

Full Length Research Paper

The influence of mental accounting, perceived trust and power of revenue authorities on tax compliance among SMEs in Zimbabwe

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This study is done against a background of perennial negative variances between the projected and actual tax collections in Zimbabwe. Studies that look at the influence of mental accounting, perceived trust and power of tax authorities on tax compliance seem to be lacking in Africa. The target population comprise of self-employed tax payers because these currently comprise the highest form of employment among Zimbabweans. Their compliance depends to some extent on their mental accounting practices, perceived trust and power of the tax authorities. The study objectives are therefore to i) examine the influence of mental accounting on tax compliance ii) examine the influence of trust in revenue authorities on tax compliance and iii) examine the influence of perceived authority of revenue officers on tax compliance. This study used mental accounting theory, slippery slope framework, perceived trust and perceived power of tax authorities to explain tax compliance behaviour among SME owners in Harare, Zimbabwe. A questionnaire is used as the data collection tool, with constructs adopted from some scholars. Self-employed tax payers registered under the Small to Medium Enterprises Association of Zimbabwe (SMEAZ). Those which are based in Harare are selected using simple random selection method. The STATA software package is used to analysis data. The nature of relationships that exist among the variables under study are established and reported on. It is on the basis of these findings which include that there was a strong positive relationship between perceived trust in tax authorities and voluntary compliance that recommendations are made.

Key words: Mental accounting, mental accounting theory, slippery slope framework, perceived trust, perceived power of tax authorities, tax compliance, ZIMRA.

INTRODUCTION

This study examined the influence of mental accounting, perceived trust and perceived power of tax authorities on tax compliance by SMEs in Zimbabwe. Historically,

economists have tried to make people believe that money is fungible (that is, total spending depends on the total amount available) and that expenditure is rational and is

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allocated based on necessities. Irrational spending behaviour was, however, still observed among people. Psychologists, therefore, came up with theories that try to explain irrational human behaviour that includes hedonic expenditure. This helped improve understanding of human behaviour and therefore, policy formulation. Despite knowledge of these economists' and psychologists' postulations of what affects spending patterns, contradictions still exist on which view is superior between economists' and psychologists' postulations of spending behaviour. The demand for, compliance with and enforcement methods for tax payments has therefore, been shrewd with controversies since biblical times.

This study used mental accounting theory, slippery slope framework, perceived trust and perceived power of tax authorities to explain tax compliance behaviour among SME owners in Harare, Zimbabwe. This expanded knowledge of previous studies on the effects of these cognitive processes on spending behaviour in an economically and culturally different environment. No studies existed in Zimbabwe that looks at the effect of these variables on tax compliance. Some studies on the effect of mental accounting, trust in and power of tax authorities on tax compliance (Muehlbacher et al., 2011; Muehlbacher and Kirchler, 2013; Budak, 2012; Gangl et al., 2015; Tsikas, 2017) existing focus on other countries, differences in Zimbabwe might be expected because of differences in economic environment and culture

The study was done against a background of consecutive negative variances between the projected and actual collected tax revenue in Zimbabwe. This was partly attributed to tax evasion. SMEs form a significant percentage of players in the Zimbabwean economy, yet revenue collections from these in Zimbabwe remained low. Given that SMEs are not mandatorily required to produce financial statements for assurance, the temptation to evade tax among these could be high because information regarding the profits they make is not always readily available. This made it necessary to infer on strategies that might help ensure compliance by these. Mental accounting, trust and power of tax authorities are some of the predictors of tax compliance which seemed to be overlooked by tax authorities in their endeavours to ensure compliance. It seemed the same tax collection strategies were being applied for all tax payers. Variations on compliance enforcement strategies could be adopted for different tax payers depending on the influence of the tax payers' perceived trust in and perceived power of tax authorities on tax compliance as well as their mental accounting practices.

Study objectives

(i) To examine the relationship between mental accounting for tax and form of tax compliance

(2) To examine the relationship between perceived trust in revenue authorities and form of tax compliance

(3) To examine the relationship between perceived power of tax authorities and form of tax compliance

From each of the research objections, hypotheses were, therefore, crafted.

Hypotheses

H1(a): There is a positive relationship between mental accounting for tax and voluntary compliance.

H1(b): There is a negative relationship between mental accounting for tax and forced compliance.

