RESEARCH NOTE

Testing the Assumptions of Slippery Slope Framework on Tax Compliance: Evidence from Nigerian SMEs

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Abstract: This paper integrates the assumptions of the Slippery Slope Framework in explaining the tax compliance of small and medium enterprises. This study tests these assumptions in relation to SMEs taxpayers to further reestablish the applicability of the framework with different kinds of taxpayers. Partial Least Squares Structural Equation Modeling (PLS – SEM) further supported the framework in analyzing the data of this study. The findings reveal that perceived corruption along with perceived service orientation strongly interact each other in expounding the paradox surrounding tax compliance.

Keywords: SMEs, slippery slope framework, perceived corruption, perceived service orientation, tax compliance

JEL Classifications: H32, K22, N47

The paradigm for approaching taxpayers is changing. This is due to the fact that relevant tax authorities no longer treat taxpayers as potential criminals, rather, they see them as partners or clients (Kirchler, 2007; Rainey & Thompson, 2006). The principal objective of taxation is to raise revenue to meet the demand of the populace (Cheunjit, 2014). Although much research has concentrated on the tax compliance behaviors of general taxpayers (McKerchar, 2007; Torgler, 2007), a dearth of empirical research about the behaviors of Small and Medium Enterprise (SME) taxpayers exist. The SME taxpayers are important sources of tax revenue to the government. Therefore, business or SMEs tax compliance is critical to the fiscal viability of any government, whether in a developed or developing country. Presently, more than half of sub-Saharan African countries find it difficult to mobilize up to 17% of their Gross Domestic Product (GDP) in tax revenues, as against an average of 35% in Organization for Economic Cooperation and Development (OECD) nations (OECD, 2009). In that regard, developmental targets are very difficult to meet due to serious challenges in optimizing tax revenues by most of the African countries. Thus, policymakers globally are faced with the daunting task of mobilizing resources as well as expanding the tax net for the purpose of securing an uninterrupted flow of revenue for financing public goods and services (Pfister, 2009). This is because lack of compliance limits the ability of the government

to raise revenues for developmental purposes (Torgler, 2003).

In Nigeria, the issue of tax compliance has become a hue and cry. Although several measures were put in place by the States Internal Revenue Services to address compliance issues, low compliance remains a persistent problem among SMEs and other sub-sectors (Dike, 2014; Oyedele, 2013). In recent times, Atawodi and Ojeka (2012) reported that tax compliance issues remained a difficult task to achieve. This is because a good number of SMEs carted away a large chunk of unpaid taxes, which are lost annually and might have been invested in developing the economy. Even though taxation has been made easier over the years with digitization and *Remita* (which is an electronic payment platform that helps individuals and organisations to easily receive and make payments across all banks), there are still a lot of ups and downs in the country. The potential taxpayer fills out a lot of forms, then takes it to the bank where there is mostly a network related problem in accessing the Remita platform. After the process, the taxpayer then takes the receipt to a tax office where they are further processed. These processes can be demanding and multitasking. In the same vein, more than 65% of the businesses in the country failed to file their tax returns for the past two years of assessment, as lamented by the supervising Minister of Finance which has affected the revenue drive of the government (NAN, 2014).

Theoretically, many factors have been identified to be responsible for the lingering low level of tax compliance (Allingham & Sandmo, 1972; Saad, 2014; Feld, Frey, & Torgler, 2006). Most of these results were inconsistent (Eisenhauer, 2008). Therefore, perceived service orientation (PSO) and perceived corruption were selected due to the fact that taxpayers would be more willing to pay their taxes as far as the government is perceived to provide greater services (Gangl et al., 2013). In addition, service orientation could promote mutual and cordial interactions between the taxpayers and the relevant tax authorities instead of creating a climate of deterrence and distrust, which could warrant negative attitudes towards the payment of tax (Kirchler, Hoelzl, & Wahl, 2008). Similarly, perceived corruption was equally considered because Rahmani and Fallahi (2012) pointed that, when a country is characterized with more democracy and less corruption, the willingness and ability of the taxpayers to pay their taxes may be increased.

