ASSESSMENT OF TAX EVASION PRACTICES IN TANZANIA:
THE CASE TEMEKE MUNICIPAL
ASSESSMENT OF TAX EVASION PRACTICES IN TANZANIA:
THE CASE TEMEKE MUNICIPAL

By
Germino Stephen

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of
the Master Degree of Procurement and Supply Chain Management (MSc.PSCM) of
Mzumbe University Dar es Salaam Campus College.

2014
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled; Assessment of Tax Evasion Practices in Tanzania; the case of Temeke Municipal Council, in partial fulfilment of the requirements for award of Master Degree of Procurement and Supply Chain Management (MSc. PSCM) of Mzumbe University

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DEDICATION

To my parents for the education and parental care during my younger age, this constituted a strong foundation for my overall academic success.

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To my whole family for their great support and care on ensuring my success as far as educational aspect is concerned.
LIST OF ABBREVIATION

TRA - Tanzania Revenue Authority.
VAT - Value Added Tax.
PAYE - Pay As You Earn.
UNDP - United Nation Development Program.
GDP - Gross Domestic Product
MTEF - Medium Term Expenditure Framework
GST - Goods and Services Taxes
MPL - Multilayer Perception layer
TMC - Temeke Municipal Council.
SPSS - Statistical Package for Social Sciences
ABSTRACT

Tax evasion is common in our country where people dislike paying tax due to the various factors. The government of Tanzania has focusing itself on raising revenue from various limited number of resource, TRA was formed as government agency charge with collection of revenue but still the number of those who are paying tax are few. Tanzania one of the important areas where tax evasion has been reported is customs duties.

Despite its importance, limited scientific research has been undertaken the assessment of tax evasion practices in Tanzania. This study aimed to assess the extent factors that influence tax evasion a case of Temeke Municipal Council. Specifically the study sought to assess the accountability on tax collection; ascertain the influence of corruption on tax collection; discern the impact of staff ethics on The study was conducted through a descriptive design using a cross sectional survey within Temeke’s Municipal Council workforce in Dar es salaam.

The study employed purposive sampling to select the sample and sample elements. This resulted to a sample size of 70 staff. A structured questionnaire as a data collection instrument was used. The field data was statistically analysed using descriptive statistics and narrative summary analyses. Findings indicate that accountability has a significant impact to TRA, lake of knowledge to taxpayer, corruption among those who are responsible, high rate of tax which causes some of them to evade tax.
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CHAPTER ONE
INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Tax Evasion refers to the process of using illegal means by which to avoid paying taxes. Typically, tax evasion involves an individual or corporation miss-presenting their income to the respective Revenue authority. Miss presentations can be done through understating sales revenue, inflating allowable expenses. Tax evasion is different from tax avoidance because evasion is completely illegal action while tax avoidance makes use of loopholes available in applicable tax laws to minimize tax burden.

Tax evasion is quite popular phenomenon; it has been in existence for quite long time and still continues to impose growing challenges to the tax authorities in several countries in the world regardless of country’s level of development less of country’s level of development.

Developed, developing and even underdeveloped countries face the challenges over Tax Evasion. Talking of the world, United State of America (USA) is leading having very high Tax loss due to tax evasion.

Tanzania’s fiscal performance is improving year after year though we still depend on donor funds to support our main Government development expend to put more in collection of both tax/non tax revenue to reduce dependence on donors to finance our budget.

In 1st July 1996, Tanzania Revenue Authority (TRA) was established by Act of parliament No 11 of 1995, and started its operations. In carrying out its statutory functions, TRA is regulated by law and is responsible for administering impartially various taxes of the central Government. TRA is Government agency of Tanzania, charged with the responsibility of managing the assessment, collection and
accounting of all central government revenue. It is a semi-autonomous body that operates in conjunction with the Ministry of Finance and Economic Affairs.

Hon Mustapha Mkulo in his 2010/2011 Budget speech presented to the parliament. He said “Madam Speaker, despite the achievements in collection mentioned above, the government budget continued to depend on assistance from development partners, to the tune of 17 percent of the budget in 2010/2011 down from 28 percent in 2007/2008. Cognizance of the need self-reliance at the nation level both in attitude and resources, the Government has decided to take strong measures to improve domestic revenue collection which includes measure aimed at broadening the tax base, increase efficiency in revenue collection and identification of new tax payers; and control expenditure so that by the year 2015, the percentage of aid dependence does not exceed 10 percent of the budget.”

To attack this problem the Government through Tanzania Revenue Authority (TRA) has undertaken measures to increase revenue collection. Among the Measures taken includes changing tax rates such as VAT and PAYE, forming several task forces to study ways to combat tax evasion, introduction of electronic filling of VAT returns, The ASSYCUDA +++ on import taxes and electronic fiscal devices.

To combat Tax Evasion, requires some understanding of the factors that influence taxpayers’ decision on whether to pay or evade taxes. Well understanding of these factors will help the government on policy formulation and assessment.

Businesses either small or large are after profit maximization, since taxes reduces their profit they use different ways by which they can either reduce tax payment or not paying taxes at all. There are several ways used to reduce tax liability among them are overstating of sales which results to lower Profit, understating sales revenue and other more. Deputy Attorney General George Masaju in his speech to five days training workshop sponsored by the United Nations Development Program (UNDP) said “unscrupulous investors should be aware of the negative effects that arise from
their quest to maximize profits” Tanzania’s the Guardian reported on Monday (June 11th, 2012).

In the other hand End user (people who buy for home consumption) are also seeking for cost minimization on their day to day transactions. This make them think on how can they reduce the cost, tax being part of the cost to end user they will find themselves finding ways to minimize or not paying taxes on the goods and services they pay for in their daily transactions. The basic behavioral assumptions are that people are free riders, no one will voluntarily contribute to the government unless the threat of punishment makes it sensible (Allingham & Sandmo 1972).

Schneider (2006) reports estimates of unreported activities for 145 countries around the world including transition, developing and developed countries over the period 1999/2000 and 2002/03 indicates that shadow economy average 42.3% of official GDP in developing African countries and 30% of official GDP in developing Asian countries, 39.6% in transitional countries in east and central Europe and the former soviet, 21.7% in currently communist countries, and 33% of official GDP in countries in south west pacific.

Although tax evasion (noncompliance) has greater impact to the revenue collection performance and country’s economy in general but it remain difficult to be measured. “Tax evasion is an act of concealing tax payment and as such it is rather difficult to establish precisely the number of tax evasion cases in country at a particular moment”, said acting Director for Taxpayers service and Education in an interview with Daily News www.dailynews.co.tz 11 August 2010.

1.2 Back ground of the study
Over the past years, the government of Tanzania has focused itself on raising revenue from a limited number of sources. Taxation on drinks, fuel, cigarettes & tobacco products, Value Added Tax and Pay as You Earn (PAYE) has been the major focus of taxes. The current general consensus amongst the citizens is that these sectors are already overtaxed and government cannot impose any further taxes
in these areas without aggravating the already rising costs of living and sinking the population further into poverty. The emerging question, therefore, is from where else can government raise more money?

In this brief, our analysis based on the available international trade data indicates that the Tanzania Government can raise more revenue by blocking the current massive revenue outflow rather than targeting dependence on foreign aid or over taxation of some limited sectors to raise more revenue for the budget. Government’s 2009/2010 Revenue projections The Government’s projection is that revenue for the year 2009/2010 is expected to fall persistently until the end of 2012.

According to the budget guidelines in period 2009/10, domestic revenue has been projected at 17.0 percent of GDP in 2009/10, from 17.7 percent in 2008/09 and is expected to reach 17.5 percent in 2011/12. Foreign assistance is projected at 8.9 percent of GDP in 2009/10 from 9.1 percent in 2008/09, and a further decline to 5.3 percent is envisaged in the medium term. Overall resource envelope in 2009/10 is projected to decline to 25.9 percent of GDP, equivalent to a decline of 0.2 percent compared to 2008/09. This trend will persist and reach 22.8 percent in 2011/12, primarily on account of the projected decline in foreign assistance.

The government has committed itself to continued commitment with its policy of zero domestic borrowing for budget financing over the MTEF period. This therefore means that the government has to look to other sources of revenue to cushion its dwindling current sources. Domestic Revenue and Foreign Revenue TANZANIA’S domestic revenue collection in the 2008/09 fiscal year will see a 10 percent shortfall of its 4.73 trillion shilling for the year 2009/2010 budget will be to direct efforts in the following areas: Improve tax Administration and accountability among the taxpayers and tax collectors, widening of the tax base by registering new taxpayers and improve tax compliance level, Instituting improved management and control of tax exemptions, Establishing additional Large Taxpayers Units for medium sized taxpayers in order to facilitate collection of more revenue in the medium term, Automating the tax system, strengthening supervision of excise and customs duties,
Increasing the contribution of Non tax revenue from the current level of about 1 percent of GDP to at least 3 percent of GDP in the medium term. Tapping in resources accumulated as revenue from surpluses, dividends and corporate tax from Public investments by making changes in the Finance Act 2008.