H2(a): There is a positive relationship between perceived trust in tax authorities and voluntary tax compliance.

H2(b): There is a negative relationship between perceived trust in tax authorities and enforced tax compliance.

H3(a): There is a positive relationship between perceived power of tax authorities and enforced compliance.

H3(b): There is a negative relationship between perceived power of tax authorities and voluntary compliance.

Importance of the study

Knowledge of Mental Accounting practices helps explain behaviour that otherwise seems irrational (Anolam et al., 2015). In other words, it helps in understanding the psychology of choice (Thaler, 1999). Thus, the choices that tax payers make on whether to pay taxes or not might be a result of their mental accounting practices. Mental accounting practices of tax payers could influence government policy, for example, tax withholding (Davies et al., 2006; Fochmann, 2010; Hastings and Shapiro, 2012). Similarly, perceived trust and power of tax authorities might also influence strategies adopted by tax authorities. A respectful approach in collecting taxes might be adopted for those tax payers that have trust in tax authorities while application of the law with full rigor might be implemented for the non-voluntary tax payers (Muehlbacher et al., 2011). Knowledge of the effects of perceived trust and power of tax authorities on tax compliance might help governments in different nations choose to either create an environment of trust or power to achieve tax compliance depending on the tax payers' attitudes. Out of the existing literature sources on mental accounting and tax compliance (Duggan, 2016; Waidler, 2016; Fochmann and Wolf, 2015; Muehlbacher et al., 2015; Muehlbacher and Kirchler, 2013; Seiler et al., 2012; Egozcue and Wong, 2010; Muehlbacher and Kirchler, 2010; Milkman and Beshears, 2009; Lim, 2006; Thaler, 1999) there seems to be none that focuses specifically on Zimbabwe. Differences might be expected because of differences in economic environment

fundamentals, tax enforcement laws, government resources and accountability to the tax payers which could affect tax payers' perceptions of trust in and power of tax authorities. This study sought to expand on this body of knowledge.

LITERATURE REVIEW

Theoretical framework

The study objectives were based on two theoretical frameworks, that is, mental accounting theory initiated by behavioural economists like Thaler (1985, 1990) and slippery slope framework by Kirchler et al. (2008).

Mental accounting theory posits that people create psychological accounts in their minds in which they allocate budgets for their income and this affects their spending behaviour (just like accountants do in books of accounts) following postulations by Thaler (1999). The first hypothesis is based on this theory. It assumes that those who create mental accounts for taxes may likely be voluntarily tax compliant and those who do not create mental accounts for taxes may likely not voluntarily comply but could pay if they are forced to, that is, if they feel they cannot get away from the long arm of the law. The slippery slope framework assumes two forms of tax compliance; voluntary and enforced. It examines the effectiveness of economic and non-economic factors in ensuring tax compliance. It postulates that existence of perceived trust in tax authority results in voluntary compliance and existence of perceived power of tax authority results in enforced compliance. The two dimensions, the powerfulness and the trustworthiness of the tax authorities are seen as moderating each other in ensuring tax compliance (Tsikas, 2017). Based on this theory, the second and third hypotheses are formulated.

Mental accounting

Mental accounting is literary the same as accounting and budgeting process in organizations, only that this occurs in the mind (Ramphal, 2006). In as much as budgets are used for control purposes in organizations, so is mental accounting (ibid). This is because individuals tend to open accounts in their minds for each transaction as it occurs (ibid) or as they think or plan about it. According to this view, individuals then tend to evaluate the costs and benefits associated with each account separately (Tversky and Kahneman, 1981; Davies, 2003). This kind of behaviour might lead to contradictions in expected behaviour outcomes when evaluated based on standard economic theories (expected utility theory and life cycle theory of savings). Ramphal (2006) citing assertions by Rabin and Thaler (2001) and Kahneman (2003) agree with this view and note that standard economic theories assume that consumers are driven by rational thinking, optimal and consistent decision making. According to

Thaler (1990), economists are or try to be sophisticated and clever while mental accounting causes consumers to remain humane in decision making. Zyl and Zyl (2016) note that while in reality money is the same, mental accounting results in the labelling of money (putting money into jars), assists in self-control, and that segregation of money affects the propensity to consume and how people save.

