



An investigation into factors that affect corporate taxpayers' compliance with business taxation laws: The case of Harare, Zimbabwe (2011-2021)

Dr David Foya, foyad1965@gmail.com,

1. Department of Business Management, National University of Science & Technology; Zimbabwe

2. Kurai Blessing Nhingwa,

Kurai.Nhingwa@mimosa.co.zw, Department of Business Management, National University of Science & Technology; Zimbabwe

Abstract

The main objective of this study was to investigate the factors that determine corporate taxpayers' compliance behaviours with business taxation laws in Harare hence the main research question what are the factors that determine corporate taxpayers' compliance behaviours towards business tax laws in Harare? It was envisaged that the results of this study would provide useful information to Zimbabwe Revenue Authority (ZIMRA) and the Ministry of Finance (MOF) as the sole tax administrator and regulator respectively in Zimbabwe. This study adopted a mixed method research design so as to take advantage of the strengths of both qualitative and quantitative research designs thereby enhancing the overall strength of the study. The study also found a number of motivational factors which influenced corporate taxpayers' tax compliance behaviours and these include final use of collected tax revenue, the efficiency in which ZIMRA refunds overpaid taxes, the complexity of the entire tax system as well as the level of tax rates among other factors. The study then concluded that the purpose to which collected taxes are utilized was the overriding factor that determines corporate taxpayer tax compliance behaviour in Harare. The researchers also recommended ZIMRA to increase measures to curb tax corruption that is engineered by ZIMRA officials, to consistently follow up all tax defaulters, reward tax compliant taxpayers and punish tax evaders as well as periodically offer tax amnesty periods to taxpayers.

Key words: Tax, Compliance, Corporate taxpayer, Tax evasion.

Background of the study

Bardopoulos (2015) is of the view that regardless of the reasons why taxes are levied, taxation has been implemented by different empires in different places and time; perhaps like temple and monument construction. The above author concluded that taxation is a common phenomenon of human society. Due to poor historical records, coupled with the diverse social and cultural structures of ancient civilisations, it is uncertain when the first system of taxation was actually implemented. Bardopoulos (2015) goes on to say that the oldest taxation records were unearthed with the discovery of King Scorpion the I's tomb. This concept of taxation then spread to developed nations, and was further cascaded to the developing world who also embraced it up to this day.

It is one thing to have taxation laws in place, and another thing to ensure compliance with such laws. Tax compliance, in simple terms is the degree to which taxpayers comply with tax

law. It is however important to appreciate that tax compliance does not come at no cost, there are fees payable to external advisers, and the salaries of internal staff engaged in tax compliance work. Tax compliance is currently a topical policy issue mostly in the developing world, as governments undertake tax reforms in a bid to enhance efficiency in tax revenue collection to fund their year on year budgets deficits.

Tax compliance remain a topical issue because tax revenue is the major source of revenue for most governments around the world, beside other revenues such as natural resources, profits of parastatals, royalties and fees. In this regards, Randlane (2015) observed that uncollected tax revenue primarily affects the amount and quality of public goods and services provided by the state. According to Kirimi (2015) public revenue collection remain an integral part of fiscal policy and administration in any economy due to its influence on national government operations. Given this strategic importance of tax revenue, Visser and Erasmus (2005) argued that its collection should be correctly managed. These authors vowed that revenue collection should comply with best practices of equity, ability to pay, economic efficiency, convenience and certainty.

In Zimbabwe, revenue collection is the responsibility of the ZIMRA. The authority was established in terms of the Zimbabwe Revenue Authority Act (Chapter 23: 11), in 2001 and falls under the Ministry of finance. Tapera (2017) described ZIMRA as a creature of statute. He described the core business of the authority as the assessment, collection and enforcement of payment tax. There are various tax heads in Zimbabwe, which include income tax, capital gains, duty tax, resident shareholders tax, Value Added Tax and stamp duty, among others. ZIMRA is a successor organisation to the then Department of Taxes and the Department of Customs and Excise.

Since establishment in 2001, ZIMRA has established an unbroken record of surpassing revenue targets, with Value Added Tax (VAT), Customs Duty and Individuals Income Tax among its high performing revenue heads. This was largely attributed to higher levels of tax compliance among taxpayers. However, this spectacular performance trend was reversed in 2014, as taxpayers began to pursue tax evasion and avoidance at all cost, a situation that has negatively impacted on revenue collection performance. For a country like Zimbabwe that has gone through more than a decade of economic meltdown and is currently experiencing severe liquidity challenges, any compromise in tax compliance by taxpayers further disarms the already crippled government.

ZIMRA missed its annual tax collection targets by 6% each in 2013 and 2014 and 7% in 2015 resulting in budget deficits of US\$100 million, US\$150 and US\$250 respectively. (ZIMRA 2013, 2014, 2015). According to Bonyongwe (2016), ZIMRA reported a huge tax gap amounting +/- \$2.7bn as at December 2016. A number of reasons for this huge tax gap in Zimbabwe were cited, however the alarming levels of tax non-compliance by corporates was the major cause for concern.

These levels of tax debt reflect high levels of non-cooperation by taxpayers, it shows the levels of non-compliance that exist within the Zimbabwean taxation arena. Doran (2009, p.113) states that, "policymakers regard the tax gap as a pressing problem, and they respond in part by ratcheting up penalties". The fact that the debt is actually increasing year on year reflects non-cooperation on the part of the taxpayers and how this has become a big problem at the authority as evidenced by successive years of missing revenue targets. This makes noncompliance a cause for concern which warrants urgent investigations into its causes in Harare.

Aims and objectives of the study

The main objective of this paper was to investigate the factors that determine corporate taxpayers' compliance with business taxation laws in Harare. The following specific objectives were used to guide the study:

1. To identify the overriding factor that motivates corporate taxpayers to comply with taxpayment laws.
2. To determine corporate taxpayers' knowledge level and understanding of their taxobligations.
3. To explore factors that promotes tax compliance with business taxation laws amongcorporate taxpayers.
4. To investigate ways of enhancing or stimulating corporate taxpayers' voluntary taxcompliance.

2.0 Interim literature review

Zimbabwe business environment

Zimbabwe has over some time now suffered from suppressed economic growth emanating from various factors to be discussed later under this section of the report. According to BTI (2016), one of the major characteristic of the research period was the formation of Government of National Unity (GNU), which resulted in the consolidation of the two major political parties in Zimbabwe. It is reported that during the period, abuse of public office has become endemic with major perpetrators escaping prosecution, which has encouraged more corruption. The rate of GDP growth fell from 6% in 2013 to 3.1% in 2014 with the closure of a large number of companies while unemployment rate was estimated to be 80%.

Chigumira (2015) argued that Zimbabwe succumbed to various economic challenges over the period, which included fiscal space constraints, weakening growth prospects, high debt levels and over reliance on primary exports which exposed the nation to economic shocks arising from down movement of international prices. Recurrent expenditure dominated government expenditure, with employment cost accounting for 62.6%. According to Monyau and Bandara (2016), economic growth slowed from 3.8% in 2014 to an estimated 1.5% in 2015 as a result of weak domestic demand, high public debt, tight liquidity conditions, drought, poor infrastructure, institutional weaknesses and an overvalued exchange rate.

Monyau and Bandara (2016) further argued that the fiscal space remained constrained due to underperformance of domestic revenues, increase in public expenditures, depressed exports, and limited foreign direct investment (FDI). This has undermined development expenditure and social services provision in both urban and rural areas and as a result Zimbabwe has experienced reverse urbanisation as the economic slowdown hampered opportunities in cities.

Weak performance of the Zimbabwe Stock Exchange, reflected through the decline of both industrial and mining indices, as well as a falling total market capitalisation, which lost 20.6% from US\$5.2 billion to US\$4.2 billion as of 31 March 2014. GDP growth declined from 3.8% in 2014 to an estimated 1.5% in 2015. According to ZIMRA (2016), the economic situation was exacerbated by the plummeting commodity prices on the international markets and the winding off of quantitative easing in the United States of America. These economic variables negatively affected profitability of companies and clients' ability to pay debts, resulting in generally low trends of revenue collection.

The Ministry of Finance and Economic Development (MOFED) in the 2016 Mid-Term Fiscal Policy Review revised the economic growth for the year 2016 from 2.7% down to 1.2%. The

major factors behind this were the declining commodity prices and reduction in production capacity across the board. However, according to the results of the Confederation of Zimbabwe's (CZI) 2016 Manufacturing Sector Survey, the manufacturing industry's capacity utilisation increased significantly from 34.3% in 2015 to 47.4%. The survey attributed the increase in production levels to Statutory Instrument (SI) 64 of 2016 for companies whose products are protected by the SI.

ZIMRA (2016) reported that the use of the strong US dollar makes Zimbabwe's both local production and exports uncompetitive, and this exacerbates the trade deficit which has come down by over 20% but still remains unsustainably high. Meanwhile, the country experienced serious illegal outflows (externalisation) leading to low liquidity which developed into a serious cash shortage by the end of year 2016. The Reserve Bank of Zimbabwe (RBZ) intervened in November 2016 and introduced the 5% bond note export incentive aimed at stimulating domestic production for export and to ease the cash shortage. The impact of the bond notes was yet to be felt since they were a very small percentage of the money supply as well as the fact that they were introduced towards the end of the year.

3.0 Research Methodology

The researchers used pragmatism philosophy because it opened the door to multiple methods, different worldviews, and different assumptions, as well as allowed application of different forms of data collection and analysis which increases the validity of findings.

Research design is essentially a plan or strategy shaping the research. It can include the entire process of research from conceptualizing a problem to putting down research questions, and on to data collection, analysis, interpretation and final report compilation. Basically it provides the framework for the collection and analysis of research data. A mixed method research design was adopted for this study by the researchers. This method, according to Creswell (2009) combines the strengths of both qualitative and quantitative research designs thereby enhancing the overall strength of the study. The above author concluded that pragmatism was the philosophy underpinning mixed methods research design.