Despite these good initiatives, experience in the past years indicates that government’s seemingly good plans have never successfully generated resources to meet its anticipated national targets. The revenues generated from governments fiscal and monetary plans are still far below the actual revenue required to finance and achieve the MKUKUTA targets.

According to the budget guidelines the total amount of money required (requirements) to achieve these targets is Tsh 5.8 trillion. The actual (ceilings) available resources for which the government has to budget is Tsh 3.6 trillion. Hence, the difference between the total requirement and ceilings (MKUKUTA funding Gap) is Tsh 2.2trillion. Faced with this shortage, the government has had to make very calculated maneuvers by thinly spreading the available revenue resources across the three MKUKUTA clusters.

During the budget year 2009-2010 the government has allocated Tsh 3.6 trillion equivalent to 38% of the total budget for financing MKUKUTA interventions in 2009/10. Further, within MKUKUTA, 51.2 % has been allocated for Cluster 1, while 29.2 % is for Cluster 2 and 19.5 percent for Cluster 3. In the medium term, it is envisaged that more resources will be directed to MKUKUTA intervention particularly in cluster 1 through the implementation of projects identified under MPIP.

The consequence of this thin spread of resources to achieve high targets is that the net impact of MKUKUTA has not been adequate enough to bring about changes in the lives of ordinary citizens. This therefore implies that government has to look elsewhere to generate more revenue to finance and achieve its MKUKUTA targets.
The Revenue lost to exemptions, illicit means and trade mispricing of Tanzanian products the revenue lost through a combination of tax exemptions.

1.3 Statement of the Problem
Simser (2008) observed tax evasion could be said to occur when individuals or organizations intentionally fail to conform to their tax responsibility. Tax evasion is not new phenomena as they have been in existence long time ago, however, they have taken a new dimensions in recent times. According to Asada (2010) tax evasion represent some of the perplexing problems facing the Tanzanian economy, however Tanzania formed Tanzania Revenue Authority (TRA) as government agency charged with assessment, collection and accounting of all central government. Wherever and whenever authorities decide to levy taxes, individuals and firms try to avoid paying them.

Meanwhile, taxation is one of the means of revenue generation of any government to meet the need of its citizens (Abiola & Asiweh, 2012). The resulting tax revenue loss may cause serious damage to the proper performance of the public sector, threatening its capability to finance public expenditure (Chiumya, 2006).Therefore; there is the need to ascertain the factors that are influencing tax evasion in Tanzania.

1.4 Research Gap
Many studies had been done on Tax evasion and Tax avoidance but they have critically concentrated with analyzing the impacts caused by Tax Evasion and Tax Avoidance. Few studies have been done to demonstrate factors that influence Tax payers to evade Tax.

In Tanzania one of the important areas where tax evasion has been reported to be a severe problem is customs duties. Tsikata (1999) finds large discrepancies for Tanzania between revenue as simplified by the published tariff and the estimated import volumes versus actual receipts. The differences are explained by a combination of exemptions, corruption, smuggling across official entry points (ports and roads) and smuggling across unofficial entry points (unguarded borders).
Tax evasion is done in hidden environment between the practitioners. It is therefore difficult to come up with completely reliable data such as those derived from the national accounting sources (Frazon 1999). However, the study conducted in 2004 by Jorgen and Lars titled Tax evasion in Kenya and Tanzania evidenced from missing imports revealed that 1% increase in tax rate leads to 3.8% increase in tax evasion.

Bergen (2006) in his study examined factors determining tax compliance behavior in Tanzania concluded that, tax compliance is positively related to factors such as ability to pay punishment structure and tax rates. Oppressive tax enforcement, harassment of taxpayers and discontent with public service delivery seem to increase tax resistance and may explain the wide spread tax evasion. According Amir,O (2010) in his study he found that tax evasion in Tanzania is influenced by high tax rates and government spending priorities.

Therefore, the Researcher in this study is trying to bridge the existing research gap by critically analyzing country specific factors that influence Tax payer to evade Tax for the case of Temeke Municipal Council.

1.5 Research Objectives

1.5.1 General Objective
The general objective of this study is to identify factors that influence Tax Evasion in Tanzania, a case study of Temeke Municipal.

1.5.2 Specific objectives
Specifically the study focused on:

a) To identify factors that influences Tax evasion.
b) To identify techniques used by Tax payers to evade Tax in the country.
c) To suggest ways to mitigate Tax evasion in Tanzania.
1.6 **Research Questions**

The study wanted to identify and evaluate the main factors influencing tax payers to evade Tax in Tanzania (A case of Temeke Municipal). More specifically, the study aims at addressing the following research questions:

a) What are the factors that influencing tax evasion in Temeke municipal council?

b) What techniques are used by taxpayers to evade tax in Temeke municipal council?

c) What are the possible ways to mitigate tax evasion in Tanzania?

1.7 **Significance of the Research**

The study is expected to be of useful to the Government, individuals and businesses as well. The following are some of significances expected from this study.

a) The findings and recommendations from this study will help the policy makers to understand the best ways of attacking tax evasion.

b) The study will help taxpayers understand the negative side of tax evasion.

c) The study findings will be of benefit to other researchers and academicians.

d) The study will provide useful theoretical knowledge on factors influencing tax evasion in Tanzania.

1.8 **Scope of the study**

The study could be conducted in the whole country but due to the size of the country, geographical nature, and infrastructure difficulties, financial and time constraints the study was centrally conducted in Temeke Municipal as a case study. The choice of the case has considered availability of all range of taxpayers from individuals to corporate, reliable transport and other means of communication.

Being the case study, findings obtained from the study will only be applicable for Temeke Municipal Council though the mode can be adopted and applied in other similar government institutions but with precautions of results variations which can be experienced. Data will be collected from Temeke Municipal Council mainly by
using questionnaire. Interviewing, observation and documentary analysis will also be used by the researcher during collection of data for the study.

1.9 Delimitation
The study involved tax officials in Temeke Municipal council and marketing venders in Temeke Municipal, in Dar es Salaam region. The findings of this study are therefore not being generalizable to the whole public sectors in other countries rather than Tanzania.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter reviews and defines the key study terminologies and gives theoretical and empirical evidences of the study. It also presents some important literatures that relates to the research problem under the case study. This review will help the researcher to see how the research questions had been addressed by other researchers and how had they proposed.

2.2 Conceptual Definitions
Tax is the amount of money paid to the government by the person (juristic or natural) on whom it is imposed often accompanied by a tax return filed by the taxpayer. It includes income tax, corporate tax, Value added tax (VAT) and import taxes. In other words, a tax may be defined as a “pecuniary burden laid upon authority. Hence it is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority. It is therefore refers to any contribution imposed by the government (Tax justice Network Retrieved on 30th September 2007).

2.2.1 Tax evasion
Refers to illegal practices to escape from taxation. To this end, taxable income, profits liable to tax or other taxable activities are concealed, the amount and/or the source of income are misrepresented, or tax reducing factors such as deductions, exemptions or credits are deliberately overstated (Alm and Vazquez, 2001 and Chiumya, 2006). Tax evasion can occur as an isolated incident within activities that are in other aspects – legal.

Or tax evasion occurs in the informal economy where the whole activity takes place in an informal manner – this means the business is not only evading tax payments but is also not registered as formal enterprise at all.
Also Tax evasion involves a taxpayer’s deliberate contravention of the tax law(s) in order to minimize or eliminate tax liability altogether (pay no or little tax respectively by breaking the law). Tax evasion is the application of fraudulent practices in order to minimize or eliminate tax liability.

2.2.2 Tax

A tax is a compulsory levy imposed by the government upon assesses of various categories. These may be individuals or other legal persons. Tax according to Mannesh, 2000 is paid without corresponding returns in terms of goods and services from government to particular tax payers. For a tax to be known as income tax it should be charged for each year of income and imposed on every person who has chargeable income [income tax Act1997]

2.2.3 Tax base

According to Lubega, I. (1999), a tax base is the object on which a tax is based for example income tax is based on income.

2.2.4 Tax administration

Sake (1998), defined the process of tax administration to include the identification and registration of the tax payer to whom the law applies; the assessment of this tax payer either through self or compulsory assessment; the collection of tax dues and accounting for them to the state (heads of the council for this case) and advising the state (heads of the council) on better ways in which more revenues can be collected by pointing out areas of improving the legal and institutional framework.

2.2.5 Tax assessment.

Under Sec 3 of the income tax Act, assessment is defined as the ascertainment of chargeable income and the amount of tax payable on it by the tax payer for a year of income under this Act, including a deemed assessment under Section 97. Among the major assessment activities are evaluation and audits and the latter activity being the most important (Denjntscher, 1992). Bird (1992) asserts that audits to be effective must be selectively based on some rational citizens and should in any case include
intensive field audits conducted by well-trained officers. Pigou (1951) noted that any tax formula is made of two elements, namely the object of assessment and the function. This function relates the quantity of revenue to be raised from the individual tax payers to the quantity of assessable objects in their hands, that is, the relationship between revenue and tax base.

