

CURRENT STATE OF RESEARCH ON THE INTERACTION OF THEORY ON TAX EVASION AND THE DEVELOPMENTS IN THE FIELD OF DIGITAL TAX ADMINISTRATION

Tina Krieger, Mendel University Brno, Czech Republic

Abstract

Fairness in the sense of tax equality is a fundamental principle in modern tax systems, which needs to be protected for various reasons. This has become challenging for tax administrations – particularly in the digital age. On the one hand, digitalisation entails the danger of tax evasion and avoidance, but if used properly by the tax authorities, it may as well be a chance for more tax transparency. By surveying the existing literature on tax compliance in the context of digitalisation, this paper represents a first attempt to merge the rich research already done on the theory of tax evasion with the insights gained from the digitalisation efforts of tax administrations. The objective of this paper is to provide a solid starting point for further research in the area of digitalisation and fair taxation, addressing the research question: “How can digitalisation of the tax administrations contribute to fair taxation?” From the literature research, it became clear that there is no publication of a theoretical nature that systematically deals with the impact of the digitalisation of the tax administration on the objectives of fair taxation. However, our research revealed numerous literary references that provide a valuable starting point to unite the research streams and bridge the research gap identified.

Keywords: fair taxation, digitalisation, agency theory, theory of tax evasion, literature review

JEL codes: H26, H30

1. INTRODUCTION

Based on a database search using “Business Source Premier” and “EconLit” in English speaking peer-reviewed papers published in 2019, more than 7,724 articles including the word “digital” were identified. This analysis, applied to the period of 2015 as well to 2010, revealed 6,683 and 5,586 papers. Of the 131,362 scientific articles with the term

“digital” published in the last 50 years, more than 50% appeared in 2010–2019. Using all the databases available at EBSCO, including non-scientific sources, one discovers that 91% of publications on this topic have appeared within the last decade.

This little statistic is a testament to the increasing presence of digitalisation in our society: great upheavals have marked the past decade. Progressive digitalisation has proven to be an omnipresent trend that affects almost all areas of life: “Due to ever-expanding digital infrastructures, increasingly affordable means of access and rapidly improving digital literacy, this applies to countries at all levels of development and to nearly every economic sector” (Frach et al., 2017, p. 25).

How do people experience digitalisation, and what are their priorities in terms of policy? A survey conducted by the Friedrich-Ebert-Stiftung in Germany in 2019 (Kirchner) revealed the following answers:

More than two-thirds of the respondents are pretty open-minded about technological change and consider the benefits to be high or relatively high. However, almost as many of the respondents replied that in the context of digitalisation, not enough importance had been attached to the needs of people (Kirchner, 2019, p. 2).

As great as the hopes and the euphoria about this topic are, so are the reservations and the concerns. The question of whether digitalisation will improve the lives of people in Germany in the long term presents a mixed picture since almost half of the respondents answered this question in the affirmative, while more than a third does not see any sustainable improvement in living conditions (Kirchner, 2019, p. 2).

Regarding the impact of digitalisation on income equality, half of the respondents believe that digitalisation will further increase income inequality in Germany, while ten per cent are hopeful that digitalisation will lead to more equality (Kirchner, 2019, p. 2).

Digitalisation is therefore perceived as a question of power and distribution. This is also reflected in the question of which measures should be taken by policymakers as a matter of priority to make digitalisation better for people. Here, the more effective control of digital companies comes first (Kirchner, 2019, p. 2).

The above shows that digitalisation is transforming the way economies and societies work. This situation provides new opportunities for economic growth and improved living conditions, but it also bears the risk of deepening economic and social inequalities.

Due to these aspects, digitalisation is increasingly being discussed in the context of sustainable development of society. In the United Nations resolution on the Post 2015 Agenda for Sustainable Development, a wide-ranging framework with globally applicable Sustainable Development Goals (SDGs) was formulated.

One aspect that plays a vital role in this current debate is tax evasion, which can be encouraged by digitalisation: globally, mobile companies, as well as private individuals, are shifting profits and assets abroad. In many cases, taxes on profits are no longer incurred in the countries where the profits were made and which have made their infrastructure available for this purpose, but they are shifted to where favourable tax rates prevail.

News about Luxembourg Leaks (LuxLeaks), Panama Leaks and Paradise Papers or BEPS (Base Erosion and Profit Shifting) have contributed to the fact that digitalisation is often associated in public with unfair taxation.

