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of Taxpayers' Perceptions of Taxrelated Media
Coverage and its Impact on Tax Compliance**

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Tax Policy and the News: An Empirical Analysis of Taxpayers' Perceptions of Tax-related Media Coverage and its Impact on Tax Compliance

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Abstract

The present study addresses the question of how taxpayers' perceptions of government and tax authorities are influenced by media coverage. The effect that national political topics, such as tax legislation and the expenditure of tax revenues, have on the tax payer is examined. Tax compliance depends on trust in authorities, i.e., a commonly shared belief that politicians and tax authorities act in order to promote social welfare, and the perceived power of authorities, i.e., taxpayers' perceptions of tax authorities' ability to detect and pursue tax crime. We investigate the influence of specific tax related information in the news on intended tax compliance. Results from a questionnaire-based experiment with 487 employees indicate that media coverage influences the indicated trust in tax authorities, as well as the perceived power of governmental institutions, and consequently, has an impact on participants' intended tax compliance. The findings suggest that governments should actively engage in the provision of relevant information on tax matters. This would increase both trust in the state and the authorities as well as awareness of their power regarding the enforcement of tax laws, effectively acting as a means to regulate taxpayers' behavior.

1. Introduction

Taxes continue to be one of the hottest topics in today's political debate. The latest revelations considering secret offshore accounts in tax havens have caused the United States, as well as the European Union, to reconsider their systems of international information exchange. They have significantly increased pressure on tax havens in order to fight tax crime and to enhance national tax revenues. Experts agreed that bank secrecy in its traditional form was running on empty long before Luxemburg and Austria, as tax shelters within the European Union, decided to participate in automatic exchange of information (OECD, 2011). However, not only on a political level, a lot of effort is being taken to increase tax compliance.

First, legal frameworks are developed that seek to prevent tax evasion by regulating tax matters, for instance in cross-border situations. Following guidelines, such as the OECD Model Convention, many countries have harmonized their tax laws and adapted to common standards. Decision makers throughout the world have confirmed their intentions to foster the development of mutual and binding legal standards, which promote transparency and increase domestic tax bases (e.g., EU Commission, 2013; G20, 2013; OECD, 2012).

Second, collaboration between taxpayers and tax authorities is encouraged. Global institutions, such as the OECD and the IFA, endorse transparency in tax matters and aim to increase compliance. The recently developed paradigm of an "enhanced relationship" between tax authorities and taxpayers encourages trust-building measures and respect in tax matters (OECD, 2007; 2013).

Third, research on tax compliance on an individual level is promoted. In recent years a number of different scientific fields have been involved in research studying tax behavior (e.g., Alm, Cherry, Jones, & McKee, 2010; Muehlbacher, Mittone, Kastlunger, & Kirchler, 2012; Torgler, 2012). In this vein, the present study addresses practical implications of tax research related to the individual level.

One approach to analyze tax paying behavior, which received particular attention in the literature recently, is guided by a model which embraces different drivers of tax compliance. The so-called slippery slope framework integrates determinants of tax compliance, which prevail in the economic and psychological literature (Kirchler, 2007; Kirchler, Hoelzl, & Wahl, 2008). In essence, two interacting dimensions explaining tax compliance are identified: trust in tax authorities and power of tax authorities. The trust component considers the quality of interaction between taxpayers and tax authorities. It is

said to be affected by psychological variables such as fairness perceptions or attitudes towards taxes. The power component summarizes determinants of tax compliance that derive from economic literature, such as the probability of audits, fines or tax rates (e.g., Allingham & Sandmo, 1972; Srinivasan, 1973). This study focuses on the question, if perceptions of trust and power, and as a consequence, intentions to pay taxes honestly, are affected by exposure to media coverage on tax policy.

