

**AN INVESTIGATION OF FACTORS INFLUENCING  
TAXPAYERS' COMPLIANCE BEHAVIOUR: EVIDENCE FROM  
TANZANIA**

**AN INVESTIGATION OF FACTORS INFLUENCING  
TAXPAYERS' COMPLIANCE BEHAVIOUR: EVIDENCE FROM  
TANZANIA**

**By  
Ostenciana Danford Sanga**

**A Dissertation Submitted in Partial Fulfilment of the Requirements for the Degree  
of Master of Business Administration- Cooperate Management (MBA\_CM) of  
Mzumbe University.**

**2019**

**CERTIFICATION**

We, the undersigned, certify that we have read and hereby recommended for the acceptance by Mzumbe University, a dissertation entitled: *An investigation of factors influencing taxpayers' compliance behaviour: evidence from Tanzania* in partial fulfillment of the requirements for Award of the Degree of Masters in Business Administration (MBA\_CM) of Mzumbe University

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Major Supervisor

*Signature*

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## **DEDICATION**

This work is dedicated to my parents, my husband, my son and my relatives, who always give me courage and support, the outcome of which is this work.

## **LIST OF ABBREVIATIONS**

BOT	Bank of Tanzania
CITA	Companies Income Tax Act
CITT	Chartered Institute of Taxation of Tanzania
ECOWAS	Economic Community of West Africa States
FCT	Federal Capital Territory
FGT	Federal Government of Tanzania
FIRS	Federal Inland Revenue Service
FIRSEA	Federal Inland Revenue Service (Establishment) Act
FISRB	Federal Inland Revenue Service Board
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
IRS	Internal Revenue Service of United States
ITMA	Income Tax Management Act
JTB	Joint Tax Board
NITS	National Institute of Technology Standard (USA)
OECD	Organization for Economic Cooperation and Development
PAYE	Pay As You Earn
PIT	Personal Income Tax
PITA	Personal Income Tax Act
SIRS	State Internal Revenue Service
SIRSB	State Internal Revenue Service Board
TACA	Taxpayers Assistance Centre Arusha
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
UN	United Nations

## **ABSTRACT**

The study was focused on the investigation of factors influencing taxpayers' compliance behaviour, Evidence from Tanzania. The contribution of income taxes to the total revenue of Tanzania's government remained consistently low and is relatively shrinking due to low tax compliance. However, from all the taxes, individual income tax remains the most unproductive in Tanzanian tax system. Although this noncompliance behaviour can also be explained by the existing theory, the explanation will not be comprehensive because some important variables adhere specifically to Tanzania are not addressed in the existing theory. Thus, this study investigates empirically the factors underlying individual taxpayers' compliance behaviour in Tanzania to uncover the causes of noncompliance. In order to gain in-depth understanding of the phenomenon, the study expands the tax compliance model to incorporate perceived tax service quality, public governance quality, ethnic diversity as well as moderating effects of personal financial condition and risk preference. The study was designed using taxpayers' opinion survey method. Multi-stage cluster random sampling technique was applied to select the samples of the study from the population of individual taxpayers residing in the Federal Capital city of Tanzania.

The primary data, which were collected through self-administered questionnaire, were treated statistically using multiple regression analysis and other statistical techniques. The results reveal that taxpayers' perception about tax service quality and public governance quality significantly related to the compliance behaviour. In addition, the effect of taxpayers' financial condition strengthened the capacity of the compliance model in predicting taxpayers' behaviour better and significantly moderated the influences of tax system structure, moral reasoning and occupation. By implications, the findings of the study suggest extension to the compliance model to incorporate perceived tax service quality, public governance quality, ethnic diversity and the moderating effect of taxpayers' financial condition for better understanding of tax compliance behaviour. Furthermore, policy should be directed towards strengthening these factors to reawaken the culture of tax compliance Behaviour among individual taxpayers in Tanzania. Keywords: Tax Compliance Behaviour, Perceived Tax Service Quality, Public Governance Quality, Ethnic Diversity, Individual Income Tax.



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# CHAPTER ONE

## GENERAL INTRODUCTION

### **1.0 Introduction**

This chapter gives a background to the study of the investigation of factors influencing taxpayers' compliance behaviour, Evidence from Tanzania. Other areas given in this section are the statement of the problem, the purpose of the study, research objectives, and research questions and significance of the study.

### **1.1 Background of the Study**

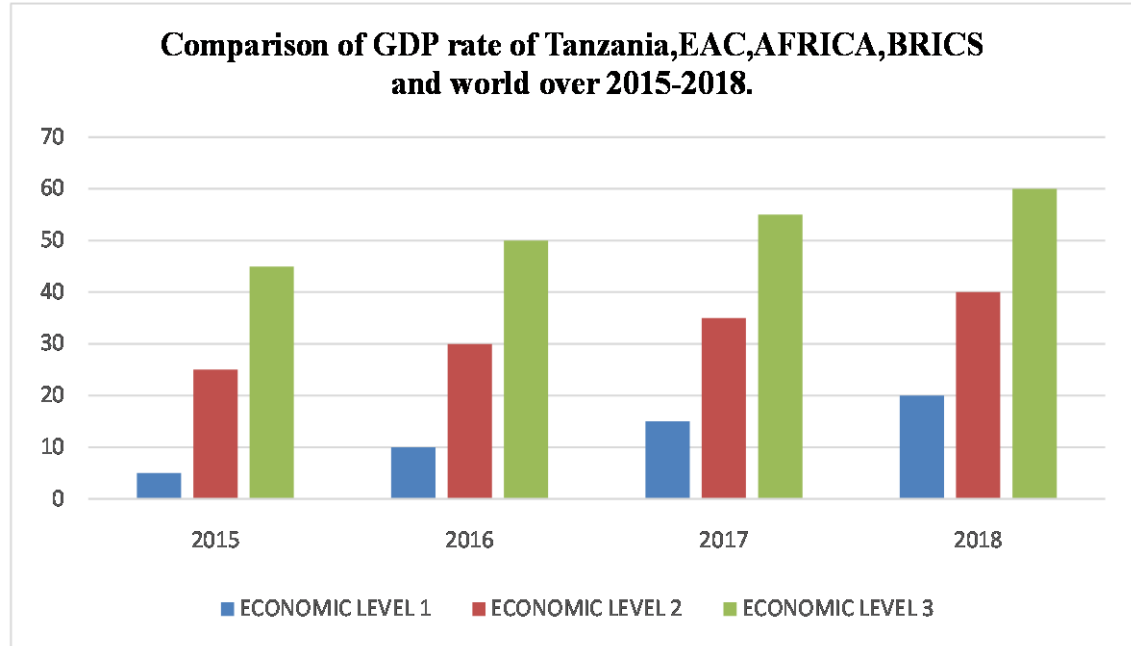
In Tanzania, as in some other creating nations, charge resistance is a genuine test confronting charge organization and obstructing charge income execution. In relative terms, charge income has kept on dropping massively. Duty is a mandatory commitment to the help of government, collected on people, property, pay, wares, exchanges, and so forth, presently at fixed rates; generally relative to the sum on which the commitment is imposed (Oxford English Dictionary). Tax consistence is a worry of governments around the globe. In the United States (U.S.) alone, resistance is evaluated to cost the national government over \$300 billion every year. Be that as it may, customary financial models of duty consistence, which essentially stress requirement and discovery factors, are unfit to clarify current dimensions of consistence. Actually, especially in the United States, consistence is a lot higher than these financial models would recommend. (Bobek, Roberts and Sweeney 2007).

Tax avoidance is an all inclusive marvel that happens in all social orders and monetary frameworks including both created and creating nations. In the US, it is evaluated that the degree of duty hole (the distinction between assessments owed and exhausted recorded) for 2001 were US\$ 353 billion (IRS, 2006). This worry is especially serious for creating nations given the quick development of interest in their economies and their absence of sufficient involvement in managing this issue. In China, the tax avoidance by multinationals brought about income misfortune added up to US\$ 3.88 billion every year (Asia Times, April 11 2007).

In Hong Kong, the Inland Revenue department reported that about US \$ 1.15 billion was collected from 2003 back tax and penalties (IRD, 2007). Musgrave and Musgrave (1980) postulated a law of public expenditure growth in the United States of America, where, as national income per capita grew, so did government tax revenue when compared on percentage basis to the GNP. The implication of this is that as the U.S. registered economic growth, so did the country's tax effort. The authors' findings are in conformity with (Ariyo, 1997 and Hebel, 1995) empirical findings in the discipline of development economics which indicates that as a country's economy grows, its tax base grows commensurately. However, growth rates of both the economy and tax capacity tend to differ among the countries for different periods of time, due to both short and long term causative factors, including internal and external economic shocks.

In Africa, from a review and comparison of economic growth of East Africa Community (EAC) Countries, the entire Africa, the fastest growing BRICS economies, and the whole world for the period 2014 to 2018, the trend indicates that countries' economies were growing at a modest rate of 3.5% to 7%. On average the countries of BRICS seemed to be doing well compared with EAC countries and the Africa in general as their growth rate averaged 4.4% to 8.6% in the year 2015 and 2017 respectively. The other years showed that the economic growth rate was above 5% (United Nations Economic Commission for Africa (UNECA, 2016) on tracking progress on macro-economic and social developments in the EAC region. The world highest economic growth rate was 3.2% in 2017 while for Africa, the highest economic growth rate was 5.4% in 2018.

**Figure 1.1 Trends in EAC, Africa & the World's Economic Growth**



**Source:** UNECA, 2014: Tracking progress on Macro-economic and Social developments in the EAC Region

In Tanzania, tax is administered by Tanzania Revenue Authority (TRA) that was established through a Parliamentary Act in 1995, namely the Tanzania Revenue Act (Chapter 469). The authority main mandate is to assist the Government in revenue mobilization, providing effective tax administration as well as ensuring sustainability in revenue collection. TRA is a body corporate which is a government agency for collection and receipt of all revenues. The tax laws in Tanzania comprise numerous statutes administered by the Authority. Every tax is provided for by specific statute and most revenue Acts are amended annually through the budgeting process to administer a give tax (refer to appendix I on a summary of Various Taxation Acts and the type of tax they administer).

The tax regime in Tanzania under the new constitutional order is based on a two tier government structure with the national government. The national government imposes both direct taxes and indirect taxes namely; income taxes value added tax, excise duty and customs or import duty. While the governments' taxes are mostly comprised of



fees, levies, property taxes and licenses. Tanzania's tax administration is fairly modern, including consumption taxes like VAT and Excise, a progressive income tax regime based on the graduated scale, fairly robust and harmonized common external tariff on imports and exports with her neighbors and moderate corporate tax rate adjusted for capital allowance on investments and fixed assets. However, considering that Tanzania's informal sector is fairly and the inability of the state to ensure a respectable level of compliance within the sector, raising enough revenue with minimal interference with the economic make-up of the country becomes a monumental challenge.

