THE IMPACT OF TAXPAYER SERVICES IN PROMOTING VOLUNTARY TAX COMPLIANCE: A CASE OF TANZANIA REVENUE AUTHORITY (TRA) - MOROGORO MUNICIPALITY

THE IMPACT OF TAXPAYER SERVICES IN PROMOTING VOLUNTARY TAX COMPLIANCE: A CASE OF TANZANIA REVENUE AUTHORITY (TRA); MOROGORO MUNICIPALITY

By

Frank Lwesya

A Dissertation submitted in Partial fulfillment of the Requirement for the Award of the Degree of Master of Business Administration (MBA-Corporate Management) of Mzumbe University

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **The Impact of Taxpayer Services in Promoting Voluntary Tax Compliance: A Case of Tanzania Revenue Authority; Morogoro Municipality,** in partial fulfillment of the requirements for award of the degree of Master of Business Administration (MBA-CM) of Mzumbe University.

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I, **Frank Lwesya**, 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.

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Date --

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DEDICATION

I dedicate this work to my children Henry, Lusekelo, Aneth and Belinda who endured my long periods of absence from home and to my parents Hyde Henry Lwesya and Mage San'yega whose moral support was ever present.

LIST OF ABBREVIATIONS AND ACRONYMS

FGDs	Focus Group Discussions
IRS	Internal Revenue Services
LGAs	Local Government Authorities
PAYE	Pay As You Earn
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania

ABSTRACT

Tax is a compulsory contribution imposed on the individuals by the state to meet the expenses which are incurred for a common use. In Tanzania, the Tanzania Revenue Authority (TRA) is mandated for that purpose. Despite that TRA Morogoro has been carrying out taxpayer services in order to promote voluntary tax compliance, still tax compliance among taxpayers is poor.

This study was aiming at assessing the impact of tax payer services in promoting voluntary tax compliance in TRA Morogoro Municipality. Case study research design was used in the methodology. A sample size of 180 respondents (135 tax payers and 45 TRA employees) was involved. Data collected were analyzed by using SPSS computer software version 16.

Results showed that 82% of the respondents stated that assisting taxpayer to adequately provide tax returns whenever needed and 85% conducting seminars on changes to tax laws and procedures, provision of information and education publications as among the kinds of taxpayer services. Moreover, 85% of the respondents reported the increasing awareness and knowledge on tax laws among tax payers and the enhancement of tax collection statistics to be used for economic planning and fiscal decision making. Likewise, 87% of the respondents reported ignorance of tax laws among incoming taxpayers, 88% higher penalties and 90% reported corruption demanded by tax collectors as among the challenges encountered by tax payers when exercising voluntary tax compliance.

It is concluded that the services provided seem to be promising, but there is a need for rectifications as attested by respondents. The policy makers need to review tax laws and regulations regarding taxpayer services for the enhancement of performance in lieu of the operating taxpayers' environment as recommendation of this study.

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CHAPTER ONE

1.0 Introduction

This chapter assessed the impact of tax payer services in promoting voluntary tax compliance at TRA; Morogoro municipality. The chapter is further divided into seven sub-sections namely; background to the problem; statement of the problem; research objectives and questions; significance; scope of the study, definitions of key terms and organization of the study.

1.1 Background to the problem

Governments worldwide need resources in form of revenues to perform various functions both social and economic activities. Such social and economic services include; education, health, infrastructure, security etc (Chaudhry, 2010). Tax is the main source of revenue for any government. It normally acts as a source of government revenue in any country. In less developed countries, taxation contributes close to 80% of total government revenue (Bird *et al*, 2008). Taxes are compulsory payments to government without expecting direct benefit or return by the tax payer – not based on direct quid pro quo principle (Chijoriga, 2012). Taxes/revenues collected by Government are used to provide common benefits to all mostly in form of public welfare services. This responsibility is possible only if the government will involve its citizens and all members of the community to contribute to the Government coffers in order to support government operations through taxes, levies, duties and various licenses payments. These taxes and charges are paid by individuals and companies in order to cover the costs of providing social services to community and running the Government (Slemrod, 2003).

Many African countries have a long tradition of providing basic public services through self-help activities, religious and other locally based organizations, as well as through institutionalized, long-term relationships between state agencies and organized groups of citizens (co-production) (Bahl *et al*. 2003). However, by providing a more direct link between citizens' contributions and service delivery, such mechanisms have become effective means to recover the costs of service provision and to promote efficiency in the consumption of the service. As the major responsibility of any Government is to provide social services such as water, hospital, roads, electricity, education etc to the public; taxation is a legal and compulsory transfer of money from public hands to the government coffers (Barrie, 2010). However, the collection of tax revenue from the public in low-income countries is very difficult because of low voluntary tax compliance. Hence, tax revenue collection is costly, involving heavy enforcement measures such as use of fines, penalty and sometimes employing court brokers in collecting tax arrears. On the other hand, the collection of tax revenue is not enough unless is combined with high respect for taxpayers to pay more taxes voluntarily (Fjeldstad, 2006).

Mittone (2006) argued that in less developed countries, it seems that not all taxpayers comply with tax laws. This is because of not only the tendency of tax evasion but also lack of tax education they have (Bird *et al*., 2008). In view of that, many revenue authorities in less developed countries have introduced taxpayer services through the publications of manual on taxation procedures specifying taxpayers rights and obligations, creation of an information system including a website and telephone centre, persuasion, organization of awards to taxpayers, classification of taxpayers according to the level of compliance and fulfilment of their civic responsibility, simplification of tax procedures and taxpayer education provision in order to increase voluntary tax compliance (Massala, 2009).

It is from that background that Tanzania Revenue Authority (TRA) prepared a third (five year) corporate plan (2008/09–2012/13) to take over where the second corporate plan ended. The plan was developed on the basis of the achievements gained from the second corporate plan and future challenges. This plan took a bottom up approach from the district level to the headquarters whereby valuable inputs were provided. This plan expects to achieve the following; (a) automation of key operations to ensure that TRA delivers efficient services to taxpayers, (b) reliable base for accurate and consistent data for timely reporting and decision making, (c) enhancement of risk management techniques, (d) enhancement of taxpayer compliance through enforcement measures as well as taxpayer service and education programmes and providing support to local government authorities (LGAs) and (e) broadening of the tax base and enhancement of staff performance management system (TRA progress report, 2008). The fourth corporate strategic plan is what is envisioned in this study regarding voluntary tax compliance along with tax payer services as it can be seen from various countries.

Mittone (2006) gave an experience from South Africa and Namibia which showed obviously that there are a number of constraints on taxes paid by tax payers and the level of compliance. These arise from equity considerations (that is, ability to pay), collection and billing methods, the quality of the services provided and persistent resistance to pay. These lessons according to Yongzhi (2010) point to the fact that dealing with the tax payer services and revenue enhancement require some understanding of the factors underlying the individual's decision whether to pay or evade paying taxes. An increasing amount of evidence suggests that the rate of contribution to a public good is affected by factors such as citizens' trust in others and the trustworthiness of the government which contribute to voluntary tax compliance and vice versa (Slemrod 2003). Without trust there is little basis for social co-operation and voluntary compliance with laws and regulations that could potentially benefit everyone (Fagbemi *et al.*, 2010). In particular, according to Fagbemi *et al* (2010) three dimensions of trust seem to affect citizens' compliance: (a) trust in the government to use revenues to provide expected services, (b) trust in government to establish fair procedures for revenue collection, and (c) trust in other citizens to pay their share. This affects the individual ratepayer's perception of the credibility and trustworthiness of the revenue administration if tax payer education is not provided. That's why; the problems of non-payment should therefore be attacked on several fronts, including service delivery, better administration, payment schemes and community involvement (Mittone, 2006).

An effective and efficient taxpayer services is integral to any country's well being (Alm *et al.*, 1992 as cited by Kiabel and Nwokah, 2009). It is as a result of this that Baurer (2005) believes that the taxpayer services must provide an even playing field for business by ensuring that all taxpayers meet their tax filing and paying requirements. The taxpayer services as well as administration must balance its educational and assistance role with its enforcement role (Farzbod, 2000). The rationale behind the whole system of tax is consistent with two of the three major theories of tax namely; the ability-to-pay principle and the equal distribution principle. These two principles stress equality and fairness. While the ability-to-pay talks that individuals should be levied taxes based on their ability to pay; the equal distribution principle suggests that income, wealth and transaction should be taxed at a fixed percentage; that is, people who earn more and buy more should pay more taxes if provided with taxpayer education and other services, but will not pay a higher rate of taxes (Pope and Abdul-Jabbah, 2008). In view of this, it was essential to assess the impact of taxpayer services in promoting voluntary tax compliance.

1.2 Statement of the problem

Tax revenue is the source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply etc. Tax is a compulsory contribution imposed on the individuals by the state to meet the expenses which are incurred for a common use (Laffer, 2009). Sabates and Schneider (2003) argue that poor taxpayer services like incorrect assessment or undercharging or overcharging transactions always cause dishonest to the businesspersons by giving out wrong information and sometimes buyers and sellers colluding in order to evade tax.

