



The Interplay Between Power and Trust in Stimulating Voluntary Deference: Testing the “Slippery Slope Framework” of Tax Compliance among Taxpayers in Addis Ababa City Administration, Ethiopia

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ABSTRACT

This study examined the interplay between trust in and the power of the tax authority in shaping voluntary tax compliance. The study tested the “slippery slope framework” of tax compliance with survey data collected from taxpayers in Addis Ababa city administration. We hypothesized that the effect of cognition-based trust on voluntary tax compliance is moderated by the legitimate power of the tax authority. We further conjectured that coercive power encourages enforced tax compliance while cognition-based trust predicts voluntary tax compliance. The respondents of the study were selected based on convenient sampling, i.e., distributing the questionnaire to each of the three categories of taxpayers who visited the nine offices of the Addis Ababa City Administration Tax Authority as well as their commercial premises. The sample size of the study was 384. To test our theories, we used hierarchical regression and PROCESS MACRO analysis. As evidenced by our findings, the hypotheses were supported: coercive power significantly predicted enforced tax compliance, cognition-based trust (as opposed to affect-based trust) significantly predicted voluntary tax compliance, and, more importantly, legitimate power moderated the effect of cognition-based trust on voluntary tax compliance. The results fully support the proposition of the “slippery slope framework” replicating the empirical work testing the framework in the Western nations. We admit that some inherent limitations of a survey study may limit the generalizability of our findings to other settings.

KEY WORDS

Affect-based trust, coercive power, cognition-based trust, legitimate power, voluntary tax compliance

1. Introduction

Taxation is a crucial means of raising income for governments, especially in developing and least developed economies, if they have to fulfill the developmental objectives of their nations by financing their public expenditures and it serves as a fiscal tool in sustaining the health of their economies (Ajeigbe et al., 2023). Nevertheless, imposing and collecting tax revenues has never been easy in any nation as taxpayers often view paying taxes as an unnecessary burden (Krah & Mertens, 2023). In response, governments through their tax authority may opt for the use of power in the form of enactment and enforcement of the tax laws, tax

audits, and subsequent penalties, or building mutual trust between themselves and their citizens in their efforts to raise as much tax revenue as possible (see, for instance, Gobena, 2023; & Schabmann, 2013). The power of the tax authority and citizens’ trust in the authority, though seemingly mutually exclusive, have something to do together.

Power of authority and trust in the authority moderate each other’s effect in shaping the voluntary cooperation decisions of followers (Benk & Budak, 2012; Kastlunge et al., 2013b; Kirchler et al., 2008; Kugler & Bornstein, 2013). In less democratic societies, it is believed that the compulsive application of power by authority suffices to secure

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the cooperation of followers (see Alanazi & Rodrigues, 2003; Fox et al., 1977, for instance), which results in enforced compliance rather than voluntary compliance. In developed economies, however, more attention is given to nurturing the voluntary deference of followers counting on compulsion as a last resort (see for example, Joosten et al., 2014; Prinz et al., 2014). The problem with compelling taxpayers and ensuring enforced tax compliance, even if attained, is that it is costly both to the tax authority, the taxpayer, and the nation as a whole since it demands significant tax money to be invested in the enforcement such as tax audits,

