CHALLENGES FACING TAXPAYERS IN ADOPTING THE USE OF ELECTRONIC FISCAL DEVICES (EFDS) IN TANZANIA: THE CASE OF ILALA TAX REGION

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements for award of the Degree of Masters of Business Administration-Corporate Management of Mzumbe University

2014
CERTIFICATION
We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled Assessing challenges facing taxpayers in adopting the use of Electronic Fiscal Devices (EFDs) in Tanzania: The Case of Ilala tax region, in partial/fulfillment of the requirements for the award of degree of Master of business administration-corporate management of Mzumbe university.

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ACKNOWLEDGEMENT

I would like to acknowledge the assistance I received from different people in producing this work and during my studies. I am greatly indebted to Prof. Jeremiah N. Kirway and Mrs. Catherine Nkelebe (assistant Regional Manager-Ilala Tax Region) for their guidance. I am also thankful to all the staff of the TRA Ilala Tax Region.

In a very special way, I am highly grateful to my lovely and adorable father and Mother who were always there to support me during my field.

I am also grateful to Jacob John and Maternus Mallya who supported me in one way or another for all the time of my study in Dar es Salaam. May God bless them abundantly, without forgetting my friends Shaban Mwenda, Frank Mtegwa, Govert Ndukeki, and Agnes Luambano (Mrs.)

Over and above all, I thank God almighty, whose grace and abundant blessings upheld me through high and low periods during my study.
DEDICATION

This work is dedicated to the memory of my lovely and adorable grandfathers, May his soul Rest in Perfect Peace. I would like also to dedicate this work to all taxpayers, tax consultants, TRA officials and general public at large that remains loyal to the government.
LIST OF ABBREVIATION AND ACRONYMS

ECRs- Electronic Cash Registers
EFDs- Electronic Fiscal Devices
ETRs- Electronic Tax Registers
FCR- Fiscal Cash Registers
FY- Financial Year
KRA- Kenya Revenue Authority
MOU- Memorandum of Understanding
NAO- National Audit office
TIC- Tanzania Investment Centre
TIN- Taxpayer Identification Number
TRA- Tanzania Revenue Authority
VAT- Value Added Tax
ZIMRA- Zimbabwe Revenue Authority
ABSTRACT

The study on the challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs) in Tanzania was conducted in Dar es Salaam using Ilala tax region as a case study. The specific objectives of the study were to determine why taxpayers resist using EFDs, explore whether taxpayers have knowledge of EFDs and establish whether all eligible taxpayers were asked to buy the device. It also examine whether taxpayers appreciate paying taxes for the development of the country, identify factors inhibiting utilization of EFDs and to find out why some customers do not demand receipt for the purchased goods and/or services rendered.

The study included a sample of 51 respondents out of them 02 were managers, 09 Head (In charge) of the Section/Unit, 20 were Tax Collectors and Tax consultants (Auditors), while the remaining 20 were willing taxpayers and stakeholders from different entities and sole proprietor who were purposively and randomly sampled accordingly. Information collected from the study revealed that majority of taxpayers have a business experience of at least 10 years and nearly all of taxpayers resist using EFDs because of the challenges imposed by the devices which includes negative altitude of taxpayers towards EFDs, EFDs knowledge is not well known, low quality of EFDs and substandard receipts, time consuming using EFDs, are expensive, does not store power as purported to be, people are not comfortable with EFDs and power sage and power cut, are not relevant to our business environment, taxpayer’s fear that EFDs will disclose their sales turnover to TRA, connection to TRA Servers is not stable all the times and complaints on some fixed fees (e.g. Tshs. 60,000/=) charged by Suppliers of EFDs to their clients whenever there is breakdown.

The study concludes that despite those challenges taxpayers are willing to accept using EFDs while their challenges are being addressed and hence appreciating paying tax for national development though are not satisfied with government expenditure. The study recommends that EFDs are designed to address the need of taxpayers, in term of being
suitable for the business model and functionality to secure tax information for audit purposes therefore If TRA succeeds in solving all these problems, EFDs could help it avoid missing its revenue collection targets. According to estimates the devices could help the revenue body realize up to 50 per cent increase in collections if all the VAT (Value Added Tax) registered and non VAT businesses are connected to the devices.
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CHAPTER ONE
INTRODUCTION

1.1 Background Information
This chapter explains the background of the problem, statement of the problem, objectives of the study, scope, research questions and significance of the study.

According to Kabigi (2012), tax avoidance and tax evasion undermine the ability of Government to raise revenue in an equitable and efficient manner. Non-compliance is likely to reduce both the efficiency and equity of an economic system, and will have effects beyond the simple act of non-compliance (Mboma, 2010). An effective and efficient tax system makes a crucial contribution to national economic well-being. To ensure the integrity of the tax system, it is important to identify and close dodges offering opportunities for tax avoidance and tax evasion, and to maintain vigorous enforcement. Therefore, the Tanzania Revenue Authority (TRA) has embarked on a comprehensive strategy aimed to control tax evaders registered under the value added tax (VAT). The strategy adopted including by applying the Electronic Fiscal Devices Regulation (EFDS) that ensured all traders registered under VAT are prohibited from conducting business without EFDS machines.

Introduction of EFDS in May 2010 is based on the Value Added Tax (EFDS) Regulation 2010 that was made under Sections 30 and 69 of the same Act. The intention is to replace the earlier Electronic Cash Registers (ECRs) that had so many shortcomings that rendered them inefficient in tax collection. The EFDS Regulation requires all VAT registered traders to acquire and put in use EFDS i.e. Issue Tax Invoices/receipts (Fiscalized Invoice) by using EFDS machine upon making supplies. The main reason for introduction of EFDS in Tanzania was to fighting tax evasion, filing of wrong tax returns and claiming of undeserved tax refunds. As much as it was initially looked from such a perspective, a clear exploration has to be made to establish on the challenges and impacts of applicability of Electronic Fiscal Device on revenue collections (Mboma, 2010). The importance’s of
Electronic Fiscal Device are include; saves time initially wasted in perusing of records for businessmen, reduction in tax preparation costs for example those paid to tax agencies. Reduction in labor costs for example overtime cost. Good record keeping increases profits, increases efficiency in businesses and reduces costs of tax refund claims. Moreover, the EFDs machines aims at allowing the taxpayer to get correct sales information from business people; reduce tax collection costs and helping businessmen to comply with the Value Added Tax (VAT) regulations. The system allows business records, recorded by business operators to be preserved properly (Tanzania Revenue Authority, Annual report 2010). Businessmen records also monitored directly from the Tanzania Revenue Authority headquarters; a step that eliminates the need for issuance of untrue receipts to customers. Tampering with or sabotaging the device is punishable by law. A special signal notifying such cases at the TRA headquarters is recorded and the perpetrator is fined with fines ranging from Tshs. one (1) million to eight (8) million per each receipt ignored to be issued.

Study has shown that EFDs in Kenya is effective as they provided grace period by introducing EFDs to supermarkets stakeholders, most of weaknesses identified with regard to EFDs were settled and then EFDs was extended to all other VAT taxpayers (Kenya Revenue Authority, Annual Report, 2011). Zimbabwe’s Ministry of Finance and the Zimbabwe Revenue Authority (ZIMRA) launched fiscalised electronic registers and fiscal memory devices. The devices are a new legal requirement for all businesses with an annual turnover threshold of $240,000 (Zimbabwe Revenue Authority, 2010). This information indicates that utilization of EFDs facilitates revenue collection despite of the challenges facing implementation of the system. Introduction of any new system is not smooth process because the adoption of the new system depends on the user’s perception. The implementation of EFDS is not smooth despite of its importance due to failure in sending reports to TRA within the prescribed period like submission of a summary of daily sales report. This is likely to create inconveniences to both TRA and the taxpayers as TRA may regard this as an offence committed by the latter. However, Taxpayers
compliance on EFDs is burden and yet to materialize explicitly. However, to my best of knowledge and understanding, before this study, none have been done to look at challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs) in Tanzania; the case of Ilala tax region. According to Belkaoui, 2004; Das-Gupta, 2006 and Richardson 2006, they both had concentrated much of their work on tax systems, tax evasion, taxes and interest rates likewise many researchers do the same.

The effectiveness or otherwise the use of Electronic Fiscal Devices (EFDs) as legal tools for enhanced tax collection is a critical business environment issue that the government, private sector and the development partners should not continue to ignore (East Africa report, 2012). According to the preliminary findings of a study conducted in Morogoro, Iringa, Mwanza and Dar es Salaam, the use of the devices among VAT registered businesses poses numerous challenges that need to be addressed urgently. Otherwise, the study warns, businesses would continue to suffer and adversely affect the national economy. A lot has been done on exploring challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs) in Tanzania; the case of Ilala tax region. This study aimed to fill gaps.

1.2 Statement of the Problem
Despite of the importance of Electronic Fiscal Devices (EFDs) on revenue collections and recording correct sales data from businessmen, there are different from expectations, the performance of the tax compliance on EFDs is problematic. Incidences that occurred at the ending of year 2013 and beginning of year 2014, including business activities which were brought to a standstill at Kariakoo in Dar es Salaam, Morogoro municipality, Mwanza and the like after majority of eligible taxpayers closed their shops protesting against the use of (EFDs). They argued that the gadgets are expensive and not convenient due to unreliable power. However, the reason given for non-use of the device is inconsistent power supply which most likely is not a true reason. Therefore there was a justification for conducting a study in this area as the government is quite aware of the problem of unreliable power supply, but it is ready to solve it while also the price of the device has been countdown from
2million to at least Tshs.600, 000/= yet taxpayers decided to mobilise themselves thinking that the government may succumb to their argument. Going by observations of transactions at City centre and Kariakoo area, it observed that law is either unknown or deliberately ignored. This is because traders are selling their goods without providing receipts using EFDs. A quick survey around the shops reveals a gross business irregularity. The shops do not use devices as required by the law.

On the other, hand, few of the shops furnished with the devices, the shopkeepers issue hand written receipts to customers in case they demand them. Not only that many traders especially in City centre and Kariakoo areas deliberately avoid using the devices. However, the taxpayers have not yet embraced the TRA campaign on issuance of receipts to customers, enabling traders to manipulate transactions in a bid to cheat on their taxation records. Continued avoidance of the utilization of EFDs by taxpayers may lead to reduce tax collection which eventually affects Government revenue. Therefore, the main reasons making taxpayer to resist the device is not well established. The study thus intended to assess challenges facing taxpayers in adopting the use of EFDs; the case of Ilala tax region”

1.3 Objectives of the Study

1.3.1 General objective

The main objective of this study was to explore the challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs); the case of Ilala tax region

1.3.2 Specific objectives

Specifically, the study ensures the following objectives are accomplished;-

i. To determine why traders resist using EFDs

ii. To explore whether taxpayers and general public have knowledge of EFDs

iii. To establish whether all eligible traders were asked to buy the device

iv. To identify factors inhibiting utilization of EFDs

v. To find out why some customers do not demand receipt for the purchased goods and/or services rendered
vi. To examine whether taxpayers appreciate paying taxes for the development of the country

1.4 Research Questions
The specific objectives were guided by the following research questions;
   i. Why do traders resist using EFDs?
   ii. Do taxpayers and general public have understanding on EFDs?
   iii. Were all eligible traders asked to buy the device?
   iv. What are the factors preventing utilization of EFDs?
   v. Why some customers do not demand receipt for the purchased goods and/or services rendered?
   vi. Did taxpayers appreciate paying taxes for the development of the country?
   vii. What encounters do traders face in using EFDs?
   viii. What are the outcomes of utilization of EFDs on revenue collections?

1.5 Significance of the Study
Generally, the significance of any study work is either for acquisition and addition of new knowledge or problem solving. This study has the following significances:

To the academicians and/or students, the study produces information which can be used as a reference material and serve as provoking resource that can inspire other researchers’ and readers’ curiosity to continue with further studies in the similar area related to Electronic Fiscal Devices (EFDs). To the policy makers, to contribute the useful information for policy and decision makers in their efforts to improve electronic Fiscal Devices use in Tanzania i.e. modernizing their standards so that they could be exercised for the benefit of the entire nation aiming to avoid dispute that may lead to inefficient use of EFDs. For the strategic developers, the finding of this study contributes to the implementation of policies and structures that facilitating the utilization of electronic Fiscal Devices. Owing to the economic role of electronic Fiscal Devices use, the study finding is expected to contribute in adding knowledge regarding electronic fiscal devices. It is therefore expected to help both the TRA and taxpayers. The study also comes up with
recommendations for decision and policy makers on how to solve the identified problems on administration of EFDs usage in Tanzania.

1.6 Scope of the study
The researcher covered Ilala Tax region as one of the tax region administering EFDs in Tanzania. The study was conducted at three tax service centres’ within Ilala tax region i.e. Upanga tax service centre (centre that serve taxpayers operating their businesses in postal area, Kitumbini and Upanga surroundings), Kariakoo tax service centre (centre that serve taxpayers operate their businesses in Kariakoo area and Mnazimmoja area) and Buguruni tax service centre (centre that serve taxpayers operating their businesses in Buguruni neighborhood, along Nyerere road to Gongolamboto area and Tabata locale). These tax service centers were useful due to the fact that they are direct involving in making sure that taxpayers acquired and using EFDs. Yet conducting study on these service centers help the researcher to reduce biasness in doing research and come up with fair conclusion.

1.7 Limitations of the study
The following were the limitations encountered when conducting this study:-

The study relied on secondary data as well for information, the presence of faulty data definitely posed problem to the study. It also required the effective co-operation and the involvement of all the respondents in the study population and any attempt made to shelve information created problem for effective recommendations as a result of faulty finding. Time constraints whereby during the research and how the activities were scheduled the time were not enough to collect data from different sources that made the report to be of one Agency hence a challenge arise for concluding to other Agencies on their performance. Sample unit that were used during the study was small compare with the industry itself. When the sample is small the conclusion drawn does not fully present the whole population, hence the larger the sample the more appropriate conclusion.
During the study the researcher faced many challenges, some of the draw backs were internal oriented or direct associated with researcher and others from the external
environment and that for some extent were hard to solve immediately. The following are some of the external and internal drawbacks that the researcher faced during his study.

i. Political pressure was highly influenced during the period of research, this was discovered by the researcher as when he asked some of the questions the reply was political oriented as the argued that this is the Government Agency and some of the information is totally strictly confidential and not easy to be disclose to any one unless the headquarters authorize the reveal of the needed information.

ii. TRA uses the system that is more of security in keeping the information and data. It is not easy to get taxpayers files on papers especial in the important information like if they use EFDs, Number of taxpayers acquired and using EFDs, number of EFDs taxpayers and their trends of payments before and after EFD acquisition and usage. It was not easy for the researcher to trace out the data because the information is secure in the EFD management system and ITAX operation system thus needs access.

iii. Some of the responses were not goods to the extent that were expected by the researcher. This happened during the questionnaires distribution and personal interviewing. Some of the respondents claiming that they don’t have time to conduct a research with the researcher while others demanded that they don’t have full information or data for answering researcher’s questions.

iv. Time management was a problem as the researcher gets hard time to wait for long time out of the agreed time to receive the questionnaire from some of the respondents. This brings in a problem of overlapping with other activities and sometimes the researcher delayed for waiting other respondents to send back their feedback.