2.2.5 Taxation
Taxation as defined by Mugerwa (1990) is a sovereign right the state uses to transfer resources from private use to public use in the way that is most suitable and consistent with the economic goals of the society. According to Dalton (1987), taxation is a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the tax payer in return. While to Orsbrnes (1984), taxation is the imposition of duties to raise revenue. Taxes play a much larger role in society and to the general economy than the mere raising of revenues according to Margaret Wilkinson.

2.3 Techniques Used to Evade Tax/ Typical examples of tax evasion

2.3.1 Bribery of tax officials
Developing countries that suffer from inefficiencies in the administration and enforcement of taxes are exposed to bribing activities by companies as shown in the case of Bangladesh where sugar importers evaded 90% of excise taxes in collaboration with corrupt tax officials (TJN, 2003).

2.3.2 VAT fraud
A false statement of business transactions subject to VAT represents a type of tax evasion that has attracted increased attention in the course of broader adoption and rising rates of VAT or goods and services taxes (GST) in developing countries. For example, Sri Lanka which introduced the VAT system in 2002 had to incur major revenue losses (approximately 10% of its net VAT receipts, see Keen and Smith, 2007) from a single case of VAT fraud.
2.3.3 Tax shelters

Tax shelters are investments that allow, and purport to allow, a reduction in one's income tax liability. Although things such as home ownership, pension plans, and Individual Retirement Accounts (IRAs) can be broadly considered "tax shelters", insofar as funds in them are not taxed, provided that they are held within the Individual Retirement Account for the required amount of time, the term "tax shelter" was originally used to describe primarily certain investments made in the form of limited partnerships, some of which were deemed by the U.S. Internal Revenue Service to be abusive.

2.3.4 Smuggling

Smuggling is importation or exportation of foreign products by illegal means. Smuggling is resorted to for total evasion of customs duties, as well as for the importation of contraband. A smuggler does not have to pay any customs duty since smuggled products are not routed through customs-tax compliant customs ports, and are therefore not subjected to declaration and, by extension, to the payment of duties and taxes.

- Making a false return of income by omitting or understating income or overstating expenses.
- Giving false information on any matter affecting tax liability
- Preparation or maintenance of false books of accounts or records
- Application of fraud e.g. manipulation of stock sheets and valuation, destruction of or defacing of accounting records, non-issue of sales receipts etc.

2.4 Factors that Lead to the Tax Evasion

There are various reasons for tax evasion and tax avoidance. In order to develop methods and instruments for fighting tax evasion and avoidance, it is important to foremost establish a broad understanding of the different reasons underlying these problems.
2.4.1 Low quality of the service in return for taxes
In general, citizens expect some kind of service or benefit in return for the taxes paid. If the government fails to provide basic public goods and services or provides them insufficiently, citizens may not be willing to pay taxes and tax evasion and avoidance will be the consequence (Pashev, 2005; Everest-Phillips, 2008; Lieberman, 2002; Brautigam et al., 2008).

2.4.2 Tax system and perception of fairness
Some studies suggest that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer (Allingham and Sandmo, 1972; Chipeta, 2002). However, the level of the tax rate may not be the only factor influencing people’s decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. If, for example, the tax rate on corporate profits is relatively low, but individuals are facing a high tax rate on their personal income, they may perceive their personal tax burden as unfair and choose to declare only a part of their income. Similarly, large companies can often more easily take advantage of tax loopholes, thereby contributing to the perceived unfairness of the system. Tax rates and the overall structure of the tax system, therefore, have a significant effect on the disposition to evade and avoid taxes.

2.4.3 Low transparency and accountability of public institutions
Lack of transparency and accountability in the use of public funds contributes to public distrust both with respect to the tax system as well as the government. This, in turn, increases the willingness to evade taxes (Kirchler et al., 2007).

2.4.4 High level of Corruption
Corruption, which is commonly defined as abuse of public power for private benefit (Tanzi1998), is of course a different phenomenon than tax evasion. In the context of taxation, however, the two notions have some important interactions. This is because tax authorities may be dishonest as well, as opposed to the above assumption that only the taxpayers cheat. Allowing for possible corrupt tax officials influences both
the willingness of the taxpayers to evasion and the role of tax administration in fighting evasion. Because of this interaction, this section explores some of the general discussion on corruption and looks at the joint analysis of evasion and corruption.

If due to high levels of corruption, citizens cannot be certain whether their paid taxes are used to finance public goods and services their willingness to pay suffers and it becomes more likely that they evade their tax liabilities. A tax-payer might consider evading taxes if the cost of bribing a tax auditor is lower than the potential benefit from tax evasion.

2.4.5 Lack of rule of law and weak fiscal jurisdiction

Strong fiscal courts are essential to protect taxpayer’s rights and safeguard them from arbitrariness. If the legal system does not operate in accordance with the rule of law, citizens have to fear arbitrariness, discrimination, unequal attendance in court, etc. The lack of rule of law reduces transparency of public action and fosters distrust among citizens. As a result, citizens may not be willing to finance the state through taxes, and decide to evade these liabilities.

2.4.6 Incapacity in detecting and prosecuting inappropriate tax practices

A well-functioning body of tax investigation is essential for the detection and prosecution of cases of tax fraud. The lack of sufficient capacities in tax administrations reduce the probability of detection that again influences the decision of a taxpayer as to whether evade or not. Additionally, the legal frame-work is an important prerequisite for any enforcement activity. For example, the size and nature of penalties that are incurred after evasion has been detected is directly connected to the level of tax compliance (Fishlow and Friedman, 1994).

2.4.7 Insufficiencies in tax collection

Regarding tax collection, many developing countries face difficulties with respect to important premises for a well-functioning tax administration, especially with respect to identifying and administering those citizens and firms that are liable to tax
payments. Although there has been progress, tax administrations’ capacity to introduce and sustain e.g. well-functioning tax registers still pose severe difficulties in many developing countries. Problems of insufficient capacity may also occur due to the organizational set up of the tax administration and its relationship to the ministry of finance.

2.5 Possible ways to compact tax evasion

2.5.1 Addressing weak enforcement at the national level
Tax administration reforms are crucial part of any effective strategy to strengthen enforcement at the national level. Measures in this area include different approaches of organizational reform such like the creation of semi-autonomous revenue authorities, setting-up of Large Taxpayer Units as well as capacity development such as trainings and courses on selected topics, e.g. specialized courses in the area of detecting illegitimate profit shifting activities or tax fraud, but also restructuring of the wage schedule to offer sufficient incentives in order to attract and recruit capable staff and to minimize the risk of corruptive behavior.

2.5.2 Provision of tax education to taxpayer
The importance of taxes for the functioning of the state is not always apparent to the taxpayer. Similarly, individual tax liabilities as well as requirements to comply with the tax system such as filling out different tax forms might be unknown or difficult to understand. By means of taxpayer education and taxpayer service, citizens can be informed and educated about the tax system and be assisted in their attempts to comply with the tax system. Efforts in this direction have been conducted.

2.5.3 Addressing tax compliance costs and administrative costs
Apart from promoting voluntary tax compliance, governments in developing countries as well as development partners should concentrate on measures that reduce taxpayers’ costs of fulfilling their tax liabilities.
2.6 Empirical Evidence from Past Studies

There are number of reasons for some economic activities to go unrecorded in the official statistics. Among these, the most prevalent is tax evasion. Tax evasion for developing countries is apparently higher due to inefficiency in tax administration system (Alm, Bahl and Murray, 1991).

In Tanzania one of the important areas where tax evasion has been reported to be a severe problem is customs duties. Tsikata (1999) finds large discrepancies for Tanzania between revenue as simplified by the published tariff and the estimated import volumes versus actual receipts. The differences are explained by a combination of exemptions, corruption, smuggling across official entry points (ports and roads) and smuggling across unofficial entry points (unguarded borders).

In Malaysia, a study conducted by Mansor, J. (2012). “Estimating Factors Affecting Tax Evasion in Malaysia” The main purpose of this study was to determine the factors affecting tax evasion and their relative contribution by using data from 1963-2010 for Malaysia. To achieve this aim, study have applied the Neural Network method and used multilayer perception layer (MPL) with 5 factors for the input layer. MPL consists of 1 hidden layer with non-linear activation function in the hidden layer. Activation function in the hidden layer was the hyperbolic tangent; the number of units in the hidden layer was 19 and the soft max activation function was utilized in the output layer. After modeling, creating and training and running the neural network, we chose the best model with minimum error and came to the conclusion below. Based on the results of this study, in order to decrease tax evasion, policy makers should note that high rate of tax on income leads to high tax evasion.

Therefore, they should try to reduce the rate of tax on income, assets, and capital, corporate and others. Decreasing the restriction of law for trade, controlling inflation and decreasing the size of government are other suggestions that could lead to decreases in the size of tax evasion.
A study conducted by Annan, B. (2010) in Ghana on “Determinants of Tax Evasion” The study sought to identify the factors that contribute to the extent of tax evasion in Ghana, using time series data covering the period 1970-2010. Employing the currency demand approach, we obtained the estimates of the shadow economy and the level of tax evasion for the entire period. Then adopted the bounds testing technique to co-integration to ascertain the determinants of tax evasion. First, the variables in the study were tested for stationary using the Philips-Perron test. The econometric evidence suggests that the variables included in our ARDL model are bounded together.