Within the slippery slope framework, trust is defined as belief in the benevolence of tax authorities, their service orientation, and their professional engagement for the commons, whereas power is referred to as tax authorities' abilities to detect and punish tax crimes. Two forms of tax compliance are distinguished: voluntary tax compliance, as a result of trust in tax authorities and a moral commitment to contribute to the common good and enforced tax compliance as a consequence of the exertion of governmental power (Kirchler et al., 2008). Both concepts found their way into tax practice: for instance, they are part of the compliance model of the Australian tax system (Braithwaite, Murphy, & Reinhart, 2007), playing a crucial role in the development of the concept of enhanced relationship.

Trust is said to be influenced by perceptions of transparency and the legitimacy of political processes (Feld & Frey, 2007), and apparently related to tax morale (Torgler, 2003). Tax morale explains honest taxpaying by the conviction that paying taxes is a civic duty (Orviska & Hudson, 2002). Other scholars highlight the intrinsic motivation to pay taxes as subject to tax morale (Alm & Torgler, 2006; Feld & Frey, 2002). The promotion of tax morale is desirable from a practical perspective, since it fosters the reduction of compliance costs (Cummings, Martinez-Vazquez, McKee, & Torgler, 2009, Lago-Peñas & Lago-Peñas, 2010). However, beliefs are difficult to influence and hard to change, so they might not directly correspond to manipulations of trust and power perceptions. In contrast, intended tax compliance is related more closely to actual behavior. It expresses taxpayers' intentions to comply with the law and to pay taxes honestly. Since we are not able to address real taxpaying behavior within the present experimental setting, we put emphasize on the intentions to comply. Thus, we assume that intended tax compliance might be influenced to a greater extent by media coverage on tax issues than general tax morale.

Overall, empirical evidence supports the assumptions of the slippery slope framework. Both dimensions trust and power have shown to be relevant determinants of tax compliance (Kogler, Batrancea, Nichita, Pantya, Belianin, & Kirchler, 2013; Lisi, 2012; Muehlbacher, Kirchler, & Schwarzenberger, 2011; Wahl, Kastlunger, & Kirchler, 2010). Nevertheless, to the best of our knowledge no experiment has applied these findings to real-life situations, in

which trust, perceptions of power, and their impact on tax compliance as a function of the provision of tax related information are examined. We investigate whether it is possible to draw citizens' attention towards authorities' power and trust attributes through selected news in the media. Furthermore, we test whether the "priming" through news has an effect on trust and power perceptions and consequently on compliance, even if the overall situation in a country remains unchanged. Hence, the aims of our study are twofold: On the one hand, we investigate the impact of tax-policy-related media coverage on taxpayers' trust in and perceived power of tax authorities. On the other hand, this study addresses determinants of intended tax compliance in a real-life scenario. This is particularly relevant since governments seek ways to extend their tax bases, so as to increase tax compliance. One promising approach might be the promotion of services and transparency in tax matters (Alm, Cherry, Jones, & McKee, 2010). Hence, media coverage could play a substantial role in the manipulation of taxpayers' perceptions of trust and power, and therefore serve as a measure of future tax policy in order to promote compliance.

Accordingly, the following hypotheses will be tested: (1) Exposure to media coverage, presenting Austrian tax authorities as trustworthy, leads to higher trust in the Austrian authorities, than information suggesting Austrian tax authorities to be untrustworthy. (2) Exposure to media coverage presenting Austrian tax authorities as powerful, results in higher perceived power of Austrian authorities, than information implying that Austrian tax authorities are rather powerless. (3) Both, higher indicated trust and higher perceived power will yield a higher level of intended tax compliance.

2. Method

2.1. Participants

A total of 544 employees living in Vienna, Austria, participated in the study. 433 answered the paper-based questionnaire and 111 an online version. Overall 57 were excluded from further analyses due to missing or insufficient data¹. The final sample consisted of $N = 487$ participants (50.7% females) with an average age of 33.9 years ($SD = 11.3$). The majority of participants were Austrian (79.1 %) or German (7.2 %) citizens. Different educational levels were represented relatively equally in the sample (29.0% compulsory education; 36.3%

¹ Participants were excluded from further analyses, if they did not complete the questionnaire or if they did not spend enough time reading the instructions properly (indicated by a reading time of less than 25% of the average reading time).

general qualification for university entrance; 34.7% academic education). Average net earnings of the participants were reported to be between € 1.000 and € 2.000 per month.

