CONSTRAINTS FACING SMALL AND MEDIUM ENTERPRESSES TOWARDS TAX PAYMENT IN LOCAL GOVERNMENT AUTHORITIES

A CASE STUDY OF KILWA DISTRICT COUNCIL

By

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A Research Dissertation Proposal Submitted in a Partial Fulfillment of the Requirements for the Award of MSc of Science in Accounting and Finance Degree of the Mzumbe University

2013

CERTIFICATION

We the undersigned, certify that she has read and hereby recommend for acceptance by Mzumbe University as dissertation titled **"Constraints facing small and medium enterprises towards tax payment in local government authorities"**, in partial fulfilment of the requirements for the master's degree of science (Accounting and Finance) of Mzumbe University

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I am indebted to so many that I can not mention/list all of you here. Please know that even if your name does not appear bellow, I will live to cherish the memory of your kindness.

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DEDICATION

To my beloved mother Mrs. Hamu Machela and my sister Fanye Machela for their hand in had support and encouragements.

ABBREVIATIONS AND ACRONYMS

CDR	-	Commission of Domestic Revenue
IMF	-	International Monetary Fund
ITD	-	International Tax Dialogue
KDC	-	Kilwa District Council
MSME	-	Micro, Small and Medium Enterprises
OECD	-	Organization of Economic Cooperation and Development
SME DP	-	Small and Medium Enterprises Development Policy
SPSS	-	Statistical Package of Social Science
TRA	-	Tanzania Revenue Authority
TRA	-	Tanzania Revenue Authority
US	-	United State
USD	-	United State Dollars
VEO	-	Village Executive Officer
WEO	-	Ward Executive Officer
WRC	-	Ward Revenue Collector

ABSTRACT

Small and Medium Enterprises (SMEs) are unique phenomena for the tax system, besides the wage earners, who are only subjected to income tax withholding; they form the bulk of taxpayers in the tax net. At the same time small businesses are the major contributors to the informal economy resisting tax payment and operating outside the tax net. This study aims at evaluating the SMEs constraints towards tax payment in local government authorities.

In order to carryout out this study, the researcher used a case study design, where Kilwa district council was chosen because is familiar place by the researcher as an employee of the district council hence easy of getting required information. The researcher collected two types of data, the primary data and the secondary data. Primary data were collected through questionnaire, interview and observation while secondary data were collected through documentary review. All data were analyzed and presented in tables and figures with the help of descriptive analysis under SPSS.

The findings shows that SMEs feel they pay high tax rates regardless of their business size and receive a little return on the tax paid. This has impacts on their willingness to pay tax and contributes to eroding people's trust in the local governments' capacity to provide the expected services. Moreover the lack of confidence on the use of government money and the methods and procedures taxes are collected affect SMEs' perceptions towards taxation. Uncompromising and non-transparent approaches to collect taxes, fees and charges which are also many, may actually foster tax evasion and disrespect of tax laws.

The study therefore concludes that it is imperative to establish mechanisms for improving relations between the local revenue collection and the taxpayers (SMEs). Relevant measures being establishing more accessible and transparent payment facilities, certainty of tax payment dates and use fair and reasonable tax enforcement.

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CHAPTER ONE
PROBLEM SETTING

1.1 Introduction

Tax is an important stream of revenue for government's development projects. However, tax compliance among Small and Medium Enterprises (SMEs) is poor (Shekidele 2009). Therefore, this study intends to evaluate and rank the factors that encourage non-compliance with tax obligation by SMEs at Kilwa District Council.

This chapter discusses the background of the problem, statement of the problem, objective of the study and the research questions. Also the chapter discusses the scope of the study, significance and limitations and shows the general organization of the study.

