

**TAXPAYERS PERCEPTION ON ELECTRONIC FISCAL
DEVICES (EFDs)
A CASE OF DAR ES SALAAM**

**TAXPAYERS PERCEPTION ON ELECTRONIC FISCAL
DEVICES (EFDs)
A CASE OF DAR ES SALAAM**

By

Akimu Zaburi

**A Dissertation Submitted in Partial Fulfillment of the Requirements for the
Degree of Master of Corporate Management of Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled Taxpayers Perception on Electronic Fiscal Devices (EFDs): A Case of Dar Es Salaam, in partial fulfillment of the requirements for the award of the degree of Master of Corporate Management of Mzumbe University.

.....

Major Supervisor

.....

Internal Examiner

Accepted for the Board of

**DECLARATION
AND
COPYRIGHT**

I, Akimu Zaburi, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature

Date

©

This dissertation is a copyright material protected under the Berne Convention, the Copyright Act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.

ACKNOWLEDGEMENT

I would like to acknowledge the patience and dedication of the staffs in the taxpayers' department of the Tanzania Revenue Authority (TRA), owners of small, medium, and large businesses in the three districts of Dar Es Salaam, Tanzania who participated in this research. I also thank my supervisor, Dr. Makuru Ngemba This document and its structure contains much of your unselfish input, may The Lord Almighty richly bless him in all his endeavors.

I would also like to recognize the contributions of my students and friends from different professions who helped critique the study and provided important inputs to problem statement and provided important feedback to bring the objectives into their current state, and consequently this study into being. May the Lord bless them so much.

DEDICATION

It's the grace of God through Christ Jesus for me to accomplish this piece of work in my study. I give thanks to Christ Jesus, the Lord and my God. In return for his grace and mercy, I have the honor to dedicate my dissertation to him, for his grace was, is, and will continue to be sufficient for me. Thank you Lord.

ABBREVIATIONS AND ACRONYMS

DSM	Dar Es Salaam
ECR	Electronic Cash Register
EFDs	Electronic Fiscal Devices
EFP	Electronic Fiscal Printer
ESD	Electronic Signature Device
ETR	Electronic Tax Register
FED	Fiscalised Electronic Device
FIG	Figure
FPs	Fiscalised Printers
KRA	Kenya Revenue Authority
POS	Point-of-Sale
RRA	Rwanda Revenue Authority
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TRA	Tanzania Revenue Authority
VAT	Value Added Tax
SDC	Sales Data Controller

ABSTRACT

The research sought to find the Taxpayers Perception on electronic fiscal devices. Taxpayers, in the context of this study are taken to mean to business entities mainly sole traders, partnership businesses, and public and private companies that are eligible for VAT in Tanzania. Thus, the general objective was to assess the real taxpayers' perception on EFD Machine in Tanzania employing the city of Dar Es Salaam as the case study. The specific objectives were, to determine whether Electronic Fiscal Devices (EFDs) are more efficient and effective than manual methods of tax management, to investigate whether Purchase cost of Electronic Fiscal Devices (EFDs) and some business expenses not tracked by the machines are the main reasons why traders prefer to resort to manual method, and to determine out whether Electronic Fiscal Devices (EFDs) greatly eliminates tax evasion

The research used a case study approach in which a sample of 500 identified VAT businesses out of a population of 25,383 was used. The targeted population was nominated from three districts in Dar Es Salaam and a simple random sampling procedure was employed to come up with 500 sample elements. Questionnaires and interviews were used to collect data on the sample. Quantitative and Qualitative methods were used to analyze the data collected.

In conclusion, the EFDs identified traders in Tanzania are more concerned with the amount of tax they pay than with the complains they advanced regarding the use of the EFDs, perceiving that, the EFDs makes them to pay more tax than with manual method.

It is recommended that, the government to educate traders on the importance of tax revenue towards business success. Traders be concerned on the efficiency of their operation as one the scientific and lawful way of profit maximization than tax evasion. The government increases the supply of the Electronic Fiscal Devices (EFDs)

TABLE OF CONTENTS

Certification.....	i
Declaration and Copyright.....	ii
Acknowledgement.....	iii
Dedication.....	iv
Abbreviations and Acronyms.....	v
Abstract.....	vi
Table of Contents.....	vii
List of Tables.....	ix
List of figures.....	x
CHAPTER ONE: INTRODUCTION.....	1
1.0 Background of the Study.....	1
1.1 Statement of the problem.....	3
1.2 Objective of the Study.....	3
1.2.1 General Objective.....	3
1.2.2 Specific Objectives.....	4
1.3 Research questions.....	4
1.4 Significance of Study.....	4
1.5 Limitations of the Study.....	5
CHAPTER TWO: LITERATURE REVIEW.....	6
2.0 Introduction.....	6
2.1 General Overview of Electronic Fiscal Device (EFD) in Tanzania.....	6
2.2 Value Added Tax (VAT).....	9
2.3 Empirical Literature Review.....	42
2.4 Conceptual Framework.....	49
CHAPTER THREE: RESEARCH METHODOLOGY.....	51
3.0 Introduction.....	51
3.1 Research Design.....	51

3.2	Study Site	52
3.3	Research Approach	52
3.4	Sampling methodology	52
3.5	Data Collection Instruments.....	52
3.6	Data Analysis	54
CHAPTER FOUR: FINDINGS AND DISCUSSION.....		56
CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND POLICY IMPLICATIONS.....		62
5.1	Conclusion.....	62
5.2	Policy Implication	63
REFERENCES.....		65
APPENDIX III		70

LIST OF TABLES

Figure 2. 1: Conceptual Framework on Taxpayer Perception on the EFDs Machines.....	49
Figure 4. 1: Diagrammatic Representation of Table 4.2 Above As Extracted from Table 4.1	57
Figure 4. 2: Graphical Analysis of the Responses as Tabulated in Table 4.3 above (An Extract of Table 4.1).....	58
Figure 4. 3: General and Objective Two Questionnaire	60

LIST OF FIGURES

Table 2. 1:	The number of Taxpayers registered for implementation of 2 nd phase of the EFDs in the three districts of Dar Es Salaam, a business city of Tanzania.	9
Table 3. 1:	Summary of Data Analysis Method	54
Table 4. 1:	Responses on whether EFDs are more efficient and effective than manual methods of tax management.	56
Table 4. 2:	An Extract from Table 4.1 above	56
Table 4. 3:	Extract from Table 4.1 above	57
Table 4. 4:	Response to Questionnaires and Interrogations for General and Objective Two of the Study.....	60

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

Over the years, the main challenge in the administration of Value Added Tax (VAT) in many countries, including Tanzania has mainly been tax evasion by non-issuance of tax invoices especially by small to medium taxpayers (<http://allafrica.com/stories/201401070103.html>). To curb this problem, the government of Tanzania, in the Finance Act of 2010, through Tanzania Revenue Authority (TRA) introduced Electronic Fiscal Devices (EFDs) to replace Electronic Cash Registers with the main aim of enhancing VAT compliance.

The EFDs has been introduced to VAT registered traders under the "The Value Added Tax (Electronic Fiscal Device) Regulation, 2010" - Subsidiary Legislation, Government Notice No. 192 published on May 28, 2010, and enshrined in the Finance Act 2010 with the main aim of enhancing VAT compliance in Tanzania. TRA's new EFD system became effective on July 1, 2010 (Finance Act, 2010). The system aims at allowing the taxman to get correct sales information from businesspeople; reduce tax collection costs and helping businesspeople to comply with the VAT regulations among others (<http://www.amazon.com/Challenges-Electronic-Devices-adoption-Tanzania/dp/365911426X>)

EFDs were introduced to help TRA establish the amount of VAT payable without necessarily requiring the traders to provide records for crosschecking. There was concern that thousands of traders were undervaluing their sales in order to evade tax. The success of EFD machines in Tanzania was questioned during its initial stages of implementation. According to Kathuri (2006), the gadgets had failed in 21 countries including Tanzania. There was also fear that accurate records could not be kept with the devices because there is no provision for return of goods and services.

In Tanzania, the implementation of the second phase of Electronic Fiscal Device (EFD) begun since year 2013, with the aim to expand the number of traders who shall use the EFD system to issue receipts or tax invoice in every transaction made. (<http://www.tra.go.tz/index.php/value-added-tax-vat/189-implementation-of-efd-phase-ii>). The second phase includes non VAT registered traders is administered under The Income Tax Act, through the Income Tax (Electronic Fiscal Devices) Regulation, 2012. Implementation of the second phase of EFD includes the following groups:-

- Persons who are not VAT registered with a turnover ranging from TSHS 14 million and above per year;
- Traders trading in the Region's prime areas, identified on the basis of rent payable;
- Traders dealing with selected business sectors such as Spare Parts, Hardware, Mini Supermarkets, Petrol stations, Mobile phone shops, Sub wholesale shops, Bar and Restaurants, Pharmaceutical Stores; Electronic Shops etc.

The system is ongoing and the Authority plan to gradually registering traders basing on traders business prosperity, experience and capacity. Traders who eligible for the use of EFD machines, are encouraged to contact suppliers of the machine, in order to acquire the machines.

Traders have protested against the price and use of the gadgets that have so far boosted revenue collection since they were introduced. In their protests the traders conducted very serious distortion campaign about the prices and the group of traders required to use the machines. The mid February, 2014 was marked by the protest of traders in the country against the use of EFDs. In various regions, including Dar Es Salaam, Tabora, Iringa, Mbeya, Songea, and Iringa businesses were closed.

The protest against the use of EFDs has many and far-reaching implications for the traders, consumers and the government. While the traders are losing sales and associated profits as well as cash to repay stringent loans, consumers are denied

services and wasting valuable time when walking to and from closed businesses. The government for its part is losing revenue from transactions that are not taking place when businesses are closed.

1.1 Statement of the problem

With liberal economy, the government depend its income through tax collection, as for most of property and goods are privately owned. The Electronic Fiscal Devices (EFDs) have boosted revenue collection by plugging holes of tax evasion used by unscrupulous traders. However, some traders protest against the use of EFD machines. The machine has been introduced, but tax payers are reluctant to use them. The current status tax payers have boycotted to continue their business. The government of Tanzania, by using tax payer education department of the Tanzania Revenue Authority (TRA) came out with new innovative and effective strategies and educating tax payer, so that they can clear away wrong perception of tax payer on using the machine.

It is very obvious that the established system of using the EFDS aims at allowing the taxman to get correct sales information from businesspeople; reduce tax collection costs and helping businesspeople to comply with the Value Added Tax (VAT) regulations among others and thus boosting revenue collection by plugging holes of tax evasion used by unscrupulous traders. However, a number of traders in various regions of Tanzania are still protesting against the use of EFD machines the main argument being purchase cost, and inability to track some business expenses they incur in the course of furtherance of business thus claiming to not being able to recover some VAT paid on those expenses.

1.2 Objective of the Study

1.2.1 General Objective

Based on the above premises, the study is generally designed to assess the real taxpayers' perception on EFD Machine in Tanzania employing the city of Dar Es Salaam as the case study. Taxpayers, in the context of this study are taken to mean to

business entities mainly sole traders, partnership businesses, and public and private companies that are eligible for VAT in Tanzania.

1.2.2 Specific Objectives

The study was guided by the following specific objectives:-

1. To determine whether Electronic Fiscal Devices (EFDs) are more efficient and effective than manual methods of tax management
2. To investigate whether Purchase cost of Electronic Fiscal Devices (EFDs) and some business expenses not tracked by the machines are the main reasons why traders prefer to resort to manual method
3. To determine whether Electronic Fiscal Devices (EFDs) greatly eliminates tax evasion

1.3 Research questions

What is the real taxpayers' perception on EFD Machine? The study was conducted to provide an answer to this general question.

Specifically, the following questions are addressed by the study.

1. Are the Electronic Fiscal Devices (EFDs) are more efficient and effective than manual methods of tax management?
2. Is the Purchase cost of Electronic Fiscal Devices (EFDs) and the fact that some business expenses not tracked by the EFD system truly the main concern of traders prefer to resort to manual method?
3. Are the Electronic Fiscal Devices (EFDs) greatly eliminates tax evasion?

1.4 Significance of Study

The study opens up a new frontier of knowledge about policy issues relating to business taxation in Tanzania by raising issues that can be used as input in policy and regulation formulation that would otherwise boost tax revenue in Tanzania and therefore increase the portion of the national budget covered by own source. In turn, this will contribute to the reduction of the national debt.

1.5 Limitations and Delimitation of the Study

The study was mainly faced budgetary constraint, this affected the size of the sample collected for the study. This was solved by seeking financial assistance, mainly borrowing money from various lenders. Moreover, time was too short to undertake extensive survey. This was solved by refraining from my daily business routine.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents three sections, the general overview of electronic fiscal device (EFD) in Tanzania, the empirical literature review and the conceptual framework

2.1 General Overview of Electronic Fiscal Device (EFD) in Tanzania

The Electronic Fiscal Device (EFD) has been introduced to VAT registered traders under the "The Value Added Tax (Electronic Fiscal Device) Regulation, 2010" - Subsidiary Legislation, Government Notice No. 192 published on May 28, 2010, and enshrined in the Finance Act 2010 with the main aim of enhancing VAT compliance in Tanzania. TRA's new EFD system became effective on July 1, 2010 (Finance Act, 2010). The system aims at allowing the taxman to get correct sales information from businesspeople; reduce tax collection costs and helping businesspeople to comply with the Value Added Tax (VAT) regulations among others. <http://www.amazon.com/Challenges-Electronic-Devices-adoptionTanzania/dp/365911426X>

What is Electronic Fiscal Device? (EFD)

EFD means a machine designed for use in business for efficient management controls in areas of sales analysis and stock control system and which conforms to the requirements specified by the laws. (<http://www.tra.go.tz/index.php/e-fiscal-devices-efd>)

Types of Electronic Fiscal Devices (EFDs)

Electronic Tax Register (ETR): Applies to businesses that issue cash receipts manually, or via their Electronic Cash Registers (ECR). *Electronic Fiscal Printer (EFP)*: Applies to businesses that issue cash sales or invoices via their point-of-sale (POS) system (or PCs). *Electronic Signature Device (ESD)*: Applies to businesses that issue invoices, fee notes, delivery notes, and other financial documents via an accounting software.

