

FACTORS AFFECTING TAX COMPLIANCE IN TANZANIA:
A CASE STUDY OF TANZANIA REVENUE AUTHORITY IN
DODOMA MUNICIPALITY

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the
Degree of Master of Business Administration of the University of Dodoma.

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CERTIFICATION

The undersigned certifies that has read and hereby recommended for acceptance by the University of Dodoma, a Research Thesis entitled: ***“Factors Affecting Tax Compliance in Tanzania: A Case Study of Tanzania Revenue Authority in Dodoma Municipality”***, in fulfillment of the Requirements for the Degree of Masters of Business Administration of the University of Dodoma.

.....

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DEDICATION

This research is devoted to my lovely wife (Shelida Rentus Ndubikile) for her diligent support and cooperation in my entire career life (morally, financially and spiritually). In addition, I devote the work to my lovely children (Aloyce Mabula, Alfred Mabula, Alphonse Mabula, Aaron Mabula and Alicia Mabula) for their great encouragement and sources of inspiration for me in life.

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ABSTRACT

This study explores Factors Affecting Tax Compliance in Tanzania: A Case Study of the Tanzania Revenue Authority in Dodoma Municipality. It attempts to examine the Tax Compliance which has encountered a number of challenges, such challenges as difficulties in tax collections /reluctance of people towards paying taxes and poor record keeping and non-issuance of receipts on sales made are some of the notable problems facing TRA within the context of tax management.

The study used a sample of 55 respondents and its methodology employed questionnaire, interviews and documentary review during data collection. Data were collected through questionnaire and documentary source such as journals, books and various organizations reports. Descriptive statistics summarized the information from the collected data and data collected were analyzed both qualitatively and quantitatively with a help of computer software programme called Statistical Package for Social Sciences (SPSS).

The findings of this study unveil that, tax evasion in Tanzania still exist despite the fact that there are tax policy, reforms and strategies as catalyst to increase government revenues. Change of business name, closing business during inspection, none use of receipts, incorrect sales records and hiding other businesses were identified as ways used to evade taxes. Small returns from businesses, high tax rates, tax knowledge, negative perception of taxpayers on government spending ,unaware of tax matters, the need of high profits, irregular follow-ups from tax authorities and probability of audits and penalties were identified as variables affecting tax compliance in Tanzania.

Likewise, divulged in this study is poor training done by TRA to its stakeholders, pitiable working condition and skimpy management, unfriendly working environment, and poor remuneration. Besides, the study also reveals that some fundamentally important facilities such as Offices are not friendly to facilitate proper executions of TRA responsibilities. Additionally, revealed from the study are very poor allocations of fund which escalated TRA to fail to conduct training programs for stakeholders that hinders the efficiency of TRA at large.

In view of that; the study recommends that the government need to increase effort to TRA in order to ensure that there is enough and sufficient tax collected for the purpose of increasing revenue at National level as well as Dodoma Municipality and to ensure that TRA stakeholders comply with all TRA regulations in paying tax . Moreover, the study recommends that education on tax compliance to the community is highly needed for the purpose of meeting the arranged target for revenue collection at Dodoma as well as at the entire level of TRA.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATO	Australia Tax Officer
CITN	Chartered Institute of Taxation of Nigeria
CRA	Canada Revenue Authority
IMF	International Monetary Fund
IRB	Institutional Review Board
IRS	International Revenue Services
OECD	Organization for Economic Co-operation and Development
SAS	Self Assessment System
TPB	Theory for Planned Behaviour
TRA	Tanzania Revenue Authority
UK	United Kingdom
US	United States
USC	United States Constitution
USDT	United Department of Treasure
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.0 Introduction

Everywhere in either developing and or developed countries taxpayers are controlled to self-declare their taxable activities and pay tax accordingly. The issue is what is referred to as a self-assessment tax system. Fulfillment of this obligation without the intervention of the tax authority is termed as taxpayers' tax compliance. Failure by a taxpayer to declare his/her taxable activities is known as non-compliance (Myles, 1995). Taxpayer compliance is therefore achieved when the taxpayer files all the required tax information at the required time and when the information filed accurately reports tax liability in accordance with the law applicable at the time the information is filed (Richardson and Sawyer 2001). In case the taxpayer intentionally fails to do the foregoing, such taxpayer is said to have engaged himself/herself in tax evasion. Besides, doing one's tax return is far from a simple and straightforward affair. Even where the taxpayer is sufficiently knowledgeable about the tax requirements, filing a tax return is a time consuming exercise. For example in 2011, the US Internal Revenue Service (IRS) estimated that the average American income taxpayer needed a minimum of 23 hours to file his/her return (Schnepper, 2012).

Given this typical complexity of tax legislation, taxpayers are normally provided with the option of filing a tax return with the assistance of a tax professional. A tax professional, also known as a tax consultant, tax practitioner or tax advisor, tax accountant or simply accountant/auditor, is a person recognized by a tax authority as sufficiently qualified to provide professional services consistent with tax legislation. Such professional services could be in relation to return preparation, tax advice and/or risk advice (Hite *et al.*, 2003).

For the purpose of this discussion, we will consistently refer to any person, whether natural or otherwise, who is legally allowed to provide any or all of the three types of services to a taxpayer as a tax consultant. It can thus be argued that the use of a tax consultant is intended to do away with the non-intentional failure to correctly declare taxable activities i.e. to foster taxpayer compliance.

Accordingly, the investigation of the study explores *Factors Affecting Tax Compliance in Tanzania, the case study of Tanzania Revenue Authority in Dodoma Municipality in particular*. It attempts to examine the Tax Compliance which has encountered a number of challenges, such challenges as difficulties in tax collections reluctance of people towards paying taxes and poor record keeping, change of business name purported to tax evasion and non-issuance of receipts on sales made are some of the notable problems facing TRA within the context of tax management.

Moreover, the chapter provides a general introduction of the subject addressed in the course of research project including but not limited to the definition of tax, a brief explanation of the importance of tax, as well as principles and objectives of tax; it also covers research objectives, problem statement and the significant of the study. Each of these components of this chapter will then be lengthened reasonably in subsequent chapters of this research paper.

1.1 Background of the Study

Historically, the formation of accountable and effective states has been closely bound up with the emergence of taxation systems (Moore, 2007). Evidences from Western Europe and later in North America show that equally beneficial arrangements between government and taxpayers help give governments an incentive to promote broad economic prosperity and improve public policies in ways that meet citizens' demands.

The OECD (2008) report on “governance, taxation and accountability” indicated that the recognition of the existence fiscal social contract was central to explanations of how representative government and democracy emerged in Western Europe and the United States. Citizens accepted obligations to pay tax in return for rights to be represented in processes of decision-making about how public money was raised and spent. American colonists in the 18th century captured this expected implicit contract between the state and the citizens in their famous protest, “no taxation without representation” (OECD, 2008). Brewer (1989) and Tilly (1992) explained that notably in Britain and the Netherlands from the mid-17th Century, governments actually were involved in tax negotiations with taxpayers that were based on some form of mutuality that created joint gains to both government and taxpayers. The fact that tax was negotiated and the “rules of engagement” specified, meant that voluntary tax compliance was more or less the norm and tax collection became less costly to administer, less burdensome and more predictable. This encouraged governments to undertake better long-term planning and businesses were encouraged to invest. Taxpayers in parliament adopted mechanisms to oversee revenue-raising and public expenditure management (Tilly, 1992).

The need to examine the issue of voluntary tax compliance as a subset of the broader body of knowledge on tax compliance as emerged, motivated by the inadequacies of the prevailing orthodoxies on tax compliance to capture the proportion of total compliance not accounted for by economic models. Allingham and Sandmo (1972) in their proposition based on economic perspective of tax compliance which provided a considerable basis for enforcement strategies to ensure compliance, had argued that tax rate, penalty and detection probability are the factors influencing taxpayers’ behaviour. In modelling tax compliance, the answer under the traditional theory of compliance implied by the Allingham and Sandmo’s model is fear of detection and punishment. However, the model has been criticized and several studies have shown the limitations of enforcement

strategies (e.g., Graetz and Wilde 1985, Alm, McClelland and Schulze 1992, Frey and Feld 2002). Specifically, Kornhauser (2007) submitted that this deterrence theory, however, accounts for only a minor portion of actual compliance levels. It has such poor explanatory power because it assumes that the decision to comply is based solely on a cost-benefit analysis in which people rationally weigh the benefits of non-compliance against the costs of detection and penalties. In this regards, Frey (1997) demonstrates that intrinsic motivation are also relevant for explaining compliance behavior.

The opinion of Frey (1997) is suggestive as stated previously, that there is unattended proportion of systematic compliance unexplained by enforcement mechanisms and the general deterrence theory and this creates the platform for examining voluntary compliance. In his contribution, Kirchler (2007) submitted that compliance might be voluntary or enforced compliance. Voluntary compliance is made possible by the trust and cooperation resulting between tax authority and taxpayer and it is the willingness of the taxpayer on his own to comply with tax authority's directives and regulations. Also, Voluntary Tax Compliance is a tax system based on taxpayers complying with the tax laws without being compelled by the tax authority to do so. Under this system taxpayers are expected to report their income, calculate their tax liability and file a tax return (Quadri, 2010).

Lubian and Zarri (2011) argue that several empirical studies have shown that taxpayers are more honest and may respond voluntarily in the fulfillment of their tax obligation than classic deterrence models inspired by the economics of crime approach would predict. They argued further that citizens may be driven by a positive moral attitude towards taxation thus it may not be appropriate to specify compliance behavior as a purely economic decision under uncertainty or simply a function of enforcements. Researchers (Frey and Feld 2002, Feld and Tyran 2002, Frey and Torgler, 2002) have attributed the

response of voluntary compliance to a set of intrinsic motivation or attitude often referred to as tax morale. Tax morale emphasizes that taxpayer' internal motivations, social norms, personal values, cognitive processes and sense of moral obligation to pay taxes can help to explain the motivation for voluntary tax compliance.

Thus positive morale may signal higher voluntary compliance while negative morale will signal lower voluntary compliance. Several studies have identified the factors that may elicit and maintain tax morale and stimulate voluntary tax compliance. According to Torgler and Schaltegger (2007) Socio-demographic factors which are generally agreed to be critical determinants of behavior have also been observed to influence tax morale. Most theories regarding the effects of socio-demographic factors on compliance behavior have been developed by social psychologists. Tittle (1980) argues that females may exhibit stronger positive tax morale suggestive of higher voluntary compliance than males. Tittle (1980) argues further that the reason could be that females are more risk averse than males.

According to Kirchgässner (2003), religiosity, measured as church attendance and the perceived degree of religiosity may also play a role in tax morale and voluntary compliance as those who take their religion to heart may find attempts of noncompliance is been "unrighteous". The finding of Torgler and Schaltegger (2007) also support this view as their results suggested a positive correlation between church attendance/religiosity and tax morale. Blumenthal, Christian and Slemrod (2001) reporting findings from a field experiment, identified the impact of moral persuasion on voluntary income tax compliance.

Levi (1988) argued that if it is perceived by the taxpayers that the rate of transformation from tax to public goods is low then the taxpayers will feel that the government has not kept its obligation of the contract, as a result, the tax morale will be affected negatively

which would result in deteriorating voluntary compliance. The OECD (2007) equally submitted that delivery of quality service to taxpayers will strengthen their willingness to comply with tax rules and regulation voluntarily as a result it will contribute to increased overall level of tax compliance. Cowell (1992) argued that the individual's perception of personalized inequity or equity can be rationalized and reflected in their tax morale and compliance behaviour.

Frankly speaking, taxation is bedrock for states to fulfill their responsibility and ensure their continuity is an unarguable axiom. As Rakner and Gloppen (2002) notes for most countries taxation goes hand-in hand with economic growth and taxes have become the lifeblood for governments to deliver essential services and to make long-term investments in public goods. The nexus between government accountability and voluntary tax compliance has emerged as a non-economic approach to modeling voluntary compliance based on the recognition that there exist a relational social contract between the state and the citizens.

According to Baskaran and Bigsten (2010), the state's fiscal capacity is influenced by the strength of this social contract. The social contract is bounded and strengthened by accountability relations between parties involved. Moore and Rakner (2002) notes that generally, accountability relations involves at least two parties; the one who has been entrusted with something that gives rise to the accountability obligation, and the principal who gave the mandate in the first place, or an agent delegated this authority. Democratic accountability is a special case where the principal is "the people" and the parties owing accountability are those entrusted with political power. Within the context of this social contract, voluntary tax compliance has been specified as a plausible outcome dependent on the perception of the principal that the terms of the social contract are been met.

According to Rotberg and Gisselquist (2009) it seems there is correlation between perception of governance accountability score and income tax revenue performance, for instance Nigeria had 2.5% as income tax ratio and good governance score of 49.6 %; South Africa was having 14.4 and 69.4% while Uganda had 3.8 and 57.9% respectively in 2006. Individuals in a given state accept and trust their government in general and voluntarily complies with the tax burden in particular, if the government and/or the state provide them with conditions that enhance and protect their human dignity, trigger their morality and respect for moral norms.

Tansey (1995) argues that for the citizens to have a sense of obligation to the state there must be a rational relationship between the citizens and the state. Tyler (1998) in his opinion submitted that this obligation is a basic requirement of the relationship between the citizens and the state suggesting that citizens are not an unwilling element, but a conscious and voluntary partner in such a relationship. Thus, for citizens to demonstrate support for the government, the state must have been seen to play its part. In this regards, Azeez (2009) notes that political obligation therefore is a function of the extent to which the state can better the lots of her citizens. If governments are perceived as accountable, more people will pay their taxes “voluntarily”, which lowers the need for coercion and generally reduces the costs of tax-collection. Conversely, if people do not see their governments as accountable, there is an increased likelihood that state demands for (new or higher) taxes will be met with protest and violence that is costly and might even jeopardize the position of those in power.

According to Everest-Phillip and Sandall (2009) the public perception of government accountability can influence their tax morale and voluntary compliance implicitly. Both authors argued that through payment of taxes the government is able to meet its obligations to the people. It follows therefore that how government goes about in

fulfilling these obligations should matter to the taxpayers because they provide the finance for its sustenance. As a result, governance affairs may have either positive or negative influence on the tax morale of taxpayers. The tax function creates a relational vertical contract between government and taxpayers which Lassen (2003) defined the expectation of requisite public goods in exchange for taxes paid as the terms of that vertical contract. According to the argument of quid pro quo, complying with tax law provision depends in part, on whether the political goods provided by the government are sufficient in return to the taxes they are paying.

Levi (1988) argues that if it is perceived by the taxpayers that the rate of transformation from tax to public goods is low then the taxpayers will feel that the government has not kept its obligation of the contract, as a result, the tax morale will be affected negatively which would result in deteriorating voluntary compliance. Taxpayers are sensitive regarding the way the government uses the taxes and as such the tax morale may be represented as a reflection of an input-output relation between what an individual pays with his/her taxes and what comes back from the government. Thus, individuals' tax morale might be influenced by rationalizing the benefits received from the government in form of public goods with taxes paid. Individuals might feel cheated if taxes are not spent adequately which may result in tax morale been crowded out.

Akpo (2009) equally stated that good governance entails the provision of quality public goods to the public and that where government fails to provide public amenities and infrastructure to the citizen in exchange for tax payment, citizen may become reluctant to pay tax. The study of Alm and Gomez (2008) established significant positive association between perception of the benefits to be derived from political goods and the willingness of taxpayers to comply with tax laws. Natufe (2006) argued that Nigeria is experiencing a fundamental crisis in public governance. In a similar vein, Abati (2006) notes that the

state of decay in Nigeria's public infrastructure and economic activity are reflection of poor public governance quality and the low tax morale and voluntary compliance may have become the aftermath effect.

Moore (1998) in explaining the weakness of tax-accountability relations in African countries, argued that aid and aid dependency has frustrated the development of a reciprocity based fiscal contract and the general governance accountability system. According to this perspective, the more states depend on unearned income the less accountable they will be towards their citizens and the more a state earns its income through the operation of a bureaucratic apparatus for tax collection, the more the state needs to enter into reciprocal arrangements with citizens about provisions of services and representation in exchange for tax contributions (OECD, 2008).

Taxation is the one of the important element in managing national income in any country and it has played an important role in economic development of various countries including Tanzania; this is because taxation is an imperative source of revenue for the government for providing various services to its citizens in the areas of health, education, infrastructures, public utilities etc. the main objectives of imposing certain taxes on the public is to generate revenue for the government to finance public expenditure (Lymer and Oats, 2009 :2) conversely the amount of revenue to be procreated by government from such taxes to meet its expenditure budget depends on among other things , the willingness of taxpayers to comply with tax laws of a particular country. (Eshang, 1983) failure to adhere to the provisions of the laws governing taxation implies that the taxpayer is non-compliant (kirchler,2007), non-compliance to tax befalls through failure to file tax return , misreporting allowable deductions from taxable income or tax due (Roth *et al.*, 1996).

Taxes apart from being an important source of revenue to central governments, have also other functions as suggested by Lymer and Oath (2009:2) including to reduce income inequalities through a policy of redistribution of income and wealth so that income gap between the rich and the poor is not as significant. Tax systems are also designed for discouraging certain activities which are considered undesirable and protecting the environments, for example the excise taxes on alcohol drink and tobacco are exercised to lessen consumption and thus inspire the healthier standard of living in the society. Taxes such as import duties could be used to protect local industries from foreign competition. This has the effect of transferring a certain amount of demand from imported goods to domestically produced goods.

Tax system in any country; be it in developed countries or in developing countries is being guided by various basic principles. Adam Smith in his book on '*The Wealth of Nations*' which was published in 1776 suggested that, a tax system is based on four basic principles, including the principle of equity, certainty, convenience and efficiency. In defining these principles of tax, Lymer and Oats (2009: 42) and Barjoyai (1987: 76) briefly defined the principles as follows: *Equity* means a tax system should be fair among individuals and taxes should be levied based on taxpayers' capacity.

Taxes can be classified into two main types: direct and indirect taxes. Direct taxes mean the burden (incidence) of tax is borne entirely by the entity or person paying it and cannot be passed on to another entity or person; for example corporation tax and individual income tax exemplify direct taxes. Indirect taxes are typically the charges that are levied on goods and services (consumptions) (Barjoyai, 1987:77); these include for example VAT (value added tax), excise duties and stamp duties, indirect taxes are not levied on individuals but on goods and services. Customers indirectly pay this type of tax in the form of prices charged by the service provider or seller of goods.

Dissimilar to indirect tax, direct taxes are centered on ability to pay principle in which principle the taxes to be paid are very obvious to the tax payer. The importance of tax system as the major revenue source in the country is undeniable (Slemrod, 1989); the statistics have evidenced that tax revenues are subsequent to the increasing trend of tax noncompliance to tax laws and regulations, particularly tax evasion and its consequences on the capacity of the government to raise revenue for public funding, enormous efforts have been vested on the issues of tax compliance globally by policy makers and researchers for the past few decades now. However, grand researches on tax compliance have been conducted in developed countries particularly the United States of America as compared to developing countries (Chau and Leung, 2009).

1.2 Statement of The Problem

Raising more domestic revenue is a priority for most sub-Saharan African countries (Drummond, et al., 2012). Mobilizing revenue through tax collection is a way for governments to build a strong fiscal base in providing indispensable public services, and reduce foreign aids and borrowing from both external and internal financial institutions and thus moderate resource dependence. However, the domestic tax bases in most African countries are undermined by widespread tax avoidance and evasion (IMF 2011). Although taxpayer non-compliance is a continual and growing global problem (McKerchar and Evans 2009), many indications suggest that developing countries, many of them in Sub-Saharan Africa, are the most affected (Cobham, 2005; Fuest and Riedel, 2009).

