An evaluation of a mass undergraduate research project addressing a real tax policy issue in real time. How can we make best use of those youthful enquiring minds at the same time as enhancing their learning experience?

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Abstract

In the first volume of the Journal of the Australasian Tax Teachers Association back in 2005, Dr Margaret McKerchar, presented an appraisal of “research-led teaching in the context of taxation” and posed the question: “Can both teacher and student benefit?”

This paper reports the lessons learnt from an undergraduate research project conducted in 2011 at the University of Central Lancashire (UCLAN) in north-west England. It confirms that the answer to the question is still “Yes!” and argues that it is possible to spread the benefits of research-led teaching beyond teachers and students and out to the wider University and taxation community.

These wider benefits can be achieved by challenging students to research a question where their findings will be of practical use (however small) and where the process is more than a mere academic or pedagogical exercise.

For their Coursework, 65 final-year accounting students at UCLAN were each tasked with researching the experiences of a different country in simplifying the taxation of micro businesses. They had to complete their work within a month of starting their study of taxation and then report their findings to the UK’s Office of Tax Simplification (OTS) who visited the campus to discuss these with them. The timing was tight because OTS was required to make recommendations to the Government for the simplification of the UK’s taxation system in early 2012. The intensity and diversity of the research activity posed a number of challenges for both teacher and students but it also provided many positive outcomes that could not have been obtained with the traditional, more leisurely, approach.

Drawing on this experience, the paper also examines the potential benefits of:

- a “flashmob” style of researching questions of tax policy and administration and
- harnessing the relative naivety of undergraduate students as a means of counteracting the “deformation professionelle” or “occupational psychosis” of tax professionals, whether they be administrators, advisers or academics.

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Introduction

You will find few (if any) references to pedagogic theory in this paper. It is an account of, and a reflection on, a research project that was organised on-the-hoof and with little planning. It was undertaken on the basis that we had little to lose by giving it a go and I’d worry about whether it worked in theory afterwards.

It was based on a research question found lying around in a discussion paper published by the UK’s Office of Tax Simplification. It needed addressing quickly but it was unlikely that anyone was going to have the time or other to address it.

I have only recently come into academia after 20 or so years as a tax inspector with HM Revenue & Customs and its predecessor the Inland Revenue. I had no research experience and less than a year’s worth of undergraduate teaching under my belt. You will probably find a great deal of naivety and lack of sophistication in the way I went about things. Despite this I believe both that the students benefitted greatly from it and, in a very small way, we will have had some influence on improving the UK Tax System.

While the delivery and organisation of this project can be improved upon greatly. I think there is scope to involve undergraduates in tax research. In particular I would suggest that all interested parties can benefit where their energies and enthusiasm are directed towards:

- a small discrete problem, that
- matters to someone other than their tutors, but
- is neglected because either it never quite gets high enough up the list of priorities of the tax communities, or needs addressing in a time scale too short for the normal academic research process, and
- outside recognition for their work can be provided before they have completed their studies

Teaching and learning taxation at the University of Central Lancashire (UCLAN) – tensions and dilemmas

The University of Central Lancashire (UCLAN) traces its origins back to 1828 and the founding in Preston of the Institution for the Diffusion of Useful Knowledge by pioneers of the Temperance Movement. It went through a number of changes before becoming a polytechnic in the 1970s. It was granted University status in 1992.

Senior management have a vision of UCLAN climbing up the national and international university league tables. Campuses are opening in Cyprus, Thailand and Sri Lanka and pressure is being put on admissions staff to improve the academic quality of the applicants we accept and on academic staff to “internationalise” their Modules; to incorporate “sustainability” and “employability” in every unit; and to deliver research-led teaching.
This creates something of a tension in the Accounting and Finance division of the Business School (and probably elsewhere as well). Most of our students live locally, many still at home; do not necessarily have the best of A-Level grades (otherwise many would have chosen older universities within daily travelling distance such as Manchester or Lancaster); and still expect UCLAN to meet its traditional role of providing higher education with a vocational emphasis.

How do we fulfil our obligations to these students while at the same time providing something that will encourage strong applicants from outside the Region or the UK to apply?

This tension is particularly strongly felt in taxation.

Taxation at UCLAN is taught only as a final year undergraduate module of 20 Units (equivalent to an Australian 8 UOC). The main institutional requirement of this Module is that successful completion of it should secure exemption from the foundation level taxation papers of the main UK professional accounting bodies – ICAEW, ACCA and CIMA. Of these ACCA’s F6 Taxation paper is the most prescriptive\(^3\). A recommended 350 study hours to master the material; it is heavy on ephemeral facts, low on higher level skills. It is essential preparation for those who are going straight into work as ACCA trainees; a waste of time and effort for most of the students. (In my opinion, anyway.)

I was disappointed with many of the students’ performances in 2010-11. Many apparently capable students seemed to throw marks away through lazy rewriting of secondary sources, or failing to reference and acknowledge their sources. On the other hand, though, there were some excellent and perceptive pieces of work critiquing parts of the Mirrlees Review of the UK tax system – bringing out aspects of the lived experience in Preston to challenge the theory. It seemed a great shame that these insights would only ever be shared with me and that those students had put so much effort into something that would simply be shredded

Setting that incorporated those issues that the University believes to be important but with the flexibility for students to determine and concentrate on what mattered most to them seemed to be a way of reconciling one dilemma.