According to the study found that an increase in the tax variable raises the level of tax evasion in Ghana for the period under review. However, the results based on the long run estimates show that average tax rate, age and inflation rate have positive and statistically significant impact on tax evasion. Conversely, real per capita income and gender do exert negative and statistically significant effect on tax evasion. Besides, deposit interest rate though carried the correct signage, had an insignificant effect on tax evasion in the long run. The short run estimates were consistent with the long run estimates.

According to a study conducted by Rashedul, H. (2013) in Bangladesh, “the tendency Towards Tax Evasion” The main objective of the study was to identify factors that influence tax evasion among tax payers in Bangladesh. This research was done using survey method. A structured questionnaire was used to gather quantitative information from selected sample which was developed using a Likert scale of one to five (1 being strongly disagree and 5 being strongly agree). Tax evasion is a serious crime that deprives a country from its available sources of revenue and as a consequence pushes its economy toward inflation. Corporate tax payers are more involved in this crime than individual tax payers as a result inflation rate has been in double digit. Government is trying to motivate tax payers in paying the appropriate amount of tax but unethical tax payers are always finding out the loopholes that exist in our current tax policy and continuing their tax evasion practice with pride.
Muazzam, M. (2012), in Pakistan conducted a study on “Reasons of Tax Avoidance and Tax Evasion” in order to investigate the determinants of tax evasion. In the study, only strict economic determinants proposed by seminal models were taken. Study found that considerable share of effective tax compliance cannot be explained by using these solely variables. However, study found an ambiguous relationship between marginal tax rate or income and tax evasion. Moreover, study found an ambiguous relationship between marginal tax rate or income and tax evasion. Also it found the reasons of partial evasion such as: resentment toward illiterate persons that present only their salaries and wages as taxable income, and traders maintain inadequate records.

Another study conducted in United Kingdom by Fuest, C and Riedel, A. (2009). “Tax evasion, tax avoidance and tax expenditures in developing countries” The main objective was to review quantitative studies which try to estimate tax revenue losses due to tax avoidance and tax evasion in developing countries. Existing studies distinguish between estimates of the domestic component of tax evasion and tax avoidance and the international component. The research employed a survey research design along with descriptive and hypothesis testing designs. Survey design entails selecting a few respondents from a population with an aim of generalizing the results to the entire population while descriptive statistics describes a phenomena and hypothesis testing uses inferential statistics to evaluate a proposition. However, many developing countries use special tax incentives like tax holidays, investment allowances, free enterprise zones or tax sparing provisions. Again, little statistical information on the level of existing investment incentives and their development over time is available.
2.7 Conceptual framework

This study conceptualizes that the tax evasion could be affected by high tax rate, low quality of services in return for tax, high level of corruption, insufficient in tax collection and tax system and perception of fairness. The purpose of this study is therefore to test the nature and the strength of these relationships. This study tests the conceptual framework presented in Figure 2.1

Figure 2. 1: Conceptual Framework

Independent variables

Dependent Variables

Source: Field data (2014)

2.7.1 Descriptions of Variables

2.7.1.1 Low quality of the service in return for taxes

In general, citizens expect some kind of service or benefit in return for the taxes paid. If the government fails to provide basic public goods and services or provides them insufficiently, citizens may not be willing to pay taxes and tax evasion and avoidance will be the consequence (Pashev, 2005; Everest-Phillips, 2008; Lieberman, 2002; Brautigam et al., 2008).
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Regarding tax collection, many developing countries face difficulties with respect to important premises for a well-functioning tax administration, especially with respect to identifying and administering those citizens and firms that are liable to tax payments. Although there has been progress, tax administrations’ capacity to introduce and sustain e.g. well-functioning tax registers still pose severe difficulties in many developing countries. Problems of insufficient capacity may also occur due to the organizational set up of the tax administration and its relationship to the ministry of finance.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
Research methodology is a collective term for the structured process of conducting research. There are many different methodologies used in various types of research and the term is usually considered to include research design, data gathering and data analysis. The major focus of this chapter is to introduce the research design, location of the study, sample size, research techniques (quantitative or qualitative), population of inquiry, sampling techniques, data collection instruments, type of data collected (primary and secondary data) and data analysis techniques which were employed in this study.

3.2 Research Design
Due to the nature of this study, the research adopted an explanatory research design. These minimized bias and maximize the reliability of the data (evidences) collected. According to Kombo and Tromp (2006), argues that explanatory focuses on information about people’s opinions, habits, or any of the various educational or social issues of the study. Furthermore, the study administered through questionnaires and documentation. Both quantitative and qualitative data was used to help the researcher gather as much information as possible in order to arrive at realistic research findings and conclusion.

3.2.1 Sample Size
The study covered 20 tax officials in Temeke municipal from different departments such as Finance and Accountancy and 50 tax payers in Temeke district that makes the total of 70 participants. The heads of department was chosen because they are more highly concerns with the revenues collected.
3.2.2 Sample Techniques
The study employed purposive and stratified random sampling. The purposive sampling was applied to head of departments and top officials, these participants are actively participates in daily management in the organization. Stratified was used to select equal number among taxpayers in Temeke municipal, for the sake of observing ways of tax evasion. Taxpayers were stratified according to their income and business they run.

3.3 Area of the Study
This study was conducted in Dar Es Salaam, specifically in Temeke Tax region (Temeke municipal). The reason behind to select this area under the study was the availability of various kinds of taxpayers with range of business size and income. The existence of many large and small taxpayers added confidence to the researcher that the room of tax evasion is inevitable.

3.4 Study Population
The study targeted tax officials of Temeke municipal Council (TMC) and tax payers (market venders in Temeke municipal and street traders) who are responsible for revenue collection and tax payment or tax evasion respectively. The population included both male and female especially tax payers because tax is usually paid by both male and female individuals who have income or property.

The reason behind to select this Country as an area under study was due to the availability of various categories of taxpayers with range of business size and income.

Table 3.1: Sample Plan

<table>
<thead>
<tr>
<th>Stratum</th>
<th>No of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals group</td>
<td>10</td>
</tr>
<tr>
<td>Tax officials</td>
<td>20</td>
</tr>
<tr>
<td>Small scale business</td>
<td>25</td>
</tr>
</tbody>
</table>
Large scale Business | 15  
---|---
**Total** | **70**

Source: field data 2014

The research results help to identify and clarify driving factors that influence Tax Payers to evade Tax where the following are expected to be causes for Tax evasion in Tanzania (Temeke Municipal Council):

1. High marginal tax rates and frequent changes in tax rates such as sales tax and import duty, withholding tax etc.
2. Administrative inefficiency, collusion with taxpayers and bribery of tax officials.
3. Too many taxes are difficult to comply with correctly due to lack of knowledge of the detailed provisions of all the tax laws. There are more than 30 tax laws in Tanzania.
4. Low prospect of detection and serious punishment to tax evaders and deficiencies in the legal structure of the tax laws.
5. Wasteful Government revenues spending and lack of clear benefits to taxpayers through improved social services.

3.5 Data source and Data collection

3.5.1 Sources of Data

In order to obtain reliable results of the study, both primary and secondary data will be collected during the study.

Primary Source of data

In this study structured questionnaire was used as research instruments. Saunders, et al (2003) refers questionnaire as a general term to include all techniques of data collection in which each person (respondent) is asked to respond to the same set of questions in a predetermined order, hence the questionnaire is used to gather data information on the Tax payers and TRA official such as nature of business and type of Tax paid from the targeted population.
Questionnaires have both closed and open-ended questions. Close ended questions used to measure respondents’ knowledge and perceptions on the Tax Evasion. Open-ended questions used to capture respondents’ opinions on factors influencing Tax Evasion and strategies that can be used to control Tax Evasion. This will be advantageous to respondents as they give complete freedom of response. The questionnaires were structured in simple English which was easily understood by respondents.

Secondary Source of Data
For this study, other information and data regarding Tax Evasion such as statistical records of Tax evaders was collected from Tanzania Revenue Authority (TRA) offices in Temeke Municipal Council for the period of 3 years i.e. 2010 to 2013. The data is obtained through documentary survey and review.

3.6 Instruments of Data Collection
Documentary review, observation and interview are proposed for the exercise. However the researcher is expected to be flexible to employ any data collection method depending on the response of the respondent and prevailing circumstances.

3.7 Data Analysis and Interpretation
Data was collected and analysed by using Statistical Package for Social Sciences (SPSS) programme and Microsoft excel. Qualitative analysis involves factual and logical interpretation of the study findings. On the other hand, the use of simple statistics was involved especially the use of percentages, graphs, charts and tables. This was simplified by the use of tables which include a lot of clear information followed by brief explanations. On the other hand percentages was often be used to help the reader see the data in a simple way. Frequency and percentage distribution of response was also used for data description as a most common and simple way of data analysis tools (Alreck and Settle, 2004). Frequency tables provide a very complete picture of the distribution of data for the variable. The frequency of a particular matter represents the frequency of respondent’s answers.
3.7.1 Data processing
Data got from various documents and publications were read carefully and compared with the responses from respondents on the questionnaires and interview guides. This was therefore edited for completeness and accuracy and tabulated where appropriate.