Special Features of Fiscal Devices

Fiscal Seals: The fiscal devices have got a visible Seal that alerts against outside intrusion. Any damage to the seal, for whatever reason, must immediately be reported to the TRA. *Fiscal Memory:* It stores all sensitive data such as totals of each tax category and the total turnover. One can only punch in data, but cannot revise or alter data. If any mistake is made while punching in data, one has to go ahead and use another receipt. At the end of the month one will submit the other receipts to justify that there was erroneous data punched in and the TRA will then make adjustments accordingly. *Unique Serial Number:* Each ETR has a unique serial number that is securely written in the fiscal memory and assigned to the owner of the security register upon purchase of the device. *Unique Specification:* This is a set of unique specifications that the software and the hardware of the ETR must follow in order to get the official approval.

At the end of each day one must submit a "Z-Report" by pressing a certain button on the device. The "Z" button should be pressed only once a day at the close of the day's business; this action summarizes all the day's transactions and computes the totals. The data (i.e., the Totals) are automatically captured in both the taxpayer's EFD and on the TRA's main server.

The advantage of the "Z-Report" system is evident during tax audits that are occasionally conducted by the TRA officials. With the "Z-Report" system, submission of multitude of documents by the taxpayer for verification purposes during such audits is rendered redundant. What the TRA officials may do is to come with their "memory chip" (with information captured from their main server), insert this chip in the taxpayer's EFD, and compare their data to that of the taxpayer. This would save time, resources and unnecessary arguments that are quite common under the current tax audit system.

Offences

According to Tanzanian Law, it is mandatory for a seller to issue a fiscal receipt for each sale; and it is also mandatory for a buyer to demand a fiscal receipt for a

purchase. The Law imposes severe punitive measures to both sellers and buyers who violate this legal requirement. The offences have been categorized as:

Failure to use EFD attracts a fine of Tshs. 3 million, or imprisonment for 12 months, or both. Fraudulent use of EFD attracts a fine equivalent to twice the payable tax or Tshs. 4 million, whichever is greater, or imprisonment for 6 months, or both while, tempering of EFD and/or Related Software calls for a fine of Tshs. 1 million, or imprisonment for 3 months, or both. Failure to comply with Regulation 7 (approved suppliers rights and obligations) and Regulation 10 (users obligations) calls a fine of Tshs 1 million, or imprisonment for 3 months, or both, and Failure to demand and retain a fiscal receipt attracts twice the amount of tax evaded.

All traders are requested to read, understand and follow the laws pertaining to the EFD in order to avoid inconvenience to their business.

WHY EFDs is preferred?

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

EFD Phase II

In Tanzania, the implementation of the second phase of Electronic Fiscal Device (EFD) begun since year 2013, with the aim to expand the number of traders who shall use the EFD system to issue receipts or tax invoice in every transaction made. The second phase includes non VAT registered traders is administered under The Income Tax Act, through the Income Tax (Electronic Fiscal Devices) Regulation, 2012. Implementation of the second phase of EFD includes the following groups:-

- Persons who are not VAT registered with a turnover ranging from TSHS 14 million and above per year;
- Traders trading in the Region's prime areas, identified on the basis of rent payable;
- Traders dealing with selected business sectors such as Spare Parts, Hardware, Mini Supermarkets, Petrol stations, Mobile phone shops, Sub wholesale shops, Bar and Restaurants, Pharmaceutical Stores; Electronic Shops etc.

Table 2. 1: The number of Taxpayers registered for implementation of 2nd phase of the EFDs in the three districts of Dar Es Salaam, a business city of Tanzania.

District in Dar Es Salaam	Kinondoni	Ilala	Temeke	Total
Number of Taxpayers identified	5,551	19,049	783	25,383

(Source: www.tra.go.tz/index.php/identified-taxpayers-for-efd-phase-ii)

2.2 Value Added Tax (VAT)

What is VAT?

Is a consumption tax charged on taxable goods and services whenever value is added at each stage of production and at the final stage of sale. VAT is charged by business registered for VAT only. (www.tra.go.tz/index.php/value-added-tax-vat)

What is the scope of VAT?

The VAT shall be charged on any supply of goods or services in Mainland Tanzania where it is a taxable supply made by a taxable person in the course of any business carried on by him. The VAT on the importation of taxable goods or services from any place outside Mainland Tanzania shall be charged VAT and the procedures applicable under the Customs Laws for imported goods shall apply in respect of VAT on imports.

New phase of tax system targets 200,000 traders

There will be no backpedalling on the government's resolve to implement the second phase of migration to the use of electronic fiscal devices (EFDs) in tax assessment and collection, the Tanzania Revenue Authority (TRA) has said.

The changes are expected to come into effect on May 15, drawing from the successes and challenges of the first phase of implementation, and will cover some 200,000 traders not currently registered under the VAT arrangement.

Those covered under the phase would be those with businesses with an annual turnover of between 14m/- and 40m/-, and this would be a countrywide operation that would later come down to those engaged in businesses not as big.

TRA assistant commissioner (Domestic Revenue) Generose Bateyunga and principal taxpayer education officer Hamisi Lupenja made remarks to that effect in discussions in Dar es Salaam yesterday with members of the Tanzania Editors Forum.

The talks revolved around the precise role the media and other agencies such as TCCIA, TABOA, Sumatra and TFDA ought to play in informing, educating and sensitising members of the business community and the larger public on the need for full voluntary and honest compliance with tax payment.

The TRA officials admitted that there is every reason to cast the tax net much wider, which would mean diversifying sources of revenue instead of targeting only traditional ones such as are found in the formal sector.

They said they were aware of the tax revenue haemorrhage owing to a number of loopholes, adding however that these would be plugged gradually and strategically to ensure they do not backfire.

Bateyunga and Lupenja dwelt at length on the benefits of using EFDs, including fairness and transparency in tax assessment, improvement of business records, minimising pilferage, maximising profits, and ultimately raising VAT revenue collections.

They said the use of the devices deserved support because it was a modern way of keeping records after migration from the manual registers in that it cannot be tampered with and therefore guarantees business security for traders.

“The use of EFDs also simplifies tax refunds because the information contained in fiscal documents helps other agencies such as the Energy and Water Utilities Regulatory Authority (Ewura) capture accurate data relating to fuel and water consumption,” Lupenja said.

Accordingly, he made an impassioned appeal to the public to cultivate a culture of unqualified tax payment compliance “as a way of increasing government revenue for enhanced social and economic development”.

He meanwhile cited the challenges TRA has been facing as including resistance by some traders to acquire and use the devices as well as to issue genuine fiscal receipts, adding: “There is also the challenge of most consumers of goods and services not caring to demand receipts for every purchase made.”

In remarks that could come as a surprise to members of the public, the TRA officials said it was a legal obligation under the EFD system for traders to produce and issue a receipt for every sale made and equally mandatory for buyers to demand and take a receipt for every purchase conducted.

They said failure by a trader to issue an EFD receipt attracted a fine of not less than 3m/-, while anyone fraudulently using such a receipt would be liable for a fine to the

tune of twice the tax not paid or 4m/- – including the tax not paid – whichever will be greater.

They added that tampering with EFDs and related software called for a fine not exceeding 1m/-, while consumer failing to demand an EFD receipt would also be liable to a fine not exceeding that amount.

TRA officials plan to spend the next few months conducting sensitisation seminars and campaigns across the country on the importance of acquiring and using EFDs as well as issuing and demanding genuine EFD receipts.(By The guardian reporter 12th April 2013)

Study uncovers challenges of using electronic fiscal devices

Morogoro. As the taxman embraces the use of electronic fiscal devices in tax collection, a study has identified related loopholes, which may affect the collections (<http://www.kigalikonnnect.com/article/study-uncovers-challenges-of-using-electronic-fiscal-devices.html>)

Preliminary findings of the study conducted in Morogoro, Iringa, Njombe and Dar es Salaam regions show that as much as EFDs enhance and simplify VAT collection, there are numerous challenges that upset their effectiveness among registered businesses.

According to the study, the suppliers of EFDs have a Memorandum of Understanding with the Tanzania Revenue Authority (TRA), which is not binding enough for them to offer best services to traders who report breakdowns. For example, TRA requires EFDs suppliers to be close to customers but that is just a request and not a binding requirement, researchers said.

“A supplier is required by regulations to repair reported faulty within 24 hours but this is not enforced anywhere in the law. In upcountry where suppliers don’t have agents this is also impossible to implement because the geographic diversity of the

country is not taken into account,” said one of the researchers, Mr Ambakisye Mulungu.

The study also found that compared to Kenya, Malawi and Rwanda the price of a standard EFD was too high in Tanzania. In as much as TRA refunds amounts used to buy the first EFD by a VAT registered business, traders feel the pinch, because they must first dig into their capital only to recover the said cost much later.

Another researcher, Dr Stephen Kilemile, pointed out that to traders the devices posed challenges particularly on the technical know-how.

“The regulations do not provide for training of customers on use of devices. At the same time the EFD language and, in fact, one for tax is English. Not all traders are conversant with it, it’s high time tax language was translated into Kiswahili to help our people understand better matters related to tax,” he said.

“There are numerous problems including frequent battery breakdowns and network and printer failures. Many traders are forced to use manual receipt books at times due to failure of the EFDs,” he said. The study indicated that a sizable per cent of business people using the devices are not conversant with tax laws, and regulations hence the call for the translation. It noted that traders were not happy with the efficiency of the EFDs due to the hurdles involved. (Published: 28/09/2012 Article Author: KigaliKonnnect.com Staff)

Electronic Fiscal Device (EFD)

The Malawi Revenue Authority (MRA) is implementing the Electronic Fiscal Device (EFD) Project which will make it mandatory for every Value Added Tax (VAT) taxpayer to procure, install and use EFD machines.

Over the years, the main challenge in VAT administration has mainly been through tax evasion by non-issuance of tax invoices especially by small to medium taxpayers. It is hoped the introduction of EFDs will help curb this situation as sales transactions will now be monitored electronically, through a GPRS modem to the Authority’s

central server. To further ensure compliance, the buyer will be encouraged to demand a tax invoice that will be generated by the EFDs as this is the only way a taxable transaction will be captured.

Objective

The Core objective of the EFD project is to enhance revenue collections by ensuring tax compliance of VAT Registered taxpayers by enforcing the use of the Electronic Tax Registers (ETRs)

Benefits

Computerising the Tax Auditing Process:

The verifiable, authentic electronic files and the fiscal memory device make it possible for the tax authorities to use computers and software to verify instantly a large number of invoices (or retail receipts digitally signed) for their authenticity to the last letter and digit.

Less Work for Tax Authority:

MRA will issue an electronic signature device to a certain company / user that covers all the needs of the user to issue tax documents. This saves a lot of time and personnel for the tax authority that was previously needed to control and authorize the issue of electronic documents for the various companies in the tax territory.

Fewer Disputes:

Because of the nature of the fiscal device, much less disputes arise during a tax audit. The fiscal memory can provide indisputable evidence for the innocence or guilt of the user.

Increased Tax Revenue:

Thanks to the tight security and the accuracy of all financial records authenticated by the electronic signature, the revenue of the tax payers is revealed and taxed much more easily, providing significant increase in tax revenue.

Key outcomes

For the law abiding citizens, fiscal device adoption means a step towards a more fair society since the system will ensure everybody pays their share of taxes;

For the tax authorities it means less time and effort wasted in tax audits and investigations

Implementation

It is envisaged that the Electronic Devices Project (EFD) will be fully rolled out by March 2014.

Pergamon Ltd draws up fiscal devices adoption drive

HOW often do you have to explain to the tax authorities that you have misplaced your sales receipts, when they come demanding for tax dues? It's a situation which local traders do not have to go through anymore.

David Nyaga, operations manager for Pergamon (T) Limited, a leading supplier of electronic fiscal devices, says the recently introduced electronic fiscal devices for domestic tax collection will ease headaches associated with tax compliance especially for small scale traders.

He said in an interview that the devices retain all transaction records, while generating receipts with the required tax already computed.

“We need time to sensitize people on the usefulness of application of the machines,” he said, noting that at times the matter was misunderstood even in government ranks.

The collection of domestic taxes electronically is already widely used in countries such as Bulgaria, Kenya, Malawi and Ethiopia.

The Tanzania Revenue Authority (TRA) conducted a feasibility study on the devices, to test their reliability before their introduction into the local market.

Pergamon (T) on its part plans to rollout a sensitization campaign to traders countrywide, so as to raise awareness and adapted skills to use the fiscal devices conveniently. There still remains the challenge of convincing a few traders who may opt not to adopt the machines to avoid paying optimal taxes, he added. (http://www.businessstimes.co.tz/index.php?option=com_content&id=1187:pergamon-ltd-draws-up-fiscal-devices-adoption-drive-&Itemid=58)

The use of fiscal devices in the world can be divided into three main categories:

- i. Offline operating electronic fiscal devices with built-in fiscal memory (so called first generation fiscal devices);
- ii. Electronic fiscal devices with Internet connection capabilities to the revenue authority central server (so called second generation fiscal devices);
- iii. Electronic fiscal devices with Internet connection capabilities and latest use of various encryption methods for digital signing of each issued receipt (third generation fiscal devices).

