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Assessing the Influence of Different Interest Groups on International Tax Policy: Evidence from the BEPS Project*

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ABSTRACT

This study investigates the influence of three interest groups—businesses, the tax profession, and civil society—on tax rules in the context of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) project. Our study is important as prior research has not examined the direct influence of various interest groups on the content of tax rules by means of comment letters. Using content analysis, we seek to explain the lobbying success of the different interest groups by examining the relevance of the kind of information transmitted and the alliance strategies used. Results indicate that lobbying success is mainly explained by the vested interests of the three groups, with businesses less successful than the other two interest groups as long as all interest groups are equally able to provide information. We also find that the lobbying success of businesses increases when proposals require specific expertise. However, bias is still relevant for lobbying success as we find that proposals from tax professionals with practical experience, likely to reflect less bias, are relatively more successful than proposals from businesses. Furthermore, our results suggest that mobilizing commenters who have a shared interest in the form of alliances is a promising lobbying strategy. Overall, our findings highlight the importance of expertise and collective actions for lobbying success.

Keywords: aggressive tax planning, BEPS, comment letter, interest groups, tax lobbying, tax policy

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Évaluer l'influence de différents groupes d'intérêt sur la politique fiscale internationale : données tirées du projet BEPS

RÉSUMÉ

La présente étude se penche sur l'influence de trois groupes d'intérêt — le secteur des affaires, les fiscalistes et la société civile — sur les règles fiscales dans le contexte du projet sur l'érosion de l'assiette fiscale et le transfert des bénéfices (BEPS) de l'Organisation de coopération et de développement économiques (OCDE). Notre étude est importante, car la recherche antérieure n'a pas évalué l'influence directe de divers groupes d'intérêt sur le contenu des règles fiscales sur la base des lettres d'observations. À l'aide d'une analyse de contenu, nous tentons d'expliquer le succès que connaissent les différents groupes d'intérêt en matière de lobbying en examinant la pertinence du type d'information transmise et les stratégies d'alliance mises de l'avant. Les résultats indiquent que l'efficacité du lobbying s'explique principalement par les intérêts particuliers des trois groupes, alors que le secteur des affaires est moins efficace à cet égard que les deux autres groupes lorsque les trois groupes peuvent équitablement fournir de l'information. Nous établissons également que l'efficacité du lobbying du secteur des affaires augmente lorsque les propositions requièrent une expertise particulière. Toutefois, les biais ont encore une influence sur le succès du lobbying, car nous avons observé que les propositions provenant de fiscalistes ayant une vaste expérience pratique, qui sont donc moins susceptibles de contenir des biais, ont relativement plus de succès que les propositions faites par le secteur des affaires. En outre, nos résultats donnent à penser que la mobilisation des commentateurs qui ont un intérêt partagé dans le cadre d'alliances est une stratégie de lobbying prometteuse. Dans l'ensemble, nos résultats font ressortir l'importance du savoir-faire et des actions collectives pour favoriser l'efficacité du lobbying.

Mots-clés : planification fiscale agressive, BEPS, lettre d'observations, groupes d'intérêt, lobbying fiscal, politique fiscale

1. Introduction

Lobbying on tax policy is a controversial phenomenon. Some welcome the provision of expertise, whereas others criticize unfair interest-seeking by the most powerful groups. The US Department of the Treasury (2010), for instance, appreciates lobbyists as “useful sources of information” and interest groups as “a valuable tool for citizens to present their views” during the process of setting tax rules. By contrast, civil society groups fear that tax lobbying is to the exclusive benefit of firms (Dallyn 2017; Organisation for Economic Co-operation and Development (OECD) 2015a). Because taxation has high economic and social relevance, the question of to what extent businesses are able to influence tax rules relative to other interest groups is critical to a country's tax revenues and the credibility of policymakers. A growing stream of literature connects corporate lobbying expenditures to tax cuts (Barrick and Brown 2019; Hanlon and Heitzman 2010). A few studies (Baloria 2017; Barrick and Alexander 2014; Mulligan and Oats 2016) have analyzed the effects of lobbying on the process of legislation. However, the direct influence of various interest groups on the content of the tax rules themselves has thus far not been considered in the literature.

Using the setting of the OECD Base Erosion and Profit Shifting (BEPS) project, we examine the influence of three interest groups—businesses, the tax profession, and civil society—on international tax policy.¹ Our research considers informational lobbying by means of comment letters on proposed tax rule changes. Comment letters are a good overall proxy for lobbying activities, which are often opaque to the public (Georgiou 2004; Furlong and Kerwin 2005). Our setting allows us to clearly measure and simultaneously analyze two kinds of information that lobbyists

1. We employ the term “international tax policy” instead of tax legislation for the process of tax rule-making because, in contrast to national governments, the OECD is not a law-making body.

can transmit: (i) the signaling of constituency interests and opinions and (ii) the provision of costly information in the form of expertise, policy analysis, reports, or political intelligence (Hall and Deardorff 2006). With regard to the latter, Kothari et al. (2010) point to specific knowledge that lobbyists can offer policymakers in need of information. Moreover, as comment letters were sent at the individual level (e.g., by single businesses) as well as at the collective level (e.g., by business associations), we can shed light on the success of alliance strategies relative to that of individual actions.

The BEPS project was initiated by the OECD and the G20 to tackle aggressive tax planning by multinational firms. According to Radcliffe et al. (2018, 4), it “represents one of the most far-reaching and dramatic developments in transnational governance in recent history.” We focus on Action 7 of the BEPS project, which deals with the definition of permanent establishments—that is, a taxable presence in a country for multinational firms. This definition determines where and at what rate cross-border income is subject to tax, and is therefore of the utmost importance for businesses and national tax revenues. The process of developing new tax rules and amending existing ones within the BEPS project is characterized by transparency. Similar to the standard-setting processes of the IASB, the FASB, and other national standard setters, all drafts, comment letters, and public consultation meetings are publicly disclosed.

Many businesses, tax professionals, and civil society members wrote comment letters on BEPS Action 7, resulting in a rich data set. First, commenters signaled opinions on proposed alternative tax rules. Second, they provided proposals seeking to modify the draft rules or the interpretation of the rules. For instance, commenters proposed concrete adjustments of draft rules, alternative phrasings, or examples for the rules’ interpretation. These proposals represent costly information because they are likely to support the OECD in updating a complex and far-reaching legal concept under extreme time constraints. In their invitation for comment letters, the OECD (2014) explicitly asked for such information to ensure that the rules would not have unintended effects on businesses. Our sample consists of 158 comment letters that were sent to the OECD following two discussion drafts: 96 comment letters submitted by businesses, 55 submitted by the tax profession, and 7 submitted by civil society members. We manually extracted 588 positions and 542 proposals. By comparing them with the final tax rules, we observe lobbying success.

We explore the success of interest groups in shaping tax rules by means of three related research questions: (RQ1) Which interest groups does the OECD follow in case of signaled opinions? (RQ2) Which interest groups does the OECD follow in case of provided costly information? (RQ3) Can a strategy of building alliances increase lobbying success? The theoretical basis of our study is provided by the economics of regulation, as pioneered by Stigler (1971) and expanded in many directions since then (see Barrick and Brown (2019) for an overview). As we outline in more detail in section 3, we link theories on biased information (Grossman and Helpman 2001) to the importance of the kind of information that is transmitted to the rule-making body (Hall and Deardorff 2006) to develop RQ1 and RQ2. Whereas all interest groups are equally able to signal opinions, the expertise needed to provide costly information is unequally distributed among groups. We expect interest groups’ biases² to determine lobbying success essentially through signaling opinions. When those with expertise provide costly information, theory suggests that they gain influence to the detriment of others, though the joint effect of expertise and vested interests remains an open question. For RQ3, we add strategies of building alliances to our considerations on expected lobbying gains. We distinguish two forms of alliances: (i) building consensus with other commenters by means of signaling similar opinions or providing similar costly information (a mobilization tactic) (e.g., Keim and Zeithaml 1986) and (ii) using a more institutionalized form of alliance by participating in collective lobbying (e.g., Hillman and Hitt 1999). Bias is likely to decrease in case of alliances because policymakers should be less

2. Bias is defined as deviation of an interest group’s interests from those of the policymaker—in this case, the OECD.

concerned with providing “private benefits” to a single constituent. We expect that alliance strategies increase lobbying success.

In line with our expectation for RQ1, we find strong evidence that the opinions of businesses whose interests deviate the most from those of the OECD are less likely to be followed than the opinions of tax professionals and civil society members. Regarding RQ2, businesses and the tax profession, both of which have strong resources such as practical experience, are more successful in providing costly information than civil society. When we also account for the use of alliances, our findings suggest that vested interests remain a relevant factor in the presence of comparable degrees of expertise. First, when we control for mobilization tactics within interest groups, tax professionals are more successful than businesses. Second, we find that individually commenting tax professionals whose day-to-day business is supporting businesses in tax compliance and tax planning are the most successful group in terms of providing costly information. For RQ3, we do not find that businesses are more successful at the collective level than at the individual level. However, as expected, we find that consensus among commenters significantly increases lobbying success, suggesting that mobilizing others with a shared interest to comment is a promising lobbying strategy. Our findings on RQ1 to RQ3 hold after controlling for large sets of explanatory variables such as the commenters’ size and reputation, engagement with the OECD, prior governmental positions, and geographical origin, as well as the letters’ technical language.

Our study extends the literature on tax lobbying in several important ways. A recent review on tax lobbying by Barrick and Brown (2019) finds 38 studies that focus on corporate lobbying. This stream of research assesses the effectiveness of tax lobbying by comparing firms’ investment in tax lobbying activities with their corresponding tax outcomes, such as reductions in effective tax rates or tax rate volatility, or with tax enforcement (e.g., Baloria and Klassen 2017; Brown et al. 2015; Kim and Zhang 2016; Lin et al. 2018). Regarding the effects of lobbying on the process of legislation, two small-sample studies based on interviews with firms’ in-house tax professionals (Mulligan and Oats 2016) and corporate tax lobbyists (Barrick and Alexander 2014) provide insights into how tax lobbying is actually performed at the corporate level. We add to this strand of literature by giving the first evidence on the direct influence of interest groups on the content of tax rules. Our findings are also related to a study on congressional hearings by Baloria et al. (2017) that shows that invited firms have more policy-relevant information to offer. Likewise, we demonstrate the importance of expertise in providing policymakers with relevant information for lobbying success. Our research further complements a study by Olson et al. (2019) on firms’ decisions to lobby individually or collectively. Whereas the authors analyze the firms’ prior incentives to choose a tax lobbying strategy, we look at the potential success of such strategies.

We also broaden the scope of the investigation to include the tax profession and civil society, two additional groups with an interest in tax policy. Radcliffe et al. (2018) emphasize the role of the tax profession as a mediator between businesses and society. We answer their call for research on the tax profession’s influence on tax rules. Our findings that tax professionals are significantly more successful than businesses with regard to both types of transmitted information illustrate their importance in tax rule-making. Moreover, we examine the success of civil society in shaping tax rules. This group has succeeded in increasing the political salience of aggressive tax planning, but their actual influence on tax rules has been called into question (Dallyn 2017). Whereas we detect an influence with regard to their signaled opinions, civil society’s lobbying success in relation to costly information is strongly limited.

We further complement the growing accounting literature on the influence of stakeholders on regulation in general (e.g., Hochberg et al. 2009; Baloria et al. 2017) and accounting standard setting in particular. The BEPS project’s rule-making process is closely related to standard-setting processes. Like the IFRS, the BEPS rules have been agreed upon internationally, and the decision makers involved do not face direct reelection concerns.³ The analysis of comment letters on accounting standard-setting processes is well established (Gipper et al. 2013; Sutton 1984).