Reasons for mental accounting

Several reasons have been suggested why people practice mental accounting. Some scholars say it makes decision making easy because each transaction is evaluated in relation to its mental account (Thaler, 1990; Davies, 2003). This may result in irrational behaviours because a rational decision would rather result from evaluation of different decisions together. Hastings and Shapiro (2012) tested mental accounting in response to prices of gasoline and their findings showed how mental accounting sometimes contradicts rational thinking. Evaluating different decisions together, however, makes decision making complex and time consuming (Ramphal, 2006). This makes bounded rationality theory by Herbert A. Simon come into play which refers to the limitations of the human intellectual capacity (Simon, 1996: 250; Sent, 1997: 323). This, therefore, explains the differences between optimal and actual behaviour.

Evidence of mental accounting practices

Waidler (2016) noted the influence of mental accounting in how public and private transfers are spent by individuals, thus, the way money is spent depends on its source. Anolam et al. (2015) studied the effect of mental accounting on corporate profitability. They found a relationship between categorization process and corporate profitability. They also found that the three components of mental accounting which are transaction utility, categorization process, and choice bracketing jointly affect corporate profitability. It can therefore be inferred that it is important to categorize every economic transaction in the books of accounts. Salas (2014) found that having labelled mental savings accounts increases savings of low income individuals. Ramphal (2006) found that the consumer decision making process in South Africa is influenced by the some identified components of mental accounting which are mental budgeting, prospective accounting, payment depreciation, and sunk cost effect. Davies et al. (2006) found that mental accounting systems were in operation in household consumption patterns in Malawi.

Tax compliance

Tax compliance refers to the inclination by tax payers to

meet legal obligations set by a tax system (IMF, 2015; Aladebe et al., 2011; Kirchler, 2007). It is important for revenue authorities to know what makes people tax compliant. According to Gangl et al. (2015) tax compliance is affected by three forms of motivation to comply; (i) enforced, (ii) voluntary and (iii) committed motivation. According to these scholars, those who comply because of enforced motivation do so because of the fear of tax audits and fines. Voluntary motivation is a result of respect for the law which makes payment of taxes the easiest option to comply. Those with committed motivation do so because of a feeling of intrinsic moral obligation and a responsibility to be honest. In their study of Dutch self-employed tax payers, Gangl et al. (2015) found that enforced motivation is negatively related to tax compliance and committed motivation is positively related to tax compliance. They, however, found no relationship between voluntary motivation and tax compliance. Tsikas (2017) found a positive relationship between trust and compliance as well as power and compliance. The scholar also found that power and trust moderate each other in ensuring compliance. Increased cohesion, is however, noted to eventually damage tax compliance.

Mental accounting and tax compliance

Several studies have been carried out focusing on the effect of mental accounting on tax compliance. Muehlbacher and Kirchler (2013) looked at mental accounting and tax compliance of self-employed tax payers; Fochman and Wolf (2015) studied mental accounting and tax evasion decisions; Egozcue and Wong (2010) researched on mental accounting and multiple outcomes; Duggan (2016) focused on mental accounting and voluntary compliance while Ashby and Webley (2008) studied tax compliance of hairdressers and taxi drivers on the tip income they receive. These studies yield different findings. Muehlbacher and Kirchler (2013) noted that perceptions of tax due differ widely among self-employed tax payers. They note that mental accounting has an effect on these perceptions because mental accounting affects the segregation of net income and the tax due. This is because some tax payers mentally separate the tax due from the net income, while others claim ownership of the whole amount before considering taxes and as a result experience losses when they are made to pay taxes. These scholars note that mental accounting for taxes is associated with age, income levels, number of employees, attitudes towards taxes and self-reported compliance. Ashby and Webley (2008) in their investigation with a group of participants namely taxi drivers, hairdressers and beauticians concerning their compliance with reporting tips as income demonstrated low compliance, partly for the reason that they perceived tips as a gift from their clients rather than categorizing mentally the money as income taxable. They found that hairdressers and beauticians mentally

segmented tips and out-of-hours' work from standard income, and were less likely to declare those amounts. This finding was not replicated with taxi drivers, and it was argued that this was in part due to their inability to readily mentally separate tip money from the fare. As a result, the taxi drivers declared tax from all their income including tips because they failed to mentally separate their income. This is consistent with assertions by Duggan (2016) who noted that the main compliance deliberation in the taxation context is the failure of business owners to create mental tax accounts.