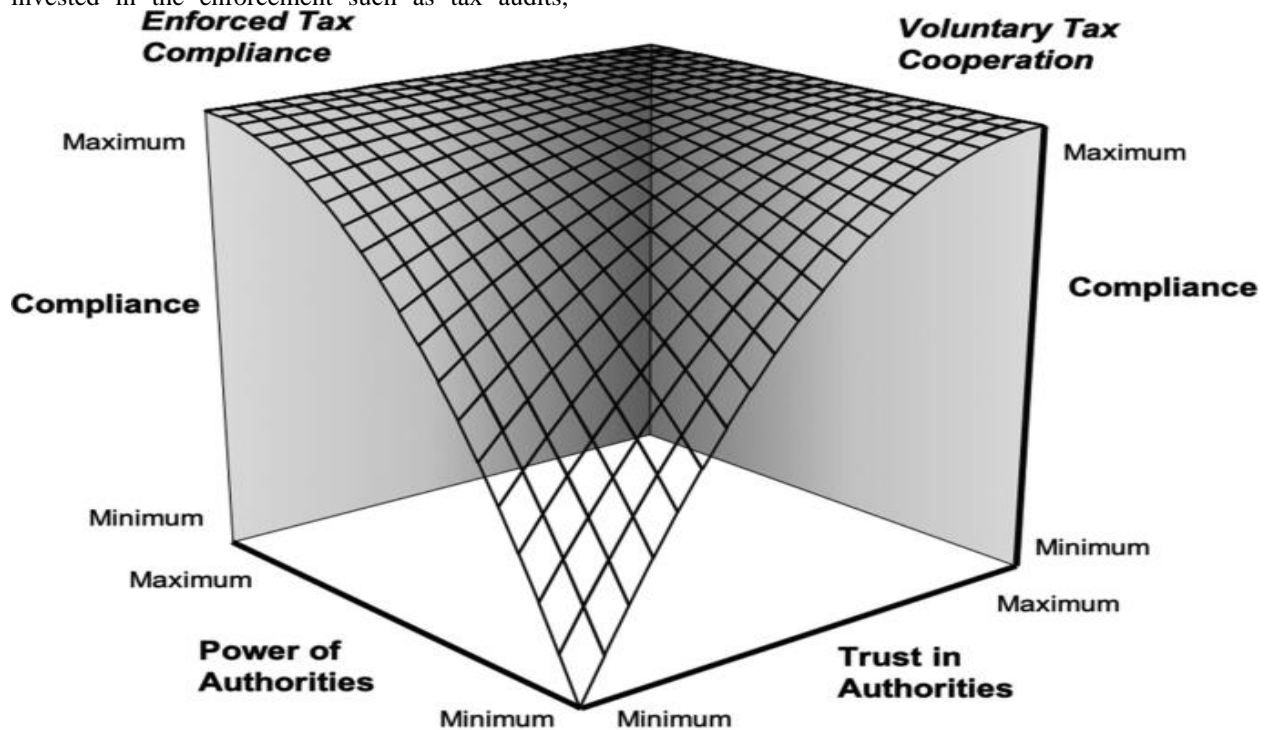


Figure 1. The “Slippery Slope Framework” of Tax Compliance
Source: Kirchler et al. (2008)

In Ethiopia, the relationship between the tax authority and the taxpayers is characterized as a so-called “cops and robbers” type of relationship (Bekana et al., 2014; Gobena & Van Dijke, 2017; van Dijke et al., 2019). In other words, the tax authorities at various levels don’t trust the taxpayers to be doing the right thing and the taxpayers also reciprocate by hiding their income and exaggerating their expenses so they would pay far less than their actual tax liability. As a result, the tax-to-GDP ratio of the country always stands barely higher than 10%, which is far less than the Sub-Saharan African average which often is around 20% (Bekana et al., 2014). After the Covid-19 pandemic, the ratio worsened and fell to 6.1963% in 2020 according to the World Bank Collection of Development

penalties, and sometimes jail times for tax evaders (Kirchler et al., 2008; Murphy, 2008). Figure 1 below portrays the “slippery slope framework” of tax compliance in which the power of the tax authority and trust in the authority moderate each other’s effect. The framework means that by moving along the power domain of the framework, it is possible to secure enforced tax compliance without a need to refer to the level of trust in the authority. Conversely, when trust is at its high level, the authority can secure high voluntary compliance with no reference to the level of power.

Indicators, compiled from officially recognized sources.

According to Ethiopia Economic Outlook (2023), the country’s acute shortage of finance attributable primarily to the refusal of the Western economies to provide aid and assistance, coupled with low tax collection performance has become the nation’s hardest time in history. In addition, the fiscal deficit widened to 4.2% of GDP in 2022 from 2.8% in 2021 due to higher defense spending and weak revenue performance. This study, therefore, intends to examine the revenue side of the problem by taking into consideration the interplay between the tax authority’s power to enforce tax laws and taxpayers’ trust in the authority as a deserving authority to enforce tax compliance.

Tax revenue is a government's source of financing its expenditures which is free of conditions imposed by fund providers such as lenders and granters (see [Gobena, 2023](#); [Waud, 1986](#)). The problem with tax revenue, however, is that taxpayers do not pay it willingly. Various factors were identified as responsible for tax noncompliance. Most notably, the factors are broadly classified as economic deterrence, social psychological, and societal norms (See [Fischer et al., 1992](#); [Kirchler, 2007](#) for extensive reviews). Instead of separately studying these factors, recent literature emphasizes integrating the factors in a way that maximizes tax compliance, both enforced and voluntary. One such integrative effort is the "slippery slope framework" that was introduced by [Kirchler et al. \(2008\)](#). The framework posits that trust in and power of the tax authority moderate each other's effect on tax compliance. It means that when taxpayers' trust in the tax authority is at a high-level reference to whether the tax authority is powerful enough to enforce compliance is not of concern since taxpayers comply with the tax authority, not out of fear of punishment and sanctions but because they voluntarily comply with the authority's decisions taking for granted that the authority is trustworthy. Conversely, when the tax authority is powerful enough to enforce tax laws and regulations taxpayers comply with the authority's decisions in fear of adverse consequences of noncompliance even though they don't trust the tax authority (see [Kogler et al., 2022](#)).

The framework, however, failed to differentiate between the coercive and legitimate power of the tax authority and affect- and cognition-based trust in the tax authority. Nevertheless, subsequent empirical studies that tested the hypothesized relationships in the framework distinguished coercive from legitimate power and cognitive from affect-based trust (see [Kastlunger et al., 2013](#) for clear distinctions between and discussions of the constructs). Though the "slippery slope framework" was empirically tested in Europe (see [Kastlunger et al., 2013b](#); [Kirchler et al., 2012](#); [Kogler et al., 2013](#); [Lisi, 2012](#); [Muehlbacher et al., 2011](#); [Prinz et al., 2014](#)), little or no attempt has been made to date to test the framework in developing countries context. Yet, there are interesting differences between the tax environment in developing countries and that of the developed economies. Thus, this study tests the framework with data from a typical developing country, Ethiopia.

