

Accounting for Merger: The Case of HM Revenue and Customs

Haider Shah

*Department of Accounting, Finance & Economics
University of Hertfordshire Business School
Hatfield, United Kingdom AL10 9AB
E-mail: s.h.a.shah@herts.ac.uk
Tel: +441707285543*

Ali Malik

*Department of Accounting, Finance & Economics
University of Hertfordshire Business School
Hatfield, United Kingdom AL10 9AB
E-mail: M.A.1.Malik@herts.ac.uk
Tel: +441707285543*

Muhammad Zafar Yaqub

*Centre for Business Studies, University of Vienna, Brünner Strasse 72
A-1210, Vienna, Austria
E-mail: mzyaqub7@yahoo.co.uk
Tel: +43 1 4277 37945; Fax: +43 1 4277 38174*

Abstract

In 2004 the UK Central Government announced merger of its two main central tax departments, the Inland Revenue, and HM Customs & Excise. The two big departments had different historical origins and administrative structures. Their organizational cultures were also perceived to be quite different. This paper considers the background of the merger and examines the rationale for such a merger with the help of textual data collected from in-depth interviews, official publications, and reports of the Treasury Select Committee. The paper also investigates the likely impact on practices and processes of the new department with regards to the taxpayers. Answers are sought with the help of insights drawn from New Institutional Sociology. The paper concludes with suggestions for future research.

Keywords: Merger, Taxation, Public Sector, Institutional Isomorphism, HMRC

1. Introduction

In March 2004, the U.K Government announced merger of its tax administration departments, the Inland Revenue (IR) and HM Customs and Excise (HMCE), following a report of a review of the two departments by the permanent secretary to the Treasury, Gus O'Donnell (Cm 6163, 2004). The two organisations had distinct historical origins and had remained separate government departments for many centuries. Most importantly, their organisational cultures were also perceived to be different. The event involving two of the biggest public sector organisations in the U.K went unnoticed by the

academic community. Already, Lamb and Lymer (1999) and Tomkins *et al.* (2001) lament the fact that tax regimes, despite their immense importance, receive very little attention from the academic researchers. Consequently, this paper not just analyses an important event in the history of the U.K's public sector, but also makes a contribution towards filling an obvious gap in the academic literature. The paper is organised into six sections. In section 2, the research methodology adopted for this research endeavour is explained. In section 3, the two departments as they were before the merger are briefly introduced. In section 4, various views towards the merger are examined. In section 5, the post merger profile of the department as well as the initial views towards merger is analysed. In the concluding section the possible explanations of the merger are analysed and some future research possibilities are identified.

2. Research Methodology

In the private sector, mergers and acquisitions of big companies take place quite regularly. At the elementary level, it can be argued that it is perceived by the shareholders of the two merged entities (or made to perceive so) that due to synergy creation they would be better off by parting with the old entities and creating a new one (Seth, 1990; Shaver, 2006). But, what may be the rationale behind merging two very big public sector departments where both have different historical origins and whose cultures are also generally believed to be different (if not conflicting at all)?

NIS is an offshoot of the institutional theory. The writers of NIS (e.g. DiMaggio and Powell, 1991, 1983; Pollit, 2002; Scott, 2001) provide an alternative view to the question as to why do organizations introduce changes? The conventional functionalist or rationalist explanations (e.g. agency theory, property rights theory, contingency theory and rational choice theory) take a sympathetic view towards the motives of the reformers (Pollit, 2002). The common feature of this category of theories is that they all explain a phenomenon in terms of intended results with a presumption that organizations change because such changes are necessitated by changes in the external environment. The NIS emerges as a competing theoretical lens whose essence is encapsulated by Scott (1987: p. 498) who contends that organizations change: "...because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities".

