

**FAIR TAXATION; HOW DOES MOROGORO MUNICIPAL
TAXPAYERS PERCEIVE IT?**

**A CASE OF TANZANIA REVENUE AUTHORITY – MOROGORO
MUNICIPAL**

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MUNICIPAL**

BY

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE MASTERS DEGREE IN BUSINESS
ADMINISTRATION (CORPORATE MANAGEMENT) OF MZUMBE
UNIVERSITY**

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CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by Mzumbe University a project report entitled; **How Does Morogoro Municipal Taxpayers Perceive It? A Case of Tanzania Revenue Authority – Morogoro Municipal**, in partial fulfillment of the requirement for the Master’s Degree in Business Administration (Corporate Management).

Signature

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DEAN SCHOOL OF BUSINESS

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I, MATERNUS JOSEPH SHIRIMA, declare that this research report is my own work and that it has not been submitted for any Postgraduate study in any other University or any Institute of higher learning Institution for a similar or any other degree award.

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DEDICATION

This work is dedicated to my family who offered me unconditional love, caring and support throughout my study.

ABBREVIATIONS

GDP	Gross Domestic Product
OECD	Organization for Economic Cooperation and Development
PAYE	Pay As You Earn
SDL	Skills Development Levy
TRA	Tanzania Revenue Authority
VAT	Value Added Tax

ABSTRACT

The study intends to investigate the use of collection target based system on fair taxation in Tanzania. As the new system introduced the performance of the authority still does not contribute much towards fair taxation since it forces tax collectors to arbitrarily rise assessment /while others collectors, collect just enough from easy to tax sources in order to accumulate the target collection amount set.

The study was conducted in the form of an imbedded case study of TRA, domestic revenue department(DRD) both primary and secondary data were collected via questionnaires, interview and documentary review records are respectively used on the analysis. The sample size to respond to questionnaires was selected using a non-statistical approach, the judgmental/purposive method and stratified method.

Since the main purpose of the new system was to ensure that performance (effectiveness and efficiency) and tax complains from taxpayers are reduced or removed at all, but the result is vice versa though the amount of tax collected by the authority increased but still there are complain from the customer concerning their assessment (tax affairs) therefore the introduced new system is only rely on the amount of collection (quantity) and not how collection is effected (quality) by the authority.

Moreover, the authority should not only based on the quantity (amount) of revenue collected but also looking on the ways how those revenue is collected (quality), in order to minimize the high tax burden from taxpayers as well as the complains, which result to high cost to the authority incurred to manage appeal cases which can be avoided through better collection system, while tax laws and regulation should be considered.

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CHAPTER ONE

PROBLEM SETTING

1.0 INTRODUCTION

The state depends much on its treasury which is the financial health of the state Balbir (2009). A sound treasury is the prerequisite for accomplishing other goals of the state. A sound treasury depends on the ability of collection and efficiency spending. The major source of income of the state is through taxation. The trend of tax collection depends on the tax administration; poor system for example may result to unfairness in collection hence poor collection of revenue. One of the principals of taxation is the fairness which includes safety net, stability of tax structure, collecting taxes when they are due (that is only after harvests), and maximization of the differences between revenue and expenditure.

This chapter discusses the background of the problem, statement of the problem and the objective of the study. It also provides the research question, scope, significance and limitations of the study. Further the chapter discusses the organization of the study.

1.1 BACKGROUND OF THE PROBLEM

Abudulhadi et al (2008) shows that initially income tax was based on the protection principle, that is the benefit approach and therefore compliance could not be taken for granted. States do use tax to maintain order in the society for example when there is low tax revenue, governments reduce the provision of infrastructure and public goods such as national defense, law and order. Balbir (2009) said that finance is necessary to undertake any state endeavor and is the chief means for both righteous duty and enjoyment. Governments finance their services to citizen from the revenue collected. The major sources of revenue for many governments is through taxes of different forms imposed to residents or citizens who earn their income as a result of their work on their countries land. Some countries do finances their services mainly from the natural

resources income for example oil in Arab countries abduhadi et al (2008). Revenues, whether from taxes resources or natural resources can be used to support growth and improve the distribution of wealth and well-being through spending for example on infrastructure, healthcare, education, safety, and clean water.

Tanzania is among countries that depend on taxes in financing its services. Since these taxes are charged on people or organizations that earned or consumed the services provided by the government, its collection also depends on the performance of these individuals or organizations. Crandall (2010) shows that many organizations in Tanzania do not perform well as a result the level of economic development decreases. The reason for organization performing poorly is the way how people under these organizations tuned themselves towards their performance. In most organization workers perform their works without appraising their performance as a result employees may work too much but the fruit of their works may not been observed, as have got no way to measure the level of their performance (Crandall (2010).

Low tax collection is not only in Tanzania as Mascagni (2014) observed that governments in developing countries face great challenges in mobilizing tax revenues, which result in a gap between what they could collect and what they actually collect (tax gap). Tax gap refers to the difference between revenue collected and what could be collected. One of the major reasons that have been addressed as causes for poor collection of big tax gap is that; widespread of exemptions on corporate tax which is not transparent; exemptions on value- added taxes; poor target of revenue collected; and inefficient tax administration system (Fjeldstad 2013).

Taxpayers are subject to many types of taxes, such as income taxes which are paid based on taxpayer's income and on the type and amount of that income. All business enterprises, whatever the size or nature of work are subject to different ratios of income tax also it includes income from employees. Other common taxes in Tanzania are value added tax (VAT) and property tax which is collected by Tanzania revenue authority and local government authorities respectively. VAT is a consumption tax levied on wide

range of supplies of goods and services can be considered as a tax on purchase price under perception of buyers and it is tax on value added to a product, material or services.

The current taxation system in Tanzania is consolidated to Tanzania Revenue Authority (TRA) which is the government authority charged with collection of taxes and other revenue. TRA was established in 1995 under the general supervision of the ministry of finance. The establishment of TRA aimed at brings reforms in the revenue collections by ensuring effectiveness in tax collections and that taxpayer pay the right taxes at the right time and to promote voluntary tax compliance to the highest degree.

Regardless of TRA effort to promote taxpayers to pay tax, voluntary tax compliance still is a problem (Mascagni 2014). Mascagni (2014) found that Taxpayers evade paying tax to the government example they do not provide receipts when they sell their goods or services, hide information about their business and not keep account records of their business just to ensure they have been taxed less and also dislike attending TRA offices for assessment. Voluntary tax payment problem is caused by the feeling that their contribution as taxes to the government does benefit few people. Even though record of TRA have been showing that they collect above the budgeted figure, still voluntary compliance is required since it reduces the cost of collection.

Tanzania Revenue Authority (TRA) has been trying to improve the collections of taxes under their authority. However Murphy (2008) argued that tax compliance is a major problem for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirements. In modifying and trying to improve the collection of taxes, TRA has used some system such as electronic fiscal devices, blocks system and collection target based system. All of these systems are in use as each method supports the efficiency collection of the taxes plus proper record keeping by enterprises.

Furthermore, TRA introduced a target based system which is a policy that starts by provision of target of revenue to be collected then the authority must make sure they have collected to the extent of their targets. It starts by the amount being set by the upper

tax administrators of the authority normally at the board meeting. This policy was introduced in order to ensure the effectiveness and efficiency of tax revenue for both the revenue assessment and collection. However fairness in taxes was considered by the policy since when taxpayers not satisfied with the assessment (or their tax affairs) they were to file appeal cases against the tax administration. Too high tax rates can force tax payers into the underground economy and destroy all efforts to increase voluntary compliance (Jewell et al (2015). Cherry et al (2011) discussed that although the room of appeal provides such friendly environment between taxpayers and TRA, so improve the image of the tax authority, their actual effect on tax compliance has not, been systematically examined.

The introduction of collection target based system in Tanzania may lead to unfair assessment since because tax officers will fight by any means either by raising the additional assessment in order to collect targeted amount. The achievement of targets has been considered as a measure of performance by the authority therefore achieving the targeted amounts result to appraising while under achievements results to poor performance. This tax system may cause unfair taxation because taxpayers are imposed the burden of paying high or tax which they are not supposed to pay which bring complains to the tax administration.

Jewell et al (2015) found that due to target based system most of the tax payers file cases against tax administration because of thinking were unfairly treated during tax collection, other tax payers are forced to close their business while others change the nature and type of business they do just in order to reduce the burden of taxation.

The use of target based system is supported by tax to Gross Domestic Product ratio measurement system. This approach of measuring performance of taxes revenue collected requires that the revenue collected must resemble the growth of gross domestic product (Edward 2012). Hence the application of the target based system allows the collected revenue to grow in positive relationship with the growth of the country economy.

1.2 STATEMENT OF THE PROBLEM

Currently Tanzania revenue authority (TRA) emphasizes on the amount of collection acquired during a certain period of time when appraising performance of the whole tax administration. For each year TRA has a set revenue target of which it collects towards accomplishing it. In the attempt of reaching a set revenue collection target TRA has to perform audits, process return and educate taxpayers. When tax collectors have devoted their focus onto the amount of collection set as a target for a period of time as opposed to how the collections have been effected; tax collectors may take advantages over that and some may collect only “just enough” from the easy to tax sources in to meet the target while others may arbitrarily raise additional taxes in order to accumulate the set target amount. Taxpayers may objectively negotiate their tax liabilities with tax collectors disregarding the return documents. If all that remain the case then the quality of tax collected will be at jeopardy. Based on the above fact more emphasis on collection targets for performance appraisal by the tax administration may have an influence on the fairness of tax collected.

Practice note N0. 9 provide directives on the tax payers to undertake self assessment and file the return before being assessed by the authority. However given the introduction of target based system taxpayers personal assessment has been reduced or completely omitted. Therefore, this study is investigating if the perception of taxpayers at Morogoro Municipal on the fairness of current tax system by taking into consideration number of cases files, the amount in case and the winning or losing of the authority cases and the taxpayer’s perception.

1.3 OBJECTIVE OF THE STUDY

There are two forms of objectives under this study; general objective which generalize the whole research topic and there specific objectives which specify the subparts of the main research study topic.

1.3.1 GENERAL OBJECTIVE

The general objective of this research is to investigate if tax payers at Morogoro do perceive the current tax system to be fair.

1.3.2 SPECIFIC OBJECTIVES

- i. To assess the trend of appeal cases (both in number and in amounts) from 2001 to 2015
- ii. To assess the perception of taxpayer's on the fairness of the taxation system at Morogoro Municipal.

1.4 RESEARCH QUESTIONS

- i. What is the trend of appeal cases in numbers and in amounts from 2001 to 2015?
- ii. What is the perception of Morogoro Municipal taxpayer's on the fairness of taxation system at?

1.5 SIGNIFICANCE OF THE STUDY

The intention of this study is to appraisal on fair taxation given different collection methods adapted by the authority. The study findings are expected to the much of importance to a number of people as follows:

It helps Tanzania Revenue authority in the best combination of indicators of performance with more emphasis on quality as opposed quantity, as the management concentrate too much on their performance as it's used to motivate them towards their performance. It assists revenue authority in achieving more effective and efficient tax system during administration transformation.

It assists in improving fair taxation and hence reducing costs incurred in resolving cases of unfair taxation, as a result of good way of assessing tax the tax gap among people is reduced and hence people will be discouraged to complain about their assessment and tax collectors use much of their time to widen the collection of revenue and eventually help in reducing tax evasion and avoidance.

People can be encouraged to volunteer themselves for payment of tax revenue because the amount of tax assessed and collected from them is just favorable for them to continue paying tax rather than discouraging them as are collected from many sources and hence increase the amount of government revenue for services provision.

1.6 SCOPE OF THE STUDY

This research study is going to be conducted out in Tanzania revenue authority (TRA) Morogoro Municipal. As the topic is very wide to be exhausted by the single study, it will concentrate in more than two major department area that are compliance department which is merely concerned with tax laws and customer assessment checkup also tax assessment department which is much concerned with customer assessment and allocation of yearly revenue to be paid by taxpayers, auditing department which is also concerned with ensuring fair allocation and collection of tax revenue as well as proper records management and follow up of daily organization work done. The scope of this study focused on the performance appraisal and fair taxation in tax administration in Tanzania.

1.7 LIMITATION AND DELIMITATION OF THE STUDY

Though there so many things very interesting in my practical study also there are some challenges that confront a researcher during a research study among those challenges the following are the most common challenges.

Lack of enough cooperation during research study since because most of the time staff members were reluctant to provide some information since because they do not have enough time to settle and concentrate and give me depth details about their organization daily running.

Limited skills and knowledge on using excel though we have been given a little introduction about the use of the program there are some questions which are not easily presented or not presented by the program at all so the use of another programs like Microsoft excel take place.

Time management and fund available since the time available for this study was limited also the data obtain tend to be not enough because a researcher use much energy on working at the field there after the time remain after the daily study is not enough for preparation of good and an interesting report project also the fund provided for the study is not much enough to conduct the research study.

