



BINDURA UNIVERSITY OF SCIENCE EDUCATION

**A WORKING MODEL TOWARDS TAXING THE INFORMAL SECTOR. THE
CASE OF HARARE REZENDE STREET TUCKSHOPS.**

BY

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**A DISSERTATION SUBMITTED TO THE BINDURA UNIVERSITY OF SCIENCE
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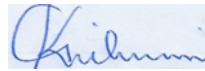
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DECLARATION

I, **Rutendo Paul Jazi**, Student Reg Number **B213747B**, do hereby declare that this dissertation is a result of my own investigation and research, except to the extent indicated in the acknowledgments, bibliography, references, and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

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DATE: 17April 2025

A handwritten signature in black ink, appearing to be 'R. Jazi', with a stylized flourish at the end.

DEDICATION

I would like to dedicate this study to my loving wife and family.

ACKNOWLEDGEMENTS

Firstly, I owe a huge debt of sincere gratitude and appreciation to my supervisor Dr. G Kichini for his valuable insights, his dedication and his patience during the period the study was undertaken. It was a great experience to do this research under his mentorship.

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ABSTRACT

This study investigates the feasibility of developing a working model for taxing the informal sector in Zimbabwe, using the numerous tuck-shops operating on Harare's Ruzende Street as a specific case. The informal sector represents a significant portion of Zimbabwe's economy, yet its contribution to the national revenue base remains largely untapped. This research aims to understand the operational dynamics, challenges, and perceptions of tuck-shop owners regarding taxation, alongside the perspectives of key stakeholders within the Harare City Council and the Zimbabwe Revenue Authority (ZIMRA). Through a qualitative approach employing face-to-face interviews and focus group discussions with tuck-shop operators, local authority officials, and tax authority representatives, this study seeks to identify the key obstacles and opportunities associated with formalizing revenue collection from this segment. The research explores existing knowledge and attitudes towards taxation among informal traders, their current record-keeping practices, and their capacity to comply with tax regulations. Simultaneously, it examines the current policies and challenges faced by the Harare City Council and ZIMRA in engaging with and taxing the informal sector. The findings of this study are expected to inform the development of a context-specific taxation model that is both effective in revenue generation and sensitive to the unique characteristics and constraints of informal businesses. The research will explore potential simplified tax regimes, appropriate assessment methods, and the role of technology in facilitating compliance. Furthermore, it will investigate the support mechanisms and incentives that could encourage informal traders to participate in the formal tax system, ultimately contributing to enhanced local development and national revenue mobilization. This case study of Harare's Ruzende Street tuck-shops offers valuable insights applicable to broader efforts aimed at integrating the informal sector into the formal tax framework in Zimbabwe and similar developing economies.

Keywords: Informal sector, taxation, Tuck-shops, Tech-Integrated graduated taxation model.

LIST OF TABLES

Table 1: Demographic profile of tuck-shop owners in Harare

Table 2: Comparative analysis of informal sector taxation models

Table 3: Revenue projections under the proposed Tech-Integrated Graduated Taxation Model

LIST OF FIGURES

Figure 1: Conceptual framework.....	29
Figure 2: Focus groups model.....	38
Figure 3: Types of Interviews.....	40
Figure 4: Tech Integrated Graduated Taxation Model (TIGTM).....	63

LIST OF APPENDICES

Appendix 1: Interview guide- Tax Experts.....	73
Appendix 2: Interview guide- Ruzende street tuck shop owners.....	74
Appendix 3: Interview guide- Zimra tax officials.....	75
Appendix 4: Questionnaire -Tuck-shop Owners.....	77
Appendix 5: Focus Group Guide.....	81

LIST OF ABBREVIATIONS

ATAF	African Tax Administration Forum
CZI	Confederation of Zimbabwe Industries
ESAP	Economic structural adjustment program
FDI	Foreign direct investment
FTLR	Fast track land reform
GDP	Gross domestic product
ICTAZ	Institute of certified tax accountants
IMF	International monetary fund
IS	Informal sector
	Postal and Telecommunications Regulatory Authority of
POTRAZ	Zimbabwe
PPP	Purchasing power parity
SMEs	Small medium enterprises
SSA	Sub-Saharan Africa
TCPL	Total consumption poverty line
TIGTM	Tech-Integrated Graduated Taxation Model
TOT	Turnover tax
VAT	Value added tax
ZESA	Zimbabwe Electricity Supply Authority
ZIMRA	Zimbabwe revenue authority
ZIMSTAT	Zimbabwe national statistics agency
ZITA	Zimbabwe income tax act
ZNCC	Zimbabwe national chamber of commerce

Table of Contents

APPROVAL FORM	I
RELEASE FORM.....	II
DECLARATION	III
DEDICATION.....	IV
ACKNOWLEDGEMENTS.....	V
ABSTRACT	VI
LIST OF TABLES	VII
LIST OF FIGURES.....	VIII
LIST OF APPENDICES	IX
LIST OF ABBREVIATIONS	X
CHAPTER ONE.....	1
INTRODUCTION AND BACKGROUND OF THE STUDY	1
1.0 CHAPTER INTRODUCTION	1
1.1 INTRODUCTION	1
1.2 BACKGROUND OF THE STUDY	3
1.3 STATEMENT OF THE PROBLEM.....	5
1.4 PURPOSE OF THE STUDY	6
1.5 AIM AND PURPOSE OF THE STUDY	6
1.6 SPECIFIC RESEARCH OBJECTIVES:	6
1.7 RESEARCH QUESTIONS.....	7
1.8 RESEARCH ASSUMPTIONS	7
1.9 JUSTIFICATION OF THE RESEARCH	7
1.10 RESEARCH SIGNIFICANCE.....	8
1.11 RESEARCH DELIMITATIONS	8
1.12 LIMITATIONS OF THE STUDY.....	9
1.13 STRUCTURE OF THE DISSERTATION.....	9
1.14 CHAPTER SUMMARY	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.0 INTRODUCTION	11
2.1 DEFINITION AND CLASSIFICATION OF TAXES	11
2.3 TAXATION MODELS	13
2.3.1 Presumptive tax system	15
2.3 THEORETICAL FRAMEWORK.....	16
2.3.1 TAX COMPLIANCE THEORY	16
2.3.2 THE INSTITUTIONAL THEORY	17
2.4 INFORMAL SECTOR EMPIRICAL REVIEW	18
2.5 INFORMAL SECTOR FORMALIZATION FOR TAX GROWTH.....	20
2.5.1 Informal sector growth	22

2.5.2 Employment creation.....	22
2.5.3 Poverty alleviation.....	24
2.6 GAPS IN LITERATURE.....	26
2.7 CONCEPTUAL FRAMEWORK	27
2.8 CHAPTER SUMMARY	28
CHAPTER THREE.....	29
RESEARCH METHODOLOGY	29
3.0 INTRODUCTION	29
3.1 RESEARCH PARADIGM	29
3.2 RESEARCH APPROACH	31
QUALITATIVE VS QUANTITATIVE	31
3.3 RESEARCH DESIGN	32
3.3.1 Research population	34
3.3.2 Sampling	34
3.4 DATA COLLECTION	35
3.4.1 In-depth semi-structured interviews	35
3.4.2 Data collection tools	35
3.4.3 Interviews.....	36
1. Tax compliance issues.....	37
2. Difficulties in tax administration	37
3. The need for appropriate taxation models	37
The chosen research instruments helped to gather data to address these challenges and develop a suitable taxation model.	37
3.5.1 Focus Groups	37
3.5.2 In-Depth Interviews.....	38
3.5.3 Document Analysis.....	40
3.5.5 Interview guide for Focus groups	41
3.6 DATA ANALYSIS.....	42
3.7 RESEARCH TRUSTWORTHINESS.....	42
3.8 RESEARCH VALIDITY	43
3.9 ETHICAL CONSIDERATIONS.....	43
3.10 LIMITATIONS	44
3.11 CONCLUSION	44
CHAPTER FOUR.....	46
DATA ANALYSIS, PRESENTATION, AND INTERPRETATION	46
4.1 INTRODUCTION	46
4.2 DESCRIPTIVE STATISTICS	46
4.2.1 RUZENDE STREET TUCK-SHOP OWNER’S DEMOGRAPHIC	46
4.3 ANALYSIS OF TAXATION COMPLIANCE CHALLENGES IN HARARE’S INFORMAL SECTOR	47
4.3.1 COMPLIANCE.....	48
4.4 EVALUATION OF EXISTING INFORMAL SECTOR TAXATION MODELS	49
4.5 PROPOSAL FOR A FEASIBLE TAXATION MODEL FOR REZENDE STREET TUCK-SHOPS	50

4.6 DISCUSSION OF RESULTS.....	51
4.7 CHAPTER SUMMARY	55
CHAPTER 5	56
DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS.....	56
5.1 INTRODUCTION	56
5.2 SUMMARY RESEARCH FINDINGS	56
5.5 RESEARCH CONCLUSION	58
5.6 RECOMMENDATIONS OF THE STUDY.....	59
5.4.1 Recommended Model/Framework.....	62
5.4.2 Recommendations for Further Studies	64
5.7 CHAPTER SUMMARY	66
REFERENCES	67
APPENDICES	ERROR! BOOKMARK NOT DEFINED.
INTERVIEWS	73

CHAPTER ONE

Introduction and Background of the study

1.0 Chapter Introduction

This chapter focused on several aspects of the study to give a pilot view of what the research was all about. The chapter highlights, the study background, statement of the problem, objectives of the study, research questions. The significance of the study, the assumptions of the study, study delimitations, structure of the research and the chapter summary are also highlighted in this chapter. This will give readers an understanding of what the research meant to achieve and the significance of the study.

1.1 Introduction

The informal sector (IS) contributes significantly to the economy of developing nations, with its share of annual output between fifty to eighty per cent of GDP and making up sixty to eighty per cent of employment, representing ninety per cent of new jobs (Bhorat et al., 2017; Dickerson, 2014). According to Medina and Schneider (2018), the informal sector in Zimbabwe is thought to be the second largest in the world, accounting for 60.6% of GDP, behind Bolivia's 62.3% contribution. Mangwana (2016) reports that small and medium-sized businesses (SMEs) and IS employ more than 75% of the workforce, or about 5.7 million people. The need to include this industry in Zimbabwe's tax system is evident from the data on its GDP, employment, and economic activity contributions. Joshi et al. (2014) and Mbiliayi (2012) estimate that revenue losses in SSA nations from not taxing the sector range from 35% to 55% of total revenue. This suggests that Zimbabwe's losses are probably higher given the size of the informal economy and its significant GDP contribution.

Presumptive taxes have been implemented in developing nations in an effort to broaden the tax base, identify non-paying IS, and solve equity issues. Many contend that there are major barriers to properly taxing this industry and that these attempts have failed. Based on the sector's size and GDP contribution, it is stated that the sector's tax revenue is excessively small and concerning low (Ligomeka, 2019; Maina, 2017).

In Zimbabwe, the informal sector plays a crucial role in generating income due to the country's economic decline, high unemployment rate, and limited opportunities in the formal sector (Dube & Sanderson, 2014). The tuck-shops on Rezende Street in Harare are a prime example of the vibrancy and significance of the informal economy. These micro-enterprises provide income for the operators as well as important goods and services to the residents of the city. Despite its importance, the informal sector remains almost completely untapped, which

undermines the mobilisation of tax revenue in Zimbabwe. This is exacerbated by the highly mobile and elusive nature of the sector – absence of formal registration, inadequate recordkeeping, and mobile enterprises (Fjeldstad & Heggstad, 2012).

Zimbabwe, like many other emerging nations, has been having difficulty effectively incorporating the unorganized sector into the tax system. With differing degrees of success, Zimbabwe has tried a number of strategies, such as simpler processes and presumed taxation. Presumptive taxes were first implemented in Zimbabwe in 2005, and they were further enforced in 2011 under Chapter 23.06 of the Zimbabwe Income Tax Act (ZITA) (Government of Zimbabwe 2005). According to Mangwana (2016), the Zimbabwean government must strike a balance between the sector's revenue mobilization and its other noteworthy contributions, such as employment, value creation, and survival income, all of which are essential for new technological advancements, economic growth, and the reduction of poverty. In this context, Zimbabwe serves as a suitable case study for analysing indirect taxes, raising the question of whether these taxes are expanding the tax base, restricting informal firms, or both. The informal economy is a major sector, but it currently contributes little to total tax revenues.

As indicated by ZIMSTAT, informal employment accounts for approximately 90% of employment in Zimbabwe (Muzenda, 2016).

In addition to the taxation gap in the informal sector, there is an inability to finance critical services and infrastructure development. There are also problems of social justice and equity due to the disproportionate tax burden on the formal sector compared to the informal sector's lack of regulation (Joshi, Prichard, & Heady, 2014). Given the large scale of Zimbabwe's informal sector, especially within urban regions such as Harare, there is an urgent need for a workable system of taxation that opts to formalise the informal sector and integrate it into the tax-paying system.

Undoubtedly, the informal sector plays a crucial role in the economy of any developing country, and it has been a part of Zimbabwe's economy for quite some time. Furthermore, Sikwila et al. (2016) claim a significant increase in this sector in recent years. Schneider et al. (2010) clarify that 'economic activity (market-based legal production of goods and services) is done purposefully out of public lookout to avoid paying taxes like income tax, value-added tax, etc.'. Pimhidzai and Fox (2011) assert that the role of IS in employment and income generation is crucial in lessening the depth and severity of poverty in developing countries, largely in Sub-Saharan Africa (SSA). The issue is particularly controversial in developing countries because of its implications for taxation, economic development and growth. The paradox is how to

reconcile private sector taxation without straining the sector and undermining poverty alleviation efforts and many livelihoods in Zimbabwe (Ayee, 2007; Moyi and Ronge, 2006).

1.2 Background of the study

"Informal economy" or "informal sector" refers to the portion of any economy that is not subject to government oversight or taxation. Since Zimbabwe embraced and put into effect the Economic Structural Adjustment Program (ESAP) in 1991, informality has existed in the nation. Since then, it has been growing, and the 2000 fast-track land reform initiative, which led to the closure of certain foreign-owned businesses in a number of different industries, made the informal economy much worse. In Zimbabwe, there is a "pool" of entrepreneurial talent in the unorganized sector that can be used to support economic expansion. The IS in Zimbabwe is distinguished by the following, per ZNCC, 2024:

- Informality embodies social deprivation and denial of rights at work and decent work for enterprises and defines low productivity and absence of finance.
- According to estimates, the informal sector in Zimbabwe accounts for 64.1% of GDP, or around \$42 billion at GDP purchasing power parity (PPP) levels.
- According to IMF (2018), about 5.2 million people in Zimbabwe are involved in informal trade, with a significant proportion of these individuals being women.
- The informal sector in Zimbabwe has been growing over the recent years.
- About one out of three informal workers, estimated to be 34%, fall within the category of extremely poor.
- Some of the subsectors where informality is pervasive include retail, distribution, and the currency black market.
- Employment within the informal sector does not provide workers with any legal status, contracts, employment benefits, or social services.
- Income generated by informal workers supports a multitude of people and their families.

According to the 2023 Zimbabwe National Chamber of Commerce Survey, informality is a common occurrence in Zimbabwe, and many participants cited it as one of the primary issues facing the nation. The following elements were cited by respondents as major contributors:

Rural-to-urban migration refers to the movement of people from rural areas to urban areas where there are perceived to be better livelihood options. The urban areas have limited opportunities, which forces them to resort to survival strategies that include informal activities. Excess High Rate of Unemployment – Other sources also cite formal employment levels above 80% in the country. Regardless of what figure one adjusts the rate of unemployment to, the truth that can be used for Zimbabwe is that unemployment levels are very high and uniquely

so. The uncontested reality is that a very large portion of the population is unemployed. With so many people unable to find work, the available resources for these individuals result in a physical change in the economy which is termed 'informality.

Implementation of Economic SAP (Structural Adjustment Programme) - A stimulus was given to Zimbabwe's economy in the form of deregulated trade and competition in the 1990s, which involved removing wage and labour controls alongside strict pricing, importation, and distribution systems. This led to some unofficial market entrepreneurs on the other side of the fence in the transport industry. New market entrants were facilitated during this period as they encountered scarce competition for operating commuter omnibus licenses and so were easily granted operators licenses. Along with that, many people started operating in different sectors and came with the title of unofficial operators, which aided in the birth and seepage of massive levels of informality, which is known today.

Wealth Generation: The informal sector emerged in response to the income-generating opportunities during the period 2000–2008 inflation. There was an imbalance in the economy because of hyperinflation and cuts in public services. The need of households to supplement incomes from the formal sector kept the informal sector functioning even after the national crisis. One could say that the informal sector should develop further because just like the development of other formal sectors, the development of the informal sectors is critical for the growth and advancement of the economy.

De-industrialisation and economic contraction: During this period, the economy was contracting at an average rate of -6.3% over the years 1999–2008. Additionally, the FTLR programme launched in 2000 and other formal secondary and tertiary activities that supported agriculture, such as supply and servicing units, either worsened the retrenchment or layoff trend further. This accelerated the informalisation of the Zimbabwean economy.

According to Sakuhuni's 2014 study, tax evasion is the third reason why Zimbabwe has a large number of small and medium-sized businesses (SMEs), however the majority of them choose not to register due to informal sector loopholes. As a result of various government laws, the majority of them are not registering to pay taxes. This nation is home to a large number of small and medium-sized businesses that evade taxes. Eighty-five percent of SMEs are unlicensed and unregistered, according to the 2012 FinScope Survey. Usually, tax evaders would work on a very modest scale and in covert backyard sheds.

This study sought to develop a shovel-ready model of taxation for the informal economy, looking specifically at tuck-shops along Rezende Street, Harare. The study expands the discourse around informal economy taxation by providing remedies within the context of non-

compliance, enforcement, and revenue generation discussions. In addition, the study assesses the effect of formalisation of informal economies on economic growth, poverty alleviation, and the overall economic development of Zimbabwe.

1.3 Statement of the Problem

A report by Gloria Ndoro, 2024, the roots of informalisation can be traced back to a series of economic crises that began in the late 1990s, including hyperinflation, political instability, and widespread unemployment. The collapse of formal employment opportunities during this period led to the hyperinflationary economy of Zimbabwe adding millions to its informal economic system that now includes street vending, unregistered small-scale entrepreneurship, and farming. The informal economy has become a lifesaving service for many, providing essential goods and services to the people in areas where formal employment opportunities do not exist. However, this type of work had its limitations, along with other major portions of the Zimbabwean economy. It muted the ability of the state to extract income taxes from this productive sphere. Workers and business people without formal education and their licences do not register with the tax authorities and, for the most part, work below the radar. Hence, the government loses a perishable source of revenue offered by direct taxation. Because of this, the government is increasingly relying on indirect taxation with less VAT and excise tax, which increases the burden on socio-economically disadvantaged low-income elements in the society. Not only does this shift worsen the economic dependency and crisis of the citizens, but it also deepens the cycle of poverty along with underdevelopment, crippling Zimbabwe.