The positive tone of Margaret McKerchar’s 2005 paper suggested that getting undergraduates involved in research could produce many benefits. My first thoughts were that it might be a way of encouraging capable students to achieve those higher grades (which affect UCLAN’s rankings) without us having the pressure to inflate grades beyond those appropriate to the standards demonstrated. That would resolve a second dilemma. It could also allow the students to feel they were making some practical use of the work that they put into their studies.

It was now simply a question of finding a research question where I felt I could usefully guide the students given my own limited experience.

The Office of Tax Simplification

Before the UK General Election of May 2010, the UK’s Conservative Party made a commitment to improve the tax system:

We will restore the tax system’s reputation for simplicity, stability and predictability. In our first Budget, we will set out a five year road map for the direction of corporate tax reform, providing greater certainty and stability to businesses. We will create an independent Office of Tax Simplification to suggest reforms to the tax system.  

At the same time as it was promising to set up an independent Office of Tax Simplification, the Conservatives were also undertaking to ‘curtail the quango state’ and to reduce government spending. It was always likely, therefore, that any such Office would not be a large organisation, even if the Conservatives had been able to form a majority Government. The actual outcome of the election was a hung parliament and the establishment of a coalition Government between the Conservative and Liberal Democrat parties. The Liberal Democrats had stood on a platform of ‘fair taxes’ and promising ‘the most radical tax reform in a generation cutting taxes for millions paid for by closing loopholes at the top...’. While these objectives need not have been inconsistent with a desire to simplify the tax system, the pressure from the Liberal Democrats will have been for any research and policy making resources within the Treasury or HM Revenue & Customs to be directed towards other priorities.

The Office of Tax Simplification (OTS) was formally established, in July 2010 “to provide the Government with independent advice on simplifying the UK tax system”. It is officially part of the Treasury and has a secretariat of 3 permanent civil servants. It does maintain a level of independence in having both the Chair and the Tax Director appointed from outside the current administration. The Chair is a Treasury Minister from the last Conservative Government in the 1990s and the Tax Director is John Whiting OBE, who is also the Tax Policy Director of the Chartered Institute of Taxation and a judge in the First Tier Tribunal. Most of the work of the Office is performed by external secondees from the legal and tax professions. In a recent television discussion (regarding the level of Corporation Tax paid in the UK by Starbucks) John Whiting was asked about how many people he had working on simplification. His response was that, “We have a staff, effectively, of slightly under six.”

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4 “Invitation to join the government of Britain –The Conservative Party Manifesto 2010”. Page19  
http://www.conservatives.com/~/media/Files/Activist%20Centre/Press%20and%20Policy/Manifestos/Manifesto2010

5 Ibid. Page 81

6 Ibid. Passim

7 “Liberal Democrat Manifesto 2010”. Page 9  

8 http://www.hm-treasury.gov.uk/ots.htm

9 http://www.hm-treasury.gov.uk/ots_biographies.htm

10 BBC “Newsnight” 19 October 2012
On 28 July 2011, OTS published a discussion paper\textsuperscript{11} on simplifying the tax system for the smallest unincorporated businesses. At the same time it announced a consultation that would run for 10 weeks from the publication date, closing on 7 October 2011. As part of the consultation they would be hosting a series of meetings and workshops in September and October 2011 and they “would welcome offers of meetings from interested parties”. They would be issuing their final report before Budget 2012\textsuperscript{12} (which is usually delivered in March).

The discussion paper included a short discussion on the use of non-profit measures as a basis for taxing very small businesses. It described the opinions of those who had been involved at an earlier stage in that particular project

\textit{Although such non-profit measures are used in other countries, many members of the consultative committee strongly believe that such measures would not be appropriate for UK businesses. Others suggest that there might be a place for these methods in simplifying tax for the smallest businesses. Further research is needed to understand how these measures work in other countries and how successful they are in simplifying taxation for the smallest businesses.}\textsuperscript{13} (Emphasis added)

A potential undergraduate research project? – A visit to Whitehall

Following the publication of the report, I called OTS and arranged to discuss the possibility of the accounting undergraduates in Preston making a contribution to the simplification project. On 18 August, I met with two of the OTS secretariat at the Treasury offices on Horse Guards Road, Whitehall.

We established the following:

- OTS did not then have a budget to fund outside research – it had identified a number of areas where this would be useful but would be unable to follow many of these up. Anything that the students produced would be better than the nothing that would exist otherwise.

- OTS had a number of simplification projects running or planned, all of which had areas requiring research. We considered these before settling on small businesses. Some (such as simplifying tax for pensioners) would have required primary research with individuals – the research ethics clearance would have been hard to arrange in time and also difficult to manage in practice given the number of students. Others (such as share option schemes) were too specialised and did not

\textsuperscript{11}\textit{\textquotedblleft A simpler income tax for the smallest businesses: a discussion paper	extquotedblright} \hfill \textit{\textcolor{red}{http://www.hm-treasury.gov.uk/d/ots_tax_for_small_business_discussion_paper.pdf}}

\textsuperscript{12} Ibid. Preface

\textsuperscript{13} Ibid. Page 13
fit well with the requirements of the Module syllabus or the experience of the students.