Confidentiality; some details are not easily obtained since because are confidential therefore as a research we miss some tips which are very important to be presented in our research report, officers might become reluctant in disseminating information needed due to the fear that it could be used as peer review and can be used to punish them in future.

1.8 ORGANIZATION OF THE STUDY

The study includes six chapters, chapter one problem setting, shows briefly, background and general introduction to the study, the problem statement and objectives of the study, research questions, scope and significance of the study. Chapter Two provides the Literature review of the problem. That is it discusses both theoretical and empirical literature on target based system and fairness in taxation. Also the chapter provides the conceptual framework of the study.

Chapter Three provided the methodology of the study giving an explanation of the research process and the methods adopted for collecting and analyzing data. Then the study presents chapter Four Data analysis, presentation and interpretation of research findings. Then chapter Five provides discussion of the research findings lastly chapter six that presents summaries, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter is concerned with literature both theoretical and empirical review. The chapter provides key terms of the study, and then it reveals what has been done by other researchers about this study problem. Also the chapter provides the discussion about current collection method (target based system), fair taxation system, voluntary compliance and self assessment. Thereafter the chapter provides the empirical literature, then the conceptual framework of the study.

2.1 CONCEPTUALIZATION OF THE KEY TERMS

Collection target refers to target arranged by the upper tax administration as the amount to be collected by the revenue authority throughout the year normally the board meeting sits for the target at the beginning of the year so as to set the amount to be collected by the authority. After all, the whole amount targeted to be collected is divided into regions according to region collection performance so as each region to have it specific amount of collection either annually or after each quarter.

Performance management according to Crandall (2010), is an ongoing process of ascertaining how well, or how poorly an organization is achieving its goals and objectives. it involves continual collection of data on progress made in these regards. Performance indicators, or measures, are developed as standards for assessing the extent to which these objectives are achieved.

Performance measurement also refers to performance evaluation, performance review; is a method by which the job performance of an employee is documented and evaluated. Performance appraisals are the part of career development and consist of regular reviews of employee performance within an organization.

Also performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

Fair tax the tax designed to protect the low-income people from higher taxes. To be a good tax, the tax should be sufficient, convenient, efficient, and fair. The tax is considered as sufficient if it generates enough money to the government, so that government will be more able to pay for the public goods and services that it provides to people. A tax is considered as convenient when the government has a method for collecting the tax, which most taxpayers understand, and with which they routinely cooperate (Andrew et al 2015).

2.2 TAXATION AN OVERVIEW

According to TRA-Handbook, (2008); it is argued that, Taxation is important part of the fiscal policy of any Government. This is due to the fact that it is through Taxation the government can raise its revenue required for recurrent and development expenditure. Citizen of any country have a civil obligation of paying taxes to the government so as to enable it to meet the cost of providing social and economic services. Tax has been defined by Wilkins (1972) as confined to compulsory unrequited payments by individual and firms to general government. According to Hancock (2002) defines tax as compulsory levy imposed by government on either income, expenditure or capital asset for which taxpayer receive nothing specific in return with the purpose of raising money for public expenditure. Also Dickenrson (1996) adds that the tax that individual is bound to pay ought to be certain not arbitrary, time and manner of payment and quantity ought to be clear and pain to the contributor. Furthermore Professor Adams looks tax in the following way; from the standpoint view of the state, tax is a source of derivative revenue, from the angle of the citizens, tax is a coerced payment and from the point of view of theory a tax is a contribution from individual for common expenditure.

Tax revenue is the compulsory payment made to the government authority without any direct benefits received from government goods and services. Tax revenue collection is mainly aim to increase the revenue for public expenditure, redistribution of income etc.

2.2.1 PRINCIPLES OF TAXATION

Adam smith suggested that tax revenue collection should be made based on the principles such as Certainty, Economy, Convenience and Equity (CECE) and Mponguliana (2000) identified 5 principles of taxation which are Equity, Simplicity, Economy, Certainty and Convenience.

Equity: A tax system must treat equal taxpayers equally and unequal taxpayers proportionately unequally, thus people with the same amount of income should pay the same amount of tax. It is however acknowledged that because of the diversity of tax bases used within the economy and the fact some of these bases are only elective (e.g. consumption taxes), it is very difficult to design taxes that will guarantee 100% horizontal and vertical equity. Equity implies that the burden of taxation must be distributed equally in relation to ability of tax payers. Hence a tax system should contain progressive tax rates based on tax ability to pay.

Simplicity: This is ability of taxpayer to understand the procedure of tax collection. It advocates that tax system should be plain, simple to understand by the common taxpayers. It should not be complicated to understand how to calculate and ultimately ascertain how much to be paid also the law should be simple to be understood both by the taxpayer and the administration. The administration procedure of collecting tax from an individual must be simple and knowing for taxpayer.

Economy: The cost of collecting tax must be relatively low and the government should receive all income collected. The administration of the tax system should be least expensive in terms of both manpower and material.

Certainty: The tax payer must know exactly how much to pay and tax collector must also know how much to collect. According to Adam Smith “there should be certainty in

taxation because uncertainty create favourable climate for tax evasion hence compromising with the taxation objective”. The certainty aspects of taxation are:

- i) Certainty of effective incidence i.e. who shall bear the tax burden
- ii) Certainty of liability as to how much shall be the tax amount payable in a particular period.
- iii) Certainty of revenue i.e. the government should be certain about the estimated collection of revenue from a given tax levy.

Convenience: The method of tax collection must be convenient to both tax payers and tax collector. This principle emphasize that both time and manner in which payments are executed should be convenient to the taxpayer. Adam Smith said “every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for contributor to pay”

Productivity: A good tax must stimulate allocation of resources and should not discourage allocation of resources. This principle emphasize that tax system should be able to yield enough revenue for the treasure and government should have no need to resort to deficit financing.

2.3 TAX CLASSIFICATION

2.3.1 DIRECT TAX

These are taxes levied directly on people’s income from employment, business or ownership of property and an investment. The impact and incidence of the tax falls on the same person that is incidence cannot be shifted to another person. These taxes are usually regarded as to be equitable than indirect taxes because it related to the taxpayer’s ability to pay through “*progressive*” rate structure. A change in income automatically pushes the taxpayer the higher or lower tax blanket without altering the tax rates (Mponguliana 2005). Direct cost includes;

Corporation tax: This is the tax that must be paid by corporation or company based on the amount of profit generated. The amount of tax and how is calculated, varies depending upon the region where the company is located. Corporation tax from Wikipedia refers to tax imposed on entities that are taxed at the entities level in a particular jurisdiction. Such tax may include income or other taxes. From TRA Hand book Corporation Income Tax is levied on corporation taxable profit for all companies registered and/or carrying business in Tanzania. The applicable corporation income tax rate is 30% usually paid in two stages. The provisional tax is paid based on taxpayer's own estimates at the beginning of the business year; and final tax is paid after the official assessment of the total income in the respective year of income.

Pay As You Earn (PAYE): Refer to the tax charged from people's income or tax required to be deducted by an employee from his/her remuneration payable or paid. PAYE also is withholding tax on income payment to employees. Amounts withheld are treated as advanced payments of income tax due. Paye may include withholding the employees' portion of insurance contribution or similar social benefit taxes.

Withholding tax: is a scheme of tax payment administered by Income Tax Department whereby taxes are withheld at source. The taxes withheld are off set against final personal and corporation income taxes on resident tax payers, where as such taxes are final charges in respect of non-resident taxpayers. In the case of Interest, dividends and rental income the withheld taxes are final for both residents and none residents.

2.3.2 INDIRECT TAXES

These types of taxes are based on consumption whereby tax paid by the final consumer of goods and services while paying for purchase of goods or for enjoying services. It always for all rich and poor because both of them consumer goods. The legal Incidence of these taxes falls on the trader who acts as a collection agent of the government while

the effective incidence falls on the final consumer of goods or service that eventually pay the tax. According to Mponguliana (2005), argued that the biggest criticism of indirect taxes do not take into account individual ability to pay the tax. Both the rich and the poor pay exactly the same amount of tax. In this aspect they are regarded as “*unfair*” or in technical language “*regressive*”.

Indirect tax include

Value added tax (VAT): is a form of consumption tax. From the perspective of the buyer it is a tax on purchase price. From that of the seller it is a tax on the value added to a product, material, or service (Wikipedia). Purpose of VAT is to generate tax revenues to the government similar to the corporate or personal income tax. From TRA Handbook VAT is an indirect tax on consumption levied on a wide range of supplies of goods and services.

VAT is a multistage tax charged on value added to goods and services by producers and traders at each stage of production and/or distribution. Registered traders are the collecting agents for the Government. VAT was introduced in Tanzania on July 1st 1998 and replaced sales tax on goods and services, receipts based stamp duty, hotel levy and entertainment tax applicable to VAT registered businesses. VAT is charged at a single positive rate of 18%. The taxable value for local supplies is the amount of money the customer has to pay for the goods and services, or the open market value of the goods and services. According to section 4 of VAT Act 2006 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 or in furtherance of any business carried on by him. The VAT on a taxable supply of goods or services shall be payable by a taxable person at the end of a prescribed accounting period or at any time which the Commissioner may prescribe. The VAT on the importation of taxable goods or services from any place outside Mainland Tanzania shall be charged and payable in accordance with this Act and the procedures applicable under the Customs Laws for imported goods shall apply in respect of VAT imports.

Excise Duty: is a governmental tax meant for producers and manufacturers on a certain goods. These manufacturers considered to be entities who manufacture goods themselves, entities that pay a fixed salary for other to manufacture these goods. Excise duty also is levied on certain consumer goods on importation. The traditionally excisable goods are goods whose consumption is seen by the society as immoral i.e. beer and cigarettes, and goods whose consumption creates negative externalities to the society i.e. petroleum. In Tanzania apart from the traditional excisable goods soft drinks and motor vehicles are excisable for revenue generation purposes.

Custom Duty: These are taxes collected at the borders or port by customs official.

2.4 TAX ADMINISTRATION PERFORMANCE

Tax is the major source of revenue among most countries including Tanzania, though there many ways/systems of collecting tax such as fiscal devices (EFD), blocks system and currently collection target based system (www.tra.go.tz 20/11/2015).

Electronic fiscal devices (EFD) are the machines designed for use in business for efficient management controls in areas of sales analysis and stock control system and which conforms to the requirement specified by the laws (www.tra.go.tz 20/11/2015). Under this system business firm are obliged to issue receipt or invoice on each sale and notify any changes or malfunctioning of the machinery to commissioner within 24 hours where the supplier of the machine will install, configure and attend the malfunctioning of the machine within 48 hours.

Collection target based system established by the authority in order to ensure effective collection of revenue from tax payers as the former collection system was not perform well in the collection of revenue as a result so many people evade while others avoid to pay tax so the amount collected by the authority to meet government expenditure was not enough.

The “best” tax administration is not simply the one that collects the most revenue. How that revenue is raised—that is, the effect of the revenue-generation effort on equity, on political fortunes of governments, and on the level of economic welfare may be equally important. A poor-quality administration may collect large amounts from easy-to-tax sectors such as wage earners, while not able to enforce taxes on business enterprises and professionals”(ibid)

With reference to the above paragraphs, it means that if a tax administration’s performance is measured by the amount collected, “quantity” factor; they might be a sacrifice on the collection operations which define the “quality” factor of performance that retreated the point that devoting more focus on amount collected with little concern on quality by a tax authority can be a good indicator of poor tax administration. Therefore, more of “quantity” attracts poor “quality” in most cases.

Performance management is a powerful instrument but if performance indicators are not relevant according to the general goals then the work will be led in a wrong direction. Productivity may rise but the effect of work will be other than expected before using performance indicators in planning, budget and control there must be relevant measuring point.(the council of Europe, 2007)

The above paragraph emphasizes the importance of performance measurement with the use of sound indicators which are in line with the company’s goals and objectives. It’s also states that although productivity may increase,(increase in quantity produced or service supplied), the outcome will deviate from the expectations. Therefore, in the case of a revenue authority the quality of collections made may be at jeopardy if more emphasis is given to quantity to collect with little focused onto how it is collected.

In his article titled performance measurement in tax administration, Crandall, (2010) describe performance measurement as part of the broader processes of strategic and operational planning and an essential for accountability and transparency. This actually

captures performance measurement as a major part in identifying the answerability and lucidity of administration.

Under the above stated article, (Crandall,2010) has identified certain quality and quantity performance indicators for the audit and investigation tax administration. The quantity indicators stated are; number of audit complicated by tax type and by segment; additional tax assessed by tax type; total resources assigned; number of investigation completed. On the other hand quality indicators are stated as, the average time to complete audit by type of audit; audit quality (based on basic scoring tools); the average time to complete an investigation.

“Too often when the director of taxes in developing country is asked for data it transpires that the only number readily available is the amount of money collected yesterday, last week or last month. Of course, collection data are highly important, but they are not enough. To run a good tax administration, one must know where the money came from and what are the cost and various possible changes in legal framework and institutional infrastructure might be”

The EUROSAT study group, in their report states that “while it might be expected that the tax administration would have performance indicators covering tax collection and the cost of collecting taxes, some tax administrations have started to focus on voluntary compliance, consumer-centric approaches and quality of service in performance measurement as well as the more established measures of compliance”.