Given these researchers philosophy and chosen research strategy, a survey research method was used in carrying out this study, making use of questionnaires with both open-ended and closed-ended questions. In research, there are many varied sampling techniques, however this research applied the thinking of Raj (1972) elaborated above, and as such, applied purposive sampling to identify the target population and stratified sampling to derive the actual sample for the study from the target population.

Purposive sampling is the main method that was used to develop the sample of this research study. In addition to the above, purposive sampling also enhanced the researchers to ensure sample balance with respect to company sizes as well as sectorial representation of the ultimate sample given the multiple variations that existed among corporate taxpayers in such respects. The researcher wanted to hear the perspective of both small and large corporate taxpayers, coming from various sectors of the economy and this was achieved to a greater extent through purposive sampling. Stratified sampling was then used to divide the population identified through purposive sampling into separate groups, called strata, from which a final sample was drawn from each strata. Through this sampling technique, the researcher has identified groups or strata by grouping corporate taxpayers according to their sectors of operations. Four major groups were identified as mining, manufacturing, financial services and agriculture, as the major contributors to the fiscus through honouring various tax heads obligations. Companies operating in these sectors and headquartered in Harare were then targeted.

The biggest advantage of stratified random sampling is that it reduces selection bias.

Stratifying the entire population before applying random sampling methods helps ensure a sample that accurately reflects the population being studied in terms of the criteria used for stratification. The researcher used this sampling technique so as to ensure that each business sector within the population was properly represented within the sample. This was very important because these diverse economic sectors are governed by different tax laws, hence the need to have the diverse perspectives across these sectors.

In this survey, data was collected using a questionnaire and interviews to gather data from the respondents.

4.0 Findings

Introduction

This section of the paper provides an analysis and detailed discussion of the findings from the research on factors affecting corporate taxpayers' compliance with business taxation laws in Harare. Presentation of the findings took various forms including charts, bar graphs and tables were necessary. The findings are based on the responses from sample corporate taxpayers with the help of a structured questionnaire in the study area. Results from this research study were analysed and interpreted in relation to the objectives of this study that were presented in chapter one of this report.

The first section of this chapter covers survey overall response rate followed by a summary of general characteristics of the respondents. The next section dwell on taxpayer knowledge and understanding of business taxation laws affecting companies they represented as well as their personal view regarding the efficiency and effectiveness of the Zimbabwean tax system. This will be followed by presentation, analysis and discussion of the factors affecting tax compliance and the last section focus on taxpayer's perspective on how Zimra can enhance tax compliance among taxpayers.

Characteristics of respondents

General characteristics of the respondents are an important element specifically in this study than any other studies due to the complexity of the research study area which largely involves high technical matters. Generally, taxation issues have appeared very technical and many organisations have recruited experts and other professionally trained personal to handle tax issues in their organisations.

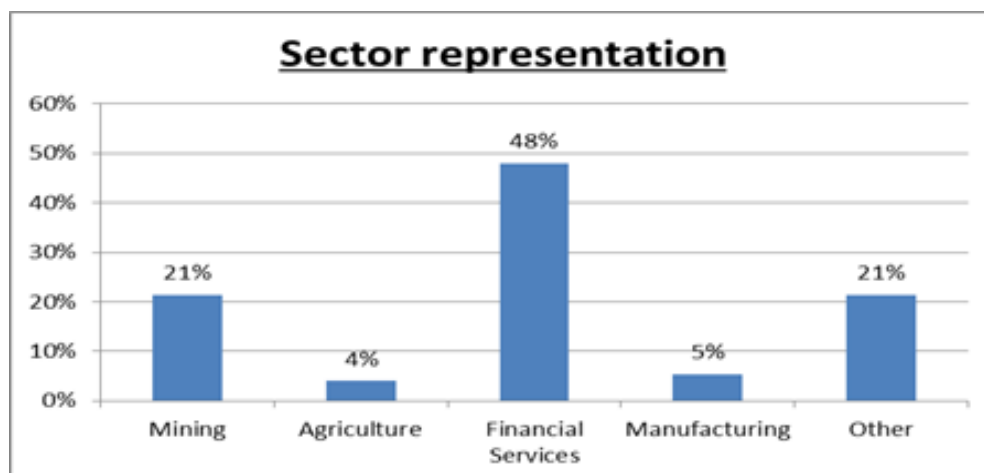
Gender representation

This was biased towards males with seventy-six percent against the female counterpart at twenty-four percent level of representation. In this case, they are two possible reasons for such an imbalance. The first is the fact that sixty percent of the questionnaires were distributed at a high level tax conference that was held in Victoria Falls in which fewer women might have attended with only forty percent having been distributed around Harare. Generally, women, especially those who are married unlike men, seem not to like travelling leaving their husband and kids at home for a number of days, hence this might have negatively affected their representation at the conference where the bulk of the questionnaires were distributed. Another possible reason for such a huge imbalance is the already observable gender imbalances at workplaces especially in developing countries. Specifically, in Africa, the culture has been that women are house wives and only men are expected to go to work and provide for the family. Although there has been a shift as women representative pressure groups fight for gender balance, female employees are still less compared to men. For those women who have taken up formal employment, only a few are already at very senior levels to represent their organisations, hence the possible reason for lower representation in this study.

Business sector representation

With regards to sector representation, financial sector was largely represented compared to all other sectors scooping forty-eight percent of the total sectorial respondents. Figure 4.1 presents the overall sectorial representation statistics.

Figure 4.1: Business sector representation



Source: *Primary data (2017)*

The dominance of respondents from the financial services sector is largely explained by the location where the study was carried out. Harare is the hub of economic activities and tends to house more service companies that provide support to heavy manufacturing and agricultural activities that are mostly located outside the City Centre.

The least represented was Agricultural Sector at four percent and Manufacturing Sector at five percent. In addition to the fact raised above that manufacturing and agricultural companies are generally located away from the Harare City Centre, the decade of economic hardship had seen agriculture and manufacturing capacity utilisation souring down as many companies halted operations. Very few companies in these sectors have survived the gun, hence the possible reason for such a lower representation.

On the other hand, the mining sector was represented by twenty-one percent of the respondents. Given that registered and operational mining companies are generally few, such level of representation was highly commendable. Such greater participation can be attributed to the noise that has engulfed the sector recently as it appears to be the current pillar of the economy. As such, tax authorities have been chasing mining houses on tax issues with a blitz targeted tax audits. The researcher believes that the above situation has made miners more interested to participate in this survey, hence such a great proportional representation.

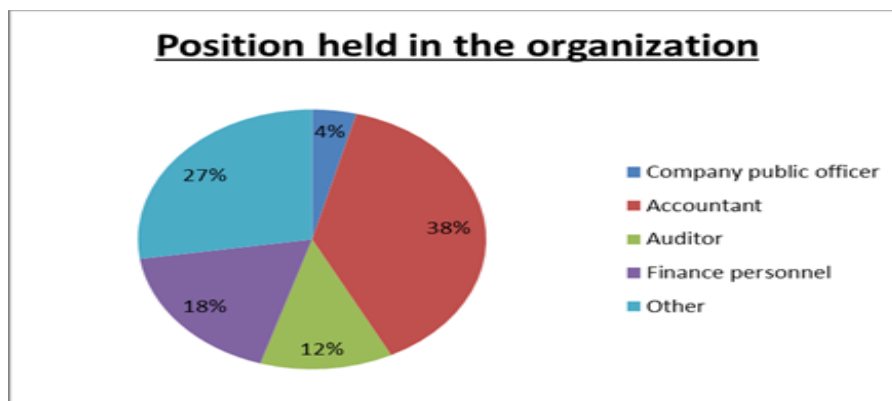
Twenty-one percent of the respondents were from various other sectors different to those which have been specifically identified on the questionnaire which included Transport and Logistics, Security Services, Information Communication and Technology as well as Health. These respondents were chosen purposively because they have been levied with garnish orders for tax liabilities over the period under study; hence the researcher wanted to understand why they were not paying their taxes and also document their opinions on what they think tax regulators must do motivate them to comply with tax laws. This made them a very important group in this study because they were actually battling legal tax issues due tax non-compliance.

Respondent's position held in the organisation.

The employment position held by respondents within their organisations was considered important in this study, largely due to the high technicalities usually

considered to be associated with taxation subject in theory and practice. Figure 4.2 summarizes the positions held by respondents in this survey.

Figure 4.2: Participant's organisational position



Source: *Primary data (2017)*

Analysis of Figure 4.2 show that each suggested employment position was represented at least by a minimum of four percent of the respondents, with accountants being highest at twenty-seven percent representation level. In aggregate accountants and finance personnel represented fifty-six percent of the total participants with regards to position held in the various companies that participated. This is a good indication that the research participants were well targeted because it is the practice in all organisations that accountants and generally finance personal are tasked to compute and settle corporates tax obligations since they possess the required competences and skills to deal with the complexities and technicalities taxation brings into the running of a tax compliant corporate citizen.

Less represented employment positions were company public officer with four percent and auditors at twelve percent of the total respondents. The reason being that organisation has only one public officer responsible for handling all company statutory issues at highest level. In addition, because company public officers occupy a higher office, they are difficult to involve in surveys due to their busy schedules, hence the least representation. It is almost the same reasons for lesser representation of auditors, they are usually very small departments at times manned by at most two employees, with some companies outsourcing the internal audit services.

Twenty-seven percent ticked other on company position held. However, analysis of the specified positions revealed that they were mostly accounting and finance positions which were simply identified with some specific and special names. In this regard, some respondents identified themselves as Administration Clerks, Financial Administrators, Treasury Managers and Accounts Supervisors, which all are basically finance and accounting roles, and more often deals with tax issues as well.