The informal economy of Zimbabwe, worsened by rampant corruption, poses serious challenges for effective taxation and governance. In the context where merely 20 per cent of economic activities take place in the organised sector, the government malfunctions entirely in its capacity to raise revenue through direct taxation. Imposition of indirect taxes will not produce the expected outcomes. At the same time, the capture of public officials and public institutions results in the loss of confidence and further depletion of resources necessary for essential public services, thereby weakening the state's ability to stimulate economic development.

To solve the problem, one tackles the informal sector and corruption on the same breath so that the trust and confidence of citizens in government is restored, along with boosting formally registered businesses. There are numerous issues that are interlinked which need to be solved in unison such as the loss of revenue for the government, the increasing temperamental appetite for control from overseas lenders, the uncontrollable shifts in climatic conditions with the

added threats of food shortages, the lack of local spending, divestment, or the formation of new assets, and the overall demand for goods and services which stem from spending power.

The informal sector in Zimbabwe, particularly the tuckshops along Harare's Rezende Street, poses a significant challenge for the country's tax authorities. Despite its notable economic contributions, this sector remains largely untaxed, leading to a considerable loss of potential revenue. The difficulty in effectively taxing this sector exacerbates issues related to tax equity, compliance, and enforcement, ultimately undermining the overall tax base (Mawere, 2020).

The existing tax framework in Zimbabwe fails to adequately address the unique characteristics of the informal sector. As a result, informal businesses, such as the tuckshops on Rezende Street, operate outside the formal tax system, contributing to economic inefficiencies and fiscal challenges (Chikanda & Matondi, 2019). Consequently, there is a pressing need for a more inclusive tax approach that recognizes and integrates the informal sector into the broader economic framework

1.4 Purpose of the study

The purpose of the study is to assess the impact of taxing the IS on Zimbabwe government revenue generation.

1.5 Aim and Purpose of the Study

The aim of the study is to develop a working model that can effectively bring informal businesses, particularly the Harare Rezende Street tuck-shops, into the tax net.

The study seeks to develop a working model for taxing the informal sector, with a specific focus on Harare Rezende Street tuck-shops. The objectives of the study are:

To develop a working model that can effectively bring informal businesses, particularly the Harare Rezende Street tuck-shops, into the tax net.

1.6 Specific research objectives:

The study sought to address the following specific objectives:

1. To examine the present tax compliance issues that Harare's informal sector companies encounter.
2. To evaluate existing models of informal sector taxation in other contexts and assess their applicability in Zimbabwe.
3. To propose a feasible and effective taxation model tailored for Harare Rezende Street tuck-shops.

1.7 Research Questions

To achieve the objectives of this study, the following research questions were addressed:

1. What are the current tax compliance challenges faced the informal sector, specifically the Harare Rezende Street tuck-shops?
2. What existing models for informal sector taxation have been implemented in other developing countries, and how effective have they been?
3. What factors need to be considered in developing a taxation model for the informal sector that can be successfully applied to Harare Rezende Street tuck-shops?

1.8 Research Assumptions

This study operates under several key assumptions:

1. The informal sector, including Harare Rezende Street tuck-shops, is willing to comply with tax regulations if a fair and manageable taxation system is introduced.
2. The data collected from informal sector operators will be accurate and reflective of their actual business operations
3. There is sufficient capacity within the Zimbabwe Revenue Authority (ZIMRA) to implement new taxation models once developed.

1.9 Justification of the research

The significance of this study lies in its potential to inform policy and practice in the taxation of the informal sector in Zimbabwe. The informal sector, particularly in urban centers like Harare, represents a substantial portion of the economy. However, due to the challenges in capturing this sector within the existing tax framework, the government loses out on significant revenue that could be used to fund public services and infrastructure development. By proposing a viable taxation model, this study could contribute to enhancing tax compliance and broadening the tax base, which is critical for Zimbabwe's fiscal stability and development.

Moreover, this study is particularly relevant for the Zimbabwe Revenue Authority (ZIMRA) and other policymakers who are tasked with integrating the informal sector into the formal economy. The findings of this research could provide practical insights and recommendations that can be implemented to improve tax administration and compliance within the informal sector. Additionally, the study contributes to the academic literature on informal sector taxation,

particularly in the context of developing economies, and offers a case-specific analysis that could be useful for other countries facing similar challenges.

1.10 Research Significance

The study was expected to assist Zimra and policy makers in understanding the impact of taxing the IS and be able to implement it in a way that does not affect their operations. The study also provides policy makers with knowledge on when best to implement these policies considering the amount of resistance faced in the past. The government accepts the reality that there are challenges in collecting taxes from small businesses which, in theory, should be paying an income tax. These enterprises, more often than not, do not keep firm records and consequently find it impossible to submit relatively sophisticated income tax returns (MOF, 2010). Therefore, the central government accepts that business activities in the informal economy, due to their "underground transactions," do not contribute to revenue collection. As mentioned in the introduction, the informal economy does not pay taxes and is licensed and registered. Numerous operations in the informal sector were sparked by Zimbabwe's ten-year economic crisis, which led the government to enact tax laws to compel these companies to contribute to the national budget.

IS taxation is important in Zimbabwe because it offers a big chance to increase the tax base and bring in a lot of money for the government. Especially in light of the magnitude of the informal economy, which has grown as a result of economic hardships and is a vital source of funding for infrastructure and public services. However, effectively taxing this sector requires careful design of tax policies, like presumptive taxes, to address challenges related to data collection and compliance, while balancing the need for revenue generation with the potential to stifle small businesses and hinder economic growth.

1.11 Research delimitations

This study was geographically delimited to Harare, with a specific focus on Rezende Street tuck-shops. The choice of this area was based on its high concentration of informal businesses, making it an ideal case study for exploring taxation models for the informal sector. The study was also delimited to the taxation of informal businesses, excluding other forms of government regulation or support for the informal sector. Furthermore, the study focused on existing models of informal sector taxation that have been implemented in other developing countries, rather than developing entirely new theoretical frameworks.

1.12 Limitations of the study

Several limitations may affect the study's outcomes:

Data Collection: Given the informal nature of the businesses involved, there were challenges in obtaining accurate and reliable data, as some operators were reluctant to provide detailed information about their earnings and business practices.

Generalizability: The findings from this study, which focuses on Harare Rezende Street tuck-shops, may not be easily generalizable to other informal sector businesses in different regions or sectors.

Implementation Challenges: Even if a feasible taxation model is developed, there may be significant challenges in its implementation, including resistance from informal sector operators and the need for substantial changes in existing tax administration processes.

1.13 Structure of the Dissertation

Chapter 1: This researcher explored the phenomenon under study and addressed the objectives, questions and assumptions of the study. The chapter gives a pilot view of the study and the outcome.

Chapter 2: Literature review, the researcher explores what other scholars and authors have written that connects to the research study.

Chapter 3: Methodology explains how the researcher approached the project. Thus, research design, study population, sampling, sample sizes, data collection techniques, research instruments, data validity and reliability, data and analysis, and presentation, as well as the observed research ethics.

Chapter 4: The researcher gave a detailed data presentation and analysis. The researcher tabulated the results of the data gathered. Data analysis was done specifically with the research aims in mind, to identify areas of agreement or disagreement between the research's conclusions and those of other scholars.

Chapter 5: The chapter provides summary of the research findings. It also provides answers to the research questions and gives suggestions and conclusions.

1.14 Chapter Summary

The chapter focused on the nature of the research problem, the study's purpose, its objectives, and its questions, as well as its significance, its delimitations, its limitations. An analysis of what other scholars and authors have written about this topic is given in the next chapter which is literature review. It provides the researcher with theoretical research.

CHAPTER TWO

Literature Review

2.0 Introduction

In the economies of many developing nations, including Zimbabwe, the informal sector is vital. Despite its importance, the informal sector frequently functions outside of the established tax and regulatory frameworks, which presents difficulties for tax authorities and policymakers. This chapter provides a comprehensive review of the existing literature on the taxation of the informal sector, with a specific focus on the tuck shops along Rezende Street in Harare. The literature review is structured to offer a theoretical understanding of the complexities of informal sector taxation. Determining the change in revenue inflows, particularly if there has been an increase after the introduction of presumptive tax laws on informal businesses in January 2009, remains a challenge.

The Chen Wang & Lee (2016) study demonstrated how literature reviews justify the need for a study, what questions are posed in the introduction of a given research document, which methodology is optimal and what implications or problematic areas need further investigation in the discussion. To analyse taxes in the informal sector and provide a theoretical basis for this topic, a review of the literature was done for this work (Joshi et al., 2013, 2014; Maina, 2016, 2017; Meagher, 2016; Ligomeka, 2019; Sebele Mpofu, 2020; Sebele-Mpofu and Msipa, 2020). This literature review also made an effort to solve the research difficulty mentioned by other authors, such as Saunders et al. (2009), demonstrating that the author at least has some academic knowledge of the taxation of the informal sector. Additionally, this enabled the researcher to illustrate the connections between the current study and earlier studies on the topic, including Snyder's (2019) articles.

2.1 Definition and classification of taxes

The tax base is defined as the weight or value attached to an asset, income, or expenditure (Anderson, 2006). For instance, income subject to income tax is regarded as taxable income, and the retail value of a product qualifies as the base amount upon which sales tax is levied.

Every taxable item has a tax base value. Apart from the three bases of taxation already discussed, a tax on people, such as a poll or head tax, can be added (Black et al., 2006). After selecting a base, a tax rate can be assigned. The tax rate represents the percentage of the tax base, which includes income, consumption, or wealth, that is subject to taxation. Tax rates can be classified into three groups: proportional or flat-rate tax, progressive tax, and regressive tax.

A tax system is referred to as progressive when the level of income paid as tax increases along with income, regressive when the level of income paid as tax decreases with increases in income, and proportional when the level of income paid as tax remains unchanged with increases in income (Black et al., 2006).

One approach to describing taxes is to classify them into two groups: broad-based taxes (general taxes) and narrow-based taxes (selective taxes). Broad-based taxes cover the entire tax base without exception. A common type of a broad-based tax is the value-added tax (VAT). VAT is a consumption tax. It cannot be avoided when goods are purchased from registered enterprises. Legislation that imposes a VAT without any exemptions on goods or services qualifies it as a broad-based tax on consumption (Elkins, 2006). Narrow-based taxes are those taxes that are levied on one or a few products. For example, excise taxes that do so only on certain goods are common selective taxes (i.e., they are not taxing the entire tax base). This difference between general and selective taxes is very crucial in the sense that taxpayers' behaviour tends to adjust depending on the kind of tax imposed (Emran and Stiglitz, 2000).

2.2 Informal Sector Background

The informal sector has long been a part of the Zimbabwean economy and is unquestionably a significant aspect of emerging nations. However, some contend that the industry has become increasingly prominent in recent years (Sikwila et al., 2016). A market-based legal production of products and services that are purposefully hidden from public authorities to evade payment of income tax, value-added tax, and other taxes is what Schneider et al. (2010) define as this economic activity. According to Pimhidzai and Fox (2011), the IS's role in creating jobs and revenue streams is crucial to lowering the prevalence and severity of poverty in developing nations, particularly in Sub-Saharan Africa (SSA). IS taxation is an important topic in the discussion of taxation and economic development in underdeveloped nations. In Zimbabwe, where a substantial portion of the economy is informal, the challenge is how to tax the IS without impairing the economy and the livelihoods of the majority of people (Ayee, 2007; Moyi and Ronge, 2006).

Data on the contribution of the particular sector shows that there is an acute case for the IS to be taxed. The debate on whether the IS should be taxed or left untaxed is contentious because some analysts who oppose such taxation attribute the growth of the IS to an increasing tax burden and harsh regulation of the labour market as well as a declining tax compliance and loyalty towards the state. There is also contention around the magnitude of the so-called 'tax

gap', the difference between the potential taxes that could be collected and the revenue actually received. Some suggest the existence of a “gaping hole” (Dube, 2014), while others contend that the tax receipts are lower than expected, but not to the extent claimed by governments (Pimhidzai and Fox, 2011). In the middle of all this conflict, frameworks for presumptive taxation designed to capture the IS are inevitably integrating into the taxation of emerging economies, and Zimbabwe is not different, having adopted the framework since 2005.

2.3 Taxation Models

Taxation models for the informal sector have evolved to address the unique challenges posed by this segment of the economy. One widely discussed model is presumptive taxation, which estimates tax liability based on observable indicators such as the size of business premises, type of business activity, or turnover (Joshi, Prichard, & Heady, 2014). This model simplifies tax administration and compliance, making it particularly suitable for informal businesses that may not maintain detailed financial records. For example, in Ghana, the presumptive tax system has been implemented to tax small businesses that are difficult to assess under the regular income tax regime. This approach has increased compliance and broadens the tax base (Kwakwa et al., 2023).

Countries like Kenya and Uganda have implemented presumptive tax schemes to capture revenues from informal sector operators. In Kenya, the presumptive tax is calculated as a percentage of the turnover and applies to small businesses with turnover below a certain threshold (Masinde & Makau, 2010). Uganda has adopted a similar model, targeting businesses such as boda-boda (motorcycle taxi) operators and market vendors, who often operate outside the formal system (Fox & Pimhidzai, 2011).

Another model is the simplified tax regime, which offers lower tax rates and simplified filing procedures to encourage informal businesses to enter the formal tax system. This model aims to reduce the compliance burden and increase voluntary tax compliance among informal sector operators. In Kenya, the Turnover Tax (TOT) was introduced for small businesses with an annual turnover below a certain threshold. The TOT is calculated as a percentage of the business's gross sales, making it easier for informal businesses to comply (Fjeldstad & Heggstad, 2012). This model has been successful in broadening the tax base and increasing revenue collection from the informal sector (Mpofu, 2021). South Africa, the “Turnover Tax” regime serves as a similar example. This regime is aimed at small businesses with an annual turnover below a specified threshold and simplifies the tax

process by allowing businesses to pay a flat percentage of their turnover as tax (SARS, 2020). The model is designed to incentivize compliance by reducing the burden of complex tax filings and making it easier for small businesses to stay within the tax net.

Another model used in some developing economies is sector-specific taxation, which targets specific activities or sectors within the informal economy. This approach recognizes that different sectors of the informal economy have varying capacities to contribute to tax revenues. In Zambia, for instance, a sector-specific tax was introduced for the mining industry, which was historically difficult to regulate due to widespread informality. The Zambian government implemented a simplified mineral royalty tax for small-scale miners, which allowed them to contribute to tax revenue without the complexities of formal corporate income taxes (Nakamba-Kabaso & Phiri, 2012). In Ghana, informal market traders have been taxed through a sector-specific levy collected by local market authorities. This model, known as the “Market Toll,” requires traders to pay small daily or weekly taxes, which are then transferred to the national tax authority (Adom & Williams, 2014). This approach helps capture revenue from traders who are often difficult to track or register in the formal tax system.

The modified taxation model, a form of presumptive taxation, has also been identified as an innovative way of taxing the informal sector. This model involves estimating tax liability based on a combination of business indicators and expert assessments. In Zimbabwe, the government has explored the use of modified taxation to address the challenges of taxing the informal sector. This approach has shown promise in increasing tax compliance and revenue collection (Dube & Casale, 2016).

The informal economy worldwide is escalating, and recent research indicates that the informal sector in Zimbabwe has not only persisted but has grown, dominating in both output and employment (Zimbabwe National Statistics Agency, 2023, 2024). Based on the findings of World Economics (2024) and Zimbabwe Revenue Authority (ZIMRA) (2023), Zimbabwe is highly informalised, with more than 64.1% of economic activities are controlled by this economic sphere, representing an estimated \$73 billion at GDP levels. Although the informal sector in Zimbabwe is big, its contribution to tax revenue inflows is poor, (Kupangwa et al., 2024). In their investigation of informal sector taxation, (Vingirayi et al. 2020) and (Pitoyo et al. 2020) found that there is low tax revenue inflow from the informal economy despite its perceived revenue generating capabilities. This shows that the revenue from the informal economy is totally unexploited. The tax instrument (the Presumptive Tax Act) has failed to achieve its goal of revenue generation from the thriving

informal economy (Manhimanzi et al., 2022). Moyo (2022) and Mpofu (2021) argue that the tax inflow from this economic sphere is very marginal, and the bulk of the potential taxpayers in the informal economy remain untaxed. ZIMRA reports that revenue inflow from the informal economy is less than 0.5% of the revenue generated by this sector (ZIMRA, 2022) and the government reported budget deficits in “2013...2023” (Makoni & Chikanda, 2023); (ZIMRA, 2023) due to the informalisation of the economy. This figure symbolises the lowest contribution of the presumptive tax head to revenue generated from taxes (Nyamukapa, 2023). Karombo et al, (2018), have compelled the government to resort informal sector taxation, but the huge obstacle is that the government seems reluctant to embrace technology for the taxation of this economic sector (Mabwe & Mugozhi, 2018).

2.3.1 Presumptive tax system

Research shows that taxation is the only effective method in the domestic resource mobilisation globally (Adefolake & Omodero, 2022). The tax literature shows that in the past, tax authorities were collecting taxes from the formal economy, thus, neglecting the informal economy (Mpofu & Mususa, 2019). The informal economy was perceived as a hard-to-tax sector. As a result, they remain outside the purview of tax laws (Orkaido et al., 2024). The term “hard to tax” describes the non-registered taxpayers, who normally transact on a cash basis, evade taxes as well as not keeping accounting records (Okunogbe & Santoro, 2023). However, (Abate and Ligomeka 2019), point out, the taxation of the informal economy is a daunting task due to lack of statistical databases of the informal economy, absence of recording keeping, lack of principal permanent residence and costs and benefits associated with collection of tax from the informal economy.

In studying the impact of presumptive tax regimes on total tax revenue, (Danquah and Osei-Assibey et al, 2018) found that the tax regime generates statistically small amounts of tax revenue. They support that the application of presumptive tax system seeks to encourage tax compliance and instil voluntary tax compliance in future. Dube and Casale (2017) and (Eissa et al. 2017) argue that presumptive tax did not produce expected results because some tax authorities applied it based on theoretical assumptions without conducting feasibility studies that provide credible historical effects in terms of revenue capacity. Thus, (Devereux et al. 2021) argue that the extant tax strategy in this case presumptive tax is substantially flawed and there is need for massive tax reforms.

2.3 Theoretical Framework

The theories pertaining to the informal sector focus primarily on taxation and avoidance of regulation. The informal sector model suggested by Loayza (1997) argued that the informal sector happens because of strict rules and heavy tax burdens imposed by the government, which are caused by poor management of tax enforcement and administration in a country. The performance of Zimbabwe's presumptive tax system, which was implemented in 2005 with the intention of integrating the hard-to-tax sector, lends support to this idea (Engelschalk and Loeprick, 2016). According to Newsday (2015), the system's purportedly equitable tax structure had an effect on small business firms and significantly decreased the cost of informality in comparison to official taxation. To calculate tax liabilities, this tax system mainly uses the presumed number of employees, asset base and structure, and anticipated income (ZIMRA, 2017).

