

**ASSESSING THE VAT COMPLIANCE OF
MARKETINGINTERMEDIARIES IN TANZANIA :A CASE OF
COCA COLA KWANZA DISTRIBUTERS, DAR ES SALAAM**

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**A Thesis/Disertation Submitted in Fulfilment of the Requirement for Award of
Masters of Science in Accounting and Finance (MSc A&F) at Mzumbe
University**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a Dissertation/Thesis entitled **Assessing the VAT Compliance of Marketing Intermediaries in Tanzania a case study of Coca Cola Dwanza’s Distributors in Dar es salaam** in the partial/fulfillment of the requirements for the award of Masters of Science in Accounting and Finance of Mzumbe University.

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I, **Mrisho Ramadhani** declare that, the contents of this report on **Assessing the VAT Compliance of Marketing Intermediaries in Tanzania a case study of Coca Cola Dwanza’s Distributers in Dar es salaam** are purely the results of my own findings obtained during my field work attachment at **Coca Cola Dwanza’s Distributers in Dar es salaam and Tanzania revenue Authority**; it had never been presented as thesis for the award of any certificate, Diploma, Degree, Masters or any Professional award in any Institution of Higher learning or University.

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DEDICATION

This work is dedicated to my late parents **Mr. and Mrs. Ramadhani Kwibigiri** who tirelessly guided and supported me during the tenure of my growth and ensuring that I achieved my objectives of life. To my lovely sisters Mwamvua and Amisa, and my brothers Eric, Mittah and Khamidu for the support and sacrifice they have made for me to achieve this degree both financially and timely, without them I would not have completed my studies.

ACKNOWLEDGEMENT

First of all I would like to express my gratitude to Allah for keeping me healthier all the time. Also, all those who enabled me to complete this Research. I want to thank the Department of Accountancy for giving permission to commence this researching the first instance, to do the necessary research work. I have furthermore thanks to my Supervisor Prf. Shiv Tripathi for his guidance and constructive criticism through out my Research period. I would like also to thank all the members/employees **Tanzania Revenue Authority, Coca Cola Kwanza and Coca Cola Dwanza's Distributers in Dar es salaam** for all their support, Help interest and valuable hints. Lastly am bound to my Parents Mr. & Mrs. Ramadhani Kibwigiri for the love and their moral and Support through my research, and all my friends and classmets.

ABBREVIATIONS

CCK	-	Coca Cola Kwanza.
EFD	-	Electronics Fiscal Device
GST	-	General Sales Tax
GDP	-	Growth Domestic Product
IFM	-	Institute of Finance Management.
IMF	-	International Monetary Funds.
NGOs	-	Non Government Organisations.
OECD	-	Organisational for Economic Co-operation and Development
SMEs	-	Small and Medium Enterprises.
SPSS	-	Statistical Package for Social Science
TRA	-	Tanzania Revenue Authority.
UDSM	-	University of Dar es salaam.
VAT	-	Value Added Tax

ABSTRACT

The study will subjective was to assess the Value Added Tax (VAT) Compliance of market intermediaries. The quantitative approach was employed using a sample of eighty (90) population of TRA, Accademic Institutions, NGO's and VAT compliance from Dar es salaam where by both prospective corespondents of the study gave our questionnaires to fill in. The study's instruments deployed included questionnaires and secondary data from different sources. The data collected have been, compiled, presented and analyzed. The data collected from the field were analyzed using SPSS.

This study is based only to VAT complience of Market intermediaries dealing with soft drinks, a case study of Coca-Cola Kwanza Distributersparticularly in dar es salaam. This study helped to shw how TRA fail in Tax collections and to find out the reasons influences this group to evade VAT. The anticipation outcome of this study is the identification of the reasons influence VAT Compliance of market intermediaries to evade VAT Tax and the better solution of this promlem. This findings information will likely impact the design of future VAT policies and improvement of the VAT Act. The main objective was to find out how or to determine the reasons of VAT registered Compliance of market intermediaries in Tanzania not paying VAT particularly in Dar es Salaam to the achievement of VAT main objectives, case study of Coca-Cola Kwanza Agents. The findings showed that, TRA does not collect Tax to the bigger numbe of people not only Marketing Intermediaries of soft drinks. Also many businessmen they don't pay VAT because of the returned services given out by the govnrment to improve their business and their environment. The study recommendations were based on two sides. Recommendations regards what TRA should do to improve their performance include; effectiveness operations, proper records management, capacity building, strong established policies, good governance and accountability. On the other hand some of the recommendations were drawn on procedures and policies that TRA need to establish so as to minimize if not to eliminate people who doesn't want to pay VAT, they include close monitoring, develop and make available different guidelines manuals, develop appropriate Tax collection mechanism.

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CHAPTER ONE

1.0 Introduction

This chapter gave the general overview of the study and VAT in Tanzania, meaning of VAT, statement of the problem, objectives and specific objectives. This is very essential topic in the study because it opens the doors and shows what the study carries in.

1.1 Information Background of the Study

Value Added Tax (VAT) in Tanzania has a historical divergence on taxation systems through revenue department which includes. The Authority consists of three Revenue Departments responsible for mobilizing revenue through administration of the respective tax laws. They are The Value Added Tax (VAT) Department, The Income Tax Department and The Customs and Excise Department. (TRAW, 2013)

The spread of the VAT has been the most important development in taxation over the last half-century. In December 1991 the Tax Commission, appointed by the Government of Tanzania, offered a proposal for reform of the Tanzanian tax system. In 1961, when Tanzania attained independence, the sales tax was a provincial levy covering a limited area of commercial activity. With its conversion to a federal tax in 1970s, its scope was extended to imports and domestic sale of goods by manufacturers and licensed wholesalers. The enactment of the Sales Tax Act, 1990 introduced its value added version renamed as General Sales Tax (GST). This was levied on goods only (with many exemptions) and that too at the manufacturing and import stages. A major leap forward was taken in 1995-96 when GST was converted into a full-fledged VAT mode tax with all its basic features; self-assessment, functional distribution, input tax credit facility and audit based procedures. To further increase its base, its coverage was extended to importers in 1995 and to wholesalers and retailers in 1996. Following the trend observed in many less developed economies where documentation was limited, Tanzania also embarked on the levy of GST on goods rather than services. With the expansion of service sector in 1990s, the anomaly was removed and the scope of GST was extended to certain services in 1997.

Value Added Tax (VAT) is a general consumption tax assessed on the value added to goods and services. It is a general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services. It is a consumption tax because it is borne ultimately by the final consumer. It is not a charge on companies. It is charged as a percentage of price, which means that the actual tax burden is visible at each stage in the production and distribution chain through heritage or possession governed by The Value added Tax ACT revised in 2006.(Mof, 2012)

The replacement of the existed sales tax by a value-added tax (VAT) is the Tax Commission's central recommendation in the domain of indirect taxation. With sale and excise taxes on domestic goods and services being the largest single source of tax revenue, the proposal implied that VAT regarded as the mainstay of Tanzania's future revenue system. The Government announced in the 1992 (June) Budget Speech its intention to introduce VAT in January 1994. To this day, however, little progress has been made in this area by that time.

It is not entirely clear how the introduction of a value-added tax became an issue in the Tax Commission's report. It appears that the Government and its representatives in the Commission, were committed to the introduction of VAT, apparently with the argument that a VAT would contribute to an over-all increase in tax revenue for the state. (Basu, P and Oliver, M 1993: 19) report that it is "clear that the International Monetary Fund (IMF) to some degree supported, if they did not actually initiate, this policy objective". Although several members of the Commission were opposed to introducing a VAT, largely because it was seen as administratively difficult to implement and no obvious improvement of the existing system, these reservations were not explicitly expressed in the report. (Fejelstand 1995: 2)

Finally the Value Added Tax (VAT) was introduced in Mainland Tanzania on 1st July, 1998. In Tanzania Zanzibar, the system became operational from 1st January, 1999. There are two applicable VAT rates in Tanzania Standard rate of 20% and Zero rate (0%) which is mostly applicable to exports. The Main reasons for

introducing VAT in Tanzania were; to broaden the tax base, to attain economic neutrality, to promote exports, and to attain its administrative advantages

VAT was mainly introduced to replace the Sales Tax, which was Unable to generate sufficient revenue as it was narrow based. Also, VAT is more advantageous than Sales Tax as; it is charged on all goods and services except those which are specifically exempt, it is economically neutral, it encourages exports and it is simple to administer. (TRAW VAT to SMEs, 1998: 4)

The effort mounted by tax administration in Tanzania during the last fifteen years supported by the extension of tax base to wholesalers and retailers has led to significant improvement in the VAT collection in the country. VAT revenues (domestic plus import stage) jumped significantly during this period. In absolute terms, the collection increased The remarkable performance of VAT can also be judged from the growth in revenue during the last two decades. It is interesting to note that the share of VAT in the Federal Tax receipts has increased from about 20% during 1990's to over 40 % in 2000's . Similarly, VAT to GDP ratio has risen from 2.2 % to 4.4 % during the same period. Among the developing countries of Asia, Pacific and Africa which have adopted VAT, Tanzania's performance has been better than many.

Value Added Tax (VAT) is now the most common form of consumption tax system used around the world. This analysis covers VAT and equivalent sales tax systems implemented in Tanzania. Although the principles of the tax are broadly the same everywhere, the rules can be enacted and implemented differently in different countries so that the compliance of market intermediaries burden on business varies considerably. (S.S Leader, N. Howlett and K. R. Alcantara: 1.PwC ,The Impact of VAT Compliance) .

This study had undertaken to look at the differences in the number of registered compliance of market intrmediaries and Non-regitered of market intermediaries. It has been observed that Coca-Cola Kwanza Dar es salaam has a total number 83 appointed contractual distributor in Dar es salaam both required by the law to be

registered for VAT but only 21 registered for VAT. Also it has 187 non-appointed distributors legally required to be registered to pay VAT but only 37 have been registered to pay VAT. (S. Batchu 2011, CCK Study)

The key objectives of VAT are to maximize revenue collection and improve compliance of market intermediaries; efficient enforcement/debts management action has a vital role to play in achievement of these objectives. It is very important; therefore, the prompt action is taken each month to insure market intermediaries' debts are collected, utilizing full range of the power available under the law. (Assessment of VAT)

This study helped users to find out answers of the following issues identified in dealing with VAT;

- i. The steps to be taken to effect recovery of all tax and arrears to non – registered compliance and action to be taken to obtain returns?
- ii. The main legal provisions in the VAT act 1997 relating to the rendering of returns, payment and enforcement of the law is followed?
- iii. If the main objectives of VAT are to maximize revenue collection and improve compliance of market intermediaries; efficient enforcement/debts management action. By the number of non-registered compliance indicated above, the government doesn't lose income?

1.2. Statement of The Problem:

Equity in VAT collection in Tanzania is a paradox issues accelerated by weakness of the existing tax collector agent or Tanzania revenue authority. The essence of a VAT is that it is charged on a wide range of transactions, with a mechanism for offsetting tax paid on inputs against tax paid on outputs. Market intermediaries in Tanzania beverage business are the backbone of both beverage industries breweries and soft drinks, they are a very important party in channel of distribution of the products from industry to final consumers. The final consumers is the number one group in paying VAT for each product consumed by them. The market intermediaries is the second

group required to play their part to pay VAT to TRA direct by using EFD as income to the government, but this group doesn't do their job as per requirement.

This study therefore, helped to determine the reasons that hinders Value Added Tax (VAT) Compliance of market intermediaries with reference to selected soft drinks industries in Tanzania to pay Value Added Tax to TRA.

Beyond this, the VATs observed in practice exhibit considerable diversity as regards, inter alia, the base of the tax and the range of economic activity to which the tax applies. As a result, there can be room for proof and realise as to whether a VAT is collected properly or not. (International Tax Dialogue in Rome, 2005)

1.3.Objective

The main objective of this study therefore is to determine the reasons of VAT Non-registered Compliance of market intermediaries with reference to selected soft drinks industries in Tanzania particularly in Dar es Salaam to the achievement of VAT main objectives.

1.3.1. Specific research objectives

The study was guided by the following specific objectives

- To trace the VAT compliance trend of Market intermediaries in soft drinks industries in Dar es salaam.
- To examine critically the practice used by TRA to collect VAT from VAT compliance of market intermediaries.
- To assess the impact of VAT compliance of selected intermediaries to TRA revenue.
- To assess critically the VAT stakeholders' opinion regarding laws governed VAT collection and VAT Compliance.
- To suggest good strategies to aspire VAT Compliance to pay tax voluntarily.

1.4 Research Question

1.4.1 General Question

What are the reasons that hinder Value Added Tax (VAT) Compliance of market intermediaries with reference to selected soft drinks industry in Tanzania to pay VAT to TRA?

