TAX COMPLIANCE AND THE MODERATING ROLE OF TAXPAYER'S FINANCIAL CONDITION: A PROPOSED MODEL FOR NIGERIA

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ABSTRACT

The issue of service quality was initially thought to be a concept related only to the private sector but with systematic extension of the principles of marketing to the public sector, it is now realized by organizations operating within the public sector that customer service and quality are strategic issues that desire attention. The concern for improvement of public service delivery in Nigeria prompted the Federal Government to establish the Service Compact office to monitor quality of service delivery by public sector organizations. Just like other public organizations in Nigeria, the issue of service quality should also be critical to tax offices because they provide numerous services to the Nigerian taxpayers. But prior statistical evidences reveal that tax compliance level is dropping in Nigeria especially at individual income tax level. Although a multitude of factors may account for such phenomenon, the perception of taxpayers on the quality of tax service could also play a role. Considering the cultural antecedent of extended family burden and high rate of poverty in Nigeria and some other developing countries, the moderating role of taxpayer's financial condition equally may not be less important. Therefore, this paper proposes further expansion to tax compliance model to incorporate perceived tax service quality as well as moderating effect of taxpayer's financial condition to capture the environmental reality of some developing countries. This paper discusses relationship between perceived tax service quality and compliance behavior together with moderating effect of taxpayer's financial condition. The proposed study's framework shows the determinants of perceived tax service quality (interaction quality, physical environment quality and tax service outcome quality) possibly having direct relationship with compliance behavior but the relationships could be moderated by the financial condition of the taxpayers.

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Introduction

Financial resources with which government discharges its numerous responsibilities come in the form of tax revenue and non- tax revenue. Alabede (2001) and Olaofe (2008) identified tax as the principal source of revenue to the government in some countries, for instance, income tax was 60.3% and58.7% of total tax of the central government of Malaysia and Indonesia respectively in 2004 (Bird & Zolt,2005). Eshag (1983) however argued that the amount of tax revenue generated by government for its expenditure program depends among other things, on the willingness of the taxpayers to comply with tax laws of a country. It is well accepted that some people do not like paying taxes, and because of this reason, it is difficult for tax authorities to impose and collect taxes anywhere and anytime (Alm, Martinez-Vazquez & Schneider, 2003). The failure to oblige to tax provisions suggests that a taxpayer may be committing an act of noncompliance (Kirchler, 2007). Franzoni (2000) stated that tax noncompliance is most common and critical of all problems of tax administration.

Chau & Leung (2009), Goradichenko, Martinez-Vanzquez & Peter (2009), McGee (2006) and Tanzi & Shome (1993) described tax noncompliance as a universal phenomenon which is associated with tax income administration in both developing and developed countries. In developing countries, tax revenue loss as a result of noncompliance, is proportionally greater than the amount in developed countries because of the presence of large informal economy that is the hard- to- tax sector[1] (Terkper, 2003). The available statistic put the average tax revenue loss in developing countries to as much as between 35% and 55% of the Gross Domestic Product (GDP) in 2002 (Terkper, 2003). These estimates slightly increased between 14% and 27% over the estimates of between 30% and 40% of GDP in 1993 (Feige, 1998; Plyle, 1998). The main consequence of tax noncompliance is huge tax revenue loss to government hence poor tax revenue performance (Abdulrazaq, 1993; Franzoni, 2000). Cobham (2005) estimated that developing countries lose US$ 285 billion per year as tax revenue due to tax noncompliance.

However, over the past few decades, a growing amount of attention has been focused on the issue of tax compliance problem in the world

1. The hard- to- tax sector is the informal sector of the economy consisting enterprises like sole trader, partnership etc whose activities fall outside formal regulation; as a result, they easily escape tax payment.

especially in the developed countries. These general concerns have resulted to numerous empirical studies into the phenomenon. Most of the research studies have viewed the problem from the theoretical perspective of economic deterrence models (Riahi-Belkaou, 2004). The classical theory of tax compliance otherwise known as A-S models developed by Allingham & Sandmo in 1972 was based on Becker's (1968) deterrence theory. The theory assumes taxpayer maximizes the expected utilities of the tax evasion gamble, balancing the benefits of successful cheating against the risky prospect of detection and punishment (Sandmo, 2005). The general conclusion of this theory is that compliance depends largely on tax audit and penalty. The implication of the theory is that taxpayers will pay taxes only because of the fear of sanction therefore more taxes will be paid with increase in fine or audit rate.