Dealing with the problem of tax evasion requires at least some understanding of the factors fundamental to the individual taxpayer's decision whether to pay or evade taxes. However, little is known about tax compliance behavior in developing countries (Andreoni et al., 1998; D'Arcy 2011, Fjeldstad and Semboja 2001). This study attempts to

explore factors that determine citizens' tax compliance behavior in Tanzania countries using attitude and perception basing on the research population of Dodoma Municipality.

Studying what factors determine tax compliance attitude and behavior in Tanzania is not only of academic interest; it is also important from a policy perspective. Attempts to broaden the tax base must build insights into how citizens experience and perceive the tax administration and enforcement, and whether and how their tax behavior is correlated with how they perceive the state. More systematic and coherent information on taxpayer attitudes are therefore required for better analysis and a more informed tax policy design. By empirically establishing which factors affect tax compliance in Tanzania, the paper derives feasible policy recommendations for policy makers and revenue administrations.

One of the main challenge in tax collection is achieving acceptable level of voluntary compliance and thus tax collection efficiency; which typically involves many factor used in combination with each other such as fines, audits probability, tax rates, knowledge, attitudes and perception, norms and fairness (Kirchle, Hoelzl and Wahl, 2008). Findings of prior research have indicated that in self- assessment system, taxpayers tend to comply less compared with direct assessments (Andreoni, Erard and Feinstein, 1998). This could happen due to unintentional noncompliance especially in the early years of the introduction of the self-assessment system due to the factors such as lack of familiarity with the new system, or general limited knowledge of tax issues where such knowledge was not required and has to be obtained somehow. Self-assessment system is essentially an approach whereby taxpayers are required to determine their taxable income, compute their tax liabilities and submits their tax return basing on the existing tax laws and regulations governing tax administration in the country. Under self-assessment system in Tanzania, a notice of assessment is issued on receiving of the tax return submitted by the

taxpayer; however, this is the case for corporate/personal income tax, for VAT, a notice of assessment is not issued on receiving VAT returns submitted by the taxpayer instead the tax returns furnished by taxpayer is deemed to be notice of assessment. Cornell (1996:12) defines 'self-assessment' 'does it yourself in which taxpayers have to understand, interpret and apply tax laws to their own situation.

1.3 Research Objectives

Research objectives categorized into two; namely general objective and specific objectives.

1.3.1 General Objective

The main objectives of this research was to carry out an investigation on various factors affecting tax payer compliance toward paying tax in our country and come out with suggested remedial.

1.3.2 Specific Objectives

- i. To find out people's attitudes towards paying tax.
- ii. To determine the level of tax knowledge of individual tax payers.
- iii. To examine the correlation between tax knowledge and tax compliance behavior.
- iv. To identify the determinants of tax compliance of the taxpayer in Tanzania.

1.4 Research Questions

For the study to attain the above defined research objectives, the study intended to look for the answers the following research questions;

- i. What are the people's attitudes towards paying tax?
- ii. To what extent are tax payers knowledgeable about tax?
- iii. What is the correlation between tax knowledge and tax compliance behavior?
- iv. What are the determinants of tax compliance of the tax payer in Tanzania?

1.5 Scope of The Study

As far as the research question and research objectives are concerned, the main aim of this study was to examine the level of tax payer knowledge and compare with this relevant tax compliance determinants. The scope of this study explored the knowledge of taxpayers and other stakeholders have about tax laws and establish primary variables affecting tax compliance in the united republic of Tanzania

1.6 Significance of the Study

The study will contribute to grasping knowledge about variables affecting tax compliance in Tanzania (even though the study was conducted in Dodoma Municipality). The principal assumption is that, main variables affecting tax compliance are the same across all regions of the united republic of Tanzania.

The mission behind tax compliance is to collect taxes in an efficient and effective manner which means collecting and administering taxes at the lowest cost in terms of time and financial resources and institute effective enforcement through prevailing legal procedures. In order to accomplish that mission, the following goals must be

accomplished and these include assessing and correcting the correct amount of taxes as provided under the law in the most effective and efficient fashion and minimum cost, instilling public confidence in the fairness and integrity of the tax system and finally encouraging voluntary compliance.

Referring to these goals, generally in order to accomplish them, it can be maintained that tax awareness is the one of the significant variables that should be underlined. However it's not likely that a simple relationship between tax knowledge and tax compliance will exist: knowledgeable taxpayers do not necessarily comply, as tax compliance depends on many variables as were explored through this research project.

The result of this study will contribute significantly to both tax literatures in united republic of Tanzania and to managerial implication on the side of Tanzania revenue authority. On the side of providing tax literature, it will enable scholars to make a comparison of tax compliance in Tanzania versus other developing countries using the similar tax administration systems. On other hand, the study will enable Tanzania revenue authority to grasp knowledge pertaining to variables that determine tax compliance for a management to take strategic decision to deter negative route causes. Within the context of the significance of the study, this study is of significance to the Tanzania revenue Authority, The researcher in particular and the public in general given that:

- i. The study has tested and identified variable affecting taxpayers' tax compliance behaviour and suggested, to the authority, ways of remedial for negative impact on tax compliance behaviour.
- ii. The study acts as an impetus to other scholars to carry out supplementary studies pertaining to the theme under study
- iii. Through this study, the scholar has multiplied theoretical experience in the field of study.

- iv. The study has abetted the scholar in partial fulfilment for the award of
- v. Degree of masters of Business Administration.

1.7 Limitations of the Study

Always there may be precincts and faults in human work, following thereafter were the confines of this study. Studying Factors Affecting Tax Compliance in Tanzania, the Tanzania Revenue Authority in Dodoma Municipality in particular, collecting adequate information from this population therefore, entails a huge care and enough resources and high incentive.

The time for data collection, analysis and report writing was very fixed to come up with accurate results. To overcome this problem, the researcher had to work extra time so as to make sure that the work is accomplished in time. Thus, the research results were affected by various factors such as shortage of time which caused difficulties to interview a large sample size and consequently, almost certainly leading to lack of detailed data to support the study. In addition a financial scarcity of money to expend for basic requirements such as food, communication and fuel during data collection and processing hindered the efficiency of the study. But also the study faced biasness of the respondents, while reluctance of respondent lead to delay in accomplishment of this work.

1.8 Justification of the Study

The researcher's choice to center on Factors Affecting Tax Compliance in Tanzania, the case study of Tanzania Revenue Authority in Dodoma Municipality was directly forced by the fact that, the researcher attempts to get better acquaintance on supervision on TARs services in relation to this matter so as to cultivate trustfulness in tax compliance.

1.9 Respondents Attitude

Concerning the topic most of the respondents in the research area required to be financed by the researcher throughout data collection procedure since they absented their income producing activities for this exercise and for that reason they lost and consumed time should be taken into consideration. To control this problem, the researcher endeavored to give details to them that filling the questionnaires is to their best benefits.

1.10 Study Organization and Summary

This study consists of five chapters. Apart from the introduction section, Chapter Two provides the pertinent literature related to this subject. Chapter three focuses on a general idea of the methodology used based on how data collection were collected, analyzed and presented and briefly describes issues of reliability and validity of data and results. Chapter four presents and discusses the findings of the study, whilst the final chapter (Chapter Five) focuses on the summary, conclusion, recommendations and future areas for further investigation. The study faced problems of getting reliable information from respondents because of fear. In addition the field work encountered problems due to time management and finance bounded based on the wideness of the study. The above limitations were eliminated through minimizing the timetable in order to combines many activities within a short period of time. Also in getting good response from the participants the researcher had to provide education to the respondents in order to reduce their fears or threats.

1.11 Thesis Contents, Scope and Summary

This preliminary chapter (Chapter One) has discussed the objectives, principles, problems of implementation, issues and comparisons between developed and developing countries.

International comparisons between Tanzania and other countries' self-assessments are also included in this chapter. The investigation actually aimed at exploring "Factors Affecting Tax Compliance in Tanzania, through Tanzania Revenue Authority in Dodoma Municipality" in particular. It attempts to examine the Tax Compliance which has encountered a number of challenges, such challenges as difficulties in tax collections /reluctance of people towards paying taxes and poor record keeping and non- issuance of receipts on sales made are some of the notable problems facing TRA within the context of tax management. More detailed, were the description of the background to the problem, statement of the research problem, developed research objectives, research questions, and significance of the study. It ended up with the scope of the study and conclusion of the chapter. The subsequently chapter, focuses on the pertinent Literature Reviews on this matter done by previous scholars. Each of these components of this chapter is then be lengthened reasonably in subsequent chapters of this research paper.

Besides, a review of the existent literature relating to the research objectives of this thesis, such as the importance and implications of tax knowledge and factors affecting tax compliance, are discussed in Chapter Two. Research design and methodology for this study and delineate of data collection methods (including sampling frame, survey procedure); questionnaire design and variables measurement, the nature and development of the survey as well as technique of analysis and relation with research questions are comprehensively discussed in Chapter Three. Chapter Four focuses on discussion of the findings outcomes. Chapter Five deals with the research summary findings related to research questions and previous findings, the policy implications, contributions to the body of knowledge as well as recommendations and area for suggested further study are discussed in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

According to Barley (1999) review of literature refers to the process of discovering, reading, weighing up, shortening and incorporating in your study documents having materials which are related to the problem under investigation. The purpose of literature review is to familiarize the reader with the practical or theoretical issues relating to the problem and helps the researcher to lay a foundation for the study. A literature review indicates what is known about the area of inquiry and suggests ways of conducting the study on the topic of interest. The chapter focuses on introduction, theoretical literatures review that includes description of concepts and theories, empirical analysis, conceptual framework, Research gap and its conclusion or summary.

2.1 Definition of Key Concept

2.1.1 The Concept of Tax

Tax is defined as ‘a compulsory levy imposed by government, on income, expenditure, or capital assets for which the taxpayer receives nothing specific in return (Lymer and Oats, 2009:3). However, not all payments to government are considered tax payments: for example charges, toll and other levies are paid to obtain a specific service and are not strictly tax payments.

2.1.2 The Term Certainty

This concept can be defined as a taxpayer knowing his or her tax liability and when and where to pay the tax. It relates to the simplicity of the tax systems so that the taxpayers are easily understood and capable of calculating their tax liability.

2.1.3 Concept of Convenience

The term relates to how people pay their taxes or engage with the tax system. For example, people more conveniently pay tax by it being deducted at source rather than paying a large amount of tax annually (Lymer and Oats, 2009: 50). The introduction of electronic filing is another example of a facility provided by the tax authority to ease the method of filing tax returns.

2.1.4 Notion of Efficiency

The idea of efficiency refers to how the tax authority collects the tax revenues and can be divided into two subsections: administrative efficiency and economic efficiency. Administrative efficiency refers to the costs involved when collecting tax revenues. The more a tax costs to administer, the less of the money raised is available to the government to spend. The administrative cost should be as small as possible to achieve desirable economic efficiency (Lymer and Oats, 2009: 55). Economic efficiency in respect to tax should not inhibit the working of the markets. For instance, the inauguration of a new tax or increase on the tax rates should not alter or affect taxpayers' behavior to paying tax, that is, from compliant to less compliant.

2.1.5 Principles of Taxation

Principles are defined as the rules or theories that something is based on (Barjoyai, 1987) from this definition principles of taxation can be defined as the rules and theories on which taxation is based (my conceptual frame work). Adam Smith in his book 'The wealth of Nations' which was published in 1776 suggested that a tax system is based on certain basic principles namely equity, convenience and efficiency. Lymer and Oats (2009:42) briefly define these principles as follows: equity means a tax system should be fair among individuals and taxes should be levied based on taxpayers' capacity. Horizontal equity means that the taxpayers with the same income or wealth should pay the same amount of tax (tax burden). Certainty is defined as taxpayer knowing his/her tax liability and when and where to pay tax. It relates to simplicity of the tax systems so that the taxpayers are easily understood and capable of calculating tax liability. Convenience relates to how people pay their taxes or engage with the tax system. For example, people are more conveniently pay tax by it being deducted at source rather than paying larger amount of tax annually (Lymer and Oats, 2009:50). The introduction of electronic filing is another example of facility provided by tax authority to ease the method of filling tax return.

Efficiency refers to how the tax authority collects the tax revenues, and can be divided into two subsections, administrative efficiency and economic efficiency. Administrative efficiency refers to the cost involved when collecting tax revenues. That is, the more a tax costs to administer, the less of the money raised is available to the government to spend. The administrative cost should be as small as possible to achieve desirable economic efficiency (Lymer and Oats, 2009:55). Economic efficiency suggests that tax should not interfere with working of the markets, for example the introduction of new tax or increase on the tax rates should not distort or affect taxpayers' behavior (i.e. from compliant to less

compliant). Based on the canons of taxation introduced by Smith (1776), these principles are integral parts of tax compliance.

2.1.6 The Concept of Tax Compliance

Tax compliance is a major problem for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirements even though 'tax laws are not always precise' (James and Alley, 2004:29). Tax compliance has been defined in numerous approaches. For example Andreoni, Erard and Fainstein (1998) defined tax compliance as the taxpayers' willingness to obey tax laws in order to obtain economic equilibrium of a country. Song and Yarbrough (1978) defined tax compliance as taxpayers' ability and willingness to comply with tax laws which are determined by ethics, legal environments and other situational factors at a particular time and place. Alm (1991) and Jackson and milliron (1986) defined tax compliance as the reporting of all incomes and payments of all taxes by fulfilling the provisions of laws, regulations and court judgments. Compliance in pure administrative terms therefore includes registering or informing tax authorities of status as a taxpayer, submitting a tax return every year (if required) and following the required payment time frame (Ming Ling, Normala and Meera).

In contrast, the wider perspective of tax compliance requires a degree of honesty, adequate tax knowledge and capability to use this knowledge, timeliness, accurate and adequate records in order to complete the tax returns and associated tax documentation (Singh and Bhupalan, 2001).

Since there have been many empirical studies, attempts have been made to define tax compliance. For the purpose of this study, with reference to Alm (1991): Jackson and milliron (1986) and Kirchler (2007), tax compliance is defined as taxpayers' willingness

to comply with tax laws, declare the correct income, claim the correct deductions, relief and rebates and pay all taxes in time.

2.1.7 The Concept of Tax Non-Compliance

Conversely to tax compliance, tax non-compliance is defined as taxpayers' failure to remit a proper amount of tax, perhaps on accounts of the complexity or even contradictions in the tax legislation or tax administration procedure (Jackson and Milliron, 1986; Kesselman, 1996; Kasipillai, and Jabbar, 2003).

Non-compliance is also observed as the failure of a taxpayer to report correctly, the actual income, claim deductions and rebates and remit the actual amount of tax payable to the tax authority on time (Kirchler, 2007). Some studies previously conducted dividend income tax non-compliance into unintentional and intentional behavior (e.g. Loo 2006; Mohani? 2001); Thus, for the purpose of this study, centered on Jackson and Milliron (1986). Non-compliance is defined as failure by the taxpayer to comply with tax laws and/or report incorrect income, the act of claiming incorrect deductions, relief and rebates and/or paying the incorrect amount of tax beyond the stipulated time frame.

2.1.8 Tax Knowledge and Tax Compliance

The influence of knowledge on compliance behavior has been proven in various researches (Mohamed Ali *et.al*, 2007). Harris (1989) divided tax knowledge into two aspects, namely, knowledge through common or formal education received as a matter of course and knowledge specifically directed at possible opportunities to evade tax. In the first case, the level of education received by taxpayers is an important factor that contributes to the general understanding about taxation especially regarding the laws and regulations of taxation (Eriksen and Fallan, 1996).

Eriksen and Fallan, (1996:37) claimed that knowledge about tax laws is assumed to be important for attitudes towards taxation. There is little research that explicitly considers how attitudes towards taxation are influenced by specific knowledge of tax regulations; the research done by Eriksen and Fallan has illustrated the importance of tax knowledge in tax system, especially in a self-assessment system. They suggested that fiscal knowledge correlates with knowledge towards taxation and tax behavior can be improved by a better understanding of tax Laws.

Collins, Milliron and toy (1992) however, produced a counter result in their study in the United States. Collin et.al, found that tax knowledge and the level of education were negatively correlated with compliance behavior. In addition, knowledge about tax law is assumed to be of importance for preferences and attitudes towards taxation. Nevertheless, there is little research that explicitly considers how attitudes towards taxation are influenced by specific knowledge of tax regulations and their economic effects.

2.2 Theoretical Frameworks

A theory is a statement of how and why specific facts are related. For the purpose of this research project, the theory of intrinsic motivation is put forward to show its relevance in clarifying tax morale and tax compliance.

2.2.1 Intrinsic Motivation Theory

Science like sociology and psychology have stressed the important of behavior based on moral and ethical considerations. Frey (1997) demonstrates that both intrinsic and extrinsic motivation is also relevant for explaining compliance behavior. He looks at the morale as a particular kind intrinsic motivation.

Increasing monitoring and penalties for non-compliance, will lead individuals notice that extrinsic motivation has increased, which on the other hand crowds out intrinsic motivation to comply with taxes. Thus the net effect of stricter tax policy is unclear. If intrinsic motivation is not organized, taxpayers get the feeling that they can be opportunistic. This puts into accounts the relevance of policy instruments in supporting or damaging the intrinsic motivation. Intrinsic motivation depends on the application of policy instruments. Frey (1977) claims that, tax morale is not expected to be crowded out if the honest taxpayer perceives stricter to be directed against dishonest taxpayer. Regulations which prevent free raiding by other and establish fairness and equity help preserve.

2.3 Empirical Review of Literature on Tax Compliance

Tax administrations in both advanced and developing countries have adopted a self-assessment system for tax filing purposes. These countries include Sri Lanka (1972), Pakistan (1979), Indonesia (1984), Australia (1986-87), Ireland (1988), New Zealand (1988) and the United Kingdom (1996-97). As for the United Kingdom, the first self-assessment tax forms were issued in April 1997 and by 1999, the self-assessment system was fully implemented. These self-assessment returns were originally sent to the self-employed, business partners, employees and pensioners (Lymer and Oats, 2008). Although many countries have turned to self-assessment systems, some key countries like Singapore, Belgium, Luxembourg and France remains with direct assessment systems (www.oecd.org and www.pwc.com).

Moreover SAS in the US was established as early as 1913 for both companies and individuals (United States Department of Treasury (USDT), 2009). The introduction of SAS in the US was implemented by the advent of the 16th Amendment to the United States Constitution which modified the apportionment requirement in 1913, and since

then income tax has become one of the primary means of funding Blume, and Irwin, the Federal Government. Australia Tax Office (ATO) declared that their mission and objective for introducing a SAS for individuals was to give taxpayers greater equity and fairness, increased certainty, and simplicity (ATO, 2009). Major changes to the way tax was assessed for individuals were introduced in Australia through the Taxation Laws (Self-Assessment) Act 1992 (ATO, 2009). The introduction of SAS in Australia placed a greater responsibility on the taxpayer to assess their own tax debt or refund. Previously, taxpayers submitted an income tax return containing information from which the Tax Office prepared an assessment of the taxpayer's taxable income and tax payable. The assessment was made by making any necessary adjustments to the taxpayer's calculation of taxable income. A notice of assessment was issued indicating the tax refund or the amount of tax payable and the due date for payment.