Trust in and power of tax authorities

The relationships between the variables trust in and power of tax authorities is based on the slippery slope framework (Kirchler, 2007; Kirchler et al., 2008). The assertions by these scholars are that if both trust in and power of tax authorities are low, tax payers act selfishly and tax compliance is low. If trust in tax authorities increases, compliance will increase. If power of tax authorities increases, compliance also increases. What differs under the environment of power or trust is the form of compliance. Under an environment of trust there is voluntary compliance. Under an environment of high power of tax authorities, there is enforced compliance. These assertions are further echoed by Wahl et al. (2010) who present that as trust increases, power decreases and there is voluntary compliance. On the contrary as power increases, trust decreases and there is enforced compliance.

Trust in and power of tax authorities and compliance

Trust in tax authorities results from the psychological determinants of tax behaviour such as social norms and justice perceptions (Budak, 2012). These scholars note that trust in tax authorities tends to promote voluntary tax cooperation among self-employed tax payers in Turkey. Powers of tax authorities, on the other hand, refer to the economic determinants of tax compliance which include probability of an audit, tax fines and so on (Kirchler, 2007; Kirchler et al., 2008; Budak, 2012). Studies (Budak, 2012) found that power of tax authorities promotes enforced tax compliance among self-employed tax payers in Turkey. Both trust in tax authorities and power of tax authorities result in the creation of two environments which lead to two forms of compliance; voluntary compliance and enforced compliance (Kirchler et al., 2008). Despite existing literature, the current study rains necessary because mental accounting practices differ across individuals, sectors and cultures. This view is also supported by Muehlbacher and Kirchler (2013) who argue that mental accounting practices depend on corporate culture. This study expanded this view to differences in national cultures and economic

environments across nations which could present different findings, making a related study in Zimbabwe necessary.

METHODOLOGY

Study population

The population consisted of all SMEs registered under the Small to Medium Enterprises in Zimbabwe (SMEAZ). The study focused on those located in Harare, the capital city. The SMEAZ record showed a total number of 925 self-employed tax payers located in Harare hence that was the accessible population. The study assumed that when gathering information it would be accessed from either the owner of the business or the manager of the business since both had knowledge on issues under study. The study population was therefore all owners of registered SMEs or top managers that made payment decisions in these organizations.

Sample size calculation

The sample size for this study was calculated using the formula below by Taro (1967).

$$n = N / 1 + N(e)^2$$

Where:

N=population size

n= sample size

e= sampling error or precision level

$$n = 925 / 1 + 925(0.05)^2$$

$$n = 279$$

The sample size for this study was, therefore 279, giving a sample size of approximately 30%. The sample of 30% of the total self-employed registered under SMEAZ in Harare could be considered to yield results that are representative of the registered SMEs in Harare. This sample size can be considered as adequate as supported by Payne (1983) who contends that, a research that involves 5-10% of the total population is objectively representative of the whole especially where the population size is less than 10 000. This number is divided into various industries as shown in Table 3.

Data collection tools and unit of analysis

The unit of analysis was those who make decisions to pay for expenses in SMEs in Zimbabwe. Data was collected using a structured questionnaire. The questionnaire had the advantage that anonymity was ensured since data that directly linked individuals with responses were not required (Kumar, 2011). Collection dates were agreed with the respondents and prior to collection date and the researchers reminded the respondents occasionally to complete their questionnaires. The researchers provided contacts in case of the need to clarify on unclear issues related to questionnaires.

Measures

A five point likert scale with answer options ranging from 1- strongly agree up to 5 –strongly disagree was used to collect responses to statements intended to measure the constructs mental accounting, tax compliance, perceived trust in the revenue office, perceived power of the revenue office.

Mental accounting

This was measured using mental accounting scale by Muehlbacher and Kirchler (2013). From the scale, four statements were adopted for this research. These statements are (i) When I earn money, I automatically think about the incurring tax due, (ii) I know relatively well how much money I have to put aside for incurring taxes, (iii) I think it is essential to put aside the necessary amount of money to pay the tax due and (vi) I never really look upon the money I pay as income tax as my money. Tax compliance was put into two components which are voluntary compliance and enforced compliance. A scale by Hartner et al. (2009) was used to measure both components. The statements used to measure voluntary compliance were: (i) I pay my tax as a matter of course and (ii) I would also pay my tax when there are no tax controls. The statements used to measure enforced compliance were (i) I feel that I am forced to pay tax and (ii) I pay tax because the risk of being checked is too high.