In Todaro's (2009) framework, the economy was subdivided into the informal and formal sectors, which accompanied urban growth and were left uncaptured by the stagnation inflicted by immigration into the city. This accompanying free static was seen due to the perpetual flow of new urban migrants, which was never considered in the formal statistics. This sector was generated due to attempts to expand employment. This situation is similar to Zimbabwe, where the formal sector offers limited employment opportunities. Self-employment opportunities, such as vending, barbering, and backyard industries, have provided a good alternative to such underemployment. In addition, construction and other building-related contracting work is claimed by Todaro to draw extensively on tertiary education and offer dismally low wages, though the pay is above the official minimum. Less firms inclined to utilise modern capital are much more likely to offer a greaterer proportion of jobs of the types that that command considerable skill and power than those which arise when when thekill is far less than their need.

2.3.1 Tax Compliance Theory

Tax compliance theory, which comes from research on public finance and behavioural economics, tries to understand what encourages people to follow tax laws (Devos, 2014). It attempts to explain why some taxpayers willingly comply fully, while others evade tax obligations and resort to avoidance tactics. This theory captures the psychological, economic, and sociological factors that motivate individual decision-making concerning compliance with tax obligations (Nwokoye et al., 2023). Tax compliance theory posits that perceptions of fairness within a tax system, ease of compliance, and the likelihood of detection and punishment shape compliance. The expected utility model serves as the backbone of virtually

all theoretical work on tax compliance (Feldman & Slemrod, 2007). This model has produced important contributions regarding economic deterrence and social influence. Under classical economic theory of tax compliance, “rational” individuals are presumed to strategically consider the tax system's monetary costs and benefits to be gained from evading a tax payment.

Furthermore, the social comparison of unpaid tax balances creates a feeling of dissatisfaction that leads some individuals to lower their compliance levels to avoid being labelled “suckers” (Quesada et al. 2014).

Important issues like informal sector taxation highlight these gaps and can be addressed by changing tax policies to make tax laws simpler, lowering tax rates, and motivating informal sector workers to become formal. Simplifying tax laws means getting rid of the differences between different types of economic activities and personal traits that make the tax system complicated. Simplification of tax laws means that distinctions among various types of economic activities and personal characteristics, which complicate a tax system, need to be removed. Taxes should be imposed at the same rate on a broad base, not limited to income or type of expenditure. Also include universal exemptions, deductions or credits, and delete unnecessary provisions, as well as simplify the processes involved in filing tax returns. In addition, the desire to lower tax rates could achieve compliance simplification by reducing tax evasion and sheltering provisions or attempts made to avoid paying taxes (Joshi et al., 2013). Losing total cuts in tariff rates lowers the need for planning and avoiding taxes. It is clear that modified strategies can make the system clearer, better, and friendlier to users, whether individual or corporate.

The theory of tax compliance forms the basis of understanding the complex aspects involved in tax compliance decision-making. It highlights all the individual behaviour factors that fairness, ease of compliance, and detection affect. Alleviating the burdens of tax law through simplification and reduced rates, while adopting the expected utility model, creates a more equitable and accessible system that enhances voluntary compliance, benefitting both governments and taxpayers.

2.3.2 The Institutional Theory

The institutional theory of taxation asserts that an effective institutional environment is necessary for a taxation system to function fully. This concept states that the taxation system's efforts to collect revenue succeed with institutional frameworks that go well beyond mere tax rates and legislation. Such frameworks include the state, law, the tax administration's competence, and the complete system of governance within the country (Williams, 2020). The

institutional theory focuses on the social rules and governance systems existing in almost every society that largely determine how individuals and groups behave within that society. Within the taxation framework, this theory put forth that the design and execution of tax systems are closely related to the particular society's structures and systems (Horodnic, 2018). In considering alterations to taxation, the institutional theory argues that such changes have to be viewed from a broader institutional perspective.

Rather, these changes need to be made to fit the boundaries of the compliance framework, which cultivates compliance, transparency, and collection efficiency (Williams & Horodnic, 2016). In relation to the modified taxation, the principles of institutional theory would suggest that policies and administrative procedures within a tax system should be deliberately designed and implemented to improve the surrounding ecosystem of taxation. This perspective accepts that attempts to reform taxation policy and processes need to take into account the context within which people live to be viable in the long term. In other words, the institutional theory of taxation is a reminder that taxation is not something that can be considered in isolation from everything else, as it always involves an external context— society. While formulating modified taxation approaches, understanding the relationship between taxation and the institutions that govern it is fundamental. Coordinating these factors will result in more efficient and equitable taxation for the government and the public.

2.4 Informal Sector Empirical review

LEDRIZ and Stiftung (2015) argued that the informal economy's persistent growth since 1980 is problematic in light of the fact that a major portion of the population's workforce is gradually becoming informal. This is further compounded by the uncontested socio-economic servitude structure of society, where the informal population forms an unemployed underclass. The working conditions in this sector, which account for 20% of Zimbabwe's GDP, are characterised by the absence of decent work, a lack of protection, and no representation. The aim of addressing these elements was to create the strategic framework for bolstering the shift of the informal population to formal employment. An integrated approach that emphasizes growth and job quality, regulatory frameworks that enforce intellectual property rights and fundamental rights, social dialogue organizations and representation, social equity—including gender, ethnicity, race and caste, disability, and age—entrepreneurship, skills, finance, management, access to markets, social protection, social security, social transfers, and local (rural and urban) development was proposed by LEDRIZ and Stiftung (2015). Due to a shortage of opportunities in the informal sector, this approach suggests a move away from the

normal sector economy's excessive reliance on hired individuals, whether informally or otherwise.

In this study, more focus was put on growth strategies and creating quality jobs, but the strategy will work better if it is based on an economic development plan that helps slowly change from an informal economy to a more organised and formal one. This is highly important owing to Zimbabwe's socio-expenditure framework and the chronic neoliberal underutilisation of its spending and ballooning semi-structural reserve capacity, which do enable conditions for a complete move from informal to formal employment. CZI (2020) notes that manufacturing capacity utilisation has been persistently declining and operating well below the 50 percent mark. The pre-existing vulnerability of a significant proportion of informal sector households became evident with the onset of the 2020 national lockdown. This was further exacerbated by the country's governance predicaments, dilapidated health infrastructure, and plummeting currency value relative to skyrocketing staple costs (UNDP, 2020). The fact that such people now engage in informal work is classified as survivalist, meaning every cent earned is almost certain to be spent instead of stashed away for the future.

Business owners aside, according to LEDRIZ and Stiftung (2015), most of the informal population is located on the lower rung of the social ladder and is greatly frantic during external shocks.

Mbiriri (2010) assessed the sustainability of Zimbabwe's economy's informal sector from an economic reconstruction perspective. The analysis focused on Zimbabwe's economy, concluding that the informal economy system serves as a mechanism for sustainable construction. It placed emphasis on the gaping gap approach, which is the government and its soft approach as far as the private sector is concerned and suggested later the informal sector as a cumulative instrument for development purposes. While this assessment was largely contrary to most of the work presented by prior researchers, it was necessary and useful for proposing the logic of using the informal sector as a tool for reversing the informal employment. Intended structure dominance was met in most studies which viewed the informal economy as a fallback option for the weaknesses of the formal economy. It alleviates poverty in most cases, but still in some instances the informal economy functions as a structural pose of poverty. The informal economy can only be viewed as providing the prerequisite for gradual change rather than sustained change. However, for these arguments to hold, the informal economy will have to be inundated with the right kind of competitive technological and industrial development – growth and benefits, which, more than in mining, are later called supporting the status quo. Finally, all these activities ignore the demand for sustainability.

Njaya (2015) assessed the potential within the informal sector in Harare Metropolitan to provide sustainable employment opportunities. The study results indicated that informal sector businesses consist of self-employed independent agents and micro-enterprises with 1-5 employees. The policy propositions of this paper were mostly or almost like those of the integrated strategy of LEDRIZ and Stiftung because it supports the provision of favourable microeconomic, social, legal, and political conditions for the vast generation of reasonably good employment opportunities and business enterprises, local and foreign.

ZEPARU AND BAZ (2014) argue that the informal sector can become a stronger resource base when integrated. Blending the skill sets and capital of informal sector workers with the help of banks creates an easy and meaningful investment. Knowledge transfers from partners, rather than individuals, enable greater skills advancement. Economically and in terms of business, this idea of blending capital is beneficial only in situations when individual rationality exists, and the scale of preferences does not. Most sole traders would relatively want to control it, limiting the realisation and duration of the concept. All informal entities are left with scarce access to finance and funding, which constrains their growth.

2.5 Informal sector formalization for tax growth

Multiple studies have looked into this relationship and have reached varying conclusions. Formalization in the form of training, tax payment, credit access, or membership in business associations has a favorable effect on the growth, survival, and profits of businesses in Mexico (Fajnzylber et al. 2009). De Mel et al. (2013) illustrates how formalization gives informal enterprise owners in Sri Lanka more operational freedom and legitimacy. These researchers discovered that the revenues of most enterprises were not significantly impacted by the growth gains they saw for a small selection of firms. According to McKenzie and Sakho (2010), formalization specifically, tax authority registration does boost profitability in Bolivia, but only for small and medium-sized enterprises. However, Pimhidzai and Fox (2011) carried out research in Uganda and found that any tax increase or new tax-imposed hurts smaller businesses and increases the likelihood of failure. Like Ocheni and Gemade (2015), these authors show how tax proliferation negatively impacts SMEs' ability to survive, emphasizing that a firm's size affects its tax liability.

An organization's likelihood of not paying taxes and the chance of its operational failure rise with its size. This would make households more vulnerable to evading the IS.

The eruption of vulnerability would witness a similar approach intended at cultivating small businesses with greater prospects of tax revenues, resulting in their collapse and reduced

revenue, conversely. The primary takeaway from this is that there is a growth advantage, although one that is only applicable to small enterprises. According to McCulloch and Grover (2010), the company-level impacts of formalization for taxes purposes varied in Indonesia, with midsize businesses experiencing notable increases in profits and smaller businesses facing ancillary harassment from tax authorities. The benefits of formalization, according to De Mel et al. (2009), are real, but they are presented in too general terms to force a company to formalize. It is neither desirable or exclusive enough, as agreed upon by Bruhn and McKenzie (2014). During a study on the effects of tax incentives on the growth of SMEs in Rwanda, Twesige and Gasheja (2019) found a definite positive association between tax incentives and growth among SMEs.

The most remarkable of the varying findings is likely the fact that the effect of informal sector taxation on the growth of informal firms varies across different firm types and countries..

Global institutions such as the World Bank and the International Monetary Fund (Spotlight, 2012; IMF, 2011). According to various academics, this type of formalization would improve the industry's information systems businesses' and activities' productivity, growth, survival, and profit (Joshi et al., 2014; Loeprick, 2009). "Promote the formalization and growth of micro, small, and medium enterprises for the purpose of sustainable and inclusive growth," according to Kundt (2017). Formalization arguments are still arguably the least explored in the tax literature, particularly when it comes to IS taxation and growth (Rogan, 2019). The growth gains argument is predicated on the false premise that the informal sector serves as a supportive environment for the formal sector and that its members are there just to "grow and expand" into the formal sector (Rogan, 2019). Thus, the relationship between formalization and growth is dubious in this case. According to Kundt (2017), there is solid evidence that "formalization can lead to increased profitability, wages, investment, and labor contracts," but it varies depending on the firm's size and characteristics. Mid-sized firms are most able to take advantage of these.

As cited in the same work, Benjamin and Mbaye (2020) point out that "informality inhibits modern management skills and worker training, limiting growth and access to the world market." The authors further provide evidence that productivity across the economy is decreasing as the IS expands. In contrast, Loeprick (2009) argues that improving productivity would help businesses stuck in the "informality trap," where they face low productivity, limited funding, and restricted access to formal markets, which holds back their growth. In the same breath, UDSM DoE (2018) cited in Wamunda focuses on the

growth argument depicting the IS as marked by low barriers to entry coupled with a high exit rate which is sustained by the five-year mark. These activities are said to fail due to lack of sufficient entrepreneurial talent, inadequate capital, inefficient equipment and machinery, no permanent address, and taxation. Ocheni and Gemade (2015) mention taxation as a prime factor that contributes to the high mortality rates of small firms looking to emerge from the shadows, especially the sheer number of these levies (Ligomeka, 2019; Meagher, 2018; Pimhidzai & Fox, 2011).

2.5.1 Informal sector growth

An increase in sales, employment, profit, asset accumulations, and internal development all synthesis to creating a business, while Neneh and Vanzyl explain a modern entrepreneur's perspective of growth (2014), while growth itself is a fundamental factor for wealth creation, employment, and economic development, making it a target for any business (Neneh and Vanzyl, 2014). According to Joshi et al. (2013) and 2014, the same logic explains why the expanded tax base for small businesses has become a key component of the case for taxing the unorganized sector. From the standpoint of the entrepreneur, growth is defined by Neneh and Vanzyl (2014) and Douglas (2013) as an increase in sales, staffing levels, profits, assets, company value, and overall internal development. The WCLA-IS Taxation "What's New?" report incorporates information from Penrose and Penrose (2009) as well as additional growth-related factors such branch expansion, acquisitions, and geographic diversification into new goods and markets.

2.5.2 Employment creation

The informal sector (IS) has not been sufficiently studied regarding its contribution to economic development, poverty alleviation, employment opportunities and especially its potential tax income (IMF, 2011). Chen (2012) indicates that approximately 72% of Sub-Saharan Africa's non-agricultural employment is informal. Adom and Williams (2014) mention that in Ghana, the informal sector has been the dominant source of employment, providing close to 6.7 million jobs by the year 2000. Fox and Pimhidzai (2011) claim that the informal sector is an important source of livelihood and adds a substantial share of employment and output to the economy of SAA. They claim that the informal sector in Uganda had about 2.7 million non-farm household enterprises in 2005 and grew at 8% per annum between 1999 and 2005/6. In Zimbabwe, as in many other African nations, the IS is the backbone of development and employment creation, being the country's largest

employer (Dube & Sanderson, 2014; Dube, 2014; Muzenda, 2016; Njaya, 2015). For skilled and unskilled Zimbabweans retrenched from formal employment, the informal sector serves as a safety net.

Such patterns happened with the Economic Structural Adjustment Program (ESAP), the land reform program, and the Indigenisation and Empowerment Economic Act (Coltart, 2008). The formal business sector was completely crippled during this period as a result of scant economic growth and inadequate capital, and emerging foreign direct investment (FDI) was almost non-existent, with Zimbabwe receiving a mere \$1.7 billion in FDI between 1980 and 2013. In stark contrast, we had Mozambique and Zambia receiving \$15.8 billion and \$7.7 billion, respectively. (Njaya, 2015). Nearly 90% of Zimbabwe's working population engages in informal employment, with vulnerable woman group traders dominating this sector (Benjamin et al., 2014). Women's participation in such informal trading is estimated at 85%. According to ZIMSTAT (2014), medium-sized firms added 2.9 million employments in the IS, whereas 2.8 million small businesses created 5.7 million jobs.

Despite IS's critical role in employment creation, there is no consensus on how it affects overall economic development (Ndiweni & Verhoeven, 2013). According to some academics, the IS provides survivalist tactics and low-productivity job options that have minimal effect on promoting economic growth (Ebeke & Ehrhart, 2012; Hart, 1973). Some dispute this idea, asserting that the IS significantly lowers unemployment and promotes job growth (Pimhidzai & Fox, 2011).

In Zimbabwe, researchers seem to have reached a consensus on these two points: (1) IS employment is marked by hazardous working conditions with minimal and erratic pay, compounded by a lack of insurance and legal protection for employers, and, (2) Disregarding its fragility, the IS provides employment to a significant number of Zimbabweans and needs more recognition from the state. Government officials tend to view the IS with an "us versus them" mentality, but Dube Sanderson (2014), Dube (2014), Mbiriri (2010), and Muzenda (2016) believe that policymakers must regard the IS as a crucial economic domain. With formal employment opportunities on the decline, the growth of the IS should underscore its importance in economic development, job creation, and even potential tax revenue.

With a more traditional approach in mind, Mbiriri (2010) considers the importance of an industry branch relying on labour, in this case an informal sector. He notes that even with minimal resources and low technology used, an IS system can develop over time and allow businesses to hire and expand auxiliary services. Adom and Williams (2014) argue further that the IS is unarguably crucial for equipping workers induced by the self-employment paradigm with competencies through the conventional apprenticeship education system, thus aiding in establishing a self-sustaining infrastructure of industrialisation heritage. Haan (2006) observes that almost half of IS workers in Kenya, Senegal, Tanzania, Zambia and Zimbabwe have either no schooling or only primary schooling, and about 5% only have secondary schooling with the rest. The gaps where many people do not qualify for admission to higher learning institutions create an important void the IS provides to fill. Moreover, the formal learning system, as Haan (2006) notes, is overly theoretical and does not apply multi-skilled trained personnel needed in business settings, which in part the IS addresses (Fox and Gaal 2008). In Zimbabwe, traditional apprenticeships remain fundamental to skill transfer and development.

The IS also fosters innovation by attracting larger companies that further develop and commercialise their innovative products. The IS is without a doubt a large contributor to the economy in relation to production, consumption, employment and income generation in developing countries, specifically in Africa, SSA and Zimbabwe (Haan, 2006; Fox & Gaal, 2008). In addition, the IS provides an essential means of survival and safety net to the poor and unskilled workers in places where chronic unemployment exists or where formally structured job opportunities grow very slowly. Haan (2006) illustrates that in SSA, most notably in Kenya, Zimbabwe and Tanzania, a significant number of young people use manual skills taught to them by older workers and transition to formal employment or entrepreneurship when they have obtained sufficient skills. In Kenya, 40–60% of youths learn their skills this way. Thus, the IS facilitates poverty reduction and increases the suffering and economic development of the country.

2.5.3 Poverty alleviation

Pimhidzai and Fox (2011) note the glaring gap in Sub-Saharan African (SSA) countries' attitude towards the informal sector (IS) as a neglected area of employment and economic development. They contend that the informal sector's contribution to economic growth and alleviation of poverty is often ignored. For example, Fox & Pimhidzai (2011) point out that,

in Uganda, the informal sector is predominant in terms of livelihood and significantly contributes to the alleviation of poverty. Furthermore, Zimbabwe has struggled with poverty, a problem significantly worsened by declining living standards, rampant shortages of basic goods and cash, hyperinflation, and high unemployment. Mbiriri (2010) cites a 2003 Poverty Assessment Study that reported 72% of the population in Zimbabwe was below the Total Consumption Poverty Line (TCPL), compared to 55% in 1995. The relationship between IS growth and poverty alleviation is still inconsistent and controversial (Klapper et al., 2007; Mbiriri, 2010).

