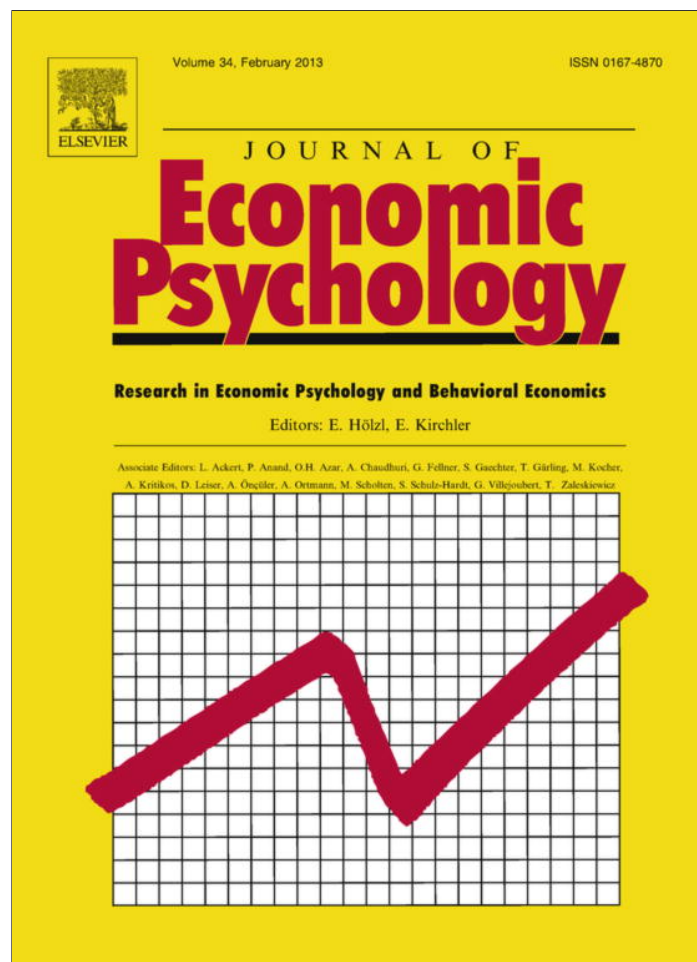


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# Trust and power as determinants of tax compliance: Testing the assumptions of the slippery slope framework in Austria, Hungary, Romania and Russia

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## ABSTRACT

The slippery slope framework of tax compliance integrates different determinants of tax compliance and assigns them to one of two major dimensions. Accordingly, tax compliance depends on the factors perceived trust in the authorities and perceived power of the authorities, but trust on the one hand fosters voluntary compliance whereas power on the other hand leads to enforced compliance. The present study tested these main assumptions of the slippery slope framework in four European countries differing in terms of cultural and economic settings (Austria, Hungary, Romania and Russia) by presenting participants with different scenarios of trust and power. As predicted, the highest level of intended tax compliance and the lowest level of tax evasion were found in conditions of high trust and high power. In addition, participants in conditions of high trust indicate more voluntary compliance just as participants in conditions of high power indicate higher enforced compliance. The present results support the assumptions of the slippery slope framework and confirm the role of trust and power as important determinants of tax compliance.

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## 1. Introduction

Taxation, tax evasion, and the fighting of tax havens can be found on top of political agendas throughout the world. Political campaigns often focus on eliminating loopholes in national tax laws and negotiating bilateral tax agreements. In dealing with tax compliance, this approach might be regarded as deficit oriented, since tax revenues are not increased by improving compliance, but by making tax evasion more difficult. Early studies in the field clearly suggest that economic factors like detection probability and severity of penalties are the most prominent determinants of tax compliance (e.g., Allingham & Sandmo, 1972). However, a number of literature reviews report inconsistent findings on the relationship between audit

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probability, fines, and tax compliance (Andreoni, Erard, & Feinstein, 1998; Fischer, Wartick, & Mark, 1992) and if these factors were the only determinants of tax compliance, tax evasion rates should be way higher than actually observed (Alm, 1991). Thus, in recent years trust in governmental authorities, as well as tax morale and motivational postures have been investigated with regard to their influence on tax evasion (e.g., Braithwaite, 2003; Coleman, 1996; Lago-Peñas & Lago-Peñas, 2010; Lavoie, 2009; Torgler, 2005).

### 1.1. Tax evasion, intended tax compliance, and tax morale

The term tax evasion refers to the deliberate act of breaking the law in order to reduce taxes (Elffers, Weigel, & Helsing, 1987; Sandmo, 2003; Webley, 2004). It involves acts of omission (e.g., failing to report certain revenues) or commission (e.g., false reporting of personal expenses as business expenses) and is liable to prosecution and fines (Kirchler, 2007). Studies show that trust is negatively related to tax evasion, i.e., low trust in tax authorities is correlated with high levels of tax evasion (Richardson, 2008). Furthermore, a significant influence of power under the form of audits and fines on tax evasion is found in many studies (e.g., Allingham & Sandmo, 1972; Andreoni et al., 1998; Fischer et al., 1992).

Intended tax compliance assesses citizens' disposition to pay taxes at a deliberate level. The literature on the effects of trust on intended tax compliance contains several studies which support the idea that trust in authorities positively influences it (e.g., Scholz & Lubell, 1998; Torgler, 2003). More specifically, Feld and Frey (2007) show the importance of the relationship between taxpayers and tax authorities, emphasizing that mutual respect increases tax compliance level. Hammar, Jagers, and Nordblom (2009) note that tax compliance is fostered by the trustworthiness of policymakers. Focusing on the role of social variables in tax compliance, van Dijke and Verboon (2010) observe a link between trust and tax compliance, through procedural fairness. Low trust in tax authorities determines taxpayers to pay particular attention to the fairness with which authorities enact procedures. Thus, tax compliance increases only in a climate of high trust in which authorities act fair towards taxpayers. Power of authorities impacts differently on intended tax compliance, i.e., it has positive, negative, or no effect (for an overview see Kirchler, Muehlbacher, Kastlunger, & Wahl, 2010).

The term tax morale is defined as “the attitude of a group or the whole population of taxpayers regarding the question of accomplishment or neglect of their tax duties; it is anchored in citizens' tax mentality and in their consciousness to be citizens, which is the base of their inner acceptance of tax duties and acknowledgment of the sovereignty of the state” (Schmoelders, 1960, p. 97). Some researchers define tax morale as the intrinsic motivation to pay taxes (Alm & Torgler, 2006; Feld & Frey, 2002) or “internalized obligation to pay tax” (Braithwaite & Ahmed, 2005), while others link it with “civic duty” (Orviska & Hudson, 2002) or tax ethics (Torgler & Murphy, 2004). Frey (2003) argues that taxpayers are endowed with a considerable amount of civic virtue and tax morale, which shapes their tax compliance behavior when integrated in the general context of the relationship between taxpayers and tax authorities. Various studies report that trust in the government and in governmental institutions positively influences tax morale (Fjeldstad, 2004; Pommerehne & Frey, 1992; Torgler, 2005; Torgler & Schneider, 2004). Torgler (2003) analyzes compliance behavior in transition countries and concludes that trust in the legal system and the government increases tax morale. Frey (2003) argues that tax morale decreases when taxpayers have little trust in authorities and are treated with no respect. Power of authorities is also said to have an impact on tax morale. According to Frey (1992), power expressed through tight monitoring and severe punishment of non-compliant taxpayers crowds out tax morale, thus leading to even higher levels of non-compliance.