3. The OECD itself considers its BEPS activities “standard-setting work” (OECD 2017, 22).

However, only a few studies have assessed interest groups' success in shaping accounting standards. For instance, in a study on the entire standard-setting process, Ramanna (2008) finds influence of businesses on the final Statement of Financial Accounting Standards No. 142 with respect to unverifiable fair-value accounting. Similarly, McLeay et al. (2000) find a strong influence of businesses on the development of financial reporting regulations. They note, however, that businesses' influence heavily depends on the support of other interest groups. These results are consistent with our findings on the actual influence of businesses on tax rules and the relevance of consensus. Turning to the profession, Allen et al. (2018) show the influence of auditors on accounting standards. The tax profession shows some similarities to the audit profession in the process of accounting standard setting, although we note differing roles insofar as auditors may have stronger skepticism toward their clients (i.e., businesses) than do tax professionals. Our results likewise emphasize the relevance of the profession in tax policymaking and suggest that the tax profession is not purely viewed as a client advocate.

2. Institutional background

BEPS Action 7

In recent years, national and international tax rules governing the taxation of cross-border profits have often failed to align taxation with substantive economic activity and value creation (OECD 2013). Multinational firms have been able to reduce taxes substantially by means of eroding tax bases and shifting profits to low- or no-tax jurisdictions. On behalf of the G20, the OECD addressed this growing problem by creating an action plan that identified 15 domestic and international actions to tackle aggressive tax planning (OECD 2013).

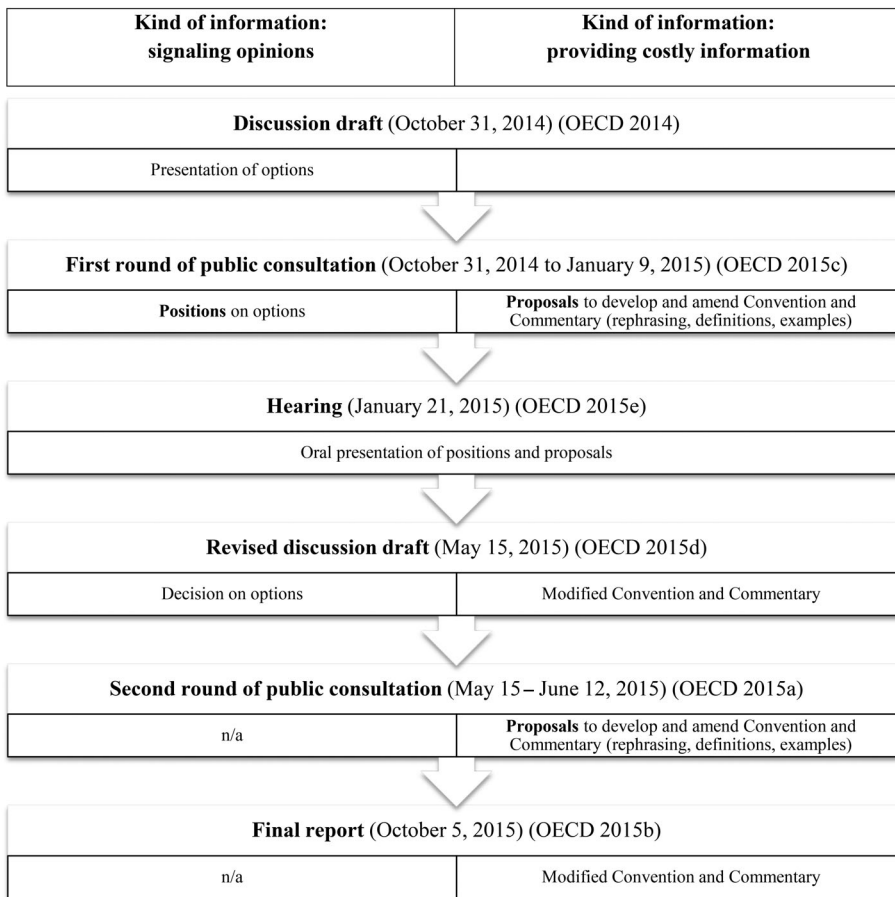
This research focuses on Action 7, which aims to prevent the artificial avoidance of permanent establishment status by multinational firms. The definition of permanent establishment status is highly important from an international tax perspective. If a multinational firm earns business income in a country where it is not resident (i.e., a source country), this income is taxed in the source country only if it is derived through a permanent establishment as defined in Article 5 of the OECD Model Tax Convention (hereafter, "Convention") and most double-taxation conventions⁴ currently in place. Otherwise, the residence country, which is primarily the country where the firm has its place of management, has the exclusive right to tax such income. Thus, the definition of permanent establishment determines the country in which cross-border income is taxed and thereby the applicable tax rate. Moreover, once a permanent establishment exists, additional reporting and filing obligations, as well as potential value-added tax implications, arise in that country. When permanent establishment status is unclear, firms risk legal uncertainty, disputes, and double taxation.

The OECD has addressed six different areas of concern ("key issues") related to the definition of a permanent establishment.⁵ To illustrate one main area, warehouses were initially exempt from the permanent establishment definition. Online retailers could have a substantial customer base and large warehouses in a country without having a taxable presence there. With key issue 3, "specific activity exemptions," the Convention was amended such that the exemption applies to preparatory or auxiliary activities only. Following Action 7, an online retailer's warehouse could thus create a taxable presence because delivery is a core activity for that industry. All amendments to Article 5 are illustrated as supporting information in online Appendix A.⁶

Action 7 revised Article 5 of the Convention but not the double-taxation conventions currently in place. However, the Convention is the basis for negotiation of double-taxation

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4. Double-taxation conventions aim to avoid double taxation in cross-border transactions. They specify which country has taxation rights over a firm or an individual and, if both countries have such rights, which country takes priority.
 5. Key issues are as follows: (1) the definition of a dependent agent, (2) the definition of an independent agent, (3) specific activity exemptions, (4) the anti-fragmentation rule, (5) the splitting-up of contracts, and (6) insurance.
 6. Please see supporting information, "Appendix A: Test of permanent establishment status according to the Article 5 OECD Model Tax Convention," as an addition to the online article.

Figure 1 Timeline



Notes: The timeline shows the relevant dates during public consultations on Action 7.

conventions; changes to it directly affect new and renegotiated conventions. Moreover, the BEPS project includes a multilateral instrument (Action 15) that can introduce changes even to existing double-taxation conventions. Therefore, during the public consultation process on Action 7, interest groups commented under the assumption that changes to the definition could have an immediate effect on businesses. In addition to the Convention, Action 7 updated the OECD Model Tax Commentary (hereafter, “Commentary”), which is essential to interpreting the Convention, by offering detailed explanations, definitions, and examples. Determining permanent establishment status is a complex task; the definition itself covers only two pages in the Convention, but more than 50 pages in the Commentary are needed to clarify that definition.

Public consultation process

The development of the final report on Action 7 (OECD 2015b) was a multistep process in which the OECD involved interested parties through public consultations. Public consultations are a common tool at national and transnational levels to gain information from those affected by or interested in a reform. Typically, the public has the opportunity to comment on draft versions of the envisaged rules by means of comment letters and/or hearings. After one or more rounds of public consultation and revisions of the draft rules, the rule-making body decides on the final rules.

The public consultation process in question was handled by the OECD in cooperation with the G20 as the “secretary” for all members of the BEPS project. Specifically, the BEPS project is organized by the OECD Committee on Fiscal Affairs, which has several subsidiary bodies (“Working Parties”). Working Party 1 is responsible for double-taxation conventions and related questions and managed Action 7. Its delegates are technical experts from member countries’ tax authorities and finance ministries, such as the Internal Revenue Service and the US Treasury. These highly skilled bureaucrats have varying backgrounds, many of them having worked in businesses, associations, or tax advisory services before. The delegates to Working Party 1⁷ are not appointed full time to the issue in question, but they meet on a regular basis each year. In contrast to national tax legislation processes, in which elected representatives decide on the final tax law, the delegates are not driven by reelection concerns. In this regard, our setting is more comparable to accounting standard-setting or rule-making processes.

Figure 1 presents a timeline of relevant events with regard to Action 7. The process consisted of two rounds of public consultation. The initial discussion draft (OECD 2014) listed alternative options for each of the six key issues to adjust the permanent establishment definition. In the first round, commenters stated their positions on the various options. Additionally, commenters made proposals to amend the wording of the draft rules or develop and adjust the Commentary (OECD 2015c). For the subsequent revised discussion draft (OECD 2015d), the OECD moved from a series of options to one specific option for each key issue and modified the corresponding parts of the Commentary. The second round of public consultation could thus contain proposals to amend the revised Convention and Commentary only (OECD 2015a). After the first round, a hearing (“public consultation meeting”) took place where interest groups could publicly present their comments (OECD 2015e). The process closed with a final report (OECD 2015b). The work on Action 7 was characterized by extreme time constraints for the OECD delegates and commenters. The time between the draft publication and the deadline for comment letters was 70 days in the first round of public consultation and 28 days in the second round. Will Morris of the business association *Business at OECD* commented at the hearing that the OECD had to produce the discussion drafts “under impossible, some might even say ridiculous, deadlines” (OECD 2015e).

During the public consultation process, Article 5 of the Convention and the Commentary underwent substantial changes. The discussion draft proposed a low permanent establishment threshold that would have resulted in a clear proliferation of permanent establishments. With more precise definitions and changes to wording during the public consultation process, the threshold was raised again (see online Appendices B and C). Still, with respect to all key issues, the resulting permanent establishment threshold is lower than it was under the former Convention.

3. Development of research questions

We categorize the commenters on BEPS Action 7 as falling within one of three interest groups: businesses, the tax profession, and civil society. The first group includes single businesses, trade associations, and informal coalitions of businesses. Among the tax profession, we include tax advisors and single law or accounting firms as well as their professional bodies and fiscal associations. The tax profession supports businesses in fulfilling their tax obligations and tax planning. Civil society members such as nongovernmental organizations (NGOs), trade unions, academics, and other individuals were explicitly asked by the OECD (2013) to comment on the draft reports. We consider a commenter to be part of the interest group on whose behalf the comment letter was written.⁸

7. Throughout the manuscript, we use the more general term OECD to refer to Working Party 1.

8. Mulligan and Oats (2016) use the term “tax professionals” for in-house tax experts in multinational firms, while we classify in-house tax experts in the category of businesses. Likewise, we consider an external tax professional or academic expert who commented on behalf of a business or trade association as a member of the group of businesses.

We choose the interest group categories according to the extent to which commenters are affected by the BEPS project. Businesses are directly affected by rule changes, as their tax burdens and administrative costs change with altered rules. The tax profession is indirectly affected. As experts in tax issues and consultants to businesses, its members might face changes in turnover and liability risks depending on clients' needs for (additional) consulting activities, or they may encounter reduced tax planning opportunities because of closed tax loopholes. Civil society is neither directly nor indirectly affected apart from the fact that in the long run, home-country tax revenues could potentially change. The three groups differ in their vested interests and expertise. Regarding the participation level, all interest groups comment at both the individual and the collective level.