While some scholars, like Pimhidzai and Fox (2011), contend that the IS is vital for reducing poverty in developing nations and SSA, others argue that the sector perpetuates poverty. This view is based on the IS's characteristics of poor working conditions, low-quality employment, minimal wages, and lack of social protection, which they argue trap workers in poverty. Supporters of this perspective believe that working in the IS equates to poverty, as earnings in small informal businesses are typically much lower than those of larger formal firms, leading to the IS being labeled as the "working poor" (Haan, 2006).

Conversely, advocates of the opposing view emphasize the IS's significant role in poverty reduction. In Zimbabwe, the IS has been crucial in helping the country survive severe economic crises by providing livelihoods for most of the population (Mbiriri, 2010; Muzenda, 2016; Ndiweni & Verhoeven, 2013; Ngundu, 2012). Mbiriri (2010) highlights cross-border trade as a key IS activity that mitigated economic hardships, reduced poverty, and enhanced human development. The situation in Zimbabwe, where unemployment rates were between 80% and 94%, would have been much worse without the IS. Muzenda (2016) suggests that, without the IS, most of the population would have fallen into extreme poverty. Ncube (2013) agrees that the IS can be an effective tool for poverty reduction and economic growth. Fox and Gaal (2008) also note that countries with a large portion of households involved in the IS tend to have lower poverty rates.

Mbiriri (2010) further explains the IS's role in Zimbabwe by arguing that it provides various critical social and economic benefits, which also support the formal sector. These benefits include cost minimization through outsourcing to the IS by formal firms, which creates jobs, traditional apprenticeships that lead to skill development and innovation, and economic buffering, where the IS serves as a safety net for the poor and uneducated, thus reducing poverty. Consequently, the IS plays a pivotal role in poverty alleviation in Zimbabwe and

contributes over 60% of the country's GDP (Bhorat et al., 2017; Medina & Schneider, 2018).

2.6 Gaps in literature

The existing literature on taxing the informal sector reveals several significant gaps that need to be addressed to advance understanding in this area. One prominent gap is the limited empirical evidence regarding the effectiveness of various tax models. While theoretical discussions on tax models such as presumptive taxation and simplified tax regimes are abundant, there is a notable lack of detailed case studies that assess their practical impact on revenue generation and business growth (Joshi, Prichard, & Heady, 2014; Schneider, 2005). Empirical analysis is required to determine the effectiveness of these models in different contexts, particularly within developing countries like Zimbabwe. By providing concrete data on how these tax models influence revenue and business sustainability, research can offer valuable insights into their applicability and effectiveness. Another critical gap in the literature is the insufficient analysis of challenges related to the implementation and compliance of tax policies in the informal sector. Although challenges such as difficulties in identification, registration, and compliance are frequently mentioned (Fjeldstad & Heggstad, 2012; Coolidge & Ilic, 2009), there is often a lack of in-depth analysis of how these challenges can be effectively addressed. Understanding the specific barriers faced by informal sector operators, such as those in Harare, can provide practical solutions for improving compliance and streamlining the implementation of tax policies. Addressing these challenges through detailed case studies and stakeholder interviews will help identify strategies to overcome these barriers and enhance tax administration. The perceptions and trust of informal sector operators towards tax authorities represent another underexplored area. Studies have shown that trust in government institutions plays a crucial role in influencing tax compliance (Dube & Casale, 2016; Torgler, 2007). However, the literature often neglects to explore this aspect in detail within the context of informal sector taxation. Understanding how informal sector operators view tax policies and their interactions with tax authorities can provide insights into the factors that drive or hinder compliance. Research that incorporates qualitative data from interviews and surveys can offer a nuanced understanding of how trust affects tax compliance and suggest ways to build stronger relationships between tax authorities and informal businesses.

Additionally, there is a lack of longitudinal studies examining the long-term impact of taxing the informal sector on business growth and economic development. Most existing

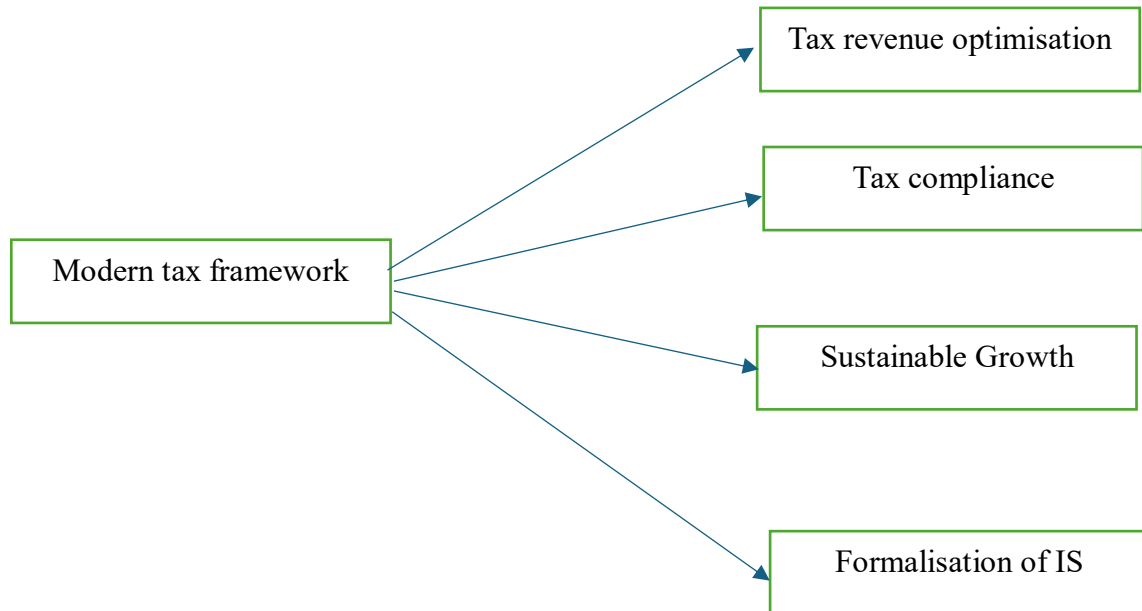
research focuses on short-term revenue generation, overlooking the broader economic implications of taxation (Mpofu, 2021; Kwakwa et al., 2023). Investigating how taxation affects the growth, profitability, and sustainability of informal businesses over time can provide valuable insights into the long-term economic impact of informal sector taxation. By tracking the performance of informal sector businesses over an extended period, research can offer a comprehensive view of how tax policies influence business growth and contribute to economic development. Addressing these gaps will significantly enhance the understanding of informal sector taxation and provide actionable insights for policymakers and tax administrators. By focusing on empirical evidence, implementation challenges, stakeholder perceptions, and long-term impacts, research can offer a more complete picture of how to effectively tax the informal sector in contexts like Harare.

2.7 Conceptual framework

Tax experts maintain that the integration of the e-accounting system of taxpayers with the online accounts that taxpayers have with authorities will improve tax revenue levels and tax compliance (Campbell & Hanschitz, 2018; Nguvava & Sangar, 2024). The direct interaction between informal taxpayers and the tax authorities via e-applications would mean a cut in administration costs and bureaucratic processes, particularly in the collection and computation of their income taxes. The resultant effects of the adoption of a digital tax system are improved tax revenue and a tax compliance culture within the informal economy (UN, 2021; Timans, 2019). The integrated system sends a communication to the government in real-time. This enables tax authorities to access the legality of that specific transaction and then clears it before the actual transaction it covers proceed (Chand et al., 2020; Toyon, 2021). This means that tax authorities are aware of the legality of each transaction before it is completed, and they have the right to block the transaction whenever a suspicion or dispute arises regarding the tax liability. The taxation of the informal economy presents complex and intricate challenges as documented in the literature (Mpofu, 2021, OECD, 2018). While existing studies recognise these challenges, there remain a critical need to clearly define specific gaps in the research landscape. Thus, this study aims to address these identified gaps in the literature by elucidating the relationships and significance of key constructs or variable integral to the development of a modern tax framework for the informal sector taxation. Literature highlights the significance of traditional taxation models as a vehicle for transforming tax systems, with empirical evidence revealing its impact on optimising tax revenue (Aditlya, 2020; Devereux et al.,

2021), fostering voluntary tax compliance (Nieuwenhuizen, 2019; Nyamukapa, 2023) and enhancing sustainable economic development (Makoni & Chikanda, 2023) and stimulating the formalisation of informal sector economic activities (Smith & Brown, 2022).

Figure 1: Conceptual framework



2.8 Chapter Summary

This chapter centred on a comprehensive review of relevant literature, encompassing both theoretical and empirical studies. The literature review served to establish the conceptual framework, identify research gaps, and inform the study's methodological approach. Subsequently, the following chapter highlights the research methodology, addressing key components such as research philosophy, design, population, sampling, data collection, validity, reliability, and analysis.

CHAPTER THREE

Research Methodology

3.0 Introduction

The technique and procedures used in this study were logically laid out in this research methodology chapter. An examination of the research problem, research question, research approach, research design, and methodology, including techniques for data collection and analysis. The chapter's final section covered topics pertaining to the study's limits, validity, and ethics.

Eller, Gerber, and Robinson (2018) offered a useful overview of the techniques a researcher can use to address a hypothesis or research issue. The writers talk about mixed methods, which are a blend of quantitative and qualitative data gathering techniques used simultaneously, and qualitative methods, which are non-numerical kinds of data.

Maphazi (2012) emphasized the following general steps in the research process: Establish the goal of the study, the research problem, the research question or hypothesis, the extant scholarly literature on the issue and phenomenon, the procedure for generating the data, the analysis and interpretation of the data, and the publication of the findings as a scientific response to the initial research question.

In order to get at the final destination in the form of findings, these stages were taken in the current academic voyage. The primary goal of the study was still to characterize, investigate, evaluate, and comprehend a pertinent contemporary issue. By using the qualitative research approach, this study sought to accomplish its goals and provide an answer to the research question.

3.1 Research Paradigm

The goal of the study was to develop a modern framework for Zimbabwe's informal economy taxes. In order to develop a thorough grasp of the problem, the study integrates research techniques and uses a qualitative approach to investigate the contemporary framework of tax revenue collection from Zimbabwe's informal economy. It is crucial to thoroughly examine the phenomenon since, as Timans et al. (2019) point out, qualitative conceptions and methodologies are frequently underutilized. Qualitative frameworks and methods were chosen in this instance because they combine specific, context-rich data with more general, broader data in a way that best assesses how well the digital framework satisfies the requirements and standards of prestigious academic publications. Surveys or experiments validate the findings, allowing for greater statistical generalizations (Clark and Ivankova, 2016; Ivankova et al.,

2006). The first stage is to use a semi-structured interview guide to conduct in-depth interviews. Thematic analysis of the qualitatively gathered data was conducted with an emphasis on what participants required in order to modernise Zimbabwe's informal economy's revenue collection.

Five tax professionals were selected by purposive sampling based on their tax knowledge and more than 20 years of experience, and they participated in semi-structured interviews. Twenty members of informal sector associations, three ZIMRA tax officers, and the Institute of Certified Tax Accountants, Zimbabwe (ICTAZ) were used to identify them. Accounting firm tax directors, independent tax consultants and counselors, and accounting firm tax department staff were among the interviewees. ZIMRA officials were selected from the audit division and the small claims office, which handles small business taxes. Members of the IS Association were selected from the Harare Ruzende Street Tuck Shop Owners Group. The interviews were conducted with the aim of gaining an understanding of the taxation structure of the informal sector and its impact on growth, revenue mobilization, and tax base expansion. Conducting the interviews took place between March and April of 2025. These three groups were chosen because they were significant to the research. Because of their experiences with ZIMRA and the IS, the tax specialists have essential expertise about the IS taxation structure.

Revenue officers can assist in determining if the growth and survival of small businesses are impeding the tax base's expansion or erosion. On the other hand, the members of the informal association played a crucial role in communicating the opinions of the taxpayers since they not only saw reality firsthand but also practically assessed the IS tax system based on their observations and experiences. It is reasonable for revenue authorities to be aware of these challenges when crafting informal tax policies (OECD, 2020). To sum up, Fjeldstad (2013) and TRA (2010) inform tax authorities that the challenges of taxing the informal economy should be approached from a compliance burden perspective. There are drivers of tax compliance, as well as tax laws, both applicable to informal and formal economies (Fjeldstad, 2013). The literature seems to suggest, however, the identification of the areas which influence the taxpayer's behaviour, which includes tax policy, tax administration and one that is outside the tax system (Fjeldstad, 2013; ZIMRA, 2016).

3.2 Research approach

Qualitative vs Quantitative

These are two main approaches to conducting a research study. Salkind (2014), for example, describes qualitative research as the type of research that studies human behaviour in its political, social, cultural and other relevant settings. Qualitative research relies on interviews, historical narratives, case studies, and ethnography. The results from such data collection efforts are usually non-numerical in nature. More attention is paid to content and meaning in qualitative research than in quantitative research, which predominantly relies on measuring data with numbers. The contexts and causes of phenomena can be investigated and explained with qualitative research; the phenomena under study, people's experiences, perspectives, and insights matter.

On the other hand, quantitative analytical research approaches use numbers and statistics to represent data. The use of methodical procedures to explain and summarize the results using statistics serves as an example of this. In general, quantitative research involves experimentation, statistical analysis, and systematic measurement (Salkind, 2014). Quantitative research, according to the same authors, Brynard, Hanekom, and Brynard (2014), is "assigning numbers to observations" and producing proof. Surveys, questionnaires, and experiments are common instruments used in this type of research. The qualitative and quantitative approaches to research differ significantly from one another. According to Neuman's (2007), contribution described the quantitative or 'empirical analytical' study method as mainly concerned with data expressed in numerical form as compared to qualitative data expressed in words, images, or/and objectives. Of course, the quantitative approach can utilise human behaviour relating to qualifying or explaining the nature of a person's actions; it is misguided that numbers and statistics are the sole responsibility of quantitative writers. In both quantitative and qualitative studies, attaining reliable and valid results is crucial. According to (Shaidi, 2013), triangulation and other methods can be combined to enhance the benefits of each

With its two subframe works—grounded theory and case study—this study argued for a qualitative method that interacted with one another (Du Plooy-Cilliers et al., 2016). Babbie and Mouton (2011), who are qualitative researchers, emphasized some characteristics that set qualitative research apart from quantitative research. The purpose of qualitative research was

to describe and figure out human behaviour, which is often done in areas of comfort of the subject or participant. The aim was more on the respondents' perceptions, so the goal was to provide detailed scenarios and explanations so as to maximise. The focus is mainly on capturing areas within a particular setting than extrapolating to other settings. Qualitative research is described as having a deductive approach, which brings about new theories. Qualitative research is not guided by statistical techniques and quantifiable approaches. In this study, the researcher intends to produce a model that optimally deals with IS taxation using the insights of all the relevant stakeholders.

According to, Brynard, Hanekom and Brynard (2014), they argue that qualitative research projects an image of participants' experiences, observations, and views in text and spoken as descriptive data. While numbers and statistics are typically not of primary importance, they may aid in data collection, analysis, or the conclusions drawn. Qualitative research enables one to approach a phenomenon from the perspective of the participants. The core idea is an element of strong alignment in which respondents are able to describe certain phenomena as they encounter them in actual life. Characteristics of qualitative research include sampling, rich data from participants, and an exhaustive quest for meanings and salient matters. Qualitative research works best when seeking to uncover broader ideas rather than the quantity of information available. It focuses on subjective information, which involves analysing the views, beliefs, and emotions of respondents to identify emerging themes and patterns.

3.3 Research design

The goal of research, according to Eller, Gerber, and Robinson (2018), should be to gain a clear understanding of social phenomena and offer helpful interpretations of them. According to the so-called scientific approach, there are particular procedures involved in establishing "how and why things work as they do." Therefore, planning and laying out plans for data retrieval efforts is a part of research design. What is being investigated? In what way will it be examined? Which variables are going to be part of the study? How do they compare to each other in terms of measurement? What boundaries are set for the data that will be produced, and what techniques will be used? Throughout the research design process, each of these inquiries is essential. Qualitative designs are used the most often. Research design, according to Saunders, Lewis, and Thornhill (2016), is the plan outlining the actions that will be taken to address the research questions. Thus, the significance of developing a precise research question statement. Sub-questions on the study purpose that are easy to understand make up a research design.

Follow-up questions help clarify particular goals developed from the main central concepts. A plan of action for gathering and analyzing the data was created. We must examine study limits and ethical problems, such as funding, participant location concerns, and data accessibility.

The study of the meanings and relationships of a specific group of participants or a phenomenon characterises qualitative research. With qualitative research, it is appropriate to disregard research design rigour as long as significant contribution is done theoretically and methodologically.

The research design for this study was partially exploratory, with the goal of providing preliminary insights into a situation; explanatory, with the goal of evaluating causal relationships between different variables; and evaluative, with the goal of understanding the efficacy of a program or intervention (Saunders et al., 2016). This study used a qualitative research approach that combined a case study with a thorough examination of a specific occurrence in its actual environment through gaps in the literature. The IS study examined how current players were taxed, what aspects of the taxes they were happy with, and what needed to be changed. The researcher learned about the difficulties Zimra suffers in taxing the IS from a conversation with a few players.

Mouton (2008) stated that a research design solves a single essential question: what form of study would be conducted to provide acceptable answers to the research challenge or topic. Mouton reasoned that, in terms of logic, the research design focuses on the outcome or product, with the research problem or question serving as the starting point, whereas the research methodology focuses on the process and procedures, beginning with specific activities of interest, such as data collection or sampling (Shaidi, 2013). Hence, all qualitative research designs will pertain to:

1. The process of putting together and collecting data, including the tools used to create it, such interviews.
2. Data display: the phases of data reduction, frequently accomplished by content analysis, topic identification, and coding.
3. Data interpretation and analysis.
4. Preserving honesty, precision, and openness in all actions made and conclusions drawn (Mouton, 2008)

The research design for this study included qualitative research, which involved gathering information from expert respondents chosen through purposive sampling using semi-structured interviews. Using qualitative theme content analysis approaches, we carried out the analysis. After reviewing pertinent academic literature on the research subject, data gathering got underway.

3.3.1 Research population

A research population, according to (Du Plooy-Cilliers et al., 2016), is the "total group of people or entities from whom information is required" in order to respond to a particular research topic. Textbooks, journal articles, and media materials that are analyzed throughout research procedures are prime examples of social artifacts because they also function as research sources. What these individuals and/or things have in common, or "what characteristics they share," must be evident. Every one of them must have at least one thing in common. These characteristics are what we call the study's population parameters. These criteria indicate the number, unique characteristics, and nature of the research population (whether individuals or social artifacts). Finding the target demographic and the possibly accessible population is essential after deciding on the research population. While the accessible population only focuses on the segments of the sample population that are feasible to include in the study, the target population is defined as the parameters pertaining to the complete population. In other words, the market that we can reach or obtain copies of (Du Plooy-Cilliers et al., 2016). Comprehending the research using the previously indicated methodologies enables us to define the following terms:

Research population – refers to everyone in informal sector with any level of experience, awareness and skills to IS, all relevant documents like media articles, journal articles, zimra reports, council decisions, and all related documents.