Earlier Meyer and Rowan (1977), in their seminal work, had popularised the potentially cosmetic nature of many organisational reforms. Broadbent and Laughlin, (1998) also show how organizations can skilfully decouple changes if the professionals feel that those changes could adversely affect their ethos of work. The various variants of institutional theory like 'Old Institutional Economics' (OIE), 'New Institutional Economics' (NIE) and 'New Institutional Sociology' (NIS) have their roots in different disciplines like economics, political science and sociology (Burns, 2000). This paper restricts its focus upon the process of *isomorphism* which DiMaggio and Powell (1983), referring to Hawley's (1968) description, define as the process by which organizations tend to adopt the same structures and practices resulting in homogenization of organizations. Put briefly, the NIS authors identify the external pressures for reforms/change as 'coercive isomorphism' (the pressure comes from a superior organisation), 'mimetic isomorphism' (where an organisation, finding itself in doubt, copies what the perceived leaders of the field are believed to be doing) and 'normative isomorphism' (where an organisation, is heavily influenced by norms set by an external body) (DiMaggio and Powell, 1983, 1991). They also categorise two types of *isomorphism*: 'competitive' and 'institutional'. *Competitive isomorphism* primarily relates to free and open market competition scenarios, and therefore, is not applicable to this analysis of public sector organizations. The other type is *institutional isomorphism* which relates to organizational competition for political power, social fitness, and institutional legitimacy and is therefore more relevant to this research study. We are mindful of the fact that the theory of isomorphism has been criticised and some authors (e.g. Oliver, 1991) have proposed modifications to the theory as well. However, like many other writers, we also find the notion of

'isomorphism' a useful theoretical lens to approach the issue of merger of two tax departments in the UK.

This paper reviews and probes the governmental reasons cited in support of such a merger, and analyses the likely impact on practices and processes of the new department with regards to service delivery for taxpayers. Benefiting from the insights drawn from New Institutional Sociology (NIS), the paper evaluates the evidence in pursuit of finding answers to the following research question:

"What are the plausible reasons for the merger of two big tax organizations in the U.K.?"

For the purpose of answering the research question, qualitative data was gathered through multiple sources of evidence to gain validity through triangulation (Yin, 1984). Interviews with the staff of IR and HMCE were held over a period of three years 2002-2004 to collect primary textual data. Fourteen interviews were held with the staff of IR and twenty interviews with the staff of HMCE before the announcement of merger in 2002-2003. The two interviews with tax partners of two big accounting firms took place in May and July 2005 after the merger had taken effect. The interviews were tape-recorded and transcribed. However, where the interviewees did not give permission for the interviews to be tape-recorded, detailed hand-written notes were taken. The coded references to the quotes of interviewees ensure the anonymity of the interviewees who had been very candid in their views and spoke in their personal capacities and not as spokespersons of the departments. The secondary textual data relating to the two departments was also analysed. First, parliamentary reports containing details of oral and written evidences before the members of parliamentary committees were perused for the period 1998-2004. They provided valuable insights into the viewpoints of senior management of the taxation departments. Second, the official publications of the Government, and National Audit Office (NAO) and press articles on relevant issues were also analysed. Third, the views expressed by taxation professionals (e.g. tax advisors) and tax bodies (e.g. CIOT) on publicly available resources such as websites, newsletters etc were also examined. The textual data collected from these diverse primary and secondary sources was then coded and the emerging themes were identified with the help of discourse analysis (Philips and Hardy, 2002) and insights drawn from NIS.

3. Profiles of the Merged Entities

Before the merger, both IR and HMCE enjoyed executive agencies status with separate 'Boards of Commissioners' reporting directly to the Treasury department. In terms of tax collection, IR was responsible for collecting direct taxes (e.g. Corporation tax, Income tax, Capital Gains tax, etc) and HMCE administered indirect taxes (e.g. Value Added Tax (VAT), Custom duties, Excise duties on tobacco, alcohol and hydrocarbon oil besides other minor indirect taxes). The organisation was also responsible for anti-smuggling duties and provision of international trade statistics. The IR was also administering the tax credit scheme.