Due to the main disadvantages which the first generation fiscal devices are having i.e. easy manipulation, lack of control from the tax office, no printing of fiscal receipts etc., the second generation fiscal devices are becoming more and more popular and many countries are changing their fiscal requirements and moving to Internet enabled fiscal devices (mostly using GPRS network) and implementing the so-called online Information and Tax Collection System

Such kind of second generation fiscal devices are eliminating most of the problems which their predecessors were having. All fiscal cash registers and fiscal printers are connected online through the Internet to the central server and sending their reports

and/or fiscal receipts in predefined time intervals. However these devices still have some black holes which are used by the majority of tax payers who are cheating and not paying their taxes. Such are: printing of fake fiscal receipts, manipulation of daily reports before they are sent to the tax office etc.

This is why the third generation fiscal devices were introduced and running successfully currently in several countries in the world. Devices of this kind are very similar to the second generation devices but an additional software security is used for digital signing of every fiscal receipt. The third generation fiscal devices are eliminating all previously known issues and giving additional security to all tax agencies which are using such systems. Each fiscal receipt is digitally signed using unique signature printed either in the form of a 2D Bar Code or various characters depending on encryption rules in place. The tax administration can easily and quickly check if the issued receipt is authentic and correct.

Tanzania Revenue Authority (TRA) has recorded an increase in Value Added Tax (VAT) under the use of Electronic Fiscal Devices (EFDs), it has been learnt.

Generose Bateyunga, TRA assistant commissioner (Domestic Revenue)
<https://24tanzania.com/electronic-devices-boost-vat-collection-in-tanzania/>

The TRA Deputy Commissioner Domestic Revenue Department, Ms Generose Bateyunga, said that the authority recorded an increase of 23 and 9.6 per cent VAT in 2010/11 and 2011/12 financial years respectively.

She made the revelation in Dar es Salaam yesterday at a one-day workshop to hotels and restaurant business people in the city on the use of EFDs and its importance. Introduced in July 2010 in the country to VAT registered operators, EFDs system will be officially be launched in May 15, this year, by the TRA Commissioner General.

The system is expected to include VAT non-registered traders with sales amounting to 40,000m/- per year. “After the official launch of devices, all traders will be

required to register and use the devices as per EFDs regulations,” she said, adding that legal measures will be taken to traders who will not heed the policy.

Ms Bateyunga said that traders who will be spotted not using the EFDs without necessary reasons will be required to pay 3m/-. “For those who will destroy the devices for the aim of evading taxes will pay twice the amount of taxes evaded or 4m/- plus the evaded taxes,” she noted.

FDs were introduced to VAT registered traders under the 2010 Value Added Tax (Electronic Fiscal Device) Regulation – Subsidiary Legislation, enshrined in the Finance Act 2010 and published on the Government Notice No 192 in May, 2010.

In another development, Ms Bateyunga called on customers to develop habits of demanding receipts in every purchase towards strengthening tax administration. The TRA Principal Officer, Mr Hamis Lupenja, said that the use of FDs help transmit tax information to TRA System automatically.

The system uses fiscal receipts/invoice which is unequally identifiable. “Apart from that, the system help built fiscal memory which cannot be erased by mechanical, chemical or electronic magnet interferences among other importance,” he said. He mentioned the devices as Electronic Tax Register (ETR), Electronic Fiscal Printer and Electronic (EFP) and Signature Device

The week leading to February 15, 2014 was partly marked by the protest of traders in the country against the use of electronic fiscal devices (EFDs). Businesses were closed in various parts of the country, including very busy Kariakoo shops in Dar es Salaam, Iringa, Songea and Tabora, among others.

The protest against the use of EFDs has many and far-reaching implications for the traders, consumers and the government. While the traders are losing sales and associated profits as well as cash to repay stringent loans, consumers are denied services and wasting valuable time when walking to and from closed businesses. The government for its part is losing revenue from transactions that are not taking place when businesses are closed.

Understanding electronic fiscal devices (EFDs)

The Tanzania Revenue Authority (TRA) describes an EFD as a machine designed for use in business. It conforms to the requirements specified by applicable laws. Its objectives include efficient management of sales and stock control systems. There are various types of EFDs. They include electronic tax register (ETR) that is used by retail businesses that issue receipts manually; EFPs are used by computerised retail outlets. An EFP is connected to a computer network and stores every sale transactions or details made in its fiscal memory and electronic signature devices (ESDs) designed to authenticate by signing any personal computer (PC) produced financial document such as a tax invoice. An ESD uses a special computer programme to generate a unique number which is appended to and printed to every invoice issued by the user's system.

Users' obligations

According to TRA, EFD users are obliged to notify any changes/malfunctioning of the devices to the commissioner within 24 hours. The EFD supplier will install, configure and attend the malfunctioning of the machine within 48 hours. Whereas this sounds good, its practicability is questionable. Given the complications that may be involved if users have to report to the commissioner, it would add more value if the malfunctioning was to be reported to suppliers. This is because the suppliers are supposed to have offices in all regions. Reporting to commissioner complicates things between users and suppliers who will have to fix the machine within 48 hours.

Why EFD?

TRA has outlined a number of reasons as to why an EFD is preferred. These include the facts that it has in-built fiscal memory which cannot be erased; it has automatic self-enforcing issuing of daily report after every 24 hours; it transmits tax information to TRA system automatically; it has irreversible date mechanism; it issues fiscal receipts which is uniquely identifiable; it can be used as a stand-alone and configured into a network; it has at least 48 hours power backup, and it can use

external battery in areas with no electricity supply; it saves configured data and records on permanent fiscal memory automatically and it has tax memory capacity that stores data for at least 5 years or 1800 day transactions.

A critique to TRA

A closer look at the advantages above indicates these are advantages that TRA stands to get out of EFDs. These are very relevant advantages because the need to enhance revenue collection in Tanzania cannot be overemphasised. However, TRA does not outline direct benefits to traders by using the EFDs. This can be partly the cause of the protest in using the machines. It would add value in efforts to get the protesting traders to use the machines if the advantages to be enjoyed by them were clearly shown as is the case for advantages for TRA.

Issues for traders

There are various issues of concern for traders that trigger protest against the use of EFDs. Prices that range between Sh600,000 to over Sh700,000 are among the issues of concern. Although these will be compensated through tax deduction, understandably traders find it hard to make a onetime payment of Sh600,000 for this very important tax infrastructure. They have also complained about what is recorded (sales) and what is not recorded (expenses) by the machines. To compute tax properly, one would necessarily need the two variables. There are many other issues of concern in the EDF debate for traders including the 18 per cent VAT. TRA has responded to some of these concerns at its website. The question is on how many of the protesting traders visit the website.

TRA: Electronic Fiscal Devices already making a difference

http://www.businesstimes.co.tz/index.php?option=com_content&id=2256:tra-electronic-fiscal-devices-already-making-a-difference&Itemid=57

THREE years after the introduction of Electronic Fiscal Devices (EFDs) as an aid to tax revenue collections, the Tanzania Revenue Authority (TRA) says the machines

have been showing considerable difference for the better, especially in the area of value-added tax (VAT) collections!

In a written response to this paper recently, the TRA acting director of Taxpayer Services & Education, Yerehiah Maghi, said tax collections from VAT-registered operators have improved since TRA introduced the devices two years ago.

For instance, TRA collected a total of Tsh785,882.4 million in the 2009/2010 financial year, before the EFDs were introduced. By comparison, the Authority collected Tsh791,462.9 million in FY- 2010/11, immediately following introduction of the devices!

Noting that this rise was not phenomenal or dramatic, Maghi attributed this to the fact that the EFDs had not become widely used that early.

Significantly enough, in the following year – FY-2011/12 – TRA collected Tsh1,086,374.0 million, about a 40 per cent increase!

“This indicates that the introduction and use of the machines has brought about marked improvement in the collection of VAT,” Maghi stressed.

According to the Revenue Authority, there are at least 14,000 EFDs that are currently in use across Tanzania, and the target is to cover all the VAT-registered traders in the country, who are estimated to number 17,000.

Using an EFD by a trader when issuing a sale receipt to a customer makes it possible for the machine to transmit a message directly to TRA showing details of the transaction. This way, TRA get to know the sales made each day. Also, at the end of the month, TRA is in a good position to know how much each EFD user has to pay as a monthly VAT obligation!

This is unlike in the past when TRA officers had to laboriously check through receipt books, compile the various cash sales and other receipts in efforts to determine the amount that each trader had to pay as VAT.

Apart from encouraging the use of EFDs as a means of enhancing tax collections, TRA also regularly conducts tax education seminars as part of efforts to enhance voluntary tax compliance.

Other measures taken are conducting Stakeholders Forums; conducting Customer Care Training for TRA Staff; establishing Tax Centres, and the adoption of new state-of-the-art systems of tax payments like the Asycuda++, ASYCAN e-Filing System, as well as paying tax by using mobile telephony.

In another development, the Tanzania Revenue Authority says it projects to collect Tsh3,945,004.10 million by December 31, which marks the end the first half of the current financial year, 2012/2013.

If and when that happens, it would be 63 per cent of the half-year collection target!

According to available data, the Authority collected a total of Tsh2, 495,766 million from July 1 to the end of October this year.

Perhaps noteworthy here is the fact that, although Tanzania is phenomenally endowed with natural resources – including minerals, arable land, water resources and tourist attractions – the country still depends heavily on budgetary support from the international donor and creditor community!

Tanzania: Electronic Fiscal Devices Long Overdue

THE business community in the country has received electronic fiscal devices (EFDs) with mixed sentiments, with some looking at the devices with contempt while others have praised the same for varying reasons.

It is understood that the Tanzania Revenue Authority (TRA) introduced the devices for the purpose of issuing receipts and invoices for every sale made to boost revenue collection and simplify tax administration.

Thus to many businesses that were used to tax evasion by cooking their books, the devices are naturally an unwelcome development. The first phase began in July 2010, involving only VAT-registered traders.

The second phase, which was intended to cover non-VAT-registered traders with an annual turnover of 14m/- and above, began in July, this year. But some traders have decided to protest against the use of the devices on grounds that they are too costly, that EFDs cost more than their starting capital.

Prior to the protests by traders now happening in four regions, there have been complaints by certain businessmen and women against some TRA officials who have been allegedly using the devices as an excuse to extort money from traders who failed to meet the deadline of using EFDs.

As a result of the complaints, TRA lowered prices of the devices and extended the deadline for its acquisition and usage. It was then expected that traders would have welcomed the move and taken interest in the devices, after all they are meant to boost government revenues.

Instead, traders have opted to close shops in protest against the devices. Apparently, the protests are only tangentially connected to the prices of the EFDs as claimed by the protesting traders...in reality they are on their functions, which are to ensure traders produce receipts and invoices for every transaction they make.

In a layman's language, we believe the protesting traders are not amused by the gadgets as they will make them pay to the government the taxes it deserves. To many of them, paying rightful taxes is like a perilous phenomenon that should be avoided by all means.

As we appeal to TRA to get rid of its unscrupulous officials who have unlawfully benefitted from the introduction of EFDs, we also call on the authority not to submit to the misplaced demands by the protesting traders. Paying taxes is a duty of any incoming earning Tanzanian for the good of the country. (<http://www.theafricanews.net/index.php/sid/218517820>)

TCCIA commissions study on electronic fiscal devices

Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) Morogoro Region chairman Bachoo S. Bachoo said yesterday that the region is grouped as one in terms of paying tax, and efficiency or inefficiency of EFDs, which are a legal requirement for VAT-registered traders.

"Many of our members have not been happy with the inefficiency of most of EFDs. That is why we saw it necessary to do a study that would show how traders are dealing with the challenges of implementing the devices," he said.

The government through the Tanzania Revenue Authority (TRA) introduced Electronic Fiscal Devices (EFDs) in the Finance Act, 2010 to replace Electronic Cash Registers so as to enhance VAT collection.

"During the implementation of the EFDs from 2010 to date businesses have been encountering a number of challenges, which we feel it is good to know, they are up to what extent," he explained.

TCCIA Morogoro has seen the importance of analysing the effectiveness of EFDs for the period that the machines have been used and advocate for the challenges to be exposed and addressed.

The study, being undertaken by Pamoma is financed by Business Environment Strengthening for Tanzania - Advocacy Component (BEST-AC).

According to TRA, EFD bears fiscal seal, has special inbuilt Read Only Memory (ROM), incorporates fiscal memory that cannot be erased by use of electromagnetic interface, keeps 48 hours power backup, can also use external battery in areas without electricity supply, and issues automatically self-enforcing daily Z reports.

Besides, the machines have irreversible date mechanism ensuring that no backdating can exist and they can be used as a stand alone or configured into network. The tax collecting authority says the devices have memory capacity to store data for at least five years or 1800-day transactions.

TCCIA Morogoro Region aims to further link industrial and agricultural producers and traders to market and promote, coordinate, protect and expand commercial, industrial and agricultural interest to contribute towards expansion of employment opportunities in the country.

Its objectives include, among others, to unite its members of the business community, promote, co-ordinate and protect commercial, industrial and agricultural interests in Tanzania in general, and of members in particular, and foster social unity within and to promote the welfare of the commercial, industrial and agricultural community.

As a membership organization, TCCIA Morogoro is mandated to act as an instrument of the members in dialogue with the Government on broad issues of macro and micro-socio-economic policy.

BEST-AC is a grant programme that assists business membership organisations to create a better business environment. The grants enable these organisations to be successful in their dialogue with government to change policies, laws and regulations.

Besides, it is responsible for the effective and efficient design, development and delivery of the Private Sector Advocacy (PSA) Fund provided through grants from the governments of Denmark. (<https://www.pesatimes.com/news/general/tccia-commissions-study-on-electronic-fiscal-devices>)

Electronic Fiscal Devices: Issues of national cohesion beyond fiscal policies

OF late the issue of the use of electronic fiscal devices in routine commercial operations in the city of Dar es Salaam and elsewhere has seen confrontations between shopkeepers of middle levels with the Tanzania Revenue Authority (TRA), with spates of shop closures in protest against draconian EFD use. In the same stead, the Directorate of Criminal Investigations has weighed in the matter predictably on the TRA side, which raises issues of criminality and trade union dispute setting apart the tax authority and shop operators. There is a problem of class action and onerously

one-sided character of involvement of regulatory authorities, which isn't the manner democracy is demonstrated,

In the first place it is now clear that the use of EFDs, when it becomes a fact of life, will be due less to policy innovation and business community adapting to it, than of police action and non-existence of alternative representation. In that case there is a difference with other instances of class action and how the chief representative organs, for instance the National Assembly, has reacted to the issues.. Never have farmers or livestock keepers run private battles with agencies of the government, with all representational and regulatory bodies ranged on the side of the specific disputed authority, in this respect the TRA.