Even though their study covered only the cases of UK, France, Poland Sweden, it suggested that tax administrations are shifting away from relying on collection as a reliable measure for performance. The real consequences of relying on collections as performance indicators have not been clearly described hence the need for a study on that.

“Good tax administration is a difficult task even at the best of times in the best of places. How revenue is raised- the effect of revenue-generation effort on social capital, equity,

the political fortunes of the government, and the level of economic welfare- may be more important from many prospective than how much revenue is raised. The private costs of tax compliance as well as the public costs of tax administration must be taken into account”(Bird, 2008).

The level of collection is somewhat unsophisticated measure of the effectiveness of tax administration. A more appropriate measure is the “compliance gap”- that is, the gap between actual and potential tax revenues-and how that gap varies among the different sectors of the taxpaying population (Bird and Jantscher, 1992)

The group’s analysis of the questionnaire responses from SAIs, OECD report and the research commissioned from RAND Europe revealed that the performance indicators used by tax administration can be grouped into three main categories- compliance, cost and quality services . Therefore, collection was not identified as a reliable indicator of performance.

2.5 FAIR TAXATION

It is very important to distinguish among the terms of tax noncompliance, tax evasion, and tax avoidance. Tax noncompliance includes intended as well as unintended failures to meet tax obligations while tax evasion refers to such deliberate criminal non-fulfillment of tax liabilities. In contrast, tax avoidance refers to deliberate acts of reducing one's tax by using legal methods, such as avoiding the purchase of such a good in order to avoid the sales tax of that good (Grant 2005).

Tax fairness is difficult to define and there have been different studies looking fairness in taxation but only considered some factors to measure tax fairness. For example Gerbing (1978) In his research titled as: "An empirical study of payer perceptions of fairness", carried out a survey in the

United States in order to determine an operational definition to tax fairness through identifying the different dimensions of this concept. As a result of his research, Gerbing determined five tax dimensions to the concept of tax fairness: general fairness and distribution of the tax burden; exchange with the government; attitudes towards taxation of the wealthy; preferred tax structure; and self interest. While Chrestensen (1994) determined the dimensions of tax fairness, with special focus in the impact of educational level of taxpayers and on their perception to the tax fairness. The different dimensions of tax fairness, as determined by Chrestesen, includes: fairness of the tax system; fairness of personal payment level; exchange with the government; tax rate structure; and fairness of special provisions.

Some research have been relating tax fairness with tax evasion, for example Spicer, Michael, and Becker (1980), carried out a research titled as "Fiscal inequity and tax evasion: An Experimental approach", and found that there is a relevance of fairness considerations in explaining actual tax evading behavior. This result means that studying tax fairness should not be separated from studying taxpayers' compliance and tax evasion, because, it is concluded from this study that when there is tax unfairness, taxpayer noncompliance will appear, and tax evasion will be clearly apparent among tax payers. From these Findings tax fairness is considered as one of the most important variables that influences tax compliance behavior. The perception is supported by Song and Yarbrough (1978) in their study titled as "Tax ethics and tax attitudes: A survey", that a significant relationship is available between tax fairness and tax evasion. They also found more

significant relationship to "ability to pay" than "benefits" and study by Hite and Roberts (1992), examined the relationship between tax fairness and taxpayers' evasion. This study found that tax fairness was significantly associated with perceptions of an improved tax system, and that tax fairness and tax evasion were related.

2.6 THE CONCEPT OF TAX COMPLIANCE

Tax compliance is a major problem for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirements even though 'tax laws are not always precise' (James and Alley, 2004). Compliance a noun derived from the verb 'to comply' meaning to act in accordance with a wish or command to meets specified standards. To comply means to obey and act. James & Alley define compliance as the willingness of individuals and other entities to act within the spirit as well as the letter of tax law & administration without application of enforcement.

The exact meaning of tax compliance has been defined in various ways. For example, Andreoni, (1998) claimed that tax compliance should be defined as taxpayers' willingness to obey tax laws in order to obtain the economy equilibrium of a country. Kirchler (2007) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. A wider definition of tax compliance, defined in 1978 by Song and Yarbrough suggested that due to the remarkable aspect of the operation of the tax system in the United States and that it is largely based on self assessment and voluntary compliance, tax compliance should be defined as taxpayers' ability and willingness to comply with tax laws which are determined by ethics, legal environment and other situational factors at a particular time and place. Simon and Christopher Nobes (2000) define tax compliance as a degree that taxpayer comply with the tax laws. Tax compliance reflects the willingness of taxpayer to pay tax without being forced by law.

2.7 VOLUNTARY TAX COMPLIANCE

Voluntary mean done, given or acting of one's own free will. Also is a system of compliance that relies on individual citizens to report their income freely and voluntarily. Also is extent that people pay their tax to tax authority without being forced before due time. The high degree of voluntary compliance saves the tax department high cost of collection. It guarantees a steady flow of revenue for development and helps the realization of various tax policies. Late payments of tax, late submission, or non submission of documents do not lead to the realization of the required revenues (Mponguliana 2005). Compliance refers to the extent to which a taxpayer meets the following four broad categories of obligation, organization for economic cooperation and development (Malaki, 2007).

Factors affecting voluntary tax compliance

Aim of these factors is to estimate the reasons for non tax compliance in order to improve tax revenue collection. Voluntary tax compliance is a function of large set of variables such as **demographic variables, tax education, perception on tax fund, tax rate** etc. Descriptions of the variables that had been tested if they effect voluntary tax compliance are:

Attitude towards tax: Attitude represent the positive and negative evaluation that taxpayer hold of object. Taxpayer with positive attitude towards tax evasion are often found to be less voluntary compliant than taxpayer with negative attitude. Attitude towards tax evasion often too many citizens are found to be quite positive (Kircher 2008). The compliance attitude of the taxpayer is affected by the factors from the external environment of the taxpayer, for example, the nature of the business, industry and economic conditions prevailing on the market such as demand and supply. These are the factors that affect the competitive advantage hence creating a perception that non-compliance to tax is the solution. It is also affected by internal factors, such as sociological and psychological factors. This suggests that the model to improve the taxpayer compliance, should target at improving the taxpayer capability to overcome the

forces from those factors as outlined in the model above, hence creating a positive tax compliance behavior and attitudes. Lackson and Miliron (1986) listed the main factors that have influence as ethics, legal sanctions, complexity of the tax laws, and relationship with the tax authority, level and reliability of income sources, perceived fairness of the tax system, and possibility of being audited.

Tangible benefits and perception on the uses of tax fund: Studies on the relationship between the specifics of actual government spending and tax compliance, particularly on tax evasion, are very limited. Logically, taxpayers, and especially those who pay high amounts of tax, will be sensitive to what the government spends their money on. Although there is limited empirical evidence, it is reasonable to assume that taxpayers will tend to evade tax if they perceive that the government spends tax money unwisely. People pay tax when they expect a certain return, in circumstances where perceive taxes to be unfair and receive few tangible benefits in return for taxes paid, only coercive methods of enforcement can generate revenue. The perception of limited tangible benefits in return for taxes paid, seem to legitimate tax evasion.

Tax rate and tax amount: Mponguliana, (2005) said that, any attempt to avoid or evade tax may be caused by the factors like; higher tax rates and frequent changes in tax rates such as in sales tax and import duty; withholding tax; VAT 18%, Corporation tax 30% and many others. It is encouraging that Tanzania tax rates should have been reduced and rationalized. The current tax rates appear to be fairly low and reasonable but still there is a need for improvement to the extent possible. Where the effective tax rates are fairly low and reasonable it will be a major cause for voluntary tax compliance and ultimately tax evasion and avoidance will be retarded. Also too many taxes are difficulty to comply with correctly due to lack of knowledge of the detailed provisions of all the Tax laws, too many due dates and too many returns to complete; accounting staff shortages and other different problem in the tax laws hinders voluntary compliance. It is also been encouraged that, there is a need for improvement.

Punishment for tax evader: When the punishment such as penalty and fines are too low could be perceived as indicator that the authorities are weak and unable to control non payer. Punishment that are inappropriate because a taxpayer voluntary made a mistake result from ambiguous tax law, this reduce voluntary tax compliance. Mponguliana, (2000) argued that, low prospects of being detected and low punishment of tax evaders can lead to the expansion of tax evaders group. The more tax evaders a person know who are not caught and punished, the more likely he will also join the group of tax evaders (induced evasion). It can be said that, where tax evaders are caught penalties and fines should be a sufficient alternative means as stated in the “*Income Act, 2006*”, (Section 100-109) explains various penalties, interest and fines. That is why in some other complex cases of evasion, prosecution policy should be adopted against the offenders (Domestic Revenue Operations, 2006).

Inefficiency of Tax Administration: Mponguliana, (2000) argued that administrative inefficiency, collusion with taxpayers and bribery of tax officials are likely to influence taxpayers in evading taxes and thereby small tax base. Financial constraints, inadequate working tools and lack of staff motivation also do not encourage tax compliance whereby income may go untaxed and tax collection is delayed for several reasons. Inadequate training and experience of tax administration together with lack of exposure to business practices may limit tax official’s ability to solve complex issues of tax avoidance schemes and other Accounts falsification. The study was determining the contribution of tax administration on voluntary tax compliance.

Information, Education and related services: Educated people are likely to know more about tax law thus are better aware of the benefits the government provides to the public than uneducated taxpayer; also they understand opportunities for tax evasion and avoidance. Those who are not educated are ease to commit tax evasion and avoidance hence discourages voluntary tax compliance. There is a positive relationship between taxpayer education and voluntary tax compliance (Kassipillai, 2003). Taxpayer education will provide the necessary tax knowledge to comply with the tax matter and

change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. This was confirmed in a study carried out among the undergraduate students in the University of Malaysia. Using the questionnaires administered to the students, at the beginning of the semester, to test the compliance attitudes, before studying taxation subjects, and their responses were all recorded.

At the end of the semester, another set of questionnaires, were administered to test the compliance attitudes, after acquiring the tax knowledge. The statistical findings confirmed the prevalence of the significant positive relationship between the level of taxpayer education and the level of the voluntary tax compliance. However there is need to conduct similar study currently, because the above study was conducted more than 5 years ago.. It is important for taxpayers to be adequately informed about all taxes that affect them and their business (Taxpayer's Charter, 2007). This is a fundamental objective by TRA to educate their customers by giving them information of the taxes that affect their daily businesses and the importance of paying taxes voluntarily to the Authority as it reduces burdensome of tax and unnecessary inconveniences to tax obligations like court intervention (Mponguliana, 2000). TRA believes that "*Information is power*" and through this power of tax information, taxpayers would be able to comply more effectively with the tax laws. It is assumed that the authority shall use all the available means to disseminate vital tax information to tax payers including current changes in the tax legislations with the aim of helping taxpayers to plan properly their business affairs.

Demographic variable: Taxpayer demographic characteristics have an effect on tax compliance or non-compliance. For the purposes of this study, the following taxpayer characteristics - gender, age, educational attainment and marital status are reviewed.

Age: The majority of studies reviewed by Richardson and Sawyer (2001) that examined the age variable found that older taxpayers tended to be more compliant than younger taxpayers. Older people may have acquired more social capital Title (1980). Thus we

would predict that there is a positively correlation between age and tax compliance. The investigation was aiming at knowing the contribution of age in terms of age groups such as age between 15-29, 30-44 and 44-60 on willingness to pay tax.

Gender: Although there is still a lack of empirical and experimental evidence, there is the tendency that women are more honest and more compliant than men. Evidence from the tax compliance literature shows the tendency that men are less compliant than women Vogel (1974). A common finding amongst studies reviewed by Richardson and Sawyer (2001) and previously by Jackson and Milliron (1986) was that female taxpayers were more compliant than their male counterparts. In particular, a comprehensive study conducted by Oxley (1993) in New Zealand reported that women were more often compliers in comparison with men and less often tax evaders or tax avoiders'. The study will look at voluntary tax compliance in both women and men.

Educational qualification: The effect of education on taxpayer compliance is not clear. Both positive and negative relations have been found between education and non-compliance. Wallschutzky (1984) indicated that education is a variable most likely to improve compliance, whereas, Tauchen and Witte (1992) indicated that inconsistent results are produced as education is highly correlated with income level.

Marital status: Individual taxpayers who have spouses are found to be more compliant than unmarried taxpayers. This situation could partly be explained by the fact that women turn to be more tax compliant than men (Richardson and Sawyer, 2001). Married women are therefore able to influence their male counterparts to be tax compliant as well.

2.8 EMPIRICAL LITERATURE REVIEW

Organizations around the world both private and public gather information on their performance mainly for their decision making, developing strategic plans and improving

efficiency and effectiveness in operations (Edward-dowe, 2010). Performance appraisal as a tool used to judge the results of an operation has been adapted by almost all organization in various economic sectors and industries including the tax administration agencies.