1.8 Delimitations of the study
The above limitations were addressed as explained under so in arriving at the effective study.

In order to address challenge regarding timing and non corporation of respondents, the researcher decided either to moves to the next respondents or setting appropriate time for revisiting. As to the regards to secondary data as well for information which is secured by TRA in their EFD management system and ITAX operation system thus needs access.
however the challenge was addressed by the TRA management who to some extent reveals the data to researcher after being assured with total confidentiality the data are for academic purpose only. Other techniques are as clarified in the subheading that follows.

The use of project management techniques during the research study is important as it helps to reduce stress because you already have at hand the techniques to do a certain task or activities. It also saves time, save money, and then it helps to meet the intended goals and to ensure accurate data are collected. Project management helps to reduce risk that may arise during the research. During the research, researcher used different techniques to manage his researcher work as listed below;

a. **Budget:** A budget is a forecast or quantified plan of action. A quantified financial plan of action which itemizes a projects income and expenditure that is allocated to be used in the research example a list of all planned process for the project. This technique were applied by the researcher to help him in authorizing expenditure and avoid any unnecessary expenditure or costs, then for communicating objectives and plans, controlling the operations by coordinating the activities and evaluating the performance by comparing the resources incurred and the actual performance.

b. **Work break down structure:** The purpose of work breakdown structure is to help to plan effectively for the research project by breaking down the key tasks or activities to be done in a specific time in a manageable and smaller unit of work. This was done by researcher to allow him to have small unit of work in day to day for the easy measurement of the performance. Work break down structure helps the researcher to produce a detailed list of tasks to be done or performed for a
research project, helping to deliver the better costing per unit of activity and scheduling the resources for the whole project.

There are some of the advantages of using work break down structure during conducting project; the following are some of them;

i. Can be used to allocate and delegate responsibilities to help accomplish different task or activities, example control through greater accountability in accessibility of loans.
ii. Also can be used as a basis of financial exception reporting that helps in forecasting the project costs.
iii. It helps in improving the resource planning and the efficiency on how resources are consumed.
iv. Work break down structure can also help in sequencing and scheduling the timing of different events to improve effectiveness of how long period of time is going to be allocated.

c. Project scheduling: The researcher use one of the most common tasks of managing a project by scheduling a series of events for the different activities that are to be completed within a specified time. The duration and dependency of each event directly determine the length of the whole project. From own drawing the researcher maintained the critical path for the purpose of not allowing any activity (es) to delay or to be removed from the line of activities.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The first part of the chapter contains theoretical literature review thus critical and evaluative account of what has been published on the chosen study topic. It summarizes, synthesizes, and analyses the argument of others. While the second part of the chapter define key words used by the study hence describes and analyses the knowledge that exists and gaps, which occur in research related to challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs) in Tanzania. The third part of the chapter contains VAT-EFDs Regulation 2010, Proposed for Amendments, therefore clarifies the relationship between the study and the regulations governing the administration of EFDs, therefore reveals similarities and differences, consistencies and inconsistencies and controversies within that VAT-EFDs Regulation 2010.

The chapter also contains conceptual definitions and critical analysis of relevant theories or prior developed models, review of Empirical Studies; that is actual case studies which happened before in Tanzania and those in countries outside Tanzania. The concern of the chapter is to brainstorm and familiarizing the researcher with any relevant information about the problem. After having done that, the researcher is able to study the problem by comparing the actual practices at Ilala Tax Region with those theories employed by others from different texts. The chapter helped the researcher to meet his important requirements of the study through learning and getting experience of the others. Mostly importantly, this chapter leads the way forward for further and assume the need for undertaking the study has already been established. As expounded by Mbwambo, et al (2011), that its ultimate goal is to update readers with current literature on the topic and form the basis for the study.
2.2 Theoretical literature reviews

Is the process of reading, analyzing, evaluating, and summarizing scholarly materials like books contains educational theories given out about a specific research topic and there should be a link between the aim of research and literature review by focusing the specific problem and means to be used in data collection, discussion as well as conclusions and recommendations.

Historically in every economy, taxation was purposely introduced to raise money for financing public expenditure, it is also obviously accepted that taxation has become one of the main weapons used by the Government in the day to day process in managing the economy. Used together with monetary policy, taxation may be used to further certain economic aims of the government such as full employment, manipulation of the balance of payments, fighting inflation and stimulation of economic growth. This is why it is normal for every economy to strive at having a good tax administration system so as to be able to collect more revenue at the lowest cost possible.

Tanzanian economy having no exception from many other countries collects taxes from various sources. The Administration of taxation in Tanzania is vested under the Tanzania Revenue Authority (TRA) a sole and separate semi-autonomous authority for tax administration which was established by the Act of Parliament TRA Act of 1995 and commenced the activities in June 1996. This was a strategic decision took by the government towards achieving a good tax system. In that line a number of literatures were consulted to gain more knowledge on the whole concept of reforming tax administration and putting in place an efficient and effective system of administering taxes.

2.3 Definitions of terms and concepts

Doubler (1997) recommends that building an idea on the key words is an input way to help researcher to make an overview of the terms and concepts associated with the topic under research. Researcher put effort on how to organize, and summarize his findings, and suggests that including one or more information from the data collected based on the definition given out by different individuals so that to create a good literature review.
2.3.1 Electronic Fiscal Devices (EFDs)

Fiscal cash registers (FCR), sales register machines, electronic tax registers (ETR), electronic fiscal devices (EFDs), are just some of the names to describe business machines used for production of invoices with capability to store daily reports in its fiscal memory (Tanzania Revenue Authority, Annual Report 2011). These electronic devices are designed to address the need of taxpayers, in term of being suitable for the business model and functionality to secure tax information for audit purposes (Tanzania Revenue Authority, Annual Report 2010). For the case of this study, electronic fiscal devices (EFDs) only discussed. The implementation of the EFDs has, however, been marked with technical difficulties. Taxpayers have been complaining that it is at times difficult to link the EFDs with their accounting systems. Another issue was communications problems between EFDs installed in business premises and TRA which is done using normal telecommunications lines. If TRA succeeds in solving all these problems, EFDs could help it avoid missing its revenue collection targets. According to estimates the devices could help the revenue body realize up to 50 per cent increase in collections if all the VAT [Value Added Tax] registered businesses are connected to the devices ((Tanzania Revenue Authority, Annual Report 2010)

The introduction of EFDS in Tanzania aimed to increase revenue collection and traders to record all business transactions (Mboma, 2010). Yet the Tanzania Revenue Authority (TRA) reports that over 90 per cent of business entities countrywide were registered with the value added tax (VAT) using the electronic Fiscal Devices (EFDs) (Tanzania Revenue Authority, Annual Report, 2010). The EFDs overarching goal was to enhance VAT compliance and create stable domestic revenue base in the Tanzania.

2.3.2 Tanzania Revenue Authority (TRA)

The Tanzania Revenue Authority (TRA) was established by Act of Parliament Not. 11 of 1995, and started its operations on 1st July 1996. In carrying out its statutory functions, TRA is regulated by law, and is responsible for administering impartially various taxes of
the Central Government. Over the last 17 years Tanzania Revenue Authority (TRA) has matured from a tax administration that provides tax type services for revenue collection to an efficient organisation that delivers one stop shop services for all types of taxes which has steered service delivery to the level of ISO 9001:2008 certification for the organisation.

Fourth Corporate Plan focus is attributed to the changes in TRA’s operating environment which include the level of sophistication of stakeholders, the desire to offer services that meet or exceed customer expectations and the Government’s need to be more self-reliant by increasing domestic revenue mobilisation to eventual reduction in aid dependency in the Government budget. The Plan has been developed using the four Balanced Score Card perspectives of Financial, Customer, Internal Processes and Learning and Innovation whereby Strategic Objectives have been aligned under each perspective with cause and effect linkages. The perspectives and their respective strategic objectives have been grouped into the Strategic Themes of convenience, compliance and continual improvement to shape the TRA strategic thinking for the next five years.

TRA believes that it is possible to mobilise revenue in a simplified and transparent manner and taxpayers shall have easy access to services that are offered promptly. In return compliance increases shall be realized with more revenue for the Government to provide adequate and quality social services. This makes the taxpaying community appreciate social and economic benefits from the taxes they pay on improving the living standards. In response to Government Policies of increasing domestic revenue contribution and revenue yield to Sub Saharan averages, TRA has a vision in the next five years aims at increasing the revenue yield to 19.9%. This will be achieved through improving efficiency in tax administration and widening the tax net in order to collect more revenue especially from specialised sectors of mining, oil and gas, telecommunication, tourism, construction, real estate, financial sector, High Net worth Individuals (HNWI) and incomes from the informal sector.
2.4 Utilization of EFDs
Electronic Fiscal Device (EFD) means a machine designed for use in business for efficient management controls in areas of sales analysis and stock control system and which conforms to the requirements specified by the laws.

Electronic Fiscal Devices (EFDs) are of three types; Electronic Tax Register (ETR)-The device is used by retail business that issue receipts manually, Electronic Fiscal Printer (EFP)-The device is used by computerized retail outlets. It is connected to a computer network and stores every sale transactions or details made in its fiscal memory and Electronic Signature Device (ESD)-The device is designed to authenticate by signing any personal computer (PC) produced financial document such as tax invoice. The device uses a special computer program to generate a unique number (Signature) which is appended to and printed to every invoice issued by the user’s system.

EFDs is preferred by TRA because it has in-built Fiscal Memory which cannot be erased by mechanical, chemical or electromagnetic interferences; automatic self-enforcing. Issuing of daily “Z” report after every 24 hours (the new one extended to 72hours), transmits tax information to TRA system automatically, it has irreversible date mechanism, Issues fiscal receipts/invoice which is uniquely identifiable, it can be used as a stand-alone and configured into a network, it has at least 48 hours power backup, and it can use external battery in areas with no electricity supply, it saves configured data and records on permanent fiscal memory automatically and it has tax memory capacity that stores data for at least 5 years or 1800 day transactions.

2.4.1 Knowledge on utilization of EFDs
Knowledge acquisition involves complex cognitive processes: perception, learning, communication, association and reasoning; while knowledge is also said to be related to the capacity of acknowledgment in human beings. Tax knowledge is very essential in order to increase level of tax compliance (Richardson, 2006; Kirchler et. al, 2008). Hence, it is very important to have knowledgeable and competent taxpayers. Park and Hyun (2003), suggest that tax education is one of the effective tools to induce taxpayers to
comply more. This implies that taxpayers are more willing to comply if they understand basic concept of taxation. Compliance of Tanzanian Taxpayers on Electronic Fiscal Devices use is associated much with knowledge on the Electronic Fiscal Devices.

Individual taxpayers need to understand, interpret the tax laws, and at the same time keep correct books of account and records. The challenge of lack of knowledge of tax compliance behavior towards a tax system is serious on the grounds that it may have played part short falls in tax collection, even after aggressive marketing by TRA in the print and electronic media (Tanzania Revenue Authority, Annual Report 2011). In order for Taxpayers to comply in Electronic Fiscal Devices, TRA need to promote the principles of voluntary compliance and for the same time to engage various activities to promote Electronic Fiscal Devices by providing Public tax education, tax consultation, guidance and examinations (Kabigi, 2012). Knowledge on taxation also has significant influence on the decision whether to comply with the specified time required by the tax law (Richardson, 2006).

2.4.2 Factors inhibiting utilization of Electronic Fiscal Devices (EFDs)

The Tanzania Revenue Authority (TRA) has spearheaded the introduction of the Electronic Fiscal Devices. This device offer unique benefits to traders and the Revenue Authority alike by recording transaction data in such a manner that it cannot be deleted. The Government of Tanzania on the other hand allowed businesses to offset the cost of the EFDS installation against the input VAT as well as training of traders on the use and benefits of those devices. However, among the challenges facing EFDS system is that Taxpayers fail to send the report to TRA within the prescribed period like submission of a summary of sales report, printout generated by an electronic fiscal device on daily, monthly, or annually basis (Z report). This is likely to create problem to both TRA and the taxpayers as TRA may regard this as an offence committed by the latter. Authority (TRA) was expected that revenue collection increased because of the use of Electronic Fiscal Device (EFDS) to record business transactions. Unfortunately, Taxpayers avoids
using EFDS. Utilization of EFDS is burden and yet to materialize explicitly. Many researchers had concentrated much of their work on tax systems, tax evasion, taxes and interest rates (Belkaoui, 2004; Das-Gupta, 2006, Richardson 2006).

Available data indicate that domestic revenues for the 2011 financial year were short of the targets by Sh374.172 billion. A shortfall in donor funds, especially in basket funding, was expected to exacerbate the situation and bring the total budget shortfall to Sh510.417 billion (Tanzania Revenue Authority, Annual Report 2011). In the same vein the 2009/2010 financial year, total domestic revenue collections (excluding revenues generated by Local Government Authorities) reached only Sh4.662 trillion a nine per cent shortfall against a budget of Sh5.096 trillion (Tanzania Revenue Authority, Annual Report 2010).

More ever, in the financial year 2010/2011 collection has registered a dramatic positive increase 132.887billion (12%) from budgeted domestic collection of Tshs 1.234 trillion to actual domestic collection of Tshs. 1,257 trillion. (Annual general report of the controller and Auditor general, June 2012) 

On the other hand, EFDs have been proved very helpful in Kenya, where revenues have gone up tremendously during the past five years (Kenya Revenue Authority, Annual Report 2011). The EFDs are designed in such a way that they record all business proceedings of a particular businessperson and report to TRA electronically at the close of business every day (Mboma, 2010). A person is only required to record all the business transactions within the device each time at the close of business; he/she is required to press the ‘Z Button’ on the device and the information gets directly available to TRA. EFDs are appropriate and commonly used by retail businesses that issue receipts manually and are mostly suitable for business group such as supermarkets and petrol stations among others (Hitimana, 2012).
2.4.3 Outcome of utilization of EFDs

In a written response to paper Written by Andrew Chiwango, 8th December 2012, the TRA acting director of Taxpayer Services and Education, Yeremiah Maghi, said that

_Tax collections from VAT-registered operators have improved since TRA introduced the devices two years ago. For instance, TRA collected a total of Tshs. 785,882.4 million in the 2009/2010 financial year, before the EFDs were introduced. By comparison, the Authority collected Tshs. 791,462.9 million in FY-2010/11, immediately following introduction of the devices. Noting that this rise was not phenomenal or dramatic, it is attributed to the fact that the EFDs had not become widely used that early._

Significantly enough, in the following year – FY-2011/12 – TRA collected Tshs. 1,086,374.0 million, about a 40 per cent increase. This indicates that the introduction and use of the machines has brought about marked improvement in the collection of VAT.

