disagree, 7 = I strongly agree
Based on: All persons who answered the given question



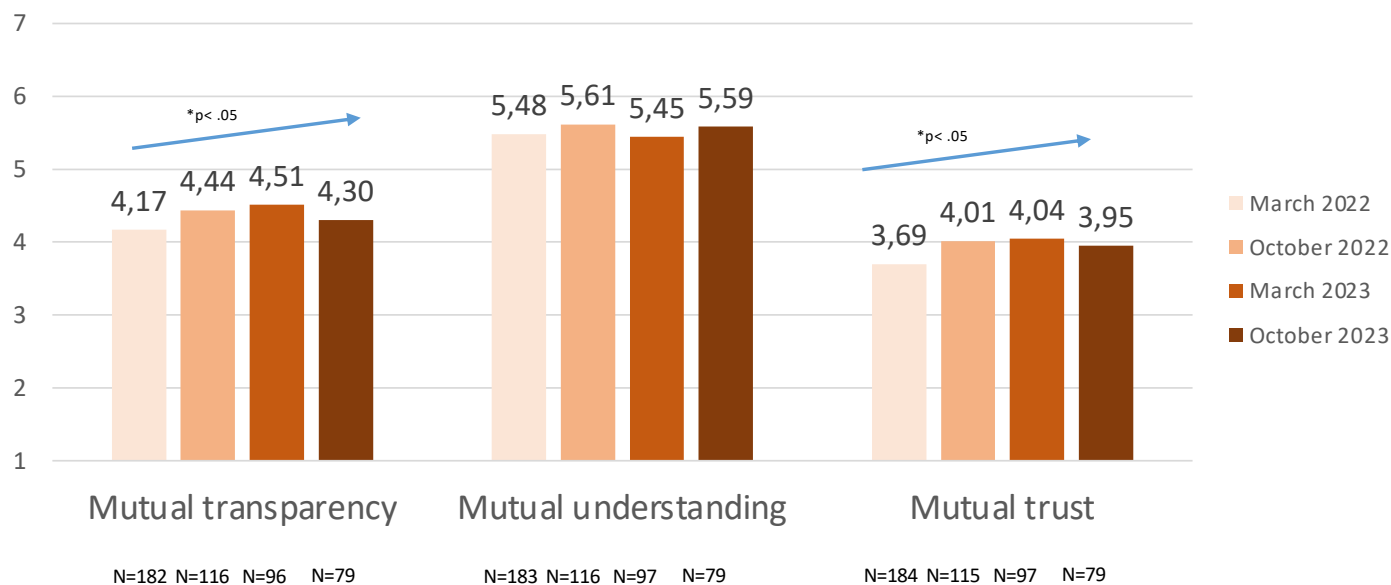
Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), indicate to what extent you agree with the following statements (list of statements creating a given cumulative indicator). (Respondents were asked this question in Waves I, II, III, IV)

→ Difference test only Wave I vs. Wave IV; an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

Cooperative Compliance Programme Values – longitudinal data: NRA not in CC (D)

scale: 1= I strongly disagree, 7 = I strongly agree

Based on: All persons who answered the given question



Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), indicate to what extent you agree with the following statements (list of statements creating a given cumulative indicator). (Respondents were asked this question in Waves I, II, III, IV)

→ Difference test only Wave I vs. Wave IV; an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

KPI 4 / KPI 5 / KPI 6: CCP values (questionnaire measurement) SUMMARY

- CC companies declare greater "**transparency**", "**understanding**" and "**trust**" in their relationship with NRA compared to non-CC companies.
- Similarly, CC NRA employees declare a higher commitment to CC values than non-CC NRA employees.
- Over time, an increase in declared commitment to "mutual understanding" and "transparency" has been observed in the group of CC NRA employees, which is probably partly due to extensive training of NRA employees (**no increase in "trust" was observed**).
- "Transparency" and "trust" increased in the group of non-CC NRA employees. There was no increase in "understanding", which may be partly due to word-of-mouth marketing among NRA employees.

KPI 4: Mutual trust– behavioural measurement

- Mutual trust was measured by an additional behaviour-based indicator employing the economic "trust game" (Berg et al., 1995).
- In this game, Player 1 decides how much of their capital they will entrust to Player 2 so that they can then decide how much of the multiplied capital they return to Player 1.
- The value of the capital entrusted to Player 2 is treated as an indicator of the trust that Player 1 has in Player 2.
- The following slides show the amounts that Player 1 entrusted to hypothetical Player 2.

Player 1	Hypothetical Player 2
Group A – CC companies	Group C – NRA employees in CC
Group B – non-CC companies	Group D – NRA employees not in CC
Group C – NRA employees in CC	Group A - CC companies
Grupa D – NRA employees not in CC	Group B - non-CC companies

KPI 4: mutual trust - behavioural measurement

Sample screenshot of a respondent from group B (1/2)

The last part of the study refers to behavioural economics methods and allows us to learn about the relationships between entities. That's why we want to put you in a hypothetical situation of investing resources.

Make your decision as a representative of your company. Although decisions will not result in actual cash payouts, make your decisions as if they would result in actual cash payouts.

We assign your institution one of two roles:

-INVESTOR

-TRUSTEE

Each role has an initial amount of PLN 10,000.

The INVESTOR keeps the entire amount for themselves or transfers any part of it to the TRUSTEE. The amount transferred to the TRUSTEE will be automatically tripled, so each zloty transferred will turn into three zlotys on the TRUSTEE's account.

After the INVESTOR has transferred the money, the TRUSTEE may send any part of the funds back to the INVESTOR. The transferred amount will no longer be increased.

The investor and the trustee have the same information about the task.

KPI 4: mutual trust - behavioural measurement

Sample screenshot of a respondent from group B (1/2)

A reminder: in this task, you make decisions as a representative of your company.

- Your company was assigned the role of INVESTOR
- NRA was assigned the role of TRUSTEE

As an INVESTOR, you have PLN 10,000 at your disposal. Each zloty will be automatically tripled, turning into three zlotys on the TRUSTEE's (NRA) account.

- enter numbers only in this box
- each answer must be in a range between 0 and 10,000

Indicate the amount you transfer on behalf of your company:

Ozł



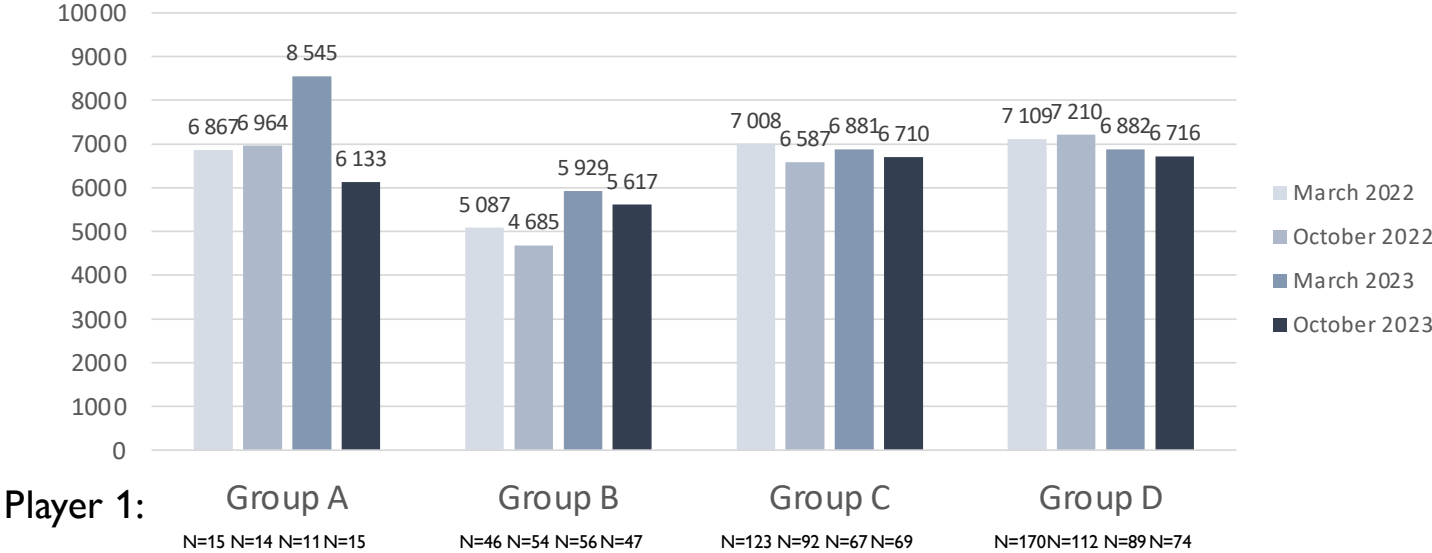
0

10000



Mutual trust shown in the "Trust Game" – longitudinal data

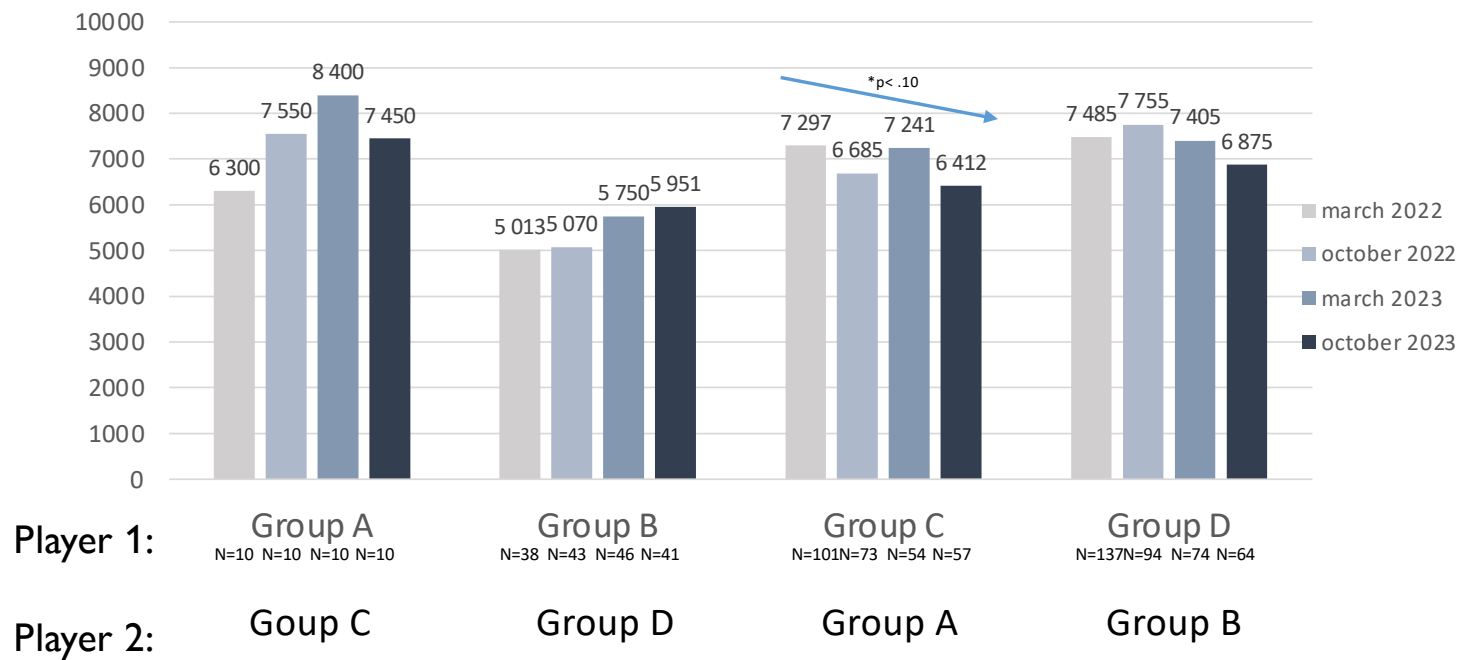
average amount (in PLN) entrusted by Player 1 (possible range: PLN 0 to PLN 10,000)
 Based on: **All persons** who answered the given question



Mutual trust shown in the "Trust Game" – longitudinal data

average amount (in PLN) entrusted by Player 1 (possible range: PLN 0 to PLN 10,000)

Based on: **ONLY PERSONS WITH A VERIFIED UNDERSTANDING OF THE RULES**

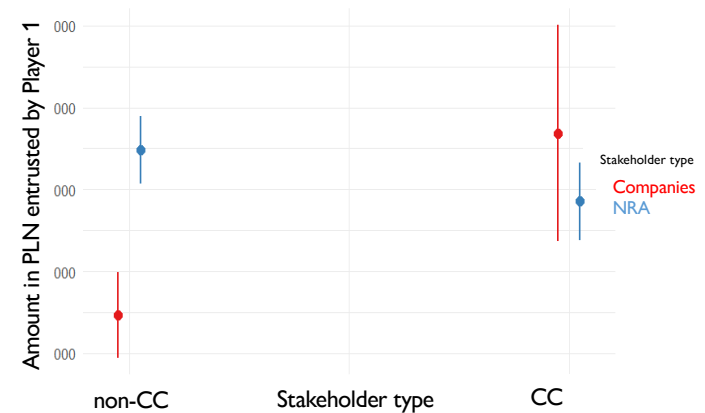


→ Difference test only Wave I vs. Wave IV; an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

KPI 4: Mutual trust (behavioural measurement) SUMMARY



- The qualitative analysis observes an increase in trust shown in NRA in the group of CC companies but the interpretation should take into account the small number of respondents surveyed in this group after limiting the sample to people who demonstrated an understanding of the rules of the game.
- It seems symptomatic that:
 - Employees of CC companies are willing to entrust **more** money to the NRA employee serving them (7'450 PLN) than the NRA employee servicing such CC companies is willing to entrust a representative of the CC company (6'412 PLN). Thus, **CC companies show greater trust in NRA than NRA in CC companies.**
 - Employees of non-CCP companies are willing to entrust **less** money to the NRA employee servicing such non-CCP companies (5'951 PLN) than the NRA employee servicing such non-CCP companies is willing to entrust a representative of the non-CCP company (6'875 PLN). Thus, **non-CC companies show less trust in the NRA than NRA in non-CC companies.**
- **Mutual trust remains asymmetrical, which particularly affects the CC companies that have given NRA more credit of trust than NRA has given to these companies.**



KPI 4 / KPI 5 / KPI 6: CCP Values SUMMARY

CAWI
survey

- It has been observed that CC companies generally exhibit a higher level of declared mutual transparency, mutual understanding, and mutual trust compared to non-CC companies.
- Interestingly, this trend is also evident when trust is measured behaviourally. CC companies have the highest level of trust, while non-CC companies have the lowest. However, it should be noted that the research sample size was considerably reduced due to a lack of understanding of the rules of the game.
- Over time, there is an increase in the declared mutual "transparency" in both studied groups of NRA (additionally: "understanding" in the case of CC NRA, and "trust" in the case of non-CC NRA), which can be interpreted as a broad impact of CC on the entire spectrum of NRA employees.
- **While the declarative levels of "trust" remain constant in the group of CC NRA employees, over time, a discrepancy with the behavioural measurement of trust becomes visible, which indicates a decrease.**



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II. Relationships – pursuing the Cooperative Compliance Programme values (CC companies' perspective) – key observations

Workshops

-  **Understanding CC values**

Entities applying for CC declare understanding and acceptance of the CC values. They indicate that the implementation of these values is a prerequisite for the CC's success.
-  **NRA's inconsistency of declarations and behaviour**

Some taxpayers indicate that the auditors' behaviour during the initial audit did not create a climate of trust and understanding (contact with the auditor was described as an interrogation rather than a conversation; the purpose of the audit, in the taxpayers' opinion, was to find irregularities - an inspection instead of an audit). As a consequence, taxpayers had concerns about complete transparency.
-  **Positive changes during the pilot**

Moving away from the "taxpayer-NRA" relationship based on the idea of fiscal control and transforming it into a partnership based on good relationships, cooperation and the idea of audit.

During the pilot, three key values of the program were increasingly stressed: trust, transparency and understanding.



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II. Relationships – pursuing the Cooperative Compliance Programme values (perspective of NRA employees in CC) – key observations

Workshops

-  **Understanding CC values**

Similarly to taxpayers, NRA employees involved in CC mostly declare their understanding and acceptance of the CC values. They highlight the difference between such an approach in the NRA's previous practices and their opinion developed through their professional practice.
-  **Difficulties in implementing new cooperation standards with taxpayers**

Certain auditors were required to establish new standards for handling taxpayers on their own, despite not all auditors receiving training, with some receiving it after the initial audit had already commenced. Juggling the responsibilities of being an auditor in both the CC and NRA field unit only adds to the complexity of this process.
-  **Importance of direct contacts**

CC NRA employees emphasize the importance of direct contact in building mutual trust, understanding and transparency. Relations between NRA employees and representatives of entities are key to developing new principles of cooperation.