1.4.2 Specific Questions

The study will be guided by the following research questions:

- What is the trend of VAT compliance of Market intermediaries in soft drinks industries in Dar es Salaam?
- What practice is used by TRA to collect VAT from VAT compliance of market intermediaries?
- What is the impact of VAT compliance of selected intermediaries to TRA?
- To what extent are the VAT stakeholders involved by TRA to give their opinion regarding laws governing VAT collection and VAT Compliance?
- What strategies must be used to inspire VAT Compliance to pay tax voluntarily?

1.5. Significance Study

The study will give several advantages;

- The study is expected to be disseminated in various forums where it will be used as a reference by other researchers who wish or are interested in conducting a similar or related topic. This will help them to use the findings of the study as literature review and understand the VAT revenue growth from year to year.
- The study also will provide new knowledge regarding laws and procedures used in VAT collection to the VAT compliance of the market Intermediaries. This will help further researchers to know types of VAT, refunds and audit penalties.

- The study is expected to enable the policy makers to write good policies VAT compliance of market intermediaries. The findings of the study will be used by the police make as a watch camera to the TRA stuffs and both businessmen who dogde to pay VAT.
- More specifically, the study was done to enable the researcher to fulfil the requirement for the Postgraduate Degree of Master of Accounting and Finance (MSc. A&F) at Mzumbe University as package to accomplish full course. The successful and acceptability of this report will enable the researcher to graduate and awarded Degree of Master of Accounting and Finance (MSc. A&F) at Mzumbe University.
- Lastly, the study was anticipated to stimulate further research to be conducted on areas which have not been covered by the study. VAT is very wide, this will enable other people to cover other topic like Challenges faced by developing countries in collecting VAT.

1.6. Scope of the Study

The study cover the whole Dar es salaam to the agents/ distributors of Coca-Cola Kwanza as special representatives of the selected soft drinks industries in order to collect more information related to VAT. Also the study collected information from accademician and TRA staffs from the main three office of TRA in Dar es salaam districts.

1.6.1 Limitation The study

These were anticipating some hindrances during data gathering such as financial problem, Honest and rational information and VAT knowledge are barriers.

Financial problem; The Study was anticipating to collect more information on VAT from TRA and VAT compliance of market intermediaries in Dar es salaam from many places if enough funds could have been mobilized to support the data collection activity. Due to the shortage of funds only few areas of Dar es salaam visited during data collection.

Honest; It is very difficult for VAT compliance of Market intermediaries to give right information of the tax paid on output against tax paid against their monthly or yearly revenue (Sales) . For example customer “A” may sale 700 physical cases of Coca Cola which is equivalent to Tsh. 7,910,000 in a day. But that particular customer not registersd and still s/he give you wrong information.

VAT Knowledge; Most of VAT compliance, who are the study target have very low understanding of VAT which make them to fail or to register into Tanzania revenue for Vat collection. The study was a key to open knowledge barrier in providing information about VAT (both input and output tax) during data collection.

1.6.2. Delimitation of the study.

The study geographical area was within three main districts (Ilala, Kinondoni and temeke) of Dar es salaam region .The concentration was in places where there is many VAT Compliance of the market intermediaries of soft drinks. The focus was on businessmen, academicians and Citizens, investors and VAT stakeholders:

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature which includes related theoretical and empirical literature on VAT compliance of market Intermediaries. Also this chapter included the conceptual frame work of the study which provide the idear/ the whole picture of the the study and define the variables involved in the study.

2.1 Theoretical Literature Review;

In understanding the collection of VAT from VAT compliance of the market intermediaries in Dar es salaam the study used the functionalism approach or theory. The value-added tax is, according to Goode (1984: 157), "the most important tax innovation of the second half of the twentieth century". The speed with which the value added-tax system has spread around the world is unmatched by any other tax in modern times. 40 years ago there was no comprehensive VAT anywhere (Shoup, 1990). In Japan, immediately after the Second World War, a short-lived VAT was implemented. In 1954 France introduced a limited VAT in the form of a wholesale-level VAT to replace a multi-stage production tax (Metcalf, 1995:127). A comprehensive value-added tax first appeared in Brazil in 1967. This tax was designed to overcome the defects of turnover taxation and to secure a greater degree of tax coordination among the states of the Brazilian Federation (Shoup, 1990: 4). Later in 1967 Denmark became the first country to introduce a comprehensive VAT at the national level. In 1968 France merged the restricted VAT with the existing turnover tax on services and a local tax on retail sales into a single, comprehensive levy extending through the retail stage. In the following years, the VAT was adopted by the other member states of the European Community to replace their turnover taxes. Sweden, in 1969, and Norway, in 1970, enacted a VAT to replace a retail sales tax.

Today, VAT is found in more than 90 countries. Of the OECD countries, only Australia and the US do not use value-added taxes. All Latin American countries now have VAT, as do several of the ex-communist countries of Eastern Europe (e.g., Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Russia and the Slovak Republic). A number of African and Asian countries have introduced VAT, including Côte d'Ivoire, Indonesia, Kenya, Malawi, Mali, Niger, Senegal and South Korea (IMF, 1992). The two taxes are generally considered to be about the same, except that with a VAT there are more taxpayers and a greater certainty of excluding producer goods. (Osoro, N.E. 1992)

VAT collection from VAT compliance of market intermediaries in Dar es Salaam has been taken as a system which is enhanced by many interconnected actors or institutions. The study therefore looked at the interrelationship of VAT compliance, soft drinks industries, Tanzania revenue authority and laws and procedures controlling VAT collection.

On the other hand collection of VAT from VAT compliance regarded and be treated as projects which involves many beneficiaries in every project stage. Equity in Assessment of VAT compliance of the market intermediaries in Dar es Salaam can only be achieved and observed when all VAT stakeholders will be involved fully in planning and implementation. According to Potts, D (2002) when he was looking at a good project designing approach, the involvement of all project beneficiaries or interest groups was seen to be essential for the success of the project. " Assessment of VAT compliance of market intermediaries in Dar es Salaam is a product of many actors and institutions.

2.3 Empirical Literature Review

To explore procedures used in assessing VAT compliance of the market intermediaries to TRA in Dar es Salaam were on laws and procedures governing VAT collection in Tanzania. The assessment of VAT compliance of market intermediaries has referred various literatures to see what is documented and what is

missing when equity in assessment of VAT compliance of market intermediaries to be presented. . Since 1990s Tanzania is liberalizing its economy where by VAT has been earmarked as a new source of GDP and adopted July 1998

VAT to begin with, rate graduation is a very blunt and expensive instrument for mitigating regressively. There seems to be general recognition that departures from uniform rates of VAT do give rise to complications and costs for the tax administration and taxpayers alike .

Widespread illiteracy and innumeracy characterizing many developing countries make record-keeping burdensome, particular for small businesses and farmers. Payments of refunds may therefore create particular difficulties. Further, the capacity of a VAT to resist tax evasion in par relies on sophisticated cross-checking, on computerization, and on a staff of well-trained and motivated staff. These resources are, in general, inadequate in developing countries, and evasion is often more prevalent (Fjeldstad, 1995a and 1995b). VAT may also provide an opportunity for fraud through fictive aims for excessive credits and rebates, particularly through the use of counterfeit invoices. This opportunity is not available in other forms of sales tax (Sandford and Godwin, 1990; and Kay and Davis, 1990). The VAT introduced in Guatemala in 1983, for example, failed to match the changed tax structure with an appropriately changed tax administration, and had disastrous effects on revenue collection (Bird, 1992: 121).

The costs of administrating a VAT are inevitably increased by a differentiated rate structure, because it may lead to problems of delineating products and interpreting the rules regarding which rate should be applied. Experience in both developing and developed countries indicates that a VAT imposed at low rates may not be worth the administrative and compliance costs involved in the switch to the VAT. According to Sandford and Godwin (1990: 214), "there is much in the conventional wisdom that, on balance, a retail sales tax is preferable if the rate is low but that the value added tax has the advantage if the rate is to be high".

Based on a sample survey in the United Kingdom, Sandford and Godwin (1990) found that the compliance costs of the taxpayer, expressed as a percentage of the tax itself, were considerably higher than the administrative costs of the government in collecting the tax. Differentiated rates involve a significant increase in compliance costs, particularly of small firms. Usually, it is not possible for small firms to keep separate accounts for the sales of differentially taxed products. The tax liability must then be determined by applying presumptive methods, an approach that increases the difficulty of monitoring the taxpayer's compliance. There is also evidence that the increase in compliance costs attributable to differentiated rates is distributed regressively with respect to income (Cnossen, 1992). Smaller firms with lower incomes bear proportionally more of the burden than do larger firms.

The emergence of the consumption based Value-Added Tax (VAT) and its unprecedented success in the developed world, motivated largely by its greater efficiency and buoyancy, encouraged the developing countries to adopt VAT during the decades of the eighties and nineties. However, with the exception of a few, many countries faced multiple difficulties in the adoption and implementation of VAT. Tanzania, undeterred by the concern generally expressed in the developing countries, decided to take the bold initiative and move forward with the introduction of VAT in the country, the goal being to develop it into a major national tax. The move launched more than a decade ago was initially confronted with resistance from some of the stakeholders but owing to the efforts on public awareness about the progressive and futuristic dimensions of the tax and political recognition of its significance, the desired support eventually came in. The confidence-building measures introduced over the period helped to further improve the operational environment with the result that VAT is now an accepted part of the country's fiscal landscape. The efforts to address the issues spurred by its introduction, whether concerning the legislative side or the operational element, remain a part of the continuous reform process.

This paper briefly traces the development of VAT in Tanzania and provides an exposition on its introduction as well as implementation. Starting from its historical

context, the paper briefly dilates upon the issues of taxpayers' registration, adoption of basic threshold, structure of tax rate, audit, refund payments etc. It also encompasses the contentious areas where the tax administration and the taxpayers are trying to develop uniform solutions consistent with the overall philosophy of VAT. These areas include selection of audit including investigative audit and improvement in tax compliance.

2.4 Research Gaps

This study briefly traces the development of VAT in Tanzania and provides an exposition on its introduction as well as implementation. Starting from its historical context, the study briefly dilates upon the issues of taxpayers' registration, adoption of basic threshold, structure of tax rate, audit, refund payments etc. It also encompasses the contentious areas where the tax administration and the taxpayers are trying to develop uniform solutions consistent with the overall philosophy of VAT. These areas include selection of audit including investigative audit and improvement in tax compliance.

In 2010 TRA tries to describe different approaches in collection of revenue like electronic approach by introducing EFD machine as well as traditional approach, further more wrote on guidelines to VAT collection management where guidelines like using policies and procedures were discussed.

However, this study tries to look on the collection of VAT specifically on compliance of marketing intermediaries of soft drinks of Coca-Cola products, where the researcher based on;

- How many Compliance of market intermediaries registered for VAT in Dar es salaam?
- Which procedures are used by TRA to make sure all Compliance of Market intermediaries to pay VAT as per their business requirements?
- What is the position of the law on VAT Compliance of market Intermediaries and other investors who doesn't pay tax?

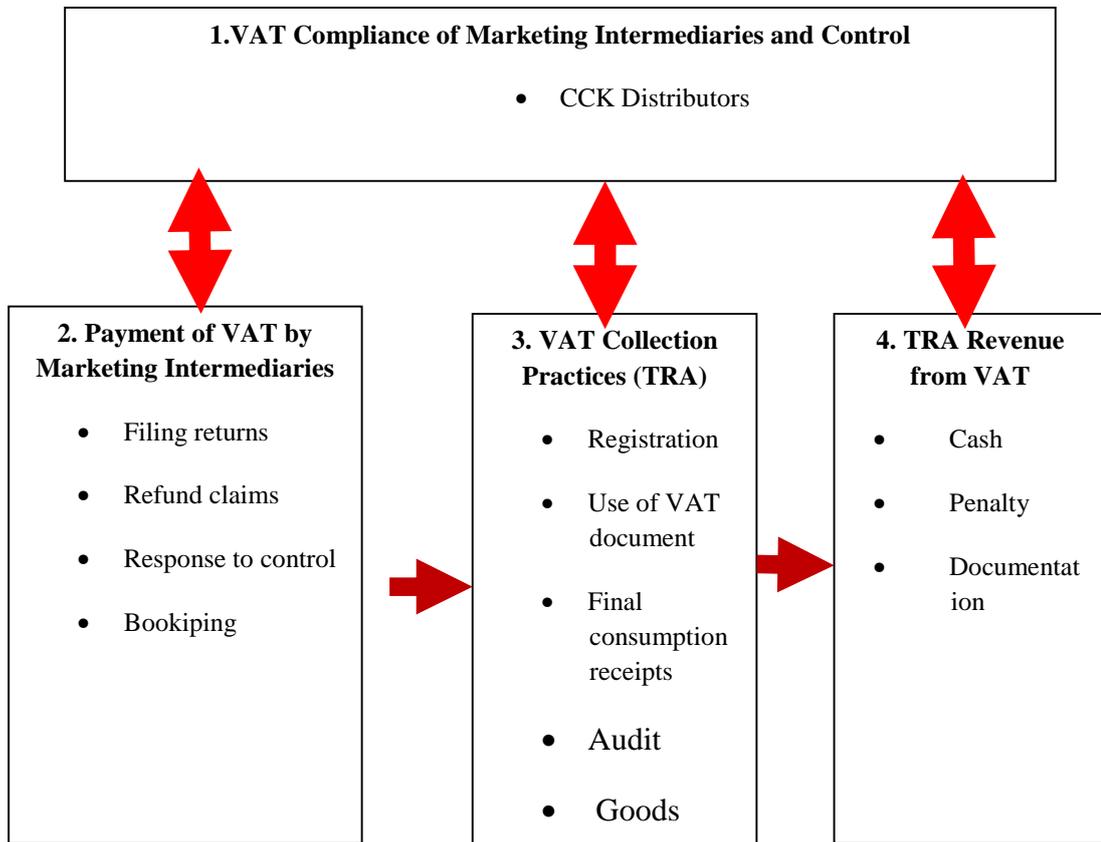
2.5 Conceptual Framework of VAT Compliance of market Intermediaries.