In this context, tax legislation and the tax authorities are faced with the challenge of designing the legal and administrative framework so that the tax burden is distributed fairly.

SDG 10 (Reduced Inequalities) and SDG 8 (Decent Work and Economic Growth) are the two sustainability goals subject to tax law. In its 2019 Sustainability Report, the German Federal Ministry of Finance (BMF) mentions “tax justice in the national and international framework” as a prerequisite for a sustainable tax policy (Bundesministerium der Finanzen, 2019, p. 25).

Fairness in the sense of tax equality is a fundamental principle in modern tax systems, which needs to be protected for a variety of reasons: beyond the distributional impacts and ethical implications, unfair tax systems increase income inequality and may lower economic growth. Additionally, tax fairness may impact people’s willingness to comply since the disregard for fairness can jeopardise the so-called social contract between governments and their citizens (European Commission, 2015).

Solid economic development, therefore, requires a fair tax policy.

To ensure fair taxation, the cooperation of all parties involved in the taxation system is necessary: legislators, taxation authorities, taxpayers and tax professionals.

“Most economic analysis of taxation presumes that tax liability can be ascertained and collected costlessly” (Slemrod & Yitzhaki, 2002, p. 1426). This implicates that all that is needed is to create the right laws and that fair taxation is almost guaranteed. Over the last years, however, it was understood that there is also a need for an administration that can effectively enforce the law, and there has been increasing attention on the responsibilities of tax administrations and the concrete design of the tax enforcement process.

1.1. Objective and Research Question

Even though tax authorities are confronted with complex challenges for the reasons mentioned above, they are using the advantages of digitalisation.

While the digital economy is growing, tax administrations are transforming too. E-administration has been significantly strengthened, and tax administrations are upgrading using digital technologies to increase tax compliance. On the one hand, digitalisation entails the danger of tax evasion and avoidance, but if used properly by the tax authorities, it may as well be a chance for more tax transparency.

Aiming at contributing to this debate, we perceive the digitalisation of the tax administrations as an opportunity that can contribute to fairer taxation. Thus our overall research question is:

How can digitalisation of the tax administrations contribute to fair taxation?

This paper is intended to provide a first building block to answer our overall research question.

As shown above, digitalisation is a trend that has been shaping our societies at the latest since the beginning of this millennium with an ever-increasing speed. In contrast, science has been dealing with the subject of tax evasion in theoretical and also in empirical form for over 50 years. It is time to bring these two research areas together and explore the contribution that the rich research already done on tax evasion and compliance can provide for the age of digitalisation.

By surveying the existing literature on tax compliance in the context of digitalisation, the research question for this paper is:

Which concepts and research streams can be identified regarding the theory of tax evasion on the one hand and the topic of digital tax administrations on the other and which publications could provide content helping to merge these two approaches?

This paper aims to provide a solid starting point for further research in the area of digitalisation and fair taxation. This paper's primary considerations were summarised with the following abstract: "Fair taxation in the digital age: Literature Survey" (Krieger, 2020, pp. 93–95) and briefly presented at the 24th European Scientific Conference of Doctoral Students PEFNet 2020.

2. METHODS

Before explaining the underlying method of the literature search, it is necessary to name briefly the method by which the above-mentioned overall research question is to be investigated: here, use of new institutional economics (NIE) will be made.

Since NIE is considered a multidisciplinary area of research, linking the disciplines of economics and legal and organisational theory, sociology and anthropology (Obińska-Wajda, 2016, p. 79), this approach seems to be well-suited to address the research project.

Along with the theories of transaction costs and property rights, the principal-agent theory is one of NIE's main research areas. Due to the special relationship between tax authorities and taxpayers, we identified agency theory to be appropriate in our research context: assuming that the tax assessment process is characterised by information asymmetries that might hinder tax administrations from correctly determining the tax base, the work is based on the proposition that agency theory serves to illustrate these information asymmetries between taxpayers and tax authorities.

Based on Stoetzer (2012, pp. 30–32), the search for literature and sources was carried out in three steps: first, the relevant search terms were derived from the titles of the papers. These search terms were then used in library catalogues and article databases. Finally, from the literature and sources found in this way, those were selected that are relevant in the context of the research question.

From the overall research question "Can digitalisation of the tax administrations contribute to fair taxation?" the subject areas "(fair) taxation" and "digitalisation" can be derived. To consider the intention to use a principal-agent model to solve the research question, the topic area "agency theory" will also be considered.