- Research into how non-profit measures worked in other countries would contribute towards my need to “internationalise” the module; could be done at the desk (but need not be restricted to that); what might be sacrificed in depth could be made up for in breadth if each student (or group of students) looked at a different jurisdiction; would enable the students to make use of the accounting skills that they had acquired in years 2 and 3, but would not necessarily require any detailed knowledge of taxation.

- OTS did have a small budget for hosting their workshops and seminars, but this did not stretch much beyond their own travel expenses and providing tea/coffee and plain biscuits to those attending. They had had few invitations, and certainly nothing from North-West England. They would welcome an invitation to Preston if we could use our contacts with local businesses and professional advisers to recruit viable numbers for a workshop. A visit to UCLAN would give the students the opportunity to present their research findings to OTS and, in turn, OTS would be happy to give a presentation to the students.

- Even if things didn’t work out, we’d both be able to learn lessons on how to approach things in future. I was very new to academic research. The idea of meetings with “real” taxpayers and advisers was still a novelty for the Treasury and they were still learning how to make the most of the limited resources available to them.

- Time was of the essence for both of us. I needed something where students could complete, and see the results of, their work within the academic year; OTS were governed by the deadlines agreed with Ministers and dictated by the annual Budget timetable.

We agreed that OTS would visit on 20 October. This was outside the date for formal responses to the consultation but still in time for the students’ findings to influence OTS’s recommendations. However, with Module teaching only beginning on 15 September, it did not give much time for us to complete the work. (But at least it would mean that, if the research project didn’t succeed as an appropriate piece of assessed coursework, there would be time to replace it with something more traditional.)

The Research Project

The task which we set the students was to attempt to answer the question posed by OTS is their discussion paper – how successful had other countries been in simplifying tax for the smallest businesses? Each student would be asked to research a single jurisdiction (or, for those who wished to work in groups, the equivalent of a jurisdiction each).
The result of their research was to form the bulk of the coursework element of the Module and would count for 35% of the total marks available. The normal split of marks in the UCLAN accounting modules is 30% coursework and 70% examination. To signal to the students the significance of the work they were being asked to do, the weighting for this Module was changed to 40%/60% - the most that could be allocated to coursework and still maintain the accounting exemptions. (There was a general requirement for two pieces of coursework – the balance of 5% was given for an in class test used as preparation for the final exam.)

Given the tight timescale the Coursework was given out at the first lecture. A copy of the document (and some of the other teaching materials) is included as an appendix to this paper.

At this first session, some 65 students were introduced to the project that they would be undertaking. It was stressed that no one individual was expected to come up with a definitive answer as to how the UK should simply tax for the smallest business, but that, collectively, we might discover patterns and areas for further investigation that OTS could build on and that would inform the recommendations which they would make.

The students were encouraged to think carefully about what they wanted out of the Module and to make the most of the opportunity that this research project would give them. Did they want, for example:

- Factual knowledge to support a career in accountancy or taxation?
- Evidence of skills to support your CV or statement of competences?
- Just a good mark?

This was supported with an exercise comparing the skills and knowledge which employers and university lecturers each believed an undergraduate tax module should deliver, and inviting the students to begin thinking which learning outcomes would be most meaningful for them.

Countries were allocated immediately after the first session, and the students tasked with researching some general information on their allocated territory. The allocation was done on a more or less random basis, except that:

- Overseas students were encouraged to research their home jurisdictions – both because this may of more personal use to them (given the heavy UK bias of most of the module) and in the hope that they would be able to access more sources that a UK researcher might not find in the time available or would have difficulty with the language
- Preferences expressed by other students were honoured where they had particular language skills, family connections with a country, or it complemented work they were doing in another module.

The jurisdictions I selected consisted of:
- those already identified by OTS in their discussion paper.14

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14 Pages 25-29
• those identified in the readily accessible literature as having presumptive schemes
• all of the European Union (to capture any common European issues that the UK would also have to take into account)
• Commonwealth countries on the assumption that they will have had an income tax system similar to the UK’s

Given the absence of any real scoping work for this project, it was probable that some students would be overwhelmed with material while others would struggle to find anything. It was emphasised that grading would be based on what each of them had achieved based on what was available, rather than against some absolute criteria. Accurately reporting the absence of a simplified system (or the lack of readily available information) was just as valuable to the project as detailed case studies of the success or failure of systems that had been implemented elsewhere.

I also took a country and researched this alongside the students, sharing my seminar preparation and research diary with them on our online learning system. This was essential as I had not had chance to test how reasonable or do-able was the task that I had set. It also seemed to be a more effective medium for discussing research methods and difficulties than the traditional face-to-face methods used for most the Module.

Following the initial Module meeting we had 4 weeks-worth of timetabled learning sessions (1 hour lecture and 1 hour seminar each week). Lectures were devoted to covering the principles of taxation and introducing the current UK rules for taxing small business.

The seminars concentrated on the research work and preparation of the individual country reports for OTS. These gave the opportunity for students to share their progress with each other, for us to address common questions or areas of difficulty, and to explore how they could get the most out of this exercise in terms of careers and personal development. The groups (up to 20 students) were too large for any individual student to have much in the way of personalised feedback or support.