Value Added Tax (VAT) is a general consumption tax assessed on the additional value to goods and services. It is a general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services. It is a consumption tax because it is borne ultimately by the final consumer. It is not a charge on companies. It is charged as a percentage of price, which means that the actual tax burden is visible at each stage in the production and distribution chain through heritage or possession governed by The Value added Tax ACT revised in 2006. But in Tanzania VAT has become a burden on the shoulder of final consumers who pay VAT in every single shilling they spend to purchase any product in the channel of production. The middlemen in the business of soft drinks those who required by the VAT Act 2006 to register for VAT collection they don't pay VAT. This study helped to enlighten reasons that influenced VAT Compliance of market intermediaries to trade without paying tax to the government. For instance, Coca-Cola sell one case of soda to market intermediaries at Tshs. 10,400, market Intermediaries sell to retail at Tshs. 11,300. This Tshs 11,300 is VAT inclusive, if this market intermediaries not registered for VAT where does (s)he take the addition amount? Why? At the end of this study provide the answer of every single problem related with VAT compliance of Market Intermediaries. It has been observed that Among 37 CCK contractual agents registered to VAT and have RTA's receipt machine, it is only 10% who give receipt and 5% who pay VAT to TRA. This influenced with several reasons, either the government doesn't play their part on developing business environment which makes someone to see there is no need to pay VAT.

Though hitherto several improvements have been made in the VAT design as adopted from Pakistan, there are some problems which need to be addressed in future to make the applied design closer to the one ideally desired. Service sector generally is still out of VAT coverage. However, given the constitutional constraints, several services have been brought under VAT net through provincial and central excise

legislations. Meanwhile, attempts have been made and are still being made to minimize VAT exemptions and broaden the tax base by curtailing breaks in VAT application on different stages of the supply chain. Fixation of lower threshold has always remained a problem in Tanzania’s model. It is believed that VAT design problems of Tanzania will be resolved by sharing experience of VAT implementation in other countries.

Figure 2.1 Conceptual Framework of VAT Compliance of Marketing Intermediaries Intermediarie in Dar es salaam.



VAT Compliance Marketing Intermediaries and Control

These refer to several rights and liabilities Registration (including update of register information) of the CCK distributors. It includes use of VAT documents, invoices, final consumption receipts, goods delivery documents and bookkeeping. Filing returns and payment of VAT (including refund claims) and response to control, audit, penalty procedures and access to appeal process.

Three compliance risks under self-assessment system: There is not enough knowledge-education about how to comply, Self-assessment creates risk of non-compliance to reduce tax burden (run the risk) mistakes, evasion or avoidance and Self-assessment could be seen as a “lucrative opportunity” to commit tax frauds and cheat the government (e.g. fraudulent refund claims).

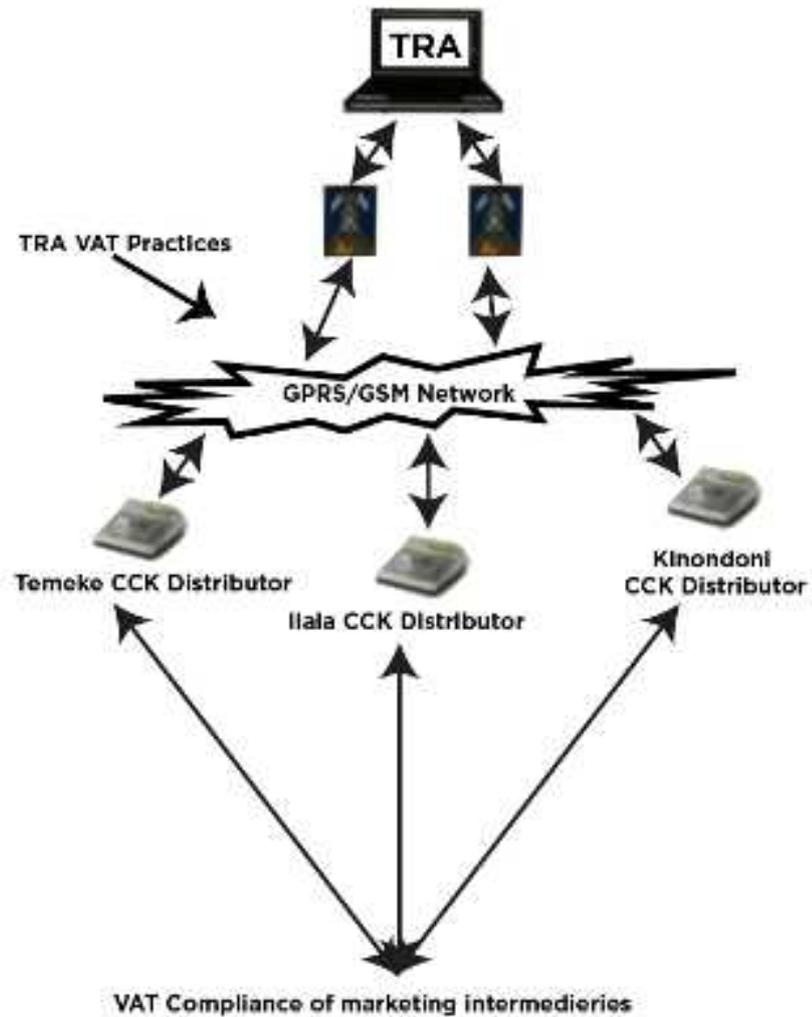
Payment of VAT Compliance Marketing Intermediaries

Is a charge in monetary term paid as consumption tax, charged on taxable goods and services whenever value is added at each stage of production and at the final stage of sale. VAT is charged by business registered for VAT only. The VAT shall be charged on any supply of goods or services in Mainland Tanzania where it is a taxable supply made by a taxable person in the course of any business carried on by him.

VAT Collection Practice by TRA

The most practicability of VAT is by invoice-based credit VAT, the most common form of VAT, is in principle, self-enforcing and hence a buoyant tax. The VAT is, in principle, described as “self-enforcing.” The description stems from the nature of the invoice-based credit VAT: a taxable business can claim for the refund of the input VAT only if the claim is supported by purchase invoices—the mechanism provides strong incentives for firms to keep invoices of their transactions and is an efficient means for tax authorities to check and cross-check for enforcement enhancement. In reality, the tax is, however, not at all self-enforcing—“ghost” invoices and false refund claims common. (T. Minh Le, May 1, 2003)

Figure 2.2 VAT Collection Practice of Marketing Intermediaries Intermediarie (CCK Distributors) in Dar es salaam by TRA



The diagrama above is showing the electronic practice of TRA in colletinons of VAT from VAT compliance of marketing intermediaries.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the methods which were used in data collection. It indicates the various activities which was involved in carrying out the study and tried to give a review of all the tools which were used in obtaining the collected data from the field. Furthermore, it explains how various statistical techniques used in achieving the stated objectives also give detailed evidence of data analysis obtained.

3.2 Research Geographical Area

The study took place in both three districts of Dar es Salaam region .It has been chosen because is the most populated City and there is big number of business intermediaries which is goes hand in hand with large number of non-registered VAT compliance of market intermediaries dealing with soft drinks particularly Coca-Cola products. The study also will use the Ministry of Finance, Tanzania Revenue Authority and Universities Libraries and other research centers to collect the secondary data. These have chosen due to;

- i) The Dar es salaam region is the most income and suitable for many businessmen and small Medium Enterprises.
- ii) The observation in Dar es salaam Region have been showed in that many business intermediaries they do not pay VAT.

3.3 Research design

A case study method was used to collect data for assessing VAT compliance of Marketing Intermediaries. Business agents of soft drink industry Coca-Cola Kwanza Dar es Salaam was used as a case study.

The reasons for adopting the case study method were:-

- i. The method enabled the study to be comprehensively covered
- ii. The method placed more emphasis on the full analysis of the VAT procedures and their interrelationship with their business.

- iii. The method saved both time and cost.
- iv. The method allowed data generalizations and inferences to be drawn.

Paying VAT in Tanzania is all about fairness and justice in VAT compliance, TRA, amount to be paid and period of payment. It will refer documented Literatures and identifying gaps or what is missing. The primary data will be collected through observation and interview methods. The study population will be VAT department officers of TRA, Academicians, investors, small and medium enterprises (SMEs). Various readings such as reports, Newspapers Journals, Laws Policies and literatures related to VAT issues in Tanzania. The study drawn its sample through using a Cluster Sampling techniques where three districts of dar es salaam region selected to represent the whole country. 90 respondents selected ,40 from each district. The study respondents was chosen through multistage sampling technique. The data analysis employed both qualitative and quantitative approaches. Conceptual coding diagram and narration or description and explanation have been made to present the facts and drawing a conclusion on equity in assessing VAT compliance of market intermediaries in Tanzania and findings presented at University of Mzumbe maight be disseminated in different forums .

3.4 Population under the Study

The study interviewed busines personnel, Academicians, investors, Citizens and other busines stakeholders. Also included reading Reports, Laws, Policies, News papers, Documents related to VAT issues in Tanzania and photos. The population has been chosen because the area is ideal one to the researcher due to financial and time constraints.

3.4.1 Sample Size and Sampling Technique

3.4.2. Sample Size

A good number Sample to represent a large population employed during the data collection process as research respondents. 90 people drawn from three districts as a study respondents.

3.4.3. Sampling Technique

To obtain the study respondents, two Sampling techniques were used; The Cluster sampling technique covered the selection of research geographical area. Where by three districts selected/considered as a sample. On the other hand the multi stage sampling technique used to draw a number of 90 respondents from the whole a population. The techniques and the sample size have chosen due to the nature of the study. The response taken from different stakeholders of and users of tax information like TRA, Coca-Cola Employee, Businessmen and Banks.

Table 3.1 Which Shows Number and Selection Method

Organization	District/ Institution Respondents	Total
TRA	Ilala District, Kinondoni Dinondoni & Temeke District	25
Businessmen (VAT Compliance)	Ilala District, Kinondoni Dinondoni & Temeke District	30
Coca Cola	Dar es salaam	20
Bankes	Dar es salaam	15
Total Respondents		90

3.5. Methods of Data Collection

3.5.1 Types Of Data Collected

Both Primary and Secondary data were used in data collected. The primary data were collected because there is no enough literature on assessing VAT compliance of market intermediaries. However available literatures consulted as secondary data.

3.5.2. Methods Of Data Collection/Gathering

Primary data; The study visited three districts to observe and interviewed the study's respondents. The structured chronological interview questions asked followed by discussion on the problem.

Secondary data; The study went through , articles, journals News papers, Policies and Internet facilities to collect data.

3.5.3 Data Collection Instruments

Only questionnaire as a method of collecting data have used, the questions were closed ended with a Likert scale in questionnaires where the respondents were required to choose the responses that reflect the degrees of their opinion. Major Questions asked in the Questionair were as follows;

- i. What is the trend of VAT compliance of Market intermediaries in soft drinks industries in Dar es salaam?

The researcher wanted to know some of the criteria used by TRA to determine the person who required by the law to be registered for VAT tax payer. The researcher comes up with four criteria used. Questions constructed in Likert Scale which have been classified into four criterias whih are; must be a business, cash flow of the businee, time of the business have ben run and nature/characteristics/status of the business

- ii. What practice imposed by TRA to collect VAT from VAT complience of market intermediaries?

In this question where the reseacher wanted to know the practise used to collect VAT from VAT complience of the market intermediaries. Three indicators were asked that is Collect from producer/Manufacturer, Collect directly from buyers, Collect directly from sellers and time period of one month for VAT return as well as if they have fixed another indicator regardless of the above indicators.

- iii. What are the impact of VAT compliance of selected intermediaries to TRA?