The IR was the larger of two UK central government revenue departments, collecting almost two-thirds of UK tax revenues. Both of them were central government departments with long and distinguished histories, and both had been distinct departments of the UK government since distant past (Daunton, 2001, 2002; Hoon, 1968; Jones, 2005; Sabine, 1966). Prior to 1833 there were four separate *Boards of Commissioners* responsible for collecting different taxes in the UK. In 1833, first the separate boards of *Stamps* and *Taxes* were merged and then in 1849 the new organisation was combined with the board of *Excise* to form one single department: the 'Inland Revenue'.

HMCE was set up in 1909 when Excise was merged with the then Board of Customs (LSLO, 2004). Though the department is younger in age, the revenue historians admit their inability to trace the exact origin of the 'custom duties', describing them to be levied from "time immemorial" (Atton and Holland, 1967). The personnel performing customs control duties are posted at airports, sea ports and land stations for regulating the UK's import and export regimes. Anti-terrorism functions are the latest addition to multifarious roles performed by the department (HC 52, 2003). In addition to customs and excise duties, the major revenue spinner for HMCE is the VAT which was introduced in the U.K in

1973 as a requirement for membership to the then *European Economic Community* (Sandford *et al.*, 1981). Despite being the youngest of the three main indirect taxes, VAT accounts for 58% of the total tax receipts of HMCE.

4. From Cooperation to Merger

As stated earlier, the two tax departments had different origins and worked independently for almost two centuries. However, since 1850s there emerged a view that called for greater cooperation between the two departments. The view was shared by the cabinet ministers of the central government, senior management of the two departments and members of the parliamentary committees. They, however, differed on the extent of cooperation between the two tax departments. The then extreme view favoured the merger of various Boards of taxes to form a single tax department. It can be argued that the IR historically supported the case for a merger, while the management of HMCE always held the opposite view¹. This is evident from the following concluding remarks of the *Royal Commission into the Civil Establishments in 1889*- which heard evidence in respect of merger from the Board of the IR, several trade representatives and W. E. Gladstone, the former Prime Minister and Chancellor of the Exchequer;

"we cannot say that any grievances have been proved before us which are the consequences of separate control, or any inconveniences established which cannot apparently be easily remedied by departmental improvements, and by some provisions for more united action on the part of the two Boards" (Parliament, 2000: Para 13).

The relationship between the IR and HMCE again became an issue with the introduction of VAT (Cm. 5487). But the merger proposal again did not win favour with the then Government, and as a result 'closer working between the two departments' emerged as the official doctrine. The Finance Act 1972 even made explicit provision for the transfer of information between the two departments.

The issue of merging the two departments, after remaining dormant for long, resurfaced in the wake of announcements of *Fundamental Expenditure Reviews* in 1993 (*ibid*: Para 13-35). A review of the second report of the TSC (Parliament, 2000) establishes that while various academics and representatives of professional firms such as PWC supported the idea of merger, the HMCE always raised strong opposition to the idea and instead pleaded for the then official doctrine of 'closer working between the two departments'. For instance in a written memorandum, HMCE stated:

"The possibility of merging Customs and the Inland Revenue was examined closely during the Fundamental Expenditure Review of 1994. The conclusion at that time was that, although a merger could produce savings in staffing, IT and accommodation, the short-term costs were likely to outweigh the efficiency gains. Instead, the previous Government put in hand the programme of closer working" (ibid: Para 16).

The disapproval of the idea of merger was also found to be evident in the discourse of HMCE related personnel interviewed by the authors of this paper. Three main arguments against merger emerged from the detailed discussion held with them on the issue of merger. First, the different ways in which the two departments work is due to the different nature of the taxes they administer. For instance, one manager referred to this difference in the following way:

"The VAT is a tax given to the businesses by the consumers for onward deposit with the national Kitty. Thus the businesses hold this amount of tax as a trustee, and if they do not deposit it they commit an act of theft. The direct taxes are different as the businesses contribute a portion of their own profits to the national treasury. Hence there is a room for negotiation and lesser stringent regime of penalties" (OLCE6: p10).