To overcome this, my initial plan had been to organise smaller formal seminar groups, but this was thwarted by the UCLAN having introduced a new computerised timetabling system which was not working as smoothly as promised, making it impossible to book new rooms and co-ordinate timetables in those first few weeks of term. Instead, discussions were set up online (though only a handful of students took advantage of this) and daily drop-in sessions in the University library’s “study pods” (which could be booked independently of the normal teaching rooms, but only a few days in advance) or one or other of the various campus coffee bars depending which one had the most space. Although these arrangements had been forced on us by circumstances, their ad hoc nature did seem to encourage more of the students to share their incomplete work with me and others, and added to the “buzz” that we were engaged in something significant with a deadline of real significance, so that we couldn’t wait on the University to sort itself out at a normal academic pace.
The strict deadline was accepted by all of the students, and indeed welcomed, by many of them. Their two-page reports had to be with me for the afternoon before the OTS visit, in time to be sorted, copied and given to them as soon as they arrived. Timeliness and effective referencing were given as the two most important criteria by which their reports would be judged – it didn’t matter how brilliant something might be if it was too late to influence policy it would be worthless; better to have something adequate on time than perfection a day late. (Provided a genuine effort had been made to produce such a report, students were promised, and given, the opportunity to improve it later before a final grade was given.)

Students recognised that someone (other than a tutor) would be reading their work and would want to make use of the information in it. They recognised that referencing mattered and performed much better in this respect than they had in other written coursework that I had seen. While referencing was essential, academic styles were discouraged for this particular exercise – life’s too short for “Harvard” and would be of little practical use to most of them ever in the future.

The Visit from OTS

The timetabling and booking difficulties on campus, also led to difficulties making arrangements for OTS’s visit to Preston. But, in the end, this again provided unexpected benefits. The room bookings for OTS’s workshops could not be finalised until very shortly before the event. We could not get a room for the whole nor were the rooms the best we had to offer. This provided opportunities for the students to get involved in a practical way – arranging car parking for visitors and escorting them around campus, sorting out the refreshments, rearranging furniture, etc. Particularly for those less confident of their intellectual abilities, it allowed them, to talk on an informal basis with the members of OTS and the visiting accountants and small business owners. I doubt they would have been as willing to do so in the more formal session (nor would there have been the time for them to do so).

OTS hosted a breakfast and lunchtime sessions with small business owners and local accountants (a number of whom had been recruited by the students from their summer placements or other connections). I had managed to persuade the Dean of School to come down for the start of the events to welcome the visitors which gave some further reassurance to the students present that their work had been worthwhile.

In the afternoon, OTS joined the students. Three members of the OTS team came: John Whiting, the tax director; Jeremy Sherwood, the Office secretary; and an accountant in practice seconded to the team. John agreed to give a presentation on the complexity of the UK tax system and the work of the OTS and Jeremy gave the students an insight into how tax policy was negotiated within a coalition government. There were no secrets revealed but the students did seem to feel as though that he been let in on something they hadn’t expected to be party to. I had given OTS copies of the students’ reports the evening before, as two of them had travelled up in advance, and it was pleasing to see that, although he had been unable to study them in detail, John had clearly taken the time to look at what they had produced. He expressed his thanks, explained how their work
would contribute to the wider project, and welcomed contributions towards answering some perennial questions such as: how do we define ‘small’?

**Following-up the initial reports**

I had planned to give all the students detailed feedback on their initial reports before breaking up for Christmas. This was overambitious. I had overestimated how interesting and challenging the technical content would be, and also how far guidance would also be needed on improving basic skills. Things were not helped by the norovirus (or something similar) knocking all of us sideways, but even without that I would not have been able to keep to the planned timetable. The feedback when it came was well-received, but was too late to help students improve their Semester 2 performance in other modules as much as I had hoped.

The students were asked to produce a longer piece of work following up on their initial report. For most of them this was a deeper treatment of tax simplification in their allocated country. They were given the freedom, though, to suggest another, related, topic where their initial researches had produced little or some other topic had produced something else of interest. A couple of Muslim students explored the zakat. The person who had looked at New Zealand was a joint honours accounting and computer science student. He had noted the constraints of the computer system had been one of the factors influencing simplification in New Zealand. Rather than follow up the country’s specific issues, he produced a detailed historical review of the UK’s tax computer systems and identified possible barriers to simplification here.

My hope was that the students would be able to do a small piece of original research as part of the preparation for their second piece of written work, but again I was overambitious in this. The idea was that they would contact someone in their country who might have practical experience of how the simplified system was working there that wouldn’t necessarily be captured in the official or academic literature or usual press reports: maybe a chamber of commerce, local accounting body or undergraduates studying tax at university there. We would not confuse anecdote with data but collectively I had hoped we might be able to see if there were any issues that were being overlooked or discounted by the expert commentators. With the time we had available, that wasn’t possible but I would try to plan better for some exercise along these lines if I were to run a similar piece of coursework again.