Level of education

In view of the above, another important aspect was the highest level of education attained by the respondents. This also helped to check if the participants would be considered competent to understand and provide reliable responses to the tax compliance debate. Results show that 82.7% of the respondents have attained at least a university degree or a professional qualification. This group was the majority mainly because university degrees and professional qualifications have been considered

prerequisite qualifications in many employment vacancies; hence the greater chance that every employed person is a holder of some qualification relevant in that field of work.

Sixteen percent of the respondents were holders of a Master's Degree while only 1.3% has attained a Doctorate. These two low percentages are largely attributable to the nature of participants that have been targeted by the study. Personnel trained in finance and accountancy professions usually after attaining the first degree or professional qualification and secured employment; tend to find it difficult to further their studies due to time constraints. Due to nature of their work, accountancy and finance personnel largely spent their time in offices enduring long working hours. In this view, only a few will squeeze to ensure balance between work and academic progress demands will manage to upgrade their studies. The above analysis show that respondents were very educated to articulate tax compliance issues present within their organisations. These conclusions meant that respondents were relevant participants to facilitate the attainment of the main objective of this research study and this also contributes to the reliability that can be placed on the research findings.

Period served by the participant in the organisation.

One would not expect an employee who recently joined an organisation to objectively represent that organisation's stance towards tax compliance. In this view, it was also very important to document and report the average length of service of the respondents in this survey. Forty-five percent of the respondents have served their organisations for at least 6 years in relevant roles that allowed them interaction with tax issues and articulation of most tax matters of the organisations they represented. Another twenty-nine percent has served between 2-5 years, which is a long enough period to evaluate the organisation's tax compliance behaviours since at least two tax assessments would have been carried out and lodged with ZIMRA during such a period. Such comparably long period of service can be attributable to lack of career opportunities as the country's economy continues to dwindle.

On the other hand, twenty-six percent of the respondents had served less than 2 years. This provides evidence of job opportunities that should have been filled during the period. With the worsened economic situation, some professionals have left the country to job hunt overseas and this has resulted in relatively high labour turnover. All in all, for the purpose of this study, at least seventy-five percent of the respondents have spent longer periods at their organisations which effectively placed them in a good position to demystify taxation issues in their organisations.

Reconciliation of the above account on the general characteristics of the respondents testifies that participants were well represented across gender and all sectors; they also possessed higher qualification levels and occupied relevant organisational positions that warrant effective discussion of company tax matters with satisfactory objectivity levels. Respondents have on average served lengthy period to represent views of their organisations on tax compliance. In view of this preceding summary of respondents' characteristics, one can conclude that findings of this research can be reasonably relied upon.

4.1 Taxpayer knowledge about tax issues and business taxation laws.

Ninety-six percent of the respondents demonstrated strong knowledge of types of taxes applicable to their organisations. In some instances, more tax heads were recorded in addition to those that were provided on the questionnaires, further strengthening their knowledge of tax obligations they are expected to honour. The above knowledge was converted to actual payment of taxes as seventy-nine percent of the respondents confirmed that they were settling their tax liabilities as and when they fall due.

However, twenty percent of the respondents argued that sometimes they do not settle their tax obligations due to the lack of liquidity that has engulfed the country. They stressed that taxes are not paid from profit figures but real cash flows are required, thus liquidity constrain have been the major stumbling block why they have failed to pay taxes. One percent maintained that they do not pay tax because they have not realised any benefit of doing so and they have never been penalised for not complying hence there was no need to waste their hard earned financial resources.

On the other hand, four percent confirmed that they were not aware of all taxes they should be observing as per statutory requirements of their operations. These four percent respondents argued that it was difficult to have full understanding of applicable tax heads because tax law and policies in Zimbabwe were constantly changing making it so uncertain and difficult to follow.

Furthermore, high taxpayer knowledge was also reflected by taxpayer's ability to articulate various mechanisms ZIMRA has put in place to assist taxpayers in the process of meeting their obligations. In this regards, all respondents managed to identify at least one valid way ZIMRA has used to assist taxpayers in meeting their tax liabilities. The most identified way was the gazetted tax amnesty period which was identified by sixty-one percent of the respondents. This result seems to suggest that tax amnesty can be effective in assisting taxpayers to regularise their tax positions. Other correctly identified ways of assisting taxpayers were the availability of tax returns electronic filing platforms, opportunities to negotiate payment plans and waiver of interest and penalties among other things.

On the other hand, seven percent of the respondents explicitly said that ZIMRA does not assist taxpayers in any way; in any case they like seeing them defaulting so that they can charge interest and penalties which help the authority to meet overambitious revenue targets. This sentiment expressed above by seven percent of the respondents can be attributed to the

ZIMRA blitz on taxpayers that has been evidenced by volumes of garnish orders companies have been served with by the tax administrator. The garnish orders explicitly reflected huge amounts of interest and penalties levied of assessed tax liabilities. The seven percent argued that ZIMRA should be more lenient with taxpayers assisting them to discharge tax obligations rather than using techniques that kill the geese laying the golden eggs. In addition, taxpayers demonstrated high levels of tax knowledge and laws by their ability to identify the possible causes of the 3 billion tax gap that was reported by ZIMRA. They also managed to relate the causes of the tax gap to economic environment that has prevailed during the study period. In this regard, twenty percent of the respondents mentioned cash flow challenges as one of the reasons why tax debt has continued to spiral. They argued that companies had constrained cash flows to enable them settle tax liabilities as they were not spared from the worsened liquidity crisis in Zimbabwe.

Another twenty percent of the respondents linked the huge tax debt to tax corruption activities perpetrated by ZIMRA officials. These respondents argued that corruption levels were so high that huge amounts of tax revenue have found its way into personal pockets of ZIMRA officers rather than into the country coffers. They further argued that ZIMRA efforts to meet revenue targets were being thwarted by its own greed employees who continue to connive with taxpayers in tax evasion activities that benefits individuals at the expense of the tax administrator and the country at large. Seventeen percent of the respondents blamed ZIMRA for the huge tax debt saying that the tax collector was not effectively following up all tax defaulters. They argued that there was

a tendency of chasing up only bigger corporations while neglecting relatively smaller corporations for quite a long time. Such a practice meant that by the time ZIMRA decided to assess tax liabilities of these small registered taxpayers, their tax debt would have ballooned and it will be added to the existing tax gap.

Twelve percent blamed tax authorities for gazetting exorbitant tax rates that are difficult to comply with especially in this harsh economic environment in which taxpayers have been battling to survive. They argued that effective tax rates goes up to above 50% when companies compute effectively what they pay to various tax regulators, thus it made it easier for companies to default than to pay.

On the other hand, thirteen percent of the respondents argued that the huge tax gap was caused by inefficient and ineffective tax collection system used by ZIMRA. They argued that the reported +/-3billion tax gap might actually be overstated or understated. These respondents expressed reservations on the statistics the authority have been reporting arguing that there was need to appoint an independent assessor of the actual tax gap because ZIMRA lacks the capacity to perform such an exercise.

Some ten percent of the respondents said that ZIMRA was not collecting taxes from companies that are owned or linked to powerful or influential people in this country. They argued that tax assessments for such companies will be carried out, however less will be done to enforce payment of any liabilities that would have been assessed, hence there is no double entry in such circumstances and the result is growing tax gap.

The above opinions concerning the possible causes of the huge tax gap were found to be very valid, hence provide testimony to the high level of tax knowledge possessed by respondents, asituation which improves the reliability of the research findings.

4.2 Efficiency of ZIMRA client service system.

The client service system was positively commended by seventy-five percent of the respondents. They cited various reasons for their demonstrated gladness about Zimra client service system which included the relentless effort by the authority to consistently notify taxpayers on tax changes via various media. The above respondents applauded Zimra client service departments for taking their time to assist taxpayers on their queries and effectively directing taxpayers with queries to relevant sections of the organisation for further assistance were necessary.

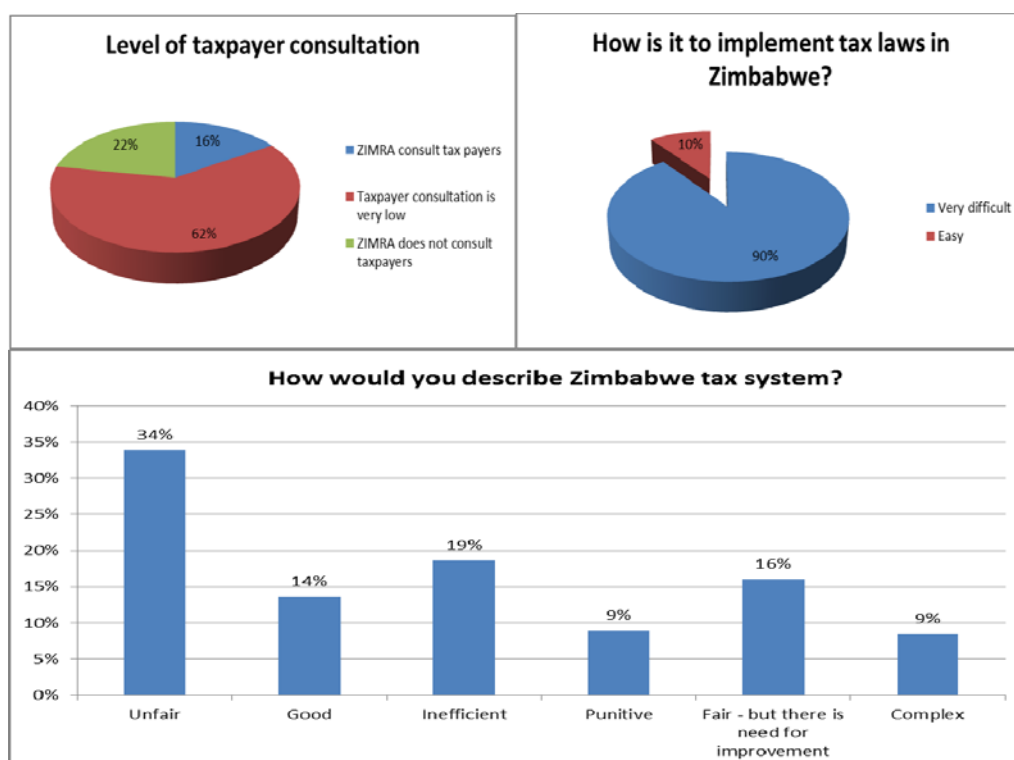
On the other hand, twenty-five percent of the respondents had a different view concerning the service levels demonstrated to them by the ZIMRA client service section. They argued that the service level at ZIMRA is below expected standards. In this view, respondents bemoan the amount of time given to taxpayers to appreciate new tax laws before they became punishable.