Second, the time scale for completing audit work in the case of VAT is entirely different from that of direct taxes. For example, one manager refers to this legislative limitation as:

¹ The second report of TSC (Parliament, 2000) outlines the history of merger efforts since 1862-63.

“...we look at things that are just gone; very current; if we discover things wrong in a VAT trader’s records which are more than three years old we cannot do anything about it; because it’s out of time. The IR does not even start looking at stuff until it is two years old, and, so these are some of the obstacles, some of the problems”. (MMCE1: p11)

Third, this difference in nature of taxes and the time scale necessitates different set of legal powers for the two tax departments. A manager explains this in the following words:

“... one of our biggest areas of checking credibility of the business is to actually go along to the business and actually look at the business; see it operating and look with your eyes and see what’s going on; the IR rarely do that so there is a difference” (MMCE1: p13).

Based on these three strands of arguments, the respondents were sceptical of the need for a merger. For instance one manager explicitly argued:

“.... all that’s going to change is that instead of having the dreaded VAT man and dreaded income tax inspector you have the dread tax man in general; I thought that much would change ” (MMCE4: p23).

The manager also underscored the need for realising the mismatch between the needs of the two departments, as evidenced by closer working experiences.

“We do have some successes in that area but we tried and put together some experiments of actually working closer with them on other areas and it just hasn’t worked; and that’s not because necessarily of the differing cultures” (MMCE1: p14).

The issue of contrasting cultures emerged as an important issue in the discourse of a senior IR manager as well, prior to the merger. While welcoming the merger proposal, the interviewee thought that the merger would be a real challenge as there are different cultures and ethos in both organisations. According to his understanding the then Customs side of HMCE was very different from the then IR, as he thought that Customs could be very aggressive on the compliance side (SMIR1, 2004).

Thus, it can be seen that the HMCE had historically opposed the idea of merger; a stance that was supported by successive governments as well. However, the parliamentary committees had always been advocating the case for a merger. In fact, the parliamentary committee spearheaded the campaign for a merger by expressing its lack of faith in the closer working alternative approach:

“We agree wholeheartedly with the aims of the Closer Working programme but we do not believe that the Closer Working programme will fully achieve its objectives and deliver the benefits claimed by Customs and Excise. Consequently, the option of merger requires serious consideration” (Parliament, 2000: Para 34)

The members of TSC even visited Canada where they studied the experience of merged tax administrations. They returned greatly impressed and the ‘mimetic pressure’ of following the perceived leaders is quite visible in the recommendations made by the TSC:

“We believe that the merger of the Inland Revenue and Customs and Excise would improve compliance with taxation, reduce businesses’ compliance costs and reduce the Government’s revenue collection costs and we recommend that such a merger should proceed and that the Government should bring forward a plan for the merger in accordance with our conclusions and recommendations in this Report” (ibid: Para 45).

Till 2004, the government had been resisting these *mimetic* and *normative* pressures emanating from foreign tax administrations, TSC, OECD, professional tax bodies, and academics to merge the two tax departments with different historical origins.

5. The Merger and the Post Merger Reactions

Interestingly, the government finally capitulated and in complete reversal of its longstanding position on the issue, announced merger of the two tax departments in a report titled *Financing Britain's Future: Review of the Revenue Departments* (Cm 6163, 2004) which was authored by Gus O'Donnell, the permanent secretary of Treasury and presented to the parliament by the Chancellor of the Exchequer, Gordon Brown in March 2004. Reviewing the historical evolution of two separate tax departments in the U.K, the report dismisses its own longstanding position by arguing that due to separation the U.K had a structure of tax administration that "is now used only by Malawi and Israel" (*ibid*: p 5). Acting upon the report's recommendations, the Government created a new department 'Her Majesty's Revenue and Customs' (HMRC) which came into existence on 18 April 2005 after the *Commissioners for Revenue and Customs Act* received Royal Assent on 7 April 2005.