3.8 Problems encountered
Like any other research study, a number of problems were encountered during the process of conducting the study:-

i. Lack of co-operation from the respondents as some of them had an ‘I don’t care attitude’. Here the research was forced to give more clarification and more explanation as to why the research was being carried out. This gave them more confidence and they were able to respond positively.

ii. Communication was a problem as some of the respondents (market venders and street traders) were not able to read and speak English and in which case the questionnaires had to be translated.

iii. The research required a lot of funds which were not available. This would not only impact on the sample size but also on the amount of information to be received. I was forced to borrow from my friends to enable completion of my research and sometimes had to walk on foot when taking questionnaires as a way to minimize costs.

iv. Research requires a lot of time amidst busy schedules of the researcher especially that I was doing research alongside other course units. In fact I had to obtain meaningful and sufficient information especially the market and market streets.

v. Non responses especially market venders thought that the information being collected was for the taxation purposes.

vi. More so, few people were willing to disclose information about their status and position as regards taxes. Some had to be convinced to fill questionnaires.

vii. The researcher got a problem in finding the official concerned with giving necessary information. It was hard retting these respondents since the study
was conducted during working hours. These made it difficult for the respondents to leave their work for the sake of answering questions.

viii. However, I was able to leave questionnaires with them for some time which enabled them to be filled at their convenience like over the weekend and would pick them later.

ix. There was also a problem of inability to obtain some information from Temeke municipal council. Some of the information was regarded as confidential and could not be given out. Therefore the researcher opted for publications through the resource Centre of Temeke municipal council and got the monthly remittances to municipal by the tax payer.

3.9 Research Ethical Consideration

The word “ethics” was derived from the Greek word “ethos” meaning a person’s character or disposition (Kimmel, 1995). However, the term is often used to signify rules of behaviour or conformity to a code or a set of principles. Pointing on the importance of ethics in research situation, Smith (1985) states that the dilemma occurs when two or more values that are desirable present themselves in a mutually exclusive way, conflicting to each other. The conflict set of values may involve goals, processes, or outcomes of an investigation. Therefore, the ethical considerations include informed consent, deception, debriefing the subject, at the end of the study and protection of confidentiality of research data. The respondents are assured of maximum confidentiality. The researcher establishes a clear and fair agreement with the participants that clarify the obligations and responsibilities of each respondent beforehand. The researcher has to respect individual’s freedom in order to allow them participate effectively.
CHAPTER FOUR
PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction
This chapter contains presentation, analysis and discussion of the data collected by the researcher during the data collection. The data is analyzed using the Statistical package of Social Sciences (SPSS) and presented in table forms. The frequency tables show the findings as derived from the responses by respondents to the various questions contained in the questionnaire followed by discussions.

The findings were organized according to the themes and sub-themes derived from the objectives and research questions presented in Chapter One. The three research objectives stipulated in Chapter One included to:

a) To identify factors that influences Tax evasion.
b) To identify techniques used by Tax payers to evade Tax in the country.
c) To suggest ways to mitigate Tax evasion in Tanzania

The purpose of this study was to assess factors that influenced tax evasion in the public sectors in Tanzania. The data were collected through primary and secondary. This study explored both quantitative and qualitative data. The quantitative approach has applied particularly on the presentation of findings from the responses. The questionnaires were also used to collect data and were distributed to the respondents according to the categories of the study.

The first category comprises the municipal staff with different positions in department of account and finance, and other departments. The second category involved top management of Temeke municipal council.

4.2.1 Response Rate.
The research study was a census of 20 tax official at Temeke Municipal Council and 50 taxpayer in Temeke municipal that makes total of 70. Out of 80 questionnaires distributed, 70 were re-collected which translated to a response rate of 86%.
Table 4.1: Response rate.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Sample</th>
<th>Response</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>TMC tax officials</td>
<td>22</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Market vendors</td>
<td>58</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

Source: field data 2014

Out of the 22 questionnaires sent out to TMC officials, only 20 responded representing 29% of the sample. In addition, of the 58 questionnaires sent to market vendors, only 50 responded representing 71%. An average response rate of 86% was got hence making the sample a sufficient measure of performance since TMC (tax) officials and market vendors (tax payers) were included.

4.3 General Information of the Respondents

This section describes the general characteristics of the respondents such as gender, age, educational level, years of service and their designation.

4.3.1 Gender of the Respondents

The respondents were asked to indicate their gender. The result was then cross tabulated against their designation and the result was as given in Table 4.1

Table 4.2: Gender of respondents

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>45</td>
<td>64</td>
</tr>
<tr>
<td>Female</td>
<td>25</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data 2014

Results in the table 4.2 above shows that most of the respondents (64%) were males while (36 %) were females.
4.3.2 Age group of the Respondents

Age of the respondents was considered in this study to influence the respondents’ perception of effective management of revenues. The result was cross tabulated against years of service in their departments and was as shown in Table 4.2

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 18 years</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>19-30</td>
<td>26</td>
<td>37</td>
</tr>
<tr>
<td>31-40</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>41-50</td>
<td>08</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data

Results in the table 4.2 above indicate that most of the respondents (37%) fall in the age group of 31-40 years, 29% fall in the age group of 19-30 years where as 23% fall in the age group of 41-50 and 11% fall in the age group above 50 years.

4.3.3 Working experiences

Years of experiences of the respondents was considered in this study to influence the respondents’ perception of tax activities. The result was cross tabulated against years of service and was as shown in Table 4.3

<table>
<thead>
<tr>
<th>Years of experiences</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>6-10 years</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>11-15 years</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>16 and above</td>
<td>28</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data 2014
The findings show that 14% of respondents have experiences of 1 to 5 years, 17% of those who had for the same period (1 to 5 years) were and 7% of those in service for that period were 6-10 years in work engagement. It is also established that 29% of those who had served for a period of 11 to 16 years, the findings further show that 40% of those who served for a period of over 16 years. This implied that most persons involved in the tax function had an experience of over 16 years. This also shows that there was less involvement of the youth in tax evasions.

4.3.4 Level of Education

Level of education, in this case was in reference to the academic level of education attained. That is primary school level, secondary school level, professional certificate and Diplomas at college level and the Bachelors or Master Degree level at the University. The responses to the level of Education attained were as provided in Table 4.5.

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>03</td>
<td>4</td>
</tr>
<tr>
<td>Secondary</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>College</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>University</td>
<td>30</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

The results show that 4% of the respondents indicated that their highest attained level was primary level, 24% indicated secondary education, 29% indicated college’s level, and while 43% indicated university level was their highest attained level. This implied that most persons had attained a level sufficient to influence favorably their comprehension of antecedents to clarify the reasons that influences tax evasions in Temeke municipal council.
4.4 **Tax Evasion.**

**Objective:** (Identifying factors influences Tax evasion among potential tax payers), the following findings are in relation to the objective of examining the factors influences of tax evasion among potential tax payers in Temeke Municipal Council.

**4.4.1 Factors Influencing Tax Evasion**

Regarding the causes of tax evasion among potential tax payers, these were listed as follows and their strength in causing tax evasion shown in terms of percentages.

**Table 4.6:** **overall factors influencing tax evasion**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>High tax rate</td>
<td>24</td>
<td>34</td>
</tr>
<tr>
<td>Tax system and perception of fairness</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>High level of corruption</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Low quality of services in returns for taxes</td>
<td>08</td>
<td>11</td>
</tr>
<tr>
<td>Low transparency and accountability</td>
<td>06</td>
<td>9</td>
</tr>
<tr>
<td>Poor record management</td>
<td>02</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source: Field data 2014**

The above results indicate that tax evasion is largely (34%) caused by high tax rates, 23% representing tax system and perception of fairness, 20% showing corruption in revenue generation, 11% representing Low quality of services in returns for taxes, 9% for Low transparency and accountability and 3% for poor record management of tax payers information.
4.4.2 Response on policies and tax system

Respondents having been asked to state whether they see the influences of tax policies and tax system on tax evasion, they answered as follows.

Table 4. 7: Influences of tax policy and tax system.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>18</td>
<td>25.7</td>
</tr>
<tr>
<td>Agree</td>
<td>32</td>
<td>45.7</td>
</tr>
<tr>
<td>Disagree</td>
<td>04</td>
<td>05.7</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>00</td>
<td>00.0</td>
</tr>
<tr>
<td>Not certain</td>
<td>16</td>
<td>22.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

The results in the table above shows that most respondents (25.7%) strongly agree with the fact that tax policies and tax system influences tax evasion, 45.7% Agree, 5.7% disagree, 22.9% they were not certain and 00% strongly Disagree with it.

4.4.3 Responses on corruption

The respondents were asked to indicate the influences of tax policy and tax system on tax evasion and the response was as provided in table below.