Kinds of information and lobbying success

Theoretical framework

This subsection develops our first two research questions (RQ1 and RQ2), which draw on theories on informational lobbying that discuss one particular kind of information and conceptualize lobbyists' vested interests in relation to the policymaker's interests. As Grossman and Helpman (2001) point out, policymakers are well aware that information from lobbyists may be biased and consider this in their decisions. When deciding on policies and regulations, policymakers give less weight to those groups that have stronger biases. Consequently, interest groups that share interests similar to the policymaker's (i.e., that have a smaller bias) tend to be more successful in lobbying. Henceforth, we refer to this notion as the "vested interest argument." If there are several interest groups, Grossman and Helpman (2001) distinguish interest groups with "like biases" and "opposite biases." For instance, in our setting, interest groups have a like bias if they propose changes to rules which go into the same direction relative to the policymaker (i.e., tightening rules or relaxing rules). Interest groups have opposite biases if one interest group seeks to tighten the rules and the other one seeks to relax the rules while the policymaker has a position in between the two. A policymaker who receives information solely from groups with like biases tends to shift more in their direction than a policymaker subject to informational lobbying by groups with opposite biases.

Not all interest groups are equally able to provide relevant information. Kothari et al. (2010, 272) note that although policymakers have interests and follow ideologies, they are "open to lobbying from constituents with specific knowledge." In their legislative subsidy theory, Hall and Deardorff (2006) explicitly distinguish opinions that can be signaled by all interested parties from the costly information that only those with specific knowledge are able to provide. Commenters who are able to offer costly information are likely to be more successful than those that cannot transmit the specific knowledge needed, which we refer to as the "expertise argument" in the remainder.

Hence, information transmitted by interest groups differs not only in the degree and direction of bias but also in the amount of expertise it includes. Combining both arguments, we expect the success of signaled opinions to be mainly explainable by lobbyists' vested interests. For costly information, we assume that both vested interests and expertise determine lobbying success, although the joint effect is unclear.

Signaling opinions

The OECD (2014) outlined several options to tackle aggressive tax planning in detail in their discussion draft, enabling all interest groups to form positions on the options and thereby signal their opinions. Our first research question is as follows:

RESEARCH QUESTION 1 (RQ1). *Which interest group does the OECD follow in cases of signaled opinions?*

The interests of businesses are quite obvious since they are directly affected by tax rule changes. Some businesses could be opposed to aggressive tax planning and prefer changes that

limit such opportunities. However, presumably even they would take a stance against higher taxes or administrative burdens. The preferences of the OECD, with its mandate to tackle aggressive tax planning, are different from those of businesses. Nonetheless, we can expect an alignment insofar as the OECD, as an association of market economies that aims to stimulate international trade, does not want to harm multinational firms and create barriers to international trade in general.

The interests of the tax profession are less obvious. Do tax professionals behave as their clients' advocates, as the NGO BEPS Monitoring Group implies by referring to them as multinational firms' "paid tax advisers" (OECD 2015a, 28)? Alternatively, self-interest by favoring rules that increase the demand for tax advisor services or a desire to serve the public interest by supporting the OECD conceptually could drive their behavior. Drawing on the accounting standards literature, Allen et al. (2018) find no evidence of auditors lobbying for their clients' interest. In contrast, and consistent with findings in prior studies (Gipper et al. 2013), they show the auditors' desire to support the standard setter conceptually. Baudot et al. (2017) report that the auditing profession reflects the motivations of both public and private interests in its lobbying activities.

There are arguments that the position of auditors toward businesses is different from that of the tax profession, which could impede drawing conclusions from the accounting standards literature. Auditors of financial statements are active in supporting the interests of shareholders and are expected to have a healthy skepticism toward businesses' interests, while tax advisors work on behalf of businesses themselves. Some tax advisors sell aggressive tax-planning schemes (Stuebs and Wilkinson 2010) and are likely to lobby against restrictions that would jeopardize their own business model. Radcliffe et al. (2018), however, report an increasing level of morality of tax professionals. The OECD (2008) describes in a study on tax intermediaries that tax advisors' behavior is driven by a multitude of factors, such as client and legal responsibilities, regulation of the professional body, and financial and reputational risk. Tax advisors not only serve their clients by optimizing their tax burden but also help their clients comply with tax laws, and thus they also act in the interests of tax authorities and society. Hence, compared to businesses, we expect the tax profession's interests to be more aligned with the OECD's preferences, on average.

Regarding civil society, several NGOs fight against aggressive tax planning. Chyz et al. (2013) argue that labor unions prefer that capital (and not labor) bears a higher tax burden and consequently oppose aggressive tax-planning activities. These aims are in line with the OECD's objectives. Dallyn (2017), however, identifies ideological barriers as obstacles to successful lobbying. The OECD's "commitment to market economies" can be in contrast to some NGOs' preferences. Hence, civil society and the OECD are united in their interest in fighting aggressive tax planning, yet the former should be interested in even more extensive measures than the latter.

To conclude, businesses and the tax profession have like biases insofar as their interests run in a similar direction, although the interests of the tax profession are closer to those of the OECD. Civil society has a bias that runs counter to that of businesses and tax professionals. We expect businesses to be relatively less successful than tax professionals and civil society members in signaling their opinions because their interests are least aligned with OECD preferences.

Providing costly information

Different from signaling opinions, a commenter's expertise is crucial for phrasing proposals. For our tax setting, we define expertise as relating to the resources of practical tax experience, theoretical tax knowledge, and time. OECD delegates arguably have theoretical tax knowledge, and at least some of them also have practical experience; however, all are under severe time constraints. Under these conditions, costly information, especially in the form of practical experience with cross-border tax issues, helps to assess the economic impact of tax rule changes on businesses, such as administrative and financial burdens, and to develop and adapt the Commentary.

Therefore, according to the expertise argument, the ability to provide costly information becomes a further factor for lobbying success in addition to vested interests. Our second research question is as follows:

RESEARCH QUESTION 2 (RQ2). *Which interest group does the OECD follow in cases of provided costly information?*

Businesses have either in-house tax experts or financial resources to seek external tax advice. Obviously, due to their international business models, they have practical experience with international taxation. The tax profession is characterized by high expertise in terms of tax knowledge, practical experience from their consultancy activities, and generally, financial resources to provide costly information in a timely manner. Despite having theoretical tax knowledge, civil society groups might lack funding (Dallyn 2017) and practical experience with business models. Consequently, their level of expertise is lower on average than that of businesses and tax professionals, and as a result, their ability to both provide costly information and succeed with such information is lower as well.

How expertise and vested interests play out is unclear. Assuming a similar level of expertise between businesses and tax professionals on average, we would expect the OECD to be more responsive to tax professionals, with their smaller bias relative to that of businesses. However, the exact distribution of expertise is unknown, and it is an open question whether vested interests can compensate for (small) differences in expertise or whether vested interests only break the tie in the presence of an identical level of expertise. Therefore, we do not make predictions regarding differences in lobbying success between businesses and tax professionals.

Alliances as a strategy and lobbying success

Our third research question (RQ3) adds theories on lobbying strategies to the analysis. Prior research (Keim and Zeithaml 1986; Salisbury et al. 1987) considers alliances an important strategy in lobbying. Alliances can take several forms; commenters can build consensus with members of their own interest group or across interest groups and mobilize others with a shared interest to participate. Alternatively, they can use more institutionalized forms of cooperation by joining associations and coalitions (Hillman and Hitt 1999; Olson 1965). Our research design does not consider the decision to form alliances but instead focuses on the potential result of this decision. The third research question is as follows:

RESEARCH QUESTION 3 (RQ3). *Can a strategy of building alliances increase lobbying success?*

Consensus among lobbyists is likely to be relevant for lobbying success. Keim and Zeithaml (1986) discuss the tactic of mobilizing others with a shared interest to make issues more visible to policymakers. Yackee and Yackee (2006) find evidence that the number of (similar) comments is positively associated with lobbying success. Furthermore, consensus on issues among commenters increases lobbying success, whereas conflict has the opposite effect (Mahoney 2007; Salisbury et al. 1987). The positive effect of consensus is expected to increase if a comment is shared by commenters from various interest groups (McLeay et al. 2000). To conclude, we expect consensus on positions and the number of similar proposals to be positively related to lobbying success.

Regarding more institutionalized forms of alliances, expectations are less clear since the level of both expertise and bias varies by participation level. Businesses often perceive collective lobbying as beneficial because of cost sharing and the combined expertise of all members, although comments at the individual level are likely to most favor a single firm (Hillman and Hitt 1999; Hula 1999). Olson et al. (2019) show that lobbying at the collective level is more likely when the

law in question is complex. Given the complexity of BEPS rules, it is likely that businesses comment at an individual level only if they have an expertise level comparable to that of a collective group or if they seek to secure exclusive tax benefits. From the perspective of policymakers, information provided by collective lobbyists can reduce bias and increase lobbying success because it raises less suspicion of commenting in the interest of one single actor at the expense of another (Hillman and Keim 1995). Consequently, we expect collectively commenting businesses to be more successful than single businesses regarding both types of transmitted information, the signaling of opinions and the provision of costly information.

Expectations are different for the tax profession. Single tax professionals advise multiple firms with a variety of business models, which results in an in-depth practical experience. Consequently, they have less need to coordinate with others in a collective group. Moreover, by sending comment letters, tax professionals seek to build reputational capital as experts in the particular field (e.g., Bamber and McMeeking 2016), which should be most beneficial at the individual level. At the collective level, by contrast, tax professional bodies are primarily concerned with self-regulation and their members' needs, for instance, by developing and monitoring professional or ethical codes or supporting qualifications (OECD 2008). This should reduce their ability to provide costly information on the issue at hand. Whereas single tax professionals should be superior in terms of the expertise needed, their bias could be larger because they are more likely to comment in the interests of their clients. This dichotomy makes it difficult to draw explicit conclusions regarding the lobbying success of the collectively lobbying tax profession.

Although some civil society members likely have high expertise, this group should depend more on cost-sharing considerations and the joint expertise of their peers. In addition, we expect any bias of this interest group to be lower at the collective level. Consequently, we expect civil society's lobbying to be more successful at the collective level than at the individual level.

In our setting, we find individual and collective commenters. Firms commented as individual firms or as members of trade associations and informal coalitions. Within the tax profession, we observe tax advisors, law or consulting firms as individual commenters and professional bodies and associations as collective commenters. Comment letters by civil society were sent by individual members of NGOs and academics at an individual level and by coalitions of NGOs, trade unions, and groups of academics at the collective level. The commenters' decision on the participation level, however, is endogenous in our setting. We can only study whether the assumption holds that collective lobbyists are viewed as less self-interested. We expect comment letters at the collective level to be more influential. Furthermore, alliances were possible by signaling identical opinions or phrasing identical or similar proposals. We expect consensus on opinions and the number of identical proposals to be positively related to lobbying success.

4. Research design

Our sample consists of 158 comment letters covering 1,147 pages from 107 different commenters.⁹ The OECD received 98 letters in the first round of public consultation and 60 in the second round. Fifty-one commenters sent letters in both rounds. We classified the commenters according to the three interest groups and the participation level on whose behalf the comment letter was written (see online Appendix D for a list of commenters).¹⁰

9. Of 160 comment letters received, we excluded two letters from the first round of public consultation because of uncertain provenance and content that was unrelated to the definition of permanent establishment, respectively.

10. For example, KPMG Ireland and PwC Ireland wrote comment letters on behalf of the aircraft leasing industry. We grouped these commenters as businesses. According to OECD regulations, comments submitted in the name of a collective group or on behalf of another person had to identify all businesses or individuals behind that comment.

Measuring influence: Coding of positions and proposals

To evaluate the commenters' signaled opinions and the costly information provided, we conducted a qualitative text analysis. This is in line with prior literature on small-scale data (Gipper et al. 2013; Yackee and Yackee 2006). Using QDA Miner software, we manually coded each comment letter according to the six key issues. As is common in this strand of literature, two coders, including one coauthor, applied the categorization model independently of each other to reduce concerns related to subjective evaluation of qualitative information. Intercoder reliability tests (Krippendorff 2004) indicate a high level of agreement between the two coders with $\kappa = 0.96$ for signaled opinions and $\kappa = 0.98$ for costly information.¹¹ Coding disputes were resolved by the second coauthor.