One of the recommendations of the O'Donnell Report was that the new structure of the HMRC would be around 'customers and functions rather than taxes' (*ibid*: 24). This is a theme which is identifiable with the *New Public Management* (NPM) literature (Christensen and Laegrid, 1999; Hood, 1995). The stated objective is reflected in the proposed structure of the new department which claims to have integrated activities of the two merged tax departments around customers or functions (Cm 6542: p5). For instance, the departments of the two merged organisations looking after large businesses have been merged to give an integrated service to the large business entities which account for 55 % in value terms of taxes and duties (*ibid*: p12; HMRC, 2006).²

How have the external stakeholders reacted to the merger decision? The views can be categorised as those who subscribe to the rational choice/functionalist explanation, and those who share some degree of scepticism. The former do appreciate the decision of merging the two organizations while the latter view the move as an exercise in gaining legitimacy. The functionalist explanation can be succinctly laid down by referring to the foreword to O'Donnell report, where the chancellor cites three main categories of reasons for the merger plan. Those are:

1. Efficiency savings
2. Customer focus
3. Greater accountability

O'Donnell, (2004) in his lecture suggests that direct and indirect audit visits could be combined to ensure savings and customer focus. The efficiency argument is reiterated in the new department's spring report and claims that savings would be made by reducing 3,200 full time equivalent posts (Cm 6542: 46). The second category of benefits is claimed to be improvement in *customer-focus*. The emphasis on this objective can also be seen in the spring report of the new organization (Cm 6542: 6). The third main objective is claimed to be improvement of *accountability*. In the O'Donnell report a full chapter is devoted to the issue of accountability. Accountability is a complex notion and in the public sector it is often used without realising that it is chameleon in nature and may be defined differently by different stakeholders (Day and Klein, 1987; Roberts, 1991; Romzek and Dubnick, 1987). In the O'Donnell report, it is simply stated that by separating policy from implementation the accountability framework will be improved. Thus accountability has been viewed purely in its managerial sense. The merged

² HMRC is organised into four areas.

The '**Process and Product groups**' which are concerned with the design, specification and advice of specific taxes and duties (e.g. VAT, Corporation tax, Excise and Stamp Taxes) and methods of particular collection procedures such as PAYE and Self Assessment.

The '**Customer units**' which have been split on the basis of size into Large Businesses and Employers; Small & Medium Enterprises and Employers; Individuals and Frontiers.

A single '**Operations unit**' will take the place of those operations previously dealt with by IR and HMCE separately e.g. there will be a single contact centre organisation and a single national banking and debt management function. There will also be a single 'Client Relationship Manager' for each of the large businesses on the basis of a common assessment of risk to the Exchequer.

The '**Corporate Functions**' which will look after Human resources, Communications and Anti-avoidance issues (Cm 6542: 12).

departments had always remained responsible for the policy development of individual taxes and 'care and management' including the introduction of anti-avoidance legislation while the Treasury had a more holistic role over overall tax policy generally (Cm 6542: 99). Criticising such arrangements, the O'Donnell report refers to the views of various academics, IMF and OECD and stresses that the U.K should also adopt the international trend of more strategic administration built upon customer needs (p. 40). Consequently, under the new measures, the Treasury is responsible for the direction and strategy of tax policy while HMRC is responsible for policy maintenance. The desire for greater accountability can also be seen from the fact that the 'remit statement' which is a letter addressed to the then Executive Chairman of the HMRC by the Chancellor of the Exchequer has been made publicly available (HM Treasury, 2005). However, it is worth remembering that due to confidentiality issues of taxpayer information, only the HMRC, and not the Treasury, has access to taxpayers' data which may put a restraint on the Treasury's ability to make policies on its own.

