“AN INVESTIGATION INTO TAX COMPLIANCE PRACTICES BY TAXPAYERS WITH CURRENT TAX REGIME AND THEIR EFFECTS ON ORGANISATIONAL PERFORMANCE: A CASE OF ZIMBABWE REVENUE AUTHORITY”.

By

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A dissertation submitted to Bindura University of Science Education (BUSE) in partial fulfilment of the requirements for the Masters in Business Leadership (MBL) Degree Qualification.

Bindura, Zimbabwe

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I declare that “An investigation into tax compliance practices by taxpayers with the current tax regime and their effects on organizational performance: A case of Zimbabwe Revenue Authority.” is my own work; that it has not been submitted before any Degree or examination in any other university; and that all the sources used or quoted in this document have been indicated and acknowledged as complete references.

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I, Dr. Sam Ruturi, declare that the student has completed this dissertation under my supervision as the university’s appointed supervisor and can vouch that this dissertation represents his original work.

Dr. Sam Ruturi ___________________________ ______________

Signature Date
DEDICATION

I dedicate this dissertation to my lovely wife Tsitsi Hope, for all the support throughout my studies. She has been my pillar of strength and motivation during my studies. I would not have made it without her priceless support and encouragement. To my wonderful kids, Zechary and Zannah, just knowing their presence in my life is the reason I pursued this programme.
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Finally, I extent my gratitude to my colleagues from MBL class who have put in their time and effort to guide me in this report writing.
ABSTRACT

The objective of this study was to investigate the tax compliance practices with the current tax regime and their effects on the overall performance of the organization: A case for ZIMRA.

To achieve the research objectives; a descriptive research design was adopted and the population of interest comprised of 185,795 taxpayers in Harare. A sample of 65 taxpayers was selected through a simple random stratified sampling method was used for the study.

Regression Analysis was used establish the relationship between higher tax penalties & tax compliance, effective communication & tax compliance, managerial discretion in managing tax payers resistance & tax compliance and use of authoritarian power by tax collectors & tax compliance.

The study established that higher penalties reduce the propensity to comply with tax laws and vice versa, whereas effective communication with stakeholders does increase compliance levels among tax payers. Increasing managerial discretion increases compliance levels among taxpayers whilst draconian laws discourage tax compliance.

The study recommends that government to enact more laws that are conducive whilst ZIMRA improves on training and communication.
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRS</td>
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<td>Income Tax</td>
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<td>MTU</td>
<td>Mobile Tax Unit</td>
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<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>RRA</td>
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<td>South African Revenue Services</td>
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<td>SAS</td>
<td>Self-Assessment System</td>
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<td>PRISA</td>
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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Raising enough revenue has proved to be a big challenge for most developing countries in a bid to spearhead their national developmental aspirations. This is further constrained by weak tax administrations and poor governance to enforce tax compliance. Zimbabwe is not an exception as taxes are a critical source of government revenue contributing about 98%, Kadzere & Bonga (2013). The imbalance between government revenue and expenditure has resulted in persistent fiscal deficits.

With decreasing foreign aid being channeled to most developing countries by the west, most developing countries are now heavily relying in generating their own revenue for most of their national development programmes. According to Benza (2013), many developing countries are now re-focusing on taxation to reduce over-dependency on aid or one source of revenue for development. Thus most emerging nations must increasingly mobilize their own internal resources to provide economic growth. The most important instrument by which resources are generated is through the implementation of an effective tax policy.

There is no doubt that compliance is a major problem confronting all revenue authorities. For instance, in the USA the Internal Revenue Service has gone to considerable trouble to estimate the amounts of tax revenue, which are not collected under the American system of self-assessment, IRS (1996). According to Abayo, et al., (1993), questions about tax compliance are as old as taxes themselves and will remain an area of discovery as long as taxes exist.

Tax compliance can be defined as the degree to which a taxpayer complies or fails to comply with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner. Others define tax compliance as the ability and willingness of taxpayers to comply with tax laws, declare the correct incomes in each year and pay the right amount of taxes on time, IRS (2009). From a wider perspective, tax compliance requires a degree of honesty,
adequate tax knowledge and capability to use this knowledge, timeliness, accuracy and adequate records in order to complete the tax returns and associated tax documentation.

### 1.2 Background of the study

Raising more domestic revenue is a priority for most sub-Saharan African countries, Drummond et al., (2012). Mobilizing revenue is a way for governments’ to create fiscal space, provide essential public services and reduce foreign aid and single 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 & Evans (2009), many indications suggest that developing countries, many of them in Sub-Saharan Africa, are the hardest hit, Fuest & Nadine (2009).

The government's bad image because of its failure to discharge functions is a great disincentive for paying taxes. Most people feel that tax is a burden and should be avoided. Taxpayers feel that they are being treated harshly and the punitive provisions in the tax laws are applied ruthlessly against them. Hence, it is better to be away from the tax department and the number of non-filers of tax returns is increasing as cited by Coertzee (1996).

The authority has an unprecedented successful and unmatched record of surpassing its revenue collections targets since its inception in 2001. ZIMRA has been consistently surpassing its targets over the years collecting about thirty percent, of its potential revenue, as compliance remains a challenge ZIMRA (2017). However, chances are that the Revenue Authority would have been collecting much more if it were not for noncompliance. This position raises a great concern about the level of compliance among the taxpayers. The rate at which the companies are being registered is not matching to the revenue collections realized by the organization. Kakembo (2007), revealed that tax compliance is significantly positively related to revenue collection.

The heavy penalties imposed by ZIMRA as result of a tax audit on non-remittance of taxes have seen the taxpayers fail to settle their raised tax bills. These developments have led not only to ballooning debts but also to an increase in the number of companies not complying with the tax requirements. The situation has degenerated into some companies eventually closing down due to failure to service their debts. The high rates of penalties charged are draconian. It has been noted
that some already existing companies are choosing to start new companies leaving the older ones in limbo.

The “one size fits all application” by management in handling tax payer’s tax issues shows an element of lack of managerial discretion. Taxpayers are different and operate in diverse spheres. The way they operate their businesses are affected by their domains which they operate from. The current ZIMRA Domestic Taxes Instructions do not allow the tax managers to be flexible in the exercise of their managerial powers when dealing with these different classes of tax payers. This lack of managerial discretion or the failure to see things in a different perspective tends to frustrate the tax payers leading to a great number of them not complying with tax requirements.

The punitive organizational culture that is inherent amongst tax collectors is a cause for concern. The current tax laws empowers tax collectors so much that they feel very important in the society that they end using use authoritarian rule upon the taxpayers thereby intimidating the taxpayer.

The Zimbabwean economy has experienced serious economic challenges that have resulted in the shrinking of the tax base in Zimbabwe, ZIMRA (2014). According to Kadzere & Bonga (2013), the Zimbabwean economy was under harsh economic sanctions and in isolation for nearly two decades and has not been receiving any foreign aid. In addition to the economic challenges, the economy also experienced quite a number of other challenges such as liquidity crunch, fall of prices of commodities in global markets and poor performance of agriculture has caused this economic meltdown. As a result revenue collections have adversely diminished leaving the government in dire straits. This prompted the government of the Republic of Zimbabwe to place heavy reliance on domestic taxes as its only source of revenue to finance its budgets over the years. The nation for a long time has been facing serious budget deficits. This has activated the Revenue Authority to become more aggressive in reaching out to companies that are neglecting their tax obligations.

According to IMF (2007), prompt payment of all taxes is a critical concern of all nations because it is positively associated with economic growth. Prompt payment of tax is important and is a tool
for redistributing income since it increases revenue collection. Matovu, et al., (2009), added that there is no doubt that tax compliance is a national issue and of high interest to government.

Addressing a tax Conference, the chairperson of ZIMRA Willia Bonyongwe said, “Currently we are just collecting a fraction, maybe 30 percent of what we should be collecting, if we were to collect all the monies which are collectable we would not have such a big economic problem as we have.”, TheSource (2017).

The new ZIMRA boss, Ms Faith Mazani during Zimbabwe Trade fair echoed also the same sentiments as those of the Board Chairperson, Willia Bonyongwe. She said in her own words, “Allow me to speak on a serious issue that is confronting our country; this is a very low level of compliance in our revenue mobilization according to Sharon (2018). Zimbabwe is sitting with an unsustainable tax debt situation,” She went on to say; “As at the end of the first quarter on March 31 2018, the authority’s tax debt was sitting at US$4,227 billion and of this, 80% is owed by the private sector. Such a tax debt position reflects an abnormal revenue administration and very low levels of compliance that requires our urgent attention.”, Sharon(2018).

She said statistics show the number of registered taxpayers is currently not exceeding 300 000 and this does not match the level of income and business activities in the country. “It is only about a quarter of registered taxpayers complying with their tax obligations. This leaves the tax burden on the shoulders of a few companies and individuals, Sharon (2018).

It is therefore against this background of the study that the researcher wants to gain a deeper insight of the factors that improve on tax compliance of individual income tax payers so as to improve revenue collections in Zimbabwe.

1.3 Statement of the research problem
The foregoing background of the study has provided a litany of exhibits, which point to the effect, that there are serious challenges in the revenue collection system and these challenges range from punitive penalties, poor communication, lack of managerial discretion and punitive attitude
towards taxpayers. These attributes are the major reasons of low level of tax compliance, which are resulting in low revenue collection for the country.

Taxpayers are viewed as criminals by tax authority as such they tend to react with self-fulfilling prophecy by not paying taxes when due. The organization has adopted various strategies to achieve 100 percent compliance by taxpayers. However, the problem of non-tax compliance seems to persist. Little has been done to investigate measures that could be adopted in order to improve compliance on taxation policies so that the overall performance of ZIMRA is enhanced. If no urgent measures are adopted with the seriousness they deserve to eradicate the above problem elements the prospects of growing the revenue base would become foreclosed. This will result in serious financial problems for the nation thereby undermining the fiscal operations of Zimbabwe. This in the long run, will lead to both social and economic tragedies of unprecedented proportion. This therefore has prompted the researcher to make the statement that the lack of compliance with government tax policies undermines the overall performance of Zimra.

1.4 Research Objectives
Emanating from the statement of the problem above, the researcher makes the following research objectives;

i. To assess whether or not high tax penalties have a negative or positive effect on tax compliance.

ii. To establish whether poor communication with taxpayers contributes to noncompliance with tax requirements.

iii. To determine whether improving managerial discretion in decision-making would result in increased tax compliance.

iv. To evaluate whether authoritarian culture amongst tax collectors has an effect on revenue collection.

v. To determine the effect of non-compliance on the performance of ZIMRA

1.5 Research questions
This research was guided by the following research questions:
1. To what extent do high tax penalties influence the level of tax compliance amongst taxpayers in Zimbabwe?

2. To what extent does poor communication influence tax compliance levels in Zimbabwe?

3. How does managerial discretion in decision making influence compliance levels amongst taxpayers in Zimbabwe?

4. To what extent does the use of authoritarian muscle influence the level of tax compliance amongst taxpayers in Zimbabwe?

5. How does tax compliance affect revenue performance of ZIMRA?

1.6 Research Hypothesis
To achieve the objectives of this paper, the following hypotheses were tested.

H₀: There is no significant relationship between high tax penalties and higher levels of tax compliance.

H₁: There is significant relationship between high tax penalties and tax compliance.

H₀: There is no significant relationship between communication with taxpayers and tax compliance.

H₂: There is significant relationship between communication with taxpayers and tax compliance.

H₀: There is no significant relationship between managerial discretion in decision-making and tax compliance.

H₃: There is significant relationship between managerial discretion in decision-making and tax compliance.

H₀: There is no significant relationship between the use of authoritarian power and tax compliance.

H₄: There is significant relationship between the use of authoritarian power and tax compliance.
H₀: There is no significant relationship between compliance by tax payers and the performance of ZIMRA.

H₅: There is significant relationship between compliance by tax payers and the performance of ZIMRA.

1.7 Research assumptions
a. That all respondents would be cooperative and provide reliable responses.
b. The level of corporate governance affects the level of the tax compliance by the taxpayer.
c. The use of public funds by the government affects the level of tax compliance by the taxpayer.
d. Taxpayer educational background affects the extent to which he or she pays taxes.
e. The researcher does not know the extent to which tax penalties, poor communication, discretion by management and organizational culture affect tax compliance.

1.8 Significance/Importance of the study
Firstly, the findings of this study will rebound to the benefit of the society considering that revenue plays an important role in the development of a nation. The greater demand for better infrastructure and services by the citizens of Zimbabwe justifies the need to grow the revenue base which will improve revenue levels. Thus, improving the level of tax compliance among tax payers will result in improved revenue inflows which will be channeled to the development of the nation. Law makers will be guided by the research findings in coming up with policies that are consistent, coherent for sustainability in the socio economic demographic of the nation.

Secondly the study will also be of great importance to the Revenue Authority as it helps to come up with strategies that could be adopted to improve revenue collections and its overall revenue performance. The study will also be of very resourceful reference material to the authority in identifying areas in which the authority needs to improve when dealing with tax payers.

Thirdly the study will be of benefit to the academia fraternity as it provides useful information about tax compliance issues that needs further research. Fourthly, the study will also be beneficial to tax payers since it will provide information on benefits of being tax compliant.
Lastly to the researcher, the study will help uncover critical areas in the current taxation regime that many researchers were not able to explore. Thus, new approaches on tax compliance may be arrived at.

1.9 Limitations of the study
Although this research will be carefully prepared, there still exist limitations and shortcomings. Firstly, the time allocated to conduct the research was limited compared to the research work fulfillment. Secondly, it was difficult to cover a wider continuum and interview many taxpayers because of cost constraints. Thirdly, lack of literature for revenue collecting system in Zimbabwe restricted me to come up with a comprehensive analysis of the issues affecting compliance.

1.10 Structure of the dissertation
The dissertation is divided into five chapters;

Chapter One: Background of the study
Chapter One provides a background on the meaning and introduction of tax compliance. The chapter further states the statement of the problem, research objectives and research questions that the study aims to answer, the hypothesis that it intends to test, the significance of the study as well as the limitations of the study are indicated in the same chapter.

Chapter Two: A review of the literature
Chapter Two outlines the various schools of thought that have been brought forward with regard to tax compliance and compliance in general. The variables of the study are discussed with reference to studies conducted by other researchers as well as published material on the same. A summary of the literature review concludes the chapter.

Chapter Three: Methodology
Chapter Three outlines the research design and methodology to be used for purposes of completing the study. It also describes in detail, the research philosophies, the research design, target population, the sample, sampling procedure to be adopted as well as the data collection instruments.
Chapter Four: Findings, Analysis & Interpretation of Results

Chapter Four provides the project process of reducing data to interpretable form using statistics; data analysis, the process of offering for consideration or display of collected data; presentation and the search for meaning and implication of research results in order to make inferences and draw conclusions and relate to the theory and interpretation.

Chapter Five: Conclusion of research results

Chapter Five is the final chapter of the research project. It wraps up the research project and will give summary of findings, discussions of the findings, conclusions and recommendations of the study and gives suggestions on areas of further research.

1.11 Chapter summary and conclusion

This chapter focuses on the tax compliance practices by tax payers as a result of the prevailing Zimbabwean tax regime. This is very vital as governments of most countries especially those in Africa rely heavily on taxes as their main source of revenue. The more revenue collected, the more the provision of public goods and services to its citizens. Because taxes are a backbone of any economy, it is plausible to focus on the level of tax compliance among tax payers in an effort to increase revenue inflows towards fiscal operations thereby improving the livelihoods of the general populace. Hence this chapter outlined the background of the study, the statement of the problem before formulation of research objectives & questions associated with factors that are assumed to affect tax compliance levels amongst tax payers in Zimbabwe.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
In order to come up with informed recommendations on an investigation into compliance practices by taxpayers with current tax regime and their effects on organisational performance: A case for ZIMRA, it is prudent to review literature on some potential factors that affect compliance in Zimbabwe and other countries. Therefore, this chapter revealed various factors that can affect the collection of tax from taxpayer and the challenges experienced by tax administrations. After presenting theoretical review of literature, the chapter embarked on reviewing conceptual and empirical underpinnings on compliance practices. The main intention for reviewing literature was to identify gaps in the study for the purpose of future researchers.

2.2 Theoretical Foundations and Research Gaps
Table 2.1 below depicts the key concept theories together with proponents of these key concepts. The study aims to identify the research gaps associated with each one of the objectives of this study.

Table 2.1: Theoretical Foundations and Research Gaps

<table>
<thead>
<tr>
<th>Key Concept Theory/ School of Thought</th>
<th>Principal Author(s)</th>
<th>Other Author(s)</th>
<th>Other Concepts</th>
<th>Research Gap/Anomalies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law and Punishment</td>
<td>Adam Smith (1795)</td>
<td>Becker (1968)</td>
<td>Crime and Punishment: An Economic Approach</td>
<td>High and punitive tax rates affects tax compliance levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Allingham &amp; Sandmo (1972)</td>
<td>Income tax evasion: a theoretical analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cowell (1985)</td>
<td>The Economic Analysis of Tax Evasion</td>
<td></td>
</tr>
<tr>
<td>Income tax evasion: A theoretical analysis</td>
<td>Myles &amp; Naylor (1996)</td>
<td>Other Author(s)</td>
<td>Social Custom Model</td>
<td>Lack of effective communication with tax payers affects</td>
</tr>
<tr>
<td></td>
<td>Cowell (1992)</td>
<td>Tax evasion and inequity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Falkinger (1995)</td>
<td>Tax evasion, consumption of public goods and fairness</td>
<td></td>
<td></td>
</tr>
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</table>
### On Legal Sanctions

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
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<tbody>
<tr>
<td>David Tapuwa Masango</td>
<td>The Disguised Tax Burden Compliance Costs Of German Businessmen And Professionals</td>
</tr>
<tr>
<td>Silberman (1976)</td>
<td>Toward a Theory of Criminal Deterrence</td>
</tr>
<tr>
<td>Lewis (1982a)</td>
<td>The Psychology of Taxation</td>
</tr>
<tr>
<td>Grasmick and Scott (1982)</td>
<td>Tax evasion and mechanisms of social control: A comparison with grand and petty theft</td>
</tr>
<tr>
<td>Kleven et al. (2011)</td>
<td>Unwilling Or Unable To Cheat? Evidence From A Tax Audit Experiment In Denmark</td>
</tr>
<tr>
<td>Hasseldine et al. (2011)</td>
<td>Persuasive Communications: Tax Compliance Enforcement Strategies for Sole Proprietors</td>
</tr>
<tr>
<td>Kirchler, Hofmann, and Gangl (2011)</td>
<td>Tax authorities' interaction with taxpayers: A conception of compliance in social dilemmas by power and trust</td>
</tr>
<tr>
<td>Kagan and Scholz (1984)</td>
<td>Voluntary Compliance And Regulatory Enforcement</td>
</tr>
<tr>
<td>Tyler (1997)</td>
<td>The psychology of legitimacy: A relational perspective on voluntary deference to authorities</td>
</tr>
<tr>
<td>Bentley (1998)</td>
<td>Taxpayers’ Rights: An International Perspective</td>
</tr>
<tr>
<td>Murphy (2003a)</td>
<td>An examination of taxpayers’ attitudes towards the Australian tax system: findings from a survey of tax scheme in investors:</td>
</tr>
</tbody>
</table>

### Conceptualizing and Measuring a Power/Interaction Model of Compliance

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raven, Schwarzwald and Koslowsky - 1998</td>
<td>The lack of non-managerial discretion in compliance</td>
</tr>
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<td>Hasseldine et al. (2011)</td>
<td>Persuasive Communications: Tax Compliance Enforcement Strategies for Sole Proprietors</td>
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<td>Kirchler, Hofmann, and Gangl (2011)</td>
<td>Tax authorities' interaction with taxpayers: A conception of compliance in social dilemmas by power and trust</td>
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<tr>
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</tr>
<tr>
<td>Murphy (2003a)</td>
<td>An examination of taxpayers’ attitudes towards the Australian tax system: findings from a survey of tax scheme in investors:</td>
</tr>
</tbody>
</table>

### Going by the Book: The Problem of Regulatory Unreasonableness

<table>
<thead>
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<th>Author(s)</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>Bardach and Kagan (1982)</td>
<td>The use of authoritarian power by tax authorities affects the level of compliance amongst tax payers</td>
</tr>
<tr>
<td>Kagan and Scholz (1984)</td>
<td>Voluntary Compliance And Regulatory Enforcement</td>
</tr>
<tr>
<td>Tyler (1997)</td>
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</tr>
</tbody>
</table>

*Source: Research based Data*

The economic models basically rely on economic theories of compliance that can be traced back to the work of Adam Smith in 1795 on Law and Punishment cited in Singh (2003). Very much later, this economic approach to compliance behaviour was tested by Becker (1968) using a ‘crime and punishment’ framework. Becker used a utility-maximising framework to explain the
behaviour of criminals. His argument was that criminals would behave like all other individuals. They would perpetrate wrongdoing if the normal utility 'reward' was considerably more noteworthy than what might be increased through genuine action. At the end of the day, citizens would sidestep assess as long as the normal cost of being gotten and rebuffed may be not as much as the result of dodging. The expected cost of being caught and punished might be less than the pay-off of evading.