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II. Relationships – pursuing the Cooperative Compliance Programme values (non-CC companies' perspective) – key observations

-  **Understanding CC values** Understanding of the CC values is also declared by non-CC taxpayers. They point out that the CC values describe the desired relationship between taxpayers and the tax administration.
-  **Inconsistency of CC values with experience** The current tax system as well as the current cooperation with NRA are not assessed positively. Taxpayers point out that frequent changes in tax regulations as well as the pro-fiscal attitude of the auditors are contrary to the values declared in CC. The taxpayers stress the lack of trust in the taxpayer's actions by NRA.
-  **Scepticism** Non-CC taxpayers are sceptical about the Programme. One of the factors behind the decision not to join CC is the experience gained so far in cooperation with the Tax Office. The costs of joining CC are estimated higher than the expected benefits.



II. Relationships - implementation of the values of the Cooperative Compliance Programme (tax advisors' perspective) - key observations

Workshops

-  **Understanding CC values** Tax advisors also declare their understanding of the CC values. The CC values describe the desired direction of changes in the relations between taxpayers and the tax administration.
-  **Inconsistency of CC values with experience** The current level of cooperation with NRA is not viewed positively. There are concerns about the pro-fiscal attitude of NRA controllers during customs and fiscal inspections. Additionally, there is a lack of trust in the activities of the NRA, and a high variability of solutions addressed to large entities has been emphasized.
-  **Scepticism** Tax advisors note taxpayers' scepticism regarding beliefs about CC sustainability and the possibility of changing the attitude of NRA employees towards taxpayers.



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Area II: relationships between stakeholders

SUMMARY

CAWI
survey

Workshops

IDI
interviews

There is a visible discrepancy between the CC values and the current practice in shaping the relationship between taxpayers and NRA. The companies' experience in cooperation with NRA (before the CC launch) results in scepticism in assessing the CC assumptions.

A consistent result confirmed independently in several research methods is **the asymmetry of mutual trust between CC companies and NRA employees cooperating with them.**



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Area III: Implementation of the pilot Cooperative Compliance Programme

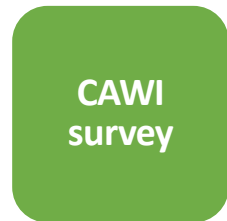
KPI 7: Programme Feedback

KPI 8: Feedback on the programme pilot implementation process





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KPI 7: Programme Feedback

- Attitudes toward the Programme and its implementation
- Strengths and weaknesses, opportunities and threats (SWOT analysis)



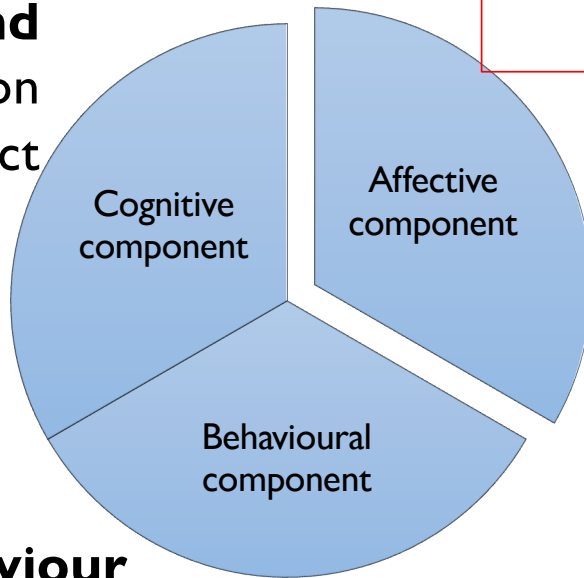
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Three components of attitude

(Rosenberg & Hovland, 1960)*

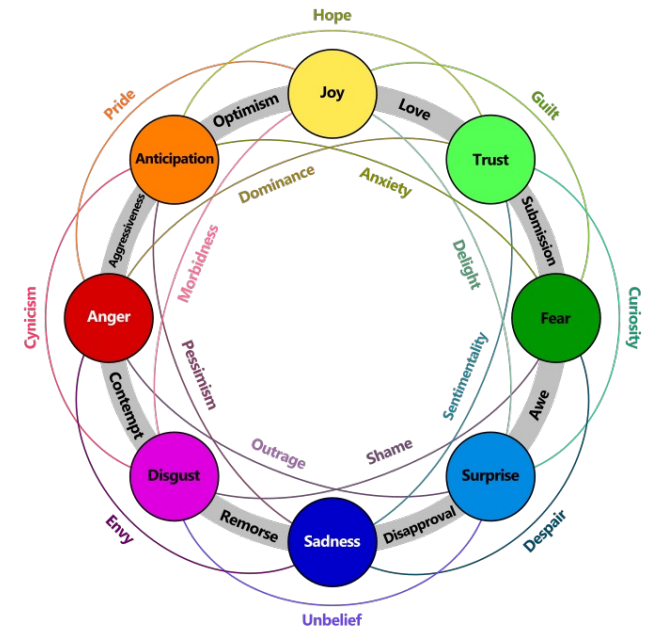
views and knowledge on attitude object



behaviour towards attitude object

emotions towards attitude object

Measurement inspired by: Plutchik's Wheel of Emotions



* Rosenberg, M. J., Hovland, C. I. (1960). Cognitive, affective and behavioral components of attitudes. In Attitude organization and change: An analysis of consistency among attitude components (s. 1-14). New Haven and London: Yale University Press.

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Free association with CCP *

Base: CCP companies (group A, as measured in March 2022)
(Font size increases with the frequency of a given association)



* After encoding multi-word expressions into a single word (the number of occurrences is indicated in parentheses).

Question A1: Please provide 3 associations that come to your mind in connection with the CCP
(Respondents were asked this question only in Wave I)

Free association with CCP *

Base: NRA in CCP (group C, as measured in March 2022)
(Font size increases with the frequency of a given association)



* After encoding multi-word expressions into a single word (the number of occurrences is indicated in parentheses).

Question A1: Please provide 3 associations that come to your mind in connection with the CCP
(Respondents were asked this question only in Wave I)



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Free association with CCP *

Base: NRA not in CCP (group D, as measured in March 2022)
(Font size increases with the frequency of a given association)



* After encoding multi-word expressions into a single word (the number of occurrences is indicated in parentheses).

Question A1: Please provide 3 associations that come to your mind in connection with the CCP
(Respondents were asked this question only in Wave I)



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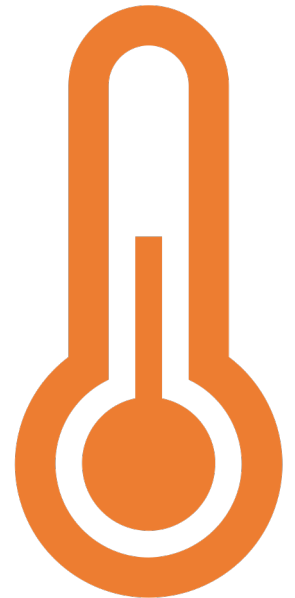
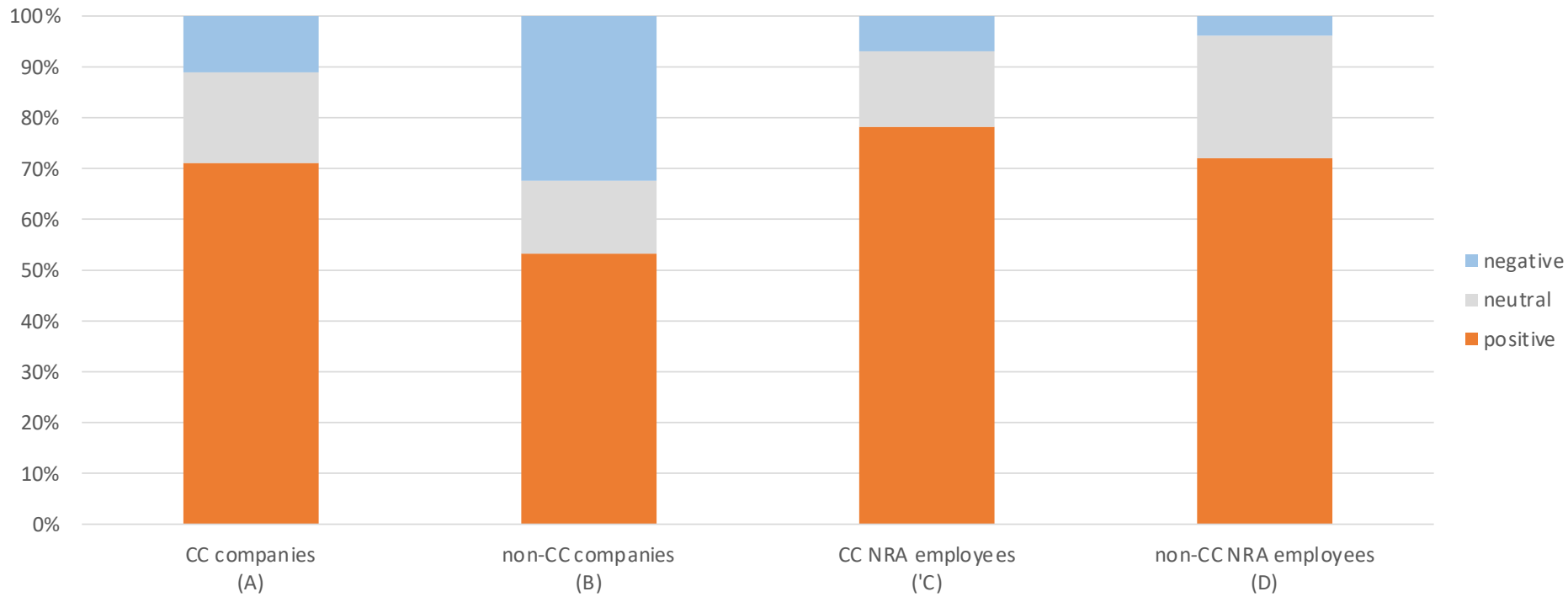


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Assessment of the positive/negative associations with CC

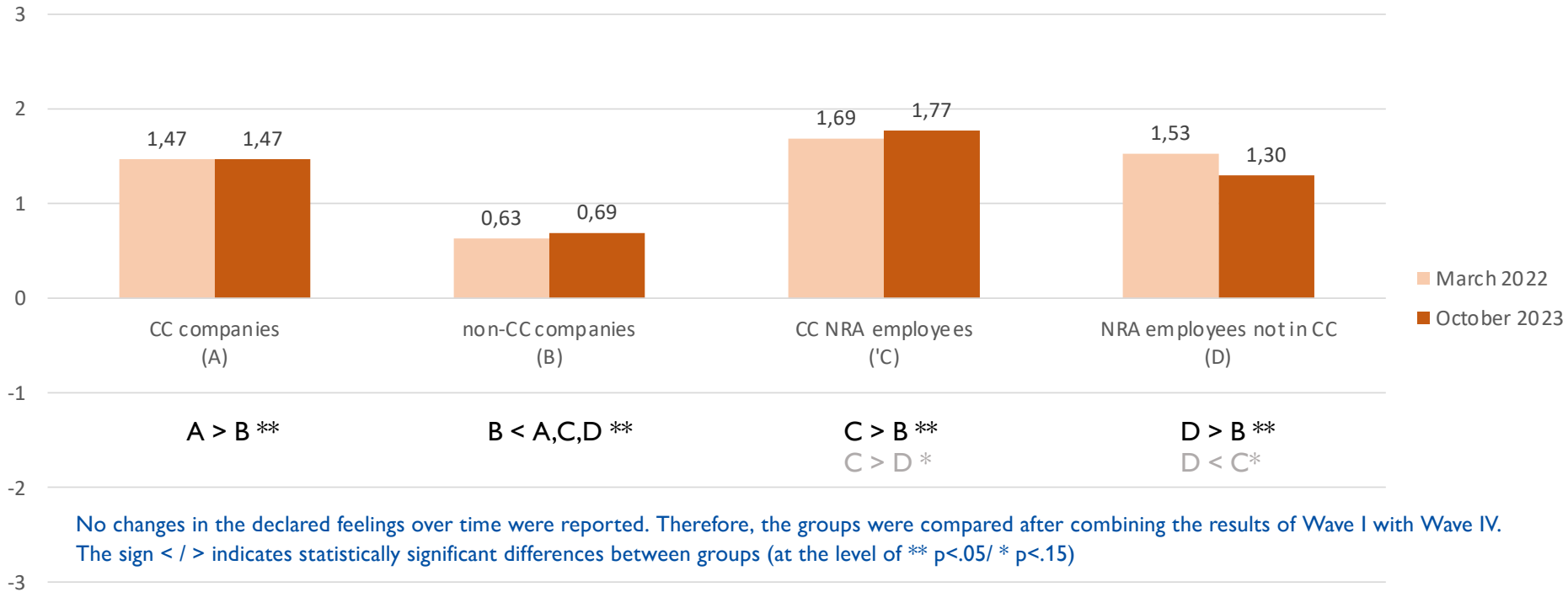
Based on: Everyone who mentioned any association with CC (measurement in March 2022)
Data in %



Question A2: Please rate how you perceive these associations on a 3-point scale: negative – neutral – positive.
(Respondents were asked this question only in Wave I)

Declared feelings towards CC

Based on: Everyone who has ever heard about CC (measurement in March 2022)
Scale: from -3 (negative feelings) to +3 (positive feelings); Data in mean value



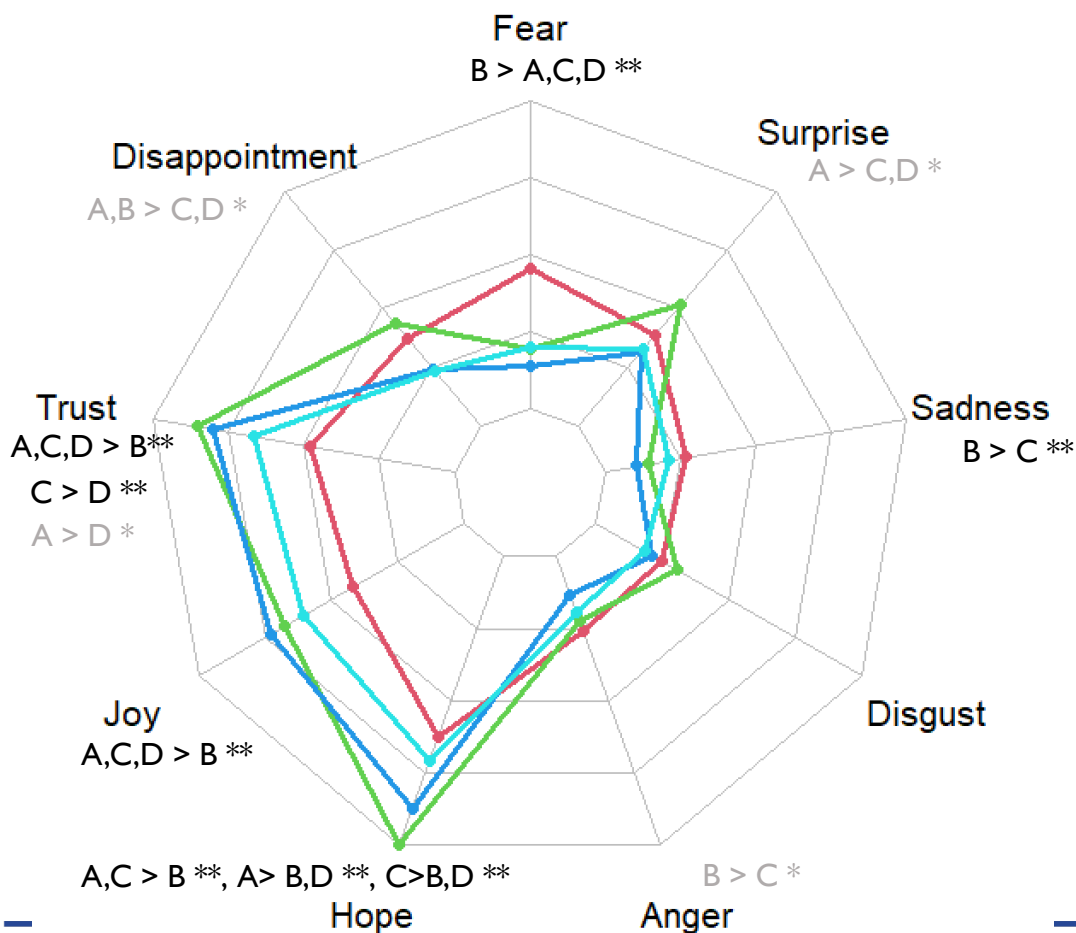
No changes in the declared feelings over time were reported. Therefore, the groups were compared after combining the results of Wave I with Wave IV. The sign < / > indicates statistically significant differences between groups (at the level of ** p<.05/ * p<.15)

Question A3: Please describe your feelings towards the Cooperative Compliance Programme by checking a point on the scale below where -3 is negative feelings and +3 is positive feelings. (Respondents were asked this question in Wave I and Wave IV)

October 2023: When thinking about the CCP I feel..