Self-assessment for both companies and individual taxpayers (including inheritance tax) was first introduced in Japan in 1947 (Kimura, 2006). A developing conflict between taxpayers and the tax authority, perceptions of fairness and equity as well as inefficiency of the tax system led to the need for a tax reform (the introduction of SAS) in Japan in late 1940s (Shoven, 1989). The declared objectives of Japan's self-assessment system are establishing a relationship of trust between taxpayers and the tax authority, efficient tax administration and also to act as a symbol of agreement with postwar democratic thought (Kimura, 2006). In addition, the mission of SAS in Japan is to raise the rate of appropriate tax filings and payments through taxpayers' cooperation (Ishi, 2001). Japan's mission and objective was initially emphasized as 'cooperation and trust between taxpayers and the tax authority' (Ishi, 2001: 43). In the beginning of SAS, the tax authority faced a low level of tax literacy among taxpayers and poor management of the tax system generally (Ishi, 2001). However, in the last two decades, the tax authority has identified that issues such

voluntary compliance and ex-post tax audit have become key tools necessary to accomplish the SAS objective (Kimura, 2006).

SAS in Canada was first introduced in 1985 as it was considered as 'the most economical and efficient way to collect income tax' (Loo, 2006: 41). In the early stages of the introduction of SAS, taxpayers felt that the tax system was too complex (Loo, 2006: 41) and this discouraged taxpayers from filing tax returns voluntarily. They also perceived that fairness and equity was no longer applicable in the SAS (Canada Revenue Authority (CRA), 2009). However, after several years of operation, taxpayers are well aware of their responsibilities and these issues (fairness and lack of knowledge) have been gradually resolved (CRA, 2009).

In the UK, self-assessment for companies commenced for the accounting period ending after July 1999, while for individuals it began in the 1996/97 tax year (Lymer and Oats, 2008: 20). The objective of SAS in the UK, like other countries both developed and developing, was to make the tax system simpler, easier and fairer to taxpayers, to make it possible for the Inland Revenue to accept the Statement of Accounts without further review, and to allow taxpayers to pay the right amount of taxes at the right time without intervention by the Inland Revenue (IR) (Loo, 2006). In addition, SAS was expected to allow taxpayers to understand and to have more control over their own tax problems and, eventually, to open up ways for further reforms aimed at simplifying, unifying and improving the system of personal taxation, especially in relation to customer services, through greater co-operation between taxpayers and the IR (James, 1996, Brodie, 1999; Lymer and Oats, 2008).

Judging from the mission statement and operational objectives of the IRB, the implementation of a self-assessment tax system in stages, commencing with companies in 2001, can be seen as a step towards improving the functioning of the Board. Increased

voluntary compliance can only be achieved if taxpayers perceive the tax system to be equitable (Harris, 1989). Past studies have indicated that a SAS will improve efficiency and productivity of the tax administrative system (Sandford and Wallschutzky, 1994; James, 1996). A survey by Mustafa (1997) revealed that Malaysian taxpayers perceived SAS to be a significantly better tax system than the Formal System.

Awareness of the factors affecting tax compliance behavior can help to define strategies that influence these variables and the behavior. Understanding about human behavior and principles of persuasion can be extremely helpful to increase the effectiveness of communication and treatment (Cialdin, 2009). According to the previous literature (Kirchler, 2007) and (Loo, 2006) factors determining tax compliance were divided into five main parts entailing nine components (independent variables) which are perception of government spending, perception of equity and fairness penalty, financial constraints, charges to current government policy, referral group, the role of the tax authority and tax knowledge.

Tax compliance can be measured through field experiments; and, by controlling the deterrence variables, is able to get at the compliance driven by culture. Measuring tax morale often relies on survey data or public opinion polls, because they are able to measure individual perceptions on evasion, government corruption, and trust in government. However, poll data has its limitations since it cannot credibly measure actual behavior. Additionally, it relies on the subjectivity of how each responder interprets the question, as well as how truthful they really are. Culture may even play part in how survey data is answered, because some cultures may be more positive or inspirational than others.

Cummings, Martinez-Vazquez, Kneen and Torgler (2006) study the relationship between tax morale and tax compliance between South Africa, Botswana, and the US (as

reference). After determining a level of tax morale for each country, compliance is measured via field tests. They find that perception of evasion by others, as well as trust in government and the legal system, and national pride, are all factors that affect tax morale. Additionally, their findings show that higher tax morale will lead to higher compliance, all else equal. Their paper demonstrates how both tax morale and deterrence affect tax compliance.

However, it is important to remember that tax morale and deterrence mechanisms, each measured in a different experiment, are not independent. They interact to yield a particular level of compliance. Though difficult to explicitly define, the relationship is understood as self-enforcing. Countries with equal deterrence levels may enjoy lower or higher levels of compliance, depending on tax morale. Similarly, countries with similar morale may experience diverging compliance depending on deterrence levels in place. Moreover, countries with high tax morale may require lower levels of deterrence to achieve the same compliance, or a history of high deterrence generates high tax morale. Tax morale and compliance work in a feedback loop. Tax morale still needs to be analyzed further to determine to what extent culture affects a taxpayer's decision. Establishing what factors affect tax morale is important. Also important understands which factors affect tax morale independently, and which ones may be influenced by culture.

In Nigeria, the need to improve voluntary tax compliance has resulted in the various tax reforms attempts by various successive governments. Suffice to mention that these reforms have not been able to stimulate the expected increase in tax revenue over the years, and this has snowballed into an unarguable tax gap as revealed in the share of income taxes in total revenue profile of the country. The evidence from statistical records shows that the proportion of income taxes to the government's total revenue has been

horrible (Asada, 2005; Kiabel and Nwokah, 2009; Nzotta, 2007; CITN, 2010; Odusola, 2006; Sani, 2005). This poor tax compliance behaviour often referred to in the literature as the “compliance puzzle” is a challenging experience across countries but suspected to be more critical in developing economies. In retrospect, the prevailing orthodoxy in modeling tax compliance behaviour has been in line with the economics-of-crime approach based on the expected utility maximization calculus model by Allingham and Sandmo (1972). The model presents and specifies the extent of compliance as positively correlated with the probability of detection and the degree of punishment and identified tax rate, penalty and detection probability as factors influencing taxpayers’ behaviour. In modelling tax compliance, the answer under the traditional theory of compliance implied by the Allingham and Sandmo’s model is fear of detection and punishment. However, this model has been found to be inadequate in explaining the motives and intentions for tax compliance (for example, Graetz and Wilde, 1985, Alm, McClelland and Schulze 1992; Frey and Feld, 2002). The argument is that tax compliance may be subdivided into compliance resulting from enforcements or influence of tax authorities and voluntary compliance. While the Allingham and Sandmo (1972) model provides justification for the proportion of total compliance signaled by enforcements which may be specified as a function of penalty and detection probability, it does not provide explanations for what may inspire voluntary compliance, that is, complying with the tax laws without being compelled by the tax authority to do so.

This leads to a logical question which interestingly extends the compliance issue; what would lead citizens to behave more honestly, provide correct information and improve the tax compliance rate voluntarily? One answer to this question is the existence of an intrinsic motivation to pay taxes, which have been sometimes called, “tax morale” (Feld and Frey, 2002). Tax morale has evolved as an instrumental component in understanding

voluntary tax compliance using a more integrated approach with a bias for non-economic factors.

2.4 Knowledge Gap

The reviewed literature shows that there is more literature on Factors Affecting Tax Compliance, in developing countries. To be specific, there is limited literature from Tanzania especially on the factors affecting tax compliance. Additionally, much research literature available even from developed countries, addresses this phenomenon among multidisciplinary professions.

Many has been done on this topic for example, (Eshang, 1983) has conducted failure to adhere to the provisions of the laws governing taxation implies that the taxpayer is non-compliant (Kirchler, 2007), non-compliance to tax befalls through failure to file tax return , misreporting allowable deductions from taxable income or tax due (Roth et al., 1996). While the study on importance of Taxes as an important source of revenue to central governments and other functions it has been suggested by Lymer and Oath (2009:2) including to reduce income inequalities through a policy of redistribution of income and wealth so that income gap between the rich and the poor is not as significant. Additionally, much research literature available even from developed countries, addresses this phenomenon among multidisciplinary professions. Consequently it's my expectation that, this study contributes to existing research literature and at the same time provides employers, policy makers, and other stake-holders with relevant information on this significant matter.

2.5 Conceptual Framework Demonstrating Factors Affecting Individual Taxpayer Compliance Behaviour

The conceptual frame work that guide the study suggests that understanding variables affecting tax compliance as well as perception and practices of taxpayers has great implications on formulation and implementation of desirable tax policy which lead to development of efficient and effective tax system that maximizes the government revenue and lowering cost of collection, and improved voluntary tax compliance has abundant significance to the government and the public in general as it accelerates the government's ability to provide public services and lessens the rate of dependence in foreign aids ad lowering of foreign debts that has been growing day after a day.

2.5.1 Tax Compliance Theory

During the 1980s structured research into tax evasion and non-compliance became widespread following the political concerns in the United States of an increasing “tax gap (Tanzi and Shome (1994, p. 17).” Initially, the literature which emerged from the United States had a strong focus on economic theory. Utility theory, developed by Allingham and Sandmo (1972), assumed taxpayers to be ‘utility maxi misers’ in decisions of tax reporting and compliance, where tax evasion was viewed as worthwhile if the financial gains purely outweighed the financial costs.

More recently, however, tax compliance studies have been based on social and psychological theories. Research studies in this field have argued that the human element plays a vital role in individual taxpayer compliance decisions. However, while the tax compliance literature has emerged from a wide variety of disciplines, there has been a lack of consensus and agreement as to why people do or do not pay their taxes. Indeed the tax compliance literature indicates that there are still many research gaps that need to be

filled with respect to issues concerning tax morals, tax fairness and deterrence measures, for the likely improvement in overall taxpayer compliance (Murphy; 2004, Tan; 1998; Hite, 1997 and Torgler and Murphy;2004).

This chapter which undertakes a synthesis, generally chronological in order and by category, critically reviews and evaluates the state of knowledge of taxpayer compliance to tax. In particular, studies based on the theory of economics that explain the change in taxpayer compliance behaviour and others based on the theories of psychology and sociology that explain the varying levels of taxpayer compliance, reveal that some combination thereof is optimal in improving overall compliance Cuccia (1994). The focus in this chapter is upon three compliance variables which have been predominant throughout the review of the literature. These include the economic variable of deterrence, which comprises the likelihood of being caught and the range of penalties applied to those who are caught, and the psychological variables, including moral values and the perceptions of equity and fairness held by taxpayers. The first of these variables has been identified by scholars of the economic school of compliance, whereas the latter two variables come from the social and fiscal psychology school of compliance (Kaplan et al. (1986).

Logic suggests that the most efficient way to design an effective taxpayer compliance program would be to concentrate on the factors that appear to have the most impact on compliance levels and behavior. Of all the variables examined by scholars, deterrence, tax equity/fairness and tax morals have been predominant and, accordingly, the focus herein is upon those three factors. Of these three factors, the greatest emphasis is placed upon the deterrence factor which is derived from the economic deterrence theory model. The main theoretical approaches to tax compliance have commonly been divided into the 'economic deterrence' approach, and the wider behavioral approach which incorporates both social

and fiscal psychological approaches. The economic deterrence model has been commonly used to examine tax evasion and compliance from a theoretical perspective (Jackson and Milliron, 1986). Seven Factors that have been examined in the economic deterrence model include:

- i. Complexity of the tax system
- ii. Level of revenue information services
- iii. Withholding and information reporting
- iv. Preparer responsibilities and penalties
- v. Probability of receiving audit coverage
- vi. Progressive and actual level of tax rates, and
- vii. Penalties for non-compliance.

Despite the number of factors which have been examined under this model, the early pioneering work of Jackson and Milliron shows that there is no unanimous agreement on any one of these factors, thus indicating a positive relationship with taxpayer compliance. The social/fiscal psychological model on the other hand, focuses on psychological variables which include moral values and the perception of fairness of the tax system and the tax authorities (Jackson and Milliron, 1986).

2.5.2 Economic Deterrence Model

The models which have been based on the economic theory of compliance generally focus on deterrence. Deterrence can be achieved through a number of approaches, punitive and

persuasive (Milliron and Toy, 1988). That is, deterrence may take on the form of increasing the probability of detection, increasing the tax rate or by the imposition of tougher penalties, (Fischer et al., 1992). Alternatively, it may take on the form of better education, increased advertising/publicity and incentives. The focus of this section of the chapter will be upon the punitive impact of penalties, sanctions and other enforcement factors which shape taxpayer compliance attitudes and behaviour (Hite, 1989).

The economic definition of taxpayer compliance views taxpayers as ‘perfectly moral, risk-neutral or risk-averse individuals who seek to maximize their utility, and chose to evade tax whenever the expected gain exceeded the cost (Becker, 1968). Thus, a pure ‘cost-benefit’ approach is given for why or why not taxpayers may comply with the tax laws. Some researchers propose that individuals are expected to weigh ‘the uncertain benefits of successful evasion against the risk of detection and punishment (Fischer et al., 1992). Consequently, a penalty structure forms part of the punishment, and is a critical factor in an individuals’ choice to evade tax.

Given this background, the following analysis illustrates how the economic deterrence model has evolved over the last five decades. Over this period, studies have demonstrated a gradual ‘watering down’ of the pure economic deterrence model, which concentrated predominantly on maximizing utility, to a model which now incorporates other non-economic and persuasive factors, albeit in a somewhat primitive form.

Therefore, despite the positive effect of increased sanction, levels on taxpayer compliance having been found to hold where relatively low (and realistic) penalty levels are used, their overall impact has been questionable (Carnes and Eglebrecht (1995). Consequently, traditional economic deterrence models which draw upon expected utility theory and deterrence, mainly in the form of sanctions, have been found wanting. Little empirical evidence to support the predictions of economic deterrence models as a whole has

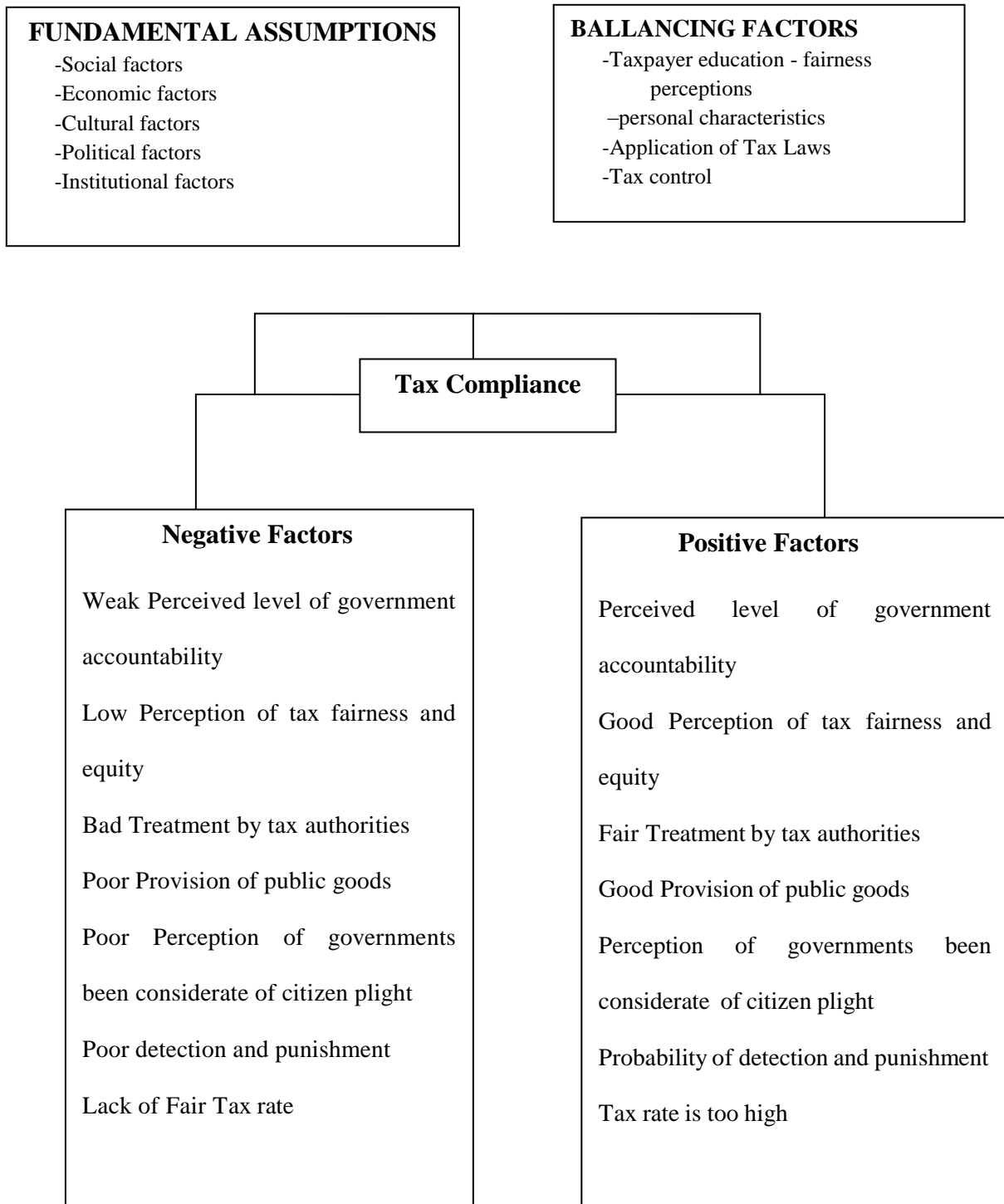
surfaced. Researchers have, therefore, summarized the effect of factors that determine the monetary cost of compliance as including the tax rate, detection probability, the level of income and the penalty structure and suggest that, for all of them, existing empirical evidence provides no firm conclusions (Hasseldine, 2000).

Consequently, having considered the economic deterrence model and its deficiencies, it became apparent that further refinements and improvements needed to be developed to address tax evasion and non-compliance. The following section examines alternative approaches that have been pursued under the heading of fiscal and social psychology models.

2.5.3 Fiscal and Social Psychology Models

Fiscal psychology models blend together aspects of economic deterrence models and social psychology models. The essential thrust of this approach is that individuals are not simply independent utility maximizers rather individuals are recognized to contain an array of attitudes and beliefs which interact and respond to social norms. Social psychology models inductively examine the attitudes and beliefs of taxpayers in order to understand and predict human behaviour. The studies based on these models are many and varied in terms of the methodologies employed and the potential compliance factors examined. In this regard, the focus of this section of the chapter is to analyse the studies which examine the human factors that affect taxpayers' compliance attitudes and behaviour. Consequently, the following analysis illustrates how the fiscal and social psychology model has progressed over the last five decades. Over that period, studies have demonstrated a sophisticated development of both the methods and variables employed within the model. While methodologies explored both quantitative and qualitative approaches, the variables have ranged from social norms and personal characteristics to fairness perceptions and taxpayer education and awareness (Alm et al., 1995).

Figure 2.1: Conceptual Framework



Source: Researcher, 2014

2.6 Summary

The Chapter focused on the connected Literature, Introduction of it, Definition of Key Terms, Theoretical literature review, Conceptual Framework, Analytical review, Critical review, Empirical review, research gap as well as Conclusion of the chapter. The subsequent chapter, (Chapter III) Research Methodology focused on the Research Design; description of Study area, Sampling Method and Sample size, Method and techniques of data collection, sources of data as well as data analysis and interpretation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes research design and methodology that involved in the study. Research process entails establishing a problem and interpreting it within the context of the research problem. The chapter describes the survey method used including data collection method (survey, geographical locality, sampling frame and development of the questionnaires). Details of the research frame work hypothesis and data analysis technique are also discussed.