If one poses a question in that regard the general and often vehement answer that comes about is that the traders are seeking to obviate 'the laws of the country' in that regard, which by and large is entirely founded, that there is law of using EFDs for optimization of revenue collections. The trouble does not lie at that level but in the way in which there is total agreement in the regulatory and representational sphere, that is, among those who ordinarily would be 'stakeholders' on the issue, that hardly anyone can see a point in what the traders are saying. Is this an accident or confront to cultural patterns of issues, so when it comes to such disputes, the traders can only fight alone?

What is being suggested is not that regulatory bodies or key representational organs are in error over the issue, but that it is off beat in a democratic sense as there are few stakeholding entities, apart from the traders themselves, who broad the subject in public. There is a deficit of representational parameter in the issue, which makes it akin to an Indian phenomenon of untouchable items on the public stage, something out of range in the political platform, where no one gains a vote or public sympathy in coming out to express support or, say, concern on what is happening. It's a case of a cornered zebra, as others graze.

That is what is troubling, that there seems to be nothing worth of the bother of representative bodies, even at the business level like TCCIA or CTI, apart from the

more comprehensible silence of the Dar es Salaam Chamber of Commerce, as it groups generally city centre traders. If the latter sounded out on the issue, epithets of a racial character could for that matter be expected owing to the majority number of those who do commerce. Nothing of the sort would be coming up if the sounds came from the nation-wide chamber of commerce or the grouping of industrialists, or the private sector foundation.

A necessary question comes up if there is indeed little worth of representation in the dispute between traders and TRA, such that all concerned bodies are at a loss to find words, as the matter comes down to tax evasion efforts, pure and simple? Do large groups of people converge for the sake of breaking the law, or they are espousing an ideal, a concern that matters to them all, and it also touches what may be called the fringes of the law, that it is being applied in an onerously one-sided manner in their regard? Is it because the law is in a sense unfair, or because traders are not used to obeying the law but indirectly?

Examining the tax resistance scenario as a whole, one finds at least one other group whose activities are as affected as the city traders routinely shutting down their shops in relation to EFDs. It is the section of traders who used to conduct wholesale trade in petroleum production, about nine or more having their licences revoked over the past year for not conducting that business for a period beyond six months, a regulatory specification. The reason was the fact of introducing bulk importation which duplicated their field of business, as one is either importing and selling wholesale, or purchasing from such fellow. What the law set out to do in the context of bulk importation was to bring up a higher tier of wholesale business, namely the work of the specific importer for that month, or three months earlier. This fellow then sells to supposedly wholesale buyers and the latter can retail out to operators of filling stations, in which case it is the local purchase and selling wholesale that is unfeasible. Nothing in the regulatory body, the Energy and Water Utilities Regulatory Authority (EWURA) specifically envisages eliminating this cadre of petrol business, as per their calculations, he buys from an importer and sells in bulk.

It is evident that calculations of regulatory bodies are often in conflict with the proper demands of running a business, in which case one arrives less at an economic than a moral issue, as to whether each sector of economy or for that matter business has a right of protection from public authorities. What is evident is that the public agencies controlling business in the various sectors are seen as representing the public interest, a sentiment arising from the long intimacy with socialism that characterises the local 'intelligentsia.' Where did it throw out the idea of the state? Does treatment of city traders evoke it too?

When it comes to the dispute as to whether the use of EFDs disturbs the flow of costing and business expectations as a whole for city traders, there is no issue that it does, as otherwise it would be impossible to mobilise people on some minor issue of convenience. What they are protesting about is pricing of the machines, but the matter also seems to cover the proper level of taxes that arise out of using EFDs, and lack of recourse to 'negotiating' with the taxman on the real amounts to be levied. That is precisely what TRA sought to shed as it unavoidably leads to palm greasing - and revenue collection is mitigated.

If one adds the fact that the tax levels that TRA demands and instructing the use of EFDs is all part of legislation, which means the measure is being taken in good faith to bring the city trading community and any other to similar levels of tax obligation as others, little seems available to negotiate about. No one in the trade unions negotiates in an animated manner as to whether the mode of taxation decided in Parliament (after TRA was formed in 1996, shifting from the basic wage base of taxation to include fixed allowances and other emoluments). This aspect of reality that is now descending on traders.

It is apparent both in the case of the city traders as well as oil importers now abandoning wholesale business in the wake of statutory bulk importation, that the ways of the TRA or interpreting those ways among other regulatory authorities has a knack for disturbing expectations in various areas. It is quite simply owing to the weaknesses of the same intelligentsia that professional groups and non-governmental organisations (NGOs) have never sounded out any real evaluation of the impact of

TRA in professional live and income distribution since 1996. It is taken for granted that the higher the revenue that is collected the better for national development, whereas only recently has a bit of revenue found its way to development expenditure, partly due to rising donor fatigue. In 1998 Budget detail, out of Tsh720bn local funds in the Budget, only Tsh10bn was earmarked for development expenditure, as this sphere more or less belonged to foreign aid, as if it was a moral rule it is so.

This brings up the issue of the moral justification of onerous taxation on the part of the government and its actual impact in society, and how far this has to do with rising tensions or violence in various spheres. Professional bodies and platform movers have for a decade or so been in total agreement that the second phase government was a 'lost decade' where the country lost most of its sense of direction, from leadership ethics to payment of taxes, and hence the third phase moved to correct those errors, partially at least.. In that sense changes in the fourth phase have provided impetus to the work of the third phase government, and to most quarters of public opinion it is at is should be.

And it is precisely in this phase that tensions have exacerbated everywhere in society, crime and violence seeing a sharp increase, social solidarity being lost for instance in routine violence of seeking albino body parts to provide sacrificial resources to succeed in politics or business, etc. The work of the police force for instance has shifted from proper investigation of incidents of crime from the public to government orders to investigate when it has the need for it, otherwise ordinary citizens pay for work they wish to be done by the police. All this has to do with discrepancies and distortions in the way the tax mechanism impacts income distribution, and corrupt avenues to erase it. In that sense TRA is quietly dismantling the main premises of city trading value structures, and aided by EWURA, and soon SUMATRA, sows chaos.

That is what is gradually happening in all sectors where regulatory bodies have an upper hand, that is, their work is to fleece private producers - and in the case of PAYE, employees - to the betterment of state coffers. The state now has the cash even to spend on roads apart from its usual privileged areas of bureaucratic

consumption, and even moving to beef up parastatals with cash as the legislature has always demanded. None of this expenditure boosts microeconomic efficiency, and economic growth relies chiefly on mining, tourism and now a rising gas mania likely to add to the dissension and even violence at the political level. Various groups will be teaming up for the 2015 polls in view of the gas manna in the offing, as avenues of making money in ordinary business are stifled by TRA predatory practices, worsening the push for control of public resources, where TRA can't operate, as in operations of regulatory bodies and major parastatals, which by definition don't pay taxes.

(http://www.business-times.co.tz/index.php?option=com_content&id=3896:electronic-fiscal-devices-issues-of-national-cohesion-beyond-fiscal-policies&Itemid=57)

TRA Studies Electronic Devices Impact on Revenue Collections

The Tanzania Revenue Authority (TRA) has started evaluating whether the installed Electronic Fiscal Devices (EDF) have managed to improve tax collection. The TRA Deputy Commissioner Generose Batayunga said this week that evaluations are going on, and once completed, TRA will issue a statement on what has been noticed.

The installation of the new devices started in July last year but up to now, though it is compulsory for all VAT registered businesses to install and employ the new technology, about 11 000 out of over 18 000 thousand have installed the new machines.

“There is progress so far in installation. 11, 465 out of the 18,180 VAT registered businesses have installed the devices. The problem is that when we started the exercise, the machines were not available in abundance but now we have more than what we need in the market,” said Protas Mmanda, TRA’s Director for Taxpayer Services and Education at a news conference in the city.

So far there are over 23, 850 devices, about 5000 more than what the market at present requires. Four international companies signed contracts with TRA to fabricate the machines so far brought to the market. “Therefore, there is no reason for

other business to fail to comply with requirements to install the new technology since it benefits both businesses and the revenue authority.

“The remaining 7000 registered VAT businesses were supposed to have installed already but they haven’t yet complied. As a revenue authority, we are auditing all registered VAT businesses from Wednesday just to ensure that they comply,” said Mmanda. TRA gave April 08, 2011 plus four more days – up to April 12 as addition time for those that could have bought the machines on April 08 to get time to install them- to ensure that everybody has complied.

Though TRA adopts the format of auditing and giving more education to the businesses, certain businesses might end up paying penalties due to failure to comply with EFDs use that was passed into law last year. Due to failure by 7000 VAT registered businesses and perennial power shedding that has affecting most businesses that rely on electricity for production, there might not be much difference in revenues collected before the installation and after the installation.

Generally, the machines manufactured and supplied in the country were from two Italian firms, Customs Engineering SPA and RCH-SPA, and two Bulgarian firms, Datecs Ltd and Incotax Systems Ltd, who are said to be the best devices so far. “These machines are good in that once you enter information TRA gets information after 24 hours and if one tampers with the information, the machine reports everything. In addition, the machines keep the information for not less than five years,” says Batayunga. After all, it is the government that pays for the machines. However, the VAT registered businesses have to buy them first but when they install them, the costs are deducted from the VAT the businesses are supposed to pay to TRA. It is only when the amount is paid that the businesses start paying VAT.

The fact that the information entered can’t be reversed and that it keeps the information for at least five years, the machines are good. Businesses that are doing well can get loans if the information is given to banks and at the same time TRA's duty of following up revenues is simplified as every 24 hours information is made

available to the authority. However, Batayunga called upon buyers of products in shops or stores to ensure that they get EFDs receipts that bear the value of money that they have paid if the revenues are to be raised. Failure to do so, despite that the new technology will encourage tax compliance since information sales is made available to TRA, it won't boost revenue collections as TRA anticipates, the official underlined. (http://business-times.co.tz/index.php?option=com_content&view=article&id=953:tra-studies-electronic-devices-impact-on-revenue-collections&catid=1:latest-news&Itemid=57)

Electronic devices crucial for revenue collection, says TRA

Tanzania Revenue Authority (TRA) sticks to its plan on the use of Electronic Fiscal Devices (EFDs) System, with the aim of enhancing revenue collection and improving expenditure management.

Patrick Kassera, TRA Commissioner for Domestic Revenue Department, told this reporter that EFDs will ensure accountability of sales by traders to allow for accurate and translucent assessment of payable taxes and also secure trade control of stocks and record of business transactions.

The first phase of EFDs covered 13,400 traders out of 16,000, which is equivalent to 93 per cent of VAT registered traders, Kassera said in an interview recently. "The use of EFDs will be cascaded to Non VAT registered Traders from March 2013..."

He said the phase is intended to cover non-VAT registered traders with an estimated annual sale turnover of Sh14bn and well over 200,000 traders are expected to come on board.

The use of EFDs has several advantages and on top of that list is the fact that it will encourage sellers to issue receipts for all goods sold or service rendered. It will also motivate buyers to demand fiscal receipts for every purchase made and hence cultivate a record keeping culture that allows for accountability.

The TRA commissioner acknowledged that there are many challenges that require concerted effort from the business community which is made up of EFDs users and government organs, if they are to achieve smooth implementation of the EFD regime especially rolling their usage to Non- VAT registered traders.

Kassera called on stakeholders to enforce legal requirement for every purchased good and service rendered to be accompanied by fiscal documents and also to enforce the checking of transport vehicles to verify the possession of fiscal receipts for the goods they carry.

TRA is a government semi-autonomous agency, under the Minister for Finance, established with the major functions to assess, collect and account for all central government revenue, administer effectively and efficiently all the revenue laws of the central government.

It is also tasked to advise the government on all matters related to fiscal policy, promote voluntary tax compliance, improve the quality of services to the taxpayers, counteract fraud and other forms of tax evasion and to produce trade statistics and publications. (By Guardian on sunday correspondent 10th February 2013)

Will new EFDs help curb tax evasion?

(<http://www.theeastafrican.co.ke/business/Will-new-EFDs-help-curb-tax-evasion-/2560/2443514/-/k1iutk/-/index.html>)

The Tanzania Revenue Authority has directed fuel stations, burea de change and insurance companies to install automatic electronic fiscal devices in a bid to increase efficiency in tax collection.

The EFDs will help curb tax evasion as sales transactions will be monitored electronically and receipts generated automatically whether or not a client asks for them.

According to Tanzania Revenue Authority director of education and taxpayer services Richard Kayombo, the decision to install the automatic EFDs especially at fuel stations was made after manual devices failed.

“Last year, we introduced the manual EFDs but they failed because petrol stations had the option of generating receipts for transactions carried out,” said Mr Kayombo.

Mr Kayombo said that some petrol stations, burea de change and insurance companies were avoiding generating receipts and so their actual turnover was not reflecting in their tax returns.

TRA was losing out on revenue because companies were not registering their transactions using the manual EFDs.

However, the automatic EFD’s will issue receipts immediately any transaction occurs, receipts which are reflected back to the authority.

“With this new technology, the government will increase tax collection and transparency in business data,” said Mr Kayombo.

Mr Kayombo said TRA has focused on petrol stations, burea de change and insurance companies because they have the largest operations in the country.

He said the automatic EFDs are specially made to register all transactions made and the government is optimistic that this will increase revenue collection in the remaining part of the year. Currently, the government collects Tsh400 billion (\$250 million) per month in taxes.

