

# **Evaluation of the ‘Business, Taxation and Welfare’ Large Grant**

## **Executive summary**

### **Background**

Between January and October 2013, the ESRC Evaluation, Strategy and Analysis team conducted an evaluation of the ‘Business, Taxation and Welfare’ (BTW) Large Grant. The evaluation considered evidence from a range of stakeholders to assess BTW’s: design and implementation; academic quality; engagement activity; non-academic impact; capacity building activity; collaborative activity; and management.

BTW was funded by the ESRC between October 2008 and September 2012 at a cost of £2,280,609. Working alongside the Grant Director, Professor Michael Devereux (University of Oxford), were 5 Co-investigators (at the University of Oxford, the University of Warwick, and the University of St Andrews) and 17 other staff (typically post-doctoral researchers but including senior researchers, PhD researchers, and administrative staff). The BTW team possessed expertise in the areas of economic theory, econometrics, and tax law. The Large Grant part-funded the activity of the Centre for Business Taxation, University of Oxford, and all the BTW staff were part of the Centre. The Centre was also funded by around 75 of the UK 100 Group of Companies, each donating annually to support the activity of the Centre. All funds received by the Centre (including the ESRC grant, BTW) were combined to support the activity of the Centre. As a result, it is difficult to draw a precise line between activity funded by the ESRC and by others, and it is for this reason that this evaluation considers much of the activity undertaken by the Centre for Business Taxation as well as that directly and solely attributable to BTW.

The aim of the Centre was to improve the economic and social welfare of individuals in the UK and elsewhere by undertaking and disseminating first-class research that made a significant contribution to the social science research base in the UK and elsewhere, and which informed and improved government policies in the field of business taxation. The research was designed to increase understanding in the following three broad areas:

- What are the effects of taxes on business behaviour?
- What are the effects of business behaviour on social welfare?
- How do, and should, governments design and administer business taxes?

BTW also aimed to: produce a database which contained information on business and corporation taxes; provide first-class training in research and dissemination of research for early career researchers; and to disseminate through academic papers, policy reports and articles, and presentations at various events.

### **Design, Implementation and Contribution to Academic Field**

There was little evidence to suggest that the design and implementation of BTW was anything but appropriate. In fact, many of the design and implementation related factors

were found to be conducive to the high volume of output produced by the Centre (such as the Centre's researchers having 100 per cent of their time allocated to research). The Centre benefitted from a substantial quantity of funding from private companies, which, when combined with the ESRC funding, allowed for higher volume of activity than the ESRC grant could have facilitated if received in isolation.

The evidence generated through this evaluation suggests that the volume, quality, and academic impact of the work conducted through BTW was high, and that the work made a substantial contribution to learning at an international level. The Centre produced a considerable volume of output (in excess of 135), 75 of which were featured in leading journals. The evaluation evidence suggests that this work has advanced understanding in the following areas.

- The effects of taxation in relation to the location and ownership of assets and the location of declared profits
- Effective incidence of corporation tax (and who bears the cost of the tax).
- The development of taxes on business profit and the extent to which countries compete with each other (and whether coordination would improve social outcome).
- The design of taxes on business (and the assessment of policy options in this area).
- The administration of tax and how authorities should deal with tax avoidance.

Achievements in these areas were reported to have been facilitated by the multidisciplinary nature of the BTW team. Researchers from different disciplinary backgrounds generally collaborated successfully, although some issues concerning communication and the production of interdisciplinary outputs were noted by evaluation fieldwork participants. In addition to producing academic output, the Centre has been instrumental in the creation of a tax database containing 30 years of information on business taxes from 43 countries (and for at least 10 years for a further 30 countries). This is clearly a highly valuable data resource.