It can however be concluded that the level of service offered to taxpayers by the client service section is highly commendable confirming the efficiency of the client service system. The basis of the conclusion being that the cited challenge of limited time given to taxpayers to appreciate new tax laws cannot be objectively levied against the client service system, but probably to the regulator which assumes the mandate to create laws.

Evaluation of Zimbabwean tax system.

Zimbabwean tax system was evaluated using three sets of questions and the results are presented in Figure 4.3.

Figure 4.3: Evaluation of Zimbabwean tax system.



Source: *Primary data (2017)*

According to Figure 4.3, thirty-four percent of the respondents concluded that Zimbabwe tax system is unfair. These respondents argued that the system does not give taxpayers enough time to regularize their tax positions and quickly effect interests and penalties at unimaginable interest rates which reflects the punitive mindset of the authority.

On the other hand, sixteen percent argued that it was fair, however they noted the need to improve it. They argued that there was need for some tax reforms that can address reported short falls being cited by taxpayers; otherwise the greater part of the system was fair enough to discharge its mandate. These respondents said that most taxpayers were simply looking for excuses for not complying with taxation laws, hence blaming the system for un-proven lack of fairness. The system was also described as punitive by nine percent of the respondents. These respondents bemoaned the blanket use of penalties and interest on tax liabilities as a punitive one size fit all approach of ensuring compliance. They argued that there was a need to treat taxpayers tax issues on a case by case bases otherwise a global approach has punished would be compliant taxpayers.

Furthermore, another nine percent of the respondents concluded that the tax system was highly complicated. They expressed concern over difficulties involved in the whole process from computing taxes to the filling of tax returns. This analysis is also supported by cumulative fifty-seven percent of respondents who reported that they have approached tax experts outside their own organisations to get professional advice and legal opinion on various tax issues over the period. On the other hand, fourteen percent of the respondents rated the tax system as good; however, they did not provide their argument for such a rating. One of the possible reasons for this is that such respondents might have been from sectors considered less tax burdened or they might be enjoying huge tax concessions by the nature of their operations. It might also be that they are evading tax totally without being caught by ZIMRA; hence to them such a system that has undetected loopholes proves to be a good system. These are all just possible reasons that might need to be evaluated in another separate research study in the future.

The overall evaluation of the Zimbabwean tax system requires due consideration of the level of taxpayer consultation by tax authorities on tax matters as well as taxpayer perspective on the easiness of tax laws implementation in Zimbabwe. According to results presented in Figure 4.3, sixty-two percent of taxpayers argued that existing level of taxpayer consultation is very low, twenty-two percent charged ZIMRA and MOF with 100% non-consultation and sixteen percent defended these two authorities stressing that they do consult taxpayers on tax issues.

Turning to the easiness of implementing tax laws, ninety percent of the respondents confirmed that it was very difficult to implement tax laws in Zimbabwe as taxpayers were divorced to the system that brings these laws into existence. The above respondents argued that the ambiguous nature of tax law together with the failure of the law to be specific in most case has been the major contributor to the difficulties associated with tax law implementation in Zimbabwe.

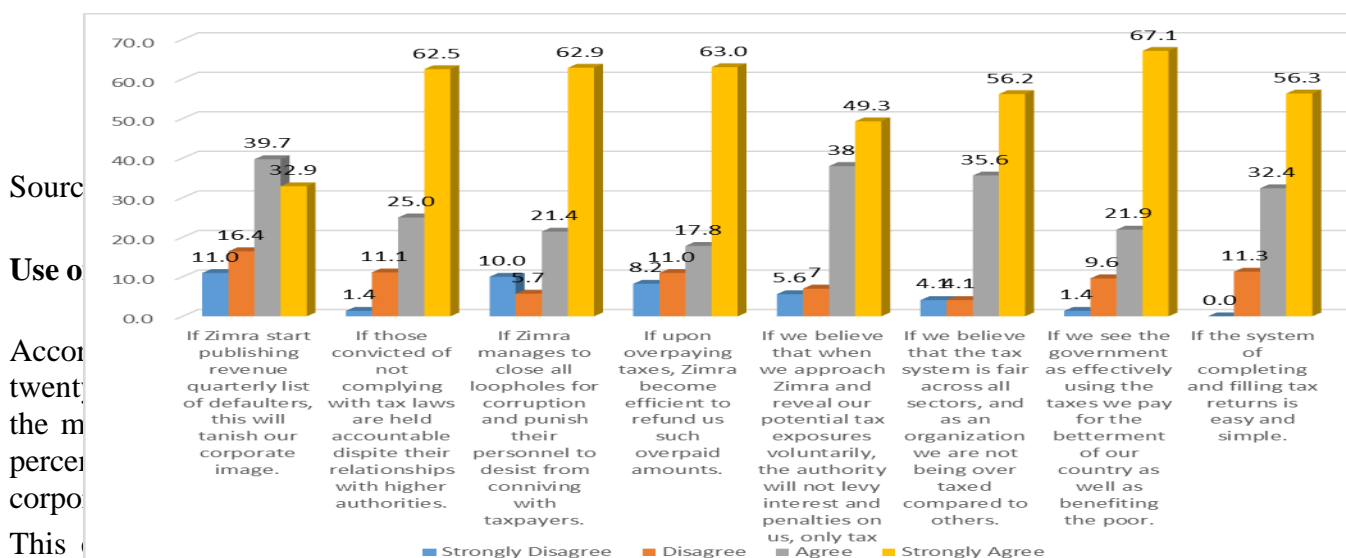
Critical evaluation of the above responses suggests that Zimbabwean tax system is far from being efficient enough to deliver results in a fair mode without punishing taxpayers. The fact that tax regulators and administrators do not consult all taxpayers as important stakeholders and the difficultness faced in implementation of tax laws jeopardise the robustness of current tax system. The above statistics are a clear testimony that the Zimbabwean tax system does not subscribe to global best practices largely because it lacks stakeholder consultation.

4.3 Factors affecting taxpayer compliance behaviour in Harare.

Factors that influence taxpayer compliance behaviour were divided into two categories, category one being factors that motivate taxpayers to pay taxes and category two being factors that de-motivate taxpayers to honour their tax obligations. Results of respondents' opinion on the effect of motivational factors using a 4-point Likert scale that range from strongly disagree, disagree, agree and strongly agree are presented in Figure 4.4 under section 2.7.1 of this chapter.

4.3.1 Category 1 – Tax compliance motivational factors.

Figure 4.4: Tax compliance motivational factors



wealth imbalances as such they should always be used for the benefit of the general public. They stressed that any misuse by ZIMRA or the government itself of public funds will demotivate themselves to comply with tax laws. In this view, the respondents

reported that they noted with concern some traces of such misuse such as government ghost workers wage bill, as well as funding political agendas which have no economic benefit to the country.

On the other hand, eleven percent of the respondents argued that they were not influenced by how taxes collected were finally used by the government. These respondents highlighted that the government was doing its best to effectively distribute the little being collected in taxes during these hard economic times in which most companies have closed business operation further shrinking the tax base.

Efficient refund of overpaid taxes

Taxpayers considered efficient refund of any overpaid taxes as a strong motivator for complying with business tax laws. As shown in Figure 4.4, sixty-three percent of the respondents strongly agreed with eighteen percent again agreeing that efficiency in the refund of any tax overpayments matters most in their willingness to voluntarily comply with applying tax laws. This represents eighty-one percent cumulatively of respondents who agreed to this opinion.

The argument of the above eighty-one percent of the respondents was that receiving tax refunds from ZIMRA was close to impossible, with the authority opting for set-off with future tax obligations. These respondents emphasised that they were not happy with such a stance, hence they would rather be prudent in settling their tax liabilities which mostly result in them underpaying tax obligations until final assessments are completed.

However, the other twenty percent of the respondents disagreed with the above opinion, but did not support their stance with any reason. The only probable reason why there were not affected by the proposal to set off tax refunds with future tax liabilities is that these respondents had healthy cash flows to enable them run their operations smoothly, otherwise they should have been interested to receive their dues if it wasn't the case.

Accountability for non-payment of taxes

With regards to accountability for non-payment of taxes, a cumulative eighty-seven percent of the respondents argued that they will be motivated to comply with business tax laws when

those convicted of defaulting in tax payments are held accountable for such actions notwithstanding any relationships that might otherwise exist with higher authorities. These respondents bemoan the current culture in which tax irregularities reported by the Auditor General's office from time to time are literally ignored.

On the other hand, thirteen percent of the respondents disagreed with the above view and argued that whether or not tax defaulters are held accountable, as responsible corporate citizens they will remain motivated to honour their tax liabilities. They argued that it was a legitimate cause for the government to collect tax revenue so that public amenities and other economic projects can be spearheaded.

Closure of corruption loopholes within the ZIMRA tax systems

According to eighty-four percent of the respondents, closure of existing loopholes within the system as well as public punishment of ZIMRA personnel that connive with taxpayers will be a major motivator for tax compliance. These respondents argued that all tax scams reported are to a greater extent master-minded by ZIMRA officials who understand how their systems work. They urged ZIMRA that the moment they deal with these corrupt officers' tax compliance levels should automatically increase.

