



Enforced versus voluntary tax compliance: The “slippery slope” framework

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Abstract

A framework for tax compliance is suggested in which both the power of tax authorities and trust in the tax authorities are relevant dimensions for understanding enforced and voluntary compliance. Dynamic interactions between power and trust are considered. Using the framework as a conceptual tool, factors studied in previous research, such as fines, audit probabilities, tax rate, knowledge, attitudes, norms and fairness are reviewed and discussed with reference to the power and trust dimensions. Using the framework as an operational tool, approaches of responsive regulation to increase tax compliance are discussed.

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1. Introduction

Paying taxes is a duty for citizens. The primary interest of the state is that citizens follow this duty and behave in compliance to the tax rules, regardless of the motives for

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compliance. However, the same behavior can result from different motives: (a) citizens can comply because they calculate the costs for non-compliance as being too high, or (b) citizens can comply because they feel obliged to do so as members of the community. Depending on the motives, a different approach to tax regulation would be required. Purely economic factors such as audit rates and fines have shown inconsistent effects on tax compliance, for various reasons. First, the assumption that taxpayers are trying to avoid taxes whenever it pays must be doubted. Many studies show that a vast majority of citizens are willing to pay taxes. Second, most taxpayers seem to take the legitimacy of the tax system for granted. They believe in the overarching objectives of the government and pay their share without considering possibilities to avoid or to evade taxes. The following paper presents a framework that integrates such perspectives, gives a review of studies on tax compliance, and discusses regulatory strategies.

2. A framework for tax compliance

The framework suggested here starts from the idea that the tax climate in a society can vary on a continuum between an antagonistic climate and a synergistic climate. In an antagonistic climate, taxpayers and tax authorities work against each other; in a synergistic climate, they work together. The antagonistic climate can be characterized by a “cops and robbers” – attitude on both sides: tax authorities perceive the taxpayers as “robbers” who try to evade whenever they can and need to be held in check; taxpayers feel persecuted by the authorities (“cops”) and feel it right to hide (Braithwaite, 2003a). In such a climate, the social distance (Bogardus, 1928) is likely to be large, with little respect and little positive feelings towards the regulatory authorities on behalf of individuals and groups. Voluntary compliance is likely to be negligible, and individuals are likely to resort to “rational” weighing of the costs and benefits of evading. The synergistic climate can be characterized by the idea that tax authorities perform a service for the community, and are a part of the same community the individual taxpayers belong to. The authorities’ approach could be described as a “service and client” – attitude, as it is propagated in New Public Management. Authorities aim for transparent procedures and for respectful and supportive treatment of taxpayers. For example, in Switzerland a friendly and respectful treatment of taxpayers by authorities has been recognized for a long time as an important means to enhance tax compliance (Feld & Frey, 2005). In such a climate, social distance is likely to be low, voluntary compliance is likely to prevail, and individuals are less likely to consider the chances of evading, and more likely to contribute their share out of a sense of obligation.

From that starting point, the framework proceeds with the idea to think about tax compliance along two major dimensions: the power of tax authorities and the trust in tax authorities. These dimensions and their interactions jointly influence the level of tax compliance (Kirchler, 2007). Tyler (2006) follows a similar line of argumentation when, in his conclusion, he distinguishes two different ways of how authorities could gain cooperation from the public. The first way claims that the threat of punishment could encourage compliance. However, incentives for compliance and coercion for non-compliance are not always effective mechanisms for creating and maintaining compliant behavior. The second way claims that perceived competence in managing problems could activate citizens to aid the authorities. Considering authorities as having legitimacy leads to citizens feeling obliged to adhere to decisions, policies, and rules (Tyler, 2006).

By power of authorities, we mean taxpayers' perception of the potential of tax officers to detect illegal tax evasion, for example by conducting frequent and thorough tax audits, and to punish evasion, for example by fining evaders to a noticeable extent. To a large degree, power of authorities is related to tax legislation and the budget allocated to them by a government; to some degree, it is also related to the support from the population, for example by being informed about misconduct. Since we focus on perception of power, this dimension is also related to knowledge and attitudes held by the taxpayers. By trust in authorities, we mean the general opinion of individuals and social groups that the tax authorities are benevolent and work beneficially for the common good. Eberl (2003) describes trust as a special quality of relations, i.e., interacting partners ascribe each other positive aspects and intrinsic motivation to maintain the relationship. Tyler (2003) uses the term "social trust" to distinguish this perspective from calculative trust.