Tax compliance refers to the fulfilling of all tax procedures and obligations as required by law. Thiga and Muturi (2015) observed that there is a general positive correlation between Tax understanding, lower tax rates, compliance costs, high fines and penalties to the general level of compliance. According to (CIAT, 2006), Tanzania is ranked among countries with high levels of tax non-compliance with the revenue authority hard pressed to ensure efficient and effective tax administration. In order to ensure tax compliance, hence raising more revenue the administration of tax in Tanzania is governed by Tanzania Revenue Authority established through an Act of Parliament on July 1st 1995 (Cap 469).

With declining revenue from income tax, the dream of Tanzania to achieve its economic goals, may be a mirage if the problem of low tax compliance is not addressed, since income tax revenue is vital in the realization of the vision. In order to uncover the causes of this phenomenon, this study attempts to investigate empirically the factors underlying individual taxpayers' behaviour in Tanzania.

## **1.2 Statement of the Problem**

In spite of the different assessment changes attempted by the Tanzania government to expand charge income throughout the years, measurable proof has demonstrated that the commitment of personal duties to the administration's all out income remained reliably low and is contracting. In any case, of all the expenses, individual annual duty has

remained the most frustrating, nonperforming, unsuitable and dangerous in the Tanzania charge framework (Diamonalisa, 2015).

In particular, the commitment of individual annual assessment stayed minor and nearly low in Tanzania's expense income. The significant wellspring of inward income is relied upon to be singular personal assessment its commitment to the complete income of these dimensions dropped from 4.4% and 8.6% in 2015. This wonder stays unexplained despite the fact that one attempts to apply the fundamental and broadened model of expense consistence (Hidayati et al, 2014).

Theoretically, the factors identified in the basic model of tax compliance for explaining the compliance behaviour of an individual taxpayer are, therefore, inadequate in understanding the causes of the low tax compliance phenomenon in Tanzania. However, Akhand and Hubbard (2016); Nunung, Elly, and Diamonalisa (2015), argued that the tax rebelliousness choice might be influenced by elements not considered in the fundamental model, or might be influenced in manners not caught by the hypothesis and said that different components likely could be important in clarifying the duty resistance conduct.

Notwithstanding the different extensions done to the fundamental model, not a lot is thought experimentally about the impacts of apparent duty administration quality, open administration quality on assessment consistence conduct. The importance of these variables in understanding assessment consistence conduct, especially in creating nations, and particularly Tanzania can't be disparaged (Akhand and Hubbard, 2016); Nunung, Elly, and Diamonalisa (2015). Additionally, in a nation like Tanzania with high ethnic fractionalization, the impression of various ethnic gatherings in regards to charge installment may cause a variety inconsistency conduct in various pieces of the nation. In any case, the Tanzania charge framework has not given sufficient thought to the ethnic and social decent variety of Tanzania (Machogu and Amayi, 2013).

In spite of the fact that there are duty review and examination offices in practically all the income workplaces with sufficient arrangements for assents against resistance under Tanzania charge laws, the issue of assessment rebelliousness still endures(Lubua, 2014). However, not so much an explanation had been offered empirically for why Tanzania individual taxpayers have continued to resist tax payment. Addressing the problem of low compliance in personal income tax requires identifying and understanding the factors influencing the taxpaying behavior of Tanzanians so that the policy can be directed towards influencing these factors positively for an improvement in tax compliance. Therefore, this study is set to investigate the problem of low compliance among individual taxpayers and the factors influencing tax compliance behaviour in Tanzania by incorporating perceived tax service quality and public governance quality in the tax compliance model.1.3 General Objective of the study  
To assess the investigation of factors influencing taxpayers' compliance behaviour, Evidence from Tanzania.1.3.1 Specific Research Objectives.

### **1.3 The Main Objective**

This study is to gain an in-depth understanding of how the current extended model of compliance behaviour explains the tax compliance phenomenon in Tanzania.

#### **1.3.1 The Specific Objectives**

- i. To determine the perception of Tanzanians about the quality of tax service and its relationship with their tax compliance behaviour.
- ii. To determine the perception of Tanzanians about public governance quality and its relationship with their tax compliance behaviour.

#### **1.3.2 Research Questions**

The main research question is what should be the compliance model that can explain the Tanzania tax compliance phenomenon.

The specific research questions include:

- i. Do quality of tax services quality play a significant role in Tanzanian tax compliance behaviour?

- ii. Do public governance equality play a significant role in Tanzanian tax compliance behaviour?

#### **1.4 Significance of the Study**

This study bridge the research gaps identified and make some significant contributions both theoretically and practically in the following areas:

Taxation is the major source of revenue for the government of Tanzania. Remarkable improvements have been achieved over the last decade with Tax to GDP ratio at a nominal level of about 20% which is considerably higher than most of its peers within Sub-Saharan Africa. This has enabled the government to finance 60% of the budget from revenue generated internally from taxes, Mutua(2012). Due to the fact that a government's ability to adequately mobilize resources to provide services to its citizenry is critical and fundamental to its existence, the issue of taxation is of grave concern to the public, businesses community and the economy at large owing to the varied impact that it will have on each of these entities. The issue of tax compliance is therefore cornerstone to the design of a tax system that is devoid of inequality and has minimal distortion on the economy. Taxpayers' compliance has been a great area of interest among several governments, scholars and tax pundits across the world over. However, serious attention has only been given to studies which would increase revenue collection and enforcement efforts without due regard to factors that influence taxpayer behavior, Lumumba *et al*, (2010). This phenomenon is understandable especially in the developing world where perhaps scarce resources are more inclined to studies which are perceived to have a direct impact on revenue collection.

The study is aimed at reinforcing the already existing literature on tax compliance Behaviour especially within the realm of the developing world. In addition it will also shed more light on areas which have not been given the due attention both in terms of research and policy formulation. The study is also aimed at bridging the gap that exists between literature on taxation and the operational results on collection by the revenue

administration; this will be achieved by analyzing data obtained from respondents juxtaposed against revenue collection figures from the revenue authority.

### **1.5 Scope of the Study**

Tanzania is a federation made of federal, states and local governments. Each level of government is assigned a tax jurisdiction in Tanzania's constitution. The Federal and State Governments have the right to administer all taxes in Tanzania according to the assigned jurisdiction. The Federal Government has jurisdiction over company income tax, education tax, value added tax, petroleum profit tax, custom duties, and the personal income tax of the Tanzanian armed forces (army, police, air force and navy), diplomatic bodies and residents of the federal capital. The State Governments are given constitutional rights over the personal income tax of the residents of their respective states. The personal income tax of the States comes from the employees' emolument and profits from self-employment businesses such as sole trader; partnership etc. This study focuses on the problem of compliance relating to personal income tax.

The choice of personal income tax as the area of research for this study was influenced by the fact that it is the only tax whose collection cuts across Tanzania, as its administration involves the major levels of Tanzania's government, that is, the federal and state government.

### **1.6 Limitations of the Study**

The study seeks to establish level of tax compliance behavior within the Tanzanian tax system with specific interest on factors that influence taxpayer behavior and attitude towards the tax regime in Tanzania. The aspects that will be explored include the impact of Tax rates, compliance costs, enforcement measures and the nature of tax on the general level of compliance. Although this research has been carefully designed there still exists some limitations both in terms of scope and data obtained. First, the research will only specialize on the factors within the tax in itself that influence compliance, however literature shows that tax compliance is multifaceted and is influenced by factors both within and without the tax design in itself. It therefore follows that certain aspects of compliance will not be within this study however

adequate literature has been reviewed on these areas and it is the hope of the researcher that these can be taken up and analyzed separately in another study.

Second, the population of the respondent might not be adequately representative as the research will only be carried within Mbeya and the experimental group used in the study will likely to be biased in terms of knowledge and ease of access to the revenue administration. However the sample population will be stratified so as to ensure that it captures all the salient features of the population. Additionally tax compliance being a sensitive issue most taxpayers will be adamant to declare their compliance status, the questionnaire has however been designed to overcome this challenge by using closed ended matrix and indirectly phrased questions to avoid the implication of 'wrongdoing' on the respondents. Finally great caution will have to be used when extrapolating the findings of the research to a wider population because they will be generated in an exploratory qualitative inquiry. However, due to the fact that the inquiry is based on a clear theory as will be shown in the review of literature, a series of focused hypothesis-testing studies to experimentally verify and expand the theory generated here.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The chapter reviews the literature relevant to the objectives of this study. The chapter starts by presenting theories of tax compliance. These theories are divided into economic, psychological and sociological theories. It also provides an understanding of the concept of tax compliance and noncompliance. The behaviour of taxpayers as well as the factors influencing tax compliance Behaviour and noncompliance is discussed. The relationship between tax compliance, public governance and perceived tax service quality are also examined.

#### **2.1 Fischer Tax Compliance Model**

Tax compliance determinants based on Fischer model (Fischer 1992) have been a significant subject of research in created nations over the recent years. Fischer charge consistence model gives a system to understanding the impact of financial and mental parts on taxpayers' consistence choice. These components are classified by Fischer and partners (Fischer 1992) into 4 bunches in his extended model (Fischer Model): Demographic (e.g.- age, sexual orientation and training), Noncompliance opportunity (e.g. tax consistence and open administration quality, administration unwavering quality, administration responsiveness, citizen trust, decency of taxlaws and guidelines), Attitudes and observations (for example reasonableness of the expense framework and companion impact) and Tax framework/structure (for example unpredictability of the expense framework, likelihood of recognition and punishments and assessment rates). Along these lines Fishers' model of expense consistence fuses monetary, sociological and mental components into a far reaching one. The Fisher model is outlined in underneath and expounded in the accompanying segments.

In the Fischer model, rebelliousness opportunity can influence citizen consistence legitimately through expense consistence and open administration quality, administration unwavering quality, administration responsiveness, citizen trust, decency of duty laws and guidelines. Practically all the hypothetical models demonstrates that as pay rises, tax avoidances should increment over most ranges (Andreoni, 1998). Vogel

(1974) finds that respondents who report an improvement in individual monetary/salary status during the previous 5 years are bound to submit tax avoidance than the individuals who report a disintegration of their money related/pay status during a similar period.

## **2.2 Theories Guiding the Study**

### **2.2.1 Theory of Fiscal Exchange**

This hypothesis expect that specialists' practices are roused by the exertion of the legislature to give open merchandise and ventures. People settle government obligations when they see that it really serves to back open products. They imagine that their commitments could be utilized for purposes other than planned and would need proof or inspirations. This proposal is like the blessing hypothesis where the legislature gets citizen assets and consequently gives open products. It could likewise allude to the thought of "assessment of Lindahl<sup>3</sup>". The exact consequences of this hypothesis are blended. Das et al. (2014) demonstrated that in India, the yearly assessment cost identified with the absence of essential educators is 1.5 billion dollars. The nature of instruction administrations given by the state is by all accounts significant in clarifying the expense conduct. As indicated by these creators, expanding the quantity of controllers to screen student will decrease the duty misfortune. For Cowell and Gordon (1988), the conveyance of open merchandise in enormous amounts generally to private products advances the installment of the duty.