1.2 Background of the Study

The Small and Medium Enterprises (SMEs) produce affordable goods and services (Frempong 2009), create a large proportion of jobs and thus contribute significantly to a country's development and economic growth (Frempong, 2009; Masakure et al, 2009). The ILO/ UNDP (2000) reported SMEs as players of almost indispensable development role through income and employment generation and the contribution to general society and local economy. SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place (Atawodi & Ojeka 2012). Developing economies needs to further the development of its private sector by creating an environment favorable to the growth of SMEs, strengthening the factors that lead to business success, and addressing the problems threatening the existence and advancement of small and medium enterprises (Chu, Kara & Benzing, 2008), so they can adequately play the role expected of them in economic transformation. Such role includes mobilization of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution of poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification (Atawodi & Ojeka 2012). Furthermore, SMEs have the advantage of reaching the farthest corners of the country unlike the larger establishments. However, small businesses are major contributors to the informal economy operating outside the tax net. In spite of many developing and transition countries micro and small enterprises (MSE) are the most rapidly growing business segments, their characteristics and also their tax compliance attitude vary significantly (The World Bank Group, 2007). Although a large number of MSE register with the tax authority – voluntary or as a result of enforcement actions some difficulties for example high costs, difficult formalization procedure or the expectation of gaining a comparative advantage from not complying with tax obligation drive many small business into operating in the informal economy. SMEs are mostly likely to engage in tax evasion practices and either operate completely outside the tax net or hide a certain part of their business transactions from the tax inspector (Shekidele, 2009).

Atawodi and Ojeka 2012 argued that the revenue generated from the taxation of individuals and businesses is an important stream of income for government. 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. All of which combine to create an enabling environment for businesses –and in turn the economy at large- to grow.

In Tanzania, like any other developing countries, has taken a number of measures to promote the growth of private sector and Small and Medium Enterprises (SMEs). SMEs were estimated to account for a significant share of Gross Domestic Product (GDP) of more than 30% (IPP Media, 2012). The government of Tanzania formulates and implements various policies aimed at increasing job opportunities, development of infrastructure as well as income generation through the creation of new SMEs and improving the performance and competitiveness of existing one. For the purposes of protect and control the operation of SMEs, Government of Tanzania imposes several types of taxes which aim in protecting home/infant industries (protectionism) and ensure fair competition among SMEs. It should be noted that the revenue collected from taxes represents the major funding source for governmental expenditures (Baurer, 2005).

For the Tanzania Local government, tax collection is the responsibility of the council and in completely separated from the central government. In district councils it is organized around three levels namely the headquarters, the wards and the village levels. In urban councils collection is organized by the two upper levels. At the council headquarters the responsibility for tax collection rests with the council treasury, headed by the Treasurer.

Despite of the well-organized structure of the local government authorities towards tax collection in Tanzania, the legal and regulatory framework is bureaucratic, Costly and centralized. The characteristics of the legal and regulatory environment affect all sizes of business adversely. The tax regime in Tanzania is also unfavorable for SMEs development. Taxes are many rather high and collected by various authorities including Tanzania Revenue Authority and the Local government authorities. SMEs are constrained in this environment and further more entrepreneurs are ignorant of tax matters and the cost of complying with tax regulation is high. Whereas taxation of business is a necessity for national economic development, SMEs escape the present tax regime in Tanzania (SIDP, 2002).

If the tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifter ability of tax. According to a study report (Mnewa & Maliti, 2008), the majority of small businesses were less likely to attain or maintain the growing profitability in Dar Es Salaam region in Tanzania. SMEs in developing countries often face difficulties when dealing with tax matters. It would be rare indeed not to hear complaints about the complexity and/ or ambiguity of the tax laws, high tax rates, and the lack of an integrated fiscal strategy that takes social taxes, and local taxes and fees into account when determining the overall tax burden placed on the business community (Baurer, 2005). This implies that as a policy maker and regulator, Government must consider the factors that could affect the competitiveness of the enterprises.

1.3 Statement of the Problem

The Tanzania government knowing that in July, 2004 rationalized the presumptive scheme by introducing new simplified taxation schedule for small business taxpayers as part of drive to make it easier for informal sector operators (including start-up business) to register, formalize and start paying taxes. Despite the efforts made by the government to capture small and medium enterprises into the tax system/ net, still in many local government authorities in developing countries especially in Tanzania, micro and small enterprises faces constraints towards tax payment and their compliance behavior vary significantly.

The above brings to light reasons why the issue of taxation of SMEs is really important. First, tax provides revenue for the government to create an environment that will ease the running of all businesses SMEs inclusive. At the same time if an SME is faced with high compliance costs, it has a tendency to avoid paying taxes hence; the revenue that would have been used to create this environment is diminished thereby reducing the economy growth.

This research therefore is aimed at evaluating the factors that encourage non-compliance with tax obligation by SMEs; the study will be conducted at SMEs in Kilwa District council.

1.4 Research objectives

Objectives of this study are divided into two, the general objective and specific objective.