But the deterrence approach as the measure to fight noncompliance has been contested in economic analysis. Empirical evidences are abundant to prove that deterrence may not entirely be depended upon to understand the phenomenon of tax noncompliance. For instance, Feld and Frey (2003), Slemrod (2009), Torgler (2003) and Torgler & Schaffner (2007) have all reported that fines and tax audit are unable to account for the actual level of tax compliance in some countries. Feld and Frey (2006) acknowledged that the deterrence theory has difficulties explaining empirically why people are so honest and pay tax. Deterrence theory is based on economic analysis and ignores completely social and psychological perspective of noncompliance.

However, Jackson & Millron (1986) and Alm (1999) state that tax noncompliance decision may be affected by factors not considered in the basic model, or may be affected in ways not captured approximately by the theory and said that other factors may well be relevant in explaining tax noncompliance behavior. As a result, some researchers (Chau & Leung, 2009; Manaf, 2004; Mustafa, 1997; Tayib, 1998) had expanded the model. But despite the various expansions done to the basic model, nothing much has known about the influence of perceived tax service quality as well as moderating effect of personal financial condition on tax compliance behavior. But the relevance of perceived tax service quality and taxpayers' financial condition in understanding tax compliance behavior particularly in developing countries cannot be ignored (Odinkonigbo, 2009; Odusola, 2006; Wallshutzky, 1984). Wallshutzky (1984) surmised that taxpayer's level of satisfaction with tax office service have influence on their future compliance level.

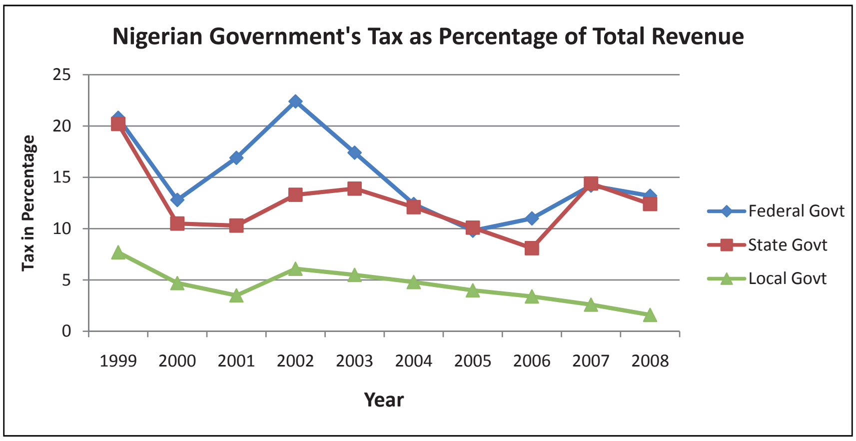
This study is undertaken primarily to propose an expansion to tax compliance model to incorporate perceived tax service quality together with taxpayer's financial condition as a moderator. To achieve this purpose, this paper is structured into the following parts: tax compliance behavior in Nigeria; perceived tax service quality and tax compliance behavior; financial condition as moderator; determinants of perceived tax service quality; research questions; proposed theoretical framework and hypotheses; discussion and conclusion.

Tax Compliance Behavior in Nigeria

Today, in Nigeria, as the case with some developing countries, administration of income tax is characterized by low compliance level and it is inconceivable that despite Nigeria's human and natural endowment as well as economic potentiality, the country has continued to record one of the lowest tax compliance levels in Africa (CITN, 2010). All efforts through the various tax reforms[2] undertaken by the Nigerian government to increase tax revenue over the years have not yielded any positive result. Statistical evidences have proved that the contribution of income taxes to the government's total revenue remained consistently low and is shrinking (Asabe, 2005). However, of all the taxes, personal income tax has remained the most disappointing, nonperforming, unsatisfactory and problematic in Nigerian tax system (Asabe, 2005; Kiabel & Nwokah, 2009; Nzotta, 2007; Odusola, 2006; Sani, 2005). The statistical data indicated that contributions of non oil income tax to total revenue of Government in Nigeria dropped from 19.8% in 1999 to 11.7% in 2008 and the tax ratio[3] in 2009 was 11% the lowest in West Africa and below 15% recommended for low income countries (CBN, 2008; Cobham, 2005; CITN, 2010). Specifically, the contribution of individual income tax remained marginal and comparatively low in Nigeria's tax revenue. At the state and local government levels, where the major source of internal revenue is expected to be individual income tax, its contribution to the total revenue of these levels dropped from 20.18 and 7.7% in 1999 to 12.4 and 1.6% in 2008 respectively (CBN, 2008). The Chart and Table 1 show the performance of tax revenue in Nigeria.