To seek out the literature that is relevant to our research question and to approach the topic, we first screened various articles published in top journals. We then used the databases Business Source Premier and EconLit to perform numerous key searches.

The keywords (including corresponding synonyms) “agency theory” and the keyword “tax” or “digitalisation” were used in titles and abstracts. The scope was limited to peer-reviewed papers in English or German published in academic journals between 1969 and 2019.

The motivation for starting the database query in 1969 was the fact that important fundamental work on agency theory dates from the 1970s. The key term “tax” instead of “fair tax” was searched for in the first step because it became clear – even during a rough test – that there were hardly any intersections when the terms were combined. The search term thus had to be kept more general.

The search terms were successively combined with each other. The search for the isolated terms “digital,” “agency theory” and “tax” resulted in 90,724, 5,688 or 105,936 hits. The attentive reader will have recognised that these results differ from the figures given in the introductory chapter. This is because a full-text search was carried out in the introduction, while here titles and abstracts were browsed.

The search for the intersection of “digital” and “tax” led to 950 results. The intersections from “agency theory” and “tax” revealed 191, and the combination of “digital” and “agency theory” led to 26 papers.

The overall research question on which our research is based is described as being at the intersection of the three subject areas. Consequently, our research area can then be covered by the result of the combined query of the terms “agency theory”, “digital”, and “tax.”

The latter combination revealed only one publication.

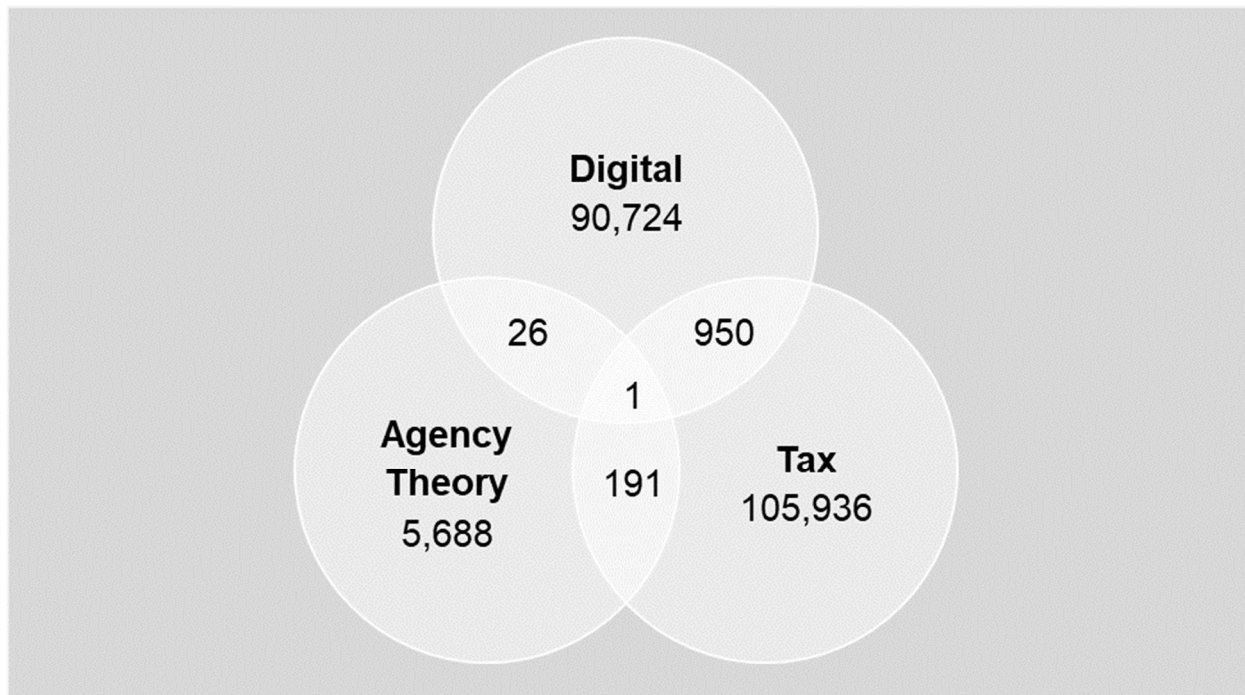


Figure 1: Identification of relevant literature

To obtain additional information on transferable topics and procedures, queries were carried out using the search terms in full text in various combinations. This served to gain insights into how questions are dealt with in other research areas and, if necessary, to find a transfer to our research question. Besides, the bibliographies of the works found were analysed, and thus further relevant literature was found.