Becker’s model was a straightforward application of an individual’s choice under uncertainty. The model’s main contribution was its ability to demonstrate that optimal polices to combat illegal behaviour using an economic framework were part of an optimal allocation of resources. Becker’s model, based on the modern risk theory, had become an influential piece of work on law and enforcement in taxation. While Becker stated that his general model was applicable to tax evasion, Allingham & Sandmo (1972) were the first to formally analyse this model in the context of tax evasion.

Allingham & Sandmo (1972), developed a basic theoretical model on compliance based on economic deterrence which relied on the theoretical antecedents of tax evasion, such as tax rates and the probability of detection. The model assumed that taxpayers were perfectly moral, rational or risk-averse decision makers who maximised utility. The other assumption which Allingham & Sandmo (1972) made was that the probability of detection was exogenous and independent of the amount that an individual reported. What may dissuade a person from tax avoidance was a settled likelihood of being identified and a punishment forced on actual tax liability recognized. This approach suggested that the tax authorities should either increase penalties or introduce policies that would raise the probability of detection in order to reduce tax evasion among tax payers. As such, person's capacity to escape with given level of rebelliousness was dictated by the overarching condition, especially the viability of the expense organization. Among the criticisms made of this model was that it is grounded in the conviction that compliance decisions really depend on moral perspectives’ of the tax payer, Franzoni (1998). Nonetheless the Allingham & Sandmo model remained as an important theoretical contribution and was largely expanded and refined in later researches conducted by amongst others; Graetz, et al., (1986); Alm, et al., (1993); Erard & Feinstein (1994) and Ali, et al., (2001).
Subsequent studies on deterrence by Clotfelter (1983); Witte & Woodbury (1985) and Dublin & Wilde (1988)) found that the measure of risk detection was determined by audit rates, perceived detection risks and information reporting that might influence taxpayers’ compliance in an expected direction. However, the evidence varied in terms of the influence of penalties and tax rates.

In general, most of previous studies showed a correlation between audit chance and compliance, Fischer et al, (1992). But according to Witte et al., (1985), the impacts of audit probabilities on tax compliance square measure varied betting on the cluster of taxpayers. For instance, audit probabilities were found to possess strong influences on tax compliance for sole proprietors, however, solely very little result on salaried taxpayers. In summary, Hasseldine (1993) found that tax audits that specifically target a particular cluster of taxpayers appear to be more effective in increasing tax compliance instead of random audits. Furthermore, Hanno & Violette (1996); Trivedi et al., (2003) noted that audit probabilities could solely have an effect on taxpayers. Spicer & Thomas, (1982), alleged that taxpayers could solely abide by tax laws once they have definite information concerning the chances of being audited. There are mixed findings on the influence of penalties. A variety of studies for example by Beck et al., (1991) and Park & Hyun (2003) indicated a positive influence of higher penalty on tax compliance, however, different studies conducted by researchers such as Alm, et al., (1992) and Alm, et al., (1990) lead to opposite findings. The severity of the penalty could solely discourage taxpayers from declaring their true incomes as a result of the chance of gaining is larger than the chance of losing, Slemrod (2004). In addition, the impact of penalty conjointly varies in terms of tax payers clusters. For instance, according to Alm et al., (1992) the severity of criminal fraud penalties was found to be absolutely related to high-income self-employed.

On the other hand, civil penalties appeared to have negative relationships with the behaviours of small proprietors and middle income individuals, Witte & Woodbury (1985). Studies that examined tax rates as a compliance variable have produced mixed results. For instance, it is apparent that taxpayers are prone to understate their incomes when the marginal tax rate is increased, Clotfelter (1983) and Skinner & Slemrod (1985). In other words, higher tax rates will pressure taxpayers to be less compliant. Feinstein (1991), however, discovered conflicting findings which were in line with the findings by Etzioni (1986), that is, despite the fact that the tax rate
was stable, the tax compliance rate was still low. Sandmo (2005), in his review of the theory of tax evasion believed that the tax rate was not among the main factors that influenced taxpayers’ decision-making as compared to the penalty and audit rate. An experimental study conducted by Loo (2006) involving two groups of undergraduate students in Malaysia, found that the tax structure consisting of tax rate, audit rate and penalty rate, is apparently influential on taxpayers’ compliance behaviours. In support to the experimental study by Loo (2002), a mixed-methods study comprising of a survey and an experiment conducted by Loo, et al., (2009) came to the same findings except for tax audit which was found to be less effective for salaried taxpayers. This may be because the scheduler tax deduction is imposed on the majority of salaried taxpayers in Malaysia. However, the penalty rate appeared to be the most influential tax compliance determinant of tax compliance attitudes in a comparison study of taxpayers’ compliance attitudes before and after the implementation of the SAS, Loo (2006). Despite the tax structure being evident to deter the non-compliance behaviour of taxpayers, the enforcement of the rules was viewed to be rather loose which may reduce the integrity of the IRBM in the eyes of taxpayers. Overall, the threat of punishment remains significant in deterring the negative intentions or attitudes of taxpayers.

There are various ways in which social interaction can be introduced into the compliance decision. One way is illustrated by the social custom model of Myles & Naylor (1996), who assumed that there is a social custom that rewards compliance so that an honest taxpayer receives additional utility which is an increasing function of the proportion of taxpayers who do not evade. They suggested a model in which a social custom utility is derived when taxes are paid honestly but is lost when evasion is undertaken. On this basis, once social customs literature is broken all utility is lost.

Similarly, the Yitzhaki (1974) model predicts an important effect for communication between taxpayers if it is informative about the audit probability and the fine rate. In contrast, communication may have limited effect on a subjective belief or on a social custom, Crawford (1998). The observation that many taxpayers choose not to evade can be explained by the existence of a social custom of honest payment. If the social custom is brought into the experiment from outside and evolves slowly over time, it may not adjust over the time horizon of an experiment. This can provide another reason why compliance behavior may not respond to treatments.
On the contrary, Cowell (1992) shows that the economic analysis can come to the same results as psychological research if forms of inequity are incorporated in the economic model. Taxpayers will reduce evasion when they perceive equity. Falkinger (1995), pointed out concrete economic situations in which individuals reduce evasion if the socio economic system is considered equal and fair.

Schwartz & Orleans (1967), conducted an early behavioral experiment with taxpayers in which one group was treated with legal sanction threats while another was treated with an appeal of conscience. The widely stated result of this study is that the appeal group subsequently reported a greater increase in income than the legal sanction group. Within each group, legal sanctions were most effective for the upper class and the better and least educated employees. Appeals to conscience had more effect on the best and least educated employees. Consistent with Schwartz and Orleans’s findings, Grasmick & Scott (1982), conducted a survey in which they found the threat of guilt feelings (which they equated to Schwartz and Orleans’s appeal of conscience) was a greater deterrent to tax evasion than the threats of stigma or legal sanctions.

Following the study by Schwartz and Orleans in 1967, MacGraw & Scholz (1988), also analyzed federal tax returns to compare the taxable income and liability of a control group with that of a group of taxpayers, who had agreed months before the tax return was due, to watch normative-based videos. This time lag as well as a self-selection bias to attend the video briefing may have negated any potential treatment effect, because no significant effects were documented. More recently, Blumenthal, et al., (2001) mailed one of two normative appeals to separate groups of Minnesota state income taxpayers. The first was structured around a support valuable services theme, while the second was based on a join, the compliant majority approach. After statistical comparison with a control group, they concluded that neither normative appeal had a significant impact on reported total taxable income or state tax liability. In a complementary study, Slemorod et al., (2001), analyzed the effect of a letter to a sample of taxpayers stating that their 1994 income tax returns would be part of a study in which some of the returns would be closely examined by the Minnesota Department of Revenue. Their analysis of low-income and middle-income taxpayers revealed significant increases, from 1993 to 1994 in total taxable income and state tax liability for high opportunity taxpayers defined as those filing a Schedule C or F in 1993 indicating business or farm income and who paid Minnesota estimated tax. In summary written normative
communications from a state tax agency had no apparent effect on overall tax liability to that state, but letters suggesting an increased risk of audit led to reports of higher state tax liability for low-income and middle-income taxpayers whose taxable income included some self-employment income. An empirical question remains as to why appeals to conscience were effective in the Schwartz and Orleans 1967 study but not in the Blumenthal, et al., (2001) study. In addition, it is unclear why the sanctions were relatively effective in the Slemrod et al., (2000) study.

2.3 Tax Penalties and its Effects on Compliance

Allingham & Sandmo (1972), introduced a theoretical economic model that indicates that penalties have an impact on tax compliance. There have been mixed results on the effect of tax penalties on tax compliance. Allingham & Sandmo (2002), clearly indicated that penalties as well as audit probability have an impact on tax compliance. The higher the penalty and the potential audit probability the greater the discouragement for potential tax evasion. If the taxpayers are aware of the offences they are committing when evading tax and the consequences of being non-compliant taxpayers, they might reduce their tendency to evade tax.

According Gruber & Saez (2002), tax penalty can be defined as a punitive measure that the tax law imposes for the performance of an act that is prescribed, or for the failure to perform a required act such as failure to timely file return or filling wrong or undervalued return. If a taxpayer is required to file an income or excise tax return and fails to timely do so, a late filing penalty may be assessed. It is a fact that if many persons are given the chance they may not pay taxes unless there is a motivation to do so. Tax experts have a perception that the best way is to increase tax incentives while others believe the best way is to increase tax penalties. Stopping noncompliance requires applying penalties effectively.

High penalties tend to positively influence the compliance levels of tax payers. Studies by Beck, et al., (1991) indicated a positive influence of higher penalty on tax compliance. Park & Hyun (2003), findings concurred with those of positive influence of higher penalty on tax compliance. Fines should be high enough to decrease the expected value of tax evasion and to assure its deterrent effect on tax payers.
However, on the other hand, Wang & Conant (1988), found that penalty rates have negative association with tax evasion. These findings coincided with those of Gordon (1990) and Marelli & Martina (1998) which, found that tax penalty rates have a negative association with tax compliance. These findings were in agreement with those of Alm, et al., (1992) and Feld & Frey (2007). Slemrod (2004), also established that the severity of the penalty may only discourage taxpayers from reporting their true incomes because the possibility of gaining is greater than the possibility of losing. In addition, the impact of penalty also varies according to group of taxpayers. For example, the severity of criminal fraud penalties was found to be positively related to the behavior of high income self-employed individuals, Alma et al., (1990). On the other hand, civil penalties appeared to have negative relationships with the behaviors of small proprietors and middle income individuals Witte & Woodbury (1985). Reinforcing findings by other researchers, Kirchler (2007), found that that an increase of penalties can have undesirable effect and result in more tax avoidance. The higher the penalty, the greater the discouragement for potential tax evasion. Various researchers have also found that an increase of penalties can have undesirable effect and result in more tax avoidance. Kirchler (2007) and Mohdlali, et al., (2014) in their study of the the impact of threat punishment on tax compliance and non-compliance attitudes in Malaysia suggest that the threat of punishment has encouraged taxpayers to become less compliant which might indicate their rebellious act towards the government.

In contrast with other findings as mentioned above, Mohd (Yusof, et al., (2014) found the relationship between tax penalties rate and tax non-compliance is insignificant, these results were consistent with those reached by Kamdar (1997), which found an insignificant relationship between tax penalties and compliance. A study by Saipiei & Kasipillai (2013), also emphasized that there is no relationship between perceived tax deterrence sanctions and non-compliance of corporate taxpayers. The reason for the difference in the result obtained is because taxpayers tend to be risk-takers in making compliance decisions, as the penalties and fines imposed by IRBM are not too high, it will lead taxpayers to ignore their compliance decision. These findings were underscored by Sheikh & Obid (2014), in their study found that penalty rate as well as detection rate does have a significant effect on tax evasion.

Empirical studies on the impact of fines on tax compliance did not find the clear picture. The relation of fines and tax compliance also shows inconsistent findings, Fischer, et al., (1992).
According to Park & Hyun (2003), some experiments showed that fines are slightly higher in relation to tax compliance than audit probabilities. On the contrary, other experiments showed that fines and tax compliance are not related, but audit probabilities and tax compliance are, Friedland (1982) and Webley, et al., (1991).

2.3.1 Late Submission Penalties

One of the basic obligations of taxpayers is to pay their taxes on time. To encourage taxpayers to do this, those who pay late face late payment penalties. In Zimbabwe, the imposition of civil penalties for late submission of returns came into effect on 28 June 2013, enforced by Statutory Instrument 97 of 2013 on Revenue Authority (Civil Penalty for Late Submission of Returns) Regulations, 2013. Penalties are being levied for any previous returns that remain outstanding after 28 June 2013 and any returns not submitted by the due date thereafter. The penalty, which is with effect from 28 June 2013, is being levied at not more than thirty United States dollars (US$30) for each day the return remains outstanding up to the 181st day from the first day when such return became due. Where a return remains outstanding after 181 days, prosecution may be instituted in addition to the payment of any penalty levied. Table 2.2 below shows how late submission penalty is applied for outstanding returns.

<table>
<thead>
<tr>
<th>Days Delayed</th>
<th>Remission</th>
<th>Penalty Chargeable</th>
<th>Penalty Calculation in US $</th>
<th>Penalty amount in US $</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 10 days</td>
<td>100%</td>
<td>0% (written warning)</td>
<td>$30 × 10 days × 0%</td>
<td>$0</td>
</tr>
<tr>
<td>11 to 20 days</td>
<td>75%</td>
<td>25%</td>
<td>$30 × 20 days × 25%</td>
<td>$150.00</td>
</tr>
<tr>
<td>21 to 30 days</td>
<td>50%</td>
<td>50%</td>
<td>$30 × 30 days × 50%</td>
<td>$450.00</td>
</tr>
<tr>
<td>31 to 60 days</td>
<td>25%</td>
<td>75%</td>
<td>$30 × 60 days × 75%</td>
<td>$1,350.00</td>
</tr>
<tr>
<td>61 to 181 days</td>
<td>0%</td>
<td>100%</td>
<td>$30 × 181 days × 100%</td>
<td>$5,430.00</td>
</tr>
</tbody>
</table>

Source: ZIMRA

2.3.2 Audit Penalties

Audit penalties are as a result of an audit being carried on a taxpayer’s tax affairs. These penalties originate from under declaration of income, non-declaration of income, over claiming of expenses, failure to disclose income, etc. Failure to fulfil these will result in the taxpayer being charged additional tax in terms of Section 46 (2) of the Zimbabwe Income Tax Act Chapter 23:06. Section
39 of the Zimbabwe Value Added Tax Act Chapter 23:12, also empowers ZIMRA to charge penalties for failure to make payments within the tax period in which tax was due and for undue refunds. In the case where the tax authority establishes that there was intention to evade tax, section 66 of the Zimbabwe Value Added Tax Act is invoked to charge the penalty. Usually, the penalty rates charged by ZIMRA as result of an audit depends on the behaviour of the tax payer as determined by the ZIMRA official auditing the case with the aid of a Penalty Loading Model as indicated in Table 2.3 below.

**Table 2.3: Penalty Loading Model Used By Zimra Domestic Taxes Department in the Determination of Penalty Level Charged**

<table>
<thead>
<tr>
<th>Behaviour</th>
<th>% Range of understatement</th>
<th>Standard Case</th>
<th>If obstructive</th>
<th>Repeat Case</th>
<th>Voluntary Disclosure after notification of audit</th>
<th>Voluntary disclosure before notification of audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understatement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 to 5%</td>
<td>25%</td>
<td>100%</td>
<td>200%</td>
<td>20%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Over 5% up to 20%</td>
<td>50%</td>
<td>100%</td>
<td>200%</td>
<td>20%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Over 20% up to 50%</td>
<td>75%</td>
<td>100%</td>
<td>200%</td>
<td>20%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Above 50%</td>
<td>100%</td>
<td>100%</td>
<td>200%</td>
<td>20%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Reasonable care not taken in completing return</td>
<td>60%</td>
<td>100%</td>
<td>200%</td>
<td>25%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>No reasonable grounds for tax position taken</td>
<td>75%</td>
<td>100%</td>
<td>200%</td>
<td></td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Gross Negligence</td>
<td>100%</td>
<td>100%</td>
<td>200%</td>
<td>50%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Intentional Tax evasion</td>
<td>100%</td>
<td>100%</td>
<td>200%</td>
<td>75%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: ZIMRA*

### 2.3.3 Late Payment Penalties

Late payments arise where taxpayers fail to make a tax return by the deadline. Penalties and interest are chargeable if a client fails or delays to pay VAT as prescribed in subsection (1) of Section 28 of the Zimbabwe VAT Act, Chapter 23:12. A delay or failure to pay VAT on due dates attracts penalty at the rate of 100 percent of the tax due in terms of Section 39 (2) (a) (i) of the VAT Act.
Interest is charged at prescribed interest rates as per Section 39(2) (a) (ii) of the VAT Act. Where the client manages to prove that the non-payment or late payment of VAT was not due to intent to evade the payment of the tax, the penalty and interest charged can be reduced to a certain extent or be completely waived. Penalties and interest are also charged where a client omits some income when lodging the VAT returns or where false information is submitted resulting in the client paying less VAT or having an undeserved refund. Where it can be proved that the client’s failure to pay VAT, delay in paying VAT and/or submission of incorrect return was due to a deliberate intention to evade payment of tax the client will be required to pay additional tax in terms of section 66 of the VAT Act, Chapter 23:12. The additional tax is equal to the tax due. This therefore means that the client will be required to pay over and above the tax payable additional tax of 100 percent plus the penalty of 100 percent and interest. According to section 46 of the Zimbabwe Income Tax Act Chapter 23:06 payment of a penalty equal to the tax chargeable or maximum fine prescribed in section 81(i) whichever is the greater.