2.2. Material

In contrast to previous experiments, mainly set up in an artificial environment presenting hypothetical scenarios, the present study applied actual facts on Austrian tax policy. It referred to media coverage, official statistics, and reports or opinion polls in order to influence trust in and perceived power of tax authorities. Participants were randomly assigned to one of four different scenarios, in which information about the Austrian state and its tax policy was provided. After reading the introduction participants were asked to complete a questionnaire.

Following an approach used in Wahl et al. (2010) and Kogler et al. (2013), the introductory texts established four different settings. These paid regard to the characterization of the Austrian tax authorities manipulating the two factors trust in authorities (high vs. low) and power of authorities (high vs. low; for details see Appendix A) in a 2 x 2 design. The different trust and power scenarios were combined to obtain four experimental conditions: (1) high trust and high power, (2) high trust and low power, (3) low trust and high power, and (4) low trust and low power. Due to the fact that tax policy is discussed controversially and objective information is hardly accessible, it was possible to generate positive as well as negative scenarios. These were based on media reports for both trust and power. Furthermore, previous research reports levels of trust and power among taxpayers in Austria to be at a medium level (Kogler et al., 2013). Thus, both positive and negative facts on Austrian tax policy might be perceived as plausible in general.

In the high trust scenario, the political situation in Austria was described as very stable. This was based on selectively chosen information that was published in the media; legislation was characterized as highly transparent and authorities as very trustworthy, service-oriented and supportive, spending tax revenues efficiently and transparently. However in the low trust condition, information was emphasized describing Austria as a country with relatively low political stability (referring to the number of premature government terminations), lacking legal transparency, with little service oriented authorities spending tax revenues inefficiently. Furthermore, the high power scenario provided information published in the media which characterized the Austrian tax authorities as very efficient, pursuing and punishing tax evasion effectively and severely. Finally, the low power condition made use of

facts and figures that presented tax authorities as highly ineffective regarding prosecution and punishment of tax evasion.

Participants were randomly assigned to one of the four conditions and subsequently answered a questionnaire by completing a Likert-type scale ranging from (1) strong disagreement to (9) strong agreement for each single item (see Appendix B). The scale to measure trust in authorities consisted of two items (e.g., “The governmental authorities in Austria act fair and on behalf of their citizens”; *Cronbach’s* $\alpha = .75$). The perceived power scale included three items (e.g., “Chances that tax evasion will be detected in Austria are high”; *Cronbach’s* $\alpha = .81$). Intended tax compliance was assessed by three items (e.g. “How likely would you pay your tax completely honest?”; *Cronbach’s* $\alpha = .76$), which were selected considering previous findings (Kirchler & Wahl, 2010; Wahl et al., 2010). A factor analysis confirmed the assumption of one underlying factor with an Eigenvalue of 2.01, and factor loadings ranging from .63 to .90. Furthermore, participants were asked to rate how closely the given information related to their personal perception of tax policy in Austria to measure the perceived similarity. This item is considered to be of particular importance. It indicated how susceptible participants were regarding the trust and power manipulations. A low score on this item would indicate that the information presented contradicted participants’ perceptions of the real situation in Austria.

Finally, demographic data (i.e., gender, age, nationality, level of education, income) were collected.

2.3. Procedure

Data collection was arranged between January and March 2012. The paper-based questionnaire was distributed among employed people in Vienna. In addition, a link to an online version of the questionnaire was spread via social media. Completion of the questionnaire (including reading the respective scenario) required about 20 minutes. Participation was completely voluntary and no financial incentives were provided.

3. Results

3.1. Trust and Perceived Power

To investigate if the manipulation of information regarding tax policy in Austria affected indicated trust in and perceived power of the authorities, a two-way MANCOVA was calculated with trust and power as independent factors, scales of trust and perceived power as dependent variables, and gender, age, education, and income as covariates. Estimated means and standard errors of the scales for trust and power are depicted in Table 1.