Base: Everyone who has ever heard about CCP
scale of 1-7, where 1 - definitely not, 7 - definitely yes, data presented in mean value



Q. Thoughts about CCP can evoke various feelings. Please indicate how you feel about CCP. When thinking about the CCP I feel.. While answering, please use a scale of 1-7, where 1 - definitely not, 7 - definitely yes. (waves I and IV only)

- CCP companies (group A)
- non-CCP companies (group B)
- NRA in CCP (group C)
- NRA not in CCP (group D)

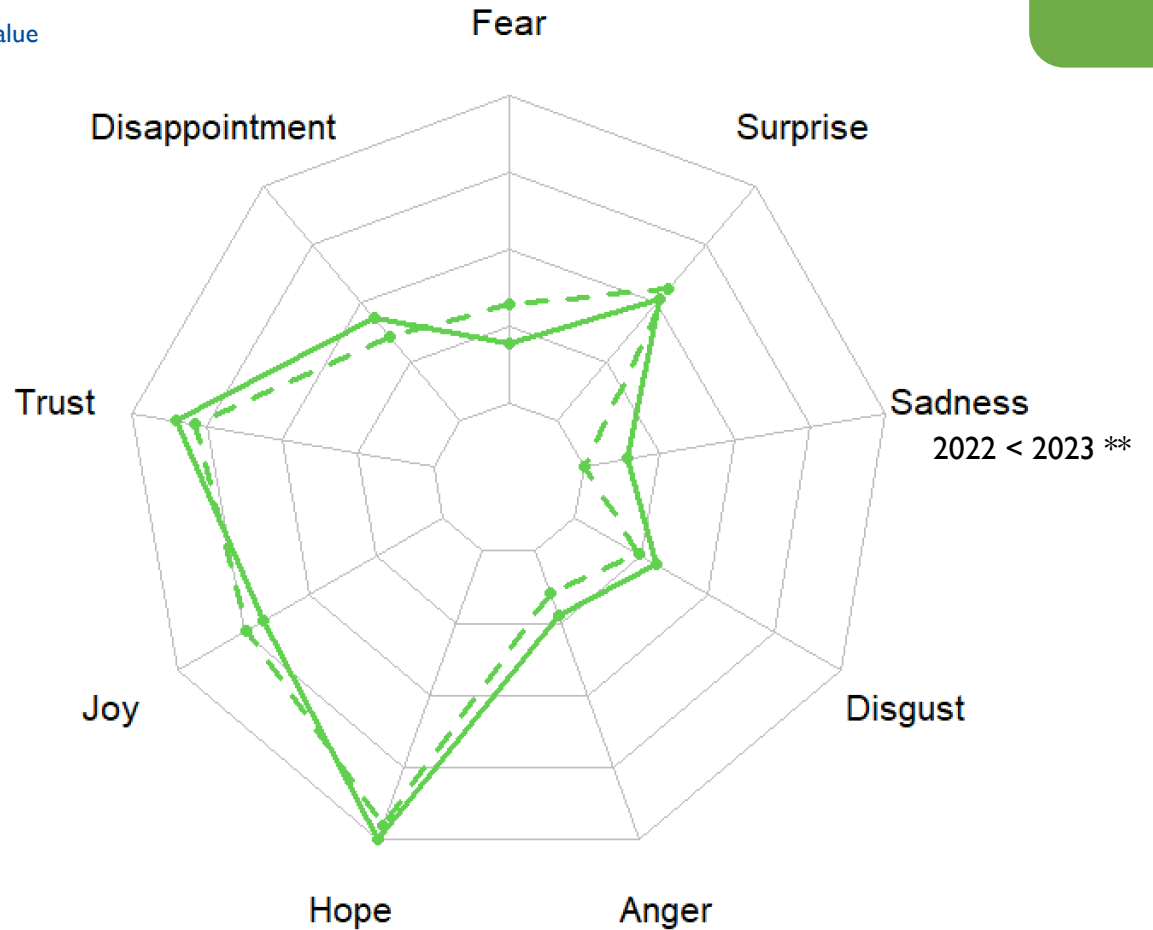
< / > indicates a statistically significant difference (with the significance level ** p < .05/ * p < .10)

When thinking about the CCP I feel.. CCP companies (group A)

Base: Everyone who has ever heard about CCP
scale of 1-7, where 1 - definitely not, 7 - definitely yes, data presented in mean value

CAWI
survey

--- March 2022
— October 2023



Q. Thoughts about CCP can evoke various feelings. Please indicate how you feel about CCP. When thinking about the CCP I feel..
While answering, please use a scale of 1-7, where 1 - definitely not, 7 - definitely yes.
(waves I and IV only)

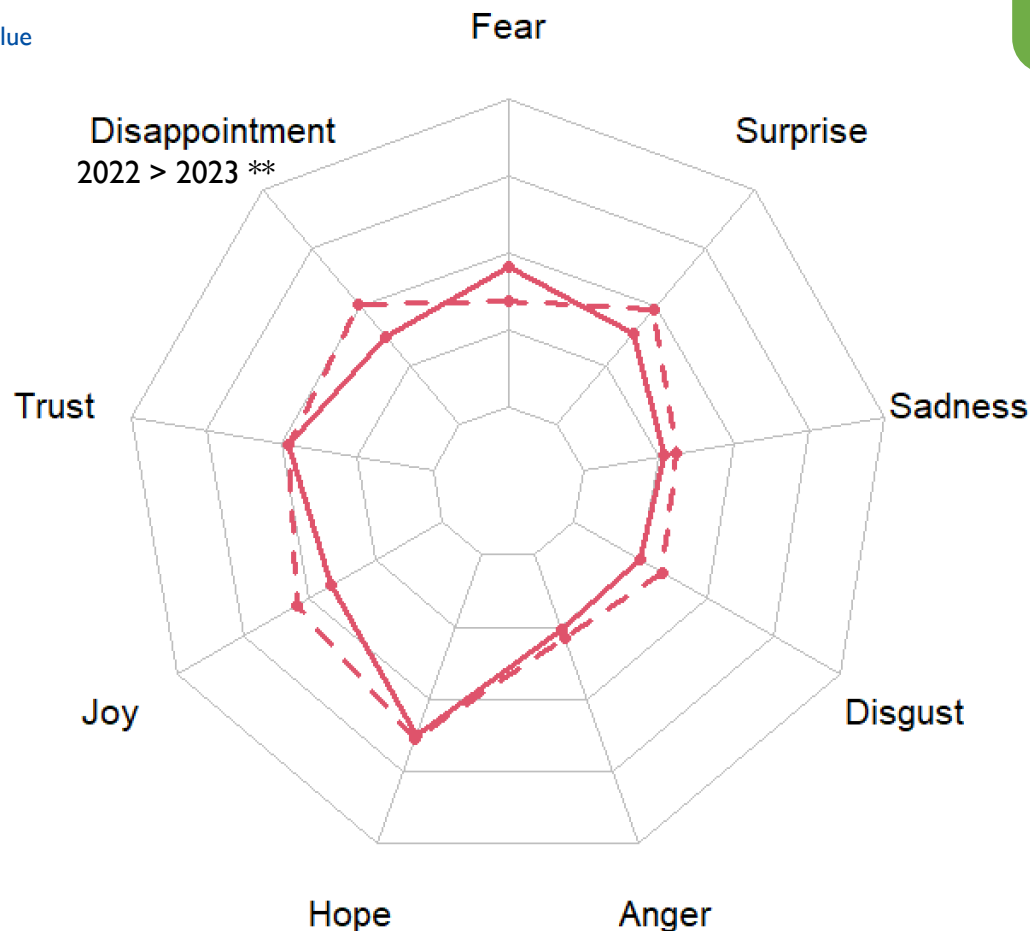
< / > indicates a statistically significant difference (with the significance level ** p<.05/ * p<,.10)

When thinking about the CCP I feel.. non-CCP companies (group B)

Base: Everyone who has ever heard about CCP
scale of 1-7, where 1 - definitely not, 7 - definitely yes, data presented in mean value



--- March 2022
— October 2023



Q. Thoughts about CCP can evoke various feelings. Please indicate how you feel about CCP. When thinking about the CCP I feel..
While answering, please use a scale of 1-7, where 1 - definitely not, 7 - definitely yes.
(waves I and IV only)

< / > indicates a statistically significant difference (with the significance level ** p<.05/ * p<.10)

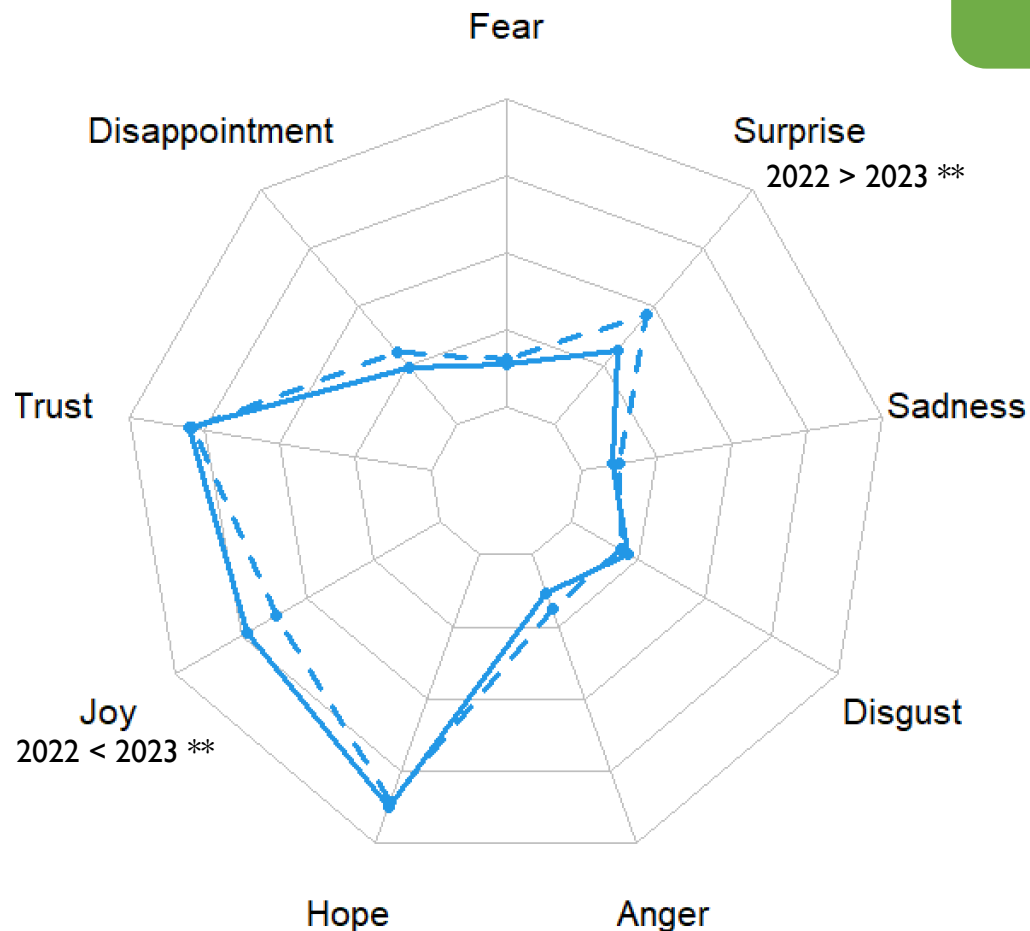
When thinking about the CCP I feel..

NRA in CCP (group C)

Base: Everyone who has ever heard about CCP
 scale of 1-7, where 1 - definitely not, 7 - definitely yes, data presented in mean value



--- March 2022
 — October 2023



Q. Thoughts about CCP can evoke various feelings. Please indicate how you feel about CCP. When thinking about the CCP I feel..

While answering, please use a scale of 1-7, where 1 - definitely not, 7 - definitely yes. (waves I and IV only)

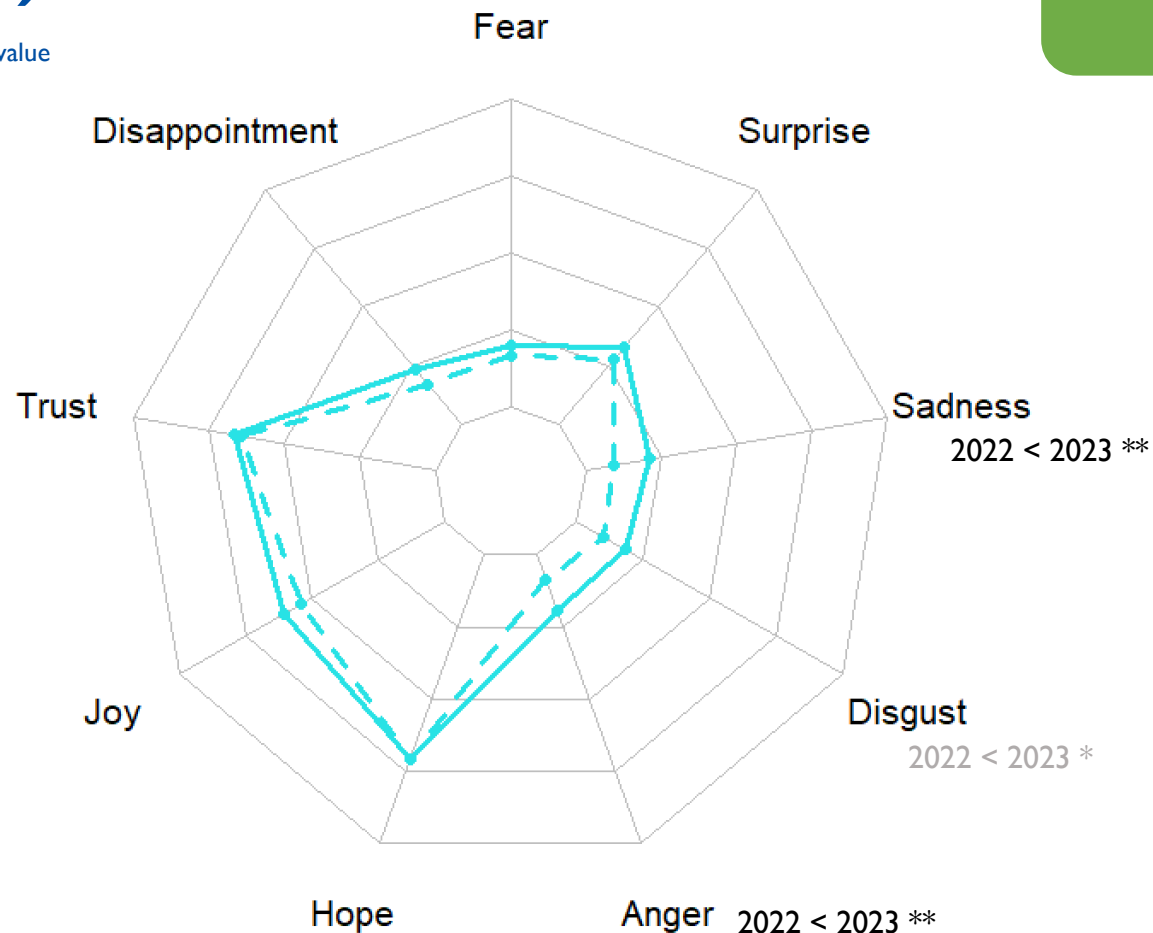
< / > indicates a statistically significant difference (with the significance level ** p<.05/ * p<,.10)

When thinking about the CCP I feel.. NRA not in CCP (group D)

CAWI
survey

Base: Everyone who has ever heard about CCP
scale of 1-7, where 1 - definitely not, 7 - definitely yes, data presented in mean value

— March 2022
— October 2023



Q. Thoughts about CCP can evoke various feelings. Please indicate how you feel about CCP. When thinking about the CCP I feel..

While answering, please use a scale of 1-7, where 1 - definitely not, 7 - definitely yes. (waves I and IV only)

< / > indicates a statistically significant difference (with the significance level ** p<.05/ * p<,.10)

KPI 7: Opinions on the programme: Attitudes towards the programme – associations SUMMARY

CAWI
survey

Associations are rather identified with a positive emotional impact, though with some exceptions:

- The associations of CC companies (Group A) revolve around **PARTNERSHIP**, **TRANSPARENCY**, and **TRUST**, i.e. the pillars of CC, as well as around **PRESTIGE** and **SECURITY**, which are associated with CC participation. However, for this group of companies, the introduction of CC also means **TASKS**.
- The associations of non-CC companies (Group B) revolve around **BUREAUCRACY**, **RISK** and **AMBIGUITY**, with the hope for **PARTNERSHIP**, **INDIVIDUAL APPROACH TO THE TAXPAYER**, **DIALOGUE** and **TRUST**. In this group, there is an emphasis on anticipated costs, with few associations with possible profits.
- The associations of CC NRA employees (Group C) revolve around **COOPERATION**, **TRANSPARENCY**, and **TRUST**, i.e. the CC pillars, as well as around the workload associated with participation in the CCP (**AUDIT**, **WORKLOAD**) and some degree of uncertainty accompanying the introduction of something new (**CHANGES**, **NEWNESS**, **CHAOS**, and **EXPERIMENT**).
- The associations of non-CC NRA employees (Group D) revolve around **COOPERATION** and **TRUST**, i.e. the CC pillars, as well as around the possible workload (**AUDIT**), being aware of the need for an individual approach to the taxpayer (**INDIVIDUALIZATION**, **CORPORATION**, **ASSISTANCE**).
- The CC stakeholders from Groups A, C, and D assess their associations with the CC as more positive than representatives of firms from Group B.