2.3.4 Higher Penalty Rates

A fine is a criminal sanction whereas a penalty is a civil endorsement. Fines and penalty rates may be surrogate of each other because of their linkages as long as neither of them is set to zero, Kirchler, et al., (2007). Higher fines make evading taxes more rampant among taxpayers and should deter them from evasion. The deterrent impact of fines could not invariably be supported, as effects are weaker than expected. Further to that Kirchler (2007), noted that an increase of penalties can have undesirable effect and result in more tax avoidance from the tax administration viewpoint, compliance is said to be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply. Penalties as well as audit probability have an impact on tax compliance. The higher the fines and penalty coupled with the potential audit probability the greater dissuasion from potential tax evasion. The extreme penalties will have no effect, if it is common knowledge that audits virtually do not occur, Allingham & Sandmo (1972). The increasing tax avoidance and tax resistance due to an increase of fines puts into question how fines should be assessed to be effective. According to Kirchler, et al., (2007), fines should be high enough to decrease the expected value of tax evasion and to assure its deterrent effect on taxpayers. On the other hand, if fines are too high, the tax system would be perceived as unjust and unfair and taxpayers would use any possibility to legally avoid taxes.
2.3.5 Complexity of tax regime

High tax rates and complex tax legislations can lead to various tax problems, this includes tax evasion, tax fraud. Earlier research by Franzoni (1998), concluded that companies will create a kind of resentment against authorities who impose too high levies and too complex tax systems henceforth accelerating tax avoiding systems. Jackson & Jones (1985), have found that taxpayers are more sensitive to the magnitude of the penalty than to the probability of detection when the probability is very low (4 % or less). The results indicated that the deterrent impact of penalties as a form of enforcement on its own was found wanting. If these non-compliant taxpayers are classified as intrinsic taxpayers who are sensitive to institutional factors such as penalties, this was certainly not evident other than for a few of those interviewed. For most taxpayers in the study, penalties were not something they contemplated or considered in their compliance decision, but rather the focus was on how to reduce the actual payment of tax.

As noted by Ferguson (1978), tax payers and policy makers have often expressed concern over the issues of law complexity and compliance for over some decades. These issues continued to be emphasised in tax compliance research, McKerchar (2002) and Slemrod (2004). Increasing tax law complexity was often blamed for increasing tax non-compliance as complexity is an evil with no redeeming features so far as taxpayers are concerned, Cuccia & Carnes (2001). Complexity represents an opportunity for taxpayers that can be exploited like any other, especially by those who enjoy a game with both risks and rewards, Cooper (1993). Researches focusing on perceptions of complexity indicated that there was an association between the two variables complexity and compliance but the degree or strength of the association remained unclear. Researchers which include, Clotfelter (1983); McKerchar (2002) and Ritsema, et al., (2003), found some positive association between complexity and non-compliance whether intentional or unintentional. Whilst on the other hand it was established that the impact of complexity on compliance varied with characteristics of individual taxpayers which included education level, perceptions of fairness and the opportunity to evade according to Witte & Woodbury (1985).

Tax law and policy have an effect on taxpayers’ behaviour, especially when the income tax and the tax system are complex. The complexity of the income tax and the tax system is the sum of compliance costs and administrative costs. Gale & Holtzblatt (2002), wrote that the complexity of
the income tax may increase compliance cost for taxpayers, including the time taxpayers spend preparing and filing tax forms, learning about tax law, and maintaining record keeping for tax purposes. Thus complexity may lead to tax evasion. Previous studies found a correlation between complexity of income taxes and tax evasion. A survey conducted by Torgler (2003) in the United States to investigate the relationship between complexity and tax non-compliance found that a higher perceived complexity of the tax system results in a lower rate of willingness to pay taxes. A survey conducted by Alm, et al., (1995) in the United States also showed that the complexity of the tax system, both in tax law and procedure, may lead to unintentional noncompliance. This is the problem with the Internal Revenue Service (IRS) as there is a perception of errors and inconsistencies among tax officers of the IRS in dealing with the public. The higher the costs of compliance to follow the tax law, in the form of time and/or money, the more likely that tax evasion occurs.

A study by Whitlock (2007), amongst tax professionals revealed that sixteen percent of responding preparers said taxpayers named procedural difficulty with the IRS (America) as the main reason for their difficulty with voluntary compliance. The study had one hundred respondents, serving an estimate of 65 000 individuals’ tax payers. Reasons stated included insufficient and irrelevant communication from tax authorities and in adequate assistance at walk-in sites. According to Whitlock (2007), various dimensions to treatment by authorities, such as quality of communication, friendliness, reasonableness, respect, honesty, perceived complexity of tax laws by tax payers were noted. These variables should be managed and controlled by tax authorities. For many people, tax is a complex subject and this complexity has been shown to contribute to non-compliance, GAO (2011). Alm et al., (2010), indicated that if the administration reduces complexity, this should lead to improvements in taxpayer behavior. The use of advisors often reflects the complexity of the tax system and simplification may reduce this burden on taxpayers. However, agents also offer a channel to lower uncertainty via engagement with the tax administration. Interactions between Revenue and tax agents and representative bodies can improve communication and influence compliance. Cooperation can help to achieve buy-in and support for changes in the tax system.
2.3.6 Conceptual Framework of Higher Tax Penalties and Its Effects on Tax Compliance

Table 2.2: Higher Tax Penalties and Its effects on Tax Compliance below illustrates how independent variables of higher tax penalties affect the level of tax compliance, which is the dependent variable. The synthesis provides an independent which constitutes the predictor of the immediate variable and subsequently the dependent variable.

Table 2.4: A Conceptual Framework of Higher Tax Penalties and Its Effects on Compliance

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Intermediate Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late payment penalties</td>
<td>Fear or high tax burden</td>
<td>High compliance</td>
</tr>
<tr>
<td>Audit penalties</td>
<td>Understanding of correct tax position of tax payer</td>
<td>High compliance</td>
</tr>
<tr>
<td>Late submission penalties</td>
<td>Prompt submission of returns</td>
<td>High compliance</td>
</tr>
<tr>
<td>Higher Penalties</td>
<td>Fear of bankruptcy or insolvency</td>
<td>High compliance</td>
</tr>
<tr>
<td>Higher &amp; Punitive Penalties</td>
<td>Tax voidance</td>
<td>Low compliance</td>
</tr>
<tr>
<td>Complexity of the tax</td>
<td>Low understanding</td>
<td>Low compliance</td>
</tr>
<tr>
<td>penalty system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity of the tax regime</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adopted from Research Data.

2.4 Effective Communication with stakeholders

According to Decks (2009), communication is the activity of conveying information through the exchange of thoughts, messages or information, by speech, visuals, signals, writing or behaviour. Communication is among the most powerful tools that tax institution leaders have. Taxpayers who see and hear and understand their tax institution’s plans for the tax revenue are more likely to pay tax voluntarily. The taxpayers should be informed that money collected from taxes help the government to provide a variety of services to citizens. The information about tax audit would also put pressure on the taxpayers to comply with the tax system. Communication plays an important role in the development of trust within an organization. Several studies have demonstrated the central role that communication plays in developing and maintaining trust. Trust and communication have been shown to enhance such organizational outcomes as employee participation and job performance, Dirks & Ferrin (2001) and Ellis & Shockley- Zalabak (2001).

In an effort to market themselves to the public, organizations need to incorporate integrated marketing communications, IMC, which is a process of developing and implementing various forms of persuasive communication programs with customers and prospects over time. The goal of IMC is to influence or directly affect the behavior of the selected communications audience. IMC considers all sources of brand or company contacts that a customer or prospect has with the
product or service as potential delivery channels for future messages. Further, IMC makes use of all forms of communication which are relevant to the customers and prospects and to which they might be receptive. In summary the IMC process starts with the customer or prospect and then works back to determine and define the forms and methods through which persuasive communications programs should be developed, Shimp (1997).

As indicated by Kornhauzer (2007), the way in which correspondence is surrounded can either activate or smother inside persuaded standardizing conduct. She constructs this comment with respect to "swarming hypothesis", which is in brief terms clarified by Frey(2002), as every outside mediation can influence inborn inspiration and outer intercessions swarm out inherent inspiration on the off chance that they are seen to control and they jam in characteristic inspiration in the event that they are seen to help. In supporting the possibility of positive encircling, Wenzel (2005 in his discoveries found out that restricted composed interchanges could be successful, which makes it a relevant approach for mass influence in territories, for example, impose consistence, natural conduct and wellbeing. These discoveries were the same with those by Bazart & Bonein (2014) that demonstrated that negative correspondence may have the unreasonable impact to prompt at first genuine citizens to avoid. Furthermore they watched that positive correspondence on the value of the framework together with any measures reinforcing charge confidence, for example great cases of ethically situated citizens, could increment charges gathered over the long haul. The arrangement and nature of data by charge specialists have not convincingly been connected to enhancing consistence conduct, but rather some beneficial outcomes have been seen by researchers.

Alm, et al., (2007), investigated the provision of uncertainty-reducing information prior to taxpayer’s filing decision and found the effect negligible. However, it was shown that taxpayers who used IRS forms and instruction booklets to complete their tax returns did significantly better on correctly completing tax form when compared to tax payers who reported not using forms and instructions, Bruch, et al., (2011). Furthermore, in a controlled laboratory experiment, Vossler, et al., (2011) identified the effects of information services on tax reporting behavior by varying the degree of accessibility and accuracy of information services. Their most finding was that the provision of information, even when the quality is low increases compliance.
James (2000), argues that the norm is usually to comply rather than not to comply. As already pointed out for a tax system to be effective the majority of the taxpayers have to comply. It follows that there may be greater gains in assisting compliant taxpayers to meet their fiscal obligations than in spending more resources in pursuing the minority of non-compliers. Many taxpayers might be willing to comply in full, but are unable to do so because they are not aware of or do not understand their full obligations. Even if such taxpayers understand their obligations, they may not know how to meet them or may be unable to do so for other reasons. On other side, other writers such as Smith & Kinsey (1987), argue that tax noncompliance is an intentional behavior. In countries like Ethiopia, where most of the business community have no access to information, lack of awareness cannot simply be overlooked rather it can be assumed as a major determinant of tax compliance behavior

2.4.1 Advertising

Advertising is the means of informing as well as influencing the general public to buy a product or services through visual or oral messages. According to renowned author, Kotler (2008), an identified sponsor defines advertising as any paid form of non-personal presentation and promotion of goods, services, or ideas. Presbrey (1929), also described advertising as a printed, written, oral and illustrated art of selling. Its objective is to encourage sales of the advertiser’s products and to create in the mind of people, individually or collectively, an impression in favour of the advertiser’s interest or more media and is paid for by the identified sponsor.

Traditional advertising, including TV, radio, magazine-and printed publicizing, can be characterized as a paid type of enticing correspondence that utilizes broad communications to contact expansive gatherings of people keeping in mind the end goal to interface a distinguished support with their objective audience(s), give data about their items and benefits, and translate or undercover the key highlights of their contributions as far as the purchaser's needs and needs, Moriarty et al., (2012). These key measurements of customary publicizing are likewise reflected in the meanings of promoting in different sources Arens, et al., (2008) and Duncan (2005).

These promoting mediums are non-individual in nature, since they are not coordinated at a particular individual, but rather at a bigger gathering of individuals. They utilize one-route
correspondence from the promoter to the gathering of people by means of the broad communications, while a portion of the contemporary intelligent media, for example, online media, web based life and direct reaction showcasing media have a tendency to permit intelligence, two-way discourse and personalization, Wells et al., (2006).

According to Duncan (2005), traditional advertising is a persuasive strategy that aims to influence the attitudes and the behaviour of the targeted audience. The objectives of traditional advertising can be communicational by creating brand awareness and by building or reinforcing the positive associations of the brand – or they can be behavioural, by increasing trials of the product, sales or requests for further information. Duncan (2005), also went to describe a core strength of traditional advertising as a marketing communication element is to build broad-based brand awareness using various mass media. Traditional advertising media are generally aimed at a broader audience compared with new interactive media types, such as digital, social and direct-response media. Nowadays normal advertising is not enough, the advertising is only successful if it can trigger emotions in consumers. Therefore, it is essential that companies clearly communicate their identity to the audience, so that the consumer can build an image of the product. Burnett, et al., (2006) stated that effective ads are those ads that deliver the information that the consumer respond to.

A study commissioned by the RRA (2009), revealed that tax compliance increases with enhanced communication. The study also showed that technology-based communication, such as emails and SMEs, tend to have more impact compared to traditional forms such as letters. By improving and enhancing communication during the pilot study of the initiative, the tax agency saw an increase in tax compliance by 20 per cent raking in $9 million in extra revenue. Logan (2012), the executive secretary of African Tax Administration Forum, said enhanced communication to increase tax compliance has been tried and tested in middle and high income countries, and yielded positive results. Field experiments conducted by Kleven & Christian (2001), indicated that audit information letters from the tax authority to taxpayers’ impact self-reported income

2.4.2 Public Relations
Hutton (2008), defines public relations may be defined as the management of strategic relationships as it embodies the fundamental concepts of public relations. Management involves
planning, control, evaluation and corrective reactions. Strategic refers to planning, prioritization and taking action with regard to the company’s relationships with all its clients. Relationships imply effective communication, mutual adjustment and reliance, shared values, trust and commitment. The Public Relations Institute of South Africa, PRISA, (2012) defines this similarly as the management, through communication of perceptions and strategic relationships between an organization and its internal and external stakeholders. This definition indicates that public relations constitute a form of communication that focuses on managing the perceptions or images rather than dealing specifically with products or services. This suggests that merely to communicate with the customers of a business is not enough.

Tax training and seminars are perhaps the most widespread activity that revenue authorities organize to improve tax education. These initiatives provide knowledge on how to navigate the tax system with a more traditional ‘classroom’ approach. Training is sometimes organized with specific groups of taxpayers, to better target their specific needs. There is a wide range of initiatives in this area, which share many of the same characteristics. The following are only a few examples; In South Africa, from January to March each year, the South African Revenue Service (SARS) provides free tax education sessions for small businesses. Their website reports the exact dates, location and general training topics, which vary depending on the SARS branch, and provides contact details for relevant officials. In Uganda, the Uganda Revenue Authority (URA) organizes tax clinics that are essentially workshops for specific groups of taxpayers. Information on tax is distributed through presentations, flipcharts and brochures. The main goal is to ensure registered taxpayers know their compliance obligations. There are about 250 tax clinics around the country, and each session is attended by an average of 70 taxpayers. In Rwanda, the Taxpayer Service Department implements year-round training sessions specifically targeting newly registered taxpayers in each district, who are believed to need more information to navigate through the system and abide by the law.

However, despite the large number of participants on some of these programmes, attendance and outreach remain a problem. For example, many taxpayers in Tanzania and Zambia are reported to have never received any tax training, Nalishebo & Halwampa (2014) and Lubua (2014). Fjeldstad &Heggstad (2012) reports some qualitative success stories from Tanzania, where tax workshops
are implemented by actors closer to the target audience. Churches, in particular, are seen as effective partners to reach broader segments of the population, since they are present all over the country, enjoy a high degree of legitimacy and are able to communicate in a way that is closer to the general public.

Mobile tax units are an innovative strategy, where the educational services provided by the revenue authority are brought in to the taxpayers’ local area. An example of this type of programme are SARS’s Mobile Tax Units (MTUs), through which offices reach taxpayers where they live, especially in rural areas. MTUs offer to help citizens when paying taxes and explain why taxes should be paid. The goal is to increase filing and tax compliance, as well as citizens’ tax literacy. More specifically, as indicated on the website, the services offered by MTUs include completion and submission of tax returns, submission of PAYE statements of account, general queries, and changes in banking and registration details. After a trial run in 2009, three MTUs were launched for the filing season of 2011 and an additional six have been provided since 2013, OECD (2015). A total of 77,367 taxpayers have visited the MTUs at 601 centers over a two-year period, 2011-2013, with an average of 128 taxpayers per location. According to SARS’s website, even if a causal claim cannot be established, in 2015, 5.94 million declarations were submitted to SARS, an 11.52 per cent increase with respect to 2014. Compliance for taxpayers filing on time exceeded 90 per cent for the third consecutive year since 2013, the year in which the programme started to run at its full capacity. Sanders, et al., (2008), found that educational communication related to legal sanction awareness can help to improve tax compliance. However, educational communication regarding the fairness of tax laws and the societal costs associated with tax evasion do not significantly improve tax compliance Kaplan, et al., (1997).

2.4.3 Personal Selling
Du Plessis, et al., (2010), defines personal selling as a person-to-person process, whereby the seller tries to determine the prospective buyers’ wants and seeks to satisfy these by offering suitable goods, services or ideas. While traditional advertising is non-personal communication using mass media, personal selling is interpersonal communication with a commercial objective. This two-way communication is one of the major strengths of personal selling. According to Duncan (2005), personal selling enables a sales person to customize or modify the message, according to the
buyers’ individual needs and reactions, as well as to provide instant and precise feedback on customer requests or questions. The direct contact of the sales force with the current and potential customers in the market allows them to provide the company with valuable feedback on the market, including customers’ reactions and specific needs, market trends and competitor’s offers, Du Plessis, et al., (2010). Personal selling is often more effective than mass advertising or publicity, due to the more intense personal involvement of the prospective according to Pitta, et al., (2006). The accountability of personal selling is a further advantage, because sales generated by each sales person are directly quantifiable, as opposed to other marketing communication elements, where the effect is indirect, Duncan (2005). Belch & Belch (2012), states increased sales are enhanced by direct communication to qualified prospects, because sales persons can then screen and select the most likely clients. Personal selling has evolved from a short-term focus to convincing customers to buy a product, to building a long-term relationship and partnership between customers and sellers. The role of personal selling has changed from the traditional role of providing information and persuasion via personal contact to providing solutions and relationship marketing and thereby building long-term and meaningful relationships with clients.

2.4.4 Direct marketing
Like personal selling, direct response marketing is interactive, allowing for customization of the marketing message and affording the potential to the customer of feedback. In direct response marketing, companies deal directly with customers without any retailers or wholesalers as intermediaries. Direct-response marketing is whereby an organization communicates directly with its target customers, it is an interactive system of marketing which uses one or more media to achieve a measurable response or transaction, O’Quinn et al., (2000). This definition suggests the key features of direct-response marketing. It is interactive because it allows two-way communication between the advertiser and the targeted consumer. According to Belch & Belch (2012), multiple media can be used in direct-response marketing, including direct mail, telemarketing, direct response advertising on television, radio or in magazines or newspapers, telemarketing, internet sales, catalogues and shopping channels. Direct-response marketing aims to generate a measurable and immediate response from its customers. This could be in the form of a purchase, a request for further information or a reply that offers specific information on the customers’ needs or interests. O’Quinn et al., (2000), suggest that direct-response marketing is
used for three main purposes namely to sell to targeted customers by employing direct-response marketing alone, or as part of an IMC strategy and to identify potential prospects. While providing selected customers with relevant and detailed information and to initiate dialogue with customers by seeking their advice, providing users of the products with valuable product information or rewards ultimately resulting in customer loyalty. Bearden, et al., (2007), also appreciate the potential of direct-response marketing in building brand loyalty and when seeking to create a relationship with the targeted customers.

Social media is often used to boost citizen engagement and tax compliance. One of the best examples is the Kenya Revenue Authority’s, KRA’s Twitter account, KRA Care. KRA launched a campaign called Mtrue, with the hashtag #LipaUshuru, which provides information on how to file taxes online, OECD (2015). It also created a series of tax stories where people from different professions speak about taxes, for example, a Kenyan doctor recommending online filing to simplify the tax declaration process. Another Twitter thread is dedicated to KRA officials who explain what they do, for example, KRA Call Centre staff highlights the importance of paying taxes in order to improve Kenya public services, including roads and hospitals. KRA also organize short interviews with celebrities promoting proper tax filing. The Zambian Revenue Authority, ZRA conducted a study in 2012 by through its Research and Planning Division to shed light on taxpayers’ perceptions of the fairness and clarity of information provided by the ZRA. The results revealed that 73 per cent of respondents feel that ZRA staff treat them fairly, OECD (2015). Similarly, out of a sample of seventy-five taxpayers, 96 per cent stated that information on tax matters provided by ZRA was clear. However, a causal link with the tax radio programme cannot be clearly established. Unfortunately, no other evaluation has been conducted to specifically look at the impact of these programmes in Zambia or elsewhere.