In another development, the Tanzania Revenue Authority said it projected to collect Tshs. 3,945,004.10 million by December 31, 2013 which marks the end of the first half of the current financial year, 2012/2013. If and when that happen, it would be 63 per cent of the half-year collection target.

According to available data, the Authority collected a total of Tshs. 2,495,766 million from July 1 to the end of October 2013. Perhaps noteworthy here is the fact that, although Tanzania is phenomenally endowed with natural resources – including minerals, arable land, water resources and tourist attractions – the country still depends heavily on budgetary support from the international donor and creditor community. On other hand, utilization of EFDs has many impacts to the Government and Taxpayers. EFDS provides business security for traders as all information entered in to the machine stored in to a fiscal memory cannot be erased or altered. Hence the trader can keep track of all business transactions (Mboma, 2010). Enhance fairness in tax assessment as all tax information is transmitted to TRA system automatically and hence reduces objection or disputes. It is a modern way of keeping records after immigration from manual register, provides for easy EFDs retrieval of sales report on daily, weekly or monthly basis while also provides for permanent storage of data.
The receipts issued by EFDS machine provides for legal benefit of ownership of goods procured. Provide for assurance that tax has been remitted to the Government. Demanding for receipt is a legal obligation of the buyer hence by acquiring a receipt a buyer will have fulfilled the requirement of the law and therefore avoid fines likewise it is a responsibility of every the would be seller to issue receipt for all supplies (sales of goods or performance of services) made. Taxes collected through EFDS enable the Government to provide social and economic needs, provides for bases for fair assessment, Easy monitoring of taxes and provides for collection of taxes in a cost effective way (Hitimana, 2012).

In spite of the various benefits of utilisations of Electronic Fiscal Devices for both TRA and taxpayers, taxpayers are not responding to use the new system. Therefore, there is a need to understand the acceptance by the users on EFDs and identify the factors that can affect their decision. Implementation of EFDs for taxpayers is a challenge. There is negative altitude of Taxpayers towards Electronic Fiscal Devices; if the condition will remain uncontrollable will affect revenue collection. Tanzania Revenue Authority is a regulatory authority in Tanzania that collects the taxes (Tanzania Revenue Authority Annual Report 2004). It also enforces the laws of the taxes throughout the country. TRA aiming to provide superlative services by helping the citizens to understand and meet tax responsibilities and to apply tax laws with fairness and integrity (Tanzania Revenue Authority Annual Report 2004). In that regard TRA has given mandate to make sure that all taxpayers are compliance on use of EFDs (Tanzania Revenue Authority Annual Report 2011). The use of Electronic Fiscal Devices is the convenient and a popular method for taxpayers to record and transfer their income tax returns to TRA.

2.4.4 Strategies to enhance the utilization of EFDs

Encouraging tax compliance is among the most basic tasks of any tax system. Compliance demands a careful understanding of taxpayer perceptions of the tax system, and thus of how compliance could be more effectively encouraged. All perception involves signals in the nervous system, which in turn result from physical stimulation of the sense organs. Perception is not the passive receipt of these signals, but can be shaped by learning,
memory and expectation. Research on the determinants of tax compliance illustrates the importance of encouraging “quasi-voluntary” compliance, which depends on taxpayers trusting the government to provide reciprocal services, tax administrators to treat them fairly and other taxpayers to pay their fair share (Hugh et. al, 2010).

The Taxpayers’ perception of the appropriateness and reliability of EFDs utilization contribute to the sources effectiveness and help them to make the final choice. The importance of pre-purchase information in consumer behaviour or the consumer evaluations of services is very important. In the process of making a decision to purchase EFDs machines, the Taxpayers is exposed to varied sources of information before decision making. Fiscal knowledge correlates with attitudes towards taxation and that tax behavior can be improved by better understanding of tax laws. A recent study by Kirchler et. al (2008) also emphasizes that tax knowledge in individual taxpayers is also positively related to tax compliance. There are two important components that influence attitudes towards a product: belief structure and evaluative criteria (Lee and Um, 1992). First, a consumer might believe that a product possesses certain characteristics, which in turn could be influenced by his or her direct personal experience with the brand and indirect means such as interpersonal and mass media sources. Secondly, the consumer could judge a product by certain attributes that he or she feels are pertinent to the purchase decision of that product. This constitutes the primary evaluative criteria for consumers' attitudes towards a product. In this context, it is argued that Taxpayers make choices on the basis of their evaluation of knowledge about, the product attributes. Now once perception is formed about a product, consumers tend to learn more about the product or brand. Once learning comes up to the desired level, consumers form attitude. Therefore, Tanzania Revenue Authority is responsible to provide education to Taxpayers to enable them to perceive EFDs in positive way; in so doing revenue will increase
2.5 VAT-EFDs Regulation 2010, Proposed For Amendments

The constitution, through Finance Acts, provides an opportunity for amendments to existing laws on Tax collection. Apart from Parliamentary amendments, the VAT law empowers the finance minister to make subsidiary legislations by way of regulations. The Government also seeks to fulfill its core functions of policy formulation, economic management, provision of infrastructure, putting and ensuring proper operation of legal and regulatory frameworks, maintenance of rule of law as well as selecting areas of public-private partnership with the aim of improving the business environment and raising investor confidence. These can only be realized by taking into consideration the needs and interests of the private sector in the country as an essential driver of the economy. It is the private sector-industry owners, producers, and traders whose businesses have to use EFDs as a matter of routine. This makes the EFDs use and conducive business environment issues of great concern for every business that is VAT registered. The following are sections of the VAT-EFDs regulations, 2010 which the study discussed regarding amendment.

2.5.1 Sections of the Regulations Proposed for Amendment

Regulation 7.1(i) of the VAT-EFDS regulations of 2010. This section stipulates that EFDs users should be adequately trained to be able to administer them properly. Recommendation: It is recommended that this regulation should be revised to include clear standards of required training including corresponding penalties in the Offences section of the VAT-EFDS regulations when these standards are not observed. This will help in making the suppliers more responsible and accountable to the process.

2.5.2 Conflict between Regulation 7.1(j) and Regulation 7.4

Regulation 7.1(j) states that the supplier is required to support and maintain the supplied electronic fiscal devices at users’ premises to ensure smooth operation and running of the devices; and Regulation 7.4: States that an approved supplier may, for convenience purposes, at his own or upon request by the commissioner, open up outlets or branch offices in various regions within Mainland Tanzania for efficient and effective discharge,
and management of his obligation stated under sub regulation (1). These two regulations create a loophole for EFDs suppliers to evade opening up many branches to promptly address challenges faced by users of EFDS devices, especially in the upcountry regions. Consequently, many EFDS users forced to send their devices for repair and maintenance to Dar es Salaam, and this often takes more than a week instead of the stipulated 48 hours after the information of EFDS malfunction. This grossly affects the smooth operation of EFDS.

Recommendations: Regulation 7.4 should be amended to make opening up of branches upcountry regions mandatory thus removing the loophole which currently allows the supplier to decide at his/her own discretion to open or not open the branches. In doing that, Regulation 7.1 (j) and Regulation 7.5 which require the supplier to address the EFDS malfunctions within a maximum of 48 hours of the reporting time; will be realized. As they exist currently, provisions of Regulation 7.4 appears to defeat Regulation7.1 (j); hence affecting smooth EFDS operations.

2.5.3 Regulation 6.3 and Regulation 8.3 of the VAT-EFD Regulation 2010

Regulation 6.3 states that, the Commissioner shall sign with approved suppliers an MOU binding suppliers to supply EFDS as approved by the Commissioner and Regulation 8.3 states that, there shall be approved manufacturers who will sign the Memorandum of Understanding with the TRA Commissioner to produce only quality and approved EFDS.

Recommendations: There should be a provision in the regulations which will clearly prohibit any unauthorized manufacturer or supplier from engaging in EFDS business, showing clearly the punitive measures to be taken against individuals or companies violating the given regulations.

5.4 Part VII: Offences, Regulation 23

Part VII which deals with Offences, Regulation 23, states that any person who fails to comply with any of the obligations under Regulation 7 or Regulation 10 of these regulations commits an offence. This part of the regulations appears to only concentrate on offences committed by tax payers. It says very little, if any, about the obligations of
suppliers and the corresponding punitive measures to be taken against the lawbreakers. This has resulted in many suppliers failing to be effectively accountable to their obligations. Recommendations: Part VII Offences, Regulation 23; should be revised to outline obligations and offences involving suppliers and manufacturers to make all parties involved effectively accountable in ensuring EFDs smooth operations in tax administration.

2.6 Conceptual framework

A conceptual framework is described as a set of broad ideas and principles taken from relevant fields to enquiry and used to structure a subsequent presentation (Reichel and Ramsey, 1987). Challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs) in Tanzania has been assumed to be caused by various issues. According to Dr Stephen Kilemile who conducted study in September 2012, points out that to traders, the devices pose challenges such as lack of knowledge on use of EFDs.

“There is little knowledge on instructions and regulations. At the same time EFDs language, in fact tax language is in English. Not all traders are conversant with English and it is high time tax language is translated into Kiswahili for better understanding.” For example, some traders don’t know how to deal with typing error problems, as once you print a receipt; the information cannot be erased from the device. Many traders don’t know what to do as they don’t use professional accountants. Most of the EFDs in use upcountry are of low quality and don’t explicatively indicate the country of origin. Other challenges include battery problems, network failure, and printer failure. Many EFDs also issue substandard receipts –that simply fade away after some days,” he said. Many traders are forced to use manual receipt books at times due to failure of the EFDs. The study indicated that a sizable percent of business people using the devices are not conversant with tax laws, and regulations. “This calls for the government to ensure tax laws are translated in Kiswahili and TRA website should have a Kiswahili version,” notes the study. According to the survey most traders are not happy with the implementation of EFDs because of the many hurdles involved. At a meeting convened by TCCIA, Morogoro traders agreed it was their cardinal duty to pay taxes but the tax man must make it possible for them to pay taxes smoothly without unnecessary hurdles.
The literature on tax compliance points out, the size of income of tax payer, knowledge of tax due, frequency of audit, probability of detection by tax authorities and severity of punishment if caught as some of the important determinants of tax compliance model. Tax compliance can therefore be increased if control measures are put in place to detect non compliers and punitive measures instigated. The use of EFDs serves two purposes in this model: automatically generating knowledge of tax due, and acting as a control compliance control measure. According to Ritsema et al (2003), tax compliance decision depends on income level of an individual taxpayer, inspection (audit) by tax authorities and deterrent measures put in place. This theoretical framework has been adapted for this study since other determinants of compliance such as severity of punishment are uniform for all taxpayers. The use of EFDs is likely to go hand in hand with inspection.

### 2.6.1 Regional (Africa)

Lumumba et al (2010), conducted a study on the effectiveness of electronic tax registers in processing of value added tax returns. Their study aimed to assess the effectiveness of Electronic Tax Registers (ETRs) in the processing of Value Added Tax returns. The study sought to determine the extent to which the Electronic Tax Registers were being used by the taxpayers, the problems if any that they were encountering in using them as well as get possible solutions to the problems. The main instrument of collecting primary data was the questionnaires while secondary data was obtained from the KRA regional office. Analysis of data was mainly done using descriptive statistics. Data was collected from 78 registered VAT taxpayers in Kisii town. Results revealed that Kenya had witnessed significant changes in many aspects of its economy over the last four decades; the timely filling of the monthly VAT returns is attributed to many factors. ETR is one of the factors. It was found that ETRs have enhanced the revenue collection resulting from sound sales and stock audits. The study with all its potentials, nevertheless it fails to suit the conditions in situation different from Electronic Tax Registers. Unfortunately, the research was done in Kenya. However, their study was done in Malaysia. This study aimed to be done in
Tanzania on Challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs)

2.6.2 National (Country)

Yonazi (2013), conducted a study on Enhancing Adoption of e-Government Initiatives in Tanzania. The author said that the application of ICT in the public sector, or e-Government, is envisioned to facilitate social and economic growth. This can be achieved if e-Government initiatives will be adopted by citizens. However, developing citizen-adoptable e-Government initiatives is challenging. This is particularly so in developing countries such as Tanzania. This is because each country has its unique contextual issues that need to be considered. In his study identified issues influencing the adoption of e-Government initiatives in Tanzania. The study developed and evaluated guidelines for enhancing citizen adoption of e-Government initiatives Tanzania. The guidelines helped to facilitate the identification, planning, development, and implementation of e-Government initiatives that were likely to be adopted by citizens in Tanzania and countries with similar contexts. They allowed developing countries to reap the benefit of their investment in e-Government.
EFDs Usage in Tanzania

Taxpayer’s Challenges:
- Knowledge on use of EFDS
- Understanding on instructions, Regulations and Tax laws
- Compliance VAT-EFD Regulation
- Language used; EFD language and tax language is in English
- Typing error problems, as once you print a receipt; the information cannot be erased from the device
- Costing of Gad and its convenient due
- Battery problems, network failure (failure in sending daily sales reports), and printer failure
- Substandard receipts that fade away issued from EFDs
- Low quality of most of the EFDs in use especially upcountry

Source: Study Findings, 2014
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter explained the scientific approach and the steps generally adopted in conducting this study. “A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari 2004). It presents research design, study population, study area together with sample size that is involved in this study. The study as well contains data collection and analysis methods.

The successful outcome of the report of any scientific study largely depends on, and is a direct function of, the quality and accuracy of data collected and used during the research. This chapter is concerned with the development of the logical framework of the research method. This section discusses the approach adopted for data collection and analysis (the case study method), data classification and sources and the major instruments of data collection.

3.2 Research design

Research design is a detailed blue print used to guide a research study towards its objectives, in other words it is a detailed plan of work to be done to achieve the research objectives. It is the conceptual structure within which research is conducted (Sekaran, 2003). The study employed a combined mixed methodological approach in which quantitative and qualitative techniques used. Since the study is more of a descriptive design, specifically a case study design was be employed because it is less expensive and helps to get in-depth insight of the component under investigation. Moreover, the researcher decided to use this design since the study were conducted in a single organization and again case study is flexible in terms of data collection, methods and
TRA, Ilala tax region was chosen as a case study for this study because it is actively involved in the field of administering of EFDS usage in Tanzania.

3.3 Study Population

A population is generally a large collection of individuals or objects that is the main focus of a scientific query (Sekaran, 2003). It is for the benefit of the population that researches are done. However, due to the large sizes of populations, researchers often cannot test every individual in the population because it is too expensive and time-consuming. This is the reason why researchers rely on sampling techniques. Sample is a smaller version of the entire population that the study is about. Sample size is the number of subjects in the study. The study population comprised of TRA officers, taxpayers, tax consultants and other stakeholders.

3.4 Sample size

Kothari (2004), argued that, sample size involves the decision to the type of sample and technique to be used in selecting the items for sample. In this case, since it was difficult for the researcher to collect data from every individual in ILALA Tax Region, the researcher sampled from population to get the representatives of the entire population, the researcher use a sample of 51 respondents out of them 02 were managers and 09 were Head (In charge) of the Section/Unit, 20 were Tax Collectors and Tax consultants (Auditors), while the remaining 20 respondents were selected randomly from willing taxpayers and stakeholders from different entities and sole proprietor within Ilala Tax Region.