It is assumed here that tax compliance can be achieved through increasing levels of power and trust; however, the resulting compliance is enforced in the former case and voluntary in the latter case. The impact of changes in one dimension is assumed to depend on the level of the other dimension, resulting in the stylized figure shown in Fig. 1. It shows the proposed "slippery slope" framework graphically in a three-dimensional space with the power of authorities, trust in authorities, and tax compliance as dimensions.

We start the description of the characteristics of the framework in the front corner of Fig. 1. In conditions where trust in authorities is low and the power of authorities is weak, it is likely that citizens seek to maximize their individual outcomes by evading taxes, bringing compliance to a minimum. (a) Moving along the left edge, along the power dimension under conditions of low trust, compliance increases with the power of the authorities to raise audit and detection probabilities and to inflict severe fines. Taxpayers have less and less incentives to evade, because the expected outcome of non-compliance falls below the expected outcome of compliance. Increasing power of the authorities is likely to result in enforced compliance. The curvature results from an assumption of diminishing returns:

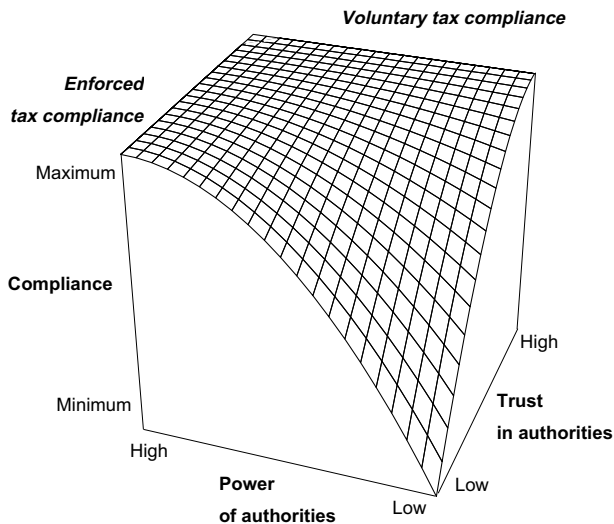


Fig. 1. The "slippery slope" framework: enforced tax compliance and voluntary tax compliance depending on the power of the authorities and trust in the authorities.

similar increases in compliance can be gained only by increasingly high investments in power. (b) Moving from the front corner along the right edge, along the trust dimension under conditions of low power, compliance increases with the degree of trust. Increasing trust is likely to result in voluntary compliance. Again, the assumption is one of diminishing returns. (c) High compliance can result both under conditions of strong power of the authorities as well as under conditions of strong trust in the authorities. However, the reasons for compliance differ, and there is a qualitative difference between enforced and voluntary compliance. (d) The power and trust dimensions moderate each other. Variations in trust matter most when power is low; however, when power is at its maximum, variations in trust are irrelevant because authorities can enforce maximum compliance. Conversely, variations in power matter most when trust is low; however, when trust is at its maximum, variations in power do not matter because citizens contribute their share regardless.

Up to now, the description of the framework presented was rather static; considerations of the interconnectedness of power and trust add a dynamic perspective. While the graphic representation in Fig. 1 depicts power and trust as orthogonal dimensions for analytical reasons, it is important to consider constellations where changes in trust influence the level of power or vice versa.

Changes in trust can influence power. Turner (2005) suggests that power of authorities can emerge in two forms; (a) legitimate power and (b) coercive power. Legitimate power refers to the power of an accepted authority, to which individuals pay voluntary deference. Coercive power of authorities is described as an attempt to direct individuals against their volition and can hence be perceived as enforcing a certain behavior. In the present framework, coercive power is located in the low-trust area, and legitimate power in the high-trust area. On the one hand, an increase in trust can increase power of authorities because citizens support the tax officers and ease their work. A case in point would be whistleblowing in corporate tax evasion. Conversely, a decrease in trust can reduce power.

