



# Taxing Times: An Educational Intervention to Enhance Moral Reasoning in Tax

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Authors: Bergamaschi, E; Murphy F; Poland, CA; Mullins, M; Costa, A; McAlea, E; Tran, L; Tofail, SAM;

## SYNOPSIS

Before decisions are made about how to behave ethically, cognitive moral reasoning occurs. The importance of education in developing morally sensitive individuals who use principled moral reasoning has been widely acknowledged. The literature contends that moral reasoning might be enhanced through certain forms of interventions. This paper outlines the development and implementation of an on-line educational intervention designed to enhance moral reasoning in higher level tax students. The intervention was empirically tested for effectiveness through the use of a pre- and post-test and focus group feedback. On-line discussions were analysed to determine students' perceptions of salient ethical issues in tax. This work will inform future educators and researchers in designing effective ethics interventions.

## Introduction

Recent years have seen a growing concern regarding the ethical behaviour of tax practitioners. Shafer and Simmons (2008) suggest that some advisors have abandoned concern for the public interest or social welfare in favour of commercialism and client advocacy, and suggest that practitioners do not believe strongly in the value of ethical or socially responsible behaviour. There has been considerable debate on the nature of ethics in tax in the wake of recent alleged tax avoidance scandals involving large, high profile corporations such as Amazon, Google and Starbucks (Syal & Wintour 2012).

Before a decision is reached about how to behave ethically, cognitive moral reasoning occurs. The importance of education in developing ethically sensitive individuals who use principled ethical reasoning has been widely acknowledged (Pascarella & Terenzini 1991; Rest et al. 1999a; Doyle & O'Flaherty 2013). Rest (1986b) contends that ethical reasoning might be enhanced through certain forms of intervention studies. The literature indicates that the use of interventions involving discussion of ethical dilemmas produces development in moral reasoning and that interventions lasting from three to twelve weeks is ideal. Doyle, Frecknall-Hughes and Summers (2013) found that context is critical in determining how individuals approach ethical dilemmas, suggesting that

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instruction aimed at enhancing ethical reasoning be context specific.

If ethical standards in tax are to be encouraged, tax education must embrace effective methods of enhancing students' moral reasoning. This study provides a starting point by designing and empirically testing an appropriate on-line intervention and suggesting ways of improving it.

### Issues and Questions Considered

Kohlberg (1969) developed a 3 level cognitive moral development (CMD) model. At the pre-conventional level, an individual is focused entirely on him/herself. Behaviour appearing ethical is motivated solely by the desire to avoid punishment or because the outcome is favourable to the person. At the conventional level, an individual is concerned about family, society, the welfare of others and the perception that others have of him/her. At the post-conventional (principled) level, an individual is concerned about others in society and will act on their behalf even if that means breaking legal rules. There are two developmental stages within each level. These six stages determine the level of moral reasoning used by individuals in distinguishing right from wrong. The moral reasoning level therefore helps determine how individuals will behave when faced with an ethical dilemma.

Rest (1979) developed a test called the DIT to measure CMD in social contexts. The test measures the preference for the principled level of reasoning (Rest et al. 1999). Building on the work of Welton, Lagrone and Davis (1994) and Doyle, Frecknall-Hughes and Summers (2013), the aim of this study was to design an effective tax context ethical intervention and test its effectiveness in enhancing CMD using an instrument designed to capture moral reasoning in the tax domain as well as in the broad social

domain typically examined.

### Methodology

The ethical intervention involved engaging students in an online discussion of a range of ethical issues. Each discussion was introduced using stimuli designed to elicit debate. The moral reasoning of students in both a tax and a social context was compared before and after the online discussions. The social context moral reasoning was measured using the three-scenario DIT (Rest 1986). For the tax context, a tax-specific version of the DIT was used. In order to identify the issues perceived as important in guiding participants' reasoning and approach to ethical tax dilemmas, their contributions to the discussions were analysed. Salient themes were identified and are outlined below. Finally, in order to gather rich qualitative data on the intervention's effectiveness, a focus group was conducted to elicit views on the intervention.

### Discussion and conclusions

The salient issues that emerged from students' contributions to discussions included the perception that there is no place for ethics in the contemporary financial services environment, the perceived influence superiors have on recruits in terms of dictating behaviour and how impotent students felt they would be in the context of a strong organisational culture, the importance of maintaining integrity and professionalism where possible and, at a minimum, to comply with the law. However, students were primarily concerned with their own career prospects and their personal reputation, often at the expense of integrity and honesty.

The contributions suggested low level moral reasoning. However, discussions suggest this is because students perceive that standing up for principles

is not an option in the financial services and tax industries. They expressed a feeling of powerlessness in the face of an organisational hierarchy which gave no leeway for acting outside organisational norms. These findings suggest educators need to do more to raise awareness of ethics in tax and to go further to arm students with the tools and confidence necessary to tackle ethical issues in the face of organisational pressure to do otherwise.

Focus group feedback suggested the discussions were effective in broadening students' appreciation of ethical issues in tax. The benefits identified included the requirement to rationalise their ethical stance and the necessity for critical thinking. Students reported enjoying the discussions. That said, there were no statistically significant increases in their CMD scores in either a social or a tax context after the intervention. Two potential reasons are advanced. First, the possibility that students did not complete the pre-intervention DIT properly. Second, the overwhelming focus in all other modules on the programme on the capitalist model of maximising shareholder value may have caused moral reasoning to remain stagnant despite the intervention. Taking a full programme approach and incorporating ethical issues into all modules is likely to be a more effective way of enhancing CMD.

This research provides a platform from which other educators may build more effective ethical interventions in order to tailor modules and/or courses to emphasise the importance of ethics and develop initiatives to stimulate ethical development. The aim must be to ensure that we stem the growing concern regarding the ethical behaviour of tax practitioners by educating future tax practitioners appropriately.

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