3.1 Description of the Study Area

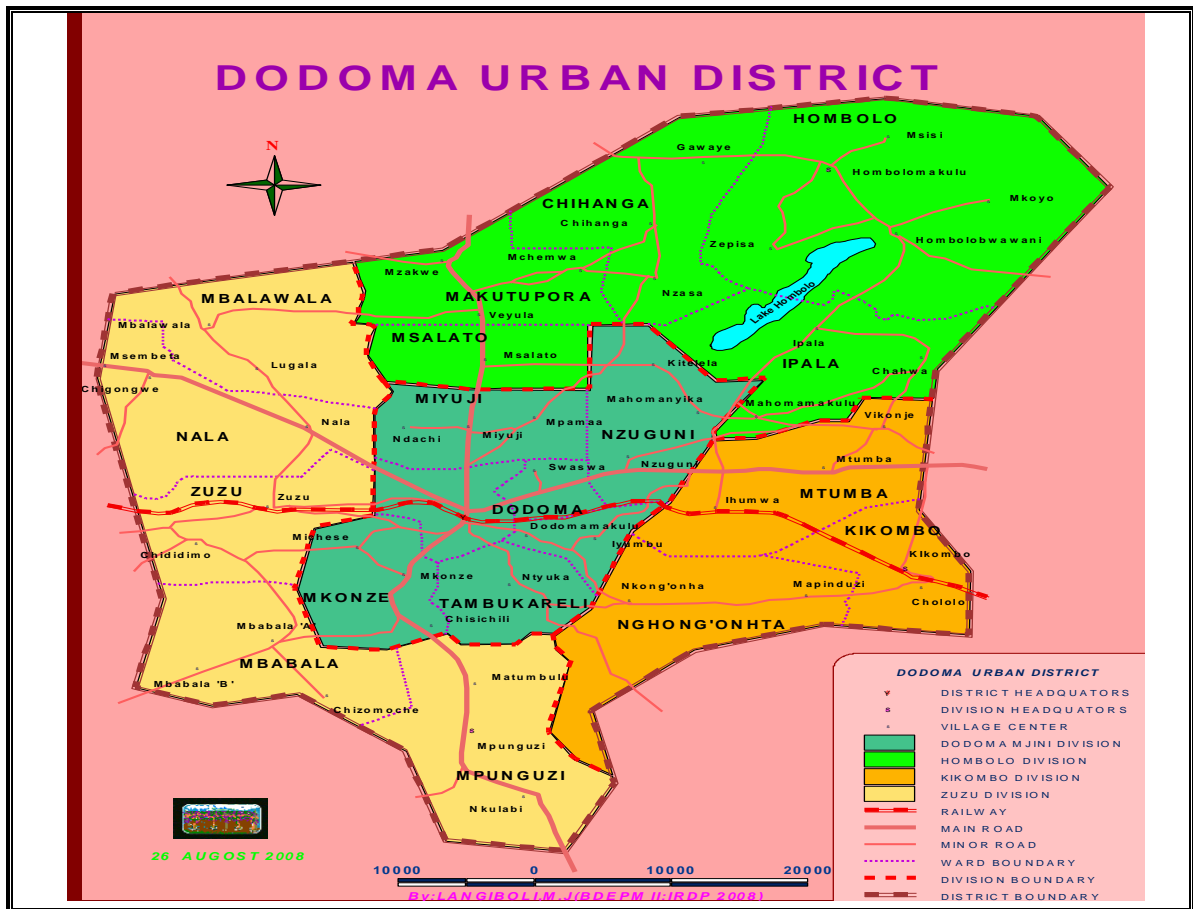
Dodoma Municipality is the selected study area. The area is selected due to the reasons such as the presence of TRA which work effectively in National development of the Country. According to the 2012 national census, the region had a population of 2,083,588, for 2002-2012, the region's 2.1percent average annual population growth rate was the twentieth highest in the country. Due to the limitation of funds and time only TRA-Dodoma was selected to represent the other TRA offices in Tanzania at large.

Dodoma Region lays at 40° to 70° Latitude South and 350° to 370° Longitude East it is a region centrally positioned in Tanzania and is bordered by four regions namely; Manyara in the North, Morogoro in the East, Iringa in the South and Singida in the West. Much of the region is a plateau rising gradually from some 830 meters in Bahi Swamps to 2000 meters above sea level in the highlands north of Kondoa.

The region was established in 1963 consisting of three rural districts and one Township Authority. To date, Dodoma region has five rural districts and one urban District namely; Dodoma-Rural, Kondoa, Chemba, Mpwapwa, Kongwa and Dodoma Urban. The region is the 12th largest in the country and covers an area of 41,310 sq. km equivalent to 5% of the total area of Tanzania Mainland. Based on the growth rate of 2.4percent and taking 1988 as a base year, the current (2012) Regional population is estimated at 1,735,000, Dodoma Urban 280,781 whereby male are 135,094 and female are 145,688. Latitude of - 6, 1833(650'59.988"S) and longitude of 357500 (3545'0.000"E) and it have altitude of 1032m above the sea level. It coordinates are 600'0"E in DSM (degree minutes second) or 6 and 36 (in decimal degree).

The study was conducted in Dodoma which is managerially divided into one parliamentary constituency, 4divisions, 37wards, 39villages, 100 streets and 222 hamlets. Whereas the original population of the District are believed to be the Gogo and Rangi there are now a quite good amount of mixed tribes from neighbouring regions; this is due to trade and cultural relationships in the area. According to the population and housing census of 2012, Dodoma District had 410,956 people of which male are 196,487 and females 211,469 with the households' size growth of 4.4. The number of households is 93,339. Growth rate is 2.7% Economic activities carried at Dodoma Urban are agriculture, fishing activities, trading and industries activities. Figure 3.1 demonstrates the locality of the Area of the Study.

Figure 3.1: Map of Dodoma Region



Source: Dodoma Urban Profile, 2014

3.2 Research Design

A cross-sectional research design was applied in this study. The cross-sectional research design allows data to be collected at single point in the one time and used in descriptive study and for determination of relationship of variables. (Bailey, 1998: Babbie, 1990). Descriptive research approach was intended to gain more information about the nature of a particular area of study. This approach therefore used to provide a picture of a situation so as to identify the problems (Burns and Grove, 1999) the main purpose of descriptive research is to provide a description on the state of affairs as it exists at present or at a given time (Kothari, 2005).

A research design is the framework for a study that specifies how each activity should be conducted to accomplish the research objectives, which includes specifying the information required, designing the instruments, selecting the sample, collecting and analyzing the data (Robson, 2002). Research design also is a plan used to get out the expected results of the study; it is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research design was needed because it facilitates the smooth sailing of the various research operations (Kothari, 2004).

A case study was used to execute the research Project study. The researcher deployed the usage of case study as it is stress-free to obtain information on numerous variables affecting tax compliance in Tanzania from indoors of a single centred geographical area, in which case, Dodoma region particularly Dodoma municipal, was selected as a single centred geographical vicinity where TRA was a case study. Owing to limited time and financial resources, the sampling frame and time consideration, the researcher did not have an alternative appropriate design than a case study.

3.3 Research Approach

Quantitative method used in this study. The quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion (Creswell, 2005). Thus, from this perspective, the method enabled the researcher to obtain detailed information regarding respondents' views and opinions on the contribution of ward school management committees on academic performance.

3.4 Study Population

This concept of study population is defined as a group of individuals who have characteristics in common of interest to the researcher. The target population of this study comprised of business people(traders), professional consultants, TRA employees at TRA Dodoma, and employees of other institutions all of whom are equally taxpayers and thus they have a lot of information to contribute towards this research project.

The study took place in Dodoma Municipality under the principal assumption that the resulting variables affecting tax compliance are mainly the same in urban areas across all regions in the united republic of Tanzania. But also it was convenient to collect data from where the researcher is attached by his employer as his work station and thus it was easier for a researcher to balance his work responsibilities and research activities.

3.5 Sampling Frame for the Study

Sampling frame is an objective list of population from which the researcher can select a sample for the study. A sampling frame should ideally contain a complete and up to date list of all elements that comprises the population for a research. A sample is a small part selected from large unit of an entity. It is the replica of the bigger part, the population from which it was drawn (Baradyana & Ame, 2007).

The target population has been randomly selected and stratified into four strata including business people, professional consultants (Engineers, tax consultants and advocates), employees of the Tanzania revenue authority, and employees of other Institutions. In that case therefore, the sampling frame was separated into four (4) strata of 55respondents, that is to say; Employees of TRA-Dodoma, business people, professional consultants and auditors and employees other than those of the Tanzania revenue authority.

3.6 Data Collection Instruments

Data can be classified into two types, namely; primary data and secondary data. Primary data are data that have been collected for the first time by the researcher. These are intended for a specific objective or project under study. Secondary data are data that were collected sometime earlier for specific objectives or project. Some of these data may already have been analysed yet others may be in raw form (Baradyana & Ame 2007).

The researcher used both primary and secondary sources in collecting data. Primary data were collected through instruments such as questionnaires, interviews and observation. Observation as an instrument deployed in data collection, was used to only business people which is one of the groups selected as sampling units. Secondary data were collected by the use of various data collection instruments including Internet, audited reports, and TRA financial reports.

3.6.1 Questionnaires

Questionnaires containing a series of questions were prepared and distributed to different people included in the selected sampling units. The methodology provides more information because privacy attracted respondents to answer the questions in a freer atmosphere created purposely in order to raise response rate.

All questionnaires were prepared in English given that most of the selected respondents included in the sampling units are literate people who can independently responds to questions posed in the questionnaire without a need to be assisted by the researcher in interpreting the questions. For respondents who do not read English, were assisted by their employees or spouse with a minimal assistant from the researcher, in interpreting the questions.

3.6.2 Interview

The researcher carried out structured interviews with a view to collecting more information about various factors affecting both positively and negatively, the level of tax compliance in the united republic of Tanzania. The interviews were conducted to all people included in the selected sampling unit.

3.6.3 Observation

Observation as one of the techniques used in data collection involves collecting information by observing what a subject is doing without the knowledge of that person that a researcher/investigator is collecting information from him or her (Babbie1983). This approach was used in collecting data from business persons particularly shop dealers, by observing to what extent they comply with the provisions of the laws requiring them to issue receipts to their customers as and when they make sales.

3.6.4 Documentary Source

Various documents relating to the theme of the research project were extremely referred for the purpose of exploiting supplementary information. These documents include:

- i. Various ACTS such as Income tax act 2004 and its related regulations, VAT ACT 1997 and its related regulations.
- ii. TRA Act
- iii. TRA financial reports and other publications.

3.6.5 Internet

The researcher obtained information from various websites. The information offers broad understanding of various factors affecting tax compliance in Tanzania and how to improve non-compliance of the taxpayers.

3.7 Sampling Techniques and Sample size

3.7.1 Sampling Techniques

Sampling is defined as the strategy used to select a sample of participants chosen from the whole population to gain information about the larger group. Sample Technique is the procedure used to select people, places or things to study in the target area (Cohen, et al, 2007). A sample is “a smaller (but hopefully representative) collection of units from a population used to determine truths about that population” (Gray, 2005).

The study utilized simple random sampling technique to select a sample of forty seven (47) both Females and Males. Random sample ensures the law of Statistical Regularity which states that if an average the sample chosen is a random one, the sample will have the same composition and characteristics as the universe (Kothari, 2004). The researcher also adopted purposive sampling to select eight (8) key informants. Gall et al, (2005), define purposive sampling as the process of selecting cases that are likely to be information-rich with respect to the purpose of a particular study. Information-rich participants are likely to be knowledgeable and informative about the phenomenon under investigation. Purposive sampling method was employed to select a sample of eight (8) key informants which include: TRA employees and Employees from other institutions.

The target groups for this study were both men and women of eligible tax payers and all other stakeholders. The sample size of 55 was as well found suitable since according to

Hogg and Tanis (1977) a sample size of 25 to 30 is enough for analysis and reporting purposes. However, this study amplified the sample size to 55 in order to increase accuracy of the findings (Saunders et al, (2000).

The sample and sampling technique involved taking respondents from all of the four (4) selected sampling units which comprise of:

- i. TRA employees at Dodoma regional office.
- ii. Employees from other institutions.
- iii. Tax Consultants and Auditors.
- iv. Business people.

3.7.2 Sample Size

The researcher used random sampling technique to select the appropriate respondents to be included in the sampling units, from the four stratified strata of TRA employees, business society, Employees from other institutions as taxpayers for PAYE and professional consultants. The size of the sample was estimated as described by Rwegoshora, (2006).

3.7.3 Computation of Sample Size

The following formula was used to calculate sample size

$$n = \frac{N}{1 + Ne^2}$$

n= the sample size, N=population size, e= error of detection

Dodoma Municipality, whereby male 135,094 and female 145,688

The total population of Dodoma urban is has 280,781.

Therefore $n = 46401$, $N = 2,083,588$, $e = 10\%$ since the level of confidence is 90%

$$1 + 46401 \times (0.1)^2 = 4640.01 = 46401 \div 46401.01 = 100. \text{ So } n = 100 \text{ respondents.}$$

From the calculated sample size of 100 respondents, 55 respondents were selected randomly due to limited resources.

Table 3.1: Sample Composition

Sampling unit	No. of respondents	Percentage
Business people	40	73 %
professional consultants	7	13%
TRA employees	5	9%
Other employees	3	5%
Totals	55	100%

Source: Field Data, 2014

3.8 Data Analysis

Data collected were edited for accuracy, coded and analysed in the form of tables, percentages and inferential analysis. Both qualitative and quantitative methods were applied in processing the data collected. Quantitative technique was used to answer the research questions in numerical values.

3.9 Ethical Issues

The terms ethics and morality are closely related. We now often refer to ethical judgments or ethical principles where it once would have been more common to speak of moral judgments or moral principles. These applications are an extension of the meaning of ethics. Strictly speaking, however, the term refers not to morality itself but to the field of study, or branch of inquiry, that has morality as its subject matter. In this sense, ethics is equivalent to moral philosophy (Encyclopedia Britannica, 2007). In a tax system which is based largely on voluntary compliance (such as a SAS), the taxpayers' standard of ethics is 'extremely important' (Song and Yarbrough, 1978: 442). Song and Yarbrough (1978)

conducted a survey study in the United States that investigated the tax ethics of taxpayers by emphasizing and answering the following questions.

Song and Yarbrough also suggested that due to the remarkable aspect of the operation of the tax system in the United States (that it is largely based on self-assessment and voluntary compliance), the willingness to comply with tax laws is determined by ethics, legal environment and other situational factors at a particular time and place. Song and Yarbrough (1978) also indicated that the average taxpayers' ethics scores 60.3 on a scale of 100 and 21 percent of taxpayers had a negative level of tax ethics regarding taxation.

Ethics are a subjective continuum and the level of ethical behaviour is heavily reliant on how people perceive the behaviour being considered (Ajzen, 1988). Studies on tax psychology which predicts people's behaviour using the Theory of Reasoned Action (TRA) and Theory of Planned Behaviour (TPB) was first introduced by Fishbein and Ajzen (1975) and Ajzen (1991). These theories attempt to predict people's behaviour based on their intentions. It is assumed that ethics encourage individuals to act according to them and a taxpayer with a negative attitude towards tax evasion tends to be less compliant (Kirchler et. al., 2008).

Surveys conducted in Germany (Schmolders, 1960, 1964, 1994) reported that tax evasion was committed by approximately half of the respondents. On the other hand, only one-third perceived tax evaders as criminals. Orviska and Hudson (2002) and Trivedi, Shehata and Mestelmen (2004) found a significant (but weak) relationship between tax evasion and ethics. Elffers, Weigel and Hessing (1987) earlier found that ethics, attitudes and moral beliefs impacted upon tax compliance behaviour according to their psychological model of tax compliance.

The evidence clearly shows various attitudes towards taxation, such as tax ethics and the fairness of the tax system and that these have an influence on the inclination towards tax evasion (Jackson and Milliron, 1986). It is consequently important to get more details about how these attitudes are influenced.

This is concerned with what is morally good and bad, right and wrong. The term is also applied to any system or theory of moral values or principles. Ethics deals with such questions at all levels. Its subject consists of the fundamental issues of practical decision making, and its major concerns include the nature of ultimate value and the standards by which human actions can be judged right or wrong (Encyclopedia Britanica, 2007).

Although ethics has always been viewed as a branch of philosophy, its all-embracing practical nature links it with many other areas of study, including anthropology, biology, economics, history, politics, sociology, and theology. Yet, ethics remains distinct from such disciplines because it is not a matter of factual knowledge in the way that the sciences and other branches of inquiry are. Rather, it has to do with determining the nature of normative theories and applying these sets of principles to practical moral problems.

In summary, as suggested by previous studies (see Kirchler et. al., (2008); Trivedi et. al. (2004); Orviska and Hudson (2002); Jackson and Milliron (1986)), attitudes and ethics remain important in determining evasion behavior. Based on Ajzen (1991) the theory of reasoned action or the intention to evade will encourage a taxpayer to behave negatively toward taxation and thus attempt to under-report income. On the other hand, attitudes towards the tax authority are also important as tax attitudes and ethics generally depend on perceived use of the money collected by the government (Kirchler et. al., 2008). The following subsection discusses the influence of perceptions of equity or fairness on compliance.

In this study all ethical issues by following all procedures required in data collection and process of obtaining relevant authority concern were observed. The study has taken in to consideration all ethical issues by following truthfulness, thoroughness, objectivity and relevance principles as both were applied in all procedure required in planning, conducting and reporting the results. All these were applied to shape the morality in research.

3.10 Summary

Discussed in this chapter has been the research methodology for the study. It has presented the research design based on the ethno methodological and mixed methods approaches. While due to its embedment in the ethno methodological approach the study makes use of the case study, it collects quantitative and qualitative data, on the one hand, and analyses the data with the use of statistics and content analysis, on the other hand. The chapter has winded up with the issues related to validity and reliability as well as research ethics. The next chapter deals with the presentation, analysis and discussion of the findings from this study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

The chapter comprises the presentation, analysis and the discussion of findings of the study on the factors affecting tax compliance in Tanzania. It is through this chapter where the researcher debates on the four main research objectives established to guide the study. The chapter has preliminary and fundamental findings. The essential results of the study include responses pertaining to factors affecting tax compliance as gathered from the selected respondents who are key players in matters pertaining to payment of taxes.

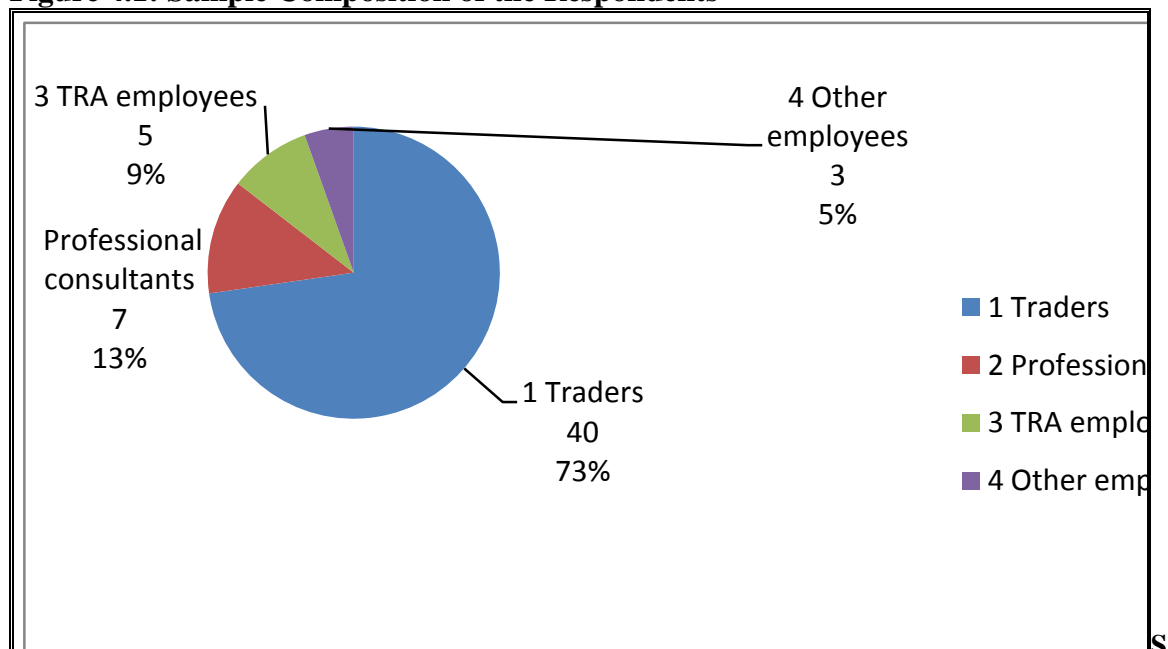
From the beginning to the end, descriptive method, empirical findings and discussion focusing on the research's objectives and questions are systematically presented in this chapter under the five main parts; part one is on the characteristics of the study population, part two is on awareness and experience in handling tax matters, part three is on tax evasion, part four is on tax compliance and lastly part five is the summary of findings and discussion.