Moreover, not much has been written on the issue of tax compliance in the Nigerian environment, except for few studies, such as the one of Atawodi and Ojeka (2012). However, the study has been criticized in terms of coverage and ability to generalize. Hence, a further research in this area is necessary to evaluate the impending factors that could increase tax compliance, and hence increase internal revenue collection by the government. Therefore, this study seeks to contribute to the extant literature on tax compliance of SMEs by incorporating perceived corruption (PC) and PSO as both predictors and moderators. Specifically, the study aims to cross-fertilize tax compliance literature, an under-study area in which Alabede, Ariffin, and Kamil (2011), Alm (2013), Khlif and Achek (2015), and Stefura (2011, 2012) called for further research. Our limited knowledge of whether perceived corruption and perceived service orientation moderate each other remains one of the most neglected areas.This paper is organized as follows: section one is essentially introductory and points to the need of carrying out the study. In section two, literatures were reviewed with the expanded paradigm shift of the assumptions of slippery slope framework for relevant tax jurisdiction to be more client focus. Section three presents the research methods and procedures, while section four highlights the results. In the fifth section, the discussion was offered and the paper was finally concluded in the last section.

Literature Review

Tax Compliance

Tax compliance (TC) could be considered as a concept that varies over time (Ayuba, Saad, & Ariffin, 2015). It could be defined in terms of reportage and tax payment of all incomes to the government in a timely manner by adhering to the applicable tax laws and regulations, as well as court pronouncement (Jackson & Milliron, 1986). In the same vein, Ayuba, Saad, and Ariffin (2016) saw tax compliance as the taxpayers' ability and willingness to obey the tax laws, declare their actual income, and pay the right amount of taxes on the due date to the appropriate relevant authority or jurisdiction. Geibart (2014) also conceived tax compliance as a means of navigating a maze of rules, regulations, exceptions, and exemptions, which may leave a tax agent confused,

disorientated, and often lost when they reach a frustrating dead end. Likewise, the OECD (2001) categorized the definition of tax compliance into two: technical compliance and administrative compliance. According to OECD, technical compliance is in line with the technical requirement of the tax laws in the computation of tax liability, whereas administrative compliance has to do with the combination of reporting compliance, procedural compliance, as well as regulatory compliance. It is generally concerned about compliance with the rules related to lodging and payment of tax. Therefore, technical compliance may be enhanced through service orientation, while administrative compliance is enhanced when the level of corruption is reduced to the barest minimum. This study examines whether PSO and PC could affect TC in both direct and interactive terms.

Integrating the Concept of Slippery Slope Frameworks on the Constructs of PSO and PC

Researches in the area of tax compliance reiterate the need of a service-oriented tax administration in various conceptual frameworks. Of the three, established conceptual frameworks of tax behavior, that is, the multifaceted approach (Alm & Torgler, 2011), the slippery slope framework (Kirchler et al., 2008), and the responsive regulation approach (Braithwaite, 2003). These have outlined service orientation as a favorite avenue of increasing tax compliance for tax authorities. Extant literature documented that all the three frameworks almost share the same characteristics of enhancing tax compliance through rendering assistance to those taxpayers who are willing to pay their taxes as pointed by Gangl et al. (2013). As a result, consideration was laid to the slippery slope framework as the basis of discussion in this research. This framework perceived that authorities, which are service-oriented, may have the capability of increasing the magnitude of compliance in relation to taxpayers, thus, cooperating with the taxpayers to the detriment of coercive approach. To further buttress this conceptual framework, evidence was provided in relation to the provision of information on tax-related issues as an important ingredient of PSO in increasing compliance (Alm, Cherry, Jones, & McKee, 2010).