1.4.1 General Objectives

The main aim of this study is to evaluate the Small and Medium Enterprises (SMEs) constraints towards tax payment in Local Government Authorities taking a Kilwa District Council as a case study.

1.4.2 Specific Objective

Based on the general objective of this study, the following were the specific objectives;

a) To assess the level of non-compliance in paying local taxes by SMEs

b) To find the factors constraining local taxes payments for SMEs

c) To suggest ways to improve tax compliance by SMEs

1.5 Research Questions

Based on the study objectives, the following directing questions were formulated

a) What is the level of non-compliance in paying Local taxes by SMEs?

b) What are the factors constraining local taxes payments for SMEs?

c) What are the proper ways to improve local tax compliance by SMEs?

1.6 Significance and Limitations of the study

(a) The study through clear evaluation of the findings, provides relevant information that would be utilized in Local Government Authorities and other beneficiaries in decision making on taxation of SMEs.

(b) The study helped to gain practical experiences on the proposed study the case study Kilwa Localgovernment authority during the field,

(c) The study through its findings and conclusion remarks, it provides body of knowledge for references to further studies/investigations on problems of the same nature.

1.7 Scope of the study.

The study will be dealing with Small and Medium Enterprises constraints and examination of the non-Tax payment with the view of assessing the constraints toward tax payments in Local government. Knowing that tax payment by SMEs can be done at local government that is municipal, town or district council, the study is a case study for a district council.

1.8 Organization of the study

The next chapter of the study discusses the literature review on SMEs, tax payment systems and procedures by SMEs, and reviewed constraints on tax payment. Also the Chapter elaborates the conceptual framework of the study. There after chapter three shows how the study will be carried out, it shows the sample techniques and data collection methods used in this study and the way the data be analyzed. The findings are presented in chapter, discussion in chapter five finally the conclusion of the study is discussed in chapter s.

CHAPTER TWO

LITERATURE REVIEW

2.1Introduction

This Chapter focuses on the concepts of constraints facing SMEs towards tax payment. The chapter starts by discussing different definitions of SMEs, thereafter an overview of SMEs development, SMEs development in Tanzania, Taxes administered in local government authorities. Then the chapter discusses the tax compliance for the local government taxes charged to the SMEs. Lastly the chapter discusses the empirical review for the study.

2.2 Theoretical Literature Review.

This part of the chapter discusses what others have said and theories surrounding the tax compliance by SMEs.

2.2.1 Tax Compliance

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. It has been found that regulatory burdens fall disproportionately on small and medium enterprises internationally (Pope & Abdul-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. He also believes 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.

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. (Kasipillai & Abdul Jabbar, 2006) and in some cases non-compliance may mean an outright failure to pay levied taxes. Studies have shown that the problem of tax evasion is a widespread one (Kasipillai & Abdul Jabbar, 2006).

Furthermore, Fagbemi, Uadile & Noah (2010) found that it is prevalent in developing countries and it hinders development thereby leading to economic stagnation and other socio-economic problems. Chipeta (2002) 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.

2.3 Theories of Tax Compliance

Various opinions exist about the best ways to improve tax compliance. 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 (Feld & Frey, 2007) others believe the best way is to increase penalties. Tax compliance theories can be broadly classified into two. They are; economics based theories and psychology based theories.

2.3.1 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- 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 maximizes their expected after tax returns after adjusting for risk. This process is referred to as "playing the audit lottery" by Trivedi and Shehata (2005). Therefore according to the theory, in order to improve compliance, audits and penalties for non-compliance should be increased.

2.3.2 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 systems.

2.4 Definition of Small and Medium Enterprises

The term "small scale medium enterprises" (SMEs) has been given different definitions and these definitions vary from one country to another, sector to sector and even one industry to another. But most often, the definitions have however been in terms of either capital employment or number of persons engaged. In Ghana, SMEs have mostly been defined by the number of persons engaged. Steel and Webster 1991) defined small scale enterprises as productive unit with hired labour that involved enough investment in capital or skills to constitute a barrier to entry but small enough to be managed by one person. This definition indicates the SMEs are usually very small business with simple organizational structures employing very little capital.

National Board for Small – Scale Industries (NBSSI) in 1992 also defined SMEs as production units that are engaged primarily in manufacturing, functioning outside the residential premises with an investment in machinery equipment and tools of not less than 10 million cedi's or Gh¢1,000 and or which engaged nor less than five people (Steel and Webster, 1991)

International Labour Organization (1970) defines SME as a sector whose entry by new enterprises is comparatively easy; enterprises in this sector rely on indigenous resources and family- owned; they operate on a small scale in unregulated and competitive markets and are labour- intensive and use adopted technology. Their workers usually have skills acquired outside the formal schooling system.