### 1.2. Cross-cultural research on tax compliance and tax morale

The necessity of cross-cultural studies for understanding differences in tax behavior is emphasized by several authors. Hyun (2005) investigated the differences in compliance between South Korea and Japan and found out that tax culture is one fundamental determinant of these differences, with Japan having a higher level of tax culture and thus a higher level of compliance. Roth, Scholz, and Dryden-Witte (1989) argued that different cultural contexts which influence one's perception of events may drive one's attitude towards tax evasion. Riahi-Belkaiou (2004) studied the link between tax morale and tax evasion analyzing data from 30 countries and showed that tax evasion is negatively related to economic freedom and high moral norms. According to the robust findings of Richardson (2006) derived from a 45-country analysis, non-economic factors have the strongest influence on tax evasion, i.e., lower levels of complexity and higher levels of fairness and tax morale lead to a decreased level of tax evasion across countries. Alm and Torgler (2006) found a significant positive correlation between tax morale and trust (in the legal system and in the parliament), as well as a considerable negative correlation between tax morale and the size of shadow economy. Torgler and Schneider (2009) showed that in many countries tax morale and the high quality of societal institutions contribute to the reduction of the shadow economy. Cummings, Martinez-Vasquez, McKee, and Torgler (2009) concluded that cross-cultural differences in tax compliance are due to perceptions of tax administration and taxpayers' assessment of government quality.

### 1.3. The slippery slope framework

In the field of research on tax behavior, the slippery slope framework (Kirchler, Hoelzl, & Wahl, 2008) is an attempt to integrate economic and psychological determinants in order to explain tax compliance. Since, as pointed out before, purely economic factors such as audit rates and fines have shown inconsistent effects on tax payments, the idea that taxpayers try

to evade taxes, whenever there is a chance, seems obsolete (e.g., Alm, Sanchez, & de Juan, 1995; Kirchler et al., 2010). Therefore, the slippery slope framework introduces two main dimensions which both are said to influence tax compliance: (i) trust in authorities and (ii) power of authorities. In this context, trust is defined as the general opinion that the tax authorities are benevolent and work for the common good, whereas power of authorities refers to the perception of authorities' capacity to detect and punish evasion (Kirchler et al., 2008). According to the framework, citizens' tax compliance can be fostered either via boosting trust in authorities or by increasing the perception of power of authorities. However, the quality of compliance is different, depending on the basis of honest taxpaying. Increasing tax honesty via enhancing trust in the authorities leads to voluntary compliance, while raising power of authorities engenders enforced compliance.

#### 1.4. Dynamic effects of trust and power

One important accomplishment of the slippery slope framework is the fact that it also considers potential dynamic effects of trust on power and vice versa. Thus, a change in one parameter may also affect the other parameter (Kirchler, 2007; Kirchler et al., 2008). Depending on the interaction climate between taxpayers and tax authorities, changes in one dimension might have different consequences on the other dimension. For instance, an increase in power may be perceived by honest taxpayers as a sign that the authorities distrust them and thus it may undermine their motivation to comply (e.g., Castelfranchi & Falcone, 2010; Frey, 1997; Feld & Frey, 2007). On the other hand, honest taxpayers may interpret a boost in power as an attempt of the authorities to reduce tax evasion, thus it can raise taxpayers' trust in authorities and their level of compliance (e.g., Gambetta, 2000; Mulder, van Dijk, De Cremer, & Wilke, 2006). In the same vein, an increase in trust might lead to a different interpretation of power, either as coercive or legitimate, depending on whether the climate is perceived as coercive or legitimate (Turner, 2005).

#### 1.5. Voluntary versus enforced compliance

Voluntary compliance is linked to the motivational posture "commitment", which describes taxpayers as feeling morally obliged to pay taxes and to act in the interest of their peers (Braithwaite, 2003). According to James and Alley (2002), voluntary compliance is achieved without enforcement. In line with the assumptions of the slippery slope framework, perceived trust was found to be a significant predictor of the disposition to cooperate voluntarily in several studies with real taxpayers (Muehlbacher, Kirchler, & Schwarzenberger, 2011; Muehlbacher, Kogler, & Kirchler, 2012).

In contrast, enforced compliance is connected to the motivational posture "resistance" (Braithwaite, 2003). When people feel coerced, they may resist and refuse to comply as soon as they have the impression that monitoring is quite lax and they might not get caught (Kramer, 1999). As assumed by the slippery slope framework (Kirchler et al., 2008) power is a predictor of enforced compliance. This assumption is also supported by findings in the literature (Clark, Friesen, & Muller, 2004; Muehlbacher et al., 2011; Wahl, Kastlunger, & Kirchler, 2010).

#### 1.6. Aim of the present study

The aim of this study is to confirm the general validity of the main assumptions of the slippery slope framework within different cultural and economic settings. Up to now, these assumptions have not been checked in an intercultural context by experimentally manipulating trust and power. The countries selected for this study are Austria, Hungary, Romania, and Russia, because they differ with regard to the fiscal system, the estimated levels of shadow economy, and the extent of corruption. While for both entrepreneurs and ordinary citizens, Austria has progressive tax rates, Romania and Russia have flat tax rates (16% and 13% respectively), in Hungary all citizens have to pay personal income tax according to a flat tax rate, and in addition to that, entrepreneurs can opt between a progressive and a flat tax rate regarding their entrepreneurial taxes. Moreover, among these four countries, Russia has the lowest tax burden (31%) and Romania has the highest number of tax payments per year (113) (World Bank Group, 2010). According to Schneider, Buehn, and Montenegro (2010), Austria has the smallest shadow economy measured in percentage of GDP (9.8%), followed by Hungary (24.4%), Romania (32.6%), and Russia (43.8%). Moreover, the Transparency International Corruption Perceptions Index (2011) ranging from 0 (highly corrupt) to 10 (very clean) lists Austria 16th with a score of 7.8, Hungary 54th with a score of 4.6, Romania 75th with a score of 3.6, and Russia 143rd out of 183 countries with a score of 2.4. Whereas the corruption index can be considered as an indicator for trust in the respective countries, the variable "Rule of Law" of the World Wide Governance Indicators (Kaufmann, Kraay, & Mastruzzi, 2010) could be interpreted as a proxy for (at least some aspects of) power of the state, since it measures in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. A percentile rank from 0 (lowest possible value) to 100 (highest possible value) lists Austria with a score of 96.68, Hungary with 72.99, Romania scores 56.40 and Russia 26.07.