Additionally, PSO does not act to ensure cooperation with the taxpayers but it is an avenue to increase trust and confidence in governance (Heintzman & Marson, 2005) for lack of trust always yield to corruption. This is crucial because the level of corruption in government seems to rise in a geometric progression, which in turn steadily decreases the level of trust (Putnam, 2000) even though the assumptions of the slippery slope frameworks have been tried in different tax jurisdiction (Kogler et al., 2012). But such studies failed to establish the direct and indirect effects of PSO and PC, rather the indirect effect of voluntary tax compliance, enforced tax compliance, and strategic tax compliance on the relationship between tax compliance and its three determinants: power, trust, and country was established. Findings revealed that such assumptions are held in the European context. Smilarly, Mas'ud, Abd Manaf, and Saad (2014) tested these assumptions using cross-country data of African countries. Their results indicated that trust and power of authorities strongly interact in explaining tax compliance. In addition, Gangl et al. (2013) also deployed the slippery slope frameworks with participants drawing from 807 Dutch private taxpayers and 1,377 entrepreneurs. They discovered perceived service orientation of the Dutch taxpayers to be significantly related to tax compliance behavior.

Results from the extant literature show that tax compliance can be explained by other factors not captured in the slippery slope frameworks. As such, PSO, PC, and the interaction between them could further provide another insight into the slippery slope framework with self-administered questionnaires from SMEs owners/managers. However, several studies attempted to test these assumptions across-countries (Halla, 2012; Porcano, Tsakumis, & Curatola, 2011; Riahi-Belkaoui, 2004. No attempt has been made in testing the slippery slope framework in relation to SMEs owners/managers, let alone deployed in the Nigerian context. Hence, this research aims at employing a different approach to test the workability and the adaptability of the assumptions of slippery slope frameworks. Thus, the following are hypothesized through self-administered measures:

> *H1: Perceived service orientation is significantly related with tax compliance.*
> *H2: Perceived corruption is significantly related with tax compliance.*
> *H3: Perceived service orientation and perceived corruption jointly moderate each other in relationship with tax compliance.*

Methods and Procedure

This study employed questionnaires in the process of data collection. The population of this study covers the entire SMEs in the North - West, Nigeria with special emphasis to Kaduna and Kano States. In that regard, a total of 472 SMEs operating in the two States as of 31st December, 2014 (SMEDAN, 2014) constitute the population of the study. In line with the standard for determining an appropriate sample size from a given population by Krejcie and Morgan, (1970), the sample size is 214. To compensate for the possible non-response, Salkind (1997) revealed that the sample size may be increased by at least 40%. Considering the above argument, and taking into consideration the population of this study, the sample size of 214 was increased by 50% as Salkind (1997)

suggested. Adding this number gave a total of 321 in order to account for uncooperative respondents and unusable questionnaires. This was done because people in Nigeria are reluctant to complete questionnaires (Adomi, Ayo, & Nakpodia, 2007). Thus, a final sample size of 321 was used in this study. Of the 450 questionnaires that were issued to the participants, a total of 287 respondents sourced from SME owners/ managers in Kaduna and Kano States, Nigeria filled and subsequently returned the distributed questionnaires. After data collection and the sorting of the returned questionnaires, a total of six responses were excluded from the analysis due to incompleteness. As a result, a total of 281 questionnaires were finally retained for analysis. The unit of analysis was individual because the respondents were the owners/ managers of the respective SMEs. PLS path modeling (Wold, 1985)

Table 1. *Demographic Information for the Respondents*

Category	Frequency (N = 281)	Percentage (Total = 100)
Gender		
Male	154	54.8
Female	127	45.2
Age group		
Less than 30 years	58	20.6
31 - 40 years	125	44.5
41 - 50 years	79	28.1
Above 50 years	19	6.8
Qualification		
Doctoral degree	7	2.5
Master degree	84	30.0
Bachelor degree or equivalent	106	37.7
Diploma or A - level or equivalent	51	18.1
GCE or O - level or equivalent	33	11.7
Experience		
1 - 5 years	87	31.0
6 - 10 years	141	50.2
Above 10 years	53	18.9
Existence of SMEs		
Less than 5 years	11	3.9
6 - 10 years	27	9.6
11 - 15 years	80	28.5
16 - 20 years	113	40.2
Above 21 years	50	17.8

using Smart PLS 2.0 M3 software (Ringle, Wende, & Will, 2005) was employed for data analysis.