The Citizen newspaper in May this year reported that Tanzania loses about Tsh3 trillion (\$1.87 billion) in tax revenue every year through dishonest import and export transactions.

“The problem of tax avoidance and evasion is common in all tax systems but with the introduction of the new automatic EFDs, we expect to improve collections by at least 80 per cent,” said Mr Kayombo.

TRA principal officer Hamis Lupenja said the directive for petrol stations to use normal EFDs failed because if a receipt was not issued the transaction would not be recorded.

“However, with this device, installed inside the fuel pump, it will not matter whether a motorist demands a receipt or not, the tax is automatically recorded,” said Mr Lupenja. He added that it is an offence to buy anything without demanding a receipt and the buyer is liable to a penalty of Tsh1 million while a trader is fined Tsh3 million.

TRA Commissioner-General Rished Bade recently said that the authority has already held advanced talks with experts from a number of oil firms, insurance companies and burea de change over the matter and the response is good.

Legal highlights of Electronic Fiscal Devices

Lately, the issue of Electronic Fiscal Devices (EFDs) has captured headlines. We have witnessed shop owners close their shops to protest against EFDs, the Tanzania Revenue Authority (TRA) has issued statements and the Government was recently forced to hold a meeting with the business community on the issue.

The EFD myth has captured my interest and I would like to share with readers a few things, on what the legality of the devices is, who is supposed to use the devices, the consequences of not using them and whether one day we can wake up and simply find them out.

Let us start with the legality of the Electronic Fiscal Devices. The regulations cited below and what is found in TRA’s website define “Electronic Fiscal Device (EFD)” as “a machine designed for use in business for efficient management controls in areas of sales analysis and stock control system and which conforms to the requirements specified by the laws”.

It is important to note both the Value Added Tax Act, Cap. 148 (VAT Act) and Income Tax Act, Cap. 332 (ITA) provides for EFDs, as such one may say there are

two types of EFDs; that is EFDs found under VAT and EFDs found under the Income Tax Act (ITA). Now, one may ask: what is the legal basis of both types of EFDs? In other words are EFDs which are the talk of the day having any legal justification or is it the Commissioner General of TRA who simply woke up one day and started demanding that people should have EFDs?

EFDs under VAT were introduced by the Finance Act, 2010 which amended the VAT Act. The amendment required taxable persons to issue 'fiscal receipts or fiscal invoices' printed by an electronic fiscal device bearing the contents specified under the Value Added Tax (Electronic Fiscal Devices) Regulations, 2010. That being the case, it is obvious that EFDs under VAT are based on the provisions of the VAT Act and the Regulations which I have just cited.

EFDs under ITA were introduced by Section 27 of the Finance Act, 2012 which repealed and substituted Section 80A of the ITA. The substituted section imposes a mandatory obligation on all persons who sell goods or render services or receive payments on the goods sold or services rendered the value of which is not less than five thousand shillings to issue fiscal receipts or fiscal invoices by using electronic fiscal devices.

The Commissioner has the power to exempt any person or class of persons from issuing such receipts or invoices or even from acquiring the EFD. Apart from the ITA, the minister has issued the Income Tax (Electronic Fiscal Devices) Regulations, 2012 (ITA Regulations) under section 129 of ITA to regulate EFDs found under the ITA.

Having learned about the legal basis of EFDs, the next question is: who is required under the law to use EFDs? Based on the provision of section 80A of ITA which we have cited above together with the ITA Regulations, every person conducting business on Tanzania Mainland and Zanzibar, and who receives payment of an amount not less than five thousand shillings must use EFDs to issue receipts or invoices under the ITA unless that person is exempt by the commissioner from using or acquiring the EFD.

I am aware that the Commissioner has set the annual turnover of Tanzania Shillings fourteen million as threshold for persons who are supposed to be using the EFDs but I have not been able to see any document backing that position. As for VAT, it is mandatory for taxable persons who reach the annual turnover of Tanzanian forty million shillings to be registered for VAT and also acquire and use EFDs in the taxable transactions.

Both Regulations (VAT and ITA) impose an obligation on the users of EFDs to continuously use the devices and in case of any fault, a report to that effect must be sent to TRA and the supplier within twenty four hours. The law also requires every user to have an inspection booklet where in case of any failure, the time of failure must be recorded. I am not sure if any of the users has complied with these two requirements, unfortunately the penalties are severe as we will see.

Before we look into the consequences of non-compliance with the law, it is fair to note that the Commissioner has enormous power under the Regulations, including the power to investigate the user, the power to seize the device etc.

As the consequences of non-compliance, under both VAT and ITA, it is a criminal offence not to use the EFD whose punishment is the fine of Tanzania Shillings three million or twelve months imprisonment or both. Tampering with the device attracts a penalty of not less than Tanzania Shillings one million or three months imprisonment or both. [http://www.thecitizen.co.tz/oped/Legal-highlights-of-Electronic-Fiscal-Devices//1840568/2227512//item/0//gv78hfz//com.coremedia.mauritius.cae.contentbeans.MauArticleImpl\\$\\$\\$5Bid=2227512%5D%26title=Legal%20highlights%20of%20Electronic%20Fiscal%20Devices](http://www.thecitizen.co.tz/oped/Legal-highlights-of-Electronic-Fiscal-Devices//1840568/2227512//item/0//gv78hfz//com.coremedia.mauritius.cae.contentbeans.MauArticleImpl$$$5Bid=2227512%5D%26title=Legal%20highlights%20of%20Electronic%20Fiscal%20Devices)

Tanzania lawmakers press for E-tax collection to boost revenues

"Dar Es Salaam (Thomson Reuters Foundation) — Tanzanian lawmakers are urging the government to speed up the electronic collection of revenues to prevent the loss of millions of taxpayer dollars each year to corruption and outright theft. (<https://undp.unteamworks.org/fr/node/370176>)

Dubbed 'Power of the Purse', the new electronic system would help officials track down revenues which never reach the treasury due to widespread corruption, including the doctoring of paper receipts, lawmakers said. Officials also want to improve electronic tracking of government spending.

Tanzania loses about Tsh.700 billion (\$4.37 million) a year to a porous system which allows tax evasion and mismanagement of public finances, spurring foreign donors to slash budget support aid three years ago. The move to electronic tax collection and budgeting is part of a broader push internationally to use technology to improve government accountability.

"We have instructed the government to immediately start collecting revenue from central and local government sources using electronic fiscal devices," Zitto Kabwe, chairman of a parliamentary oversight committee on public accounts and deputy leader of the opposition in the parliament, told Thomson Reuters Foundation.

The Tanzania Revenue Authority (TRA) projects it will collect Tsh. 9.5 trillion (\$5.8 billion) in the 2013/14 fiscal year (July-June), a 19.9 percent rise from 2012/13 when tax collection rose by 16 percent.

The Electronic Fiscal Device is a programme that allows businesses to manage and analyse their sales and stock control electronically. The secure device, designed by the TRA, then calculates total turnover and government taxes due under each revenue category.

The TRA has also launched an electronic system for filing tax returns, and is working with the mobile networks to enable customers to pay their income taxes by phone. Tanzanians can already use their mobile phones to pay certain fees such as those for motor vehicle licences. The TRA also plans to roll out applications for citizens to monitor how government revenues are collected and spent.

Migrating faster to the new electronic system, which was mandated by parliament in July 2010, would ensure that government revenues continue to grow and that public institutions can be effectively audited, Controller and Auditor General Ludovic

Utouh said. “Our office only gets to audit and issue statements of revenue collection when the funds reach the Treasury, but this is after the records have been tampered with,” Utouh told reporters in Dar es Salaam recently.

About 30 percent of Tanzania’s budget is currently financed by foreign donors, and over the past seven years it has received about \$5 billion in general budget support. Donors have repeatedly questioned the sluggish pace of the country’s reforms and fight against corruption, and in the 2010/11 fiscal year slashed \$220 million from their general budget support funds. Kabwe said improved revenue collection would bridge yawning gaps in the budget which have resulted in higher taxes on basic necessities.

In a bid to make government business more open, Tanzania has joined the Open Government Partnership, a multilateral initiative to promote transparency in government spending and finances, to empower citizens to fight corruption and harness technologies to strengthen effective governance.

According to a draft country plan submitted to the OGP secretariat, the government has pledged to increased access to information and disclosure about its programmes and to publish data on certain priority areas. President Jakaya Kikwete vowed to improve governance, transparency and accountability when he took office.

“We will respect the rule of law and the principle of separation of powers between the Executive, the Legislature and the Judiciary. We will strengthen the public service and fight social ills without fear or favour,” he said in his maiden speech in 2005.

The Open Government Partnership holds a meeting in London at the end of October to review country progress." (<https://undp.unteamworks.org/fr/node/370176>)

Electronic billing machine

General Description

Rwanda has decided to introduce legislation which will help businesses to keep their books properly and protect honest taxpayers from unfair competition. New law is specifically designed to stop tax evasion, which is troubling even the richest countries around the world.(http://www.rra.gov.rw/rra_article1035.html)

We are not the only country introducing technology to combat tax evasion as Sweden, Germany, Greece, Ethiopia, Kenya and almost 50 other countries around the world have already done something similar. Differences between all jurisdictions are in technical specification and system implementation method which either allows users to adopt or replace their existing invoicing system.

In our continuance effort to provide improved and modern services to our taxpayers, the new legislation is designed with enough flexibility to reduce operative and administrative burdens, while still the highest security standards are in place for safekeeping your tax information.

Introduction

An Electronic Billing Machine comprises of two components, a Certified Invoicing System (CIS) and a Sales Data Controller (SDC). If business doesn't have Electronic Billing Machine in place by the announced deadline, it could face a substantial fine.

Upon the public announcement, every business registered for VAT will have to provide a customer with a **special receipt** issued through Electronic Billing Machine for every sold good or service. The groups of taxpayers which must have a special devices installed on its premises to record every sale will be announced by Public Notice, as installation will be carried out in phases.

By end of each phase, the law will apply to every newly business registered for VAT in Rwanda.

What is the purpose of EBM?

Besides combating tax evasion and corruption, Electronic Billing Machine will provide a market balance and make equal business opportunities for every entrepreneur.

Rwanda Revenue Authority knows that most businesses are not paying its full taxes and to prove that fact auditors often spend countless hours investigating and going over massive documentation which causes disruption in operations of both honest taxpayers and those who evade tax on purpose. Thanks to this affordable technology VAT paid by the citizens and businesses will be instantly recorded and the audit itself will become much simpler.

Our ambition to increase budget goes to the benefit of all citizens who will eventually enjoy better social programs, and the money for that will be coming from your VAT.

How does Electronic Billing Machine work?

A sales Data Controller (SDC) record every transaction received from Certified Invoicing System (CIS), and then ensures that electronic signature on the receipt is printed. The signature is verifiable by Rwanda Revenue Authority officers using a special decryption tool which is unique for every installed SDC device, therefore any falsification of the signature can be immediately detected.

The SDC itself was carefully designed to be secure and tamper-proof. Rwanda Revenue Authority auditors can access any SDC and quickly detect missing taxes.

Electronic Billing Machine are designed to suite every business environment. If taxpayer already own invoice processing equipment, they must make sure if their system is compatible with requirements, as soon as possible. Asking a vendor about the compatibility is the first step. The requirements and the testing method is provided by RRA.

2.3 Empirical Literature Review

Fiscalised electronic devices are small machines or mini-computers that are used to determine the amount of Value Added Tax remitted to the government (Niosi1994). These devices are designed in such a way that they record each transaction made by an organisation to calculate the amount which is supposed to be remitted to the government as Value Added Tax. Rathus and Nevid (1987) from their study identified four types of fiscalised electronic devices, which comprises of electronic cash registers (ECRs), Electronic Tax registers (ETRs), fiscalised printers (FPs) and electronic signature devices (ESDs). Electronic cash registers are devices used by traders to record sales and issue receipts, they also store information such as sales, stocks and can issue reports for example daily sales report. Rathus and Nevid (1987) define electronic tax registers as cash registers with fiscal memory, which is a special, read only memory built into the cash register to store tax information at the time of sale. Cascio (1986) also defines electronic signature device as any electronic means that indicates that a person adopts the contents of an electronic message. This electronic device is used in conjunction with the accounting system to validate documents. Fiscal printers are high speed printers connected to a point of sales terminal or sales computer to store every sale transaction in its memory while it issues receipts to taxpayers.

Burkhardt and Marlene (1994) in their study revealed that technological change has become the mode of operation in the 20th century business community. As the workplace product transforms from paper to information services, employers and employees scramble to keep abreast of the rising tide of information and the new service opportunities created by the innovations in the technology available to business. However, there are some organizations which are still using the manual method which involves the use of hands instead of computers for determining the value of tax remitted to the government. According to Koohang (1989), companies are resorting to manual method because the cost incurred in the process of acquiring such devices is exorbitant. Statutory requirement in Zimbabwe allows organizations with a turnover of US\$240000 per annum or less not to use Fiscalised Electronic

Device (FED) which calls for them to continue using the manual methods of remitting VAT to the government. Another reason why some companies are still using the manual method is that they are not aware of the latest methods used in determining the value of tax remitted to the government, and some are just resistant to change that is given all the resources the managers and directors will reject the new technology. Arthur (1990) propounds that individuals with low educational levels may consciously opt not to become familiar with computers (fiscalised electronic devices) due to the challenging nature of the technology. This Theory shows us that companies in the motor industry with employees who have low educational ability will find it difficult to use fiscalised electronic devices.

A study by Cascio (1986) revealed that electronic device processing methods make use of computers in determining the amount of tax to be remitted to government. He further argues that this method is more reliable and fast as compared to the manual data processing method. Electronic device processing method is less time consuming, less costly, more accurate and faster as compared to the manual data processing method. According to Liden and Adams (1992), older employees usually favor the use of manual methods in determining the value of tax while the younger employees usually favor the use of electronic devices citing the above benefits. They went on to say that younger generations usually have positive attitudes towards the use of electronic devices while older generations have negative attitudes towards the use of electronic devices.