All of the above rankings are clearly connected to institutional differences. Thus, Austria is an established democratic society and long-term member of the European Union, whereas Hungary and Romania are relatively young democracies and new members of the EU. Besides historical and geographical similarities, EU membership implies some form of political proximity of these countries, which is further reinforced by supranational spillovers on tax and fiscal policies coming from the authorities of the European Union. In contrast, Russia has less developed democratic institutions, but is also relatively free of external restrictions.

Altogether, the following hypotheses will be tested in order to confirm the validity of the main assumptions of the slippery slope framework of tax compliance for all participating countries: (1) High perceived trust compared to low perceived trust in authorities leads to (a) a higher level of intended tax compliance, (b) a higher level of voluntary compliance, and (c) a lower level of tax evasion in the form of strategic taxpaying. (2) High perceived power compared to low perceived power of authorities results in (a) higher intended tax compliance, (b) higher enforced compliance, and (c) lower tax evasion in the form of strategic taxpaying. In addition, dynamic effects of trust on power and vice versa will be investigated, as well as potential differences between the participating countries. Participants in all countries should respond to the experimental manipulation quite similar, but we expect that the real situation in the respective countries, e.g., the extent of corruption, as well as differences with regard to general tax morale may interact with the experimental manipulation.

## 2. Method

### 2.1. Participants

Overall, 1319 students from the University of Vienna in Austria, the University of Debrecen in Hungary, the Babeş-Bolyai University in Cluj-Napoca, Romania, and the National Research University and the Academy of National Economy in Moscow, Russia participated. Subjects were recruited on a voluntary basis among full-time students of the respective universities. Almost all of them (95%) were students of Economics or Business Administration. Considering the subsamples in the countries involved, 329 students participated in Austria (57.8% females; mean age 22.0,  $SD = 3.4$ ), 280 students in Hungary (68.6% females, mean age 21.1,  $SD = 2.1$ ), 400 students were recruited in Romania (62.5% females; mean age = 21.7,  $SD = 1.4$ ), and 341 students participated in Russia (52.8% females; mean age = 18.82,  $SD = 1.9$ ).<sup>1</sup>

### 2.2. Material

The present experiment was conducted by randomly assigning participants to one of four different scenarios characterizing a fictitious country named Varosia with the intention to manipulate perceptions of trust in and power of authorities. Participants were advised to imagine living and working in this country. After reading the description of the fictitious country they were asked to fill in a questionnaire.

The scenarios describing Varosia were adapted from an experiment presented in Wahl et al. (2010), by implementing some changes with regard to the general information about the location, size, and number of inhabitants. Information about the location of Varosia was skipped and the number of inhabitants as well as the value of total area were replaced with the real geographical and demographic information in each of the participating countries, in order to avoid any unintended effects of comparisons between Varosia and the home country.<sup>2</sup> This general information was identical in all four experimental conditions. The next section presents how the manipulation of trust in authorities (high versus low) and power of authorities (high versus low) was implemented.

In the *high trust* condition Varosia's tax authorities were described as highly trustworthy, service-oriented, interested in supporting citizens, with little tax money being embezzled by politicians. In the *low trust* condition tax authorities were characterized as highly untrustworthy, little service-oriented, not interested in supporting citizens, with a lot of tax money being embezzled by politicians. In the *high power* condition Varosia's tax authorities worked efficiently and according to the laws. For instance, it was mentioned that the government assigned a high budget to the tax office to punish tax evasion, chances to be audited were very high, fines were very severe, and the prosecution of tax evaders was very effective. In the *low power* condition authorities were described as working and applying the legislation inefficiently. For example, it was stated that the government assigned a low budget to the tax office to punish tax evasion, chances to be audited were very low, fines were not very severe, and the prosecution of tax evaders was not very effective. These characterizations of trust and power were combined into four different scenarios: (1) low trust and low power, (2) low trust and high power, (3) high trust and low power, and (4) high trust and high power.

After reading one of the aforementioned descriptions of Varosia, participants were asked to imagine living, being self-employed, running a prosperous business, and paying taxes in Varosia. Subsequently manipulation checks on perceived trust in the authorities of Varosia (e.g., "The governmental institutions of Varosia act upon their citizens' interests") and on perceived power of the authorities of Varosia (e.g., "Chances that tax evasion will be detected in Varosia are high") were presented (three items each; answering format 1 = strong disagreement to 9 = strong agreement for all the items used throughout the questionnaire). These items were taken from Wahl et al. (2010) and both scales proved to be highly reliable ( $\alpha_{\text{trust}} = 0.85$ ;  $\alpha_{\text{power}} = 0.85$ ).

The intended tax compliance scale was also adapted from Wahl et al. (2010) and consisted of three items (e.g., "How likely would you pay your tax completely honest?";  $\alpha = 0.80$ ). Voluntary compliance (e.g., "When I pay my taxes in Varosia as required by the regulations I do so because I like to contribute to everyone's good") was assessed by a five-item scale used

<sup>1</sup> Participants in Russia are slightly younger on average than the participants in the other countries due to the fact that undergraduates in Russia are younger in general than in the European Union.

<sup>2</sup> We are aware of potential effects concerning differences in country size and number of inhabitants between participating countries, but one description for all countries might be even more problematic, because then we would have different constellations of similarity between the figures of the fictitious country and the home country of participants.

in the Tax-I inventory for measuring tax compliance (Kirchler & Wahl, 2010), just as the five-item scale measuring enforced tax compliance (e.g., “When I pay my taxes in Varosia as required by the regulations I do so because a great many tax audits are carried out”) and five specific scenarios presenting concrete examples of tax evasion under the label of strategic taxpaying (see Appendix A for details). All three scales scored high with respect to reliability ( $\alpha_{\text{voluntary}} = 0.85$ ;  $\alpha_{\text{enforced}} = 0.88$ ;  $\alpha_{\text{strategic taxpaying}} = 0.85$ ).

Furthermore, we designed a three-item scale to measure perceived similarity between the description of Varosia in the respective scenario and the participants’ home country (e.g., “How similar do you perceive the country of Varosia in comparison to your own country?”;  $\alpha = 0.90$ ). At last we measured general tax morale with the item “Generally speaking, is cheating on tax never justified, always justified, or something in between”, as proposed by Alm and Torgler (2006). All four scenarios and the complete questionnaire can be found in the Appendix.

### 2.3. Procedure

The data was collected roughly at the same time in all the countries involved around summer/autumn 2011. Previously, all scenarios and questionnaires were translated from English to the respective language of the country, and then translated back to English by an independent translator. This procedure was used to check for inconsistencies and eventually to correct and improve translations. All questionnaires were administered in paper form and it took about 15 minutes to complete the task. Participation was voluntary and subjects were not paid or otherwise rewarded.