2. Some tax reforms in Nigeria include Structural Adjustment Program in 1986, Shehu's Task Force on Tax, 1978; Dr Sylvester's Study Group on Tax, 1999; Economic Empowering Development Strategies, 2002

3. Tax ratio is computed as Tax/GDP *100



Source: Data for the chart derived from Central Bank of Nigeria (2008).

Table 1

Nigeria's Tax to Gross Domestic Product Ratio (%)

Year	Total Tax Revenue	Total Income Tax	Personal Income Tax
1999	7.3	2.7	1.2
2000	6.4	2.1	1.0
2001	9.4	2.8	1.4
2002	5.5	2.0	1.1
2003	6.9	3.0	1.6
2004	6.6	2.6	1.3
2005	5.8	2.4	1.2
2006	5.0	2.5	1.0
2007	5.4	3.2	1.5
2008	5.9	3.1	1.4

Source: Central Bank of Nigeria. (2008). Annual report and statement of account. Abuja: Central Bank of Nigeria.

As compared to other African countries, Nigeria had been consistently recording lowest income tax ratio and personal income tax (PIT) ratio. For instance in 2006, Nigeria had 2.5% and 1% respectively as income tax and PIT ratio the second lowest in the group of fifteen countries with South Africa recording the highest with 14.4 % and 7.7% (Volkerink, 2009). Table 2 shows tax revenue performance of some African countries in 2006.

Table2

Nigeria's and Other African Countries' Tax Ratios for 2006 (%)

Country	Total Tax/ GDP Ratio	Income Tax/ GDP Ratio	Personal Income Tax/GDP Ratio
Angola	6.3	2.4	na*
Botswana	16.4	5.4	na
Burkina Faso	11.8	2.9	0.2
Ghana	19.6	5.5	2.9
Kenya	16.6	7.1	3.0
Malawi	21,7	9.1	na
Mali	14.9	2.7	na
Mozambique	12.1	3.3	na
Namibia	30.1	11.4	7.4
Nigeria	**5.0**	**2.5**	**1.0**
Senegal	19.2	4.6	na
South Africa	25.6	14.4	7.7
Tanzania	12.9	3.7	na
Uganda	12.2	3.8	na
Zambia	16.1	8.2	6.4

Source: Volkerink, B. (2009). Tax policy in Sub-Saharan Africa: A survey of issues for a number of countries. Working paper, Centre for Taxation and Public Governance, Utrecht University.

* not available

Although the low and the shrinking tax compliance level in Nigeria might be caused by a multitude of factors, but the perception of Nigerian taxpayers about quality of tax service may also play a role in their compliance behavior as quality of service delivery in Nigeria's public organizations including tax offices is poor and fall below internationally accepted standard (Ewenpu, 2010 ;Thomson, 2004;Wallshutzky, 1984). The poor quality of service delivery from the public sector organizations (including tax office) to citizens, prompted the Federal Government to establish Service Compact office (SERVCOM) in 2004 with objective of improving the quality of service delivery in public sector. Every Federal ministry and agency has a designated officer in charge of SERVCOM, who monitors the quality of service delivery in the ministry or agency including the tax office. However, to what extent has perception of tax service quality influence Nigerian taxpayers' compliance behavior? Furthermore, the effects of personal financial condition as it moderates taxpayers' compliance behavior are also important given Nigeria's high level poverty of 54.4% (Rotberg & Gisselquist, 2009). Nzotte (2007) and Odinkonigbo (2009) in separate submission said that poverty and extended family burden may be responsible for noncompliance behavior in Nigeria and equally Bloomquist (2003) stated that financial strain causes individual to be less tax compliant.