They additionally demonstrate that even in a dynamic examination of duty where the ascent of the assessment rate prompts underground economy, tax avoidance diminishes when open products are adequately given. In a similar vein, Bodea and LeBas (2014), in an investigation of the Urban Area in Nigeria, found that people settle government expenses with respect to the supply of open merchandise. Utilizing logit relapse on overview information, they demonstrated that when people secure club merchandise without the intercession of the state, they are less inclined to accept installment of the assessment as a commitment. Creators likewise presumed that in strife zones, where the conveyance of club products is constrained, people see the expense as an obligation.



Moreover, creators as Alm et al. (1992) and Timmons (2005) discovered observational proof of this hypothesis. Ali et al. (2013) showed that in Tanzania and Uganda, people who are happy with the administration's arrangement of essential wellbeing administrations and instructive needs are bound to have agreeable demeanor. They additionally discovered that in Kenya, people who are increasingly happy with the arrangement of framework, for example, streets and power, are bound to have an assessment consistent demeanor, while in South Africa, people who are progressively happy with the issuing of character card and getting family and police administrations, are bound to have an expense agreeable mentality.

Interestingly, Fjeldstad (2004) found no strong observational proof of this hypothesis in South Africa. D'Arcy (2011) called attention to that assessment conduct goes past the basic connection between two entertainers; citizen and expense organization. The choice to dodge duties depends not just on the connection between a resident and the assessment experts yet additionally between the native and the various natives in the nation as their charges will be utilized to back open merchandise for their own utilization yet additionally for the utilization of different people in the public arena. This is incompletely clarified by the idea of "non-avoidance" of open products. This clarification advances a childish vision of the citizen and could clarify the utilization of non-financial clarifications of the citizen conduct.

### **2.3 Concept of Tax Compliance and Noncompliance**

The payment of tax is the compulsory obligation of each native whether normal or corporate. As a municipal obligation, it is normal that natives will intentionally follow such commitment yet that isn't the situation with certain residents. Alm et al. (2003) recognized that a great many people don't prefer to make good on government obligations; thus, it is hard for assessment experts to force and gather imposes anyplace and whenever. Kirchler, Hoelz and Wahl (2008) said that the administration has an essential intrigue and obligation in guaranteeing that residents pursue this urban obligation and carry on in consistence with the arrangement of assessment laws independent of their societal position. So as to guarantee consistence with duty standards and guidelines, the assessment framework, which is comprised of expense

laws, charge strategies and duty organization is set up. As indicated by Marti (2000), the presence of the duty framework powers people and associations to give some portion of their salary to the administration as expense installment. Silvani (1992) included that the objective of duty organization is to cultivate intentional consistence.

Assessment consistence can be portrayed as how much a citizen obliges to duty principles and guidelines. James and Alley (2004) present that the significance of the duty consistence idea can be given from alternate points of view yet they characterize charge consistence as "the eagerness of individual and other assessable elements to act in understanding inside the soul just as the letter of expense law and organization without the utilization of authorization movement" (p.7). McBarnett (2003) distinguished three types of consistence, which incorporate submitted consistence, capitulative consistence and imaginative consistence. Submitted consistence is the readiness to release charge commitments by the citizen without protesting. While capitulative consistence is the hesitance in the releasing of assessment commitments by the citizen and inventive consistence alludes to any demonstration by the citizen went for diminishing charges by reclassifying pay and deductible use inside the limits of the law.

#### **2.4 Tax Compliance and Taxpayers' Behaviour**

The taxpayer's behaviour is easily predictable as the behaviour is influenced by numerous factors. Generally, well-behaved taxpayers are expected to comply with the rules governing tax obligations in its entirety. However, some taxpayers are more cooperative in following specific tax rules than others. Torgler (2003) said that, "one reason might be that taxpayers have the tendency to follow specific rules rather than acting in the line of standard economic rational choice theory of cheating" (p.184). The taxpayers' attitude towards complying with tax rules will determine the extent of tax noncompliance in a country. The behaviour of a taxpayer is, however, influenced by several factors. According to Brook (2001), these factors may be economic factors, such as income, tax rate, tax penalty; psychological factors such as norm, moral, attitude of taxpayers; and social factors such as demographic factors. Therefore, taxpayers exhibit a range of behavioural possibilities.

**Honest Taxpayers:** These are taxpayers that comply with every aspect of tax rules. The honest taxpayer is obviously against noncompliance and does not look for a means to cheat in the payment of taxes. According to Torgler (2003), the honest taxpayer does not change his behaviour as a result of alterations in the tax policy parameters, such as tax rate and fines.

**Tax Evaders:** These taxpayers fail to comply with tax rules, particularly payment of tax. This type of taxpayer has low tax morale. The behaviour of tax evaders changes in response to changes in the tax policy parameters and before such taxpayers make a decision, they compare the expected cost and benefit of not paying tax.

**Social Taxpayers:** These taxpayers are influenced by the norms and beliefs of people related or close to them. According to Torgler (2003), the perceived unfairness may create a sense of distress, which may cause anger and a feeling of guilt. He suggested that taxpayers in such a situation might engage in the behaviour of evading tax, in order to restore their sense of equity.

**Intrinsic Taxpayers:** These taxpayers are motivated by intrinsic rather than extrinsic (force) factors. The intrinsic motives influencing the behaviour of intrinsic taxpayers include the feeling of moral obligation. According to Torgler (2007), there are intrinsic taxpayers that are sensitive to institutional factors, such as the behaviour of the government and tax administration towards the taxpayer.

## **2.5 Factors Influencing Tax Compliance and Noncompliance**

The literature has provided evidence suggesting that tax compliance is influenced by numerous factors. In the case of Tanzania, a number of studies have offered possible explanations on why Tanzanians are not complying with tax laws as well as factors influencing their taxpaying behaviour. In the work of Anyanwu (1993), possible explanations why individuals do not comply with tax laws, particularly engaging in tax evasion, were stated as economic explanation and psychological explanation. Under economic explanation, he said that taxpayers could think of themselves as maximizing

the expected income after taxes and penalties or minimizing the expected taxes and penalties since pre-tax income is given. There are two issues in this, that is, the probability of the revenue authority identifying the individual tax evader and the severity of the penalty. The psychological explanation includes the attitude of the people liable to pay taxes with respect to compliance or noncompliance of their obligations relative to the attitude vis-à-vis the state (tax ethics) and the resistance of taxpayers to extremely high tax rates. Anyanwu (1993) further stated that tax noncompliance might occur when there is a relative degree of inefficiency in tax administration as well as corruption within government.

Nzotta (2007) also identified a number of factors responsible for high tax noncompliance in Nigeria and Africa as a whole. According to him, the basic factors responsible for noncompliance in developing countries are the high level of corruption by government officials at all levels and the lack of fiscal transparency. To Nzotta (2007), corruption in government affects the willingness to pay taxes in two ways. In the first instance, taxpayers watch how the taxes they paid go into the private pockets of public office holders with little or no sanctions. This affects the taxpayer's willingness to make further payment of tax to the government. In the same submission, the deteriorating standard of living in developing countries was also identified as another reason for the high level of noncompliance (Nzotta, 2007). There has been a general reduction in the real income levels of an average citizen in most developing countries, for instance, in Tanzania, a high inflationary rate has reduced purchasing power, and most taxpayers outside the PAYE system are involved in noncompliant behaviour to enhance the level of their disposable income.

## **2.6 Public Governance Quality and Tax Compliance**

Extending what constitutes the quality of public governance further, Rotberg (2005) said that public governance is "good" when a country allocates and manages the resources available to it to respond to collective problems of the people, that is, when the government provides political goods of the necessary quality to its citizens

efficiently, and he concluded that good governance will be assessed on the basis of quality as well as the quantity of political goods provided to the citizens.

In breaking down the connection among citizens and government, Levi (1988)<sup>67</sup> expressed that the expense consistence is affected by a vertical contract. He said that the agreement among citizens and the legislature is a vertical contract, which he alludes to as the remuneration of tax assessment. The vertical contract is worried about whether citizens get open products in return for duties paid. As indicated by the contention of compensation, conforming to charge law arrangement depends to some extent on whether the political products given by the legislature are adequate as an end-result of the expenses they are paying (Lassen, 2003).

What's more, in line of Alm et al. (1992), Lassen (2003) said that the political merchandise blend is additionally significant and announced that if the political products blend provided by the administration is altogether different from those they like or the rate of change is low because of defilement, citizens may feel that engaging quality of the compensation contract is decreased, which could prompt lower charge consistence Mackscheidt (1984)<sup>68</sup> pronounced that a considerably more immediate impetus for guaranteeing charge consistence is in the political products that the administration gives to the natives. Alm, et al. (1992) likewise presented that consistence happens on the grounds that individuals welcome the political products that their assessment installments money and that if there is an expansion in the sum and nature of the political merchandise going to them from expense installment, their consistence rates may almost certainly increment. In making a determination concerning the connection among tax assessment and great open administration, Egwaikhide (2010) battled that there is a high relationship between's expense consistence and great open administration. The investigation of Alm and Gomez (2008) set up a huge positive relationship between the impression of the advantages to be gotten from political merchandise and the eagerness of citizens to agree with tax laws.

## **2.7 Perceived Tax Service Quality and Tax Compliance**

Company working in the private segment have since quite a while ago understood that consumer loyalty and proceeded with support, just as steadfastness, is verified through amazing administration (Staple, Darlymple and Bryar, 2002). Asubonteng, McCleary and Swan (1996) focused on that administration quality is imperative to specialist co-ops on the grounds that the assessment of the nature of administration gave and the dimension of fulfillment that outcomes from such administration is thought to decide the probability of repurchase. Administration quality in such manner is considered as the distinction between what the clients are anticipating from administration execution before the administration experience and their view of the administrations they got. Oliver (1980) speculated that clients would pass judgment on the nature of administration they got as low if the presentation does not meet their desire and administration quality increments as execution surpasses the desire for the clients.

Based on the hypothesis, Asubonteng et al. (1996) reached the determination that as the nature of administration rendered to a client expands, fulfillment with the administration and expectation to reuse the administration similarly increments. Nonetheless, the issue of administration quality was at first idea to be an idea that was just identified with the private part. All things considered, with the efficient augmentation of the standards of promoting to the open division, it is presently acknowledged by associations working inside the open segment that client administration and quality are basic vital issues that require consideration (Donnelly, Darlymple, Wiskniewki and Curry, 1995; Wiskniewki, 1996). With the new regulatory way of thinking known as the New Public Management (NPM) being advanced for the open division, the issue of administration quality is progressively basic (Bryslan and Curry, 2001; Proctor, 2007). In any case, Ott (1998) contended that expense organization in the advanced social orders should offer administrations to residents and in the process become increasingly particular and he closed; that the objective of any assessment organization is to offer a superior administration to taxpayers.