4.1 Demographic Profile of the Study Population

It is important to describe the characteristics of the respondents in terms of response. These characteristics influence their opinions/responses to different data collection instruments. This component focuses strongly on the research result directed to the respondents' matter of sex, age, religion, education, marital status and occupation. These socio-economic characteristics of the respondents are important to determine the status of the respondents and answers they provide, in the study area. Figure 4:1 shows that total sample selected of 55 respondents, and all of them answered the questionnaires and this

was due to the fact that the researcher did his research within his work station (TRA-Dodoma) in Dodoma Municipality. For that reason it was easier for him to make a continuously pursue of the questionnaires distributed. The Figure 4.1 describes Categories of Respondents in this research report as follows (5) were TRA employees, (7) were professional consultants(Tax consultants and Auditors, Engineers, Advocates), Business people were (40), followed by (3) respondents from Other employees of other institutions different from TRA.

Figure 4.1: Sample Composition of the Respondents



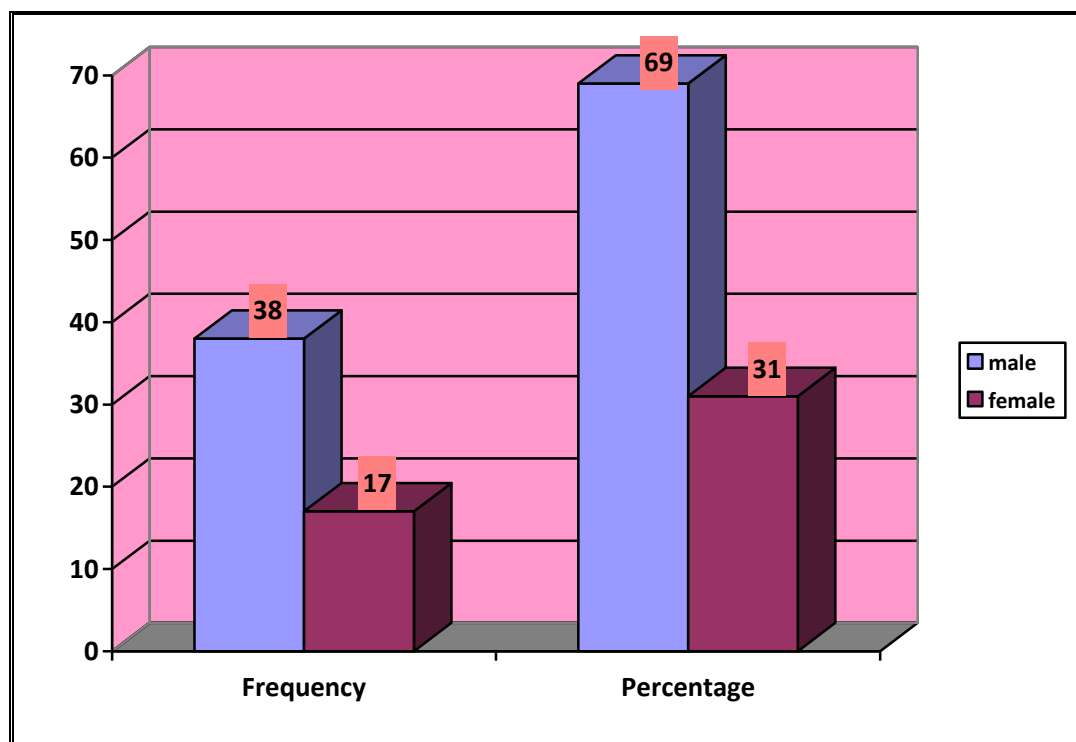
Source: Field Data Survey, 2014

4.1.1 Gender Distribution of the Respondents

The position of man and woman in human community differs from one community to another. Man has a big role compared to woman and man takes main responsibility in maintaining household affairs that means a number of men who are employed in TRA, in other institutions and even in business affairs, is larger when compared to the number of women. Belafonte (2006) observed that cultural norms creates gap between men and women in various roles in the society.

In the midst of the 55 chosen respondents in Dodoma Municipality, it was found that 69% of them are males compared to 31% who are females. Since the sample was randomly selected the study finds that males are more involved in businesses and employment compared to females as shown in Figure 4.2.

Figure 4.2: Gender Distributions of the Respondents

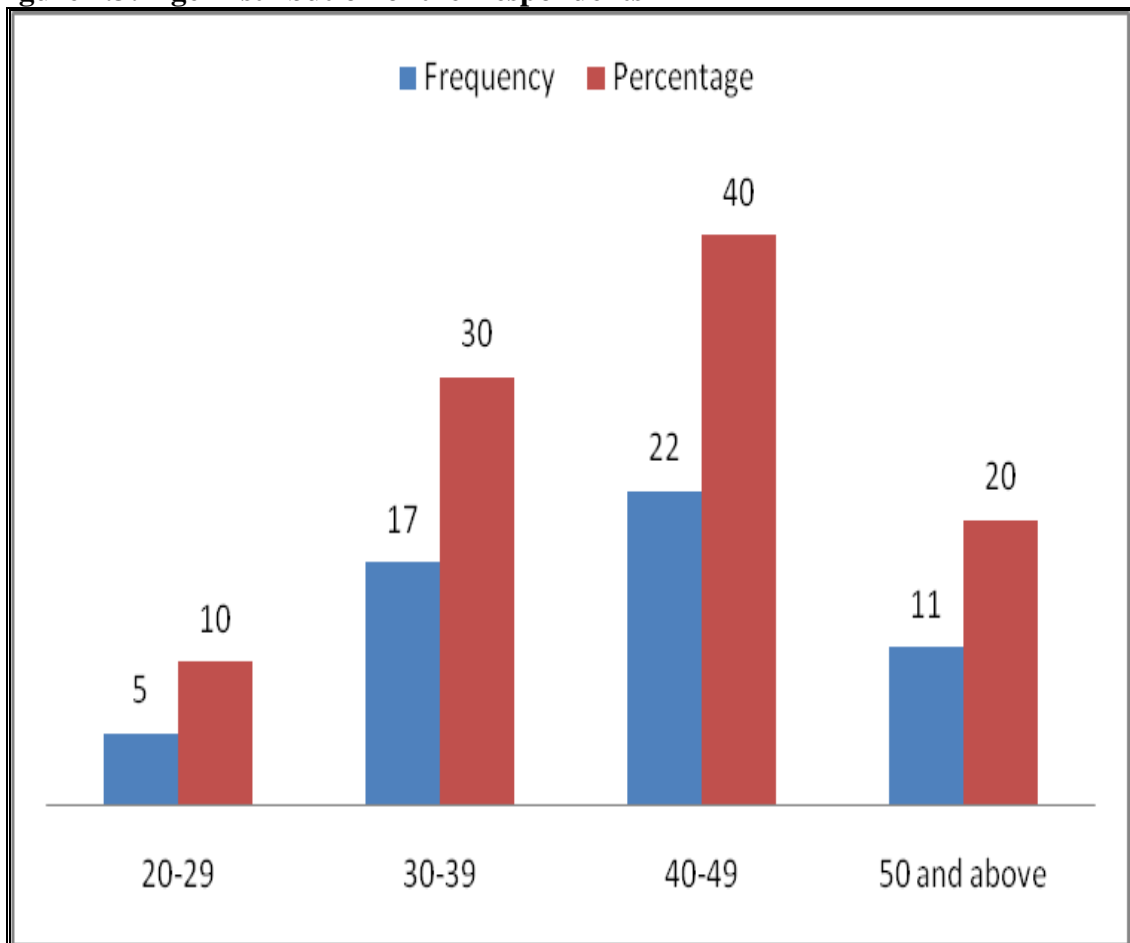


Source: Field Data Survey, 2014

4.1.2 Age Distribution of the Respondents

The age distribution of the respondents is categorized into four groups starting with 20 to 29 years, followed by age between 30 to 39 years, then 40 to 49 years and last group is 50 and above years. The majority of the respondents are those ranging from the age 40 years to 49 years, representing 40 percent, followed by the age of 30 years to 39 years, 30 percent, and there after comes the age group of 50 and above years which represent 20 percent and few respondents are found in the age group 20 years to 29 years, 10 percent which completed a total of 55 respondents. Figure 4.3: illustrates the distribution of ages of respondents:

Figure 4.3: Age Distribution of the Respondents

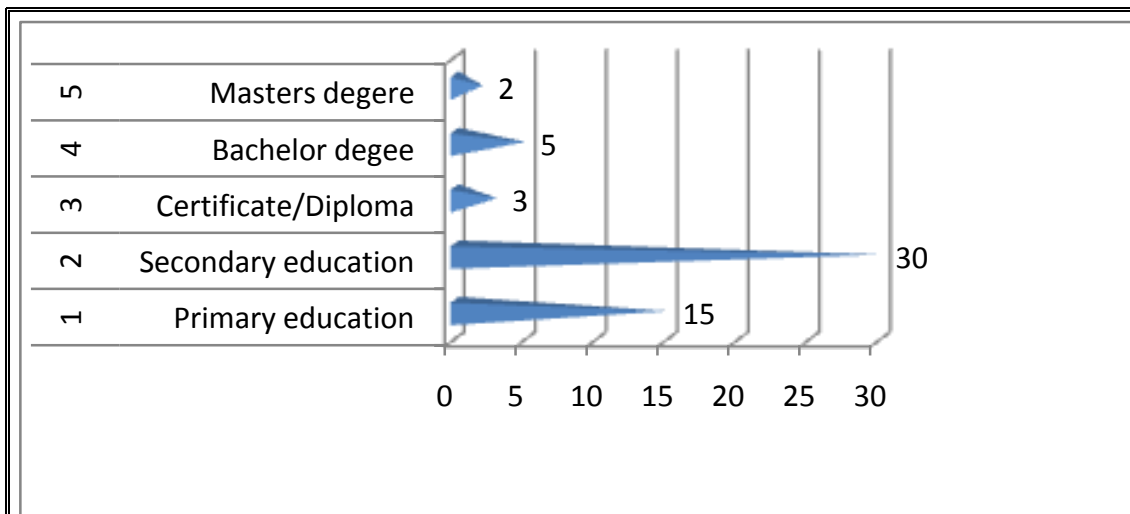


Source: Field Data Survey, 2014

4.1.3 Education Status of the Respondents

The study was carried out in a region that is located in the middle of Tanzania, given the theme of the study, most of the respondents are found in urban areas and thus they have different level of education. The majority went for Bachelor education (19) and Diploma education (12), followed by the Secondary education (10), Certificate education (9) and Masters Education (5). The education status of the respondents is adequate and gives hopes to rely on the information collected concerning the study. Consequently, the understanding of the issue of causative factors to compliance is satisfying. Figure 4.4 portrays the status of education in the study.

Figure 4.4: Education Status of the Respondents



Source: Field Data Survey, 2014

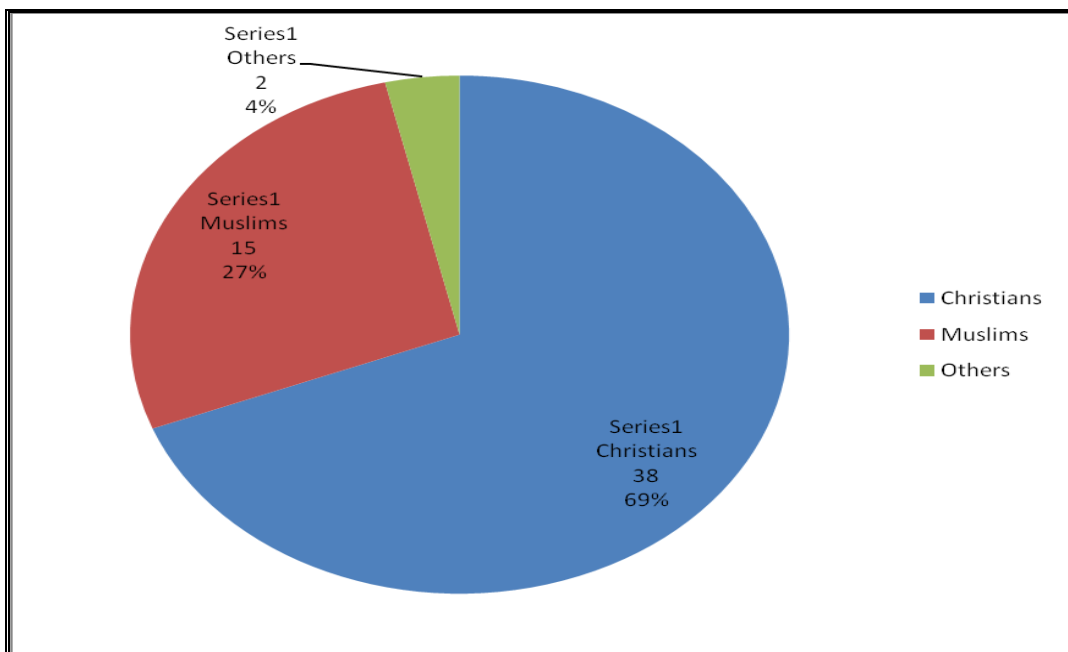
4.1.4 Religion of the Respondents

Table 4.5 represents the religion of the respondent as some studies suggest that religious variables are associated to individual's economy. Marx Weber in his analysis on Materialism and Weber's Theory, he had discovered and demonstrated that religious beliefs could cause economic change and influences individuals accordingly. He claimed he had found a weakness in Marx's materialism which implied that the economic system always shape ideas. However, it should be stressed that Weber did not discount the importance of the economy and material factors. He said, 'It is, of course, not my aim to substitute for a one-sided materialistic an equally one-sided spiritualistic causal interpretation of culture and of history.' Capitalism was made possible not just by Calvinist Protestantism, but also by the technology and economic system of the countries in which it developed. Material factors were as important as ideas in its development; neither could be ignored in any explanation.

As well as proposing an explanation for the origins of capitalism, Weber also had a good deal to say about the likely consequences of the changes produced by the development of Protestantism. His theories have had a tremendous influence on general ideas about

changes in Western societies, and in particular on the concepts of modernity and secularization. Modernity refers to both a historical period and a type of society which is often seen as developing along with industrialization; science and capitalism (see p. 972). Secularization refers to the decline of religion (see below, pp. 436-54). Robert Holton and Brian Turner (1989), for example, argue that the central themes of all of Weber's sociology were 'the problems of modernization and modernity, and that we should regard rationalization as the process which produced modernism'.

Figure 4.5: Religious of the Respondents



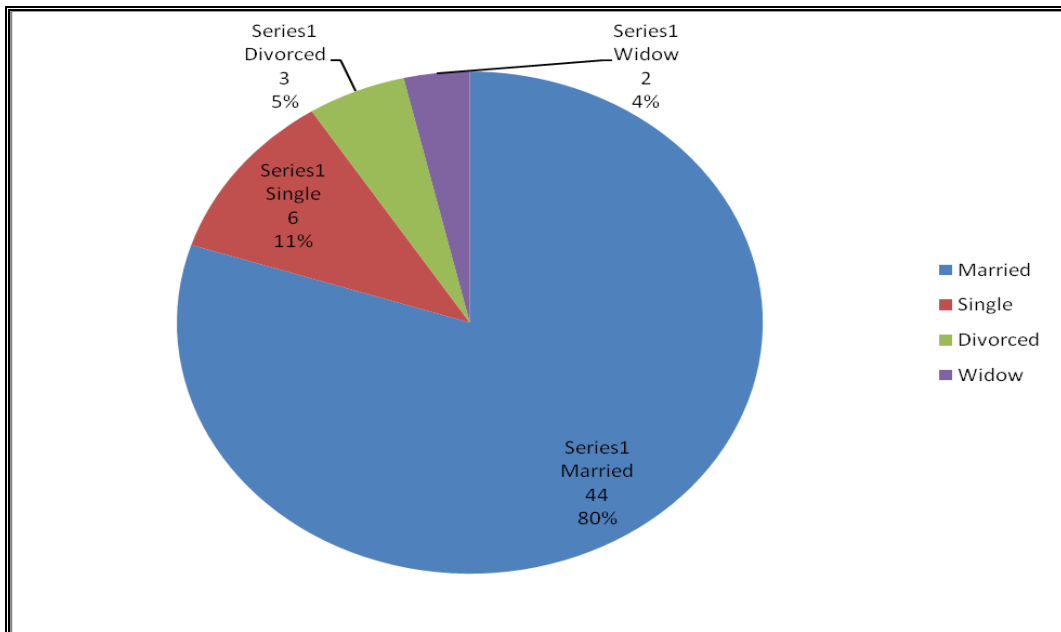
Source: Field Data Survey, 2014

4.1.5 Marital Status of the Respondents

Generally, societies have arrangements and attitude related to family matters, throughout the world there are many arrangements for regulating mating and reproduction, caring for and bringing up children and meeting personal needs (Zanden, 1998). This situation is also found in the study area whereby there are groups of individuals of single hood, married, divorced/separated and widow; all these groups have direct impact to the issue of National Security in one way or another.

The results of this study demonstrates that among the respondents their marital status is of four categories and were married (80%), single (11%), divorced/separated (6%), and widow (3%) as shown in Figure 4.6.