## 3. Results

### 3.1. Manipulation check

To check if our manipulations of low versus high trust and power were successful, a three-way MANOVA was calculated, with trust, power, and country as independent factors, and means for the answers to the trust and power scales as dependent variables. As expected, the multivariate analyses revealed a strong main effect for trust ( $F(2, 1331) = 601.92, p < 0.001, \eta^2 = .48$ ) as well as for power ( $F(2, 1331) = 773.43, p < 0.001, \eta^2 = .54$ ), but not for country ( $F(6, 2664) = 2.07, n.s.$ ). In addition, there were also significant effects concerning the interactions trust  $\times$  power ( $F(2, 1331) = 13.79, p < 0.001, \eta^2 = .02$ ), trust  $\times$  country ( $F(6, 2664) = 2.43, p < 0.05, \eta^2 = .01$ ), and power  $\times$  country ( $F(6, 2664) = 12.19, p < 0.001, \eta^2 = .03$ ), but considering the small effect sizes, these might be rather negligible. The three-way interaction trust  $\times$  power  $\times$  country did not reach significance ( $F(6, 2664) = 1.73, n.s.$ ).

Table 1 depicts the means and standard deviations of the trust and power scales for all conditions and each country. With regard to the trust manipulation, the univariate results reveal that participants in the high trust conditions indicated more trust in the authorities of Varosia than those in the low trust conditions ( $F(1, 1332) = 1178.73, p < 0.001, \eta^2 = .47$ ; high trust:  $M = 5.91, SD = 1.95$ ; low trust:  $M = 2.70, SD = 1.55$ ). Furthermore, participants in the high trust conditions reported a higher perception of power of the authorities than the low trust groups ( $F(1, 1332) = 21.91, p < 0.001, \eta^2 = .02$ ; high trust:  $M = 4.99, SD = 2.64$ ; low trust:  $M = 4.51, SD = 2.44$ ). Considering the manipulation of power, subjects in the high power groups showed a significantly higher perception of power of authorities compared to subjects in the low power conditions ( $F(1, 1332) = 1541.57, p < 0.001, \eta^2 = .54$ ; high power:  $M = 6.60, SD = 1.91$ ; low power:  $M = 2.97, SD = 1.68$ ). In addition, we

**Table 1**  
Means and standard deviations of manipulation check scales as a function of trust, power, and country.

Dependent variable	Trust low		Trust high	
	Power low	Power high	Power low	Power high
<i>Austria</i>				
Manipulation check trust	2.62 (1.35) <sup>a</sup>	2.50 (1.39) <sup>a</sup>	5.03 (1.82) <sup>b</sup>	6.63 (1.85) <sup>c</sup>
Manipulation check power	2.82 (1.60) <sup>a</sup>	6.83 (1.76) <sup>b</sup>	2.71 (1.66) <sup>a</sup>	7.15 (1.85) <sup>b</sup>
<i>Hungary</i>				
Manipulation check trust	2.42 (1.37) <sup>a</sup>	3.50 (2.05) <sup>b</sup>	5.12 (1.88) <sup>c</sup>	6.75 (1.63) <sup>d</sup>
Manipulation check power	2.24 (1.53) <sup>a</sup>	6.42 (1.87) <sup>b</sup>	2.34 (1.37) <sup>a</sup>	7.48 (1.59) <sup>c</sup>
<i>Romania</i>				
Manipulation check trust	2.59 (1.55) <sup>a</sup>	2.88 (1.83) <sup>a</sup>	5.69 (1.84) <sup>b</sup>	6.40 (1.78) <sup>c</sup>
Manipulation check power	3.19 (1.74) <sup>a</sup>	5.49 (2.17) <sup>b</sup>	3.77 (1.87) <sup>c</sup>	6.68 (1.66) <sup>d</sup>
<i>Russia</i>				
Manipulation check trust	2.52 (1.21) <sup>a</sup>	2.64 (1.36) <sup>a</sup>	5.31 (2.03) <sup>b</sup>	6.36 (1.98) <sup>c</sup>
Manipulation check power	3.14 (1.51) <sup>a</sup>	6.31 (1.65) <sup>b</sup>	3.08 (1.56) <sup>a</sup>	6.77 (1.94) <sup>b</sup>

Note: Higher scores indicate higher acceptance of the items. Standard deviations are given in parentheses. Means with different letters in the same row differ at  $p < .05$ .

**Table 2**

Estimated means and standard errors of intended tax compliance, voluntary tax compliance, enforced tax compliance, and strategic taxpaying as a function of trust, power, and country.

Dependent variable	Country	Low trust		High trust	
		Low power	High power	Low power	High power
Intended tax compliance	Austria	4.76 (.22) <sup>a</sup>	6.54 (.22) <sup>b</sup>	5.78 (.22) <sup>c</sup>	6.95 (.22) <sup>b</sup>
	Hungary	5.34 (.23) <sup>a</sup>	6.70 (.23) <sup>b</sup>	6.04 (.23) <sup>c</sup>	7.50 (.23) <sup>d</sup>
	Romania	5.21 (.20) <sup>a</sup>	5.85 (.20) <sup>b</sup>	6.29 (.19) <sup>b</sup>	6.84 (.19) <sup>c</sup>
	Russia	4.59 (.20) <sup>a</sup>	6.19 (.23) <sup>b</sup>	5.96 (.23) <sup>b</sup>	7.30 (.23) <sup>c</sup>
Voluntary tax compliance	Austria	6.22 (.20) <sup>a</sup>	6.08 (.20) <sup>a</sup>	6.06 (.20) <sup>a</sup>	6.16 (.20) <sup>a</sup>
	Hungary	6.02 (.21) <sup>a</sup>	5.30 (.21) <sup>b</sup>	6.77 (.21) <sup>c</sup>	6.67 (.21) <sup>c</sup>
	Romania	5.91 (.18) <sup>a</sup>	5.90 (.18) <sup>a</sup>	6.48 (.18) <sup>b</sup>	6.78 (.18) <sup>b</sup>
	Russia	5.36 (.18) <sup>a</sup>	4.55 (.21) <sup>b</sup>	5.97 (.21) <sup>c</sup>	6.25 (.21) <sup>c</sup>
Enforced tax compliance	Austria	5.24 (.22) <sup>a</sup>	6.06 (.22) <sup>b</sup>	4.94 (.22) <sup>a</sup>	6.21 (.22) <sup>b</sup>
	Hungary	3.87 (.23) <sup>a</sup>	6.87 (.23) <sup>b</sup>	3.44 (.23) <sup>a</sup>	6.51 (.23) <sup>b</sup>
	Romania	4.39 (.20) <sup>a</sup>	6.13 (.20) <sup>b</sup>	3.91 (.20) <sup>a</sup>	6.47 (.20) <sup>b</sup>
	Russia	4.01 (.20) <sup>a</sup>	6.69 (.23) <sup>b</sup>	3.69 (.23) <sup>a</sup>	6.01 (.23) <sup>b</sup>
Strategic taxpaying	Austria	6.36 (.22) <sup>a</sup>	5.63 (.22) <sup>b</sup>	5.09 (.22) <sup>b</sup>	5.45 (.22) <sup>b</sup>
	Hungary	6.13 (.24) <sup>a</sup>	6.08 (.24) <sup>a</sup>	5.39 (.24) <sup>b</sup>	4.98 (.24) <sup>b</sup>
	Romania	5.54 (.20) <sup>a</sup>	4.83 (.20) <sup>b</sup>	4.70 (.20) <sup>b</sup>	4.42 (.20) <sup>b</sup>
	Russia	6.17 (.21) <sup>a</sup>	5.52 (.24) <sup>b</sup>	5.43 (.23) <sup>b</sup>	5.35 (.23) <sup>b</sup>