To measure signaled opinions, we assessed the commenters' preferred option(s) on each key issue ("positions") in the first round of public consultation. In general, commenters stated a clear position for or against one or more options. Some commenters did not state a clear position on the respective key issue. That is, they requested no change to the current Convention, preferred only a minor change, or held a neutral position. The last category also includes cases where no comments were made on a given key issue, accounting for any selection bias within our data set, given that interest groups comment only on issues they are interested in. Online Appendix E, panel A, presents a detailed description of the categorization model. In total, we collected six positions for each of the 98 comment letters, resulting in 588 positions. Similar to Kwok and Sharp (2005), we assume lobbying success if the revision of the discussion draft after the public consultation shows an alignment with the commenter's position(s).¹²

With respect to the provision of costly information, we extracted outcome-oriented proposals from all comment letters—that is, proposals that requested specific amendments to the (revised) discussion draft as suggested by Bamber and McMeeking (2016). Proposals could consist of changes to the proposed paragraphs of Article 5 of the Convention or changes to the Commentary. To be considered a proposal, each of the following criteria had to be met: (i) phrasing as a request (e.g., "we urge/recommend/suggest. . ." or "the OECD should. . ."), (ii) specific content (i.e., relating to a specific paragraph of Article 5 and not a mere rejection of an OECD proposal), and (iii) clear direction for the requested change (e.g., not a pure request for clarification) (see online Appendix E, panel B).¹³ Overall, we identified 542 proposals. Then, we compared the discussion draft with the revised discussion draft and the revised discussion draft with the final report on a word-by-word basis to trace which amendments were made. Following McLeay et al. (2000) and Bamber and McMeeking (2016), we assume lobbying success if a change in the subsequent report (at least partially) corresponded to the proposal.

As with related studies that rely on comment letters, our design cannot prove a causal relationship between a letter and the report that follows. We can neither prove nor rule out that the OECD chose an option or followed the content of a proposal because of one specific comment letter or for unobserved reasons. However, the discussion of positions and proposals in the revised discussion draft (OECD 2015d) and several remarks in the public hearing show that the OECD seriously considered the comment letters. Regarding proposals, we can trace all changes to the revised discussion draft and the final report that affect the Convention back to at least one proposal in the comment letters. This provides strong support for at least some causality between the transmitted information and the resulting final rules.

11. The literature defines κ -values of 0.7 and higher as acceptable levels (Lombard et al. 2002).

12. For example, regarding key issue 1, the OECD proposed options A to D in the discussion draft and agreed on option B in the revised draft. We coded this as alignment if the commenter's position was in favor of option B, in favor of more than one option including B, or against one or more options that did not contain B. In the last case, we regarded the prevention of an option with which the commenter clearly disagrees as successful lobbying.

13. For example, a proposal could be phrased as follows: "Please clarify in the Commentary that negotiating the material elements of a contract means that all material elements have to be negotiated."

Estimation approaches

We obtain two data sets to explore the two different kinds of information. RQ1, with a focus on signaled opinions, addresses the first data set on positions; RQ2, with its focus on the provision of costly information, addresses the second data set on proposals; and finally, RQ3 considers alliances in both data sets. We answer our research questions based on multivariate regressions by accounting for the interest group, alliance strategy, and control variables. We use binary variables on lobbying success as the dependent variable and run probit regressions. The Appendix describes all variables used.

RQ1: Signaling opinions

The first estimation equation is as follows:

$$POS_{ij} = \alpha + \beta_1 TAX_PROF_i + \beta_2 CIVIL_SOC_i + \sum_{k=1}^K \gamma_k X_{ij} + \sum_{j=2}^6 \hat{\gamma}_j KI_j + \epsilon_{ij}, \quad (1)$$

where POS_{ij} denotes whether the preferred option of commenter i on key issue j is in line with the one chosen by the OECD in the revised discussion draft. The variables of interest are the two binary variables TAX_PROF_i and $CIVIL_SOC_i$, which take a value of one if commenter i is part of the respective interest group and zero otherwise. *BUSINESS* forms the baseline group in the estimations.

The k control variables are denoted by X_k and capture several factors that can influence lobbying success. The use of specific technical language increases readability and signals to the reader that the sender is an expert. Signaled expertise can align with greater information content, which also enhances lobbying success (Yackee and Yackee 2006). Our measure seeks to control for any unequally distributed signaled expertise and readability among the three interest groups. Assuming that a common technical language exists in taxation and because a large number of tax experts commented on Action 7, we evaluate the level of technical language used in the comment letters by means of a quantitative analysis of the comment letters themselves. We extracted the most important key words per key issue by means of an untabulated factor analysis as provided by the text mining software WordStat (see online Appendix F). We then counted the extracted keywords per key issue and comment letter. Following Allen and Ramanna (2013), we created the variable *TECH*, which measures the share of technical language—that is, the absolute number of technical words in a letter's section on the respective key issue scaled by the total number of words in this section.

The influence of commenters might increase with their relevance. We use two variables as a proxy for relevance. First, as suggested by Mahoney (2007), we use the size of the commenters' institution. Given the large diversity of commenters, measuring size is nontrivial.¹⁴ For this reason, we employ an ordinal size measure *SIZE_RANK* with three categories (large, medium, and small), for which the definition depends on the interest group (see the Appendix). At the individual level, we follow the commenters' positions in common rankings (e.g., Fortune 500, Big 4/Big Law); at the collective level, we categorize international associations as large, nationwide associations as medium, and other coalitions as small. Second, to account for commenters' reputations as tax experts among their peers, we control for the number of references made to the commenters in other comment letters (*REF*).

Furthermore, commenters' geographical origin could affect their influence (Bamber and McMeeking 2016; Jorissen et al. 2012). We control for geographical origin in emerging economies

14. Typical size measures such as total assets or market value are applicable to businesses only. The number of employees or persons represented cannot be collected for all commenters in an equal manner if one considers, for instance, trade organizations or civil society groups.

since such countries are generally interested in a lower permanent establishment threshold to increase their tax revenues (Eberhartinger and Petutschnig 2017). The binary variable *EMERG* takes a value of one if the commenter’s origin is an emerging country according to the International Monetary Fund (IMF) and zero otherwise.

Commenters were active in the overall BEPS project to different degrees. Commenters who wrote several comment letters during the entire BEPS project or who attended the public hearing after the first round of public consultation of Action 7 could have more influence. They could benefit from a better reputation and greater perceived expertise and trust among OECD members, and they might be more able to adjust their comments to OECD expectations. *ALL_LETTERS* is the number of comment letters sent on all Actions of the BEPS project before May 15, 2015 (i.e., the publication date of the revised discussion draft). Moreover, we examined the public hearing of January 21, 2015 (OECD 2015e). *HEARING* measures the time spoken in minutes by a commenter.

EMERG, *REF*, *SIZE_RANK*, *ALL_LETTERS*, and *HEARING* vary at the commenter level, and *TECH* varies at the commenter-key issue level. KI_j reflects key issue fixed effects, that is, dummy variables equal to one if the position is on key issue j , and zero otherwise.

RQ2: Providing costly information

The second estimation equation is as follows:

$$PROP_{nij} = \alpha + \beta_1 TAX_PROF_i + \beta_2 CIVIL_SOC_i + \sum_{k=1}^K \gamma_k X_{ij} + \sum_{j=2}^6 \gamma_j KI_j + \epsilon_{nij}, \tag{2}$$

where $PROP_{nij}$ denotes whether proposal n by commenter i on key issue j was in line with amendments undertaken by the OECD. The explanatory and control variables correspond to those in equation (1) complemented by two additional variables. *ROUND2* takes a value of one in the second round of public consultation and zero otherwise. In this regard, Sutton (1984), for instance, argues that influence is more probable at an earlier stage. The proposals could involve either a relaxation or tightening of the proposed tax rules from a business perspective, which could influence the proposals’ success. We therefore create the variable *CHANGE* and place the proposals into five categories according to their degree and direction of change. We distinguish between neutral proposals, major and minor relaxing proposals, and major and minor tightening proposals.¹⁵ We use *CHANGE* dummies, with neutral proposals as the baseline.

RQ3: Alliances as a strategy

We construct two different measures for consensus for each data set we use. Within our first data set, we use data on the commenters’ positions by key issue to derive a measure of consensus per key issue. Consensus is typically measured dichotomously—that is, based on whether commenters agree with each other (Mahoney 2007; Nelson and Yackee 2012). To account for the variety of commenter preferences per key issue in our sample, we determine the actual sample variance per key issue and the highest possible sample variance if all preferences are for only one option.¹⁶ We derive our variable *CONSI* by dividing the actual sample variance by the maximum sample variance. The variable ranges between one if all commenters prefer the same option and zero if each option receives an equal

15. For a description of each category of *CHANGE* and examples please see online Appendix E, panel C. An untabulated test on collinearity between *CHANGE* and the interest group variables indicates only a moderate association (Cramér’s $V = 0.419$).

16. In the case of N positions and M different options, each option is expected to receive $\bar{x} = N/M$ expressions of support or opposition. The sample variance over all options is $\sum_{m=1}^M s_m^2 = 1/M \sum_{m=1}^M (x_m - \bar{x})^2$. The maximum sample variance with N positions on one option is $s_{max}^2 = 1/M \left((N - \bar{x})^2 + (M - 1)(-\bar{x})^2 \right)$.

TABLE 1
Number of comment letters, positions, and proposals by interest group

	Comment letters			Positions			Proposals								
				First round			First round			Second round			Both rounds		
	First round	Second round	Both rounds	All	POS = 1	Success rate (%)	All	PROP = 1	Success rate (%)	All	PROP = 1	Success rate (%)	All	PROP = 1	Success rate (%)
<i>BUSINESS</i>	55	41	96	330	70	21.21	178	79	44.38	165	45	27.27	343	124	36.15
<i>B_INDI</i>	18	10	28	108	15	13.89	21	8	38.10	22	3	13.64	43	11	25.58
<i>B_COLL</i>	37	31	68	222	55	24.77	157	71	45.22	143	42	29.37	300	113	37.67
<i>TAX_PROF</i>	38	17	55	228	70	30.70	127	53	41.73	51	20	39.22	178	73	41.01
<i>T_INDI</i>	27	9	36	162	45	27.78	71	34	47.89	28	13	46.43	99	47	47.47
<i>T_COLL</i>	11	8	19	66	25	37.88	56	19	33.93	23	7	30.43	79	26	32.91
<i>CIVIL_SOC</i>	5	2	7	30	10	33.33	13	2	15.38	8	2	25.00	21	4	19.05
<i>C_INDI</i>	1	1	2	6	0	0.00	0	0	—	1	0	0.00	1	0	0.00
<i>C_COLL</i>	4	1	5	24	10	41.67	13	2	15.38	7	2	28.57	20	4	20.00
Sum	98	60	158	588	150	25.51	318	134	42.14	224	67	29.91	542	201	37.08

Notes: Success rates reflect the percentage of successful positions (proposals) per interest group or subgroup. All variables are defined in the Appendix.