Changes in power can influence trust. On the one hand, when tax authorities increase their level of auditing, this could be interpreted as a signal that the authorities hold a “cops and robbers” – attitude and distrust the honesty of taxpayers. Monitoring can be seen as a sign of distrust (Cialdini, 1996; Frey, 2003), which in turn reduces trust in authorities by honest taxpayers. This is particularly likely when audits occur very frequently or in an inquisitorial style. Therefore, an increase in power would reduce trust. On the other hand, when tax authorities make it known that they were more efficient in detecting tax fraud and in bringing justice, the trust honest taxpayers put in the authorities will rise. The concept of retributive justice (Wenzel, 2003) highlights these considerations. Accordingly, a comparison of the Chilean and Argentine tax system showed that credible sanctions under legitimate power are an effective tool for achieving higher trust levels and consequently higher compliance rates (Bergman, 2003). Therefore, an increase in power would increase trust. These considerations highlight the importance of the taxpayers’ perspective on and interpretation of the actions of the tax authorities. The way power of authorities is perceived by citizens can determine tax compliance (Bergman, 2003).

Taken together, such considerations suggest a dynamic aspect conveyed also by our naming it the “slippery slope” framework.¹ As illustrated in Fig. 1, stable areas of high

¹ The term “slippery slope” was introduced by Henk Elffers at a conference in Leiden, The Netherlands, on “Managing and maintaining compliance” (10–11 April 2006), where some aspects of the framework were presented.

compliance are only found at the extremes of maximum power or maximum trust, which in reality are unattainable. In other areas, a certain downward pull seeks to reduce compliance. This pull results from the reciprocal influences of power and trust described above, and from asymmetries between gaining and losing of trust and power. A downward spiral is easily conceivable: if trust in the tax authorities decreases, any action on their behalf will be interpreted as less legitimate than before. A regular audit would be interpreted as a deliberate action and a sign of mistrust, which in turn makes it legitimate to seek opportunities to reduce payments and to reduce support for the authorities. Tax authorities would react by conducting a more thorough audit to ferret out the hidden reserves. This would be considered proof that they treat the individual taxpayer different, i.e., unfairly from the individual's view, and which again reduces trust and cooperation. An upward spiral is possible, but seems much harder to obtain because obtaining trust is more difficult than losing it. When achieved, however, an increase in trust could contribute to power of authorities by honest taxpayers supporting the authorities, and by needing fewer resources for monitoring. Seeing dishonest taxpayers punished would increase trust on behalf of the honest taxpayers.

Quite obviously, an antagonistic or a synergistic climate is related to the dimensions of the framework presented here. It would be difficult to identify a clear causal relationship between them, and it is more likely that they form a reciprocal relationship. For example, a synergistic climate with a “service and clients” – approach can increase both trust in and power of the authorities; at the same time, measures that increase trust can contribute to a synergistic climate.

The framework presented in Fig. 1 can be used as a conceptual tool and as an operational tool. As a conceptual tool it may serve to understand the importance of determinants of tax behavior and the ambiguous effects reported in empirical research. As an operational tool it can be used to develop strategies of effectual interaction between tax authorities and taxpayers; for example, authorities should aim at increasing trust by communicating a “service and clients” – attitude (e.g., locating the reason for non-compliance by phoning taxpayers, Feld & Frey, 2005). The next section will consult the “slippery slope” framework as a conceptual tool to review previous research on factors influencing tax compliance. The final section will consult the “slippery slope” framework as an operational tool and explore regulatory strategies that tax authorities can adopt.

3. The slippery slope framework as a conceptual tool to organize previous research

In the tradition of tax compliance research, a number of factors have been considered important for explaining compliance. We present a review on existing findings and discuss them with regard to the dimensions of power and trust in the “slippery slope” framework.

3.1. Audit probabilities

Studies on the impact of audit probabilities on tax compliance found rather weak effects. Fischer, Wartick, and Mark's (1992) review summarizes inconsistent findings on audit probabilities and tax compliance. For example, threatening taxpayers in a field experiment (Slemrod, Blumenthal, & Christian, 2001) with “close examination” of their upcoming returns increased tax compliance just for low and middle-income taxpayers, but decreased it for high-income taxpayers. Furthermore, laboratory experiments varying

audit probabilities found low negative effects of audit rates on evasion, especially for precise percentage information on audit probabilities instead of indicating high, middle, and low probabilities (Spicer & Thomas, 1982). In contrast, other experiments report that imprecise information increases tax compliance (Friedland, 1982). Different survey studies found significant and non-significant low positive relations between audit probabilities and tax compliance (e.g., Mason & Calvin, 1978; Song & Yarbrough, 1978; Spicer & Lundstedt, 1976; Wärneryd & Walerud, 1982).