- iv. The study attempted to find out the indicators that shows know the impact of VAT compliance of selected intermediaries to TRA revenue as per openion of the respondents from third objective where the study. Three indicators were included that is all business with VAT registration will be recognized legaly as VAT tax payer, all sales of goods and services shall be taxed VAT

and all transactions take place receipts must be issued by EFD machine must be given for any transaction took place

- v. To what extent the VAT stakeholders involved by TRA to give their opinion regarding laws governed VAT collection and VAT Compliance?

The researcher interested to know the Critically the VAT stakeholders' opinion regarding laws governed VAT collection from VAT Compliance. In order to get the right opinion, surveyor classified in two questions which were asked and were required to respond on those two questions. These questions were the 18% rate of VAT is high must be reduced to 15% and Only 40% of business Compliance atleast pay VAT correct.

What strategies shall be used to aspire VAT Compliance to pay tax voluntarily?

- vi. The researcher was interested to know good strategies that may aspire VAT compliance to pay VAT voluntarily. In this scenario three statements were proposed to the respondents Reduce VAT charge rate from 18% to 15%, Improve business environment VAT compliance and Improve infrastructure. Below are the responses from respondents

Does TRA give knowledge about VAT?

The researcher wanted to know if the members of TRA have got special programs of training taxpayer apart from brochures distributed at their information desk.

- vii. Do you ask EFD (Electronic fiscal device) receipt every time you purchase anything from the shop?

The purposes of this question was to find out how many distributors issue EFD receipts after sale and how many buyers ask for EFD receipts after transaction take place in any deal.

How can TRA organize themselves to stop Tax avoidance from soft drinks VAT compliance of marketing intermediences?

- viii. Here the study interested to get or to know what mechanism or strategies have been implemented or is in the pipeline to control taxpayers who try to ascape payments. We both know the strategy used by TRA of using third party company like Majembe Auction Mart as a sole agent help TRA to fight against those taxpayer don't want to pay tax, but this strategy is out dated.

3.5.4 Data Analysis Plan and Presentation

Both qualitative and quantitative techniques were used to analyze the collected data, this also brought arguments with many scholars that qualitative and quantitative do complement each other so as to make the study comprehensive. The data collected from questionnaires mainly analyzed quantitatively. However, at a certain point the data processed had to be quantitatively analyzed.

Data analysis started with processing and data mining . The irrelevant data deleted to avoid errors. The analysis have done through both quantitative and qualitative approaches. The discussion and argument have done to cement the fact and drawing the conclusion .

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter is about the analysis and interpretations of data using Statistical Package for Social Science (SPSS) for windows version 16. Descriptive analysis that presents simple statistical results obtained from the study using an instrument known as questionnaire is presented.

4.2 Descriptive Statistics

The aim of the study is to assess the VAT compliance of marketing intermediaries in Tanzania. Also was to find out how or to determine the reasons of VAT Non-registered Compliance of market intermediaries in Tanzania not paying VAT particularly in Dar es Salaam to the achievement of VAT main objectives, case study of Coca-Cola Kwanza Agents.

The following objectives were covered

- To trace the VAT compliance trend of Market intermediaries in soft drinks industries in Dar es salaam.
- To examine critically the practice used by TRA to collect VAT from VAT compliance of market intermediaries.
- To assess the impact of VAT compliance of selected intermediaries to TRA revenue
- To assess critically the VAT stakeholders' opinion regarding laws governed VAT collection and VAT Compliance.
- To suggest good strategies to aspire VAT Compliance to pay tax voluntarily

4.3 Demographic Information

The study first of all wanted to know the characteristics of the respondents, and the results from the survey are shown in the tables below

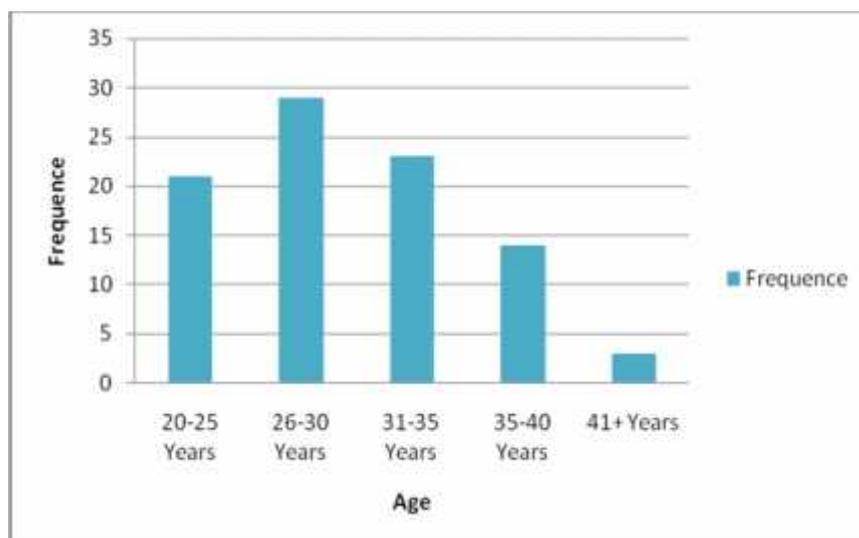
Table 4.1 Age of Respondents

Age	No. Of Respondents	Percentage (%)
20 – 25	21	23.5%
26 – 30	29	32.2%
31 – 35	23	25.5%
35 – 40	14	15.5%
41 +	3	3.3%
Total	90	100%

Source: Field Survey Data, 2013

The respondents age ranged from 20 to above 45 years, the majority was in the group of 26 to 30 years (32.2%), Followed by 31-35 years (25.5%), 20-25 years (23.5%), 35-40 years (15.5%) and the last group was respondents of above 41 years of age (3.3%).

Figure 4.1 Age of respondents



4.3.1 Sex

The researcher wanted also to know the sex of the respondents and following are the results

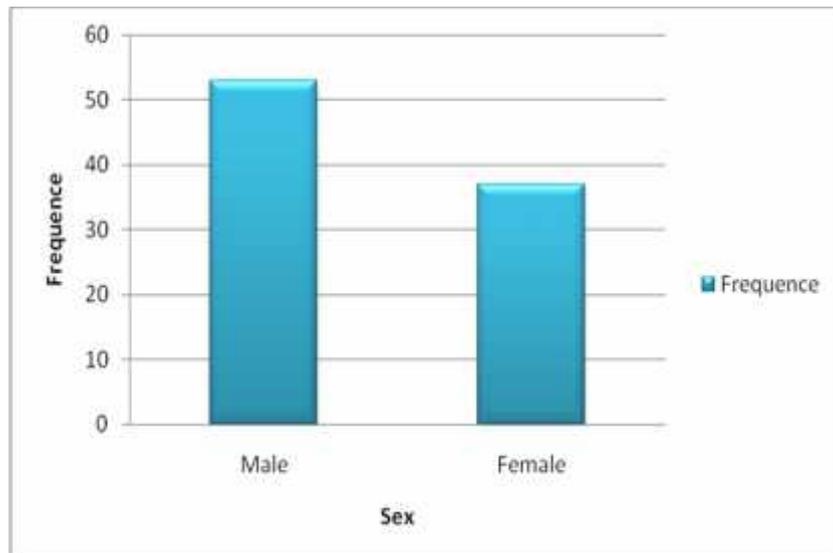
Table 4.2 Sex

Sex	No. of Respondents	Percentage (%)
Male	53	58.9%
Female	37	41.1%
Total	90	100%

Source: Field Survey Data, 2013

The majority of the respondents were male (58.9%) and only (41.1%) were female. This sometimes is attributed to widespread customary gender biased issues.

Figure 4.2 Sex



4.3.2 Professional/Work

The professional/work of the respondents at interviewed was asked and below table shows different titles

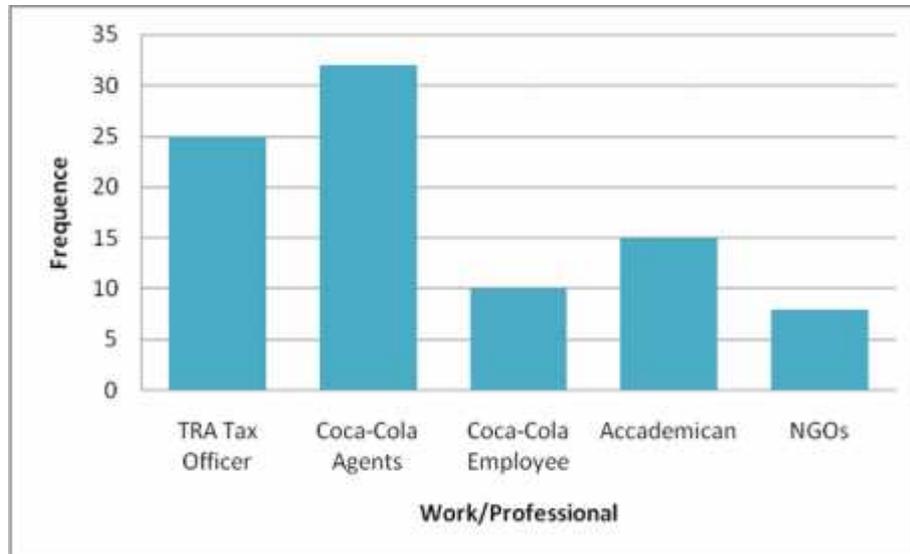
Table 4.3 Position

Work/Professional	No. of Respondents	Percentage (%)
TRA Tax Officer	25	27.8%
Coca-Cola Agents	32	35.5%
Coca-Cola Employees	10	11.1%
Accademician	15	16.7%
NGOs	8	8.9%
Total	90	100%

Source: Field Survey Data, 2013

The studies revealed that majority of the respondents are loan Coca-Cola Agents (35.5%), followed by TRA Tax Officers (27.8%), Accademician (16.7%), Coca-Cola Employees (11.1%) and few were from NGOs associated with Tax evaluation which was (8%).

Figure 4.3 positions of respondents



4.3.3 Duration of Work/ Career/Professional/Field

Duration of the respondents in their work/Career/Professional/Field during the study were observed and the results are shown below

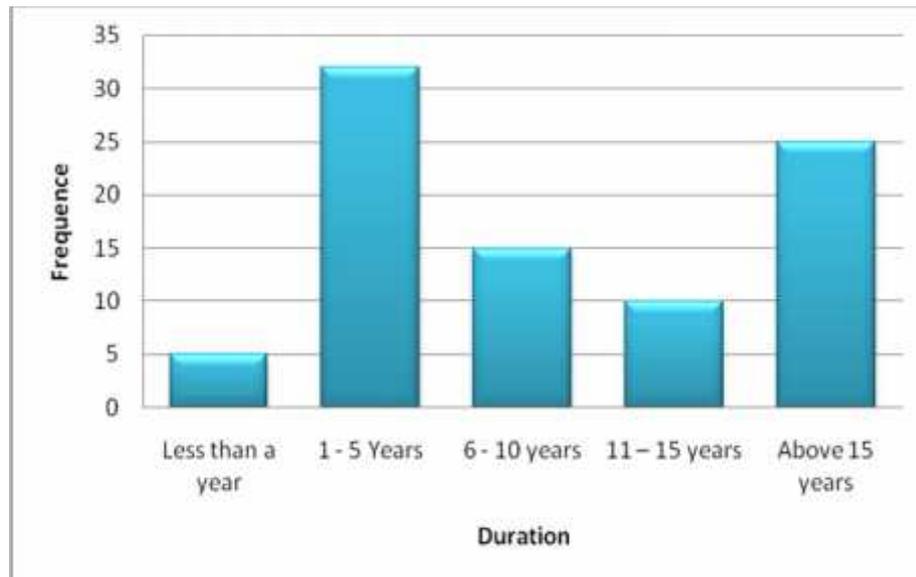
Table 4.4 Duration of Work/Career/Professional/Field

Duration	No. Of Respondents	Percentage (%)
Less than a year	5	8.9%
1 - 5 Years	32	35.5%
6 - 10 years	15	16.7%
11 – 15 years	10	11.1%
Above 15 years	25	27.8%
Total	90	100%

Source: Field Survey Data, 2013

The study revealed that majority of the respondents have worked for one to five years (35.5%), followed by respondents who worked above fifteen years (27.8%), then six to ten years were (16.7%), eleven to fifteen years were (11.1%) and respondents who have been in the field for less than one years were very (8.9%).

Figure 4.4 Duration of Work/Career/Professional/Field



4.3.4 VAT respondents knowledge about VAT

TRA tax officers has normal a tendency of giving VAT knowledge to the VAT people. The researcher wanted to know to what etend people have knowledge of VAT by the by the time the study was conducted and the following is the response from the respondents.