Therefore, specific selected respondents earmarked for the purpose of collecting primary data through interview questions, administering questionnaire, and/or discussion. However, secondary data obtained from TRA, Ilala Tax Region. The sample is considered adequately because it is qualitative in nature. The size was affordable and adequate to the
study putting into consideration of time frame and other resources available. The distributions of sample size were as shown below in Table 3.1.

Table 3.1: Population of the Sampled Respondents

<table>
<thead>
<tr>
<th>S.N</th>
<th>Description</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Management (Managers)</td>
<td>02</td>
</tr>
<tr>
<td>2</td>
<td>Head (In charge) of the Section/Unit</td>
<td>09</td>
</tr>
<tr>
<td>3</td>
<td>Tax Collectors and Tax consultants (Auditors)</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>Taxpayers/Stakeholders</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>51</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

3.5 Study area

The study area of this study was ILALA District in Dar es Salaam Region, specifically in Postal and Kariakoo areas because these are more populated areas which have big businessmen in Dar es Salaam Region. However, the selected areas are based on the fact that many businessmen in this area are VAT registered and are supposed to use EFDs.

3.6 Sampling technique and Sampling procedures

Research studies are distinct events that involve a particular group of participants. However, researchers usually intend on answering a general question about a larger population of individuals rather than a small select group. Therefore, the main aim of psychological research is to be able to make valid generalizations and extend their results beyond those who participate (Brown, 2006). For this reason, the selection of participants is a very crucial issue when planning research. The researcher find out that its difficult and cannot collect data from every single individual from the population of interest, since this would be extremely expensive and take a very long time! So instead researcher use a small group of individuals – called a sample. The sample is chosen from the population and is used to represent the population. Researcher use sampling techniques to select the
participants for the sample – these techniques help to minimize cost whilst maximizing generalisability (Brown, 2006).

3.7 Sampling design

Sampling Techniques is a process of selecting a required number of the respondents to represent the target population. The selection procedures were based on purposive sampling and simple random probability. Purposive sampling was used to get a list of heads of Section/Units who are purposely selected for discussion and interview while in sample random, probability sampling method were used to get a number of officers, tax collectors, tax consultants (auditors), taxpayers and other stake holders from different orientation, locality, entities having different status.

This study used purposive sampling. Purposive sample, also commonly called a judgmental sample, is one that is selected based on the knowledge of a population and the purpose of the study (Sekaran, 2003). By studying the deviant cases, researchers can often gain a better understanding of the more regular patterns of behavior. This is where purposive sampling often takes place as can be witnessed in the Table below that shows the benefits and drawbacks of each of the sampling technique.
<table>
<thead>
<tr>
<th>Technique</th>
<th>Descriptions</th>
<th>Benefits</th>
<th>Drawbacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple random</td>
<td>Random sample from whole population</td>
<td>Highly representative if all subjects participate; the ideal</td>
<td>Not possible without complete list of population members; potentially uneconomical to achieve; can be disruptive to isolate members from a group; time-scale may be too long, data/sample could change</td>
</tr>
<tr>
<td>Stratified</td>
<td>Random sample from identifiable groups (strata), subgroups, etc.</td>
<td>Can ensure that specific groups are represented, even proportionally, in the sample(s) (e.g., by gender), by selecting individuals from strata list</td>
<td>More complex, requires greater effort than simple random; strata must be carefully defined</td>
</tr>
<tr>
<td>Cluster</td>
<td>Random samples of successive clusters of subjects (e.g., by institution) until small groups are chosen as units</td>
<td>Possible to select randomly when no single list of population members exists, but local lists do; data collected on groups may avoid introduction of confounding by isolating members</td>
<td>Clusters in a level must be equivalent and some natural ones are not for essential characteristics (e.g., geographic: numbers equal, but unemployment rates differ)</td>
</tr>
<tr>
<td>Stage</td>
<td>Combination of cluster (randomly selecting clusters)</td>
<td>Can make up probability sample by random at stages and within groups;</td>
<td>Complex, combines limitations of cluster and stratified random sampling</td>
</tr>
</tbody>
</table>

Table 3.2: Sampling techniques: Benefits and drawbacks
<table>
<thead>
<tr>
<th>Method</th>
<th>Selection Details</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purposive</td>
<td>Hand-pick subjects on the basis of specific characteristics</td>
<td>Ensures balance of group sizes when multiple groups are to be selected</td>
<td>Samples are not easily defensible as being representative of populations due to potential subjectivity of researcher</td>
</tr>
<tr>
<td>Quota</td>
<td>Select individuals as they come to fill a quota by characteristics proportional to populations</td>
<td>Ensures selection of adequate numbers of subjects with appropriate characteristics</td>
<td>Not possible to prove that the sample is representative of designated population</td>
</tr>
<tr>
<td>Snowball</td>
<td>Subjects with desired traits or characteristics give names of further appropriate subjects</td>
<td>Possible to include members of groups where no lists or identifiable clusters even exist (e.g., drug abusers, criminals)</td>
<td>No way of knowing whether the sample is representative of the population</td>
</tr>
<tr>
<td>Volunteer, accidental, convenience</td>
<td>Either asking for volunteers, or the consequence of not all those selected finally participating, or a set of subjects who just happen to be available</td>
<td>Inexpensive way of ensuring sufficient numbers of a study</td>
<td>Can be highly unrepresentative</td>
</tr>
</tbody>
</table>
3.8 Data collection methods

This study employed both secondary and primary data. This study is a qualitative research concerning with exploring the challenges facing taxpayers in adopting EFDs system usage and its administration. It is set to be qualitative because aimed at discovering the underlying motives and desires basing on a combination of literature review and second hand data that find out the effectiveness of the EFDs system in the overall perspective of TRA performance. Figure 2 below show the data collection methods applied by the researcher.

Figure 2: Data collection methods

3.8.1 Primary Data

Primary data in a simple way are the first hand data that to mean, data collected at the first time by the researcher (Kothari, 2002). Much emphasis was placed on the collection of accurate and reliable data so as to be able to come up with objective evaluations and to make informed conclusions and judgments. The basic instruments which were employed in collecting primary data include questionnaire, interview and observation of the ongoing operations also form part of firsthand data.
Data collection methods vary depending on the compatibility of the information collected and source of data, for the purpose of this study data was collected from primary sources, the following methods were used as attached in appendix 1 to 4 of this report.

3.8.1.1 Questionnaire

Questionnaires were prepared and administered to the relevant respondents. These were one of the methods which enable the researcher to get enough information (Kothari, 1990). The researcher use both open and close questionnaires. The questionnaires were administered to tax collectors, tax consultants (Auditors) and taxpayers as shown in Figure 3 at Accomodia Hotel-Gerezani Street Kariakoo. Simple random samplings were used to obtain 40 tax collectors, tax consultants (Auditors) and taxpayers who were provided with the questionnaires. Simple random were used to ensure there is an equal chance to all the respondents to be selected. With the use of questionnaire the researcher was able to collect different information. The questions were based on ease of administering EFDs. Questions concerning Perceptions, impacts and the way forward (advice from the respondents) toward better EFDS usage were also taken into consideration and attached as appendix 1 to 4.

Figure 3: Administering of questionnaires regarding challenges posed by EFDs
3.8.1.2 Interviews

This is a way of collecting information by asking questions to a person having knowledge concerning the study (Kothari, 2002). It is a good method because if the enquirer does not understand he/she may seek for more clarification. Structured interview was used to obtain the required data as attached in appendix 5 of this report. Purposive sampling was applied to get a sample of 31 respondents out of them 02 were managers and 09 were Head (In charge) of the Section/Unit, 20 were Tax Collectors and Tax consultants (Auditors) whom were interviewed. Purpose sampling was used so as to obtain the information from the reliable sources, that to mean, to get the information from the persons who have an idea about the study. Again simple random sampling was used to get 5 taxpayers and 5 stakeholders to be interviewed. This method is easily compared to questionnaire since interview is cheaper than questionnaires.

3.8.1.3 Observations

The researchers also participated in some of the day to day activities of TRA, working with tax collectors, taxpayers and tax consultants as part of the data collection process.
Through observation the researcher has an opportunity to obtain information as observed, listened or experienced. Researcher was able to observe the whole process of EFDs administering and knowing the potential and regular EFDs users and taxpayers of TRA based on sales turnover Tax paid and number of daily Z reports transmission. Again, the researcher encounters a lot of complaints from taxpayers and tax consultants concerning the challenges posed by the usage of EFDs, Laws and EFDS Regulation requirements, and its practicability in Tanzania environment. Figure 4 shows the researcher and TRA officials participating in discussing, listening and observing the taxpayers responses regarding EFDs challenges at Accomodia Hotel and Machinga complex in Kariakoo area.

Figure 4: Researcher, TRA officials and taxpayers discussing EFDs challenges

[Image of people in a meeting discussing]

Source: Study Findings, 2014
3.8.2 Secondary Data

Secondary data was the data from existing empirical studies and reports that were collected by other people in a certain field of study for an intended purpose. The data were obtained from various organization records as well as search from library literature. Secondary data were obtained through documentary reviews from Tanzania revenue Authority, Ilala Tax Region. Some reports have been made available to the researcher by the TRA management. Also, use of online scholarly articles was of great help in obtaining some information. The fact that TRA has a fully-fledged Research and Planning Department which compiles and maintains data in soft and hard copy form while also it has Taxpayer Education Department, this enabled the researcher acquiring recorded information through files and other relevant data sources. Also as long as Tanzania has live sectors and agencies such as Tanzania Investment Centre (TIC), National Audit office (NAO) and the like organizations which are relevant sources of information, the researcher has been able to collect relevant data to the study.

3.8.2.1 Documentary Review

Secondary data were collected using documentary review. This is the method whereby the researcher passed through various organizations’ documents and be in a position to know its past records. Data were obtained from TRA’s documents which included financial reports, revenue collection/portfolio trends, taxpayer’s files, EFD management system (EFDMS), ITAX operational system, books, journals and articles. Documentary reviews were used so as to enable the researcher to analyze the trend of revenue collection from the past years before acquisition and implementation of EFDs compared to the current years of acquisition and implementation of EFDs. Reviews were made from financial year (FY) 2009/10 to FY 2012/2013 since the researcher is interested to know the trend of TRA in past four years. By so doing the researcher was able to obtain relevant information relating to tax assessment, revenue/tax collection hence assess the trend of TRA.
3.9 Data Reliability and Validity issues

3.9.1 Reliability

This is the extent to which an experiment, a test or any measuring procedure gives the same results on repeated trials (Kothari, 2004). The researcher used the test and retests the procedure in which the pilot questionnaire was compared with the field questionnaire and observed to suit the intended objective of study.

3.9.2 Validity

Validity shows the degree of which an instrument measured what it is supposed to be measured (Kothari 2004). The researcher based on the facts obtained in literature review in which data analysis relied on. Generally researcher makes sure the researched data are valid and reliable. This was achieved by constructing questionnaires that were appropriate with the research problem, drawing a representative sample, secondary data once used must be analyzed its source, content, time collected and its applicability on the particular research problem.

3.10 Data Processing and Analysis plan

Data analysis is the process of testing the research questions. This study is qualitative in nature which makes use of narrative analysis techniques to answer the research questions presented in part 1.4 of this paper. It is chosen due to its ability to analyze chronological told story, with a focus on how elements are sequenced. This is considered more relevant to this study because it provides chance to analyze past and present information to determine the future perspective.

In this study the researcher apply both qualitative and quantitative techniques in analyzing the data available through primary and secondary sources. Quantitative data analysis has been analyzed using simple statistical technique (IBM SPSS statistic version 20) and presented in summary table and figures. On the other hand qualitative data have been analyzed using matching of information, explanation building and comparison to establish
reasons on what had been observed at the case. More, ever tables, circles; graphs have been used in presenting data. The quantitative and qualitative data analysis were used, basing on data and information collected from primary and secondary sources, on both taxpayers, tax consultants and tax collectors. Respondents’ views on the better administration of EFDs usage were analyzed quantitatively alongside descriptive analyses.

Most of the data collected through questionnaire and interview, for instance on examining the perception, impacts of EFDS usage, were analyzed quantitative by calculating the frequency and percentage of respondents. Other information which required views from respondents for instance the question for personal views on how to improve the effectiveness in the use of EFDs and information collected from documentary sources as well as observations were both analyzed qualitatively.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

Researcher presents the finding and carries out analysis of the findings from different methods used by the researcher and also to explore ways in which data and results can be presented effectively within a report. The researcher use various form in presenting his data, these includes in word form, percentages, tables, charts, figures and/or graphs. The first part of the chapter provides background information of the respondent in terms of their sex, level of education, business location, title/ position in business, business experience, and decision for Business practice.

The second part discusses whether taxpayers have knowledge of EFDs. The section also covers factors inhibiting utilization of EFDs and whether all eligible taxpayers were asked to buy the device. More ever, the fourth part of the chapter chats about why some customers do not demand receipt for the purchased goods and/or services rendered. Furthermore, this chapter present the discussion on whether taxpayers appreciate paying
taxes for the development of the country. The study included both taxpayers, tax consultants (auditors), tax collectors and general public in assessing challenges facing taxpayers in adopting the use of EFDs in Tanzania. The chapter concludes by giving the summary and implication of the results.

4.2 Background Characteristics of respondents

Background information for the respondents is an important factor in assessing demographic orientation of the taxpayers, tax consultants and other stakeholders. In order to know the nature and categories of respondents the researcher examined a number of aspects in the study area. These included business locality, ownership position, sex, education level and business experience as to regards to taxpayers/stakeholders and/or general public. On the other hand, tax consultants, auditors and tax collectors have been categorically oriented basing on the office location, title/position, sex and level of education.

Table 4.1: Taxpayers and general public responses

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agrey Street</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Kitumbini</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td>Masimbazi</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Zanaki street</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Nyamwezi street</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Upanga Street</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Nyerere Road</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
<tr>
<td>Title/position in business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>10</td>
<td>50.0</td>
</tr>
<tr>
<td>Owner</td>
<td>10</td>
<td>50.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>12</td>
<td>60.0</td>
</tr>
<tr>
<td>Female</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
<tr>
<td>Level of education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary Education</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>Ordinary Diploma</td>
<td>1</td>
<td>5.0</td>
</tr>
</tbody>
</table>
### Business Experience

<table>
<thead>
<tr>
<th>Business Experience</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 2 years</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>2 to 5 years</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>6 to 9 years</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>10 to 13 years</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>14 years and above</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

### Decision for Business practice

<table>
<thead>
<tr>
<th>Decision for Business practice</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I decided myself</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>My parent inspired</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>My relative decided</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>I was convinced by a friend</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 4.2.1 Respondent’s sex

The sex of the respondents was asked since their responses may differ and therefore has influence on business operation; as in most African countries a good number of women are home care takers unlike men. In their reply for the question of sex as shown in Table 4.1, the study found that majority of men 12 (60%) are in business compared to women 8 (40%) during the interview. Out of the interviewed taxpayers who are in business with majority being men, 40% decided by themselves to practice business, 35% were inspired by their parents to be in business, 15% influenced by friends and the remaining 10% are decision from relatives to persuade business activities. From the above Table 4.1 shows that most of the taxpayers are either Directors (partners) to the businesses they are operating 10 (50%) or owners of such businesses 10 (50%). Similarly, Table 4.2 below shows out of interviewed respondents, majority of men 12 (60%) are either tax collectors and/or tax consultants compared to women 8 (40%).