2.5 Small and Medium Enterprises an Overview

The SMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). The SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development. The commonly used yardsticks are total number of employees, total investment and sales turnover. For example the following classifications are given by the World Bank and EU.

Table 2.1 classification of SMEs

	World Bank	EU(European Commission Recommendation 2003/361/FC)
Micro	10 or fewer employees, assets not more than USD 100,000	10 or fewer employees and balance sheet total of not more than EUR 2 million
Small	10 to 50 employees, turnover and assets between US D 100,000 and USD 3 million	10 to 50 employees annual turnover and /or balance sheet total of less than EUR 10 million
Medium	50 to 300 employees, turnover and assets between USD 3 to 15 million	20 to 250 Employees and turnover/annual balance sheet of EUR 10 – 50 million

2.5.1 Characteristics of SMEs

The concept of SMEs is relative and dynamic (Olorunshola, 2003). SMEs are characterized by uncertainty, innovation and evolution. A firm understanding of SMEs would require a good knowledge of its features.

SMEs are usually small, owner or family managed business offering basic goods and services, which tend to lack organizational and management structures with the urban ones tending to be more structural than their rural counterparts. This is one of the most generic features of SMEs. They are mostly sole proprietorships or partnerships although on the surface, they may be registered as Limited Liability Companies as such they are usually not separate legal entities. Olorunshola (2003) explains that this ownership style has led small and medium enterprises to have a simple management structure. Factors also contributing to the reasons small and medium enterprises have a simple management structure are few number of employees and the owners' low level of education. Since there is no legal personality between the small and medium enterprise and its owners, it means the lifespan of the enterprise is dependent on the lifespan of its owners i.e. there is no perpetual continuity.

Furthermore, the production processes of SMEs are usually labour intensive and they usually serve as suppliers for the larger manufacturing firms with their operations being highly dependent on raw materials sourced locally. They also require a lower startup capital than the larger companies (Akinsulire, 2010). The decisions of the managers have a higher tendency to be subjective given that they are managed and controlled by the same individual. The employee-employer relationship found in most SMEs is predominantly informal.

Another key feature of the SME sector in any country is that it is heterogeneous varying in size from small retail outlets to highly paid professionals, and substantial manufacturing enterprises. SMEs are also likely to vary in organizational form from sole proprietorships (with or without employees), small corporations (public or private), professionals and partnerships. This feature usually results in different obligations for record keeping for the enterprise. Table 2.2 summarizes the characteristics of SMEs as discussed above.

Table 2.2 characteristics of micro, small and medium enterprises.

CHARACTERISTICS	MICRO	SMALL	MEDIUM
Number of Tax payers	**Very numerous**	**Many**	**Moderate**
	Individuals (small Traders or non specialized service providers)	Family owned business with employees, highly specialized self employees	Legal entities with several employees partnerships
Ownership structure	Owner, employees and Manager are one and the same	Owners are generally the Manager	Owner is usually different from managers.
Types of Transactions	Mainly cash, high informality	Cash/Bank, some informality	Bank, much more formal
Place of Business	Frequently non –fixed	Fixed (but many be volatile)	Fixed
Accounting standards	No or few records, very limited and understanding	Some records, limited to partial compliance limited understanding	Partial to good compliance and record keeping
Business Administration	Non- professional (Family- run)	Some professional assistance	Regular professional advice
Market Reach	Local	Local /Regional	National /International
Life- span of business	Very dynamic, Rapid Creation and Dissolution	Dynamic, many disappear, stay small or grow	More stable (consolidated) business activities

Source: Barrier (2005)

2.6 Small and medium Enterprises operating Environmental in Tanzania

Tanzania economy is characterized by small firms and very large micro enterprises. These firms are expanding rapidly and manage to avoid the full impact of the tax system hence they remain outside the tax net. Most of these business entities and individuals operate in the shadow or informal sector of the economic structure (Shekidele, 2009). Tanzania faces many challenges with respect of Taxation of SMEs in particular to those in the informal sector. Such as identification, registration, non-compliance, poor or non-record keeping and non- return filling.