Table 1: Estimated means and standard errors of trust and perceived power.

Dependent variable	Low trust		High trust	
	Low power	High power	Low power	High power
Trust	4.07 (0.16)	4.57 (0.19)	4.82 (0.17)	5.08 (0.18)
Perceived power	4.14 (0.16)	5.88 (0.19)	4.65 (0.17)	5.64 (0.18)

Note: Higher scores indicate higher trust, respectively perceived power. Standard errors are given in parentheses.

Multivariate results revealed significant main effects of both trust ($F(2, 457) = 6.55, p < .01, \eta^2 = .03$) and power ($F(2, 457) = 30.59, p < .001, \eta^2 = .12$), but no significant interaction effect ($F(2, 457) = 2.27, p = .11, \eta^2 = .01$). Univariate results showed that participants in the high trust conditions indicated more trust in Austria's authorities than participants in the low trust conditions ($F(1, 458) = 12.95, p < .001, \eta^2 = .03$; high trust: *Estimated mean* = 4.95, *SE* = .12; low trust: *Estimated mean* = 4.32, *SE* = .13). Moreover, the power manipulation also influenced the reported trust in authorities ($F(1, 458) = 4.71, p < .05, \eta^2 = .01$; high power: *Estimated mean* = 4.83, *SE* = .13; low power: *Estimated mean* = 4.45, *SE* = .12). Participants in the high power conditions perceived power of Austria's authorities as stronger than participants in the low power conditions ($F(1, 458) = 61.15, p < .001, \eta^2 = .12$; high power: *Estimated mean* = 5.76, *SE* = .13; low power: *Estimated mean* = 4.39, *SE* = .12). The trust manipulation did not influence the reported power of authorities ($F(1, 458) = 2.10, p = .15, \eta^2 = .01$). This means that participants in the high trust conditions did not perceive power of Austria's authorities being stronger than participants in the low trust conditions.

Furthermore, the level of education significantly influenced participants' perceptions of trust ($F(1, 458) = 21.66, p < .001, \eta^2 = .05$). Participants with lower education reported lower trust in authorities compared to higher educated participants. In a nutshell, the manipulation was successful in influencing participants' trust and perceptions of power. Beyond that, the manipulation of power affected the reported level of trust.

3.2. Tax Compliance

In order to identify participant's tax compliance intentions, a two-way ANCOVA with the independent factors trust and power, the dependent variable intended tax compliance, and the covariates gender, age, education, and income was conducted. Results are presented in Table 2.

Table 2: Estimated means and standard errors of intended tax compliance as a function of trust and power.

Dependent variable	Low trust		High trust	
	Low power	High power	Low power	High power
Intended tax compliance	5.74 (0.18)	6.14 (0.21)	6.02 (0.18)	6.67 (0.19)

Note: Higher scores indicate higher acceptance of the items. Standard errors are given in parentheses.

Results show a significant main effect of trust ($F(1, 458) = 4.59, p < .05, \eta^2 = .01$), a significant main effect of power ($F(1, 458) = 7.64, p < .01, \eta^2 = .02$) and no significant interaction effect ($F(1, 458) = 0.45, p = .50, \eta^2 = .01$). Participants reported higher intended tax compliance in the high trust conditions (*Estimated mean* = 6.35, *SE* = .13) compared to the low trust conditions (*Estimated mean* = 5.94, *SE* = .14), and in the high power conditions (*Estimated mean* = 6.41, *SE* = .14) compared to the low power conditions (*Estimated mean* = 5.88, *SE* = .13). Highest intended tax compliance was observed in the high trust and high power conditions (*Estimated mean* = 6.67, *SE* = .19).

Furthermore, the covariate age ($F(1, 458) = 8.85, p < .01, \eta^2 = .02$) significantly influenced reported intended tax compliance: older participants reported higher intended tax compliance. With regard to the covariate gender no significant difference was observed ($F(1, 458) = 1.91, p = .17, \eta^2 = .01$).