Perceived Tax Service Quality and Tax Compliance Behavior

Organizations operating in the private sector have long realized that customer satisfaction and continued patronage as well as loyalty are secured through high quality service (Staple, Darlrymple & Bryar, 2002). Asubonteng, McCleary & Swan (1996) stressed that service quality is important to service providers because the evaluation of quality of service provided and the level of satisfaction that result from such service is thought to determine the likelihood of repurchase. Service quality in this regard is considered as the difference between what the customers are expecting from service performance before the service encounter and their perceptions of the services they received.

Oliver (1980) theorized that customers will judge the quality of service they received low if the performance does not meet their expectation and service quality increases as performance exceed the expectation of the customers. On the basis of the theory, Asubonteng et al (1996) drew the conclusion that as quality of service rendered to customer increases, satisfaction with the service and intention to reuse the service equally increase.

In marketing, because of the great amount of attention focused on the issue of service quality many research contributions have resulted in that area and subsequent development of some models for measuring service quality like in the studies of Gronroos (1984), Parasuraman, Zeithaml & Berry (1985) and recently Brady & Cronin (2001). However, the issue of service quality was initially thought to be concept related only to the private sector but with systematic extension of the principles of marketing to the public sector, it is now realized by organizations operating within the public sector that customer service and quality are critical strategic issues that desire attention (Donnelly, Darlymple, Wiskniewki & Curry, 1995; Wiskniewki, 1996). With the new administrative philosophy known as the New Public Management (NPM) being evolved for the public sector, the issue of service quality is more critical (Brysland & Curry, 2001; Proctor, 2007).

Just like any other public sector organizations, the issue of service quality is also critical to tax offices since they provide numerous services to taxpayers. Ott (1998) argued that tax administration in the modern societies should offer services to citizens and in the process become more and more specialized; and he concluded that the goal of any tax administration is to offer better service to taxpayers. However, there are widespread of opinion among the public indicating that they are not happy with the quality of service provided by the tax offices and this directly influences their willingness to pay taxes (Job & Honaker, 2003; Job, Stout & Smith, 2007). US taxpayers indicated that their satisfaction with IRS service is low and that quality of the service was deteriorating (Job & Honaker, 2003). This assertion was supported by Jackson & Millron (1986) and Feld & Frey (2006) who stated separately that the manner in which taxpayers are treated in the course of the provision of tax service has impact on their compliance behavior. Torgler (2007) argued taxpayers' willingness to cooperate with tax authority will increase, if the authority sees itself as service institution and providing quality service and treating the taxpayers as partners. Kirchler (2007) equally submitted that if tax office assists the taxpayers by providing better service, the taxpayer may be encouraged and may likely repay back through well behavior and compliance.

However, with the evolving New Public Management concept, tax offices are increasingly becoming aware of the necessity to accord the taxpayers the status of customers as many tax authorities such as those of Australia, France, Sweden, the UK and the US have reconstructed their approaches toward taxpayers by giving more consideration to their tax service needs and treating them as client (Kirchler, 2007).

Financial Condition as Moderator for Perceived Tax Service Quality and Tax Compliance

Following the inconsistency in research findings on the relationship between tax compliance and some of its determinants most especially the deterrent factors (Dubin, Grazte &Wilde,1987; Dubin & Wilde,1988), literature has suggested that the relationship may be moderated by some variables (Kirchler, Muelbacher, Kastlunger &Wahl,2007). Earlier before the suggestion, some researchers (McGill, 1988; Murphy, 2007; Wenzel, 2004a & 2004b) had tested the moderating effects of some variables on the relationship between tax compliance and its determinants. Though some studies have tested different variables as moderator between tax compliance and its determinants, consideration had not yet been given to taxpayer's financial condition as a moderator. However, there are indications in other behavioral literature that individuals' financial condition (requirement) and family obligations moderate the relationship individuals' commitment and performance (Mathieu & Zajac, 1990; Brett, Cron & Slocum, 1995). Empirically, some behavioral studies have shown support for the moderating effects of financial requirement on individual's behavior. The study of Doran, Stone, Brief & George (1991) supported the proposition that individual's financial condition moderates the consistency of his/her attitude and behavior. The study of Brett and his colleague (1995) also revealed that when financial condition is moderating individual commitment and performance, that is individual is in good financial condition or has low financial requirement, the relationship between commitment and performance is high vis-à-vis. This implies that financial burden might moderate individual commitment to discharge obligations, including tax payment. The implication of moderating effect of individual financial condition on tax compliance and its determinants may be more obvious in the society where there is high family responsibility and poverty rate as the case in some developing countries including Nigeria (Brett et al 1995).