Table 4. 8: Influence of tax Policy and Tax system

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>39</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>04</td>
<td>6</td>
</tr>
<tr>
<td>Disagree</td>
<td>08</td>
<td>11</td>
</tr>
<tr>
<td>Not certain</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014
Results from the table shows that most of the respondents (39%) agreed with the statement that corruption contributes to the increase tax evasion in Tanzania. Whereas 30% strongly agree, 20% agree and 6% strongly disagree, 11% disagree and 14% not certain.

4.4.4 Response on high tax rates

The respondents were asked to indicate the influences of high tax rates on tax evasion and the response was as provided in table below.

Table 4.9: response on high tax rate

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>36</td>
<td>51.4</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>34.3</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>14.3</td>
</tr>
<tr>
<td>Not certain</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

The findings show 51% of the respondents strongly agreed with statement that high tax rate contributes to the tax evasion, 34.3% agreed with statement, while only 14.3% disagreed with the statement. This implied that high tax rate contribute to the tax evasion.
4.4.5 Response on complexities in tax policies

The respondents were asked to indicate the extent of agreement to the complexities of tax policies and the response was as provided in table below.

Table 4. 10: Extent of influences of tax policies complexities

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>08</td>
<td>11.4</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>14.2</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>20</td>
<td>28.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>30</td>
<td>42.9</td>
</tr>
<tr>
<td>Not certain</td>
<td>02</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

Results from the table shows that most of the respondents (42.9%) disagree with the statement that tax policies complexity. Therefore this percentage shows that tax policies complexity has nothing to do with tax evasion. Whereas 11.4% strongly agree, 14.2% agree, 28.6% strongly disagree and only 2.9% were not sure about the tax policies complexity.

4.4.6 Extent of penalties set for tax defaulters

About the question on whether tax defaulters are always followed up and given serious penalties by Temeke Municipal Council officials, respondents replied as follows.

Table 4. 11: Penalties for tax defaulters

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong and effective for stopping tax evasion</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Weak and not effective for stopping tax evasion</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Moderate and not effective</td>
<td>37</td>
<td>53</td>
</tr>
</tbody>
</table>
According to results from the table above, most of the respondents (53%) said moderate and not effective for stopping tax evasion penalties are usually given to those who evade taxes while 31% of respondents said it is weak and not effective for stopping tax evasion and only 13% were not certain if the penalties is effective for stopping tax evasion or not.

**4.4.7 Lack of accountability and improper utilization of tax revenues**

The respondents were asked to indicate the extent to which lack of accountability and improper utilizations of tax revenues influences tax evasion and the response was as provided in table below.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’ rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>25</td>
<td>36</td>
</tr>
<tr>
<td>Agree</td>
<td>33</td>
<td>47</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Not certain</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

The findings show 47% of the respondents agreed with the statement that lack accountability and improper utilizations of tax revenues contributes to the tax evasion, 36% indicated that they strongly agreed and only 17% disagreed with the statement while there is nobody who strongly disagree and not certain. This implied
that accountability and improper spends of tax revenues highly contribute to the tax evasions.

4.4.8 Response on revenue lost through tax evasion.

Regarding the response on whether revenues are usually lost through tax evasion, the extent of agreement was as follows

Table 4.13: The graph showing response on whether tax revenues are usually lost due to tax evasion.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>37</td>
<td>53</td>
</tr>
<tr>
<td>Agree</td>
<td>20</td>
<td>28</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Not certain</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

The above results indicate that most respondents (53%) strongly agree with the belief that most revenues are usually lost through tax evasion, whereas 28% agree, while there is no one disagreed and only 19% were not certain.

4.5 Techniques used by taxpayers

Objective: Identifying techniques used by taxpayers to evade tax in the country, the following findings are in relation to the objective of examining the factors influences of tax evasion among potential taxpayers in Temeke Municipal Council.

4.5.1 Response on bribery of tax official.

Respondents having been asked to state to what extent does bribery of tax officials are involved in tax evasion, they answered as follows.
Table 4.14: Influences of tax policy and tax system.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>38</td>
<td>54.3</td>
</tr>
<tr>
<td>Agree</td>
<td>20</td>
<td>28.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>05</td>
<td>7.1</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Not certain</td>
<td>07</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

Results from the table shows that most of the respondents (54.3%) they were strongly agreed with the statement as well as 28.6% were agree. Therefore this percentage shows that bribery is highly used by tax payers to evade from paying tax. Whereas 7.1% disagreed and only 10% were not sure about the tax bribery on tax officials.

4.5.2 Response on making false returns income or understating income or overstating expenses

The respondents were asked to indicate to what extent does making false return income by omitting or understating income or overstating expenses is used to evade tax, and the response was as provided in table below.

Table 4.15: False return income by omitting or understating income or overstating expenses

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>Agree</td>
<td>33</td>
<td>47</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Not certain</td>
<td>07</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>
The findings show that 26% of the respondents were strongly agreed with the statement, 47% indicated that they were agreed and only 17% disagreed with the statement while there 10% were not certain. This implied that making false returns of income by omitting or understating income or overstating expenses is highly contribute to the tax evasions.

4.5.3 Response on giving false information on any matter affecting tax liability

The respondents were asked to indicate the extent of agreement of giving false information as a technique used to evade tax and the response was as provided in table below.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>15</td>
<td>21.4</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>38.6</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>08</td>
<td>11.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>18.6</td>
</tr>
<tr>
<td>Not certain</td>
<td>07</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

The findings show 21.4% of the respondents strongly agreed with statement, 38.6% agreed with statement, while only 11.4% strongly disagreed, 18.6 disagreed with the statement and only 10% were not certain. This implied that giving false information on any matter affecting tax liability is high used by tax payers to evade tax.
4.5.4 Response on tax shelter

The respondents were asked to indicate the extent of agreement to the complexities of tax policies and the response was as provided in table below.

Table 4. 17: Extent to which tax shelter used to evade tax

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Agree</td>
<td>03</td>
<td>04</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>30</td>
<td>43</td>
</tr>
<tr>
<td>Disagree</td>
<td>27</td>
<td>39</td>
</tr>
<tr>
<td>Not certain</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

Results from the table shows that most of the respondents (43%) were strongly disagree with the statement tax shelter is one among method which used to evade tax. Therefore this percentage shows that tax shelter has nothing to do with tax evasion. Whereas 04% agreed, 14.2% agree, 39% disagree and only 14% were not sure about the tax shelter.

4.6 Ways to Mitigate Tax Evasion in Tanzania

Objective (Identifying ways to mitigate tax evasion in Tanzania), the following findings are in relation to the objective examining the way to mitigate tax evasion in the country.

4.6.1 Addressing weak enforcement at the national level

Under the specific objective number three of the study was to examine the possible ways to mitigate tax evasion in Tanzania and the research questions were distributed and respondents were required to mention possible ways and say the extent to which those ways can mitigate the problem (addressing weak enforcement at the national level).
Table 4.18: The extent to which addressing weak enforcement can away to mitigate tax evasion.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>29</td>
<td>41.4</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>34.3</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>02</td>
<td>2.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>08</td>
<td>11.4</td>
</tr>
<tr>
<td>Not certain</td>
<td>07</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data 2014

The results revealed that 41.4% respondents were strongly agreed that addressing weak enforcement can combat tax evasion, 34.4% agreed. Furthermore, the results from this study revealed that only 2.9% were strongly disagreed, 11.4% disagreed and 10% were not sure if addressing weak enforcement can combat tax evasion.

4.6.2 Provision of tax education to tax payers
Under the specific objective number three of the study was to examine the possible ways to mitigate tax evasion in Tanzania and the research questions were distributed and respondents were required to mention possible ways and say the extent to which those ways can mitigate the problem by using tax education.

Table 4.19: The extent to which tax education can mitigate tax evasion.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>Agree</td>
<td>32</td>
<td>45</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>02</td>
<td>03</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>
The results revealed that respondents had different opinion on the provision of tax education to taxpayers. Thus 29% of respondents were strongly agreed that provision of tax education can combat tax evasion, which was followed by 45% respondents agreed. Furthermore the results from this study revealed that only 3% were strongly disagree, 14% disagreed and 9% were not sure if provision of tax education can combat tax evasion.

### 4.6.3 Lower tax rate

The respondents were asked to indicate the extent to which lower tax rate can mitigate tax evasion and the response was as provided in table below.

<table>
<thead>
<tr>
<th>Extent of agreement</th>
<th>Frequency</th>
<th>Response’s rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>31</td>
<td>44</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>39</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disagree</td>
<td>05</td>
<td>07</td>
</tr>
<tr>
<td>Not certain</td>
<td>07</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>

### Table 4. 20: The extent to which lowering tax rate can mitigate tax evasion in the country.

The findings show 44% of the respondents strongly agreed with statement, 39% agreed with statement, 7% disagreed with the statement and only 10% were not certain. This implied that giving false information on any matter affecting tax liability is high used by tax payers to evade tax.