Students were also asked to submit a research diary and a piece of reflective work. These assisted as a check on individual contributions were students had worked in groups, or where there may have been a temptation to buy finished work from fellow students or over the internet. It also provided an audit trail for those students whose initial reports may have appeared weak at first sight and for them to demonstrate that they had worked effectively and had identified as much relevant information as could be expected in the time we had available.
Practical outcomes

OTS published their final report in February 2012. There was a generously (and carefully worded) acknowledgement of the contribution made by the UCLAN students:

_We are grateful to the students at the University of Central Lancashire who carried out a research project for a module on taxation during their 2011 autumn term, guided by their lecturer, David Massey. The project was to identify and research alternative small business tax systems around the world. Although this was only at an initial level and based on desktop research, we were impressed by the quality of work produced by many of the students. Their work helped us identify trends and alternatives for further investigation._

“[T]he quality of work produced by many of the students” was indeed impressive. The quality of the work of others, however, was poor. That was to be expected given the breadth of abilities and backgrounds amongst our undergraduates. The advantage, I think, of doing such a project en masse is that there will be sufficient good work to make the exercise worthwhile. I didn’t spend time in advance (mis)identifying only those students who I thought worthy of participating; everyone who enrolled on the Module was given the chance to demonstrate what they could achieve. It may be that the one country that held the answer to a successful reform of the UK system was researched by a weaker student who failed to identify the point, but that was a risk worth taking. We were more likely to find something useful with 65 young people of mixed abilities busy searching and debating together intensely for a month, than we would have done with a handful of PhD candidates working at the traditional, pedestrian, academic pace.

Speaking with members of OTS subsequently, they have confirmed the value of what we had done. Our research had helped narrow down the most promising areas for further research. With this done they could make specific requests for information and assistance from other bodies such as other parts of the Treasury, Foreign Office, and overseas tax authorities. They would not have been able to make general approaches asking for information on simplified systems. I could recognise some of the material prepared by the students reflected in the “International examples” appendix to that final report.

Benefits for the students

OTS’s acknowledgement may only have been in footnote 87, but it was appreciated by the students. They now had external, public validation of the work they had done.

For those that who chose to make use of the research experience, they now had verifiable evidence to support their assertions when writing competency statements and the like. Not only the more straightforward competencies such as effective time management or team working but also some of the more awkward ones, for example:

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16 Ibid. Pages 47-50
• Understanding the validity, relevance and limitations of different sorts of information
• Making timely decisions based on the best information available

They also each now had a subject “Taxation of small businesses in X” on which they could speak for 10 minutes as the expert in the room either at interview or in more informal situations.

It is hard to make any valid statistical comparisons of the effect on the final grades of the students. This was my first full year teaching. My impression is that they were higher than they would have been if I had set a traditional essay. Partly this will be because the requirements of their research task. I made it hard for those students capable of first class performances to carelessly drop marks by failing to use primary sources, not producing original material or forgetting the referencing. Partly it was because I felt more confident in using the full range of marks up to and including 100%. I was comfortable that the project had fully tested the wider abilities expected of honours graduates such as:

• an appreciation of the uncertainty, ambiguity and limits of knowledge
• the ability to manage their own learning and to make use of scholarly reviews and primary sources (for example, refereed research articles and/or original materials appropriate to the discipline).
• [the ability to] communicate information, ideas, problems and solutions to both specialist and non-specialist audiences.  

Above all, though, most of us seemed to have enjoyed ourselves tackling something new and meaningful. It was hard intense work but, for most, not the chore that some purely academic exercises can be.

A few students, in their reflection and formal feedback, expressed the view that they would have preferred to write a more traditional essay but the general response was positive. As one student put it:

_The coursework set in AC3600 arguably answered one of my own personal grievances with coursework in general, in that coursework is very rarely grounded in reality or interacted with by people beyond the marker. By being presented to the OTS and used as groundwork for their own future research leading to government recommendations, it made the coursework both meaningful and engaging as it would have real world implications._

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http://www.qaa.ac.uk/Publications/InformationAndGuidance/Documents/FHEQ08.pdf

18 Student 20342223 – extract from reflection on the Coursework
Benefits for the institution

The project enabled the University to raise its profile with Government and local businesses.

It also enhanced the reputation of the Accounting & Finance Division and the Business School within the University.

Concluding thoughts – the wider benefits of this type of project

I have not yet explored this as much as I had hoped but I feel the main benefits to the wider world of taxation from this sort of research are not from the content of the students’ output (which will always be limited) but that their active presence in any debate will help challenge the assumptions of other, experienced actors.

Undergraduates (whether in accounting, law or economics) should be in the happy position of understanding enough of their discipline to be able to debate it sensibly, but without having yet been captured by its conventional wisdom. And certainly for a provincial mid-ranking institution like UCLAN, they have lived experiences very different from those in senior positions in the profession, government or academia. They may well be members of those “hard-to-reach” groups, which traditional researchers are unable or unwilling to engage with.

Some of the issues that came out of this project that I do not think would have been revealed by traditional research.

- My assumptions about what was complex about our current system, and what measure would simplify things were challenged effectively by students who were struggling to understand the workings of the system. Too often all the simplification is done by groups of us who, by the nature of our involvement, are comfortable with taxation. OTS made a positive move in going out to speak with practitioners and taxpayers outside of the usual suspects in these consultations, but even these will exclude those who have most difficulty with the system.