The other sixteen percent however disagreed with this opinion but did not elaborate on

why they did not agree. However, the most possible reason behind such a stance can only be that these sixteen percent of the respondents uphold strong ethical and moral standards, such that they strive to comply against all odds. In this view, their attitude to comply with tax laws will not be influenced by corrupt actions by tax officers and or other taxpayers, they simply stand for what is considered to be right.

Waiver of interests and penalties on voluntary tax liabilities disclosures

ZIMRA charges 100% penalties on outstanding tax, a scenario which doubles the tax exposure of taxpayers making it harder for them to discharge the resultant tax liability. In addition to the penalties, the tax administrator also levies interest on such tax arrears, further worsening the tax liability. In this regards, cumulative eighty-seven percent of the respondents agreed that waiver of interests and penalties on tax liabilities voluntarily declared by taxpayers would effectively motivate them to comply with tax laws.

The above respondents agreed because in such a case where penalties and interests are waived for voluntary disclosure of tax exposures, it means that compliance will not increase their tax debt and thus they will be in a better position to settle the actual tax owing without much difficulties. These respondents argued that there were many taxpayers concealing tax exposures fearing the potential huge penalties and interest ZIMRA can levy against them. In view of the above, commitment by ZIMRA to waiver tax penalties and interests becomes a great motivator for taxpayers to comply with tax laws. On the other hand, the other thirteen percent simply disagreed without further explaining their basis of disagreement.

Publication of quarterly list of tax defaulters

Seventy- two percent of the respondents strongly agreed that publishing list of tax evaders on a quarterly basis will motivate taxpayers to honour tax liabilities. These respondents argued that no taxpayers would want to see its corporate image being tarnished through the publication of such a tax status as key stakeholders will come across it and possibly judge them. On the other hand, twenty eighty percent of the respondents disagreed with the idea of publishing names of tax defaulters. They argued that publishing names of defaulting taxpayers might destroy many businesses that were going to make good their debts someday. These twenty-eight percent of the respondents further highlighted that there was need to keep taxpayers' information confidential and allow them adequate time frames to settle their tax liabilities, arguing that a quarter was not a long time in business and would see almost every company at some time being published as tax defaulter given the prevailing economic hardships.

Simplification of the tax system

At least eighty-eight percent of the respondents strongly agreed that simplification of tax system with regards to compilation and filing of tax returns was a major motivator for tax compliance among corporate taxpayers. These respondents argued that simplification of the whole tax compliance process of computing, assessing and payment of taxes would greatly motivate taxpayers to honour their tax liabilities. This is because tax compliance will cease to be a relatively costly exercise as it is today where tax experts are hired at exorbitant costs to assist corporations to comply with tax laws.

The other twelve percent of the respondents disagreed with the opinion that the tax system was complicated, urging companies to ensure continuous professional development of their staff compliment so as to always have the required tax expertise in-house. These respondents

blamed most organisations for their reluctance to invest in human capital and described it as the major reason why most companies have viewed the existing tax system as complicated.

4.3.2 Category 2 – Tax compliance de-motivational factors.

Abuse of tax revenue

Sixty-eight percent of the respondents maintained that the misuse of tax revenue was the greatest de-motivator for corporate taxpayers' desire to comply with business tax laws. They argued that any failure to account for public funds by those who handle the collected tax revenue will be a shot in their own eyes because taxpayers have to a certain extent kept on eye on the final usage of taxes they pay as they expect better services in return of tax compliance. The above finding reconciles with the eighty-nine of the respondents who earlier on argued that the final use of collected revenue was a major determinant of their level of tax compliance during the discussion of factors that motivated settlement of tax obligations as perexisting business tax laws.

Failure by ZIMRA to enforce accountability for tax liability

The second major de-motivator according to seventy-one percent of the respondents is failure by ZIMRA to make a certain group of taxpayers accountable for their tax liabilities yet such debts were reported and included in the total tax debt. These respondents argued that companies affiliated to some senior government personnel were not being effectively followed up to ensure that they pay their taxes, and this has resulted in the continued growth of the tax gap.

These seventy-one percent of the respondents argued that it was not fair that certain companies were not made liable and accountable for their tax liabilities even though audit evidence of such liabilities has been made available to the public and maintained that such a culture will see more companies joining the bend-wagon of those not honouring their tax obligations. On the other hand, twenty-nine percent disagreed with the above opinion, arguing that it was the responsibility of the taxpayer to be accountable to the demands of the tax law without being forced to do so and as good corporate citizens they would continue to observe tax statute. The probable reason again for such a view by respondents may be that they uphold strong ethical and moral standards. Another possibility is that these twenty-nine percent respondents represented companies that were being referred as enjoying the benefits of being affiliated to influential individuals in the government.

High tax rates

Seventy-one percent of the respondents also argued that tax rates in Zimbabwe were generally too high to an extent of demotivating taxpayers to honour their tax liabilities. In this view, respondents argued that in certain instances the effective tax rate would be above fifty percent after consolidating all statutory payments that corporate taxpayers are required to observe and adhere to accordingly. These respondents stressed that such a scenario compromised the viability of their corporations, limiting their ability to grow and expand organically, hence most of the times leaving corporations without much options but to evade or at least avoid taxes.

However, twenty-nine percent of the respondents did not place any blame on the level of tax rates as the cause for the huge tax debt. These respondents argued that taxation was the only legitimate way any government can raise funds to ensure provision of public services and spur economic growth without committing to external debt that might otherwise come with strenuous terms and conditions. It is in this view that these respondents believe that tax rates in Zimbabwe were not too high to demotivate taxpayers especially those who understand the role of the government in ensuring social

and economic development.

Probability of being audited by ZIMRA

Sixty percent of the respondents disagreed that the probability of being audited by ZIMRA was so low such that they can decide not to comply with tax laws. These respondents argued that ZIMRA tax audits have been actually on the rise hence the chances of being audited was so high to deter them from tax evasion or avoidance practices. This is because the resultant interest and penalties that can emerge from such assessments can cripple taxpayers' operations and possibly forcing them to cease trading.

However, the other forty percent of the respondents believed that the chances of being audited were so remote that they would rather comply at their will without any fear of being audited. It is most probable that this group of respondents represented relatively smaller registered corporate taxpayers for which ZIMRA has never bothered to assess their tax returns and payments status. The reason for this also being that ZIMRA has tentatively focused on relatively larger corporations with financial muscle to pay any tax debt that the audit would have identified.

High levels of tax corruption spearheaded by ZIMRA officials

The continued fingering of ZIMRA management in tax corrupt activities also appeared a cause for concern with sixty seven percent of the respondents agreeing that such a trend will definitely de-motivate them to pay their tax obligations. They argued that there is no point to struggle trying to pay taxes when the officials who are supposed to enforce compliance were the ones at the forefront of fuelling tax evasion and offering tax avoidance services to taxpayers. Respondents reiterated that situations in which companies owned by ZIMRA management are found not to be complying with tax laws or are favourably treated in some way such as enjoying waiver on tax penalties and interest which other taxpayers were not enjoying clearly reflects the unfairness and lack of equity in the Zimbabwean tax system and would inevitably demotivate them to continue paying taxes as they fight for equality.

Number of operational tax categories

An interesting result was the effect of number of tax heads applying to business corporations in Zimbabwe on stance taken by taxpayers towards tax compliance. Fifty percent of the respondents believed that tax heads were too many enough to de-motivate them to pay their taxes. These respondents argued that the existence of many regulatory authorities all of which require a certain levy to the same taxpayer was a real cause for concern. They called for the consolidation of regulatory taxes and provision of a cap on the maximum effective interest rate an entity should be made to pay.

However, the other fifty percent of the respondents argued that applying tax heads were not abnormal in any way. Again these respondents emphasised that tax revenue was the only legitimate way governments use to raise revenue hence there was need to have various tax heads since this will increase the avenues for revenue collection. These differing views among respondents maybe supported by the earlier sentiments that the Zimbabwean tax system lacks fairness and equity, with certain sectors believing that they are highly taxed compared to others.

4.3.3 Other tax compliance motivational factors: Taxpayer perspective.

Respondents were asked to provide other factors they considered critical motivation for tax compliance which were not provided from the reviewed literature and the results are analysed and interpreted in the following paragraphs. Firstly, twenty-six percent of the

respondents identified that rewarding compliant taxpayers will be a greatest motivator to comply with existing business taxation laws. They argued that ZIMRA should incentivise taxpayers who have consistently settled their tax obligations over the years. These respondents viewed such rewards as very important because they will show ZIMRA commitment to encourage taxpayers to comply with tax laws. They further argued that such an initiative will also motivate tax evaders to comply tax laws since they will be expecting to benefit as well from such rewards.

The need to explain what collected taxes are used for which was earlier on discussed, was further emphasised by another fifteen percent of the respondents under this discussion of other motivational factors from taxpayers' perspective. This reflects how important this factor is in motivating taxpayers to comply with tax laws. These respondents maintained that any intervention aimed at increasing tax compliance, should consider payment and benefits; hence benefits or return for being compliant cannot be underestimated.

Eleven percent of the respondents argued that tax laws should be simplified to encourage compliance. These respondents argued that Zimbabwean tax laws and the tax system were very complicated to an extent that the majority of taxpayers seek expert services to interpret and assist in the application of business tax laws. However, these experts are hired at a cost which then makes tax compliance process costly and leave taxpayers choosing tax evasion than compliance.