Despite that TRA Morogoro has been carrying out taxpayer services in order to promote voluntary tax compliance, still tax compliance among taxpayers is poor (Chijoriga, 2012). However, with multiple and high tax rates, the costs become escalating leading to non-compliance behaviours to taxpayers. The failure for taxpayers to comply may be associated with little education possessed by taxpayers because, some pay, some don’t pay. While some pay more than others, some don’t absolutely. With that, there is a need to study the activities which would be geared towards promoting voluntary tax compliance and enhance access to information and service from the authority and to enrich taxpayers and general public with tax knowledge.

Thus, this study intended to assess the impact of taxpayer services provided by TRA Morogoro in promoting voluntary tax compliance in order to charge its operations into a new way of accomplishing its strategies towards quality service deliveries.

1.3 Research objectives

The objectives of this study were divided into two main types, that is; general objective and specific objectives as itemized hereunder

1.3.1 General objective

The general objective of the study was to assess the impact of tax payer services in promoting voluntary tax compliance in TRA Morogoro Municipality

1.3.2 Specific objectives

i) To identify the kinds of tax payer services provided by TRA in Morogoro Municipality and how it is delivered to the taxpayer

ii) To examine the influence of tax payer services in enhancing voluntary tax compliance

iii) To explore the challenges encountered by tax payers when exercising voluntary tax compliance

1.4 Research questions

i) What are the kinds of tax payer services provided by TRA in Morogoro municipality?

ii) What is the influence of tax payer services in enhancing voluntary tax compliance?

iii) What are the challenges encountered by tax payers when exercising voluntary tax compliance?

1.5 Significance of the study

The study divulged the facts regarding the impact of tax payer services in TRA Morogoro Municipality while highlighting measures to be taken for the successful promotion of voluntary tax compliance. This study was very important as it enabled TRA to use this theoretical knowledge and became a reference material for academic endeavours. The findings from this study were used by TRA to improve revenue collection and services to all stakeholders and alerted citizens to pay for the services they receive voluntarily. Finally, this study was important for the researcher for the fulfilment of Master degree in Business Administration (Corporate Management) as the requirement of Mzumbe University.

1.6 Scope of the study

The study focused on tax payers (small and medium) and TRA employees in Morogoro Municipality. The study therefore identified tax payer services, examined the influence of those tax payer services provided by the department of taxpayer services and education; and explored challenges encountered by tax payers in promoting voluntary tax compliance.

1.7 Limitation of the Study

(i) Time factors

The time allocated for data collection was very short compared to the importance and tedious work of collecting data. However, good corporation shown among respondents, enabled the researcher to complete the task.

(ii) Response rate

Response rate was low due to respondents being in a hurry, very busy with their daily activities and others were not at their working place sometimes. However, continuous and face to face follow-up made the matter to be settled.

1.8 Definitions of key terms

The following terms were used in this study and have the meanings attached to them as hereunder;

a) Taxpayer

The taxpayer is referred to any person who has a chargeable income during a year (Income Tax Act, 2004).

b) Taxpayer services

Taxpayer services concern with set of measures undertaken by the tax administration that are designed to assist taxpayer in complying with tax laws (Chijoriga, 2012).

c) Compliance

Compliance implies timely filling and reporting of required tax information, the collect self-assessment of taxes owed and the timely payment of those taxes without enforcement action (Barrie, 2010).

d) Voluntary tax compliance

Voluntary tax compliance refers to self-assessment of a taxpayer on his/her tax ability and then remit relevant amount of tax to the government (Fjeldstad, 2003).

e) Tanzania Revenue Authority

This is the authority which is mandated to collect all central government revenue. Taxation is the most reliable and sustainable source of government finance that is why Tanzania Revenue Authority (TRA) was established under the Parliamentary Act No.11 of 1995 and eventually started its operations in July 1996 with the aim of enhancing revenue collection with the following main functions; (a) Assess, collect and account for all central Government Revenues; (b) Administer effectively and efficiently all the Revenue Laws of the Central Government; (c) Advice the Government on all matters related to fiscal policy; (d) Promote voluntary tax compliance; (e) Improve the quality of services to the taxpayers; (f) Counteract fraud and other forms of tax and fiscal evasion; and (g) Produce trade statistics and publications (URT, 1998). The establishment of the TRA was necessitated by the inefficiency and ineffectiveness performance of the former tax systems and administration, under the civil service (URT, 1995). Through Government directives in 2002, TRA was required to do a better job in meeting taxpayer’s needs and expectations. It was noted that, TRA’s customer needs are becoming increasingly dynamic and TRA must ensure flexibility and dynamism in order to respond to these needs and meet customer expectations (Ministry of Finance, 2000).

1.9 Organisation of the Study

The study consisted of five chapters. The first chapter was the Background Information. The second chapter presented the Literature Review, the third chapter discussed the Research Methodology, the fourth chapter dealt with findings and Discussion of findings and the fifth chapter presented the Summary, Conclusion and Recommendations.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the literatures from various sources in order to capture ideas and arguments which guided the development of the study. It is based on theoretical literature review, literature review from earlier studies and conceptual framework.

2.1 Theoretical literature review

This provides an account of concepts or ideas regarding what have been published on a topic with the purpose of providing knowledge while reflecting the strengths and weaknesses they envisage.

2.1.1 Empirical review

The provision of good taxpayer services aims to achieve voluntary tax compliance (Bird *et al*., 2008). The concept of compliance according to Erard and Feinstein (1994) is used differently by various scholars and institutions in conceptualizing people's compliance in paying taxes. Some economists make a basic behavioural assumption that people are inherently free riders (Yongzhi, 2010). In other words no one will voluntarily contribute to government revenues unless the threat of punishment makes it sensible to do so. According to Marti (2010) tax compliance is a complex term to define. Simply put, tax compliance refers to fulfilling all tax obligations as specified by the law freely and completely.

Slemrod (2003) observed that there is an increasing amount of evidence from experimental studies and survey data that show that citizens trust in others and by his or her perceptions of the trustworthiness of the government lead to tax compliance. Therefore, from this perspective citizens are likely to fruit the government only when they believe that it will act on their interests, its procedures are fair and reasonable, and their trust in the state and other people is reciprocated. Fjeldstad (2006) argues that citizen's willingness to pay taxes voluntarily rests on the government's capacity to provide goods and services and its demonstrated redness to secure compliance otherwise lead to non-compliant. Following the above observations, it is seen that in defining voluntary tax payment compliance, a number of variables are taken into consideration. For example, the internal revenue service (IRS) of the United States of America defines voluntary tax compliance as “a system of compliance that relies on individual citizens to report their income freely and voluntary, calculate their tax liability correctly, and file a tax return on time” (Kastlunger *et al*., 2009). However, the voluntary tax compliance means that one must inform the tax authority of one’s own tax liability (Fagbemi *et al*., 2010). Hence, voluntary tax compliance is used to refer to citizen’s willingness to honour the country’s tax laws, regulations and requirements as provided by tax administration authorities.

It has been found that regulatory burdens fall disproportionately on small and medium enterprises (SMEs) internationally if tax payer services are not provided to them as to voluntarily comply to tax (Pope and Jabbar, 2008). Their size and nature makes the issue of tax compliance one of particular importance especially since most SMEs have access to limited resources and inadequate expertise to comply with diverse and complicated regulation. Pope and Jabbar (2008) also believe that high compliance costs can result in tax avoidance, tax fraud and inhibit investment by way of diminishing competitiveness of the country in terms of taxation attractiveness if tax payer services are not reflecting the actual performance required. Tax non-compliance may be in one of many forms; it could either be failure to submit a tax return within the stipulated period or non submission, understatement of income, overstatement of deductions, failure to pay assessed taxes by due date; and in some cases non-compliance may mean an outright failure to pay levied taxes (Chaudhry, 2010).

The aspect of voluntary tax compliance by citizens in paying taxes deserves special considerations (Alm *et al*., 2006). In society where there is a high level of voluntary compliance which is supported by taxpayer services; tax administration processes become both effective and efficient. By contrast in society where there is no voluntary compliance, such as in the case of many developing countries including Tanzania; it is common for half or more of the potential tax revenue to remain uncollected (Bird *et al*., 2008). Kiabel and Nwokah (2009) argued that taxpayer services help to reduce compliance cost as well as administrative costs. This means that the use of things like court brokers in order to collect tax arrears, funds for conducting regular auditing to the taxpayers, transport costs for tax officers in the field, funds for handling tax cases in courts or tribunal tax board, regular recruitment of tax officers, and running cost of taxpayer seminars will be reduced. These practices normally help tax administration to be in a position of collecting the correct amount of tax timely. However, while the department of taxpayer services implements different programmes in order to achieve a great deal of success in enhancing voluntary tax compliance; it does not guarantee full compliance because there are taxpayers who are determined to evade tax. Such determined behaviour cannot be influenced by customer services programmes only, but by legal punitive measures also. The combination of the two measures will guarantee enhanced voluntary tax compliance (Mittone, 2006).