Note: Higher scores indicate higher acceptance of the items. Standard errors are given in parentheses. Means with different superscripts in the same row differ at  $p < .05$ .

have found an effect of the power manipulation on the level of perceived trust, i.e., participants in high power conditions indicated higher trust ( $F(1,1332) = 72.50$ ,  $p < 0.001$ ,  $\eta^2 = .05$ ; high power:  $M = 4.67$ ,  $SD = 2.54$ ; low power:  $M = 3.88$ ,  $SD = 2.15$ ). To sum up, our manipulation of trust in and power of authorities proved to be successful and additionally we could observe that the manipulation of trust also had an impact on perceived power, just as the manipulation of power had an effect on perceived trust.

### 3.2. Measures of compliance

In the following, the results of a MANCOVA with the independent factors trust (low/high), power (low/high), and country (Austria/Hungary/Romania/Russia), the dependent variables intended tax compliance, voluntary compliance, enforced compliance, and strategic taxpaying, and the covariates gender and age are presented. Multivariate analyses reveal significant main effects for trust ( $F(4,1306) = 24.99$ ,  $p < 0.001$ ,  $\eta^2 = .07$ ), power ( $F(4,1306) = 136.02$ ,  $p < 0.001$ ,  $\eta^2 = .29$ ), and country ( $F(12,3924) = 8.80$ ,  $p < 0.001$ ,  $\eta^2 = .03$ ). Furthermore significant interactions between trust and power ( $F(4,1306) = 5.63$ ,  $p < 0.001$ ,  $\eta^2 = .02$ ), trust and country ( $F(12,3924) = 3.19$ ,  $p < 0.001$ ,  $\eta^2 = .01$ ), and power and country ( $F(12,3924) = 6.58$ ,  $p < 0.001$ ,  $\eta^2 = .02$ ) can be observed, but the respective effect sizes are quite low. The three-way interaction trust  $\times$  power  $\times$  country does not show a significant result ( $F(12,3924) = 1.08$ , *n.s.*). Table 2 depicts the estimated means and standard errors of the dependent variables for the different conditions and countries.

Concerning intended tax compliance, the univariate analyses show a significant effect of trust ( $F(1,1309) = 75.34$ ,  $p < 0.001$ ,  $\eta^2 = .05$ ), which means that in line with the assumptions, participants in the high trust conditions displayed a higher intended tax compliance (*estimated mean* = 6.58,  $SE = 0.08$ ) compared to participants in the low trust conditions (*estimated mean* = 5.65,  $SE = 0.08$ ). The same expected pattern was found for power ( $F(1,1309) = 133.21$ ,  $p < 0.001$ ,  $\eta^2 = .09$ ), revealing that intended tax compliance was significantly higher in the high power conditions (*estimated mean* = 6.74,  $SE = 0.08$ ) than in the low power conditions (*estimated mean* = 5.50,  $SE = 0.08$ ). Additionally, there was also a significant difference in intended tax compliance between the four countries ( $F(3,1309) = 2.74$ ,  $p < 0.05$ ,  $\eta^2 = .01$ ), due to the fact that intended tax compliance was slightly higher in Hungary compared to the other three countries (*estimated mean* Hungary = 6.40,  $SE = 0.12$ ; *estimated mean* Austria = 6.01,  $SE = 0.11$ ; *estimated mean* Romania = 6.05,  $SE = 0.10$ ; *estimated mean* Russia = 6.01,  $SE = 0.12$ ). Moreover, we found a significant interaction effect for power and country ( $F(3,1309) = 4.63$ ,  $p < 0.01$ ,  $\eta^2 = .01$ ), since Romanian participants had a higher intended tax compliance than the other participants in the low power conditions, but a lower intended tax compliance compared with the others in the high power conditions (see Table 2). The interactions trust  $\times$  power ( $F(1,1309) = 1.01$ , *n.s.*), trust  $\times$  country ( $F(3,1309) = 1.29$ , *n.s.*), and trust  $\times$  power  $\times$  country ( $F(3,1309) = 0.46$ , *n.s.*) do not show any significant results. Finally, the covariate gender significantly affected intended tax compliance ( $F(1,1309) = 11.55$ ,  $p < 0.01$ ,  $\eta^2 = .01$ ), with women contributing more than men. Age had no influence on the reported intention to pay taxes ( $F(1,1309) = 1.47$ , *n.s.*).<sup>3</sup>

<sup>3</sup> Due to different categories and different income levels between countries, the effect of income could only be analyzed in the four subsamples. No effects of income could be confirmed in these analyses.

For voluntary compliance, the univariate analyses reveal a significant effect of trust ( $F(1, 1309) = 55.24, p < 0.001, \eta^2 = .04$ ) and no significant effect of power ( $F(1, 1309) = 1.97, n.s.$ ). Thus, as predicted in the slippery slope framework, participants were more inclined to comply voluntarily when confronted with trustworthy (*estimated mean* = 6.39, *SE* = 0.07) compared to untrustworthy authorities (*estimated mean* = 5.67, *SE* = 0.07), but there was no difference in voluntary compliance when the authorities were described as powerful (*estimated mean* = 5.96, *SE* = 0.07) or powerless (*estimated mean* = 6.10, *SE* = 0.07). Between countries, differences regarding the general level of voluntary compliance can be observed ( $F(3, 1309) = 9.73, p < 0.001, \eta^2 = .02$ ), due to the fact that the Russian sample showed a lower tendency to comply voluntarily (*estimated mean* Russia = 5.53, *SE* = 0.11; *estimated mean* Austria = 6.13, *SE* = 0.10; *estimated mean* Hungary = 6.19, *SE* = 0.11; *estimated mean* Romania = 6.27, *SE* = 0.09). In addition, there was an interaction effect of trust  $\times$  power on voluntary compliance ( $F(1, 1309) = 8.40, p < 0.01, \eta^2 = .01$ ) as well as of trust  $\times$  country ( $F(3, 1309) = 7.53, p < 0.001, \eta^2 = .02$ ). The first effect can be explained by the fact that power had no influence on voluntary compliance in the high trust conditions (*estimated mean* high power = 6.47, *SE* = 0.10; *estimated mean* low power = 6.32, *SE* = 0.10), but high power led to even lower voluntary compliance in the low trust conditions (*estimated mean* high power = 5.46, *SE* = 0.10; *estimated mean* low power = 5.88, *SE* = 0.10). The explanation for the trust  $\times$  country interaction is the relatively low voluntary compliance of Russian participants compared to the other participants in the low trust conditions on the one hand, and on the other hand the quite unexpected finding that voluntary compliance in Austria did not differ in low trust and high trust conditions (see Table 2). The interactions power  $\times$  country ( $F(3, 1309) = 1.71, n.s.$ ) and trust  $\times$  power  $\times$  country ( $F(3, 1309) = 1.01, n.s.$ ) do not provide significant results. The covariate gender had once more a significant influence ( $F(1, 1309) = 7.99, p < 0.01, \eta^2 = .01$ ), whereas age had no impact on voluntary compliance ( $F(1, 1309) = 0.90, n.s.$ ).