Perceived trust in the revenue office

This was measured by a scale adapted from Hartner et al. (2009). The scale has three statements which are (i) Zimbabwean revenue office treats tax payers in a respectful manner, (ii) Zimbabwean revenue office is fair in collecting taxes, and (iii) The revenue office in Zimbabwe is trustworthy.

Perceived power of the revenue office

This was also measured by a scale adapted from Hartner et al. (2009). Three statements were adapted from these scholars which are (i) The Zimbabwean revenue office is able to uncover most tax evasions that occur because of its expert knowledge, (ii) The Zimbabwean revenue office has extensive powers to force citizens to be honest about tax, (iii) The Zimbabwean revenue office fights tax criminality efficiently. Two logistic regression equations were applied to answer the hypotheses:

$$FTC = \beta_0 + \beta_1 MAP + \beta_2 PTTA + \beta_3 PPTA \quad (1)$$

Where VTC = Voluntary Tax Compliance

MAP = Mental Accounting Practice

PTTA = Perceived Trust in Tax Authorities

PPTA = Perceived Power of Tax Authorities

$$FTC = \beta_0 + \beta_1 MAP + \beta_2 PTTA + \beta_3 PPTA \quad (2)$$

Where FTC = Forced Tax Compliance

MAP = Mental Accounting Practice

PTTA = Perceived Trust in Tax Authorities

PPTA = Perceived Power of Tax Authorities

Ethical considerations

Babbie (2008) identifies ethics as dealing with the interaction of the researcher and the respondents. Participation in the study is voluntary as respondents are informed of the purpose of the study and confidentiality is assured by not disclosing the identity of the respondents. Those respondents who feel like withdrawing midway through the interview are free to do so. No incentives of whatever form are given to participants to induce them to participate. The study ensures honesty, objectivity, integrity and respect in reporting data.

Table 1. Demographic profile of respondents.

Position in the organization	Manager	Owner		
Number of Respondents	3.30%	96.70%		
Gender of Respondents	Male	Female		
Number of Respondents	66.70%	33.30%		
Marital Status of respondents	Married	Divorced	Widowed	Single
Number of Respondents	68.10%	5.60%	5.90%	20.40%
Highest level of education	Ordinary level	Advanced level	Diploma	Degree
Number of Respondents	27%	26%	25.60%	24.40%

Source: Study results (2017).

FINDINGS AND DISCUSSION

Response rate

A total of 279 questionnaires were sent out. Out of these, 270 were returned and were eligible for usage in the study. The other 9 were either not returned on time (5 questionnaires) or they were returned on time but with errors (4 questionnaires) which automatically deemed them ineligible for usage in the research. The response rate can be considered to be high enough to render the data gathered representative of the population. This is supported by Payne (1983) who contends that, a research that involves 5-10% of the total population is objectively a representative of the entire population if the population size is less than 10,000. There was willingness amongst respondents to participate, showing that the subject under study is of great interest to the targeted population.

Demographic profiles of respondents

The first section of the question gathered data about the demographic profiles of the respondents. This was important as it could indicate the demographic composition of the participants in SMEs in Zimbabwe. This knowledge might be useful to policy makers. The findings are as shown in Table 1.

The data in Table 1 shows that 96.7% of the respondents who constitutes the majority of the respondents were owners of the businesses. This was a true reflection of the nature of the self-employed who were usually in business for themselves intending to benefit themselves and their families and hence solely ran the businesses themselves. There were, however, those few owners who are in business but had other engagements. These were represented by their agents, managers, and the constituted 3.3% of respondents who answered questionnaires on behalf of owners, as these made decisions on behalf of the owners.

Gender

As can be deduced from Table 1, males constituted the majority (66.7%) of self-employed, whereas women constitute the minority (33.3%). Even though any of the genders can be self-employed, it is a male dominated sector. This can be a result of the historical social and structural hindrances that affect the gender mix. Grigone and Toma (2014) noted that women often have less time to start a business because of the need to look after the house, raising children and taking care of the family.

Marital status

As indicated in Table 1, 68.1% of the respondents were married, 20.4% were single, and 5.6% were divorced. This could indicate reluctance of those single and divorced to start their own business initiatives probably because of the lack of many responsibilities.