The official explanation for the merger is, therefore, built upon three main arguments; savings, better customer-focus and improved accountability. An analysis of the comments made by the external stakeholders suggests that the official explanation did not win universal acceptance. No doubt, there were many who shared the enthusiasm of the Government as demonstrated by the reply of one interviewee from a large company that the merger would be mirroring what happens inside a number of in-house tax departments of companies which manage their tax exposure to both indirect and direct taxes together (SMC1, 2003). Similarly, according to one press report (*The Financial Times*, 14 May 2004) the business community was in general found to be favouring the merger as it was believed that a 'single department would greatly simplify the payment of taxes and duties'. However, there are many who like NIS theorists question the rationale of the merger. For instance, the Technical Department of the *Chartered Institute of Taxation* (CIOT, 2005) identifies four areas of concern. First, the difference in cultures of the two departments; second, the different statutory framework of powers; third, the significant work to be undertaken in converging the respective Departments' legislation and fourth; lack of clarity on any reduction in compliance costs borne by businesses. The last concern is important as reduction in compliance costs is mentioned as a part of efficiency saving in the merger publication (Cm 6163, p 9).

Gosling (2004) reviews various reactions to the merger and casts doubts on the efficiency savings argument by referring to the analysts who have identified risks associated with the plans of staff reductions. The customer focus argument is also viewed with suspicion as it is argued that the merger plan might dilute customer focus by not offering differentiated service. Andrews (2005: p. 14) also raises this concern and states that "individuals, particularly those at the bottom of the economic pile, would receive even less care and attention than had been the case before merger". Same word of caution was also given by the then Chairman of the Tax Faculty of the Institute of Chartered Accountants in England & Wales, Mr Mark Lee in oral evidence before members of the Treasury Sub-Committee:

"We welcome it [merger], but very cautiously. We would prefer to see step changes rather than a revolution" (Parliament, 2004: Q125).

An interviewee narrated an example of unintended consequences whereby the creation of single *Client Relationship Manager (CRM)* resulted in increased compliance burden on the company (SMC2, 2005).

From organisational perspective, as in any large merger in the private sector, there is a possibility of a jockeying for positions by senior HMRC officials, which may well be driven more by internal politics and personal ambitions than by the consideration of the corporate taxpayer and its specific circumstances. This is all the more important in view of the generally contrasting views of managers of HMCE and IR on the need of merger.

6. Conclusion

The official reasons (*efficiency gains, customer focus and greater accountability*) for the merger of two tax departments are at the heart of New Public Management (NPM) movement which advocates adoption of private sector managerial practices to improve the perceived inefficiency of the public sector (Hood, 1995; Christensen and Laegreid, 1999). Therefore it can be argued that the merger move was influenced by NPM ideals of making the public sector more customer-focused and accountable. The NIS inspired explanation, however, may view the merger with varying degree of suspicion. According to this viewpoint the basic reason for merger will be located in the NPM inspired *mimetic* (i.e. following others) and *normative* (i.e. following the norm) pressures upon the government. The repeated references to Canadian experience of merger and other OECD countries in the TSC reports and official publications can be cited as evidence of *mimetic* and *normative* pressures upon the government to follow the path of *isomorphism*. Pollit (2002) questions the taken for granted claim of NPM literature on convergence of policies and concludes that the claim of convergence can only be true for *discursive* stage and partly for *decision* stage. The merger of two tax departments can, therefore, be cited as evidence towards *discursive* and *decision* stages of NPM inspired convergence. Did the actual implementation and results of merger follow the contents of official discourse at the *discursive* stage? It is too early to provide a definite answer; however, this paper has established an observatory for the said purpose. If a follow up research in about three to five years time finds that the government has realised significant efficiency savings as a result of merger, this will prove the efficiency argument of merger. The customer-focus argument can be adjudged if HMRC is perceived as a more tax-payers friendly organisation than HMCE. Similarly, if both tax-payers and the government believe that the accountability of tax collectors has improved, this NPM favoured argument will also be backed by evidence. In that case the functionalist explanation of merger will survive the test of time. However, if the evidence fails to suggest that the officially claimed objectives had actually been realised then the NIS based theory of isomorphism will emerge as a more credible explanation for the merger of the two tax departments.