2.4.5 Sales Promotion

Arens, et al., (2008) describes sales promotion as a direct inducement that offers extra incentives to channel members to enhance or accelerate the product’s movement from manufacturer to consumer. This definition embodies the key features of sales promotion. Sales-promotion techniques, such as free samples, competitions, premiums, coupons and price incentives provide extra incentives to achieve immediate sales. These are often referred to as value-added techniques, because they provide immediate and tangible added value to brands, Du Plessis, et al., (2010). The
The purpose of sales promotion is to influence the purchasing behaviour of consumers by accelerating purchasing or consumption, thereby providing them with an incentive to react quickly to the promotional offer. These incentives are usually offered for a limited time only and they thus create a sense of immediacy, where consumers have to make a decision quickly. Advertising and sales promotion should be complementary activities to influence consumers’ buying behaviour. Advertising creates awareness and interest, while sales promotion leads to desire and action. Advertising media are often used to inform customers of the sales promotion, sales promotion can provide additional contact with the brand, either at the point-of-purchase, or where the decision and evaluation take place, Duncan (2005). Sales promotion can also be an effective complementary channel when used with the other elements of the marketing communication mix, Blakeman (2007).

Table 2.5 below shows Integrated Communications channels, examples of the communication channels, its purpose and the intended targeted group of customers that could be adopted by tax authorities to increase their tax compliance.

<table>
<thead>
<tr>
<th>Tool</th>
<th>Examples</th>
<th>Purpose</th>
<th>Customer segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Above the line material</td>
<td>➢ Efficiently provide large amount of target audience with information about ZIMRA’s existence, tax information and tax rates ➢ Stimulate interest in ZIMRA taxes</td>
<td>➢ All tax authorities tax stakeholders ➢ Unregistered business operators</td>
</tr>
<tr>
<td></td>
<td>o Billboards</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Print media</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Television</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Radio</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Below the line material</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Leaflets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Pamphlets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Brochures</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Letter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>o Amnesty</td>
<td>➢ Allows unregistered business to examine and experience product ➢ Attracts attention and create attention ➢ Attract customers by waiving penalties and interest thereon ➢ Offer tax advice for free to increase compliance ➢ Using different methods for effective in-store promotion</td>
<td>➢ Informal sector ➢ Non-compliant tax payers ➢ Compliant tax payers ➢ Specialized sectors of the economy e.g. mining, manufacturing tourism</td>
</tr>
<tr>
<td></td>
<td>o Tax Incentives</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Tax Holidays</td>
<td></td>
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<tr>
<td></td>
<td>o Tax exemptions</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>o Mementos /Trinkets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Tax Appreciation Awards</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Corporate wear</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Personal Selling
- Workshops
- Seminars
- Conferences
- Expositions
- Trade Fairs
- Shows
- Consumer Education
- Partnerships
- Media relations
- Direct Mail

- It helps to build connections with clients, educate them about taxes and to be compliant
- Create loyal clients
- Both unregistered and registered taxpayers.
- Both compliant and noncompliant taxpayers

Direct Marketing
- Customer care line
- Internet
- Social media promotion
- Website

- Reaching target audience
- Requiring direct response
- Tax Consultants
- Banks
- Lawyers
- Business people

Public Relations
- Charity Bowl
- Golf days
- CSR Programmes
- Media Relations
- Public appearance

- Create positive image
- Build relationships with stakeholders and prospective business partners
- Large corporations
- All tax authorities stakeholders

Source: Adopted from Research Data.

### 2.4.6 Conceptual Framework of Effective Communication with stakeholders

Table 2.6: Effective Communication with stakeholders below, describes different communication channels that tax authorities have at their disposal to achieve higher compliance levels. The synthesis provides an independent which constitutes the predictor of the immediate variable and subsequently the dependent variable.

#### Table 2.6: Conceptual Summary of Effective Communication with stakeholders

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Predictors</th>
<th>Intermediate Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td></td>
<td>Prompt submission of returns</td>
<td>High Compliance</td>
</tr>
<tr>
<td>o Below the line</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Above the line</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Relations</td>
<td>Enhanced relation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Selling</td>
<td>Educate taxpayers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>Relief to taxpayers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Marketing</td>
<td>Broaden the tax base</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adopted from Research Data.
2.5 Managerial discretion in managing resistance by taxpayers

Table 2.7 below highlight different strategies that tax authorities can make use in managing resistance by taxpayers. These strategies have been discussed sequentially and in the order in which they have been presented as reflected in the ensuing section of the review of the literature.

Table 2.7: Strategies for managing in resistance by taxpayers

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Taxpayers Advantage</th>
<th>Taxpayer Disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Communication</td>
<td>It helps the taxpayers to see the importance of paying the correct taxes on time.</td>
<td>Taxpayers might prophesy ignorance.</td>
</tr>
<tr>
<td>Facilitation and Support</td>
<td>It helps to deal with the fear and anxiety among taxpayers.</td>
<td>It might be costly as it involves holding training sessions.</td>
</tr>
<tr>
<td>Participation and Involvement</td>
<td>It helps compliance levels to increase since the stakeholders would have full knowledge about increasing the revenue inflows.</td>
<td>It might be time consuming.</td>
</tr>
<tr>
<td>Coercion</td>
<td>It is used as last resort in forcing tax payers to comply.</td>
<td>It may lead to liquidation, bankruptcy of companies, reduced revenue collections.</td>
</tr>
<tr>
<td>Cooption</td>
<td>It helps taxpayers to have faith with the tax hence enforcing the tax laws.</td>
<td>There could be a danger in that the agent used by the tax authority might resist complying with tax authorities, which will result in reduced revenue collection.</td>
</tr>
</tbody>
</table>

Source: Kotter & Schlesinger (2008)

According to Bardach & Kagan (1982), enforcement regulatory style can be defined as the general approach assumed by enforcement officials in the course of performing their regulatory duties. Reiss (2004), initially recognized two noteworthy styles namely legalistic also sometimes called deterrence and conciliatory sometimes called cooperation. The legalistic style is based on coercion and compulsion and is concerned primarily with the application of punishment for breaking a rule and doing harm. Bardach & Kagan (1982); Becker (2006); Cunningham (2007) and Kagan (2009), described it as the punishment act to deter regulators from violating the law. In contrast, the conciliatory style relies primarily on techniques of education, advice, persuasion and negotiation, Hawkins (2004) and Hutter (2009). It is cultivated when the specialist and the controller see each other better and cooperate towards consistence. This recommends a part for specialist carefulness and utilizing enticing techniques as opposed to sanctions, Kagan & Scholz (2004) and Reiss.
(2004). Early research largely took after this polarity. Nevertheless, in all actuality, ways to deal with enforcement are far more subtle, with enforcement styles being mixed and multifaceted. A closer inspection reveals several underlying elements that combine to become enforcement styles, Ayres & Braithwaite (1992) and Kagan (2004). Subsequently, the more current grant tending to masters' conduct focuses on various methods of open activity at the bleeding edges of administration conveyance. Researchers contend that inspectors frequently settle on decisions on the spot about the best method of activity to deliver the coveted arrangement of practices from an objective individual or gathering, May & Wood (2003).

In spite of the general population's negative discernments, researchers have given little consideration regarding IRBM reviewers' conduct, especially their requirement administrative styles. Strict methodologies may neglect to manage distinctive consistence conduct and assessment organization many-sided quality. Further, a bureaucratic and inflexible utilization of techniques, paying little respect to conditions, can prompt wasteful aspects and citizen obstruction, IRS (2008). They should treat citizens consciously and politely, work to accomplish great results and stay nonpartisan in basic leadership to guarantee they are reasonable and advance future consistence, Stalans & Lind (1997). Nonetheless, there is no distributed investigation on IRBM inspectors' authorization administrative styles. Concentrates on impose reviewers' authorization administrative styles are critical to manage any disagreements about expense obligation decently, productively and rapidly and to determine if an appraisal is right and practicable, Mann (2005).

According to Das-Gupta & Mookherjee (1998), tax administration comprises three interrelated activities. These are the identification of tax liabilities based on existing tax legislations, the assessment of taxes to determine if the taxes paid are actually within tax liabilities and the collection, prosecution, and penalty activities that impose sanctions on tax evaders and ensure that taxes and penalties due from the tax payers are actually collected. This composite nature of tax administration imposes duly discretion power to revenue collection agency and its officials on matters such as provision of tax exemptions, determination of tax liabilities and selection of audits, Fjeldstad & Rakner (2003).
2.5.1 Education and Communication

One of the most common ways to overcome resistance by tax payers is to educate them about taxation. Communication of ideas helps people see the need for and the logic of paying taxes and being tax compliant. The education process can involve one-on-one discussions, presentations to groups or memos and reports. An education and communication program can be ideal when resistance is based on inadequate or inaccurate information and analysis, especially if the initiators need the resisters’ help in implementing the change. But some managers overlook the fact that a program of this sort requires a good relationship between initiators and resisters or that the latter may not believe what they hear. It also requires time and effort, particularly if a lot of people are involved, OECD (2015).

This element emphasizes the law’s communicative function, seeing the potential for using education of regulated enterprises and the public as a means to inculcate responsible behavior, Kagan & Scholz (1984) and May & Winter (1999). This can be achieved through national taxpayer days and annual campaigns held in almost all African countries reviewed. National Taxpayer Days are nationwide celebrations that combine a diversity of elements. Since 2011, in Burundi sessions have been held to increase tax literacy of citizens, together with a parallel annual event on taxpayer identification number (TIN) registration. Since 2010, in Mozambique the main objective of the annual campaign, ‘Together We Make Mozambique’ has been to ensure that all citizens become familiar with tax matters, specifically targeting the informal sector and encouraging businesses to register for a unique TIN. In Senegal, various activities are planned on campaign days to target mainly the informal economy, conferences, information stands where citizens can get in contact with tax officials, articles in national newspapers and radio and television announcements. They include local administrators and market managers (Burundi), educational institutions and various civil society organizations (Mozambique), media (Senegal) and more generally, representatives from various sectors and business organizations. In Ghana, for example, patriotic campaigns are held in local communities in collaboration with faith-based organizations, trade associations, local radio stations and community information centers at the district level.

In OECD (2015) Report, Burundi experienced an increase of 7,000 new registrations during the TIN registration campaign in 2011-2012 and a positive, but not documented, five-year trend in
compliance. Similarly, Mozambique saw a five-fold increase to 2 million registrations from 1999 to 2012, attributed to the ‘Together We Make Mozambique’ campaign, OECD (2015). The relevance of tax education in schools was stressed in most of the interviews with revenue authority officials and all of them agreed on the need to proactively focus on youth to build a solid culture of tax, OECD (2015). For example, according to OECD (2015), Mauritius, Rwanda and Tanzania have established tax clubs in schools that promote discussions on tax amongst students. There is often a competition between tax clubs from different schools and final examinations at the end of the year. Tax education programmes in schools share several features across countries. They usually target secondary school students or sometimes university students, as in Rwanda. Often, staff runs the events from the revenue authority, who visit schools and have direct contact with students. The content typically covers basic issues, such as various taxes that citizens must pay, including VAT, taxes on liquor and tobacco, fuel tax, income tax and corporate and/or property taxes. In some cases, like Mauritius, the programme also provides insights into how tax revenue is spent and the detrimental effects of evasion, OECD (2015). In Kenya, from the launch of the programme in 2012 to 2015, 25,000 students and 400 teachers have been involved in the programme. Perceptions towards the tax system reportedly changed, the programme helped to clarify some basic issues around taxation and stimulated a positive tax culture among students. For Rwanda, in 2016, seventeen Tax Friends Clubs were operational in different secondary schools throughout the country and tax lectures were organized in fourteen national universities. In Tanzania, 184 tax clubs were created up to 2014, reaching 10,200 students.

Tax edutainment Initiatives that try to reshape tax as an enjoyable topic and use the media to reach and engage the general public come under the label of tax edutainment. It is well documented in literature on financial literacy that the opportunity cost of acquiring education is usually high and training programmes often suffer from low attendance rates, Sonobe et al., (2010) and MacKenzie &Woodruff (2013). Initiatives that bring tax education into people’s homes and adopt a more relaxed and non-confrontational approach may therefore improve take-up. The fictional aspect of these programmes, where episodes are drawn from real life and presented in a popular and comic way is intended to make tax matters more understandable to the general audience, who often has limited knowledge on the topic. Tax edutainment is well developed on the African continent, and other countries can learn from their experience of engaging citizens in a creative way. For example, a Nigerian television tax soap opera, ‘Binding Duty’, has been watched by 80 million citizens,
OECD (2015). Along similar lines, Tax Matters, a 30-minute television show also in Nigeria is available to view freely on YouTube, it is in its fifteenth season. Radio programmes dealing with taxes are also widespread. In Rwanda, a weekly tax programme has been broadcasted since 2010. Similarly, a weekly one-hour radio programme on a popular radio channel is aired for the Zambian Revenue Authority, OECD (2015). The programme first half is specifically aimed at tax education, while the second half is a debate with live call-in, where taxpayers ask questions, raise concerns or give feedback. As such, it seems to include an element of political dialogue and accountability.

2.5.2 Facilitation and Support

Another way that managers can deal with potential resistance by tax payers is by being supportive. There is a general move by tax administrations towards more collaborative approaches that are built on mutual respect, trust and transparency, OECD (2015). Tax administrations and large businesses want greater certainty. Tax administrations look for certainty around voluntary compliance with tax laws and large businesses having good governance arrangements in place. Large businesses look for certainty about which of their behaviours and transactions the tax administration is likely to see as risky and how the administration is likely to respond to those risks. Several tax administrations have introduced and are further developing initiatives that encourage large businesses to consider good corporate governance and enhanced relationships that support tax risk management.

2.5.3 Participation and Involvement

The move to self-assessment is being driven by a desire to improve revenue performance through better compliance and more efficient administration. These improvements most often result from filing of returns by a more enlightened taxpaying population, earlier collection of tax revenue because taxpayers are induced to file and pay the correct amounts on time, expanded and better targeted audit inquiries and reduced numbers of disputed assessments. In the United Kingdom, for example, it was estimated that over the 10-year period to 2007-2008, self-assessment would result in administrative savings of £500 million, Loo (2006). From the taxpayers’ perspective, self-assessment allows for the democratic exercise of taxpayers’ rights, resulting in an increased involvement by the taxpayers in their own tax affairs, Loo, et al., (2005). In Japan, for example, the self-assessment system was implemented along with other reforms such as the introduction of a more democratic political system under the new constitution. The system was cast as a symbol
of post-war tax administration reform and efforts were made to raise among the public, a sense of moral duty by holding up the ideas of a democratic nation where taxpayers voluntarily file and pay tax, Kimura (2006). In Switzerland, if taxpayers are called to participate in decision-making processes through referenda, authorities’ power is likely to be perceived as legitimate and actions against evasion serve the maintenance of law and order, Bohnet & Frey (1994). On the other hand, if citizens have no voice, authorities’ power may be perceived as illegitimate and actions to control citizens are likely to be judged as cops fighting robbers. Consequently, Sheffrin & Triest (1992) found that taxpayer’ attitudes towards authorities and social norms shape the effect of increased audit probabilities on tax compliance.

2.5.4 Coercion

This element stresses the force of law and is manifested in a strong propensity to impose or signal the imposition of non-compliance sanctions, Hawkins (1984). Managers often deal with resistance coercively. An attitude of resistance represents taxpayers who actively resist the self-regulatory system, Braithwaite (2005). Individuals who adopt a resistant stance are likely to view the tax office with antagonism because they feel that this office actively pursues taxpayers to “catch them out” rather than to help them. Resisters are also likely to believe that people should take a stand against the tax office, Murphy (2005).

Coercive or brutal power shows itself through negative and uplifting comments, for example, through the burden of assents and the conceding of advantages, Raven, et al., (2003). While negative fortification, for example, fines and detainment are normal and well-demonstrated measures utilized by assess experts, encouraging feedback as prizes for legit taxpaying is more uncommon, Becker (2011). All things considered, as indicated by mental hypothesis of operation molding, both negative and encouraging feedback incite charge consistence by punishing undesirable and by fortifying needed, impose conduct, Skinner (1947). Field tests by Kleven, et al., (2011) and Hasseldine, et al., (2007), indicate that coercive power influence raising of assessments. This basically has either powerless and can be conflicting, Ariel (2012) and Slemrod, et al., (2001). Research facility tests likewise announced that encouraging feedback as prizes expanded expense consistence, Feld, et al., (2006).
The slippery slope framework by Kirchler, et al., (2008) explores the mechanisms used by authorities to influence taxpayer decision making and assure tax compliance. Previous research suggests that trust in tax authorities is influenced by whether power is coercive or legitimate creating different climates and motivations to comply, Gangl, et al., (2012). They undertook laboratory experiments that manipulated tax authorities' power and trustworthiness. The studies confirm the assumptions of the slippery slope framework, Kogler, et al. (2013) and Wahl, et al., (2010) and offer a more pronounced picture of the mechanisms that affect tax compliance. It was found that the combination of high power and high trustworthiness leads to overall higher tax compliance than power or trustworthiness alone. This may be because when power is combined with trustworthiness it is perceived as legitimate expert power that motivates compliance. Thus, how power is implemented may be a key determinant of tax compliance.

The extension of the slippery slope framework, Gangl et al., (2012) and Kirchler, et al., (2012) assumes that coercive power decreases implicit trust in authorities, which generates an antagonistic climate and enforced compliance by the taxpayers. The basis of implicit trust, on the other hand, is an unconscious reaction generated by shared norms and values and a sense of social identity. Learning with time that institutions with certain characteristics can be trusted enables implicit trust reactions in the future, Castelfranchi & Falcone (2010). In the tax context, for instance, implicit trust is established through years of good experiences with tax authorities. An antagonistic climate characterizes itself by a “cops and robbers” attitude between the tax authorities and the taxpayers, Kirchler, et al., (2008). The perception is that tax authorities are cops, eager to catch tax evaders and punish them, while taxpayers are robbers, unwilling to pay taxes and hiding from the authorities. The use of coercive power by the taxation authority breeds suspicion and mistrust. This can result in a vicious cycle where the authorities increase their use of coercion while taxpayers increase their use of evasion or avoidance mechanisms. Ultimately, increased use of evasion by the taxpayer increases the use of coercive powers of the authority and the cycle continues, Braithwaite (2003); Feld& Frey (2002) and Torgler (2002). Consequently, coercive power is assumed to inhibit implicit trust toward the tax authority and forces taxpayers to pay their taxes, they only pay because they are pressed to do so.

2.5.5 Co-option

This element emphasizes reconciling the demands of key stakeholders in enforcement regulation. In doing so, enforcement agents consider the opinions of, for instance, political leaders and their
In their purest form, none of these style elements is likely to be effective on its own, as each have advantages and limitations. According to Gormley, (1998), enforcement regulatory styles are also difficult to control because they are multidimensional. For example, formalism allows for reducing discretionary administration in the interests of preventing corruption, enhancing deterrence, promoting equity or empowering the public, Bardach & Kagan, (1982); Gunningham, et al., (1992) and Langbein (2002), but can easily become counterproductive to the extent that it arouses hostility or otherwise frustrates cooperation, May & Winter (1999). Further, an entirely persuasive approach is threatened by cooperation, over-indulgence and amoral calculators who take advantage of leniency by breaking rules, an entirely deterrent approach can cause decreased involvement with regulation, inefficiency due to time-consuming lawsuits, deteriorating relationships between enforcers and the regulated and withholding of information from the regulated, Bardach & Kagan (1982); Hawkins (1984) and Potoski & Prakash (2004). Therefore, enforcement style elements are neither mutually elusive nor independent. Regulators usually adopt a combination of elements to perform regulatory control.