2. The Literature and Hypotheses Development

2.1. Trust in the Tax Authority and Tax Compliance Decision

Trust in an authority is defined as "The willingness to be vulnerable to [the authority's actions] based on the expectation that the authority will perform a particular action important to the followers, regardless of the ability to monitor or control the authority" ([McAllister, 1995](#)). Empirical works support the positive effect trust in authority has on the voluntary cooperation of decision recipients with the authority in the tax compliance context (see for example, [Feld & Frey, 2002](#); [Gangl et al., 2015](#); [Gobena & Van Dijke, 2016](#)). Tax payment decisions are based primarily on conscious analyses of the thoughts and actions of the tax authority. Consequently, the taxpayers carefully attend to whether the tax authority personnel can be trusted not to misuse their power rather than affectionately trusting the authority ([Kastlunger et al., 2013](#)). Thus, the type of trust that taxpayers can afford the tax authority is cognition-based trust rather than affect-based trust with the latter entailing emotional attachment and trusting unconditionally, which is less likely given the so-called "cops and robbers" kind of tax environment ([Kastlunger et al., 2013](#); [Gobena & Dijke, 2016](#); [Kogler et al., 2022](#)). This argument results in the following hypothesis.

Hypothesis 1. Cognition-based (rather than affect-based) trust in the tax authority affects voluntary tax compliance positively.

Hypothesis 2. Cognition-based (rather than affect-based) trust in the tax authority stimulates enforced tax compliance decisions negatively.

2.2. Power of the Tax Authority and Tax Compliance Decision

Power refers to the "ability or potential for an individual to influence others and control their behavior" ([Kirchler, 2007](#); [Kirchler et al., 2008](#); [Murphy, 2008](#)). Likewise, the power of the tax authority is the ability of the authority to influence the tax-paying behavior of taxpayers. In fact, the power of the tax (and other) authority could be viewed as either coercive or legitimate depending on the way it is perceived by the collective upon which the power is exercised ([Kastlunger et al., 2013](#)). Coercive power is "harsh" power with the capacity to detect and punish unlawful behavior ([Hofmann et al., 2017](#); [Raven et al., 1998](#)). Thus, in the context of the tax compliance dynamics, it compels the taxpayers to act against their will and begets enforced tax compliance. On the contrary, legitimate power is "soft" power, also referred to as the power of position, expertise, dissemination of relevant information, and identification, and hence leads to voluntary compliance with the authority that holds power ([Raven et al., 1998](#); [Turner, 2005](#)). Consequently, we posit in this study that:

Hypothesis 3. The coercive power of the tax authority predicts enforced tax compliance.

2.3. The interactive effect of power and trust on tax compliance decisions

The “slippery slope framework” of tax compliance generally proposes that the power of and trust in the tax authority moderate each other’s effect on the tax compliance decisions of taxpayers (Kirchler, 2007; Kirchler et al., 2008). Empirical evidence also found support for the framework in nations in Europe (see Kastlunger et al., 2013; Kirchler, Hofmann, et al., 2012; Kogler et al., 2013; Lisi, 2012; Muehlbacher et al., 2011; Prinz et al., 2014). We argue that high coercive power moderates the effect of cognition-based trust on enforced tax compliance. This materializes because taxpayers consciously decide to comply with their tax obligations when coercive Figure 2 below portrays the hypothesized relationship between the study variables.

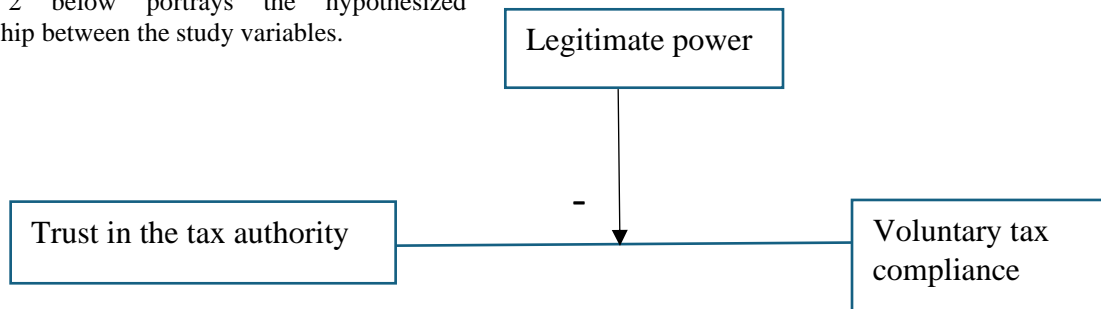


Figure 2. A visual representation of how the legitimate power of the tax authority moderates the relationship between trust and voluntary tax compliance

3. Method

3.1. Respondents

Data for the study were gathered from a sample of 369 taxpayers in Addis Ababa city administration, the capital of Ethiopia. The respondents were given the study questionnaire based on convenience sampling, handing the booklet to each of the three categories of taxpayers at the nine offices of the Addis Ababa City Administration Tax Authority as well as their commercial premises. The sample size was determined based on a method developed by Karvalho (1984) as discussed later.