With regard to enforced compliance as dependent variable, the univariate analyses show main effects for trust ( $F(1, 1309) = 5.71, p < 0.05, \eta^2 = .01$ ), power ( $F(1, 1309) = 403.34, p < 0.001, \eta^2 = .24$ ), and country ( $F(1, 1309) = 4.00, p < 0.01, \eta^2 = .04$ ). Therefore, as expected, participants in the high power conditions indicated a higher level of feeling enforced to comply than the subjects in the low power groups (*estimated mean* high power = 6.40, *SE* = 0.08; *estimated mean* low power = 4.19, *SE* = 0.08). Comparing the high and low trust conditions, we also found a significant difference, i.e., enforced compliance was on average higher in the low trust conditions (*estimated mean* high trust = 5.15, *SE* = 0.08; *estimated mean* low trust = 5.41, *SE* = 0.08). Considering the countries, the Austrian participants indicated to feel more enforced to comply in general than the other participants (*estimated mean* Austria = 5.61, *SE* = 0.11; *estimated mean* Hungary = 5.17, *SE* = 0.12; *estimated mean* Romania = 5.22, *SE* = 0.10; *estimated mean* Russia = 5.10, *SE* = 0.12). Moreover, the analyses reveal a significant interaction of power and country ( $F(3, 1309) = 14.17, p < 0.001, \eta^2 = .03$ ) due to the Austrian subsample who indicated a higher mean of enforced compliance in the low power conditions in contrast to the other participants, as can be observed in Table 2. All the other interactions do not provide significant results (trust  $\times$  power:  $F(1, 1309) = 1.27, n.s.$ ; trust  $\times$  country:  $F(3, 1309) = 1.08, n.s.$ ; trust  $\times$  power  $\times$  country:  $F(3, 1309) = 1.49, n.s.$ ). In line with the preceding results a significant influence of the covariate gender was observed ( $F(1, 1309) = 11.50, p < 0.01, \eta^2 = .01$ ), but no effect of age ( $F(1, 1309) = 0.14, n.s.$ ).

For strategic taxpaying as a special variant of tax evasion, the univariate analyses reveal a main effect for trust ( $F(1, 1309) = 38.31, p < 0.001, \eta^2 = .03$ ), power ( $F(1, 1309) = 8.43, p < 0.01, \eta^2 = .01$ ), and country ( $F(1, 1309) = 13.26, p < 0.001, \eta^2 = .03$ ). Hence, participants indicated a higher tendency to evade taxes by strategic taxpaying in the low trust conditions (*estimated mean* = 5.78, *SE* = 0.08) than in the high trust conditions (*estimated mean* = 5.10, *SE* = 0.08). In addition, they were inclined towards more strategic taxpaying when confronted with a powerless authority scenario than with a powerful one (*estimated mean* low power = 5.60, *SE* = 0.08; *estimated mean* high power = 5.28, *SE* = 0.08). Differences between countries were due to a lower mean for strategic taxpaying in Romania (*estimated mean* Romania = 4.87, *SE* = 0.10; *estimated mean* Austria = 5.63, *SE* = 0.11; *estimated mean* Hungary = 5.65, *SE* = 0.12; *estimated mean* Russia = 5.62, *SE* = 0.12). Furthermore, the interaction of trust and power is significant ( $F(1, 1309) = 3.98, p < 0.05, \eta^2 = .01$ ), since the difference in strategic taxpaying behavior between the low power and the high power conditions was much bigger in low trust scenarios compared to high trust scenarios (see Table 2). The interactions of trust and country ( $F(3, 1309) = 0.72, n.s.$ ), power and country ( $F(3, 1309) = 0.42, n.s.$ ), as well as the three-way interaction of trust, power, and country ( $F(3, 1309) = 1.68, n.s.$ ) do not reveal significant results. As in the previous analyses, the covariate gender had a significant influence on the dependent variable ( $F(1, 1309) = 19.89, p < 0.001, \eta^2 = .02$ ), whereas age once again did not reach significance ( $F(1, 1309) = 1.60, n.s.$ ).

### 3.3. Similarity and general tax morale

The three-item similarity scale offers the possibility to check which scenarios were perceived more similar to the setting in the home country. An analysis of covariance with the independent factors condition (trust low/power low; trust low/power high; trust high/power low; trust high/power high) and country (Austria/Hungary/Romania/Russia) reveals a main effect for condition ( $F(3, 1311) = 144.02, p < 0.001, \eta^2 = .25$ ) and country ( $F(3, 1311) = 25.93, p < 0.001, \eta^2 = .06$ ), as well as a significant interaction effect condition  $\times$  country ( $F(9, 1311) = 13.01, p < 0.001, \eta^2 = .08$ ). In addition, the covariate gender had a significant influence on the perception of similarity, i.e., men perceived Varosia generally more similar to their home country ( $F(1, 1311) = 7.40, p < 0.01, \eta^2 = .01$ ). Age did not have a significant effect on perceived similarity ( $F(1, 1311) = 0.51, n.s.$ ). Table 3 depicts the means and standard errors of similarity for the different conditions and countries. As can be seen, Austrian participants did not differentiate between the conditions in terms of similarity to their home country, all four scenarios being perceived to some extent similar. On the other hand, participants from Hungary, Romania, and Russia displayed



**Table 3**

Means and standard errors of similarity as a function of trust, power, and country.

Dependent variable	Country	Low trust		High trust	
		Low power	High power	Low power	High power
Similarity	Austria	4.11 (.22) <sup>a</sup>	4.37 (.23) <sup>a</sup>	3.77 (.23) <sup>a</sup>	3.92 (.23) <sup>a</sup>
	Hungary	6.47 (.24) <sup>a</sup>	6.36 (.24) <sup>a</sup>	4.63 (.24) <sup>b</sup>	3.03 (.24) <sup>c</sup>
	Romania	6.43 (.20) <sup>a</sup>	6.44 (.20) <sup>a</sup>	4.17 (.20) <sup>b</sup>	3.31 (.20) <sup>c</sup>
	Russia	7.17 (.21) <sup>a</sup>	7.07 (.24) <sup>a</sup>	4.04 (.24) <sup>b</sup>	3.40 (.23) <sup>b</sup>

Note: Higher scores indicate higher acceptance of the items. Standard errors are reported in parentheses. Estimated means with different letters in the same row differ at  $p < .05$ .