In most developing countries, tax administration agencies have attempted to reform and modernize their operations with the help of the ministries responsible for finance and the most emphasis of the modernization was on maximization of revenue in spite of the above fact, the agencies performance is judged mainly based on the amount of collection they achieve within a certain period of time.

Van-kommer (2003) describes fifteen critical factors that are of importance in the success of an organization as a whole. This provides an insight into the development and progress of (strategic) goals of a tax and customs administration. For each discipline, not all the factor is applicable but a combination of indicators will be suitable for a particular profession. The indicator under the factors such as quality, quantity, effectiveness and efficiency are always a good combination of performance indicators. For a tax authority, effectiveness can be indicated by the use of comparatively less resources to perform the same amount of work or even more work than before. It can also be witnessed from taxpayers' appeals over additional assessments which eventually go in favor of the taxpayers being rectified and refunds paid as quickly as possible.

Edward-dowe (2003) in his presentation to the internal revenue of dominical has described three common ways of measuring a tax administration agency's performance and these are; performance measurement system, benchmarking and performance standards. Under the performance measurement system, numbers are assigned to properties and characteristics, for example the percentage of data entry error, the length of time of processing a file return and percentage of complains about client service. The benchmarking system only identifies the set standards on the other side indicate what the tax administration agency should do and how it should do it. Despite the above ways of measuring performance, a standardized and comprehensive tool to the performance of an

administration has not been developed (Junquera 2011). Meanwhile most of the developing countries have adopted the performance measurement system indicated by the tax- to GDP ratio. That has being the simplest approach of assessing performance by the developing countries because of the availability of data. Comparatively, developed countries have adopted a wide range of indicators of performance such as compliance, taxpayer's services, disputes and cost of collection.

The value or performance of the strategies implemented by a tax report which provides an elaboration on the main business process such as the number of registration, the amount of tax levied and collected and the number of tax investigation held. Accountability report clearly indicates the picture on the output but fail to provide proper insight into the overall effect on the society.

With reference to Tanzania, Osoro (1993) in his research paper concludes that for the past three decades, Tanzania has largely focused on increasing revenue rather than improving efficiency and he states that in Tanzania, tax reform has been used as an instrument of raising revenue productivity. Therefore, based on his finding the tax authority had been more onto the amount of revenue raised or collected with less or no regards to how the collections were made of which that can cause threat to the quality of tax collected.

Gray (2001) from the research entitled 'Enhancing transparency in tax administration in Madagascar and Tanzania' obtained the following in ascending order; company tax is most avoided followed by VAT and then personal income tax. Reasons for the behavior of avoiding pay tax were found to be; complicity of tax officials, excessive tax rates, political interventions, administrative weakness' and perception of unfairness in taxpayers. For example the study shows the following weakness; that the law authorizes defaulters to negotiate their penalty up to a ceiling of 4 times the evaded tax; the treasury receives only 25% the remainder being divided among officials involved in a case. These two weaknesses can be seen as the most causes for lack of transparency in the system hence unfair taxation. Moreover the main practices of non compliance found in

the study were; sales without bills or receipts; under invoicing; understatement of turnover and fraudulent deductions against VAT.

Rashid (2004) conducted a study to evaluate the influence of tax knowledge on the tax compliance behavior among the taxpayers in Malaysia. The objective of the study was to investigate the effect of the presence of tax knowledge and understanding the level of tax compliance behavior. Analyzing the data collected using questionnaire to compare the compliance behavior of taxpayers with significant level of tax knowledge, statistical findings shows that taxpayers with high knowledge had higher level of compliance compared to taxpayers with low knowledge of tax. Therefore the results indicated there is significant relationship between the level of tax knowledge and the level of tax compliance. However Lin and Carrol (2000) had different view of findings when conducted their study on determining how enhanced tax knowledge affects the compliance behavior among taxpayers in New Zealand. Their findings shows that there no significant relationship between tax knowledge and tax compliance behavior.

2.9 Conceptual framework

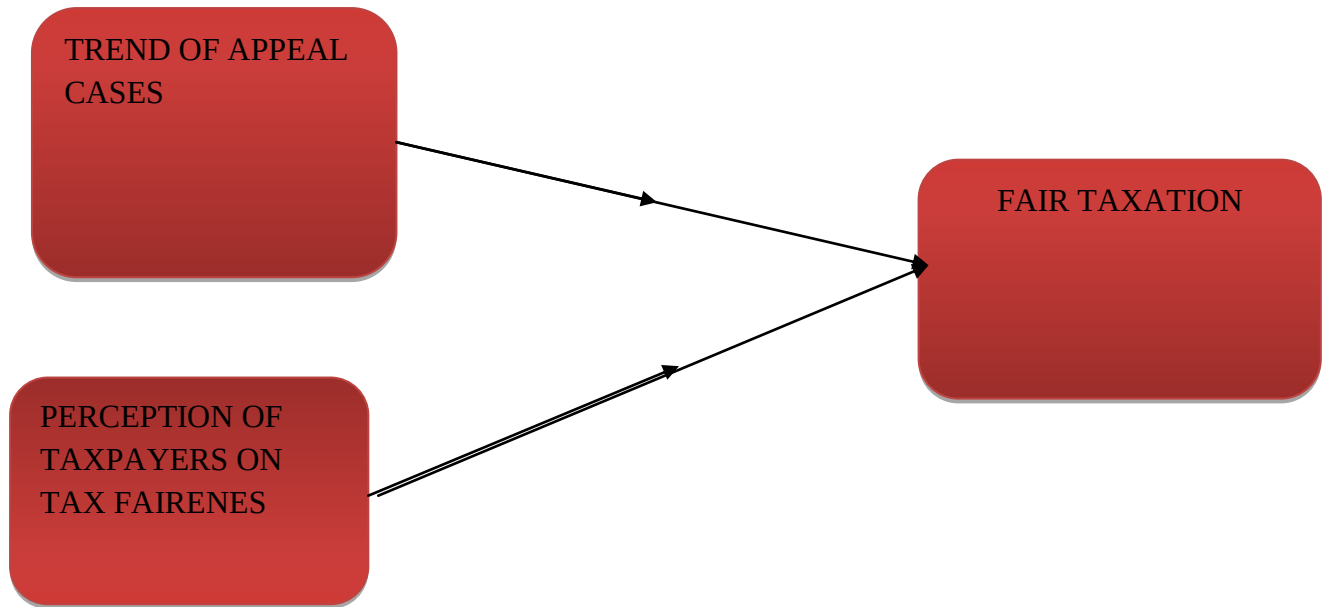
Ravitch and Riggan (2013) present conceptual frameworks as a mechanism for aligning literature review, research design, and methodology. The book explores the conceptual framework defined as both a process and a product that helps to direct and ground researchers as they work through common research challenges. Focusing on published studies on a range of topics and employing both quantitative and qualitative methods.

The way ideas are organized to achieve a research project purpose. It consists of both independent and dependent variables which depend on each other to abstract representation of the research project gives explanation of the whole research project. The dependent variables of this study Fair taxation, the independent variables are trend of appeal cases by the taxpayers to the authority; and the perception of taxpayers on fairness of taxation.

Figure 2.1 conceptual framework

INDEPENDENT VARIABLE

DEPENDENVARIABLE



Source; Researchers Works 2016

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter discusses the research design and methodology that assess if target collection based system does enhance fair taxation or hinders fair taxation, a case study of Morogoro Municipal tax payers. It describes the research design, study geographical area, the study population, sampling procedure, data collection instrument and data analysis.

3.1 RESEARCH DESIGN

The key question for this study is ‘does collection target based system enhances fair tax’. To be able to answer this question one should explore the perception of taxpayers themselves on the fairness of the current tax system plus checking and analyzing trend of cases opened regarding unfair assessment conducted by TRA staffs. Muaz (2003) define research design as the document of the study which defines the study type (descriptive, correlation, semi experimental, experimental, review, mete-analytic) and sub-type (e.g., descriptive longitudinal or case study) research designs. Therefore a case study designs appropriate research design that enables various outcome to be reached upon conclusion of the study. A case study allows the researcher to deal with a particular individual organization within the group, and in conclusion not to generalize the findings (Kothari 2006). Morogoro municipal was chosen as a case study because is among areas that have many registered taxpayers given that most of trades at Morogoro can be included in this study.

3.2 TARGET POPULATION

Kothari (2006) defines population as the collection of individuals or objects known to have similar characteristics. All individual or object within a certain population usually has a common, binding characteristics or trait. Morogoro Municipal contains of so many departments about 13 departments with 62 staffs (tax officers) which they work under different department. The region has about 10,245 registered businesses that can be considered to be taxpayers and other non-registered tax payers of which there no specific number known. This study also requires the secondary data so different reports about cases filled by taxpayers due to disagreed on the taxes assessed by TRA employees or assessors.

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

According to Cochran (1997) a sample is a part of population which is deliberately selected for the purpose of investigation. Therefore is the frame consists of a list of items from which the sample is to be drawn. It defines the target population from which the sample is drawn and to which the sample data was taken. The sample consists of 180 registered taxpayers from who the list obtained at TRA- Morogoro offices. Also the sample of appeal cases report from 2001 to 2015 were considered in analysis as a sample, these reports of appeal cases trend are a national wide reports.

3.3.1 SAMPLING TECHNIQUE

The sampling technique used in this study was purposive sampling technique. This technique was used to obtain and utilizes personal perception of each respondents regarding their perception on tax fairness. Therefore the researcher considered the merit of the respondents by considering only being registered tax payer so being included in the sample and qualified to be chosen so randomly obtained in that cluster.

3.4 DATA COLLECTION INSTRUMENTS

As researcher needs more information about the study to make sure that questions or hypothesis has been answered. So researchers use different way to acquire the detail about the study information. This study has collected both primary and secondary data.

3.4.1 PRIMARY DATA

These are data collected by the researcher consist of a collection of the original primary data. It is often undertaken after the researcher has gained some insight into the issue by reviewing secondary research or by analyzing previous collected primary data. Primary data can be accomplished through various methods, including questionnaires, observation, and interview. In this study only questionnaire and interview methods have been used to collect primary data.

Questionnaire

A self-administered questionnaire was used to collect data. The questionnaires were administered by the researcher by asking respondents answering or filling them while the researcher waits or fill the questionnaire herself by asking the respondents. In the second situation was used just like an interview but was found effective as explanations could be given to the respondents in situation of difficulties in understanding.

This method was used to collect information related to specific objective two which is about taxpayer's perception on the tax fairness and objective three the level of voluntary compliance.

3.4.2 SECONDARY DATA

These are data collected through ready existing document, secondary data collection method is preferred over primary data since because the costs of collecting secondary data is much lower compared to those used on primary data, under these study secondary data was obtained from previous tax assessment which reveal the trend of continuously taxpayers assessment on their revenue collection. Secondary data under this study were much from appeal cases report produced by TRA, and or Tanzania Appeal Board.

Documentary review

The tax appeal cases from the tribunal appeal case- register was acquired and used in the study. The audit performance report from the domestic revenue authority department

were also acquired and used on the analysis, other documents used in the analysis was the summarized documents of tax payers assessment records

3.7 DATA ANALYSIS

As per whiting (2016) data analysis is the collecting and organizing of data so that a researcher can come into a conclusion, data analysis allow one to answer questions, solve problems, and derive important information.

The analysis technique used is the mean and trend analysis. The mean analysis was used to present the perceptions of the taxpayers on the fairness of the taxation. Trend analysis was used to analyze the secondary data tax appeal cases.

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CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF DATA

4.0 INTRODUCTION

The chapter shows how the data collected from different respondent are presented in a way that is easily understood by both the people who will pass through my research topic and its show how tax administration officers and taxpayer behave during assessment and collection of tax.

It is based on the analysis of both kinds of data collected that includes primary and secondary data collected to achieve the required research objectives. The analysis of the data collected was done in accordance with the research objectives and question.

4.1 DEMOGRAPHIC PROFILE OF RESPONDENTS

Demographics includes age, gender, employment, social and economic status, ethnicity. In this study researcher only make analysis on demographic respondents` profile on level of education and length of time in employment because is deemed to have impact on research study. The table below shows demographic respondent profile on level of education and length of time in employment;

Education of Respondents

Table 4.1: Level of education of Respondents

	Certificate	Diploma	Bachelor degree & above	Total
Frequency	100	50	30	180
Percentage %	75%	20%	5%	100%
Cumulative frequency	100	150	180	180
Percentage %	75%	95%	100%	100%

Source: Researcher, 2016

From table 4.3 shows that 75% of all respondents have certificate and above, 20% of all respondents are diploma holder and only 5% of all respondents are bachelor degree holder. This means that our respondents are in position to read and understand our questionnaire, hence provide the honest information.

Experience in Business

The Table below shows analysis of respondents' length of time in being in the current business in which there registered.