## **2.8 Service Quality**

Kotler & Keller (2009) defines service as any elusive demonstration or execution that one party ideas to another that does not result in the responsibility for. In this way, administration can be characterized as an elusive offer given by one gathering to another gathering in the trading of cash for pleasure. Quality is the totality of highlights and attributes of an item or administrations that can fulfil client needs (Kotler and Keller, 2009). Service quality is defined as the differences between customer expectations and perceptions of services (Parasuraman, *et al.*, 1988). This study defines service quality as the capability of the service provider to meet or exceed customer expectations about the services offered to them.

## **2.9 Public Governance Quality**

World Bank (2006) defines public governance quality as the perception of the citizen on the ability of the governments to select, monitor and replace leaders with the capacity to manage resources effectively for the benefits of all citizens. Rotberg(2005) describes public governance quality as the citizens' satisfaction with the management, supply and delivery of political goods to the citizens of a country. This study defines public governance quality as the meeting or exceeding citizens 'expectations of the process to select, monitor and replace leaders who are able to control and manage resources of the nation efficiently and effectively and place sound policies that help manage national resources.

## **2.10 Empirical Literature Review**

Taxpayers` compliance Behaviour, as per Cobham (2005) is an issue to numerous nations as estimated by assessment to GDP proportion despite the fact that it has been improving for some nations. For instance, its 33% of GDP in rich nations; Latin America and the Caribbean-17% of GDP and low pay nations (in Sub Saharan Africa) indicated under 15% to GDP (the suggested rate). It remains a major test to low salary nations. This has advanced radical duty changes in nations like Bolivia, Uruguay, Colombia, Jamaica and Spain with outstanding achievement (Bird and De Jantscher, 1992). Because of low salary levels and wild tax avoidance in most creating nations

including Tanzania, governments have been confronting challenges to grow their duty base to meet the income expected to back administration conveyance.

This has urged the administrations to fall back on expanding a similar kind of duties consistently so as to adapt to the yearly expanded budgetary interest for administration conveyance in the nation. Absence of legitimate data has additionally precluded the legislature from securing Tanzania to raise significant income from non-charge sources, for example, on properties charges, client expenses and other nontax sources though in created nations this has been adding to over 30% of the administration income (Chipeta, 2002). For example in FY 2012/2013 the household charge income gathered in Tanzania is undertaking to add up to 53% of complete spending plan and non-charge income adds to just around 0.7% of absolute government income while the shortfall adding up to around 39% is to be financed by remote and residential credits and allows that will add to around 40% of the aggregate budget.

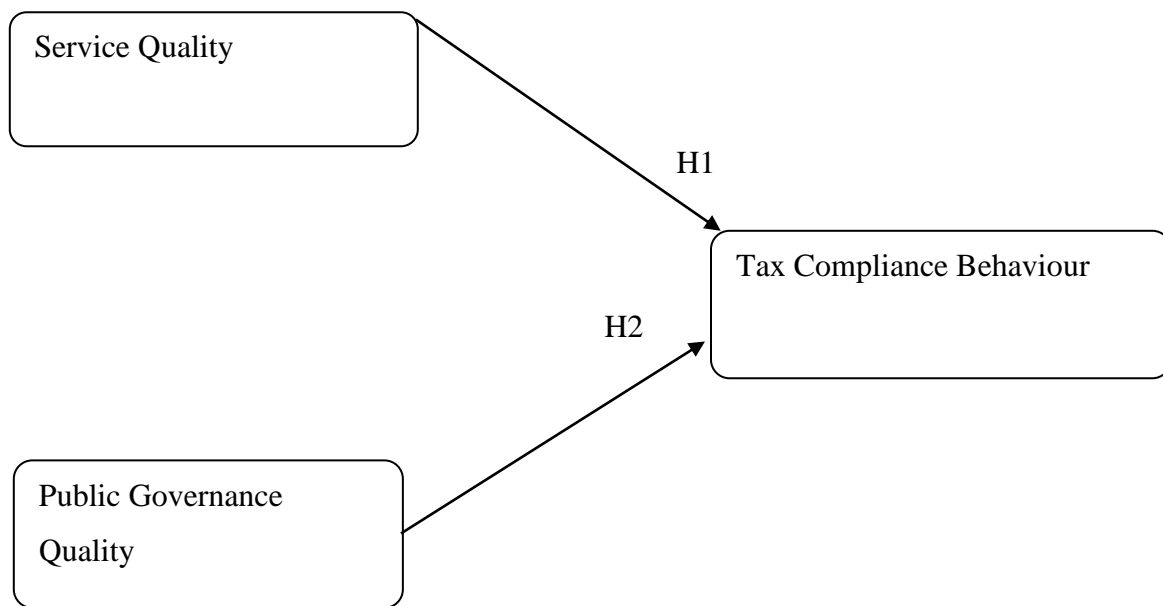
### **2.11 Conceptual Framework of the Study**

Conceptual framework is a composed or visual introduction that "clarifies either graphically, or in account structure, the principle things to be examined, the key elements, ideas or factors and the assumed relationship among them (Miles et al, 1999). It can likewise be characterized as a lot of wide thoughts and standards taken from important fields of enquiry and used to structure a resulting introduction (Wong and Wai-Yee, 2015). The figure below shows the conceptual model depicting the nature of relationship between the independent variables and the dependent variable. Therefore, the dependent variable is tax compliance, while the independent variables are service quality, taxpayer trust, fairness of tax laws and regulations and public governance quality. When Economic Growth get quality services from authorized financial institution in terms of tangibles, reliability, responsiveness, assurance and empathy, they will be in a position to pay their due taxes willingly because there will be no wastage of time in long queue and they will be knowledgeable enough to understand their dues. In addition, taxpayer trust brings confidence to the taxpayer about the usage of the various taxes they pay to the government and this brings belief and positive attitude towards paying taxes willingly, hence voluntary tax compliance is ensured.



Fairness of tax laws and regulations brings equality when paying taxes. When equal treatment is subjected to individuals when assessing tax obligations, individuals will create a positive perception on financial institutions by supporting and attending to their calls to pay taxes willingly. Furthermore, good public governance quality brings belief and trust to citizens that the government is doing and utilizing the money received for common interest and this perception increases tax compliance.

**Figure 2. 1: Conceptual Framework**



**Source:** researcher (2019)

Do Quality of Tax Service and Public Governance Quality Play a Significant Role in Tax Compliance Behaviour. The test performed on hypotheses H1 and H2 provides evidence concerning the relationship between tax compliance behaviour and perceived tax service quality and public governance quality. To undertake this study, the following hypotheses were tested based on theory is the thing that the analysts foresee the connection between at least two factors, yet it includes in excess of a conjecture. More often than not, the theory starts with an inquiry which is then investigated through foundation explore. It is just now that specialists start to build up a testable theory.

### **4.3 Hypotheses Development**

The research questions set up in chapter one form the basis of framing the hypotheses of the study. The hypotheses are equally in line with the conceptual model of the study.

#### **4.3.1 The Relationship between the Tax System Structure and Tax Compliance**

Tax system structure has been identified as a major determinant of tax compliance behaviour (Fischer et al., 1992; Jackson & Millron, 1986; Richardson & Sawyer, 2001). Tax income enlistments in a nation depends on the efficiency and effectiveness of the tax arrangement. The factors that determine the effectiveness of the tax system structure of any country were identified in Fischer's model and include probability of detection, penalty, tax rate and complexity of tax system. Empirical evidence has linked these factors to compliance behaviour (Chan et al., 2000; Fischer, 1993; Jackson & Millron, 1986).

Citizens participating in a rebellious demonstration might be recognized through the procedure of expense review and examination. The essential point of expense review is to recognize citizens not consenting to the accommodation of personal assessment forms and the installment of annual duty. Alm, Deskin and McKee (2004) expressed that expense reviews not just have an immediate obstacle impact on citizens being evaluated yet in addition a backhanded impediment impact on citizens not being inspected. Under prevention hypothesis, the situation of the likelihood of location in connection to charge consistence is that a high rate of discovery will lessen charge rebelliousness. As indicated by Chau and Leung (2009), higher review likelihood will empower charge consistence. Some exact examinations have set up connections between expense review and duty consistence.

Relationship between Public Governance Quality and Tax Compliance, The result from the descriptive statistics also indicates that individual taxpayers have a low perception about public governance quality in Tanzania. This result is equally not surprising considering that available indicators of public governance quality in Tanzania are pointing in that direction. Available statistics on world governance index and African governance index ranked public governance quality in Tanzania low over the year. Specifically, in the 2009 governance index for Africa, Tanzania's scores for most of the

governance quality indicators were below the continental average and in aggregate the country scored 43% and was ranked in 40th position out of 53 countries (Ibrahim, 2010; Rotberg & Gisselquist, 2009). This finding also corresponded with the findings reported in other studies indicating that Tanzanians are broadly not satisfied with the performance of the government, particularly in the areas of corruption control, provision of infrastructure, accountability and provision of security (Lewis, 2006; Lewis & Alemika 2005; Madueke, 2008). Furthermore, this result confirmed the opinion of some Tanzanians that the quality of public governance is not satisfactory in Nigeria (Naufa, 2006; Oluba, 2008). On the connection between open administration quality and expense consistence conduct, the investigation's relapse result underpins theory (H2) and built up that open administration quality was essentially emphatically related with duty consistence conduct. This finding is reliable with the expectation of the social trade hypothesis concerning the job of correspondence in requirement of consistence in social relationship. This proof likewise concurs with the contention in the writing that positive conduct by government might be responded by the citizens through upgraded consistence conduct (Torgler, 2003 and 2007).

All the more significantly, the finding of this examination on the connection between open administration quality and duty consistence agrees in a roundabout way with the perceptions announced in some past investigations that for the most part shown that citizens appear to be all the more ready to conform to assessment guidelines and guidelines including settling their regulatory expenses where they can watch an immediate connection between their commitments and the nature of open (administration) given by the government (Alm et al. 1992; Alm & Gomez, 2008; Fjeldstad & Semboja, 2001; Wallshutzky, 1985). Furthermore, the positive association between public governance quality and tax compliance behaviour generally reflects the norm of reciprocity, which suggests that both government and taxpayers are in a contract of exchange of value, that is, the taxpayers pay taxes in exchange for political goods, which in sum, is represented by public governance quality. The continuity of this relationship, particularly on the part of taxpayers depends on among other things, the ability of the government to maintain or improve the quality of public governance. Hence, on the premise of the assertion advanced in the work of Levi (1988) and Lassen

(2003), it can be argued that where the taxpayers perceived that the rate of transformation from their tax payment to political goods, as captured by public governance quality is low, they may feel that government is not keeping its obligations of the contract, and, as a result, they will be disenchanting causing voluntary tax compliance to decline.