Target population – these are tuck-shop owners along Ruzende street, Zimra officials and everyone with understanding of the informal sector. This may also includes city council officials.

3.3.2 Sampling

Taking samples According to the Research Guide (2014), a sample is a subset of a research population that is thought to be representative of the population. The number of participants in a study is referred to as the sample size. The goal of qualitative research studies is not to accept

smaller samples or generalize results. Three Zimra tax officers, five tax specialists, and twenty tuck shop operators made up the sample in this instance. In this investigation, non-probability sampling was used. Non-probability sampling is used when it is almost impossible to identify or reach the complete population (Di-Plooy-Cilliers et al. 2016). In contrast to scenarios in which probability sampling is used, the participants in the research population did not have equal chances of being included in the sample. In order to fully comprehend the study problem, it was more important to determine how many participants or artifacts needed to be analysed. It was essential to keep participants in the sample until it reaches saturation in qualitative research (Du Plooy-Cilliers et al., 2016). To put it simply, conducting more interviews won't yield any new data, significant viewpoints on the research question. Purposive sampling, a sampling technique in which participants are chosen according to a predefined set of characteristics, was initially used for this study (Du Plooy-Cilliers et al., 2016).

3.4 Data collection

Semi-structured interviews and in-depth interviews were used in data collection with selected tuck-shop owners, tax experts and Zimra officials.

3.4.1 In-depth semi-structured interviews

Interviews were done with selected participants from Ruzende tuck-shop owners including Zimra officials and tax professionals from reputable accounting firms. Interview questions were made from literature review with particular focus on “effective taxing of the informal sector”. Interviews supplied primary data. We employed targeted questions to obtain the interviewees' perspectives, thoughts, and opinions about the research problem. The interviews with the selected stakeholders centered on problem-solving strategies.

3.4.2 Data collection tools

According to Eller, Gerber and Robinson (2018), semi-structured interviews start with some set of questions that are followed with ‘many possible branching routes’ after some preliminary enquiries have been made. In this case they may begin by requesting an opinion on the statement and build from there. This describes “a standardised strategy” but with deviation possibilities to further enrich the interview. Such clarifying questions may also form part of the less-structured portion of the interview.

As previously mentioned, interviews are a type of combination method where both closed and open-ended questions require individual responses. An example of such questions can be

highlighted by Eller et al., who describe open-ended questions as those which allow freedom of choice in answering them (“in any way they choose”). In contrast, close-ended questions pertain to answers like ‘yes’ or ‘no’ brush responses or choosing from some available options. Every academic study requires some form of information in response to the researchers’ questions (Mouton, 2008). Qualitative forms of research involve some level of data-capturing activity in its broad sense, which most commonly includes a set of questionnaires, interviews or reviews of relevant materials. Interviews are one of the most popular ways to generate data in the qualitative approach since participants are frequently eager to divulge rich and thorough information during a single session (Babbie and Mouton, 2011).

The qualitative interview comprises interaction between an interviewer who is essentially the researcher and a respondent possessing some information, who is invited to share thoughts the researcher intends to elicit through guiding questions. From this definition, a qualitative interview is basically a conversation that allows for a structured plan of topics to mix with the dynamic interactions around those topics, capturing the distinct opinions of respondents who may have very different views (Shaidi, 2013).

In this study, the research purposefully constructed a set of semi-structured interviews with a specific set of questions and predefined statements to control interviewee responses. Such a format captures standardisation, as all interviewees, such as the tuck shop owners and tax specialists, participated in the same way, which makes responses comparable and analysed to identify broad themes in the study scope. Even if the participants were encouraged to provide other comments after the formal part of the interview had ended, the researcher kept to a strict set of criteria framed by the questions which guided the information collection.

3.4.3 Interviews

Interview questions were designed to follow a methodology that involved describing and observing the phenomenon, identifying its origins, coming up with potential solutions, and then figuring out ways to decide on how to put those potential solutions into action.

3.5 Research Instruments

This study used a mix of research instruments to comprehensively investigate the challenges and potential solutions for taxing the informal sector in Zimbabwe, particularly focusing on Harare's Rezende Street tuck-shops. The instruments were chosen to gather both rich qualitative insights and contextual understanding. The choice of these instruments is directly linked to the research problem of effectively taxing the informal sector in Zimbabwe. As

highlighted in Chapter 1 of the document, the informal sector, particularly Harare's Rezende Street tuck-shops, presents unique challenges for tax authorities. These challenges include:

1. Tax compliance issues
2. Difficulties in tax administration
3. The need for appropriate taxation models

The chosen research instruments helped to gather data to address these challenges and develop a suitable taxation model.

3.5.1 Focus Groups

Focus groups are group discussions led by a moderator to gather data on a specific topic. They are especially helpful when examining attitudes, beliefs, and perceptions. FGs are more beneficial because they offer more genuine settings where participants can both influence and be impacted by other participants (Casey & Crueger, 2000). The third benefit that gives participants a collaborative effect is group interaction (Stewart & Shamdasani, 2014). Additionally, focus groups are preferable to individual interviews when data gathering opportunities are restricted (Vanderstoep & Johnston, 2009). As Patton (2002) highlighted, they are therefore used to gather high-quality data in the social environment. Then, in order to conduct FGs effectively, they must be clearly defined and understood. Focus groups aid in determining the general views of tuck-shop owners regarding taxes, their opinions of fairness, and their compliance readiness with regard to taxes in the informal sector.

Dawson et al., on the other hand, emphasized some management for collecting focus group discussion data and insist on taking detailed notes with a pen and paper, making the study more trustworthy. As a result, they advised certain crucial points for data collection, such as recording the discussion to avoid missing any comments or viewpoints from participants, preparing the information for analysis, and saving the information for future review if the researcher need it (Dawson et al., 1993). After the conversation, the researcher(s) evaluate the session and collect data for the study (Cameron, 2010; Focus Groups, 2017).

Figure 2: Focus group



Focus groups, (2017)

Advantages

- Allow for the exploration of diverse viewpoints and the generation of rich, qualitative data.
- Can reveal how participants interact and influence each other's opinions.
- Cost-effective for gathering data from multiple participants simultaneously.

Disadvantages

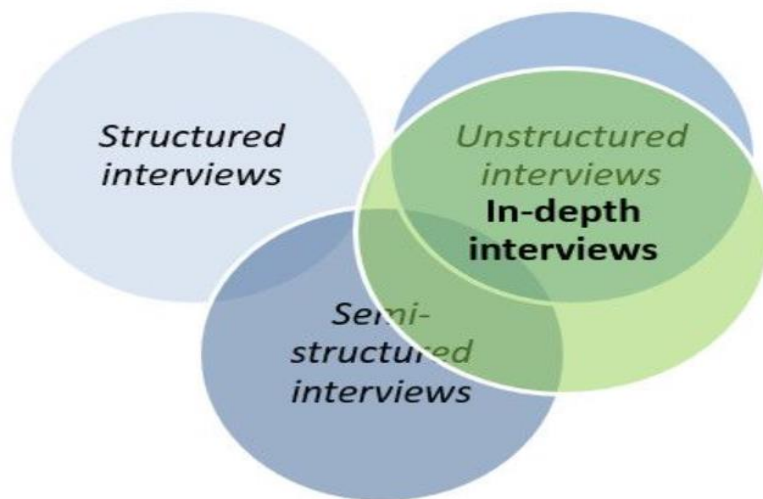
- Group dynamics can lead to some participants dominating the discussion while others remain silent.
- Data analysis can be complex and time-consuming.
- Findings may not be generalizable to the larger population.

3.5.2 In-Depth Interviews

In-depth interviews consist of one-on-one interactions between the researcher and the participant. They are useful for acquiring extensive insights into individuals' experiences, motives, and perspectives. Kvale and Brinkmann (2009) define in-depth interviews as research conversations. An in-depth interview has its own set of traditions and standards, unlike a conversation with a buddy, a legal interrogation, a therapy session, or a professional debate. What distinguishes them is the objective of the talk. The goal of qualitative research is to 'create' knowledge, which "is an interview where knowledge is constructed in the inter-action between the interviewer and the interviewee". Fontana and Frey (2020) define in-depth interviews as ethnographic and open-ended. In-depth interviews are appropriate for the kind

of subjects where the researcher must be in the "field" being studied or in close proximity to others who work there. Therefore, in order to get a conclusion on the study issue, the researcher engaged with the target population.

Figure 3: Types of interviews



Cathy Gibbons, (2023)

Structured interviews: these completely planned and are not questionnaires (Gillham, 2005). While conducting structured interview, all questions relating to objectives of the study are prepared before initiating the interview and are asked during the interview. Thus, questions asked are close-ended and only allows an interviewee to only answer to what has been asked. Semi-structured interviews: Hyman et al. (1954) describe interviewing as a method of enquiry that is universal in social sciences. Magaldi and Berler (2020) define the semi-structured interview as an exploratory interview. They further explain that the semi structured interview is generally based on a guide and that it is typically focused on the main topic that provides a general pattern. Furthermore, (Megaldi and Berler, 2020) contend that a semi-structured interview allows a researcher to delve deeply for a finding, even while relevant paths are offered beforehand. Compared to written surveys, semi-structured interviews resemble organic talks more (Duranti, 2011). The interviewer utilizes open-ended questions to discuss some topics in more detail during semi-structured interviews (Hancock et al., 2007). According to Brinkman and Kvale (2005), open-ended questions enable the interviewer to elicit from the respondent or interviewees detailed information about their personal sentiments, emotions, and ideas while reducing self-censorship. In-depth interviews with tax professionals, ZIMRA officials, and tuck-shop owners were undertaken for this study in order to obtain comprehensive

viewpoints on the difficulties associated with taxing the unorganized sector and possible remedies.

Advantages

- Provide rich, detailed data with a high level of depth.
- Allow for flexibility to explore complex issues and probe for deeper understanding.
- Establish rapport with participants, encouraging open and honest responses.

Disadvantages

- Time-consuming and resource intensive.
- Data analysis can be challenging due to the volume of qualitative data.
- Findings may be influenced by interviewer bias.

3.5.3 Document Analysis

A document analysis is a research method that follows a systematic procedure for analysing the contents of written documents (Bowen, 2009; Wach et al., 2013; O’Leary, 2017; Chanda, 2021). The analysis of documents provides important background context and historical insight and is an effective means of gathering data.

For many years, document analysis has been a useful research technique. With this approach, a variety of materials are analysed, such as books, newspaper stories, scholarly journal articles, and institutional reports. According to Patterson (2015), any text-based document can serve as a source for qualitative analysis. According to Merriam and Tisdell (2016), the term "document" can apply to a broad range of content, including visual sources like pictures, videos, and films. Documents with visual content can serve as a source for qualitative analysis, just like those with text (Flick, 2018).

In coming up with a working model for taxing the informal sector, document analysis assisted in reviewing Zimbabwe's tax policies, ZIMRA reports, and other relevant documents to understand the current framework for informal sector taxation and its effectiveness.

Advantages

- Provides access to data that may not be available through other methods.
- Cost-effective and efficient.
- Can provide historical context and longitudinal data.

Disadvantages

- Limited to the information available in the documents.
- Documents may be biased or incomplete.
- Requires careful interpretation and analysis.

3.5.5 Interview guide for Focus groups

Firstly, I would like to express my sincere gratitude for allowing me this opportunity to meet with you and discuss about current challenges you face in tax payments and what possible solutions can be implemented. The information you will provide will be used for academic purposes only and all your responses will be kept confidential and will not be used to target your businesses.

Business Operations and Challenges

1. Briefly describe your daily business operations.
2. What are the main challenges you face in running your tuck shop?
3. Do you currently pay any form of taxes or fees to the government or local authorities?
If yes, what kind?

Awareness and Understanding of Taxation

1. What are the current tax laws and regulations that govern your business operations?
2. Is your business registered?
3. Is the current tax system fair? If not, why?

Challenges with Tax Compliance

1. Do you keep any business records?
2. What are the main challenges you anticipate in complying with tax regulations?
3. What would make it easier for you to comply with tax requirements?

Possible Solutions

1. What kind of support or incentives would encourage you to comply with tax regulations?
2. Would you comply to tax payments given a clear and fair tax system.

3.6 Data analysis

According to Kumar (2012), it's critical for qualitative research to exhibit and convey data in a way that the reader can easily understand. Tables, figures, and bar charts are used in addition to text to properly present the study's data, analysis, and conclusions. Qualitative researchers can use a range of computer-assisted qualitative data analysis software (QDAS) tools (Eller et al., 2018). With their constantly growing feature sets that include statistical packages, capabilities to produce quantitative queries (like tables), and rich text integration, Nvivo and Atlas.ti are the most well-liked of these. These packages are helpful for data analysis and for displaying discoveries and outcomes, but they shouldn't always take the place of manual coding.

The difficulty in conducting in-depth study is the large amount of data that must be analyzed. In order to uncover patterns and information that, for example, might be utilized to guide decisions made in organizations or businesses, a technique is necessary to reduce the raw data. The researcher processed, divided, evaluated, and interpreted the raw data using qualitative data analysis techniques in order to produce rational scientific conclusions. The methodical examination of unprocessed data produced and captured during the in-depth interviews with tax specialists, council officials, Zimra tax authorities, and Ruzende tuck-shop proprietors was part of the qualitative study of the data content. As part of thematic content analysis, the researcher found recurrent themes and patterns in the vast amounts of text.

3.7 Research Trustworthiness

Participant bias is a factor that induces a false response, e.g. fear that anonymity will not be honoured, researcher error, a factor that alters the researcher's interpretation, e.g. he or she is not well prepared for an interview and researcher bias, a factor that induces bias in the researcher's interpretation, e.g. the researcher wishes to conclude with a pre-determined finding. According to Du Plooy-Cilliers (2016), "reliability" should be used while discussing quantitative research and "trustworthiness" when discussing qualitative research. Credibility, or faith in the authenticity of the results; transferability, or the findings' suitability for use in different situations; and dependability are the standards for trustworthiness. The outcomes are reliable, the study might be replicated elsewhere, and the findings are consistent. Respondents, not the researcher's purpose, bias, or interest, affect the findings. According to Saunders et al. (2016), participant error—a factor that negatively affects a participant's performance, such as

when the participant is stressed or lacks the time for a proper interview—is one of the main risks to reliability.

3.8 Research Validity

Validity encompasses the correctness of analyses, the generalizability of results, and the suitability of the measures or instruments employed in the study. Is it true that the metrics employed to evaluate the phenomenon measure what they were designed to measure? Are they suitable for this use? Are the findings of the research accurately analysed? What are the implications of the results? Does a generalizability claim hold up under examination? The degree to which an empirical measure accurately captures the true meaning of the concept being studied is referred to as validity. Is the measuring device performing its intended function? Are the findings reliable? (Mouton and Babbie, 2011).

3.9 Ethical Considerations

The study complies within ethical standards to guarantee the confidentiality and protection of participants' rights.

Before giving their informed consent, participants are given comprehensive information about the goals, methods, and any dangers of the study.

All information gathered is kept private, and when findings are reported, participant identities are anonymised.

Participation in the study is entirely optional, and participants are free to leave at any moment.

As stated by (Saunders et al., 2016), ethical issues are crucial when creating a research design. Participants shouldn't experience any material disadvantage, discomfort, injury, or humiliation as a result of the design. Interactions with other people can give rise to ethical dilemmas, particularly when a conflict of interest exists or is possible (Babbie and Mouton, 2011). Ethics is usually linked to morality, which deals with issues of right and wrong, in the majority of dictionaries and in everyday speech.

Shaidi (2013) asserts that a researcher must be informed of the broad agreement among scholars regarding appropriate and inappropriate scientific inquiry conduct before beginning social scientific research. The most crucial ethical agreements in social research, according to (Babbie and Mouton, 2011), are: voluntary involvement; no damage to participants; anonymity and secrecy; and not misleading the subjects, (Saunders et al, 2016), upon the earlier work of

Babbie and Mouton by offering a more thorough explanation of the ethical justification for the development of the research principles. These values include the following: the impartiality and honesty of researchers; respect for others; participant privacy; the right to withdraw; informed agreement; confidentiality and privacy; responsible analysis and reporting by researchers; adherence to data management and protection regulations; and the safety of the researcher.

Throughout the investigation, the researcher was careful to follow ethical guidelines. These actions can be summed up as follows: Every sample participant was made aware of their rights. The informed consent form needed to be signed by each participant. The right to anonymity, the freedom to leave the study at any moment without facing any repercussions, and the guarantee that participation would be entirely voluntary were all explained to the participants. Participants were made aware that the information will be shown so that it would be impossible to identify the responses. The participants were notified that they would have access to the research's findings and outcomes upon request.

3.10 Limitations

While the study aims to provide a comprehensive analysis of the informal sector and its taxation, there are some limitations:

Sampling Bias: There may be sampling bias if certain types of informal sector operators are underrepresented or overrepresented in the survey.

Response Bias: Participants may provide socially desirable responses, affecting the accuracy of the data.

Data Accuracy: The accuracy of self-reported data on income and tax compliance may be affected by recall bias or deliberate misreporting.

3.11 Conclusion

The research design, methodology, process, and approach were covered in this chapter. The general approach to the investigation was described. It was mentioned how research design and research technique differ from one another. Starting with the research problem and question, research design focuses on the reasoning for the study and the plan for conducting it. The procedures and instruments that the researcher used to collect and analyze data are the

focus of research methodology. A strong framework for examining Zimbabwe's informal sector and its taxation was offered by the approach described in this chapter. The study attempts to give a complete understanding of the characteristics, challenges, and possible policy solutions of the informal sector by using a mixed-methods approach that combines quantitative and qualitative data gathering and analysis. The results are reliable and relevant to the situation thanks to the application of sophisticated statistical tools and thematic analysis.

CHAPTER FOUR

Data analysis, Presentation, and Interpretation

4.1 Introduction

The data gathered from document reviews, focus groups, and qualitative interviews is analysed and interpreted in this chapter. The results are organised to meet the three main goals of the study: assessing current taxation models, analysing taxation compliance issues, and suggesting a workable solution for the tuck shops on Rezende Street in Harare. Verbatim statements from participants were used to enhance the thematic analysis's identification of recurrent motifs. To put the findings in context, real-world examples from Zimbabwe's unorganised sector are combined with current data from ZIMSTAT and the Confederation of Zimbabwe Industries (CZI).