## **Engagement and Non-Academic Impact**

The evaluation evidence suggests that the engagement activity undertaken by the Centre was successful and of high quality. Researchers from the Centre attended a broad range of events, and presented at a rate of around 70 presentations a year to academic and non-academic audiences based in the UK and overseas. The Centre organised and hosted seminars and conferences, making a concerted effort to ensure that these events were open to the general public and that summaries of contributions were made available online. The Centre also produced a series of working papers, a number of reports and non-technical outputs, and a series of newsletters which were, along with the wealth of material on the website, freely available. In addition to this, the Centre also developed a mailing list of international recipients of notices and publicity. The shorter policy articles produced by the Centre proved to be particularly popular with the media, receiving extensive coverage. The annual four day Symposium organised by the Centre was reported to have become a meeting place for researchers from around the world, and to have stimulated and facilitated the development of new research ideas. The Symposiums were attended by individuals from policy, practice, government and corporate backgrounds, and were reported to have

brought about significant knowledge exchange, user engagement and connections between those within and outside of academia. The Centre also established an international network of 50 Research Fellows, who all visited the Centre, contributed to research and to the delivery of training at the Centre, and attended the annual symposium.

The Centre's research was utilised by many outside of academia and was reported to have had a variety of non-academic impacts. Of note were the contributions to the UK Government's "General Anti-Avoidance Rule" (a law designed to combat egregious tax avoidance practices and prevent cheating of the tax system), to transparency in financial reporting for multinational companies, to the European Commission Common Consolidated Corporate Tax Base, and to the substantial reforms of Portuguese VAT policy. It was interesting to observe that the events in two out of the three impact case studies presented in full in this report contributed to policies not being adopted. The implementation of planned policies was delayed in line with the evidence presented by the Centre researchers. The pathways to some of the most significant non-academic impacts that were achieved began with the Centre, or persons within the Centre, being approached by a research user with a specific purpose. It appeared to be the pre-existing links between the Centre staff and those in non-academic positions, and the Centre's reputation, that stimulated many of the non-academic impact achievements.

## **Capacity Building**

The Centre undertook activity to build the capacity of researchers in this field, and activity in this area was regarded as positive by researchers at the Centre. Each PhD student at the Centre was mentored by a senior researcher, would collaborate with researchers from different disciplinary backgrounds, and would present their work to peers. The International Fellows also had a role in the training and development of students and researchers at the Centre, and many delivered training and seminars for students and were regarded as a valuable resource for the exchange of knowledge. The Centre employed a large number of post-doctoral researchers, which resulted in a considerable volume of output for the Centre. The capacity building provided by the Centre appeared to be more focused towards assistance with the establishment of a career, than towards the production of trained researchers. Many of the researchers who spent time at the Centre have gone on to secure prestigious academic positions elsewhere.

## **Conclusions and Lessons**

Each of the BTW grant aims and objectives were achieved, and an impressive volume of activity was undertaken in doing this. The contribution to knowledge and the policy impact that the Centre has achieved is particularly substantial. The evidence also suggests that the Centre Director was an excellent manager, both intellectually and administratively, and that he was instrumental to the achievements attributable to the Grant. There was, in fact, no real limitation to this work beyond the issues associated with production of interdisciplinary output. There is no question that BTW was an excellent investment for the ESRC, the value of which should be increased again through the new grant recently awarded to the Centre.

This report has considered the implications of the way in which the Centre was funded. One of the major successes of the Centre is the substantial funding which it attracts from a

large proportion of the 100 Group of UK companies. The funds received from the ESRC grant were combined with substantial business funding, and the combined funding supported the activity of the Centre in its entirety. Consequentially, this evaluation does not consider the activity undertaken solely through the ESRC grant 'Business, Taxation and Welfare' as this activity cannot easily be separated from the broader activity of the Centre for Business Taxation. This evaluation report is extremely positive, partly because of the impressive volume of activity and output produced by the Centre. There is no doubt that this investment represents considerable value for money for the ESRC, but this is partly because the achievements detailed in this evaluation report are the product of substantially more funding than that which was provided by the ESRC.