2.5.6 Conceptual Summary of managing resistance by tax payers
The table shown as 2.8 below: Managing resistance by taxpayers provide a synthesis of the key strategies that ZIMRA Officials could employ in order to manage resistance by tax payers. The synthesis provides an independent variable, which constitutes the predictor of the intermediate variable and subsequently the dependent variable.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Intermediate Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Communication</td>
<td>Better understanding of tax requirements</td>
<td>High Compliance</td>
</tr>
<tr>
<td>Facilitation and Support</td>
<td>Improved relations</td>
<td></td>
</tr>
<tr>
<td>Participation and Involvement</td>
<td>Prompt submission of returns</td>
<td></td>
</tr>
<tr>
<td>Coercion</td>
<td>Forces taxpayers to comply</td>
<td></td>
</tr>
<tr>
<td>Cooption</td>
<td>Enforcement of the tax laws</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Adapted from Research Data*
2.6 Authoritarian culture by tax collectors

Power of authorities is defined as taxpayers’ perception of tax authorities’ capacity to detect and punish tax crimes, Kirchler, et al., (2008). Empirical findings regarding power of authorities include findings on the effect of income, tax rates, audit probabilities, fines, repeated audits, as well as on the withholding phenomenon and the related framing effects, Kirchler (2007). However, the deterrent effects of these enforcing factors appear to be inconclusive in the literature, with some studies confirming their positive effect, while others report contrary results, Andreoni, et al., (1998) and Frey (2003). In line with the definition of power given by Kirchler, et al., (2008) and Fischer, et al., (1992) emphasized the importance of taking into account the subjective rather than the objective probability of detection. Therefore, authorities’ power might not have an objective deterrent effect on tax compliance but it is moderated by taxpayers’ perceptions and subjective evaluations of authorities’ abilities to detect tax frauds and to deter evasion, Fischer, et al., (1992).

In line with much of the literature, Andreoni, et al., (1998) assume that the objective of the tax authority is to maximize expected net revenue that is tax revenue less administration costs. In contrast to most other studies, the administrative costs do not solely consist of audit costs. Rather, the tax officials take into account that the way they treat the taxpayers systematically affects the latter’s tax morale and therefore their willingness to pay taxes, which in turn affects the cost of raising taxes. The tax authority optimally chooses that way of dealing with the taxpayers that maximizes net tax returns. Two diametrically opposite ways of treating taxpayers can be distinguished namely a respectful treatment supporting and possibly even raising tax morale. Most of the respective models focus on endogenizing the probability of audits, depending on whether the tax authority can or cannot announce and commit itself to a particular audit rule before taxpayers file their tax returns, Andreoni, et al., (1998). The tax officials can choose between these two extremes in many different ways. The feeling of being controlled in a negative way and being suspected of tax cheating tends to crowd out the intrinsic motivation to act as an honorable taxpayer and as a consequence, tax morale will fall. In contrast, if the tax official makes an effort to find out the reason for the error by contacting the taxpayer in an informal way, for example, by phoning him or her, the taxpayer will appreciate this respectful treatment and tax morale will be upheld. The relationship between taxpayers and tax authorities can be modeled as an implicit or relational contract, Akerlof (1982). It then involves strong emotional ties and loyalties and goes well beyond transactional exchanges, Williamson (1985). Social psychologists, Schein (1965) and Rousseau &
McLean (1993), have been using this concept for a long time, calling it a ‘psychological’ contract to set it clearly apart from formal contracts, which are obeyed because the parties respond to the explicit and material sanction previously agreed upon. Psychological contracts have been successfully used to analyze relationships within the firm, Wenzel (2002). The basic idea that external interventions, in the form of rewards or sanctions, may crowd out intrinsic motivation, has recently been introduced into economics and is supported by much empirical evidence, Frey & Jegen (2001).

Basic techniques for increasing tax compliance incorporate deterrence and assistance through legitimated procedures, Gangl, et al., (2012); Alm & Torgler (2011) and Braithwaite (2003). Taxpayers' trust in authorities, as well as in fellow citizens, fosters honest tax contributions as well, Gangl, et al., (2012) and Braithwaite (2003). Coercion is based on tax audits and fines if tax evasion is detected, Allingham & Sandmo (1972). Legitimacy is based on transparency, fairness, and participation of tax authorities, Alm, et al., (2007); Feld & Frey (2007) and Wenzel (2002). Trust is based on social norms, Coleman (2007) or moral suasion Ariel (2011) and Alm & Torgler (2011) and Torgler (2004). Existing research indicates that coercion and legitimacy should be applied simultaneously in order to increase tax compliance among citizens, Alm & Torgler (2011) and Braithwaite (2003). The combination of these different measures may be more efficient in influencing tax compliance than either measure alone, Gangl, et al., (2013). However, whether or not underlying psychological processes, such as the level of trust a taxpayer has in tax authorities provide an explanation for the effectiveness of a combination of strategies has not been explored. Shedding light on these underlying mechanisms is essential to tax researchers and practitioners in order to understand how measures to increase tax compliance work and can be applied most effectively.

The reputation of tax administrators in the eyes of the taxpayers rests upon the way taxpayers are treated. Fairness, reasonableness, explaining of rules, decisions and solutions to the questions will lead to improved reputation of tax administrators and to perceived procedural fairness, which may lead to an increased willingness to comply with the spirit of the law, Kirchler, et al., (2006). Feld & Frey (2007), in their analysis, the perception of taxpayers in Switzerland of being treated in a friendly or unfriendly manner by tax authorities found that the friendly treatment has a dampening effect on tax evasion. The friendly or unfriendly treatment was perceived in the way tax auditors
treated the taxpayers, with either suspicion or giving the taxpayer the benefit of doubt and could be seen as the degree of respect shown by the tax auditors. Feld & Frey (2003), argue that this type of disrespectful treatment may crowd out the intrinsic motivation to act as an honourable taxpayer, which will negatively impact on tax morale.

James (2012), calls for a professional approach amongst tax officials rather than a more mechanistic approach to management which in business terms, relates to employee involvement, commitment and empowerment, but not employee control. In the tax authority-taxpayer environment, this translates to “assisting taxpayers and treating the majority of taxpayers as responsible citizens. Fair and respectful treatment of taxpayers is also empirically supported as having a positive effect on tax morale or tax compliance, Murphy (2005); Braithwaite, et al., (2007); Bowers & Robinson (2012); Batrancea & Nichita (2013) and Fjeldstad (2012), amongst others. James, et al., (2004), found in a survey conducted amongst Australian taxpayers, that the way taxpayers felt they were treated namely as being honest in their tax affairs was rated in the top three principles when asked about the degree they believed the Australian Tax Office meets its obligations under the taxpayers’ charter.

Turner (2005), reasons that, there is power as influence as opposed to power as control. Power as influence is the act of persuading people that a desired action is correct, moral or appropriate. People are then likely to cooperate voluntarily and act out of their own resolution. On the other hand, power as control is the capacity to get people to act when they are not persuaded or are uninterested in the validity of the specific belief or act. Turner (2005), states that controlling power can take two forms, namely coercive and legitimate power. Coercive means that the authority resorts to actions such as penalties and sanctions to manipulate behaviour. It is directed at forcing people to comply on an involuntary basis. Legitimate power, on the other hand, is control based on the acceptance by people of the authority’s right to prescribe its beliefs, attitudes or actions. In other words, even if one does not agree with a prescribed action, one ascribes to the legitimacy of the authority and still voluntarily submits. Turner (2005), explains that in the case of legitimate power this voluntary submission is based on the social norm of the group one identifies with and can result in a sense of empowerment and pride by the regulate.

According to Devos & Ken (2008), while penalties per se were viewed as having a minimal impact upon the compliance behaviour of taxpayers there was also a clear message that the penalties
should be supported by other preventative measures such as educational programs. Therefore, it is suggested that the actual levels of penalty may be made more transparent in public literature and in the tax return itself. This would assist in providing a general deterrent for potential tax offenders. Also while taxpayers’ awareness of the different types of penalties was poor, it was evident that there was a strong preference for community service, weekend detention and the naming and shaming of offenders as having a greater impact upon compliance attitudes as opposed to penalties. In this regard, it may well be worthwhile reconsidering the listing of tax evaders by name and offence, in the Commissioners Annual Report. Achieving deterrence through education and voluntary means as evidenced in other studies emphasizes the notion of developing a compliance strategy based on prevention rather than cure, Devos & Ken (2008).

2.6.1 Legitimate Power

As postulated by Raven, et al., (2003), legitimate or soft power is characterized by the legitimacy of the power institutions. Sub dimensions of legitimate power include the provision of relevant information, the knowledge and skills of the authority, as well as the authority’s capacity to make taxpayers identify with its goals and values, Raven, et al., (2003) and Alm, et al., (2010). Laboratory experiments suggest that service provision that is, information power, has a positive impact on tax compliance. Wahl, et al., (2010) and Feld & Frey (2002) also noted that in laboratory experiments participation in the tax procedure, that is, power of identification promote tax compliance. A positive relation between legitimacy, that is, power of position, provision of relevant information, knowledge and skills, and tax compliance from a survey data conducted by Gangl, et al., (2002) was established. Finally, good governance approximating legitimate power is assumed to positively affect taxpayers’.

Legitimate power is suggested to increase reason-based trust and to stimulate a service climate and therefore elicit voluntary cooperation by taxpayers. The basis of taxpayers’ reason-based trust is rational considerations of the authorities’ trustworthiness such as their competence, motivation or benevolence, Castelfranchi, et al., (2010). Legitimate power increases reason-based trust, as it provides the taxpayers with reasons to trust such as the authorities’ expertise in tax issues and their willingness to share valuable information with the taxpayers. When legitimate power is prevalent in a service climate, it elicits voluntary cooperation. In such a service climate, taxpayers comply with tax law because they believe that authorities will reciprocate with cooperation. The interaction
is characterized by clearly defined fair-play rules and taxpayers' motivation to pay taxes is voluntary because taxpayers perceive paying honestly as the easiest and most hassle free way to handle tax issues.

2.6.2 Client Care

Service quality provided to taxpayers in tax department becomes a great concern because it is related to society as service users. According to Kotler (2012), service is any action or activity that can be offered by one party to another, which is essentially intangible and does not result in any ownership. Tjiptono (2007), defined service quality as an attempt to fulfill needs and desires of costumers and deliver accuracy in balancing customer expectations. Most tax authorities have now put in place a service charter that helps improve the quality of service they offer to their stakeholders.

Organizations now acknowledge that operating within the public sector need to be accompanied with the extension of quality customer service, as they are critical strategic issues to be addressed with the logical extension of the principles of marketing to the public sector, Donnelly, et al., (2005). The issue of service quality is more critical with the new administrative philosophy known as the New Public Management, Brysland & Curry (2001). The issue of service quality is as critical to tax offices as they provide numerous services to taxpayers just like any other public sector organizations, OECD (2007).

The services that are commonly provided by revenue offices are in three categories. They are information, interaction and transaction. Transaction is the core service while information and interaction provide support to transaction. The goal of any tax administration is to offer better services to taxpayers. In the modern society, they should offer services to citizens and in the process become more and more specialized, Karingi, et al., (2005). This argument was supported by stating separately that the manner in which taxpayers are treated in the course of the tax service provision has an impact on their compliance behavior, Feld & Frey (2007). According to Torgler (2005), the willingness of taxpayers to corporate with tax authority will increase, if the authority sees itself as a service institution and provide quality service and treat taxpayers as partners. OECD (2007), noted that the delivery of quality service to taxpayers will strengthen their willingness to
comply with tax laws voluntarily. As a consequence contribute to the overall level of tax compliance tax offices are increasingly becoming aware of the necessity to accord taxpayers the status of customers as many tax authorities such as those of Australia, France, Sweden, UK and the US have reconstructed their approaches towards taxpayers by giving them more consideration to their tax service needs and treating them as clients. Quality of information and quantity of information are two main aspects normally discussed in literature. Quality of information tends to be operationalized in terms of accuracy, timeliness, and usefulness. Research shows that quality of information is associated with higher levels of trust, Folger & Konovsky (1989) and Whitener, et al., (1998). Taxpayers will exhibit higher levels of trust when they believe the information they are receiving from the tax institution is accurate, timely, and/or useful because amount of information reduces vulnerability.

2.6.3 Negotiations with tax payers

One way of tax authorities can make use in resolving disputes instead of them exhibiting authoritarian supremacy is through negotiating with tax payers. IRS have established an Appeals Office in 1927 with the technical expertise to handle disputes which arise when tax payers fails to agree with an IRS findings, refuses to file a tax return, or refuses to comply with an IRS request for information. The stated mission of the IRS is to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. This emphasis on service is seen not only in taxpayer understanding of the law, but also in the Service's dispute resolution process. The IRS has an Appeals Office has a longstanding record of settling taxpayer disputes outside of a courtroom. In recent years, the IRS has developed other, more formal and narrowly focused, alternative dispute resolution (ADR) programs designed to add to the efficient resolution of disputes. These programs include forms of negotiation, mediation and arbitration and are aimed at both dispute prevention and resolution. Additionally, mediation and arbitration are available even after a case reaches the United States Tax Court. The use of negotiation by Appeals represents a system designed to cover a broad range of disputes and has shown great success statistically. In fact, between eighty-five and ninety percent of the cases that reaches Appeals result in settlement, OECD (2015). Section 62 (1) of the Zimbabwe Income Tax Act Chapter 23:06 provides for an aggrieved tax payer to lodge an
objection to the Commissioner. ZIMRA has an established Technical team which is responsible of handling objections of tax payers.

### 2.6.4 Tax Knowledge

Knowledge of tax is the process of changing the attitudes and code of conduct of taxpayers or group of taxpayers in an effort to inform human beings through the efforts of teaching and training. Increasing knowledge of tax regulation or law among tax payers through formal and non-formal education will have a positive impact on taxpayer awareness to pay taxes. Knowledge of tax regulations in the new tax system is through a self-assessment system. In this system, taxpayers are trusted to calculate, estimate and determine the payable amount of income tax and report it to the Tax service Office or extension service office and tax consultant office or can also be delivered through the post office, tax corner, mobile tax office and certain places for annual notification letters known as drop box after the tax year ends.

### 2.6.5 Provision of relevant information

Provision of relevant information to tax payers has been seen as one way of increasing compliance among taxpayers. Doerrenberg & Schmitz (2017), conducted a study tax compliance of small self-reporting firms, a group of taxpayers that is usually considered to have high propensities of noncompliance while yet being scarcely investigated in the literature and explore how tax compliance responses differ between situations where information by the tax authorities are provided by letter or in person. They analyzed a field experiment that was conducted in cooperation with the Slovenian tax authorities in January 2014. The study was to establish, how a letter containing moral appeals and salient audit probabilities affects tax compliance of small firms, Treatment I or whether it makes a difference if the information in this letter are provided in personal interaction with the tax authority, Treatment II. In the second treatment group, the same letter, that was sent to firms in the results tentatively suggest that the treatment letter increases compliance and leads to even more compliance if handed over in person. That is, changes in taxable earnings between 2012 and 2013 are higher in the first treatment group where letter was sent by post relative to the control group and higher in the second treatment group where letter was handed over in person relative to the first treatment group. Their findings were line with predictions that were derived to rationalize the experiment and they correspond with the results of a recent and independently conducted field experiment in Latin America by Ortega & Scartascini
(2007) suggesting that the observed differences between groups may be due to the experimental intervention rather than pure chance.

2.6.6 Conceptual Framework for use of Authoritarian Power to tax payers

Table 2.9 below; Use of Authoritarian Power to taxpayers outlines a mixture of important tactics that ZIMRA could use in order to increase compliance levels amongst tax payers. The synthesis provides an independent variable which constitutes the predictor of the immediate variable and subsequently the dependent variable.

Table 2.9: Conceptual Summary for use of Authoritarian Power to taxpayers

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Intermediate Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legitimate</td>
<td>Increases reason based trust</td>
<td></td>
</tr>
<tr>
<td>Client care</td>
<td>Impact on tax payer behavior</td>
<td>High Compliance</td>
</tr>
<tr>
<td>Negotiations</td>
<td>Less disputes</td>
<td></td>
</tr>
<tr>
<td>Tax knowledge</td>
<td>Better understanding of tax laws</td>
<td></td>
</tr>
<tr>
<td>Provision of relevant information</td>
<td>Increases the tax gap</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Adapted from the Research Data*

2.7 Literature Synthesis and the Overall Conceptual Framework

2.7.1 Lowering Tax Penalties

According to Adam (1795), Becker, (1968), Allinham & Sandmo (1972), Graetz & Wilde (1985), Graetz, et al., (1986) and Cowell (1985), the lowering of tax penalties motivates people to comply with tax laws which in turn leads to improved organizational performance due to higher levels of revenue collections.

2.7.2 Effective Communication with stakeholders

2.7.3 Increasing Managerial Discretion

2.7.4 Reducing the use of Authoritarian Power
According to Bardach & Kagan (1982), Kagan & Scholz (1984), Tyler (1997), Bentley (1998) and Murphy (2003a), reducing the use of authoritarian power stimulates taxpayers to comply with tax laws hence improving tax compliance among them which in turn increases organizational performance through improved revenue collections.

2.7.5 Conceptual Literature Synthesis and the Overall Conceptual Framework
Table 2.10 below shows Conceptual Literature Synthesis and the Overall Conceptual Framework between tax compliance and overall performance of the revenue authority. The synthesis provides an independent variable which constitutes the predictor of the immediate variable and subsequently the dependent variable

Table 2.10: Conceptual Literature Synthesis and the Overall Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Intermediate Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce tax penalties</td>
<td>Improves tax Compliance</td>
<td>Improved Organizational Performance</td>
</tr>
<tr>
<td>Effective Communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase managerial discretion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce Authoritarian Power</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from the Research Data

2.8 Research Gap
The literature review has provided a litany of exhibits, which point to the effect, that there are serious challenges in the revenue collection system and these challenges range from punitive penalties, poor communication, lack of managerial discretion and punitive attitude towards customers. These attributes are the major reasons of low level of tax compliance, which are resulting in low revenue collection for the country.
Taxpayers are viewed as criminals by tax authority as such they tend to react with self-fulfilling prophecy by not paying taxes when due. The organization has adopted various strategies to achieve 100 percent compliance by customers. However, the problem of non-tax compliance seems to persist. Little has been done to investigate measures that could be adopted in order to improve compliance on taxation policies so that the overall performance of ZIMRA is enhanced. If no urgent measures are adopted with the seriousness they deserve to eradicate the above problem elements the prospects of growing the revenue base would become foreclosed. This will result in serious financial problems for the nation thereby undermining the fiscal operations of the Zimbabwe. This in the long run, will lead to both social and economic tragedies of unprecedented proportion. This therefore has prompted the researcher to make the statement that the lack of compliance with government tax policies undermines the overall performance of ZIMRA.

2.8 Chapter summary
The chapter discussed the theoretical foundations and research gaps/Anomalies, high penalties on tax defaulting emphasizing on the advantages and disadvantages of the high penalties. It also discussed the theoretical perspective particularly the managerial discretion theory that is paramount in the study of tax compliance practices and the authoritarian culture normally practiced by tax collectors and the communication skills to be adopted in the process of enforcing compliance. The chapter identified the research gap and the next chapter will look at research methodology.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter shows a description of research design, research philosophy, research approaches, research strategies, study population, sampling design which includes the sampling method, sampling procedure and sample size, sources of data collection, data collection methods, data processing, analysis and presentation.

3.2 Research design
The research design adopted for this study was descriptive, exploratory and explanatory nature which is further explained in the passage below.