Profile of the Respondents

The description of the study sample was analysed in this section. Table 1 presents the background information of 281 respondents who participated in the current survey. The respondents comprised the SMEs operators in Nigeria. The demographic characteristics examined in this study include gender, age group, educational qualification, years of experience, and the existence or lifespan of the SME.

As shown in Table 1, about 55% of the respondents were male leaving, 45% as female. This is actually a fair representation of both genders taking into account that at least 60% and 40% of the population of the two states covered in the study were male and female respectively, with a substantial number of males in employment and business (National Population Commission, 2006).

In terms of age grouping, about 20.6% of the respondents were less than 30 years of age and 44.5% were between 31 to 40 years of age. Those respondents who were between 41 to 50 years of age represented 28.1% of the total respondents while the remaining 6.8% of the respondents were more than 50 years of age. The age distribution of the respondents fairly reflected the age distribution of the studied areas, as more people in the population between 31 and 40 years of age are actively involved in economic activities (National Population Commission, 2006). This shows that the sample of this study largely comprised the young men and women of the total workforce.

Regarding the educational qualification of the participants, the vast majority of the respondents (88.3%) had a higher educational qualification including doctorate degree (2.5%), master's degree (30%), bachelor's degree or its equivalent (37.7%), and diploma or the A level equivalent (18.1%). This was also followed by 11.7% of the respondents who had GCE or an O level equivalent. The low proportion of doctorate degree holders in the sample reflects the assertion made by the Nigerian President that 60% of the Nigerian population does not have a doctorate degree (Odiegwu, 2012). Additionally, in terms of experience, Table 1 also shows that a high proportion of the respondents had between 6–10 years' work experience, which accounted for 50.1% or 141 participants. This is followed by 31% of the

participants who had 1–5 years of work experience, while the remaining 53 respondents, representing 18.9%, had more than 10 years of work experience. This reveals that a substantial sample of the population have had quite long working experiences. Finally, the descriptive statistics show that 40.2% of SMEs had been in existence for 16–20 years, followed by 11–15 years at 28.5%, 17.8% of the businesses had been in existence for more than 20 years, while 3.9% of the SMEs had been in existence for less than five years.

Variables and Variable Measurement

Tax compliance behavior. Tax compliance is the dependent construct. It is operationalized as the willingness and ability of the taxpayers to obey the tax laws, disclose their actual income, and pay the accurate amount of taxes at the appropriate time to the tax paying jurisdiction. Yankelovich, Skelly and White Inc. (1984) developed and refined a 15-item tax compliance list. Richardson (2006), in Australia and Hong Kong, utilized an interval scale with a 5-point Likert-type scale, ranging from (1 = strongly disagree to 5 = strongly agree). This is because the refined Yankelovich , Skelly and White Inc. (1984) version is simple, bearing in mind the characteristics of the SMEs and low level of literacy in the Northern part of the country (Ujah & Binniyat, 2011). This 15-item scale was used in this current study.

Perceived service orientation. PSO can be defined as attitudes of being helpful, thoughtful, considerate, and cooperative (Hogan, Hogan, & Busch, 1984). It is operationalized as the opportunity to increase trust and confidence by facilitating cooperation with citizens in public administration and governance. The concept is measured with the five items that Gangl et al. (2013) developed and it was adapted in this study. The items were ranked on an interval scale using a 5-point Likert-type scale with a range of 1 = completely disagree to 5 = completely agree.