3.3. Perceived Similarity

In order to evaluate the scenarios with respect to participants' perceptions of similarity to the actual situation in Austria, a two-way ANCOVA was calculated with the independent factors trust and power, perceived similarity as dependent variable, and the covariates gender, age, education, and income. Results revealed a significant main effect of trust ($F(1, 454) = 8.30, p < .01, \eta^2 = .02$). Overall, high trust conditions (trust high and power high condition: *Estimated mean* = 5.00, *SE* = 0.20; trust high and power low condition: *Estimated mean* = 5.10, *SE* = 0.19) were reported to be less similar to participants' perceptions of the actual situation in Austria than low trust conditions (trust low and power high condition: *Estimated mean* = 5.78, *SE* = 0.21, trust low and power low condition: *Estimated mean* = 5.44, *SE* = 0.18). Neither a significant main effect of power ($F(1, 454) = .36, p = .55, \eta^2 = .001$), nor a significant interaction effect could be observed ($F(1, 454) = 1.32, p = .25, \eta^2 = .003$). Although people showed a tendency to find the low trust conditions more realistic than the high trust conditions, the results clearly revealed that the mean similarity indicated was between 5 and 6 in all four conditions, i.e., above the scale mean of 5. Thus, our manipulation has worked, the information presented was perceived as reasonably realistic in all scenarios.

4. Discussion

This paper addressed the questions of how taxpayers' perceptions of the government and tax authorities, as well as their intentions to comply, are influenced by media coverage on tax policy-related topics. The results suggest that media coverage dealing with tax matters, does indeed have the potential to impact people's trust in the governmental authorities, as well as their perceptions of those authorities' power. Furthermore, media coverage seems to have an impact on citizens' intentions to pay their taxes honestly. The results of the present research are considerably remarkable. The manipulation was not as powerful as in comparable experiments, given that it had to be based on isolated facts highlighted in the media, and not on an overall situation in the country or artificially generated scenarios.

Accordingly, especially information regarding abilities to detect and punish tax crimes seems to have a strong impact. Since such information has shown not only to affect perceived levels of governmental power but also evaluations of trustworthiness. On the other hand, information regarding the transparency of the tax system, service orientation of tax authorities and the reputation of the government seems to positively influence trust in the state and its

representatives. Moreover, the results of this study indicate that it is not only trust and perceptions of power that are affected by media coverage, but also intentions to comply. These findings are in line with the assumptions of the slippery slope framework. They highlight both trust and power as necessary in establishing a high level of tax compliance. As expected, the highest intended compliance rates were observed in the high trust and high power conditions, whereas low extents of trust and power reduced intended tax compliance. A major contribution of this article is, in contrast to previous studies based on fictitious scenarios, the confirmation of a link between actual media coverage on tax matters and the intention to pay taxes honestly.

Regarding the covariates considered in our model, the findings support prior results. These report higher tax compliance of older taxpayers (e.g., Kirchler, 2007; Feinstein, 1991; Tittle, 1980). In contrast to some previous studies (e.g., Brooks & Doob, 1990; Collins, Milliron, & Toy, 1992), women did not show higher intentions to comply. Another factor, of great relevance with respect to tax policy, is tax related education. In our sample, the level of education showed to be correlated with trust in the governmental authorities. It might therefore be rewarding to invest in public education regarding tax policy and the tax system, in order to increase compliance. This idea is supported by findings that suggest a negative relationship between the complexity of tax systems and the willingness or ability to comply (e.g., Cuccia & Carnes, 2001; Collins et al., 1992).