Therefore, the financial condition of an individual might positively or negatively affect his willingness to comply with provisions of tax irrespective of the relationship between perception of taxpayer about quality of tax service and compliance behavior. Torgler (2003) argued that the financial situation of the individual may create a sense of distress particularly when payment is to be made including taxes and that individual may perceive the payment of tax as a strong restriction; as a result this may increase the incentive for tax dishonesty. Bloomquist (2003) identified financial strain as one of the sources of taxpayer's stress and said that an individual taxpayer with meager financial resources may be tempted by his bad financial condition to be noncompliant where the expenses of his household are more than his income. Bloomquist supported his assertion by arguing that, in order to meet daily household expenses such as medical expenses, taxpayer with little or no available financial resources in savings might be tempted to "rob peter" (that is tax authority) to "pay paul" (household) when facing such situation, that is, the taxpayer will be tempted to use money for tax payment to meet his household expenses.

This kind of situation which is not unusual, is what many taxpayers are facing from time to time. Therefore, this suggests that irrespective of the relationship between perception about tax service quality and compliance behavior, complying with tax obligations is contingent among others on the financial condition of an individual. There is a high tendency that an individual in sound financial condition will comply with provisions of the tax laws better than individual in bad financial condition. This analogy agrees with the study of Bloomquist (2003) which suggested that taxpayers with limited financial resources have a higher propensity to be noncompliant because they are more vulnerable to financial strain than those taxpayers in sound financial condition. Supporting the above premise, Carroll (1989) in a criminal behavior study, reported that lack of money motivates an individual to search for opportunity for engaging in crime.

Determinants of Perceived Tax Service Quality

In marketing literature, Asubonteng et al (1996) said that the expectation of customer is the foundation on which quality of service is evaluated and that as quality of service increases, satisfaction with the service and patronage increase. In connection with tax service, when the tax office provides quality services to their clients (taxpayers) as expected, this is likely to increase taxpayers' patronage to the office thereby enhancing their compliance behavior. In support of this analogy, Kirchler (2007) stated that if tax office provides better service to the taxpayers, that may encourage them and which may likely have impact on their compliance behavior. Empirical studies have proved this point as a number of studies have provided evidences linking customer satisfaction and purchase intention with perceived service quality (Asubonteng et al 1996). In the public sector, some studies like Brysland & Curry (2001), Donnelly et al (1995) and Wisknieswki (2001) have equally established relationship between provision of quality service in local governments and the satisfaction of the communities.

However, Stuart and Tax (1996) stated that quality in service environment like tax office should incorporate elements as:

- The physical evidence of the service environment and this includes the impact of the client's presence and use of the physical environment like building.

- The action of the participants such as client and employees in the exchange and this includes the feelings and emotions of all involved in the exchange.
- The processes required to facilitate service delivery.

In accordance with the submission of Stuart and Tax (1996), Brady & Cronin (2001) proposed a model for service quality with interaction quality, physical environment quality and outcome quality as dimensions. Interaction quality is concerned with the evaluation of the customer about the quality of the interactive relationship between him and the service providers. This factor is regarded to have significant influence on the customer's perception on the quality of service delivered to him (Chen & Kao, 2009). In the provision of tax service, there is an interaction between tax office's employees and the taxpayers; and the manner in which the taxpayer is treated in the course of the interaction will greatly influence his perception about the quality of tax service he has received from the tax office.

The physical environment quality is also another factor that influences the perception of customers about quality of service. The physical environment quality includes the surrounding environment and equipment available to the service provider. According to Parasuraman et al (1985) the physical environment where service is provided is a factor taken into consideration by customers in forming perception about the overall service quality. The physical environment and equipment for providing tax services to the taxpayers is important in the evaluation of the quality of services provided by the tax office. The third factor is service outcome quality and this represents service actually delivered to the customer. The study of Chen and Kao (2009) indicated that both interaction and outcome quality have significant positive relationship with customer satisfaction.

