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Determinants of Tax-Compliance Behaviour Explored by Slippery Slope Framework and Theory of Planned Behaviour: An Evidence from Small Business Owner

Muhammad Shaukat Malik * Sabah Younus †

Abstract: *This research work addresses the issue of improving the tax-compliance behaviour of the small business owners. Theocratical framework of this paper is based on two theories, Slippery Slope framework and Theory of Planned Behaviour. With the help of these two theories the aim of this research is to explore the determinants of the tax-compliance behaviour and to improve the tax-payers behaviour specially of small business owners. Data was collected from 340 small business owners those were operative in major cities of Pakistan i.e. Karachi, Islamabad (Pindi), Lahore, Multan and Faisalabad. This study is significant as it can help the tax-authorities in exploring the antecedence of the tax-Compliance Intention and hence, Behaviour.*

Keywords: Theory of planned behaviour, slippery slope framework, perceived fairness, power and trust in authorities, tax-compliance intention and tax-compliance behaviour.

Introduction

Tax-Compliance is one the major issues that needs proper attention of the authorities of the developing countries (Bayram, Aydemir, Yıldırım, & Tansöker, 2017). There study was conducted in major cities of Pakistan and finding of their research work supports that in order to improve tax-compliance intentions in developing countries the authorities need to develop trust of the tax-payers on the tax system of the country (Ali & Hassan, 2019). The Current Finance Minister of Pakistan in a press release on 28th January 2019 emphasized that revenues of the Government of Pakistan can improve considerably if the trust of business owners is improved and also if the tax-filling procedure is made easy. FBR (Federal Board of Revenue) Pakistan, declares that it was unable to reach the targeted number of tax-filler in 2009.

Moreover, Pakistan has been ranked at 172th position by international tax Competitive Index, regulated by Organisation for Economic Cooperation and Development (OECD). Looking deeper into the matter and as per interviews conducted from the personnel working at prominent position at Federal Board of Revenue (FBR), Circular No. 3 of 2016 was issued to improve voluntary tax compliance through Voluntary Tax-Compliance Scheme

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(VTCS) on 10 February 2016. The motive of this circular was to devise out ways to promote voluntary compliance of the tax-payers in Pakistan. Although FBR is trying to enhance voluntary compliance yet there is evidence that much more is needed to be done to boost voluntary compliance.

A news in Dawn showed that according to the data represented in State Bank of Pakistan (SBP) report showed that voluntary tax payment is only 22 percent of the total direct taxes (A behavioural insight into voluntary tax compliance, 2018). Moreover, as per study conducted by Akram, Ilyas, and Alam (2017) small business are showing most of tax-evasion. Small business owners tend to avoid pay taxes in developing countries like Pakistan , this compliance ratio of the small businesses towards tax-compliance is as low as 43% in 2013 and dropping gradually in coming years as per the report of Sustainable Development Policy Institute (SDPI) (Draft Study: Reforming Tax System in Pakistan, 2013). This fact has also been identified by the FBR. This background raises the concern to explore the determinants of the Tax-Compliance Behaviour. Only 1,075,000 people filed their income tax returns announced by the official of the Federal Board of Revenue as per the news published in The New, December 16, 2017 out of registered 4.3 million people, around 1.1 million filed their income taxes. This situation itself raise the concern to study tax-compliance behaviour of Pakistani individual (Arif, Khan, & Hussain, 2017).

Researchers have addressed the issue of tax-compliance from variety of perspectives i.e. psychological perspective, social perspective and economic perspective (Kirchler, 2007; James, Murphy, & Reinhart, 2005). Slippery Slope framework was proposed by Kirchler, Hoelzl, and Wahl (2008). The uniqueness of this model is that it combines all these factors and explain the behaviour of tax-payer as the outcome of multiple factors. These factors are discussed in detail in the literature review section. The theory of Planned behaviour suggests behaviour of any sort is an antecedent of intentions, and individual's intentions are consequence of three factors (Ajzen, 1991), these factors are also narrated in detail in literature review section. Thus, it can be assumed that tax-compliance behaviour is an outcome of tax-compliance intention, and hence tax-compliance intention can be explained by multiple factors as explained by Kirchler et al. (2008).