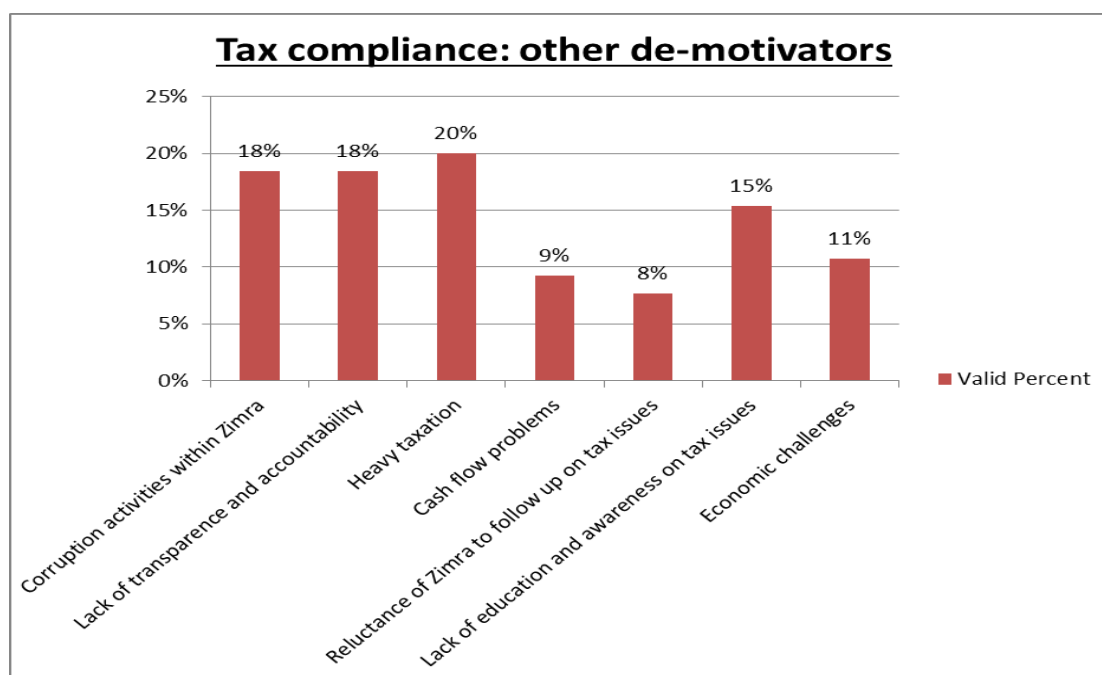
The need to simplify tax laws was also supported by another five percent of the respondents who argued further that the tax authorities should interpret tax laws to better understanding of taxpayers. They bemoaned the that lack of clarity in most tax laws, maintaining that such lack of clarity have de-motivated taxpayers to comply with ambiguous tax laws especially the recently gazetted transfer pricing policy to mention just one as an example.

Furthermore, regarding other motivational factors for tax compliance, thirteen percent of the respondents suggested that tax laws should be fair across all sectors to spur motivation to pay tax liabilities. These respondents argued that certain sectors of the economy were tax burdened while other sectors enjoyed huge tax concessions and such a scenario was demotivating other taxpayers, hence the call for tax fairness across all sectors. They further argued that to ensure that taxpayers are motivated to comply with tax laws, revenue collection should ensure fairness, equity, ability to pay, economic efficiency, convenience and certainty at all times. This demand for fairness was also stressed upon by seven percent of the respondents who said that ZIMRA should always listen to taxpayers' grievances and take action to solve them as a way of strengthening the partnership in revenue collection.

4.3.4 Other tax compliance de-motivational factors: Taxpayers perspectives.

Respondents were also tasked to identify other de-motivational factors to tax compliance and Figure 4.5 presents findings in this respect:

Figure 4.5: Tax compliance: other de-motivational factors



Source: *Primary data (2017)*

It is clear from Figure 4.5 that high tax rates actually demotivate taxpayers to comply with tax laws, as shown by twenty percent of the respondents who argued that high tax rates have negatively influenced taxpayers' tax compliance behaviour and led to huge tax gaps which revenue administrators have fruitlessly struggled to cover for a long period now.

In addition to the above, eighteen percent of the respondents criticised higher levels of tax corruption within ZIMRA while another eighteen percent again, pointed out lack of transparency in the revenue collection process and accountability of the collected revenues as major de-motivators to tax compliance. The above respondents strongly argued that corruption is a distinguished factor that influences tax compliance behaviour, concluding that there was actually a correlation both between tax evasion and corruption and between corruption and economic growth.

In addition, fifteen percent of the respondents indicated lack of education and awareness on tax issues as a major de-motivator for taxpayers to comply with tax laws. These respondents argued that the tax authorities were not doing enough to equip taxpayers with relevant tax knowledge and awareness that would demystify any complexities inherently found in any law language. This group of respondents concluded that the current levels of tax education and awareness being pursued by ZIMRA should be boosted perhaps by holding more stakeholder seminars and workshop on a per sector basis, thus further maintaining the need for tax awareness in enhancing tax compliance among taxpayers.

Further to the above identified de-motivational factors, nine percent of the respondents have pin-pointed cash flow problems the country has succumbed to for over a decade now as yet another de-motivator that has been faced by corporate taxpayers who would otherwise have loved to have a clean sheet on tax issues. These respondents argued that it was becoming extremely difficult to balance priorities between paying up tax liabilities first before processing operational expenses given the limited liquidity that would be available to the company. Taxpayers exclaimed that until liquidity improves, payment of tax obligations will be subordinate to other critical payments that ensure the financial viability of the enterprises. The above views were also supported by eleven

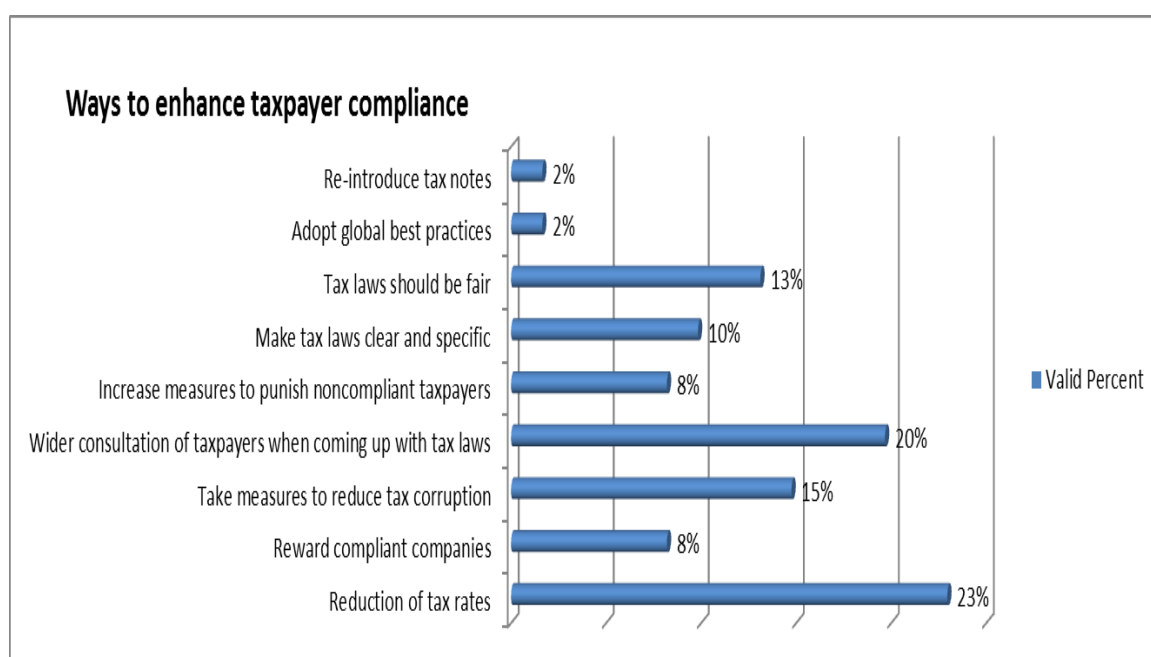
percent of the respondents who cited economic challenges that characterised the period under study as a major de-motivator to tax compliance.

Finally, nine percent of the respondents bemoaned the reluctance by ZIMRA to follow up on tax issues as a cause for concern in attempts to enhance tax compliance. As highlighted earlier on, the taxpayers argued that they were disheartened when no action was taken by relevant authorities to ensure recovery of tax liabilities uncovered by the Auditor General's office through their audit reports. These respondents demanded that responsible authorities should start following up on all reported tax irregularities, otherwise failure to do so might result in the de-motivation of those who have been currently complying and incite tax evasion.

4.4 Enhancing taxpayer compliance: The taxpayer perspective.

Following the investigation and documentation of the factors that affect corporate taxpayers' compliance behaviour with business taxation laws in Harare, the other important objective of the study was to identify measures ZIMRA can adopt to stimulate or enhance tax compliance levels among corporate taxpayers from the perspective of the taxpayer. In this respect, Figure 4.6 presents the research findings.

Figure 4.6: Ways of enhancing tax compliance



Source: *Primary data (2017)*

As indicated in Figure 4.6, twenty-three percent of the respondents believe that in order to enhance tax compliance, the respective authorities should review tax rates downwards. They argued that the current levels of tax rates were unsustainable and threatened the viability of businesses during this economic turmoil. They further explained that dynamics have changed since the time those tax rates have been gazetted, operations costs have soared to high levels and profits have been dwindling every year, while the liquidity crunch has continued to worsen. In view of the above discussion, the respondents maintained that tax rates should be reviewed and adjusted; mostly downwards in-order to suit the current economic environment, that way taxpayers will be motivated to co-operate with tax authorities and comply with tax laws.

Twenty percent of the respondents urged authorities responsible for coming up with tax laws and policies to undertake wide consultation of taxpayers during the law making process. These respondents argued that when taxpayers participate in the tax law making process, they are more likely to take ownership of the outcomes and will be more willing to comply with the provisions of such tax laws and policies. Respondents charged that taxation issues were not that very much complicated and difficult to confuse taxpayers as it appears today, however lack of consultation on part of tax law makers has further divorced taxpayers from tax issues making them foreigners to laws and policies they are required to observe and apply eventually, hence the need for taxpayer consultation.