Figure 4.6: The Distribution of Respondents with their Marital Status

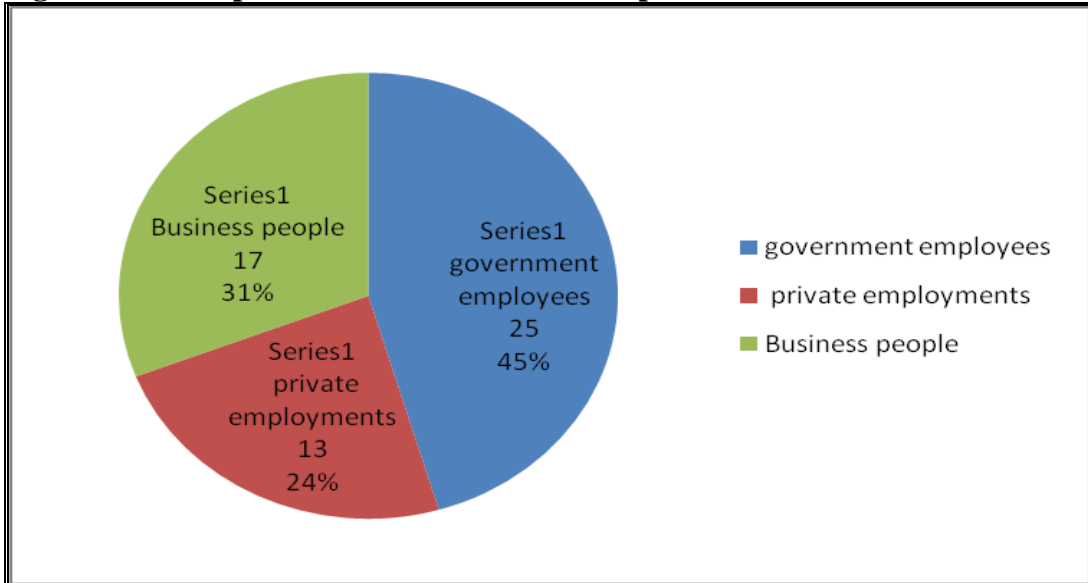


Source: Field Data, 2014

4.1.6 Occupation Distribution of the Respondents

The type of occupation depends on the sensitivity of the individuals in the society. Most of the time earning of money daily or monthly to them is occupation (Farooq and Ofofu (1992). Occupation is the type of work done by individual in a given job (e.g. a teacher, doctor, police, farmer, typist, or truck driver, business person etc.) irrespective of the branch of the economic activity status. Accordingly, this study revealed three groups of respondents with their occupations. Those groups are; government employees, employees in private sectors and business persons. The study shows government employees were (25), private employments were (13) and others (business people) were (17) most of whom were self-employed in business and in other sectors as shown in Figure 4.7.

Figure 4.7: Occupation Distribution of the Respondents

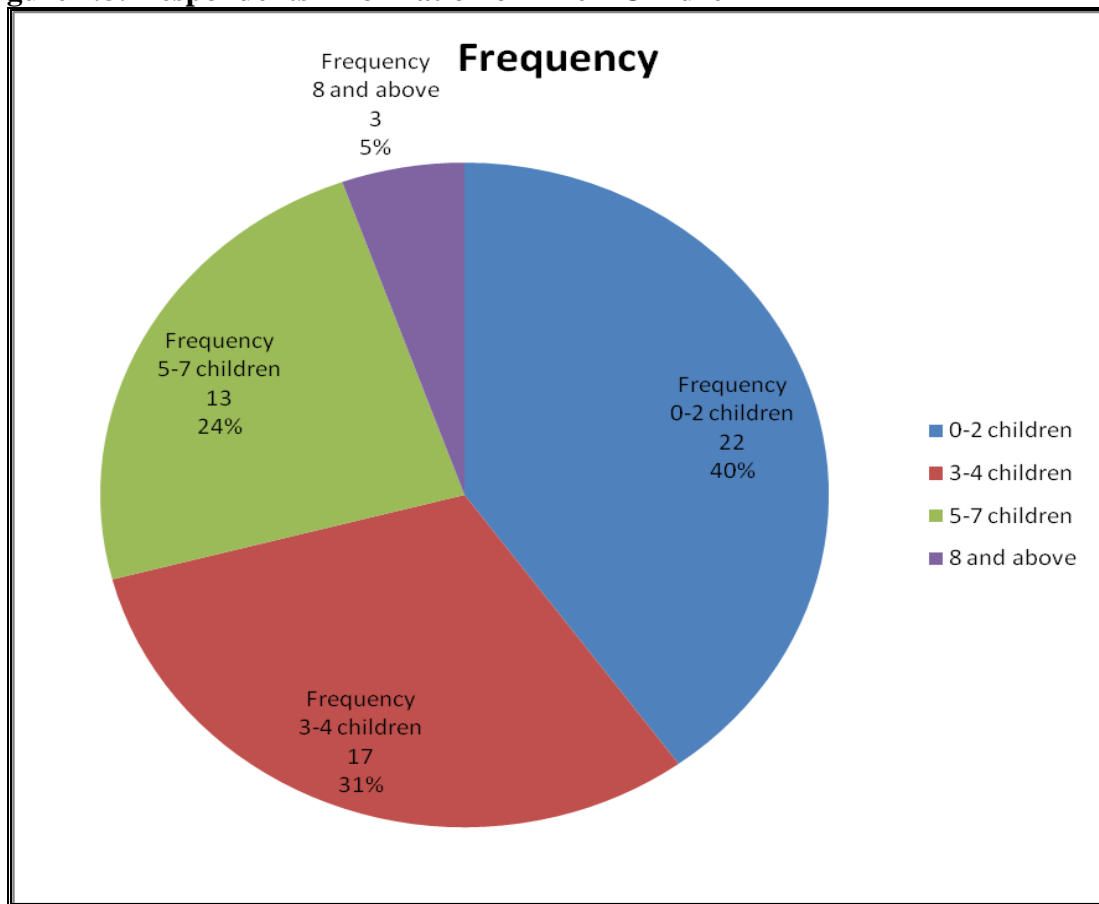


Source: Field Data, 2014

4.1.7 The Respondents' Information on Their Children

The findings concerned to respondents' number of children as collected from the study area through questionnaire. This question was asked in order to have knowledge on number of children of these respondents or taxpayers. Unveiled herein is that majority of the respondents about 40% of all of them have 0-2 children, followed by 31% of all respondents who have 3-4 children, besides about 24% of all respondents have 5-7 children and about 5% of all respondents have 8 and above children. This discloses that majority of taxpayers have children and seemingly this merely signifies that those with more children are obliged to do business.

Figure 4.8: Respondents Information on Their Children

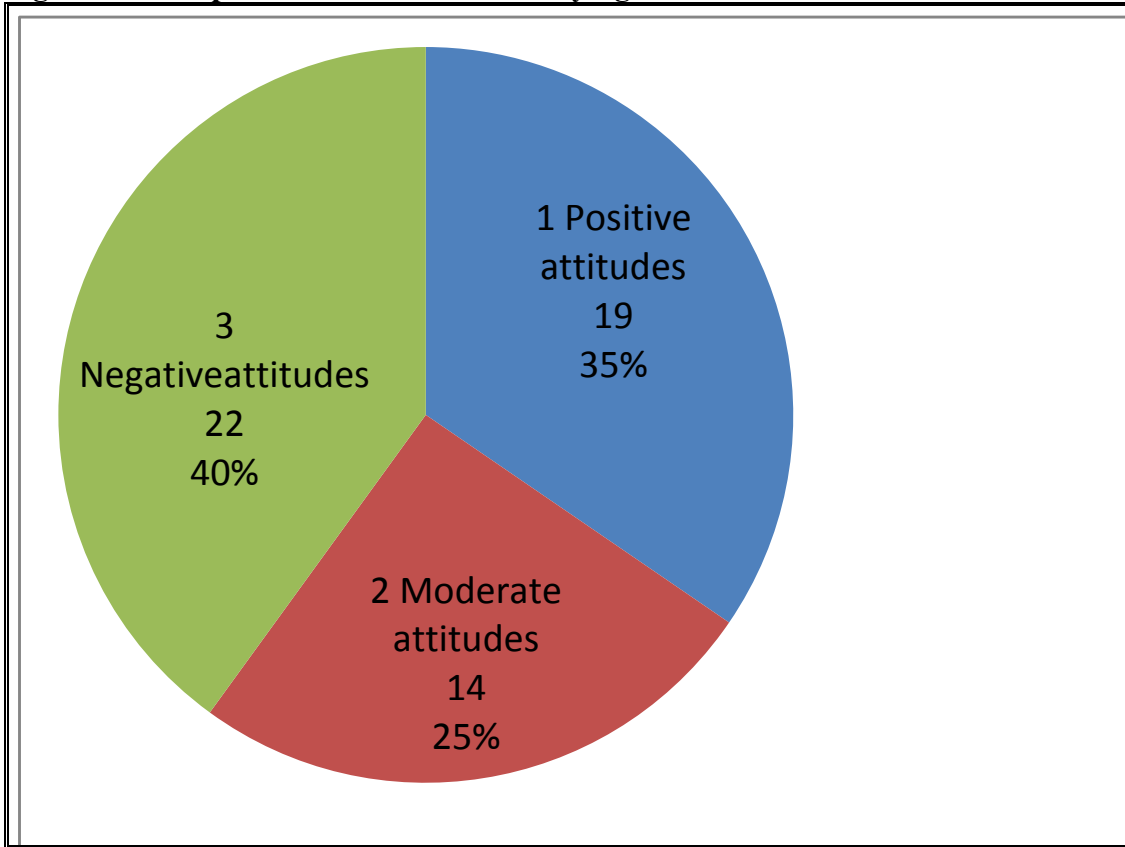


Source: Field Data Survey, 2014

4.2 People's Attitudes towards Paying Tax

Under this objective the researcher attempted to find out people's attitudes towards paying tax in Tanzania in order to acquire needed information on the above research topic. Based on the businesses qualified taxpayers are currently running, the study revealed that about (35%) of the qualified Taxpayers have positive attitudes towards paying tax, (25%) are with moderate attitudes pertaining to payment of taxes while (40%) have negative attitudes towards paying. These findings (which are also shown in figure 4.9) connote that, people's attitudes towards paying taxes is generally still poor calling the authority's attention to deal with people's behavior towards paying taxes.

Figure 4.9: People's Attitudes towards Paying Tax

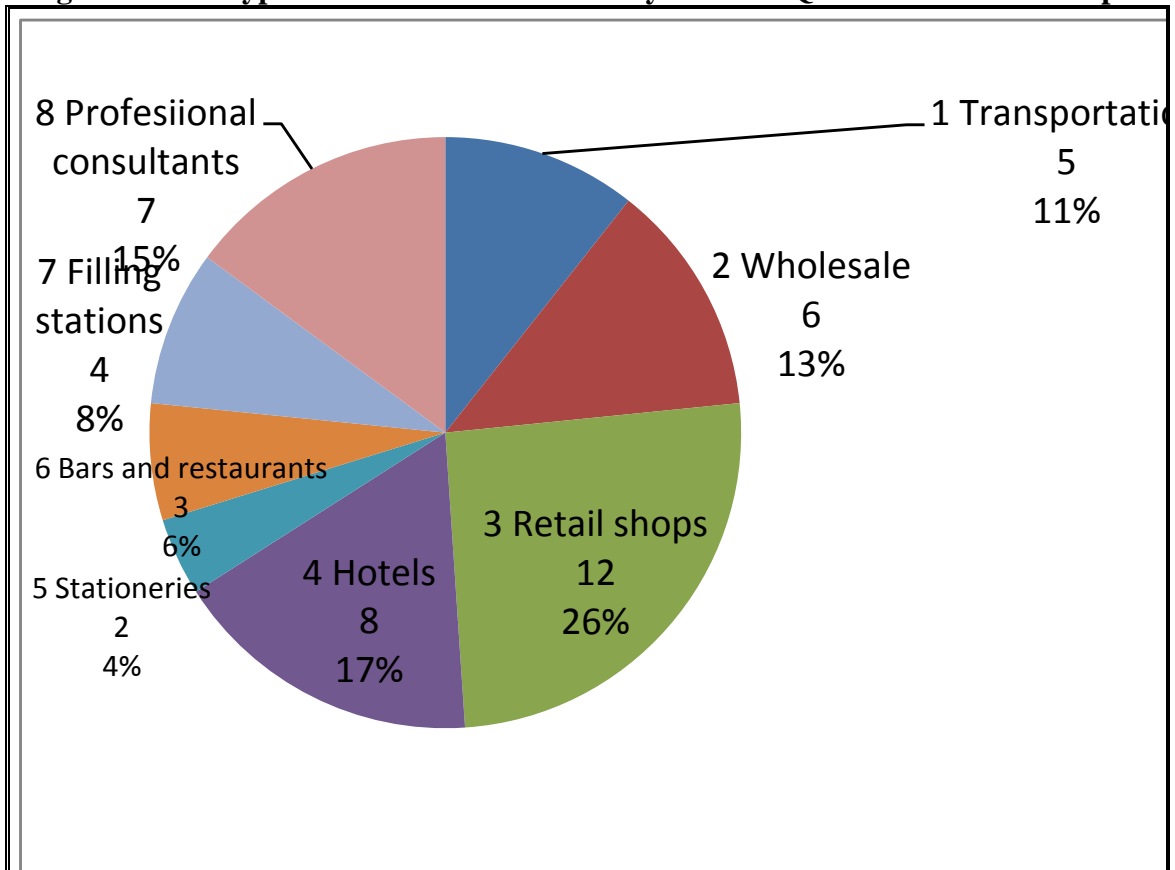


Source: Field Data Survey, 2014

4.2.1 Types of Business Conducted by Selected Qualified Business People

Within the context of the sampling unit selected, in which out of 55 respondents, 47 respondents are business people including traders and professional consultants; the study found that the types of business operated by these qualified business persons include: Transportation (5), wholesale and sub-whole shops(6), retail shops for hardware, furniture, electronics and foodstuffs (12), Hotels(8), Bars and restaurants(3), stationeries(2), Filling stations(4) and professional consultancy-including tax consultants, Engineers and Advocates(7). The distribution of types of business included in our study through the selected sampling unit is as shown in figure 4.10.

Figure 4.10 Types of Business Conducted by Selected Qualified Business People

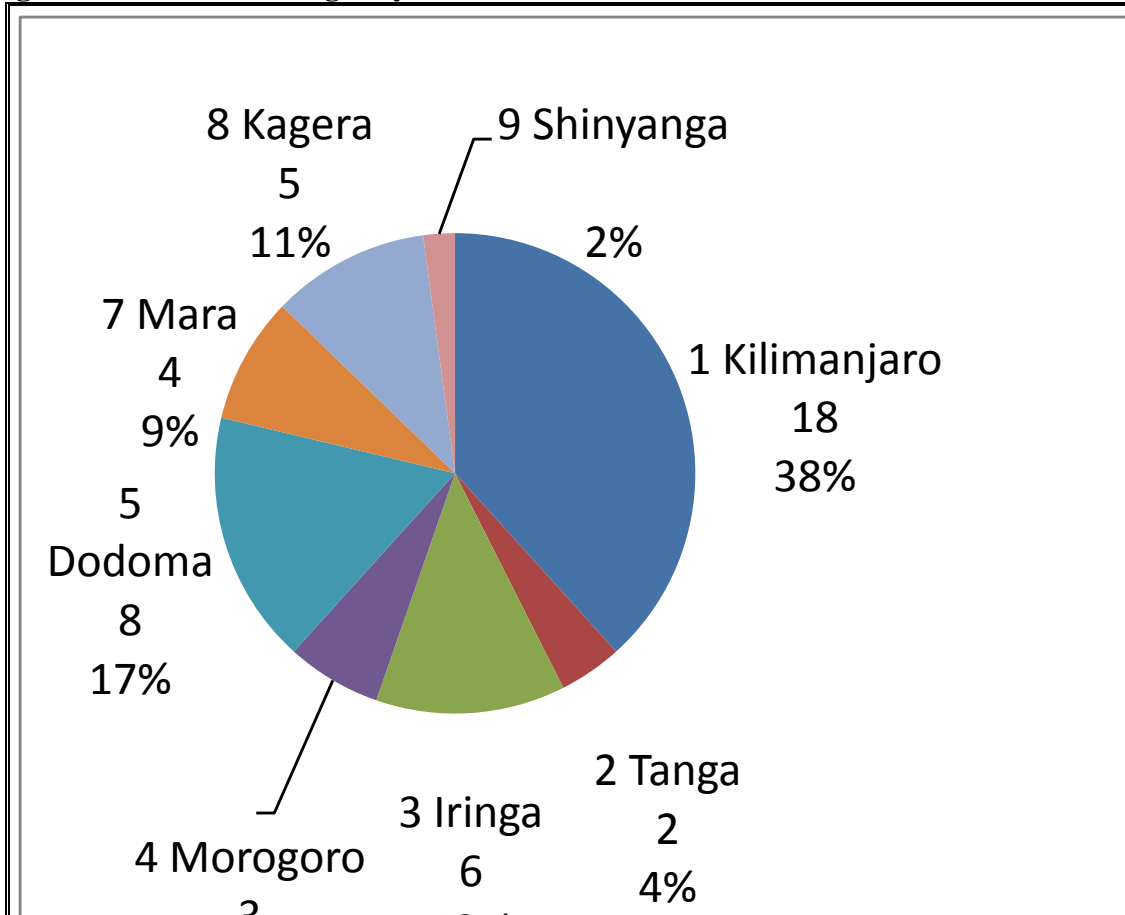


Source: Field Data Survey, 2014

4.2.2 Place of Origin by Birth

Bestowing to this study, the majority of selected respondents particularly business people included in the sampling unit are coming from different regions of the country mostly from Kilimanjaro as their origin place of birth, this implies then that, businesses in Dodoma Municipality are predominantly conducted by people from outside in which case, their distribution as to the place of origin by birth both in terms of numbers and percentage is as shown below in figure 4.11.

Figure 4.11: Place of Origin by Birth



Source: Field Data Survey, 2014

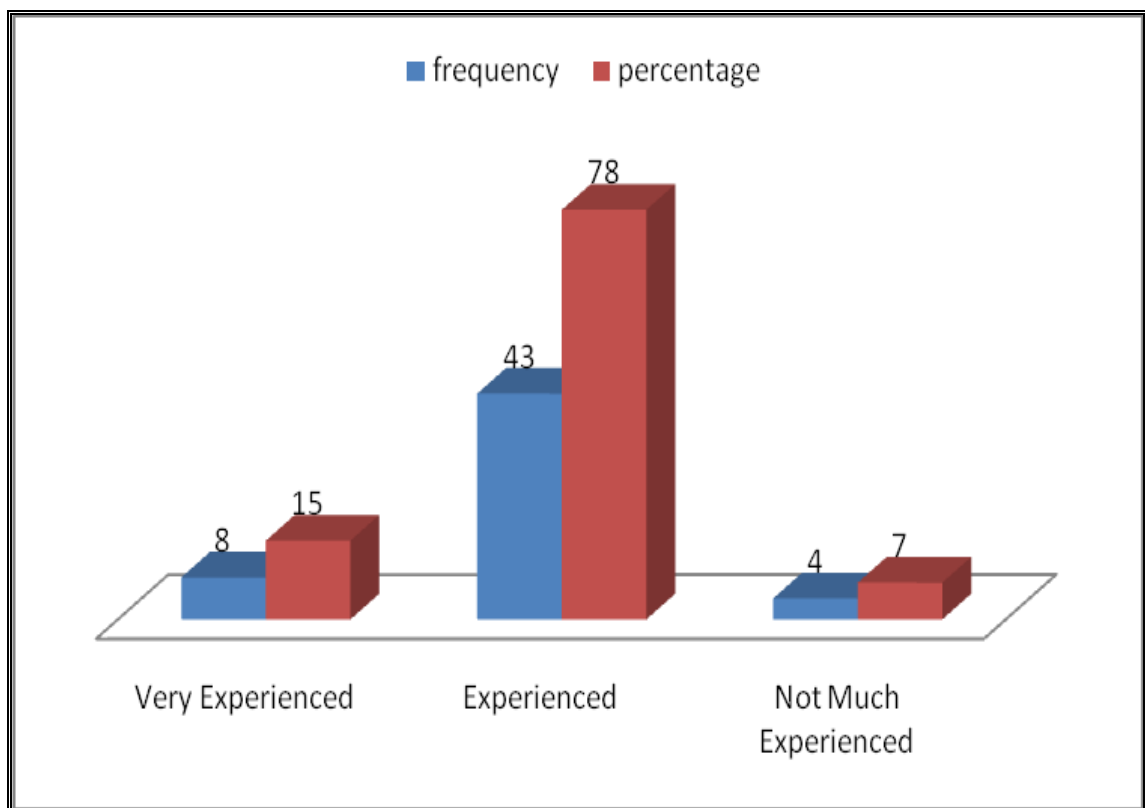
4.3 The level of tax Knowledge and Experience in Handling Tax Matters

The study indicates that all 55 selected respondents are familiar with the term taxation and tax authorities as they managed to mention the authority responsible for collecting taxes in Tanzania. The following figure 4.12 describes the extent to which selected respondents are knowledgeable, aware of tax matters and the experience in handling related tax matters. From a total of chosen respondents 78% said that, they have some experience in handling tax matters, at the same time 14 % respondents said that they have an outstanding experience while 8% claimed to have not much experience in handling tax issues.