Within the current framework, it would be argued that not the objective audit probability is important, but the subjectively perceived probability and its interpretation. A review on tax compliance and audit probabilities (Andreoni, Erard, & Feinstein, 1998) showed that objective audit probabilities have little effect on compliance, and concluded that subjectively perceived probabilities may be mediated via psychological variables. Prior audits, i.e., direct experience, also have a weak impact on tax compliance. An explanation is that prior audits may not turn out as badly as taxpayers initially feared (Andreoni et al., 1998). The subjective probability of being audited would be an indicator for the power of authorities; however, the same level would be interpreted differently depending on the trust in the authorities. An individual's risk aversion, according to our framework, would be of relevance primarily under conditions of low-trust; with high-trust in the authorities, it would become irrelevant because the tendency to calculate probabilities and payoffs is replaced by following a common norm.

3.2. *Fines*

Empirical studies on the impact of fines on tax compliance did not find the clear picture theoretical analyses provide. In sum, the relation of fines and tax compliance also shows inconsistent findings (Fischer et al., 1992). Some experiments showed that fines are slightly higher related to tax compliance than audit probabilities are (e.g., Park & Hyun, 2003). Keeping constant the expected value of a tax-like game, but changing audit probabilities and fines for non-compliance, showed that compliance increased significantly with higher fines, but not with higher audit probabilities (Friedland, Maital, & Rutenberg, 1978). Other experiments, on the contrary, showed that fines and tax compliance are not related, but audit probabilities and tax compliance are (Friedland, 1982; Webley, Robben, Elffers, & Hessing, 1991).

In the current framework, it would be argued that the interpretation of fines matters. In an antagonistic climate, fines can be a part of the game of “cops and robbers”; in a synergistic climate, they can be perceived as an adequate retribution for behavior that harms the community. Fines are therefore connected to trust and power. Fines that are too low could be perceived as indicator that the authorities are weak and unable to control the wrongdoers, undermining trust among honest taxpayers. Fines that are inappropriate because a taxpayer involuntarily made a mistake resulting from ambiguous tax laws, or fines that are exorbitantly high, would undermine the perception of retributive justice and induce tax evaders to try even harder to regain their “losses” incurred by those fines.

3.3. *Tax rate*

Economic models of rational compliance decisions provide either mixed predictions of the effect of the marginal tax rate on compliance, or predict that increased tax rates would

increase compliance (Allingham & Sandmo, 1972). On the contrary, most empirical research finds that higher tax rates decrease compliance or provides mixed results. Some studies (Pommerehne & Weck-Hannemann, 1996; Weck-Hannemann & Pommerehne, 1989) demonstrate that evasion increases with increasing marginal tax rates. Also Clotfelter (1983) and Slemrod (1985) found that the marginal tax rate has a significant effect on underreporting. In Porcano's (1988) study, the tax rate had no effect on evasion and underreporting. Laboratory experiments with varying tax rates frequently found tax rate increases leading to higher evasion (Alm, Jackson, & McKee, 1992; Collins & Plumlee, 1991; Friedland et al., 1978; Park & Hyun, 2003). However, Alm, Sanchez, and deJuan (1995) found the opposite in a Spanish sample, and Baldry (1987) did not find a significant effect at all.

Within the current framework, the impact of the tax rate would depend on the degree of trust. When trust is low, a high tax rate could be seen as an unfair treatment of taxpayers, as an attempt at taking from the taxpayers what is rightly theirs. When trust is high, the same level of tax rate would be interpreted as contribution to the community, which in turn again profits each individual. In the first case, the tax rate would be interpreted as the wielding of power by some remote office; in the second case, as a joint agreement within the community.