Table: 4.2: Length of time in Business

	Less than one year	2 year-5year	Above 5years	Total
Frequency	30	100	50	180
Percentage %	15%	50%	35%	100%
Cumulative frequency	30	130	180	180
Percentage %	15%	65%	100%	100%

Source: Researcher, 2016

From table 4.2 above show that 50% of all the respondent who have experience with business for over 2 years but less than five years. 15% of the respondents have an experience of less than one year while 35% of the entire respondent has experience in business for more than 5 years. It shows that most of the TRA- Morogoro Municipal has enough experience in business and tax issues, since these are years since respondents register their business for tax purposes. With education of our respondents and the experience found in respondents the researcher believe that respondents are in position to have good knowledge in tax issues hence can proceed with determining the perception of taxpayers in fairness of tax at Morogoro Municipal.

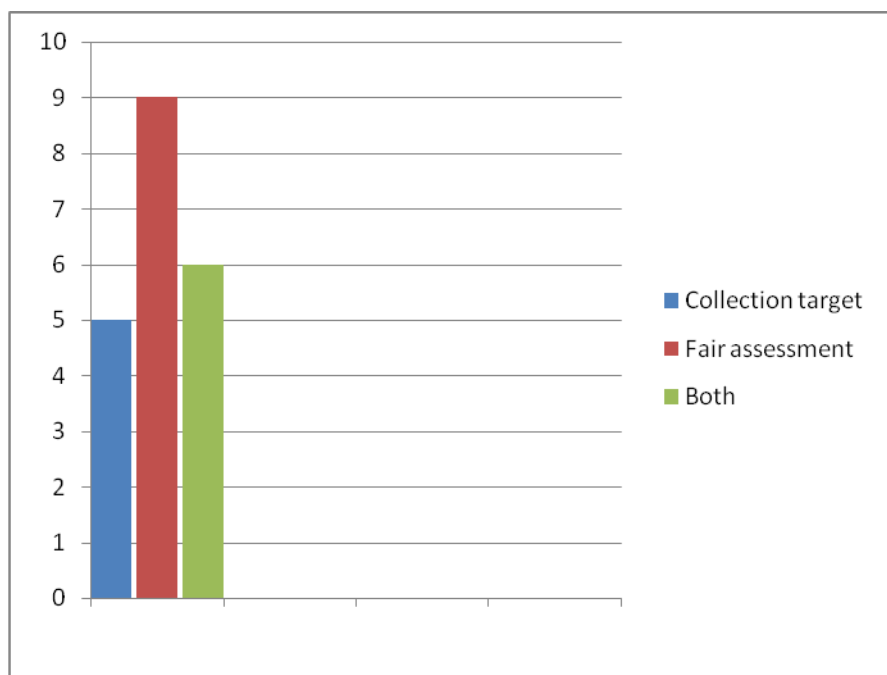
4.2 PERCEPTION OF MOROGORO MUNICIPAL TAXPAYER'S ON THE FAIRNESS OF THE TAXATION SYSTEM.

Six items were considered on assessing the perception of Morogoro municipal tax payers, one is the perception on the tax administration by TRA Morogoro, there after then factors of fairness which are; general fairness and distribution of the tax burden; self interest; exchange with the government; attitudes towards taxation of the wealthy; preferred tax structure;

4.2.1 TAX ADMINISTRATION PERCEPTION

First the researcher started by asking the respondents to show their opinion on the tax administration issues which are more based on TRA Morogoro offices as they direct deal with them. So the researcher asked the respondents to show their perception on the crucial item considered by TRA-Morogoro office during tax assessment. Respondents were required to rank from one refers to low consideration to five high consideration the results are presented by figure 4.1 below.

Figure 4.1: Performance indicator considered crucial when assessing tax

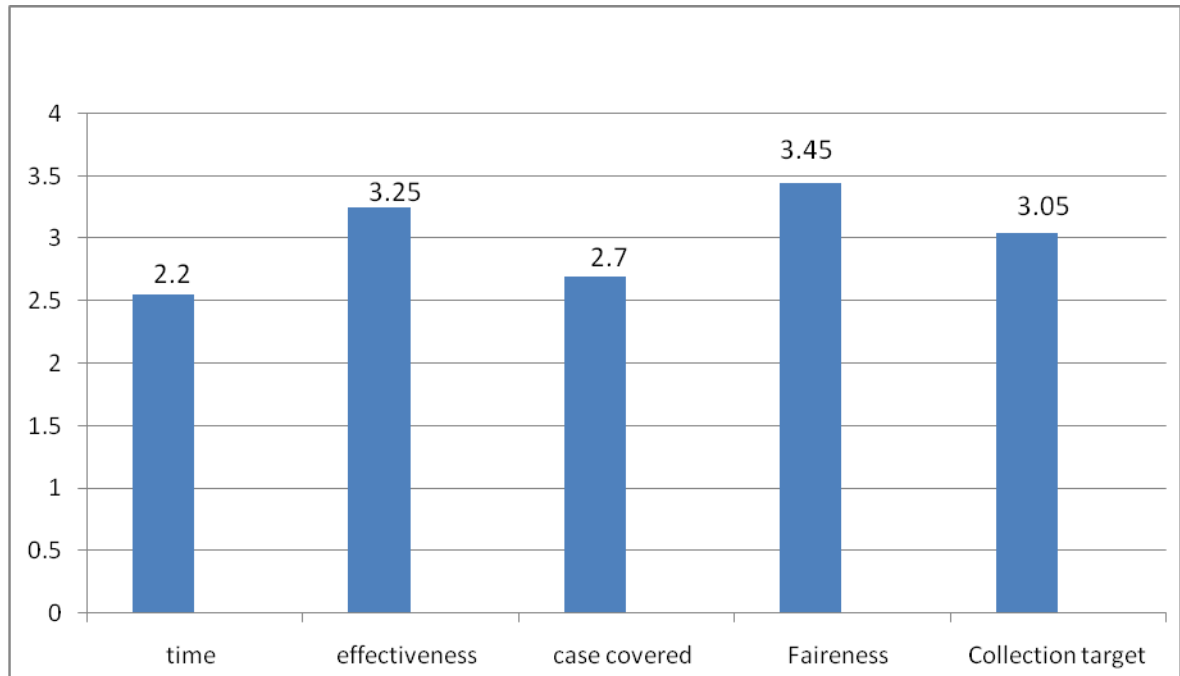


Source; Researcher Findings, 2016

The findings show that amongst the performance indicator factors, collection target, fair assessment, time constraint and quality; fair assessment indicated the highest consideration by forty five percent (45%) followed by thirty percent (30%) who considered both “collection target” and fairness while only twenty five (20%) considered fairness as the most important factor when assessing tax.

Thereafter the researcher asked respondents to provide their perception on the measurement of performance on the tax collected by TRA Morogoro municipal, Factors considered are; time used for collection; the effectiveness of collected amount(measured by Budget – Actual), cases covered during collection; Fairness in taxing or during assessment; and meeting collection target. Respondents were required to rank on the factors each independently with the value of 1 as the lowest factor considered in performance assessment and 5 as the highest factor considered as a factor used in performance assessment by TRA-Morogoro. The findings are presented by Figure 4.2 below.

Figure 4.2: The average ranking of factor of performance for a tax administration



Source: Researcher Findings, 2016

The ranking of the above factors was between one and five. Fairness on assessments was ranked highest at mean 3.45 by 69% of respondents, followed by effectiveness at mean of 3.25 equal to 65% of respondents, collection target at mean of 3.05 equal to 61% respondents, the number of tax audit cases at mean 2.7 equal to 57% respondent and lastly the time factor at mean of 2.55 equal to 51% respondents.

Fairness which is the highest factor of performance in this administration since because it considers fair assessment and collection of tax by the authority the tax officers here consider the tax laws and regulation during assessment thus reduces the tax gap as well as the complains from the tax payers.

Effectiveness under these factors the difference between budgeted/planned tax and the actual amount of collection this is important because it determines how the authority was

effective during tax collection, when the actual amount collected is greater than the planned amount then the authority is ineffective.

Collection target it only show how efficient the authority was during collection of tax if the collectors succeed to collect their targeted amount fairly from the taxpayer without complains then it said to be efficient collection .

Case covered, reflect the number of appeal cases covered by the authority during a particular accounting period when the number of cases covered is higher than those settled the tax authority is said to be effective.

Time; is the most least factor considered, since while collecting tax the authority consider the financial year of collection which is performed yearly from January to December.

4.2.2 GENERAL FAIRNESS AND DISTRIBUTION OF THE TAX BURDEN

The researcher created five statements that measure the perception of taxpayers on the fairness of the taxation system in case of general fairness and distribution of the tax burden. The respondents were required to show their agreement or disagreement on the statement, the ranking was from 1 as strong agreed to 5 strong disagreed. That is 1, stands for strong agreed, 2 stands for agreed, 3 for neither neither agree nor disagreed, 4 disagreed and 5 strong disagreed. The decision criterion is that mean greater than one (1) but less than 2.44 ($1 \leq \text{Mean} < 2.44$) is the agreed statement, mean greater than 2.44 but less than 3.44 ($2.44 < \text{Mean} < 3.44$) is the neither/nor statement, while any mean greater or equal to 3.45 the statement is a disagreed. Using the decision criterion set by the researcher it can be observed that three statements have been agreed, one statement is on the neither/nor and one statement is on the disagreed, as findings presented by table 4.3 say. The statement under agreed situation are I, believe that in general, the tax system in Tanzania is fair mean of 1.62, I believe that the method of distributing tax burden among tax payers in Tanzania is fair scored mean of 2.18. Also the third agreed

statement is I feel that if we examine the tax burden in Tanzania, as a whole, we will find it fair scored the mean of 2.41. The statement which is neither agreed nor disagreed is the statement said that Tanzania tax system is the fairest system that the government can follow which scored mean of 2.68. The disagreed statement is the statement said that Based on my income and on my income tax burden, I feel that the income tax system in Tanzania is fair mean of 3.84.

Table 4.3; General Fairness and Distribution of the Tax Burden		
Statements	Mean	Standard Deviation
I believe that in general, the tax system in Tanzania is fair	1.62	0.0059
Based on my income and on my income tax burden, I feel that the income tax system in Tanzania is fair	3.84	1.0862
I believe that the method of distributing tax burden among taxpayers in Tanzania is fair	2.18	0.9856
I feel that if we examine the tax burden in Tanzania, as a whole, we will find it fair	2.41	0.8792
Tanzania tax system is the most fair system that the government can follow	2.68	0.8218
Grand Mean	2.546	
KEY; 1= strong agreed, 2= agreed, 3= neither/nor, 4= Disagreed and 5= strongly disagreed.		

Sources; Researchers Findings 2016

In general it can be seen that the grand mean is 2.546 which is the neither agreed nor disagreed statements, therefore giving the conclusion on this part about the General Fairness and Distribution of the Tax Burden is that taxpayers at Morogoro Municipal are neither agree nor disagreed on the statement.

4.2.3 EXCHANGE WITH THE GOVERNMENT

Another item studied is the perception of Morogoro taxpayers on the fairness of the tax system in Tanzania is the exchange with the government. The respondents were required to show their agreement or disagreement on the statement, the ranking was from 1 as strong agreed to 5 strong disagreed. That is 1, stands for strong agreed, 2 stands for agreed, 3 for neither neither agree nor disagreed, 4 disagreed and 5 strong disagreed. The decision criterion is that mean greater than one (1) but less than 2.44 ($1 \leq \text{Mean} < 2.44$) is the agreed statement, mean greater than 2.44 but less than 3.44 ($2.44 < \text{Mean} < 3.44$) is the neither/nor statement, while any mean greater or equal to 3.45 the statement is a disagreed. The findings presented by Table 4.4 below shows that all statement was disagreed as their mean was above 3.44 in all three statements. In general using grand mean also the results shows that the statement and the item related with tax fairness was disagreed as scored an average mean of 4.67.

Table 4.4 ; Exchange with the Government		
Statements	Mean	Standard Deviation
When I compare the amounts of taxes that I pay, with services I receive from government, I find that the tax paid is fair	4.76	0.0379
I feel that I do not pay high amount of taxes, when I compare those benefits with benefits I receive	4.62	0.0438
I feel that I receive reasonable benefits from government in comparison with the amounts of taxes I pay	4.64	0.0072
Grand Mean	4.67	
KEY; 1= strong agreed, 2= agreed, 3= neither/nor, 4= Disagreed and 5= strongly disagreed.		

Source; Researchers Findings 2016

4.2.4 ATTITUDE TOWARDS TAXATION OF THE WEALTH

Attitude towards taxation of the wealth is another factor that can be used to measure the tax fairness of the jurisdiction. In doing so the researcher prepared seven statements that try to cover the attitude towards taxation of the wealth. The respondents were required to show their agreement or disagreement on the statement, the ranking was from 1 as strong agreed to 5 strong disagreed. That is 1, stands for strong agreed, 2 stands for agreed, 3 for neither neither agree nor disagreed, 4 disagreed and 5 strong disagreed. The decision criterion is that mean greater than one (1) but less than 2.44 ($1 \leq \text{Mean} < 2.44$) is the agreed statement, mean greater than 2.44 but less than 3.44 ($2.44 < \text{Mean} < 3.44$) is the neither/nor statement, while any mean greater or equal to 3.45 the statement is a disagreed. The findings as presented by table 4.5 shows that five statements out of seven was agreed, one statement neither agreed nor disagreed and one statement disagreed.