4.2 Descriptive Statistics

Twenty Rezende Street tuck-shop operators, five independent tax professionals, and three Zimbabwe Revenue Authority (ZIMRA) representatives made up the study's 28 participants. A sizable majority (65%) of the tuck-shop operators polled ran wholly unregistered enterprises. The remaining 35% were not fully registered with ZIMRA and only held partial licenses, such as municipal trading permits. Only 12% of these owners reported consistent tax compliance, mostly about indirect contributions such as Value Added Tax (VAT) that were part of the cost of the goods they bought. ZIMRA officials calculated that more over 80% of enterprises along Rezende Street do not use the official tax system, which supports this low compliance. This is consistent with ZIMSTAT's 2024 findings, which show that although contributing 64.1% of Zimbabwe's GDP, the country's sizable informal sector only generates less than 0.5% of national tax income. Tax professionals also pointed out that 90% of tuck-shop operators lacked official accounting documents, which made possible tax assessments much more difficult. This indicates a clear lack of financial resources and knowledge. Deep-seated resistance was brought to light during focus group talks; 70% of operators saw taxes as punitive, and they cited Zimbabwe's hyperinflation (285% in 2024) and ongoing cash issues as the main reasons why compliance was difficult.

4.2.1 Ruzende street tuck-shop owner's demographic

The following diagram illustrate the sex and ages of the tuck-shop owners along Ruzende street. As evidenced by the data majority of tuck-shop owners are male and in most cases, males

by their nature they seek ways to survive outside the law hence the reason for failing to comply to tax laws.



4.3 Analysis of Taxation Compliance Challenges in Harare's Informal Sector

Significant compliance issues stemming from structural inefficiencies and socioeconomic impediments were identified by the primary goal. Owners of tuck shops reported being quite confused about tax categories and responsibilities, finding it difficult to manage possible liabilities such as municipal permits, VAT, and presumptive taxes. The opinion expressed by Owner 12 was widespread: "We pay council fees [USD 10/month], but ZIMRA demands more [presumptive tax at USD 50/quarter] we don't know what's fair." These overlapping taxes are a significant burden, accounting for around 13% of the average monthly profit (USD 200) that is reported. This intricacy, along with the absence of easily understandable guidelines specifically designed for tiny informal companies, creates a significant structural barrier to voluntary compliance, leaving operators uneasy and afraid of fines resulting from true miscommunication. Tax morale is severely weakened by a significant trust deficit, which exacerbates these structural problems. As seen by the comment, "Why pay taxes when potholes dominate our streets?" operators frequently view taxes as predatory, juxtaposing demands with subpar public services such as water shortages, unstable power (ZESA), and underfunded schools and clinics. (FG3). Zimbabwe's low rating (157th) on Transparency International's 2023 Corruption Perceptions Index heightens scepticism and feeds ideas that money is being squandered, undermining the social compact. Informal companies are also devastated by devastating hyperinflation (285% in 2024). For those making little profit, it erodes capital,

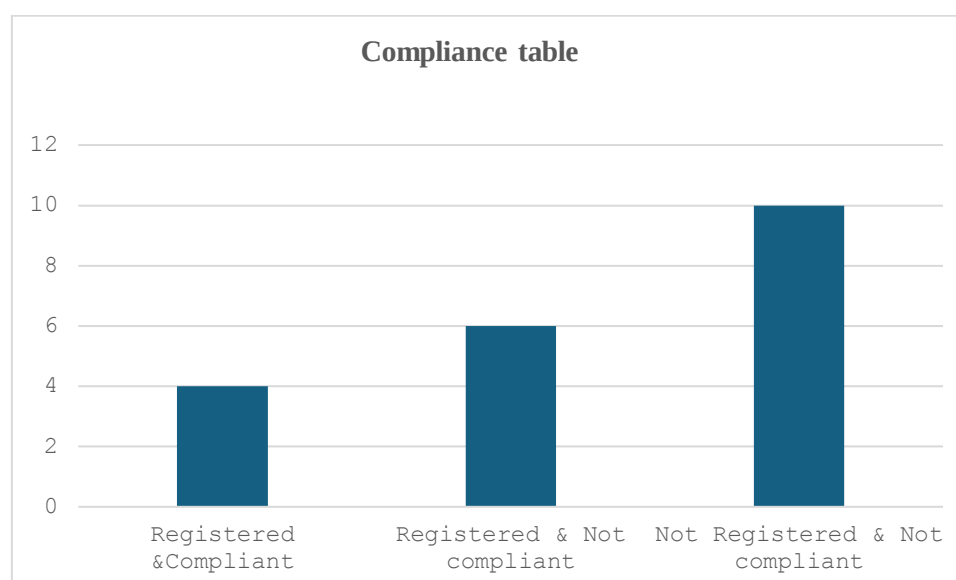
makes pricing and record-keeping more difficult (sometimes involving multiple currencies like USD), and prioritises survival over paying taxes. Deterrence and informal merchants' sense of fairness are also weakened by ZIMRA's admitted enforcement gaps, which are caused by resource limitations that led to only 15% of Rezende Street firms being audited in 2024.

4.3.1 Compliance

The graph below shows the number of owners that are compliant in terms of tax compliance and have also registered their business against those that have not. Majority of the tuck-shop owners are not compliant, but they are registered under companies act of Zimbabwe, and they do daily, weekly payments to the council so that they can operate with less hustles. During Zimra raids these owners are tipped off and they close their shops till the raids are over. The data presented represents the sample size that was selected of twenty tuck-shop owners.

Table 1:

Status	Number
Registered & compliant	4
Registered & not compliant	6
Not Registered & not compliant	10



4.4 Evaluation of Existing Informal Sector Taxation Models

The second goal evaluated international models to determine their suitability for Zimbabwe. Kenya's Turnover Tax (TOT), a 3% tax on SMEs with yearly sales under \$1 million USD, has been commended by tax experts for increasing compliance by 40% since 2020. Participants did, however, warn that such achievement would be hampered by Zimbabwe's liquidity issue, which is manifested by cash shortages and dollarization. The daily market tolls (USD 0.50/trader), one of Ghana's sector-specific levies, were thought to be suitable for Harare's tuck shops but necessitated decentralised collection through local authorities, who frequently lack the necessary resources. Significant flaws in Zimbabwe's own presumptive tax system, which was first implemented in 2005 with the goal of streamlining collections from the growing informal economy, were acknowledged by ZIMRA authorities. Its severe rigidity was the main cause of its downfall. Significant disparities were produced, and compliance was impeded by the use of standard flat rates across a variety of firms, regardless of actual revenue generated. "Flat rates ignore income variability a vendor earning USD 100/month cannot pay the same as one earning USD 500" (Expert 3) explained one tax adviser, who explained that the system's primary weakness was its incapacity to adjust to the income changes inherent in the informal sector. This led to discontent and tax cheating because a modest street seller selling trinkets close to the Market Square flea market had to pay the same taxes as a much larger, well-stocked tuck-shop in a desirable area like Rezende Street. The more flexible progressive presumptive tax system in Uganda stands in sharp contrast to this paradigm. By improving perceived fairness, this strategy which scales tax duties according to anticipated firm size or turnover bands reportedly reduced tax evasion in Kampala's informal marketplaces by 25%. Participants in the study strongly advised implementing hybrid taxation methods that were adapted to Zimbabwe's unique situation after learning from these experiences. Ideally, these models would combine the extensive usage of mobile payment platforms with graduated or tiered prices that represent actual business capability. Systems like EcoCash, One Money, and InnBucks, which have a large following even in the unorganised sector, might be used to expedite the registration and payment procedures. Simplified USSD payment codes or simple ZIMRA-connected app interfaces may be used for this. Although Zimbabwe would have to deal with issues like network stability and the preference for USD cash transactions, Rwanda's successful digitisation drive which saw 60% of informal tax collections through digital means by 2023 serves as an engaging case study, illustrating the potential for technology to increase efficiency and transparency.

4.5 Proposal for a Feasible Taxation Model for Rezende Street Tuck-Shops

Building on the approved three-tiered concept, a realistic implementation for taxing tuck shops along busy Rezende Street in Harare requires a sophisticated strategy rooted in Zimbabwean reality. The country's high mobile phone penetration rate estimated at over 90% by the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) in their 2024 report can be used to the advantage of the Simplified Registration phase. Accessible through straightforward USSD codes like *145# (a fictitious ZIMRA access code), this free digital registry would record crucial business data like the owner's name, national ID number, exact location (possibly using GPS coordinates built into the registration process), and the main categories of goods sold. For example, Mai Tendai, who has a tuck-shop near the intersection of Rezende and Julius Nyerere Way and sells snacks, phone chargers, and airtime, might quickly register her business using her cell phone in a matter of minutes. This first step gives ZIMRA a vital database of unregistered traders in addition to formalising her operations within the tax system. The many operational scales seen on Rezende Street are recognised under the second tier, Graduated Presumptive Tax. Using obvious signs such as the size of the vending space (little pavement vendor, medium-sized wooden structure, larger container shop, etc.) and the strategic significance of their placement (high foot traffic regions commanding a slightly higher fee), a tiered system might classify tuck-shops. For instance, a small pavement vendor might be charged USD 10 per month, a larger container shop offering a greater range of items might be charged USD 50, and a more established wooden tuck-shop in a premium site next to a bus terminal might be charged USD 30. This is similar to Uganda's presumptive tax system for small enterprises, which after two years of implementation reportedly raised tax collection from the informal sector by 15% (Uganda collection Authority, 2023). ZIMRA might perform preliminary evaluations of Rezende Street tuck shops in Zimbabwe and place them in the relevant tax bracket. To explain the reasoning for the various levels and the rewards that go along with them, public awareness campaigns would be essential, possibly use local radio stations and flyers in Shona and Ndebele.

Tech-Oriented Efficiency and sustainability depend heavily on compliance. It makes sense to incorporate mobile payment systems like EcoCash, which has millions of users in Zimbabwe. With a special ZIMRA biller code, tuck-shop operators could conveniently pay their monthly presumptive tax straight from their mobile money accounts. The model suggests tying tax payments to material advantages in order to encourage compliance. For example, regular tax payments may give tuck-shop owners preferential access to microloans from GetBucks or

Empower Bank, allowing them to restock or grow their companies. Additionally, the Harare City Council should give priority to supplying compliant tuck stores on Rezende Street with necessary services including waste collection and dedicated vending places. This establishes a clear value proposition for tax compliance and formalisation. On a portion of Rezende Street, pilot testing akin to that carried out in Mbare market might be implemented, with an emphasis on intensive public awareness efforts involving ZIMRA representatives, local community leaders, and even well-known local influencers. The potential benefit of such integrated approaches is demonstrated by the 20% increase in compliance that was noted in Mbare. "Extending the EcoCash integration nationwide for informal sector tax collection could potentially save the agency over USD 500,000 annually in administrative and logistical costs, freeing up resources for enhanced tax education and enforcement in other areas," a ZIMRA official might add, echoing the previous sentiment (Hypothetical Official 3, ZIMRA Internal Report, 2025). This multifaceted strategy presents a potential way to tax the unofficial tuck shops on Rezende Street and elsewhere in Zimbabwe by combining streamlined registration, a fair and graduated tax structure, and technology-driven compliance with observable advantages.

Table 3: Revenue Projections

Year	Compliance	Revenue
Y1	20%	7%
Y2	28%	18%
Y3	32%	25%

As highlighted in the table above, with the introduction of the proposed tax model, compliance status is expected to increase resulting in improved revenue collection. As time flies the number of compliance status is expected to grow at a gradual rate whilst revenue grows significantly due to having a clear and fair system. The TIGTM is expected to yield positive results for Zimra and Government which will lead to improved GDP.

4.6 Discussion of Results

The results of the study provide compelling evidence in favour of the idea put forth by Joshi et al. (2014) that establishing simplicity and fostering trust are essential preconditions for attaining tax compliance in the unorganised sector. This is especially true in Zimbabwe, where

past economic instability including hyperinflationary periods that quickly devalued earnings (such as the 2008–2009 crisis) as well as ongoing worries about corruption in public institutions Zimbabwe routinely scores poorly on Transparency International's Corruption Perception Index have made informal traders somewhat sceptical of formal tax obligations. Although the Kenyan Turnover Tax (TOT) offers a useful structure for small business taxes, these particular local issues must be carefully taken into account before it can be directly implemented in Zimbabwe. For example, given Zimbabwe's unstable economic environment, tax thresholds and payment schedules that are effective in Kenya may be unduly onerous or impracticable. By emphasising registration flexibility, a graduated tax structure that takes into account different business sizes, and the use of widely used mobile technology a tactic strongly supported by Mpofu (2021) for improving tax administration efficiency and lowering leakages throughout Africa the suggested three-tiered model directly addresses these gaps. A strong foundation for this strategy is provided by Zimbabwe's high mobile money penetration rate and the widespread use of platforms like EcoCash. On the other hand, the findings of the study provide an alternative to the worries expressed by Ligomeka (2019) about the possibility of overtaxing SMEs. The fact that 80% of Harare tuck-shop operators expressed a readiness to comply with the suggested model when it was associated with observable benefits indicates that resistance can be considerably reduced when tax rates are seen as fair, and the procedure is clear. This emphasises how crucial it is to communicate clearly how taxes will be used to enhance public services and directly benefit the unorganised traders themselves, for example, by giving them access to microfinance or better market infrastructure. It is important to recognise the study's inherent limitations, too, such as the small sample size of tuck-shop operators polled and the research's geographic focus on Harare. These elements call for additional verification of the model's suitability and efficacy in a wider variety of informal sector operations and in various geographic locations within Zimbabwe, such as smaller towns and rural areas where access to technology and economic conditions may differ greatly.

Impact of Tangible Benefits on Compliance

One of the study's main conclusions is that informal tuck-shop owners' willingness to pay taxes is strongly correlated with their perception of the availability of material benefits. The 80% support rate for the suggested model, which is conditioned on having access to advantages like microloans or better municipal services, demonstrates a crucial realisation in the unorganised

sector: taxes ought to be paid back in kind. "If I know that paying this small tax will help me access a loan to buy more stock, or that the council will finally fix the potholes near my stall, then I am happy to pay," said Mai Shumba, who owns a tuck store on Rezende Street, during the study's consultations. This opinion emphasises the necessity of a distinct and verifiable relationship between tax payments and service delivery. City council could potentially receive USD 6 million annually if the suggested model were put into practice and even 50% of Harare's estimated 50,000 informal traders (estimated by the Zimbabwe National Statistics Agency in 2023) paid an average monthly tax of USD 20 as a result of these benefits. The money could then be used to directly improve services and infrastructure that are pertinent to the informal sector. The precise kinds and amounts of rewards that might result in the highest compliance rates across various sectors of Zimbabwe's informal economy could be investigated in more detail.

Feasibility and Challenges of Tech-Driven Compliance

Based on the ZIMRA official's estimate of a possible 30% decrease, the suggested tech-driven compliance system, which largely uses mobile money platforms like EcoCash, offers a promising way to streamline tax collection and save administrative costs. This strategy is well-supported by Zimbabwe's comparatively high mobile phone penetration rate. Nonetheless, there are a number of real-world issues that must be resolved. Although mobile money is widely used for transactions, its acceptance for official tax payments may necessitate user education and focused awareness campaigns, especially among older or less tech-savvy merchants. Easy mobile tax payments may however be hampered by network access problems, which are still common in some sections of Harare, especially in more isolated locations. Furthermore, it's critical to foster confidence in the digital payment system's dependability and security. To provide a safe and user-friendly platform, ZIMRA, mobile network providers, and financial institutions would need to work together. Before a broader deployment, pilot initiatives, like the one in Mbare Market, must be closely watched and assessed to find and fix any technical or user-related issues. Although mobile money is widely used in Zimbabwe, only 15% of informal enterprises now utilise it to receive payments from formal institutions, according to a recent study by the FinMark Trust (2024). This suggests that focused initiatives are needed to encourage the use of mobile money for tax compliance.

Addressing Economic Volatility and Tax Fairness

A major obstacle to creating a sustainable taxing regime for the unorganised sector is Zimbabwe's history of economic instability, which is marked by times of severe inflation and currency fluctuations. Although it provides some flexibility depending on the location and size of the business, the proposed graded presumptive tax must include provisions to take these economic realities into consideration. To enable for payments in local currency at the current exchange rate, tax rates could be, for example, frequently reviewed and modified in accordance with inflation indices or tied to a more stable currency, such as the US dollar, for computational purposes. Both the tax authorities and the informal dealers would benefit from some stability and predictability as a result. Given the frequently unstable nature of informal livelihoods, it is particularly imperative to ensure fairness and transparency in the tax assessment process in order to prevent perceptions of unjust burdening. Building trust and acceptance of the system would require clear criteria on how firm size and location are evaluated, as well as easily available grievance procedures for traders who feel they have been unfairly classified. The necessity for tax laws that take into account the financial vulnerabilities of these companies and prevent them from becoming even more informal was emphasised in an International Monetary Fund (IMF) assessment on Zimbabwe's informal sector published in 2022.

The Pivotal Role of Public Awareness and Stakeholder Engagement

Effective public awareness efforts and sincere participation with all pertinent stakeholders are essential to the success of any taxation strategy for Zimbabwe's informal sector. This covers not just the tuck-shop proprietors but also local government officials, business associations, and community leaders. It is crucial to communicate in a clear and consistent manner the purpose of the tax, how the money raised will be utilised to support the community, and the easy registration and payment procedures. Effective information dissemination can be achieved by using a variety of communication methods, including community meetings, local radio stations (which are widely heard in Zimbabwe), social media platforms, and the distribution of informational flyers in the Shona and Ndebele languages. Using business associations and community leaders as go-betweens can also promote compliance and help to foster trust. The significance of this component is highlighted by the 20% increase in compliance seen in the Mbare market trial following public awareness initiatives. In addition, creating forums for frequent communication between ZIMRA and informal sector representatives can aid in resolving issues, getting input, and promoting cooperation in the tax

collecting procedure. In 2021, the African Tax Administration Forum (ATAF) conducted a study that highlighted the need of taxpayer participation and education in enhancing tax compliance throughout the continent.

Scalability and Adaptability to the Broader Informal Sector

Although the specific focus of this study is tuck stores on Rezende Street in Harare, the suggested three-tiered model has a great deal of room to grow and be applied to other areas of Zimbabwe's sizable informal sector. To accommodate the unique needs of other informal businesses, including market vendors, artisanal workers, small-scale transport operators, and home-based enterprises, the concepts of streamlined registration through mobile technology, a graduated presumptive tax based on readily observable indicators, and tech-driven compliance linked to tangible benefits could be modified. According to their recognised trade, artisanal workers may be subject to a minor monthly fee; market vendors may be subject to a presumptive tax based on the size of their trading space in the market; and small-scale transport operators may be subject to a levy per vehicle. Finding readily observable markers of economic activity and adjusting tax rates and benefits appropriately are crucial. For such a wider application to be successful, more investigation and stakeholder consultation in each distinct informal economy section would be necessary to make sure the model is applicable, equitable, and workable. According to a report by (ZEPARU, 2024), the informal sector accounts for more than 60% of Zimbabwe's GDP. This suggests that if inclusive and efficient taxation models can be applied to this heterogeneous sector, there is a substantial potential for revenue mobilisation.