SMEs all over in the world are known to play a major role in social economy development. This is apparently the case of Tanzania, where SMEs contribute significantly to employment creation, income generation and stimulation of growth in both urban and rural areas (Olomi, 2006).In the Context of Tanzania; Micro enterprises are those engaging up to 4 people in most cases family members or employing capital amounting up to Tshs. 50 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized under takings engaging between 5 and 49 employees or with capital investment from Tshs. 5 million to Tshs. 200million, medium enterprises employ between 5 and 99 people or use capital investment from 200million to Tshs. 800million. This is illustrated in table 2.3

Table 2.3 Categories of SMEs in Tanzania

Category	**Employees**	**Capital Investment in Machinery (Tshs.)**
Micro enterprises	1 - 4	Up to 5 million
Small enterprises	5 - 49	Above 5 million to 200 million
Medium enterprises	50 - 99	Above 200 million to 800 million
Large enterprises	100	Above 800 million

Source: Barrier (2005)

2.6.1 Opportunity for SMEs sector in Tanzania

A business opportunity exists when the following are in place such as market for the product/services exist, a resources to enable profitable production can be accessed and viable technology or process for covering the resources into marketable products or services and exchanging these for value is available or can be accessed. There are opportunities indicating a bright future for SME sector development in Tanzania. This includes the various ongoing reforms that are oriented towards private sector development and, thus lay there (Ngasongwa, 2002:24)

2.7 Principles of good taxation system

James (199/2000:16) wrote; It is also possible to analyze taxes whether they are good or bad according to certain criteria. “Most taxation experts agree on some broad principles or criteria for evaluating tax system” This difference mainly depends on individual personal philosophy and value of judgments” (Mponguliana ,2000:13). A sound tax-system is one which adheres to the following principles.

2.7.1 Equity

In this cannon, the core criterion is that taxes should be ideally levied on the important principle of fairness or equity which may either be vertical or horizontal (Mponguliana 2000). By using a progressive rates structure and minimum exemption policy, equity and fairness may be maximized. The concept of from each according to his ability to pay or benefits received is really what this principle is all about. A progressive structure which is based on wealth may run into serious liquidity problems. Mponguliana in his book, “The theory and practice of taxation in Tanzania” says ‘individuals with higher income are not only better able to bear the Tax burden than the lower income earners but they can bear heavier burdens of tax. A tax system that takes away proportionately more income from the higher income earners than from the lower income earners is termed as progressive tax system.

2.7.2 Simplicity

This principle forward the idea that tax payer should be generally being able to understand the tax system as a whole. The tax base should be easy payable with the minimum difficult and make the necessary payments by or on the correct statutory due dates of the major important aspect simplicity however, is the tax payers own awareness of the sanction and penalties provide for any negligent or failure to comply with the tax laws. (Mponguliana , 2000:14) said “a simplex tax system is the valuable asset in promoting voluntary compliance particularly in the situation where the need for more equipment and manpower are serious constraints in tax administration” Unfortunately most tax system does not satisfy this requirement as they are so complex and intricate that specialist and professional counsel is often required for proper compliance. The language is difficult and repetitive, there are innumerable exemptions and exceptions to the general principle and the law is generally long windy and detailed with serious definition problems (Smith A.1976:21).

2.7.3. Economy

Consideration what it will cost to collect the tax is important in any tax system. The administration of tax system should on the whole be least expansive in term of time, manpower and material. It does not make sense to spend far in excess of revenue collections. The purpose of efficient administration is not to minimize costs but to optimize the costs of collection is to be made against collected revenue to see if it is optimal or the net gain is maximized. The concept of cost is much ride than it is generally understood both pecuniary and non pecuniary cost. The former includes the monetary expenditure on wages, statutory, transport, electricity, those are easy to determine. However, the non-pecuniary costs are more difficult to quantity and value, they include such invisible elements as the reduction of income, consumption and any other inconveniences arising from tax" (Mponguliana ,2000:14) generally this principle is all about outweighing the collection costs and collected revenue.

2.7.4 Certainty

The imposition of any tax should yield the expected revenue in order to assist governmental toward planning. A definitive advance forecast of revenue collection therefore assists plan implementation and success." Government budgeting requires fairly precise estimations of expected revenue, therefore accurate forecasting of the sources of these revenues should be made '9 NBAA volume 1:22). The principle suggest altogether that the government should be certain on how much it is going to collect from its sources there from budgeting and planning.