### 4.7 Correlation Statistics
Correlation statistics is a method of assessing the relationship between variables/factors. To be precise, it measures the extent of association between the ordering of two random variables although; a significant correlation does not necessarily indicate causality but rather a common linkage in a sequence of events. Thus, the study analyzed the relationships that are inherent among the independent and dependent variables as well as among the independent variables/ factors. The results regarding this were summarized and presented in table 4.9

Pearson Correlations results in table 4.9 showed that corruption was negatively and significantly correlated to tax compliance (r=0.675, ρ<0.05). Thus level of corruption had 67.5% positive relationship with tax compliance. Poor social services was the second component to be negatively related with tax compliance (r = 0.710, ρ<0.05) an indication that poor social services had 71% significant positive relationship with tax evasion. Perceived tax system and fairness for tax evasion was significantly associated with tax evasion as shown by (r = -0.269, ρ<0.05) implying that perceived tax system for tax evasion had a 26.9% negative relationship with tax compliance. Finally, high tax rate was significantly positively correlated to tax compliance (r=-0.613, ρ<0.05).Therefore, high tax rate had 61.3% negative relationship with tax compliance.
Table 4. 21: Correlation Statistics

<table>
<thead>
<tr>
<th></th>
<th>Level of tax compliance</th>
<th>High tax rate</th>
<th>High level of corruption</th>
<th>Low services quality in return for tax</th>
<th>Tax system &amp; perception of fairness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of tax compliance</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High tax rate</td>
<td>-.613**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High level of corruption</td>
<td>.675**</td>
<td>.664**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low quality of services in returns for tax</td>
<td>.710**</td>
<td>.488**</td>
<td>.513**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tax system and perception of fairness</td>
<td>-.269</td>
<td>.199**</td>
<td>.262**</td>
<td>.239</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Field Data 2014

** Correlation is significant at the 0.01 level (2-tailed).
4.12 Coefficients Model

The regression results in table 4.12 show that each of the predicted parameters in relation to the independent factors were significant; \( \beta_1 = -0.317 \) (p-value = 0.000 which is less than \( \alpha = 0.05 \)) which implies that we reject the null hypothesis stating that there is no significant relationship between tax compliance cost and tax compliance level. This indicates that for each unit increase in the negative effect of tax compliance cost, there is 0.317 units decrease in tax compliance level. Furthermore, the effect of tax compliance cost was stated by the t-test value = 6.531 which implies that the standard error associated with the parameter is less than the effect of the parameter.

The table also shows that \( \beta_2 = 0.331 \) (p-value = 0.000 which is less than \( \alpha = 0.05 \)) which indicates that we reject the null hypothesis stating that there is no significant relationship between high tax rate and tax compliance. This implies that for each unit increase in tax, there is up to 0.331 unit decrease in tax compliance (increase in tax evasion). Also the effect of corruption level is shown by the t-test value of 6.557 which implies that the effect of high tax rate surpasses that of the error by over 6 times.

The value of \( \beta_3 = 0.111 \) (p-value = 0.021 which is less than \( \alpha = 0.05 \)) which implies that we reject the null hypothesis stating that there is no significant relationship between tax fines and penalties and tax compliance. This indicates that for each unit increase in low quality of social services in returns for taxes, there is up to 0.111 units decrease in tax compliance. The effect of low quality services is stated by the t-test value = 2.334 which indicates that the effect of low qualities of services offered is over 2 times that of the error associated with it.

The findings also showed that \( \beta_4 = -0.194 \) (p-value = 0.000 which is less than \( \alpha = 0.05 \)) which implies that we reject the null hypothesis that states that there is no significant relationships between perceived tax system for tax evasion and tax compliance levels. This implies that there is up to 0.194 unit decrease in tax compliance for each unit increase in perceived system for tax evasion.
The rule of thumb was applied in the interpretation of the variance inflation factor (VIF). From table 4.12, the VIF for all the estimated parameters was found to be less than 4 which indicate the absence of multi-co linearity among the independent factors. This implies that the variation contributed by each of the independent factors was significantly independent and all the factors should be included in the prediction model.

Table 4. 22: Coefficients Model

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>T</th>
<th>Sig</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.391</td>
<td>0.274</td>
<td></td>
<td>-1.428</td>
<td>0.155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Tax compliance cost</td>
<td>-0.302</td>
<td>0.046</td>
<td>-0.317</td>
<td>-6.531</td>
<td>0.000</td>
<td>0.725</td>
<td>1.379</td>
</tr>
<tr>
<td>High Tax rate</td>
<td>0.386</td>
<td>0.059</td>
<td>0.331</td>
<td>6.557</td>
<td>0.000</td>
<td>0.669</td>
<td>1.495</td>
</tr>
<tr>
<td>Tax fines and penalties</td>
<td>0.169</td>
<td>0.072</td>
<td>0.111</td>
<td>2.334</td>
<td>0.000</td>
<td>0.759</td>
<td>1.317</td>
</tr>
<tr>
<td>Perceived opportunity for tax evasion</td>
<td>-0.208</td>
<td>0.057</td>
<td>-0.194</td>
<td>-3.646</td>
<td>0.021</td>
<td>0.600</td>
<td>1.666</td>
</tr>
</tbody>
</table>

Source: Field Data 2014
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter presents a summary of research findings, conclusions, and recommendations drawn from conclusions. The purpose of this study was to evaluate the factors influencing tax evasions at Temeke Municipal Council. In this study, data was collected using questionnaires from heads of departments, other staffs other tax officials and market vendors. Analysis of data was conducted with the aid of the Statistical Package for Social Sciences (SPSS) version 21.0 for windows. The analysis entailed computation of descriptive statistics (frequencies and percentages).

5.2 Summary of findings
Based on the analysis, the following findings were arrived at;

5.2.1 Influences of Accountability
The first objective was to establish the impact of accountability on finance. The results revealed that 74% of the respondents indicated that lack accountability in the public sector influences tax evasion 82 while the rest (18%) of them indicated that the accountability did not affect procedures. However, it is worth noting that timely disbursement of funds, flexibility of tax collection system, and bureaucratic bottlenecks in time of payments do affect the tax function in the county.

Accountability had an influence on the tax evasion at Temeke municipal council. Measurement of goals and results, justification or explanation of those results to internal or external monitors and punishment or sanctions for non-performance or corrupt behavior appear to be meticulously done in such a way that it favored the tax defaulters.
5.2.2 Influences of Transparency and Corruption on Tax Evasion

Corruption and transparency influenced the effectiveness tax collection at Temeke municipal council. According to most of the respondents, corruption had an influence on the effectiveness of tax collection. According to most respondents, professionalism was not fully embraced and this was bound to affect the tax collection and most of the respondents engaged in dishonesty or unethical actions. However, most respondents showed that organizational structure, record keeping, division and segregation of duties, authorizations and approvals, internal checks and competency of the staff as adopted and/or implemented was sufficient to steer effective management of the tax function.

5.2.3 Influences of Tax Rates to the Tax evasions

The imposing of high tax seems to be one among of the reasons for taxpayers to evade from paying tax in Temeke municipal, as more than 51% of the respondents were strongly agreed with high tax rate influences tax evasion, 34% said it affect to a agreed with the high tax rates influences tax evasion and only 15% said it does not affect. However, it emerges that the high tax rate level influences tax payer to evade from paying tax as according to most respondents.

1. Tax evasion has a significance relationship with the government revenue; hence government revenue is being seriously affected by tax irregularities. The overall evidence suggests that tax evasion and tax avoidance are very significance in Nigeria and the degree of the significance depends on the extent to which the government relies on taxation as a means of government revenue.

2. There is a significant relationship between tax rates and evasion, such that; if the tax rates are increased; more people would evade or avoid tax liability, whereas, if the tax rates are reduced more people would be encouraged to pay taxes and desist from tax irregularities.

3. It was submitted that tax evasion could be reduced and possibly eliminated.

4. Taxpayers seek for enlightenment on the use of revenue collected; this is because there is a general consensus among the tax payers that the amount
collected as tax is not commensurate with amenities government claims to use the money to provide.

5. Finally, the study shows that Tanzania tax system is not efficient and effective in its totality; there is no available database of all taxable individuals, the mechanism in place for the assessment and collection of taxes are not enough and there are no strict measures in place.

5.3 Conclusion

The effect of tax evasion on the Temeke municipal cannot be overemphasized. The revenue of government has been greatly affected by the current tax system being used gives room for loopholes, the corrupt tax officials, the lack of adequate data and many more have worsened the situation. In addition, a reduction in tax rate is even not an optimum solution to the problem, simply because some people would still attempt to evade or avoid taxes no matter the rates of taxes. Therefore, there should be completely overhauled of the Tanzania tax system. The existence of substantial number of tax evaders in Temeke municipal should be a matter of concern to the policy makers and tax administrators.