Table 4.5; Attitudes towards taxation of the wealthy		
Statements	Mean	Standard Deviation
I believe that business in Tanzania do not pay more than their required share in business income	1.2	0.0001
I feel that the amounts of tax that are collected from middle income earners are high	2.82	0.29432
I think that income tax in Tanzania is based on taxpayers ability to pay	1.6	0.0058
It is fair for those who receive higher levels of income to pay more amounts of taxes than those who receive lower levels of income	1.14	0.0382
Comparing my income tax burden with others, I do not pay more than my fair tax	3.9	1.0982
The Tanzania tax system provides high breaks for the undeserving	1.64	0.9384

Special provisions in the Tanzanian tax law that apply to only a few people are unfair	2.42	1.0302
Grand Mean	2.10	
KEY; 1= strong agreed, 2= agreed, 3= neither/nor, 4= Disagreed and 5= strongly disagreed.		

Source; Researchers Findings 2016

In general, the findings shows that tax system of Tanzania is perceived fairness in terms of taxation towards the wealth as it shows the grand mean of 2.10 which is the agreed based on the criterion set.

4.2.5 PREFERED TAX STRUCTURE

Another element considered when looking the fairness of the tax system is the tax structure. The researcher asked respondents who are Morogoro taxpayers to show their view on the structure of tax in Tanzania. The respondents were required to show their agreement or disagreement on the statement, the ranking was from 1 as strong agreed to 5 strong disagreed. That is 1, stands for strong agreed, 2 stands for agreed, 3 for neither neither agree nor disagreed, 4 disagreed and 5 strong disagreed. The decision criterion is that mean greater than one (1) but less than 2.44 ($1 \leq \text{Mean} < 2.44$) is the agreed statement, mean greater than 2.44 but less than 3.44 ($2.44 < \text{Mean} < 3.44$) is the neither/nor statement, while any mean greater or equal to 3.45 the statement is a disagreed. The findings presented by table 4.6 show that one statement was agreed the statement said “I believe that the tax rate takes with consideration that taxpayers' abilities to pay are different” which scored mean of 1.46. However two statements saying the base which tax rate is based on is fair and tax structure in Tanzania as a whole is fair shows to be neither agreed nor disagreed as they scored mean of 2.68 and 3.42 respectively.

Table 4.6; Preferred Tax Structure		
Statements	Mean	Standard Deviation
I believe that the tax rate takes with consideration that taxpayers' abilities to pay are different	1.46	0.0082
I think that the base in which the tax rate based on is fair	2.68	0.7930
I feel that tax structure system in Tanzania, as a whole is fair	3.42	1.8422
Tax deductions are fair because most groups of taxpayers can benefit from those deductions, and not just the wealthy taxpayers	4.8	0.0042
Grand Mean	3.09	
KEY; 1= strong agreed, 2= agreed, 3= neither/nor, 4= Disagreed and 5= strongly disagreed.		

Source; Researchers Findings 2016

In general it can be seen that the element of tax fairness about preferred tax structure was not agreed nor disagreed as it scored the mean of 3.09 which is under the neither/nor agreed decision.

4.2.6 SELF INTEREST

The last element of tax fairness considered in this study is the self interest to measure this element the researcher prepared four statements to be answered by respondents, the respondents were required to show their agreement or disagreement on the statement, the ranking was from 1 as strong agreed to 5 strong disagreed. That is 1, stands for strong agreed, 2 stands for agreed, 3 for neither neither agree nor disagreed, 4 disagreed and 5 strong disagreed. The decision criterion is that mean greater than one (1) but less than 2.44 ($1 \leq \text{Mean} < 2.44$) is the agreed statement, mean greater than 2.44 but less than 3.44 ($2.44 < \text{Mean} < 3.44$) is the neither/nor statement, while any mean greater or equal to 3.45 the statement is a disagreed. Findings are presented by table 4.7 below;

Table 4.7; Self- Interest		
Statements	Mean	Standard Deviation
When I compare the amounts of income tax I pay, with what others pay, I feel that my income tax is fair	2.8	0.0928
It is fair for those who receive higher levels of income, to pay high taxes, because they have higher ability to pay.	2.06	0.3847
I believe that the share of the total income taxes paid by high income earners is not too much high	1.82	0.0042
I believe that flat rate of income taxes is not a fair rate	1	0.0000
Grand Mean	1.92	
Key; 1= strong agreed, 2= agreed, 3= neither/nor, 4= Disagreed and 5= strongly disagreed.		

Source; Researchers Findings 2016

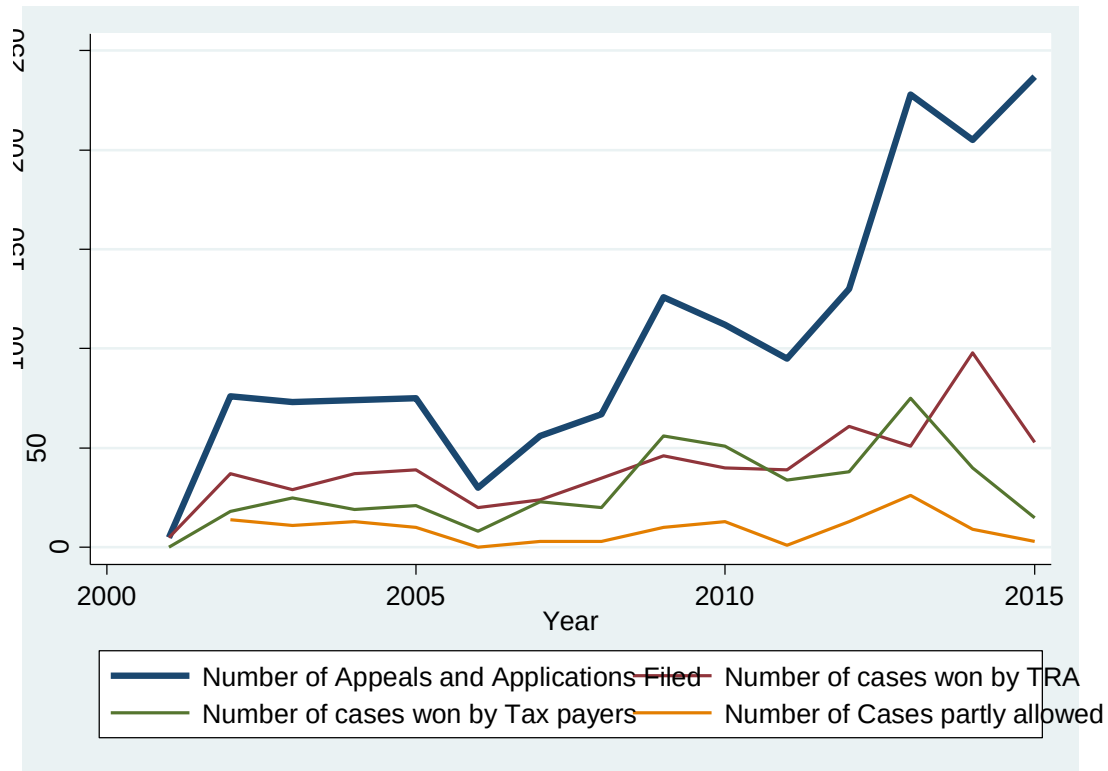
From the findings above it can be observed that three statements were agreed and the grand mean also show the agreement as it scores mean of 1.92. The statements agreed are “It is fair for those who receive higher levels of income, to pay high taxes, because they have higher ability to pay” mean of 2.06; “I believe that the share of the total income taxes paid by high income earners is not too much high” mean of 1.82 and “I believe that flat rate of income taxes is not a fair rate” mean of 1.00. one statement shows the neither agreement nor disagreement, the statement say “When I compare the amounts of income tax I pay, with what others pay, I feel that my income tax is fair” mean of 2.8.

4.3 THE TREND OF APPEAL CASES (BOTH IN NUMBER AND IN AMOUNTS) FROM 2001 TO 2015

The trend of appeal cases helps on making an assumption about the fairness of the taxation system. That is to say when there an increasing of appeals and TRA loose the case then it's an indicative that TRA assessment is not correct. The correctness of the assessment is measured from the tax bases, tax laws and efficient of TRA staffs, hence if the assessment is inefficient then tax system has problems in those three areas (tax base, tax laws and efficient staff) which affect the fairness of any tax system. This part used the secondary data that was obtained from TRA website showing the trend of cases from 2001 to 2015 December, the information available are about cases appeal and application filed, cases won by TRA, cases won by Taxpayers, cases partly allowed, cases settled and cases pending for determination. The findings about the trend of cases have been discussed below.

Figure 4.3 shows that the trend of appeals and application filed have been increasing from year to year. Due to increase in appeals and application filed from 2001 to 2015, other elements has been increasing too except for the year 2015, those elements are cases won by TRA and cases won by Taxpayers however cases partly allowed has been increasing in 2010 to 2013 but decreased in the 2014 and 2015.

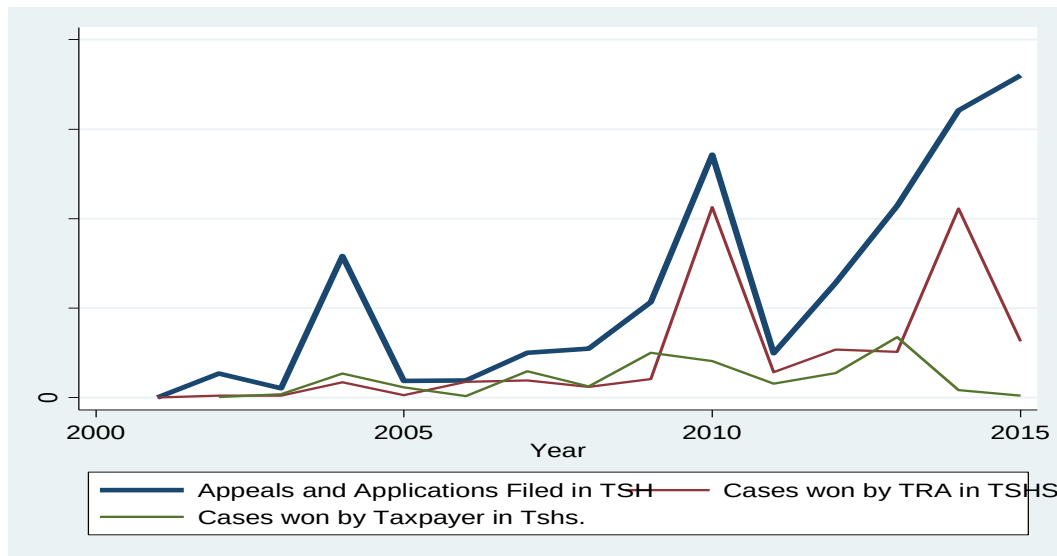
Figure 4.3 Trend of cases appealed, won by TRA, won by Taxpayers and partly allowed in numbers.



Source; Researchers Findings 2016

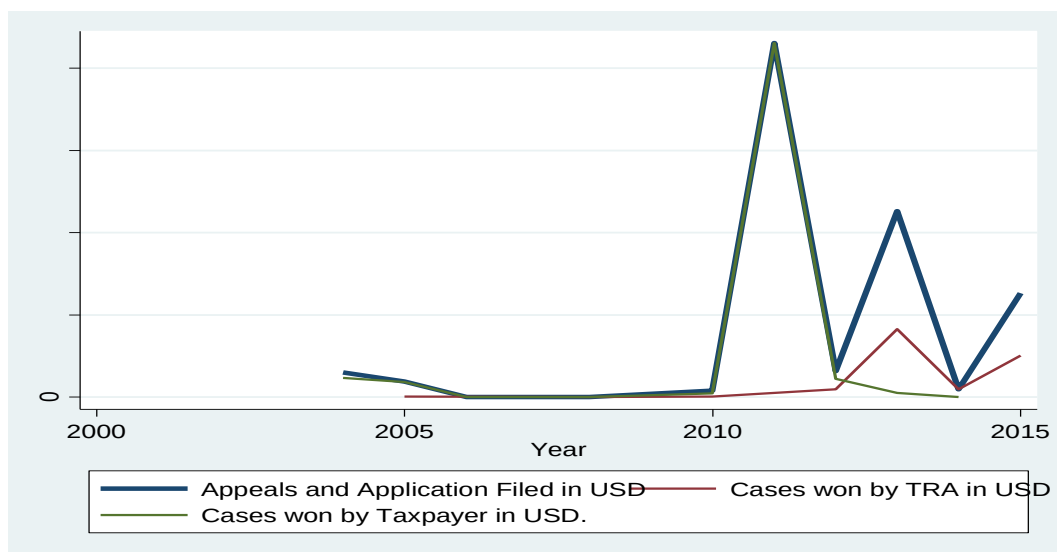
Also figure 4.4 and figure 4.5 below shows that there has been increase in appeals in terms of amount, in Tanzania shillings figure 4.4 and in US dollars-figure 4.5. The trends in both of these figures were increasing but decreased in 2015. About the trend related by Tanzania shillings, figure 4.4, The cases won by Tax payers has been lower than case won by TRA mostly in 2008 to 2015, but before 2008 it was winning and losing that is TRA wining is higher and some next year Taxpayers winning become higher. About figure 4.5 shows coming to 2012 taxpayers won more than TRA does, however the trend changed from 2013 to 2015 when TRA won higher than taxpayers.