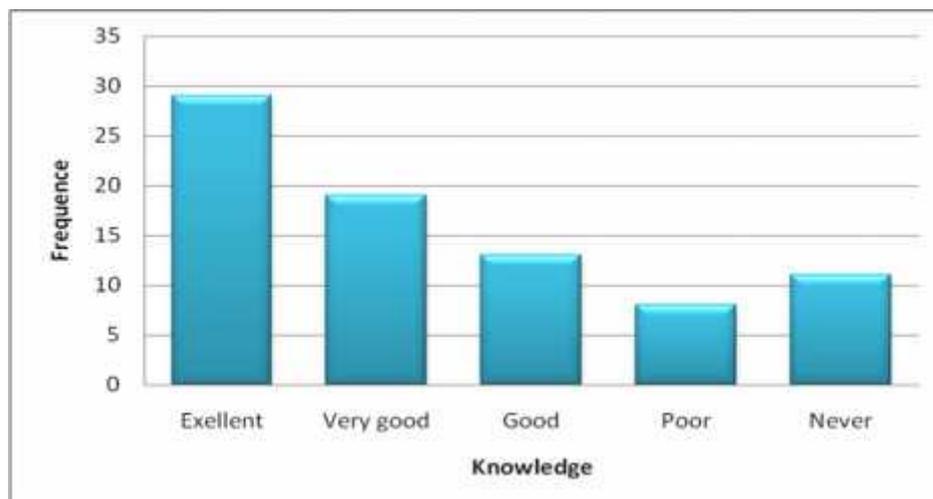
Table 4.5 VAT respondents knowledge about VAT

Knowledge About VAT	No. Of Respondents	Percentage (%)
Excellent	29	32.2%
Very good	13	14.5%
Good	19	21.1%
Poor	8	8.9%
Never	11	12.3%
Total	90	100%

Source: Field Survey Data, 2013

The study revealed that majority of the respondents have excellent knowledge is (32.2%), followed by respondents who have good knowledge (21.1%), then very good were (14.5%), respondents who know nothing about VAT were (12.3%) and respondents who have poor knowledge were (8.9%).

Figure 4.5 VAT respondents knowledge about VAT



4.4 Criteria used by TRA to determine the business is required by the law to be registered for VAT tax payer

The researcher wanted to know some of the criteria used by TRA to determine the person who required by the law to be registered for VAT tax payer. The researcher comes up with four criteria used. Questions constructed in Likert Scale which have been classified into four criterias which are; must be a business, cash flow of the business, time of the business have been run and nature/characteristics/status of the business were asked and respondents were required to respond on those attributes.

4.4.1 Must be a business

When the TRA want to register an entity for VAT tax payer one of the criteria used to assess must be a business before issued registration form. Being the case the researcher asked this question to the respondents whether TRA is considering this factor and the response were as follows

Table 4.6 Must be a business

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	3	3.3%
Disagree	0	0%
Neutral	0	0%
Agree	24	26.7%
Strongly Agree	63	70%
Total	90	100%

Source: Field Survey Data, 2013

In the study, the researcher was interested to know respondent views as to whether they agree that must be a business is one of the criteria that made an entity to be

registered for VAT tax payer. The result shows that majority of the respondents agree and strongly agree (70%) that to a business is very important and nuber one criteria while only (3%) strongly disagree. In this aspect, the high percentage of the respondents considered a business entity is very important as far as registration concerned.

4.4.2 Time in the Business

Time in the business is also considered when TRA or businessman or any party among the two parties want to be ragistered as VAT tax payer. The time required not less than a year, but this is not the mai factor. Below table shows the results from the survey

Table 4.7 Time in the Business

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	27	30%
Disagree	20	22.2%
Neutral	18	20%
Agree	21	23.3%
Strongly Agree	4	4.5%
Total	90	100%

Source: Field Survey Data, 2013

Apart from being a business, TRA have the role of insuring that business have been in the business for a reasonable time. This is because we all believe that one of the business concept is going concern. Time of the Entity have been in the business is among the key element in determining their registration. In this study, (30%) of the

respondents were of the opinion they strongly disagree that time the Entity have been in the business is not one of the criteria used by the TRA to determine registration of the entity while only (4.5%) were strongly agree and (23.3%) agree while (22.2%) disagree and only (20%) were neutral.

4.4.3 Nature/Characteristics/Status

Nature/Characteristics/Status of the business is also considered in registration of the business. There is a different formulation of the business such as Sole proprietor, company, Partnership, Club or association, Coperation, Liquidator and Administrator are all required to pay VAT.

Table 4.8 Nature/Characteristics/Status

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	9	10%
Disagree	1	1.1%
Neutral	2	2.2%
Agree	7	7.8%
Strongly Agree	71	78.9%
Total	90	100%

Source: Field Survey Data, 2013

Nature/Characteristics/Status of the business is a cornerstone of an entity to be registered. In this study, it was found that (78.9%) were of the view that nature/characteristics and status of business are important criteria used by TRA in determining their registration while only (10%) stronly disagree and (7.8%) agree while (1.1%) disagree and (2.2%) were neutral. This implies that nature/characteristics/status are very important criteria of registration.

4.4.5 Cash Flow

Table 4.9 Cash Flow

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	2	2.2%
Disagree	3	3.3%
Neutral	17	18.9%
Agree	19	21.1%
Strongly Agree	49	87.8%
Total	90	100%

Source: Field Survey Data, 2013

Cash flow was another criterion that was used. 87.8% were of the opinion that cash flow is very important criteria while 21.7% were agreed and 18.9% were neutral while 2.2% strongly disagree and (3.3%) disagree as shown in the table above. This implies that cash flow is an important factor as it shows the sales and turnover of the business.

4.5 The practice imposed by TRA to collect VAT from VAT compliance of market intermediaries

Below are the tables showing responses from the second objective where the study wanted to know the practice used to collect VAT from VAT compliance of the market intermediaries. Three indicators were asked that is Collect from producer/Manufacturer, Collect directly from buyers, Collect directly from sellers and time period of one month for VAT return as well as if they have fixed another indicator regardless of the above indicators.

4.5.1 Collect from produce manufacturer

Table 4.10 Collection from produce manufacturer

Degree of acceptance	No. of Respondents	Percentage (%)
Strongly Disagree	0	0%
Disagree	0	0%
Neutral	14	15.5%
Agree	20	22.2%
Strongly Agree	56	62.3%
Total	90	100%

Source: Field Survey Data, 2013

The study also attempted to show the practical indicator imposed by TRA to collect VAT from VAT compliance of market Intermediaries. It was found that, (62.3%) of the respondents strongly agree and agree that collection from manufacturer is used by TRA as practice indicator of collectin VAT were (22.2%) disagree and strongly disagree were non and only (15.5%) were neutral.

4.5.2 Collection directly from buyers

Table 4.11 Collection directly from buyers

Degree of acceptance	No. of Respondents	Percentage (%)
Strongly Disagree	24	26.7%
Disagree	18	20%
Neutral	4	4.4%
Agree	16	17.8%
Strongly Agree	28	31.1%
Total	90	100%

Source: Field Survey Data, 2013

Collection directly from buyers is also used to show as one of practical indicator of VAT collection from VAT compliance. In this study, it was found that (31.1%) of the view that collection from buyers is strongly agreed while agreed (17.8%) and (26.7%) were strongly disagree while (20.%) disagree and only (4.4%) were neutral.

4.5.3 Collection From Sellers

Table 4.12 Collection From Sellers

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	0	0%
Disagree	13	14.5%
Neutral	22	24.4%
Agree	22	24.4%
Strongly Agree	33	36.7%
Total	90	100%

Source: Field Survey Data, 2013

The reseacher during the study used collection directly from sellers as one of practical indicator of VAT collection from VAT compliance. In this study, it was found that (36.7%) of the view that collection from seller is strongly agreed while agree were (22.4%) and (14.5%) were disagree while (0.%) were stronly disagree and (22.4%) were neutral also.

4.5.4 Time period of one month for VAT return

Table 4.13 Time period of one month for VAT return

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	27	30%
Disagree	8	8.9%
Neutral	15	16.7%
Agree	11	12.2%
Strongly Agree	29	32.2%
Total	90	100%

Source: Field Survey Data, 2013

During the study used the reseacher considered time period of one month for VAT return as one of practical indicator of VAT collection from VAT complience.It was found from the respondents (32.2%) were strongly agree while (12.2%) agree and (30%) were strongly disagree while (8.9.%) were disagree and (16.7%) of respondents were neutral.

4.6 The impact of VAT compliance of selected intermediaries to TRA revenue

Again below are the tables showing response from third objective where the study wanted to know the impact of VAT compliance of selected intermediaries to TRA revenue. Three factors were asked that is all business given VAT registration will be recognized legaly as tax payer, all sales of goods and services shall be taxed VAT and all transactions take place and receipts issued by EFD machine must be given for any transaction took place

4.6.1 All business given VAT registration will be recognized legally as tax payer

Table 4 .14 All business given VAT registration will be recognized legally as tax payer

Degree of acceptance	No. of Respondents	Percentage (%)
Strongly Disagree	12	13.3%
Disagree	3	3.3%
Neutral	6	6.7%
Agree	23	25.5%
Strongly Agree	46	51.1%
Total	90	100%

Source: Field Survey Data, 2013

Above, it was found that, (51.1%) of the respondents strongly agree and (25.5%) agree that the all business given VAT registration will be recognized legally as tax payer while (13.3%) strongly disagree and disagree (3.3%) while (6.7%) were neutral. This shows there is a postive impact to the TRA and VAT Compliance.

4.6.2 All sales of goods and services Must be Taxed VAT

Table 4.15 All sales of goods and services must be Taxed VAT

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	0	0%
Disagree	7	7.8%
Neutral	11	12.2%
Agree	9	10%
Strongly Agree	63	70%
Total	90	100%

Source: Field Survey Data, 2013

Another factor of the impact of VAT compliance of selected intermediaries to TRA revenue was all sales of goods and services shall be taxed VAT where by majority of the respondents (70%) strongly agree and agree were (10%) while disagree were (12.2%) and only few of them (7.8%) were indifferent. The survey shows that there is benefit from selected VAT compliance to TRA.

4.6.3 All transactions take place and receipts issued by EFD machine must be given for any transaction took place

Table 4.16 Transactions take place and receipts issued by EFD machine must be given for any transaction took place

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	27	30%
Disagree	18	20%
Neutral	4	4.4%
Agree	10	11.1%
Strongly Agree	31	34.5%
Total	90	100%

Source: Field Survey Data, 2013

Another indicator configured by researcher was all transactions take place and receipts issued by EFD machine must be given for any transaction took place where by the respondents (34.5%) strongly agree and agree were (11.1%) while strongly disagree were (30%) and disagree were (20%), only (4.4%) of the respondents were indifferent. The survey shows that there is a huge impact from selected VAT compliance to TRA.

4.7 The VAT stakeholders' opinion regarding laws governed VAT collection and VAT Compliance.

The researcher wanted to know the Critically the VAT stakeholders' opinion regarding laws governed VAT collection and VAT Compliance.. Questions which have been classified into two were asked and respondents were required to respond on those two questions. These questions were the 18% rate of VAT is high must be reduced to 15% and Only 40% of business Compliance pay VAT correct.

4.7.1 The 18% rate of VAT is high must be reduced to 15%

Table 4.17 The 18% rate of VAT is high must be reduced to 15%

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	22	24.4%
Disagree	2	2.2%
Neutral	19	21.1%
Agree	17	18.9%
Strongly Agree	30	33.3%
Total	90	100%

Source: Field Survey Data, 2013

The study revealed that majority of the respondents (33.3%) were of the strongly agree opinion that VAT rate must go down to 15% while (18.9%) were agreed and (21.1%) were neutral while (24.4%) strong disagree and (2.2%) disagree as shown in the table above. This implies that percentage charged for VAT is big.

4.7.2 Only 40% of business Compliance pay VAT correct

Table 4.18 Only 40% of business Compliance pay VAT correct

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	45	50%
Disagree	9	10%
Neutral	0	0%
Agree	15	16.7%
Strongly Agree	21	23.3%
Total	90	100%

Source: Field Survey Data, 2013

In the study, the researcher was interested to know respondent views as to whether they agree on the opinion that only 40% of the VAT Compliance pay VAT correct. The result shows that majority of the respondents strongly disagree (50%) while only (10%). Also (23.3%) were strongly agree and (16.7%) agree, no one was in indifferent either. In this aspect, more than a half of the respondents considered the statement was not true. .

Suggestion good strategies to aspire VAT Compliance to pay tax voluntarily

The researcher was interested to know good strategies that may aspire VAT compliance to pay VAT voluntarily. In this scenario three statements were proposed to the respondents: Reduce VAT charge rate from 18% to 15%, Improve business environment VAT compliance and Improve infrastructure. Below are the responses from respondents

4.8.1 Reduce VAT charge rate from 18% to 15%

Table 4.19 Reduce VAT charge rate from 18% to 15%

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	24	26.7%
Disagree	0	0%
Neutral	6	6.7%
Agree	13	14.4%
Strongly Agree	47	52.2%
Total	90	100%

Source: Field Survey Data, 2013

From above table, the findings of the study reveal that (52.2%) of the respondents strongly agree that minimizing of VAT rate will aspire VAT compliance to pay VAT, 14.4% agreed while (26.7)% were strongly disagree and (6.7%) were indifferent. This shows that most of the respondents wants VAT rate to go down.