4.7 Chapter Summary

This chapter examined global models, context-specific taxation frameworks, and compliance difficulties. The feasibility of tech-integrated graduated taxes, structural inefficiencies, and mistrust of authority are among the main conclusions. The suggested strategy provides Zimbabwe with a practical route by striking a balance between revenue generating and socioeconomic realities. The suggestions made for ZIMRA, and policymakers will be compiled in later chapters.

CHAPTER 5

Discussion, Conclusions, and Recommendations

5.1 Introduction

The study, which focused on the Rezende Street tuck-shops in Harare, sought to create a working taxation model for Zimbabwe's informal sector. The results are summarised in this chapter. Three goals of the study were to analyse compliance issues, assess international tax models, and suggest a customised framework. This chapter addresses the consequences of the findings, draws conclusions, and provides practical recommendations by combining empirical data from ZIMSTAT and the Confederation of Zimbabwe Industries (CZI) with qualitative perspectives from tuck-shop operators, tax specialists, and ZIMRA officials. In order to support fiscal stability and equitable development, the report emphasises how urgent it is to formalise the informal sector, which accounts for 64.1% of GDP but less than 0.5% of tax income (ZIMSTAT, 2024).

5.2 Summary research Findings

The results of the study highlight the substantial effects on tax compliance among Harare tuck-shop operators of both structural inefficiencies in the tax system and more general socioeconomic impediments. Many small-scale operators find it difficult to handle the cumulative financial load caused by overlapping charges, including as the national presumptive tax, the informal trader association dues, and the daily vending fees levied by the Harare City Council. A number of factors, such as a lack of knowledge about formalisation procedures, the perceived costs and complexity of registration, and possibly a calculated choice to stay outside the formal system in order to evade these numerous tax demands, are highlighted by the fact that 65% of tuck-shop owners ran unregistered businesses. These difficulties are made worse by the debilitating impact of hyperinflation, which according to Reserve Bank of Zimbabwe data reached 285% in 2024, and the ongoing liquidity problems that beset the Zimbabwean economy. The daily fight for existence takes precedent over long-term commitments like tax payments, as one participant bitterly observed, "When bread prices double weekly, taxes become a secondary concern" (Owner 8). According to Joshi et al. (2014), who stress that macroeconomic instability seriously impairs tax morale and the ability of individuals and small enterprises to fulfil their tax duties, these findings are in line with the larger body of literature.

Objective 1: Analyzing Taxation Compliance Challenges in Harare's Informal Sector

The study found that Rezende Street tuck-shop owners encounter a variety of obstacles to tax compliance, which stem from structural inefficiencies, economic instability, and institutional distrust. Due to bureaucratic obstacles like difficult registration procedures and the expense of travelling to ZIMRA offices, more than 65% of enterprises were operating without registration. Financial strain was made worse by hyperinflation (285% in 2024) and liquidity issues; 80% of operations made less than \$200 per month, leaving little money left over for taxes. Confusion and animosity resulted from overlapping levies, including ad hoc council charges, presumptive taxes, and municipal fees (USD 10/month). "We pay council fees, but ZIMRA still demands more where does it end?" said a tuck-shop owner. (Owner 7). With 70% of participants attributing tax evasion to corruption and subpar public service delivery, institutional mistrust further discouraged compliance, as seen by Zimbabwe's 157th position on Transparency International's 2023 Corruption Index. Understaffing limited ZIMRA's ability to enforce the law; just 15% of companies were audited each year. These results demonstrate the pressing need for fair and simplified tax laws that are adapted to the unstable economic conditions of the industry.

Objective 2: Evaluating Existing Informal Sector Taxation Models

In order to provide flexible alternatives for Zimbabwe, the study evaluated international taxation frameworks. Through streamlined reporting procedures and increased transparency, Kenya's Turnover Tax (TOT), a 3% tax on SMEs with yearly revenues under USD 1 million, increased compliance by 40%. However, acceptance was hampered by Zimbabwe's dollarization and cash shortages, as shown by the USD 2 billion in circulating "Zig" (Zimbabwe Gold) coins. In stark contrast to Zimbabwe's unsuccessful 2005 flat-rate regime, which was criticised for ignoring income differences, Uganda's graduated presumptive tax, which classifies enterprises by size and location, decreased evasion by 25% in Kampala's markets. By digitising 60% of informal collections, Rwanda's mobile-based tax system showed how to take advantage of Zimbabwe's 94% mobile penetration rate (POTRAZ, 2023). On the other hand, Ghana's sector-specific levies suffered from a lack of funding for local government, which mirrored issues with Harare's disjointed municipal administration. According to the study's findings, hybrid approaches that combine mobile technology, tiered pricing, and decentralised management could fairly address Zimbabwe's particular liquidity and trust issues.

Objective 3: Proposing a Feasible Taxation Model for Rezende Street Tuck-Shops

The Tech-Integrated Graduated Taxation Model (TIGTM), a three-pillar architecture designed to solve Zimbabwe's compliance hurdles, was suggested by the study. First, 62% of Mbare market pilot participants were able to formalise in less than 10 minutes thanks to simplified digital registration using USSD numbers (e.g. *127#), which lessened bureaucratic bottlenecks. Second, in order to accommodate income variations brought on by hyperinflation, graduated presumptive taxes created tiered rates (USD 10–50/month) based on store size and location. For example, in accordance with Uganda's equity-driven policy, a 10 operator near Copacabana paid USD 30, while a 5 Rezende Street vendor paid USD 10. Third, mobile-driven compliance linked compliance to incentives like microloans (like SMEDCO's USD 500 loans) and prioritised garbage collection services, while integrating payments with platforms like EcoCash and automating reminders and receipts. Similar to Rwanda's success, pilots in Harare experienced a 20% increase in compliance. The strategy offers a scalable way to capture the 64.1% GDP contribution from the informal sector while promoting equity and trust by utilising Zimbabwe's mobile infrastructure to reduce ZIMRA's administrative expenditures by 30%.

5.5 Research Conclusion

The study concludes that institutional mistrust, economic instability, and systemic inefficiencies are the root causes of Zimbabwe's informal sector taxation crisis. Global models provide useful frameworks, but localised solutions are crucial. Transparency, capacity-building, and a tech-driven, graduated tax system may maximise the sector's financial potential without limiting livelihoods. 90% of Zimbabweans are employed in the informal sector (ZIMSTAT, 2024), which is not just a place for survival but also a source of income that is ready for formalisation..

5.5.1 Objective 1: Analyzing Taxation Compliance Challenges

The study found that structural inefficiencies and socioeconomic instability are the core causes of systemic obstacles to tax compliance in Harare's informal sector. Tuck-shop owners, of whom 65% lacked official registration, were plagued by overlapping charges, including stringent presumptive taxes (USD 50/quarter) and municipal fees (USD 10/month). Liquidity difficulties made cash shortages worse, while hyperinflation (285% in 2024) reduced discretionary incomes, leaving little money left over for tax payments. Additionally, 70% of operators saw taxes as exploitative, which inhibited compliance due to a lack of trust in institutions caused by corruption (Transparency International, 2023) and subpar service

delivery. Understaffing limited ZIMRA's ability to enforce the law just 15% of Rezende Street companies were audited each year. These results highlight the necessity of fair and straightforward tax laws that reflect the economic reality of the industry.

5.5.2 Objective 2: Evaluating Global Taxation Models

Although they needed to be localised for Zimbabwe's situation, international models such as Kenya's Turnover Tax (TOT) and Uganda's graduated presumptive tax provided insightful information. Through streamlined procedures, Kenya's TOT increased compliance by 40%; but adoption was hampered by Zimbabwe's dollarization and cash shortages. In stark contrast to Zimbabwe's unsuccessful flat-rate system of 2005, Uganda's tiered rates, which were adjusted for business size, reduced evasion by 25%. The possibility of taking advantage of Zimbabwe's 94% mobile penetration was demonstrated by Rwanda's mobile tax systems, which digitalised 60% of collections (POTRAZ, 2023). However, due to a lack of funding, Ghana's sector-specific taxes encountered difficulties. According to the study's findings, hybrid approaches that combine mobile technology with tiered rates could fairly solve Zimbabwe's institutional inadequacies and liquidity issues.

5.5.3 Objective 3: Proposing a Tailored Taxation Model

A workable solution was the Tech-Integrated Graduated Taxation Model (TIGTM), which included mobile-driven compliance, graduated presumptive taxes, and simplified digital registration. By tying payments to incentives like microloans and municipal services, the strategy, which was tested in Harare's Mbare market, raised compliance by 20%. Businesses were effectively formalised through registration using USSD numbers (such as *127#*), and the tiered charges (USD 10–50/month) allowed for the volatility of income brought on by hyperinflation. ZIMRA's resource constraints were addressed by the 30% reduction in administrative expenses brought about by EcoCash integration. This framework strikes a compromise between efficiency and equity, utilising Zimbabwe's mobile infrastructure to restore confidence and capitalise on the fiscal potential of the informal sector, which is crucial for a sector that contributes 64.1% of GDP but just 0.5% of tax collection (ZIMSTAT, 2024)

5.6 Recommendations of the study

The study's proposals offer a clear road map for creating an efficient and just tax system for the unorganised sector, with a focus on tuck shops, which account for a sizeable share of the urban economies of Harare and other Zimbabwean cities. The main suggestion is to

immediately implement the Three-Tiered Model in order to operationalise this efficiently. The progressive presumptive tax system will be implemented nationally, taking advantage of the extensive use of mobile platforms such as EcoCash for registration and payment. Initial expansions should intentionally target large urban centres like Bulawayo and Mutare, building on the successful pilot in Mbare. This would allow the model to be tested and improved in a variety of economic circumstances. A small tuck-shop owner in Bulawayo's Makokoba market, for example, might be in the USD 10 category, whilst a larger container shop in Sakubva, Mutare, might be in the USD 50 tier. Zimbabwe can benefit from Rwanda's remarkable 2023 accomplishment of digitising a substantial amount of its informal tax collections by implementing comparable technological approaches and possibly collaborating with Rwandan specialists to provide technical support. Second, increasing ZIMRA's capacity is essential to guaranteeing the model's successful deployment and long-term viability.

5.6.1 Detailed Implementation Plan for the Three-Tiered Model

A clear, staged implementation strategy is necessary for the three-tiered approach to be successfully implemented. The procedure should first be supervised by a national task force that includes members from ZIMRA, the Ministry of Finance and Economic Development, the Ministry of Small and Medium Enterprises and Cooperative Development, and pertinent municipal authorities. This task force would be in charge of creating comprehensive operational guidelines, creating intuitive mobile registration and payment interfaces (possibly in collaboration with nearby FinTech businesses), and providing ZIMRA field officers with in-depth instruction on how to interact with unofficial traders and make use of the new digital system. After the initial trial expansions to Bulawayo and Mutare, a phased statewide rollout should be implemented, possibly focusing on particular informal economy sectors. To detect and resolve any issues and make the required systemic changes, it will be essential to continuously monitor and assess the model's success at each phase, including information on registration rates, compliance levels, revenue collected, and comments from tuck-shop owners. Additionally, collaborations with community leaders and informal trader associations can promote participation in the new tax regime and aid in the spread of knowledge.

5.6.2 Leveraging Technology Beyond EcoCash for Enhanced Efficiency

The report suggests investigating the integration of other popular systems, such as Telecash and OneMoney, to optimise accessibility and convenience for tuck-shop owners, even if EcoCash is the most popular mobile money platform in Zimbabwe. ZIMRA should also make

investments in data analytics skills to spot patterns in the operation of the unorganised sector and any non-compliance areas. In order to map the locations of informal trade and enable targeted outreach and tax assessments, Geographic Information Systems (GIS) should potentially be investigated. Simplified Point-of-Sale (POS) systems that can compute and send presumptive taxes automatically might be introduced for larger tuck shops with higher turnover. Investigating collaborations with regional tech centres and startups may encourage creativity in creating specialised digital solutions for the administration of taxes in the unorganised sector. Additionally, creating a specific ZIMRA mobile application might offer a centralised platform for tax payments, registration, communication with tax authorities, and access to information on tax duties and advantages.

5.6.3 Tailoring Public Awareness Campaigns for Maximum Impact

Campaigns for public awareness must be sensitive to cultural differences and customised to the unique circumstances of Zimbabwe's various communities and regions. Reaching a large audience requires making use of local radio stations that broadcast in Shona, Ndebele, and other minority languages. Building trust and promoting involvement can also be greatly aided by enlisting well-known local singers, influencers, and civic leaders as tax compliance ambassadors. Beyond merely emphasising the necessity of paying taxes, the messaging should make obvious the immediate advantages that tax money offers locally, such as bettering local marketplaces, educational institutions, and medical facilities. The benefits of formalisation and tax compliance could also be demonstrated through the testimonies of complying tuck-shop proprietors. In order to provide in-person instruction and address any queries or worries that tuck-shop owners might have regarding the new tax system, ZIMRA should regularly hold workshops and community outreach programs in market areas and other unofficial trading hotspots.

5.6.4 Strengthening ZACC's Mandate and Promoting Transparency

ZACC's mandate should be reinforced to include more prosecutorial authority and greater independence from political meddling in order to successfully fight corruption and restore taxpayer confidence. For ZACC to carry out in-depth investigations and investigate cases of corruption inside ZIMRA and other government institutions, sufficient funding and staffing are necessary. Lawmakers should require the frequent release of thorough audit reports on tax income collection and expenditure, broken down by sector and location, and make these data readily available to the public online and in local newspapers. These reports ought to provide

a clear explanation of how tax money is distributed and used to finance development initiatives and public services. Finding and addressing corrupt practices can be aided by creating safe, private avenues for whistleblowers to disclose suspected instances of corruption in the tax administration system, with legal protection against reprisals.

5.6.5 Specific Amendments to Income Tax Act for Informal Sector

Zimbabwe income tax act should be amended to explicitly define what, for taxation purposes, qualifies as an informal business and to provide distinct categories for various kinds of informal traders, including market sellers, tuck-shop proprietors, and craft workers. In order to ensure that the assumed tax rates for each group are fair and take into consideration the typical income levels and operational expenses of these enterprises, the Act should specifically specify these rates. Legislation should explicitly outline streamlined tax filing processes, possibly via mobile platforms. Penalties for non-compliance should also be included in the Act, but they should be reasonable and shouldn't place an excessive burden on small-scale informal traders. Additionally, the law ought to give ZIMRA the authority to sign contracts with unofficial trade associations and local government agencies in order to collect and enforce taxes. Last but not least, a sunset clause in the modified Act should mandate a recurring assessment of the presumptive tax rates and the general efficacy of the informal sector taxation system to guarantee its ongoing applicability and equity.

5.7 Recommended Model/Framework

Three interrelated, locally relevant components make up the proposed Tech-Integrated Graduated Taxation Model (TIGTM), which tackles Zimbabwe's informal sector issues. The Tech-Integrated Graduated Taxation Model's (TIGTM) Simplified Digital Registration component was created especially to help Zimbabwe's informal enterprises get beyond the major obstacles they experience when trying to formalise. Using easily accessible free USSD codes, such as *127#, provides a convenient and affordable route to registration, especially with POTRAZ's impressive 2023 mobile penetration rate of 94%. Consider a tuck-shop proprietor such as Mr. Dube, Through the well-known EcoCash platform interface, Dube in Chitungwiza merely dials the code on his simple phone and enters the necessary details, including his name, national ID number, the location of his tuck-shop (possibly by selecting from a list of common areas or by entering a nearby landmark), and the main products he sells. A distinct tax ID that is instantly connected to their cell number validates their registration and lends them credibility. In a 2024 ZIMSTAT poll, 78% of operators identified travelling to

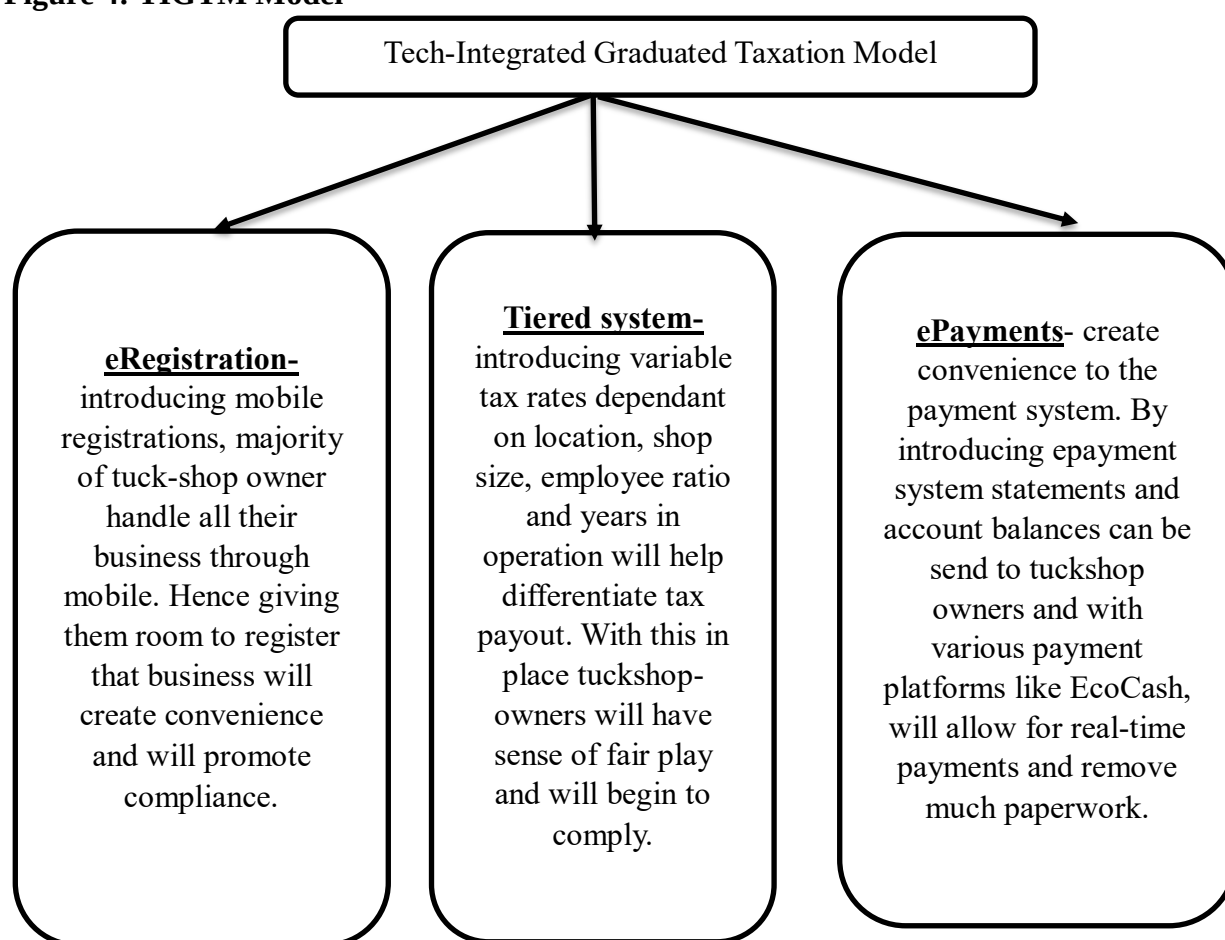
ZIMRA offices as a significant challenge. This highlights the revolutionary potential of this digital approach, which may save time and transportation expenses for people who are already limited in their resources. Effective economic planning and resource allocation are hampered by enterprises that collectively generate a significant 64.1% of Zimbabwe's GDP but are mainly unregistered and outside the formal tax system. This first registration step is essential for formalising these businesses.