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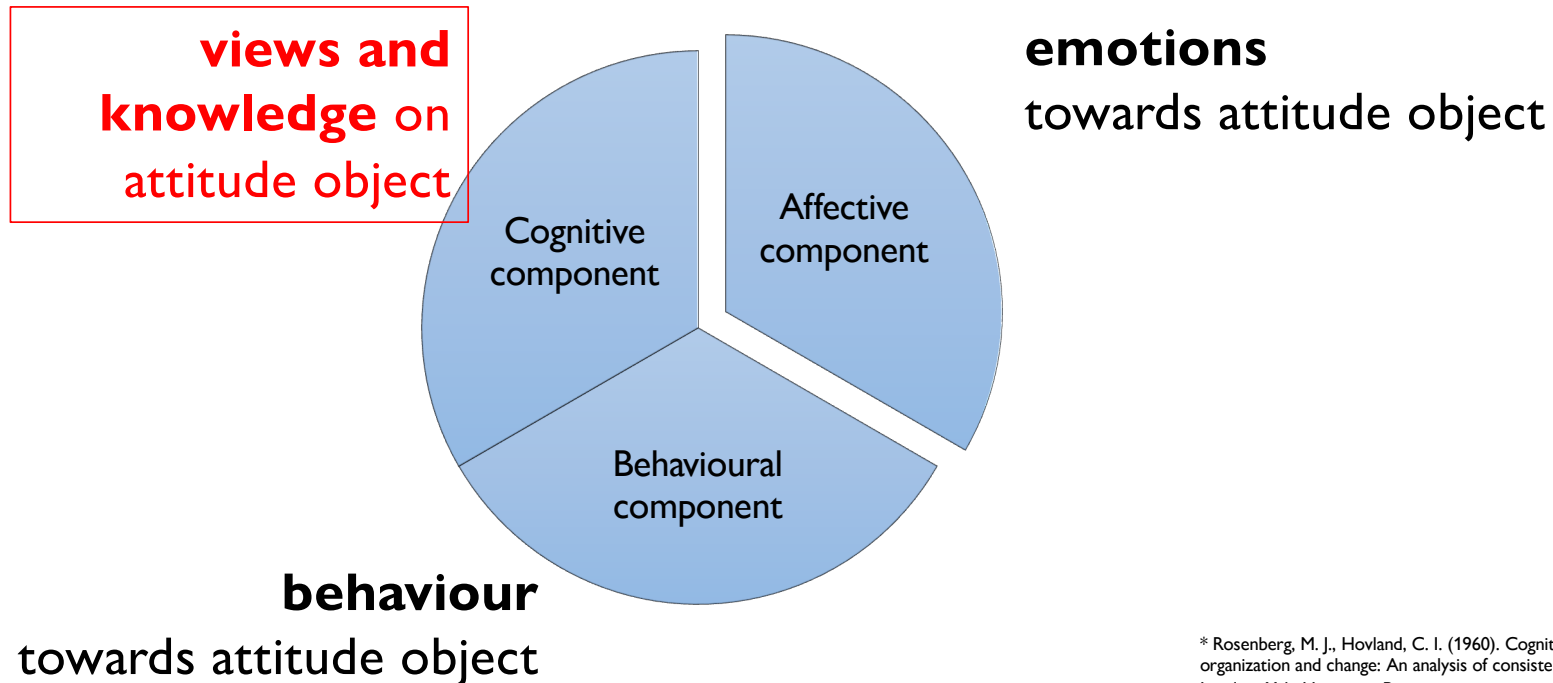
KPI 7: Opinions on the programme: Attitudes towards the programme – affective component SUMMARY

CAWI
survey

- The CC stakeholders from Groups A, C, and D declare more positive feelings towards the CC than representatives of firms from Group B.
- At the level of primary emotions
 - The stakeholders involved in the CC (Groups A & C) declare a higher level of **HOPE** and **CONFIDENCE** than the representatives of non-CC stakeholder groups (B & D).
 - Representatives of the CC-involved firms (Group A) declare a higher level of **SURPRISE** than representatives of Groups C & D, but also a higher level of **DISAPPOINTMENT**.
 - Representatives of the non-CC firms (Group B) declare a much lower level of **JOY** than representatives of the remaining groups (A, C, D) and a significantly higher level of negative emotions of **FEAR**, **SADNESS**, and **ANGER**.
- Over time changes in primary emotions:
 - An increase in declared **SADNESS** in Group A between the measurements in March 2022 and October 2023 seems disturbing.
 - There was also a decrease in the declared **DISAPPOINTMENT** in Group B between the measurements in March 2022 and October 2023.
 - Group C reported a decrease in **SURPRISE** and an increase in declared **JOY** between the measurements in March 2022 and October 2023.
 - Group D reported an increase in declared negative emotions of **ANGER**, **DISGUST**, and **SADNESS** between the measurements in March 2022 and October 2023.

Three components of attitude

(Rosenberg & Hovland, 1960)*



* Rosenberg, M. J., Hovland, C. I. (1960). Cognitive, affective and behavioral components of attitudes. In *Attitude organization and change: An analysis of consistency among attitude components* (s. 1–14). New Haven and London: Yale University Press.



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The extent to which CC companies (A) expect positive consequences from CCP participation

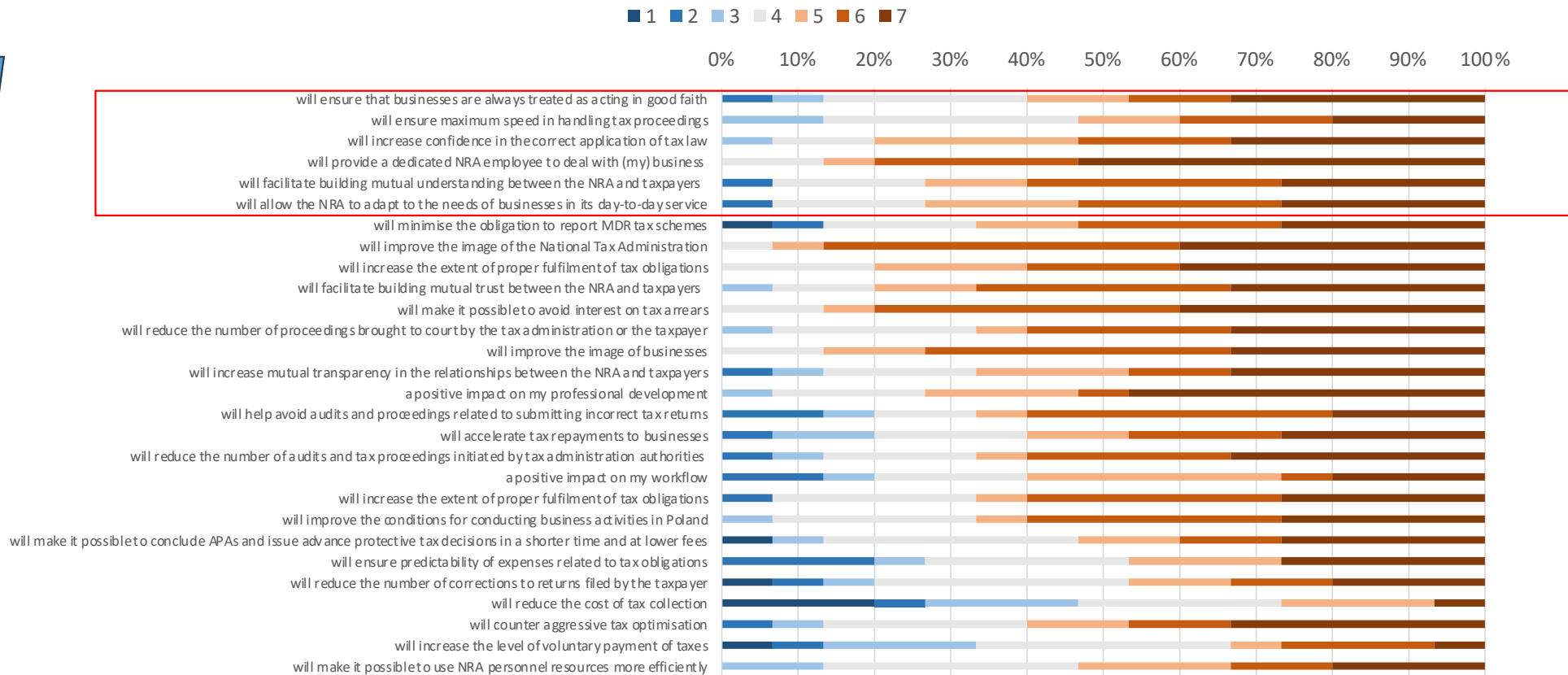
Based on: All respondents who answered a given question*

Frequency of responses on a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable

Q. Please indicate which consequences of the Cooperative Compliance Programme you expect, using a scale of 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable (respondents were asked this question in all Waves: I, II, III, IV) – the slide shows the measurement from Wave IV in October 2023

* Q. Please indicate how important these consequences of the Cooperative Compliance Programme would be for your organization if they occurred (1 = not at all important, 7 = very important) (respondents were asked this question only in Wave I - ranking by significance determined in March 2022)

consequence significance for groups*



The extent to which CC companies (A) expect negative consequences from CC participation

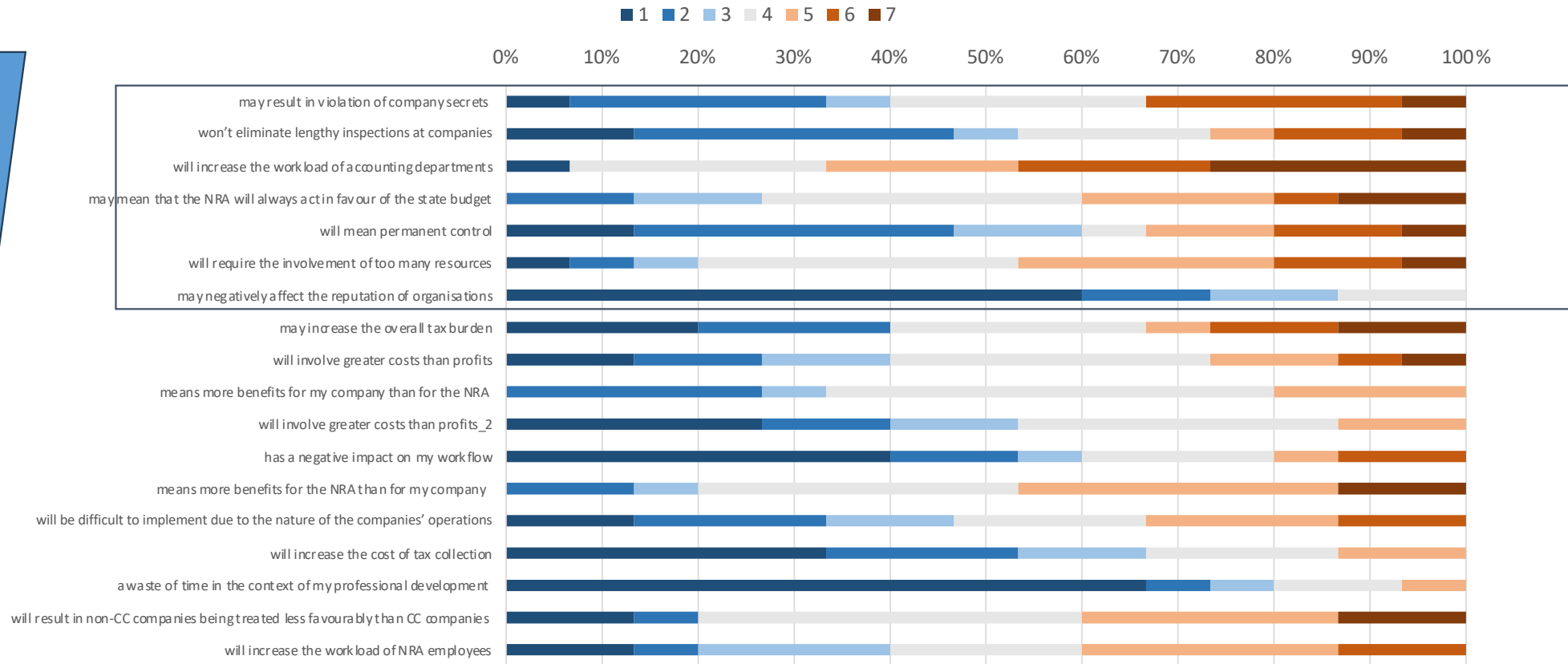
Based on: All respondents who answered a given question*

Frequency of responses on a scale of 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable

Q. Please indicate which consequences of the Cooperative Compliance Programme you expect, using a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable (respondents were asked this question in all Waves: I, II, III, IV) – the slide shows the measurement from Wave IV in October 2023

* Q. Please indicate how important these consequences of the Cooperative Compliance Programme would be for your organization if they took place (1 = not at all important, 7 = very important) (respondents were asked this question only in Wave I - ranking by significance determined in March 2022)

consequence significance for groups*



The extent to which non-CC companies (B) expect positive consequences of CC participation

Based on: All respondents who answered a given question*

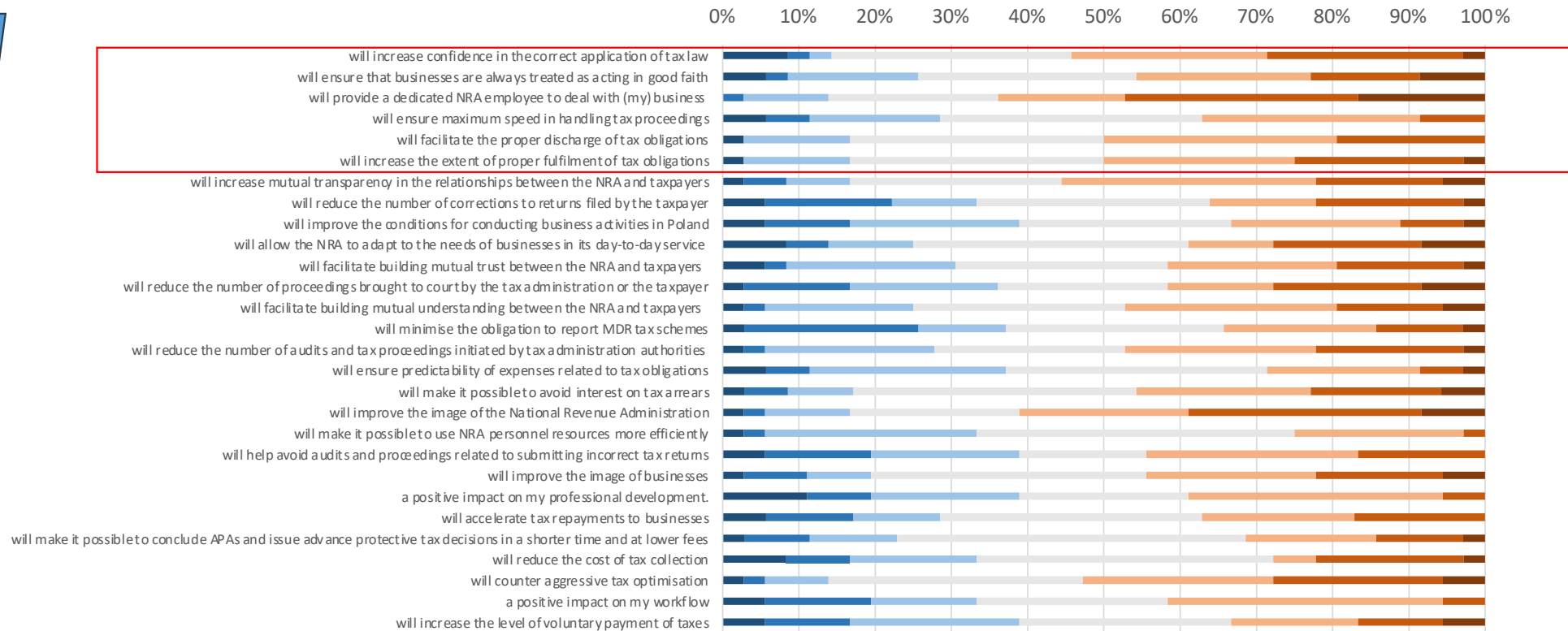
Frequency of responses on a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable

■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7

Q. Please indicate which consequences of the Cooperative Compliance Programme you expect, using a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable (respondents were asked this question in all Waves: I, II, III, IV) – the slide shows the measurement from Wave IV in October 2023

* Q. Please indicate how important these consequences of the Cooperative Compliance Programme would be for your organization if they took place (1 = not at all important, 7 = very important) (respondents were asked this question only in Wave I - ranking by significance determined in March 2022)

consequence significance for groups*



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The extent to which non-CC companies (B) expect negative consequences from CC participation