3. RESULTS

In the following a selection of literature from the three above-mentioned intersections “agency theory”/“tax”, “digital”/“agency theory” and “digital”/“tax” is presented.

Although it did not appear in the context of the literature analysis since the survey was limited to the years 1969 to 2019, one title undoubtedly marks the birth of thinking about the design of modern taxation systems: the first generally accepted principles of taxation are to be attributed to Adam Smith. He published his work *An Inquiry into the Nature and Causes of the Wealth of Nations* in 1776. There he formulated four principles commonly referred to as the Main Canons of Taxation (Smith, 1776, p. 639).

3.1. Agency theory and tax

The intersection “agency theory”/“tax” was one of the three areas that were most marked by a large number of economic science articles.

Here it is worthwhile to classify the publications according to the following criteria: the objective stated by the author, the underlying research question, if applicable, and

the methods used. Finally, the relevance of this literature in the context of our targeted research field is summarised.

3.1.1. Theoretical models on tax evasion

The literature published during the decades 1970 till 2005 was nicely surveyed by Sandmo (2005, pp. 643–663). This essay was a valuable input for our literature analysis. The following papers from Sandmo's article appear to be relevant to the research question:

Sandmo's extensive literature review suggests that the starting point of the formal economic theory of tax evasion can be traced back to 1972, when Allingham and Sandmo published their work "Income Tax Evasion: A Theoretical Analysis" (Sandmo, 2005, p. 643). Even though Allingham and Sandmo did not explicitly describe the taxpayer as an agent and the tax administration as the principal in their economic analysis – indeed, they did not even use these terms at all – their work has provided the basic theoretical model of tax evasion to which reference is repeatedly made in a wide variety of publications.

The relevance for the research field of fair taxation and digitalisation is based on the fact that Allingham and Sandmo also assume an asymmetrical distribution of information between taxpayer and tax authority.

The formulated aim of that publication is to analyse the taxpayer's decision to what degree it would be of benefit to him to conceal a part of his income and thus to evade taxes (Allingham & Sandmo, 1972, p. 323).

In this context and according to Gahramanov, Allingham and Sandmo assume a rational, utility-maximising taxpayer whose benefit solely depends on net income. If evasion is detected, a penalty is imposed depending on the amount of income evaded (Gahramanov, 2009, p. 35). Therefore, the taxpayer's advantage depends on the probability of the criminal offence being discovered (Allingham & Sandmo, 1972, p. 324). In our view, this model is ideal to be modified and then used as a theoretical basis to represent the relationship between the taxpayer and the public authority in the digital age.

Another title that Sandmo mentions in this context is the work of Reinganum and Wilde in 1985 (Sandmo, 2005, p. 648). In "Income tax compliance in a principal-agent framework" Reinganum and Wilde compare different audit policies and examine them in terms of their impact on truthful reporting of income (Reinganum & Wilde, 1985, p. 1).

A further building block for developing the theory of tax evasion is the Holmström basic model. Holmström's model is based on Mirrlees' formulations (1976, pp. 105–131) and provides the mathematical framework for classical principal-agent problems: "The role of imperfect information in a principal-agent relationship subject to moral hazard is considered. A [...] sufficient condition for imperfect information to improve on contracts based on the payoff alone is derived, [...]" (Holmström, 1979, p. 74).

Spremann substantially refined the above ideas by presenting the LEN model. (Spremann, 1989, pp. 3–37). The LEN-Modell (Linear Exponential Normal Model) is based on the assumptions of linear incentive schemes, exponential utility function for

agent and normal distribution for performance measures (Ernst, 2009, p. 8). These assumptions lead to a considerable simplification of the mathematical handling of the fundamental agency problem (Velthuis, 1998, p. 53) and are therefore taken as a basis for the model developed in the context of our research.

With his work “The Tax Compliance Demand Curve: A Diagrammatical Approach to Income Tax Evasion”, Yaniv (2009, pp. 213–223) has made an essential contribution to making the mathematical theory of tax evasion, especially Allingham and Sandmo’s model, accessible to non-economists. His graphic representations can be referred to as illustrating the further development of the model of Allingham and Sandmo.