- The poor work of some of the students surprised some of the members of OTS. I had to explain that what they (and I) saw as inadequate writing and number skills were probably average for what the UK education system was producing. While our students weren’t necessarily the most well educated of their generation, they were all probably in the top half. If we are going to simplify a system for genuinely small businesses, well-educated policy makers and administrators need to appreciate that these will include many taxpayers with numeracy and literacy skills well below those that they might assume.

- The students’ general opinion on the use of non-accounts measures differed sharply from the feeling of many of the OTS’s consultative committee who “strongly believe(d) that such measures would not be appropriate for UK businesses”. The committee was largely made up of experienced tax professionals.
rather than those who would actually benefit or suffer from a new system. It is possible that the conversations OTS had with our students strengthened the position of those within OTS who wanted these options explored in more detail rather than dismissed out-of-hand.

- The students’ researches suggested that the evidence on which some international bodies were basing their recommendations for tax simplification was very thin (or at least poorly evidenced). The same anecdotes were repeated. Supposedly, country specific reports were largely cut-and-pasted from earlier reports. There was too little sign of detailed research to support their conclusions. Not unnaturally, a number of students were quite passionate about this – why were the professionals allowed to get away with this sort of things, when they were being pulled up by me for failing to provide evidence for their assertions and failing to reference adequately.

This final bullet point is, for the moment, just an impression but I do intend to research this more fully over the next year to see whether our initial thoughts on the weaknesses of those official reports are justified.

David Massey

Preston, UK. January 2013
AC3600 Coursework 1  2011/12

Hand out date: 17 September 2011

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<th>Deadlines</th>
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<tr>
<td>Thursday 20 October 2011 (to be confirmed)</td>
<td>Presentation and discussion of initial research findings – to coincide with visit from the Office of Tax Simplification</td>
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<tr>
<td>Thursday 3 November 2011</td>
<td>Submission of reports and research diaries</td>
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<td>March 2012 (the Thursday of the week following the Budget)</td>
<td>Submission of reflective report and incorporation of feedback</td>
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Learning Outcomes

This Coursework will contribute towards the assessment of the following Module learning outcomes:

- Critically evaluate the economic and social aspects of taxation.
- Evaluate the present UK system of taxation and recommendations for future tax reform.

Your Coursework consists of:

- Researching a given aspect of the tax system of another country
- Recording how you conducted your research
- Reporting your findings
- Evaluating:
  - how we could apply the results of your research to the UK tax system, and
  - how you can apply the skills you have developed during this Coursework in future assignments

Background

In July 2010, the Chancellor and Exchequer Secretary launched the Office of Tax Simplification (OTS) to provide the Government with independent advice on simplifying the UK tax system.1

One of the areas that the OTS is looking at is the simplification of tax for small businesses.

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1 You can find out more about the work of the OTS on the Treasury website at [http://www.hm-treasury.gov.uk/ots.htm](http://www.hm-treasury.gov.uk/ots.htm)
On 28 July 2011, the OTS published a Discussion Paper – “A simpler income tax system for the smallest businesses”.2 This is part of a consultation on the need for simplification in this area of taxation and on the desirability of each of the options for reforming this part of the UK tax system.

One of the options for simplifying the system is to use non-profit measures as the basis for taxation. As you will soon discover from the Module lectures, calculating taxable profits based on accounts can be very complex even for the smallest businesses. Could we improve the tax system in the UK by allowing the very smallest businesses calculate their tax without having to draw up accounts and then adjust them for fiscal purposes?

The OTS paper identifies a number of alternatives, as outlined in the extract below:

(B) Using non-profit measures as the basis for taxation

2.10 A more radical approach to the taxation of the smallest businesses would be to use, as some countries do, non-profit measures as the basis for taxation. The tax charge could be calculated on:

- Turnover, which is used as the basis for taxing small businesses in a number of countries, including France, Poland and South Africa. Variations include using adjusted turnover, for example, by removing employment related expenditure, and using a previous year’s profit figure uprated by a specified amount.

- A flat charge on the business, comparable to the TV licence fee, where there is a single fixed tax charge for being in business. This approach is used in a number of Central and Eastern European countries.

- “Indicator based” measures where, for example, the tax charge is fixed by reference to number of tables in restaurants, the footprint of the business premises, or the number of employees. Indicator based measures are used in Spain and in Poland.

2.11 Although such non-profit measures are used in other countries, many members of the consultative committee strongly believe that such measures would not be appropriate for UK businesses. Others suggest that there might be a place for these methods in simplifying tax for the smallest businesses. Further research is needed to understand how these measures work in other countries and how successful they are in simplifying taxation for the smallest businesses.


As the Paper points out, many other countries already use non-profit based measures but, before any decisions can be made about whether they would be appropriate for the UK, we need more research to:

2 http://www.hm-treasury.gov.uk/d/ots_tax_for_small_business_discussion_paper.pdf.
• understand how these measures work in other countries
• establish how successful they have been in simplifying the tax system.

Your Coursework will contribute to this research.