Based on: All respondents who answered a given question*

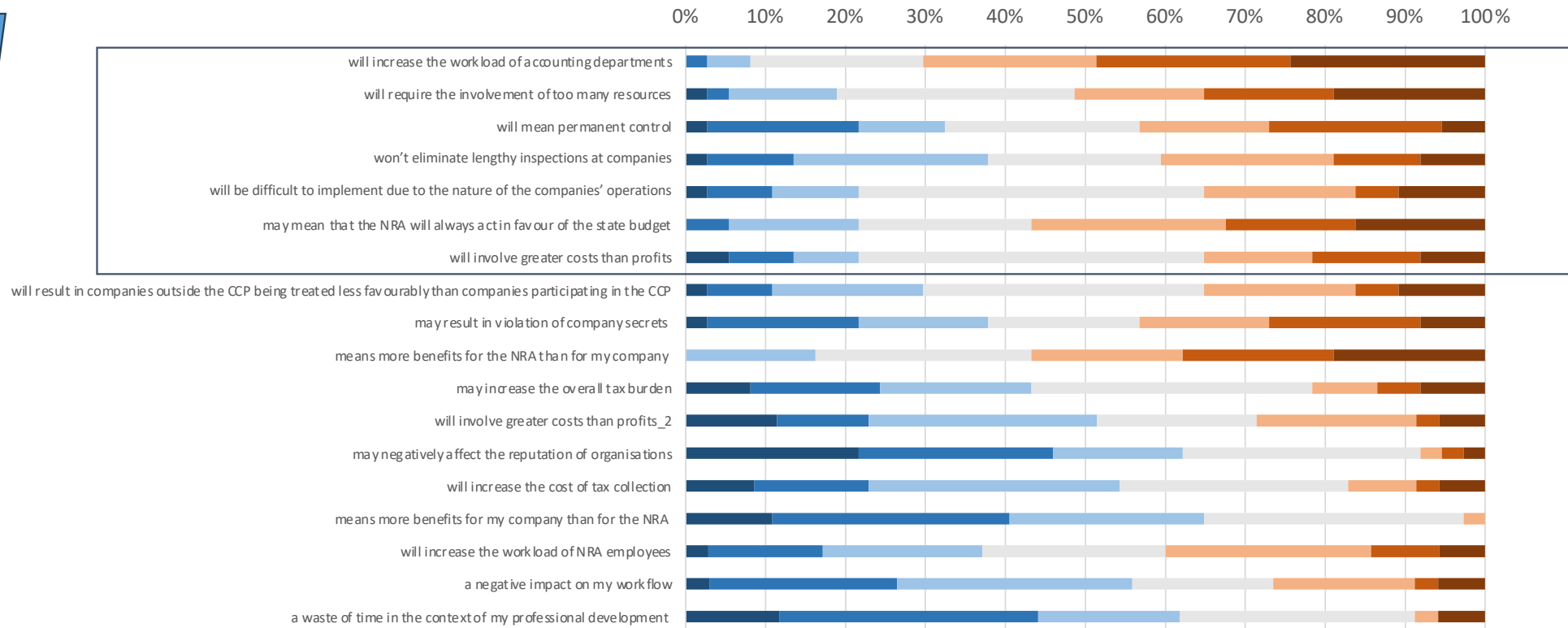
Frequency of responses on a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable

1 2 3 4 5 6 7

Q. Please indicate which consequences of the Cooperative Compliance Programme you expect, using a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable (respondents were asked this question in all Waves: I, II, III, IV) – the slide shows the measurement from Wave IV in October 2023

* Q. Please indicate how important these consequences of the Cooperative Compliance Programme would be for your organization if they took place (1 = not at all important, 7 = very important) (respondents were asked this question only in Wave I - ranking by significance determined in March 2022)

consequence significance for groups*



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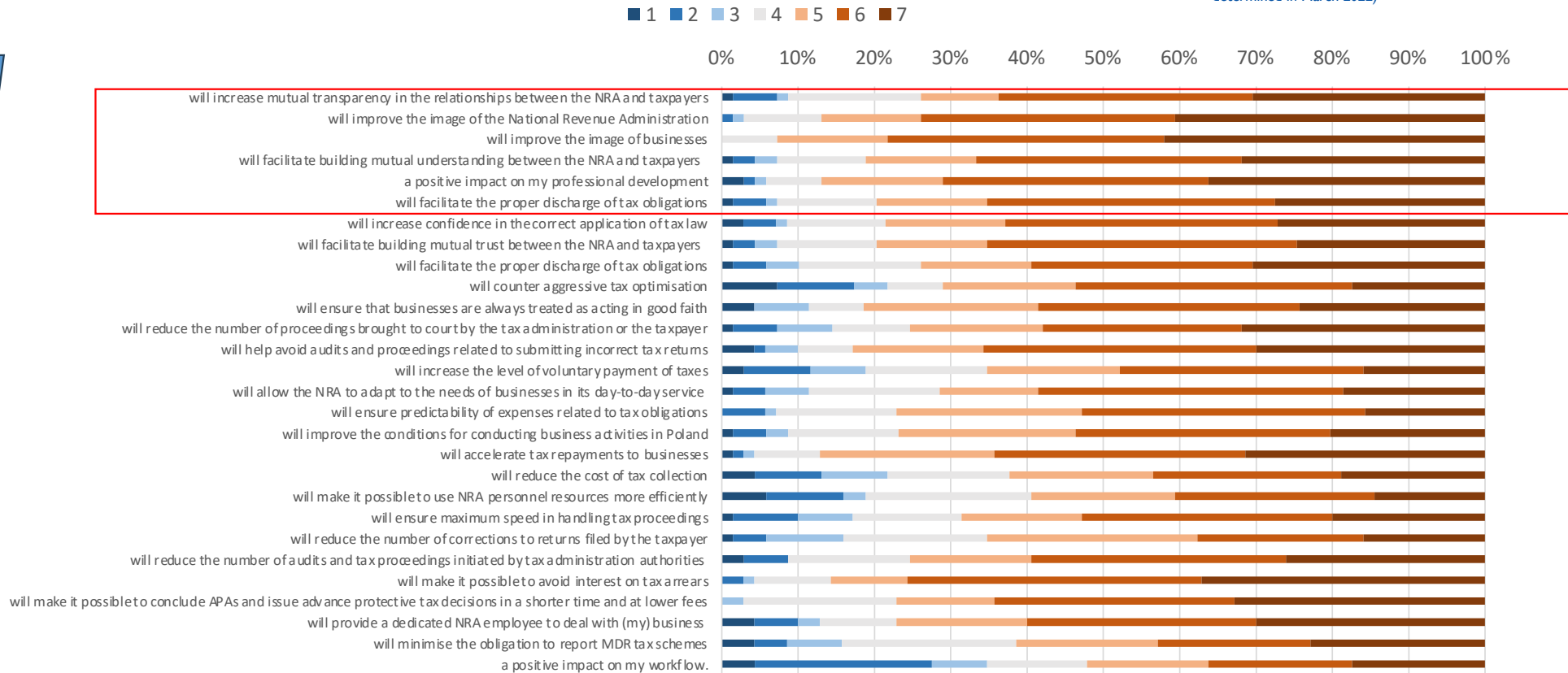
The extent to which NRA employees in CC (C) expect positive consequences from CC participation

Based on: All respondents who answered a given question*

Frequency of responses on a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable

Q. Please indicate which consequences of the Cooperative Compliance Programme you expect, using a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable (respondents were asked this question in all Waves: I, II, III, IV) – the slide shows the measurement from Wave IV in October 2023
 * Q. Please indicate how important these consequences of the Cooperative Compliance Programme would be for your organization if they took place (1 = not at all important, 7 = very important) (respondents were asked this question only in Wave I - ranking by significance determined in March 2022)

consequence significance for groups*



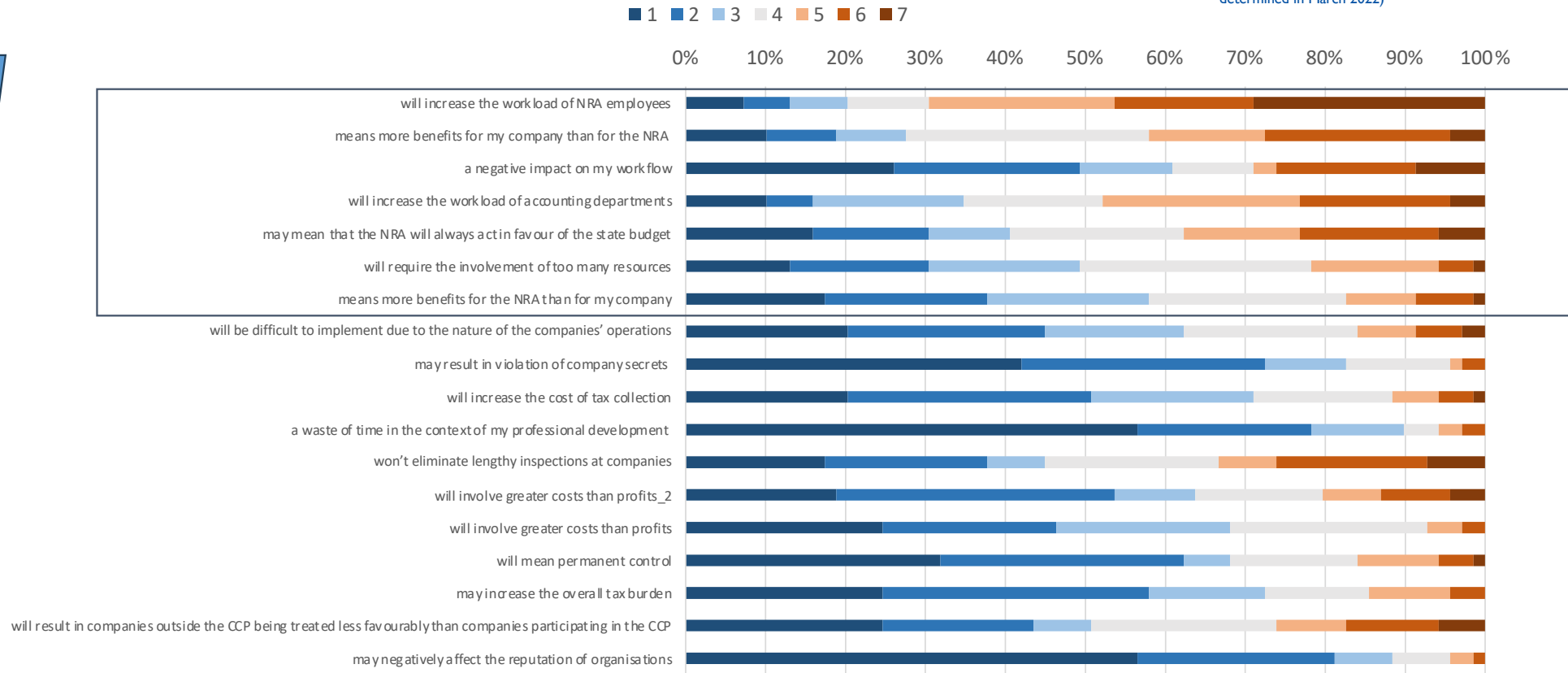
The extent to which NRA employees in CC (C) expect negative consequences from CC participation

Based on: All respondents who answered a given question*

Frequency of responses on a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable

Q. Please indicate which consequences of the Cooperative Compliance Programme you expect, using a scale from 1 to 7, where 1 = this consequence is unrealistic, 7 = this consequence is very probable (respondents were asked this question in all Waves: I, II, III, IV) – the slide shows the measurement from Wave IV in October 2023
 * Q. Please indicate how important these consequences of the Cooperative Compliance Programme would be for your organization if they took place (1 = not at all important, 7 = very important) (respondents were asked this question only in Wave I - ranking by significance determined in March 2022)

consequence significance for groups*



KPI 7: Opinions on the Programme: Attitudes towards the Programme – cognitive component SUMMARY

CAWI
survey

Representatives of CC companies (Group A) expect from the CC, first of all:

Measurable benefits: **a dedicated NRA employee to assist the company,**

Changes in the NRA attitude: increase in **trust** ("CC will ensure that businesses are always treated as acting in good faith"), increase in **flexibility** ("will enable NRA to adapt to the needs of businesses in its day-to-day service").

It would be a complete disaster if participation in the CC resulted in important events that entrepreneurs do NOT expect (so-called black swan):

- **permanent control / won't eliminate lengthy inspections at companies**
- **violation of business secrets / negative impact on the organization's reputation.**

Important and expected benefits should be highlighted in communication with representatives of non-CC companies (Group B),

Measurable benefits

- **a dedicated NRA employee to assist the company,**
- **ensure maximum speed in handling tax proceedings,**
- **Increased financial security of the company ("will increase confidence in the correct application of tax law", "will facilitate the proper discharge of tax obligations", "will increase the extent of proper fulfilment of tax obligations").**

Immeasurable benefits: increased trust of the NRA towards the taxpayer ("The CC will ensure that businesses are always treated as acting in good faith").

When concerns are properly addressed:

- permanent control/failure to eliminate lengthy inspections at companies
- will involve greater costs than profits



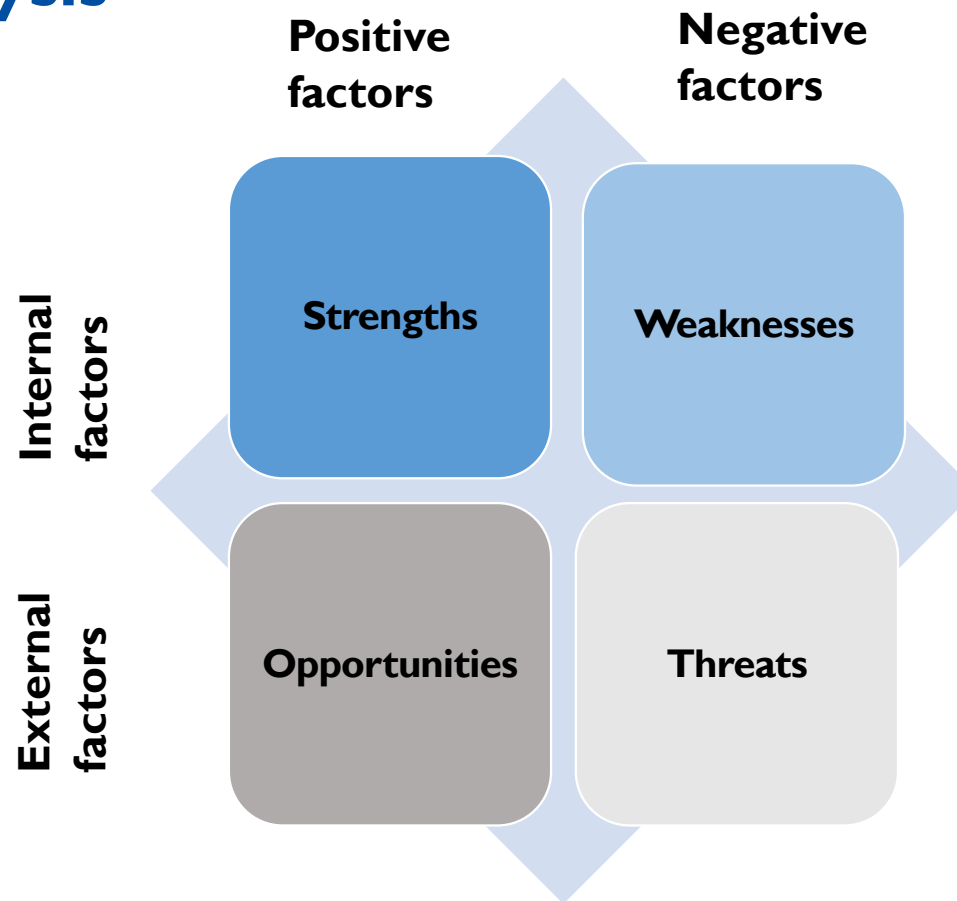
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Cooperative Compliance Programme – SWOT analysis



SWOT – analysis development methodology



SWOT results from the data analysis of:

- **Hard data** - anonymised tax and financial data on the studied population
- **CAWI surveys** – implemented by interviews with programme stakeholders (survey questionnaire agreed with NRA)
- **IDI interviews** – in-depth interviews were carried out based on the scenario agreed upon with NRA with selected programme stakeholders (representatives of entities from Group A and NRA employees involved in the CC pilot)
- **Workshops** – meetings with selected groups of programme stakeholders (representatives of Group A and B entities, NRA employees involved in the CC pilot, and tax advisors).

The research conclusions were used to jointly develop the strengths, weaknesses, opportunities and threats of the CC by the KU Research Team and the Department of Key Entities of the Ministry of Finance.