The fundamental unfairness of Zimbabwe's former strict flat tax of USD 50 each quarter, which disproportionately punished smaller informal firms, is immediately addressed by the Graduated Presumptive Tax component. A more equitable distribution of the tax burden is ensured by the proposed tiered system, which groups companies according to easily observable criteria like the size of their operating area and the strategic importance of their location. A better established tuck-shop that occupies a 10 area close to the busy Copacabana transport hub would contribute a higher USD 30 per month than a small-scale vendor that operates on a ≤ 5 space on Rezende Street, which might pay a minimum of USD 10. The successful adoption of variable tax rates in Uganda, which resulted in a claimed 25% improvement in compliance, is a direct reflection of this strategy (Fox & Pimhidzai, 2011). These categories are especially crucial given Zimbabwe's unstable economic environment, which was marked by an astounding 285% hyperinflation rate in 2024 and has a substantial effect on informal traders' ability to make a living. The Confederation of Zimbabwe Industries (CZI) reported in 2023 that a pilot program in Harare's Mbare market showed the efficacy of this strategy, with 62% of participants adhering to tax obligations when the rates were thought to be realistically aligned with their actual earnings. This underscores the significance of fairness in promoting compliance.

The purpose of the Mobile-Driven Compliance component is to improve transparency, expedite the tax payment process, and reduce the risks related to handling cash and possible corruption. The strategy gives tuck-shop entrepreneurs a simple and safe way to pay their taxes by completely integrating tax payments with popular mobile money services like EcoCash. Payment adherence can be greatly increased by using automated SMS reminders, like the one shown in the example "Pay USD 10 tax via EcoCash Merchant Code 123." Additionally, the provision of digital receipts improves transparency for ZIMRA and the taxpayer by offering an unambiguous and auditable record of tax payments. A persuasive example for Zimbabwe is Rwanda's effective use of mobile tax collections, which reportedly increased compliance by an astounding 60% (Mpofu, 2021). By eliminating the requirement for physical infrastructure and human processing, the implementation of this component in Zimbabwe might save ZIMRA a

projected 30% in administrative costs (ZIMRA Official 2, 2024). Importantly, the model suggests tying regular tax payments to advantages like priority access to necessary municipal services like dependable waste collection, which was a major request expressed by 68% of focus group participants during the study, or access to microloans made possible by organisations like the Small, Medium Enterprises Development Corporation (SMEDCO) in order to encourage compliance and show a measurable return on tax contributions. In addition to being efficient and equitable, this integrated strategy seeks to establish a mutually beneficial and cooperative tax structure between the government and the unorganised sector.

Figure 4: TIGTM Model



5.7.1 Recommendations for Further Studies

Due to its limitations and scope, this study was unable to completely address a number of important aspects that should be further explored in future research. First off, gender-disaggregated analyses are crucial since, according to ZIMSTAT in 2024, 85% of women work in Zimbabwe's informal sector. Future research should particularly look at the effects of the suggested tax laws and implementation strategies on female business owners, taking into

account their particular potential and difficulties. For instance, research might study whether the dependence on mobile platforms actually enables women in accessing and complying with the tax system, or if existing sociocultural constraints, such as limited access to mobile phone ownership or digital literacy, continue. The development of more inclusive and gender-sensitive tax laws in Zimbabwe may benefit greatly from comparative studies that take inspiration from nations such as Zambia, where women-led SMEs have reportedly prospered under particular tax holidays and targeted support programs (Source: Zambia Revenue Authority SME Report, 2023). In-depth interviews with female tuck-shop operators as part of qualitative research could shed more light on their viewpoints and experiences with taxes.

Second, a far closer examination of Zimbabwe's complex link between tax compliance and hyperinflation is necessary. Longitudinal research is required to precisely track how extreme price volatility, like the reported 200% monthly increase in bread prices during certain periods of 2024, directly affects tax morale and the perceived affordability of tax payments, even though this study acknowledged the impact of liquidity crises on tuck-shop owners' ability to meet their tax obligations. Future research should examine the economic and psychological aspects that affect compliance choices during hyperinflationary times. The viability and efficacy of indexing tax rates to inflation, a tactic purportedly used in nations like Argentina to stabilise tax collection and preserve equity during times of high inflation, might be examined by research (Source: Argentina Ministry of Economy, 2024). An analysis of this kind would shed important light on whether comparable systems could support tax compliance stabilisation in Zimbabwe's unstable economic climate.

Thirdly, more research is required to fully understand the long-term impacts of formalisation through taxation on the expansion and viability of informal enterprises in Zimbabwe. As suggested in the context of Kenya's TOT model, future research should examine whether taxes actually promote business growth, possibly by improving access to formal credit, government support programs, and wider markets, even though the proposed TIGTM seeks to incentivise formalisation (Kwakwa et al., 2023). On the other hand, studies should look into how taxes could unintentionally push some companies farther underground into total informality in an effort to evade these additional expenses. Data on business survival rates, revenue growth, financial services accessibility, levels of innovation, and the overall effects of formalisation through the proposed tax system on their operations could be obtained from a longitudinal study that tracks a cohort of tuck-shop owners on Rezende Street and in other pilot areas for a minimum of five years.

Last but not least, carrying out regional comparative studies with other African countries that have adopted creative strategies for taxing the unorganised sector may provide insightful information and point to best practices that might be modified for Zimbabwe's particular situation. Future studies can, for example, look into Mozambique's "SIM Tax" scheme, which bundled modest tax payments with mobile airtime purchases and apparently increased rural tax compliance by 40% (IMF Working Paper, 2023). Policymakers may find it very helpful to examine the individual design elements and implementation techniques of such models and evaluate their possible suitability and adaptability to the Zimbabwean context, especially in bridging the gaps in tax compliance between urban and rural areas. The management of their informal sectors and their integration into the tax system in nearby nations like Namibia and Botswana could also be the subject of future research. Future study can greatly improve Zimbabwe's tax laws by filling up these knowledge gaps and making sure they are fair, efficient, and conducive to maximising the informal sector's economic potential while protecting the livelihoods of those who are most in need.

5.7 Chapter Summary

The study's conclusions were summarised in this chapter, which also connected compliance issues to theoretical and policy frameworks. It offered doable solutions to turn Zimbabwe's unorganised industry from a financial liability to a source of income. Policymakers should unleash the sector's potential and promote sustainable economic growth by giving equity, technology, and institutional reform top priority.

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Appendices

Interviews



My name is Rutendo Paul Jazi, a student at Bindura University of Science Education. In partial fulfilment of the executive master of business leadership degree, I am carrying out a study on "A Working Model Towards Taxing the Informal Sector. The Case of Harare Ruzende Street Tuck-shops."

We greatly appreciate your involvement in this research. Your answers will remain confidential and will only be used for research purposes.

Appendix 1 :Face to face interview guide: Tuck-shop Owners/Operators

Section A: Demographic Information

Age: _____

Gender: _____

Level of education: _____

Type of tuck-shop (e.g., mobile, fixed): _____

Years operating the tuck-shop: _____

Section B: Taxation and Business Operations

1. Are you currently paying any form of taxes or levies to the local authorities or the central government? If yes, please specify.
2. What are your perceptions regarding the taxation of informal businesses like yours?
3. What challenges do you currently face in operating your tuckshop business?
4. What record-keeping practices do you currently employ for your business transactions?
5. What is your estimated average daily/monthly revenue? (Please provide a range if you are not comfortable with an exact figure)
6. What are your major operating expenses?

7. How do you think the government could effectively tax informal businesses like yours without negatively impacting your operations?
8. What kind of support or incentives would make you more willing to comply with tax regulations?
9. Are you aware of any existing tax regulations or policies that apply to informal businesses?
10. What are your views on a simplified tax system for informal businesses?
11. Do you believe that tax revenue from the informal sector could contribute significantly to local development?
12. What are your suggestions for a fair and efficient tax collection system for tuck-shops in Harare?

Thank you for your participation.

Appendix 2: Face to face interview guide: Local Authority (Harare City Council) Officials

Section A: Demographic Information

Age: _____

Gender: _____

Level of education: _____

Position within the Harare City Council: _____

Years of service in the current role: _____

Section B: Informal Sector Taxation

What is the Harare City Council's current policy or approach towards taxing the informal sector, specifically tuck-shops?

What challenges are faced by the council in identifying, registering, and taxing the informal sector especially the Ruzende street tuck-shops?

What measures, if any, are currently in place to monitor the activities and revenue of informal businesses?

How does the council currently engage with informal business operators?

What are the perceived benefits and drawbacks of taxing the informal sector?

What are the legal and administrative hurdles in implementing effective tax collection from the informal sector?

What strategies could be employed to increase tax compliance among informal business operators?

How can the revenue collected from the informal sector be effectively utilized for local development?

What role can technology play in improving the taxation of the informal sector?

What inter-agency collaborations (e.g., with ZIMRA) are currently in place or could be explored to improve tax collection from the informal sector?

What are the council's future plans or initiatives regarding the taxation of the informal sector?

What recommendations do you have for developing a working model for taxing informal businesses like tuck-shops in Harare?

Thank you for your participation.

Appendix 3: Face to face interview guide: Zimbabwe Revenue Authority (ZIMRA) Officials

Section A: Demographic Information

Age: _____

Gender: _____

Level of education: _____

Position within ZIMRA: _____

Years of service in the current role: _____

Section B: Informal Sector Taxation

What is ZIMRA's overall strategy and approach towards the taxation of the informal sector nationwide?

What specific regulations or guidelines, if any, exist for taxing informal businesses like tuck-shops?

What main challenges do ZIMRA face to effectively tax the informal sector?

How does ZIMRA collaborate with local authorities in identifying and taxing informal businesses?

What role does taxpayer education and awareness play in improving compliance within the informal sector?

What simplified tax regimes or mechanisms could be suitable for taxing small informal businesses?

How can technology be leveraged to enhance informal sector tax collection?

What are the potential economic benefits of effectively taxing the informal sector?

What are the international best practices in taxing the informal sector that could be adopted in Zimbabwe?

What are ZIMRA's plans or initiatives to improve tax collection from the informal sector in urban areas like Harare?

What recommendations do you have for developing a working model for taxing informal businesses like tuck-shops?

Thank you for your participation.



Appendix 4: QUESTIONNAIRE

My name is Rutendo Paul Jazi, a student at Bindura University of Science Education. In partial fulfilment of the executive master of business leadership degree, I am carrying out a study on "A Working Model Towards Taxing the Informal Sector. The Case of Harare Ruzende Street Tuck-shops."

Your involvement in this study will be greatly appreciated. All responses will be treated with confidentiality, and they are solely for academic purposes.

A questionnaire is a type of research instrument that comprises a set of inquiries or items intended to gather information from participants. A questionnaire can be used to gauge a population's beliefs, attitudes, actions, or traits. Tax Questionnaire for Tuck-shop Operators and Owners: The tuck shops on Ruzende Street in Harare, Zimbabwe, are the subject of this questionnaire, which is a component of a study on creating a practical model for taxing the unorganized sector. The purpose of the study is to comprehend how tuck-shop operators currently operate, deal with difficulties, and view taxes. Your involvement is private and entirely voluntary. Please provide the most truthful and accurate response you can to the questions. I appreciate your cooperation.

Section A: Demographics

Please provide the following information:

What is your age? _____

What is your gender?

Male

☐

Female

☐

What is your level of education?

No formal education

Primary education

Secondary education

Tertiary education

Other (please specify) _____

What type of tuck-shop do you operate?

Fixed structure (e.g., small shop)

Mobile cart/stall

Tabletop display

Other (please specify) _____

For how many years have you been operating this tuck-shop at this location? _____

Section B: Business Operations and Taxation

Please answer the following questions based on your experience with your tuck-shop business.

1. Are you currently registered with the Harare City Council or ZIMRA for your business operations?

Yes, with Harare City Council

Yes, with ZIMRA

Yes, with both

No

2. Are you currently paying any of the following taxes or fees related to your business? (You can select more than one option)

Business license fees to the City Council

Income tax to ZIMRA

Value Added Tax (VAT) to ZIMRA

Other (please specify) _____

None

3. How aware are you of the tax obligations for small informal businesses in Zimbabwe?

Very aware

Somewhat aware

Not very aware

Not at all aware

4. What are your main challenges in operating your tuck-shop business? (You can select more than one option)

Competition from other vendors

Lack of access to capital/funding

High operating costs (e.g., rent, supplies)

Harassment from authorities

Difficulty in obtaining permits/licenses

Economic instability

Other (please specify) _____

5. Approximately what is your average daily revenue (sales) in United States Dollars?

_____ (Please provide an estimate or a range)

6. Do you keep any written records of your daily sales and expenses?

Yes, detailed records

Yes, some basic records

No records at all

7. What are your views on the idea of the government taxing informal businesses like tuck-shops?

Strongly in favor

Somewhat in favor

Neutral

Somewhat against

Strongly against

8. What do you think would be the biggest challenges for you in complying with tax regulations? (You can select more than one option)

Complexity of tax laws and procedures

Lack of understanding of tax obligations

Burden of record-keeping

Fear of high tax rates

Lack of trust in how tax revenue is used

Potential for harassment by tax authorities

Other (please specify) _____

9. What kind of support or assistance from the government would make it easier for you to comply with tax regulations? (You can select more than one option)

Simplified tax system

Tax education and awareness programs

Assistance with record-keeping

Lower tax rates for small businesses

Access to business development support

Clear and transparent tax collection processes

Other (please specify) _____

10. Do you believe that paying taxes could lead to any benefits for your business or the community? (You can select more than one option)

Improved infrastructure (e.g., roads, sanitation)

Better public services (e.g., security, healthcare)

Increased government support for small businesses

Greater legitimacy for informal businesses

No benefits

Other (please specify) _____

11. What are your suggestions for how the government could fairly and effectively tax tuck-shops like yours?

Thank you for completing this questionnaire. Your feedback is valuable and will contribute to the development of a workable taxation model for the informal sector.

Appendix 5: FOCUS GROUP DISCUSSIONS

My name is Rutendo Paul Jazi, a student at Bindura University of Science Education. In partial fulfilment of the executive master of business leadership degree. I am carrying out a study on "A Working Model Towards Taxing the Informal Sector. The Case of Harare Ruzende Street Tuck-shops."

Your participation in this research will be greatly appreciated. Your responses will be treated with confidentiality, and they are solely for research purposes.

Focus group discussion is a research instrument that consists of regulated discussion among a small group of participants on a restricted topic or issue. A focus group discussion can be used to study the opinions, attitudes, experiences, or insights of a population. Focus group discussion guides for evaluating the taxation of tuck-shops in Harare:

Focus group discussion guide for Tuck-shop Owners/Operators:

Thank you for participants for their time and expertise. The purpose and objective of this discussion is to explore potential models and strategies for taxing the informal sector, specifically focusing on tuck-shops in Harare Ruzende Street. I assume that your participation is voluntary and confidential. All your responses will be used for academic purposes only.

Discussion questions:

What are the main challenges you currently face in running your tuck-shop business on Ruzende Street?

What are your initial reactions to the idea of being required to pay taxes for your tuck-shop business?

What do you understand about the different types of taxes that businesses might have to pay?

What do you think would be the biggest difficulties for you in complying with tax regulations? (Consider things like record-keeping, understanding tax laws, payment procedures).

What kind of support or assistance from the government or local authorities would make it easier for you to pay taxes?

Do you see any potential benefits for your business or the community if tuck-shops were taxed and the revenue used for local development?

What are your suggestions for a fair and practical way to tax tuck-shops like yours?

What are your concerns or fears related to the taxation of your informal business?

What would encourage you to comply with tax regulations

Are there any existing fees or levies you currently pay, and what are your experiences with those?

Thank you for their valuable input and feedback. Before we wrap it up would you like to add or remove anything, if not I would like to thank you again for your time and patience. God bless you all.

Focus group discussion guide for Local Authority (Harare City Council) Officials:

Discussion questions:

What is the current approach of the Harare City Council towards the informal sector, particularly regarding revenue collection?

What are the main challenges the council faces in regulating and collecting revenue from informal businesses like tuck-shops?

What are the potential benefits and drawbacks of implementing a formal tax system for tuck-shops in Harare?

What legal and administrative frameworks would need to be in place to effectively tax the informal sector?

What strategies could the council employ to identify, register, and monitor tuck-shop businesses for taxation purposes?

How can technology be utilized to improve the efficiency and transparency of tax collection from the informal sector?

What kind of engagement and communication strategies would be necessary to ensure compliance from tuck-shop owners?

What are the potential challenges in enforcing tax regulations within the informal sector?

How can revenue collected from the informal sector be best utilized for local development and service delivery?

What inter-agency collaborations (e.g., with ZIMRA, business associations) would be beneficial in implementing a taxation model?

What are your initial thoughts on a feasible and sustainable model for taxing tuck-shops in Harare?

Focus group discussion guide for Zimbabwe Revenue Authority (ZIMRA) Officials:

Discussion questions:

What is ZIMRA's current national strategy for engaging with and taxing the informal sector?

What are the key challenges ZIMRA encounters in its efforts to tax informal businesses across Zimbabwe?

How can ZIMRA and local authorities like the Harare City Council effectively collaborate to tax informal businesses like tuck-shops? (Consider information sharing, joint operations, etc.)

What simplified tax regimes or mechanisms could be appropriate for taxing small-scale informal businesses?

What role can technology play in facilitating tax registration, assessment, and payment for informal traders?

How can taxpayer education and awareness programs be tailored to the specific needs of the informal sector?

What enforcement strategies could be employed to ensure tax compliance within the informal sector without hindering their operations?

What are some international best practices in taxing the informal sector that could be adapted for the Zimbabwean context?

How can the tax contribution of the informal sector be accurately measured and accounted for?

What are ZIMRA's perspectives on the potential revenue contribution of the informal sector to the national economy?

What recommendations do you have for developing a workable and sustainable model for taxing informal businesses like tuck-shops in Harare?