In line with the findings of this study, it can be stated that the low perception about Tanzania's public governance quality, as reflected in the perceived lack of control over corruption, lack of accountability and transparency, government ineffectiveness in the provision of public infrastructure, such as education, electricity, health, etc., and unfair administration of the rule of law, had contributed altogether to the contracting dimension of assessment consistence among individual citizens in Tanzania. Along these lines, as a component of the response to the primary research question, the discoveries of this examination give verification that open administration quality is a noteworthy determinant of expense consistence conduct.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter provides explanation on the types of study, study area, study population, units of analysis, variables and their measurements. The chapter also presents explanation on the sample size and sampling techniques, types and sources of data, data collection methods, validity and reliability of data and data analysis methods.

#### **3.1 Research Design**

A research design is the fundamental arrangement that aides the information accumulation and examination period of the exploration venture (Kinnear and Taylor, 1996). Kothari (2004), characterizes research structure as a system or plan for an examination utilized as a guide in gathering and investigating information. The outline is followed in finishing an investigation. This study employed descriptive and analytical approach whereby quantitative approach was used. Describing is concerned with either determining the frequency with which something occurs, or relationship between variables (Kothari, 2004).

The case study enabled the researcher to cope with time and financial constraints allocated for the purpose. However, this design enabled the researcher to use effectively and efficiently the scarce financial and time resources endowed for the study. A case study research design creates an enabling environment for combining a variety of tools such as interviews, documentations and observations to conduct a thorough inquiry in the phenomenon (Creswell, 2007). A case study design enabled the researcher to study the factors for influencing taxpayers' compliance behaviour, Evidence from Tanzania. The choice of the design was based on the fact that the design provides a great amount of description and detail about a particular case.

#### **3.2 Area of the Study**

The study was conducted in the city of Mbeya but Evidence from Tanzania based on Tax compliance Behaviour. Mbeya located in South Western corner Tanzania and it lies between latitude 7degrees and 9 degrees 31% South Equator, and between longitudes 32 and 32 and 35 East Greenwich also it is situated at elevation 1697 meters above the

sea level .Mbeya shares border with Malawi to the immediate South. While Iringa lies to its East and Songwe to its West., Temperature ranges between 16 C in the highest lands and 25 C in the lowest lands. The main activities that undertaken in Mbeya city is agriculture activities, Fishing activities at lake Nyasa, Mining activities like Kiwira coal mining and also engages in business activities, in agriculture activities it involve both food crops, cash crops production , food crops involves maize, beans, paddy, bananas, potatoes, and oil seeds also cash cash crops production involves cotton, cocoa, Tea, and Pyrethrum URT . The study determinants of tax compliance Behaviour from taxpayer perspectives. Therefore, the belief is that it was easier for the researcher to collect data from the respondents and again time and financial constraints necessitated the researcher to concentrate only on one city Mbeya.

### **3.3 Population of the Study**

A population refers to a full set of cases from which sample is undertaken (Saunders, Lewis and Thornhill, 2007). The population of the study included tax payers numbering to approximately 3000 were obtained from the offices of TRA Various Regions in Tanzania for the year 2015/2018. This population was aimed to give detailed information that would have been relevant for analysis and interpretation of the data.

### **3.4 Units of Analysis**

It refer to a point or unit at which a researchers concentration was geared (Kothari, 2004). This study analyses the determinants of tax compliance Behaviour in Tanzania from taxpayer perspectives, using Tanzania as a case study. To obtain this information the researcher consulted managers/owners or employees employed by Tanzania in various public sector and private sector. Thus managers/owners or their employees were asked to provide and explain what they know about tax compliance behaviour and how is tax compliance behaviour in Tanzania ensured, or more formally, what should be done to ensure there is tax compliance Behaviour in Tanzania.

### **3.5 Sampling and Sampling Techniques**

Sampling techniques, refers to the approaches that assist in reducing the amount of data one need to collect by considering only data from a sub group rather than all possible elements (Saundalset *al*, 2007). This study used probability sampling technique where convenience sampling was used to select respondents who were willing to participate in the study. This is due to the fact that it was very difficult to establish sampling framework (Saunders, Lewis and Thornhill, 2007).

#### **3.5.1 Simple Random Sampling**

This is a probability sampling method where each member of the sub set has an equal chance of inclusion in the sample and suitable in a geographical area that is concentrated (Saunders, et al 2007). In the situations where population is uncertain and a sample is need to be selected, some elements of the population can be selected haphazardly without purpose or aim, and should be treated as a random sample for study purposes (Kothari, 2004. This technique was used by researcher to select the sample unit from the population of Mbeya city.

#### **3.5.2 The Sample Size**

The researcher selected 155 managers/owners or their employees to study the determinants of tax compliance Behaviour from taxpayer perspectives. This sample is appropriate because the population of financial institutions in Tanzania is more than 3000. In addition, factor analysis requires a minimum of 100 data to provide robust results. Also, the sample was large enough to provide the true picture of the circumstances while adhering to time and financial constraints. Moreover, the choice of sample size was guided by a study by (Krejcie&Morgan 1970 ), who reported on the number of people a researcher should consider when surveying. The Table 3.1 presents the population size and the suggested sample size within 3%, 5%, and 10% error. Therefore, because of time and scarce resources, the study selected 155 respondents from Case study operating in Tanzania at 10% margin of error.

**Table 3. 1 Number of Respondents to be Considered in a Survey**

Population	+3 %	+5 %	+10 %
500	345	220	80
	1000	525	285
	3000	810	350
	5000	910	370
	10,000	1000	385
	100,000	1,100	400
	1,000,000	1,100	400
	10,000,000	1,110	400

Note; **Respondents Needed at Error of** +3 %, +5 %, + 10%

**Source:** Krejcie&Morgan (1970)

### 3.6 Types and Sources of Data

To obtain the required information, the researcher used two types of data namely primary data and secondary data.



### **3.6.1 Primary Data**

To obtain the required information, the study used data entail those data that are collected afresh and for the first time and thus happen to be original in character (Saunders, *et al.*, 2007). The primary data was obtained through the use of questionnaires, the information was obtained from managers/owners or their employees about tax compliance Behaviour and their determinants such as fairness of tax laws and regulations, public governance quality, trust and service quality they receive from TRA.

### **3.6.2 Secondary Data**

This is the type of data that include both published summarized and raw data (Saunders et al, 2007). The secondary data was extracted from the journals, books, reports, articles, magazines, public reports, research workers different survey research papers, and presentations.

## **3.7 Data Collection Methods**

### **3.7.1 Questionnaire**

A questionnaire is a research or survey questions asked to respondents, and designed to extract specific information. These were used because they allow respondents time to consider their responses without any interference, also uniformity can be achieved with the use of closed ended questionnaires, and this helped the researcher in interpreting data collected. Questionnaire was the right instrument that was used to collect data from respondents because of the nature of the study, which analyses the determinants of voluntary tax compliance in Tanzania from Financial institutions perspectives. In addition, limited fund and time justify the use of questionnaire as it is cheaper in collecting information than any other method of data. The questions were prepared based on the objectives of the study and the research questions and in a manner that can be easily understood by the respondents. The questionnaires were administered to all respondents selected in the simple random sampling.

### **3.7.2 Documentary Review**

Saunders (2007) defines documentary review as a instrument of data collection from the secondary data sources like using of documents. These are data that were collected and analyzed by another person, which may either be published or not published. Here, one may find, public records, books, magazines and newspapers, journals, publications of international bodies and their subsidiary organizations research reports, public reports and historical documents, research papers, reports. It is used to enhance data and any information gathered by primary sources of data collection and to verify the data and information obtained through questionnaires. The study used both published and unpublished sources of data to get useful information needed for the study.

### **3.8 Data Validity and Reliability**

Validity is the extent to which a set of measured items actually reflects the theoretical base and latent constructs (Parmata et al, 2006). Validity reflects the relationship between the concepts and the indicators used to measure the concepts (Musabila, 2012). There are several different forms of validity such as face validity, construct validity, content validity, convergent validity and discriminant validity (Hair et al, 2010). The researcher made a use of face validity and content validity.

Data validity is merely concerned with the accuracy of the measurement, it denote to what extent the instrument is measuring what it is supposed to measure (Kothari, 2004). Validity is measured into four ways; face validity, content validity, criterion validity, construct validity and convergent validity. The researcher made use of content validity where content validity covers a range of meanings.

Reliability is concerned with the consistency of measurements that are used in a research. According to Kothari (2004) reliability is assessed in three forms, which are; Test-retest, internal consistency reliability and alternate-form reliability. The researcher will make use of internal consistence to check the reliability of measurement. Internal consistency is applied to groups of items that are thought to measure different aspects of the same concept.

### **3.9 Measurement of Scale**

Measurement of scale is group into four categories; they include nominal, ordinal, interval and ratio scale (Kothari, 2004). The researcher will make use of four categories basing on the type and nature of variable to be tested as indicated in the conceptual framework. Nominal scale is simply a system of assigning number or symbols to events in order to label them (Kothari, 2004). The researcher used nominal scale in assigning codes to different variables for the purpose of identifying them.

Ordinal scale is the smallest measurement scale that places events in order format (Mugenda & Mugenda, 2008). It implies a statement of; 'greater than' & 'less than'. Interval scale is another category of measurement of scale whereby variables are grouped in terms of some defined rule that has been established as a base for making units equal (Kothari, 2004).

Under interval scale T-test measurement is more likely to be used in testing the statistical significance of the variable. While, Ratio scale is used in measuring physical dimensions such as height, weight, distance, etc (Mugenda & Mugenda, 2008). All statistical techniques are usable in ratio scale.

### **3.10 Data Analysis Method**

According to Mugenda&Mugenda (2003). Data must be cleaned, coded and properly analyzed to obtain meaningful information. The data obtained were analyzed based on the objectives of the study. The researcher used regression analysis to determine the factors affecting Tax Compliance Behaviour. The information obtained were edited and coded to ease the analysis process and then fed into the computer using the Statistical Package for Social Sciences SPSS version 20from the answers obtained from the questionnaire so as to ensure accurate presentation and interpretation. The researcher used regression analysis. According to Kothari (2004) regression involves the determination of statistical relationships between two or more variables. Representation of data will be in the form of tables, pie charts and graphs

### **3.9.1 Analytical Model**

The following regression analysis will be used to determine the factors affecting tax compliance Behaviour in Tanzania as case study. The study analytical model is depicted by the linear equation given below-

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \pi$$

Where:

Y -Tax compliance

$\beta_0$ -  $\beta_4$  -regression coefficient of independent variables

X1 -perception on government accountability

X2 - TRA understanding of the tax systems

X3 -TRA understanding of the tax laws

$\pi$  -error term, it takes into account all the possible factors that would possibly influence the dependent variable though not captured in the model

### **3.9.2. Test of Significance**

Analysis of variance (ANOVA) will be used to test the significance of the model, the significance of the regression model will be determined at 95% confidence interval and 5% level of significance. Adjusted R squared will be used to determine the variations in the independent variable due to changes in the independent variable.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS**

#### **4.1 Introduction**

This chapter presents the profiles of respondents that formed the study. The study sought to assess the investigation of factors influencing taxpayers' compliance behaviour in Tanzania. This study had three specific objectives. The first objective was to determine whether the multi-ethnic background of Tanzania taxpayers causes a difference in the compliance behaviour in Tanzania. Second to determine whether taxpayer's financial condition and risk preference moderate the relationship between the tax compliance behaviour and the determinants individually and jointly and third to determine the perception of Tanzania on public governance quality and its relationship with their tax compliance behaviour.