Cooperative Compliance Programme – SWOT analysis

Strengths

- Embracing the CC concept by NRA employees
- Open attitude of NRA employees to changes
- Implemented flexibility by NRA
- CC builds on the values important to companies
- CC applies to large companies with good tax policy management practices (setting an example for others)
- CC may be a sign to the market that NRA is changing for the better
- CC ensures tax security for companies
- CC is associated with the professional development of employees of companies and NRA
- Introduction of service standards for key entities
- Facilitates partnership relations between NRA and entities
- Provides a basis for organizing the entity's tax function (organizing processes in the organization)

Cooperative Compliance Programme – SWOT analysis

Weaknesses

- Lack of project management solutions (schedule of activities, communication between the enterprise and NRS during the initial audit, platform for data transfer)
- Technical problems during the pre-audit (document submission)
- Insufficient substantive preparation of NRA auditors (mainly risk management area)
- Discrepancy between programme procedures and company practice (mainly bilingual documents)
- Difficulties in project management (undefined role of the lead auditor, organization of the auditors' work, remuneration, division of tasks, etc.)
- Application of inspection practices
- Difficulties in changing established patterns of auditors' behaviour
- CC communication (internal - between members of the audit team, external – about CC)

Cooperative Compliance Programme – SWOT analysis

Opportunities

- Embracing the CC concept by companies
- Positive experiences from other countries
- CC participation in other countries by parent companies of Polish entities
- A large number of companies meeting the CC criteria
- Positive attitude of tax advisors towards CC
- Companies striving to minimize uncertainty and volatility in the tax area
- CC companies can become ambassadors of the Programme
- Observed improvement in tax discipline by large companies
- Tax transparency development resulting from changes in tax regulations
- Companies strive to build business credibility (competitive advantage) through taxation
- Companies strive to develop more partnership-based relations with NRA

Cooperative Compliance Programme – SWOT analysis

Threats

- Market participants declare distrust of the tax administration activities
- Tax law instability
- Existing solutions for large entities lack long-term sustainability
- Unexpected changes in the CC project management
- Negative experiences from ongoing cooperation with NRA (e.g. lack of cooperation with the company's coordinator, the conduct of tax audits)
- A specific, small group of companies in the pilot programme (recommended solutions may not meet the needs of the entire population)
- High costs of joining CC by the company (e.g. cost of tax advisor services, adjustment of procedures, costs of pre-audit findings)
- Lack of knowledge about the CC project, limited information about the programme and its benefits



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Workshops

CAWI
survey

IDI
interviews

KPI 8: Feedback on the programme implementation process

- Opinions on the process of communication regarding the programme (informing the public about the programme, communication between the tax administration and companies regarding the implementation of the Cooperative Compliance Programme, internal communication in both types of organizations regarding the Cooperative Compliance Programme)
- Opinions on programme procedures



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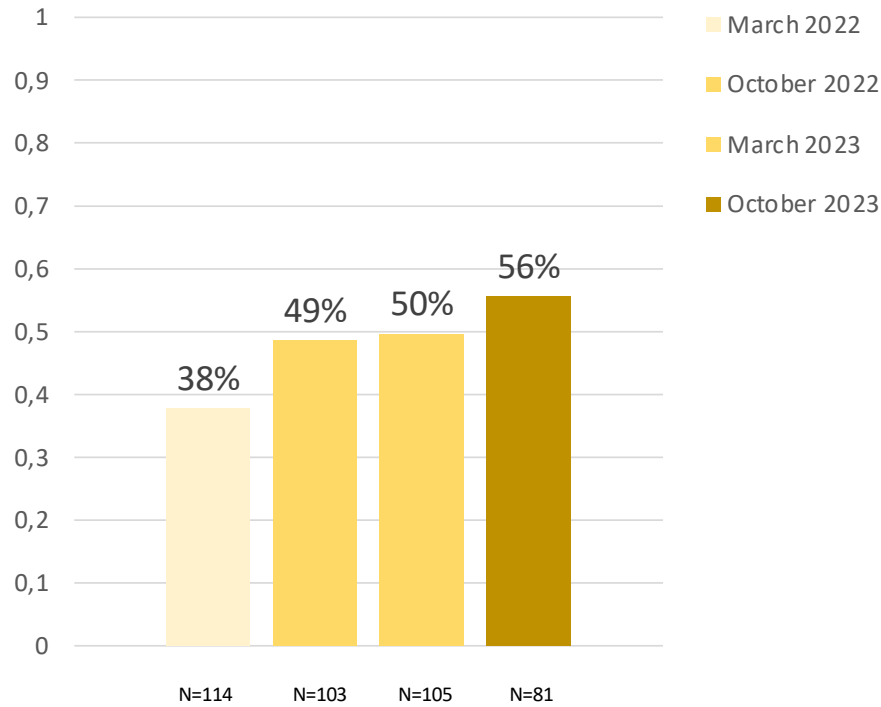
Awareness of the Cooperative Compliance Programme

Based on: Representatives of Groups B and D*

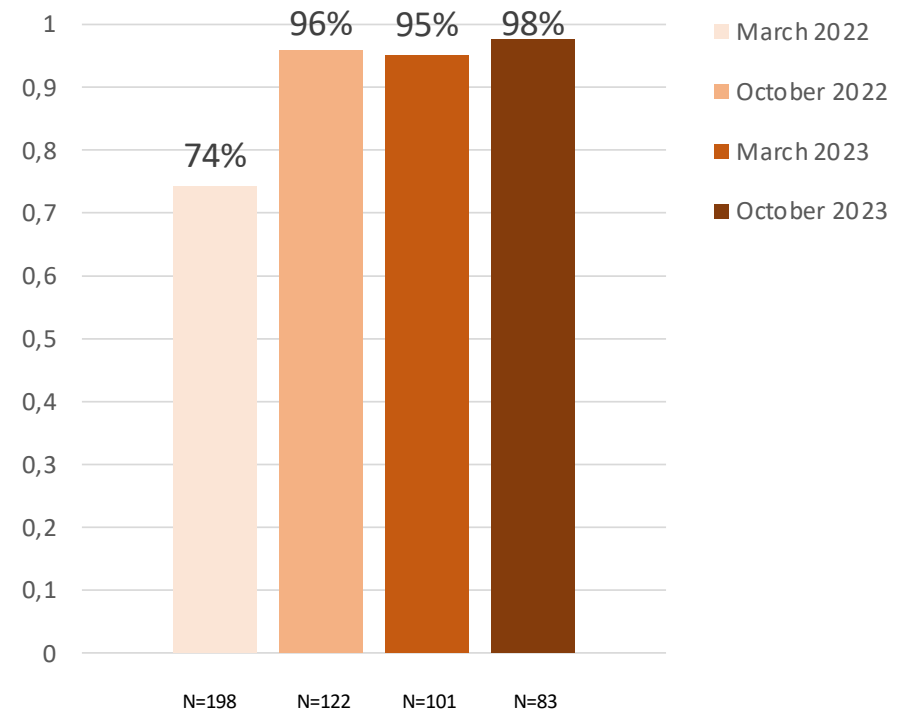


Q. Have you ever heard about the Cooperative Compliance Programme implemented by the Ministry of Finance?
(respondents were asked this question in Waves: I, II, III, IV)

non-CC companies (Group B)



Non-CC NRA employees (Group D)



* All respondents who answered the given question

Willingness to join CC

Based on: Representatives of non-CC companies (group B)*

Q. Has your organization considered joining the Cooperative Compliance Programme?
(respondents were asked this question in Waves: I, II, III, IV)



Has your organization considered joining the Cooperative Compliance Programme*?

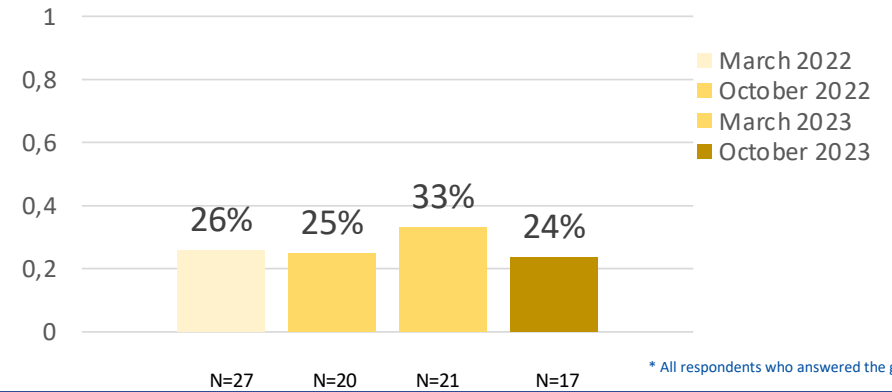
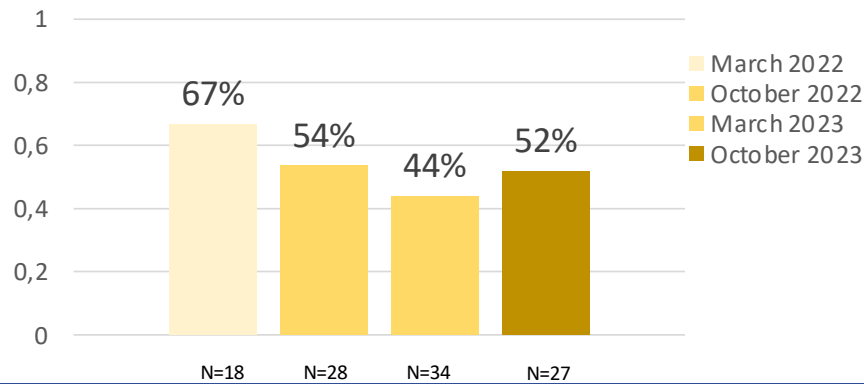
Select one of the options:

- No
- Yes

**The Cooperative Compliance Programme is a form of collaboration between the National Revenue Administration and large entities based on mutual trust and understanding, as well as transparency that goes beyond statutory obligations. The Programme aims to undertake joint actions targeted at compliance with the law, with particular emphasis on the individual needs and expectations of key taxpayers, to facilitate better conditions for conducting business activity in Poland.*

Based on: Representatives of non-CC companies that have ever heard of CC

Based on: Representatives of non-CC companies without initial awareness of CC



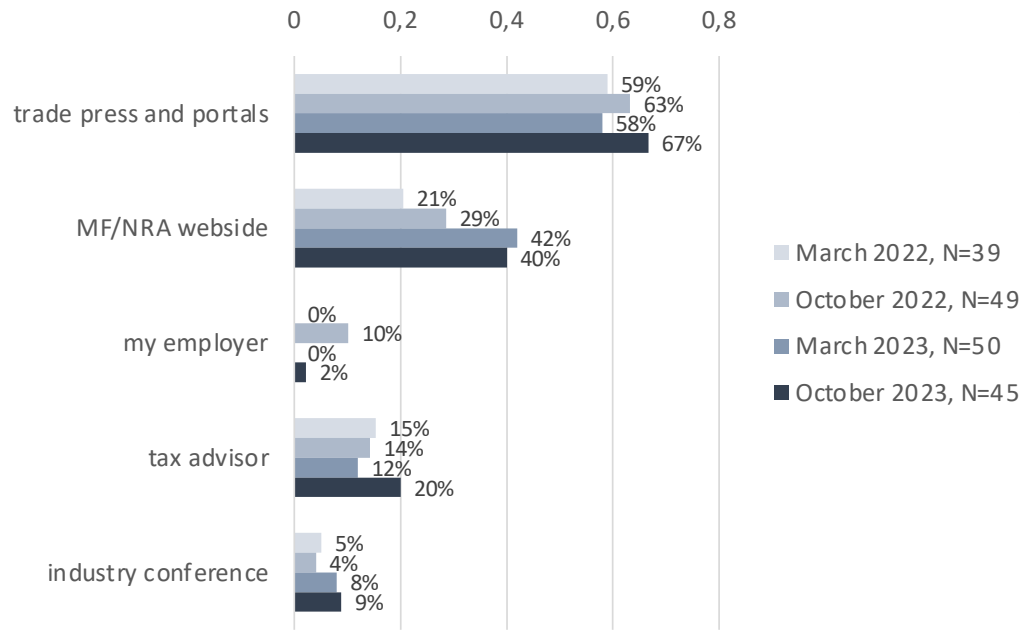
* All respondents who answered the given question

Sources of Cooperative Compliance Programme awareness

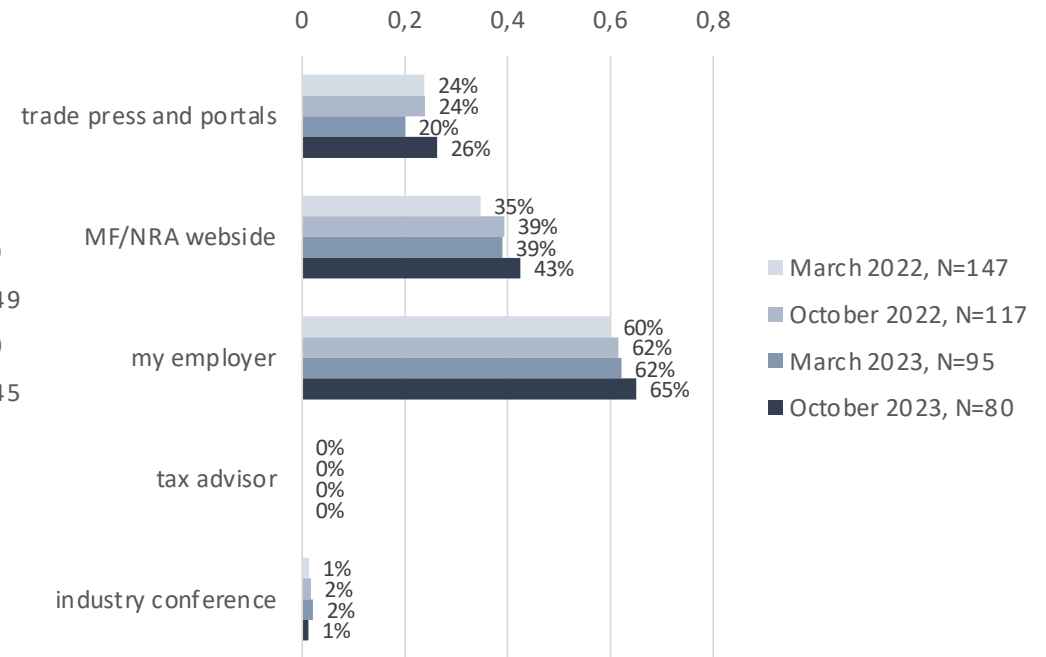
Based on: Representatives of Groups B and D who have ever heard of the Cooperative Compliance Programme*



Representatives of non-CC companies (Group B)



Non-CC NRA employees (Group D)



Q. How did you find out about the Cooperative Compliance Program?

Based on: All respondents who declared knowledge of CC

(respondents were asked this question in Waves: I, II, III, IV)

* All respondents who answered the given question

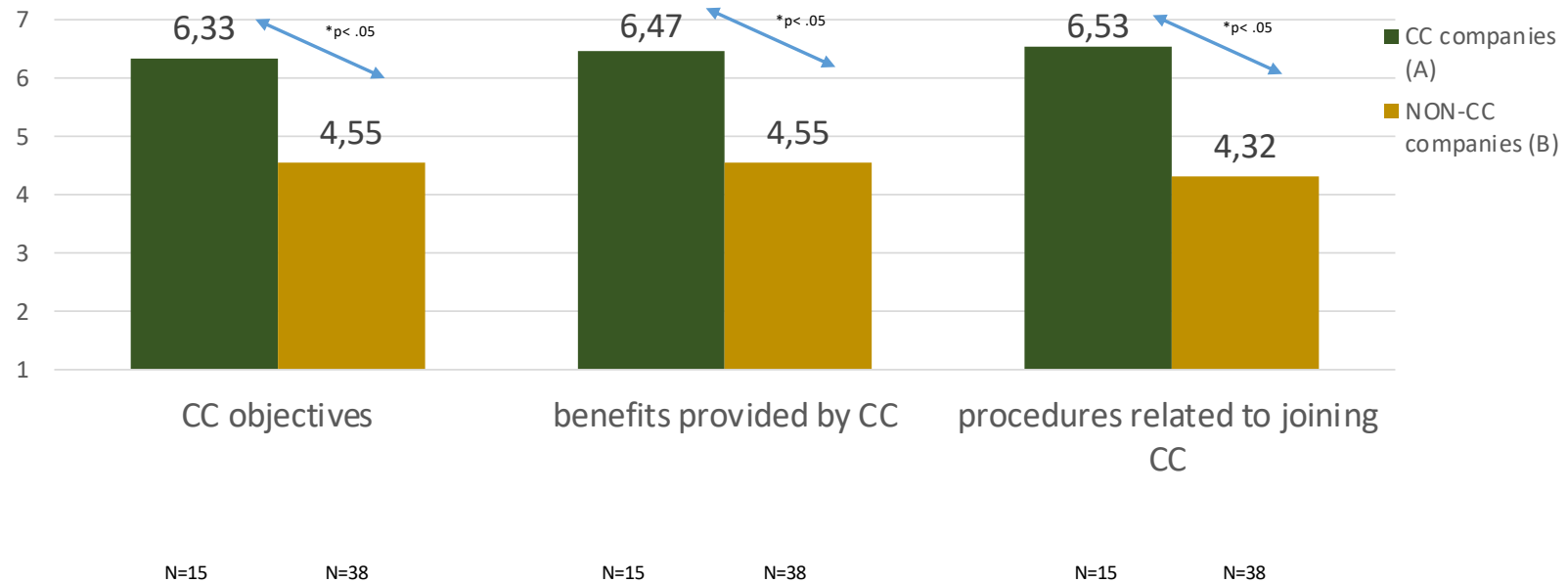
October 2023: I know about...