Therefore the implication here is that, most of the respondents do have knowledge and experience in handling tax matters since no one said they do not have any knowledge and

experience in handling tax matters. Furthermore, the study shows that 89 % of the qualified traders, being one group of the selected strata of respondents, handle tax matters for their businesses themselves. For those who do not handle tax matters for themselves, they stated that they normally get help from the tax consultants and auditors; notwithstanding, the study revealed that, the qualified traders are making regular follow-ups from the tax consultants and auditors to check whether the taxes are paid on time.

Figure 4.12: Experience in Handling Tax Affairs



Source: Field Data Survey, 2014

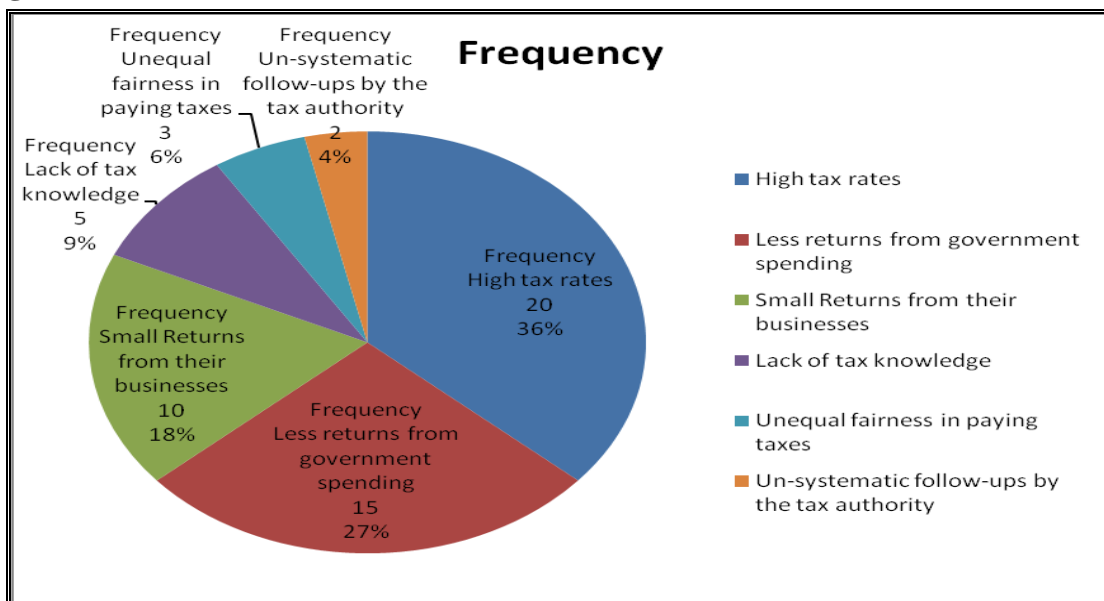
4.4 Variables Affecting Tax Compliance of the Taxpayers in Tanzania

Under this paragraph the study tried to explore various variables leading to both tax evasion and tax compliance. That is, there are factors contributing to tax evasion and contributing variable to tax compliance (The taxpayers' willingness to paying taxes),as discussed in the following sub-paragraphs.

4.4.1 Factors Leading to Tax Evasion in Tanzania

This study has revealed a number of variables affecting tax compliance in Dodoma municipal and Tanzania in general, through this study it has been learnt that, high tax rates and numerous taxes imposed in their business, Poor perception of the Taxpayer on government accountability in providing public services and Small returns from their businesses are the three main reasons as to why qualified traders evade taxes. These reasons contribute to 36%, 27% and 18% respectively. The last causative reasons include lack of tax knowledge (9%), perception of unequal fairness in paying taxes (3%) and un-irregular follow-ups by Tanzania Revenue Authority contributing to 4% of the respondents. This implies that taxpayers are likely to evade tax if the tax rates are high, when they perceive that their government is not committed in providing public services in exchange of the taxes paid by its citizen, when they have perception of unequal fairness in paying taxes and also when the returns from their businesses are small forcing them to increase their income through tax evasion. Figure 4.13 below summarizes reasons for qualified traders to evade taxes.

Figure 4.13: Reasons for Qualified Traders to Evade Taxes



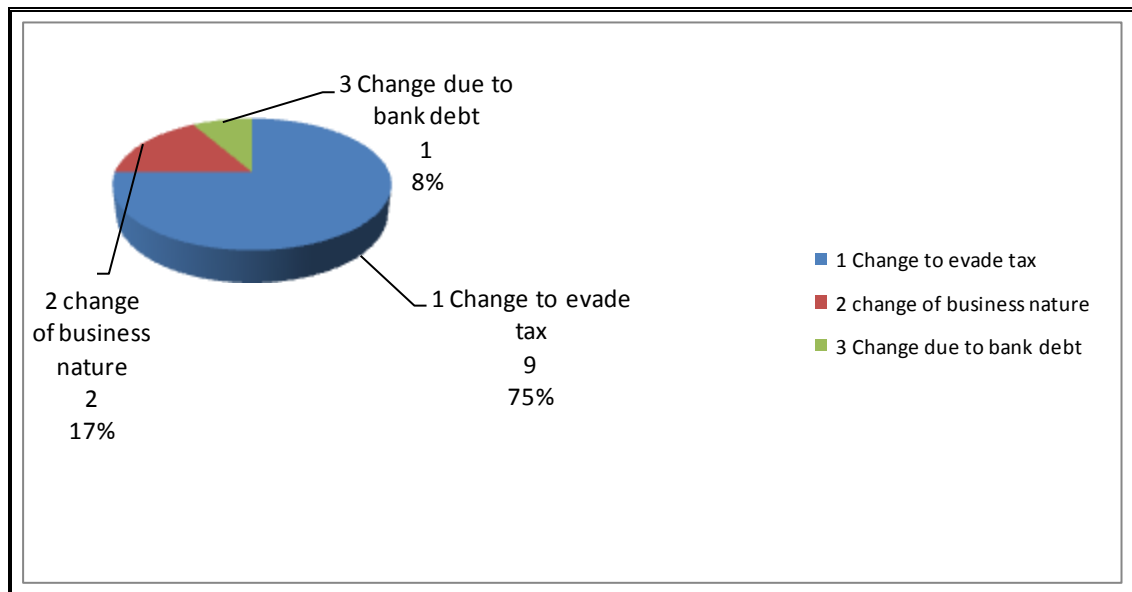
Source: Field Data Survey, 2014

4.4.1.1 Challenges Faced by TRA towards Tax Fudging

The challenge of tax falsifying is a worldwide problem whereby traders or taxpayers evade paying correct taxes and in Tanzania there has developed a tendency to the taxpayers to change their names in order to avoid paying taxes. This issue of taxpayer non-compliance is a continuous and growing global problem (McKerchar and Evans 2009), many indications suggest that developing countries (including Tanzania), many of them in Sub-Saharan Africa, are the most affected (Cobham, 2005; Fuest and Riedel, 2009).

In this study qualified traders being one of the big group of respondents included in the sampling unit, were asked if they have ever changed business name since they started business and the reasons behind their decision to change business name, the study found that about 75% of them have never changed their names since they started their businesses while 25% equivalent to 12 responds out of 47 respondents from the category of traders, have changed their business names for various reasons. The study has revealed probable reasons for qualified traders to change their business names; In this study it has been learnt that 75% of those changed their business names said that, the reason for them to change their names is to evade taxes, 15% changed their names pursuant to changes in the nature of business while the remaining 10percent claimed to have changed their names due to bank debts. Figure 4.14 shows the number and percentage of traders beside each respective reason for their decision to change their business names.

Figure 4.14: Reasons for Traders to Change their Business Names



Source: Field Data Survey, 2014

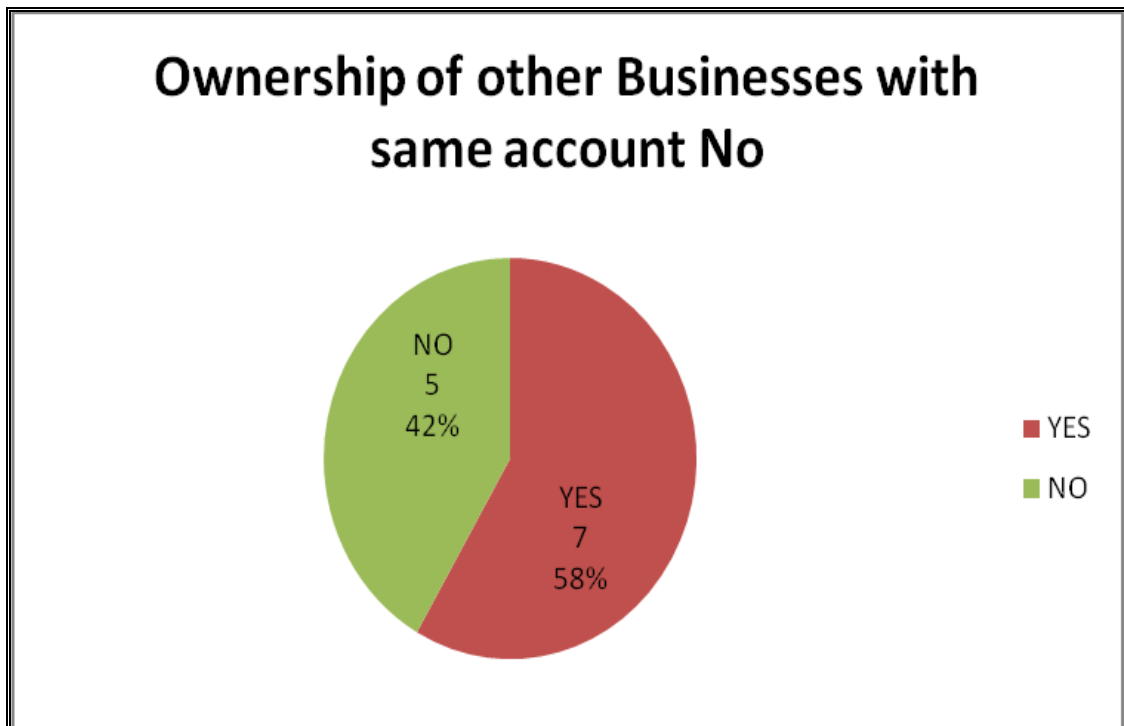
Apart from the possible reasons for qualified traders to change business name, also the study assessed the process of changing business name by asking the opinions concerning it. The results indicates that, it is simple to change business name supported by 53.3% of the qualified traders asked in which 5.0% said it is very simple and 48.3% said it is simple, while 33.3% and 13.4% said it is difficult and very difficult correspondingly.

As a result of possible reasons and process for qualified traders to change business name, the study shows that the principal reason for business name to change is to evade taxes, and it is generally simple and convenient for qualified traders to change business name.

4.4.1.2 Ownership of other Businesses

The study shows that out of 47 of selected qualified traders which is one group with the majority of respondents in the sampling units of four strata with a total of 55 respondents, 25% of the trader own other businesses either within Dodoma municipality or in other regions particularly in Dar-es-Salaam and 60% of them operate under the same account. The following figure summarizes this information.

Figure 4.15: Ownership of other Businesses against Possession of Accounts

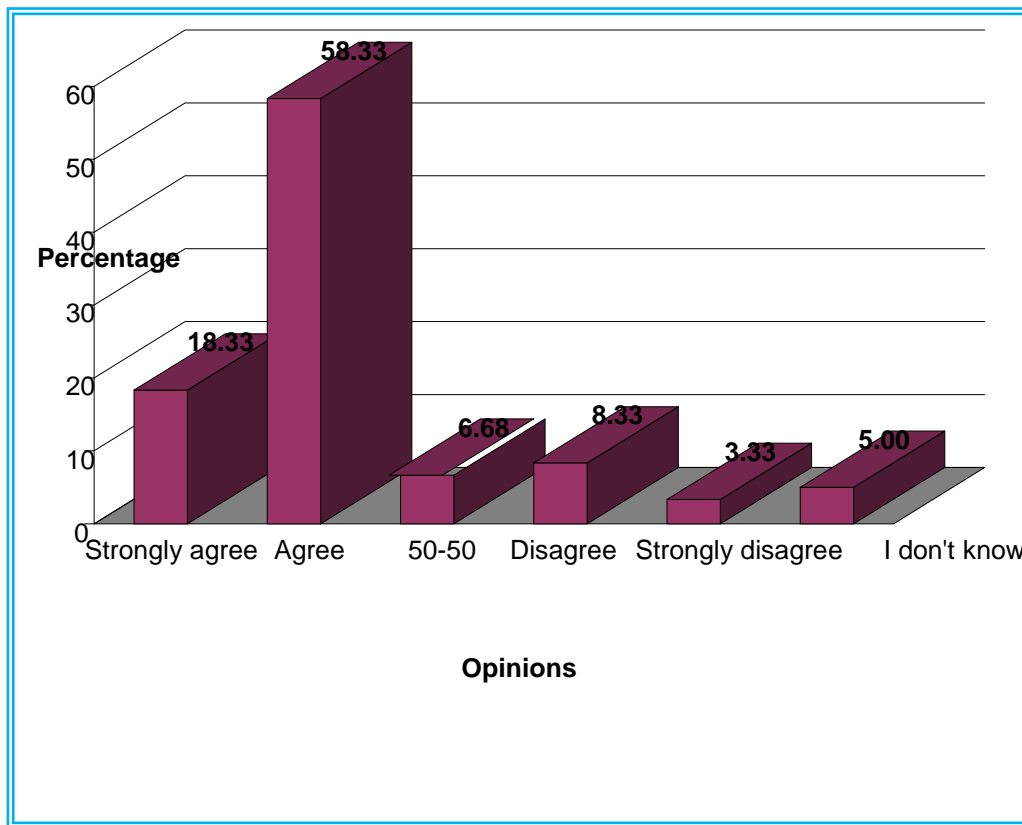


Source: Field Data Survey, 2014

The inference here is that, as a result of having more than one business with the same account located within Dodoma municipality or in other regions, the qualified traders tend to evade taxes by operating their businesses under the same name.

On the possibilities for qualified traders to evade taxes, the study shows that out of 55 selected respondents included in the sampling unit of four strata, about 76.66% said they agree on the possibility of qualified traders to evade taxes, while 11.66% said they disagree, 5% claimed to have no knowledge while the remaining 6.68% were found to be neutral, that is, they neither agree nor disagree. Figure 4.16 depicts the situation.

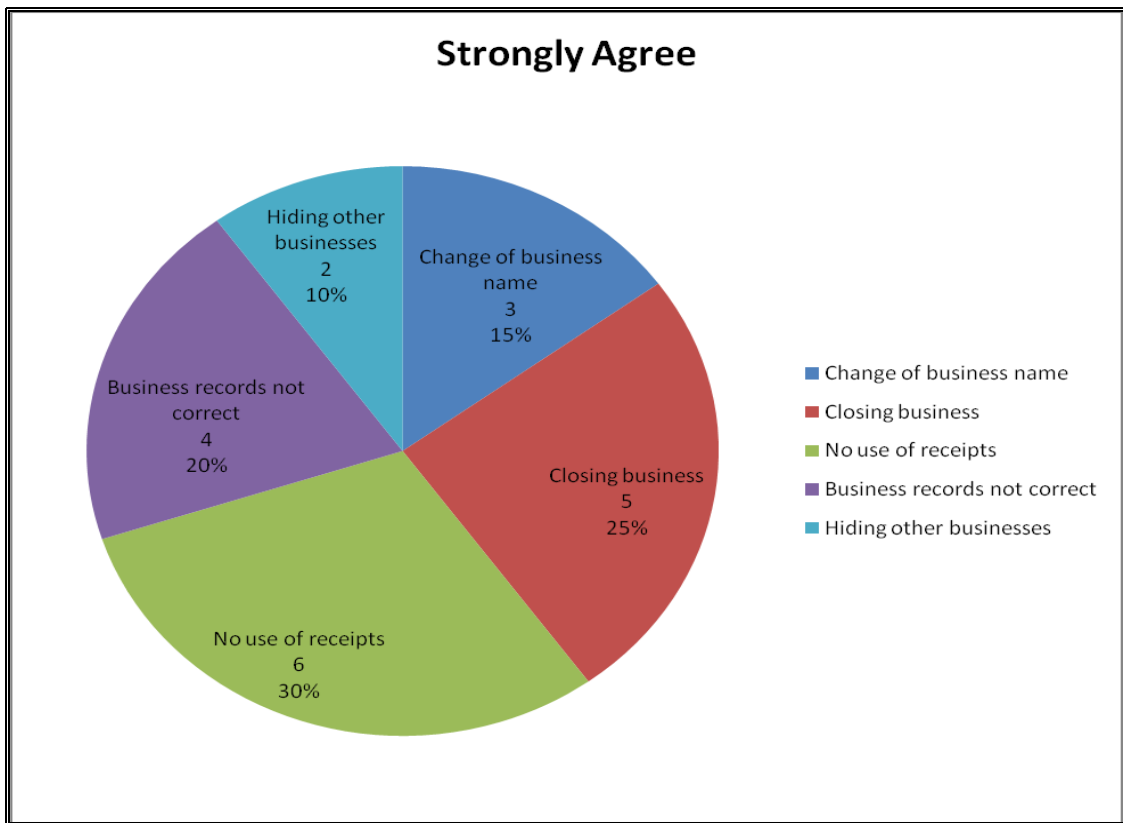
Figure 4.16: Possibilities for Qualified Traders to Evade Taxes



Source: Field Data Survey, 2014

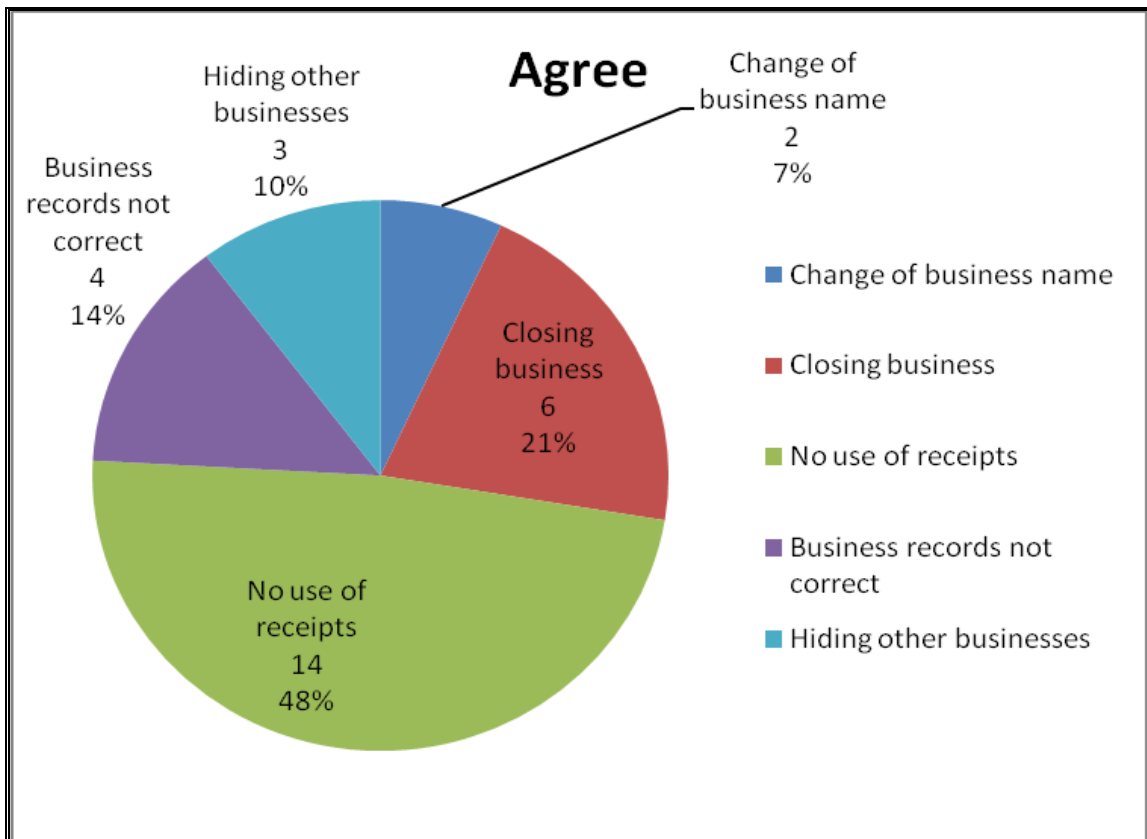
For those who said they strongly agree, agree and 50 – 50 (neutral), they were asked on how do qualified traders evade taxes, and the majority mentioned three main ways. Firstly, qualified traders do have a tendency of not using sales receipts as one way to sell either goods or services they offer without issuing receipts and in so doing they are able to conceal their real income and hence evade tax. Secondly, is by changing their business names or location especially when it happens that they have not paid taxes for a long period of time without being netted by the tax authority in through this practice they are able to avoid paying their tax dues and respective penalties. The third way of evading tax is by way of closing businesses during surprise checks and inspection. These ways contributes to tax evasion to the tune of about 30%, 26% and 24% respectively while the remaining ways are incorrect business transactions sales records and hiding other businesses as shown in figure 4.17 below.