Research Questions

Andreoni, Erard & Feinstein (1998) have suggested that expanding models of tax compliance by adding moral and social dynamics is yet a largely underdeveloped area of research. This implies that there are research gaps in the study of tax compliance. In Nigeria and other developing countries, little is known empirically about tax compliance behavior as most studies on tax compliance are conducted in developed countries especially US, Australia and Canada. These studies cannot be used to understand tax compliance behavior in developing countries because of cultural, economic and political differences. Hence, there is a need for more studies on tax compliance in developing countries (Chau & Leung, 2009; Fuest & Riedel, 2009). Besides nothing much is known empirically about influence of perception of tax service quality on tax compliance behavior as well as moderating effect of taxpayer's personal financial condition in the compliance literature. These new construct and variable are necessary to satisfy the environmental needs of some developing countries especially Nigeria. For this reason, this study proposes to expand tax compliance model to include these construct and variable and in doing that the following questions are raised for answer:

1. Does quality of tax services play a significant role in Nigerian tax compliance behavior?
2. Does taxpayers' financial condition moderate the relationship between tax compliance behavior and its determinant?

Proposed Theoretical Framework and Hypotheses

Within the proposed framework of the basic model of tax compliance, that is tax rate, audit probability and penalty structure are the factors influencing taxpayers' behavior in complying with tax obligation. However, empirical studies have indicated that the factors influencing compliance behavior of taxpayers are far more numerous than suggested in the financial self-interest model (Alm, 1999; Fischer, 1993; Jackson & Millron, 1986). Weigel, Hessing & Elffer (1987) developed a tax compliance model that incorporated social and psychological factors. The major limitation of Weigel's et al model is that it undermines the importance of economic factors. Lewi (1982) came up with yet another model which incorporated economic factors and complemented by social and psychological factors. However, Lewi's model is not broad enough to capture many other variables. But the study of Jackson & Millron (1986) comprehensively expanded the classic model and came up with fourteen key determinants for tax compliance. Fischer, Wartick & Mark (1992) categorized these key determinants into four group constructs and became known as Fischer's model of tax compliance. Using Fischer's model as a base, some researchers have added one or more variables to the model (Chan et al, 2000; Chau & Leung, 2009; Manaf, 2004; Mustafa, 1997; Tayib, 1998). However, on the basis of the relevant literature reviewed in the section above, this study proposes to expand the tax compliance model to incorporate perceived tax service quality as a construct. The perceived tax service quality is determined by three factors which include: interaction quality, physical environment quality and outcome quality. And it is equally proposed that the relationship between perceived tax service quality and compliance behavior is moderated by taxpayer's financial condition. Figure 2 shows proposed model which only incorporated perceived tax service quality and financial condition as a moderator.

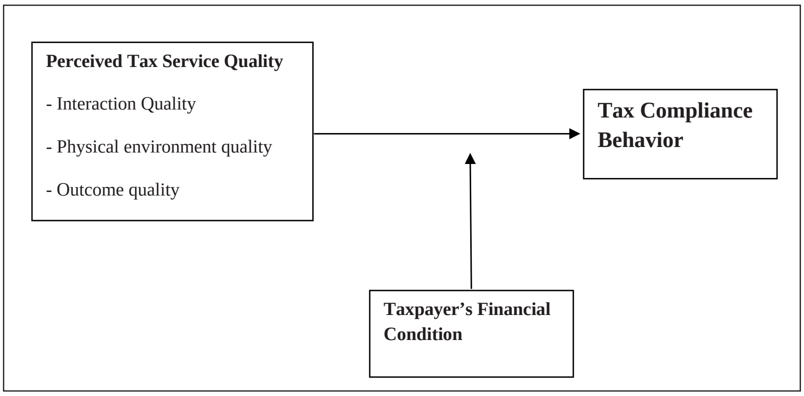


Figure2. Proposed Model of Tax Compliance

The service quality model of Brady & Cronin (2001) which is considered to be most appropriate for service industry,(Caro & Gracia, 2007) indicated that service quality is determined by three factors which include interaction quality, physical environment quality and outcome quality. Research studies have revealed that interaction quality is an important factor which has a significant effect on the customer's perception on the overall service quality (Caro & Gracia, 2007; Chen & Kao 2009). The physical environment in which service is provided is also considered to have influencing power on the perception of customer about the service quality. Brady & Cronin (2001) argued that since service is intangible and often require the presence of the customer in the course of its provision then the surrounding environment may play a significant impact on the perception of the customer of service quality. Outcome quality is equally considered to play an incredibly significant role in influencing the perception of the customer on overall service quality (Chen & Kao 2009). The study of Powpaka (1996) reported that outcome quality is a significant determinant of the perception of service quality while the study of Chen & Kao (2009) revealed that interaction and outcome quality are positively related to customer satisfaction significantly. Similar results are also found in the study of Madhavaiah, Rao & Akthar (2008).