Thirty-four percent of the 369 respondents identified themselves as male, fifty-seven percent as female, and eight percent did not. The age range of the respondents was 20 to 60 ($M_{age} = 34.6$, $SD_{age} = 6.24$). In terms of their educational background, 27% of respondents responded that they had only completed elementary school, 68% answered they had completed high school, 29% reported that they had a two-year college diploma, 52% replied they had a bachelor's degree, and 8% answered they had

power is high (vs. low) to avoid the harsh actions of the tax authority (Benk & Budak, 2012). With legitimate power, however, it is low (vs. high) power that stimulates the effect of cognition-based trust on voluntary tax compliance as trust gains importance when the taxpayers have concerns about the effectiveness of legitimate power. When legitimate power functions well the taxpayers do not worry about the trustworthiness of the tax authority (Kirchler et al., 2012; Lisi, 2014). The current study primarily attempts to test the interactive proposition with data from a typical developing country, Ethiopia, testing the following hypotheses:

Hypothesis 4. The legitimate power of the tax authority moderates the effect of cognition-based trust on tax compliance decisions when it is low (vs. high).

completed a master's degree or higher. Regarding yearly earnings, 34.1% of respondents replied that they made between 50,000 and 100,000 Ethiopian Birr, 13.5% replied that they made between 100,000 and 300,000 Birr, 12.8% replied that they made between 300,000 and 500,000 Birr, 4.1 % responded that they made between 500,000 and 700,000 Birr, 91.1% replied that they made more than 700,000 Birr, and 26.4 % did not specify. The distribution of respondents' experience with the tax authority was as follows: 15% responded that they had less than two years, 47% responded that they had two to six years, 20% replied that they had six to ten years, 11% replied that they had ten to twenty years, and 5% r responded that they had more than twenty years. Our classification scheme for the demographic control variables was as follows: (a) respondents' gender, 0= male, 1 = female; annual gross earning, 1 = 50,000-100,000 Birr, 2 = 100,000-300,000 Birr, 3 = 300,000-500,000 Birr, 4 = 500,000-700,00 Birr, and 5 = more than 700,000 Birr; the highest level of education attained, 1 = completed elementary school, 2 = completed high school, 3 = completed two-year college diploma, 4 = completed first

degree, 5 = completed master's degree and above; years of experience with the tax authority, 1 = less than two years, 2 = 2-6 years, 3 = 6-10 years, 4 = 10-20 years, and 5 = more than 20 years.

3.2. Procedure

Taxpayers in the city administration of Addis Ababa, the capital of Ethiopia, were given a printed questionnaire. The three months of January through March 2024 were used to collect the data. To make the questionnaire easier for the respondents to understand, it was translated into Amharic language. On a convenience basis, 384 questionnaire booklets were given to the taxpayers (i.e. distributing the questionnaire to each of the three categories of taxpayers who visited the nine offices of the Addis Ababa City Administration Tax Authority as well as their commercial premises during the course of the three months. The Addis Ababa city administration reports that, as of the fiscal year 2022–2023, there are over 418,000 registered taxpayers. Out of these, 73,294 are under the large taxpayers' group or category "A" while 45,875 taxpayers fall under category "B" or medium taxpayers. The remaining taxpayers, 298,964, are category "C" or small taxpayers. The sample size of 384 was taken based on the sample size determination method developed by Karvalho (1984) and prorated to the three categories of taxpayers proportionally to have all types of taxpayers represented. Accordingly, 68 large taxpayers, 42 medium taxpayers, and 274 small taxpayers took part in the study. Nevertheless, 15 respondents skipped a significant number of items in the questionnaire and were found unusable for the study. As a result, 369 questionnaires were included in the analyses.

3.3. Measures

As a rigorous test of our hypothesis that legitimate (rather than coercive) power, moderates the effect of cognition-based trust on voluntary tax compliance, we considered both cognition- and affect-based trust in the study. We used McAllister's (1995) 6-item measure to assess *cognition-based trust*. To fit the context of trust in the tax authority, we made some slight adjustments to the items. Examples of items are: "Given these officials' track record, I see no reason to doubt their competence and preparation for their job" and "The tax officials approach their job with professionalism and dedication" ($1 = \text{completely disagree}$, $5 = \text{completely agree}$). We averaged the items into a cognition-based trust scale. The five-item McAllister (1995) scale was used to gauge *affect-based trust*. For the items to fit the context of trust in the tax authority, we somewhat modified the items. "I have a sharing relationship with the tax officials; we can both freely share our ideas, feelings, and hopes" and "I can talk freely to these officials about

difficulties I am having regarding tax and know that they will want to listen" are examples of items ($1 = \text{completely disagree}$, $5 = \text{completely agree}$). An index of affect-based trust was created by averaging the items.

We used Kirchler and Wahl's (2010) 10-item scale to measure *voluntary tax compliance*. The stem "When I pay my taxes as required by the Ethiopian tax laws and regulations, I do so" comes before the item examples. ") which are "...to support the state and other citizens" and "...because to me it's obvious that this is what you do" ($1 = \text{completely disagree}$, $5 = \text{completely agree}$). To produce an index of voluntary tax compliance, we averaged the items.

Using an 8-item scale adapted from Kirchler and Wahl (2010), we assessed *enforced tax compliance*. Examples of items (preceded by the stem "When I pay my taxes as required by the tax laws and regulations in Ethiopia, I do so..." are "...because a great deal of tax audits are conducted" and "...because the tax office frequently conducts audits" (1 being complete disagreement, 5 being fully in agreement). An enforced tax compliance index is produced by averaging the items.