4.8.2 Improve business environment VAT compliance

Table 4.20 Improve business environment VAT compliance

Degree of acceptance	No. Of Respondents	Percentage (%)
Strongly Disagree	17	18.9%
Disagree	12	13.3%
Neutral	1	1.1%
Agree	16	17.8%
Strongly Agree	44	48.9%
Total	90	100%

Source: Field Survey Data, 2013

From above table, the findings of the study reveal that (48.9%) of the respondents strongly agree that improve VAT compliance business environment will inspire them to pay VAT voluntarily and (12%) agreed while (1.1%) were neutral. However (18.9%) of the respondent were strongly disagree and (13.3%) disagree.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.1 Introduction

This chapter covers all the discussions of the findings which have been presented in chapter four. Considering the research questions, objectives of the study and data collection technique attempts were made to look on VAT Compliance of market Intermediaries of soft drinks industries in Tanzania a case study of CCK Company Agents or Distributers. The data collected were examined and recorded so that the researcher may be able to interpret the findings obtained. The questions were in form of Likert scale where the respondents were required to choose the degree of acceptance in each factor mentioned.

5.1.1 Research Question One

What is the trend of VAT compliance of Market intermediaries in soft drinks industries in Dar es salaam?

The researcher wanted to know some of the criteria used by TRA to determine the person who required by the law to be registered for VAT tax payer. The researcher comes up with four criteria used. Questions constructed in Likert Scale which have been classified into four criterias which are; must be a business, cash flow of the business, time of the business have been run and nature/characteristics/status of the business

- i. Must be business, the result shows that majority of the respondents agree and strongly agree (70%) that to a business is very important and number one criteria while only (3%) strongly disagree. In this aspect, the high percentage of the respondents considered a business entity is very important as far as registration concerned

- ii. Time of the business, This is because we all believe that one of the business concept is going concern. Time of the Entity have been in the business is

among the key element in determining their registration. In this indicator question, (30%) of the respondents were of the opinion they strongly disagree that time the Entity have been in the business is not one of the criteria used by the TRA to determine registration of the entity while only (4.5%) were strongly agree and (23.3%) agree while (22.2%) disagree and only (20%) were neutral.

- iii. Nature/Characteristics/Status of the business is a cornerstone of an entity to be registered, during field study, it was found that (78.9%) were of the view that nature/characteristics and status of business are important criteria used by TRA in determining their registration while only (10%) strongly disagree and (7.8%) agree while (1.1%) disagree and (2.2%) were neutral. This implies that nature/characteristics/status are very important criteria of registration.
- iv. Cash flow of the business, Cash flow was another criterion that was used. From the respondents results (87.8%) were of the opinion that cash flow is very important criteria while (21.7%) were agreed and 18.9 were neutral while 2.2% strongly disagree and (3.3%) disagree as shown in the table above. This implies that cash flow is important factor as it shows the sales and turnover of the business.

In so doing from the above findings, it is clearly shown that, in the registration as VAT compliance of any business must be an entity or business entity. An individual person who doesn't not run any business and licenced as a business from any government agent from Ministry of Trade and industries can't be registered ever. This study reveals that many Agent or Distributer who distribute soft drinks from Coca-cola Kwanza Company they didn't register for VAT. Based on the criteria indicated above, both distributor they required by the VAT act to be registered as VAT compliance of market intermediaries of soft drinks. This situation of doing registered

without VAT registration made the TRA to loose money and cause low GDP, although TRA they still collect more money but still there still more money not yet collected.

5.1.2 Research question Two

What practice imposed by TRA to collect VAT from VAT compliance of market intermediaries?

In this analysis as it was showing from the tables presented above, responses from second objective where the study wanted to know the practice used to collect VAT from VAT compliance of the market intermediaries. Three indicators were asked that is Collect from producer/Manufacturer, Collect directly from buyers, Collect directly from sellers and time period of one month for VAT return as well as if they have fixed another indicator regardless of the above indicators.

- i. Collect from producer/Manufacturer, VAT must be started collected from producers. During field he study researcher also attempted to find out the practical indicator imposed by TRA to collect VAT from VAT compliance of market Intermediaries. It was found that, (62.3%) of the respondents strongly agree and agree that collection from manufacturer is used by TRA as practice indicator of collectin VAT were (22.2%) disagree and strongly disagree were non and only (15.5%) were neutral.
- ii. Collect directly from buyers, Collection directly from buyers is also used to show as one of practical indicator of VAT collection from VAT compliance. In the field, it was found that (31.1%) of the view that collection from buyers is strongly agreed while agreed (17.8%) and (26.7%) were strongly disagree while (20.%) disagree and only (4.4%) were neutral.
- iii. VAT collected directly from sellers, The reseacher during the study used collection directly from sellers as one of practical indicator of VAT collection from VAT compliance. In this study, it was found that (36.7%) of the view that collection from seller is strongly agreed while agree were

(22.4%) and (14.5%) were disagree while (0.%) were strongly disagree and (22.4%) were neutral also.

- iv. Time period of one month for VAT Return, refer to the period in which VAT compliance have to submit their document to TRA for VAT returns. During the study, the researcher considered time period of one month for VAT return as one of practical indicator of VAT collection from VAT compliance. It was found from the response of the sample respondents (32.2%) were strongly agree while (12.2%) agree and (30%) were strongly disagree while (8.9%) were disagree and (16.7%) of respondents were neutral.

In this question practice imposed by TRA to collect VAT from VAT compliance of market intermediaries shows that VAT collection practice is a chain from producer to final consumers. All the four indicators from the analysis above have shown that each person by his/her time has to pay VAT. From question number one, which shows many of the distributors are not registered but they collect VAT and they do not submit the VAT returns to TRA since they are not registered. This distributor sales more cases per month. The chain here shows the trend of VAT collection from CCK to the final Consumers (CCK, Distributors, Wholesalers and Final Consumer) while CCK as producer pay VAT but the rest of the channel they don't. Look the table below for more explanation.

Table 5.1 The amount of money lost by TRA in VAT collection from CCK Distribures.

CCK DISTRIBUTERS SALES FOR THE MONTH OF JULY, 2012

NO:	NAME OF DISTRIBUTER	UNITS SOLD	PRICE FROM PRODUCER(CCK)			PRICE FOR DISTRIBUTERS				AMOUNT OF VAT/UNIT	TOTAL IN TZS
			UNIT PRICE-VAT	UNIT VAT	UNIT PRICE+VAT	UNITS SOLD	UNIT PRICE-VAT	UNIT VAT	UNIT PRICE+VAT		
1	A	4,184	8,813	1,587	10,400	4,184	9,576	1,724	11,300	137	573,208
2	B	9,848	8,813	1,587	10,400	9,848	9,576	1,724	11,300	137	1,349,176
3	C	9,854	8,813	1,587	10,400	9,854	9,576	1,724	11,300	137	1,349,998
4	D	6,334	8,813	1,587	10,400	6,334	9,576	1,724	11,300	137	867,758
5	F	3,004	8,813	1,587	10,400	3,004	9,576	1,724	11,300	137	411,548
6	G	3,114	8,813	1,587	10,400	3,114	9,576	1,724	11,300	137	426,618
7	H	4,000	8,813	1,587	10,400	4,000	9,576	1,724	11,300	137	548,000
8	I	4,000	8,813	1,587	10,400	4,000	9,576	1,724	11,300	137	548,000
9	J	2,678	8,813	1,587	10,400	2,678	9,576	1,724	11,300	137	366,886
10	K	11,200	8,813	1,587	10,400	11,200	9,576	1,724	11,300	137	1,534,400
11	L	11,300	8,813	1,587	10,400	11,300	9,576	1,724	11,300	137	1,548,100
12	M	5,462	8,813	1,587	10,400	5,462	9,576	1,724	11,300	137	748,294
13	N	8,125	8,813	1,587	10,400	8,125	9,576	1,724	11,300	137	1,113,125
14	O	4,785	8,813	1,587	10,400	4,785	9,576	1,724	11,300	137	655,545
15	P	3,567	8,813	1,587	10,400	3,567	9,576	1,724	11,300	137	488,679
16	Q	1,213	8,813	1,587	10,400	1,213	9,576	1,724	11,300	137	166,181
17	R	3,375	8,813	1,587	10,400	3,375	9,576	1,724	11,300	137	462,375
18	S	2,623	8,813	1,587	10,400	2,623	9,576	1,724	11,300	137	359,351
19	T	17,679	8,813	1,587	10,400	17,679	9,576	1,724	11,300	137	2,422,023
20	U	2,206	8,813	1,587	10,400	2,206	9,576	1,724	11,300	137	302,222
21	V	6,818	8,813	1,587	10,400	6,818	9,576	1,724	11,300	137	934,066
22	W	4,932	8,813	1,587	10,400	4,932	9,576	1,724	11,300	137	675,684
23	X	4,014	8,813	1,587	10,400	4,014	9,576	1,724	11,300	137	549,918
24	Y	10,603	8,813	1,587	10,400	10,603	9,576	1,724	11,300	137	1,452,611
25	Z	4,794	8,813	1,587	10,400	4,794	9,576	1,724	11,300	137	656,778
26	A2	4,030	8,813	1,587	10,400	4,030	9,576	1,724	11,300	137	552,110
27	B2	8,500	8,813	1,587	10,400	8,500	9,576	1,724	11,300	137	1,164,500
28	C2	8,354	8,813	1,587	10,400	8,354	9,576	1,724	11,300	137	1,144,498
		170,596	246,764	51,691	15,423		268,128	48,272	306,400	3,886	23,371,652

Source: CCK Sales Report July, 2012

From the above table of sales information of the few distributors of soft drinks from CCK for the month of July, 2012 shows that. From the total number of 177,596 unit case sold in the month of July the TRA lost TZS 23,371,652 uncollected. If we take this amount of money without collected for twelve (12) month, equal to TZS 208,459,824. This in for only 28 Appointed Distributers (A-C2) which is less than a half of all Appointed Distributers. From my point of view, soft drinks distributors of CCK is one example what about other soft drinks like Pepsi, Azam and water, what about Hard drinks Distributers, what about hard ware etc. The country loose so much money from VAT comlience.

5.1.3 Research question Three

What are the impact of VAT compliance of selected intermediaries to TRA?

The study attempted to find out the indicators that shows know the impact of VAT compliance of selected intermediaries to TRA revenue as per opinion of the respondents from third objective where the study. Three indicators were included that is all business with VAT registration will be recognized legally as VAT tax payer, all sales of goods and services shall be taxed VAT and all transactions take place receipts must be issued by EFD machine must be given for any transaction took place.

- i. **All business with VAT registration will be recognized legally as tax payer**
- ii. According to field and information collected above, it was found that, (51.1%) of the respondents strongly agree and (25.5%) agree that the all business given VAT registration will be recognized legally as tax payer while (13.3%) strongly disagree and disagree (3.3%) while (6.7%) were neutral. This shows there is a positive impact to the TRA and VAT Compliance. But not all of them pay VAT, some of them they have EFD machine but not utilised and some they selecte prople to be isseud the receipt. When an individual purchase one unit case can not be issued receipts but when another entity purchases ten and above he is allways issued the receipt.
- iii. **All sales of goods and services must be Taxed VAT**

Another factor of an indication of the impact of VAT compliance of selected intermediaries to TRA revenue was all sales of goods and services shall be taxed VAT where by majority of the respondents (70%) strongly agree and agree were (10%) while disagree were (12.2%) and only few of them (7.8%) were indifferent. The survey shows that there is absolutely advantage from selected VAT compliance of Market intermediaries in VAT collection. TRA have to show the need and enargy to improve our national Income by collecting Tax from every businessmen. Since VAT compliance doesn't issue receipts (EFD receipts) the TRA can't be able to collect VAT to all goods and services sold.

iv. Transactions take place receipts issued by EFD machine must be given for any transaction took place

Another indicator configured by researcher was all transactions take place to the compliance business receipts must be issued by EFD machine and buyer must be issued for any transaction took place at the equivalent amount paid. During the study in Dar es salaam where the respondents results appeared as follow (34.5%) strongly agree and agree were (11.1%) while strongly disagree were (30%) and disagree were (20%), only (4.4%) of the respondents were indifferent. The survey showed that there is a huge impact from selected VAT compliance to TRA. The field work done during the study the researcher findings were viceversa with the respondents opinions. In the practical world the customers purchase goods without issued receipt or receipt may be issued but of the low value or undervalued the original price of the quantity bought. Many businessmen use to say the receipt issued is for the road protection when the TRA come across with the customer. Also customer ignorant of VAT and knowledge, people are ready to accept very low discount from businessman so that the customer can't request for the receipt.