Compliance behaviour is subdivided into two main categories. The first category includes taxpayers who comply without enforcement measures and the second category includes those who need enforcement measures (Chijoriga, 2012). Departments concerning with the provision of taxpayer services and education usually take some measures in order to assist taxpayers to comply. These measures are for example, advance payments like Pay As You Earn (PAYE) which allows the employees to pay their taxes liability incrementally rather than being faced with large tax bill at the end of the year. Collection is the another measure whereby all accounts are monitored, telephone messages and notices are used, payment agreements which are signed by those who are unable to pay full amount, unique registration numbers of each individual is used as his/her tax account number and tax clearance certificate which indicates that the person has paid or made arrangements of paying taxes just to mention a few (Massala, 2009). However, studies have shown that the problem of tax evasion is a widespread one (Pope and Jabbar, 2008). Furthermore, Fagbemi *et al* (2010) found that it is prevalent in developing countries and it hinders development thereby leading to economic stagnation and other socio-economic problems. Mittone (2006) identified tax rates as one of the causes of tax evasion. He pointed out that a higher tax rate increases taxpayers' burden and reduces their disposable income therefore, the probability of evading tax is higher.

2.1.2 Types of Revenue

a) Tax Revenues

These include; Direct taxes such as corporate tax; personal income tax, withholding tax- rents, management and professions fees, property tax etc and indirect taxes such as import duty, excise duty (imports and local goods), VAT (imports and local supplies) and stamp duty (Chijoriga, 2012).

b) Non-Tax Revenues

These include; Fees such as passport, driving license etc; fines and penalties regarding the breach of law or non-fulfilment/failure; surplus from public enterprises such as dividends from profits (Chijoriga, 2012).

2.1.3 Enlarging tax/revenue base

According to Gordon (2010) one of the ways to improve revenue performance is by enlarging local revenue base. There are four types of actions that should have been taken in order to achieve that. These include; a) Identifying new or potential taxpayers and ratepayers; b) Improving object databases; c) Improving valuation (reassessment of tax objects) and d) Calculating the revenue capacity for each type of levy.

2.1.4 Revenue/Tax Collection Requirements

Three aspects are considered important to enhance revenue collection process according to Mahdavi (2008); a) optimum rate structure; b) appropriate rules and regulations – in the form of good regulations and; c) human resource capacity.

However, to increase control in order to reduce leakage, Garde (2004) advises the government to perform some or all of the following actions; a) Surprise audit to complement self-assessment procedures; b) Improving the control process; c) Efforts to enforce a strict and heavy penalty for non-compliance; d) Administrative discipline to financial staffs that may have contributed to leakage in revenues; e) Efforts to link tax payment with services provided by local government.

2.1.5 Improving administrative efficiency to reduce collection costs

Improvement in revenue performance is also critically dependent upon the ability of authorities to minimize the cost of collecting revenues. There are four possible actions could be taken by the government to improve their administrative efficiency according to Levi (2002); a) Improving the existing tax administration procedures through administrative simplification; b) Efforts to calculate collection efficiency for each type of revenue; c) Efforts to reduce cost of collection; and d) Efforts to eliminate the identified factors in the field that has contributed to sub-optimal revenue.

2.1.6 Importance of tax/revenue to governments

i) Financing administration costs (e.g. emoluments and employee costs); ii)Financing maintenance costs and thus promoting ownership of projects; iii) Permits collection of localized and low yielding revenues; iv) Guarantees sustainability of service delivery and autonomy of local governments; v) Regulates businesses and provides important infrastructure and services such as markets and public conveniences at a charge; and vi) Reduces pressure on central governments and reliance on donors;

2.1.7 Ways of improving government revenue generation

Many of the problems facing the generation of revenue in many governments are those that can be corrected to improve their generation. According to Herbert (2005), a dependable tax base for the government is essential shortage of trained valuation staff will make taxes on real property difficult to assess for sometime to come. The system of graduated tax has been in unjustifiable dispute in recent years. Olaoye (2008) also suggested the possibility of a Native Authorities' Loan Authority as an agency to provide capital loans for the government. However, some of the strategies for improvements are:

a) Good infrastructure

A location with good road net work has every access to the coming and going out by cars and people, if they get to the towns by cars and see good roads, pipe-borne water, hospitals, schools etc. they may decide to pay taxes. This will increase the number of people and business that pay tax and will definitely increase the revenue generation because more people pay tax, if the government can provide good infrastructure for the local government, there will be more business and people will see reasons to pay tax (Gordon, 2010).

b) Staff motivation

According to Henry Fayol (1948), there are fourteen principles of management of which motivation is among the list. Henry Fayol (1948) however defined motivation as a driving force which stimulates a worker in action workers should be encouraged so that they can put in their maximum services and when this is done, there may be increase or solid improvements in revenue collection. Training of workers for knowledge enhancement should be one of such motivational factors (Adebisi, 2005). It is fervently hoped that when the above suggestions are fully implemented, the local government will not only improve internally but also with the outside world.

c) Establishment of projects

The government should embark on the establishment of some minimized industries, which will provide employment opportunities to the people. Foe example, Farm industry has helped to solve some of the employment problems within the community. There should also be development and improvement in agricultural ventures like crop farming etc. the participation in agriculture will encourage the inhabitants of local government to improve their standard of living (Massala, 2009).

d) Revenue management

There is a general trend going about most governmental establishment, there are mis-management and embezzlement. The revenue so collected are mismanaged by the officer thereby not making the revenue to have any effect on the general populace of the government. This can be reduced by the centralization of the collection department and rotation of jobs and assignments. If a worker is occupying a particular position for a long time he tends to have all the ways by which he can fraud the department (Barrie, 2010).

e) Loyalty of tax payers

If people can change their attitude of tax evasion, more revenue will be generated. The number of people that pay up their dues (tax) as at when due are very small compared to the number of people that are supposed to pay. If the orientation can change, it will go a long way in increasing the amount of revenue that will be generated in the government (Fjeldstad, 2003).

f) Sensitization of the people

This involves informing and educating potential taxpayers on the purpose and benefits of the revenue they contribute. Governments normally undertake massive sensitization through workshops, newspapers, and radio stations among others. The sensitizations are spear headed by Local leaders. Massive and effective sensitization results in sufficient revenue collection hence better service delivery (Mahdavi, 2008). Although sensitization of the masses is undertaken, it does not always yield the desired results. For example some of the tax payers are illiterate and cannot read newspapers, and yet some radio stations are not listened to by the people given the fact that some potential tax payers are located in remote areas, some Local leaders lack the skills of sensitizing the public about revenue collection and its impact on service delivery. Therefore, this will make revenue collection a bit difficult let alone the eventual provision of the services to the people (James and Nobes, 2009).

2.1.8 Revenue/Tax Assessment

Assessment is the determination of the amount to be paid in respect of a particular revenue item and raising a formal notification of the amount to be the basis for its determination, the due date and mode of payment among other to the tax payer. An assessment must be based on a clearly defined tax base and must reflect the rates applicable a tax base. The assessment exercise helps Governments to keep a record of the amount and due date for payment of the respective revenue items assessed, the name, location and other details of the taxpayer (Fjeldstad, 2003).

The assessment exercise requires first the identification of suitable assessors and then training them before embarking on the assessment exercise. A good revenue system must have a team of well-trained assessors whose main responsibility is to prepare, raise, and distribute assessments in line with the regulatory and policy framework for Local and central Government (Gordon, 2010). Effective assessment should put into consideration the following principles.

a) Ability to pay

This principle has to be exercised in that the taxpayer should be able to pay the tax assessed on him. The ability to pay is determined by earned income, disposable income, expenditure, and domestic obligations of the taxpayer (Gordon, 2010).

b) Simplicity

The type of tax, method of assessment and collection must be simple and understandable by both the taxpayer and the tax collector. Mugume (2006) asserted that, a good tax should be one which is easy to understand that to say, the tax payer must be able to know the exact amount to pay and when and how much to pay without any difficulty. Complicated taxes tend to lead to disputes, delays, and high collection costs in terms of time and resources. Organizing assessments basing on the principles ultimately improves on the Local revenue collection hence service delivery and the reverse is true.

c) Elasticity

This element should exist in assessment under Local revenue collection to improve on the tax base and taxes should change directly with change in the tax base and the reverse is true, hence the revenue is generated (Mahdavi, 2008).