**Table 4**

Correlations of perceived similarity and relevant measures of compliance over all conditions.

Country		Intended tax compliance	Voluntary compliance	Enforced compliance	Tax evasion
Austria	Perceived similarity	-.03	-.01	.02	.08
Hungary	Perceived similarity	-.21 <sup>**</sup>	-.30 <sup>**</sup>	-.04	.36 <sup>**</sup>
Romania	Perceived similarity	-.26 <sup>**</sup>	-.19 <sup>**</sup>	-.06	.26 <sup>**</sup>
Russia	Perceived similarity	-.35 <sup>**</sup>	-.24 <sup>**</sup>	.03	.18 <sup>**</sup>

<sup>\*\*</sup> Correlation coefficients significant with  $p < .01$ .

a different pattern: the low trust conditions were considered more similar to the home country, whereas the high trust conditions were indicated to be not representative for the home country.

These findings are further investigated by considering correlations between perceived similarity over all scenarios on an aggregate level on the one hand, and the variables intended tax compliance, voluntary tax compliance, enforced tax compliance, and tax evasion on the other hand. As Table 4 shows, for Austria, where none of the scenarios could be identified as representative for the country, we cannot find a significant correlation of perception of similarity and any of the compliance measures. In contrast, Hungarian, Romanian, and Russian participants identified low trust scenarios as more similar to their countries than high trust scenarios. For all these countries significant correlations between perceived similarity and compliance are observed. If participants from these countries perceive a scenario as similar to their home country they show: (i) a significantly lower intended tax compliance, (ii) a significantly lower voluntary compliance, and (iii) a significantly higher level of tax evasion. Thus, the differences in perceived trust in the authorities among the participating countries and the resulting impact of low trust on tax compliance are additionally confirmed by these results.

Regarding the general tax morale, as expected, a three-way ANCOVA reveals no differences according to the experimental manipulations of trust ( $F(1,1307) = 3.69$ , *n.s.*) and power ( $F(1,1307) = 0.01$ , *n.s.*), as well as no interaction effects (trust  $\times$  power:  $F(1,1307) = 1.25$ , *n.s.*; trust  $\times$  country:  $F(3,1307) = 0.26$ , *n.s.*; power  $\times$  country:  $F(3,1307) = 1.00$ , *n.s.*; trust  $\times$  power  $\times$  country:  $F(3,1307) = 0.55$ , *n.s.*), but a main effect of country ( $F(3,1307) = 27.33$ ,  $p < 0.001$ ,  $\eta^2 = .06$ ). Thus, participants in Austria and Hungary reported a significantly higher tax morale than Romanian and Russian subjects (estimated mean Austria = 3.69,<sup>4</sup>  $SE = 0.11$ ; estimated mean Hungary = 3.94,  $SE = 0.12$ ; estimated mean Romania = 4.80,  $SE = 0.10$ ; estimated mean Russia = 4.75,  $SE = 0.12$ ). Furthermore, the covariate gender had a significant impact on general tax morale, with women showing a higher tax morale than men ( $F(1,1307) = 4.63$ ,  $p < 0.05$ ,  $\eta^2 = .01$ ). No significant effect of age could be found ( $F(1,1307) = 0.02$ , *n.s.*).

#### 4. Discussion

In an experiment testing the main assumptions of the slippery slope framework, we found the highest tax compliance and the lowest level of tax evasion in the condition of high trust in authorities and high power of authorities, just as expected. In addition, higher voluntary compliance was observed in the conditions of high trust, whereas higher enforced compliance was indicated in the conditions of high power. In contrast, participants in the group of low trust and low power showed the lowest intention to comply and the highest intention to evade taxes. This pattern of results is in line with the central notions of the slippery slope framework, which have been empirically tested before (Muehlbacher et al., 2011; Wahl et al., 2010), but not in an intercultural setting manipulating trust and power experimentally. In comparison to the data from Wahl et al. (2010), who also used similar scenarios to induce different levels of trust and power, one interesting difference can be noticed. They found the highest level of tax evasion in the condition of low trust and high power, speculating that taxpayers might exploit loopholes in the system especially when the authorities act untrustworthy and exert much power. In the pres-

<sup>4</sup> A lower value here indicates higher tax morale.

ent data we did not find any confirmation of this phenomenon, as strategic taxpaying is highest in the group of low trust and low power. This may be due to differences concerning the samples, since the subjects in Wahl et al. (2010) were self-employed taxpayers, while our sample consisted of students in Economics and Business Administration. Students usually are not so experienced with paying taxes and this situation might affect especially the evaluation of the concrete scenarios to evade taxes by strategic taxpaying. Students tend to evaluate these scenarios consistent with their answers to the items measuring intended compliance, whereas self-employed taxpayers have real life experience with situations like those described in the scenarios, and therefore their answers should show more variance in general and furthermore be different compared to the evaluations of the students.

With regard to potential dynamic effects of trust and power, we found some interesting results in analyzing the trust and power scales used to check whether the manipulations have worked. Participants in the high power conditions reported higher perceptions of trust, and participants in the high trust conditions indicated higher perceptions of power. These results support the idea that a change in one of these parameters can influence the other one (Kirchler, 2007; Kirchler et al., 2008). Moreover, they are completely in line with Fischer and Schneider (2009), who analyzed data of more than 80,000 people in 83 countries and discovered that trust in the state and power of the state aggravate each other's influence on tax compliance, and Lisi (2012), who observed a "slippery slope situation", i.e., the negative effect of a decrease in trust on power, when evaluating data from the World Values Survey, the World Bank, and the International Monetary Fund.

Additionally, notable differences concerning the participating countries can be found in the analyses. For instance, the Russian participants showed a lower level of voluntary compliance than the other participants, which could be due to a lower level of trust in their authorities. This finding is supported by the fact that Russia is listed worse than Austria, Hungary, and Romania on the *Transparency International* (2011).

One counterintuitive finding is that the Austrian participants displayed a significantly higher feeling of being enforced to pay taxes than the others and they showed the same levels of voluntary compliance in all four conditions. In our view, the fact that Austrian participants might have a different notion of feeling enforced to pay taxes compared to the other participants is a possible explanation of this finding. They may not only feel enforced to pay because of the powerful authorities, but also because of their responsibility towards the other members of society, like one could expect in a synergistic climate between taxpayers and authorities. Accordingly, most of the items on voluntary compliance do also address the other citizens and common goods, e.g., "When I pay my taxes in Varosia as required by the regulations, I do so to support the state and other citizens". Thus, a higher perceived responsibility for other citizens and society may be the reason for the unexpected finding of a constant and rather high level of voluntary compliance among Austrian participants. These assumptions are supported by the analysis of perceived similarity between different scenarios and home countries. Whereas Austrian participants did not identify one of the scenarios as particularly representative for the situation in Austria, participants from Hungary, Romania, and Russia indicated high similarity in low trust scenarios. Thus, Austrian subjects perceived the tax climate in their home country as more synergistic than the other subjects. This could also explain the general higher feeling of being enforced to contribute indicated by Austrian participants and the fact that they might feel a higher responsibility for society and other taxpayers. Additional evidence for this assumption can be found in the measures of general tax morale. Austrian and Hungarian participants indicated a significantly higher level of tax morale than the participants from Romania and Russia.