TABLE 2
Summary statistics**Panel A:** Data set for positions

Variable	Obs.	Mean	Median	Std. dev.	Min	Max
<i>POS</i>	588	0.255	0	0.436	0	1
Interest groups						
<i>BUSINESS</i>	588	0.561	1	0.497	0	1
<i>TAX_PROF</i>	588	0.388	0	0.488	0	1
<i>CIVIL_SOC</i>	588	0.051	0	0.220	0	1
Subgroups						
<i>B_INDI</i>	588	0.184	0	0.388	0	1
<i>B_COLL</i>	588	0.378	0	0.485	0	1
<i>T_INDI</i>	588	0.276	0	0.447	0	1
<i>T_COLL</i>	588	0.112	0	0.316	0	1
<i>C_INDI</i>	588	0.010	0	0.101	0	1
<i>C_COLL</i>	588	0.041	0	0.198	0	1
Key issues						
<i>KI1</i>	588	0.167	0	0.373	0	1
<i>KI2</i>	588	0.167	0	0.373	0	1
<i>KI3</i>	588	0.167	0	0.373	0	1
<i>KI4</i>	588	0.167	0	0.373	0	1
<i>KI5</i>	588	0.167	0	0.373	0	1
<i>KI6</i>	588	0.167	0	0.373	0	1
<i>EMERG</i>	588	0.031	0	0.172	0	1
<i>TECH</i>	588	0.053	0.037	0.060	0	0.400
<i>REF</i>	588	0.122	0	0.747	0	7
<i>SIZE_RANK1</i>	588	0.224	0	0.418	0	1
<i>SIZE_RANK2</i>	588	0.388	0	0.488	0	1
<i>SIZE_RANK3</i>	588	0.388	0	0.488	0	1
<i>HEARING</i>	588	2.892	0	7.376	0	43.117
<i>ALL_LETTERS</i>	588	6.500	4.500	5.201	1	19
<i>CONSI</i>	588	0.501	0.446	0.17	0.333	0.829
<i>CONSI_IG</i>	588	0.639	0.635	0.251	0.143	1
<i>SIZE_MEMBERS</i>	588	3.520	1.778	4.609	0	20.500
<i>SIZE_GOOGLE</i>	588	8.600	8.772	3.451	1.099	17.504
<i>FIN_OECD</i>	588	0.273	0.055	0.386	0	1
<i>GDP_COUNTRY</i>	588	12.615	12.462	0.816	10.757	13.875
<i>D_GOV</i>	588	0.194	0	0.396	0	1
<i>TIME_GOV</i>	588	1.431	0	3.872	0	25

Panel B: Data set for proposals

Variable	Obs.	Mean	Median	Std. dev.	Min	Max
<i>PROP</i>	542	0.371	0	0.483	0	1
Interest groups						
<i>BUSINESS</i>	542	0.633	1	0.482	0	1
<i>TAX_PROF</i>	542	0.328	0	0.470	0	1
<i>CIVIL_SOC</i>	542	0.039	0	0.193	0	1

(The table is continued on the next page.)

TABLE 2 (continued)

Panel B: Data set for proposals						
Variable	Obs.	Mean	Median	Std. dev.	Min	Max
Subgroups						
<i>B_INDI</i>	542	0.079	0	0.271	0	1
<i>B_COLL</i>	542	0.554	0	0.498	0	1
<i>T_INDI</i>	542	0.183	0	0.387	0	1
<i>T_COLL</i>	542	0.146	0	0.353	0	1
<i>C_INDI</i>	542	0.002	0	0.043	0	1
<i>C_COLL</i>	542	0.037	0	0.189	0	1
Key issues						
<i>KI1</i>	542	0.461	0	0.499	0	1
<i>KI2</i>	542	0.142	0	0.349	0	1
<i>KI3</i>	542	0.185	0	0.388	0	1
<i>KI4</i>	542	0.101	0	0.302	0	1
<i>KI5</i>	542	0.098	0	0.297	0	1
<i>KI6</i>	542	0.013	0	0.113	0	1
<i>ROUND2</i>	542	0.234	0	1.196	0	1
<i>EMERG</i>	542	0.033	0	0.179	0	1
<i>TECH</i>	542	0.084	0.069	0.051	0	0.255
<i>REF</i>	542	0.234	0	1.196	0	7
<i>SIZE_RANK1</i>	542	0.306	0	0.461	0	1
<i>SIZE_RANK2</i>	542	0.413	0	0.493	0	1
<i>SIZE_RANK3</i>	542	0.280	0	0.450	0	1
<i>HEARING</i>	542	5.776	0	11.267	0	43.117
<i>ALL_LETTERS</i>	542	10.203	9	6.646	1	23
<i>CHANGE</i>						
Major relaxing	542	0.426	0	0.495	0	1
Minor relaxing	542	0.443	0	0.497	0	1
Neutral	542	0.094	0	0.292	0	1
Minor tightening	542	0.022	0	0.147	0	1
Major tightening	542	0.015	0	0.121	0	1
<i>CONS2</i>	542	15.849	14	12.957	1	49
<i>CONS2_IG</i>	542	9.483	7	7.779	1	31
<i>SIZE_MEMBERS</i>	542	4.836	3.714	4.739	0	20.5
<i>SIZE_GOOGLE</i>	542	8.41	8.476	3.736	1.099	17.504
<i>FIN_OECD</i>	542	0.381	0.206	0.418	0	1
<i>GDP_COUNTRY</i>	542	12.939	13.216	0.778	10.757	13.875
<i>D_GOV</i>	542	0.186	0	0.390	0	1
<i>TIME_GOV</i>	542	1.296	0	3.153	0	25

Notes: All variables are defined in the Appendix.

number of “votes.” To account for consensus among members of the same interest group, we alternatively determine *CONSI_IG* for each interest group.

Within our second data set, consensus related to proposals can be observed if two or more proposals are identical or at least similar, which means they relate to an identical topic and ask for a change in the same direction. Following Yackee and Yackee (2006), we categorize the proposals and identify 97 different topics. *CONS2* counts the total number of proposals on a specific topic, and *CONS2_IG* counts the number per interest group.

To account for the participation level, we replace the interest group dummies in equations (1) and (2) with the subgroups (*B_COLL*, *T_INDI*, *T_COLL*, *C_INDI*, and *C_COLL*), with single businesses (*B_INDI*) as a baseline.

5. Results

Descriptive statistics and qualitative analysis

Table 1 presents the number of comment letters per interest group as well as their signaled opinions (positions on options) and provided costly information (proposals) including success rates. Table 2 summarizes the descriptive statistics of all variables used. Pairwise correlations between the interest groups and controls (untabulated) do not show notably high values. Variance inflation factors (untabulated) indicate that multicollinearity should not affect the results.

In total, businesses sent 96 comment letters, tax professionals 55, and civil society members 7. Whereas a minority of businesses and civil society members comment at the individual level (29% each), tax professionals tend to comment individually more often (66%) than they do collectively. This is consistent with findings that single businesses often rely on the joint expertise of an association or coalition, whereas professionals prefer commenting individually. The small number of letters and especially proposals by civil society is in line with our expectations that members of civil society lack expertise regarding these complex but highly practical tax issues.

Regarding signaling opinions, in absolute numbers, businesses and the tax profession have the highest number of successful positions (70 each). Relative success rates, however, differ; only 21% of the businesses' preferred options coincide with the options chosen compared to 31% of those of the tax profession and 33% of those of civil society. Turning to the subgroups, collective lobbyists always have higher success rates than their individual counterparts. We attribute these results to the collective commenters' smaller bias, which—according to our vested interest argument—is an important factor for lobbying success with signaled opinions.

With regard to providing costly information, businesses show the highest number of successful proposals with 124, followed by the tax profession with 73. There are only 4 successful proposals from civil society members, emphasizing civil society's reduced ability to provide costly information. When we look at success rates, the picture partly changes. The tax profession has the highest rate of successful proposals (41%), followed by businesses (36%) and civil society (19%). Furthermore, Table 1 shows that businesses and civil society members have higher success rates at the collective level, whereas the tax profession is less successful at this participation level. Forty-eight percent of the proposals by single tax professionals are successful, whereas the rate is 33% for their associations. These findings support our reflections that expertise, especially practical experience, is a decisive factor for lobbying success if costly information is transmitted.

We take a closer look at the content of proposals because, unlike positions, their substance varies strongly (see online Appendix G for qualitative insights). Consistent with their smaller bias as compared to businesses, tax professionals' proposals tend to include more objective definitions. In contrast, businesses repeatedly opposed new rules. They often tried to preserve their tax-planning opportunities either by asking for personal or material exemptions from the new rules for their business or by proposing to limit the rules to clear cases of abuse. These findings underline the more obvious vested interests of businesses. Businesses also tend to be familiar only with their own and potentially an industry-specific business model. This results in more business-specific information and demands transmitted to the OECD and frequent references to commenters' own business model. The tax profession's more general proposals reflect its experience with a high number of business models. The small number of proposals by civil society either focus on "academic subtleties" or ask for changes that would lead to an extreme proliferation of permanent establishments with minor effects on tax revenues while inducing high administrative costs.

TABLE 3
 Probit estimations for positions (RQ1)

Variables	(1) <i>POS</i>	(2) <i>POS</i>	(3) <i>POS</i>	(4) <i>POS</i>
<i>TAX_PROF</i>	0.295** (0.129)	0.336** (0.142)	0.465*** (0.143)	0.443*** (0.142)
<i>CIVIL_SOC</i>	0.458* (0.245)	0.600** (0.244)	0.760*** (0.264)	0.892*** (0.278)
<i>EMERG</i>			0.237 (0.414)	0.140 (0.388)
<i>TECH</i>			8.336*** (1.641)	8.177*** (1.641)
<i>REF</i>			0.019 (0.029)	−0.000 (0.034)
<i>SIZE_RANK2</i>			0.034 (0.166)	0.093 (0.165)
<i>SIZE_RANK3</i>			−0.355** (0.171)	−0.207 (0.180)
<i>HEARING</i>				−0.011 (0.010)
<i>ALL_LETTERS</i>				0.028** (0.014)
Constant	−0.799*** (0.078)	−0.613*** (0.148)	−0.959*** (0.218)	−1.180*** (0.227)
Key issue FE	No	Yes	Yes	Yes
SE clustered by	Commenter	Commenter	Commenter	Commenter
Observations	588	588	588	588
Pseudo R^2	0.012	0.109	0.201	0.207

Notes: The table shows the results from testing equation (1) with a probit estimator. Robust standard errors clustered by commenter are in parentheses. *, **, and *** represent significance levels of 1%, 5%, and 10%, respectively. All variables are defined in the Appendix.

We further note that businesses make heavy use of alliances when transmitting costly information; 87% of all business proposals are transmitted by collective lobbyists compared to 44% of proposals from the tax profession. Within the group of businesses (tax professionals), each proposal appears on average 12 (6) times (untabulated), suggesting extensive mobilization within the group of businesses. Only 3 out of 43 proposals (untabulated) by single businesses do not come along with a similar proposal from business associations. Apparently, businesses that commented individually also shared their proposals with their associations.

Results for RQ1: Signaling opinions

Table 3 shows the results for the probit estimations of equation (1), which assesses the lobbying success of interest groups' signaled opinions. For brevity, we focus on column (4), which includes all control variables. The probability that a tax professional's position is successful is 11% higher than that of a business's position (marginal effect). A civil society member's preferred option coincides with the option chosen with an even higher probability of 24%, although we note that this result is based on a small number of observations. We do not find a statistically significant difference between the tax profession and civil society (untabulated Wald test of the null hypothesis that $\beta_1 - \beta_2 = 0$, $p = 0.128$). The results suggest that opinions signaled by commenters with a larger bias are less successful.