The evaluation points to some important conclusions and lessons in four key areas. Although mainly of relevance to the ESRC, this information is also likely to be of use to the BTW team, other ESRC award holders and other stakeholders.

## **Research Development and Co-Funding with Business**

The involvement of research users during the research development process can help to ensure that research, outputs and outcomes are directly relevant and of interest to users. The Centre for Business Taxation was established following calls from those working in the business sector for a research Centre in this field. It was partly because these companies believed there was a need for the Centre in this field that they agreed to fund the Centre. The fact that the companies who funded the Centre had no power to steer the direction of its research ensured that the Centre maintained its academic freedom and independence. The companies have a particular interest in the policy work of the Centre and continue to fund the Centre to ensure that high quality research in this field is undertaken, and that they have direct access to this research. Valuable lessons can be taken from this case concerning the factors which attract businesses to fund academic research.

## **Activity and Output Production**

Researchers at the Centre were relieved of all teaching and various administration duties so they could have 100 per cent of their time allocated to their research. This is likely to be a facilitating factor to the Centre's high level of output and achievement. The ESRC Evaluation Committee has previously noted the issues that can arise when researchers have a low time commitment to a research project. These can include researchers giving low priority to certain tasks (such as generating non-academic impact) as a result of having a large volume of other duties. This evaluation has illustrated the levels of achievement that are possible when researchers have high proportions of their time allocated to research.

One of the major non-academic impacts achieved by the Centre was informed by some of the Centre's interdisciplinary research. However, the number of interdisciplinary outputs produced by the Centre was small relative to the total. The Academic Evaluator claimed that this could be partially explained by the general perception (amongst academic economists) that the greatest rewards in terms of promotion and prestige are derived from publishing outputs in the most specialised and technical journals.

## Engagement and Impact

Lessons can be taken from the Centre's engagement activity. The Centre held annual four day symposium events to bring together policy makers, practitioners and researchers in this field. This proved to be an excellent way to facilitate the exchange of knowledge, ideas, and to provide time and space for new projects to be developed. The shorter policy articles produced by the Centre proved to be particularly popular with the media, receiving extensive coverage. Although this only represents part of an overall approach to media engagement, the benefits of creating accessible policy documents were evident from this evaluation. The ESRC provides guidance through its 'Impact Tool Kit' on media relations and on producing publications, and the evidence generated through this evaluation provides further support for the messages within this guidance (available via the following link: [www.esrc.ac.uk/funding-and-guidance/impact-toolkit/tools/](http://www.esrc.ac.uk/funding-and-guidance/impact-toolkit/tools/)). The research users consulted as part of this evaluation stated that they all made frequent use of Centre's website. This highlights the importance of having an accessible, well-designed website, as this can be a valuable tool for disseminating information and outputs. The ESRC offers support and advice to concerning website design, style, and structure, which is available via the following link: [www.esrc.ac.uk/investmentwebsites](http://www.esrc.ac.uk/investmentwebsites)

The pathways to some of the most significant non-academic impacts that were presented in this report began with the Centre, or persons within the Centre, being approached by a research user to, for example, undertake work, join a working group, or provide evidence on a specific issue. The Centre's reputation and the pre-existing networks and relationships that existed between the Centre's researchers and these users played an important part in the impact process, and, in many cases, were established during earlier research projects.

## Future Research Activity

A variety of topics emerged during the course of this evaluation which could be considered for future research activity. These generally concerned issues around increasing our understanding of UK and international tax systems, of policy formulation in these areas, and the role of different stakeholders in the tax system. More specific areas said to require further research attention included VAT policy, corporate and non-corporate tax, the Common Consolidated Corporate Tax Base, and the integration of theory with practice in business tax research. The possibilities for further use of the tax database produced by the Centre should also be considered. The database contains business tax information for 30 years from 43 countries and for at least 10 years for a further 30 countries, and is available to others for research use.