3.4. *Subjective tax knowledge and participation*

Tax knowledge is positively related to tax compliance. Schmolders (1960) found that agreement with governmental activities and fiscal policy was higher in highly educated groups. Also other authors accepted that longer education increases the knowledge about taxation, but without considering the content of education (Kinsey & Grasmick, 1993; Song & Yarbrough, 1978; Spicer & Lundstedt, 1976; Vogel, 1974). An Australian survey (Niemirowski, Wearing, Baldwin, Leonard, & Mobbs, 2002) found that subjective evaluation of tax knowledge was significantly linked to tax-related values, attitudes towards tax compliance, and behavior intentions. Several studies found that reduced complexity and higher knowledge increased tax compliance (Clotfelter, 1983; Groenland & van Veldhoven, 1983; Kirchler & Maciejovsky, 2001; Park & Hyun, 2003; Wahlund, 1992; Wärneryd & Walerud, 1982). A study manipulating tax knowledge of students (Eriksen & Fallan, 1996) found that with acquiring additional knowledge on tax rules in a class, tax compliance increased and tax evasion decreased.

A related topic is the degree of participation in decision processes concerning taxes. Direct democracy has a positive effect on tax compliance. The more influence citizens have on the budgeting process, the more they will try to get information about the tax system and consider consequences in the long run (Frey & Kirchgässner, 2002). For example, in Swiss cantons in which citizens can influence the budgetary policy in direct legislation, tax compliance is higher than in cantons in which citizens have no influence (Pommerehne & Weck-Hannemann, 1996). Feld and Kirchgässner (2000) reported a different type of communication among citizens who are directly involved in political decisions, and between citizens and their representatives. Informed citizens will accept tax increases when the expenditures of the government are justified (Frey & Kirchgässner, 2002). Overall, tax evasion is lower in direct than in representative democratic systems (Kirchgässner, Feld, & Savioz, 1999).

In the current framework, it is argued that subjective tax knowledge and participation in the use of taxes is positively correlated with trust, whereas poor understanding and

misunderstanding are positively correlated with distrust. Thus, higher knowledge concerning taxes leads to higher compliance and poor knowledge concerning taxes leads to higher non-compliance. Because tax laws are often criticized to be too complex to be fully understood, increasing taxpayers' literacy by simplification of the tax laws, by training and education, and by increased taxpayer service will increase trust in authorities and will therefore lead to increased voluntary tax compliance. Knowledge about taxation practices can also contribute to the perceived power of authorities; for example, knowing that tax officers have conducted a large number of tax audits and detected several cases of fraud can make them appear effective and powerful. Perception of ineffectiveness, on the other hand, can reduce perceived power, pointing to the importance of information policy on part of tax authorities.

3.5. *Attitudes toward taxes*

Studies on tax psychology often focus on attitudes and tax compliance. The theory of reasoned action (Fishbein & Ajzen, 1975) and the theory of planned behavior (Ajzen, 1991) incorporate attitudes as one of the determinants predicting behavior. Attitudes represent the positive and negative evaluations that an individual holds of objects. It is assumed that attitudes encourage individuals to act according to them. Thus, a taxpayer with positive attitudes toward tax evasion is expected to be less compliant than a taxpayer with negative attitudes. Attitudes towards tax evasion are often found to be quite positive. Surveys conducted in Germany (Schmolders, 1960, 1964) found that about half of the responders compared deliberate tax evaders with cunning business men, whereas only about one-third referred to tax evaders as thieves and deceivers. Many studies on tax evasion found significant, but weak relationships between attitudes and self-reported tax evasion (e.g., Orviska & Hudson, 2002; Trivedi, Shehata, & Mestelman, 2004). A model of tax evasion behavior developed by Weigel, Hessing, and Elffers (1987) considers social and psychological conditions, including attitudes and moral beliefs about tax evasion's propriety, as antecedents of tax compliance. Data collected from fined tax evaders and honest tax payers showed that attitudes explain in part self-reported tax evasion, but are insignificant predictors of actual behavior. However, the correlations between self-reported tax non-compliance and attitudes are significant but fairly weak. These findings suggest a rather complicated relationship between tax evasion and attitudes, nevertheless "we can be confident in our general prediction that if tax attitudes become worse, tax evasion will increase" (Lewis, 1982, p. 177).

In the current framework, attitudes are important for both the power and the trust dimension. On the one hand, favorable attitudes will contribute to trust in authorities and consequently will enhance voluntary tax compliance. On the other hand, attitudes towards the authorities will be relevant for the interpretation of the use of power as benevolent or malicious. Tax attitudes in general also depend on the perceived use of the money collected, and therefore are connected to knowledge.