You will each be allocated a country. You will need to find out for your country:
• what non-profit measures it uses for taxing small businesses
• how it has dealt with the various difficulties associated with these special schemes, such as defining what “small” is; tailoring the scheme for different trades or regions to make them fairer; or managing the transition to normal taxation as businesses grow
• what problems have been identified with the schemes
• whether the schemes have produced any additional social or economic benefits

We will discuss these points in more detail in the seminars.

**Assessment criteria**

This Coursework is worth 35% of your total Module marks.

The work will be marked in 5 sections. Each section carries equal weight:

1. Preparation for, and contribution in, seminars
2. Initial report (due 20 October)
3. Final report
4. Research Diary
5. Reflection

Two particular aspects are essential to achieve good marks for this Coursework:

a) Timeliness
b) Referencing

There are practical reasons for each of these which go beyond the usual academic requirements.

**Timeliness**

The OTS has to finalise its final report on alternative systems for taxing the smallest businesses before the 2012 Budget (which will probably be in March). To achieve this they need to start work on reviewing the responses to the Discussion Paper early in October 2011 and then will have to spend time refining options and developing the evidence to support any recommendations.

It doesn’t matter how brilliant your Coursework may be, if it is not ready by the deadlines, it will be too late to consider its findings. It will be virtually worthless for the purposes of this project.
Referencing

Referencing genuinely matters for this Coursework, it’s not just some academic exercise.

Unlike much Coursework which will be read only by your tutor and probably never looked at by anyone else ever again, your work here may be used by a number of people. They will want to follow up your findings and will need to check the original sources before they use them to support their own conclusions.

Full academic referencing is not required. Do use Harvard style for academic papers but for other materials follow the examples in the footnotes of the OTS Discussion Paper.

Plagiarism

Co-operation and team work is positively encouraged during the research phase of this Coursework. What you must do though is record fully in your Research Diary the assistance you have received from (and given to) other people.

Accurate reporting of the factual information that you discover is also important. But if you merely copy out (or cut-and-paste) the details you find you will not achieve high marks. This is because the information that you need to include in your Coursework is unlikely to be in a format that is suitable for your audience. You need to take the information, understand it, and the re-present in a suitable way.

Seminar work

We will do work towards the initial reports each week:

1. Background to the economies of each country and the identification of promising sources of information.

2. Establish the detailed facts about how each country, in principle, seeks to simplify taxation for very small businesses.

3. Find evidence to help determine:
   - how successful those policies are;
   - what problems have been encountered;
   - how any problems have been addressed; and
   - what, perhaps unexpected, benefits there may have been.

You will need to bring the work you have done with you to each seminar so that we can share successes and any common difficulties.
**Initial Report**

You will need to bring all the information you have found together into a report.

The report itself should be no more than 2 sides of A4.

Polished prose is not required. Bullet points, tables and charts are all likely to be effective ways of getting your information across.

Further guidance on the precise format will be given in the seminars.

**Final Report**

Your final report will build on your initial report. You will be able to improve it based on personal and group feedback on the initial report.

All the initial reports taken together will reveal what issues may be most relevant to simplifying taxes for the smallest UK businesses. You will each need to revisit your own researches to examine the issues arising from this review and also take into account any particular questions raised by the Office of Tax Simplification during their visit.

Your final report should be no more than 1,000 words.

**Diary**

Use the diary to record **all** the work you do for this Coursework

This is a good habit to get into for any project you undertake, but the particular advantages for you here are:

- If you get stuck at any point it will be much easier for a tutor or fellow researchers to help you if they can see clearly what you have already done.

- Some of you may find information very hard to find – a diary will still enable you to get credit for the work you’ve done searching for sources even if this has been unsuccessful.

- Others of you will have the opposite problem, and will quickly find more sources than you can read in the time available. You need to demonstrate how you have decided which sources to concentrate on. Even if it turns out that other sources might have been better, you can still achieve high marks by demonstrating that your initial choices were soundly made, based on the information available at the time.
Reflection

Your reflection should be between 500 and 1,000 words.

Although you do not need to hand in the reflective part of your Coursework until Semester 2, do reflect, as you can go along, on what went well and what you would do differently next time.

This piece of work can include your thoughts on some, or all, of the following:

- the research process
- the actual writing of your reports
- the quality of the feedback you received
- the OTS’s consultation process
- the merits of the Chancellor of the Exchequer’s response to the OTS’s recommendations.
Overleaf is a table taken from a paper by Angharad Miller and Christine Woods¹ of Bournemouth University.

They surveyed a sample of tax lecturers and accountants who employed new graduates.

They then compared:

- what the Universities taught on their Taxation Modules with
- what employers actually wanted from their new employees and
- what skills and abilities employers actually found their new recruits possessed

**REQUIRED**

Consider the list of learning outcomes in the Table and within your Group:

a) identify which three outcomes you would most like to get out of this Module and

b) identify the one learning outcome that would be of least importance for you.

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AC3600 – Taxation Policy and Practice

For the Seminar on 29 September, please could you find out the following information for the country (or countries) you have been allocated:

<table>
<thead>
<tr>
<th>The country’s currency and its exchange rate to the GB Pound</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per Head</td>
<td></td>
</tr>
<tr>
<td>The address of the Website of the country’s fiscal authority.</td>
<td></td>
</tr>
<tr>
<td>How user-friendly do you find the Website?</td>
<td></td>
</tr>
<tr>
<td>What languages is the Website available in?</td>
<td></td>
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<tr>
<td>One memorable fact about the country</td>
<td></td>
</tr>
</tbody>
</table>
What indicators could you use to estimate the profits of:

- A Taxi Driver?