2.1.9 Strategies for improving Local revenue collection.

A classical economist Smith (1776) put forward the canons or general principles of taxation which he said should be observed when imposing a tax, and these are; equity, certainty, convenience, productivity, buoyancy and economy. These canons if followed in tax assessment, collection and administration, improve on the Local revenue collection and administration.

i) Convenience

Under the principle of convenience, Smith (1776) stated that every tax ought to be levied at the time that it is most likely to be convenient for the taxpayer to pay. He further said that, both the time and mode of payment should be convenient. For instance, farmers should be taxed when they sell their crops, office workers to be taxed when they receive their salaries, traders taxed when they make profits.

ii) Canon of Equity

Under the equity principle, Smith (1776) stated that the amount of tax burden on taxpayers should be equal or proportional to their incomes such that the higher the income earners pay more taxes (tax liability) than the low-income earners. Adam smith’s principle of equity is based on humanitarian grounds. Equity takes two forms, horizontal equity, and vertical equity. Horizontal equity means that people in the same income bracket should be taxed equally while vertical equity means that people in different income brackets should be taxed differently.

iii) **Productivity**

Tax productivity is the ability of a given tax to generate as more revenue as possible to the Government. Therefore, a tax should be more effective and productive as possible. The tax system should yield enough revenue to the treasury, so that the Local council does not resort to deficit financing (Barrie, 2010).

iv) Certainty

The canon of certainty has to be put into consideration in order to improve on the Local revenue. The taxpayer must be protected from unnecessary harassment by revenue officials by advocating for the certainty and non-arbitrariness of the taxes, fees, and charges that each individual is bound to pay. This is because unpredictable taxes discourage investment and reduce effort of work (Fjeldstad, 2003).

v) Economy

Local revenue collection can also be improved by the principle of economy. The principle stresses that the cost of collecting and administering taxes, fees and charges must be much lower than the tax proceeds. The collection costs should not exceed 5% of the tax. It is meaningless to impose taxes, which are widespread and difficult to administer as they impose an unnecessary burden upon the society in the form of additional administrative expenses (Gordon, 2010).

vi) Flexibility/Buoyancy

The tax should change directly with the change in tax base. A tax should be able to change directly with the changes in the economic situations or incomes or tax bases with the Local administration, for instance if the taxpayers' incomes rise, even the taxes on them should be able to adjust directly and taxes should reduce as incomes reduce. The fees/tax structure should be adjustable to the changing requirements of the Governments with ease; and the Local revenue system should not be complicated (Chijoriga, 2012).

vii) Diversity

It is risky for the Local Government to depend upon very few sources of Local revenue such as a system is bound to breed a lot of uncertainty for the treasury. If Local revenues come from diversified sources, then any reduction in a particular revenue item is bound to be very small, hence the principle of diversity. However too much multiplicity of taxes should be avoided as it may lead to unnecessary cost of collection and hence violate the economy principle. Fiscal authorities should be in position to predict and accurately forecast the revenue a particular tax will generate and at what rate it will flow in, for this is because inelastic tax is usually unproductive (Barrie, 2010).

However, the various canons of taxation as put forward by Smith (1776) such as equity, convenience, flexibility, certainty, may not fully help in tax assessment, collection and administration because of the nature or make up of the Local Governments. For example, it is difficult to estimate the convenient period of paying taxes by some people who are in informal sectors. With equity, it might be quite difficult to determine people who are in the same income brackets because of the tendency of the tax people to be very secretive when it comes to disclosing their wealth. Indeed Adam Smith's principle of diversity may not be appropriate in less developed economies where by the tax base is low with agriculture as the main economic activity. It can be asserted that Adam Smith's principles of taxable can be more appropriate in developed countries with a variety of tax bases and with a well-developed database about individuals and their incomes.

2.1.10 Challenges in Revenue Collection

Broadening the Tax base, informal sector included in the tax net. Ensure that all due Government revenue is collected and tax evasion and avoidance are controlled. Raising the level of revenue yield to be commensurate with the average yielded in other Local Governments. Addressing stakeholders' (community's) expectations by exercising various statutory powers fairly in accordance with the law - without political influence. Expediting tax decision making and rulings by putting in place well established procedures and criteria and improving staff integrity.

2.1.11 Factors motivating people to avoid tax payment obligation

In addressing research, Kiabel and Nwokah (2009) noted that factors influencing high rate of evasion can equally influence avoidance. 88% of the respondents gave a positive response to the questionnaire acknowledging the fact that their disposable income is seriously affected by taxation. This is also the case of a high tax rate as well. High tax rate makes the tax payer to feel she/he is working in vain. Her/his decision to work or not to or the labour hours she/he might be prepared to put in might be reduced because of high tax rate. However, the poor performance of social amenity has to a large extent discouraged tax payment. For instance those in the informal sector spend heavily to provide for themselves power supply for their businesses and homes, getting them to pay tax become a problem. The failure of those in the informal sector to pay tax equally encourages avoidance and evasion (Marti, 2010). This is because the few that are living up to their civic responsibility becomes discouraged when they discover that defaulters go unpunished. Conclusively, taxation is a very good sources of revenue generation but policies on taxation should be made with due consideration for the welfare of the people in mind. Government should make the people have a sense of belonging by providing social amenities with revenue generated and defaulters in tax payment should be made to face the wrath of the law. When that is done, the economic goal of taxation will be achieved (Laffer, 2009).

2.1.12 Theories of Tax Compliance

Various opinions exist about the best ways to improve tax compliance (Kastlunger *et al*., 2009). Given the chance, a lot of businesses will not pay taxes unless there is a motivation to do so. Some believe that the best way is to increase incentives, while others believe the best way is to increase penalties (Chaudhry, 2010). Tax compliance theories can be broadly classified into two. They are; economics based theories and psychology based theories.

2.1.12.1 Economic Based Theories

They are also known as deterrence theory and they place emphasis on incentives. The theory suggests that taxpayers are amoral utility maximizers (i.e. they are influenced by economic motives such as profit maximization and probability of detection). As such they analyze alternative compliance paths for instance whether or not to evade tax, the likelihood of being detected and the resulting repercussions and then select the alternative that maximises their expected after tax returns after adjusting for risk. This process is referred to as “playing the audit lottery” by Kiabel and Nwokah (2009). Therefore according to the theory, in order to improve compliance, audits and penalties for non-compliance should be increased.

2.1.12.2 Psychology Theories

Psychology theories on the other hand posit that taxpayers are influenced to comply with their tax obligations by psychological factors. They focus on the taxpayers' morals and ethics. The theories suggest that a taxpayer may comply even when the probability of detection is low. As opposed to the economic theories that emphasize increased audits and penalties as solutions to compliance issues, psychology theories lay emphasis on changing individual attitudes towards tax or revenue systems (Chaudhry, 2010).

2.2 Empirical Literature Review

Yongzhi (2010) in his study shows one facet of taxpayer services (tax audit) and its impact on voluntary compliance. His study ends by showing that the tax audit impact becomes stronger as time passes. This has a positive impact on the tax compliance because after an audit, a firm may think that the tax authorities are closely monitoring its activities and may feel that it will be easier to be caught if it will attempt to conceal revenue. Slemrod (2003) in his study randomly selected taxpayers and informed them that their filling was "closely examined' and found evidence of taxpayers' behaviour changes in response to an increased probability of audit, although the responses were not uniform among different groups of taxpayers. On the other hand, Alm *et al*., (1992) used data from laboratory experiments to estimate the effects on compliance of the major fiscal instruments and concluded that, among others, there is a positive relationship between audit rate and compliance, but they caution about the generalization from the estimates based on the experiments. However, these studies could not identify tax payer services that would be provided in order to promote voluntary tax compliance.