3.6. *Personal, social, and national norms*

Besides attitudes, norms are important determinants of tax compliance. Behavioral intentions are determined also by subjective norms (Ajzen, 1991; Fishbein & Ajzen, 1975). Norms are behavioral standards on three different levels: (a) the individual level,

(b) the social level, and (c) the national level. On the individual level, norms define internalized standards on how to behave. Individual norms are related to moral reasoning, authoritarianism and Machiavellianism, egoism, norm dependency, and values. There is considerable overlap between individual norms, values, and tax ethics: the more developed the moral reasoning or tax ethics, the more likely is voluntary compliance (Baldry, 1987; Jackson & Milliron, 1986; Trivedi, Shehata, & Lynn, 2003). For example, finance officers and self-employed taxpayers with a very strong orientation towards self-interest reported low tax ethics and high non-compliance (Kirchler & Berger, 1998).

On the social level, norms are usually defined as prevalence or acceptance of tax evasion among a reference group (Wenzel, 2005). Social norms are related to the behavior of reference groups, e.g., friends, acquaintances, or vocational group. If taxpayers believe that non-compliance is widespread and approved behavior in their reference group, they are likely to be non-compliant as well. For example, in a semi-structured interview study in Great Britain, social norms were found among the most important factors related to tax compliance (Sigala, Burgoyne, & Webley, 1999). The relationship between social norms and tax compliance is complex. Wenzel (2004) argues that social norms should elicit concurring behavior only when taxpayers identify with the group to whom the norms are ascribed. Taxpayers then internalize the social norms and act accordingly. Several studies showed that emphasizing social norms of reference groups increases tax compliance (Cullis & Lewis, 1997; Sigala et al., 1999; Wärneryd & Walerud, 1982; Webley, Robben, & Morris, 1988). Allowing participants to discuss in a tax experiment increased tax compliance, whereas without discussion tax compliance decreased (Alm, McClelland, & Schulze, 1999). Moreover, some authors (Taylor, 2003; Wenzel, 2005) argue that communicating social norms on the collective level will increase voluntary tax compliance.

On the level of national norms, norms become cultural standards, often mirrored in the actual law. Several authors suggest that trust in political leadership and administration will lead to voluntary tax compliance when favorable national norms are established (e.g., Fjeldstad, 2004; Frey, 1992; Pommerehne & Frey, 1992; Torgler, 2005; Tyler, 2001a, 2001b). In general, if the norms held by taxpayers favor tax compliance, voluntary tax compliance will result.

In the current framework, norms encompass both power and trust. First, national norms find their expression in tax laws and the role given to tax authorities, having a direct influence on their power. Second, social norms such as the belief that tax evasion is a petty crime and widespread hinder the work of tax authorities, in particular when there is no countervailing norm of community. A norm where all citizens are perceived as contributing their fair share would certainly help to increase trust in the authorities.

3.7. *Perceived fairness*

When asked what they think about the tax system, citizens most often communicate fairness concerns (e.g., Braithwaite, 2003c; Rawlings, 2003; Taylor, 2003). In a similar vein, Andreoni et al. (1998) claim that incorporating morals and social dynamics in economic theory is essential. A conceptual framework for fairness considerations (Wenzel, 2003) suggests to differentiate three areas of fairness, as in social psychology:

(a) distributive justice, which refers to the exchange of resources, both benefits and cost, (b) procedural justice, which refers to the process of resource distribution, and (c) retributive justice, which refers to the perceived appropriateness of sanctions in the case of norm-breaking.

With regard to distributive justice, comparisons are made on the individual, the group, and the societal level. On the individual level, taxpayers are concerned about the fairness of their outcomes, and they want to be treated relative to their merits, efforts, and needs. If an individual's tax burden is heavier than that of comparable other individuals, tax compliance is likely to decrease. On the group level, taxpayers are concerned about the fairness of outcomes of the group and want a fair treatment of their group relative to other (income) groups (e.g., Spicer & Lundstedt, 1976). If a specific group perceives its tax burden as heavier than that of another group, tax non-compliance is likely to increase within this group (e.g., Juan, Lasheras, & Mayo, 1994; Spicer & Becker, 1980). On the societal level, taxpayers are concerned about the fairness of the outcomes of the whole nation. If the tax system is perceived as unfair, tax non-compliance is likely to increase (e.g., Baldry, 1987; Cowell, 1992), whereas a system experienced as fair might increase trust and consequently increase voluntary compliance.