Thus, it can be summarized as that this research work examines the mediating role of Tax-Compliance intention between Subjective Norms, Perceived Behavioural Control, Attitude, Perceived Fairness, Trust, Power of Tax-Authorities, Tax Knowledge and Tax-Compliance Behaviour.

Literature Review

Gangl, Kirchler, Lorenz, and Torgler (2015) found that tax- compliance is a major issue in developing country like Pakistan. The problem is so intense and needs attention of authorities in developing countries as individual in developing countries perceive the authorities to be corrupt and unjust (Gangl et al., 2015). As per Waris (2013) "only one percent of 180 million" individuals pay taxes, this statistic symbolizes an alarming situation to address. Improvement in Tax-Compliance is a dilemma that needed to be resolved by developing countries to escalate economic growth.

Ho, Ho, and Young (2013) contributed through their research that individual will portray positive behaviour towards tax-paying if they perceive authorities to be honest to spend to spend it on state development. Tax-payers shows positive behaviour towards compliance and specifically voluntary compliance if the tax-payer presume the authorities to be transparent and fair (Puspitasari & Meiranto, 2014). Benk, Çakmak, and Budak (2011) proposed that if the citizen be afraid of legal penalties and if the judiciary system is powerful enough that it can enforce implementation of these penalties, then citizens of that particular society will be more determined to demonstrate compliance intention towards tax system, laws and regulations. If the tax system has prejudices and corrupt than there are more chances of non-compliances (Cummings, Martinez-Vazquez, McKee, & Torgler, 2009).

A legitimate tax system reassures and encourage compliance (Banik, 2009). If governments can change the perception of the society ad increase the trust level by making its system legitimate and transparent, it can improve compliance (Morris & Klesner, 2010).

Ajzen (1991) proposed Theory of Planned Behaviour, this theory suggests that behaviour of any individual, in any situation are not sudden consequence of instances, rather every behaviour is backed by multiple factors. These factors shape up persons behaviours. Behaviours are followed by intentions and intentions are generated because of person's attitude, subjective norms and perceived behavioural control (Ajzen, 1991). Jimenez and Iyer (2016) establish that societal norms and personal belief system of individuals strengthen the trust, and trust thus formed can make intention to comply to tax system stronger.

Slippery Slope framework presented by Kirchler et al. (2008) argues that tax-compliance behaviour can either be enforced or voluntary, voluntary compliance means that individual show self-motivation and commitment towards paying taxes (Kirchler, 2007). Whereas, if a person pays taxes as he fears for fines and penalties imposed by the authorities than it is known as enforced compliance. Power exercised by the authorities is an important factor to determine encourage compliance towards taxes, governments can encourage the tax-payer by responsive and liable outcomes. Thus, in this way voluntary compliance can be enhanced, on the contrary by means of coercive power governments can ensure participation by the tax-payer in the form of enforced compliance (Tyler, 2006; Kirchler, 2007). Jones (2009) stated that tax-knowledge of individual can make individuals more active participants of the tax-system, tax compliance can be improved if the tax-payers feels that system of paying taxes is easy to use. Murphy (2004) found positive association in procedural justice, trust in authorities and compliance behaviour. Thus, fair treatment of the tax-authorities is known to the one of the important factors in finding the determinants of the compliance behaviour.

Kirchler (2007) found a significant relation between tax-knowledge and compliance intention. Langham, Paulsen, and Hartel (2012) found significant relation among subjective norms, attitude and tax-compliance, thus it can be extracted that the constructs of planned behaviour can also be used to explain the tax-compliance behaviour.

Research Model

As discussed earlier the research model is based on amalgamation of two theories, Slippery Slope Framework and Theory of Planned Behaviour. All the factors are discussed in this section one by one. Hartner, Rechberger, Kirchler, and Schabmann (2008) in their study found that procedural justice can be regarded as motivational factor towards encouraging tax compliance, however non-compliance was escalated by distributive justice. Therefore, it can be assumed that non-compliance is higher in developing countries as citizen do not foresee the covenants to be just and honest rather corrupt and dishonest. Murphy (2004) proposed that procedural fairness can determine tax compliance, so it can be hypothesized that:

H_1: Perceived Fairness has significant relationship with tax-compliance behaviour.