Perceived corruption. It is operationalized as bribery or dishonest dealings. PC was measured by four items that Ghadamosi and Joubert (2005) developed and it was adapted to measure the entire Nigerian system. The 5-point Likert-type scale items were anchored by 1 = strongly disagree, to 5 = strongly agree. Respondents rated their degree of agreement with respect to how they perceived corruption in the

country. Higher numbers indicated greater levels of corruption and lower numbers indicated lower levels of corruption.

Results

This study adopted a two-step process in evaluating the report of the PLS-SEM path results as Henseler, Ringle, and Sinkovics (2009) suggested. PLS models do not follow any distributional normality assumptions of the observations in their procedures for estimating parameters. Therefore the traditional parametric-based techniques for significance testing are not appropriate in PLS (Chin, 2010). Thus, the two-step process employed in this study included: 1) the assessment of a measurement model and 2) the assessment of a structural model (Hair, Hult, Ringle, & Sarstedt, 2014; Hair, Sarstedt, Ringle, & Mena, 2012; Hair, Sarstedt, Ringle, & Mena, 2009).

Measurement of Outer Model

In assessing the measurement model, this study judiciously follows the suggestions of Hair et al., (2014), Hair, Ringle, and Sarstedt (2011), and Henseler et al. (2009), which involves determining reliability, internal consistency reliability, convergent validity, and discriminant validity. After conducting the PLS-SEM algorithm, of the 29 manifest variables from the original three constructs, only 13 items were finally retained for further analysis as shown in Figure 1 and Table 2.

Convergent validity. In assessing the convergent validity in this study, the recommendation of Fornell and Larcker (1981) was followed. The convergent validity was assessed by examining the Average Variance Extracted (AVE) of each latent variable. To achieve the above course of action (i.e., adequate convergent validity), Chin (1998) was of the view that the AVE of each latent construct should be .50 or
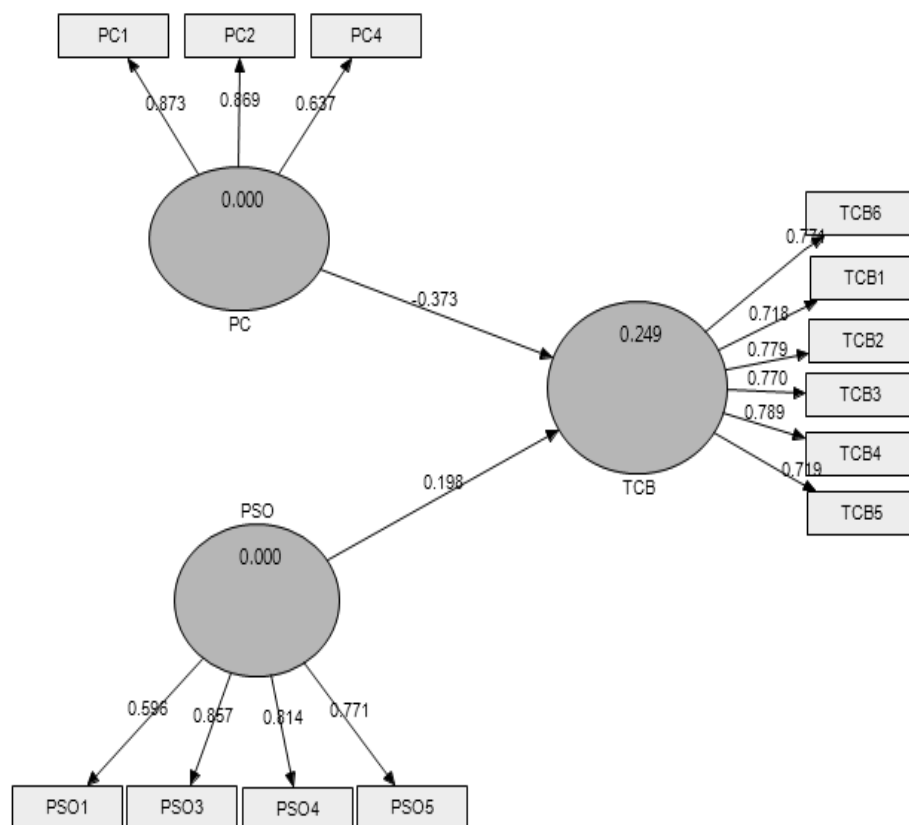

Figure 1. Measurement model.