With regard to procedural justice, the components essential for perceived fairness are neutrality of the procedure, trustworthiness of the tax authorities, and polite, dignified, and respectful treatment (Tyler & Lind, 1992). Comparisons again are made on the individual, group, and societal level. On the individual level, taxpayers consider the treatment by the tax authorities, information provided, costs regarding compliance and administration, and the dynamics of allocation of revenues. It is argued that increased information related to tax law and explanations for changes can increase fairness perceptions (Carnes & Cuccia, 1996; Wartick, 1994). Perceived procedural justice on the individual level and a culture of interaction are important for building up trust (Job, Stout, & Smith, 2007). On the group and societal level, taxpayers consider the neutrality of tax officers regarding subgroups, such as vocational groups, income groups, or cohorts. If tax authorities and officers treat taxpayers equally, in a respectful and responsible way, trust in the government and thus voluntary tax compliance is likely to increase on the individual, group, and societal level.

With regard to retributive justice, unreasonable and intrusive audits and unfair penalties lead to negative attitudes toward the tax office and taxes in general (e.g., Spicer & Lundstedt, 1976; Strümpel, 1969; Wenzel & Thielmann, 2006). Thus, unfavorable retributive justice perceptions could lead to increased distrust and consequently to increased tax non-compliance. Although justice research has not always yielded consistent evidence for the impact of justice perceptions on tax compliance, perceived justice might increase voluntary tax compliance.

In the current framework, perceived fairness is connected to the trust dimension because a just treatment of taxpayers (i.e., distributive and procedural fairness) helps to build and maintain trust. Retributive justice is connected to the power dimension as well, because it depends also on detecting and fining wrongdoers. In turn, an inconsiderate exertion of power that is perceived as intrusive can reduce trust.

To summarize, some of the major factors discussed in previous research on tax compliance would gain from considering them within the “slippery slope” framework and its interaction of the power and trust dimension. In Section 4 we discuss the contribution of the framework for regulatory strategies.

4. The slippery slope framework as an operational tool to consider regulatory strategies

The “slippery slope” framework suggests that the position the authorities adopt towards taxpayers is important for compliance. In an antagonistic tax climate, when tax authorities communicate a “cops and robbers” – attitude, taxpayers will try to maximize their individual expected utility and only comply when forced to do so. In a synergistic climate, when authorities communicate a “service and clients” – attitude, taxpayers will act on the basis of the perceived fairness of the system and comply voluntarily.

It could be argued that for the authorities, the only important outcome is the level of compliance, irrespectively of whether such compliance is voluntary or enforced. However, because audits are relevant cost factors in the administration of the tax system, it seems useful to consider alternative ways. The “cops and robbers” – approach is costly and of doubtful effect, and it also raises the question of how to “guard the guards”. Moreover, this approach might be effective in limiting the illegal tax evasion, but it is surely not adequate in limiting the legal tax avoidance, which is by far a greater problem. Monitoring and surveillance may communicate distrust to the taxpayers and may even breed more distrust and resentment (Cialdini, 1996; Frey, 2003). Audits and fines may encourage taxpayers to resist when they believe that monitoring is imperfect and that they can get away with evasion. It may be assumed that taxpayers in an antagonistic climate try to make a “rational” decision, weighing probabilities of detection and outcomes, and evade whenever possible. This emphasizes the importance of building trust in the tax authorities. The “service and client” – approach motivates taxpayers by means of trust to comply voluntarily, with a decreased need for cost-intensive audits. It might be assumed that taxpayers in a synergistic climate consider their tax share as a fair contribution to the public good. Factors that contribute to trust are subjective tax knowledge, participation, positive attitudes towards taxes, favorable norms on the personal, social, and national level, perceived fairness in distributional, procedural, and retributive terms, and a considerate use of power. If tax authorities have legitimate power and treat taxpayers as equal partners, when they develop a role of advisors for the complex tax law, taxpayers perceive treatment as fair and consequently respond with reciprocity and compliance. Severe sanctions in the case of unintentional filing errors would violate retributive fairness concerns; educating taxpayers to file correctly would be a more effective strategy. Such a “service and client” – approach states that education and support of taxpayers are more promising than control and unreasonable severity in persuading taxpayers to comply. However, such an approach does not suggest a lax tax policy, in which taxpayers can do whatever they please without sanctions for non-compliance.