A five-item Kastlunger et al. (2013) scale was used to assess the *legitimate power* of the tax authority. The statements, "Tax evasion is detected in a high percentage of cases," and "Tax authority efficiently combats tax crimes," are example items ($1 = \text{completely disagree}$, $5 = \text{completely agree}$). The item "Tax authority control frequently and profoundly" was removed from the list based on the findings of a reliability analysis. The outcome of doing this was that α improved from .40 to .67. To create a valid power scale, we averaged the final four items.

We used a five-item scale adapted from Kastlunger et al. (2013) to gauge the *coercive power* of the tax authority. Example items include "Tax authority's primary goal is to punish" and "Tax authority's interventions are too severe," (with 1 denoting *fully disagree* and 5 being *fully in agreement*). A scale of coercive power was created by averaging the items.

The data were then analyzed by using hierarchical regression and Process Macro Regression developed by Hayes (2010) to determine the moderating effects of the two types of power of the tax authority on the effect of cognition- and affect-based trust in the tax authority on voluntary tax compliance. To check the validity of the results obtained, the moderation analyses were repeated with enforced tax compliance as a dependent variable.

4. Results

Table 1. Study Variables' Means, Standard Deviations, Correlations, and Reliabilities

	Mean (SD)	1	2	3	4	5	6	7	8	9	10	11
1. Gender	1.38 (.49)											
2. Education	3.56 (.84)	-.01										
3. Age Group	1.69 (.83)	-.29**	-.01									
4. Gross Annual Income	3.20 (2.06)	-.10	.15*	.22**								
5. Business Years	2.46 (1.08)	-.13*	-.01	.38**	.29**							
6. Affect-based Trust	2.93 (.96)	-.23**	-.13*	.04	.09	.01	.82					
7. Cognition-based Trust	2.93 (.80)	-.16**	-.09	-.02	.05	.05	.62**	.68				
8. Legitimate Power	3.24 (.99)	.03	-.20**	-.08	-.15*	-.12*	.20**	.25**	.67			
9. Coercive Power	3.16 (.96)	.01	.05	.03	-.05	.03	-.26**	-.16**	.18**	.83		
10. Voluntary Tax Compliance	3.94 (.75)	.01	-.09	.01	.04	.05	.17**	.22**	.02	-.04	.82	
11. Enforced Tax Compliance	2.29 (.83)	-.09	.04	.08	.01	.07	-.13*	-.14**	.09	.36**	-.35**	.80

N = 369

Reliabilities (Cronbach's α coefficients) are on the main diagonal for multi-item measures.

*: $p < .05$.

** : $p < .01$.

In line with results documented in the literature, the independent variable, trust (both affect- and cognition-based), is positively associated with voluntary tax compliance and negatively with enforced tax compliance (see [Kastlunger et al., 2013](#), for instance). Moreover, while legitimate and coercive power were not correlated with voluntary tax compliance, they were associated positively and negatively, respectively with enforced tax compliance (see [Kastlunger et al., 2013](#); [Gobena & Dijke, 2016](#); [Kogler et al., 2022](#)).

Using hierarchical regression analysis, we examined Hypotheses 1, 2, and 3. Initially, we entered voluntary tax compliance as a dependent variable and affect-based trust, cognition-based trust, legitimate power, and coercive power as independent factors. As posited by Hypothesis 1 voluntary tax compliance was positively and

significantly predicted by cognition-based trust, $\beta = .18$, $t (.07) = 2.59$, $p = .01$ as opposed to affect-based trust. Complying with our hypothesis, affect-based trust did not substantially predict voluntary tax compliance $\beta = .07$, $t (.05) = .98$, $p = .33$.

Table 2. Regression results of the study for cognition-based trust \times legitimate power interaction
Voluntary tax compliance

Step 1, R^2 , R^2 adj	.04*, .03*
Step 2, R^2 , R^2 adj, R^2 change	.08**, .07**, .01**
Affect-based Trust	.05 (.69)
Cognition-based Trust	.21** (3.21)
Legitimate Power	-.06 (-1.11)
Coercive Power	.02 (.35)
Legitimate Power \times Cognition-based Trust	-.19** (-3.57)

N = 369

The table presents β coefficients at step 2 and t values in parentheses

* $p < .05$

** $p < .01$

Source: Survey (2024) (computed by the author)

Second, we included the following as independent variables: legitimate power, coercive power, affect-based trust, and cognition-based trust. The dependent variable was enforced tax compliance. Hypothesis 2 is supported by the finding that the tax authority's coercive power positively and significantly predicted enforced tax compliance, $\beta = .33$, $t (.05) = 6.18$, $p = .00$.

However, enforced tax compliance was not predicted by legitimate power, $\beta = .05$, $t (.05) = .90$, $p = .37$. Furthermore, in support of Hypothesis 3, cognition-based trust negatively and significantly predicted enforced tax compliance, $\beta = -.13$, $t (.07) = -2.02$, $p = .04$. Nevertheless, affect-based trust did not significantly predict enforced tax compliance, $\beta = .03$, $t (.06) = .47$, $p = .64$.