From the findings it shows most of business operators are men whom are the business owners and they have come to business by either virtual influences of their families/relatives or decided themselves.
4.2.2 Business Locality

It is undeniable fact that most of the targeted taxpayers and tax consultants are in Kariakoo area and Posta area as shown in Table 4.1 above. Out of the interviewed taxpayers who operate their business in Kariakoo area; Agreey Street were 3(15%), Kariakoo street 2(10%), Msimbazi street 1(5%), Nyamwezi street 1(5%). Posta Area has the following interviewed taxpayers; Kitumbini 5(25%), Zanaki street 4(20%), Upanga Street 1(5%), while the remaining interviewed taxpayers are nether located Kariakoo nor Posta area, for instance Nyerere Road and Vingunguti area 3 (15%). From Table 4.2 it shows that office location for tax consultants/ Auditors are located around Posta area 11 (55%) and Kariakoo area 9(45%) with no tax consultant interviewed whose office locality is outside those areas, either are few or none at all. Consequently, it follows most of the tax collectors and tax consultants are senior officials as shown in Table 4.2 below thus 11 respondents equivalent to 55% were Senior tax officers (STO), followed by tax auditors 5 (25%), Tax Officers 3(15%) and Tax Manager 1(5%)

It has been observed that majority of the respondents operates their business in either postal area and/or Kariakoo areas because the areas are populated and are business centers unlike other suburbs areas.

4.2.3 Education Level of Taxpayers

The question of understanding is of paramount important in determined what kind of taxpayers TRA is dealing with, either knowledgeable or ignorant taxpayers. 40percent of taxpayers involved to exhaust to what extent they are knowledgeable found having secondary education, as shown from the study findings in Table 4.1 above, many taxpayers are not able to secure jobs as a result; they do engage themselves on self employed activities and later on become business personally so that being able run their daily life.

From the research findings, it shows that majority of taxpayer have secondary education (40%) followed by those with advance diploma and/ or degree holder (30%) and post graduate taxpayers (20%) while those with diploma accounted for only (5%). Findings
showed that, taxpayers with no formal education are likely to be few and therefore they decide on adult education.

This is due to the fact that, taxpayers with adult education counted only 5% from all the taxpayers interviewed which is just a very small number compare to other groups. Furthermore, people with formal education can easily understand the potentiality of EFDs and tax, procure it and follow instruction toward efficient and effective use of EFDS. Findings also reveal that, people with post-secondary education have more awareness and understandings to taxpayer’s services and when it comes for favorable services for example being registered with VAT and benefits offered by using EFDs, it is easier for them to adopt otherwise if find it unprofitable and/or inauspicious or doubtful they don’t apply for it outright until they sat down and discuss with the authorities concerned.

Education level was considered due to the fact that a certain level of understanding is required for one to access and put in use the relevant EFDs. Again, most of the Non VAT registered taxpayers are illiteracy or with low level of education (40%) while VAT registered taxpayers (75%) have high level of understanding which account 30% of the study findings, as a result the researcher used this characteristic to determine whether taxpayer and general public have certain level of understanding to the extent they can procure the device and effective put in use.

The researcher obtained the information concerning the education level of the taxpayers through questionnaire and documentary review whereby he uses different TRA documents to get this information such as taxpayer identification number (TIN) and VAT application forms as well as interview carried on by tax collectors within taxpayer’s files during tax assessment.

4.2.4 Education Level of tax collectors and tax consultants

Most of the respondents that were sampled are postgraduate as shown in Table 4.2 below i.e. Out of respondents 09 are advanced diploma/degree holder making up 45 percent of
total respondents. Postgraduate and higher degree respondents were only 11 equivalents to 55 percent of the sample size. This shows a large number of respondents (tax collectors and tax consultants) to the questionnaires are well educated. This response rate referred in Table 4.2 indicates the fact that, TRA has a strong base of qualified tax collectors and tax consultants in the field of tax practicing and therefore EFDs knowledge dissemination to tax payers become more efficiently and effectively. This show that the level of literate is high hence the risk of resisting EFDs minimized.

4.2.5 Respondents Working Experience

The researcher wanted to know distribution of working experience in order to be sure of the quality of responses thus satisfy with the inputs made to the research. The distribution Table shows that most of the respondents lie between the periods of 10-13 years and above 14 years classes, which is adequate experience to be able to provide relevant responses to the research.

As indicated in Table 4.1 above, the majority of the respondents fall to classes of working experience between 10-13 years and above 14 years which is 35 percent each of all respondents. Another group of the respondents lies within a working experience of between 6-9 years which scored 15 percent of total respondents followed by age group of between 2-5 years which marked a total of 10 percent of all respondents. Finally, the group of taxpayers below 2 years was 01 making up 5 percent which is the group of taxpayers with little business experience.

Table 4.2: Tax collector’s/Tax consultant’s Responses

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Posta Area</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>K/koor Area</td>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>Title/ position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Senior Tax Officer (STO)</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>Tax Manager</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Tax officer</td>
<td>3</td>
<td>15</td>
</tr>
</tbody>
</table>
The study finding shows that, majority of taxpayers have a business experience of at least 10 years who accounted 70% of all taxpayers as shown in Table 4.1 above. On the other hand, majority (75%) of the tax collectors and tax consultants interviewed had a good working experience which lies between group of at least 11 to 15 years (40%) working experience and 16 to 20 years (35%) respectively as shown in Table 4.3 and 4.4 below. For tax consultants, 10% of the interviewed respondents reported to have 1-5 years of working experience.

**Table 4.3: Tax collectors interviewed (by work experience)**

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>03</td>
<td>15</td>
</tr>
<tr>
<td>6-10</td>
<td>05</td>
<td>25</td>
</tr>
<tr>
<td>11-15</td>
<td>08</td>
<td>40</td>
</tr>
<tr>
<td>16-20</td>
<td>02</td>
<td>10</td>
</tr>
<tr>
<td>21 and Above</td>
<td>02</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

**Table 4.4: Tax consultants/auditors interviewed (by work experience)**

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>02</td>
<td>10</td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014
The study was interested in determining why taxpayers resist using EFDs. However, the resistance is caused by EFDs challenges. Nearly all of taxpayers 20(100%) interviewed indicated that they resist using EFDs because of the challenges imposed by the devices.

However they will accept using EFDs while their challenges are being addressed as shown in the Table 4.5.

Table 4.5: Taxpayer’s responses on resistance or acceptance of EFDs

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepting EFDs</td>
<td>20</td>
<td>100.0</td>
</tr>
<tr>
<td>Rejecting EFDs</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

4.4 Knowledge on EFDs

As it was observed the resistance of taxpayers is caused by the challenges caused by the EFDs, furthermore, to explore whether taxpayers has knowledge of EFDs and its operation, the study answered the question on businessmen having understanding on EFDs through administered questionnaires, interview, and discussion that held by both taxpayers/general public as well as their tax consultants and tax collectors. Also TRA management was included for the purpose of having a clear understanding.
4.4.1 Taxpayer’s and general public responses on EFDs knowledge

The findings shows that more than half of taxpayers involved have no knowledge of EFDs i.e. 11 (55%) of the taxpayers agreed that they have no knowledge on EFDs that used to process fiscal receipts/tax invoices while 09 (45%) of the respondents said they have heard about the EFDs but have not received knowledge on how to use the devices as shown in Table 4.6 below.

Table 4.6: Taxpayer’s responses on EFDs awareness

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Knowledgeable</td>
<td>11</td>
<td>55.0</td>
</tr>
<tr>
<td>Knowledgeable</td>
<td>9</td>
<td>45.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Out of those denied to have knowledge on EFDs, the reasons put forward as shown in Table 4.7 were; 18.2% reported that TRA concentrated only on VAT registered taxpayer while the rest 81.8% said they are not qualified for acquiring EFDs due to its turnover restriction and/or nature of business they are in.

Table 4.7: Reasons for taxpayer’s denial of receiving knowledge on EFDs

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not qualified for EFDs usage</td>
<td>9</td>
<td>81.8</td>
</tr>
<tr>
<td>TRA concentrated only on VAT registered taxpayer</td>
<td>2</td>
<td>18.2</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

4.4.2 Tax collectors’ and tax consultants’ responses on EFDs knowledge

More ever, in responding to the question asked, 12(60%) tax consultants and tax collectors said out of 30 taxpayers whom they are dealing with most being VAT registered, between 11 to 20 taxpayers have knowledge on EFDs, while 5 (25%) tax
consultants reported that less than 10 taxpayers have knowledge on using EFDs as shown in Table 4.8 below.

**Table 4.8 Tax consultant’s and tax collector’s responses on taxpayer’s EFDs knowledge**

<table>
<thead>
<tr>
<th>No. of taxpayers having EFDs Knowledge</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Between 5 and 10</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Between 11 and 15</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>Between 16 and 20</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>More than 20</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

Similar classes of taxpayers have being reported having necessary procedures of using EFDs as shown in Table 4.9, thus 11 tax consultants equivalent to 55% reported that between 11 to 20 taxpayers have knowledge and procedures of using EFDs.

**Table 4.9: Taxmen’s responses on taxpayer’s knowledgeable on procedures of using EFDs**

<table>
<thead>
<tr>
<th>No. of taxpayers Knows EFDs procedures</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Between 5 and 10</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Between 11 and 15</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Between 16 and 20</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>More than 20</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

The findings shows apart from VAT registered traders, majority of non VAT registered taxpayer, other taxpayers and general public have either insufficiency knowledge or they have no knowledge and procedures of using EFDs at all other than hearing from the so
called adverts recent in placed by the TRA but unaware of the practicality and mechanism on how to use the device.

### 4.5 Identified eligible taxpayers for EFDs usage

The study also paid attention on establishing whether all eligible taxpayers were asked to buy EFDs, in reply of the questions asked 18 respondents equivalent to 90% of interviewed taxpayers agreed that they have been asked by the TRA officials to procure the device as shown in Table 4.10 below. The remaining 2 respondents’ equivalent to 10% argued that they have not asked to acquire the device.

**Table 4.10: Taxpayer’s responses on identified eligible taxpayers to use EFDs**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified by TRA officials</td>
<td>18</td>
<td>90.0</td>
</tr>
<tr>
<td>Not Identified</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

Table 4.11 shows 40% of the taxpayers interviewed (8) own EFDs while the remaining 60% (12) they don’t have EFDs in their business.

**Table 4.11: Taxpayer’s responses on ownership of an Electronic fiscal device**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own EFDs</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Not own EFDs</td>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

The reasons for those who are not yet acquired an EFDs as shown in Table 4.12 includes; 16.7% reported that they are not qualified to acquire EFDs due to threshold turnover restriction, 33.3% said TRA concentrated only on VAT registered taxpayer and forgot non VAT registered, and 55% reported that they have been registered for phase II of acquiring EFDs which is in progress.
Table 4.12: Taxpayer’s responses on reasons for not own an electronic fiscal device

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Qualified</td>
<td>2</td>
<td>16.7</td>
</tr>
<tr>
<td>TRA concentrated only on VAT registered taxpayer</td>
<td>4</td>
<td>33.3</td>
</tr>
<tr>
<td>Registered for EFDS Phase II</td>
<td>6</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

Table 4.13 it shows that 12 (60%) tax consultants and tax collectors reported that eligible taxpayers were asked to acquire electronic fiscal devices while the remaining 8 (40%) respondents said not all eligible taxpayers were asked to procure EFDs.

Table 4.13: Taxmen’s responses on identified eligible taxpayers to use EFDs

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified by TRA officials</td>
<td>12</td>
<td>60.0</td>
</tr>
<tr>
<td>Not Identified</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

It has been observed from the findings that a good number of eligible taxpayers were asked by TRA to procure the device but to some extent some of them are still not yet acquiring EFDs. Reasons given by taxpayers are the minimum turnover (14mil) set by the government is small such that even streets hawkers and small food vendors/ restaurants operators (*machinga and mamantile in kiswahili language*) may qualify for that, business environment for the same were not critically analysed if suitable or not, and challenges posed by the devices as observed from their predecessors VAT registered taxpayers.
4.6 Factors inhibiting utilization of EFDs

The study intended to distinguish what are the causative of the slowdown of EFDs usage in Tanzania. To this purpose, 20 taxpayers and 20 respondents from general public other than business operators were asked to give reasons for the same. On the other development 20 tax collectors and 20 taxpayers were asked to provide reasons that restrain from EFDs deployment. The questions were asked so as to have views on what might be the cause of slow turn up of taxpayers in adopting EFDs usage.

4.6.1 Taxpayer’s and general public responses on reasons for EFDs resistance

Out of 20 respondents from general public, 12 respondents equivalent to 60% reported the resistance is caused by negative altitude of taxpayers towards EFDs. 5 (25%) of the respondents said they EFDs knowledge is not well known. Low quality of EFDs and substandard receipts is another phenomenon reported by 2 respondents who making up 10% of the interviewed respondents and only 01 (05%) of the respondents claimed it is time consuming using EFDs as clearly shown in the Table 4.14.

On the other hand, in responding this, over three quarter (80%) of taxpayers said EFDs are expensive; are of low quality and issue substandard receipts, will disclose taxpayer's sales to the authority, and does not store power as purported to be. It was also reported that, (20%) of the respondents said people are not comfortable with EFDs, using EFDs is time consuming and power sage and power cut are also reasons for resistance.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General public responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative attitude of taxpayers towards EFDs</td>
<td>12</td>
<td>60.0</td>
</tr>
<tr>
<td>Lack of EFDs knowledge</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td>Low quality of EFDs and substandard receipts</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Time consuming</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Taxpayers responses</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>--------------------</td>
<td>-------</td>
<td>---</td>
</tr>
<tr>
<td>The EFDs are costly</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>Low quality of EFDs and substandard receipts</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>People don't like it</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Time consuming</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>EFDs will disclose taxpayer's sales</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Power sage and power cut</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Does not store power</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

4.6.2 Tax collector’s and tax consultant’s responses on reasons for EFDs resistance

According to the interviewed tax consultants and tax collectors, various reasons have been laid down as the causative of taxpayer’s resistance to EFDs usage as revealed in Table 4.15. 10 Tax enforcers equivalent to 50% of the respondents said taxpayers have negative attitude towards EFDs, 6 (30%) respondents claimed taxpayers have no knowledge on EFDs, low quality of EFDs and substandard receipts was also reported by 2 (10%) respondents and 2 (10%) respondents out tax enforcers interviewed said EFDs are not relevant to our business environment and/or they are expensive. On the other hand, 6 (30%) tax consultants disclosed that EFDs are of low quality and produces standard receipts, 5 (25%) tax consultants said taxpayers have no knowledge on EFDs operations, 30% of the respondents distinctively reported that, EFDs are time consuming and/or people don’t like using them while 1 (5%) respondent said taxpayer’s fear that EFDs will disclose their sales turnover to TRA.