TABLE 4
Robustness tests for positions (RQ1)

Variables	(1) POS Alternative size control I	(2) POS Alternative size control II	(3) POS Control for contribution to OECD finances	(4) POS Control for country of origin's GDP	(5) POS Control for country FE	(6) POS Control for continent FE	(7) POS Control for commenters' government positions	(8) POS Control for commenters' time in a government	(9) POS Sample without coding disputes	(10) POS Sample without neutral positions	(11) POS Sample with clear positions only
<i>TAX_PROF</i>	0.402*** (0.135)	0.380*** (0.133)	0.446*** (0.146)	0.447*** (0.144)	0.537*** (0.160)	0.363** (0.158)	0.438*** (0.140)	0.442*** (0.142)	0.422*** (0.141)	0.227* (0.138)	0.278* (0.152)
<i>CIVIL_SOC</i>	0.902*** (0.259)	0.853*** (0.255)	0.890*** (0.299)	0.893*** (0.291)	0.888*** (0.333)	0.845*** (0.293)	0.871*** (0.274)	0.892*** (0.278)	0.893*** (0.292)	0.557** (0.220)	0.470** (0.215)
<i>EMERG</i>	0.141 (0.417)	0.210 (0.412)					0.120 (0.391)	0.138 (0.389)	-0.045 (0.418)	0.615* (0.325)	0.910 (0.604)
<i>TECH</i>	8.243*** (1.612)	8.375*** (1.593)	8.205*** (1.636)	8.201*** (1.641)	8.483*** (1.798)	8.399*** (1.667)	8.238*** (1.641)	8.184*** (1.641)	8.179*** (1.696)	0.673 (1.853)	0.300 (1.895)
<i>REF</i>	-0.041 (0.042)	-0.001 (0.032)	-0.001 (0.035)	-0.001 (0.034)	-0.003 (0.084)	-0.022 (0.035)	0.016 (0.035)	0.001 (0.036)	0.047 (0.038)	-0.004 (0.036)	-0.019 (0.037)
<i>SIZE_RANK2</i>			0.111 (0.175)	0.110 (0.174)	0.186 (0.202)	0.202 (0.182)	0.038 (0.174)	0.090 (0.170)	0.089 (0.170)	-0.010 (0.159)	0.078 (0.165)
<i>SIZE_RANK3</i>			-0.195 (0.193)	-0.196 (0.189)	-0.056 (0.215)	-0.098 (0.192)	-0.237 (0.178)	-0.210 (0.180)	-0.138 (0.183)	-0.089 (0.170)	-0.064 (0.173)
<i>HEARING</i>	-0.013 (0.009)	-0.013 (0.010)	-0.012 (0.010)	-0.012 (0.010)	-0.010 (0.012)	-0.013 (0.012)	-0.010 (0.010)	-0.011 (0.010)	-0.017** (0.009)	-0.011 (0.009)	-0.008 (0.008)
<i>ALL_LETTERS</i>	0.032** (0.013)	0.034** (0.013)	0.029** (0.014)	0.029** (0.014)	0.030* (0.016)	0.037** (0.015)	0.029** (0.014)	0.028** (0.014)	0.037*** (0.014)	0.004 (0.013)	0.002 (0.014)
<i>SIZE_MEMBERS</i>	0.018 (0.014)										
<i>SIZE_GOOGLE</i>		0.011 (0.020)									
<i>FIN_OECD</i>			0.015 (0.193)								
<i>GDP_COUNTRY</i>				0.007 (0.094)							

(The table is continued on the next page.)

TABLE 4 (continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	POS	POS	POS	POS	POS	POS	POS	POS	POS	POS	POS
Variables	Alternative size control I	Alternative size control II	Contribution to OECD finances	Control for country of origin's GDP	Control for country FE	Control for continent FE	Control for government positions	Control for government time in a government	Sample without coding disputes	Sample without neutral positions	Sample with clear positions only
<i>D_GOV</i>							-0.201 (0.158)				
<i>TIME_GOV</i>								-0.002 (0.019)			
Constant	-1.287*** (0.186)	-1.331*** (0.232)	-1.197*** (0.249)	-1.276 (1.242)	-1.248*** (0.254)	-1.187*** (0.254)	-1.114*** (0.230)	-1.175*** (0.229)	-1.218*** (0.235)	-0.412* (0.230)	-0.314 (0.238)
Key issue FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	No	No	No	No	Yes	No	No	No	No	No	No
Continent FE	No	No	No	No	No	Yes	No	No	No	No	No
SE clustered by	Commenter	Commenter	Commenter	Commenter	Commenter	Commenter	Commenter	Commenter	Commenter	Commenter	Commenter
Observations	588	588	588	588	570	588	588	588	565	372	338
Pseudo R ²	0.204	0.202	0.207	0.207	0.225	0.214	0.209	0.207	0.216	0.187	0.201

Notes: The table shows modified results from testing equation (1) with a probit estimator. Robust standard errors clustered by commenter are in parentheses. Columns (1) and (2) use alternative size measures, and columns (3)–(6) use alternative geographical measures for *EMERG*. Columns (7) and (8) additionally control for commenters' government positions. Columns (9)–(11) rely on subsamples, with column (9) excluding coding disputes and column (10) excluding neutral positions. Column (11) is based on clear positions only. *, **, and *** represent significance levels of 1%, 5%, and 10%, respectively. All variables are defined in the Appendix.

The significantly positive coefficient for *TECH* implies that technical language is an important factor in lobbying success. The size, references, and geographical origin of a commenter coefficients are not significant. The number of all comment letters sent to the BEPS project is significantly positively related to lobbying success, although active participation in the hearing is not.¹⁷

We conduct several robustness tests, the results of which are presented in Table 4. First, we apply alternative size measures for *SIZE_RANK*. *SIZE_MEMBERS* is based on the natural logarithm of the number of a commenter's members, such as the number of businesses that are part of a trade association. By definition, single lobbyists have one member (i.e., *SIZE_MEMBERS* = 0), whereas collective lobbyists, such as associations, have multiple members (*SIZE_MEMBERS* > 0). Our second alternative measure, *SIZE_GOOGLE*, accounts for the fact that the number of members underestimates the impact of large single commenters (e.g., a Big 4 firm or a multinational firm). *SIZE_GOOGLE* proxies size by means of name recognition and is measured as the natural logarithm of Google hits arising for each commenter up to the date of the subsequent Action 7 report.¹⁸ The positive coefficients of *TAX_PROF* and *CIVIL_SOC* remain unchanged (columns (1) and (2)).

Second, we employ alternative country variables *FIN_OECD* based on the financial contribution of the commenter's country of origin to the OECD (Table 4, column (3)) and *GDP_COUNTRY*, indicating the country's GDP (column (4)). These measures should account for the potential positive effect of a country's importance for the OECD's finances or its overall economic power on commenters' lobbying success. Moreover, as the accounting standards literature finds differences among the geographical origins of commenters (e.g., Bamber and McMeeking 2016; Jorissen et al. 2012), we use country fixed effects (column (5)) and continent fixed effects (column (6)) instead of *EMERG*. However, we do not find any significant impact of country-related variables but our variables of interest remain stable.

Third, connections between the OECD or tax authorities and commenters could drive lobbying success. Kim and Zhang (2016) find that politically connected firms show greater tax aggressiveness than nonconnected firms. In a similar vein, commenters with (past) positions at the OECD or governments could be more successful. Consistent with Kim and Zhang (2016), we assess the biographies of all comment letter authors. The variable *D_GOV* is one if at least one of a comment letter's authors has been in a governmental position or OECD position relating to taxes and zero otherwise. The variable *TIME_GOV* indicates the number of years that authors have been active in governmental or public positions. The additional variables do not show a significant impact (Table 4, columns (7) and (8)), and the variables of interest remain stable.¹⁹

Fourth, the results could be driven by the coding of *POS*. We test equation (1) with alternative subsamples and exclude all observations with coding disputes (Table 4, column (9)), all observations in which the commenters stated a neutral position (column (10)), and all observations in which the commenters stated a neutral position or expressed support for a minor change or no change to the existing tax rules (column (1)). Nevertheless, the tax profession and civil society retain their statistically significant positive coefficients.

Results for RQ2: Providing costly information

Table 5 shows the results of the probit estimations of equation (2), which assesses the lobbying success of interest groups' provision of costly information. We again focus on the specification with all control variables (column (5)). At this stage, we fail to detect a statistically significant difference between the lobbying success of businesses and the tax profession. Civil society shows

17. We alternatively test the speaking time on the specific key issue and distinguish presentations from comments during the Q&A slots (untabulated). No measures show any significance, and the coefficients of all other variables remain unaffected.

18. We account for misleading abbreviations and frequent names (e.g., EBIT or Jim Stewart).

19. For the 19 letters whose authors were not identified, we coded *D_GOV* = 0 and *TIME_GOV* = 0. When we exclude these 19 letters from the sample, the results (untabulated) remain stable.

TABLE 5
 Probit estimations for proposals (RQ2)

Variables	(1) PROP	(2) PROP	(3) PROP	(4) PROP	(5) PROP
<i>TAX_PROF</i>	0.127 (0.142)	0.135 (0.159)	0.147 (0.140)	0.186 (0.148)	0.213 (0.148)
<i>CIVIL_SOC</i>	-0.522*** (0.202)	-0.674*** (0.196)	-0.764*** (0.176)	-0.946*** (0.227)	-0.600** (0.250)
<i>CHANGE</i> <i>Major relaxing</i>					-0.754*** (0.232)
<i>Minor relaxing</i>					0.036 (0.225)
<i>Minor tightening</i>					-0.785** (0.371)
<i>Major tightening</i>					—
<i>ROUND2</i>			-0.306** (0.128)	-0.352** (0.146)	-0.394*** (0.146)
<i>EMERG</i>			-0.173 (0.208)	-0.156 (0.204)	-0.011 (0.217)
<i>TECH</i>			4.144*** (1.530)	3.610** (1.540)	3.391** (1.568)
<i>REF</i>			0.064*** (0.023)	0.030 (0.029)	0.013 (0.030)
<i>SIZE_RANK2</i>			-0.140 (0.151)	-0.123 (0.150)	-0.098 (0.143)
<i>SIZE_RANK3</i>			-0.342** (0.174)	-0.430** (0.175)	-0.448** (0.178)
<i>HEARING</i>				0.012** (0.006)	0.015*** (0.005)
<i>ALL_LETTERS</i>				0.007 (0.010)	0.007 (0.010)

(The table is continued on the next page.)

TABLE 5 (continued)

Variables	(1) <i>PROP</i>	(2) <i>PROP</i>	(3) <i>PROP</i>	(4) <i>PROP</i>	(5) <i>PROP</i>
Constant	-0.354*** (0.072)	-0.408*** (0.096)	-0.384* (0.197)	-0.458** (0.192)	-0.284 (0.270)
Key issue FE	No	Yes	Yes	Yes	Yes
SE clustered by	Commenter	Commenter	Commenter	Commenter	Commenter
Observations	542	535	535	535	528
Pseudo R^2	0.006	0.056	0.082	0.089	0.136

Notes: The table shows the results from testing equation (2) with a probit estimator. Robust standard errors clustered by commenter are in parentheses. All seven proposals on *KI6* in (2)–(5) and all seven major tightening proposals in (5) are dropped because the dependent variable does not vary (*PROP* = 0 for all observations). *, **, and *** represent significance levels of 1%, 5%, and 10%, respectively. All variables are defined in the Appendix.

significantly negative coefficients throughout all specifications, indicating that its proposals are less successful. We caution that the last result is based on a small number of only 21 proposals from civil society members. The results suggest that expertise is an important success factor if costly information is provided. The next subsection where we distinguish participation levels sheds more light on the interplay of expertise and bias under such circumstances.