H_{1a}: tax-compliance intention mediates the relationship between Perceived Fairness and tax-compliance behaviour.

Abdul-Razak and Adafula (2013) in their study examine the mediating role of attitude in determining the strength of relationship among constructs burden of tax, knowledge of tax-laws and fairness of tax-authorities, they found a significant and positive relationship among tax-attitude and compliance of tax-payers. Thus, it can be formulated that:

H_2: Attitude has significant relationship with tax-compliance behaviour.

H_{2a}: tax-compliance intention mediates the relationship between Attitude and tax-compliance behaviour.

Benk et al. (2011) used theory of planned behaviour to explain tax compliance behaviour, but as per there study intention to compliance does not result in behaviour. However, another significant finding of their study is that equitable treatment by the tax-authorities foster compliance attitude. The norms setup by the societies build up level of normative expectation which can than further redress compliance intentions (Benk et al., 2011).

An individual decision to pay tax or not is greatly prejudiced by his close relatives, society and friends (Palil, 2010). Also, (Blanthorne & Kaplan, 2008) found a significant relationship among subjective norms, ethical beliefs in structuring a person's positive intention towards tax-compliance. Thus, it can be extracted that:

H_3: Subjective Norms has significant relationship with tax-compliance behaviour.

H_{3a}: Tax-compliance intention mediates the relationship between Subjective Norms and tax-compliance behaviour.

H_4: Perceived Behavioural Control has significant relationship with tax-compliance behaviour.

H_{4a}: Tax-compliance intention mediates the relationship between Perceived Behavioural Control and tax-compliance behaviour.

Damayanti, Subekti, Baridwan, et al. (2015) used theory of planned behaviour but used trust in tax-authorities, uncertainty avoidance as a moderator to explain compliance behaviour. Wu and Chen (2005) in their research model tested the relationship of trust and technology acceptance model on e-filling intention of the tax payer and found a significant relationship among trust in authorities and e-filling intentions. Torgler (2005) in their study found positive association between trust and tax compliance. Thus, it can be hypothesized that:

H_5: Trust in tax-authorities has significant relationship with tax-compliance behaviour.

H_{5a}: Tax-compliance intention mediates the relationship between trust in tax-authorities and tax-compliance behaviour.

Kastlunger, Lozza, Kirchler, and Schabmann (2013), found by the use of coercive power the tax authorities can foster only enforced compliance, trust of the citizens is negatively associated with corrosive power exercise of which consequence in tax-evasion rather than compliance. However, if the authorities exercise legitimate power it can it promote compliance (Kastlunger et al., 2013). On the basis of these analysis it can be hypothesized that:

H_6: Power of Authorities has significant relationship with tax-compliance behaviour.

H_{6a}: Tax-compliance intention mediates the relationship between Power of Authorities and tax-compliance behaviour.

Mei Tan and Chin-Fatt (2000) in their study concluded that by raising the level of tax-knowledge authorities cannot improve the perception about the authorities but the positive attitude can be developed.

H_7: Tax-Knowledge has significant relationship with tax-compliance behaviour.

H_{7a}: Tax-compliance intention mediates the relationship between Tax-Knowledge and tax-compliance behaviour.

H_8: Compliance intention has significant relationship with Compliance Behaviour.

Kirchler et al. (2008) proposed the theory of Slippery Slope Framework to explain the behaviour of the tax-payer, as per his theory the Tax-payers behaviour can be determined by the multiple factors. These factors are power of the tax-authorities, trust of the individuals on the tax authorities, Tax knowledge, fairness perception, subjective norms, attitude towards taxes and perceived behavioural control. Among all the behavioural theories

Theory of planned behaviour has been used by many researchers to explain multiple behaviours. Thus, this study employee TPB to explain the tax-compliance behaviour.