Highest level of education

The results of the study as shown in Table 1 show that those with degrees constituted 24.4%; those who ended at diploma level were 25.6%; those that ended at Advanced level were 23%; those who ended at Ordinary level 27%. The results indicated a high literacy rate since every respondent had the basic Ordinary level of education which made them able to read and write and therefore able to understand the issues under study. This is consistent with the report by The African Economist (2013) that states that Zimbabwe has a literacy rate of above 90%.

Findings related to the study objectives

The influence of Mental Accounting on tax compliance

The first objective of this study was to examine the

Table 2. Regression results for H1(a).

Variable	Coefficient	t	p- value
Mental accounting	0.4209516	22.31	0.000

Dependent Variable: Voluntary compliance.
Source: Study results.

Table 3. Regression results for H1(b)

Variables	Coefficient	t	p- value
Mental accounting	-0.3470923	-20.69	0.000

Dependent Variable: Enforced Compliance.
Source: Study results.

relationship between mental accounting and the two forms of tax compliance (voluntary and enforced). To address this objective two hypotheses were crafted which are:

H1(a): There is a positive relationship between mental tax accounting and voluntary tax compliance.

H1(b): There is a negative relationship between mental accounting and enforced compliance.

To test these hypotheses a logistic regression model was estimated. The results are shown in Table 2 and 3.

As depicted in Table 2 mental accounting of taxes has a significant positive impact on voluntary compliance. Therefore to increase voluntary compliance the results suggest the need to educate the self-employed tax payers to take payment of taxes as part of their mental accounting practices. These results are in line with findings of Muehlbacher and Kirchler (2013) conducted in Austria and Duggan (2016) conducted in New Zealand who established that mental accounting of tax is positively related to attitudes toward taxes and self-reports about tax compliance. The results of the logistic regression tested for H1(b) as shown in Table 2. It can be deduced from the results in Table 3 that mental accounting of tax has a significant negative relationship with enforced compliance. It could therefore be inferred that creating an environment where tax payers appreciate the need to pay taxes so that they factor this in their mental accounting practices would result in a reduced need for enforced compliance and therefore no need for relying on punitive measures in the SMEs sector.

The influence of perceived trust in revenue office on tax compliance

The second objective sought to examine the influence of perceived trust in revenue office on tax compliance. To address this objective two hypotheses were crafted

which are:

H2(a): There is a positive relationship between perceived trust in tax authorities and voluntary tax compliance.

H2(b): There is a negative relationship between perceived trust in tax authorities and enforced compliance.

To test these hypotheses a logistic regression model was estimated. The results are shown in Table 4 and 5. As shown in Table 4, perceived trust in tax authorities has a significant positive impact on voluntary compliance. It can therefore be deduced that to increase voluntary compliance in Zimbabwe, the revenue authorities as well as the government of Zimbabwe should work towards building trust with the self-employed tax payers through transparent use of tax revenue, respect and fair treatment of tax payers. These findings are in line with findings by Kirchler and Wahl (2010) in Austria. The effect of trust on voluntary tax compliance was also reported to be significant in a study by Muehlbacher et al. (2011) as well as by Wilks and Pacheco (2014) in Portugal to establish the effect of trust in tax authorities on voluntary compliance and the results were found to be significant.

It can be deduced from table 5 that there is a significant negative relationship between perceived trust in tax authorities and enforced compliance. This is consistent with the results from Muehlbacher et al. (2011) who conducted a study amongst self-employed tax payers in Austria, Czech Republic and United Kingdom and found a negative impact of trust on enforced compliance. In contrast, Fischer (2008) found no effect of trust on enforced compliance. The current study helps clarify these contradictory findings. These results suggest that to reduce enforced compliance which results in a hostile environment between tax authorities and self-employed tax payers (making it a less favourable form of compliance), trustworthiness of the tax authorities should be enhanced.

Table 4. Regression results for H2(a).

Variable	Coefficient	t	p- value
Trust	0.6352899	29.82	0.000

Dependent Variable: Voluntary compliance.
Source: Study results.

Table 5. Regression results for H2(b).

Variable	Coefficient	t	p- value
Trust	-0.4975382	-22.61	0.000

Dependent Variable: Enforced compliance.
Source: Study results.

Table 6. Regression results for H3(a).