Scale: 1= I strongly disagree, 7 = I strongly agree

Based on: Respondents who have ever heard of the Cooperative Compliance Programme*



Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), please indicate to what extent you agree with the following statements: I know about.....
(respondents were asked this question in Waves: I, II, III, IV)



↔ The arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

* All respondents who answered the given question

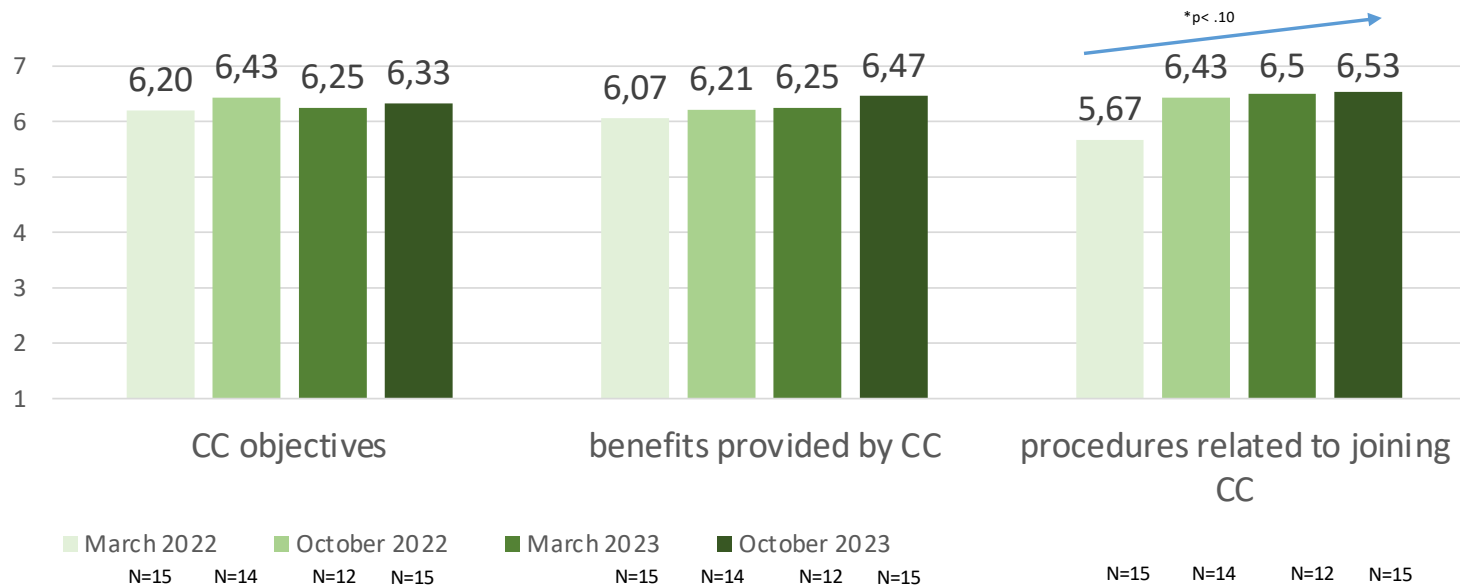
I know about... – longitudinal data: CC companies' representatives (A)



Scale: 1= I strongly disagree, 7 = I strongly agree

Based on: Respondents who have ever heard of the Cooperative Compliance Programme*

Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), please indicate to what extent you agree with the following statements: I know about.....
(respondents were asked this question in Waves: I, II, III, IV)



→ Paired difference test only Wave I vs. Wave IV: an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

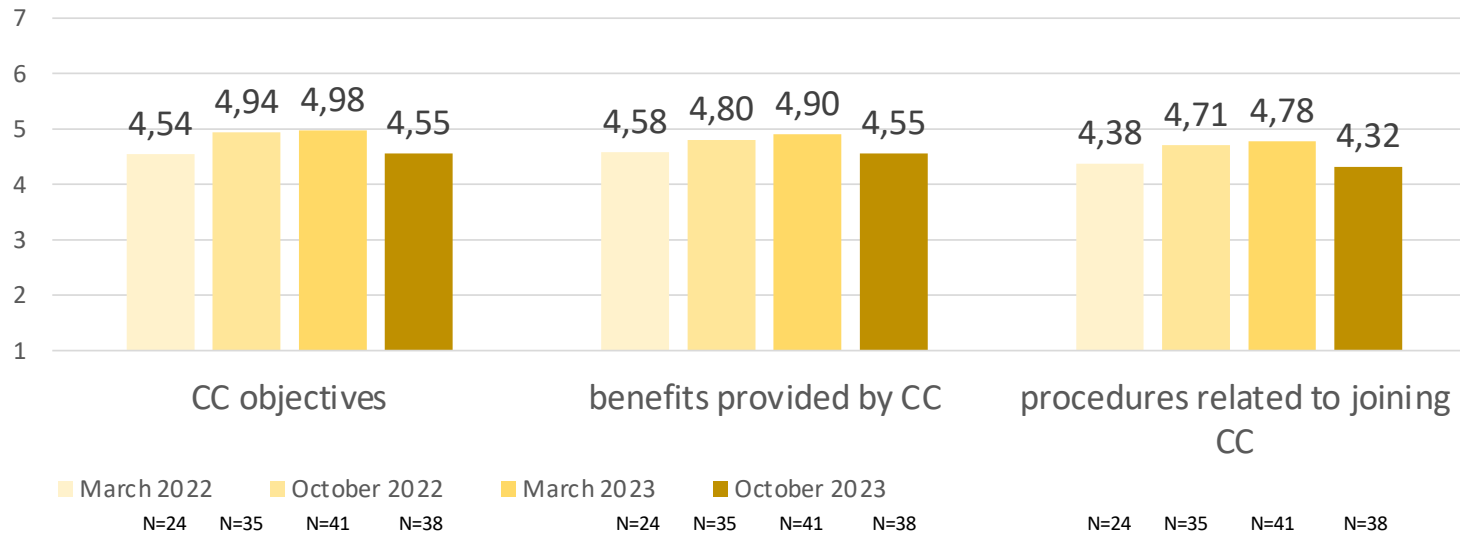
*All respondents who answered the given question

I know about... – longitudinal data: non-CC companies' representatives (B)



Scale: 1= I strongly disagree, 7 = I strongly agree
Based on: Respondents who have ever heard of the Cooperative Compliance Programme*

Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), please indicate to what extent you agree with the following statements: I know about.....
(respondents were asked this question in Waves: I, II, III, IV)



→ Paired difference test only Wave I vs. Wave IV: an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

* All respondents who answered the given question



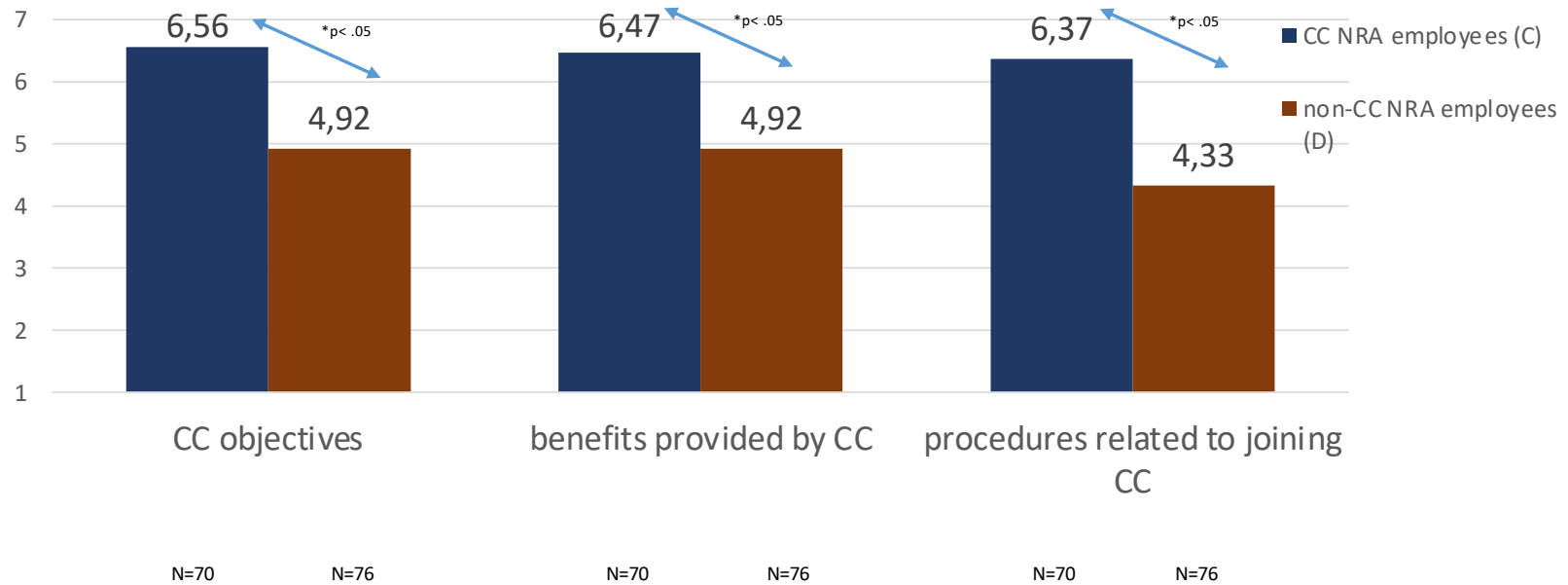
October 2023: I know about...

Scale: 1= I strongly disagree, 7 = I strongly agree

Based on: Respondents who have ever heard of the Cooperative Compliance Programme*



Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), please indicate to what extent you agree with the following statements: I know about.....
(respondents were asked this question in Waves: I, II, III, IV)



↔ The arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

*All respondents who answered the given question

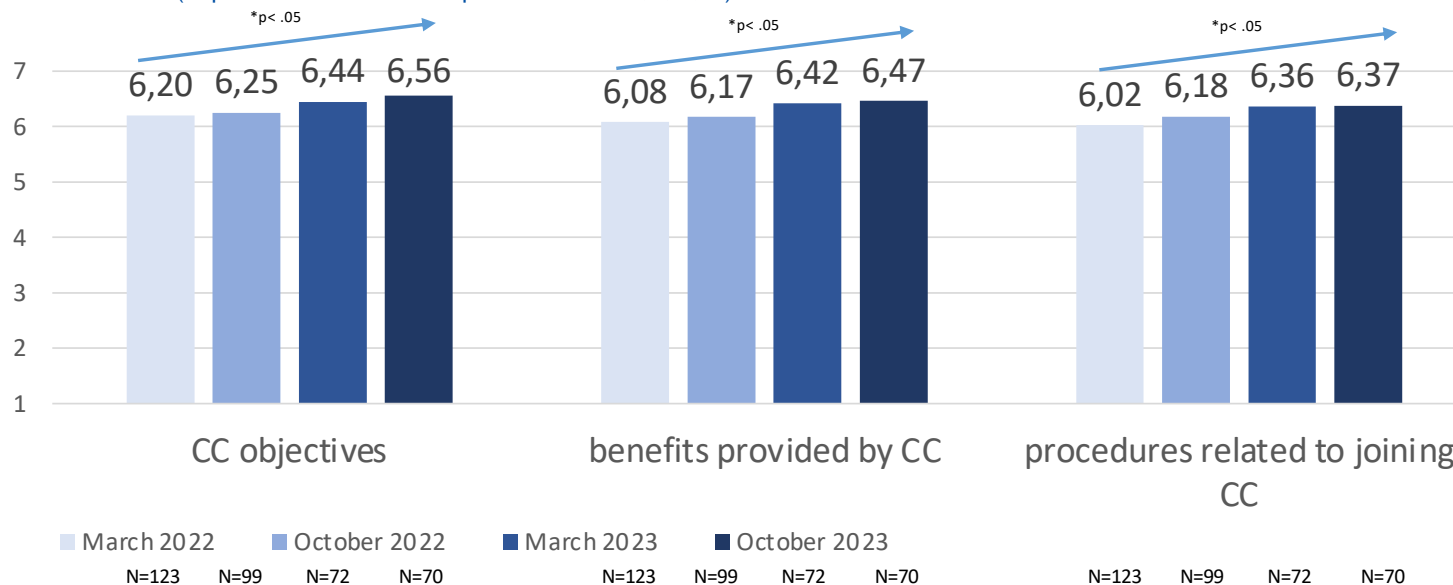
I know about... – longitudinal data: NRA employees in CC (C)

Scale: 1= I strongly disagree, 7 = I strongly agree

Based on: Respondents who have ever heard of the Cooperative Compliance Programme*



Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), please indicate to what extent you agree with the following statements: I know about.....
(respondents were asked this question in Waves: I, II, III, IV)



→ Paired difference test only Wave I vs. Wave IV: an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

*All respondents who answered the given question

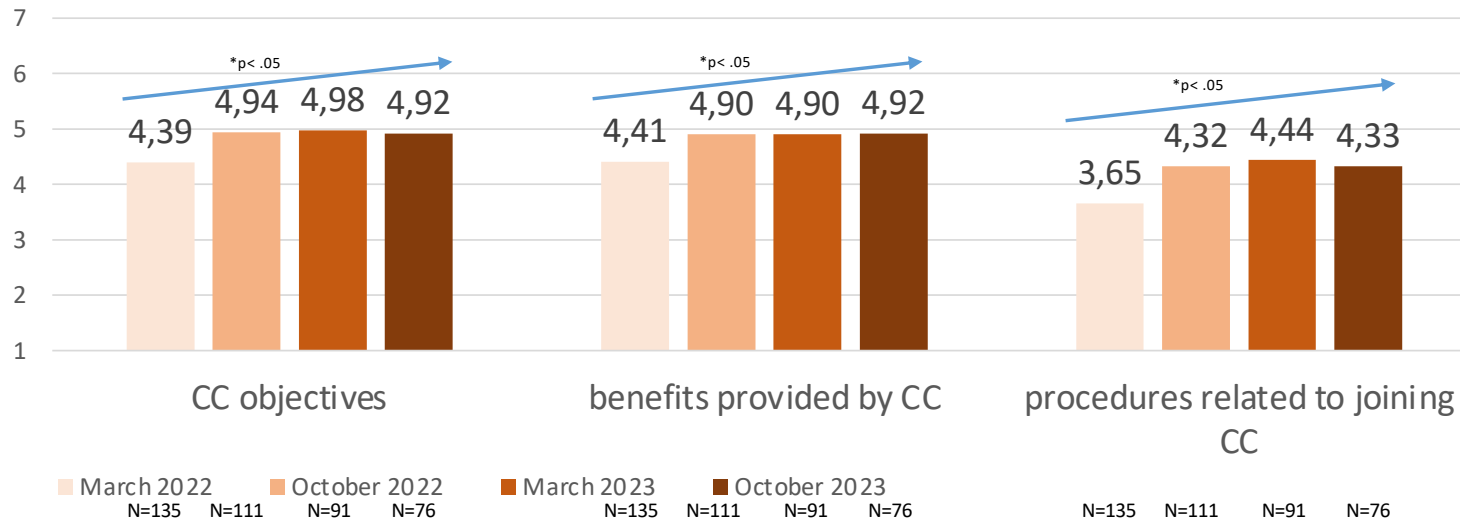
I know about... – longitudinal data: non-CC NRA employees (D)



Scale: 1= I strongly disagree, 7 = I strongly agree

Based on: Respondents who have ever heard of the Cooperative Compliance Programme*

Q. On a scale of 1 to 7 (where 1 = I strongly disagree, 7 = I strongly agree), please indicate to what extent you agree with the following statements: I know about.....
(respondents were asked this question in Waves: I, II, III, IV)



→ Paired difference test only Wave I vs. Wave IV: an arrow indicates a statistically significant difference (with the significance level $p < .05$ / $p < .10$ / $p < .15$)

*All respondents who answered the given question

KPI 8: Feedback on the Programme implementation (questionnaire interview) SUMMARY

CAWI
survey

- The Cooperative Compliance Programme is gaining more attention from both companies and NRA employees who are not yet participating in it. NRA employees mostly rely on their employers for information, while companies get their information from industry press, portals, and recently, the NRA/MF website. The role of tax advisors in disseminating knowledge about CC is noticeably growing.
- Companies already participating in CC declare a good understanding of the objectives and benefits of the Programme, making it unlikely for the knowledge in this area to increase further. However, there is an increase in awareness among those companies regarding the procedures required to join CC. **This suggests that some companies may have LACKED ADEQUATE knowledge about CC joining procedures before deciding to enter,** which was confirmed during in-depth interviews with company representatives.
- On the other hand, there is a clear improvement in the knowledge of NRA employees about CC, its benefits, and procedures, regardless of whether they serve NRA clients in or outside CC. This increase may be due to the intensive training that NRA employees have recently undergone.



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III. Implementation of the pilot Cooperative Compliance Programme – key observations (CC companies' perspective)

IDI
interviews

Positive attitude

The critical advantage – introducing the partnership element, a sense of certainty, and a sense of security into the relationship “taxpayer ↔ institution”.

Expected changes

CC is an indicator of the direction of changes in the Ministry of Finance, Tax Office and their relations with taxpayers. This desirable direction resembles the tax systems of the “old European Union” countries.

Information needs

Information about CC is crucial both before the decision to join CC and during the pre-audit.

The crucial role of tax advisors in informing companies about CC and the conditions of accession.

The lack of feedback causes a sense of uncertainty and difficulty in organising work. On the part of companies, there is a need for ongoing contact with NRA during the audit.




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III. Implementation of the pilot Cooperative Compliance Programme – key observations (CC companies' perspective)

- 
Commitment Involvement in the work on CC often translated into greater knowledge about the Programme, better evaluations, and faster decision-making.