Results in Table 5 show that the success of proposals made in the second round of public consultation is significantly lower (*ROUND2*). Lobbying success is further positively associated with technical language (*TECH*) and speaking time at the *HEARING*. Moreover, small commenters are significantly less successful than large commenters (*SIZE_RANK*). The number of references, geographical origin, and the number of total comment letters have little or no relevance to the success of proposals. As outlined in the qualitative analysis at the beginning of section 5, the proposals show large variation in terms of substance. Therefore, we inspect the variable *CHANGE* more closely. Proposals for major relaxations show an approximately 24% lower (marginal effect) probability of alignment with subsequent OECD amendments than neutral proposals. Tightening proposals are significantly less successful as well; minor tightening proposals have a 25% lower (marginal effect) probability of coinciding with amendments to the final rules than neutral proposals. Proposals for major tightening are dropped from the estimations because none of them are successful. Overall, the OECD is more responsive to proposals for neutral changes or minor relaxations of the rules.

Our results remain unchanged through several robustness tests presented in Table 6 where we control for alternative measures for size (columns (1) and (2)), geographical origin (columns (3)–(6)), and prior governmental or public positions (columns (7) and (8)) and if we exclude observations with coding disputes (column (9)). The results for businesses and the tax profession also remain unchanged if we exclude the few proposals by civil society (column (10)).

Results for RQ3: Alliances as a strategy

Consensus

We initially study the impact of consensus within (*CONSI_IG*) and across interest groups (*CONSI*) on lobbying success in signaling opinions. The results in Table 7, panel A, show that both consensus variables are significantly positive (columns (1) and (2)). Apparently, consensus increases the probability that opinions will be successful. The direction and significance level of our coefficients of interest from RQ1 do not change.

We now turn to consensus within (*CONS2_IG*) and across interest groups (*CONS2*) when providing costly information (Table 7, panel A, columns (3) and (4)). Both consensus variables show a significantly positive association with *PROP*. One additional similar proposal increases the probability that its content coincides with amendments undertaken by the OECD by 1% (marginal effect). Related to RQ2, the tax profession becomes significantly more successful than businesses if we control for the number of similar proposals within interest groups (*CONS2_IG*) (column (4)). Apparently, businesses make heavy use of mobilization strategies, which leads to an overestimation of their *relative* success without controlling for alliances.²⁰ The results from the positions data set and from the proposal data set support prior studies on the impact of consensus on lobbying success and suggest that mobilizing others with a shared interest to comment is a promising lobbying tactic.

Participation levels

Next, we disentangle the interest groups according to participation level in both data sets. For signaling opinions, after we include control variables, we do not detect a statistically significant

20. A coordinated provision of proposals suggests that observations are not independent. The results (untabulated) remain stable if we correct for potential autocorrelation and cluster standard errors at the proposal category level.

TABLE 6
Robustness tests for proposals

Variables	(1) <i>PROP</i> Alternative size control I	(2) <i>PROP</i> Alternative size control II	(3) <i>PROP</i> Control for contribution to OECD finances	(4) <i>PROP</i> Control for country of origin's GDP	(5) <i>PROP</i> Control for country FE	(6) <i>PROP</i> Control for continent FE	(7) <i>PROP</i> Control for commenters' government positions	(8) <i>PROP</i> Control for commenters' time in a government	(9) <i>PROP</i> Sample without coding disputes	(10) <i>PROP</i> Sample without proposals by civil society members
<i>TAX_PROF</i>	0.180 (0.141)	0.176 (0.136)	0.195 (0.148)	0.213 (0.143)	0.182 (0.163)	0.195 (0.157)	0.199 (0.147)	0.213 (0.147)	0.246* (0.149)	0.205 (0.148)
<i>CIVIL_SOC</i>	-0.413 (0.252)	-0.468** (0.226)	-0.660** (0.308)	-0.597** (0.276)	-0.532 (0.448)	-0.584* (0.334)	-0.548** (0.247)	-0.601** (0.294)	-0.610** (0.252)	
<i>ROUND2</i>	-0.404*** (0.146)	-0.390*** (0.144)	-0.396*** (0.144)	-0.394*** (0.146)	-0.364** (0.143)	-0.389*** (0.146)	-0.402*** (0.146)	-0.394*** (0.146)	-0.372** (0.154)	-0.423*** (0.146)
<i>EMERG</i>	-0.028 (0.223)	0.155 (0.208)					-0.009 (0.217)	-0.011 (0.217)	-0.009 (0.216)	0.072 (0.235)
<i>TECH</i>	2.980* (1.609)	3.427** (1.618)	3.434** (1.567)	3.391** (1.591)	3.054* (1.765)	3.334* (1.867)	3.254** (1.624)	3.392** (1.591)	3.767** (1.627)	3.293** (1.578)
<i>REF</i>	0.065 (0.041)	0.034 (0.024)	0.010 (0.031)	0.013 (0.030)	0.018 (0.055)	0.013 (0.032)	0.021 (0.030)	0.013 (0.031)	0.013 (0.031)	0.023 (0.029)
<i>SIZE_RANK2</i>			-0.061 (0.151)	-0.100 (0.146)	-0.010 (0.190)	-0.078 (0.157)	-0.115 (0.145)	-0.098 (0.144)	-0.144 (0.147)	-0.089 (0.144)
<i>SIZE_RANK3</i>			-0.429** (0.168)	-0.449*** (0.169)	-0.370* (0.221)	-0.430** (0.170)	-0.442** (0.175)	-0.449** (0.181)	-0.470*** (0.181)	-0.384** (0.181)
<i>HEARING</i>	0.006 (0.006)	0.015*** (0.005)	0.014** (0.005)	0.015*** (0.005)	0.011 (0.008)	0.013** (0.005)	0.015** (0.005)	0.015*** (0.005)	0.015*** (0.005)	0.011* (0.006)
<i>ALL_LETTERS</i>	0.019* (0.010)	0.010 (0.009)	0.006 (0.011)	0.007 (0.011)	0.012 (0.012)	0.007 (0.011)	0.009 (0.010)	0.007 (0.010)	0.007 (0.010)	0.007 (0.010)
<i>SIZE_MEMBERS</i>	-0.014 (0.014)									
<i>SIZE_GOOGLE</i>		0.049*** (0.015)								

(The table is continued on the next page.)

TABLE 6 (continued)

	(1) <i>PROP</i>	(2) <i>PROP</i>	(3) <i>PROP</i>	(4) <i>PROP</i>	(5) <i>PROP</i>	(6) <i>PROP</i>	(7) <i>PROP</i>	(8) <i>PROP</i>	(9) <i>PROP</i>	(10) <i>PROP</i>
Variables	Alternative size control I	Alternative size control II	Control for contribution to OECD finances	Control for country's GDP	Control for country FE	Control for continent FE	Control for commenters' government positions	Control for commenters' time in a government	Sample without coding disputes	Sample without proposals by civil society members
<i>FIN_OECD</i>			0.097 (0.206)							
<i>GDP_COUNTRY</i>				-0.003 (0.102)						
<i>D_GOV</i>							-0.107 (0.137)			
<i>TIME_GOV</i>								0.000 (0.017)		
Constant	-0.436* (0.255)	-0.897*** (0.271)	-0.313 (0.270)	-0.250 (1.275)	-0.319 (0.300)	-0.263 (0.350)	-0.261 (0.274)	-0.285 (0.270)	-0.331 (0.272)	-0.182 (0.268)
Key issue FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>CHANGE</i> FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	No	No	No	No	Yes	No	No	No	No	No
Continent FE	No	No	No	No	No	Yes	No	No	No	No
SE clustered by	Commenter	Commenter	Commenter	Commenter	(Robust SE)	Commenter	Commenter	Commenter	Commenter	Commenter
Observations	528	528	528	528	518	525	528	528	522	507
Pseudo R ²	0.129	0.136	0.136	0.136	0.141	0.133	0.136	0.136	0.141	0.130

Notes: The table shows modified results from testing equation (2) with a probit estimator. Robust standard errors clustered by commenter are in parentheses. Columns (1) and (2) use alternative size measures, and columns (3)–(6) use alternative geographical measures for *EMERG*. Columns (7) and (8) rely on a subsample without coding disputes and proposals by civil society members, respectively. Columns (9) and (10) additionally control for commenters' government positions. *, **, and *** represent significance levels of 1%, 5%, and 10%, respectively. All variables are defined in the Appendix.

TABLE 7
 Probit estimations for alliances as a strategy (RQ3)

Panel A: Consensus				
Variables	(1) <i>POS</i>	(2) <i>POS</i>	(3) <i>PROP</i>	(4) <i>PROP</i>
<i>TAX_PROF</i>	0.369*** (0.119)	0.461*** (0.146)	0.172 (0.153)	0.419*** (0.157)
<i>CIVIL_SOC</i>	0.627** (0.280)	0.976*** (0.294)	-0.585*** (0.216)	-0.276 (0.239)
<i>CONSI</i>	0.722** (0.297)			
<i>CONSI_IG</i>		0.687* (0.358)		
<i>CONS2</i>			0.032*** (0.006)	
<i>CONS2_IG</i>				0.046*** (0.009)
<i>ROUND2</i>			-0.510*** (0.156)	-0.501*** (0.150)
<i>EMERG</i>	0.144 (0.380)	0.150 (0.412)	-0.057 (0.227)	-0.024 (0.247)
<i>TECH</i>	3.127*** (0.906)	8.122*** (1.638)	2.506 (1.536)	2.600* (1.566)
<i>REF</i>	-0.000 (0.031)	-0.005 (0.034)	0.032 (0.030)	0.030 (0.030)
<i>SIZE_RANK2</i>	0.074 (0.142)	0.090 (0.167)	0.021 (0.153)	-0.011 (0.152)
<i>SIZE_RANK3</i>	-0.215 (0.161)	-0.210 (0.183)	-0.353** (0.171)	-0.397** (0.173)
<i>HEARING</i>	-0.007 (0.010)	-0.011 (0.010)	0.014*** (0.005)	0.015*** (0.005)
<i>ALL_LETTERS</i>	0.029** (0.012)	0.029** (0.014)	0.007 (0.010)	0.008 (0.010)
Constant	-1.517*** (0.244)	-1.573*** (0.326)	-0.639** (0.284)	-0.681** (0.298)
Key issue FE	No	Yes	Yes	Yes
<i>CHANGE</i> FE	—	—	Yes	Yes
SE clustered by	Commenter	Commenter	Commenter	Commenter
Observations	588	588	528	528
Pseudo <i>R</i> ²	0.0617	0.213	0.180	0.171

Panel B: Participation levels				
Variables	(1) <i>POS</i>	(2) <i>POS</i>	(3) <i>PROP</i>	(4) <i>PROP</i>
<i>B_COLL</i>	0.404** (0.181)	0.181 (0.234)	0.342* (0.192)	0.036 (0.209)
<i>T_INDI</i>	0.496** (0.203)	0.538** (0.237)	0.593** (0.237)	0.547** (0.232)
<i>T_COLL</i>	0.981*** (0.184)	1.250*** (0.237)	-0.185 (0.254)	-0.499 (0.313)

(The table is continued on the next page.)