Research Methodology

The data was collected using a survey method from the small business owners. the business owners were selected by using convenient sampling technique. As complete list of small business owners is not available. These business owners were contacted personally, and self-administered questionnaire was utilized. The respondents were assured that their data would remain confidential. The questionnaire was based on 58 questions/items those were adopted from previous researches. All of the scales have tested and verified by pervious researches i.e. (Kirchler et al., 2008; Abdul-Razak & Adafula, 2013; Damayanti et al., 2015).

Instruments

To measure the dependent variable tax-payers behaviour Tax compliance inventory TAX-I, developed by Kirchler et al. (2008) is utilized. This scale has further four dimensions these dimensions are known as voluntary compliance, enforced compliance, tax avoidance and tax evasion. But as this study is based on the Slippery Slope Framework. Thus, only two behavioural outcomes will be used in this study. These are voluntary compliance and enforced compliance. Voluntary compliance has ten items, whereas, enforced compliance has eight items.

The Mediating variable is Tax-compliance Intention. Tax-compliance intention was adapted from the study done by Bidin et al. (2007). Here tax-compliance intention is measured with the help of fourteen items. It is a unidimensional scale. The scale of Subjective norms and Perceived behavioural control is adapted from Taylor and Todd (1995) which is also used by many researchers i.e. (Bhattacherjee, 2000). Both have three items and are uni-dimensional scale. Braithwaite (1997) trust scale it consists of seven items and is a unidimensional scale. It has been further validated by Morris and Klesner (2010). The scale of Attitude is adopted from Bhattacherjee (2000). The scale of Tax Knowledge has three dimensions each personal knowledge, legal knowledge and technical knowledge, each having two, three and four itmes respectivey, this scale was developed (Saad, 2011). Power scale used in this article was developed by Kastlunger et al. (2013). This scale further consists of two dimensions. legitimate power and coercive power. Both the dimensions have five items. The fairness scale of related to taxation used in the study conducted by McKee and LaTour (1992). It has three dimensions personal fairness consisting of six items, tax rate fairness consisting of four items and income level fairness consisting of four items.

Analysis and Findings

For collection of data 400 questionnaire were printed. Out of which 340 questionnaires were found useable. Remaining 60 questionnaires were discarded because of too much missing information. Thus, only a sample of 340 useable questionnaire was retained for data analysis. The sample of 340 was them testing for missing value analysis and normality analysis using SPSS. The descriptive analysis conducted is presented in Table 1. To assess the normality of the data Skewness and Kurtosis were calculated. All the values of skewness and kurtosis were below 1 that assures normality of data as explained by Tabachnick, Fidell, and Ullman (2007). Also, to check the issues relating to multicollinearity VIF and Tolerance were determined. For data to be free from multicollinearity issue the values of tolerance must be greater than .1 and VIF must be less than 10 as explained by Hair, Black, Babin, Anderson, and Tatham (2006). Table 1 shows that data qualifies the basic normality assumptions thus further analysis can be proceeded.

Table 1
Measure of Normality and Multicollinearity Statistics

	Mean	Std. Deviation	Reliability	T	Sig.	Collinearity Statistics		Skewness		Kurtosis	
	Statistic	Statistic				Tolerance	VIF	Statistic	Std. Error	Statistic	Std. Error
FP_comp	2.22	0.56	0.85	12.2	0.000			0.010	0.104	-0.356	0.208
AT_comp	2.81	0.70	0.84	3.63	0.043	0.98	1.01	0.097	0.104	0.413	0.208
SN_comp	2.93	0.50	0.92	2.55	0.012	0.97	1.02	0.041	0.104	-0.022	0.208
PBC_comp	2.94	0.88	0.93	2.40	0.019	0.98	1.10	0.067	0.104	0.531	0.208
TA_comp	2.67	0.43	0.79	3.43	0.003	0.97	1.03	0.087	0.104	0.249	0.208
PA_comp	2.11	0.53	0.82	2.98	0.000	0.94	1.06	0.069	0.104	-0.258	0.208
TK_comp	2.67	0.48	0.90	3.45	0.007	0.92	1.08	0.084	0.104	0.542	0.208
TCI_comp	2.90	0.55	0.84	4.96	0.021	0.97	1.02	0.091	0.104	0.654	0.208
TCB_comp	2.59	0.43	0.88								
Valid N (listwise) 340											