Fifteen percent of the respondents challenged ZIMRA to take stern measures of reducing tax corruption that has caused a huge rot in its tax revenue collection system. In this regard, respondents argued that once all corrupt officials were uprooted from the system, loopholes would be closed and the system should become robust and water tight to enhance tax compliance. These respondents applauded ZIMRA for the current initiative of performing lifestyle audit of all its employees which they saw as already bearing fruits and effectively deterring employees from engaging in corrupt deals. It should be against the above views that another two percent of the respondents urged ZIMRA to adopt global best practices in the administration and collection of tax revenues.

Eight percent of the respondents believe that they should be rewarded for being compliant if they are to remain compliant. These respondents strongly argued that compliant taxpayers should get some form of appreciation for observing governing tax statute especially when most taxpayers continue to evade tax due to various justified or unjustified reasons. Financial and non-financial methods of rewarding compliant taxpayers such as tax holidays and annual special recognition were suggested by the respondents as means that can motivate them to comply with business taxation laws.

Furthermore, another eight percent of the respondents urged ZIMRA to introduce more mechanisms of punishing non-compliant taxpayers as an effective means of enhancing tax compliance. They argued that if other taxpayers have sacrificed to regularize their tax positions in this difficult environment, every other taxpayer could do so as long as ZIMRA demonstrate that they condone tax defaulting behaviour by heavily punishing those that are caught up in tax evasion. Respondents welcomed the stance by ZIMRA of denying noncompliant taxpayers provisional tax clearance certificates until they settle their tax obligations. They argued that such punitive measure was a wakeup call to potential tax defaulters since it threatens survival of their businesses.

Finally, ten percent of the respondents advised ZIMRA and all authorities involved in crafting tax laws to make sure that policies and laws they produce and usher into the business environment are very clear and specific. These respondents argued that noncompliance in most cases was not intentional among taxpayers, however some introduced tax policies and laws are vague and not specific about exactly how they are ought to be applied in practice. In this view, respondents expressed concern over the recent transfer pricing law that came into effect a year ago, arguing that ZIMRA only issued general guidelines which do not suffice to facilitate the actual process of applying such a comprehensive and complex tax law.

5. Conclusions and Recommendations

5.1 Conclusions

The study concluded that the purpose to which collected taxes are utilized was the overriding factor that determines corporate taxpayer tax compliance behaviour in

Harare. This was directly supported by eighty-nine percent of the respondents and further emphasised during the discussion of de-motivational factors during which fifty percent of the respondents argued that any misuse proved or perceived, of tax revenue by the government would strongly demotivate taxpayers to comply with tax laws and fuel tax evasion.

As knowledge and understanding of tax affairs is paramount to the achievement of voluntary tax compliance among taxpayers, the study concluded that one hundred percent of the respondents to the survey that was carried out possessed in-depth knowledge and understanding of tax matters. This was demonstrated by the fact that taxpayers knew all tax heads their organisations were obliged to observe due to the nature of their operations. Such higher knowledge level was also reflected by the taxpayers' ability to articulate well possible causes of the huge tax gap that was reported by ZIMRA as well clearly identify the major mechanisms ZIMRA had put in place to assist taxpayers to discharge their tax liabilities.

The study also confirmed that effective, efficient and timeous refund of overpaid taxes, ensuring accountability for non-payment of taxes, closure of tax corruption loopholes, waiver of interests and penalties on voluntary tax liability disclosures, quarterly publication of tax defaulters and simplification of tax laws all positively influence tax compliance behaviour among corporate taxpayers. Additionally, the study concluded that the need to reward compliant corporate taxpayers and consideration of taxpayers' grievances as other important factors that promote tax compliance.

On the other hand, whenever taxpayers are not motivated to comply with tax laws, they will definitely engage in tax evasion practices. In this view, this study concluded that the existence of too many tax heads, high tax rates, misuse of tax revenue, and high cost of tax compliance as well as tax corruption perpetrated by ZIMRA officials indeed stimulate tax evasion behaviour. The study also confirmed that cash flow problems, lack of transparency and accountability in the tax system, lack of education and awareness on tax issues as well as reluctance by ZIMRA to effectively follow up tax defaulters as other major factors promoting tax noncompliance in Harare.

It was also the objective of this study to populate, from the perspective of the taxpayer, ways or approaches ZIMRA can implement to enhance tax compliance. This study concluded that taxpayers believe that they will be motivated to comply with tax laws if tax rates are reduced to suit the current economic environment, ZIMRA undertakes initiatives to reward compliant taxpayers and take strenuous measures to reduce tax corruption. The study also concluded that wider consultation of taxpayers during the crafting of tax laws as well as ensuring that the resultant tax laws are fair, clear and very specific, were major motivational factors towards tax compliance from taxpayers' perspective.

Finally, the study also concluded that the ZIMRA client service system was reasonably efficient to deliver its mandate. However, the study confirmed that Zimbabwean tax system was still far to discharge the entire tax services in an efficient and fair approach. The study concluded that the system remains unfair across sectors, is very punitive on taxpayers as it focuses only on collecting tax revenue without due consideration of taxpayers plight and dynamic changes that have occurred since the tax laws were introduced. Lastly, but not least, the tax system is highly complicated by the ambiguous nature of the tax laws that makes them very difficult to understand.

5.2 Recommendations

From the above conclusions, the researchers would like to make the following recommendations.

5.2.1 Recommendations to Ministry of Finance.

1. Review and reduce tax rates

Given the persistent economic turmoil fuelled by the global liquidity crunch, the majority of taxpayers have been facing serious cash flow problems which made payment of huge taxes subordinate to other critical operational payments. It is important to note that taxes are calculated against profits earned; however, their payments require real liquidity to facilitate settlement. In this view, Ministry of Finance as the regulator of tax laws in Zimbabwe should seriously consider reducing tax rates so that corporate taxpayers' tax liability matches the amount of liquidity available in the economy. This way, taxpayers should be more willing to comply since their tax liabilities will be aligned to cash flows availability.

2. Ensure wide stakeholder consultation in crafting tax laws

It is extremely important that Ministry of Finance secure taxpayers' buy-in on all new laws before they come into effect. In this view, it is recommended that Ministry of Finance undertake wider stakeholder consultation on all proposed business tax laws as this will largely enhance compliance by taxpayers as they feel sense of ownership of the laws due to their initial involvement during the law making process. However, it is important to note that consultation does not mean that the authorities will necessarily have to bow down to the demands of taxpayers, it is just important to clarify issues and operational logistics of any new law.

3. Make business tax laws very clear and specific

Given the high costs associated with ensuring tax compliance, it is hereby recommended that Ministry of Finance writes tax laws in simple plain language that a reasonable person with general understanding of tax matters will be able to articulate tax laws and comply without seeking costly services of tax experts. In addition to making laws clear, Ministry of Finance should make sure that the provisions of any new tax law are very specific that taxpayers are not left to make assumptions as to the actual meaning and application of such a piece of tax legislation.

Recommendations to ZIMRA

1. Increase measures to curb tax corruption engineered by ZIMRA officials

Taxpayers have applauded ZIMRA for its initiative to carry out lifestyle audits for all its employees. This stance has started bearing results with some tax corrupt funds being recovered and several corrupt officers convicted or at least suspended pending investigations. In this view, ZIMRA is urged to introduce more measures to wit corruption behaviour out of ZIMRA employees. This is very important because if tax evasion is initiated by those who have been vested with authority to enforce compliance then those who should be enforced find no motivation to comply with tax laws.

2. Consistent follow up of all tax defaulters

The emphasis here is put on the word "all". Findings suggest that ZIMRA has been reluctant to follow up all tax evaders, placing much focus on audit of bigger operations thought to be still having the financial muscle to pay whatever tax liabilities that might arise following audits. However, tax proceeds from targeted blitz on large corporations cannot cover the tax gap caused by noncompliant small players in the industry. In this view, ZIMRA is strongly urged to follow up all taxpayers irrespective of financial muscle size. However, the major

objective here should be to assist them to comply not to punish them.

3. Reward tax compliant taxpayers and punish tax evaders.

ZIMRA should openly reward all tax compliant taxpayers and punish evaders of tax. This move should deliver justice to tax compliant companies as they see themselves benefiting something that tax evaders does not have access to. In this case there won't be any appetite to evade tax since by doing so one loses benefits for compliance while making themselves vulnerable to strenuous punishments that might cost continued existence of such business ventures.

4. Periodically offer tax amnesty periods to taxpayers

The study confirmed that tax amnesty provides taxpayers with an opportunity to declare their tax exposures without fear and organise payment plans with ZIMRA. This route of encouraging tax compliance will be cheaper to ZIMRA due to saved audit and investigation costs because taxpayers will be voluntarily disclosing their tax liabilities. Adopting this approach more should see ZIMRA closing the current huge tax gap in a cost effective manner. It is therefore recommended that ZIMRA gazettes more tax amnesty periods.