Table 2. *Loadings, Average Variance Extracted (AVE), Composite Reliability, and Cronbachs' Alpha*

Construct	Indicators	Loadings	AVE	Composite Reliability	Cronbachs Alpha
Perceived Service Orientation	PSO1	0.59	0.58	0.84	0.76
	PSO3	0.85			
	PSO4	0.81			
	PSO5	0.77			
Perceived Corruption	PC1	0.87	0.64	0.84	0.72
	PC2	0.86			
	PC4	0.63			
Tax Compliance	TC1	0.71	0.57	0.89	0.85
	TC2	0.77			
	TC3	0.77			
	TC4	0.78			
	TC5	0.71			
	TC6	0.77			

Note: PSO = perceived service orientation; PC = perceived corruption; TC = tax compliance

Table 3. *Latent Variable Correlations and Square Roots of the Average Variance Extracted*

Construct	PC	PSO	TCB
PC	**0.80**		
PSO	-0.48	**0.76**	
TCB	-0.46	0.37	**0.75**

Note: Entries shown in bold represent the square root of the average variance extracted.

above the minimum threshold. As shown in Table 1, the AVE values had loadings greater than the minimum threshold of .50 in relationship to all the constructs; hence, an adequate convergent validity was arrived at.

Discriminant validity. In this study, discriminant validity was ascertained based on the suggestions of Chin (1998) and Fornell and Larcker (1981) by comparing the indicator loadings with other reflective indicators in the cross loading table, as well as using the square root of the AVE of the construct. As a rule of thumb for ascertaining and evaluating the discriminant validity, a score of .50 or more has been suggested as the threshold for the values of AVE of a construct (Fornell & Larcker, 1981). The second criterion is that the square root of the AVE should be greater than

the correlations among the latent construct (Fornell & Larcker, 1981).

As shown in Table 2, the values of the AVE ranged between .58 and .64, suggesting acceptable values. Additionally, Table 3 also shows the correlations among the latent constructs, which were compared with the square root of the AVE shown in boldfaced type. Table 3 further revealed that the square root of the AVE were all greater than the correlations among the latent variables, and hence, suggested adequate discriminant validity (Fornell & Larcker, 1981).

Additionally, as Chin (1998) and Hair et al. (2011) has pointed out, discriminant validity can be ascertained by comparing the indicator's outer loadings with cross-loadings. To achieve this objective, Table 4 was used to compare the manifest variable loadings