Figure 4.17a: Possibilities against Ways used by Qualified Traders to Evade Taxes



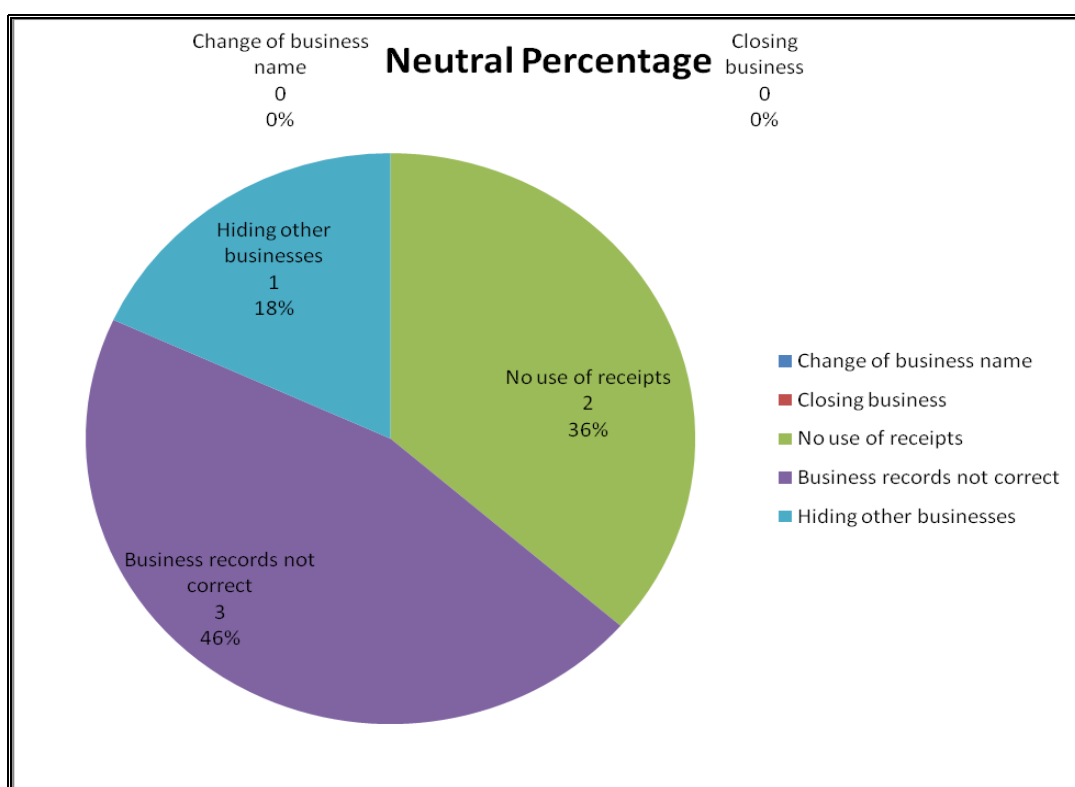
Source: Field Data Survey, 2014

Figure 4.17b: Possibilities against Ways used by Qualified Traders to Evade Taxes



Source: Field Data Survey, 2014

Figure 4.17c: Possibilities against Ways used by Qualified Traders to Evade Taxes



Source: Field Data Survey, 2014

4.4.2 Factors for Tax Compliance

Through this study it has been revealed that, taxpayers are likely to comply to paying taxes when the tax rates are reasonably low, they have positive perception that their government is committed in providing public services in exchange of the taxes paid by its citizen, when their tax knowledge is high and when the returns from their businesses are substantial enough to support their livings. But also the study has found that, Taxpayers tend to comply in paying the correct amount of taxes because of fear of penalties and the possibility of being audited.

In assessing factors for tax compliance, the study focused on why people pay taxes. In responding as to why taxpayers comply with paying the correct amount of taxes, it was found that, 60% of respondents said they paid taxes for national development through government expenditure of the collected tax revenue, 40% said that, they pay taxes

because of fear of being audited and penalized by the tax authority when they are found to have paid less taxes. Those who said that they pay taxes for national development are the one with high level of tax knowledge because they are those who went to school at least to the level of secondary school. On the other hand, the study also found that, those who pay taxes because of fear of being fined by the tax authority are those who have low knowledge pertaining to tax matters and therefore they found themselves being forced to pay taxes through tight laws that impose heavy penalties on tax defaulters.

4.5 Summary of Findings and Discussion

The overall purpose of the study is to assess the factors that are leading to tax evasion and tax compliance for qualified traders. Through review of literature and studying the background of the subject, it was discovered that the tax evasion in Tanzania at large and Dodoma in particular still exist in spite of effectiveness of the tax authority in management of tax laws and penalties imposed to tax defaulters that can be used as catalyst for taxpayers to comply with their tax obligations. This is demonstrated in the following subsections.

4.5.1 Tax Evasion

The study managed to identify and assess factors that are associated and can lead to have a situation of tax evasion in Dodoma municipality in particular and Tanzania in general. It is observed that 89% of respondents interviewed agreed on the possibility of evading taxes through different ways like changing business name, closing of business and none use of receipts; and the main reasons that were observed are high tax rates, less returns from government spending in exchange of the taxes paid and the small returns from their businesses which all together contribute about 81% of all mentioned reasons.

Moreover, the study revealed that, all tax stakeholders including the government itself through its Agency, the Tanzania revenue authority and tax payers in one way or another, play a role in tax evasion. For the tax authority it is observed that, to some extent, it does not effectively and efficiently collect taxes properly and hence giving the taxpayers an opportunity to evade taxes and sometimes deliberately fail to comply with their tax obligations. For instance, the study revealed that 4% of total respondents support that taxpayers do evade paying tax due to irregular follow-ups of the Tanzania revenue authorities.

Statistically it was revealed that, all mentioned ways used to evade taxes and reasons behind it as well as reasons for the existence of tax evasion in Tanzania are more likely correct in terms of their probabilities. The findings shows that, 89% supports the mentioned ways used to evade taxes, while 81% supports the mentioned reasons for evading taxes in Tanzania.

4.5.2 Tax Compliance

Moreover, the study managed to identify and assess factors that are associated and can lead tax payers to comply with their tax obligations in Dodoma Municipality and Tanzania at large. It is indicated that better tax compliance is a result of knowledge of the tax, positive perception of the taxpayers on government provision of public services in exchange of their taxes, minimal tax rates, and awareness of the importance of paying taxes, but also the tax systems and procedures, and tax laws governed by the authority (TRA) play a big role and to large extent, in collecting taxes by having tax laws and penalties imposed to tax defaulters. This has contributed to tax compliance.

The study revealed that in terms tax knowledge, perception of taxpayers on government provision of public services in exchange of the taxes paid, minimal tax rates, and

awareness of the importance of paying taxes 60% of the respondents supported that people do pay taxes for national development by contributing to the national income while 40% said people do pay taxes due to strictness of tax laws and tax authority.

4.6 Summary

This chapter has paid attention to the analysis of data and presentation of the research findings. It starts with Social-Demographic Profile of the Study Population following to the analysis of objectives of the study. The following chapter describes the summary, conclusion, recommendations for this study and eventually the researcher proposes areas for further research.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

After having analyzed the earlier chapter on results and discussion of the study this chapter presents a summary of the findings, the conclusion and recommendations of the research as previously analyzed in chapter four. The discussion relates to data analysis on the findings to the research objectives in chapter one at the beginning and chapter two containing the literature review in terms of findings and the extent to which these findings relate to the theory and other scholar's findings on related study.

5.1 The Summary of the Study

The researcher focused on factors affecting tax compliance in Tanzania, specifically the Tanzania Revenue Authority in Dodoma Municipality. It attempted to analyze the tax compliance which has encountered a number of challenges, such challenges as difficulties in tax collections /reluctance of people towards paying taxes and poor record keeping and issuing of receipts on sales made, changing of business names purported to tax evasion, are some of the outstanding problems facing TRA within the context of tax supervision.

Accordingly, the consequences of this analysis depicts that the TRA faces an immense crumple to apply pertinent measures and appropriate principals previously in place before undertaking tax collection that at the end come to mischief their goals. For that reason, the TRA fails to achieve its goals of collecting the targeted revenue. Due to this actual situation at TRA Dodoma Municipality, within the context of tax collection, becomes more and more unreliable and stressful

This study argues that the citizens' perception of government accountability is an instrumental factor that shapes the emergence and maintenance of tax morale resulting in voluntary tax compliance. The underlining framework according to Sacks and Levi (2005) is that there is a social contract that defines the relationship between the government and the governed. Levi (1988) argues that if it is perceived by the taxpayers that the rate of transformation from tax to public goods is low then the taxpayers will feel that the government has not kept its obligation of the contract, as a result, the tax morale will be affected negatively which would result in deteriorating voluntary compliance. Thus voluntary compliance, particularly in contemporary states, may be seen as a function of the citizens' assessment that government upholds the fiscal contract with its citizens and meets prevailing standards of procedural fairness in delivering public services.

The study depicts that there are indications that the institution of governance at all levels is entangled in a web of public distrust and declining public confidence (Natufe, 2006; Abati, 2006). Elaigwu, (2002) note that there is a big gap between the rhetoric of transparency and accountability on the one hand and demonstrable commitment to values in the actions of the political actors, on the other hand. In another perspective, Onyegbula (2000) has pointed out that optimistic expectations from government have all been dashed with the increasing loss of accountability even in the midst of a representative democracy. The trend is worsened by the wide gap between government official pronouncements and actions. In the light of the above, there is a need to investigate the nexus between citizens' perception of government accountability and voluntary tax compliance and hence the justification for the study. Likewise, made known is very poor training done by TRA to its stakeholders, pitiable working condition and skimpy management, unfriendly working environment, and poor remuneration. Besides, the study also reveals that some fundamentally important

facilities such as Offices are not friendly to facilitate proper executions of TRA accountabilities. Furthermore, exposed from this analysis is a very poor allocation of fund which escalated TRA to fail to perform training programs for stakeholders that hinders the efficiency of TRA at large. The study finds no strong evidence that political legitimacy, e.g. trust in government policy and institutions, is correlated with taxpayers' compliance attitude. These findings are healthy for a different econometric estimation in which we include all of the responses of individuals regarding other people's action about tax in an ordered logic regression.

Nonetheless, the standard economic influences of recognition, possibility and enforcement are at work, even though other determinants are also necessary in understanding taxpayers' keenness to pay. In particular, the connection between taxation and service provision seem to be important. It is also found that peoples' knowledge and awareness of the tax system have a noteworthy impact on their compliance attitude. More likely this analysis of the factors determining citizens' attitude towards paying taxes is correct, it also contributes to explaining observed differences in tax compliance between countries and between areas within individual countries. Thus, the findings of the study may enrich understanding of tax compliance behavior in the selected countries.

5.2 Recommendations

The researcher of this analysis suggests that the government requires to augment endeavors to TRA so as to guarantee that there is an adequate amount and satisfactory tax collected for the intention of mounting revenue at National rank as well as Dodoma Municipality and to make certain that TRA stakeholders observe with all TRA convention in paying tax. In addition, the investigation proposes that understanding on tax

compliance to the community is exceedingly wanted for the aim of meeting the approved target for revenue collection at Dodoma Municipality.

5.3 Suggested Area for Further Study

The study provides the readers with certain instructions for further research. Designed for an improved understanding of tax compliance attitude and behavior in Tanzania, there is a call for a more systematic assessment of this topic specifically the contractual relationship between taxpayers and the government. Thus, pitiable service delivery in this sphere legitimizes tax avoidance and evading.

Accordingly, for the further study the following domains may be dealt in order to acquire more information and understanding to examine critical factors in this respect are citizens' awareness in relation to the position of the government, how the tax law is controlled, discernment regarding enforcement, and government trustworthiness. Likewise, for more suggestions this area of payment to non-state actors for the prerequisite of services and infrastructure may be correlated with peoples' tax compliance attitude. Furthermore, there is a obligation for research basing on justice in tax collection and comparative treatment of taxpayers since the main goals for taxation is to hoist domestic revenues from consenting citizens.

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APPENDICES

Appendix 1: Questionnaire for Respondents

Dear Respondents,

I am **Mayiku Mabula**, I write an investigation on causative factors to tax equivocation and tax compliance in Tanzania: A case of qualified business taxpayers in Dodoma Municipality. An intention of this questionnaire is to learn the current situation of causative factors to tax equivocation and tax compliance in Tanzania. Please do not write your name on this form and order that the replies remain anonymous. **Please answer the questions with utmost honesty and best of your knowledge**, by putting (√) where appropriate and almost all questions have multiple answers. Thank you for your time.

Part 1: Demographic Characteristics of the Respondents

1. Sex:

(a) Female []

(b) Male

2. Age

(a) 20-29

(b) 30 – 39 []

(c) 40– 49

(d) 50 and Above

3. Marital status

- (a) Single
- (b) Married
- (c) Separated Divorced []
- (e) Widowed

4. Religion

- (a) Christian
- (b) Muslim []
- (c) Other.....

5. Level of education?

- (a) No formal education
- (b) Primary education []
- (c) Secondary education
- (d) Certificate/Diploma
- (e) Undergraduate
- (f) Postgraduate

6. Occupation

- (a) Self-employed business
- (b) Self-employed other sectors []
- (c) Public sector employee
- (d) Private sector employee

7. Have you ever been employed prior to engaging into business?

- (a) Yes []
- (b) No

8. If the answer for question 7 is YES, write down the position that you held.....

9. Place of residence.....

10. Place of origin (by birth).....

Part 2: Information about the Business in Relation to Taxation

11. What type of business are you operating?

12. Year started business.....

13. Location of the business.....

14. Have you ever changed the name of your business since you started?

(a) Yes []

(b) No

15. If the answer for question 14 is YES, how many times have you managed to change your business name?

16. If the answer for question 14 is YES, what are the reason(s) that leads you to change your business name?

.....
.....

17. What are the possible reason(s) for qualified traders to change business name?

.....
.....

18. What is your opinion concerning the process of changing a business name?

(a) Very simple

(b) Simple []

(c) Difficult

(d) Very Difficult

19. Do you have any other business apart from this one?

(a) Yes []

(b) No

20. Where is it located?

21. If the answer for question 19 is **YES**, previously you said you have another business apart from this one, do they under the same account?

(a) Yes []

(b) No

22. Do you prepare final account for your business?

a. Yes []

b. No

23. Do you prepare the final return of income and account by yourself?

a. Yes []

b. No

24. If the answer for question 23 is **NO**, to whom do you get assistance?

.....

25. Are you aware of the term taxation or tax authority in Tanzania?

(a) Yes []

(b) No

If the answer for question 25 is YES, please answer the following questions.

26. Can you mention the name of tax authority responsible for collecting taxes?

.....

27. Do you have experience in handling tax matters?

(a) Yes []

(b) No

28. What is your experience in handling tax matters?

(a) A lot

(b) Some []

(c) Not much

(d) None

29. Do you handle tax matters for your business by yourself?

(a) Yes []

(b)No

30. If the answer for question 29 is **NO**, who handles tax matters?

.....

31. Do you verify if he/ she handle tax matters properly?

(a) Yes []

(b)No

32. If the answer for question 31 is **YES**, how do you verify?

.....

.....

33. Do you think taxes are properly collected?

(a) Strongly agree

(b) Agree

(c) 50 – 50 []

(d) Disagree

(e) Strongly disagree

(f) I don't know

34. If the answer for question 33 is **disagree or strongly disagree**, what are the most problems with respect to tax collection?

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35. If the answer for question 33 is **disagree or strongly disagree**, what views/suggestions do you have for measures to be taken in order to improve collection of taxes?

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36. Why do people pay taxes?

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.....

37. Why do people not paying taxes?

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.....
.....

38. Would qualified traders evade taxes if possible?

(a) Strongly agree

(b) Agree

(c) 50 – 50 []

(d) Disagree

(e) Strongly disagree

(f) I don't know

39. If the answer for question 38 is **strongly agree, agree or 50 – 50**, how do they evade taxes?

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.....
.....

40. If the answer for question 38 is disagree, strongly disagree or 50 – 50, how they cannot evade taxes?

.....
.....Are

you aware or heard of any penalties imposed to tax evaders?

(a) Yes

(b) No

41. If the answer for question 41 is **YES**, Do you think these penalties imposed to tax evaders' results to an increase in revenue collections?

(a) Yes

(b) No

42. May you mention any kind of penalty(s) that has been imposed to tax evaders?

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43. Give your own reason for existence of tax evasion among tax payers in Tanzania.

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44. What could be the factors affecting tax compliance in Tanzania?

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Appendix II: Schedule for the Study

The Study Started in January 2013 and Ended up in October, 2014

ACTIVITY	2013							2014			
	J	F	M	A, M	J,J	A,S,O	N,D	J,F	M, A	M,J	J,A
Generating idea, conceptualization, and approval of the topic.											
Preparation and presentation of research concept note.											
Writing, submission and review of research proposal.											
Re-writing and presentation of research Proposal to research committee for approval.											
Field data collection.											
Data presentation and analysis.											
Dissertation writing.											
Submission of first version of dissertation to supervisor for review & comments.											
Re-writing the dissertation as per supervisor's comments.											
Submission of the final version of dissertation for marking.											

Source: Field Data Survey, 2013/2014

Appendix III: Research Budget and Source of Fund

The study was privately sponsored at the total cost of two million shillings (2,000,000/= Tshs.). See the budget breakdown in table below:

Activity	Cost in Tshs.
Development of research proposal	100,000/=
Field work	500,000/=
Meals	600,000/=
Fuel	300,000/=
Stationeries & secretarial work	500,000/=
Grand Total	2,000,000/=

Source: Field Data Survey, 2014