The Motor industry in Zimbabwe spearheaded the introduction of the electronic tax registers and electronic signature devices because they offer unique benefits to traders and revenue authority. Newcomb (1943) states that the benefits of automation include a reduction of fraud, remote access to information, improved collection of statistics and uniform application of Tax legislation. The introduction of tax automation minimizes direct contacts between tax collection officers and traders or their agents and hence leads to a reduction of corruption. Further benefits achieved through customs automation include improved reporting, control of file transfer, automation reconciliation of Tax returns declarations and compliance

testing of bank files. Paperless declarations and customs automation save time and make it easier to focus on inspecting high-risk consignments. The possibility of submitting Tax returns declarations on-line has in some cases made it possible to reduce the associated fees, in other cases it eliminates the obligatory contracting of customs agents.

Sacks (1991) developed a theory, which advocates that males tend to display positive attitudes towards the use of these devices, regardless of the level of familiarity, while females' attitudes become more positive as the levels of familiarity increases. Brief (1998) argues that females tend to be resistant to the use of fiscalised electronic devices while males accept to the change in the motor industry. In contrast, a survey conducted by Baack and Brown (1991) advocate that older adults indicated that they are less likely than their younger counterparts to use these devices unless there is a perceived need. The same study attributed the low usage rates to low levels of familiarity. According to Liden and Adams (1992) older individuals do not respond as well to rapid change as their younger counterparts unless the change is gradual overtime. A study by Arthur, Winfred and Hart (1990) identified a positive relationship between educational ability and familiarity with these electronic devices. The authors suggested that employees with low educational ability levels might consciously opt not to become familiar with these electronic devices due to the challenging nature of the technology. A study by Gardner, Dukes and Discenza (1993) identified a positive correlation between experience with electronic devices and attitudes towards them. Not surprisingly, negative experience with these electronic devices correlated with negative beliefs and attitudes towards the technology. Employees with positive experience also espoused positive attitudes towards the devices.

Research study conducted in Kenya by the Kenyan Revenue Authority on the effectiveness of electronic tax registers in the processing of Value Added Tax returns concluded that about 91% of organizations in the motor industry in Kenya have acquired these devices and employees who work for these companies have developed positive attitudes towards these devices. This implies that 9% of companies were still

using the manual methods of determining the value of added tax. The research went on to give reasons why some companies were not adapting to the use of electronic devices and the reasons were that some organizations had limited knowledge and resources to adapt to the policy. The research study also concluded that the time filling of the monthly Value Added Tax is attributed to many factors of which electronic tax registers are one of the factors. The research study discovered that about 70% of companies in Kenya supported the idea that electronic Tax registers improves sales audits for the business. The research study also cited that about 66% of employees qualified the use of electronic devices in business as having accrued many benefits to their business, citing the following reasons ranging from: increased efficiency in sales audit, increased sale collection, increased efficiency in stocktaking and easy VAT processing leading to less risk of prosecution. The research also purports that 90% of businesses in Kenya agreed that electronic devices led to timely preparation of reports which led to an increase in returns and fast and efficient ways of processing information. This, by any standards indicates that the Kenyan companies show positive attitudes towards the use of electronic devices.

Koohang (1989) advocates that people of varying backgrounds often have different beliefs and values system which give rise to dissimilar attitudes. Therefore, varying backgrounds and beliefs systems contribute to an individual's attitude towards technology. Belief systems also contribute to attitudes towards innovation adoption rate. Koohang (1989) concludes that there is a positive correlation between favorable attitudes towards new technology and computer familiarity, meaning that employees that are computer familiarity will produce positive attitudes towards the use of fiscalised electronic devices and on the other side employees that are not computer familiarity will produce negative attitudes towards the use of these devices. A study by Gardner et al (1993) identified a positive 0.75 correlation between experience with computers and beliefs towards them. He concludes that negative experience with computers correlate with negative beliefs and attitudes towards the technology.

Northcraft (1996) postulates that the effects of introducing new technology on attitudes and perception is more positive when employees are given enough time to

become familiar with the technology in a risk free environment. Both satisfaction levels and feelings of expertise were positively related to the user's perception of having control of the environment pertaining to interfacing with the technology. In another study carried by Murrell, Audrey and Sprinkle (1993) it was concluded that organizations must address the user's phobia of the technology and allow for a gradual introduction of the innovation.

Anna (2006) carried a research on the attitudes towards the use of electronic invoicing by financial managers in small to medium sized companies in Finland. Questionnaires were used and out to 200 companies' only 143 replies were received which showed a 72% respond rate. The respondents were more inclined to have a positive attitude towards electronic invoicing as they were found working for companies having websites that is, they were used in working electronically. The result of the study showed that the attitudes towards electronic invoicing were positive. The study reflected that out of the 143 questionnaires which where responded to 70% favoured the use of electronic devices while 30% were not familiar with these electronic devices. There were some concerns regarding the cost and safety of using electronic invoicing but the majority of the respondents believe that using electronic invoicing was beneficial.

Impact of Electronic Tax Registers on VAT Compliance: A Study of Private Business Firms

Value Added Tax, (VAT) on consumer expenditure was introduced in Kenya in 1990 in order to replace sales tax, which had been in operation since 1973. It was introduced as a measure to increase government revenue through expansion of tax base, which hitherto was confined to income tax and sales tax. VAT is levied on consumption of taxable goods and services supplied in Kenya or imported into Kenya. Registered persons acting as agents of government of Kenya collect VAT at designated points and then submit to the Kenya Revenue Authority (KRA) (Simiyu 2003). Previous empirical study conducted by Moyi and Ronge (2006), indicates that VAT contribution is estimated to an average of 5.4% of GDP between the year of its

introduction (1990) and the year 2005. The average of total tax contribution to GDP for the same period was 19.8%. This clearly indicates that in Kenya, VAT contributes substantially to the growth of the economy.

An other study conducted by Waris et al, (2009) reveals that despite the importance of VAT in the national budget, the period between the year 2000-2003 showed that VAT had the highest share of total tax (above 30%). However, VAT contribution trend declined to total taxes collected from the year 2003 onwards as given in table 1 which captures the composition of various taxes to total taxes in Kenya (1996-2008). This trend is worrying and calls for intervention reforms. Kenya revenue Authority (KRA) has since introduced several reforms in its revenue collection system including the introduction of Electronic Tax Registers.

ETRs were first introduced to Kenya in 2004, through a gazette notice no. 47 issued in October 22, 2004. According to this notice, ETR or printer is defined as any device approved by the government to record and issue fiscal data of goods and services (KRA 2004). Today, the law makes it mandatory for businesses registered for VAT to issue tax invoices and/or cash sale receipts which must be ETR generated or supported by ETR receipts.

The VAT act Cap 476 (Laws of Kenya), requires that once a tax payer is registered, should always display VAT certificate, issue ETR generated receipts, declare correct returns and submit returns on time. Failure to adhere to these requirements attracts heavy fines and penalties. However, businesses with turnover of less than five million per annum are under no obligation to register for VAT and as such, are not legally compelled to use ETRs. For those businesses with turnover below the required VAT threshold, KRA has introduced a new tax called turnover tax (TOT) by a Finance Act 2007, through the provision of income tax Act, cap 470 which came into effect from 1st January 2008. This tax is based on gross sales and is chargeable at the rate of 3% of gross turnover.

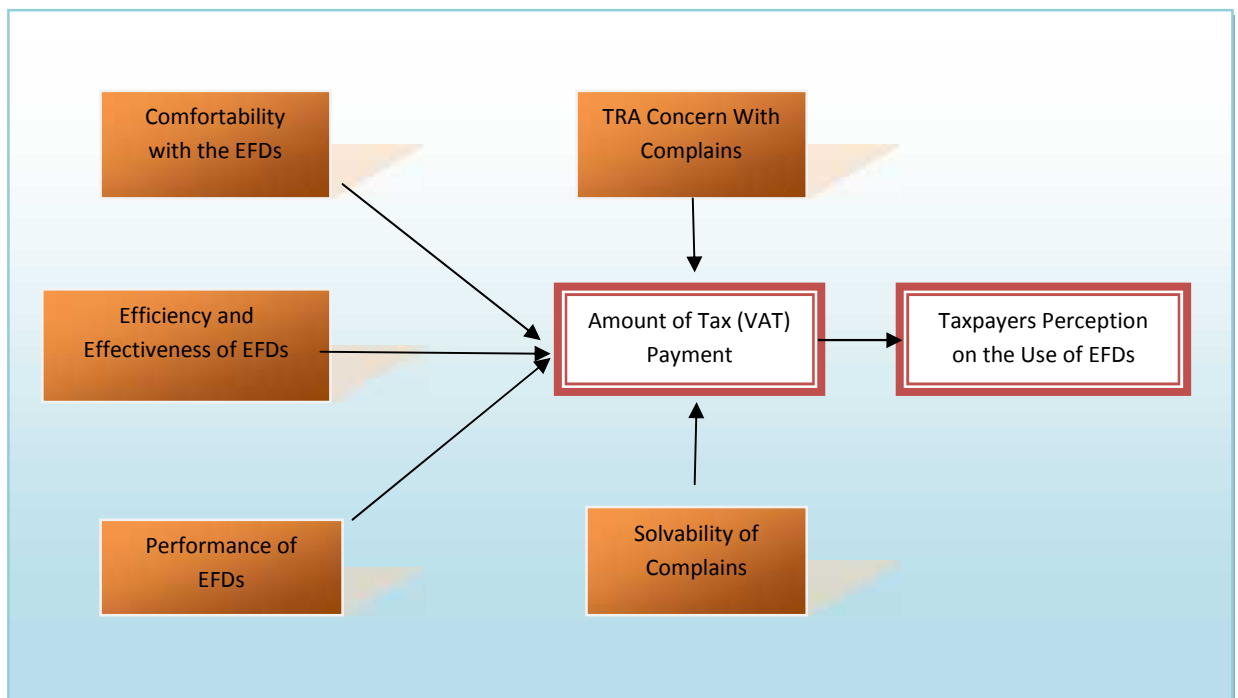
Electronic tax registers were introduced to help KRA establish the amount of VAT payable without necessarily requiring the traders to provide records for crosschecking. There was concern that thousands of traders were undervaluing their

sales in order to evade tax. The success of ETR machines in Kenya was questioned during its initial stages of implementation. According to Kathuri (2006), the gadgets had failed in 21 countries including Tanzania. There was also fear that accurate records could not be kept with the devices because there is no provision for return of goods and services.

2.4 Conceptual Framework

Tax compliance can be increased if control measures are put in place to detect non compliers and punitive measures instigated. The use of EFDs serves two purposes in this model: automatically generating knowledge of tax due, and acting as a control compliance control measure. According to Ritsema et al (2003), tax compliance decision depends on income level of an individual taxpayer, inspection (audit) by tax authorities and deterrent measures put in place. This theoretical framework has been adapted for this study since other determinants of compliance such as severity of punishment are uniform for all taxpayers. The use of EFDs is likely to go hand in hand with inspection. The literature on tax compliance points out, the size of income of tax payer, knowledge of tax due, frequency of audit, probability of detection by tax authorities and severity of punishment if caught as some of the important determinants of tax compliance model. Sales level has been included as a proxy for income. The model variables interrelationship can be conceptualized as shown in the diagram below

Figure 2. 1: Conceptual Framework on Taxpayer Perception on the EFDs Machines



2.5 Research Gap

The researcher has never come across similar study in Tanzania i.e. Taxpayers' Perception on The Electronic Fiscal Devices (EFDs), however, he has come across with comparable studies in Kenya, Uganda, and Malawi. Thus, the research gap was that, those studies were carried out in countries other than Tanzania. This was the motive behind the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Research methodology refers to the theory of how research should be undertaken (Saunders, 2010). It shows various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them (Kothari, 2004). Therefore, this chapter presents the way in which the research was conducted. It presents the types and forms of data relevant to this study, methodology of data collection. It also identifies the sample and tells how the sample was obtained. The chapter also provide tools and methods of data analysis used.

3.1 Research Design

Aaker et al (2002) defines research design as a blue print used to guide a research study toward its objectives, this study aims to generate new ideas, to increase the researcher's familiar of the problem, to make a precise formulation of the problem and to determine whether it is feasible to attempt the study. This study is primarily a quantitative study that has used survey approach to collect primary data. A survey is usually associated with a deductive approach, Saunders *et. al*,(2004).The reason for using this approach is primarily because the collected data through survey is sufficient data drawn from a large sample size that allow for generalization from the findings obtained from the field.

The researchers employed a case study approach in order to collect data. The approach allowed the researchers to concentrate on a real scenario, thus proffering solutions to any business that may want to use the stated findings for improving a real situation. The case study also all owed the researchers to give their own judgments and opinions since they were actually interacting with the participants under study.

3.2 Study Site

The study was carried out in Dar Es Salaam region, the business city of Tanzania targeting small, medium, and larger business entities. The researcher made use of data obtained from three districts of Dar Es Salaam region namely Ilala, Kinondoni, and Temeke district to represent the total population.

3.3 Research Approach

There are two basic approaches in conducting research; according to Saunders et al (2006), these are quantitative and qualitative approaches. The study employed both qualitative and quantitative approach. Boyd and Westfall (1999) explain this as the data which are collected via established procedures such as structural questionnaires and interviews designed to capture subject responses to predetermined questions with established response actions. The information obtained has been analyzed using statistical procedures.

3.4 Sampling methods

The population of this study was approximated 500 EFDs identified businesses in Dar Es Salaam, the largest business city in Tanzania. The researcher sampled 150 EFDs identified businesses in kinondoni district representing 2.702% of the whole population in Kinondoni district, 300 from Ilala district, being 1.575% of the entire population, and 50 businesses from Temeke district, which is 6.386% of the whole population in Temeke district. The entire sample of 450 EFDs identified businesses in the region of Dar Es salaam is approximately 1.773% .