The responsive regulation approach (Ayres & Braithwaite, 1992; Braithwaite, 2007) fits well with the current framework. It proposes regulatory rules and suggests that the authorities should act responding to the beliefs and attitudes of the taxpayers. These are captured in the concept of “motivational postures”, defined as “an interconnected set of beliefs and attitudes that are consciously held and openly shared with others” (Braithwaite, 2003a, p. 18). Built on the Australian Taxation Office Compliance Model, the responsive regulation approach proposes cooperative strategies of self-regulation for compliant behavior and severe sanctions and incapacitating of wrongdoing in order to persuade taxpayers to use more cooperative strategies in the future (Braithwaite & Job, 2003). The approach recognizes that legal sanctions alone are not sufficient. It rather focuses on education, persuasion, and dialogue as strategies to gain and maintain compli-

ance of most taxpayers. However, in the case of repeated non-cooperation, severe economic and legal sanctions come into operation. Hence, taxpayers should realize that costs of non-cooperation are growing over time and should therefore be prepared to engage in less costly and more cooperative tactics.

The responsive regulation model takes the form of a pyramid in which motivational postures, regulatory strategies, and enforcement strategies are stacked up with increasing severity. The lowest level of regulation, arranged at the bottom of the pyramid, recommends education and advice about tax regulations and record keeping, whereas the top level suggests prosecution and imprisonment in the case of non-compliance. Hence, authorities should engage in different enforcement methods when taxpayers move up the pyramid's levels, i.e., to non-cooperation, and try to move them down to the base of the pyramid, i.e., to cooperation. The first level is applicable to most taxpayers and proposes education and service for taxpayers willing to comply as a regulatory strategy. Furthermore, taxpayers are perceived as trustworthy and are treated with respect. Taxpayers on this level of regulation are willing to report their income correctly, and are likely to display the motivational posture of "commitment" (Braithwaite, 2003a, 2003b). With increasing social distance between the tax authorities and the taxpayers also the demands on the tax authorities increase. When taxpayers are angry with authorities, their motivational postures shift from "commitment" to "capitulation", i.e., giving in because of authorities' legal power to call for taxes. Without the presence of authorities, compliance would disappear, thus enforced self-regulation is required. On this level, examinations of businesses become necessary and records should be reviewed, with the focus on education. Even more social distance leads to the motivational posture of "resistance", for which the model suggests responding with command regulation. On this level, taxpayers are not willing to cooperate, or they resist the tax law, and there are discrepancies between the tax declaration and records. The responsive regulation model suggests audits without punishment or with discretionary punishment. Non-discretionary command regulations are suggested for the group on top of the pyramid-like model. Those taxpayers have a motivational posture called "disengagement". On this level, persuasion to make taxpayers compliant does not work because they condemn the tax system. Tax authorities have to prosecute, imprison, and take away the license in order to increase their compliance (Braithwaite, 2003b).

Within the framework proposed here, the responsive regulation approach suggests strategies and methods to counteract the downward pull illustrated in the "slippery slope" framework. Responsive regulation suggests that both power and trust are necessary, as is a careful use of both elements. In a dynamic perspective, educating taxpayers, correcting unintentional filing errors and providing service are strategies that increase trust and contribute to a motivational posture of commitment. For taxpayers with motivational postures of capitulation or resistance, the education and a well-dosed use of power are strategies that keep up compliance and could prevent a move towards a posture of disengagement. At the same time, communicating such strategies contributes to trust among committed taxpayers. The interactions between power and trust that contribute to the dynamics of the "slippery slope" framework are paralleled in the considerations necessary for a dynamic approach to regulation. In addition, the framework presented here suggests that exertion of power can be regarded as a reaction of tax authorities to unfavorable motivational postures, whereas trust can be regarded as a proactive action to create more favorable postures.

To conclude, the “slippery slope” framework promises a better understanding of tax-paying behavior and of regulatory practices by highlighting the necessity to consider the power of authorities, the trust in authorities, and their dynamic interaction. Considering distinctions between enforced and voluntary compliance calls for rethinking the role of tax authorities and suggests that taxpaying can be perceived not exclusively as an onerous duty, but also as a well-accepted duty.

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