Table 3. Regression results of the study for cognition-based trust \times coercive power interaction
Enforced tax compliance

Step 1, R^2 , R^2 adj	.13**, .13**
Step 2, R^2 , R^2 adj, R^2 change	.14**, .12**, .02**
Affect-based Trust	.03 (.47)
Cognition-based Trust	-.13** (-2.02)
Legitimate Power	.05 (.90)
Coercive Power	.33** (6.18)

Coercive Power × Cognition-based Trust

-.03 (-.62)

N = 369

The table presents β coefficients at step 2 and t values in parentheses* $p < .05$ ** $p < .01$

Source: Survey (2024) (computed by the author)

To test the moderation model suggested by Hypothesis 4 (refer to Figure 2), we also employed the PROCESS macro (Hayes, 2010; model 1). For each potential independent variable, we considered cognition-based trust and affect-based trust in turn, and for each dependent variable, we included voluntary tax compliance. The path from affect- and cognition-based trust to voluntary tax compliance was modeled with legitimate power acting as a moderator. The findings we obtained closely resemble those presented in Table 2. Both affect- and cognition-based trust's effects on voluntary tax compliance were unaffected by coercive power. See

Table 3. But in line with our hypothesis, legitimate power moderated the relationship between cognition- (but not affect-) based trust to voluntary tax compliance. The impact of cognition-based trust on voluntary tax compliance was found to be significant (a bootstrapped 95 percent confidence interval [CI]) when the legitimate power of the tax authority was low (at 1 SD below the mean), but not when it was high (at 1 SD above the mean). This provides credence to Hypothesis 4. Figure 3 below illustrates the relationship between cognition-based trust and voluntary tax compliance a function of legitimate power.

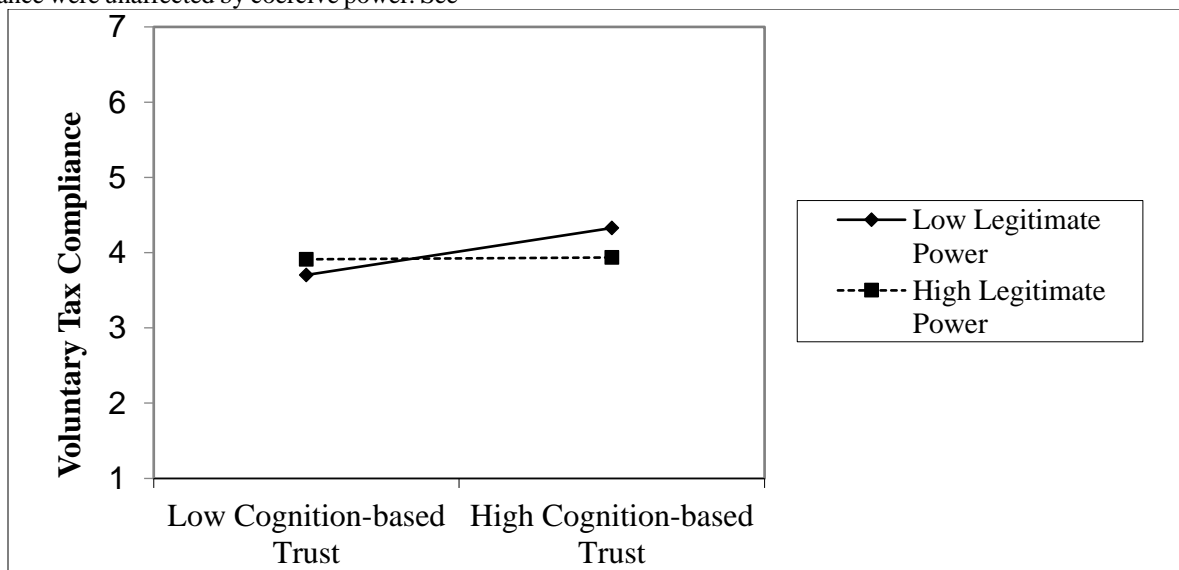


Fig. 3. The relationship between cognition-based trust and voluntary tax compliance as a function of the legitimate power of the tax authority (created by the author from the survey data).

5. Discussion

In this study, we investigated the interplay between the power of the tax authority (i.e., legitimate and coercive power) and trust in the authority (i.e., affect-based and cognition-based) in stimulating voluntary and enforced forms of tax compliance. As a result, we attempted to test the propositions of the “slippery slope framework” on tax compliance. We

used data from a sample of Ethiopian business owners to test our hypotheses. Our findings indicated that the legitimate power of the tax authority moderated the effect of cognition-based, rather than affect-based trust, on voluntary compliance. To be more precise, the relationship between voluntary tax compliance and cognition-based trust was moderated by the tax authority's legitimate power when it was low (rather than high). We additionally demonstrated that while the cognition-based trust does not influence enforced

tax compliance, it does predict voluntary tax compliance. Lastly, we showed that only coercive power predicts enforced tax compliance. The implications and limitations of this research are addressed in the ensuing sections.