5.1.4 Research question Four

To what extent the VAT stakeholders involved by TRA to give their opinion regarding laws governed VAT collection and VAT Compliance?

The researcher interested to know the Critically the VAT stakeholders' opinion regarding laws governed VAT collection from VAT Compliance. In order to get the right opinion, surveyor classified in two questions which were asked and were required to respond on those two questions. These questions were the 18% rate of VAT is high must be reduced to 15% and Only 40% of business Compliance atleast pay VAT correct.

- **The 18% rate of VAT is high must be reduced to 15%**

The study revealed that majority of the respondents (33.3%) were of the strongly agree opinion that VAT rate must go down to 15% while (18.9%) were agreed and

(21.1%) were neutral while (24.4%) strong disagree and (2.2%) disagree as shown in the table above. This implies that percentage charged for VAT is big. There is some evidence that the presence of a VAT has been associated with a higher ratio of general government revenue and grants to GDP . The rate of VAT charged in tanzania is too high caompare to the VAT rate charged in other Banana countries with similar economy like Tanzania also with the per capital income of the citizens in Tanzania. The Table bellow will show example of VAT retes in other Banans countries.

Table 5.2Country and VAT rate

COUNTRY	YEAR	RATE	COUNTRY	YEAR	RATE
Botswan	Jul.2002	10	Mali	Jan. 1991	18
Bolivia	Oct.1973	11.4	Malta	Jan.1991	18
Cape Verde	Jan.2004	14	Mauritania	Jan.1995	14
Ethiopia	Jan.2003	15	Mozambique	Jun.1999	17
Kenya	Jan.1990	16	Namibia	Nov.2000	14
Lesotho	Jul.2003	14	Sudan	Jan.2000	10
Malawi	May.1989	17.5	Tanzania	Jul.1998	18
Zimbabwe	Jan.2004	15	Uganda	Jul.1996	17

Source: VAT Experience and Issues Rome, March 15-16, 2005

Standard advice has been for a single-rate VAT (other than a zero rate for exports only). From the table above now you can see that Tanzania VAT rate charged is high than VAT rate charged by other African Countries like Kenya and Uganda. There is a need for Tanzania revenue authority exparties to re-think about the VAT rate charged in Tanzania.

- **Only 40% of business Compliance pay VAT correct**

In the study, the researcher was interested to know respondent views as to whether they agree on the openion that only 40% of the VAT Compliance pay VAT correct. The result shows that majority of the respondents strongly disagree (50%) while only (10%). Also (23.3%) were strongly agree and

(16.7%) agree, no one was in indifferent either. In this aspect, more than a half of the respondents considered the statement was not true. But in reality from my practice in the field, it is true that many VAT compliance of the market intermediaries they do not pay Tax.

5.1.5 Research Question Five

What strategies shall be used to aspire VAT Compliance to pay tax voluntarily?

The reseacher was interested to know good strategies taht may aspire VAT complience to pay VAT voluntarily. In this scenario three statement were proposed to the respondents Reduce VAT charge rate from 18% to 15%, Improve business environment VAT compliance and Improve infrastructure. Below are the responses from respondents

- **Reduce VAT charge rate from 18% to 15%**

From above table in chapter four, the findings of the study reveal that (52.2%) of the respondents strongly agree that minimizing of VAT rate will aspire VAT comliance to pay VAT, 14.4% agreed while (26.7)% were strongly disagree and (6.7%) were indifferent. This shows that most of the respondents wants VAT rate to go down. The rate of VAT charged in Tanzania is too high caompare to the VAT rate charged in other developing countries with similar economy like Tanzania also with the per capital income of the citizens in Tanzania. The Table bellow will show example of VAT retes in other Banans countries.

- **mprove business environment VAT compliance**

From above table, the findings of the study reveal that (48.9%) of the respondents strongly gree that improve VAT compliance business enviromen will aspire them to pay VAT voluntrly and (12%) agreed while (1.1%) were neutral. However (18.9%) of the respondents were stronly disagree and (13.3%) disagree. It is true these businessmen they do business in difficults environment, accessability of their premises interms of roads is very bad, there is no permanents availability of water and electricit. There is no water drainage system so during the rain season these

businessmen they can't business comfortable. When you pay tax you must enjoy the development services from the government. So many people are discouraged to pay tax because the government of Tanzania is not returning back good infrastructures for the compliance to develop their business.

CHAPTER SIX

SUMMARY, CONCLUSION AND POLICY IMPLICATIONS

6.1 Summary

This chapter has put forward the summary of the study; Conclusion and the recommendations made according to research findings, which would assist both the VAT Compliance and TRA in solving problems and rectifying the weaknesses noted regarding the TRA collection of VAT from VAT Compliance of marketing Intermediaries on, as well as helping other researcher as to where to start in case of the study on the topic.

The overall objective of this study therefore was to determine the reasons of VAT Non-registered Compliance of market intermediaries with reference to selected soft drinks industries in Tanzania particularly in Dar es Salaam to the achievement of VAT main objectives. Due to the time and resources constraints, the Coca-Cola Kwanza Agents (Distributors) in Dar es salaam was taken as a case study. The Coca-Cola Kwanza Agents (Distributors) in Dar es salaam was a case study. The reason behind this case study was due to the fact that it was convenient and limited to specific area and it was less costly in terms of funds. Data collection was done through questionnaires.

Moreover, it was not possible to cover the entire population of people depends with their professional of rather samples were chosen, using random. Lastly, the analysis was done by means of descriptive and sample statistics using cross tables.

6.2 Conclusion

The primary purpose of this study therefore was to determine the reasons of VAT Non-registered Compliance of market intermediaries with reference to selected soft drinks industries in Tanzania particularly in Dar es Salaam to the achievement of VAT main objectives.

Findings from the study indicate that criterias used by TRA to determine the person who required by the law to be registered for VAT tax payer, be a business, cash flow of the businee, time of the business have ben run and nature/characteristics/status of the business have a greater impact on determining the reasons to be registered for VAT. The basis of these criteria, as the research indicates, is that through the foue mentioned indicators it is where the financial stand/position or liquidity of the entity can be determined as well as the form of the busines and strength. On the other hand nature/characteristics as well as time the compliance's business have been in the business are the criteria less used by the bank to determine reasons for business to be registered for VAT though have a relative low impact. This is attributed by the fact that these two criteria are not directly considered when the TRA enters into an agreement.

In this analysis from the second objective where the study on the the practise used to collect VAT from VAT complience of the market intermediaries. Three indicators were brought in that is Collect from producer/Manufacturer, Collect directly from buyers, Collect directly from sellers and time period of one month fore returns as well as if they have fixed another indicator regardless of the above indicators. In every indicators of the practise used by TRA in VAT collections majortty of the respondents strongly agreed on the indicators. Despite that still governemt agent of tax collection fail and prove themselves wrong in Tax collections. TRA have got better policies and supporting act on VAT (VAT Act 1994) to insure procedures are observed and followed the compliance. From my point of view, soft drinks distributers of CCK is one example on what about other soft drinks like Pepsi, Azam and water, what about Hard drinks Distributers, what about hard ware etc. The country loose so much money from VAT comlience.

On the impact of VAT compliance of selected intermediaries to TRA revenue as per openion of the respondents from third objective where the study. The resercher indicators included in to that were three all business with VAT registration will be recognized legaly as VAT tax payer, all sales of goods and services shall be taxed

VAT and all transactions take place receipts must be issued by EFD machine must be given for any transaction took place. The field work done during the study the researcher found were viceversa with the respondents openions. In the practical world the customers purchase goods without issued receipt. Sometimes receipt issued undervalue the original reccommended price of the quantity bought. Many businessmen use to say the receipt issued is for the road protection when the TRA come accross with the customer. Also customer ignorant of VAT and knowledge, people are ready to accept very low discount from businessman so that the customer can't request for the receipt.

Also, on VAT stakeholders' openion regarding laws governed VAT collection from VAT Compliance. The two ndicators were required to be responded were the 18% rate of VAT is high must be reduced to 15% and Only 40% of business Compliance atleast pay VAT correct. Majority of the respondents were psitive with the one indicators by suggesting that VAT rate of tanzania must be redused to 15%. In the second indicator most of the respondents believe so many tax comliance pay VAT as stipulated in the market. But in reality from my practice in the field, it is true that many VAT compliance of the market intermediaries they do not pay Tax.

VAT compliance most of them the do not like to pay VAT because they do business in difficults environment, accssibility of their premises interms of roads is very bad, there is no permanents availability of water and electricit. There is no water drainage systeam so during the rain season these businessmen they can't business comfotable. When you pay tax you must enjoy the development services from the government in respective area. So many people are discouraged to pay tax because the government of Tanzania is not returning back good services for the copliance to develop their business. In this scenario three statement were proposed to the respondents Reduce VAT charge rate from 18% to 15%, Improve business environment VAT compliance and Improve infrastructure.

In general conclusion, so many businessmen of Dar es salaam they don't pay tax not only in soft drinks but also hard drinks, constructions, services, hard wares, transportation and storage houses (whare houses). The TRA system is corrupted in every angel of the organization, from TRA staffs to their agent (Majembe Auction Mart). It is very true this country is going forward by the heart of employee and not by the heart of businessmen. The implementation of VAT in Tanzania in terms of tax collection and basic principles has been encouraging.

While, Issues of compliance, effective audit and strict application of penalties are being studied to further strengthen the system and root out areas of concern. While effective solutions to such problems will form part of the upcoming reforms project, interim measures are underway to address them in ways that are taxpayer friendly and in line with the overall VAT scheme. In this constant pursuit of seeking improvement, Tanzania has to learn from the trail of developments and the elements of progression experienced by some of the countries that have achieved phenomenal success in terms of the growth of VAT. The UK and Korean models contain components concerning the key areas of VAT activity that are akin to our requirements and operational environment. Their further relevance to the indigenous environment will be studied and it is likely that they will be adopted in the upcoming reforms. It will only be fair if the cooperation of these countries in sharing their experiences with us is acknowledged. The support extended by IMF, World Bank and other international institutions has also been highly instrumental in the progress that Tanzania has made in adopting VAT so far and in undertaking its further reformation.

Given the present pace of progress, two years hence, Tanzania will become the first major country in East Africa having implemented VAT in its true sense and modern concept. The enormousness of VAT's impact on the national economic life and its acceptance by all and sundry, evolved over the years, will come to represent a major paradigm-shift in the mindset of the people. This will also manifest a major success story.

This report will provide a further unique opportunity to Tanzania to share the experiences of the nations that have successfully integrated VAT into their economic system as well as those who are in the transition of this economic transformation. It is believed that the deliberations at this event will pool in intellectual inputs from all over the world and help neighbour countries develop a much greater insight into this important mode of tax and the associated complexities.

6.3 Recommendations

However, despite this improvement in implementing VAT, there are various aspects of policy and administration where more effort is required. Some of these areas are discussed as recommendation bellow. From the results of this study, the following are recommended for the better performance the TRA and VAT compliance of the market. In contrast to tax policy, there is little theoretical guidance with respect to the impact of any particular feature of taxpayer. Any tax administration review must rely more on accumulated experience with what works and what does not. The result is to develop a sense of “best practices” which can change over time, and, moreover, need to be sensitive to individual country circumstances.

i. Organization of the VAT Administration in registration

Another area of greater concern to the VAT administration is tax compliance. It is expected that continuous interaction with the trade and business communities, greater moves towards education and facilitation of taxpayers, a constant improvement in rules and procedures, design of forms and invoices, publication of self help leaflets on VAT provisions, rules and procedures, media campaigns, automation of tax administration and addressing taxpayers’ queries in a meaningful way would help in evolving an environment where voluntary compliance would be encouraged. In registration of the businesss the TRA must be very carefull also for the importation.The better introduction of a VAT can facilitate a substantial improvement in overall tax administration, and indeed adoption of the VAT is often seen as an opportunity for overall tax administration modernization. The introduction of the tax, however, has occasionally disrupted the functioning of an existing

administration because of inadequate preparations and/or ill-advised implementation decisions.

Tax compliance is fairly low in Tanzania. Only 40 % of the registered persons and businesses file monthly tax returns. Realizing that adversarial relationship between taxpayer and tax administration is the major cause of this low compliance, a new taxpayer education and facilitation strategy must be designed. Many initiatives have been introduced to make the system more simple and easy. For example voluntary disclosure (before commencing of audit) does not attract penalties. To facilitate taxpayers, separate returns for different taxpayers have been designed. It is also being considered to introduce electronic filing of return.