TABLE 7 (continued)

Panel B: Participation levels				
Variables	(1) <i>POS</i>	(2) <i>POS</i>	(3) <i>PROP</i>	(4) <i>PROP</i>
<i>C_INDI</i>	—	—	—	—
<i>C_COLL</i>	0.777*** (0.234)	0.576** (0.283)	0.214 (0.201)	−0.083 (0.228)
<i>ROUND2</i>				−0.373*** (0.138)
<i>EMERG</i>		0.115 (0.394)		0.191 (0.230)
<i>TECH</i>		8.254*** (1.684)		3.259* (1.681)
<i>REF</i>		0.000 (0.034)		0.021 (0.027)
<i>SIZE_RANK2</i>		0.108 (0.179)		0.053 (0.128)
<i>SIZE_RANK3</i>		−0.112 (0.171)		−0.522*** (0.181)
<i>HEARING</i>		−0.014 (0.010)		0.019*** (0.005)
<i>ALL_LETTERS</i>		0.028** (0.014)		0.002 (0.008)
Constant	−1.085*** (0.160)	−1.331*** (0.250)	−0.656*** (0.176)	−0.312 (0.284)
Key issue FE	No	Yes	No	Yes
<i>CHANGE</i> FE	—	—	No	Yes
SE clustered by	Commenter	Commenter	Commenter	Commenter
Observations	582	582	541	527
Pseudo R^2	0.028	0.213	0.015	0.144

Notes: The table shows the results from testing equation (1) (columns (1) and (2)) and equation (2) (columns (3) and (4)) with a probit estimator. Robust standard errors clustered by commenter are in parentheses. Panel A: Key issue fixed effects are excluded in column (1) because *CONSI* does not vary at the key issue level. All seven proposals on *KI6* and all seven major tightening proposals in columns (3) and (4) are dropped because the dependent variable does not vary ($PROP = 0$ for all observations). Panel B: Proposals on *KI6*, major tightening proposals, and proposals by *C_INDI* are dropped because the dependent variable does not vary ($PROP = 0$ for all observations). *, **, and *** represent significance levels of 1%, 5%, and 10%, respectively. All variables are defined in the Appendix.

difference in lobbying success for individually and collectively lobbying businesses (Table 7, panel B, column (2)). A Wald test (untabulated) of the null hypothesis that the coefficients of individually and collectively commenting tax professionals are identical indicates that the participation level is also not relevant for the tax profession's success ($p = 0.884$). We do not draw any conclusions for civil society because of the small number of observations. Taken together, we do not provide evidence that collective commenters are more successful than individually participating commenters. Related to RQ1, our findings still show significantly higher success for the tax profession (both *T_INDI* and *T_COLL*) and civil society (*C_COLL*) than for businesses, as Wald tests indicate (untabulated).

Regarding costly information, we again fail to find a statistically significant difference between the lobbying success of single businesses and their associations (Table 7, panel B, column (4)). Our qualitative analysis indicates that businesses use mobilization tactics so that proposals at the individual and collective levels transmit similar content. Our nonfinding could be attributable to insufficient variation within the data. Consistent with our reasoning on the distribution of expertise, individually commenting tax professionals are significantly more successful than their collective counterparts (untabulated Wald test, $p = 0.001$). Due to the small number of proposals by civil society members, we are again not able to draw any definite conclusions.

Related to RQ2, we find that individually commenting tax professionals are more successful than single businesses (Table 7, panel B, column (4)); that is, the probability that a single tax professional's proposal will coincide with amendments undertaken by the OECD increases by 18% relative to that of a single business (marginal effect). They are also more successful than business associations (untabulated Wald test, $p = 0.001$). Under the assumption of a comparable expertise level between single tax professionals and businesses, our results suggest that the policymaker follows the less biased lobbyist. One could argue that single tax professionals represent the interests of a number of businesses insofar as they act in their clients' interest. If so, single tax professionals would be comparable to business associations. Since we detect a statistically significant difference between both subgroups' lobbying success for both opinions and proposals, we carefully draw the conclusion that it is not the collective view but the tax profession's smaller bias that determines its lobbying success. Similar to findings for the accounting profession, the view of the tax profession as purely a client advocate is not confirmed.

6. Discussion and conclusions

This study investigates the influence of businesses, the tax profession, and civil society on the content of tax rules based on the setting of the OECD BEPS project. By analyzing comment letters, we provide the first evidence on how interest groups' lobbying success relates to the kind of information transmitted and to the alliance strategies used. Our findings indicate that interest groups' vested interests determine success if opinions are signaled but that both specific expertise and vested interests play a role in lobbying success if costly information is provided. Regarding the lobbying strategy of using alliances, our results suggest that mobilizing tactics increase lobbying success. Our findings thereby show that specific expertise and alliances enable businesses to influence the content of tax rules despite their obvious bias. This is in contrast to civil society, which is at a disadvantage under such circumstances. The tax profession, with its high expertise and its smaller bias compared to businesses, is relatively more successful than any other interest group. We extend the literature on tax lobbying and complement studies on stakeholders' influence on regulations and standard setting.

This research faces some limitations. Our design shows correlations between interest groups' comments and the content of tax rules. We do not consider the interest groups' decisions regarding whether and how to lobby prior to writing a comment letter, nor can we prove causality. With regard to the first, we face endogeneity concerns that represent a main challenge for empirical studies on lobbying (de Figueiredo and Richter 2014). This is a particular threat to empirical designs that assess lobbying outcomes such as reductions in the effective tax rate. Since we focus only on the comment letters' impact on the content of final tax rules, this caveat is less challenging. Regarding causal inferences, anecdotal evidence from OECD reports and public hearings as well as our ability to link all major amendments by the OECD to interest groups' proposals strongly support our assumption of a causal relation. BEPS is not hard law; it is soft law, since national governments can either decide not to participate in the BEPS project at all—or insofar as no minimum standard is concerned—decline to (fully) incorporate a provision into their national tax laws. Therefore, it is possible that interest groups decided to lobby their national government instead of, or in addition to, the OECD. Moreover, our setting is characterized by a complex political issue on which policymakers faced extreme time constraints. These circumstances

should increase policymakers' need for specific expertise. Future research may shed light on less time-sensitive or less complex rule-making processes. The results suggest that the need for specific expertise limits civil society's access to power. This relates to the debate about the increasing influence of epistemic communities (Himick and Brivot 2018). Future research could deepen our understanding of epistemic communities in tax rule-making processes. When observing accounting standard-setting processes, researchers often face the limitation that they are unaware of regulators' motives in setting the agenda (Kothari et al. 2010; Gipper et al. 2013). In a similar vein, the OECD's strategy when it drafted its first report is unknown, which limits our ability to draw definite inferences about lobbying success. The OECD may have anticipated strong interventions by businesses and consequently proposed rules that were considerably stricter than they actually had in mind as final tax rules. We leave the resolution of this question to future research.

Appendix: Variable definitions

Variable	Definition
<i>POS</i>	Dummy variable that takes the value of one if the commenter's preferred option coincides with the one chosen by the OECD and zero otherwise
<i>PROP</i>	Dummy variable that takes the value of one if the commenter's proposal coincides with amendments undertaken by the OECD and zero otherwise
<i>BUSINESS</i>	Dummy variable that takes the value of one if the commenter is a single business, a trade association or another group of businesses and zero otherwise
<i>B_INDI</i>	Dummy variable that takes the value of one if the commenter is a single business and zero otherwise
<i>B_COLL</i>	Dummy variable that takes the value of one if the commenter is a trade association or another group of businesses and zero otherwise
<i>TAX_PROF</i>	Dummy variable that takes the value of one if the commenter is part of the tax profession and zero otherwise
<i>T_INDI</i>	Dummy variable that takes the value of one if the commenter is a single tax professional (e.g., single law or accounting firm, tax advisor) and zero otherwise
<i>T_COLL</i>	Dummy variable that takes the value of one if the commenter is an association of tax professionals (e.g., professional bodies, fiscal associations) and zero otherwise
<i>CIVIL_SOC</i>	Dummy variable that takes the value of one if the commenter is an NGO, a labor union, or academic and zero otherwise
<i>C_INDI</i>	Dummy variable that takes the value of one if the commenter is a single civil society member, for instance, an academic, and zero otherwise
<i>C_COLL</i>	Dummy variable that takes the value of one if the commenter is an umbrella organization of NGOs or labor unions, or a group of academics and zero otherwise
<i>ROUND2</i>	Dummy variable that takes the value of one if the proposal is related to the second round of public consultation and zero otherwise
<i>EMERG</i>	Dummy variable that takes the value of one if the commenter's origin is in emerging countries (as defined by IMF) and zero otherwise
<i>TECH</i>	Number of technical key words divided by the total number of words per key issue
<i>REF</i>	Number of references other commenters make to this commenter (per round of public consultation)

(The table is continued on the next page.)

(continued)

Variable	Definition
<i>SIZE_RANK</i> , <i>SIZE_RANK1</i> , <i>SIZE_RANK2</i> , <i>SIZE_RANK3</i>	Ordinal variable that reflects the commenter's size within the categories large, medium, and small. <i>SIZE_RANK1</i> – <i>SIZE_RANK3</i> are dummy variables that take the value of one if the commenter is in the large category (<i>SIZE_RANK1</i>), in the medium category (<i>SIZE_RANK2</i>), or in the small category (<i>SIZE_RANK3</i>) and zero otherwise. Categories depend on interest group and subgroup. <i>B_INDI</i> : large = Fortune 100 firm, medium = Fortune 101–500, small = all others; <i>T_INDI</i> : large = Big 4 or top 5 law firm, medium = listed on international accounting or law firm rankings, small = all others; <i>C_INDI</i> and all <i>_ASSOC</i> : large = international group, medium = nationwide group, small = all others
<i>CHANGE</i>	Nominal variable that reflects the direction and degree of requested change: major relaxing, minor relaxing, neutral, major tightening, minor tightening (see online Appendix E, panel C)
<i>CONS1</i> <i>CONS1_IG</i>	Continuous variable between 0 and 1 at the key issue level that measures the key issue's sample variance of positions relative to its maximum possible sample variance (subscript <i>_IG</i> : at the interest group level)
<i>CONS2</i> <i>CONS2_IG</i>	Number of similar proposals on the same key issue (subscript <i>_IG</i> : per interest group)
<i>HEARING</i>	Commenter's speaking time at the hearing in minutes
<i>KI_j</i> , that is, <i>KI1</i> , <i>KI2</i> , <i>KI3</i> , <i>KI4</i> , <i>KI5</i> , <i>KI6</i>	Dummy variables that take the value of one if the position or proposal is on key issue <i>j</i> and zero otherwise with $j = \{1, 2, 3, 4, 5, 6\}$
<i>ALL_LETTERS</i>	Total number of comment letters sent to all Actions of the BEPS project before May 15 (October 4), 2015, in the first (second) round of public consultation
<i>SIZE_MEMBERS</i> <i>SIZE_GOOGLE</i>	Natural logarithm of number of members Natural logarithm of number of hits of the commenter's name on Google until one day before the subsequent report (first round of public consultation May 14, 2015, second round of public consultation October 4, 2015)
<i>FIN_OECD</i>	Contribution of the commenter's country of origin to the OECD in percentage shares of OECD budget contributions
<i>GDP_COUNTRY</i> <i>D_GOV</i>	Natural logarithm of the GDP of the commenter's country of origin in 2015 Dummy variable that takes the value of one if at least one of a comment letter's authors has been in a governmental position or OECD position relating to taxes and zero otherwise
<i>TIME_GOV</i>	Number of years the comment letter's authors have been active in governmental or public positions

Data Availability Statement

The study is based on comment letters sent to the OECD BEPS project. The comment letters, the related discussion drafts, and the final report are publicly available at <http://www.oecd.org/tax/beps/beps-actions.htm> (comments on Action 7). We list the specific hyperlinks to the documents in the References (OECD 2014, 2015a, 2015b, 2015c, 2015d).

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SUPPORTING INFORMATION

Additional supporting information may be found in the online version of this article:

- Appendix A.** Test of permanent establishment status according to the Article 5 OECD Model Tax Convention
- Appendix B.** Evolution of Article 5 OECD Model Tax Convention and Commentary
- Appendix C.** Example of the evolution of an agency permanent establishment (key issue 1)
- Appendix D.** List of commenters
- Appendix E.** Coding scheme
- Appendix F.** Extracted key words per key issue and round of public consultation
- Appendix G.** Qualitative analysis of proposals