5.1. Theoretical Implications

This research is relevant to the “slippery slope framework” of tax compliance. The “slippery slope framework” and its succeeding empirical tests note that trust in the tax authority leads to voluntary tax compliance, whereas the power of the tax authority begets enforced compliance (Alm et al., 2012; Kastlunger et al., 2013; Kirchler et al., 2008; Muehlbacher et al., 2011; Gangl et al., 2015). Additionally, power and trust are thought to moderate each other's effects on tax compliance, according to the framework. To influence tax compliance, the framework suggests an interplay between power and trust. Specifically, it states that trust is more important when power is low and less relevant when power is high enough to force taxpayers to comply. On the other hand, power is more important when trust is low because, in a situation where trust is highest, citizens willingly contribute their fair share of taxes regardless of the tax authority's level of authority, making the use of power less relevant. In furtherance of this claim, studies have identified two relevant forms of power (i.e., legitimate and coercive). These studies have shown that the use of coercive power encourages individuals to comply (Hofmann et al., 2014; Kastlunger et al., 2013; Gobena & Van Dijke, 2016; Hofmann et al., 2017). On the other hand, the effect of legitimate power on tax compliance has yielded mixed results. Some research indicates that legitimate power increases enforced compliance but decreases voluntary compliance (Kastlunger et al., 2013), while other studies suggest that legitimate power has no effect on enforced compliance but promotes voluntary compliance (Gangl et al., 2015; Hofmann et al., 2014; Gobena & Van Dijke, 2016; Hofmann et al., 2017).

Our research finds empirical support for the hypothesized mutual moderation relationship between the power of the tax authority and trust in the authority. Particularly, the effect of the consciously formed cognition-based trust on voluntary tax compliance is moderated by the legitimate power of the tax authority. Thus, we contribute theoretically to the “slippery slope framework” by testing its proposition with

Ethiopian data, finding evidence that the validity of the framework is not limited geographically.

The extant tax compliance literature is inundated by separate analyses of the economic, societal norms, and psychological factors that affect the compliance behavior of taxpayers. This research enhances the few attempts being made to integrate the economic or deterrence and social psychological factors that stimulate tax compliance decisions by testing our prediction that the main deterrence tool (i.e., power of tax authority) and a psychological factor (i.e., trust in the authority) interact with each other in shaping voluntary tax compliance. Previous research (Scholz and Lubell, 1998; Wahle et al., 2010) has examined trust in the tax authority as a precondition for voluntary tax compliance. The relationship between cognition-based trust and voluntary tax compliance is, however, moderated by the legitimate power of the tax authority. This provides direct empirical support for the “slippery slope framework” of tax compliance and a nuanced viewpoint on the integration of the social psychology and economic deterrence literature.

Finally, distinct from most of the prior work, which has oftentimes covered developed nations (Doyle et al., 2009; Palil, 2010; Gobena & Van Dijke, 2016), we conducted this study in a typical developing country. The relationship between the tax authority and taxpayers in Ethiopia is not as smooth as it is in developed nations (Bekana et al., 2014; Gobena & Van Dijke, 2016, 17). Despite the difference, our findings show that the processes through which the power of and trust in the tax authority interact with each other in stimulating voluntary tax compliance appear to be culturally invariant. We are the first to show that the workings of the “slippery slope framework” do generalize to the context of a developing nation.

5.2. Practical Implications

Unlike developed countries that rely on “neutral” information to enforce tax compliance, most developing countries including Ethiopia rely on taxpayers' self-reported information about their tax liabilities, which is distorted in a way that can minimize their tax liability to the extent possible (Chan et al., 2023; Gobena, 2023). This is primarily attributed to the lack of information technology infrastructure that captures transactions in real-time so taxpayers do not have the chance to deceive the tax authority regarding

their tax obligations. A further issue facing developing nations is that low-quality tax administration, widespread tax evasion, corruption, and hostility between taxpayers and the tax authority characterize their systems (Fjeldstad and Therkildsen, 2008; McKerchar & Evans, 2009; Gobena & Van Dijke, 2016). According to Bahl and Bird (2008) and Gobena (2023), Ethiopia is characterized by coercive authority (including tax authority), low tax morale among the populace, and a "cops and robbers" dynamic between the populace and the authority. As noted by Gobena (2023), the nation achieves the lowest tax-to-GDP ratio in the region, with less than 10 percent. Tax evasion in Ethiopia is even made worse by the dominance of a cash economy whereby the lion's share of transactions are effected in cash, leaving no evidence for an audit trail. Cash economies do not furnish tax administrators with adequate records and evidence pertinent to transactions making enforcement of tax laws more difficult vis-à-vis electronically captured evidence for each piece of transaction (Benshalom, 2012; Devos, 2014). This coupled with the hostile relationship between the tax authority and the taxpayers worsens the tax compliance situation (Kirchler et al., 2008).

To deal with the above-mentioned hostile taxation environment, cash-dominated economies, and weak tax law enforcement capability, such as that of Ethiopia, our study recommends striving to gain trust on the part of the tax authority. We argue based on our findings that trust stimulates voluntary tax compliance regardless of the level of power of the tax authority. Our moderation analysis resulted in low (rather than high) legitimate power of the tax authority enhances the effect of cognition-based trust on voluntary tax compliance. When legitimate power is at its high, taxpayers don't need to refer to their level of trust in the tax authority as they are confident that the authority is unlikely to abuse its power and exploit the taxpayers.

Furthermore, our study identified the coercive power of the tax authority to stimulate enforced tax compliance. Nevertheless, the use of coercive power is costly (Kirchler et al., 2008; Murphy, 2004; Scott & Grasmick, 1981), as the application of massive tax audits and subsequent penalties entail extensive resources. Moreover, enforcement actions against many tax evaders drain government revenue and waste taxpayers' business time. Remarkably, the use of coercive power needs

to be selective so that only those taxpayers who intend to evade taxes be sanctioned and the actions publicized for other would-be evaders to refrain from the practice.