3.2.1 Descriptive Research
This study adopted a descriptive research design as it described characteristics associated with the subject population and in particular factors that make them behave the way they do. According to Cooper & Schindler (2003), descriptive design discovers and measures the cause and effect of relationships between variables. Mugenda & Mugenda (2003), state that a descriptive research determines and reports the way things are and attempt to describe possible behavior, attitude, values and characteristics of such things. In addition, Saunders, et al., (2007), assert that a descriptive survey helps the researcher to classify, organize and evaluate information from questionnaires. The study has used a descriptive design because it enables the researcher collect large quantity of in-depth information about the population being studied. The study is a cross-sectional survey which attempt to obtain information from respondents regarding tax compliance or non-compliance. The survey research strategy involves administration of questionnaires to a population of the study, Saunders, et al., (2012). The method is popular and common in business and management research because it allows for the collection of a large amount of data from a sizeable population in a highly economical way, Sekaran & Bougie (2013). Cooper & Schindler (2003), observed that descriptive studies are structured with clearly stated questions to be investigated. Basing on this view, the researcher is able to analyze the available information and to draw out conclusions and implications from the facts. The descriptive design was selected in this study because it would allow the researcher to gather numerical and descriptive data to assess
3.2.2 Explanatory Research

Exploratory research is a research conducted for a problem that has not been studied more clearly, intended to establish priorities, develop operational definitions and improve the final research design, Mugenda & Mugenda (2003). Exploratory research helps determine the best research design, data-collection method and selection of subjects. It should draw definitive conclusions only with extreme caution. Given its fundamental nature, exploratory research often relies on techniques such as, secondary research - such as reviewing available literature and/or data, informal qualitative approaches, such as discussions with consumers, employees, management or competitors and formal qualitative research through in-depth interviews, focus groups, projective methods, case studies or pilot studies.

The research design is also part explanatory of the research phenomenon articulated in Chapter One. The research conducted a problem, which was not well researched before, demands priorities, generates operational definitions and provides a better-researched model. It is actually a type of research design, which focused on explaining the aspects of the study. The researcher starts with a general idea and uses research as a tool, which could lead to the subjects that would be dealt in the incoming future. It is meant to provide details where a small amount of information exists for a certain product in mind of that researcher. The Explanatory Research allows the researcher to provide the deep insight into a specific subject, which gives birth to more subjects and provides more opportunities for the researchers to study new things and questions new things. The deep study of subjects creates a cycle, the critical thinking or study of the subject creates more questions and those questions lead to more ways for the researchers to study more things related to that subject.

3.2.3 Exploratory Research

Exploratory research is an examination into a subject in an attempt to gain further insight. With explanatory research, a researcher starts with a general idea and uses research as a tool to identify the relationship between the variables. This made it possible for the researcher to produce statistical information on the factors influencing tax compliance in Zimbabwe Revenue Authority domestic tax department in Harare.
issues that could be the focus of future research. By undertaking the research, the researcher tried to explore measures on how compliance should be increased amongst taxpayers.

3.3 Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used, Saunders, et al., (2007). The research therefore was based on three philosophies namely; epistemology, ontology and axiology which are discussed in brief underneath.

3.3.1 Epistemology

According to Saunders (2009), the philosophy of positivism requires that the researcher assume the position of a natural scientist who develops hypotheses that will be tested and confirmed, making use of facts instead of impressions. Therefore, the development of knowledge and existing knowledge is relevant in the area of taxation. Hence, in this study, the researcher developed a hypothesis, which was tested using factual collected data from taxpayers, tax consultants and ZIMRA’s tax managers. In addition, Churchill (1996) and Carson, et al., (2001) further revealed that positivists take a controlled and structural approach in conducting research by identifying a clear research topic, constructing appropriate hypotheses and by adopting a suitable research methodology, which was accordingly done in this study.

3.3.2 Ontology

In philosophy, ontology is the study of being or existence of the entity. In this case, the entity is ZIMRA. Ontology is a specification of a conceptualization, Teddlie & Tashakkori (2008). Ontological analysis clarifies the structure of knowledge. Given the domain of taxation, ZIMRA being the entity, its ontology forms the heart of any system of knowledge representation. Without ontology or the conceptualizations that underlie knowledge, there cannot be a vocabulary for representing knowledge. Secondly, ontology enable knowledge sharing. Ontology as a branch of philosophy is the science of what is, of the kinds and structures of the objects, properties and relations in every area of reality. In this sense is often used in such a way as to be synonymous with metaphysics. In simple terms, it seeks the classification of entities, Reason and Bradbury (2001).

Saunders, et al., (2009), indicate that pragmatism focuses on what works as the truth regarding the research questions under investigation. Saunders, et al., (2012), also highlighted that pragmatics
recognize that there are many different ways of interpreting the world and undertaking research, hence, no single point of view can ever give the entire picture as there may be multiple realities. Thus, the research dealt with real problem of non-tax compliance, which is affecting the Zimbabwe Revenue Authority.

3.3.3 Axiology
In addition, the research used axiology philosophy approach, which dealt with the nature of value and captures the value question of what is intrinsically worthwhile. According to Carnaghan (2013), axiology aspect of the research philosophy is making values known in the study and reports research values and biases as well as the value-laden nature of information gathered from the field.

3.4 Research Approaches
The research adopted both deductive and inductive approaches as it involved both qualitative and quantitative elements. The approaches are therefore detailed in the passage below.

3.4.1 Deductive Approach
Deductive research is a study in which theory is tested by empirical observation. The deductive method is referred to as moving from the general to the particular thought. Neuman (2010), stated that deductive thought includes within it the creation or designing of a theory, determining assumptions in relation to that theory and analyzing those assumptions in the face of reality. This is the basis of the positivist or quantitative approach to research. The assumptions are inferred from a theory and examined in order to prove or disprove a theory. Thus, the research tested each hypothesis in order to establish a relationship between the research objectives and tax compliance.

3.4.2 Inductive Approach
Inductive approach, also known as inductive reasoning, starts with the observations and theories are proposed towards the end of the research process because of observations, Goddard & Melville (2003). Inductive research involves the search for pattern from observation and the development of explanations and theories for those patterns through series of hypotheses, (Bernard, 2011). Neuman (2010), revealed that inductive thought begins with observation or examination of events or specific processes in order to reach wider and more general statements based on these events or processes.
This approach aims to generate meanings from the data set collected in order to identify patterns and relationships to build a theory, however, inductive approach does not prevent the researcher from using existing theory to formulate the research question to be explored, Saunders, et al., (2013). Inductive reasoning is based on learning from experience. Patterns, resemblances and regularities in experience are observed in order to reach conclusions or to generate a theory. The research therefore depicted patterns of tax compliance because of research objectives.

3.5 Research Strategies

The researcher employed two strategies in order to carry out the research. These strategies were in the form of a case study and a survey.

3.5.1 Case Study

A case study was used for this research study. The case study involved an in- depth analysis of the determinants of tax compliance. According to Thakur (2003), a case study is advantageous since it gives more accurate information than other strategies in qualitative research. This is because the approach allows for the use of an array of data collection techniques to capture the issues under study.

3.5.2 Survey

The researcher also used a survey as a research strategy in conducting the research. Two different survey questionnaires were used - see Appendix 1 & 2, which were used to collect data, one from taxpayers and the other one from tax consultants. The data collected was then analyzed in Chapter 4. The questionnaire used was divided into two categories which are Section A and Section B. Section A of the questionnaire had ten questions dealt with demographic issues such as Gender of the Respondent, Level of Education, Type of Business, person who completes tax returns, etc. On the other hand Section B dealt with questions relating to each objective, (1-4), as outlined in Chapter 1. The questionnaire had four objectives with five questions each making a total of twenty questions. Surveys tend to be used in quantitative research projects and involve sampling a representative proportion of the population, Bryman & Bell (2011). The surveys produce quantitative data that can be analyzed empirically. Surveys are most commonly used to examine causative variables between different types of data.
3.6 Research Methods

The study employed primary data collection method of a self-administered questionnaire. The questionnaire used Likert Scale Survey questions with a scale measuring from 1= Strongly Disagree to 5= Strongly Agree. This was very useful in obtaining an overall measurement of sentiments around tax compliance and collect specific data on factors that contribute tax compliance levels. The responses in the questionnaires helped in gaining an in-depth understanding of the factors influencing tax compliance in Harare Region, Zimbabwe.

The questionnaire was structured based on the research questions. The research administered two questionnaires, one targeted to tax managers and other one to taxpayers and tax consultants. These are divided into two major sections; the first section seeks to ask demographic information about the respondents and their businesses. The second section seeks information relating to the factors influencing tax compliance by taxpayers, with particular reference to the variables of this research. The main advantage of using a questionnaire according to Berg (2010), is that it gives the respondents flexibility to complete it at their own free time. It has been easier to monitor its distribution and collection. In addition, the use of questionnaires saves time as compared to personal interviews, Oppenheim (2012).

3.7 Population and Sample

The population and sample used in this research is outlined as below.

3.7.1 Target population

According to Donald Cooper (2010), population element is the subject on which the measurement is being taken and is the unit of study. The population of interest for this study comprised of 185,795 taxpayers obtained from ZIMRA data base records of taxpayers operating in Harare. Harare was of particular focus for this study due to its large concentration of business entities and diversity which will make it easier for the researcher to get a representative sample and use less time and money.
3.7.2 Sampling size and Sampling Procedures

Sampling is defined as a means of selecting a part of a group from a population to represent the characteristics of the entire group or the population of interest. The advantage of sampling is that it reduces the length of time needed to complete the study and cuts costs. In addition, collecting data from fewer cases means that one can collect more detailed information, Saunders, et al., (2000). According to Coopers and Schindler (2003), a sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population. By adopting this approach, the researcher ensures that the sampling frame is current, complete and relevant for the attainment of the study objectives.

The research adopted both non-probability and probability sampling techniques. Coopers & Schindler (2003), argued that stratified random sampling increases a sample’s statistical efficiency and provides adequate data for analyzing the various sub-populations. This method provides a more representative sample than strictly random sampling does. The study therefore adopted stratified sampling, a probability sampling technique, to ensure the sample selected is representative. The study population was stratified into four mutually exclusive subgroups of stakeholders. The subgroups are comprised of target stakeholders under whom the questionnaire was administered namely; Public Officers of registered companies, Tax consultants, Registered Individuals and ZIMRA’s tax managers.

According to Mugenda & Mugenda (2003, a stratum is a subset of the population that shares at least one common characteristic. This procedure ensures homogeneity within each stratum. Within each of the four strata’s, purposive sampling and non-probabilistic sampling technique was used to arrive at the desired sample. A total sample of sixty five (65) will be selected from the target population based on the 10 – 30% sampling rule from each stratum, Mugenda & Mugenda (2003). This would be an ideal number considering the time and resources available and considering the large population. Using the 10% rule below is Table 3.5 showing the stratified sampling frame from the population of interest.
Table 3:1  Population & Sample Frame Dimensions

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size (N)</td>
<td>Location</td>
</tr>
</tbody>
</table>
| Public Officer of registered companies| 162,166    | Harare   | 35       | ✓ Stratified Randomly sampling  
|                                       |            |          |          | ✓ Convenience           |
| Tax Consultants                       | 1,356      | Harare   | 10       | ✓ Stratified Randomly sampling  
|                                       |            |          |          | ✓ Convenience           |
| Registered Individuals                | 22,258     | Harare   | 20       | ✓ Stratified Randomly sampling  
|                                       |            |          |          | ✓ Convenience           |

Source: Adopted from Research Data.

3.8 Data Collection Method

Data collection procedures began the proposal was approved. An introduction letter was issued to the sampled entities for consent to collect data from the respondents. The questionnaires were administered to the respondents directly by the researcher because most businesses in the study area were in close proximity to each other. For those respondents who were not available for a sit-in filling of the questionnaire, it was e-mailed to them. The interviews were conducted by the researcher personally at a time and place convenient to the respondents to provide an environment in which the respondents would feel free to participate.

The research also made use of convenience also known as the accidental sampling a non-probability sampling method where the questionnaires were distributed to taxpayers who visited ZIMRA offices at Kurima House. The questionnaires were put at the ZIMRA Clients Care Office where clients were asked to complete the questionnaire at their own will. This type of sampling method does not require that a simple random sample be generated, since the only criteria is whether the participants agree to participation, Lisa (2008).

3.9 Data analysis

The collected data was edited and entered into a computerized system to enable carrying out of descriptive statistical analysis of the data. The data was coded, presented in a thematic manner and classified on the basis of common characteristics and attributes. Thereafter, the raw data was assembled and tabulated in form of statistical tables to allow for further analysis as well as factor
in detection of errors and omissions. Consequently, the data was analyzed using descriptive statistics and in particular, using the mean as a measure of central tendency. The data was then tabulated and the most appropriate tables chosen to present the findings as outlined in Chapter 4. Tables were used to enable reading of specific values and to facilitate ease of data presentation. The research used Minitab Statistical Software to analyze the data.

A significant number of tests were conducted which included tests for Normality using Darling-Anderson test statistic, Chi-squared tests, Cronbach-Alpha Tests, KMO test and Descriptive Statistics tests.

Thus, the study employed the generic regression model below to test the dependence of tax compliance on the four independent variables:

\[ T = \beta_0 + \beta_1H + \beta_2C + \beta_3M + \beta_4A + u \]

Where:
- \( T \) = Tax Compliance
- \( \beta_0 \) = A constant, the value of \( T \) when all the independent variables are zero
- \( H \) = High Tax Penalties
- \( C \) = Communication with stakeholders
- \( M \) = Managing resistance by tax payers
- \( A \) = Authoritarian power by tax authority
- \( U+6 \) = Error term, normally distributed about a mean of 0

3.10 Research Ethics, validity & Reliability

Research ethics were considered as the research was conducted. Both validity & reliability of the research were tested as outlined in on para 3.10.2 and 3.10.3 below respectively.

3.10.1 Research Ethics

In conducting the research, Appendix 1 & 2 provides evidence of how the research was undertaken, which began by requesting the respondent to voluntarily complete the questionnaire. The researcher obtained an informed consent from the respondents before undertaking to collect data. Objectives of the research were explained and made known to the respondents to solicit their informed consent. High level of confidentiality on the information provided by respondents through interview or questionnaires was maintained.
3.10.2 Validity of the Research
According to Kothari (2004), validity is the degree to which an instrument measures what it is supposed to measure. Therefore, the term refers to the extent to which an instrument asks the right questions in terms of accuracy. In addition, Crocker & Algina (1986), have pointed to the importance of a theoretical foundation by noting that constructs cannot be defined only in terms of operational definitions but must also have demonstrated relationships to other constructs or observable phenomena. Validity evidence is built over time, with validations occurring in a variety of populations. Comprehensive literature reviews on measurement approaches are therefore critical in guiding the selection of measures and measurement instruments, Winterstein (2008).

The content validity of the research instrument for this study was determined through consultation with my supervisor and piloting, where the responses of the subject were checked against the research objectives. For a research instrument to be considered valid, the content selected and included in the questionnaire must be relevant to the variable being investigated. The researcher performed the pilot test with a randomly selected sample of ten taxpayers.

3.10.3 Reliability of the research
According to Shaghverzy (2003), reliability refers to consistency of measurements. Reliability is also extremely important externally, and another researcher should be able to perform exactly the same experiment, with similar equipment, under similar conditions and achieve exactly the same results, if they cannot, then the design is unreliable, McBarnet, (2001). Reliability was tested by the use of Cronbach’s alpha where a value of 0.8321 was found which is ideal.

3.11 Chapter Summary
This chapter explored a description of research design, study population, sampling design, which includes the sampling method, sampling procedure and sample size, sources of data collection, data collection methods, data processing, analysis and presentation and the problems encountered. The following chapter looks at data analysis, presentation and interpretation.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction
This chapter presents data from the study and analysis of those findings and their discussions in relation to the objective of the study and the research questions. The findings are presented in tables as shown below;

4.2 Response Rate and Analysis of Demographics
This section presents the response rate and the summary descriptive statistics. The results study had 65 respondents and below is their responses.

4.2.1 Gender of Respondents
The table shown as 4.1 gives the number of respondents according to gender profiling. The table shows that 76.9% of the respondents were males and only 33.1% were females.

Table 4.1: Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>50</td>
<td>76.9</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>33.1</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data

4.2.2 Age of Respondents
The table shown as 4.2 below indicates that 38.5% of the respondents were between 30-34 years, these were followed by those between the age of 19-24 years (15.4%), then those between the age of 25-29 years and 35-39 years were making up 13.8% each, whilst those between the age of 40-44 years and 45 years & above were 10.8% and 7.7 % respectively.

Table 4.2: Showing Age Bracket of the Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-24 years</td>
<td>10</td>
<td>15.4</td>
</tr>
<tr>
<td>25-29 years</td>
<td>9</td>
<td>13.8</td>
</tr>
<tr>
<td>30-34 years</td>
<td>25</td>
<td>38.5</td>
</tr>
<tr>
<td>35-39 years</td>
<td>9</td>
<td>13.8</td>
</tr>
<tr>
<td>40-44 years</td>
<td>7</td>
<td>10.8</td>
</tr>
<tr>
<td>45 years and above</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data
4.2.3 Respondents who use tax Practitioners in completing tax returns

The table shown as table 4.3 below shows the number respondents that use tax practitioners in completing their tax returns. 66.2% of the respondents’ uses tax practitioners, which exhibits that there is still great challenge amongst taxpayers in completing their own returns.

Table 4.3:  Showing Respondents who make use of tax practitioners in completing tax returns

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>43</td>
<td>66.2</td>
</tr>
<tr>
<td>No</td>
<td>22</td>
<td>33.8</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Research Data*

4.2.4 Respondents who do not use tax Practitioners in completing tax returns

The table shown as table 4.4 below shows the groups of people who complete taxpayer’s returns other than tax practitioners. From the statistics of the twelve respondents 33.3% said they complete their own returns themselves whilst 33.3% uses accountants, bookkeepers with a percentage of 16.7% and lastly Financial Managers and General Managers who both share the same percentage of 8.3% follow these.

Table 4.4:  Use other people other than tax practitioners to complete tax returns of the Respondents

<table>
<thead>
<tr>
<th>Respondents (Strata)</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>4</td>
<td>33.3</td>
</tr>
<tr>
<td>Financial manager</td>
<td>1</td>
<td>8.3</td>
</tr>
<tr>
<td>General manager</td>
<td>1</td>
<td>8.3</td>
</tr>
<tr>
<td>Bookkeeper</td>
<td>2</td>
<td>16.7</td>
</tr>
<tr>
<td>Accountant</td>
<td>4</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Research Data*

4.2.5 Level of Education of Respondents

The table shown as table 4.5 below indicates that 33.8% of the respondents had an accounting professional course, followed by 27.7% those with university degrees, these were followed by 15.4% who had college certificates, followed by 10.8% who had primary level education, 7.7% with college diplomas and lastly 4.6% with secondary level education. This clearly shows that at least majority of the respondents were literate and therefore able to give correct responses.
Table 4.5  Level of Education of the Respondents

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary level</td>
<td>7</td>
<td>10.8</td>
</tr>
<tr>
<td>Secondary level</td>
<td>3</td>
<td>4.6</td>
</tr>
<tr>
<td>College certificate</td>
<td>10</td>
<td>15.4</td>
</tr>
<tr>
<td>College diploma</td>
<td>5</td>
<td>7.7</td>
</tr>
<tr>
<td>University degree</td>
<td>18</td>
<td>27.7</td>
</tr>
<tr>
<td>Accounting professional course</td>
<td>22</td>
<td>33.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data

4.2.6 Number of years the business has been in existence

The table shown as 4.6 below shows the number of years the taxpayers business has been operating. From the statistics 40% of the business is above 15 years of existence, followed by 26.2% which is between 9-15 years, followed by 21.5% under 0-3 years which represents the infancy stage and lastly 12.3% between 4-8 years. The mixture helps to give a mixed bag of responses.