In taxation, studies that measure the direct impact of perceived tax service quality on compliance behavior of taxpayers are rare but the study of Wallschutzky (1984) revealed that taxpayers' level of satisfaction with the way they are treated in tax office influences their future compliance behavior. Niemirowski & Wearing (2003) also reported that Australian taxpayers were moderately satisfied with the manner the Australian Tax Office (ATO) was handling their tax returns and equally some scholars have suggested that friendly treatment of taxpayers by revenue authority is an important means of enhancing tax compliance behavior (Feld & Frey, 2003; Torgler, 2003). But treatment is just an element of what constitutes a perceived tax service quality. Based on the relevant literature reviewed above the hypothesis below is developed to meet the first objective of this study which is to determine the perception of Nigerians about quality of tax service and its relationship with their tax compliance behavior.

H_1: Perception of the quality of tax service has a significant positive relationship with taxpayers' compliance behavior.

However, financial condition of the taxpayer may dictate the outcome of the relationship between his/her perception about tax service quality and compliance behavior. A taxpayer whose perceived service quality is greater than expected service, according to service quality theory, will increase patronage (compliance) but his financial condition may prevent him from doing that. The study of Lago-Penas & Lago-Penas (2008) indicated that the level of financial satisfaction of an individual may influence his willingness to pay tax. On the basis of the above submission, the hypothesis below is stated for purpose of accounting for moderating effect of taxpayer's financial condition to satisfy the second objective of this study, that is: to determine the extent to which taxpayer's financial condition moderate the relationship between his tax compliance behavior and the determinant.

$H_{2:}$ Taxpayer's financial condition moderates the relationship between his/her perception about tax service quality and compliance behavior.

Discussion and Conclusion

This paper presents a proposal for further expansion of Fischer's model of tax compliance to incorporate perceived tax service quality as well as moderating effect of taxpayer's financial condition. The expansion will incorporate Brady & Cronin (2001) three-model component of service quality. According to Caro & Garcia (2007), Brady & Cronin's model is believed to explain the complexity of human perception about service quality better and provides knowledge of the real service experience of the customer. The model has been adopted by a number of studies in evaluating service quality particularly in service industry (Caro & Garcia, 2007; Madhavaiah et al, 2008) . Although some researchers had expanded the tax compliance model by adding one or more variables (Chan et al, 2000; Chau & Leung, 2009; Manaf, 2004), literature has stated that tax compliance behavior is influenced by numerous factors which have not yet been captured in the model, thereby encouraging further expansion (Alm,1999; Andreoni et al 1989; Jackson & Millron,1986). However, since nothing much is known empirically about the influence of perceived tax service quality as well as moderating effect of taxpayer's financial condition, the suggestions for the incorporation of this construct/ variable into the model are derived from the literature (Feld & Frey, 2006; Odinkonigbo, 2009; Wallshutzky, 1984). Theoretically, therefore, this proposed expansion of the model may contribute in enriching the tax compliance literature for better understanding the compliance behavior; moreover, the proposal would capture the environmental reality and characteristic of tax administration as well as taxpayer in developing countries thereby answering the clarion call for more researches to bridge the widening gap of tax compliance literature between developed and developing countries (Andreoni et al, 1989; Chau & Leung, 2009; Fuest & Riedel, 2009).

In addition, practically the proposal would enable governments of developing countries especially Nigeria, tax administrators and policy makers to know the feeling of the taxpayers about quality of tax service offered by various tax offices and the extent to which their perception about tax service quality influence the compliance behavior. Also the information on the extent to which taxpayer's financial condition moderates the relationship between perception about tax service quality and compliance behavior would equally be useful to the governments of developing countries like Nigeria with high level of poverty. The information from this study would be useful to tax administrators in formulating strategies for the improvement in quality of tax service. The government would benefit from the information in formulating social, economic and political policy and besides, through the study it would know the exact policy to follow to shore up the compliance behavior of the taxpayers.

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