3.5 Data Collection Instruments

Interview, Observation, and Documentary analysis are the data collection methods that are normally used. However, the researcher used the following data collection methods -

- Interviews, through questionnaire and oral interview. This was the main method used by researcher. It was used due to the fact that the research was mainly people centered.

➤ Documentary analysis

Secondary data sources such as accounting data on tax collection from Tanzania Revenue Authority (TRA) were also used as backup to the major research instruments. Best and Khan (1981) state that a questionnaire is a data gathering instrument through which respondents answer questions or respond to statements in writing. The method is frequently used where factual information is desired. Closed questions were used because comparison is made easier and takes minimum time to complete. To have a thorough understanding of Taxpayers perception on Electronic Fiscal Devices (EFDs), one open-ended question was asked to capture what individuals think about the subject under investigation.

Moreover, the researcher justified the use of questionnaire as an instrument of data gathering because:-

- Anonymity-secrecy and confidentiality was regarded, no names or identification was needed to be attached to the questionnaire disbursed.
- Quick results-the questionnaire facilitated for results to be analyzed quickly and more efficiently.
- Cheaper to administrate-only transport cost was incurred in the process of administering the questionnaires to the respondents.

However, some setbacks were noted in using the questionnaire. Trochin (2006) argues that questionnaires have a high rate of non-response as compared to other data gathering instruments. Questionnaires have an element of subjectivity that they may hinder probing further. To overcome these limitations the researchers carried out a pilot study to check the validity and reliability of the questionnaire. The researcher also used formal interviews to compliment the questionnaire. Interviews were also held to complement information which was solicited through the use of the questionnaire. Saunders (2003) asserts that interview involve direct personal contact between the researcher and the participants.

The use of interviews was a good way of obtaining information for the research. During the interviews probing further was made easier and the researcher directs the interviews in a manner that best suit the research question. More detailed background information was obtained because follow up questions were asked and a relatively large amount of information was captured in a relatively short time. Secondary data was also used to collect data from the selected companies. Information collected included the total output produced per annum and the total amount of Value Added Tax remitted per annum. This method saved time because there was no need for field work also the data was found at one place thereby reducing travelling expenses.

3.6 Data Analysis Procedure

Quantitative data were verified, compiled, coded and summarized before carrying out quantitative analysis based on objectives stated. Microsoft office package 2010, Ms Excel in particular was employed as a tool for data coding and analysis. Value judgments were used to analyze qualitative data collected whereas conclusion was driven out of logical analysis of the data.

Table 3. 1: Summary of Data Analysis Method

Objectives	Method of analysis
<p>Specific Objectives</p> <p>1.To determine whether EFDs are more efficient and effective than manual methods of tax management</p>	<p>Method of Analysing the Specific objectives</p> <p>Quantitative analysis involving frequencies, proportions/percentage, graphs and charts.</p>
<p>2. To find out whether purchase cost of EFDs and some business expenses not tracked by the whole system of EFDs are the only reason why traders prefer to resort to manual method.</p>	<p>Quantitative and qualitative analysis. Quantitative analysis involving frequencies, proportions/percentage, graphs and charts. Whereas qualitative analysis involved value judgment</p>
<p>3. To find out whether EFDs greatly eliminates tax evasion.</p>	<p>Quantitative and qualitative analysis. Quantitative analysis involving frequencies,</p>

	proportions/percentage, graphs and charts. Whereas qualitative analysis involved value judgment
General objective 1.To assess the taxpayers' perception on EFD Machine in Tanzania	Method of Analysing the General objectives Quantitative and qualitative analysis.

CHAPTER FOUR FINDINGS AND DISCUSSION

4.0 Introduction

This chapter is concerned with presentation of the research findings together with the discussion of the findings obtained from the field work undertaken.

4.1 The efficiency and effectiveness of the Electronic Devices (EFDs)

The first study objective was to determine whether Electronic Devices (EFDs) are more efficient and effective than manual methods of tax management. Questionnaire and interview were used and out of 500 identified traders for EFDs only 450 replies were received which showed a 90% response rate. The result of the study showed that the attitude towards the efficiency and effectiveness of EFDs in tax management were positive.

Table 4.1.1: Responses on whether EFDs are more efficient and effective than manual methods of tax management.

RESPONSES	DAR-ES-SALAAM DISTRICTS			TOTAL	PROPORTION	% AGE
	KINONDONI	ILALA	TEMEKE			
YES	113	160	43	316	0.70	70%
NO	22	60	3	85	0.19	19%
I DO NOT KNOW	15	30	4	49	0.11	11%
	150	250	50	450	1.00	100%

Table 4.1.2: An Extract from Table 4.1.1 above

RESPONSES	DAR-ES-SALAAM DISTRICTS		
	KINONDONI	ILALA	TEMEKE
YES	75%	64%	86%
NO	15%	24%	5%
I DO NOT KNOW	10%	12%	9%
	100%	100%	100%

The study has shown that, out of the 150 EFDs identified businesses in Kinondoni district, 113 out of 150 respondents agree that electronic fiscal devices (EFDs) are more efficiency and effective in tax management. in Ilala district, the respondents in agreement of the said statement were 160 out of 250 interviewed. This being, 64% as compared to 75% in Kinondoni district, and 86% in Temeke district. 22 (15%) respondents in Kinondoni did not agree on the efficiency and effectiveness of the EFDs. The number were 60(24%) in Ilala, and 3 out of 50 in Temeke district, this being 5% of sample. 10%, 12%, and 9% of the respondents from Kinondoni, Ilala, and Temeke districts admit to know nothing pertaining the efficiency and effectiveness of the EFDs.

Figure 4.1.1: Diagrammatic Representation of Table 4.1.2 Above As Extracted from Table 4.1.1

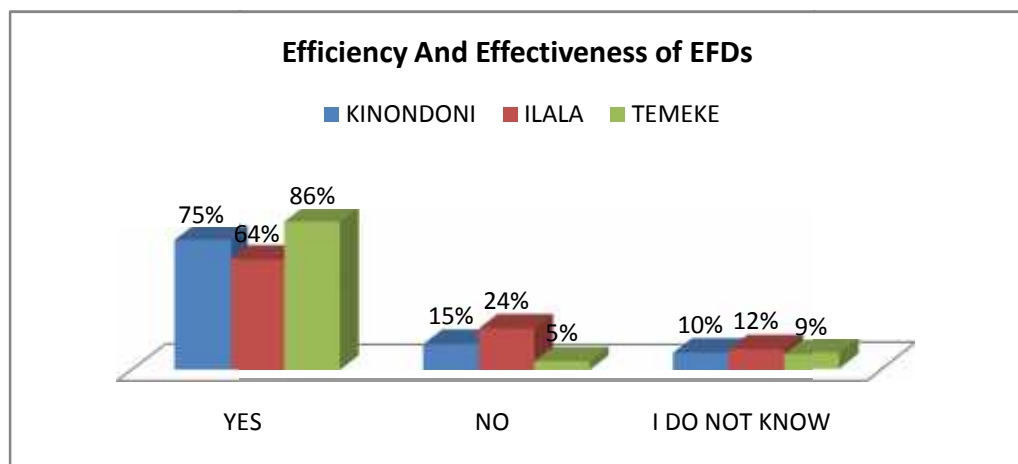
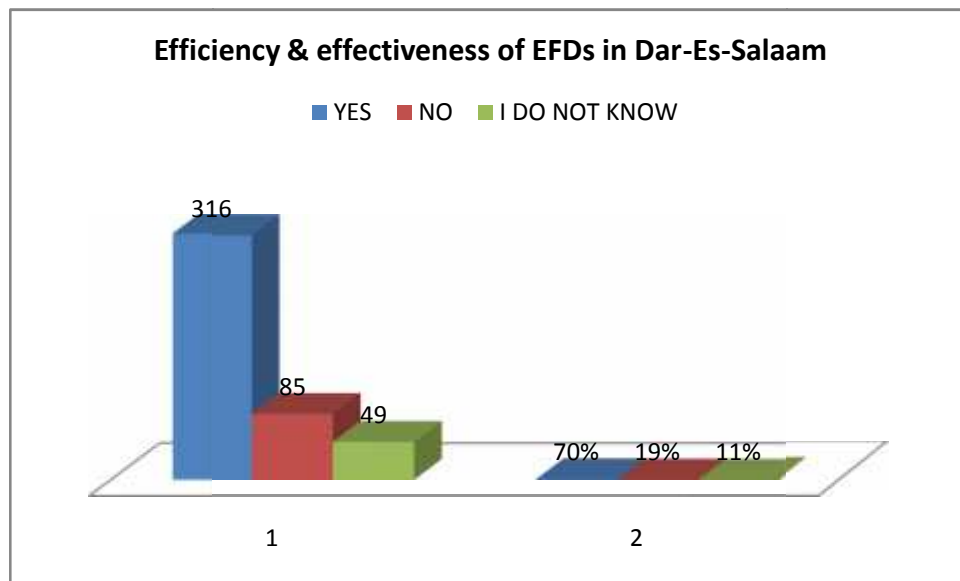


Table 4.1.3: Extract from Table 4.1.1 above

RESPONSES	TOTAL	PERCENTAGE
YES	316	70%
NO	85	19%
I DO NOT KNOW	49	11%
	450	100%

In general, electronic fiscal devices (EFDs) registered businesses in Dar Es Salaam seem to have a positive attitude towards their efficiency and effectiveness in tax management, that in computing VAT, record keeping, and time saving in deducting required information from the whole system of EFDs. They argue that, the possibility of submitting Tax returns declarations on-line has in some cases made it possible to reduce the associated fees, in other cases it eliminates the obligatory contracting of tax agents. The majority of respondents, 316(70%) in Dar Es salaam supports the notion that EFDs are efficient, improves organizational performance and reduces time spent in calculating VAT. 85 respondents (19%) disagree, while 49 (11%) confessed to know nothing about the efficiency and effectiveness of the said devices.

Figure 4.1.2: Graphical Analysis of the Responses as Tabulated in Table 4.3 above (An Extract of Table 4.1)



70% of the respondents admit that, they face no difficult in knowing the amount of tax (VAT) payable to Tanzania Revenue Authority (TRA). The EFDs have placed them in a better position to save time and money in calculating the amount of VAT payable to TRA, telling that, it now takes them too short to know the exactly tax figure to be paid.

Results above indicate that the majority of the respondents agreed that electronic fiscal devices (EFDs) effective than the manual method. The results concur with findings from Northcraft and Griffith (1993) who concludes that fiscalised electronic devices are effective in an organisation. In favor of this, is also a research by Kenyan revenue authority (2000) which also found that 66% of employees in the motor industry qualified the use of fiscalised electronic devices in business as having accrued many benefits to their businesses.

From the study findings above, It can therefore be conclude that electronic fiscal devices (EFDs) effective than the manual method. The results concur with findings from Northcraft and Griffith (1993) who concludes that fiscalised electronic devices are effective in an organisation. In favor of this, is also a research by Kenyan revenue authority (2000) which also found that 66% of employees in the motor industry qualified the use of fiscalised electronic devices in business as having accrued many benefits to their business. Research study conducted in Kenya by the Kenyan Revenue Authority on the effectiveness of electronic tax registers in the processing of Value Added Tax returns concluded that about 91% of organizations in the motor industry in Kenya have acquired these devices and employees who work for these companies have developed positive attitudes towards these devices. The research also purports that 90% of businesses in Kenya agreed that electronic devices led to timely preparation of reports which led to an increase in returns and fast and efficient ways of processing information. This, by any standards indicates that the Kenyan companies show positive attitudes towards the use of electronic devices.

4.2 The main reasons why traders prefer to resort to manual method

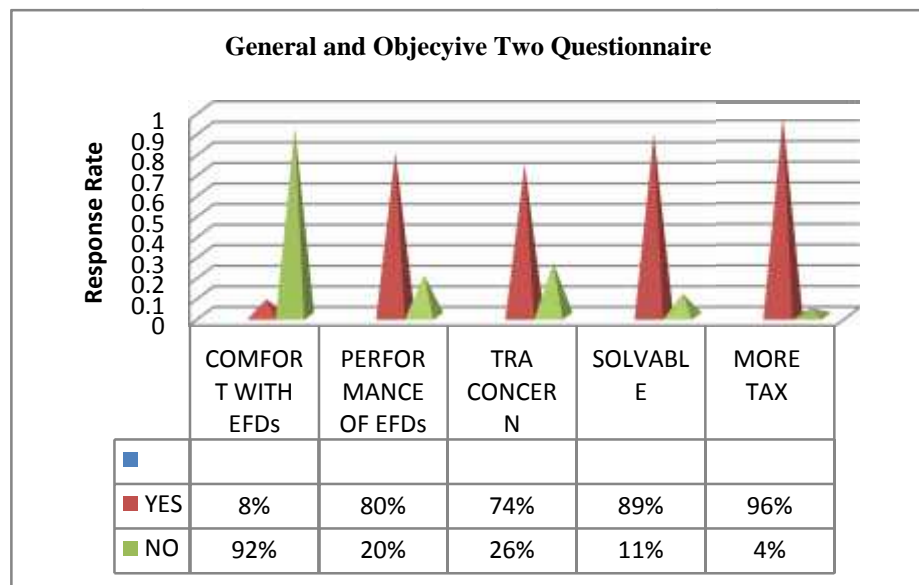
To find out whether Purchase cost of Electronic Fiscal Devices (EFDs) and some business expenses not tracked by the machines are the main reasons why traders prefer to resort to manual method. This was the second objective of the study. Questionnaire and interview were employed in searching for the answer. The study reflected that out of 386 questionnaires which were responded to 43% pointed out purchase cost and some expenses not tracked by the machines were their reasons to

prefer to resort to manual method. The statistic was obtained when interviewers were interrogated about their main complains with regard to the use of the EFDs.