References

- Ajzen, I. (1985), *From intentions to actions: A theory of planned behaviour*. Berlin Heidelberg, New York: Springer-Verlag.
- Allingham, M, G. and Sandmo, A. (1972), 'Income Tax Evasion: A Theoretical Analysis.' *Journal of Public Economics*. vol.1, pp.323-338.
- Alm, J. (1991), *Tax compliance and administration*. Georgia state university: Economics department at Andrew Young School of policy studies.
- Alm, J., Jackson, B., and Mckee, M. (1992), 'Estimating the determinants of taxpayer compliance with experimental data.' *National Tax Journal*. vol. 45, no. 1, pp.107-114.
- Andreoni, J., Erard, B. and Feinstein, J, S. (1998), 'Tax compliance.' *Journal of Economic Literature*. vol. 36, no. 2, pp.818-860.
- Bahl, R. (1989), *The political economy of the Jamaican tax reform: In lesson from fundamental tax reform in developing countries*. Duke University Press.
- Bame-Aldred, C., Cullen, J., Martin, K., and Parboteeah, K. (2011), 'National Culture and firm-level tax evasion.' *Journal of Business Research*. vol.66, pp.390-396.
- Bardopoulos, A. M. (2015), *eCommerce and the effects of Technology on Taxation*, 2015 Edition. Switzerland: Springer International Publishing.
- Barone, G. and Mocetti, S. (2011), 'Tax Morale and Public Spending Inefficiency.' *Journal of International Tax and Public Finance*. vol. 18, no. 6, pp.724-749.
- Batrancea, L. M. and Nichita, R. A. (2012), 'Understanding the Determinants of Tax Compliance Behaviour As A Prerequisite For Increasing Public Levies.' *The USV Annals of Economics and Public Administration*. vol. 12, no. 1, p.15. Romania: Babes-Bolyai University.
- Berhe, R. and Sekhon, S. (2015), 'Taxpayers' Knowledge and Tax Compliance Behavior in Ethiopia: A Study of Tigray State.' *International Journal of Management and Commerce Innovations*. vol. 3, no. 2, p.1091

- Bonyongwe, W. (2016) Revenue Performance Report for the Year Ended 31 December 2016, available on www.zimra.co.zw , accessed 20 March 2017
- Bowling, A. (1997), *Research methods in health: Investigating health and health services*. Philadelphia: Open University Press.
- Braun, V. and Clarke, V. (2006), 'Using thematic analysis in psychology.' *Qualitative Research in Psychology*. [Online] p.77-101. Available from: <http://eprints.uwe.ac.uk/11735> .[Accessed: 26/5/2017].
- Brown, R.E. and Mazur, M.J. (2003). IRS's Comprehensive Approach to Compliance, Paper presented at National Tax Association Spring Symposium in May 2003, Washington D.C.
- BTI. (2016) Zimbabwe Country Report. Gütersloh: Bertelsmann Stiftung.
- Chigumira, G. (2014), 'Situational Analysis of the Zimbabwe Trading Environment: Enhancing Export Competitiveness.' Trade Exporter's Conference 2015 Meikles Hotel, Harare.
- Chirkos, A. Y. (2014), 'A Comparative Study of Compliant and Non- Compliant Individual Taxpayers in Ethiopia evidence from Amhara region.' *Journal of Economics and Sustainable Development*. vol. 5, no.24, p.10
- Collis, J. and Hussey, R. (2003), *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*. Palgrave Macmillan, Houndmills, Basingstoke, Hampshire.
- Creswell, J.W. (2009), *Research design: Qualitative, quantitative, and mixed methods approaches*, 3rd Edition. London: SAGE Publications Inc.
- Deve, L. (2014), 'Tax Revenue Mobilisation in Developing Countries: Issues and Challenges'. Directorate-General for External Policies of The Union – European Parliament.
- Doran, M. (2009), 'Tax Penalties and Tax Compliance.' *Harvard Journal on Legislation*. vol. 46, p.113.
- Doran, M. (2009), 'Tax Penalties and Tax Compliance.' *Harvard Journal on Legislation*. vol. 46, p.113.
- Elffers, H., Weigel, R. H. and Hessing, D. J. (1987), 'The Consequences of Different Strategies for Measuring Tax Evasion Behavior.' *Journal of Economic Psychology*, vol. 8, no. 3, pp.311-337.
- Evolutionary Theory of Public Good Provision*. Task Force for Greece, European Commission. Working Paper N.46 – 2014
- Feld, L. P. and Frey, B. S. (2002), 'Trust breeds trust: How taxpayers are treated.' *Journal of Economics of Governance*. vol.3, no. 2, pp.87-99.
- Franzoni, L. A. (2000), 'Tax Evasion and Tax Compliance.' *Encyclopaedia of Law and Economics*. Volume 4. Cheltenham, England: Edward Elgar Publishing.
- Freedman, D., Pisani, R., and Purves, R. (2007), *Statistics*, 4th Ed. New York: Norton Publications.
- Hashimzade, N., Myles, G. D. and Tran-Nam, B. (2010), 'New Approaches to the Economics of Tax Evasion.' Gareth Myles, Department of Economics, University of Exeter.
- International Monetary Fund (2015), *Current Challenges in Revenue Mobilisation: Improving*

Tax Compliance. Washington, D.C: International Monetary Fund.

Itashiki, M. (2011), *Explaining "everyday crime": A test of anomie and relative deprivation theory*. (Unpublished doctor of philosophy dissertation). University of North Texas.

Jackson, B. R., and Milliron, C. V. (1986), 'Tax compliance research: Findings, problems and prospects.' *Journal of Accounting Literature*. pp.125-165.

James, S. and Alley, C. (2002), 'Tax Compliance, Self-Assessment and Tax Administration.' *Journal of Finance and Management in Public Services*. vol. 2, pp.27-42.

James, S. and Nobes, C. (2000), *The Economics of taxation: principles, policy and Practice*, 7th Ed. Prentice-Hall.

Jenkins, G. P. (1991), *Tax Reform: Lessons Learned*. In *reforming economic systems in developing countries*. Cambridge: Cambridge University Press.

Jenkins, G. P. and Forlemu E. N. (1993), *Enhancing voluntary compliance by reducing compliance costs: A taxpayer service approach*. International tax programme. Harvard University.

Kirchler, E. (2007), *The Economic Psychology of Tax Behaviour*. Cambridge: Cambridge University Press.

Kopczuk, W. (2006), *Tax simplification and tax compliance: An economic perspective*. Columbia University: Sawicky Publishers.

Lamberton, C., Neve, D. and Norton, M. (2014), 'Eliciting Taxpayer Preferences Increases Tax Compliance.' Harvard Business School. Working Paper 14-106

Marandu, E., Mbekomize, C. J. and Ifezue, A. N. Research paper: Determinants of Tax Compliance: A Review of Factors and Conceptualisations. Available from: https://www.researchgate.net/publication/283183602_Determinants_of_Tax_Compliance_A_Review_of_Factors_and_Conceptualisations [Accessed Apr 17, 2017].

Maseko, N. (2014), 'Determinants of Tax Compliance by Small and Medium Enterprises in Zimbabwe.' *Journal of Economics and International Business Research*. [Online] Volume 2 (3) p48-57. Available from <http://www.projournals.org/IEIBR> . [Accessed 20 April 2017].

McBurney, D. H. (1994), *Research methods*, 3rd Ed. CA: Brooks/Cole.

Monyau, M. M. and Bandara, A. (2016). *Zimbabwe 2016*. African Economic Outlook.

Morse, J. M. (1994), *Designing funded qualitative research: Handbook of qualitative research*, 2nd Ed. Thousand Oaks, CA: SAGE Publications.

Ndemanyiso, A, J. (2014), 'Reflecting on Revenue Collection in Tanzania: What went wrong with Records Management?.' *International Journal of Education and Research*. vol. 2, no. 8, pp.483-498.

Ngotho, J. and Kerongo, F. (2014), 'Determinants of Revenue Collection in Developing Countries: Kenya's Tax Collection Perspective.' *Journal of Management and Business Administration*. vol. 1, no. 1, p.2

Sandmo, A. (2004). *The theory of tax evasion*. Discussion Paper 31/04. Norwegian School of Economics and Business Administration.

Tapera, M. (2014), *Taxation Principles in Zimbabwe, A comprehensive tax pack*, 2014 Ed.

Norton: Smartax (Pvt) Ltd.

Tapera, M. (2017), *VAT Concepts and Practise*, 2017 Ed. Harare: Tax Matrix (Pvt) Ltd.

Tapera, M. (2017), *Tax Principles in Zimbabwe*, 2017 Ed. Harare: Tax Matrix (Pvt) Ltd.

© GSJ

- Tapera, M. and Majachani, A, F. (2016), *Unpacking tax law and practice in Zimbabwe*, 2016 Ed. Harare: Tax Matrix (Pvt) Ltd.
- Tashakkori, A. and Teddlie, C. (2003). *Handbook of mixed methods in Social & Behavioural research*. Thousand Oaks, CA: SAGE Publications Inc.
- Tax Matrix (2015), *Monthly Tax Update*, November 2015 Ed. Harare: Tax Matrix (Pvt) Ltd.
- Tedds, L. (2007), 'Keeping it of the Books: An Empirical Investigation of Firms that Engage in Tax Evasion'. University of Victoria.
- The *Financial Gazette* (2017), 'ZIMRA intensifies SMEs crackdown.' 16-22 March.
- Torgler, B. and Schneider, F. (2007), 'The Impact of Tax Morale and Institutional Quality on the Shadow Economy.' *Journal of Economic Psychology*. vol. 30, pp.228-245.
- UK Treasury (2012). Budget 2012.
- Visser, C. B. and Erasmus, P. W. (2005), *The Management of Public Finance: A Practical Guide*. Oxford: Oxford University Press.
- ZIMBABWE. *Value Added Tax Act (CHAPTER 23:12)*. (2014) Harare: Print flow private Ltd.
- ZIMRA. (2016) *Revenue Performance Report For The Year Ended 31 December 2016* [online] available from: https://www.google.co.zw/search?q=revenue+performance+report+for+the+year+ended+31+december+2016+mrs+w.+bonyongwe+zimra+board&rlz=1c1vfkb_enzw646zw682&oq=revenue+performance+report+for+the+year+ended+31+december+2016+mrs+w.+bonyongwe+zimra+board&aqs=chrome..69i57j0j8&sourceid=chrome&ie=utf-8 [accessed: 26 April 2017].
- ZIMRA. (2017) *Benefits of Tax Compliance*. [Online] Available from: http://www.zimra.co.zw/index.php?option=com_content&view=article&id=2258:benefits-of-tax-compliance&catid=21:did-you-know&Itemid=91 .[Accessed: 25 April 2017].