References

- 1] Andrews, J. 2005, "The merger – the final straw?" *Tax Adviser*, December, CIOT, London, pp 14-15
- 2] Atton, H., and Holland, H. 1967, *The King's Customs Volumes 1 & 2*, London, Frank Cass & Co Ltd
- 3] Broadbent, J., and Laughlin, R. 1998 "Resisting the "new public management": Absorption and absorbing groups in schools and GP practices in the UK", *Accounting, Auditing and Accountability Journal*, 11(4): pp 403-35
- 4] Burns, J. 2000, "The dynamics of accounting change: Inter-play between new practices, routines, institutions, power and politics", *Accounting, Auditing and Accountability Journal*, 13(5), pp. 566-96
- 5] Christensen, T., and Laegreid, P. 1999, "New Public Management - Design, Resistance, or Transformation", *Public Productivity and Management Review*, 23(2), pp: 169-93
- 6] CIOT, 2005, "Merger of Inland Revenue and Customs & Excise", *Tax Advisor*, June, pp. 4-5
- 7] [Cm 5487] 1973, Report of the Commissioners of Her Majesty's Inland Revenue for the year ended 31st March 1973, Hundred and Sixteenth Report, London: Her Majesty's Stationery Office.
- 8] [Cm 6542] 2005, *Spring Departmental Report 2005*, HM Revenue & Customs, London: The Stationery Office. <http://www.hmrc.gov.uk/pdfs/report2003.pdf>, accessed 25 June 2005.
- 9] [Cm 6163] 2004, *Financing Britain's Future: Review of the Revenue Departments*, Report by Gus O'Donnell; Presented to Parliament by the Chancellor of the Exchequer, London http://www.hm-treasury.gov.uk/budget/budget_04/associated_documents/bud_bud04_odonnell_index.cfm
- 10] Daunton, M. J. 2001, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914*, Cambridge: Cambridge University Press
- 11] Daunton, M. J. 2002, *Just Taxes*, Cambridge: Cambridge University Press
- 12] Day, P., and Klein, R. 1987; *Accountabilities: Five Public Services*. London: Tavistock Publications
- 13] DiMaggio, P. J., and Powell, W.W. 1983, "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, 48, pp 147-60
- 14] DiMaggio, P. J., and Powell, W.W. 1991. "Introduction." in *The New Institutionalism in Organizational Analysis*, edited by Walter W. Powell and Paul J. DiMaggio., Chicago: University of Chicago Press. pp. 1-38
- 15] Gosling, P. 2004, "Joined-up Shrinking" *Public Finance*, 26 March, (accessed 10 June, 2005) http://www.cipa.org.uk/publicfinance/news_details.cfm?News_id=19121
- 16] Hawley, A. 1968. Human Ecology in: Sills, D.L. (ed.) *International Encyclopedia of the Social Sciences*. pp. 328-337. New York: Macmillan
- 17] [HC 52], 2003, 94th Annual Report of the Commissioners of Her Majesty's Customs and Excise. December, London: The Stationery Office.
- 18] HM Treasury (2005), *Remit for HM Revenue and Customs*, (accessed 10 December, 2006) http://www.hm-treasury.gov.uk/media/1C0/1F/remit_hmrc_070405.pdf
- 19] Hood, C. 1995, "The "New Public Management" in the 1980s: Variations on a Theme", *Accounting, Organizations and Society*, 20 (2/3), pp. 93-109.
- 20] Hoon, E. 1968, *The Organization of the English Customs System: 1696-1786*, Devon, Latimer Trend & Company Ltd
- 21] HMRC 2006, "Working with Large Business", accessed 5 April, 2006, <http://www.hmrc.gov.uk/lbo/operating-model.htm>
- 22] Jones A. J. 2005, "The special commissioners from Trafalgar to Waterloo", *British Tax Review*, 1, pp 40-79