A detail inquiry from other stakeholders come up with the following reasons as to why taxpayers resist using EFDs as shown in Figure 5 underneath. Out of those interviewed, majority of the respondents (85%) said EFDs are not relevant to our business environment, are time consuming, are expensive and due to power sage and power cut make people
don’t like them, while 15% of the reported that EFDs are of low quality and generate substandard receipts, they don’t store power as was earlier purported and taxpayer’s fear on disclosure of their sales turnover to the revenue authority.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax enforcers’ responses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative attitude of taxpayers towards EFDs</td>
<td>10</td>
<td>50.0</td>
</tr>
<tr>
<td>Lack of EFDs knowledge</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>The EFDs are costly</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Low quality of EFDs and substandard receipts</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Not relevant to our business environment</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Lack of EFDs knowledge</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td>The EFDs are costly</td>
<td>2</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Table 4.15: Taxmen’s responses on the reasons for taxpayers resisting using EFDs
The study revealed that the EFD implementation strategy is faced with some challenges as reported by majority of respondents in Tables 4.14 and 4.15. Apart for the reasons mentioned in Tables 4.14 and 4.15, the study further shows the taxpayers were resisting using EFDs due to the time it consumes in using it and they had a feeling that it was not useful in their business environment. Other reasons given include high cost of purchasing it, power sage and power cut and that EFDs will disclose their sales turnover to the authority. More ever, they mentioned other reasons such as it does not store power as purported to be, low quality of EFDs and substandard receipts, people don’t like it because connection to TRA Servers is not stable all the time, some other localities have poor network for longer periods of time while also there are numerous cases where suppliers take too longer to attend to reported malfunctions of EFDs or sometimes partially solved problems as shown in Figure 5. It is undeniable fact that a good number of TRA operational staffs are yet to full master the technicalities of extracting and/or manipulating for tax purposes information from the EFDs. Majority of EFDs are not customized, therefore description of goods and/or services supplied is not given just plain amounts appear on the EFD receipts. Sometimes power cuts and power surge poses a serious operational problem to the users of EFDs. There have been complaints on some fixed fees (e.g. Tshs. 60,000/=) charged by Suppliers of EFDs to their clients whenever there is breakdown. This is besides purchase of parts. In some few instances, taxpayers have been found using machines which are not in conformity with their businesses. This may be attributed to either provision of incorrect information to the supplier or the supplier failing
to properly interrogate the taxpayer on the nature, size and complexity of the business before supplying the gadget.
Figure 5: Reasons for taxpayers resisting using EFDs

KEY:
1:1 Percent
x- Axis: Percent
Y- Axis: Reasons for EFDs resistance by taxpayers

Source: Study Findings, 2014

4.6 Demand and/or issuance of receipt for the goods and services offered

Since it has been reported that the non usage of EFDs and its resistance in adoption has been caused by the challenges offered by EFDs, further more the study intended also to find out whether customers demand receipts and if buyers issue receipts for the supplies (goods and/or services) made. The study findings of this objective have been clearly clarified in subheading 4.7.1 through 4.7.2 to this clause.
4.6.1 Customer’s demand of receipts for the supplies

From Table 4.16 below, 16 taxpayers equivalent to 80 percent of the respondents reported that, customers do not demand receipts for the supplies (Goods and/or services) made to them in comparison to 4 taxpayers making up 20 percent of the interviewed who said customers do demand receipt for items purchased or service rendered to them.

Table 4.16: Responses on customer’s demand of receipts for the supplies

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demanding of receipt</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Not demanding receipt</td>
<td>16</td>
<td>80.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

Taxpayers extended the reasons as shown in Table 4.17 being that it is time consuming for customers waiting for the receipts reported by 8 taxpayers which 40 percent of the respondents, 7 (35 percent) taxpayers explained that it is not our way of life (culture) to issue or demand receipts (not used to demand receipts) and 5 (25 percent) taxpayers said customers do not like the receipts because they have no use to them.

Table 4.17: Reasons for customers not demanding receipts

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have no use to them</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td>Time consuming waiting for the receipts</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>Not used to demand receipts</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

4.6.2 Trader’s issuance of receipts for the supplies

In response of the question aiming to determine whether traders issue receipt for supplies (goods and/or services) made to their customers. Out of the interviewed respondents as
observed in Table 4.18 below; Majority of respondents (95 percent) said they normally issue receipts to their customers and only few of them (5 percent) said they don’t.

**Table 4.18: Responses on traders’ issuing receipts**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those who issue receipts</td>
<td>19</td>
<td>95.0</td>
</tr>
<tr>
<td>Those who do not issue receipts</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*

As it can be observed from the findings, that majority of traders issue receipts. However further analysis revealed that a good number of them issue receipts but not to the correct amount of money given (the value of items sold). The study then wanted to establish reasons as to why traders were reluctant to issue receipts. They mentioned reasons such as customers do not like them, fear of their sales to be known therefore they are going to pay more tax and they are not used to issue or demanding receipts in their normal way of doing business. Their responses are summarized in Table 4.19.

**Table 4.19: Trader’s response on the reasons for not issuing receipts**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers don’t like them</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>Traders’ sales will be known by revenue authority</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>Not used to issuing receipts</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*

4.6.3 **Trader’s preference on issuance of EFDs receipts and/or Manual receipts**

In responding to the question asked on what kind of receipts taxpayers are willing to give to their customers, it was observed that 12 traders (60 percent) preferred to issue EFDs
receipts over 8 respondents (40 percent) who prefer issuance of manual receipts as shown in Table 4.20.

**Table 4.20: Trader’s preferences on issuing EFDs receipts and/or manual receipts**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferring issuing EFDs receipts</td>
<td>12</td>
<td>60.0</td>
</tr>
<tr>
<td>Preferring issuing manual receipts</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*

Reasons put forward was as shown in Table 4.21 below that; 9 (45 percent) respondents alleged that they don't like to give the EFDs receipts, 6 (30 percent) respondents said customers don't like EFDs receipts, 4 (20 percent) respondents revealed that their sales will be known by revenue authority if issue EFDs/manual receipts and only one (05 percent) respondent believed that because it is not our culture to issue or demand receipts and therefore it is neither worth to issue EFDs receipts nor manual receipts.

**Table 4.21: Trader’s responses on the reasons for preferring certain kind of receipts**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers don't like other kind of receipts</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>Traders don't like to give other kind of receipts</td>
<td>9</td>
<td>45.0</td>
</tr>
<tr>
<td>Traders sales will be known by revenue authority</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Not used to issue or demand either of any kind of receipts</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*
So from the study findings it shows that even if taxpayers will procure EFDs if the government will not emphasize on the culture of customers demanding receipts for supplies made likewise buyers issuing receipts, it will be cumbersome and tedious work for the TRA to administer effective usage of EFDs. More, ever 60% of the respondents reported that traders will prefer issuing EFDs receipts over manual receipts provided that the EFDs become friendly otherwise manual receipts are better while others believed that because it is not our culture to issue or demand receipts and therefore it is neither worth to issue EFDs receipts nor manual receipts because by doing so their sales turnover will be known to TRA.

4.8 Knowledge on tax, tax implication and tax payments

It is worth noting that rather than only concentrating on efficacy of EFDs maneuver it is better also to focus on their attitude of taxpayers toward tax, thus the researcher focused to know whether taxpayers have knowledge on tax and its implication. It can be observed that, yes taxpayers acquired EFDs and issuing fiscal receipts as required but if they are not appreciating paying tax then the cost of collecting tax from them become more expensive and may do whatsoever to evade paying taxes. To be more precise the interviews and discussions were carried to both taxpayer’s and tax consultants, more ever, it was extending to include tax collectors and the general public on awareness of taxpayer’s rights, their obligations thus includes whether appreciating paying taxes for national development.

4.8.1 Awareness of the taxpayers on tax, its implication and appreciation of tax payment

It has been observed that, nearly all of taxpayers interviewed 20 (100%) knows what tax is and its implication as shown in Table 4.22 below.
Table 4.22: Taxpayer’s responses on knowledge of tax

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledgeable</td>
<td>20</td>
<td>100.0</td>
</tr>
<tr>
<td>Not knowledgeable</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

The study planned to examine whether taxpayers appreciating paying tax for the development of the country and the results shows all taxpayers 20 (100%) are willing to pay tax, are eager to be educated on tax and its implication and therefore appreciating the same for sustainable development of the nation as shown in Table 4.23 below though they pointed out on the high level of government spending.

Table 4.23: Taxpayer’s responses on appreciating paying taxes

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appreciating</td>
<td>20</td>
<td>100.0</td>
</tr>
<tr>
<td>Not appreciating</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

4.8.2 Responsiveness of tax consultants/ tax collectors on taxpayer’s rights.

In response of the question asked aiming to determine the extent to which taxpayers know their rights and obligations including how much they should pay, getting tax information, fair assessment of their taxes, why are they paying taxes and how to appeal just to mention; 9 tax consultants and/or tax collectors equivalent to 45 percent of those involved revealed that less than 25% of taxpayers knows their rights and/or obligations, 6 (30 percent) respondents said between 25% and 50% of taxpayers knows their rights and/or obligations and 5 (25 percent) respondents believed between 50% and 75% of taxpayers knows their rights and/or obligations as summarized in Table 4.24.
Table 4.24: Taxmen’s responses on taxpayers aware of their tax obligations/rights

<table>
<thead>
<tr>
<th>Taxpayer's rights</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25% of them</td>
<td>9</td>
<td>45.0</td>
</tr>
<tr>
<td>Between 25% and 50% of them</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>Between 50% and 75% of them</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

However, out of interviewed, three-quarter of (75%) tax consultants and tax collectors involved reported that taxpayers appreciate paying tax for the development of the country while 5(25%) tax consultants and tax collectors said taxpayers don’t appreciate paying tax for the development of the country as cleared shown in Table 4.25.

Table 4.25: Taxmen’s responses on taxpayer’s appreciation on paying taxes

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appreciating</td>
<td>15</td>
<td>75.0</td>
</tr>
<tr>
<td>Not appreciating</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

Reasons for taxpayers’ being not appreciating paying tax for national development as suggested by tax consultants and/or tax collectors are summarized in Table 4.26 includes, 16 (80%) tax consultants and tax collectors reported that taxpayer are not satisfied with government expenditure, 02(10%) tax consultants and tax collectors proposed that taxpayers do not see proportional returns of their taxes paid and 01 (05%) tax consultants and tax collectors said taxpayers don’t see sustainable development in terms of infrastructure while living poor standard in an increased poverty rate.
Table 4.26: Reasons for taxpayers’ appreciating neither paying tax nor performing their obligations

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non sustainable development</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Taxpayer are not satisfied with government expenditure</td>
<td>16</td>
<td>80.0</td>
</tr>
<tr>
<td>Increased rate of poverty</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>They do not see proportional returns of taxes they are paying</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

From the findings it shows that less than quarter of taxpayers knows their rights and obligations. Despite being not known taxpayer’s rights and obligations, more than three-quarter of taxpayers understand appreciating paying tax for the national development. Although they appreciate paying tax for national development, taxpayers also are not satisfied with government expenditure, they do not see proportional returns of taxes they are paying, while question also on non sustainable development and an increased rate of poverty

4.9  EFDs Improvements

Being able to exhaust all the possible cause and the challenges of adopting EFDs by taxpayers, the study intended also to know what should be done to ensure the improvement of EFDs usage in Tanzania. Therefore the researcher carry out discussion with taxpayers, tax consultants, tax collectors and general public to find out what should be done for better EFDs operations in Tanzania context.

4.9.1  General public responses on EFDs improvement

From the Table 4.27 below shows that majority of respondents 15 (75%) reported that education and public awareness on EFDs should be of paramount important while addressing challenges encountered by EFDs as responded by 4(20%) of the participants.
One respondents equivalent to 5% of the involved participant reported customers should demanding EFDs receipts and not otherwise for the smooth running of EFDs in Tanzania

Table 4.27: General public responses for the Improvement of EFDs administration

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and public awareness on EFDs</td>
<td>15</td>
<td>75.0</td>
</tr>
<tr>
<td>Address the challenges encountered by EFDs</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Customers should demanding EFDs receipts and not otherwise</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*

4.9.2 Taxpayer’s responses on EFDs improvement

Beside areas for improvements suggested by general public, the study also gather views from taxpayers. In response of what should be done so as to acquire and put in use EFDs, 9 taxpayers equivalent to 45% of participants expounded that sensitization and encouraging tax compliance for national development as one of the improvement of operation of EFDs, 8(40%) of the taxpayers said tax man must make it possible for taxpayers to pay tax smoothly without unnecessary hurdles and 3 (15%) of taxpayers explained that government should provide grace period on EFDs to ensure public awareness before the takeoff. This can be seen in Table 4.28 below

Table 4.28: Taxpayer’s responses for the Improvement of EFDs administration
<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensitization and encouraging tax compliance for national development</td>
<td>9</td>
<td>45.0</td>
</tr>
<tr>
<td>Tax man must make it possible for taxpayers to pay tax smoothly without unnecessary hurdles</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>Government should provide grace period on EFDs to ensure public awareness before the takeoff</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014

### 4.9.3 Tax consultants and tax collectors reactions on EFDs improvement

Other groups which were taken into board so as to have their views on the improvement of how to administer EFDs in Tanzania were tax consultants and tax collectors. Study intended to find out what should be done to make sure EFDs are ready in place and in usage also various aspects for EFDs improvements and better administration in Tanzania had been also the major concern. In responding to the question asked regarding fairness of the current EFD administration system to all taxpayers, 11 (55%) tax consultants and/or tax collectors agreed to some extent that the current system is fairly administered to all taxpayers, 5 (25%) taxpayers and/or tax collectors said not always fairly and 4 (20%) taxpayers and/or tax collectors agreed to the great extent that the EFDs system is fairly administered to all taxpayers as shown in Table 4.29.

**Table 4.29: Taxmen responses on fairness of the current EFD administration system**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, to a great extent</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>To some extent</td>
<td>11</td>
<td>55.0</td>
</tr>
<tr>
<td>Not always</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Study Findings, 2014
In another development, a research interested on the adequacy and relevance of EFDs administered for revenue increase, out of interviewed tax consultants and/or tax collectors, nearly three-quarter (70%) of the respondents believed that for the purpose of revenue increase, EFDs administered are very relevant and adequate if unnecessary hurdles are removed/reduced while remaining 6(30%) respondents reported the EFDs system administered is irrelevant and inadequate for revenue increase as shown in the Table below.