Table 4. *Cross Loadings*

Indicators	PC	PSO	TCB
PC1	**0.87**	-0.44	-0.40
PC2	**0.86**	-0.42	-0.44
PC4	**0.63**	-0.25	-0.23
PSO1	-0.27	**0.59**	0.19
PSO3	-0.41	**0.85**	0.32
PSO4	-0.34	**0.81**	0.33
PSO5	-0.43	**0.77**	0.27
TC1	-0.41	0.37	**0.71**
TC2	-0.34	0.20	**0.77**
TC3	-0.39	0.32	**0.77**
TC4	-0.26	0.19	**0.78**
TC5	-0.27	0.19	**0.71**
TC6	-0.36	0.32	**0.77**
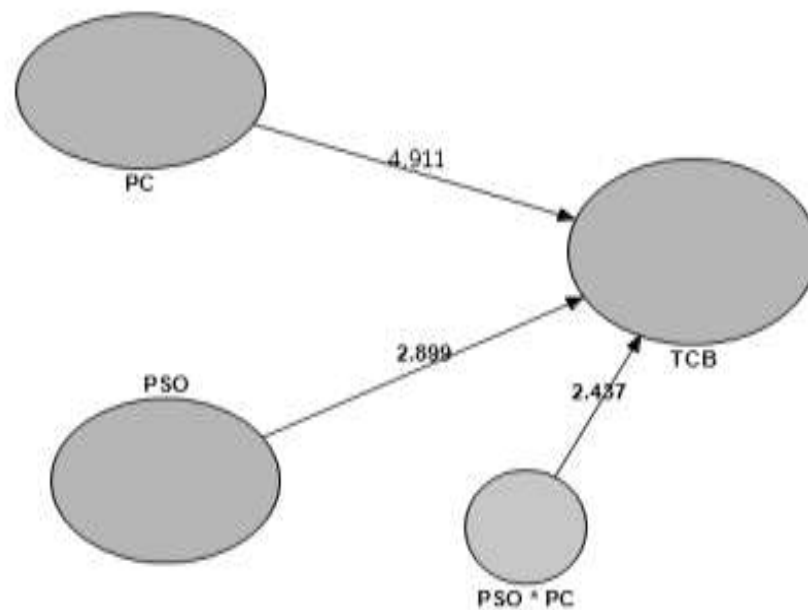
Figure 2. Structural model.

(shown in boldface) with other reflective indicators. It shows that all indicators loadings were found to be greater than the cross loadings, and as such suggested an adequate discriminant validity to warrant further analysis.

Structural or Outer Model

In assessing the structural model, the significance of the construct as well as the relevance of the coefficient were taken into consideration. The t-values were used in either supporting or disproving the study's

Table 5. *Results of the Structural Model (Direct & Indirect Effect)*

Hypotheses	Relationship	Beta values	Standard Error	T Statistics	P - values	Decision
H1	PC -> TC	-0.31	0.06	4.91***	0.00	Supported
H2	PSO -> TC	0.22	0.08	2.89***	0.00	Supported
H3	PSO * PC -> TC	0.20	0.08	2.44***	0.00	Supported

*Note: *** at 0.01 significant, ** at 0.05 significant, and * at 0.1 significant; PC = perceived corruption; PSO = perceived service orientation; TC = tax compliance.*

hypotheses. In this study, the path coefficients were estimated using t-statistics and the probability values. Therefore, the significance level of the t-values was assessed by a one-tailed distribution (Chin, Marcolin, & Newsted, 1996; Churchill, 1979; Sharma, 2000). In line with Churchill (1979) and Sharma (2000), in a situation in which a one-tailed statistical test is carried out, the significance level of a t-value of 1% is greater than or equal to 2.326, at 5% is greater or equal to 1.645 and at 10% is greater or equal to 1.282. Any t-value lesser than the stated values is said to be insignificant.

Hypothesis (H1) predicted a significant negative relationship between PC and TC. The results (Table 5 and Figure 2) revealed a significant negative relationship between PC and TC, ($\beta = -.37, t = 5.65, p < .01$), supporting hypothesis (H1). Furthermore, hypothesis (H2) posited a positive significant relationship between PSO and TC. The results presented in Table 4 show that PSO had a significant positive relationship with TC ($\beta = .19, t = 2.44, p < .01$), supporting hypothesis (H2). As stated earlier, hypothesis (H3) posited that PSO and PC may interact each other in relation to TC. The results (Table 5 and Figure 2) show that the interaction terms representing PSO x PC were statistically significant ($\beta = .20, t = 2.43, p < .10$).

Discussion

The first hypothesis (H2) of this study states that PSO would be significantly and positively related to TC. As expected, the finding provided support for the hypothesis. The findings could be explained from theoretical perspectives. Hence, social influence theory, which has a connection with Bandura's social learning theory (1977), serves as a guiding principle for the justifications of the results. The theory states that behavior is one of the most important ingredients, which could influence the individual either intentionally or unintentionally in the environment. Therefore, people are subjected to learn from each other either through observation, imitation, or orientation, which explains human behavior in line with the continuous exchange synergy between intellectual and behavioral environmental control.