- 
Programme evolves CC is a pilot project – cooperation is improving, there are fewer and fewer errors, less emphasis on control, and more and more openness to partner cooperation.

 There is still room for improvement in this regard.

- 
Signing the agreement is a success Signing the agreement (among the companies that have already signed it) is treated as the organisation's success and the professional success of the people who managed the project.

 The process of joining CC is long, complex and tiring. Fatigue and discouragement are present among the participants who have not yet signed the agreement.



III. Implementation of the pilot Cooperative Compliance Programme – key observations (CC companies' perspective)

IDI
interviews

Tangible benefits

- A greater level of tax security (the ability to protect the company against errors),
- Improving the company's operations (introducing changes),
- No stressful inspections in the future,
- Implementation of the idea of cooperation - flexible scheduling of deadlines for work completion, flexible setting of the scope of activities, openness on the part of NRA to develop a work schedule,
- Operating within the law, serving the country, and operating under the social responsibility principles.

Change in attitudes

Taxpayers strongly emphasized the further change in auditors' attitudes (or maintaining a high level of cooperation) – increasing understanding of the programme's idea, willingness to help, and support (mainly by the lead auditor).

Concerns about the future

Some respondents have expressed concerns about the effectiveness and reliability of the CCP. These concerns are not linked to any particular incident, circumstance, or danger but rather stem from a general lack of trust in the current economic, political, and business climate.



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III. Implementation of the pilot Cooperative Compliance Programme – key observations (perspective of NRA employees in CC)

IDI
interviews

Positive attitude

The auditors have a positive attitude towards the project – they treat it as an opportunity for professional development, building their position in administration and their careers.

Work organization

Many elements negatively impacted the quality of work, were demotivating, or created potential conflict situations.

There were several issues that needed to be addressed, such as how working time was organized and conflicting priorities between daily work and CC duties. Additionally, there was a double chain of command with two different supervisors who had differing organizational goals, as well as ambiguities and backlogs regarding salary payments. Furthermore, the initial training process was insufficient, as some training was conducted too late or only for some auditors, and some of it was too theoretical.

Teamwork

The difference in job satisfaction between auditors working in teams where the lead auditor facilitated “team building”, internal communication (mainly the exchange of experiences and observations), and a more evident division of duties. This gives a better organization of work, greater efficiency and quality.

It can be assumed that this also translated into the impressions of programme participants indicating the evolution of attitudes and behaviours of auditors.



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III. Implementation of the pilot Cooperative Compliance Programme – key observations (perspective of NRA employees in CC)

IDI
interviews

Experience outside tax administration

Auditors who worked "on the taxpayer's side" in their careers adapted more quickly to "partnership" cooperation and better understood the nature of the taxpayer's operations.

Auditors with experience in tax administration only needed a little more time to implement the new approach to work.

Relationships as the key to success

Good relationships built between auditors and representatives are a key element of success (i.e. signing an agreement between the taxpayer and the NRA following the audit).

Company employees shared a similar observation. The importance of regular, personal contact with the auditor was also emphasized.

Role of lead auditors and Competence Centre

The division into lead auditors supervising the audit and auditors specializing in specific substantive areas played an important role in the audit process. This had a positive impact on the audit trail.

It was also important to create a Competence Centre, which allowed some auditors to focus on the Cooperation Compliance Programme, without devoting working time to existing field tasks.



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Submitting an application – key observations (CC companies' perspective)

Unclear instructions and expectations

Difficulties in understanding the purpose of individual questions (e.g. taxpayer self-assessment).
The programme assumptions do not always correspond to the companies' specific characteristics (e.g. procedures described in several documents, changes in procedures, rules defined by the company's international headquarters, etc.). In this case, completing the application to provide the MF with proper insight into the company's tax procedures is difficult.

MF materials are often assessed as insufficient.

Delays and laborious process


A very laborious application form. The application submission often interfered with the daily duties of the financial departments and led to delays in carrying them out (especially if the application process coincided with the end of the year or the holiday season).


Role of tax advisors

Due to the complexity and time-consuming nature of the application, it was often completed with the support of tax advisors.




Pre-audit (CC companies' perspective) – key observations

- 
Diversity of opinions

The assessment of the pre-audit strongly depends on the company's specific characteristics, auditors' behaviours, and technical and procedural conditions.
- 
Good practices

The partnership approach of the MF coordinators and some auditors (the possibility to ask questions, receive explanations, set a schedule, and work out joint solutions) was noticed and appreciated by companies.

The professionalism of auditors is related to their substantive preparation.
- 
Bad practices

During certain audits, a strategy resembling an inspection is employed, focusing on identifying errors rather than comprehending the business activities of the company.

Technical issues arise due to the high volume of files and procedural delays. Additionally, there are instances of duplicate requests for documents from NRA and a lack of clarity regarding the specific documents requested.

Prolonged pre-audit time.



Pre-audit (CC companies' perspective) – causes of difficulties in the process

Large business scale

In the case of large companies with many branches, daughter companies and subsidiaries (often part of international corporations), an audit involves a large number of documents with time-intensive verification. In these businesses, tax issues are often complex, requiring the involvement of more than one auditor.

The extended audit time was anticipated and accepted by the company's employees and resulted from understanding of its specific nature.

No audit strategy

The lack of a comprehensive audit strategy and a realistic audit schedule makes it difficult to schedule work on the taxpayer's part and is one of the factors causing delays. This is particularly important in the case of large entities with a complex structure and multiple tax issues.

Control practices

In some audits, the use of a strategy that was more inspection-like than audit-like increased the process time. This situation was mainly apparent at the beginning of the pilot, during which the auditors' behaviour gradually changed.

Industry-specific nature

Certain industries are subject to closer inspection due to the prevalence of tax crimes. Representatives of taxpayers who work in such industries are aware that their companies will be audited more closely because of the industry context, which means that the initial audit time will likely be longer.



Pre-audit (perspective of NRA employees in CC) – key observations

IDI
interviews

Building competences

When approaching new tasks such as the tax internal control framework, there is generally a positive attitude, but there is also an awareness of the need for more competence and practical knowledge regarding the business activities of entities. There can be challenges when it comes to assigning audit areas that do not overlap with current employee control activities and when one auditor is entrusted with multiple audit areas. Additionally, difficulties can arise when trying to balance the roles of auditor and controller simultaneously.

Work time

Planning one's work can also be challenging due to the dual subordination to two superiors. There may also be organizational issues when it comes to the composition of audit teams and meeting deadlines that require working beyond the designated working time.

No systems solutions

There is a lack of solutions regarding the division of working time between the CC and the tasks of the field unit.

Audit content

The audit's scope is often very detailed and wide, sometimes exceeding the scope of a tax inspection, and auditors may encounter changes in MF guidelines during the CC pilot.




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Initial audit (tax advisors' perspective) – key observations

-  **No project management of the audit**

A major difficulty is the inability of taxpayers to plan long-term audit-related activities. Preparing documents for audit purposes is a time-intensive task that interferes with the entity's current reporting obligations. Additionally, there are technical difficulties when sending documents.
-  **No preliminary taxpayer analysis**

In the opinion of tax advisors, the NRA does not use information about taxpayers available in the NRA databases in the audit process. This could speed up the audit process, as well as contribute to the CC promotion (e.g. using NRA data for a preliminary analysis of entities and then - in the case of positive verification - encouraging the company's CC application).



General assessment of the CC pilot – before signing the contract (perspective of CC companies)

Enhancing the spirit of cooperation

Companies that are close to signing the contract, but have not done so yet,* declared changes in the CC assessment. The changes were visible in contact with the lead auditor, support in running the project, and preferable deadlines for submitting documents.

Furthermore, company representatives emphasized positive changes in the behaviour of many auditors (greater flexibility, trust, support in technical issues, and in solving problems).

** often due to delays beyond the companies' control*



General assessments of the CC pilot after signing the contract (common perspective – CC companies, NRA employees in CC)

IDI
interviews

Trust

Both companies and KAS employees emphasize good cooperation, understanding of both parties, conducting dialogue to clarify controversial issues, and flexibility in setting deadlines. Thanks to this, mutual trust is built.

Importance of personal relationships

The cooperation is based on open communication developed during the audit. The initial distrust as a result of many meetings and jointly reached solutions was eliminated in most cases.

A very important factor in building trust in CC is the auditor, who becomes the project ambassador for the company. It is common to expect that the lead auditor will be appointed as the company's mentor after signing the contract.

Competent partners

A high assessment of the auditors' substantive competencies is an important factor in the positive assessment of the pilot. There are still areas in which the level of substantive preparation of auditors requires improvement.

Success

Signing the contract is perceived as a success for the company and the employees involved in the project, as well as a factor in increasing the company's status.




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General assessment of the CC pilot after signing the contract – areas for improvement

-  **Risk assessment** Companies approach risk differently than public institutions (NRA and MF here). Risks that do not occur in a given industry (rarely occur) or are associated with small losses do not receive much attention in companies (after ensuring the financial security of a given risk). Audit procedures within the CC require these types of risks to be addressed, which is unjustified and generates excessive costs in the company's opinion.

Risk assessment is also the most frequently requested area for possible training by external advisors.

The pilot encountered additional schedule difficulties due to the involvement of external tax advisors (e.g. meetings and document transfer), but both entities and auditors acknowledge the value of their cooperation.
-  **External advisors**
-  **Organization of auditors' work** The need for some auditors to combine CC tasks with units' field tasks is still the reason for audit delays. Lead auditors have very limited influence on the working time planning of auditors from local units.
-  **Bad practices** From time to time, auditors happen to criticize companies' activities based on their non-substantive beliefs or attitudes.





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Cooperative Compliance Programme – Recommendations



Recommendation areas

-  **Communication** Activities targeted at CC internal stakeholders regarding communication between CC companies and NRA auditors as well as NRA internal communication.
-  **Promotion and consultations** Activities targeted at CCP external stakeholders (key entities). Undertaking initiatives promoting CC to increase the number of companies applying for the programme.
-  **Procedures for joining CC** Development of two paths preparing companies to join the CC, depending on the taxpayer's financial and tax situation.
-  **Pre-audit procedures** Actions aimed at improving procedures as part of the pre-audit to optimize them, accounting for the conditions on the part of companies and NRA.
-  **Taxpayer services under CC** Implementation of activities aimed at improving the quality of taxpayer service under the CC and implementation of service standards.



Recommendations on communication

- **Improvement of current communication on CC.** An important need expressed by companies both in and out of the Programme. It concerns transparent information materials and instructions for filling out documents (e.g. hotline). These materials are important at the stage of deciding to join CC.
- **Improvement of ongoing communication between companies and NRA.** In particular, it is advisable to organize regular NRA – company meetings within CC to monitor current CC performance. Effective communication is crucial to **building relationships** between the auditors and the taxpayer. It strengthens the implementation of the CC values and greatly facilitates the performance of both CC parties.
- **Improvement of internal communication within NRA.** It is imperative in the context of the specific nature of the auditors' work (double reporting lines; auditors from various field units): 1) Procedures for informing superiors about audit tasks; 2) Exchange of information between members of the audit team (competence centre).
- **Providing feedback in the pre-audit process** (systematically, on an ongoing basis). Much needed by companies at every stage of joining CC. It allows participants to maintain motivation for further work, plan tasks better and communicate the status of work on joining CC within the organization.



Promotion and consultation recommendations

- **Strengthening activities promoting CC.** Companies express the need to promote CC by, for example, disseminating the “success stories” of companies that joined the Programme, wider and more transparent information about the rules of joining CC, joining costs and changes in the Programme,.
- **Designing programme communication aimed at emphasizing the benefits of joining CC.** Particularly important for increasing the number of companies interested in joining CC as this group of companies expressed high concerns regarding the CC costs (emphasizing the tax security provided by CC).
- **Building awareness of the principles, rules and ideas of CC.** Enhanced knowledge of CC among taxpayers and auditors translates into better performance in the pre-audit (communication targeted at the population of large companies).
- **It targets information and promotional activities at groups of taxpayers who are not in the CC programme** and have low indicators of the likelihood of joining the programme (low profitability, high level of debt, low timeliness of submitting declarations, large number of corrections). It is recommended to organize information meetings aimed at these groups of taxpayers to provide information on the principles of CC operation.



Promotion and consultation recommendations

- **Taking into account the important role of tax advisors in making decisions about joining CC by companies.** Tax advisors play a key role in the decision, application preparation and the course of the pre-audit (e.g. their integration in designing changes to CC, information materials, and CC promotion).
- **Undertaking actions aimed at increasing the commitment of a bigger group of CC stakeholders.** Consulting CC's assumptions and planned changes with a group of recipients (key entities) may translate into greater readiness to join CC. New legal and organizational solutions, e.g. information materials, documents and procedures in the CC, and IT systems, were introduced in consultation with companies and tax advisors. Changes were designed with consideration to “user experience” and behavioural approaches.
- **Initiating activities aimed at increasing the number of companies applying to CC.** Using existing databases of key taxpayers to select companies with a good tax standing and initiating the CC application process by addressing invitations to taxpayers.



Recommendations for CC joining procedures

- **Development of two paths for preparing companies to join CC**, depending on their financial and tax situation:
 - "fast track" - companies that have better profitability, lower debt level, clearer tax situation, e.g. higher timeliness of submitting tax returns, lower number of disputes, lower number of corrections to tax returns. One of the borderline indicators may be the industry average.
 - "slower track" – for other companies.
- **Determining a transitional period that allows the taxpayer to adapt** to the requirements qualifying for joining CC. The programme should include companies with a clear tax situation (e.g. with resolved disputes) and a fairly good financial situation.
- **Preparation of indicators** based on which taxpayers wishing to join the CC will be classified into the "fast track" or "slower track", depending on the taxpayer's situation.
- **Providing a dedicated group of taxpayer advisors** on the NRA side to help companies adapt to the CC requirements, taking into account the specific nature of industries. Consultations with advisors can be facilitated with the introduction of chats with the machine learning option.



Recommendations on pre-audit procedures

- **Actions aimed at consolidating good practices.** The companies needed to conduct the initial audit based on cooperative spirit, flexible work schedule development, and ongoing feedback.
- **Development of pre-audit procedures.** The following were indicated as particularly important from the companies' perspective: specifying the list of economic operations, the type of transactions covered by the audit, and documents subject to audit (the issue of bilingual documents).
- **Improvement of technical issues.** Designing IT solutions addressing the need to send a large number and volume of files and improving the transparency of CC documents was indicated as particularly important.
- **Introduction of project management methodology to audit.** Both companies and tax advisors indicate the need to use project management knowledge/tools (e.g. project schedule, assigning tasks to people, feedback, an archive of correspondence divided into topics, data exchange, supervision over file versions, statistics, etc.).

Recommendations on taxpayer service within the CC framework

- Development of **taxpayer service standards in the process of applying to CC related to the quality of relations between taxpayer representatives and NRA auditors** (training in customer service, communication in business relations). This will make it possible to standardize the approach of NRA employees to taxpayers in this process and contribute to the elimination of bad practices.
- **Development of project management procedures** on the part of NRA supervisors. The procedures can help develop and enforce the pre-audit schedule, division of work between CC and field tasks of the auditors participating in CC, maintaining relations between taxpayers and auditors, and preparation for technical issues.
- **Training of NRA employees for CC.** There is still a need for substantive training (in particular in risk assessment and management) focused on building soft skills, exchanging experience, and coaching during the project.
- **Taking actions aimed at building teams of auditors.** This will translate into a positive impact on teamwork (developed communication and relationships within the team; positive exchange of experiences within the team, and exchange of observations regarding the taxpayer).



Recommendations on taxpayer service within the CC framework

- **Improvement of auditors' work organization.** Organizational difficulties related to the double subordination and territorial dispersion of teams are an important element of the auditors' work affecting the efficiency and timeliness of performed tasks. The creation of a Competence Centre partially eliminated problems in this area. Still, it is worth paying attention to how to organize the work of auditors from regional NRA branches.
- **Determining the working time** during the audit from the DIAS level for all Chamber units participating.
- **Recruitment of NRA employees to CC.** The auditors raised the issue of considering the aspect of experience and motivation.



SUMMARY

- **Mutual trust is the key value of CC.** It is the reason for taking action based on mutual understanding and mutual transparency. However, this change will take a long time.
- **In the respondents' view, CC may contribute to an increase in the implementation of the values on which it is based (mutual trust, understanding and transparency between the NRA and taxpayers).** Although this change process will be long-lasting, the experience of the first companies in CC has shown that this change is possible. The stability of the proposed legal solutions on which the CC is based and the constant dialogue with the CC's stakeholders (companies, tax advisors, and industry media) seem to be crucial in this respect.
- **The changes introduced by the MF trigger positive reactions** and improve the programme, but in the opinion of companies and tax advisors, they are insufficient. CC stakeholders expect similar changes in NRA's relations with other taxpayers.
- **Both auditors and company representatives place great emphasis on cooperation and personal contact between auditors and taxpayers** – a very important element that improves the Programme and builds trust between CC stakeholders.
- **The validity of the contract and subsequent cooperation arrangements are crucial factors.** Taxpayers rely on the unchangeable guidelines provided by MF/NRA to feel secure. Any doubts in this regard could erode trust and hinder the purpose of CC, ultimately damaging relationships based on mutual trust.