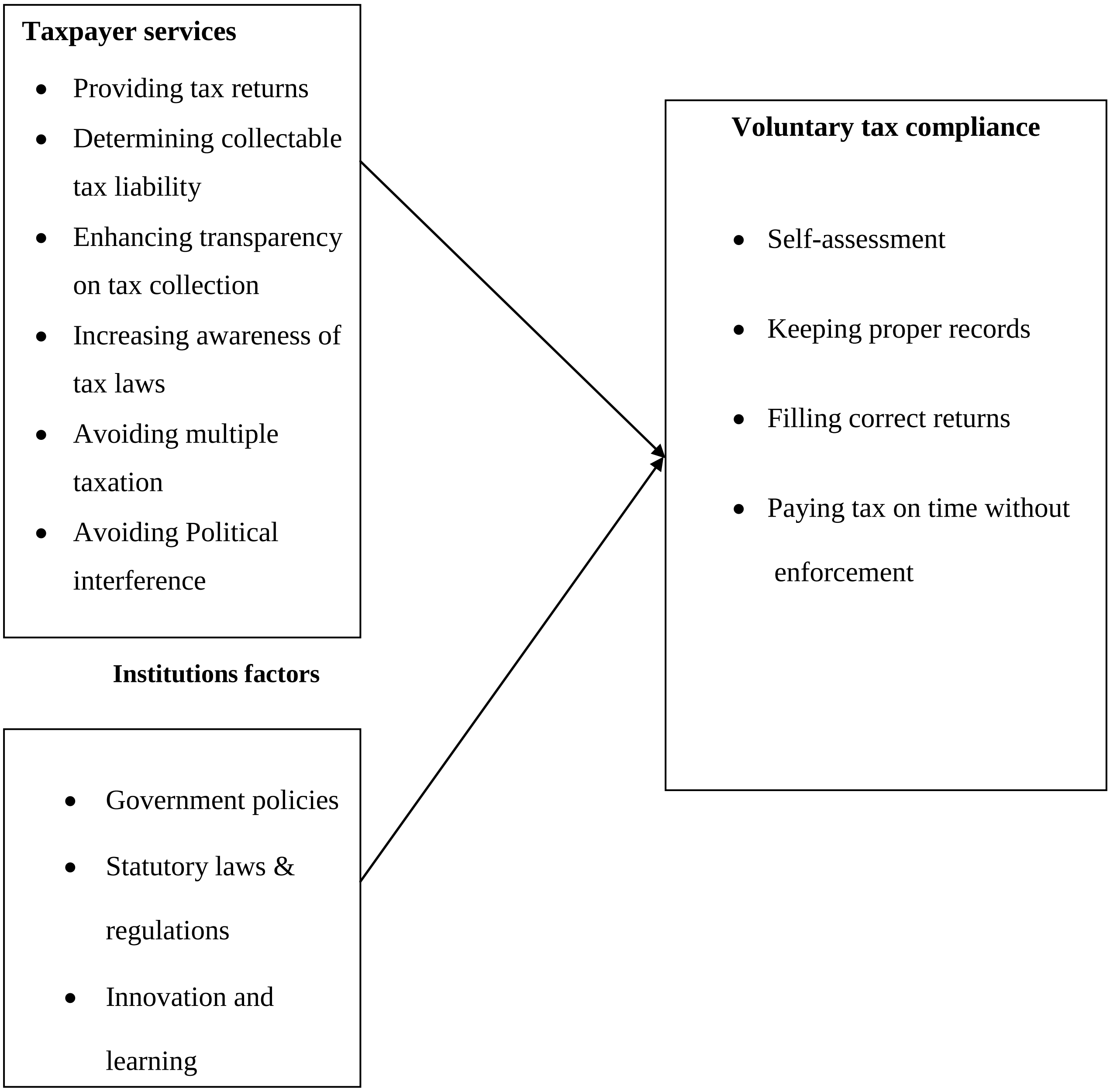
Massala (2009) in his study found that different literatures show that there are differences in the provision of taxpayer services depending on the nature of the tax authority of a certain country. For example, taxpayer services in Malaysia and Japan are like seminars; tax education programmes in schools such as tax education texts which are in the form of cartoons for elementary schools, and secondary and postsecondary students' taxation teaching materials. Things like web site; video programmes and picture books are also used in providing tax education. On the other hand, a study by Mmanda (2011) explains the case of Tanzania that things like seminars; meetings and conferences with taxpayers; customer care training and tax clubs management; and publications are used in providing tax education. These services stimulate voluntary tax compliance when properly and efficiently provided. Moreover, their studies could not examine the influence of taxpayer services in promoting voluntary tax compliance.

Fjeldstad (2006) in his study pointed out that the degree of openness exerts the largest impact on the tax ratio followed by the income variable, existence of agriculture share, manufacturing sector and service sector as the coefficient is positively related and statistically significant which could contribute positively to revenue collection while promoting voluntary tax compliance. Another study by Mittone (2006) concludes that early experience of audits in taxpayers' "tax life" is a more effective way to increase compliance than later audits. Yet another experimental research by Kastlunger *et al* (2009) also suggests that, although the effectiveness of audits and fines cannot be completely confirmed, early audits in taxpayers' "tax life" have a positive impact on compliance and do not cause any challenging situation to authorities. Because tax return data are analyzed to reveal taxpayer compliance behaviour, Alm *et al* (2006) applied experimental methods to examine the individual compliance responses to a "certain" probability of audit, and concluded that the compliance rate rises if an individual knows he/she will be audited and the rate falls if he/she knows he/she will not be audited. But, trade taxes of high rates have historically been the major source of tax evasion which posse challenges to tax collectors. However, their studies could not explore the challenges encountered by tax payers when exercising voluntary tax compliance.

2.3 Conceptual framework

The conceptual framework is provided in figure 2.1. The dependent variable is voluntary tax compliance which results into self assessment, keeping proper records, filling correct returns and paying tax on time without enforcement while the independent variable is the impact of tax payer services which lead to providing tax returns, determining collectable tax liability, enhancing transparency on tax collection, increase of awareness of tax laws, avoiding multiple taxation and political interference.

Figure 2.1: Conceptual framework



Source: Researcher's modelling (2013)

There is the existence of the relationship between independent and dependent variables. The variables on the impact of tax payer services in promoting voluntary tax compliance in TRA Morogoro Municipality are as; providing tax returns with a document filed with authorities that declares a taxpayers liability for being taxed, based on their yearly income; determining collectable tax liability for an entity which is legally obligated to pay to an authority as the result of the occurrence of a taxable event whereby tax liability can be calculated by applying the appropriate tax rate to the taxable event's tax base. These taxable events include, but are not limited to, annual income, the sale of an asset, a fiscal year-end or an inheritance.

Yet, enhancing transparency on tax collection enables taxpayers to easily see through, understand, or recognise; or a mechanism which is obvious; candid, open or frank where as increase of awareness of tax laws provides taxpayer education through various means which enhances the understanding of tax laws; hence enabling tax payers to comply without enforcement. Moreover, avoidance of multiple taxation in which the same earnings are taxed more than twice; and avoidance of political interference play a major role when arriving at a decision; hence, avoiding instances of hindering, obstructing, or impeding the decision.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the method used in conducting this research. It is divided into six sub-sections. These include (i) study area, (ii) research design, (iii) population and unit of study (iv) sample size (v) sampling procedures and (vi) data collection methods and data analysis procedures.

3.1 Study Area

The study was done at TRA Morogoro Regional especially at Morogoro Municipality. It was selected because there has been taxpayer services conducted by taxpayer services and education department which have not yielded good results regarding the promotion of voluntary tax compliance (Chijoriga, 2012); hence, requiring a study.

Morogoro Region lies between latitude 5° 58"and 10° 0" to the South of the Equator and longitude 35° 25" and 35° 30" to the East. It is bordered by seven other Regions; Arusha and Tanga regions to the North, the Coast Region to the East, Dodoma and Iringa to the West, and Ruvuma and Lindi to the South. The Region is administratively divided into 6 districts: Mvomero, Kilosa, Kilombero, Ulanga, Morogoro Urban/Municipality and Morogoro Rural, (URT, 1997). The Districts are subdivided into divisions, wards, villages and streets (for urban wards)/vitongoji (for rural wards). Region has a total of 30 divisions, 141 wards, 542 villages, 275 streets and 3,204 vitongoji/hamlets (Morogoro region development report, 2007).

3.2 Research Design

The study utilized a case study research design in the methodology. A case study research design was the preferred strategy regarding “when” “how” or “why” questions are being posed and when the investigator has little control over events on a contemporary phenomenon with the same real experiences or context (Silverman, 2000).

Yin (2003) argues that case studies allow researchers to retain the holistic and meaningful characteristics of real life events. The most important with case studies according to Yin (2003) is to explain the causal links in real life intervention, describe the real life context in which an intervention has occurred and evaluate the intervention itself.

3.3 Targeted Population and Unit of the study

The population of the study involved 710 participants (197 small enterprise taxpayers, 75 medium enterprise taxpayers and 88 TRA employees (key informants) Taxpayers and employees (TRA Progress Report, 2012). This involved Small and Medium Taxpayers and TRA employees (from a few departments) in Morogoro Regional office which is situated in Morogoro Municipality.

3.4 Sample Size

The sample size of 180 respondents was selected from whom information required for the study was obtained. These are the classification, out of 180 sample size; 135 traders (60 from small and 75 from medium tax payers) and 45 employees (3 from taxpayer services and education department, 5 from debt management and compliance department and 37 from domestic revenue department). The selection from TRA employees considered the sensitiveness of the department attached to taxpayers.

Cooper and Schindler (2008) argue that, for any valid and reliable study to be carried, its sample size shouldn't be less than 25% of its population. As it stands, the sample size is 25.3% of the population; hence fulfilling their argumentations.

3.5 Sampling Procedures

The sampling procedures used in the study included; simple random and purposive sampling

3.5.1 Simple random sampling

The study used simple random sampling technique. It is a chance sampling or probability sampling in which each and every item in the population has equal chance of inclusion and being selected (Kothari, 2004). This is because the researcher was unable to reach all Taxpayers and TRA employees as his informants but had to select few Taxpayers and TRA employees who represented the whole population of study. It was utilized to select the sample of lower cadre from each population.

3.5.2 Purposive sampling

This method was used to obtain and utilize personal experience of each respondent regarding the impact of taxpayer services in promoting voluntary tax compliance. Therefore, heads of department from domestic revenue, customer and excise as well as taxpayer services were selected by using this method believing that they possessed key information regarding voluntary tax compliance.

3.6 Data collection methods

Data collection refers to the process of gathering specific information aimed at providing or refuting some facts (Kombo and Tromp, 2006). This study used both Primary and secondary data collection methods to get information from respondents and other sources.

3.6.1 Primary data collection methods

Primary data are those collected afresh from the field for the first time. They happen to be original in character. Therefore, primary data collection methods were used by the researcher to collect data from the field whereby interviews, focus group discussion, questionnaires and observations were employed.

3.6.1.1 Interview

The researcher used face-to-face interview to TRA (48) officers/employees from the departments selected (taxpayer services and education, customs and excise and domestic revenue) in order to solicit informations regarding the impact of taxpayer services in promoting voluntary tax compliance (Appendix 2).