Figure 4.4; Trend of cases appealed, won by TRA, won by Taxpayers and partly allowed in Tanzanian Shillings.



Source; Researchers Findings 2016

Figure 4.5; Trend of cases appealed, won by TRA, won by Taxpayers and partly allowed in U.S. Dollars.



Source; Researchers Findings 2016

To discuss this trend without determine the extent is useless therefore the researcher decided to calculate the percentage trend of winning both by TRA and by Taxpayers. A simple formula were entered in excel for example for numbers, number of TRA won the case dived by the number of appeal and application filed times hundred i.e. [(Number of TRA Cases won/Number of appeals and application filed)*100]. The findings are presented by table 4.8 below.

Table 4.8; Trend of cases won by TRA and By Taxpayers in numbers, Tsh, and USD.

Year	TRA CW Number	TRA CW Tsh	TRA CW USD	TP CW Number	TP CW TSh	TP CW USD
2001	100.00	100.00		0	0	
2002	48.68	8.53		23.68	2.95	
2003	39.73	21.05		34.24	34.91	
2004	50.00	10.96	0	25.68	16.96	78.70
2005	52.00	15.61	2.74	28	63.32	97.26
2006	66.67	90.72	0	26.67	9.27	96.44
2007	42.86	38.87	0	41.07	59.20	0
2008	52.24	21.61	75	29.85	23.23	25
2009	36.51	19.24		44.44	47.16	
2010	35.71	78.31	6.90	45.53	15.01	55.80
2011	41.05	57.59	0	35.78	31.22	100
2012	46.92	41.86	29.80	29.23	21.39	70.20
2013	22.37	23.81	36.51	32.89	31.56	2.10
2014	47.80	65.73	96.05	19.51	2.58	0.01
2015	22.36	17.48	39.94	6.33	0.66	0
TOTAL	38.64	39.90	17.35	27.88	16.73	57.21

Source; Researchers Findings 2016

From the table above it shows that from 2001 to 2015, by average TRA won high number of cases appealed compared to taxpayers except in 2009, 2010 and 2013 where taxpayers won high numbers of cases appealed compared to TRA. Numbers itself is not enough but it gives an indication of the fairness of taxation system. As if the number of appeals increased and number of taxpayers winning increased then there must be a

problem within the taxation system. In Tanzanian shillings, by average during fifteen years TRA winning is high compared to taxpayers winning, however in the following years taxpayers won higher amounts than TRA, 2003,2004,2005, 2007, 2008, 2009 and 2013. The remaining years TRA won higher than taxpayers.

It is surprisingly that by average cases won by taxpayers for the USD applicants and appealed cases are higher than cases won by TRA in fifteen years, the total winning of USD is 57.21% compared to TRA winning which is 17.35%. The trend of winning for taxpayers was alarming in 2004, 2005, 2006, then 2010, 2011 and 2012.

Moreover the researcher decided to conduct the growth rate of the cases both in numbers and in amounts (Tanzanian shillings and in USD) considering all three situation that is cases appealed and application filed, cases won by TRA and cases won by taxpayers. To conduct this analysis the following formula was used using example of Number AAFg = $\text{Number AAF} / \text{Number AAF}_{[n-1]}$. The results of this analysis as presented by table 4.9 shows that by average number of appeals and application filed has been increasing by 54% (calculated as $((1.54-1)*100)$) during the fifteen years of analysis. Further the findings shows that in 2002, and 2013 there were high increase in appeals and application filled compared to other years. For example by number in year 2001 = 5 number of appeals, year 2002 =76 number cases of appeals, while in 2012 there were 130 cases of appeals and raised to 228 cases of appeals in 2013.

The winning of TRA in those appeal cases has been increasing for 32% obtained as $(1.32-1)*100$, compared to 23% $((1.23-1)*100)$ increase winning of taxpayers in numbers. For the amount in Tanzanian shillings the appeals has been increasing for 2279% from 2001 to 2015 while in US dollars there an increase of 221%.

Table 4.9; growth rate of cases in Appeal and Application filed (AAF), Cases won by TRA (CWTRA) and cases won by Taxpayers (CWTP)

Year	NO. AAFg	AAFTS Hg	AAF USDg	NO. CWTR Ag	CWTR ATSHg	CWTR AUD g	NO. CWTP g	CWTP TSHS g	CWTPU SDg
2001									
2002	6.00	298.52		4.00	270.83				
2003	1.87	2.59	0.39	1.2	1.11		2.88	16.56	
2004	1.20	1.10	0.66	1.45	0.61		0.87	0.43	
2005	1.09	0.19		0.83	0.18		1.25	0.28	
2006	1.01	15.34		1.28	7.99		0.76	7.45	
2007	1.01	0.12	0.63	1.05	0.17		1.11	0.44	0.78
2008	1.01	1.45		0.95	0.79		0.86	0.07	
2009	1.25	1.84		1.05	12.41		1.89	19.46	
2010	1.18	5.50	0.02	1.03	7.48		1.5	2.64	0.01
2011	1.12	0.39		1.15	0.10		1.10	1.23	
2012	1.03	1.21		1.33	2.62		0.68	0.55	
2013	1.58	2.50	0.30	1.61	3.93	0.99	1.05	0.30	2.68
2014	1.11	0.67	23.07	0.52	0.24	8.77	1.88	8.17	8283.12
2015	1.04	1.68	0.56	1.04	1.23	0.61	0.2	0.03	
Total	21.50	333.08	25.64	18.49	309.70	10.37	16.01	57.62	8283.91
Mean	1.54	23.79	3.21	1.32	22.12	3.46	1.23	4.43	1656.78

Source; Researchers Findings 2016

Relating to the winning, TRA winning has been increasing for 2112% on cases of appeals in Tanzanian shillings and 246% on cases filled amounts in US dollars. For taxpayers, there an increase of 343% of winning by taxpayers from 2001 to 2015 for the amount relating to Tanzanian shillings and 165578% increase for cases filled on the amount relating to US dollars.

Findings from table 4.8 and table 4.9 suggest that TRA does win high to the cases of appeals that are in Tanzanian shillings are likely to be national business, however the

findings suggest that cases of appeal filed in US dollars most likely owned by multinational companies, taxpayers are winning than TRA.

Furthermore, determining the winner or loser itself does not specifically show if the winning has significance effect or not. Therefore the researcher decided to conduct a further analysis to find if the winning of TRA in cases appealed is significance or not, and if the winning of taxpayers in USD is significance or not. The results are presented by table 4.10 and table 4.11 respectively.

Table 4.10 Two-sample t-test with equal variance				
Variable	Obs.	mean	Std. Err	Std. Dev
CWTRATSH	15	4.76e+10	1.79e+10	6.95e+10
CWTPTSHS	14	2.14e+10	5.42e+09	2.03e+10
Combined	29	3.49e+10	9.80e+09	5.28e+10
Hypothesis	Ha: diff < 0		Ha: diff != 0	Ha: diff > 0
t-value	Pr(T < t) = 0.9070		Pr(T > t) = 0.1860	Pr(T > t) = 0.0930

Source; Researchers Findings 2016

Table 4.11 Two-sample t-test with equal variance				
Variable	Obs.	mean	Std. Err	Std. Dev
CWTRAUSD	7	1.09e+07	6071353	1.61e+07
CWTPTUSD	9	2.80e+07	2.35e+07	7.04e+07
Combined	16	2.06e+07	1.33e+07	5.31e+07
Hypothesis	Ha: diff < 0		Ha: diff != 0	Ha: diff > 0
t-value	Pr(T < t) = 0.2707		Pr(T > t) = 0.5414	Pr(T > t) = 0.7293

Source; Researchers' Findings 2016

Taking an assumption that when TRA loses the case has to pay, then the hypothesis to be considered in this scenario is that difference is greater than zero, hence the t- values for case won by TRA in Tanzanian shillings and case won by Taxpayers in Tanzanian shillings is 0.0930 which is not significance under 95% confidence interval. However it can be considered significance at 90% confidence interval. The winning of taxpayers' in

US Dollar is not significance in both one tail and two tail level that is 95% confidence interval and 90% confidence interval respectively.

CHAPTER FIVE

DISCUSSION OF RESEARCH FINDINGS

5.0 INTRODUCTION

Under this chapter the relevance of the result above and how researcher's findings fit with other research in the area. It relates back to the literature review and empirical literature. This chapter provides the discussion about the taxpayer's perception on the fairness of tax and the trend of cases appeal and application done by tax payers. Below are the discussion of the finding of the researcher, it involves explanation of the specific objectives as it shown under chapter four and the trends of their correlations.

5.1 PERCEPTION OF MOROGORO MUNICIPAL TAXPAYER'S ON THE FAIRNESS OF THE TAXATION SYSTEM

The management emphasize on the amount of collection when they talks about performance of an organization such as TRA, they do not considers on the way how the revenue was affected this is due to the fact that the measurement criteria of performance is the actual amount collected. How did these amount been collected questions like does the collection involve fair assessment or billing the client? Remain an asked. In tax collection fairness and effectiveness (measured by budget minus actual) should be considered together to enhance and allow sustainability in collection of revenue. The findings from this study show that TRA – Morogoro municipal doe employ collection target and fair assessment in measuring performance of revenue collected as findings in Figure 4.1 shows. The figure show that at TRA- Morogoro Fair assessment is considered important than target based in measuring the revenue collected as it scores about 45% of respondents agreed to it compared to 20% of respondents who agreed to a target based. Grant (2005) argued that effectiveness in tax administration allows revenue collected to increase over time while the fairness enhances and increases voluntary tax payment behavior. Collection target also shows that it much contributes towards good

performance of tax administration. Time and case covered which are the lastly factors towards the authority good performance they are also contributes much since because as for the authority to perform well it must collect a certain amount at a specific period of time usually a year.

Collection through ‘target based system’ do enhance the effectiveness of revenue collection but still the question to be asked if is the effectiveness does it affect the fairness? That is having target amount to be collected during a period mostly a year and split into shorter period namely a month still enhances fairness. The findings of this study shows that fairness (mean of 3.45) is considered more important in tax administration at TRA- Morogoro municipal followed by effectiveness (mean of 3.25) and then collection target (mean of 3.05) see figure 4.2 in chapter 4 above. The fairness which was the main intention of this study was measured thoroughly by considering the five components of tax fairness provided by Gerbing (1978). Those elements are general fairness and distribution of the tax burden; self interest; exchange with the government; attitudes towards taxation of the wealthy and preferred tax structure. The findings suggest that;

General Fairness and Distribution of the Tax Burden The grand mean scored under this element is 2.546 which is the neither agreed nor disagreed statements, therefore giving the conclusion on this part taxpayers at Morogoro Municipal are neither agree nor disagreed on the general fairness and distribution of the tax burden in Tanzania. However majority of respondents believe the tax system in general is fair which scored mean of 1.62 which is equal to 67.6% of respondents who agreed on the statement (combination of agreed and strongly agreed). while when making comparison of respondent’s income and the income tax burden, the respondents fills that the tax system in Tanzania is not fair mean of 3.84 equivalent to 76.8% respondents who (disagree and strongly disagreed).

Exchange with the Government In general using grand mean also the results shows that the statement and the item related with tax fairness was disagreed as scored an

average mean of 4.67. All statement was disagreed especially when respondents relate the amount of tax paid to the government visa vise the services they receive from the government. Taxpayers are in opinion that they do not find tax to be fair relating the service they receive from the government in relation to the amount paid mean of 4.76 as show by table 4.4.

Attitudes towards taxation of the wealthy- the grand mean in this element is 2.10 which shows agreement on the statements. Taxation system in Tanzania for both direct tax and indirect taxes is found to be faire in terms of attitude towards wealth distribution. However the following negative statements should be noted one business in Tanzania do not pay more than what they required to pay scored mean of 1.2 which can be interpreted that business in Tanzania do pay what they required to pay or less than what they required to pay. Another negative statement is that the Tanzania tax system provides high breaks for the undeserving which scores mean of 1.64. This statement isn't good as it discourages the voluntary payment of taxes knowing that someone has tax break while does not deserve.

Preferred Tax Structure - In general it can be seen that the element of tax fairness about preferred tax structure was not agreed nor disagreed as it scored the grand mean of 3.09 which is under the neither/nor agreed decision. Some of the statement was agreed such as respondents believe that tax rate takes consideration on the taxpayer's ability to pay which scored mean of 1.46. But some of the statement was strongly disagreed such as tax deductions being fair to most/all groups as all do benefits from tax deductions scored mean of 4.8. These findings suggest that deduction are benefited by small group most likely the wealthy taxpayers and not all taxpayers.