In the following, we refer to several papers which are closely related to the research question.

Within this literature survey, three publications have come up for attention which also modify the basic models in such a way that the tax authorities are treated as principals and the taxpayer as agent:

In their 1990 paper “Moral Hazard, Limited Liability and Taxation: A Principal-Agent-Model”, Banerjee and Besley extended Holmström and Mirrlees’ models by attributing the role of the principal to the government and the agent’s to the manager. The intention here was to consider “[...] optimal tax interventions when insurance markets are incomplete.” and to examine the implications of limited liability for losses for the design of taxes (Banerjee & Besley, 1990, p. 46). The question of Banerjee and Besley has a focus different from our research intention, namely by concentrating on liability issues and the design of substantive tax law.

At the same time, Neudeck and Streißler, who use the agency theory to determine the best possible company taxation from a fiscal point of view, should be mentioned here (1991, pp. 483–504) as well as the research of Swoboda on the influence of forms of financing on taxation (Swoboda, 1987, pp. 49–68).

Of the authors mentioned above, Holmström, together with Hart, was awarded the Nobel Prize in Economics in 2016 for his contributions to contract theory. Akerlof, Spence and Stiglitz had already obtained the Nobel Prize in 2001 for their study of markets with asymmetric information. Mirrlees and Vickrey were honoured in 1996 for their essential contributions to the economic theory of incentives at different levels of information of market participants.

3.1.2. Behavioural economics

In the years after 2000, the theoretical research on tax evasion was gradually supplemented by behavioural-economic approaches: here, Richard Thaler was awarded the Nobel Prize in 2017 for his contributions to behavioural economics.

An example of this is the work of McCaffery and Slemrod from 2004 *Toward an Agenda for Behavioural Public Finance*, where they discuss tax evasion in the broader context of behavioural public finance (McCaffery & Slemrod, 2004, pp. 1–28). Sandmo also points out that there are other aspects besides deterrence effects that promote tax compliance: “[...] people refrain from tax evasion [...] not only from their estimates of the

expected penalty, but for reasons that have to do with social and moral considerations” (Sandmo, 2005, pp. 649–650).

Barth, Cappelen et al. in their contribution *Fair Tax Evasion*, include fairness considerations into their research on tax evasion and develop a model in which taxpayers balance economic benefits and fairness considerations (Barth et al., 2006, pp. 1–26).

In 2008 Kirchler et al. presented the “slippery slope” framework. The novelty of their approach is that they argue that compliance can be achieved not only through traditional deterrence factors such as audit probabilities and fine rates but that, equally, a relationship of trust between the taxpayer and the administration plays a vital role in this game (Kirchler et al., 2008, pp. 210–225).

Additionally, Frey and Feld have made interesting observations on the subject of crowding out intrinsic motivation in connection with tax assessment and tax morality: they attempted to empirically analyse the interaction between tax administration and taxpayers based on Crowding Theory. They argued that taxpayers react thoroughly to how the tax authorities would handle them. In concrete terms, the taxpayers’ attitude to the payment of their taxes was supported or even increased if the tax authority treated them respectably (Frey & Feld, 2002, pp. 1–36).

Gordon (1989, pp. 797–805), as early as 1988, considered with his publication “Individual Morality and Reputation Costs as Deterrents to Tax Evasion” how non-pecuniary factors could be included in theoretical models. His primary focus is on the investigation of the relationship between the number of evaders and the tax rate. Changes in the tax rate are expressly not the subject of our study, as substantive tax law is not considered. However, the idea of introducing fixed “stigma” costs could be helpful to elaborate model implications for the impact of digitalisation on non-pecuniary factors.

In our mind, the integration of behavioural economic considerations is essential to assess the impact of digitalisation on a fair taxation system. We will, therefore, partly adopt and develop Gordon’s approach.

3.1.3. Agency theory and tax assessment

The development of theory since 1970 concerning tax evasion and the addition of behavioural economics to the approaches since 2000 have been presented on the preceding pages. Up to this point, the actual design of the tax assessment process had been still excluded.

Marhuenda and Ortuño-Ortín make use of agency theory to study an income tax enforcement problem where the government sets the tax and inspection functions (Marhuenda & Ortuño-Ortín, 1997, pp. 61–72). Their objective was to characterise the optimal audit probabilities and tax schemes when the penalty function is exogenously given to the principal (Marhuenda & Ortuño-Ortín, 1997, p. 62). Due to the concentration on penalty functions, Marhuenda and Ortuño-Ortín’s work plays a subordinate role in our research.