Bandura (1977) was of the view that by observing the attitudes of others, people may learn their behaviors unless they are influenced by the output of their behaviors. Social influence theory in the context of this research identifies the opinions of peers and the extent of social influence that an individual encounters in socialization (for instance, service orientation) as one of the most important variables in determining compliance (Sutinen & Kuperan, 1999). Intrinsically, as taxpayers perceived greater service, there is that possibility of raising the level of compliance. This finding is consistent with Odusola (2006) and Odinkonigbo (2009) who reported that revenue authorities in Nigeria were equipped with customer care units to ensure that taxpayers get prompt service delivery. The positive effects of perceived service orientation in this study could also lend support to the conclusions of Gangl et al. (2013) who found that taxpayers would be more willing to pay their taxes as far as the government is perceived to provide greater services. Kirchler (2007), OECD (2007), and Torgler (2007) also discovered that an improvement in the quality of tax service provided by the revenue authorities would enhance taxpayer's compliance behavior. The findings of the current study are in accord with other research in the area of marketing, which has established a linkage between the quality of service and behavioral intentions of individuals (Sivadas & Baker, 2000; Wong & Sohal, 2003).

Similarly, the present study predicted that PC would be negatively related to TC (H1). The results provided empirical support to hypothesis (H1). Similar to PSO, the direct effect of PC could be explained from theoretical justifications in line with Blau's (1964) social exchange theory. Thus, in aligning this finding with the tenets of social exchange theory, individuals are psychologically indebted and, thus, compelled to return benefits that they receive in material or non-material forms to the person that benefited them (Blau, 1964). These social transactions could be in the form of material benefits (i.e., incentives, bonuses, and other infrastructural facilities) and psychological rewards (i.e., trust, transparency, loyalty, and truthfulness; Yukl, 1994). Therefore, in a setting in which people observe that others behave in an abnormal way, without elements of trust (i.e., perceived to be engulfed by corruption), without any proper measures taken to address the menace, or without being punished for such acts, people may likely be encouraged to imitate bad behaviors. From social exchange viewpoint, the expectation is that a high level of corruption could negatively energize taxpayers to reduce their level of compliance in relation to tax payment because lack of trust exists between the parties.

Furthermore, the finding of this study also supported hypotheses (H3). This result supported the view that PSO and PC moderates each other amidst TC. The uniqueness of this finding emanates from the fact that PSO and PC are mutually exclusive. This is an indication that, with a better service provision in the form of orientation, even though taxpayers perceived the whole system to be corrupt, compliance level would be more. Thus, the results further show that a remarkable number of SME owners believe that corruption combined with a better service orientation would further increase the level of compliance. This finding is not surprising for a country like Nigeria. In 2004, the Nigeria Government established the Service Compact Office (SERVCOM) to monitor the quality of public service provided by Nigerian public organizations. The results of the office might be one of the plausible reasons that actually boosted the morale and confidence of the taxpayers in terms of service orientation.

Conclusion

The present study adds to the growing tax compliance literature. Theoretically, important gaps exist in the literature concerning the puzzle of TC. Past research in this area have not addressed how PC and PSO mutually moderated each other in relationship to TC. The present study further validated the Kirchler et al. (2008) slippery slope frameworks with entirely different sets of taxpayers, that is, SMEs owners/managers. Basically, the findings have indicated a great linkage between PC, PSO, and their interacting effects. Therefore, service orientation must be developed on an on-going basis as the needs of taxpayers evolve; this is because taxpayers' behavior is continuously changing. Relevant tax authorities must ensure that specific aspects of their service delivery remain attuned to changing requirements. Hence, the study will be relevant to the tax authorities. The findings further provided other new avenues for tackling the extremely high number of cases of a low level of tax compliance in the country.

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