Lastly, a more widely relevant finding is that taxpayer data from Ethiopia, a developing nation, validated the majority of the "slippery slope framework" predictions, which largely mirrored research predominantly published in Europe. Hence, when designing policies, policymakers in developing nations may consider the relationships and presumptions that underpin the "slippery slope framework." Particularly, they must focus attention on developing legitimate instead of coercive power and practices that earn them the trust of the taxpayers rather than exclusively relying on coercing taxpayers.

5.3. Concluding Remarks

The current study is the first to find that data from a developing country context directly supports the propositions of the "slippery slope framework". Our results further the academic endeavors to combine social-psychological and economic deterrence approaches in the investigation of tax compliance behavior. Additionally, by examining the potential interaction between the tax authority's power and trust in stimulating tax compliance in a developing nation, as opposed to earlier research that was conducted repeatedly among taxpayers in Western nations, this study advances the development of more ecologically sound tax compliance literature.

5.4. Limitations and Suggestions for Future Research

The current study has several limitations, as does all research. To start, the cross-sectional study design raises questions about the validity of the results. Furthermore, we acquired information through self-reported answers for a sensitive topic, where taxpayers are thought to disclose their actual actions since it could be interpreted as admitting guilt to tax evasion offenses. Thus, the findings of the study need to be interpreted cautiously. Future research is recommended to clarify the causal relations between the variables of the study using experimental or longitudinal data. It should be noted that our study is not the only study that is based on self-reported data; there are prior studies that also documented findings based on survey data (e.g. Scholz & Lubell, 1998; Murphy, 2004; Gobena & Van Dijke, 2016).

Second, because the tax authority was

unwilling to provide us with taxpayer records, we were unable to select taxpayers at random from a list of other income taxpayers. Thus, over the course of three months (January–March 2024), we employed a methodical sampling of taxpayers who were waiting in line at nine different tax authority branches to pay their income taxes and other associated services. It has to be noted that those taxpayers whom the data collectors could find at the tax authority are not more compliant taxpayers than those who were not in the queues. Instead, most taxpayers wait in line to pay their taxes out of fear of potential consequences from the tax authority, while those present for reasons other than tax payment have unresolved grievances (Abdella & Clifford, 2010; Bekana et al., 2014; Gobena and Van Dijke, 2016). It is important to note that our sampling method may limit the generalizability of our findings.

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Appendix

Below is a complete list of the measures used in this paper. All responses were on a Likert scale (1 = *strongly disagree*, 2 = *disagree*, 3 = *neither*, 4 = *agree*, 5 = *strongly agree*).

Affect-based Trust (McAllister, 1995)

1. The tax officials and I have a sharing relationship; we can both freely share our ideas, feelings, and hopes.
2. I can talk freely to these officials about difficulties I am having regarding tax and know that they will want to listen.
3. We would both feel a sense of loss if we could no longer work together.
4. If I shared my problems with these officials, I know they would respond constructively and caringly.
5. I would have to say that we have both made considerable emotional investments in our working relationship.

Cognition-based Trust (McAllister, 1995)

1. The tax officials approach their job with professionalism and dedication.
2. Given these officials' track record, I see no reason to doubt their competence and preparation for their job.
3. I can rely on these persons not to endanger my business by careless work.
4. Most taxpayers, even those who aren't close friends of these officials, trust and respect them as officials.
5. Other taxpayers I know who must interact with these officials consider them to be trustworthy.
6. If people knew more about these officials and their background, they would be more concerned and monitor their performance more closely.

Legitimate Power of Tax Authority (Kastlunger et al., 2013)

1. Tax evasion is detected in a high percentage of the cases.
2. Tax authorities combat tax crimes efficiently.
3. Tax evasion is likely to be detected.
4. Tax authority control frequently and profoundly.

5. Due to their knowledge and competence, tax authorities can detect quite every act of tax evasion.

Coercive Power of Tax Authority (Kastlunger et al., 2013)

1. Tax authority primarily aim to punish.
2. Tax authority investigate as long as they find something.
3. Tax authority' interventions are too severe.
4. Tax authority nurture hostile feelings towards taxpayers.
5. Tax authority interpret tax laws in order to punish the highest number of taxpayers.

Voluntary Tax Compliance (Kirchler & Wahl, 2010)

When I pay my taxes as required by the Ethiopian tax laws and regulations, I do so...

1. ... because I pay my taxes voluntarily.
2. ... without spending a long time thinking how I could reduce them.
3. ... because to me it's obvious that this is what you do.
4. ... even if tax audits did not exist.
5. ... to support the state and other citizens.
6. ... because I like to contribute to everyone's good.
7. ... because for me it's the natural thing to do.
8. ... because I regard it as my duty as a citizen.
9. ... even though I know that others do not.
10. ... because I am sure I am doing the right thing.

Enforced Tax Compliance (Kirchler & Wahl, 2010)

When I pay my taxes as required by the Ethiopian tax laws and regulations, I do so....

- 1.... because I feel forced to pay my taxes.
- 2.... because a great many tax audits are carried out.
- 3.... although I would really prefer not to pay any taxes.
- 4.... because the tax authority often carries out audits.
- 5.... because I know that I will be audited.

6.... because the punishments for tax evasion are very severe.

7.... because I do not know exactly how to evade taxes without attracting attention.

8.... after putting a lot of thought into how I could legally save taxes.

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