##### **4.1.1 Response Rate**

The study was a high reaction rate that was improved utilizing different ways. Initial an early on letter that quickly clarified the motivation behind the examination went with the survey guaranteeing obscurity of the reactions gave. Also, the drop and pick later strategy used to regulate the polls upgraded the reaction rate. Also, telephone calls and messages were utilized in order to get enough reactions for factual examination and legitimacy.

#### **4.2 Profile of Respondents**

Data regarding the characteristics of the respondents including sex, age, highest level of Education, sources of income, position in the organization, main business activity, number of employees in the business and annual turnover areas were collected.

##### **4.2.1 Individuals**

Gender of Respondents

The distribution of the respondent is presented in Table 1

**Table 4.1 Distribution of Respondents by Gender**

Gender	Frequency	Percentage
Male	4	11.4
Female	16	45.7
<b>Total</b>	<b>35</b>	<b>100</b>

**Source: Researcher's Data (2019)**

In a cross tabulation of the respondents' gender and tax compliance behaviour, Table 1 reveals that the behaviour exhibited by the majority of the female respondents (45.7%) were not in full compliance with the tax rules, while the behaviour of the remaining of female respondents were fully in compliance with tax rules. In comparison, only 11.4 % of the male respondents fully complied with the tax rules but the male respondents not fully complying with the rules. Comparatively, this suggests that more male respondents fully complied than female respondents. Although empirical evidence generally shows that female were more compliant than males .

#### **4.2.2 Age of Respondents**

Data on the age of respondents and their distribution is presented in Table 2.

**Table 4. 2: Distribution of Respondents by Age and Tax compliance**

Age Bracket	Frequency	Percentage
29 years and below	21	44
30-39 years	20	42
40-49 years	5	10
50 years and above	2	4
<b>Total</b>	<b>48</b>	<b>100</b>

**Source: Researcher's Data (2019)**

An analysis of respondents' age as shown in the Table 2 shows that 44% of the respondents were aged 29 years and below, 42% were aged between 30 and 39 years while 10% were aged between 40 and 49 years. 4% were 50 years and above. This reflects a younger workforce consistent with labor force composition in developing countries. The ages of the respondents were related to their compliance behaviour and the results presented in Table 2 indicates that 44% of the respondents who were of younger ages did not fully follow the tax rules, and, as a result, were noncompliant, while the remaining 10% of these respondents fully complied with the rules. For the respondents within their middle ages, 42% of them were also noncompliant leaving the remaining 42% as fully compliant. Equally, the majority of the older respondents (4%) did not comply with tax rules. In comparison, more of the middle-aged respondents fully complied with the tax rules than the respondents in the younger and older ages.

### 4.3 Highest Level of Education

Respondents were also asked to state their highest academic qualification. Table 3 Shows the results.

**Table 4.3: Distribution of Respondents by Highest Level of Education and Tax Compliance.**

Level of education	Frequency	Percentage
Masters	6	13
Bachelors	30	63
Diploma	7	15
Certificate	2	4
Secondary	2	4

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**Source: Researcher's Data (2019)**

Table 3 shows that education levels of the individual tax payers ranged from CPE (Certificate of secondary) to Master’s Degree level. Results indicated that 7 (15%) were diploma holders with 30(63%) holding Bachelors or, Masters degrees; while 6(13%) of the respondents had attained certificate level and less. The respondents of different educational backgrounds exhibited different behaviour in complying with tax rules. The behaviour of 2% of the respondents with secondary education were not consonant with the requirements of the tax laws while the behaviour of the remaining 15% of these respondents were in full agreement with the tax rules. Furthermore, only 2% of the respondents who had secondary education qualifications fully complied with tax rules while 13% complied with the rule either a little or moderately. The majority of the respondents (13%) with higher education background also behaved contrary to the full requirements of the tax rules whereas 4% behaved fully in accordance with the rules. Overall, more respondents with primary education fully complied with the tax rules relative to the respondents with either secondary or higher education background.

#### **4.4 Income Source and Tax Behaviour**

The distribution of the respondent is presented in Table 4

**Table 4. 4 : Income Source and Tax Behaviour**

Sources of income	Frequency	Percent
Employment income	4	11.4
Business income	16	45.7
Compliance	15	42.9
<b>Total</b>	<b>35</b>	<b>100</b>

**Source: Researcher’s Data (2019)**

From the Table 4. Most of most (11.4%) of the individual tax payers’ source of income was employment income, 42.9% get their income from businesses while 45.7% of the individual tax payers’ source of income was both employment and business income. The results of the cross tabulation of the respondents’ source of income and tax compliance behaviour as reported in Table 4 reveals that 11.4% of the respondents who



earned their income from the public sector complied fully with the tax rules while 42.9% of these respondents did not fully comply with the rules. Also, the majority of the respondents (45.7%) who worked in the private sector did not obey the tax rules as expected.

In the case of respondents who earned their income as sole proprietors, 11.4% of them fully complied with tax rules while the remaining 42.9% followed the rules either a little or moderately. On relative comparison, more respondents who worked as sole proprietors fully complied with the tax rules than the respondents who earned their income from other sources. This result is inconsistent with the findings of those studies that indicated that self-employed persons are more likely to be less compliant.

#### **4.5 Perceived Tax Service Quality Factors**

Factor analysis on things of saw duty administration quality utilizing varimax prompted the extraction of eight components. These elements were separated in the wake of dropping four things from the first twenty-eight for not meeting the criteria of elements examination. The aftereffects of the examination, as introduced in Table its show the estimations of Bartlett's Test of Sphericity which suggests that the information in regard of apparenttax service quality were suited for factor analysis.

**Table 4. 5: Perceived Tax Service Quality Factors**

<b>VARIABLE</b>	<b>Frequency</b>	<b>Percentage</b>
Taxpayer feeling after receiving	12	34.3
Tax employees understand taxpayers needs	18	51.42
Tax office knows taxpayer's type of experience	5	14.3
<b>Total</b>	<b>35</b>	<b>100</b>

**Source: Researcher 2019**

Furthermore, the table reveals that the three factors accounted for 51.42% of the variance with the values for each factor being at least 1. With these results, the criteria of factor analysis were met and, therefore, construct variable for perceived tax service quality latent variable was assumed. Three factors that were obtained from the analysis contained indicators or items of each of the three main dimensions of perceived tax service quality. The combination of the three items of those factors would give a fair representation of perceived tax service quality construct. This study is not concerned with each dimension of perceived tax service quality construct but with perceived tax service quality scale as a whole.

#### 4.6 Public Governance Quality Factors

**Table 4. 6: Public Governance Quality Factors**

<b>VARIABLES</b>	<b>Frequency</b>	<b>Percentage</b>
Decline in political authority and stability	9	25.7
Diversion of public funds due to corruption	22	62.9
Fairness in administration of justice	4	11.4
<b>Total</b>	<b>35</b>	<b>100</b>

**Source: Researcher's Data (2019)**

The final result reveals that the three factors accounted for about 11.4% of the variance with eigenvalues greater than 1 as well as the lowest and highest factor loading as 62.9 % and 25.7%, respectively.. Overall, the result proposes that the criteria were met; along these lines, build legitimacy was expected for the open administration quality inactive variable. The three elements extricated from the investigation contained pointers or things that speak to every one of the three elements of open administration quality develop, and, therefore, the mix of these elements would give a reasonable portrayal of open administration quality build. This examination is similarly worried

about the open administration quality scale all in all not on each dimension of the tax compliance behaviour on the study.

#### 4.7 Summary of the Factors Determining Tax Compliance Behaviour

**Table 4. 7 Summary of Statistics**

Variables	mean	Std	mode	median	TR1	TR1
TRA understanding of the tax laws	3.10	1.424	2	3.00	1.073	-0.868
Low compliance culture	1.49	0.390	1	1.00	1.312	1.072
Perception on government Accountability	2.56	1.367	2	2.00	-0.514	-1.661
TRA understanding of the taxSystem	2.71	1.204	3	3.00	-0.564	-0.513