- 131 *European Journal of Economics, Finance And Administrative Sciences - Issue 18 (2010)*
- 23] Lamb, M., and Lymer, A. 1999, "Taxation research in an accounting context: Future prospect and interdisciplinary perspectives", *European Accounting Review*, 8(4), pp. 749-76
- 24] LSLO 2004, *Review of Prosecutions Conducted by the Solicitor's Office of HM Customs & Excise*. The Legal Secretariat to the Law Officers, Chapter 1, (accessed 6-12-2004), http://www.lslo.gov.uk/procrev/chapter_1.htm
- 25] Meyer, J., and Rowan, B., 1977, "Institutionalized organisations: Formal structure as myth and ceremony", *American Journal of Sociology*, pp. 340-63
- 26] O'Donnell, G. 2004 'Reforming Britain's Tax Administration and Policymaking', ICAEW Tax Faculty Hardman Memorial Lecture, 18 November, (accessed 30 June 2005) <http://www.icaew.co.uk/index.cfm?route=116912>
- 27] Oliver, C. 1991, "Strategic responses to institutional processes", *Academy of Management Review*, 16, pp. 145-79
- 28] Parliament, 2000, *Treasury sub-committee- Second Report, HM Customs and Excise, House of Common*, Session 1999-2000 [HC 53], London, available online <http://www.publications.parliament.uk/pa/cm199900/cmselect/cmtreasy/53/5302.htm>
- 29] Parliament, 2004, *The Merger of Customs & Excise and the Inland revenue*, [HC 556], Minutes of oral evidence before Treasury sub-committee, London, available online <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmtreasy/556/556.pdf>
- 30] Phillips, N. and Hardy, C. 2002, *Discourse Analysis: Investigating Processes of Social Construction*, CA: Sage, Thousand Oaks
- 31] Pollitt, C. 2002, "Clarifying convergence: Striking similarities and durable differences in public management reform", *Public Management Review*, 4(1), pp. 471-92
- 32] Roberts, J. 1991, "The possibilities of accountability", *Accounting, Organisations and Society*, 16(4), pp. 355-68
- 33] Romzek, B. S., and Dubnick M. J., 1987, "Accountability in the public sector: Lessons from the challenger tragedy", *Public Administration Review*, 47(3), pp. 227-38
- 34] Sabine, B. E. V. 1966, *A History of Income Tax*. London: George Allen & Unwin.
- 35] Sandford, C. T., Godwin, M. R., Hardwick, P. F. W., and Butterworth, M. I. 1981, *Costs and Benefits of VAT*, London: Heinemann Educational Books
- 36] Scott, W. R. 2001. *Institutions and Organizations*, 2nd ed. Thousand Oaks: Sage Publications.
- 37] Scott, W. R. 1987, "The adolescence of institutional theory", *Administrative Science Quarterly*, 32 (4), pp. 493-511
- 38] Seth, A. 1990, "Sources of value creation in acquisitions: An empirical examination", *Strategic Management Journal*, 11, pp. 431-46
- 39] Shaver, J. 2006, "A paradox of synergy: Contagion and capacity effects in mergers and acquisitions", *Academy of Management Review*, 31(4), pp. 962-76
- 40] Tomkin, C., Packman, C., Russell, S., and Colville, I. 2001, "Managing tax regimes: A call for research", *Public Administration*, 79(3), pp. 751-58
- 41] Yin, R. 1984, *Case Study Research: Design and Methods*. London: Sage Publications

Notes**Table:** Abbreviations used in the paper for referring to interviewees

SMC1	Senior Manager of a Company
SMC2	Senior Manager of a Company
SMIR1	Senior Manager of a Inland Revenue
MMCE1	Middle Manager of HM Customs & Excise
MMCE4:	Middle Manager of HM Customs & Excise
OLCE6:	Operational level Official of HM Customs & Excise