Table 4.6  Showing the number of years the business has been in operating

<table>
<thead>
<tr>
<th>Number of years the business has been in existence</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 years</td>
<td>14</td>
<td>21.5</td>
</tr>
<tr>
<td>4-8 years</td>
<td>8</td>
<td>12.3</td>
</tr>
<tr>
<td>9-15 years</td>
<td>17</td>
<td>26.2</td>
</tr>
<tr>
<td>Above 15 years</td>
<td>26</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
<td><strong>65.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data

4.2.7 Period the company was last assessed by ZIMRA for Income tax

Table 4.7 above shows the period the company was last assessed. Most companies were last assessed in 2017 which constitutes 38.5 %, followed by 32.3% were audited in 2014, followed by 15.4% and 13.8% companies were last assessed in 2016 and 2015 respectively.

Table 4.7  Period the company was last assessed for Income Tax by ZIMRA

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>21</td>
<td>32.3</td>
</tr>
<tr>
<td>2015</td>
<td>9</td>
<td>13.8</td>
</tr>
<tr>
<td>2016</td>
<td>10</td>
<td>15.4</td>
</tr>
<tr>
<td>2017</td>
<td>25</td>
<td>38.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data
4.2.8 Awareness of the company’s standing with ZIMRA in terms of meeting its tax obligations

The table shown as table 4.8 below shows respondents’ awareness of their company’s position with regard to compliance with ZIMRA in terms of meeting its tax obligations. The table shows that 80% of the respondents know their tax position with the tax administration whilst 20% do not know their tax position with ZIMRA.

**Table 4.8  **Awareness of the company’s standing with ZIMRA in terms of meeting its tax obligations

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>52</td>
<td>80.0</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Research Data*

4.2.9 Awareness that ZIMRA impose penalties for noncompliance

The table shown as table 4.8 below indicates respondent awareness that ZIMRA impose penalties for noncompliance. 78.5% of the respondents know that ZIMRA imposes tax penalties for noncompliance whilst 21.5% do not know noncompliance attracts penalties.

**Table 4.9  **Awareness that ZIMRA impose penalties for non-compliance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>51</td>
<td>78.5</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>21.5</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Research Data*

4.2.10 Descriptive Statistics of Respondents per Objective

The table shown 4.10 below is providing response rates per objective. It is providing us with the mean, standard deviation and the median per objective. The figures below are measures of central tendency. From Table 4.10 below it can be seen that for:

Objective 1- The highest Strongly Agree category has the highest mean of 21.17 whilst the one with lowest mean is with a mean of 7.5. Both SDA and SA category share the same median of 20.5. SDA has the highest standard deviation whilst Neutral has the least standard deviation.
Objective 2 - The highest mean is 20.8 is on Neutral, whilst 6.4 is the least was on SDA category. The highest standard deviation of 11.26 was on SA category whilst the least, 4.67 was on SDA. The highest median was on 17 on neutral category.

Objective 3 - The highest mean is 27 is on SA category whilst 6.2 was the least on SDA category. The highest standard deviation of 7.6 was on SDA category whilst the least, 4.8 was on SA. The highest median of 26 was on neutral category.

Objective 4 - The highest mean is 19.8 D category whilst 4.7 is was the least on SDA category. The highest standard deviation of 8.9 was on SA category whilst the least, 3.8 was on SDA. The highest median of 18 was on neutral category.

Table 4.10  Descriptive Statistics of Respondents per Objective

<table>
<thead>
<tr>
<th>Objective 1: Tax penalties and its effect on compliance</th>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>21.17</td>
<td>8.67</td>
<td>8.83</td>
<td>7.5</td>
<td>19.5</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>13.05</td>
<td>9.43</td>
<td>5.07</td>
<td>6.65</td>
<td>9.78</td>
</tr>
<tr>
<td>Median</td>
<td>20.5</td>
<td>5.5</td>
<td>7.5</td>
<td>6</td>
<td>20.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 2: Effective communication with stakeholders</th>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>6.4</td>
<td>9.8</td>
<td>20.8</td>
<td>13.4</td>
<td>14.6</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>4.67</td>
<td>9.88</td>
<td>8.96</td>
<td>8.2</td>
<td>11.26</td>
</tr>
<tr>
<td>Median</td>
<td>5</td>
<td>4</td>
<td>17</td>
<td>15</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 3: Managerial discretion in managing resistance by taxpayers</th>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>6.2</td>
<td>4.8</td>
<td>12.4</td>
<td>14.6</td>
<td>27</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>7.6</td>
<td>4.44</td>
<td>5.86</td>
<td>6.11</td>
<td>4.8</td>
</tr>
<tr>
<td>Median</td>
<td>3</td>
<td>4</td>
<td>15</td>
<td>15</td>
<td>26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 4: Authoritarian Power by tax Administrations</th>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.7</td>
<td>19.8</td>
<td>11.6</td>
<td>6.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>3.8</td>
<td>6.09</td>
<td>7.4</td>
<td>5.2</td>
<td>8.9</td>
</tr>
<tr>
<td>Median</td>
<td>7</td>
<td>13</td>
<td>18</td>
<td>9</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Research Data
4.2.11 Normality test

In testing for normality Darling statistic was calculated using Minitab and the following results were obtained. Figure 4.1 below shows that the data does follow a normal distribution since the p-value is greater than the chosen that is 0.05.

Figure 4.1: Anderson Darling Normality Test

![Anderson Darling normality test](image)

Source: Research Data

4.2.12 Cronbach-Alpha Test

Cronbach–Alpha tests were conducted to measure internal consistency that is, how closely related a set of items are as a group. It is considered to be a measure of scale of reliability. Cronbach-Alpha is a coefficient of reliability or consistency. The test gave positive results as shown in the Table 4.11 below implying that there was consistency.

<table>
<thead>
<tr>
<th>Table 4.11 Cronbach-Alpha Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omitted Variable</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>SDA</td>
</tr>
<tr>
<td>D</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>SA</td>
</tr>
</tbody>
</table>

Source: Research Data.
4.3.4 Kaiser- Meyert-Olkin Test

KMO tests were done. KMO takes values between 0 and 1 and the factor values of KMO for the data are as shown in the table below. Kaiser-Meyer-Olkin, KMO test is a measure of how suited the research data is for Factor Analysis. The test measures sampling adequacy for each variable in the model and for the complete model. The statistic is a measure of the proportion of variance among variables that might be common variance. The lower the proportion, the more suited the research data is your data is to Factor Analysis. KMO test results obtained a statistic of 0.6948 which is said to be mediocre signifying that the sampling was adequate.

<table>
<thead>
<tr>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>KMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.6784</td>
<td>0.8423</td>
<td>0.6974</td>
<td>0.43678</td>
<td>0.63945</td>
<td>0.69483</td>
</tr>
</tbody>
</table>

*Source: Research Data*

4.4 Objective 1: To assess whether or not high tax penalties have a negative or positive effect on tax compliance.

4.4.1 Hypothesis Testing 1

The hypothesis below was tested using a Chi square distribution as one tailed test and Figure 4.2 shows a plot for the observed and expected values.

- \( H_0 \): There is no significant relationship between high tax penalties and higher levels of tax compliance.
- \( H_1 \): There is significant relationship between high tax penalties and higher levels of tax compliance.
Decision Rule: Since P value=0 < 0.05 (significance level), we reject $H_0$ and conclude that there is significant relationship between high tax penalties and higher levels of tax compliance.

4.4.2 Regression analysis 1

The following model for higher levels of tax compliance and high tax penalties was obtained

$$Y=21.53 - 0.538X$$

where; $Y$ represents Tax Compliance and $X$ represents

Tax Penalties $S=7.68395$ and $R^2=43.50\%$ which bring about that there is no perfect linear relationship between high tax penalties and higher levels of tax compliance. Only 43.5% of the variability is explained by the model. The regression plot is as shown in Figure 4.3 below.
Figure 4.3  Regression Plot showing relationship between tax penalties and compliance

\[
\text{Fitted Line Plot} \\
\text{Tax Compliance} = 21.53 - 0.5383 \times \text{Tax Penalties} \\
\]

Source: Research Data

The Area graph of high tax penalties and higher levels of tax compliance is as shown in the Figure 4.4 below.

Figure 4.4  Area Graph of high tax penalties and higher levels of tax compliance

Source: Research Data
4.4.3 Discussion
A Chi squared test was performed to test the level of significance and p value of 0.00 was obtained was less than 0.05 (p<0.05) which implied there is a significant relationship between tax penalties and tax compliance but the relationship was further established using the regression analysis which was performed and came up with a model in section 4.4.2 above.

The regression results show that there exist a negative correlation between the tax compliance and higher tax penalties with a coefficient of 0.538. This means the strength of relationship between them is about 53.8% which shows a fair relationship between tax compliance and higher tax penalties. From the findings it is therefore established that higher penalties and tax compliance had a significant inverse relationship with tax compliance which implies that an increase in penalty will have a tendency to decrease tax compliance. The research findings were in agreement with Allingham & Sandmo (1972), model which indicted that tax penalties have an impact on compliance. Marrelli (1984); Wang & Conant (1988); Marrelli & Martina (1988); Alm, et al., (1990) and McKee (1992) also established that penalty rates have a negative association with tax compliance. Beck, et al., (1991), also established that higher penalties tend to positively influence the compliance levels of tax payers. We therefore reject the hypothesis that there is no significant relationship between higher penalties and tax compliance.

4.5 Research Objective 2: To establish whether poor communication with taxpayers contributes to noncompliance with tax requirements.

4.5.1 Hypothesis Testing
The hypothesis below was tested using a Chi square distribution as one tailed test and Figure 4.5 shows a plot for the observed and expected values

\[ H_0: \text{There is no significant relationship between communication with taxpayers and tax compliance.} \]

\[ H_2: \text{There is significant relationship between communication with taxpayers and tax compliance.} \]

One tailed test (upper tail) was used and the decision rule is to reject \( H_0 \) if Chi Square calculated is greater than the critical value. Minitab was used to calculate the Chi square value and the results were as follows;

---

David Tapuwa Masango | MBL
Decision rule: Since P value=0 < 0.05 (significance level) we reject the null hypothesis and conclude that there is significant relationship between communication with taxpayers and tax compliance.

The plot shown as Figure 4.5 below shows both the expected and observed frequencies graphically.

**Figure 4.5  Objective 2: Observed and expected Values**

<table>
<thead>
<tr>
<th>Pearson Chi Square</th>
<th>Likelihood Chi Square</th>
<th>Chi Degrees of freedom</th>
<th>P value</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>110.277</td>
<td>120.258</td>
<td>24</td>
<td>0.002</td>
<td>10.48</td>
</tr>
</tbody>
</table>

*Source: Research Data*

4.5.2 Regression analysis 2

Regression analysis was also performed and the following equation was obtained

\[ Y = 9.442 + 0.2860X \] where Y is representing tax compliance and X is representing communication with taxpayers. S=10.49 while R-squared value = 3.5% which lies between 0.3<r<0.5 which entails that there is no perfect linear relationship between tax compliance and communication with tax payers. Only 3.5% of the variation is explained by the model.

A Regression plot was also plotted as follows and the later explanation still holds.
Figure 4.6  Regression Plot showing relationship between communication with tax stakeholders and tax compliance

![Fitted Line Plot](image)

Compliance = 9.442 + 0.2860 Communication

Source: Research Data

Although linear Regression brings about that the linear relationship is weak, the following area graph shown as Figure 4.7 depicts that they are somehow related.

Figure 4.7  Area Graph showing relationship between communication with stakeholders and tax compliance

![Area Graph of Compliance, Communication](image)

Source: Research Data
4.5.3 Discussion

The findings of the study found that p value = 0.00 < 0.05 was zero which implies that there is significant relationship between effective communication and tax compliance. The relationship was further explained by the regression analysis test.

The results of regression analysis performed show that that there is a positive correlation between the tax compliance and effective communication with a coefficient of 0.2860. This implies improving effective communication by one percent increases compliance levels by a margin of 0.28 percent. This positive relationship is depicted in Figure 4.6 and 4.7 above. These findings concurred with findings of a commissioned study by the Rwanda Revenue Authority, RRA, (2009) which revealed that tax compliance increases with enhanced communication. The study also showed that technology-based communication, such as emails and SMEs, tend to have more impact than traditional forms such as letters. A study by OECD (2015), showed that social media boost citizen engagement and tax compliance. Bruch, et al., (2011) also echoed the same sentiments. In their study they found tax payers who used IRS forms and instruction booklets to complete their returns did significantly better on correctly completing tax form when compared to tax payers who reported not using forms and instructions. Vossler, et al., (2011) in their controlled experiment found that the provision of information, regardless of its quality increases compliance. We therefore reject the hypothesis that there is no significant relationship between effective communication and tax compliance.

4.6 Research Objective 3: To determine whether improving managerial discretion in decision-making would result in increased tax compliance.

4.6.1 Hypothesis Testing

The hypothesis below was tested using a Chi square distribution as one tailed test and Figure 4.8 shows a plot for the observed and expected values

H0: There is no significant relationship between managerial discretion in decision-making and tax compliance:
H3: There is significant relationship between managerial discretion in decision-making and tax compliance

One tailed test (upper tail) was used and the decision rule is to reject $H_0$ if Chi Square calculated is greater than the critical value. Minitab was used to calculate the Chi square value and the results were as follows

Decision rule: Since $P$ value = 0 < 0.05 (significance level) we reject the null hypothesis and conclude that there is significant relationship between communication with taxpayers and tax compliance.

The plot shown as Figure 4.8 below shows both the expected and observed frequencies graphically.

**Figure 4.8 Objective 2: Observed and expected Values**

<table>
<thead>
<tr>
<th>Pearson Square</th>
<th>Chi Likelihood Square</th>
<th>Chi Degrees of freedom</th>
<th>P value</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>152.24</strong></td>
<td>171.05</td>
<td>24</td>
<td>0</td>
<td>10.55</td>
</tr>
</tbody>
</table>

*Source: Research Data*

**4.6.2 Regression analysis 3**

Regression analysis was also performed and the following equation was obtained
\[ Y = 11.00 + 0.166 \times X \], \( X \) and \( Y \) being managerial discretion in decision-making and tax compliance. \( S=10.55 \) an \( R^2=2.36\% \) which means that only 2.36\% explains variability.

**Figure 4.9** Regression Plot showing relationship between managerial discretion and tax compliance

![Fitted Line Plot](image)

Source: Research Data

**Figure 4.10** Area Graph showing relationship between managerial discretion stakeholders and tax compliance

![Area Graph of Compliance, Managerial](image)

Source: Research Data
4.6.3 Discussion
To test the hypothesis of this objective a p value of 0.00 was found which was less than 0.05 implying that there is significant relationship between managerial discretion in managing tax payers’ resistance and tax compliance. The relationship was further explained by the regression analysis test.

The results of regression analysis performed found that there is a positive correlation between the tax compliance and effective communication with a coefficient of 0.1658. Though the relationship is not that strong but it means that one percent increase in the use of managerial discretion in managing tax payers’ discretion compliance level will increase by 0.16% margin. This positive relationship is depicted in Figure 4.9 and 4.10. These findings are in congruent with those of IRS (2008), who found that bureaucratic and rigid application of procedures, regardless of circumstances can lead to inefficiencies and tax payer resistance. Stalans & Lind (1997), also established that taxpayers should be treated with respect and courtesy to achieve favorable outcomes and remain neutral in decision making to ensure fair and promote compliance. Kagan & Scholz (2004), also established that the role of agent discretion and using persuasive methods rather than sanctions increases compliance levels. Field experiments conducted by Kleven, et al., (2011) and Hasseldine, et al., (2007) both indicated that the use of coercive power that is audits and fines affect tax compliance. We therefore reject the hypothesis that there is no significant relationship between managerial discretion in managing taxpayers’ resistance and tax compliance.

4.7 Research Objective 4: To evaluate whether authoritarian culture amongst tax collectors has an effect on revenue collection.

4.7.1 Hypothesis Testing
The hypothesis below was tested using a Chi square distribution as one tailed test and Graph 4.9 shows a plot for the observed and expected values

H₀: There is no significant relationship between the use of authoritarian power and tax compliance.

H₁: There is significant relationship between the use of authoritarian power and tax compliance.
Using the Chi square Distribution we use a one tailed test (upper tail) and we reject $H_0$ if Chi Square calculated is greater than Chi Square critical.

Decision Rule: Since $P < 0.05$; therefore we reject $H_0$ and conclude that there is significant relationship between the use of Authoritarian power and tax compliance.

The plot shown as Figure 4.11 below shows both the expected and observed frequencies graphically.

**Figure 4.11  Objective 4: Observed and expected Values**

<table>
<thead>
<tr>
<th>Category</th>
<th>4</th>
<th>9</th>
<th>1</th>
<th>5</th>
<th>19</th>
<th>22</th>
<th>3</th>
<th>24</th>
<th>15</th>
<th>35</th>
<th>17</th>
<th>6</th>
<th>16</th>
<th>25</th>
<th>31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Observed</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>20</td>
</tr>
</tbody>
</table>

**Pearson Chi Square**

<table>
<thead>
<tr>
<th>Chi Square</th>
<th>Likelihood Chi Square</th>
<th>Chi Degrees of freedom</th>
<th>P value</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>169.701</td>
<td>189.261</td>
<td>24</td>
<td>0.001</td>
<td>10.66</td>
</tr>
</tbody>
</table>

*Source: Research Data*

### 4.7.2 Regression Analysis 4

Regression analysis was also performed and the following equation was obtained

$$Y = 13.97 - 0.0620 \times X$$

where $Y$ represents tax compliance and $X$ represents authoritarian power. $S=10.66$ and $R^2=0.3\%$ which means the model only explains $0.3\%$ of variation.
Figure 4.12 Regression Plot showing relationship between use of authoritarian power and tax compliance

Source: Research Data

Figure 4.13 Area Graph showing relationship between use of authoritarian power and tax compliance

Source: Research Data

4.7.3 Discussion

To test the hypothesis of this objective a p value of 0.00 was found which was less than 0.05 implying that there is significant relationship between use of authoritarian power and tax compliance. The relationship was further explained by the regression analysis test.

The results of regression analysis performed found that there adverse relationship between the tax compliance and authoritarian power with a coefficient of -0.0620. This means for that a one percent
increase the use of authoritarian power will decrease compliance by margin of 0.06 percent. This positive relationship is depicted in Figure 4.12 and 4.13.

These findings correspond with those of Feld & Frey (2007), in which they found that the friendly treatment has a dampening effect on tax evasion. Studies conducted by Murphy (2004) and (Braithwaite, 2007) supported that fair and respectful treatment of taxpayers is also empirically supported as having a positive effect on tax morale and tax compliance. Ken & Devos (2008), also found that while penalties per se were viewed as having minimal impact upon compliance behavior of taxpayers there were also clear messages that penalties should be supported by other preventative measures such as educational programs. Alm, et al., (2010) in their laboratory experiments also posited that information power has a positive impact on compliance. We therefore reject the hypothesis that there is no significant relationship between managerial discretion in managing taxpayers’ resistance and tax compliance

4.8 Research Objective 5: There is significant relationship between compliance by taxpayers and the performance of ZIMRA.

4.8.1 Hypothesis Testing 5
The hypothesis below was tested using a Chi square distribution as one tailed test and Figure 4.14 shows a plot for the observed and expected values

H0: There is no significant relationship between compliance by taxpayers and the performance of ZIMRA.

H5: There is significant relationship between compliance by taxpayers and the performance of ZIMRA.