The only work that deals explicitly with applying a principal-agent model to the relationship between taxpayer and tax authorities and thereby evaluates the tax

assessment procedure as a whole is by Pauls (2013). Using a positive-descriptive approach, the application of agency theory to the relationship between tax authorities and taxpayers is argued (Pauls, 2013, 27 et seq.).

We consider our research in many points as a continuation and further development of Pauls' work, even if we follow the normative branch of agency theory.

All of the works mentioned above – including that by Pauls – were developed during a time when analogous technologies and paper-based assessment characterised the taxation process. The potential of digitalisation played no role in these investigations.

The following chapter will take this factor into account.

3.2. Digitalisation and (fair) taxation

There is a vast body of literature focussing on the challenges that the digital economy poses to tax systems. In contrast to the literature from the field described above, the subject of digitalisation and (fair) taxation is a much more recent field of research.

The literature sources also show this: there are no “classics” that have been quoted over and over again. Reports and project reviews published by multilateral organisations, institutions and universities dominate here.

Without claiming to be all-inclusive, a range of relevant sources for further developing our research is presented here.

The German tax lawyer and jurist Roman Seer is an expert in tax law and tax administration issues. He has accompanied the German tax legislation changes and commented on the associated developments concerning the taxation procedure. In numerous publications, he deals with the requirements that the constitutional state and the goal of taxation to conform with the German constitution place on the assessment process. His work reflects the development of tax enforcement over the last 20 years and therefore provides a wealth of starting points for answering our research question. In this context, the following publications are particularly noteworthy: “Concept of tax transparency” (Seer et al., 2019, pp. 549–573) and *The German National Report Tax Transparency* (Seer et al., 2018, p. 1). Here, Seer et al. describe the way how tax authorities obtain the necessary information to carry out the tax assessment process. He illustrates the legal basis and shows how digital technology has been embedded in the legal context over time. He is constantly emphasising the meaning of tax transparency. Here it is both transparent behaviour on the part of the tax authority towards the taxpayer and vice versa. Seer's publications play a role in our field of research since transparency can be an essential prerequisite for reducing information asymmetries in the tax process and thus contributing to fair taxation.

A comprehensive survey of some of the new research in public finance addressing tax administrations has been provided by Pomeranz and Vila-Belda (2019, pp. 755–781). In the context of taxation, their publication deals, for example, with the role of information and digitalisation, the taxpayer's behaviour and the interaction between taxpayer and authority. This overview has proved to be very useful to obtain starting points to further develop the basic model concerning the research question.

Jacobs (2017, pp. 25–55) is developing suggestions on how digitalisation can improve tax enforcement. He argues that digitalisation opens up effective options to assess the actual income of taxpayers. He emphasises using information technology to cross-reference information from different sources (third party data) relevant to the determination of the tax base. Besides, he elaborates ideas of implementing more sophisticated taxation systems by taking advantage of digital technology. Jacob's focus is to bring many exciting proposals for using digitalisation for a better taxation system. An empirical or model-theoretical analysis is not part of that publication.

Chen, Grimshaw and Myles (2017, pp. 113–145) point out the risks of digitalisation of the tax administration. They highlight that the tax administration's systems should be designed very carefully to assure that they do not motivate taxpayers to cheat.

Gathering comparative information concerning digitalisation of the taxation procedure among OECD's administration one does not get past the Tax Administration Series (TAS) (OECD, 2019) covering data of 58 advanced and emerging economies. These data are vital for describing digitalisation measures, and they might deliver starting points for case studies.

3.3. Agency theory and digitalisation

This area seems to be somewhat neglected. None of the 26 sources found within the intersection "digital"/"agency theory" appeared relevant to the research question. It is dominated by studies investigating the relationship between the authorities and the citizens within the framework of an agency model to derive solutions for corruption problems. The following publications can be quoted here as being exemplary:

Chedrawi and Fawaz (2017) study the Lebanese public administration for agency theory. In this way, they investigate numerous agency problems within the National Social Security Fund, particularly the risk of corruption, and look for ways to overcome this with the help of digitalisation measures.

Sing et al. (2010, pp. 254–275) empirically explore the extent of corruption in India, Fiji and Ethiopia, representing the three different regions of Asia, Africa, and Oceania, and search for approaches, how e-governance could fight corruption.