Variable	Coefficient	t	p- value
Power	0.6344466	16.25	0.000

Dependent variable: Enforced compliance.
Source: Study results.

Table 7. Regression results for H3(b).

Variable	Coefficient	t	p- value
Power	-0.7807466	-17.74	0.000

Dependent variable: Voluntary compliance.
Source: Study results.

The influence of perceived power of revenue officers on tax compliance

The third objective sought to examine the influence of perceived power of revenue officers on tax compliance. To address this objective two hypotheses were crafted which are:

H3 (a): There is a positive relationship between perceived power of tax authorities and enforced compliance.

H3 (b): There is a negative relationship between perceived power of tax authorities and voluntary compliance.

To test these hypotheses a logistic regression model was estimated. The results are shown in Table 6 and 7. It can be deduced from Table 6 that perceived power in tax authorities is positively related to enforced compliance. These findings are in line with previous studies (Gangl et al., 2015; Muehlbacher and Kirchler, 2010; Muehlbacher et al., 2011; Wahl et al., 2010) who concluded that perceived power of tax authorities strongly determines enforced compliance. This implies that if tax authorities

want to enforce compliance among those that are not voluntarily willing to pay their taxes, they can do this through coming up with policies and procedures that make the payment of taxes easily enforceable.

As indicated in Table 7 there is a significant strong negative relationship between perceived power of tax authorities and voluntary compliance. To increase voluntary compliance, therefore, reliance on the power of tax authorities should be reduced and trust in tax authorities should instead be enhanced. Other studies by Wilks and Pacheco (2014) focusing on Portuguese students supports these findings as they concluded that power of tax authorities is significant in enhancing enforced compliance and not voluntary compliance. Muehlbacher et al. (2011) similarly noted a negative relationship between power of tax authorities and voluntary compliance. The hypotheses test results are summarized in Table 8.

Conclusions

The study findings support the few previous studies and

Table 8. Summary of hypotheses tests results.

Hypotheses		Accepted or rejected
H _{1(a)}	There is a positive relationship between mental tax accounting and voluntary tax compliance	Accepted
H _{1(b)}	There is a negative relationship between mental accounting and enforced compliance	Accepted
H _{2(a)}	There is a positive relationship between perceived trust in tax authorities and voluntary tax compliance.	Accepted
H _{2(b)}	There is a negative relationship between perceived trust in tax authorities and enforced compliance.	Accepted
H _{3(a)}	There is a positive relationship between perceived power of tax authorities and enforced compliance.	Accepted
H _{3(b)}	There is a negative relationship between perceived power of tax authorities and voluntary compliance.	Accepted

confirm a significant strong positive relationship between mental accounting for taxes and voluntary compliance. In contrast a negative relationship was established between mental accounting and enforced compliance. This means that as mental accounting practices increase among the self-employed tax payers, enforced compliance is reduced since mental accounting encourages voluntary compliance. The study therefore, concludes that there is a significant strong positive relationship between mental accounting and voluntary compliance and a significant negative relationship between mental accounting and enforced compliance. The findings in this study indicated that there was a strong positive relationship between perceived trust in tax authorities and voluntary compliance. In contrast the effect of perceived trust on enforced compliance was found to be significantly negative. The study concluded that there is a strong significant positive relationship between perceived power of tax authorities and enforced compliance was noted. However perceived power of tax authorities showed a strong negative impact on voluntary compliance.

Recommendations

The tax authorities could treat tax payers as clients rather than as offenders when dealing with them. This would improve the relationships that exist between the tax payers and tax authorities and therefore increase the mutual trust and in turn increase voluntary compliance. Tax authorities have to assure the tax payers that the money is channelled towards public welfare, rather than corrupt expenditure by the government. This would result in increased trust in tax authorities through transparency. This would increase voluntary compliance. For those tax payers who do not comply, a mix of power strategies such as audits and fines could be used to ensure enforced compliance.

Future studies

The study focused on SMEs located in Harare, and for further research it would be crucial to focus on SMEs in

other towns and cities. Further studies that broaden the scope of determinants of tax compliance, that are inclusive of a broader scope of participants to include other stakeholders like government representatives and tax administrators, that apply more rigorous data analysis methodologies like econometrics are recommended with a view of coming up with a policy framework to enhance tax compliance in Zimbabwe.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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