Nevertheless, there are some limitations: The majority of participants were employed taxpayers, who have few possibilities to avoid or evade taxes. Therefore, most participants could not rely on personal experiences when answering the presented questions. Furthermore, this study is based on intentions to behave compliantly and does not address actual taxpaying behavior. Although critical evidence questioning the predictive value of self-reports with regard to actual tax behavior can be found in the literature (e.g., Hessing, Elffers, & Weigel, 1988), there is also evidence suggesting a positive relationship between data obtained from self-reports and compliance observed by tax authorities (Hite, 1988). Research also confirms a congruency between intended compliance in scenario-tasks and behavior in incentivized experiments in the laboratory (Wahl et al., 2010).

The manipulation of tax related attitudes in a real setting is complex. This is due to individual perceptions of the tax system being subject to a whole variety of different factors. These may not wholly be captured in an experimental setting. Besides trust, perceptions of transparency, rights of co-determination, possible consequences of noncompliant behavior, and personal experiences are likely to influence tax compliance. These pre-existing opinions

towards paying taxes might complement the experimental manipulation, but as it turned out, they do not seem to overlay in the experimental setting. Despite personal habits and attitudes towards taxpaying (i.e. “tax morale”), this study points out the significance of media coverage on tax matters with regard to behavioral intentions on an individual level. Influencing citizens’ perceptions of tax matters via media reports may thus be an effective means to increase tax revenues and should be considered more strongly in policy design.

Our findings link theoretical research on tax compliance with actual tax policy and the design of communication strategies. Therefore this study adds to the discussion about which factors influence tax compliance. It shows that tax related media coverage does not only influence trust in and perceived power of tax authorities, but also has an impact on intended tax compliance. The results indicate, in line with the assumptions of the slippery slope framework, that tax compliance is a function of trust and power, which may be leveraged by the use of media coverage. It might therefore be a promising approach to promote education and transparency in tax policy by the use of media coverage in order to increase tax compliance.

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6. Appendix

This study was conducted in German.²

A: Scenarios

The experiment started with an introductory text that consisted of a combination of one trust and one power scenario.

1.a.) Trust high:

*Since its sovereignty in 1955, Austria is characterized by **high political stability**. Voter participation in parliamentary elections ranks fourth in Europe. In order to directly involve Austrian citizens in legislation, **several referenda** took place. In larger cities **citizen surveys** are conducted, their results are politically binding and implemented quickly.*

*Among the population the **reputation** of the Austrian government is **getting better and better**. According to INTEGRAL market research, citizens' **trust** in the Austrian government has **increased** more than threefold within the last three years.*

***Legislation** in Austria is **transparent**. The government offers free **information and consulting** with regard to legal and tax related issues. For instance, "help.gv.at", an online platform created by the federal government, offers information about the authorities and electronic administrative services. Overall, Austrian authorities are **very service-oriented** and support citizens via numerous free services, such as the "labor market service (AMS)" or the online platform "finanzonline.at".*

*The **use of tax revenues** in Austria is **comprehensible** for all citizens and may be looked into any time via the website of the federal ministry of finance (bmf.gov.at). According to Austrian press agency (APA), **94%** of the population are **satisfied** with the use of tax revenues in the health care sector. About half of the federal budget in 2012 was spent on sectors health care, labor and social affairs.*

² For a German version please contact the author

***Economic growth** in Austria is **above average** in an European comparison and expected to increase according to a September 2011 forecast of the Austrian Institute for Economic Research. Budget deficit and **public debt** in Austria are **below** European average.*

*Additionally **tax revenues** are **used conscientiously**. The Corruption-Perception-Index (CPI) ranks Austria with 7.9 of 10 points as one of the countries with **least perceived corruption** in Europe.*

*For these reasons most Austrian citizens have **high trust** in the state of Austria.*

1.b.) Trust low:

*Since its sovereignty in 1955, Austria is ruled democratically, but characterized by **decreasing voter participation** and **general disenchantment with politics**. Since the second republic was founded, ten government coalitions were ended by **premature dissolutions of the parliament**. Most recently, this happened in 2008. Despite the fact the Austrian constitution provides for the opportunity of referenda, **since 1955 only two referenda** took place.*