**Table 4.30: Relevance and adequacy of EFDs administered for revenue increase**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very relevant and adequate</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td>Fairly relevant and adequate</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>Irrelevant and inadequate</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*

On the other hand, in response on taxpayer's willingness in using EFDs since introduction, Table 4.31 reported that out of tax consultants and/or tax collectors who responded to this question, 10 (50%) said there is change but not significant for taxpayers willingness in using EFDs since introduction, 8(40%) said there is significant big change and less than quarter (10%) said there no willingness of taxpayers in using EFDs.

**Table 4.31: Taxmen responses on taxpayers’ willingness in using EFDs**

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a big change</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>There is significant change</td>
<td>6</td>
<td>30.0</td>
</tr>
<tr>
<td>There is change but not significant</td>
<td>10</td>
<td>50.0</td>
</tr>
<tr>
<td>There is no change</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Study Findings, 2014*
Table 4.32 below shows the responses on the relationship between TRA and taxpayers since introduction of EFDs, 14 (70%) tax consultants and/or tax collectors said the relationship between the two involved parties have either slightly improved or significantly improved, 4(70%) respondents claimed the relationship between the two have strongly improved and less than quarter (10%) of respondents said there is no improvement.

Table 4.32: Relationship between TRA and taxpayers since EFDs introduction

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly improved</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Significantly improved</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>Slightly</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>No improvement</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Indifferent</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

More ever, Table 4.33 shows that more than half (55%) of tax consultants and/or tax collectors involved reported to receive fairly high cooperation from taxpayers who are already using EFDs, 7 (35%) tax consultants and/or tax collectors claimed to receive average cooperation from taxpayers while 2 (10%) tax consultants and/or tax collectors said they either receiving low cooperation from taxpayers who are already using EFDs.

Table 4.33: Taxmen’s level of cooperation receiving from EFDs taxpayers

<table>
<thead>
<tr>
<th>Level of cooperation</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Fairly high</td>
<td>9</td>
<td>45.0</td>
</tr>
<tr>
<td>Average</td>
<td>7</td>
<td>35.0</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014
In assessing the tax consultant’s and/or tax collector’s workload (average number of taxpayers who are having EFDs being serviced per day), it has been observed that more than half (55%) of tax consultant’s and/or tax collector’s out of the interviewed claimed they serve in average up to 20 taxpayers with EFDs, while 4 (20% each) respondents said serve between 20 and 30 taxpayers and 3 (15%) respondents they serve in average between 30 to 40 taxpayers with EFDs as shown in the Table 4.34

Table 4.34: Average number of taxpayers with EFDs serving per day by taxmen

<table>
<thead>
<tr>
<th>Average Number of taxpayers served</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 10</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Between 10 and 20</td>
<td>9</td>
<td>45.0</td>
</tr>
<tr>
<td>Between 20 and 30</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Between 30 and 40</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

Table 4.35 shows the tax consultants and/or tax collectors responses on whether there is any need for EFDs administration in Tanzania being improved, out of the interviewed, majority of respondents (80%) said EFDs administration in Tanzania needs improvement while less than quarter of the respondents (20%) said the system is sufficiently and adequate therefore no need for improvement rather than strong supervision.

Table 4.35: Responses on the need for improvement of EFDs administration

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement required</td>
<td>16</td>
<td>80.0</td>
</tr>
<tr>
<td>Improvement not required</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014

Areas for improvement suggested by the tax consultants and/or tax collectors as a result of discussion and interviews carried are as shown in Table 4.36, a quarter (25%) of tax
consultants and/or tax collectors suggested that network infrastructure has to be improved while three-quarter (75%) of the remaining tax consultants and/or tax collectors recommended that the EFDs supply should be done by TRA and government in general to avoid unnecessary hurdles caused by EFDs suppliers to the users, give more education to taxpayers and public at large has also been reported by tax consultants and/or tax collectors involved. Notwithstanding other areas for improvements, also tax consultants and/or tax collectors reported that supplied in market of durable EFDs should be guaranteed, the promptness of supplier’s in responding to the problems as also one of area for improvement, subsidies the suppliers so as to lower the price or free distribute of EFDs and imposing affordable penalties so as to eliminating/reduce room for bribes and corruption of TRA officials and other involved stakeholders.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure durable EFDs are supplied in market</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Networking infrastructure has to be improved</td>
<td>5</td>
<td>25.0</td>
</tr>
<tr>
<td>The EFDs supply should be done by TRA and government in general</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Supplier’s promptness in responding to the problems</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Give more education to taxpayers and public at large</td>
<td>4</td>
<td>20.0</td>
</tr>
<tr>
<td>Subsidies the suppliers so as to lower the price or free distribute</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td>Affordable penalties imposed (eliminating room for bribes and corruption)</td>
<td>1</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Study Findings, 2014
CHAPTER FIVE
CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the objective of this study and findings, it can be concluded that, taxpayers resisting using EFDs due to the challenges created by devices that, the machine are costly, are difficult to operate, insufficient knowledge, network problem and will make them pay higher taxes as they will expose all their sales to TRA. Practically, to large extent revenue collection has registered a positive growth rate following the introduction of EFDs. This is especially so with VAT and Corporate tax. For example during 2013/2014, 134 taxpayers have been sampled for close monitoring to find out their VAT payment trends before and after acquisition of EFD’s. It was revealed that during July 2013 to Jan.2014 VAT Tshs. 41,945million was collected compared to Tshs. 23,434million during such period without EFDs as per Ilala Tax Region report to Uganda revenue authority high delegation on 18th March .2014.

With EFDs records keeping, especially sales records have significantly improved and such information is stored in both the EFDs and TRA Servers. EFDs have a built in communication facility that has to some extent improved communication i.e. One can write e-messages via the EFD. Improved communication has on the other hand has facilitated provision of taxpayer education services. While TRA and Tanzania at large, learned a lot about taxation and EFDs from the countries where they imported the technology, our neighbors' such as Kenya, Zambia, Uganda Malawi and Mauritius have come to borrow a leaf from TRA. It is from this study thus revealed that the EFD implementation strategy is faced with some challenges as reported by 60% of the respondents as shown in Table 4.1 and 4.15, and Figure 5 of this report. Besides the challenges encountered during the implementation of EFD first phase, overall EFD is a success story. It is on this ground that the TRA and Government at large have decided to embark on a second phase of EFDs usage that took off in March 2013 whereby all taxpayers with a taxable turnover of 14million are required to acquire and use EFDs. From the finding it shows that unfortunately registration of taxpayers for second phase usage of
EFDs has not been that much smooth as some taxpayers are trying to resist the exercise due to the reasons earlier advanced.

It is further concluded that before the introduction of Electronic Fiscal Devices, TRA and six selected EFD providers trained some stakeholders including tax consultants, taxpayers and tax assessors. However, it has been observed that the training period was not adequate as most of the taxpayers are still in darkness with regard to the management and effective use of EFDs in their business. A case study design adopted were collected and after a proper analysis of the finding it is revealed that more than half of the taxpayers have no knowledge on EFDs that used to process fiscal receipts/tax invoices while (45%) of the taxpayers said they have heard about the EFDs but have not received training on how to use the devices. Out of those denied to have knowledge on EFDs, the reasons put forward as; 18.2% reported that TRA concentrated only on VAT registered taxpayer.

It is therefore concluded that an intensive awareness campaigns should be offered tentatively to taxpayers and general public before embarking to implementation of EFDs. It is further concluded that though a good number of eligible taxpayers were asked to procure the device, others still not yet acquiring EFDs. Hence proper identification should be done as it seems that the minimum turnover (14mil) set by the government is small such that even streets hawkers and small restaurants operators may qualify for that, business environment for the same should be critically analysed if suitable or not, and challenges posed by the devices as observed from their predecessors VAT registered taxpayers should be yet addressed

Additionally, it is also concluded that EFDs in Tanzania aimed to increase revenue collection and traders to record all business transactions, following the tremendous revenue collection registered by TRA after the taxpayers acquiring and using EFDs in comparison to prior acquisition and EFDs usage, it is undeniable fact that EFDs play a pivotal role in tax collection equally so for the country development. However, during
the short period of the operations of the EFDs i.e. from October 2010 to March 2013, taxpayers have been lamenting due to several challenges which significantly affect the VAT registered traders as summarized here below:

We understand that the introduction of Electronic Fiscal Devices (EFDs) was aimed at enhancing voluntary compliance and ease operation of the VAT law by TRA tax officials. From the observation only 70% taxpayers are of the view that, the selected suppliers could have been well placed to ensure that all VAT registered persons are well served and EFDs installations would be in order. Unfortunately most of taxpayers are facing problems with the process from the point of ordering up to the installation stage. The process can even take more than a month to get the gadget fully installed while also taxpayers with EFDs are complaining that the machines are not working properly as expected and as advocated by TRA. This is likely creating problem to both TRA and the taxpayers as TRA may regards this as an offence committed by the latter.

The study also concluded that because it is not our culture to issue receipts, hence TRA and the government should sensitize on the significance of receipts issuance including close monitoring, follow-up and penalize the defaulters (non issuance of receipts). From the study it has been observed that, the EFD regulation requires every registered person to demand and retain a fiscal receipt or invoice when purchasing goods or services from suppliers. It has been announced by TRA that it would not admit VAT refund claims if the taxable person is not in possession of fiscal invoices as this might create problems between TRA and taxpayers. On the other hand you may find that a taxpayer is not in a position to issue a fiscal receipt from EFDs due to the EFD machine problem and therefore the purchaser will not get a fiscal receipt other than the normal tax invoice which has been issued by the taxpayer before the introduction of EFDs. It has also been noted that, fiscal tax invoices are not durable as they are not readable after a short period and this will create problems in future to cross check against a taxable person purchases as it will be cumbersome. It is unfortunate that TRA take all these shortfalls as an offence to the taxpayers and imposing penalties as it can be observed to most of the regional offices thus
why only 35% of respondents argued there is slightly improvement in the relationship between taxpayers and TRA. The research also reveals that 80% of taxpayers are not satisfied with government expenditure thus lead taxpayers appreciating neither paying tax nor performing their obligations for national development, the phenomenon is one of the reasons for resistance of acquiring EFDs and put it in use. For this reasons the government should efficiently and effectively utilize their funds for sustainable development and hence bring back the trust which is no longer in many taxpayers.

Efforts made to address EFDs challenges as postulated by TRA management includes; Issuance of a strong statement by the President and the Cabinet stressing the legal requirement for the identified second phase EFD users to acquire and put in use the machines, TRA Enhanced taxpayer education through workshops, seminars, publications as well as the use of print and electronic media, According to the Ilala Tax Region manager, TRA has start handling cases on individual basis as and when they come as opposed to groups so as to avoid mob psychology but also identifications of ring leaders/intimidators who are then given strong warnings about their misdeeds by TRA and the Government at large. Finally it is concluded that compared to the defunct ECRs, the tax potentiality of EFDs is much higher and sound. The challenges remain on the speed and efficiency at which the challenges facing its implementations are solved.

5.2 Recommendations

The following recommendations are put forward in order to improve the operations and address the challenges facing taxpayers in adopting the use of EFDs in Tanzania basing on the findings of the study and conclusion made above;

1. TRA should continue with intensive taxpayer and general public education on all issues affecting taxpayers in one way or another specifically knowledge on EFDs. This will help much to avoid conflict that can arise between government and business owners.
2. Networking infrastructure has to be improved thus expand bandwidth and save capacity to enhance internet services. This will enable smooth flow of data and information in terms of e-filing, EFD daily Z-listing, Revenue Getaway, etc.

3. Each EFD supplier(s) should be closely monitored and followed to reduce if not remove unnecessary hurdles caused to taxpayers’ when registering his/her complains as to the regards of EFDs.

4. Most of the taxpayers are also faced with the problem of EFDs software against their accounting packages as the EFD software is not compatible with taxpayers accounting packages. EFD suppliers could have examined how the softwares can be installed without affecting accounting packages of taxpayers.

5. EFDs regulation allows a taxable person to claim the initial purchase cost of the machine. However one can think that since it allows the initial purchase cost to be borne by the government then all taxable persons must have these machines regardless of their supplies. For instance mining exploration firms do not have taxable supplies but they are registered for VAT. These companies do not issue tax invoices as they are not yet in the production stage. Given the situation, it is irrelevant to utilise funds to purchase an EFD machine that you will not use for a long time.

6. Since there is no way out to run from EFDs usage as cemented by the president of United Republic of Tanzania, consequently, TRA should increase the number of operational cum technical staff to match the ever growing number/volume and complexity of businesses.

7. Separate website functions; this is common practice with many organizations as a way to ensure swift flow of data/information since heavy trafficking dislodges the systems and eventually cause network problems to taxpayers i.e. e-filing website, Revenue Gateway website, EFD website and General e-mailing services.

8. TRA should embark on staff training, mentoring and coaching concerning EFDs and EFDMS usage and application since it was found that some of the TRA staffs are not well equipped with EFDs operations.
9. Discharge possible maximum punishment to all defaulters in e-filing and EFD usage, e.g. giving defaulters terms in prison as a deterrent measure. Thus the government should provide EFD freely or in small amount of money to both small and high business owners and those who will be neglecting to use EFD should severely punished.

10. To ensure durable EFDs are supplied in market, there should be a proper monitoring of the EFDs suppliers capacity or else the EFDs supply should be done by TRA and government in general by itself.

11. TRA and the government at all should ensure that tax laws are translated in Kiswahili and TRA website should have a Kiswahili version so as many of the taxpayers may understand tax related matters as most of taxpayers are conversant with Kiswahili in comparison to English language.

12. TRA could have provided the grace period to determine effectiveness of EFDs in the country by carrying out a pilot project and they could start by a selected category of taxpayers to use EFDs before it is used by all other VAT registered taxpayers. EFDs in Kenya is very effective as they provided grace period by introducing EFDs to supermarkets stakeholders, all weaknesses identified with regard to EFDs were settled and then EFDs was extended to all other VAT taxpayers.

13. TRA should analyse the effectiveness of EFDs for the period that the machines have been used and rework on all shortfalls identified to streamline the uses of the same

14. TRA should considered the reasons and causes of the failure encountered by taxpayers who have installed and used EFDs rather than rush into conclusion and start imposing penalties to the same, for this is quite unfair to the taxpayer.

15. The tax authority can still provide a grace period with regard to EFD machines to ensure that they are efficiently and effectively used by both TRA and taxpayers.

16. Increasing people’s involvement on decision making, TRA should involve people in whole process of Tax collection, new changes and arrangement of Taxes, as well as the use of Electron Device on Business. The involvement of people especially traders
and other stakeholders will help to reduce misunderstand between the business owners and the government as happens now days.

17. Reduce the cost of buying Electronic Fiscal Device, The government should minimize the amount of buying EFD machine in order to all both traders with low and high capital to afford it or distribute freely and through indirect way. Now days EFDs are sold at 800,000/= to 600,000/= per device as announced by TRA at the end of year 2013 which are expensive among small business owner.