Dependent Variable: TCB_COMP

Reliability of the data was checked using SPSS. It was found the reliabilities of all the variables were more than cut-off value of 0.7 as verified by Hair et al. (2006). The overall reliability of the full questionnaire was also more than .7. To further proceed with the analysis SPSS and AMOS were utilized. Reliability test and EFA was conducted in SPSS. EFA analysis was conducted as scales were adopted. Where after, CFA analysis was conducted using AMOS. Also, the Construct Validity were checked. To confirm the hypothesis path analysis was done through SEM technique (Hair et al., 2006).

The EFA analysis shows that all the items loaded on their factors. There were no issues of cross loadings, thus ensuring discriminant validity of the data. Principal Component Analysis (PCA) was utilized for all the variables under study in which Orthogonal technique (Varimax rotation) was employed. Sample adequacy measure, Kaiser–Meyer–Olkin measure was also checked. The KMO for all the factors were above the cut-off value of .7 and for whole sample value was 0.907. Which shows that the sample size of the study is significant enough to proceed with the analysis. Individual loadings of all the items were above the minimum criteria of .5 (Leech, Barrett, Morgan, & Stanley, 2005). Only for FPP3 from the tax-fairness scale personal dimension. Thus, it was excluded from the analysis. Also, the loading for the TKT2 was below .5 thus it was also removed from the analysis (Tabachnick et al., 2007). The summary of EFA analysis is presented in table 2.

To check the convergent validity correlation matrix was drawn and AVE (Average Variance Explained were calculated. Bagozzi and Yi (1991) suggested that if AVE is greater than individual loadings than there are no issues relating to data's convergent validity. And all the values of AVE are above .5 (Bagozzi & Yi, 1988). Table 3 represents the values of correlation and AVE.

After EFA analysis CFA analysis was conducted using SEM approach in AMOS. First order CFA was done for unidimensional constructs. The unidimensional construct for which CFA first order was conducted are Attitude towards Tax-Compliance, Subjective Norms, Trust in Authorities and Perceived Behavioural Control. Also, second order CFA for constructs having multiple dimensions. the constructs for which 2nd order CFA was conducted are Fairness Perception, Power of Authorities, Tax- Knowledge and Tax- Compliance Behaviour. the results are presented in table 3. Which shows that model fit values for all the variables. Also, the dimensions of the variables load significantly on the constructs (Fairness Perception, Power of Authorities, Tax-Knowledge and Tax-Compliance Behaviour. Which shows that thee is no need to remove or add another dimension. The fit indices used are recommended by McDonald and Ho (2002). The factor loadings of all the items were also above .5 for all the constructs. The values of model fit for individual construct are presented in Table 4. The table represents the values of AGFI, CFI, RMSEA, TLI and Chi-square.

To check the overall model fit with and without mediator analysis was run and it was found that the research was fit model with few modifications as per recommendations of Kline (2005). After model fit analysis it was determined that either hypothesized relationship among variables hold. Path analysis was conducted using Amos as per recommendations of Hair et al. (2006). The results of which are summarized in table 5.

The results presented in table 5 suggest that theory of planned can explain tax- compliance behaviour in the light of slippery slope framework. H_1 and H_{1a} were supported with B= .225, $p < 0.05$ and B=.266, $p < 0.05$. these results are consistent with the research work conducted by Murphy (2004). Which means that both direct and indirect relationship holds. Thus, it can be extracted that compliance intention partially mediates the relation between fairness perception and compliance behaviour (Baron & Kenny, 1986). H_2 was not supported with values B=.047, $p < 0.17$. the finding of this research work is contrary to the research work conducted by Abdul-Razak and Adafula (2013). But when mediator was added to the path-analysis the results were different and H_{2a} was supported with B=.268, $p < 0.01$. thus, full mediation relationship holds between attitude and compliance behaviour. These results are consistent with finding of Langham et al. (2012). H_3 and H_4 were not supported with B=.038, $p < 0.15$ and B=.105, $p < 0.21$. thus, no direct relationship was found between subjective norms, perceived behavioural control and tax-compliance behaviour. However, full mediation relationship was found, these results are also consistent with the findings of Langham et al. (2012); Blanthorne and Kaplan (2008). H_5 and H_{5a} was supported with B=.64, $p < 0.01$ and B=.733, $p < 0.01$. these results are also supported by Damayanti et al. (2015).