Furthermore, like in many studies on tax compliance behavior as well as tax morale in general (e.g., Baldry, 1987; Lewis, 1982; Webley, Robben, Elffers, & Hessing, 1991) we observed a significant effect of gender throughout the analyses, with women being more compliant and showing higher tax morale. Although generally age is shown to influence tax compliance (Kirchler, 2007), we found no effects of age, but this is straightforward considering our homogenous samples of students aged between 17 and 25 years.

The study is subject to some limitations. First, all respondents were students with little or no experience in paying taxes. This could explain for instance the different hierarchy of the four countries in terms of tax evasion as compared to official rankings. Second, the study measures tax compliance behavior at an intentional level. Third, even though the slippery slope framework incorporates the maximum and the minimum stances of trust and power, in our study these stances were not attained.

All in all, the present results support the assumptions of the slippery slope framework and show that both trust and power are important determinants of tax compliance in different economic conditions and tax climates. Moreover, they suggest that governments should try to gain their citizens' trust by enhancing fair procedures and service-oriented behavior. As a consequence, citizens could comply voluntarily even in cases where detection by authorities is rather unlikely.

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## Appendix A

### A.1. Scenarios

All descriptions started as follows:

Please read the following description of a country:

*In the last census of population in April 2009 Varosia had [number of inhabitants in each participating country] inhabitants and the territory of Varosia occupies [area of each participating country]. The unemployment rate is at an average.*

Subsequently, information concerning the manipulation of trust (**[low] high**) differed from one condition to other:

*Since Varosia's autonomy it has been marked with a **[low] high political stability** and an **[oligarchic (authority of few)] democratic government**. **[Seldom] Regularly referenda** are held, in which the citizens of Varosia can co-decide in the legislation.*

*The government enjoys a [bad] good reputation in the population. It can be concluded from opinion polls that **70%** of the citizens are **[not] satisfied with** the current government.*

*Varosia's **legislation** is **[not] transparent** and the government offers [no] the opportunity of free counselling on judicial subjects and tax issues in information centers. Furthermore, Varosia's public authorities are **[little] very service-oriented** and [not] interested in supporting Varosia's citizens.*

*The **budget expenditures** of the state are **[not] traceable** for Varosia's citizens, because they are [not] regularly informed about the use of tax money. In an opinion poll in October 2010 **78%** of Varosia's citizens indicated to **have** the **impression** that their tax **money** is **[not] used reasonable**.*

*Besides [a lot of] little tax money is embezzled by politicians. According to an international corruption index (CPI), Varosia is one of the countries with the **[highest] lowest perceived corruption**.*

*All these factors cause that the citizens of Varosia trust their country a [little] lot.*

Thereafter, information regarding the manipulation of power (**[low] high**) was adapted to each condition:

*The **prosecution of tax evaders** is **[not] very effective**. Because of the tax legislation it is [difficult] easy for the government to conduct audits on its citizens and therewith to chase tax evaders.*

*The government assigns a **[low] high budget** to the tax office **to punish tax evasion**. With the means at hand it is [not] possible for the tax office to employ qualified tax inspectors. In addition the members of the tax office of Varosia are perceived as [little] very present.*

*The **chance to be audited** for self-employed people is **very [low] high**. This is to say that self-employed are [not] audited very often. Therefore, **[not] very many** of the committed tax offences can be detected. Moreover, the **finances for tax evasion** are **[not] very severe** in Varosia. When tax evaders are detected, they do **[not]** have to anticipate severe fines. The tax office does **[not]** exercise benignity.*

*All these factors cause that the citizens of Varosia assess their government as [little] very powerful.*

### A.2. Questionnaire

Imagine that you are living, working and paying taxes in Varosia. You are working as a self-employee and your business is running good. Your tax declaration is due and you have to pay taxes.

#### A.2.1. Manipulation check trust

The governmental authorities in Varosia act fair towards their citizens.  
In Varosia the interests of a few are considered stronger than the interests of the community.  
The governmental institutions of Varosia act upon their citizens' interests.

#### A.2.2. Manipulation check power

Chances that tax evasion will be detected in Varosia are high.  
It is easy to evade taxes in Varosia.  
The governmental institutions in Varosia are very effective in the suppression of tax criminality.

### A.2.3. Intended tax compliance

How likely would you pay your tax completely honest?  
 How much of your yearly income would you declare completely honest?  
 How likely would you retain part of your taxes?

### A.2.4. Voluntary tax compliance

When I pay my taxes in Varosia as required by the regulations, I do so...  
 ...because to me it's obvious that this is what you do.  
 ...to support the state and other citizens.  
 ...because I like to contribute to everyone's good.  
 ...because for me it's the natural thing to do.  
 ...because I regard it as my duty as citizen.

### A.2.5. Enforced tax compliance

When I pay my taxes in Varosia as required by the regulations, I do so...  
 ... because a great many tax audits are carried out.  
 ... because the tax office often carries out audits.  
 ... because I know that I will be audited.  
 ... because the punishments for tax evasion are very severe.  
 ... because I do not know exactly how to evade taxes without attracting attention.

### A.2.6. Tax evasion in form of strategic tax paying

A customer paid in cash and did not require an invoice. You could intentionally omit this income on your tax return. How likely is it that you would omit this income?  
 You bought some of your goods privately. You could resell those goods later to established customers and omit the profit from this sale on your income tax return. How likely would you be to omit the profit from this sale on your income tax return?  
 You could intentionally declare restaurant bills for meals you had with your friends as business meals. How likely would you be to declare those restaurant bills as business meals?  
 You have been abroad to meet relatives and to have a short meeting with one of your suppliers. Regardless of this you could declare your expenses for the hotel and for the meals you invited your relatives to as business travel and business meal. How likely would you be to declare your expenses as business travel or business meal?  
 Recently you took part in a project in an acquaintance's company. Now you could conceal this taxable additional income on your income tax return. How likely is it that you would conceal this additional income?

### A.2.7. Perceived similarity of Varosia and the home country

How similar do you perceive the country of Varosia in comparison to your own country?  
 How similar do you perceive the power of authorities in the country of Varosia in comparison to your own country?  
 How similar do you perceive the trust in authorities in the country of Varosia in comparison to your own country?

### A.2.8. Tax morale

Generally speaking, is cheating on tax never justified, always justified or something in between?

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