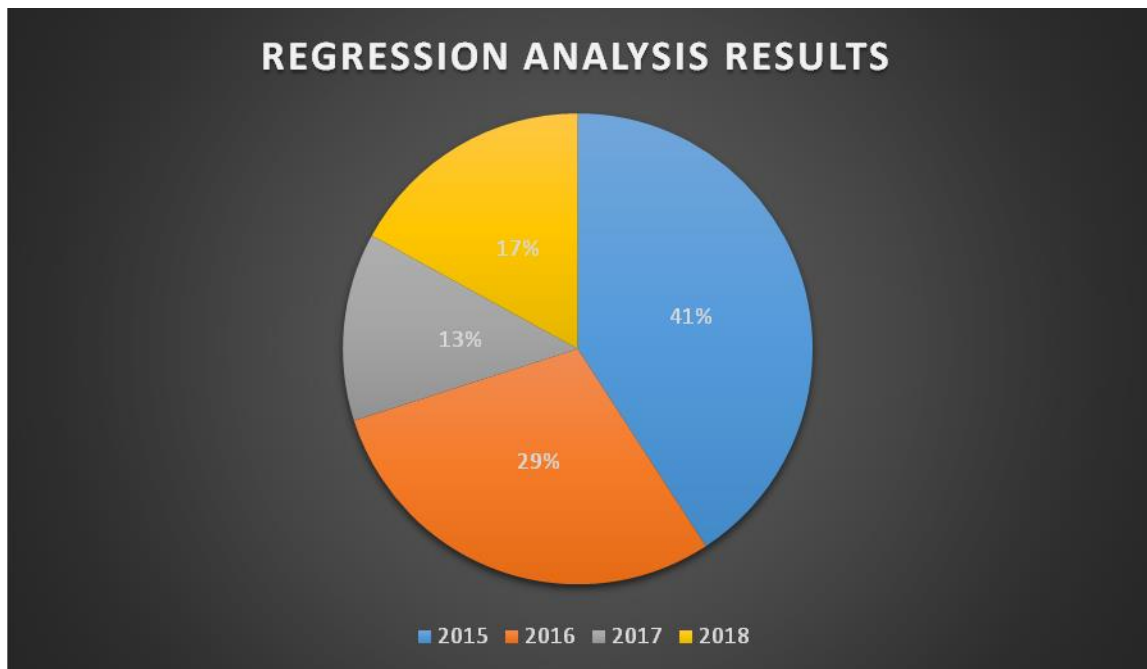
**Source: Research Findings**

#### 4.8 Regression Analysis Results

Using SPSS Version 20, the regression analysis given below was projected from the study.  $T_0 = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \varepsilon$  22 .The fitted regression model from the study findings is presented as follows:  $T_0 = 4.146201(0.01511) + 3.0026445(0.01413) + 0.4270961(0.04113)$  .The findings show that the coefficients` of *R*-values are given in the parenthesis. In all the projected coefficients of the model, the *R*-values were less than .05 (i.e.  $0.5 > R$ ), this implied that the variables tested in this study had a significant influence on tax compliance Behaviour of TRA in Evidence from Tanzania. Also, the findings indicated that the coefficients for perception on government accountability (*x*1), TRA perception of the taxation laws (*x*2) and the TRA understanding of the tax system (*x*3) had a positive relationship with regards to tax compliance. The tailored model was identified and established that the regression was statistically significant at 5% significance level (regression *R*-value= .05 >. 073414). This shows that the combination of these variables under the study significantly affected the response variable. Further, *R*-square = 72.624%, implying that the explanatory variables accounted for 72.624% of the response variable.

The tax payers` perception on government accountability through the provision of public goods and services had a great influence on the extent to which TRA were willing to be tax compliant. TRA must be willing to pay tax and their attitudes and behaviour must be positive if they have to be tax compliant and pay taxes whenever the obligation falls due. In this study period a unit change in tax payers` perception on government accountability increased the chances of a tax compliance by 3.0026445. Lack of understanding of the tax systems and laws was another determinant that influences tax compliance levels among the TRA. Taxpayers who had the technical knowhow and skills in terms of discharging their tax compliance obligations will more likely be tax compliant unlike those who lack the knowledge of the tax system. The study findings indicate that the chances of TRA being tax complaint are at 0.4270961 or 42.71%.

**Figure 4. 1: Regression Analysis Results**



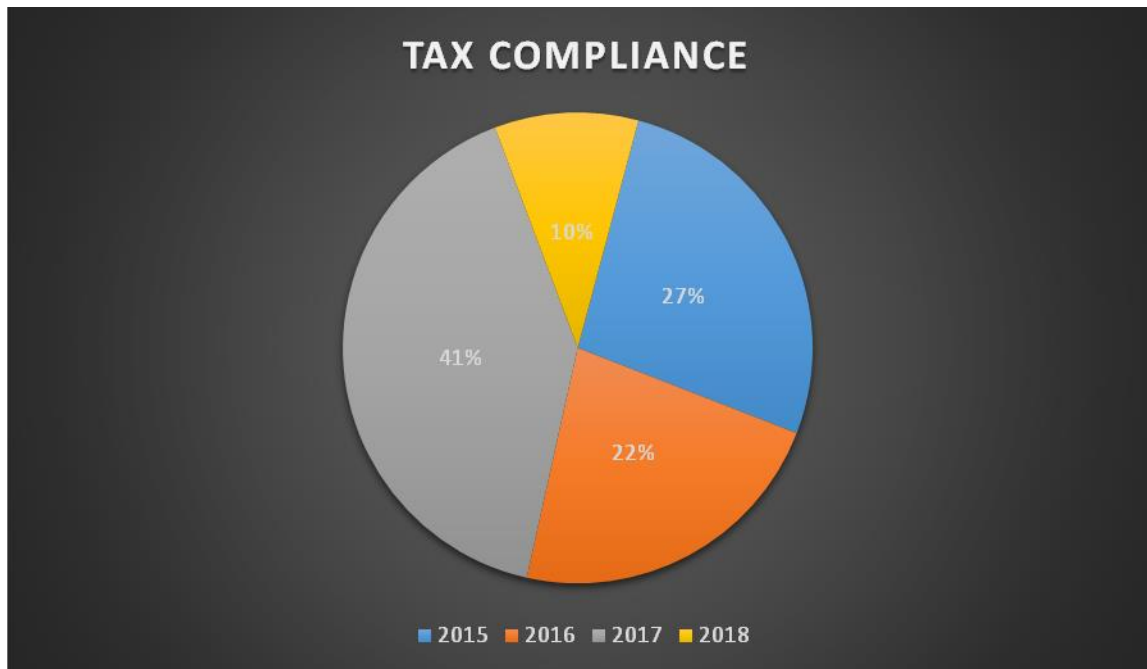
**Source:** Researcher 2019

A combination of all variables of explanation apprehended in the model were significant, and these results are assumed to be informative importantly because they address noteworthy questions in relation to the determinants of tax compliance in Tanzania Case study with regards to perceptions on government expenditure, bureaucracy and corruption by tax administrators, those who engaged in evading tax compliance often justified their evading behavior through claims that the administration was corrupt on revenue allocation and unwisely spends the collected tax; and in the long run arguments like this cause reduction in the levels of voluntary compliance (Braithwaite *et. al.* 2009). The regression outcome exhibited a value of 72.624% for the R-square. The implication of this is high likelihood of other contributing factors that could account for the remaining percentage of 29% in the explanation of the tax compliance variant in Tanzania Tax Law.

#### **4.9 Tax Compliance**

The respondents were asked on their likely hood of reporting some sources of income. They included restaurant tips, artist, computer technician and home handy man. The responses were placed on a Likert scale ranging from 1 to 5; with 1 being “Most unlikely”, 3 being the midpoint while 5 was the most likely option. The responses to these questions were highly correlated to each other with majority of the respondents opting not to report such incomes in the four scenarios. With regard to registration with the revenue authority 71% of the respondents indicated they were registered as opposed to 29% who had not. Majority of them had only registered since it was a requirement for them by the government to do so, the rest lacked the knowledge and understanding of the requirement imposed upon them by the government.

**Figure 4. 2 Tax Compliance**



**Source:** Researcher 2019

The researcher found out that 41% of the respondents kept up to date records and books of account, that is, from the journals to the final accounts. However, the other 27% kept records but they were either incomplete or inaccurate. The respondents were also asked whether they filed their returns. 22% of the respondents indicated that they had filed their returns while 10% of them had never filed any return. This shows that the tax payers did comply with the requirements of the tax authorities.

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This study further expands the tax compliance model by incorporating some other relevant factors to proffer more explanation and better understanding of taxpayer's compliance behaviour. In this chapter, the findings of the study are discussed. The theoretical and policy implications of the findings are also discussed and recommendations are made for possible future research area in tax compliance. Finally, the limitations of the study are considered.

#### **5.2 Summary**

The main objective of the study was to examine the investigation of factors influencing taxpayers' compliance behaviour, Evidence from Tanzania. The specific objectives of the study were to determine the perception of Tanzanians about the quality of tax service and its relationship with their tax compliance behaviour and to determine the perception of Tanzanians about public governance quality and its relationship with their tax compliance behaviour. The study employed a quantitative approach. Data were collected and analysed descriptively, and then factor analysis and later regression analysis were conducted to examine relationship among variables. The findings have shown that tax compliance in Tanzania at TRA is influenced by several factors such as TRA service quality, taxpayer trust, fairness of tax laws and regulations and public governance quality. In addition, tax compliance is positively related to these factors. Furthermore, the findings have shown that TRA to a greater extent do not comply with tax laws and regulations as they fulfil their tax obligations by force, report incorrect income and delay to submit tax return on time .

The findings are consistent with studies by Mustapha (2015) who reported that tangibility; complexity, reliability, and ease of use and affordability were the components that determine e-tax quality implementation in Tanzania. In addition, the findings are also consistent with service quality model by Parasuman et al (1988) that quality of services in organisations is essential in attracting customers, in this case

taxpayers, by ensuring that equipment, materials, and systems work better for the purpose of retaining and attracting citizens' morale to accomplish their tax obligations. Furthermore, the findings are consistent with the findings by Mwasele (2014) who reported that tax compliance in local government authorities in Tanzania is affected by trustworthiness of local government officials and unsatisfactory return in terms of service delivery. In addition, the findings are also consistent with the findings by Fjeldstad et al., (2012) that good perceptions of taxpayer on political institutions and authorities and or any other social arrangements as appropriate, just and work for the interest of the public lead to the highest level of trust which eventually affects tax compliance.

During the data collection, the researcher discovered that Tanzania Revenue Authority has many bottlenecks on factors enhancing tax compliance. For instance, poor knowledge on tax system applied, lack of patriotism among taxpayers, wrong perception of taxpayers, the influence of VAT rates on VAT compliance, too many taxes, cumbersome procedure involved in payment of VAT, the effect of customer care desk, corruption by tax officers, and people selfish behavior. Regardless of those problems, the researcher discovered that there is a need to improve tax compliance environment at Tanzania Revenue Authority. This is specially to start with continue educating the public on the importance of paying tax, increase awareness to the public in motivating them to comply with tax rules, educating TRA officials on ethical issues so that to avoid corrupt behavior in TRA, and reduce number of taxes related to VAT to avoid tax complexity to taxpayers. The respondents were ready with the system but due to poor knowledge and complexity of the system made tax compliance in TRA at Tanzania regions not to be successfully.

### **5.3 Discussion**

This study primarily determined the perception of the taxpayer about tax service quality and public governance quality in Tanzania as well as the relationship between these factors and their compliance behaviour. Furthermore, it examined the moderating effects of taxpayer's financial condition and risk preference individually and jointly on



the relationship between tax compliance and its determinants. It also ascertained whether the multi ethnic background of Tanzania taxpayers causes differences in their compliance behaviour. Based on the underlying objectives, this study suggests answers to the research questions raised in chapter one. The regression results in support of the research questions are presented in the preceding chapter in detail. In this section, the research findings are discussed to answer each of the research questions.

Furthermore, the findings are consistent with the findings by Mwasele (2014) who reports that tax compliance in local government authorities in Tanzania is affected by trustworthiness of local government officials and unsatisfactory return in terms of service quality. This is because, when taxpayers believe that government officials are not conducting themselves in right direction, the taxpayer loses their trust in them and hence they will start looking for ways to evade tax. In this regard, respondents have agreed that officials in Tanzania do not act to the interests of the taxpayers and that the interests of the few are considered more than the interests of the community. In addition, the findings are also consistent with the findings by Fjeldstad et al. (2012) that good perceptions of taxpayers on political institutions and authorities and/or any other social arrangements as appropriate, just and work for the interest of the public will lead to the highest level of trust which eventually affects tax compliance.