- A Hairdresser?
What taxes or other compulsory charges have to be paid by:

- A taxi driver who owns his own vehicle?

- The owner of a hair salon with one employee?
If your country has a simplified (presumptive) system, try to answer the following questions

<table>
<thead>
<tr>
<th>What sort of simplified system(s) does it have?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Simple patent?</td>
</tr>
<tr>
<td>• Turnover based (single rate)?</td>
</tr>
<tr>
<td>• Turnover based (multiple rate)?</td>
</tr>
<tr>
<td>• Indicator based?</td>
</tr>
<tr>
<td>• Forfait (agreed) system?</td>
</tr>
<tr>
<td>• Combination?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How do they define a small business which qualifies for the simplified system?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Turnover?</td>
</tr>
<tr>
<td>• Number of employees?</td>
</tr>
<tr>
<td>• Lack of international trade?</td>
</tr>
<tr>
<td>• Other methods?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How does the system distinguish between different types of business or different geographic areas?</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>What are the details of the way that the tax base is calculated and the rates which apply to it?</th>
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</table>

<table>
<thead>
<tr>
<th>What transitional arrangements are there for a small business which gets too big for the simplified system</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Does the system include any other taxes or charges besides income tax?</th>
</tr>
</thead>
</table>
If your country does NOT have any simplified (presumptive) systems for small businesses try to answer the following questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>How far does the main system require full accounts to be kept in the first place?</td>
<td></td>
</tr>
<tr>
<td>Has it simplified the system in other ways?</td>
<td></td>
</tr>
<tr>
<td>- Cash accounting</td>
<td></td>
</tr>
<tr>
<td>- Round sum deductions</td>
<td></td>
</tr>
<tr>
<td>- Other methods</td>
<td></td>
</tr>
<tr>
<td>Has it tried a simplified system in the past?</td>
<td></td>
</tr>
<tr>
<td>If so, answer the questions overleaf in respect of those old arrangements</td>
<td></td>
</tr>
<tr>
<td>Are there plans to bring in simplified arrangements in the future?</td>
<td></td>
</tr>
<tr>
<td>If so, answer the questions overleaf in respect of the proposed arrangements.</td>
<td></td>
</tr>
</tbody>
</table>
Coursework – interim report for OTS visit

- 7% of total Module marks

I will be looking at the following aspects:

- Delivery on time (by 3:30pm Wednesday 19\textsuperscript{th} October)
- Clear - appropriate to the intended readership – busy professionals
- Concise – no more than 2 sides of A4
- Appropriate selection of information – does it capture the key points discovered in your research to date?
- Referencing (“Harvard” not required – can a non-academic could quickly find your sources from the details you provide?)

The marking will reflect the fact that we are only a few weeks in to a 3\textsuperscript{rd} Year undergraduate module. I will not necessarily expect the same standard as I would at the end of Semester 2 or in a final examination.

\textbf{Style of Report}

“An \textit{executive summary} is an overview. The purpose of an executive summary is to summarize the key points of a document for its readers, saving them time and preparing them for the upcoming content.

Think of the executive summary as an advance organizer for the reader. Above all else, an executive summary has to be \textit{clear and concise}.”

\url{http://sbinfocanada.about.com/od/businessplans/g/execsummary.htm}

Normally you would write an executive summary once you had a completed a more substantial report or, say, a business plan. For the purposes of this part of the Coursework we do not require the full report to have been written but you do need to consider what you would have put in such a report and identify the key elements.

You can assume that your readers are familiar with:

- the details of taxation in the UK
- the principles of taxation in general
- technical terms in the fields of public finance and economics

but you should write on the basis that they may know nothing about the territory that you are reporting on.

“\textit{Clear and concise}” – bullet points, charts, tables, and maps can all be effective ways of achieving this.
Content of Report

Background
What would it be essential or useful for a reader to know about the territory to put the tax system into context?

Taxation of the profits of micro businesses
Describe the presumptive system used for taxing micro businesses run by individuals
If you have not been able to identify such a system:

- has the territory adopted any of the other simplification measures identified in the OTS report (such as fixed deductions or a cash basis)?
- what are the requirements for book-keeping and preparing accounts?

How well does the system work in practice?
Use the answers to the research questions included on last week’s seminar sheet
That list is not exhaustive; you may have found other benefits or difficulties. On the other hand, it is likely that you will not have been able to find answers to every

Limitations of your findings
If there have been any difficulties in accessing reliable sources describe those here.

Recommendations
- Are there any particular lessons that you think OTS can learn from the experience of your territory?

and/or
- What further research do you think is required before we can draw any reliable conclusions?
<table>
<thead>
<tr>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation of micro businesses in principle</td>
</tr>
<tr>
<td>Taxation of micro businesses in practice</td>
</tr>
<tr>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Benefits and problems</td>
</tr>
<tr>
<td>Limitations of the research?</td>
</tr>
<tr>
<td>Recommendations?</td>
</tr>
</tbody>
</table>