Tax avoidance can largely be checked by plugging the loopholes in the tax law and carefully drafting of all new tax legislation. All the tax laws should be further codified and harmonized. Furthermore, tax enforcement machinery should be strengthening. The level of punishment should also be stricter and the legal provisions for doing this should be clearly stated. Continuous education for citizenry has to be embarked upon and step has to be taken to convince the tax payers that the money collected in form of taxes are judiciously spent. The state Board of internal Revenue and the Revenue collecting officers at the Local Government must wake up to their duties. Finally, database for tax administration at all levels of government should be promptly computerized to ensure that the system of information storage processing and retrieval is efficient. Tax clearance should also be presented where an individual wants to transact business with government agencies.
5.4 Recommendations

Basing on the findings of the study, the researcher has come up with the following limitations:

In order for the government to achieve the stated policy objectives, efforts should be directed in the following areas:-

Research commend government’s plan to improve tax Administration by implementing the TRA’s Third Corporate Plan, which focuses on promoting compliance and accountability among the taxpayers and tax collectors. Besides, the above recommendations, the government needs to strengthen the link between tax payment and service delivery. According to the research (REPOA report 2006) the majority of the respondents said that they would be enthusiastic to pay more taxes if public services were improved. The bottom line here is tax revenues and service benefits have to be reciprocal or interconnected to build trust of tax payers.

Locally curbing mispricing by enacting legislation demanding transparency and accountability by Multinational Companies and foreign governments doing business with Tanzania. Company law in Tanzania countries should require all registered mining and other extractive companies to use the EITI template in reporting on their annual financial operations.

Seeking refund of revenue so far lost through mispricing from Multinational Companies, their agents and Foreign Governments abroad. Demanding for automatic information on banking operations of individuals and companies operating in their countries. The United States also automatically provides Canada with information about interest paid by banks in the United States to individuals resident in Canada. Mexico has already requested automatic information exchange with the US – an acknowledgement that its Tax Information Exchange Agreement is not sufficient.
Engaging the international community to stop multinationals from engaging in mispricing of exports.

- There is a need to engage in massive public awareness as far as the total pay taxes are concerned. TMC needs to exploit a lot of possible avenues like radio programs, Seminars and LC market officials in order to sensitize the public about the benefit of paying taxes. This will play an important role in improving revenue collection.

- TMC needs to use all the pieces of law at its disposal against all tax defaulters and ensure recovery even if it means use of courts of law. This is important given the fact that a lot of revenue is being lost through tax evasion and avoidance which can account for a substantial portion of revenue.

- More so, tax rates should be revised with the objective of through tax base widening. If taxes are low more people will be willing to comply than when they are high. Therefore taxes should be lowered and tax base widened.

- As observed by both Church Hill and an American tax payer, and not neglecting findings by the researcher in TMC, people hate taxes though they are necessary for any economy to stand. Therefore as far as Tanzania is concerned and Temeke Municipal Council in particular, tax collectors and other relevant tax authorities should work hard to ensure that the basic principles of taxation are applied correctly. This will make tax payers responsible to pay taxes.

- There is need to motivate the tax collectors since this is a tempting job. In order to enjoy the good fruit from the collected taxes, good work incentives and welfare can reduce on the level of corruption in tax collection. To
improve revenue collection from market vendors while minimizing collection costs, the company needs to employ committed people who are trustworthy.

- Temeke Municipal Council needs to improve personal training and logistical support. It also needs to recruit more law enforcement officers and train them. All this is necessary to improve on efficiency.

- Temeke Municipal Council should provide proper accountability for the tax revenue collected. It should give back to the market vendors through some services such as rodents control among others. This will increase the willingness of tax payers to pay since they know that they are the very beneficiaries of the taxes they pay.

- Proper record keeping is necessary especially as regards tax payers and this will ease the work of administrators when collecting taxes from them and thus the rate of tax evasion will be lessened too.

5.5 Limitation of the Study

Time limit was a major constraint in this study. As a result the study was carried out using a case study design. There was therefore the possibility that some issues regarding the topic might not come up if such issues are peculiar to some public sector were not covered in the study. This limitation was dealt with by conducting the study on Temeke Municipal Council with diversified in almost to people and all major sectors of the economy.

The study was further narrowed down to some departments, where primary data was obtained. This also posed a limitation since there could be some biased regarding the information obtained. In dealing with limitation, the study adopted objective questionnaire for all respondents to reduce their persona perceptions. Again,
respondents were assured of their confidentiality in order to give information that presents the facts and figures on grounds.

Accessibility of data was also a constraint in view of the confidentiality in the municipal. This limitation was minimized by relying on published manual reports and financial statements of municipal council, both in print and electronic media. A letter of introduction was also obtained from Mzumbe University which enables the researcher to collect data from the relevant institution for the study.

The researcher association with Temeke Municipal council was also very helpful in this direction. As an important measure to these limitations, time and resources were judiciously managed to achieve the objectives completion of the work.

5.6 **Areas for Further Research.**

1. The effect of tax education on revenue collections in local governments in Uganda.
2. The effect of the abolition of Graduated tax on revenue collection in local governments in Uganda.
3. What are the factors that influence tax compliance behavior in Uganda?
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APPENDICIES

APPENDIX I: Time Frame and Estimated Financial Budget

The study is expected to be executed thoroughly and completely basing on the routine duties as given time frame table. The research proposal will be completed and submitted to the supervisor on end of March 2013 and the Final dissertation report will be submitted on July 2012.

Budgeted financial costs to complete the research work on due time have also been estimated in a given budget table. Total estimated financial cost needed to meet the study amounting to **Tshs 7,500,000.00.**

Table 1 Proposed Research Time Frame

Table 2 Research Financial Budget estimates

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<td>3</td>
<td>Data Collection</td>
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<td>4</td>
<td>Data Cleaning, Coding and Entry</td>
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<td>2. Research assistants’ allowances</td>
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<td>5. Stationery costs</td>
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APPENDIX II: Questionnaire for Tax Evasion at Temeke Municipal

Dear respondent;

This questionnaire is meant to collect data and opinion which will enable the researcher to assess factors influencing Tax Evasion and Ways to prevent Tax evasion at Temeke Municipal Council. The research will be under supervision of Mzumbe University (Dar es Salaam Campus College), and it is purely for academic purposes and in no circumstances should it be viewed otherwise. All information given and views expressed shall be treated with maximum confidentiality. It is expected that the findings of the study will be useful to the academicians and the public at large. Your cooperation by filling in this questionnaire promptly is kindly requested.

Please carefully answer the questions below by ticking in an appropriate box which reflects your opinion:

A: Demographic information of respondent

(1). Sex of the respondent.
   i) Male (  )
   ii) Female

(2). Profession of respondent.
   i) Accountant
   ii) Auditor (  )
   iii) Tax Expert
   iv) Others; please specify .................................................................

(3). Tax Payer’s business nature
   i) Large Scale Business
   ii) Small scale Business (  )
   iii) Individual Business
   iv) Other; please specify .................................................................

B: Respondents’ Perception on Tax Evasion in Tanzania
(1) How do you rate Tax Evasion in Temeke Municipal Council compared to other Municipals?
   i) Very High
   ii) Very Low
   iii) Moderate
   iv) Not sure

(2) How do you rate the existing Tax Rates and Tax systems?
   i) The rates are high and the system is so complicated
   ii) The rates are low and the System is not complicated
   iii) The rates are moderate and the system is not complicated
   iv) Other; Please specify…………………………………………………………………………

C: Tax policies and Tax system:
(1) Which type of Tax are you paying?
   i) Business Income Tax
   ii) Import/export duties
   iii) Pay As You Earn (PAYE)
   iv) Value Added Tax (VAT)
   v) Others; Please specify…………………………………………………………………………

(2). Does Tax policies and Tax systems in the country are the influence Tax evasion?
   i) I strongly agree
   ii) I agree
   iii) I disagree
   iv) I strongly disagree
   v) I am not certain

(3). Does Corruption contributes to increase in tax evasion in Tanzania?
   i) I strongly agree
   ii) Agree
   iii) Disagree
   iv) Strongly Disagree

(4) Does higher Tax rates in Tanzania increase tax evasion in Tanzania?
   i) Strongly agree
ii) Agree
iii) Disagree
iv) Strongly Disagree

(5) Does the complexities in existing in tax returns increases tax evasion in Tanzania?
   i) strongly agree
   ii) Agree
   iii) Disagree
   iv) Strongly Disagree

(6) How do you rate the system and extent of penalties set for Tax evaders in Tanzania?
   i) Strong and effective for stopping Tax evasion
   ii) Weak and not effective for stopping Tax Evasion
   iii) Moderate and not effective for stopping Tax evasion
   iv) Not certain

(7) Do you agree that improper accountability and utilization of Tax revenues by Government influence Tax Evasion in Tanzania?
   i) Strongly agree
   ii) Agree
   iii) Disagree
   iv) Strongly Disagree
   v) Not certain

D: Independent Questions
(1) What are the factors do you think influence Tax Evasion in Tanzania with reference to Temeke Municipal?
   ……………………………………………………………………………………………………………………………
   ……………………………………………………………………………………………………………………………

(2) What are the ways forward that can be used to prevent/control Tax Evasion in Tanzania with reference to Temeke Municipal?
Thank you for devoting your time to respond to this questionnaire