One important decision concerns where to place VAT administration within the overall tax administration. Virtually all countries make the collection of all taxes on imports, including VAT, the responsibility of the customs department. Moreover, irrespective of the type of organization recommended, there needs to be close coordination of the VAT preparations between the income tax administration and the customs department, though this coordination has been rather poor in some countries

ii. Self-Assessment Procedures in practice used by TRA to collect VAT from VAT compliance

Modern tax systems and their administration are built on the principle of “voluntary compliance,” meaning that taxpayers are expected to comply with their basic tax obligations with only limited intervention by revenue officials. In practice, voluntary compliance is achieved through a system of “self-assessment,” under which taxpayers, with reasonable access to advice from the tax administration, calculate their own tax liabilities; complete their tax returns; submit returns and payments to the tax administration; and are then subject to risk of audit. In most countries, the development of self-assessment is closely linked to the rise of the VAT. Indeed, the real question is not how to administer a VAT in a country without the capacity to administer self-assessment, but how to implement the basic principles of self-

assessment in a country willing to introduce a VAT. Why is self-assessment so critical? Without the need to calculate every taxpayer's liability and notify them of it, tax officials can concentrate on the minority of "at risk" taxpayers who do not comply with their tax obligations. At the same time, taxpayers' compliance costs are reduced because the need for constant interaction with the tax administration is greatly reduced. Conversely, absent self-assessment, filing and payment procedures become burdensome, with taxpayers carrying out several time-consuming steps in the tax office and at the bank.

iii. Audit- To assess the impact of VAT compliance

In many countries, especially developing and in transition, audit performance is reported to be a particularly poor aspect of VAT administration. The evidence is that several of the developing countries which adopted the VAT in the last 10–15 years do not yet have effective audit programs. And, for those that do have some elements of such a program, it is often dominated by pre-refund verification. There is also a tendency for these countries to try to offset weak audit by adopting complex procedures, such as increased filing requirements and massive cross-checking of audit. These compound administrative difficulties and add to compliance costs. Without effective audits, VAT compliance deteriorates and the credibility of tax administration suffers. Strengthening audit is thus a key challenge, particularly in developing countries.

iv. Audit and Penalties

For VAT to be successful, high and fair probability of detection (audit) and strict application of penalties is important. In Tanzania we are actively engaged to base audit on the principle of risk management and selection of criterion on input/output analysis. It is likely to take more time before it is effectively put into place. Currently, our audit programs have lower yield - below 1%, which is far less than the average in the OECD countries. Similarly, the strict application of penalties is not forthcoming. A legal system that allows long delays in the application of penalties

tends to contribute toward the blockage of government revenues and as a result diminish the system's effectiveness.

It is therefore of essence to develop an audit program that lays emphasis on key areas such as audited coverage, selection, methods, staff training and monitoring. Efforts are being made to have cost effective audit by relying more on short, issue-oriented audits of a limited period of activity, covering a broad range of taxpayers. Desk and investigative audit facilities are also being strengthened to supplement the overall audit mechanism. With automation under contemplation, it would be easier to develop and enforce sectoral approaches as well as linkages with other tax systems in order to make audit more effective. Nonetheless, given the critical significance of audit to the success of VAT system, abundant care is being taken to ensure that the program being developed embodies fairness and integrity.

v. VAT stakeholders' opinion regarding laws governed VAT collection and VAT Compliance

Countries with well-designed VATs that have been properly implemented are likely to face fewer compliance problems in the longer-term. Experience shows that it takes 18–24 months to implement a VAT effectively. Key to success is a sound policy design (a single rate, few exemptions and high threshold), simple laws and procedures, an appropriately structured and resourced administration, and compliance strategies based a balanced mix of education and assistance programs, and risk-based audit programs. Well-managed implementation of these critical components has been shown to lead to quicker establishment of the registration base, better understanding by taxpayers of their obligations, lower levels of non-compliance, lower administration costs, and greater revenue mobilization. Some countries have found that a program of advisory visits by auditors during the early months of the new tax has promoted taxpayer goodwill towards the VAT, as well as towards the tax administration. It has also helped auditors better understand their wider role of promoting voluntary compliance. In contrast, countries whose

preparation has been less complete often face greater compliance issues, and are more inclined to look to ad hoc measures to overcome them.

vi. Refund Payments

Another problematic area in the implementation of VAT has been refund payments. Since VAT is primarily a tax based on value addition at source, there is an in-built need for the documentation of transactions involved in the entire supply chain in the business. However, the system is marred by the element of fake invoices creating difficulties for its smooth functioning. While beverage cater for the major intermediaries commodities of Tanzania, various intermediary manufacturing and processing activities are largely carried out in the unorganized and undocumented sector. This gap is filled by invoicing malpractices to inflate refund and suppress local supplies. Thus the refund issue in the beverage sector has assumed staggering dimensions posing challenges for the VAT administration in Tanzania.

However, with greater automation of the VAT department through be-spoke customers, the problem of refund is being dealt with in a systematic manner. On the basis of data covering supplies and purchases, all the refund claims are scrutinized centrally by verifying the acquisitions of input and output tax. The results of such verifications are transmitted to the local sales tax offices for finalization of refund claims. Through automated verification of refund claims, a number of fraudulent claims have been detected during the last few years. As a result, VAT refund bill of the government has curtailed. In the meantime, payments of the genuine refunds have been accelerated (from 60 days to 30 days).

To further improve the VAT refund system, introduction of a mechanism for “cross matching” of every input tax invoice used in refund claims, on the model in place in Korea, is already underway. From July 2005 onwards, each registered person shall be required to give an aggregate summary of invoices along with the monthly VAT return and this information shall be used to verify the accuracy of assessments and genuineness of the refund claims across the board. The verification process will undergo a prioritized set of risks identified on the basis of information pooled from diversified sources.

vi. Proper records Management

Businessmen should maintain proper and relevant information or records for their business including statements of financial position and statement of financial performance. This will help them to monitor their operations well. In many businesses, especially developing and in transition, audit performance is reported to be a particularly poor aspect of VAT compliance administration and record management.

vii. Capacity Building

Businessmen should built capacity in VAT Tax by TRA e.g. the ability to manage all activities and the through providing more and frequent training to VAT compliance on how to run the businesses, how to monitor its daily activities. Improve financial management skills of their businesses by regular short financial management courses. Busessmen have to be empowered including promoting them involved in policies activities as well as decision making this will result to a capability organization which will smoothen its operation and hence better performance Tax.

viii. Good Governance and Accountability

There should be financial transparency and accountability especially on TRA tax officers, tax assessers and tax vigilant personnel. These groups are associated with hihg corruption from businessmen. If these people will work on behalf of the government and its citizens, this will enable to collect big tax and trust to be built to the TRA management by the citizens, subordinates and will also hinder bad tax payer to ivade tax.

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APPENDICES

Appendix I: Work Plan

TIME	ACTIVITIES	RESPONSIBLE PERSON
Feb-April, 2013	Proposal Write up	Mrisho Kibwigiri
30th April	Submission	Mrisho ramadhani & Mzumbe University
May and June, 2013	Data Collection	Mrisho Mamadhani
July, 2013	Data Copiling, analysing and recommendation	Mrisho Ramadhani
July 15, 2013	Submit to be checkde and corrected	Mrisho Ramadhani and Supervisor
August 31, 2013	Submission	Mrisho ramadhani & Mzumbe University

Questionnaire for the Study of Assessing the Value Added Tax (VAT) Compliance of Marketing intermediaries. A case study of Coca Cola Kwanza Agents

The aim of this study is to assess the VAT compliance of marketing intermediaries in Tanzania in order to find out how or to determine the reasons of VAT registered Compliance of market intermediaries in Tanzania not paying VAT particularly in Dar es Salaam to the achievement of VAT main objectives, case study of Coca-Cola Kwanza Agents. The study is a partial fulfilment of the requirement for a Masters Degree in Finance and accounting in Mzumbe University, Dar es Salaam Campus.

As a professional, you are required to give your personal views on the problem according to the way you see it. Your personal views on topic are very important, and the researcher would be very grateful if you promptly fill in this questionnaire and

return it as soon as it is presented to you. Please insert a tick (v) within the space against your most suitable response.

1. What is your age?
 - A. 20 – 25
 - B. 26 – 30
 - C. 31 – 35
 - D. 35 – above

2. Sex
 - A. Male
 - B. Female

3. What is your work?
 - A. Businessman
 - B. TRA Tax Officer
 - C. Coca-Cola Agents
 - D. Coca-Cola employee
 - E. Accademican
 - F. NGO

4. How many years you have been in that work/position/business.
 - A. Less than a year
 - B. 1 - 5 Years
 - C. 6 - 10 years
 - D. 11 – 15 years
 - E. Above 15 years

5. Do you have knowledge about VAT?
 - A. Exellent
 - B. Very good
 - C. Good
 - D. Poor

E. Never

No	Statement/Atributes	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6	The following are criteria used by TRA to determine the person is required by the law to be registered for VAT Tax Payer					
6.1	Must be businessman					
6.2	Time of the business have been run					
6.3	Cash flow (The businessman who sales of his/her product or services exceed or approaching to exceed shillings 40 million for the period of 12 months or one year services exceed or approaching to exceed 10 million for the period of 3 months consecutive)					
6.4	Nature of the businee/ Characteristics/Status (Sole proprietor, company, Partnership, Club or association, Coperation, Liquidator and Administrator)					
7.	The practice imposed by TRA to collect VAT from VAT complience of market intermediaries.					
7.1	Collection from producer/manufacturer					
7.2	Collection directly from buyers					

7.3	Collection from sellers					
7.4	Time period of one month for VAT return					
8	The impact of VAT compliance of selected intermediaries to TRA revenue					
7	All business given VAT registration will be recognized					
8.1	legally as tax payer					
8.2	All sales of goods and services shall be taxed VAT					
8.3	All transactions take place and receipts issued by EFD machine must be given for any transaction took place					
9	Critically the VAT stakeholders' opinion regarding laws governed VAT collection and VAT Compliance.					
9.1	The 18% rate of VAT is high must be reduced to 15%					
9.2	Only 40% of business Compliance pay VAT correct					
10	Suggestion good strategies to aspire VAT Compliance to pay tax voluntarily					
10.1	Reduce VAT charge rate from 18% to 15%					
10.2	Improve business environment VAT compliance					

11. Does TRA give knowledge about VAT?

Yes _____ No _____ Why?

12. Do you ask EFD (Electronic fiscal device) receipt every time you purchase anything from the shop.

Yes _____ No _____ Why?

13. How can TRA organize themselves to stop Tax avoidance from soft drinks VAT compliance of marketing intermediaries?

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14. What other more procedures or policies does the TRA need to establish or employ to make sure soft drinks VAT compliance of market intermediaries so as to minimize or eliminate tax deviation?

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Appendix III: Background of Coca-Cola Kwanza (CCK)

Some of Africa's most alluring destinations – Serengeti National Park, Ngorongoro Crater, Mount Kilimanjaro and Zanzibar – are packed into Tanzania, where over 100 ethnic groups amicably rub shoulders. Situated in central East Africa, it is bordered by Kenya, Uganda, Rwanda, Burundi, the Democratic Republic of the Congo, Zambia, Malawi and Mozambique, with the Indian Ocean lapping its eastern borders. The seeds of Coca-Cola Kwanza (CCK) were sown on a warm Christmas Eve in 1952, when the first Coca-Cola bottled in the east African country rolled off the production lines.

Then called Tanganyika Bottlers, it was owned by Greek businessman Aris Cassolis. The country gained independence in 1961 and changed its name to Tanzania in 1964, following the union of Tanganyika and Zanzibar. Cassolis was quick to follow suit, proudly changing his company's name to Tanzania Bottlers.

In the decades that followed, growth was somewhat sluggish and the company changed hands. In 1995, when Coca-Cola Sabco became the majority shareholder in Tanzania Bottlers Ltd, the company's name again evolved to become Kwanza Bottlers, (meaning 'first' in Swahili), and later Coca-Cola Kwanza (CCK).

Exciting developments followed, including a new, ultra-modern facility in Mikocheni in Dar-Es-Salaam. CCK also has bottling plants in Mbeya and Zanzibar.

CCK's significant events and achievements include:

- In 1997, its new Mikocheni plant was opened by the then Tanzanian president Benjamin William Mkapa, who enjoyed the first bottle of Coca-Cola off the line.
- In 1998, Zanzibar Bottlers won a Silver Quality Award.
- In 1999, Zanzibar Bottlers received the Coca-Cola Northern Africa Division President's Gold Award for Quality.
- In September 1999, CCK celebrated record sales, topping the list of Coca-Cola Sabco companies.

- In 2002, Zanzibar received the Bronze Quality Award
- In 2004, the Zanzibar Plant received a Silver Quality Award.

Tanzanians enjoy a wide range of beverages, including Coca-Cola, Coke Light, Fanta, Sprite, Dasani and those in the Krest and Sparletta groups.

Ownership

Shareholding diversification was one of the aspects of the CCK financial restructuring. In an unprecedented exercise CCK became the first successful major Tanzanian privatization that involved the major businessman from Tanzania as shareholder. This partner owned 28% of shares until 2009 when he decided to sell his shares to SABCO. At the moment CCK is owned total shares (100%) by one shareholders who is SABCO.