Self- Interest – The grand mean on this element is 1.92. The statements agreed are “It is fair for those who receive higher levels of income, to pay high taxes, because they have higher ability to pay” mean of 2.06; “I believe that the share of the total income taxes paid by high income earners is not too much high” mean of 1.82 and “I believe that flat rate of income taxes is not a fair rate” mean of 1.00. one statement shows the neither

agreement nor disagreement, the statement say “When I compare the amounts of income tax I pay, with what others pay, I feel that my income tax is fair” mean of 2.8.

In general if all five elements are grouped together it can be observed that, two element was agreed which is attitude towards taxation of wealth and self interest while two element was neither agreed nor disagreed these elements are; general fairness and distribution of the tax burden. One element was disagreed that is exchange with the government. When all variables was combined the findings shows the grand mean of 2.868 which is neither agreed nor disagreed basing on the likert scale preferences have been used by this study, and the previous decision criterion set by the researcher.

The implication of these results is that, Morogoro municipality is likely to face low level of voluntary tax payment due to the available perception on tax system of the country. This is according to Hite and Roberts (1992) who examined the relationship between tax fairness and taxpayers' evasion and found that tax fairness was significantly associated with perceptions of an improved tax system, and that tax fairness and tax evasion were related.

5.2 THE TREND OF APPEAL CASES (BOTH IN NUMBER AND IN AMOUNTS) FROM 2001 TO 2015

Generally the line graphs of Figure 4.3 to figure 4.5 shows that number of appeals and applications filled have been increasing year after year. Appeals cases means taxpayers not happy about their tax affairs treatments, hence decide to find the fairness in court of appeal, this means that when the case is decided in favor of taxpayers therefore costs payments and the other relevant payments had to flow out of TRA to the aggrieved taxpayer. The amount of tax case appeals also shows an increasing trend (see figure 4.4 amount in Tanzanian Shillings and figure 4.5 amounts in US dollar). Table 4.9 shows that by average number of appeals and application filed have been increasing by 54% during the fifteen years of analysis. Further the findings shows that in 2002, and 2013 there were high increase in appeals and application filled compared to other years. For example by number in year 2001 = 5 number of appeals, year 2002 =76 number cases of

appeals, while in 2012 there were 130 cases of appeals and raised to 228 cases of appeals in 2013. For the amount in Tanzanian shillings the appeals has been increasing for 2279% from 2001 to 2015 while in US dollars there an increase of 221%.

The trend shows that TRA have been winning more than Taxpayers in some years but in some years taxpayers are winning than TRA. The findings in table 4.8 shows that from 2001 to 2015, by average TRA won high number of cases appealed compared to taxpayers except in 2009, 2010 and 2013 where taxpayers won high numbers of cases appealed compared to TRA. In Tanzanian shillings, by average during fifteen years TRA winning is high compared to taxpayers winning, however in the following years taxpayers won higher amounts than TRA, 2003,2004,2005, 2007, 2008, 2009 and 2013. The remaining years TRA won higher than taxpayers. By average cases won by taxpayers for the USD applicants and appealed cases are higher than cases won by TRA in fifteen years, the total winning of USD is 57.21% compared to TRA winning which is 17.35%. The trend of winning for taxpayers was alarming in 2004, 2005, 2006, then 2010, 2011 and 2012. The winning of TRA in those appeal cases has been increasing for 32%, compared to 23% increase winning of taxpayers in numbers. TRA winning has been increasing for 2112% on cases of appeals in Tanzanian shillings and 246% on cases filled amounts in US dollars. For taxpayers, there an increase of 343% of winning by taxpayers from 2001 to 2015 for the amount relating to Tanzanian shillings and 165578% increase for cases filled on the amount relating to US dollars.

Despite the differences in winning and losing, the results shows there no significance effect in the number and Tanzania shillings winnings over the Taxpayers.

Since the results shows that target based also is used to assess the performance of collections, then when tax officers bare faced with the challenge of attaining the collection target as a measure of their performance and hence the whole tax administration, they are most likely to collect “just enough” revenue to meet the

predetermined collection target without considering the fairness. Increase in cases of appeals and application filed both in number and in amount can be justified by the system of target based notion. This can happen when tax officers might arbitrarily raise assessments with the aim of accumulating the predetermined collection target. When tax officers are assessing and collecting tax they do that alongside the guidance of the tax laws. Despite that, there are still cases where the law is sidelined either because of lack of knowledge by the tax officers or deliberately for their nested interests. That was raised from the fact that apparently when the predetermined collection target has been exceeded, the tax officers will be eligible for bonuses determined based on the excess amount over the set target amount. If this is not the case, and if all assessors abide by the tax laws why the losing or the winning by taxpayers increases especially during 2006 to 2013. However it must be noted that collect assessment also dependent on the information given by the taxpayers.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECCOMENDATION

6.0 Introduction

This chapter shows a short summary, conclusion and the policy implication of the whole specific objectives of the study therefore the overall presentation of the researcher depends on these chapter since its expose what he has been through, is the chapter where a researcher concludes about the general research study.

6.1 SUMMARY

In summary if all five elements are grouped together it can be observed that, two element was agreed which is attitude towards taxation of wealth and self interest while two element was neither agreed nor disagreed these elements are; general fairness and distribution of the tax burden. One element was disagreed that is exchange with the government. When all variables was combined the findings shows the grand mean of 2.868 which is neither agreed nor disagreed basing on the liker scale preferences have been used by this study, and the previous decision criterion set by the researcher. The implication of these results is that, Morogoro municipality is likely to face low level of voluntary tax payment due to the available perception on tax system of the country.

After the introduction of the new system of revenue collection the number of appeal cases continue increasing as a result of tax collectors arbitrary raising the assessment so as to meet their collection target these leads to more complains since they are not satisfied, hence the number of appeals and application filled increases year after year. number of appeals and application filed have been increasing by 54% during the fifteen years of analysis For the amount in Tanzanian shillings the appeals has been increasing for 2279% from 2001 to 2015 while in US dollars there an increase of 221%.

By average TRA won high number of cases appealed compared to taxpayers except in 2009, 2010 and 2013 where taxpayers won high numbers of cases appealed compared to TRA. In Tanzanian shillings, by average during fifteen years TRA winning is high compared to taxpayers winning, however in the following years taxpayers won higher amounts than TRA, 2003,2004,2005, 2007, 2008, 2009 and 2013. The remaining years TRA won higher than taxpayers. By average cases won by taxpayers for the USD applicants and appealed cases are higher than cases won by TRA in fifteen years, the total winning of USD is 57.21% compared to TRA winning which is 17.35%. The trend of winning for taxpayers was alarming in 2004, 2005, 2006, then 2010, 2011 and 2012. The winning of TRA in those appeal cases has been increasing for 32%, compared to 23% increase winning of taxpayers in numbers. TRA winning has been increasing for 2112% on cases of appeals in Tanzanian shillings and 246% on cases filled amounts in US dollars. For taxpayers, there an increase of 343% of winning by taxpayers from 2001 to 2015 for the amount relating to Tanzanian shillings and 165578% increase for cases filled on the amount relating to US dollars.

6.2 GENERAL CONCLUSION

Generally the effectiveness of this system is much depends on the commitment of the tax administration officers towards the collection efforts as the tax collectors improve their collection effort their target collection will be achieved hence that the amount which was set by the authority will be readily collected.

The result is shown by appendix 1 shows the summary of the appeal cases from the year 2001 to 2015, under the appendix 1 it shows a total of 1817 cases were appealed, where 638 cases were won by TRA, 460 cases won by taxpayers, 130 cases was partly allowed, a37 case were settled and 452 cases are pending for determination.

For appeal cases to decrease tax collectors should impose fair tax assessment to taxpayers so as to encourage them to pay tax and encourage those who they didn't make assessment for their business to show up themselves for assessment of tax. However the

authority should impose the reasonable amount of tax to tax collectors, targeting them to collect more than what they deserve to collect from payers is exposing them to the risk of treating tax payers unequally. As the number of appeal cases needs to be reduced the administration should make sure that all the matter concerning the affairs of the taxpayers like fair assessment is used to all TRA client these helps because it also remove the tax gap which exist among taxpayers.

There is an influence on unfair tax treatments on taxpayers by the tax officers when the tax administration is basing its performance appraisal on the amount of tax collected. Tax officers arbitrarily assess taxpayers in order to attain their predetermined targets which constitute the tax administration targeted amount. All in all the amount of tax collected is what most considered much more than the ways which was effected during the collection of revenue among developing countries especially Tanzania, though when appraising performance of a good tax administration what considered is the way effected by the organization to collect tax if it fair or unfair.

Increase in cases of appeal and application filed shows unfairness in treatment to the taxpayers, given the findings of fairness on tax system of the country to be neither agreed nor disagreed by Morogoro Municipal taxpayers its good indicator that the tax system of Tanzania needs to be re-evaluated.

6.3 RECOMMENDATIONS

I further recommend that for the government to collect large amount of revenue from the public should ensures that the system introduced and used by the tax collector to collect tax and make assessment for the purposes of collecting revenue does not lead to tax gap and assessment should follow the laws introduced by the government which is clearly indicates the amount (tax band) of tax to be charged to tax payer according to their ability to pay and their business initial capital.

The authority should ensure that all chance of people escaping from paying tax is removed/omitted and strengthen the system, after all the amount of revenue collection will continue being enough to cover government spending and other services provided to the public.

For the authority to reduce or omit at all, the cost incurred for running these cases it should ensure that fair assessment is made according to the tax laws and regulations so as to reduce the complaints from the tax payers, concerning unfair treatment of their tax affairs.

Since there are tax laws introduced by the authority should be critically used during assessment process, while considering the information provided by the tax payers concerning their businesses, as a result tax payers complaints to the authority will be reduced as a result of fair assessment from the authority.

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RESEARCH QUESTIONNAIRE

SECTION ONE: RESPONDENT'S DEMOGRAPHIC ANALYSIS QUESTIONS.

1. Your position/status.....
2. Your section of work.....
3. What is your academic qualification?
 - a) Certificate holder
 - b) Diploma
 - c) A degree holder and above ()
 - d) Others
4. For how long have you been working with the current registered business?
 - a) Less than 1 year
 - b) 2-5 years ()
 - c) Above 5 years

SECTION TWO: PERCEPTION OF TAXPAYER'S OF MOROGORO MUNICIPAL ON THE FAIRNESS OF THE TAXATION SYSTEM.

5. The following are factors considered important during assessment of tax by tax authority, provide your perception on the factors by rank them according to the way TRA prioritise them when collecting tax, giving five (5) for the highest ranking and one (1) for the lowest ranking.
 - a. Time constraint

b. Effectiveness

c. The number of cases covered

d. Fairness in recollection target

6. The following statements shows the fairness of taxation system in Tanzania, please provide your perception on the statements by agreeing or disagreeing on the statement provided. Rank your answer in the following order; 1= strong agreed, 2= agreed, 3= neither/nor, 4= Disagreed and 5= strongly disagreed.

Table (7): Tax Fairness Items	1	2	3	4	5
GENERAL FAIRNESS AND DISTRIBUTION OF THE TAX BURDEN					
I believe that in general, the tax system in Tanzania is fair					
Based on my income and on my income tax burden, I feel that the income tax system in Tanzania is fair					
I believe that the method of distributing tax burden among taxpayers in Tanzania is fair					
I feel that if we examine the tax burden in Tanzania, as a whole, we will find it fair					
Tanzania tax system is the most fair system that the government can follow					
EXCHANGE WITH THE GOVERNMENT					
When I compare the amounts of taxes that I pay, with services I receive from government, I find that the tax paid is fair					
I feel that I do not pay high amount of taxes, when I compare those benefits with benefits I receive					
I feel that I receive reasonable benefits from government in comparison with the amounts of taxes I pay					
ATTITUDES TOWARDS TAXATION OF THE WEALTHY					
I believe that business in Tanzania do not pay more than their required share in business income					
I feel that the amounts of income tax that are collected from middle income earners are high					

I think that income tax in Tanzania is based on taxpayers ability to pay					
It is fair for those who receive higher levels of income to pay more amounts of taxes than those who receive lower levels of income					
Comparing my income tax burden with others, I do not pay more than my fair tax					
The Tanzania tax system provides high breaks for the undeserving					
Special provisions in the Tanzanian tax law that apply to only a few people are unfair					
PREFERRED TAX STRUCTURE					
I believe that the tax rate takes with consideration that taxpayers' abilities to pay are different					
I think that the base in which the tax rate based on is fair					
I feel that income tax system in Tanzania, as a whole is fair					
Income tax deductions are fair because most groups of taxpayers can benefit from those deductions, and not just the wealthy taxpayers					
SELF INTEREST					
.					
When I compare the amounts of income tax I pay, with what others pay, I feel that my income tax is fair					
It is fair for those who receive higher levels of income, to pay taxes, because they have higher ability to pay.					
I believe that the share of the total income taxes paid by high income earners is not too much high					
I believe that flat rate of income taxes is not a fair rate					

THANKS YOU VERY MUCH FOR YOUR INPUT.