Table 2
Exploratory Factor Analysis

		FP	AT	SN	PBC	TA	PA	TK	TCI	TCB					
Eigen value		1.5	2.4	2.1	2.3	2.5	1.8	1.4	1.4	1.7					
% of Variance explained		10.5	9.4	8.9	11.2	7.2	12.6	11.7	5.8	9.5					
Cumulative variances		10.5	19.9	28.8	40	47	59.8	71.5	77.3	86.8					
SN	SN1	0.745													
	SN2	0.794													
	SN3	0.645													
PBC	PBC1		0.895												
	PBC2		0.854												
	PBC3		0.846												
AT	AT1			0.748											
	AT2			0.964											
	AT4			0.752											
FP	FPP1				0.854										
	FPP2				0.864										
	FPP3				0.485										
	FPP4				0.856										
	FPP5				0.745										
	FPP6				0.739										
	FPT1					0.784									
	FPT2					0.853									
	FPT3					0.712									
	FPT4					0.711									
	FPI1						0.852								
	FPI2						0.754								
	FPI3						0.721								
	FPI4						0.633								
TA	TA1							0.854							
	TA2							0.839							
	TA3							0.754							
	TA4							0.743							
	TA5							0.652							
	TA6							0.584							
	TA7							0.639							
PA	PAC1								0.827						
	PAC2								0.646						
	PAC3								0.743						
	PAC4								0.694						
	PAC5								0.684						
	PAL1									0.579					
	PAL2									0.674					
	PAL3									0.678					
	PAL4									0.649					
	PAL5									0.591					
TK	TKP1										0.784				
	TKP2										0.742				
	TKL1											0.863			
	TKL2											0.734			
	TKL3											0.653			
	TKT1												0.678		
	TKT2												0.443		
	TKT3												0.534		
	TKT4												0.538		
TC	TCBC1													0.743	
	TCBC2													0.684	
	TCBC3													0.532	
	TCBC4													0.563	
	TCBC5													0.634	
	TCBC6													0.511	
	TCBC7													0.799	
	TCBC8													0.739	
	TCBC9													0.648	
	TCBC10													0.533	
	TCBE1														0.785
	TCBE2														0.753
	TCBE3														0.756
	TCBE4														0.864
	TCBE5														0.584
	TCBE6														0.768
	TCBE7														0.584
	TCBE8														0.869

Table 3
Correlation Matrix and AVE

Variables	1	2	3	4	5	6	7	8	9
FP	0.71								
AT	0.45	0.66							
SN	0.51	0.49	0.62						
PBC	0.48	0.47	0.49	0.67					
TA	0.33	0.38	0.32	0.28	0.73				
PA	0.39	0.29	0.25	0.37	0.23	0.65			
TK	0.45	0.43	0.42	0.39	0.43	0.33	0.68		
TCI	0.53	0.57	0.53	0.46	0.39	0.41	0.34	0.70	
TCB	0.40	0.56	0.56	0.54	0.55	0.29	0.35	0.22	0.73

Correlation is significant at the 0.01 level (2-tailed)