Using the Chi square Distribution we use a one tailed test (upper tail) and we reject H0 if Chi Square calculated is greater than Chi Square critical

Decision Rule: Since P <0.05; therefore we reject H0 and conclude that there is significant relationship between tax compliance and the performance of ZIMRA

The plot shown as Figure 4.14 below shows both the expected and observed frequencies graphically.
Figure 4.14  Objective 5: Observed and expected Values

<table>
<thead>
<tr>
<th>Source: Research Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Chi Square</strong></td>
</tr>
<tr>
<td>169.701</td>
</tr>
</tbody>
</table>

Source: Research Data

Figure 4.15  Plot showing relationship between tax compliance and ZIMRA performance

Source: Research Data

This shows that there is no linear relationship between Compliance and performance of ZIMRA. The area graph is also shown as follows.
4.8.2 Discussion

The results of the study established that there is a significant relationship between tax compliance levels and the performance of ZIMRA. The relationship was further explained by the regression analysis which found that there is a positive relationship exists, +0.42. This implies that a one percent increase will result in 0.42 percent increase in the performance of the revenue authority. These findings corresponds IMF (2007), prompt payment of all taxes is a critical concern of all nations because it is positively associated with economic growth. Prompt payment of tax is important and is a tool for redistributing income since it increases revenue collection. (Matovu, et al., 2009), added that there is no doubt that tax compliance is a national issue and of high interest to government. We therefore conclude that there is significant relationship between compliance by tax payers and the performance of ZIMRA.

4.8 Summary & Conclusion

From the findings the study found that factors influencing tax compliance in Zimbabwe, higher tax penalties, effective communication, use of managerial discretion in managing tax payers resistance and use of authoritarian power by tax administrations. They either influenced it positively or negatively. Higher penalties and authoritarian power were found to be negatively associated with tax compliance whilst the other variables, effective communication and managerial discretion in managing taxpayers’ resistance are positively related to compliance. The study also...
found that there exist a positive relationship between tax compliance levels and the performance of the organization in general.
CHAPTER FIVE
CONCLUSION AND RECOMMENDATIONS

5.1 Introduction.
This chapter is a culmination of the research study undertaken from Chapter One to investigate compliance practices by tax payers within the current tax regime and this provides a conclusion in response to the research questions outlined in Chapter One. It also validates the research hypotheses as well as making recommendations to academia, the research fraternity, policy makers and managerial practitioners. It ends by highlighting areas of future study.

5.2 Summary of Research Conclusion
The ensuing sections provide sets of research conclusions that have been presented sequentially in the order in which the research questions have been presented.

5.2.1 Research Question 1: To what extent do high tax penalties influence the level of tax compliance amongst taxpayers in Zimbabwe?
The research makes a number of conclusions in respect of this research question. The key conclusions are shown below. The research concludes that;

There is an inverse relationship between tax penalties and tax compliance. The researcher makes an assertion that whenever tax penalties are increased, taxpayers make a general tendency to evade tax. The motivation to evade tax arises from the fear of the onerous tax burden, which erodes business profits with the possibility of leaving them insolvent, if they were to comply by paying such high tax penalties.

On the other hand, whenever tax penalties are lowered, taxpayers tend to respond positively by complying with tax laws. The motivation to comply arises from the desire to preserve their reputation by simply paying lower tax penalties. Lower tax penalties are affordable and do not cause a significant negative impact on business profitability.
The researcher also makes another proclamation that whenever tax penalties are increased, the taxpayers are not in a capacity to pay the raised debt due to the general economic challenges the country is facing regardless of their willingness to comply with the tax laws.

5.2.2 Research Question 2: To what extent does poor communication influence tax compliance levels Zimbabwe?

The research makes a number of conclusions in respect of this research question. The key conclusions are shown below. The research concludes that;

There is a positive relationship between effective communication and tax compliance. The researcher makes an assertion that whenever there is use of effective communication by tax authorities, taxpayers tend to be informed more than before hence foster voluntary compliance. The motivation to voluntarily comply arises from a better understanding of tax issues, which makes the taxpayer willing to comply with tax laws.

On the other hand, whenever there is poor communication between the tax authority and taxpayers, taxpayers tend not to respond positively by complying with tax laws. The motivation to comply arises from the desire to preserve their reputation by simply paying the lower tax penalties. Lower tax penalties are affordable and do not cause a significant negative impact on business profitability.

Another proclamation made by the researcher in trying to explain the positive that exists between effective communication and tax compliance is that, effective communication will enhance awareness, tax filing and ultimately tax morale among the tax payers which will impact positively on tax compliance. The impetus to comply is to benefit with the current promotion before the grace period closes down. This is more pronounced for instance when announcement of tax amnesty are made, taxpayers would want to take advantage of that to comply hence increasing compliance levels.

Contrary to the later statement if the information is not properly disseminated to the tax payers, communication breakdown will ensue and by the time the taxpayers hear the information it will be too late which dampens their morale thereby failing to comply with tax laws.
Also the researcher also makes yet another assertion that the use of effective communication creates and cements a mutual relationship between taxpayers and tax authority, which will result in taxpayers placing their trust in the tax administration influencing positively on tax compliance levels. Effective communication ensures that there is mutual interaction between the tax administration and tax authority.

Yet on the other side, poor communication between the tax administration and stakeholders generates mistrust with the tax administration. This discourages taxpayers not to comply with tax laws hence adversely affecting tax compliance.

5.2.3 Research Question 3: How does managerial discretion in decision-making influence compliance levels among taxpayers in Zimbabwe?

Basing on this research question, the researcher makes number of conclusions. The key conclusions are shown below. The research concludes that;

There is a positive relationship between managerial discretion in managing taxpayers’ resistance and tax compliance. The researcher makes a declaration that whenever there is managerial discretion in managing taxpayers’ resistance, tax compliance levels increases. The impulse to comply arises from that the tax defaulters will be dealt on by case-by-case basis by the management looking at both the merits and demerits of the case. The willingness to comply arises from that management would have used their discretion to deal with taxpayers refusing to comply with tax laws instead of punishing the defaulters who might have a genuine reason for their action.

On the other side not applying managerial discretion in managing taxpayers’ resistance, tend to harden defaulting taxpayers, as there will be no incentive to comply with the tax laws. By not using managerial discretion makes the taxpayers arrogant and not wanting to comply with the tax administration as nothing will change.

The researcher makes another proclamation that when there is use of managerial discretion in dealing with taxpayers’ resistance, tax payers tend to open up and tell the truth about their non-compliance. The stimulus factor arises from that tax payers will know that they will be pardoned
of their past non-tax compliance activities. This might provide leads to the authority about resistant taxpayers.

On a different view, by not applying managerial discretion in managing taxpayers’ resistance, taxpayers tend to conceal information that would have been influential in increasing tax compliance. Minimum use of managerial discretion tends to cause tension between the tax authority and taxpayers, which will negatively affect tax compliance levels.

5.2.4 Research Question 4: To what extent does the use of authoritarian muscle influence the level of tax compliance amongst taxpayers in Zimbabwe?

The research makes a number of conclusions in respect of this research question. The key conclusions are shown below. The research concludes that;

There is an inverse relationship between use of authoritarian muscle by tax officers and tax compliance. The researcher makes an assertion that whenever, tax officials use of authoritarian muscle, tax payers tend to evode tax. The motivation to evade tax arises from that tax payers feel that they are being forced to comply so they tend to be reluctant to comply with the tax laws.

On the other side, by not using the draconian rule when dealing with taxpayers, taxpayers tend to comply with the tax laws. The inspiration comes from that, taxpayers feel they are being treated with respect and which makes them feel so important in the society. This will make improve tax compliance, as taxpayers need to be called responsible citizens.

5.2.5 How does tax compliance affect revenue performance of ZIMRA?

The research makes a number of conclusions in respect of this research question. The key conclusions are shown below. The research concludes that;

There is positive relationship tax compliance and the overall performance of ZIMRA. The researcher makes a proclamation that whenever tax compliance increases, the revenue authority’s performance increases. The increase in tax compliance can be explained by a reduction of tax penalties, which stimulates taxpayers to pay more taxes resultantly improving revenue collections, which are a key determinant factor in measuring ZIMRA overall performance.
On the other side if there is an increase in tax penalties, tax compliance decreases thereby affecting the performance of the authority. When there is an increase in tax penalties there will be no incentive to pay taxes, rather taxpayers tend to evade, as it is more beneficial to them than paying taxes that will erode profits.

The researcher also makes another proclamation that whenever tax compliance increases, performance of ZIMRA increases. The increase in tax compliance can be explained by the use of effective communication by the tax authority, which influence positively on tax compliance. The increased tax compliance because of effective communication has positive impact on the performance of ZIMRA.

5.3 Validation of the Research Hypothesis
The researcher subjected all the research hypotheses against a Chi-square distribution test. The research established that all the five null research hypotheses in respect of each research objectives were rejected and confirmed all the four alternative hypotheses. Therefore, the hypothesis, which states that, “There is no significant positive relationship between high tax penalties and higher levels of tax compliance”, has been proved correct.

5.4 Recommendations of the Study.
The researcher has made the following recommendations to policy makers, Zimra management and to the Academic & Research Fraternity.

5.4.1 Policy Makers Recommendations
The researcher makes the following recommendations to policy makers based on the study findings.

5.4.1.1 The researcher recommends that tax rates should be pegged at much lower levels by the legislature to induce higher levels of tax compliance among taxpayers. Such tax legislation should only be introduced after a nationwide consultative process with tax payers and other stakeholders.

5.4.1.2 The government needs to introduce a law that will make every newborn baby issued with a tax identification number at birth just like in other countries like the United
Kingdom. This will help for easy identification such that whatever one business does that number is required.

5.4.1.3 I therefore recommend to the policy makers to re look at the current tax laws and make them understandable to the generality of the population in Zimbabwe. Another recommendation tied to the current tax laws is the rates of corporate tax. Zimbabwe is among the countries with high corporate tax and PAYE rates. These need to be reduced enhance compliance.

5.4.1.4 The government needs to do some research and see how best they can lower the rates to levels that are prevailing in other countries. The government also needs to swiftly act to its pronouncements for instance when they announce some proposal changes or make announcement such as tax amnesty let there be no time lags up until the Statutory Instrument is gazetted or the necessary bill amendment as this will cause despondence among the taxpayers.

5.4.2 Practical Managerial Recommendations

Based on the research findings the researcher makes the following practical managerial recommendations to Zimra Management

5.4.2.1 The tax administration needs to adopt Integrated Marketing Strategies as postulated in Table 2.5 in Chapter Two so that the message of taxation compliance is send from all angles to different target groups’ known as Diffusion of Innovation who have different perceptions about tax issues.

5.4.2.2 I recommend that the revenue authority make use often social media such as Twitter, Facebook, etc. as these have had phenomenon stories in other tax authorities like Kenya and Zambia.

5.4.2.3 I also recommend that the authority introduce a manual or and instruction book just as what is done in America so that tax payer should be able to follow that guideline with easy and be able to complete his or her return without the aid of a tax practitioner. This should be posted to every household.
5.4.2.4 A 24-hour customer care center should be introduced to enable the tax authority to assist taxpayers with any tax issues that they might not understand.

5.4.2.5 The authority also needs to increase the number training education activities and make them more pronounced especially to the informal traders.

5.4.2.6 The authority also needs to train its officers in client care courses such that they treat taxpayers as business partners not enemies of the state.

5.4.2.7 The authority should inform the government on the challenges and as well deliver taxpayers plights to the government.

5.4.2.8 The authority should ensure that there is easy of doing business by introducing payment platforms such as Ecocash, Telecash, and One Wallet to pay taxes such that it would be convenient for them to pay taxes.

5.4.2.9 The revenue authority should introduce Mobile Tax Units (MTUs) just like in South Africa; these will assist in reducing compliance costs to the taxpayer as the tax offices would be at the tax payers’ door step.

5.4.3 Academic and Research Fraternity Recommendations

Based on the research findings the researcher makes the following recommendations to the academia fraternity

5.4.3.1 An investigation how the government spending affects tax compliance.

5.4.3.2 An assessment of the impact of motivational factors such as rewards and punishments on tax compliance.

5.4.3.3 An investigation into how peer pressure influences tax compliance.

5.4.3.4 An assessment of the impact of demographic factors; such as sex, age, education and size of income have on tax compliance.
5.4.4 Areas of the further study

5.4.4.1 Based on the research findings the researcher makes the following recommendations to the academia fraternity

5.4.4.2 An investigation how the government spending affects tax compliance.

5.4.4.3 An assessment of the impact of motivational factors such as rewards and punishments on tax compliance.

5.4.4.4 An investigation into how peer pressure influences tax compliance.

5.4.4.5 An assessment of the impact of demographic factors; such as sex, age, education and size of income have on tax compliance.

5.4.5 Areas of the further study

The researcher recommends due to limitations in consideration of time and financial resources, a sample of sixty-five responded to the questionnaire given a population of 185,780 does not adequately cover the views of other tax payers from small centres and I would recommend to cut across the major centres of the country.
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Dear Colleague

Re: Self-administered Survey Questionnaire

The researcher is a final year student undertaking a Master of Business Leadership Degree at the Graduate School of Business at Bindura University. The researcher is carrying out a research study on a topic entitled “An Investigation into Compliance Practices By taxpayers With the Current Tax Regime and Their Effects on Organizational Performance: A Case for Zimbabwe Revenue Authority”. This topic is of significance importance to the country and the Zimbabwe Revenue Authority as it seeks to identify strategies to be utilized by ZIMRA in order to increase the rate of compliance amongst tax payers.

You are one of the few important people that have been selected to give the researcher your opinion on the attached survey Questionnaire. You are therefore kindly requested to assist the researcher by spending 30 minutes of your time to complete the questionnaire and hold it for collection by the researcher. Should you have any queries in completing the questionnaire, please do not hesitate...
to contact me my mobile number 0774 347 374 or 04 – 795720-40 ext. 3527 or email @ dmasango@zimra.co.zw for further clarification.

Please note that this research is being undertaken purely for academic purposes and that none of your responses or identification would be disclosed to any third-party without your permission.

It will be greatly be appreciated if you could assist by completing this questionnaire and return it to the researcher by 4 June 2018

I take this opportunity to thank you in anticipation of your assistance.

Yours faithfully,

D. Masango
Research Candidate - B1647015
General Instructions:

I. Please tick a box that appropriately represents your response in each of the following questions.

II. To the questions with alternatives that do not match to your response, please write your appropriate response on the space provided

SECTION A: Respondent’s Demographic Details

1. Name of the Organization: ______________________________________________________

2. Gender of the person filling the questionnaire (please tick the appropriate)
   
   Male   Female

   Age bracket of the Person
   
   19 years - 24 years   35 years - 39 years
   25 years - 29 years   40 years - 44 years
   30 years - 34 years   45 years and above

3. Category of representative
   
   a) Do you make use of a tax practitioner to complete your tax returns?
      
      Yes   No
       
   b) If answer is No to 3 a) above who completes tax returns
      
      Owner
      Financial Manager
      General Manager
      Bookkeeper
      Accountant
4. What is your highest level of education?

Primary level ☐
Secondary ☐
College Certificate ☐
College Diploma ☐
University Degree ☐
Accounting Professional Course ☐

5. Type of business: ________________________________

6. For how long has the business been operating? (Please tick the appropriate)

0 – 3 years ☐
4 years - 8 years ☐
9 years – 15 years ☐
Above 15 years ☐

7. What is the legal form of business?

Sole Proprietor ☐
Partnership ☐
Limited Company ☐

8. What is the number of staff employed in this organization including the owner of this business?

10 and below ☐
11 - 20 ☐
21 - 30 ☐
31 - 40 ☐
Above 40 ☐
9. When last was your company assessed by ZIMRA for Income Tax

   2014  
   2015  
   2016  
   2017  

10. Are you aware of what the company’s standing is with ZIMRA in terms of meeting its tax obligations

   Yes  
   No  

11. Are you aware that ZIMRA impose penalties for non-compliance?

   Yes  
   No  

Section B: Data Gathering

Please rate the following statements on a scale of 1-5 where;

1= Strongly Disagree, 2= Disagree, 3= Neutral 4= Agree and 5= Strongly Agree

Objective 1: Tax Penalties and its Effects on Compliance

<table>
<thead>
<tr>
<th>Variables</th>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 The charging of late submission penalties by ZIMRA helps to improve compliance among tax payers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Audit penalties helps taxpayers to be tax compliant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 The imposition of late payment penalties would lead to prompt payment of taxes by tax payers</td>
<td></td>
<td></td>
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<tr>
<td>1.4 The charging of higher penalty rates by ZIMRA will result in higher levels of tax compliance.</td>
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</tr>
<tr>
<td>1.5 The complexity of tax regime makes it difficult for the tax payer to understand the tax requirements leading to low levels of tax compliance</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
### Objective 2: Effective Communication with Stakeholders

<table>
<thead>
<tr>
<th>Variable</th>
<th>SDA</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Advertising is one of the effective communication channels that ZIMRA can use to increase revenue inflow.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.2 Increasing the frequency of public relation activities with stakeholders would lead to increase revenue collections.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.3 ZIMRA’s engagement with taxpayers through personal selling helps increase revenue collections.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.4 The use of direct marketing as a communication tool helps the tax authority to reach its targeted group of potential taxpayers hence broadening the tax base, which will resultantly increase revenue collections</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.5 Tax compliance is enhanced among taxpayers through sales promotion such as tax holidays, tax amnesty, tax exemptions, etc.</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Objective 3: Managerial discretion in managing resistance by taxpayers

<table>
<thead>
<tr>
<th>Variable</th>
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<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Educating taxpayers and conducting seminars improves tax compliance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.2 Offering tax support services to tax payers and facilitating them to comply with tax laws results in increased revenue generation hence increasing compliance levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Taxpayer empowerment and involvement builds trust among tax payers which is a critical element in improving compliance</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3.4 Managers who use coercive power in dealing with resistance among tax payers help to mitigate non tax-compliance</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>3.5 Cooption of key stakeholders such as lawyers, accountants, banks to collect tax on behalf of ZIMRA, which helps ZIMRA to increase the number of revenue collectors, which leads to higher compliance rate.</td>
<td></td>
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</tbody>
</table>
### Objective 4: Effective Communication with Stakeholders

<table>
<thead>
<tr>
<th>Variable</th>
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<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 The exercise of legitimate power such as the use of laws, regulations and statutory instruments on taxpayers would lead to higher levels of tax compliance.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.2 Improving the quality of service extended to taxpayers has a positive impact on taxpayer behavior hence strengthen taxpayer willingness to comply with tax laws.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.3 Negotiations with taxpayers help taxpayers to air their opinions, which create a sense of trust between ZIMRA, and taxpayers thereby increasing compliance levels.</td>
<td></td>
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<tr>
<td>4.4 The imparting of tax knowledge by tax officers increases high tax compliance</td>
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</tr>
<tr>
<td>4.5 Providing necessary tax information to taxpayers regarding the tax audits, tax penalties will result in improved revenue generation</td>
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</table>

### Objective 5: Tax compliance as a measure of organizational performance

<table>
<thead>
<tr>
<th>Variable</th>
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<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 High tax compliance practices amongst taxpayers’ increases ZIMRA’s overall revenue performance.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>5.2 Non tax compliance practices by taxpayers’ increases ZIMRA’s compliance costs in terms of; increasing number of work force to investigate cases of noncompliance, debt collections measures, correspondences with clients etc., which has a negative impact on its performance.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5.4 ZIMRA’s revenue performance is affected by some non-compliant taxpayers who influence other compliant taxpayers not to be abide with the tax law.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5.5 Noncompliance practices exhibited by some of the tax payers will result in them conniving with ZIMRA Officials to evade tax system hence affecting the performance of the organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Give your general comment on the overall performance of ZIMRA and how it is affected by non-tax compliance practices.

_____________________________________________________________________

_____________________________________________________________________

_____________________________________________________________________

THANK YOU FOR YOUR VALUABLE TIME AND INPUT IN COMPLETING THIS QUESTIONNAIRE. YOU HAVE MADE A GREAT CONTRIBUTION TO THE OUTCOME OF THIS RESEARCH.