3.6.1.2 Focus Group Discussion

Two focus group discussions (FGDs) involved small and medium taxpayers were employed involving a group of discussants who discuss specific topics or issues under the facilitation of a researcher and sometimes using a tape recorder. It helped the interviewee to be free to express oneself. This was utilizes to small taxpayers who have little knowledge on tax laws and regulations.

3.6.1.3 Questionnaires

Questionnaire refers to a number of questions printed or typed in definite order on a form or set of forms (Kothari, 2004). Therefore questionnaires were prepared and sent to the respondents with request to answering questions and returning them. Questionnaires were used to obtain informations from taxpayers (small and medium) in Morogoro municipality. The information asked include; the identification of kinds of tax payer services provided by TRA, examination of the influence of taxpayer services in promoting voluntary tax compliance and exploration of the challenges encountered by taxpayers when exercising voluntary tax compliance (Appendix 1).

Copies of questionnaires were prepared based on the essentials of a good questionnaire, i.e. short and simple, and organized in a logical sequence moving from relatively easy to more difficult issues. Technical terms, vague expressions and those affecting emotions of the respondents were avoided.

3.6.1.4 Observation

The researcher used direct observation method to small and medium taxpayers when performing their business undertakings in lieu of challenges they encounter (i.e. structured observation; where the researcher is an observer with a small number of specific behaviour patterns. Here the researcher got clues of the traits under observation). The reason for using this method was its ability to obtain faithful answers from the respondents exactly when performing their jobs and making sure that what was observed is what is reported (Bryman, 2004).

Structured observation complemented information which was obtained from the interview and questionnaires. It is stated that through structured observation, rich information and awareness about a phenomenon can be obtained. The eye witness in real situation assists the researcher to justify what to be revealed from the interview and questionnaires while observing the behaviours of respondents when performing their activities.

3.6.2 Secondary data collection method

3.6.2.1 Documentary Review

The researcher used different documents in order to access accurate and reliable data. Documents comprised of personal profiles (for taxpayers), guidelines and directives (circulars regarding tax laws), policies and regulations (regarding taxpayers' obligations), books and journals (used as literatures) and performance reports (quarterly and annual reports) obtained from TRA regional office.

3.7 Data Analysis

The data were summarized, coded and analyzed by Statistical Package for Social Science (SPSS) version 16. Frequency distribution and percentages were used to describe major variables. The collected data were also analyzed through description, interpretation and explanation. Tabulation and classification were used as the major method during data analysis. The acceptable groups of taxpayers were grouped basing on the nature of the tax they are taxed for a year. However, the ways and time through which taxpayers used to pay taxes were put into consideration. The analysis was generally based on the descriptive framework.

3.7. 1 Data Analysis techniques according to objectives

Table 3.1: A summary of data analysis according to research objectives

Objective	**Data to be collected**	**Instruments used**	**Method of data analysis**
1. To identify the kinds of tax payer services provided by TRA in Morogoro Municipality and how it is delivered to the taxpayer	Kinds of tax payer services and the way they are delivered to taxpayers	a) Structured and Unstructured Questionnaires b) Interview guide questions	SPSS (by using descriptive statistics)
2. To examine the influence of tax payer services in enhancing voluntary tax compliance	Opinions from taxpayers regarding the influence of taxpayer services for the enhancement of voluntary tax compliance	a) Structured and Unstructured questionnaires b) Interview guide questions	SPSS (by using descriptive statistics)
3. To explore the challenges encountered by tax payers when exercising voluntary tax compliance	Opinions from taxpayers on the challenges encountered when exercising voluntary tax compliance	a) Interview guide b) Structured questionnaires	Content analysis (*by analysing the meaning and context of respondents' responses)* SPSS (by using descriptive statistics)

Source: Researcher, 2013

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE RESEARCH FINDINGS

4.0 Introduction

The chapter analyses and discusses findings regarding the assessment of the impact of taxpayer services in promoting voluntary tax compliance at TRA Morogoro municipality. It presents the demographic characteristics of the respondents; identifies kinds of taxpayer services provided by TRA; examines the influence of taxpayer services in enhancing voluntary tax compliance and explores the challenges encountered by taxpayers when exercising voluntary tax compliance.

4.1 Demographic characteristics of the respondents

The demographic characteristics of the respondents covered included; gender, age, occupation and estimated monthly income. These are presented in Table 4.1 as follows,

Table 4.1: Demographic characteristics

Demographic Information	Frequency	Percentage
Gender distribution		
Male	102	56.6
Female	78	43.4
Age (in years) distribution		
18-24	25	13.8
25-34	38	21.2
35-44	67	37.3
45 years and above	50	27.7
Occupation distribution		
Small taxpayers	75	53.6
Medium taxpayers	65	46.4

Source: Research data (2013)

a) Gender Distribution

Table 4.1 shows that out of 180 respondents, 56.6% were male and 43.4% were females. Men taxpayers showed positive response regarding the answering of questions asked in the study something that raised a need for increasing taxpayer service education and awareness campaigns towards tax laws among tax payers while women showed little understanding and response on the way to answering questions of the need to pay tax without force; hence little voluntary tax compliance.

b) Age Distribution

Table 4.1 shows the age distribution of the respondents. The age distribution between 18 and 24 years was 13.8%, 25 and 34 years were 21.2%, 35 and 44 years were 37.3%, and those with 45 years and above were 27.7%. However, those who were between 18 to 44 years showed little interest to the study as to them it meant irrelevant to tax payment; while those who were 45 years and above of age responded positively because of the accumulated knowledge they possessed on tax payment which led them to comply voluntarily something that need to be focused to the young to emulate the same.

c) Occupation Distribution

Table 4.1 shows that; 43.6% of respondents were small taxpayers, 36.4% of respondents were medium taxpayers and 20% were civil servants. Small taxpayers showed little response to the study because of encountering difficulties in interpreting tax laws something that rendered little tax compliance while medium taxpayers being able to respond positively and were able to corporate in order to enhance tax compliance.

4.2 Kinds of services provided by TRA

The results show the tax payer services provided by TRA in the study area which included; registration of taxpayers, determination of tax liability to be collected from the taxpayers, assigning a unique taxpayer identification number (TIN), assisting taxpayers to adequately provide tax returns, provision of information and education publications, conducting seminars on changes to tax laws and procedures, carrying taxpayer and third party interviews to secure information regarding the sources of income and assets, carrying assessment to taxpayers, provision of permits and licenses and provision of customs clearances. Table 4.2 summarizes the results as shows hereunder as follows.

Table 4.2: Kinds of taxpayer services

Service	Percentage	
	Agree	**Disagree**
Registration of taxpayers	98	02
Determination of tax liability to be collected from the taxpayers	80	20
Assigning a unique taxpayer identification number (TIN)	95	05
Assisting taxpayer to adequately provide tax returns	82	18
Provision of information and education publications	85	15
Conducting seminars on changes to tax laws and procedures	85	15
Carrying taxpayer and third party interviews to secure information regarding the sources of income and assets	80	20
Carrying assessment to taxpayers	95	05
Provision of permits and licenses	75	25
Provision of customs clearances	75	25

Source: Research data (2013)

Table 4.2 shows that, the majority of respondents were able to identify the kinds of taxpayer services provided by TRA to taxpayers by agreeing; while the minority of respondents disagreeing or being unable to identify these services provided as indicated above.

4.2.1 Provision of customs clearances, permits and licenses

Table 4.2 show that 75% of the respondents reported the provision of customs clearances such as transit clearance; permits and licenses such as motor vehicle licenses, licensing of customs agents and licensing of transporters of goods under customs control which enabled taxpayers to carry out their business undertakings without pressure while adhering to tax compliance.

4.2.2 Securing information on sources of income, assets and determining tax liability

Table 4.2 show that 80% of the respondents reported carrying taxpayer and third party interviews to secure information regarding the sources of income and assets as supported by Bird *et al* (2008) and determination of tax liability to be collected from the taxpayers as among the kinds of taxpayer services provided by TRA Morogoro municipality. The information enabled them to understand tax laws and the smooth running of their business thereby fostering tax compliance.

4.2.3 Provision of tax returns, information, education publications and seminars

Table 4.4 show that 82% of the respondents pointed out assisting taxpayer to adequately provide tax returns when in need and 85% pointed out conducting seminars on changes to tax laws and procedures which are normally done quarterly, provision of information and education publications such as booklets, pamphlets etc as among the kinds of taxpayer services which have enabled them to comply with tax rules.

4.2.4 Carrying assessment, assigning a unique number and registration of taxpayers

Table 4.2 show that 95% of the respondents were in opinion of assigning a unique taxpayer identification number (TIN), carrying assessment to new tax payers regarding their business to be carried and registering taxpayers 98% as services provided by TRA for the enhancement and facilitation of tax collection which is supported by Chijoriga (2012) as means to attain productivity while complying to tax laws.