3.4. Agency theory and digitalisation as well as (fair) taxation

As already mentioned, the search in the intersection of all three areas delivered only one title. This is: "The Merit of the DATA Act to Enhance the Governmental Reporting Process: A Corporate Governance Perspective" (Errichetti & Roohani, 2018, pp. 107–120).

Errichetti and Rohani study an agency relationship linking taxpayers and government in the context of the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act is a US law outlined to make federal expenditures more easily accessible and transparent. The term tax is also used here – but not concerning an obligation of citizens to pay taxes, but to refer to the government's obligation to the taxpayer to

handle with care the tax money entrusted to it. So this is an agency relationship with the roles being reversed compared to our intention. Errichetti and Roohani use positive agency theory and do not intend to develop a theoretical-mathematical model.

Due to the reverse approach, with the taxpayer as the principal and the government as the agent, the investigations also lack direct reference to the topic of tax evasion. This is also reflected in the fact that the sources quoted by Errichetti and Roohani do not include any of those mentioned in chapter 3.1 or 3.2.

In any case, it is interesting to note his assumptions that information systems, and especially in the digital age, can make a decisive contribution to reducing information asymmetries.

4. DISCUSSION

One might ask what sense it makes to combine the long-established theory of tax evasion with modern digitalisation. Is it appropriate to squeeze a new dynamic, flexible development like digitalisation into an almost fifty-year-old framework? Moreover, is not the fact that there is hardly any literature found in the intersection of these two streams perhaps simply proof that these two fields do not fit together?

It almost seems that way: literature analysis has shown that two groups act apparently irrespective of each other. On the one hand, some deal with taxes and theory but hardly touch on the development of digitalisation. On the other hand, some are very actively and rapidly shaping the digitalisation of tax systems and publishing their findings on this. The latter group seems almost too involved to be able to dwell on theory.

However, if one looks more closely at individual sources, which was not the subject of this paper, one can see that these two groups are converging. In our opinion, the bridge here lies in behavioural economics. While theorists are increasingly taking behavioural, psychological aspects into account in their models, practitioners are also moving more and more towards attaching an essential value to the control of taxpayers' behaviour in digitalisation. The TAS study, for example, shows that digitalisation measures now cover the categories data and analytics, digital services, and administration, as well as behavioural insights and design (OECD 2019, p. 191).

Furthermore, it should be critically noted that due to the extensive literature dedicated discretely to the subject areas, this work could not possibly cover all possible overlaps. Therefore, the focus was on those literary references that would play a role in the further progress of our research.

The previous section is an incomplete review of an enormous body of literature with the primary goal of familiarising the reader and pointing out the research gap our research is intended to fill.

Focusing on the overlaps could lead to some literature being overrated while others have not received attention. This makes sense in order to identify a research gap.

However, to achieve the research goal of uniting the two streams of research, it is necessary to look closely at the literature found outside of the intersections. Otherwise, we might run the risk of overlooking work that has already been done and that, used creatively, can contribute to our objective.

5. CONCLUSION

This paper aimed to provide a solid starting point for further research in the area of digitalisation and fair taxation by evaluating the existing literature.

The analysis has shown that the theory of tax evasion, which is mainly represented by the intersection “agency theory”/“tax”, is increasingly shaped by concepts of behavioural economics and an interdisciplinary mixture of economic and psychological approaches. Largely uncoupled from this, research is developing in the overlap “digital”/“tax”. The latter is a much younger field of research. This also shows the dominance of published reports and project reviews in contrast to classical journal articles. The research field “digital”/“agency theory” is mainly unexplored concerning our research question.

The only article formally in the intersection of all three areas did not provide a straight link for our research, as no reference to tax evasion and thus no relation to fair taxation can be established here.

To sum up, it can be concluded that from the literature research, it became clear that there is no publication of a theoretical nature that systematically deals with the influence of the digitalisation of the tax administration on the objectives of fair taxation. In this regard, our intended contribution addresses a “white spot” that has not been explored yet.

Above all, the results of the mentioned papers demonstrate that a principal-agent model with certain modifications can be a viable concept in the field of tax evasion theory in the digital age.

With regard to the objectives of this paper, it can be said that the literature research revealed numerous literary references that provide a valuable starting point to unite the three areas and bridge the research gap identified.

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