5.3 Areas for Further Study

As the network have been observed to be a serious problem in Tanzania at large irrespective of any organization, there is a need to conduct a study to determine to what extent did EFDs are business friendly and it’s practicability as to the regards to connectivity that would cater for the operating expenses of EFDs in terms of time wasted for network diagnosis, service charges to taxpayers and at the same time facilitate the growth of EFDs potentiality in Tanzania.
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Appendices

APPENDIX 1: Questionnaire guideline for taxpayers and general public

Dear Respondent,

I Kenedy Sawaya, student at Mzumbe University, kindly requesting you to respond to the attached questionnaire on the Challenges facing taxpayers in adopting the use of electronic fiscal devices (EFDs) in Tanzania; the case of Ilala tax region” a research is done as a part of fulfillment of the requirements for the award of the degree of master of business administration-Corporate Business.

You are kindly requested to read the attached questionnaires and respond them to the best of your knowledge. Your timely response is of the essence success to the achievement of this study.

Please rest assured that the responses will be treated as confidential but should you like to know the findings, the researcher will be pleased and willing to endow with them to you.
APPENDIX 2: Taxpayer’s and general public questionnaire

Please put the correct code in the space provided unless otherwise stated

1. Identification Detail

<table>
<thead>
<tr>
<th>Code</th>
<th>1.1 Business Location: Mention……………………</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1.2 Name of Respondent……………………………</td>
</tr>
<tr>
<td></td>
<td>1.3 Title/Position in the business…………………</td>
</tr>
<tr>
<td></td>
<td>1.4 Sex: Male………1 Female……………2</td>
</tr>
</tbody>
</table>

1.5 What is your highest level of education attained?

<table>
<thead>
<tr>
<th>Code</th>
<th>1.5 What is your highest level of education attained?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Secondary Education…………………………………1</td>
</tr>
<tr>
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<td>Certificate Course…………………………………2</td>
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<td></td>
<td>Ordinary Diploma……………………………………3</td>
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<tr>
<td></td>
<td>Technical education…………………………………4</td>
</tr>
<tr>
<td></td>
<td>Adult education………………………………………5</td>
</tr>
<tr>
<td></td>
<td>Advanced Diploma/Bachelor Degree…………………6</td>
</tr>
<tr>
<td></td>
<td>Higher Degree………………………………………..7</td>
</tr>
</tbody>
</table>

1.6 How long have you been in business?

<table>
<thead>
<tr>
<th>Code</th>
<th>1.6 How long have you been in business?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 year and below…………………………1</td>
</tr>
<tr>
<td></td>
<td>2 to 4 years……………………………2</td>
</tr>
<tr>
<td></td>
<td>5 to 8 years……………………………3</td>
</tr>
<tr>
<td></td>
<td>9 to 12 years……………………………4</td>
</tr>
</tbody>
</table>
13 years and above...........................................5

1.7 Who made you emanate into business?
I decided myself.............................................1
My Parents inspired.........................................2
My relatives decided.........................................3
I was convinced by a friend..............................4
Others (specify) .............................................5

2. Perception
2.1 Do you know what tax is??
Yes......................................................................1
No.......................................................................2

2.2 Do you appreciate paying taxes for the development of the country (If question 2.1 above the answer is Yes)
Yes......................................................................1
No.......................................................................2
If, No why..........................................................3

2.3 Do customers demand receipt for the supplies (Goods and/or Services) purchased?
Yes......................................................................1
No.......................................................................2
2.4 Why do you think customers do not demand receipt for the supplies (Goods and/or Services) purchased? (If the answer in Qn. 2.3 above is no)

Customers they don’t like it……………………………………. 1
I don’t like to give the receipts ..................................2
It is time consuming waiting for the receipts……………...3
Because it is not our way of life to issue or demand receipts….4
Other reasons (Specify)………………………………………….5

2.4 As a businessman, are you issuing receipts to your customers??

Yes................................................................. 1
No................................................................. 2
If, No why………………………………………………….…..3

2.5 On your opinion why do businessmen do not issuing receipts to their customers?? (If the answer in Qn. 2.4 is No)

Customers they don’t like it……………………………………. 1
I don’t like to give the receipts..................................2
My sales will be known by revenue authority………………..3
Because it is not our culture to issue or demand receipts……...4
Other reasons (Specify)………………………………………….5

3. Impacts

3.1 Are you eager to be educated on tax and its implication?? (If question 2.2 above the answer is No)

Yes…………………………………………………………….. 1
No…………………………………………………………….. 2
If, No why……………………………………………………..3

3.2 TRA has introduced EFDs that used to process fiscal receipts/tax invoices. Are you aware of EFDs?

Yes…………………………………………………………….. 1
No…………………………………………………………….. 2
3.3 Did you receive any knowledge on EFDs??
Yes……………………………………………………………………………….. 1
No……………………………………………………………………………….. 2

3.4 Were you asked to buy an electronic fiscal device?
Yes……………………………………………………………………………….. 1
No……………………………………………………………………………….. 2

3.5 Were all eligible taxpayers asked to buy the device?
Yes……………………………………………………………………………….. 1
No……………………………………………………………………………….. 2
If, No why……………………………………………………………………………… 3

3.6 Do you own an electronic fiscal device (EFD)?
Yes……………………………………………………………………………….. 1
No……………………………………………………………………………….. 2
If, No why……………………………………………………………………………… 3

3.7 As business man, do you prefer issuing EFDs receipts or manual receipts?
(1) EFD receipts……………………………………………………………………………….. 1
(2) Manual receipts……………………………………………………………………………… 2

3.8 For any of your answer in Qn. 3.7above, why??
(i) Customers they don’t like the other kind of receipts
(ii) I don’t like to give the other kind of receipts
(iii) My sales will be known by revenue authority if I issue other kind of receipts
(iv) Because it is not our culture to issue or demand receipts
(v) Other reasons (Specify)
…………………………………………………………………………………………

3.9 What do you think are the reasons for taxpayers resisting using EFDs? (Please tick as many reasons you think suitable)
(i) Negative altitude of taxpayers towards EFDs
(ii) They have don’t have knowledge on EFDs
(iii) The EFDs are costly
(iv) Low quality of EFDs and substandard receipts
(v) People don’t like it
(vi) It is time consuming
(vii) It is not relevant to our business environment
(viii) EFDs will disclose taxpayer’s sales
(ix) Power sage and power cut
(x) It does not store power as was said
(xi) EFD suppliers does not responds timely on EFD query

Other reasons (Specify)………………………………

3.10 What do you think should be done for the betterment of EFD’s administration in Tanzania? (Please tick reasons you think suitable)

(i) Education and public awareness on the EFD
(ii) Address the challenges encountered by EFD
(iii) Sensitization and encouraging tax compliance for national development
(iv) Customers should demanding EFD receipt and not otherwise
(v) Tax man must make it possible for taxpayers to pay taxes smoothly without unnecessary hurdles
(vi) Government should provide grace period on EFDs to ensure public awareness before the takeoff
(vii) Other Reasons (Specify)

.................................................................
.................................................................

……

3.11 What will you do if the government insists to use EFD?

(i) Call off from (give up ) business

(ii) Boycott (resisting) form using EFD

(iii) Accepting EFDs in your business operation while EFDs challenges are addressed

(iv) I will use alternative means of survival

(v) Other reasons Specify).................................................................

Thank you for your cooperation

APPENDIX 3: Questionnaire guideline for tax collectors and taxpayer’s consultants

Dear Respondent,
I Kenedy Sawaya, student at Mzumbe University, kindly requesting you to respond to the attached questionnaire on the *Challenges facing taxpayers in adopting the use of electronic fiscal devices (efds) in Tanzania; the case of Ilala tax region*” a research is done as a part of fulfillment of the requirements for the award of the degree of master of business administration- Corporate Business.

You are kindly requested to read the attached questionnaires and respond them to the best of your knowledge. Your timely response is of the essence success to the achievement of this study.

Please rest assured that the responses will be treated as confidential but should you like to know the findings, the researcher will be pleased and willing to endow with them to you.
APPENDIX 4: Tax collectors and tax consultants’ questionnaire

Please put the correct code in the space provided unless otherwise stated

1. Identification Detail

1.1 Duty Station: Mention……………………………

3.9 Name of Respondent……………………………

3.10 Title/Position……………………………………

3.11 Sex: Male………1 Female……………2

1.5 What is your highest level of education attained?

Secondary Education…………………………….1

Certificate Course…………………………………2

Ordinary Diploma…………………………………3

Advanced Diploma/Bachelor Degree………….4

Higher Degree……………………………………….5

2. Perception

2.1 How many taxpayers out of 30 whom you have been dealing with could follow the necessary procedures of using EFD in paying tax?

Less than 5 ……………………………………………1

Between 5 and 10…………………………………….2

Between 11 and 15………………………………….3

Between 16 and 20………………………………….4

More than 20…………………………………………5
2.2 How many taxpayers out of 30 do you think they have knowledge on using EFD?

Less than 5  ............................................................1
Between 5 and 10 ......................................................2
Between 11 and 15 .....................................................3
Between 16 and 20 .....................................................4
More than 20 ............................................................5

2.3 Which taxpayer’s rights are commonly known to taxpayers? (You may circle more than one)

How much they should pay ........................................1
Why are paying taxes ...............................................2
Getting tax information .............................................3
Fair assessment of their tax ........................................4
How to appeal ..........................................................5
Any other (Specify) ....................................................6

2.4 Do taxpayers appreciating paying taxes for the development of the country

Yes .................................................................1
No .................................................................2
If, No why ........................................................3

2.5 Do you think awareness campaigned offered by TRA will enable taxpayers to properly use EFDs?

Yes, to large extent ................................................1
To some extent .......................................................2
Not so much ..........................................................3
No .................................................................4
Indifferent ............................................................5

2.6 What percentages are taxpayers aware of the following tax obligation;
(i) To be honest?
(ii) To pay their tax in time?
(iii) To notify TRA where there are incidence of tax evasion?
(iv) To provide information and cooperate with TRA officials when the officials are performing their duties?
(v) Put in place EFDs and using accordingly

Less than 25% of them ......................................................... 1
Between 26% and 50% of them ................................. 2
Between 51% and 75% of them ................................. 3
Above 75% of them .......................................................... 4

2.7 Do you think that the current EFD tax administration system is equitable and fair to all taxpayer?

Yes, to a great extent .......................................................... 1
To some extent .............................................................. 2
Not always ................................................................. 3
Not at all ................................................................. 4
Indifferent .............................................................. 5

2.8 Do you think that EFDs administered by TRA on taxpayers are relevant and adequate for revenue increase?

Very relevant and adequate .................................................. 1
Relevant and adequate ...................................................... 2
Fairly relevant and adequate .................................................. 3
Not at all ................................................................. 4
Indifferent .............................................................. 5

3. Impact

3.1 Has there been any change on taxpayer’s willingness in using EFDs since its introduction?

There is a big change ...................................................... 1
There is a significant change .................................................. 2
There is a change but not significant……………………………..3
There is no change………………………………………………..4
Indifferent ………………………………………………..............5

3.2 Do you think that, tax awareness offered by TRA will enable taxpayers to properly use EFDs?
Yes, to large extent………………………………………………...1
To some extent…………………………………………………….2
Not so much…………………………………………………….3
Not at all………………………………………………….……….4
Indifferent ………………………………………………………....5

3.3 Has the relationship between TRA and taxpayers improved after the introduction of EFDs?
Strongly Improved………………………………………………....1
Significantly Improved…………………………………………….2
Slightly………………………………………………………….….3
No improvement…………………………………………………....4
Indifferent……………………………………………….................5

3.4 What is the level of cooperation doo you get from taxpayers whom you deal with that are using EFDs?
Very high………………………………………………………….....1
High………………………………………………………………2
Fairly high………………………………………………………….3
Low………………………………………………………………4
Very low…………………………………………………………....5
3.5 How many taxpayers with EFDs in average do you serve per day?
Less than 10 .................................................................1
Between 10 and 20............................................................2
Between 20 and 30............................................................3
Between 30 and 40............................................................4
Above 40........................................................................5

3.6 Were all eligible taxpayers asked to buy the device?
Yes................................................................. 1
No................................................................. 2

3.7 What do you think are the reasons for taxpayers resisting using EFDs? (Please tick as many reasons you think suitable)
(i) Negative altitude of taxpayers towards EFDs
(ii) They have don’t have knowledge on EFDs
(iii) The EFDs are costly
(iv) Low quality of EFDs and substandard receipts
(v) People don’t like it
(vi) It is time consuming
(vii) It is not relevant to our business environment
(viii) EFDs will disclose taxpayer’s sales
(ix) Power sage and power cut
(x) It does not store power as was said
(xi) EFD suppliers does not responds timely on EFD query
(xii) Other reasons (Specify).................................
3.7 Do you have personal views on how to improve the effectiveness in the use of EFDs?

(i) Yes……………………1  
(ii) No…………………………2

If yes, mention

(i)........................................................................................................

(ii)........................................................................................................

(iii)........................................................................................................

Thank you for your cooperation

APPENDIX 5: Interview guide for managers and head of department/units/section
Administration Questions

1. What areas are within your sphere of responsibility in your current position? How do you make sure that you know what is happening (problems, changes, etc.)?

2. How do you make sure that your employees are accountable in identifying EFD users?

3. What operating systems do you use to monitor and maintain control of your area of accountability?

4. What do you typically do when you hear of an EFD problem in your area? Explain?

5. How useful have you found written EFDs procedures and guidelines in helping you manage your area?

6. Do you feel that the chain of command is important? Why? When do you feel it might inhibit EFD usage effectiveness?

Evaluating Performance

1. What do you do to ensure EFDs objectivity is achieved when you evaluate the work of others?

2. How often do you evaluate EFDs performance?

3. How do you evaluate your department’s overall performance?

4. How do you plan for EFDs performance improvements?

5. How do you measure EFDs performance in your area?

TRA-Taxpayers Relationship

1. How do you go about developing the taxpayer in your region?

2. How do you help your taxpayers become committed and loyal to the national development?

3. How do you deal with an “attitude” problem, especially on the issuance of receipts?

4. How often do you think it is necessary to meet with taxpayers in your region?
5. How have you handled “EFDs complainers?”

6. How do you deal with taxpayers on individual basis and at large who resist using EFDs? Explain your strategy.

7. What sort of training do you think is necessary to offer to taxpayers, general public, tax official and stakeholders?

8. How do you handle a, personnel situation, which might have a, potential legal impact?

**Organization Relationship**

1. How would you deal with “politics” in a work place?

2. How do you typically get cooperation from another department/ institution/Tax region/ Ministry?

**Decision Making Questions**

1. At which point do you find it necessary to bring others into your decision-making process especially on EFDs challenges? Why?

2. When you recommend something to management, what approach do you usually use? What about matters related to EFDs?

3. How do you assemble relevant data to make your decisions? How do you know you have enough data?

   **Thank you for your cooperation**