In addition, the study results are consistent with the study by Alabede et al (2011) who reported that tax compliance behaviour of individuals is positively related to the perceptions of public governance quality in Tanzania. Therefore, good perceptions of service quality are very important. In this case, respondents have shown their concern about unsatisfactory performance of the government in terms of how it provides services to health and judicial systems, investment in infrastructure, and investment in education. Since the government is performing poorly in these areas, the tax compliance decreases. Furthermore, the findings are consistent with the study findings by Gberegbe, Umoren and Saro-Wiwa (2017) who reported that there is a positive relationship between fairness of tax laws and regulations and tax compliance of TRA in Tanzania. This is due to the fact that respondents have agreed that current laws and

regulations require them to pay in accordance with what they earn and that the government is trying much to offer services to taxpayers and that the tax system is very fair.

#### **5.4 Conclusion**

The detailed results of various analyses conducted on the data collected in the course of this study are presented in this chapter. In the descriptive statistics, tax system structure, perceived tax service quality, public governance quality and risk preference had a low overall mean score while attitude and moral reasoning had a high overall mean scores. The respondents had negative and positive views about these variables, respectively. For the reliability analysis, all variables have in the reliability tests conducted before and after the factor analysis, which suggests that the items of measures of the study are internally consistent.

These results concur with comparative treatment theory, political legitimacy theory, and Service Quality Model. These theories in general argue that, for the TRA`s taxpayers to exhibit tax compliance, then there should be equity and fairness in the determination of the amount of taxes to pay and fair treatment, there should also be taxpayer trust that the government authorities, departments, agents, etc, are using the public money for the interests of the public, and lastly the agents specialised in collecting these taxes, in this case TRA, should have the best appearance of facilities, equipment, technology and well trained personnel and these facilities and personnel should be adequate. The TRA should as well have reliable systems and processes that are consistent and dependable. In addition, TRA should have competences, employees` ability, courtesy and knowledge on how best to provide and guide tax administration in the country. Furthermore, TRA employees and decision makers need to have “empathy”, the ability to place themselves in the shoes of the taxpayers. Things like having long queue; lining to pay taxes demolishes the good intention of taxpayers who want to accomplish their tax obligations willingly.

In respect of factor analysis, the minimum criteria were met after a number of items in each latent variable were deleted except tax compliance behaviour, tax knowledge, and risk preference. By meeting the minimum criteria, the construct validity of the measures adopted in the study was also assumed. For the purpose of the multi regression analysis, four regression models were developed. The first regression model (1) measured the relationship between the independent variables and dependent variable, as suggested in the statistical literature and with this model the first three objectives of the study were achieved. The second and third regression models (2) & (3) were designed to assess the moderating effects of financial condition and risk preference individually while the fourth regression model (4) tested the joint moderating effects of financial condition and risk preference on tax compliance and its determinants. Regression models 2, 3 and 4 were designed for the purpose of the two objective of the study. Evidence from the regression analysis indicated that perceived tax service quality and public governance quality had a strong positive relationship with tax compliance behaviour and at the same time, it also revealed that there were significant differences in the tax compliance behaviour of taxpayers of different races. Finally, the evidence also showed that financial condition and risk reference jointly moderated perceived tax service quality and nonprofessional occupation significantly.

### **5.5 Recommendations of the Study**

Tax compliance is a phenomenon of great importance to the national development; taxpayers who know their tax obligations and accomplish the same willingly are friends of national developments and prosperity. However, the government needs to inculcate a culture of paying taxes to its citizens and make them have a positive attitude towards paying taxes because they pay for their own development socially, economically and politically. The study recommends the following: Since there is a positive relationship between TRA service quality and tax compliance, the study recommends that TRA should continue to install systems that facilitate payment of taxes easily and at the convenience of taxpayers. In addition, TRA employees should have the required caring and individual attention to taxpayers. In addition, TRA should have the highest ability to perform the promised service dependably and accurately. In addition, TRA should

continue to train its employees so that they acquire required knowledge to build courtesy, trust and confidence that will enable to convince taxpayers to comply with their tax obligations willingly. Furthermore, since there is a positive relationship between tax compliance and taxpayer trust, this study recommends that the government of Tanzania and its institutions should in all times fulfil the interests of the majority more than the interest of the few and that the government should make effort to show citizens that what they are doing is for the interests of the majority.

In addition, since there is a positive relationship between tax compliance and public governance quality, this study recommends that, to increase tax compliance, the government should improve investment in quality infrastructure, education, health facilities and judicial systems. Investment in quality infrastructure in electricity, water projects and road construction projects should be improved. There are certain villages and regions where there are no good infrastructures; roads are not passable throughout the year, no water and no electricity. In this kind of a situation, TRA`s taxpayers might not want to pay taxes so as to get money to finance their needs of electricity, water and transportation.

Furthermore, the government should invest in quality education. Investing in quality education entails provision of education that abides by the national and international standards. For instance, teacher-student ratio, equipment (laboratory equipments, chalks, whiteboard makers, boards, computers, etc), class room size, and number of classrooms available are among the few things taxpayers are aware of. Thus, to improve tax compliance to TRA and the general public, the government should make sure that more teachers are recruited and given appropriate benefits that will increase their motivation level.

Furthermore, the government should increase the number of classrooms and procure enough equipment to the schools that will help student learn appropriately. Moreover, the government should invest in quality health facilities and provision of quality health services. These should go hand in hand with construction of enough maternity wards,

enough rooms, enough medicine and medicinal equipment. When these things are in place, they help taxpayers to voluntarily comply with taxes, because they believe that paying taxes is for their advantages and not for the advantages of the few. In addition, to increase voluntary tax compliance among TRA`s taxpayers, the government should increase the quality of judicial systems. That is, the government should make sure that it has the appropriate number of courts, magistrates and judges, and public prosecutors, and that it has the police force that is fair.

### **5.6 Areas for Further Research**

Possible research on the area of tax compliance in Tanzania should focus on the effectiveness of TRA strategies on enhancing tax compliance to taxpayers. In addition, future research should consider assessing the impact of the newly installed TRA systems such as Data Centre on tax compliance of large companies. Since this study considered only TRA`s operating in Tanzania, similar study could be carried out to ascertain the truth in other regions of Tanzania, so that results could be compared.

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## APPENDICES

### Appendix I: Research Questionnaire for Individuals

This questionnaire is designed to collect information on the factors affecting tax compliance behaviour in Tanzania: A case of taxpayers in Tanzania. The information obtained will only be used for academic purposes and shall be treated in utmost confidence. You are requested to complete this questionnaire as honestly and objectively as possible.

#### SECTION A: GENERAL INFORMATION

1. Name (Optional).....
2. PIN (Optional).....

Kindly please support my research study by circling the appropriate number (that is: ①, ②, ③ or ④) in the following questions about yourself.

Gender	Male	1
	Female	2
Age Group	21 – 30 years	1
	31 – 40 years	2
	41 – 50 years	3
	51 years and above	4
Level of Education	A – Level or lower	1
	Ordinary Diploma	2
	Advance Diploma/First Degree	3
	Postgraduate Degree(s)	4
Present Position	Heads of Sections or Departments	1
	Officers	2
Years of experience	0 – 3 years	1
	4 – 6 years	2
	7 – 9 years	3
	10years and above	4

3. Does your business have a Personal Identification Number (PIN)? Yes ( ) No ( )

4. On average what is your annual income?

a) Below TSH 500, 000 ( )

- b) Between TSH 500,001 and TSH 1 Million ( )
  - c) Between TSH 1,000,001 and TSH 2 Million( )
  - d) Between TSH 2,000,001 and TSH 3 Million ( )
  - e) Over TSH 3 Million
5. In your opinion, failure to pay taxes is;
- a) Wrong and punishable ( )
  - b) Wrong but understandable( )
  - c) Not wrong at all ( )
6. For how long haveyou been paying taxes?
- a) 1-5 years ( )
  - b) 6-10 years ( )
  - c) 11-15 years ( )
  - d) Over 15 years ( )

**SECTION B: FACTORS INFLUENCING TAX COMPLIANCE BAHEVIOUR**

**1. Service Quality**

The following statement measures how service quality affects tax compliance Behaviour. You are therefore required to rate the degree of disagreeing or agreeing with the statement using the likert scale defined as 1 = strongly disagree, 2=disagree, 3 = neutral, 4= agree, 5=strongly agree.

STATEMENT	1	2	3	4	5
The appearance of the Tax compliance behaviour physical facilities, equipment, personnel, and communication materials is good					
Tax compliance behaviour has highest ability to perform the promised service dependably and accurately.					
Tax compliance behaviour employees have the required					

knowledge and courtesy and Ability to convey trust and confidence.					
Tax compliance behaviour has highest willingness to help taxpayer and provide prompt service.					
Tax compliance behavior employees have the required caring, individual attention to Taxpayers					

## 2. Perceived Tax Service Quality

The questions below are for you to express you're feeling about the quality of tax services render by tax office to taxpayers in Tanzania in the course of discharging their tax obligations.

The numbers mean the following: **1 = Agree; 2 = Neutral; 3 = Disagree**

S/No.	Variables	Agree (1)	Neutral (2)	Disagree (3)
1.	I can count on the employees of tax office as being friendly	1	2	3
If agree, please specify, and answer question 2 of this part (if not, jump to question 3): _____ _____ _____				
2.	The attitude of tax employees demonstrates their unwillingness to help me	1	2	3
3.	The behaviour of tax employees indicates to me that they do not understand my	1	2	3

	needs			
4.	Tax employees understand that I rely on their tax knowledge to meet my needs	1	2	3
If agree, please specify:				
_____				
_____				
_____				

What other factors besides the ones mentioned above do you believe have a significant impact on the investigation of factors influencing taxpayers' compliance behaviour from Tanzania.....

What recommendation can you give that would go ahead to increase factors influencing taxpayers' compliance behaviour from Tanzania .....

### 3. Personal Financial Condition and Risk Preference

The numbers mean the following: **1 = Agree; 2 = Neutral; 3 = Disagree**

S/No.	Variables	Agree (1)	Neutral (2)	Disagree (3)
1.	I am satisfied with my present financial situation	1	2	3
If agree, please specify, and answer question 2 of this part (if not, jump to question 3):				
_____				
_____				
_____				
2.	I am living comfortable the way I should with present	1	2	3

	Income			
3.	I am having financial commitment to my extended family	1	2	3
4.	We are interested in your risk taking attitude, could you indicate the extent to which applied to you.	1	2	3
If agree, please specify:				
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What other factors besides the ones mentioned above do you believe have a significant impact on the investigation of factors influencing taxpayers' compliance behaviour from Tanzania.....

What recommendation can you give that would go ahead to increase factors influencing taxpayers' compliance behaviour from Tanzania .....

***THANK YOU FOR YOU ARE COOPERATION***