Table 4.2.1: Response to Questionnaires and Interrogations for General and Objective Two of the Study

RESPONSES	QUESTIONS AND INTERROGATIONS				
	COMFORT WITH EFDs	PERFORMANCE OF EFDs	TRA CONCERN	SOLVABLE	MORE TAX
YES	38	307	295	418	481
NO	424	77	104	52	19
	462	384	399	470	500

Figure 4.2.1: General and Objective Two Questionnaire



4.3 Elimination of Tax Evasion

The third specific objective of the study was to find out whether Electronic Fiscal Devices (EFDs) greatly eliminate tax evasion. Tax officials from Kinondoni, Ilala, and Temeke tax regions in the Dar-Es-Salaam were involved. Questionnaires were sent and interviews held with six (6) tax officers from the Taxpayers department, two (2)

from every tax region. Replies were received which showed a 100% response rate. The result of the study showed that the use of the EFDs machines greatly reduces tax evasion by unfaithful traders. Secondary data from Tanzania Revenue Authority (TRA), in particular accounting data for Value Added tax collection found to be in line this finding. The result of the study is in conformity with the research study conducted in Kenya by the Kenya Revenue Authority. The study discovered that EFDs improved sales audits for the business and consequently reduced tax evasion. The introduction of tax automation minimizes both tax manipulation and direct contacts between tax collection officers and traders or their agents and hence leads to a reduction of tax evasion.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND POLICY IMPLICATIONS

5.0 Introduction

In this chapter present summary of the study, conclusions, recommendation, and policy implication of the study .

5.1 Summary of the Study

The study sought to find the Taxpayers Perception on electronic fiscal devices (EFDs). Taxpayers, in the context of this study are taken to mean to business entities mainly sole traders, partnership businesses, and public and private companies that are eligible for VAT in Tanzania. The specific objectives were, to determine whether Electronic Fiscal Devices (EFDs) are more efficient and effective than manual methods of tax management, to investigate whether Purchase cost of Electronic Fiscal Devices (EFDs) and some business expenses not tracked by the machines are the main reasons why traders prefer to resort to manual method, and to determine out whether Electronic Fiscal Devices (EFDs) greatly eliminates tax evasion

5.2 Conclusion

There were some concerns regarding the cost of the EFDs by the EFDs identified traders in Tanzania. The study shows that the majority of the respondents believe the EFDs are more efficiency and effective than manual method. The tax authority in Tanzania appeared to be concerned with the solvable complains of the traders; however, the study shows that 92% of the respondents were not comfortable with the use of EFDs regardless of 80% of the respondents being comfortable with the performance of the EFDs. The amount of tax they pay appeared to be the major concern, advancing that with the EFDs they pay more tax. Generally from the study finding, it can logically be concluded that, the EFDs identified traders in Tanzania are more concerned with the amount of tax they pay than with the complains they advanced regarding the use of the EFDs, perceiving that, the EFDs makes them to pay more tax than with manual method.

5.3 Recommendation

From the study findings, the researcher recommends the following –

- i. The government should continually educate traders and all residence of Tanzania on the importance of complying with taxation legislation. They should be educated on the role of tax revenue in building the nation, which including provision of sophisticated business infrastructures such as modern ports, railways, tarmac road, and on provision of social welfare facilities, all of which are the necessary ingredients in long run business success. Advancement of business infrastructure may eventually result in the reduction of tax rates and thus increase in disposable income by traders
- ii. The government should also increase the supply of the Electronic Fiscal Devices (EFDs) as they appeared to be more efficient in tax management than the manual method. This will have the advantage of reducing operating cost by the Tax authority and thus increase the potion of national budget from own source, consequently it will reduce the national debt if not to eliminate it at all.
- iii. Traders should always be concerned on the efficiency of their operations as one of the scientific and lawful ways of maximizing profit than tax evasion. Efficiency in Operation will automatically result in the reduction of operating cost, and finally in maximizing profit. They should also be faithful and loyal to their country laws and regulation because that is the only way for their business to continue in business for the foreseeable future.

5.2 Policy Implication

The Tax Authority in Tanzania and the ministry of finance as well should press harder to eliminate inefficiencies in tax collection. The study, thus opens up a new frontier of knowledge about policy issues relating to business taxation in Tanzania by raising issues that can be used as input in policy and regulation formulation that would otherwise boost tax revenue in Tanzania and therefore increase the portion of

the national budget covered by own source. In turn, this will contribute to the reduction of the national debt.

REFERENCES

- Adams, C.J. (1996). Satisfaction with tax authorities and propensity to avoid taxes. University of Exeter.
- Adams, C.J. and Webley, P. (2001). Small business owners' attitudes on VAT compliance in UK. *Journal of Economic Psychology*. Vol.XII No.42 32-40
- Baack, S., Brown, T.,and Brown, J.,1991. Attitudes toward Computers: Views Of Older Adults Compared with Those of Younger Adults. *Journal of Research in Computing*,Volume 23:422-433.
- Burkhardt, M., and Marlene,E.,1994. Social Interaction Effects Following a Technological Change: A Longitudinal Investigation. *Academy of Management Journal*, Volume 37, (4):869-898.
- Cascio, W., 1986. *Managing human resources: Productivity, quality of work life, profits*. New York: McGraw-Hill
- Cascio, W., 1986. *Managing human resources: Productivity, quality of work life, profits*. New York: McGraw-Hill
- Field A. (2005). *Discovering Statistics Using SPSS, 2ndEd*. SAGE Publications, London, 2005
- Gardner, G., Dukes, L., and Discenza, R., 1993. Computer Use, Self Confidence and Attitudes: A Causal Analysis. *Journal on computers in Human Behavior*. Volume 9(3):427-440.
- Griffith, L., and Northcraft, B., 1996. Cognitive Elements in the Implementation of New Technology: *Journal on Information and Technology*. Volume 10(1): 99-110.
- Kathuri, B. (2006, June). Traders Oppose ETR Dateline, *Financial Standard*, June 20th, 2006, Standard Group Kenya.
- Koohang,A.,1989. A Study of Attitudes Toward Computers: Anxiety, Confidence, Liking, and Perception 169.

- Liden, C., and Adams, M., 1992. Technological Change: Its Effects on the Training and Performance of Older Employees. *Journal on advances in Global High-Technology Management*, Volume 21: 217-234.
- Lumumba,O., Migwi S. Wanjohi, O., and John, M.,2010.Taxpayers’ attitudes and tax compliance behaviour in Kenya. *African Journal of Business & Management (AJBUMA)*Volume 1:
- Moyi, E. and Ronge E. (2006). Taxation and tax modernization in Kenya: a diagnosis of performance and options for further reforms”. Institute of Economic Affairs. Nairobi, Kenya.
- Murrell,F., Audrey, J. and Sprinkle,J.,1993. The Impact of Negative Attitudes Toward Computers on Employees’ Satisfaction and Commitment Within a Small Company. *Journal of Computers in Human Behavior*. Volume 9,
- Niosi, J., 1994. *New technology policy and social innovations in the firm*, London: Printer Publishers pp 139.
- Pancer,S.,Mark, H., George, J., Margo, K., and Gebotys,R.,1993.Understanding and Predicting Attitudes towards Computers. *Journal on Computers in Human Behavior*. Volume 8,(2):211-222.
- Rathus, S., and Nevid, J., 1987. *Psychology and the Challenges of life* (Forth Edition), Forth Worth, TX: Holt, Rinehart and Winston, Inc.
- Ritsema, C.M., Thomas D.W. and Ferrier G.D. (2003). Economic and Behavioural Determinants of Tax Compliance: Evidence from 1997 Arkansas Tax Penalty amnesty program. IRS research conference, June 2003.
- Sacks, C., Bellisimo,B.,Yolanda,O.,and Mergendoller, J., 1993. Attitude Toward Computers and Computer Use: The Issue of Gender. *Journal of Research on Computing in Education*,Volume 26:257-269.
- Saunders, M, 2003. *Research Methods for Business Students*, 3rd Edition, Person Education, Essex
- Shani, A.,and Sena, J.,1994. Information Technology and Integration of Change: Sociotechnical System Approach. *Journal of Applied Behavioral Science*.Volume 30 (2):247-270.

Trochin, W.M.K. (2006); Research methods knowledge base 1st Edition New York:
Harcourt, Brace and World.

APPENDIX I

A TIME SCHEDULE OF RESEARCH ACTIVITIES ON THE BASIS OF EARLY START TIME (EST) – LAST FINISH TIME (LFT)

	ACTIVITIES												
	A	B	C	D	E	F	G	H	I	J	K	L	M
	Preparation of equipments	Scheduling of field work	Submission of Official request for interview	Waiting and follow-ups	Field work (Actual interview)	Reviewing of Responses (Data)	Reviewing of Literatures	Analysis of collected data	Writing of first draft of research report	Revising of the first draft	Writing of final research report	Compilation of research report	Submission of the report
Early Start Time (DAY X)	0	5	10	17	27	50	56	61	67	73	78	84	89
Duration (X DAYS)	4	4	7	7	21	5	4	5	5	3	5	3	1
Last Finish Time (DAYX)	4	9	17	24	48	55	60	66	72	76	83	87	90

NOTE

The scheduled activities are expected to commence on 20/06/2014 Ninety days will be taken to complete the outlined activities.

LFT = EST + Duration

APPENDIX II
A RESEARCH BUDGET

Cost Item	Amount (TZS)
Stationary (Paper, Pen, Pencil, Calculator, Printing, Photocopy etc)	100,000.00
Transport fare	300,000.00
Communication (Telephone, Fax, Modem and Internet)	50,000.00
Software (MS Office/Excel)	50,000.00
Report binding	100,000.00
Provision for Miscellaneous expenses such as meal, etc	350,000.00
TOTAL COST	950,000.00

APPENDIX III
QUESTIONNAIRE FOR ASSESSING TAXPAYERS' PERCEPTION ON
ELECTRONIC FISCAL DEVICES (EFDs) IN TANZANIA

Dear Respondent,

You have been randomly selected to answer this questionnaire. This is purely an academic study that is generally designed to assess the real taxpayers' perception on EFD Machine in Tanzania. Your participation is entirely voluntary. **Do not** write your name on this questionnaire. All data collected will be dealt with in the most confidential manner possible.

There are three parts in this questionnaire. Please fill in appropriate parts as accurately as possible.

Part A: Personal Information

Please, where appropriate use

Gender: Female Male

1. Department:
2. Current position:
3. Age:
4. Education level:
 - Certificate
 - Diploma
 - Bachelor Degree
 - Master Degree
5. How long have your business been in business?
 - Less than 6 months
 - Less than 12 months
 - Less than 3 years
 - More than 3 years
 - More than 6 year

Part B: Questionnaire for Business Owners Identified for VAT

i. Objective One Questions

QN 1. What is your opinion on the use of Electronic Fiscal Devices (EFDs) with regard to the efficiency and effectiveness in tax management?

QN 2. Are the Electronic Fiscal Devices (EFDs) more efficient and effective in tax management than manual method?

Yes :

No :

I do not know :

QN 3. Which of the following two parties is highly favored by the Electronic Fiscal Devices (EFDs)?

Tanzania Revenue Authority (TRA):

Business Owners:

I do not know :

QN 4. Which of the following two parties is highly less favored by the Electronic Fiscal Devices (EFDs)?

Tanzania Revenue Authority (TRA):

Business Owners:

I do not know :

QN 5. How is party you selected in QN 3. favoured by the Electronic Fiscal Devices (EFDs)?

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

QN 6. How is party you selected in QN 4. affected by the Electronic Fiscal Devices (EFDs)?

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

QN 7. Do you face difficult in knowing the amount of Tax (VAT in particular) payable to Tanzania Revenue Authority (TRA)?

Yes :

No :

If Yes, Why?.....

If No, Why?

QN 8. With manual method of Tax management, how long it took you to know the amount of VAT payable to Tanzania Revenue Authority (TRA)?

It took me too short :

It took me too long :

QN 9. With Electronic Fiscal Devices (EFDs) system, do you save time and money in calculating the amount of VAT payable to Tanzania Revenue Authority (TRA)?

Yes :

No :

If Yes, How?

If no, How?

ii. Objective Two Questions

QN 1. Of the following ways of tax management, which one do you prefer?

Electronic Fiscal Devices (EFDs) system:

Manual method:

If EFDs System, Why?

If Manual method, Why?

QN 2. Which of the following is true for your business with regard to tax (VAT) payment?

With EFDs, my business pays more tax:

With EFDs, my business pays less tax :

Why do you pay more tax?

Why do you pay less tax ?

QN.3 Are you comfortable with Electronic fiscal Devices (EFDs)?

Yes :

No :

If Yes, Why?

If No, Why?

QN 4. Why did you protested against the use of EFDs?

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

QN 5. Are you comfortable with the performance Electronic fiscal Devices (EFDs)?

Yes :

No :

QN 6. (a) Do the Tax Authority concern with your complains with regard EFDs?

Yes :

No :

(b) what was your main complains?

(c) Are your complains solvable?

Yes :

No :

Not know :

Part C: Questionnaire for Tanzania Revenue Authority (TRA)

iii. Objective Three Questions

QN 1. Which of the following two parties is highly favored by the Electronic Fiscal Devices (EFDs)?

Tanzania Revenue Authority (TRA):

Business Owners:

I do not know :

QN 2. Which of the following two parties is highly less favored by the Electronic Fiscal Devices (EFDs)?

Tanzania Revenue Authority (TRA):

Business Owners:

I do not know :

QN 3. How is party you selected in QN 1. favored by the Electronic Fiscal Devices (EFDs)?

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

QN 4. How is party you selected in QN 2. affected by the Electronic Fiscal Devices (EFDs)?

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

QN 5. Has the amount of VAT collection improved after introduction of the EFDs?

Yes :

No :

If Yes, What is so special with the EFDs?

.....
.....

If No, Why?

Thank you so much for your cooperation!