Table 4
Model Fit for all constructs and complete model

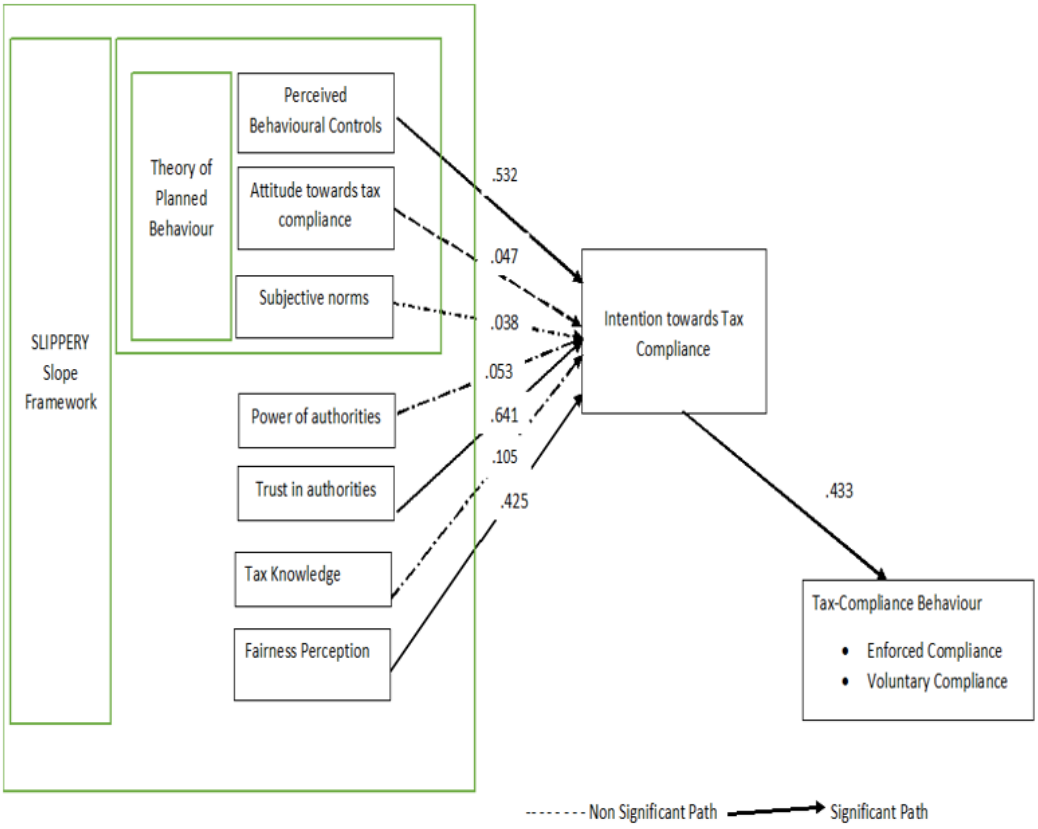
Sr.No.	Variables	Model Fit				
		X2	AGFI	CFI	TLI	RMSEA
1	FP (2nd order CFA)	30.81	0.90	0.90	0.90	0.01
	FPP	33.89	0.92	0.94	0.92	0.02
	FPT	28.67	0.98	0.99	0.99	0.01
	FPTL	32.45	0.93	0.93	0.92	0.01
2	AT	90.56	0.94	0.95	0.95	0.03
3	SN	132.5	0.94	0.94	0.92	0.02
4	PBC	28.51	0.91	0.90	0.90	0.03
5	TA	59.34	0.90	0.91	0.90	0.04
6	PA (2nd order CFA)	133.2	0.90	0.91	0.91	0.03
	PALP	164.5	0.93	0.94	0.93	0.03
	PACP	145.4	0.90	0.91	0.91	0.00
7	TK (2nd order CFA)	45.56	0.91	0.92	0.91	0.04
	TKG	47.32	0.92	0.92	0.92	0.05
	TKT	34.28	0.90	0.90	0.91	0.03
	TKL	38.54	0.91	0.91	0.91	0.04
8	TCI	32.65	0.92	0.93	0.93	0.02
9	TCB (2nd order CFA)	122.4	0.93	0.94	0.94	0.03
	TCBV	158.2	0.95	0.94	0.94	0.02
	TCBE	117.8	0.90	0.90	0.90	0.03
	Overall Model	36.22	0.90	0.90	0.90	0.03
	Overall Model with mediator	30.21	0.90	0.90	0.90	0.04

H_6 was not supported with B=.053, p $<$ 0.31. these results are opposing to the findings of Kastlunger et al. (2013). But mediation relation holds. Thus, it can be inferred that intention towards tax-compliance mediates fully relation between power in authorities and compliance behaviour with B=.435, p $<$ 0.05. H_7 and H_{7a} were supported with B=.532, p $<$ 0.01 and B=.45, p $<$ 0.01. thus, intention partially mediates the relation between tax knowledge and compliance behaviour these results are supported by Mei Tan and Chin-Fatt (2000). Furthermore, it can be observed that personal fairness, tax-rate fairness and income level fairness are significantly associated with Fairness Perception as described by McKee and LaTour (1992).