*The Austrian government has a **rather bad reputation** and regularly causes scandals. According to INTEGRAL market research, considerably **less than half** of Austrian's citizens **trust** the Austrian government.*

***Legislation** in Austria is **not transparent enough** for many citizens. For instance, there is still a great deal of confusion with regard to the implementation of the smoking ban in Austria. Additionally, **authorities**, such as the AMS, are perceived as **little service-oriented**.*

*The **use of tax revenues** is **difficult to comprehend** for Austrian citizens. For instance, the purchase of the Eurofighters in 2008 provided for almost half of the annual federal deficit. Consequently 66% of the Austrian citizens believe that **tax revenues are wasted**, according to an IMAS-survey on drawbacks in Austria.*

*According to Statistik Austria, the Austrian **state deficit increased steadily** within the last ten years. The current public debt is 215.4 billion Euros. In 2011, Austria will presumably fail the EU-criteria for government budget deficit (Maastricht-criteria) for the third time in a row.*

*Again and again **tax revenues** are **embezzled** by politicians. A survey by the Institute for Market- and Social Analyses revealed that a large share of the Austrian population believes there is **more corruption** in Austria today **than in the past**.*

*For these reasons most Austrian citizens have **little trust** in the state of Austria.*

2.a.) Power high:

*The **prosecution of tax evaders** is **very effective**. In order to further increase efficiency with regard to prevention and prosecution of tax evasion, the **anti-fraud-act** was passed in 2010. The hereby created **financial police**, which holds extensive power, strictly monitors the application of tax law.*

*The government provides a **high budget** for the tax authorities **to detect tax evasion**. The new electronic tax audit tool ACL **significantly improved tax audits** with regard to efficiency, quality and thoroughness. The budget enables Austrian tax authorities to employ more than **2.000 qualified tax auditors**, so that tax authorities are perceived as **very present** by the citizens.*

***Audit probability** in Austria is **very high**, since the tax offices may **detect revenue offenses up to ten years after the filing** of a tax return. The federal ministry of finance may even in cases of limitation **subsequently impose penalties**. Moreover, **penalties for tax evasion** are **very severe** in Austria. Since the beginning of 2011, penalties were further tightened. If a tax offense is revealed, **imprisonment for up to 10 years or fines up to 2.5 million Euros** may be imposed.*

*For these reasons most Austrian citizens perceive the state of Austria to be **very powerful**.*

2.b.) Power low:

*The **prosecution of tax evaders** is **not very effective**. According to an August 2010 study of the Austrian Court of Audit, **15% of tax investigator jobs are vacant**, so that coordination is difficult and investigators are under severe pressure. This **hinders tax audits** in Austria **significantly**.*

*The government provides a **low budget** for the tax authorities **to detect tax evasion**. In 2009 the number of large firm auditors was reduced from 600 to 400. This contributes to tax authorities being perceived as **little present** by Austrian citizens. **Audit probability** in Austria is **rather low**. Bank secrecy is strict and laws provide little room for disclosure. Accordingly, the Tax Justice Network (TJN) considers Austria to be a “**secrecy jurisdiction**”. Generally, a **multitude of tax offenses may not be detected**. Moreover, **penalties for tax evasion** are **not very severe** in Austria.*

*For these reasons most Austrian citizens perceive the state of Austria to be **little powerful**.*

B: Questionnaire

Perceived Similarity

How closely does the given information about Austria relate to your personal perception?

Trust

The governmental authorities in Austria act fair and on behalf of their citizens.

The governmental authorities in Austria use tax revenues reasonably and conscientiously.

Perceived Power

Chances that tax evasion will be detected in Austria are high.

The detection of tax evasion in Austria will lead to severe punishments.

The governmental institutions in Austria are very effective in the suppression of tax criminality.

Intended Tax Compliance

You are self-employed and your business is going well. Your tax return is due and you have to pay taxes.

How likely would you pay your tax completely honest?

A customer paid in cash and did not require an invoice. You could intentionally omit this income on your income 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 omit the profit from this sale on your income tax return?