Therefore, the overall results in this part show that 75% of the respondents reported the provision of customs clearances such as transit clearance; permits and licenses such as motor vehicle licenses, licensing of customs agents and licensing of transporters of goods under customs control, and 80% reported carrying taxpayer and third party interviews to secure information regarding the sources of income and assets, and determination of tax liability to be collected from the taxpayers as among the kinds of taxpayer services provided by TRA Morogoro municipality. Moreover, 82% of the respondents pointed out assisting taxpayer to adequately provide tax returns whenever needed and 85% pointed out conducting seminars on changes to tax laws and procedures, provision of information and education publications as among the kinds of taxpayer services. Yet, 95% of the respondents were in opinion of assigning a unique taxpayer identification number (TIN) and carrying assessment to taxpayers as services to taxpayers.

4.3 The Influence of Taxpayer Services in enhancing Voluntary Tax Compliance

Table 4.3: Shows the influences of tax payer services on tax compliance

Influence of taxpayer services	Percentage	
	Yes	No
Enhancement of transparency on tax collection	90	10
Increasing awareness and knowledge on tax laws among tax payers	85	15
Reduction of compliance costs such as administrative costs	78	22
Improving internal control and audit practices	75	25
Understanding of the need to pay tax without force	80	20
Enhancement of participation in formalized economic activities	80	20
Enhancement of downward accountability	78	22
Enhancement of tax collection statistics which would be used for economic planning and fiscal decision making	85	15
Increasing revenue collection to be utilized for recurrent and development expenditures	90	10

Source: Research data (2013)

Table 4.3 shows that the majority of respondents were able to examine the influence of taxpayer services on tax compliance by agreeing (from their understanding and perception); while the minority of respondents disagreeing or being unable to examine due to the lack of information needed which would have enabled them to pay taxes without external enforcements as indicated above.

4.3.1 Improving internal control and audit practices, reduction of compliance and administrative costs, and enhancing downward accountability.

Table 4.3 shows that 75% of the respondents were in opinion that tax payer services influenced the improvement of internal control and audit practices, 78% reported the enhancement of downward accountability envisaged from taxpayers' corporation with tax collectors which resulted into reduction of compliance costs such as administrative costs as attested by respondents. This was a way of enhancing taxpayers' understanding and quick response whenever taxpayers encounter challenges when accessing services at TRA which resulting into tax compliance among taxpayers.

4.3.2 Understanding of the need to pay tax and enhancing participation in formalized economic activities.

Table 4.3 shows that 80% of the respondents stated that taxpayer services influenced the understanding of the need to pay tax without force which necessitated the enhancement of participation in formalized economic activities among taxpayers as supported by Barrie (2010). Moreover, this understanding was essential for new taxpayers to abide to illegal ways of carrying out business without being properly accessed by the authorized officer.

4.3.3 Increasing awareness and knowledge on tax laws and enhancing tax collection statistics

Table 4.3 shows that 85% of the respondents reported the increasing awareness and knowledge on tax laws among tax payers which was attained through seminars and the enhancement of tax collection statistics which is used for economic planning and fiscal decision making as supported by Fjeldstad (2006). This awareness and knowledge on tax laws has been a target to TRA Morogoro which enabled taxpayers to register themselves without force and pay taxes in due time.

4.3.4 Increasing revenue collection and transparency.

Table 4.3 shows that 90% of the respondents stated that taxpayer services resulted into the enhancement of transparency on tax collection and increasing revenue collection to be utilized for recurrent and development expenditures as supported by Massala (2009). This was a good achievement attained by TRA Morogoro in line with increasing the number of taxpayers who would voluntarily comply with tax payment obligations without external force.

Generally, the overall results imply that 75% of the respondents were in opinion that tax payer services influenced the improvement of internal control and audit practices, 78% reported the enhancement of downward accountability envisaged from taxpayers' corporation with tax collectors which resulted into reduction of compliance costs such as administrative costs as attested by respondents. However, 80% of the respondents stated that taxpayer services influenced the understanding of the need to pay tax without force which necessitated the enhancement of participation in formalized economic activities. Moreover, 85% of the respondents reported the increasing awareness and knowledge on tax laws among tax payers and the enhancement of tax collection statistics to be used for economic planning and fiscal decision making. Likewise, 90% of the respondents stated that taxpayer services resulted into the enhancement of transparency on tax collection and increasing revenue collection to be utilized for recurrent and development expenditures.

4.4 Challenges encountered by taxpayers when exercising voluntary tax compliance in Tanzania

The following challenges encountered by taxpayers when exercising voluntary tax compliance in the study area.

Table 4.4: Challenges encountered by taxpayers

Challenges encountered by taxpayers	Percentage	
	Yes	**No**
Avoidance of multiple taxation	79	21
Avoidance of political interference	75	25
Higher tax rates	92	08
Ignorance of tax laws among incoming taxpayers	87	13
Lack of transparency in assessing business	85	15
Corruption demanded by tax collectors	90	10
Inflation rates	84	16
Collection and billing methods unknown to taxpayers	92	08
Poor quality of services provided by the government	85	15
Trust in other citizens to pay their shares equitably	75	25
Inadequate focus on large taxpayers and prioritization on the collection of major national taxes such as income tax or VAT (e.g. for those who rend houses)	80	20
Complex filling procedures	72	28
Unnecessary loss of taxpayer data	76	24
Higher penalties	88	12
Tax evasion/cheating by some tax payers	79	21
Poor attendance of tax payers on tax education seminars	76	24

Source: Research data (2013)

Table 4.4 shows that the majority of respondents were able to explore the challenges as envisaged by agreeing with what they know and what they perceived as viable challenges; while the minority of respondents disagreeing or being unable to explore them due to little taxpayer education as indicated above.

4.4.1 Filling procedures, trust in citizens and avoidance of political interference

Table 4.4 shows that 72% of the respondents affirmed the availability of complex filling procedures needed by taxpayers to fulfil especially incoming taxpayers, 75% of respondents reported trust in other citizens to pay their shares equitably and avoidance of political interference which necessitate tax evasion. The fulfilment of the aforesaid tasks created a conducive environment among the taxpayers and tax collectors as each performed the assigned responsibility properly.

4.4.2 Loss of taxpayer data and attendance of taxpayers on tax education seminars

Table 4.4 shows that 76% of respondents reported the unnecessary loss of taxpayer data due to tax collectors' negligence something that brought inconvenience to taxpayers while experiencing the presence of poor attendance of tax payers on tax education seminars which demoralized the authority (TRA) regarding it strategy attainment as supported by Slemrod (2003) as among the challenges.

4.4.3 Tax evasion and avoidance of multiple taxation

Table 4.4 shows that 79% of the respondents stated that the avoidance of multiple taxation something which came into practice after providing tax education to taxpayer by TRA and the municipality on the same business which has resulted into less tax evasion/cheating by some tax payers. This needs to be continuously propagated for the achievement of TRA goals especially voluntary tax compliance to all taxpayers.

4.4.4 Inadequate focus on large taxpayers and inflation rates

Table 4.4 shows that 80% of the respondents stated that the inadequate focus on large taxpayers and prioritization on the collection of major national taxes such as income tax or VAT (e.g. for those who rend houses) as among the challenges while 84% of the respondents pointed out inflation rates as among the challenges encountered by taxpayers from the fact of economic imbalance experienced by taxpayers (business persons) and those they serve (buyers). With the lack of focus to larger taxpayers, it was stated that some revenues are left uncollected unnecessarily which if traced would raise revenue to the government as to enhance services to citizens while controlling inflation rates.

4.4.5 Poor quality of service and lack of transparency in assessing business

Table 4.4 shows that 85% of the respondents stated the lack of transparency in assessing business (between the tax assessors and expected taxpayers) as supported by Mittone (2006) and poor quality of services provided by the government which result into citizens'/taxpayers' feeling that they receive little in return from revenue/tax paid. This to some extent has resulted into tax evasion.

4.4.6 Ignorance of law, higher penalties and corruption

Table 4.4 shows that 87% of the respondents stated that ignorance of tax laws among incoming taxpayers which needs to be continuously provided, 88% reported higher penalties which don't go in line with the violated law taking the advantage of taxpayers' ignorance while 90% reported corruption demanded by tax collectors as among the challenges. The envisaged shortfalls need to be eliminated for the enhancement of tax compliance.

4.4.7 Collection and billing methods unknown to taxpayers and higher tax rates

Table 4.4 shows that 92% of the respondents pointed out the collection and billing methods unknown to taxpayers who need to be revealed to them in order to enhance tax compliance and the availability of higher tax rates which demoralize taxpayers to carry on their business undertakings. By focusing on them and rectifying the situation, taxpayers will be in position to pay taxes voluntarily.