Table 5
Path Analysis-Hypothesis Testing

Hypothesis	Path	Modified Model			
		Std. Coefficient	Critical Ratio	Results	Discussion
H1	FP—TCB	0.425	2.98	Supported	Both H1 and H1a
H1a	FP—TCI——TCB	0.266	3.62	Supported	Supported (Partial Mediation)
H2	AT—TCB	0.047	1.12	Not Supported	″H2 not supported but H2a Supported
H2a	AT—TCI——TCB	0.268	2.90	Supported	Full Meditation″
H3	SN—TCB	0.038	1.01	Not Supported	″H3 not supported but H3a Supported
H3a	SN—TCI——TCB	0.645	3.11	Supported	Full Meditation″
H4	PBC—TCB	0.105	1.54	Not Supported	″H3 not supported but H3a Supported
H4a	PBC—TCI——TCB	0.459	2.99	Supported	Full Meditation″
H5	TA—TCB	0.641	3.21	Supported	″Both H5 and H5a Supported
H5a	TA—TCI——TCB	0.733	3.42	Supported	Partial Mediation ″
H6	PA—TCB	0.053	1.83	Not Supported	″H6 not supported but H6a Supported
H6a	PA—TCI——TCB		2.51	Supported	Full Meditation″
H7	TK—TCB	0.532	3.23	Supported	″Both H7 and H7a Supported
H7a	TK—TCI——TCB	0.451	3.01	Supported	Partial Mediation″
H8	TCI——TCB	0.433	3.58	Supported	

Figure 1
Conceptual Framework



Tax Knowledge dimensions personal knowledge, legal knowledge and technical knowledge also had significant values with good beta values with Tax-Knowledge as narrated by Saad (2011) legitimate power and coercive power have significant relation with Power in authorities as prescribed by Kastlunger et al. (2013).

Discussion and Conclusion

This research model was designed to know that does Tax Compliance Intention holds a mediational relationship between variables fairness perception, Subjective norms, perceived behavioural control, attitude, power of Authorities, trust in Authorities, tax knowledge and tax compliance behaviour. In our analysis we found that all the dimensions of Fairness perception, Power of Authorities, Tax-Knowledge and Tax-Compliance Behaviour fully load on their respective variables. Tax compliance intention portray partial mediation between Perceived fairness, Tax Knowledge and trust in Tax-Authorities and tax compliance behaviour. Whereas, tax compliance intention depicts full mediation between subjective norms, perceived behavioural control, attitude and Power of Authorities and tax compliance behaviour. Thus, it can be extracted that Slippery Slope framework can be explained with the use of theory of planned behaviour. Power of Authorities can develop intention but cannot determine compliance behaviour.

Theoretical/ Practical Implication and Limitation

This study is unique as it provides a unique framework to explore the determinants of the Tax-Compliance Behaviour based upon two theories i.e. Slippery Slope Framework Theory and Theory of Planned Behaviour. As Tax-Compliance has become a major problem for the governments of the developing countries, thus studies like this can hep the governments in understanding the behaviour of the small business owner and to explore the reasons of their non-compliance behaviour towards tax-rules. The biggest limitation for this study is non-availability of the complete database about the small business. Also, the mistrust of the small business owners as they were reluctant to provide the data either their income is taxable. Further research can be conducted by incorporating theories related to adoption of IT and ability of the business owners to use Internet Technology to file their tax-returns, as FBR in Pakistan and Tax-authorities in general in other developing countries are making it compulsory to file tax-return online.

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