Generally, the overall results imply that 72% of the respondents affirmed the availability of complex filling procedures, 75% of respondents stated trust in other citizens to pay their shares equitably and avoidance of political interference which necessitate tax aversion. However, 76% reported unnecessary loss of taxpayer data due to tax collectors' negligence and poor attendance of tax payers on tax education seminars as among the challenges. On the other hand, 79% of the respondents reported the avoidance of multiple taxation something done to taxpayers by TRA and the municipality on the same business, 80% of what reported the inadequate focus on large taxpayers and prioritization on the collection of major national taxes such as income tax or VAT (e.g. for those who rend houses) as among the challenges. Furthermore, 84% of the respondents pointed out inflation rates, 85% stated the lack of transparency in assessing business (between the tax assessors and expected taxpayers) and poor quality of services provided by the government which result into citizens'/taxpayers' feeling that they receive little in return from revenue/tax paid. Likewise, 87% of the respondents reported ignorance of tax laws among incoming taxpayers, 88% reported higher penalties and 90% reported corruption demanded by tax collectors as among the challenges. Yet, 92% of the respondents pointed out the collection and billing methods unknown to taxpayers and higher tax rates which demoralize taxpayers and make taxpayers to feel they are working in vain.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provided the summary, conclusion and recommendations along with the policy implications and the need for further research. It commences with the summary, conclusion, recommendations and policy implications and finally provides the need for further research.

5.1 Summary

An effective and efficient taxpayer services is integral to any country's well being. However, the collection of tax revenue is not enough unless is combined with high respect for taxpayers to pay more taxes voluntarily. The failure for taxpayers to comply may be associated with little education possessed by taxpayers because, some pay, some don't pay. While some pay more than others, some don't absolutely.

The results from the study showed that 75% of the respondents reported the provision of customs clearances such as transit clearance; permits and licenses such as motor vehicle licenses, licensing of customs agents and licensing of transporters of goods under customs control, and 80% of respondents stated carrying taxpayer and third party interviews to secure information regarding the sources of income and assets, and determination of tax liability to be collected from the taxpayers as among the kinds of taxpayer services provided by TRA Morogoro municipality. Moreover, 82% of the respondents pointed out assisting taxpayer to adequately provide tax returns whenever needed and 85% pointed out conducting seminars on changes to tax laws and procedures, provision of information and education publications as among the kinds of taxpayer services. Yet, 95% of the respondents were in opinion of assigning a unique taxpayer identification number (TIN) and carrying assessment to taxpayers as services to taxpayers.

Secondly, 75% of the respondents were in opinion that tax payer services influenced the improvement of internal control and audit practices, 78% reported the enhancement of downward accountability envisaged from taxpayers' corporation with tax collectors which resulted into reduction of compliance costs such as administrative costs as attested by respondents. However, 80% of the respondents stated that taxpayer services influenced the understanding of the need to pay tax without force which necessitated the enhancement of participation in formalized economic activities. Moreover, 85% of the respondents reported the increasing awareness and knowledge on tax laws among tax payers and the enhancement of tax collection statistics to be used for economic planning and fiscal decision making. Likewise, 90% of the respondents stated that taxpayer services resulted into the enhancement of transparency on tax collection and increasing revenue collection to be utilized for recurrent and development expenditures.

Finally, 72% of the respondents affirmed the availability of complex filling procedures, 75% reported trust in other citizens to pay their shares equitably and avoidance of political interference which necessitate tax evasion. However, 76% reported unnecessary loss of taxpayer data due to tax collectors' negligence and poor attendance of tax payers on tax education seminars as among the challenges. On the other hand, 79% of the respondents reported the avoidance of multiple taxation something done to taxpayers by TRA and the municipality on the same business, 80% reported the inadequate focus on large taxpayers and prioritization on the collection of major national taxes such as income tax or VAT (e.g. for those who rend houses) as among the challenges. Furthermore, 84% of the respondents pointed out inflation rates, 85% stated the lack of transparency in assessing business (between the tax assessors and expected taxpayers) and poor quality of services provided by the government which result into citizens'/taxpayers' feeling that they receive little in return from revenue/tax paid. Likewise, 87% of the respondents reported ignorance of tax laws among incoming taxpayers, 88% reported higher penalties and 90% reported corruption demanded by tax collectors as among the challenges. Yet, 92% of the respondents pointed out the collection and billing methods unknown to taxpayers and higher tax rates which demoralizes taxpayers and make taxpayers to feel they are working in vain.

5.2 Conclusion

TRA Morogoro municipality has been working hand in hand with taxpayers in order to enhance tax compliance through taxpayer service provision. It is concluded that the services provided seem to be promising but, there is a need for rectifications as attested by respondents. However, taxpayer services done influenced taxpayers to pay taxes without force due to awareness envisaged. Yet, the unnecessary loss of data due to tax collectors' negligence undermined the move towards tax compliance behaviour.

5.3 Recommendation and Policy Implication

5.3.1 Recommendations

5.3.1.1 Information availability

It was reported by respondents that, there was an availability of information breakdown among stakeholders especially tax collectors and tax payers; therefore, in order to minimize this information breakdown and unnecessary complaints, the enhancement of information accessibility is vital.

5.3.1.2 Enhancement of Transparency

The enhancement of transparency in tax collection did not match with yielding trust on the side of public regarding service provision by the government as tax payers feel to receive little in return from the tax paid; hence in need of reflection by TRA and the government at large.

5.3.1.3 Loss of Data

Loss of data due to tax collectors' negligence was reported by the respondents as among the challenges or drawbacks upon tax compliance. Thus, improvement of data system management and tax collectors' commitment need to be enhanced.

5.3.2 Policy Implication

The policy makers need to review tax laws and regulations regarding taxpayer services for the enhancement of performance in lieu of the operating taxpayers' environment.

5.4 Need for Further Research

The study assessed the impact of taxpayer services in promoting voluntary tax compliance at TRA Morogoro municipality. A need for further research could be done due to limited time on the following issue

To what extent has TRA Morogoro been able to address voluntary tax compliance? (The reason is that, TRA has launched its fourth corporate plan focusing on tax compliance issues untouched in its second plan)

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APPENDICES

APPENDIX 1:

QUESTIONNAIRES FOR TAXPAYERS (SMALL AND MEDIUM)

Topic: The Impact taxpayer services in promoting voluntary tax compliance; A case of TRA; Morogoro municipality

PART A: Identification of the kinds of taxpayer services provided by TRA

1. Do you think that, among these are the kinds of taxpayer services provided by TRA? (*tick where appropriate*)

Kind of taxpayer service	Agree	Disagree
Registration of taxpayers		
Determination of tax liability to be collected from the tax payer		
Assigning a unique taxpayer identification number (TIN)		
Updating taxpayer registers		
Responding to general inquiries regarding registration, filling or payment requirements and basic tax laws		
Provision of tax returns		
Provision of information and educational publications		
Conducting seminars on changes to tax laws and procedures		
Assisting taxpayers on how to use the TRA website		
Carrying taxpayer and third party interviews to secure information regarding the sources of income and assets		

2. What other kinds of tax payer services do you receive? (specify)

i)…………………………………………......ii)………………………………………

iii)…………………………………………iv)……………………………………...

PART B: Influence of taxpayer services in enhancing voluntary tax compliance

3. Please indicate your agreement or disagreement regarding the influence of taxpayer services in enhancing voluntary tax compliance as follows; 1) SA=Strongly Agree 2) A=Agree 3) U=Uncertain 4) D=Disagree 5) SD=Strongly Disagree.

Influence	**Choice**				
	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
Enhancement of transparency on tax collection					
Increase of awareness of tax laws among tax payers					
Reduction of compliance costs such as administrative costs					
Improving internal control and audit practices					
Understanding of the need to pay tax without force					
Enhancement of participation in formalized economic activities					
Enhancement of downward accountability					

4. What are other issues that have been influenced by taxpayer services? (specify)

i)……………………………………………….ii)……………………………………

iii)……………………………………………..iv)……………………………………

PART C: Challenges encountered by taxpayers when exercising voluntary tax compliance

5. Do you think that among the mentioned items could be the challenges encountered by taxpayers?

Challenge	**Yes**	**No**
Avoidance of multiple taxation		
Avoidance of political interference		
High tax rates		
Ignorance of tax laws among incoming taxpayers		
Lack of transparency in assessing business		
Corruption demanded by tax collectors		
Inflation rates		
Collection and billing methods unknown to taxpayers		
Quality of services provided by the government		
Trust in other citizens to pay their share equitably		
Inadequate focus on large taxpayers and prioritization on the collection of major national taxes such as income tax or VAT (e.g. for those who rend houses)		
Complex filling procedures		

6. Would you please mention other challenges you encounter?
i)……………………………………………………ii)………………………..………
iii)…………………………………………………..iv)………………………….………

PART D: Characteristics of respondents

7. Age in years (*tick where appropriate*)
(a) Below 18 ( )
(b) 18 – 24 ( )
(c) 25 – 34 ( )
(d) 35 – 44 ( )
(e) 45+ ( )
8. Sex: (a) Male ( )
(b) Female ( )

9. Occupation: (a) Civil servant ( )
(b) Businessman/woman ( )

10. What is your estimated income per month?

a) 300,000-500,000/= ( ) b) 500,001- 700,000/= ( ) c) above 700,000/= ( )

APPENDIX 2:

INTERVIEW GUIDE QUESTIONS FOR TRA EMPLOYEES

i) What are the kinds of tax payer services provided by TRA in Morogoro municipality?

ii) What is the influence of tax payer services in enhancing voluntary tax compliance?

iii) What are the challenges encountered by tax payers when exercising voluntary tax compliance?