2.7.5 Convenience

In this canon what should be practiced in the collecting of revenue is the tinning of the payments or collection of tax. The tax system that allows the payment of tax at a month end, immediate after the harvest season or provides for the payment of tax through such devices as pay as for earn (PAYE) or other with holding arrangements can regarded as convenient to tax payers. Contrary a tax system that places heavy burdens on tax payers long after the income is consumed is an inconvenient one. The income Tax Act No. 11 of 2004 REV 2006 considers principle in its provisions. For stance section 88(5) status ‘where an installment payer is a resident person who conducts agricultural business involving seasonal crops in the United republic during the year of income and conducts no other type of business during that year of income, the amount of the person’s first and second installment shall be nil” The section implies that the tax from the above undertaking is going to be collected after the harvest, on the part of government, the principle is not only economical and reduce the prospect of evasion but also delay between the time of receipt of the income and the collection of tax. Immediate tax collection after review does also facilitate quick plan implementation.

2.8 Taxation of SMEs

Fiscal policy is one of the main components of macroeconomic policy and its tasks have been considered in a double context: first, the core of fiscal policy, and second, the consistency with the monetary policy (Holban, 2007). In general terms, the choice of tax policy to employ depends on the use of one or both two groups of instruments; the first one being the use of special tax preferences and the other incentives to support start-up and growth of small companies. The incentives include the lowering of corporate income tax rates, special tax exemptions and relieves for small businesses.

The fundamental purpose of taxation is to raise revenue effectively, through measures that suit each country’s circumstances and administrative capacity. In fulfilling the revenue function, a well-designed tax system should be efficient in minimizing the distortionary impact on resource allocation, and equitable in its impact on different groups in society (Bolnick, 2004). It is important that the country’s situation is properly analyzed before employing any tax policy in order have a properly working tax system because according to Slemrod, J. (n. d) Many of the difficulties with the tax authorities are the consequence of poorly conceived tax policies and a lack of certainty regarding future policy changes. The objective of a tax policy should be to achieve collection cost savings while minimizing the revenue loss, disruption to the economy, and the inequity and capriciousness of the tax burden. For an economy such as Nigeria that is still in the throes of a recession, the tax regime must be versatile enough to encourage savings, stimulate investment and reward social responsibility and research funding.

To widen the tax net, policy makers must never forget the urgency to provide infrastructure; create jobs and reduce unemployment; expand the productive sectors of the economy; stimulate exports, and substantially raise public revenues from non-oil sources (Punch, 2010). Hence, tax policies should aim at bringing all taxable adults into the tax net with a graduated rate that should ensure that the well-off pay their own share while the low income earners are given savings-enhancing incentives.

An effective and efficient tax administration system is integral to any country’s well -being, it is as a result of this that Baurer (2005) believes that the tax administration must provide an even playing field for business by ensuring that all taxpayers meet their tax filing and paying requirements The tax administration must balance its educational and assistance role with its enforcement role.

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 pushes 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, but will not pay a higher rate of taxes.

2.9 Tanzania overview on tax revenue collection

The United Republic of Tanzania has two tier system of government that is central and local government.

A local government system as stipulated in local government Act of 1982 means "District Authority" or urban authority".

Local authorities have a legal obligation in fulfilling their mission to the public. (Local government Act 8 section 54 A 1982) The question of collecting tax revenue from citizens is laid on the hands of local authority to make by laws that empower to impose and collect tax revenue. Among the reasons which lead to collect of lower tax revenue is tax avoidance and tax evasion. This indicates higher tax rates which results into lower revenue rather than higher revenue collection. Usually taxes in most countries assumed to be main source of revenue to finance government expenditure.

Therefore local Authorities should impose legal and by laws to maximize tax revenue in order to make it financial strong.

2.10 Taxes administered by local Government Authorities

Local government authorities have been empowered to administer to deliver of public services which are of local charter within its area such as provision of education, health, water and other social services. To ensure that local authorities are capable of providing these services funds must be raised from various source to finance them. Local Government Finance Act (1982) spelt out some of sources (tax inclusive) as follows.

2.10.1 Property taxes

This is the form of tax paid normally by occupier of buildings within a local authority. The owners of these properties are obliged to pay for their properties to the respective municipal council so that the council can hire funds to provide public services.

2.10.2 Municipal services levy

This is a kind of levy changed on the revenue collected by the industries and other business.

2.10.3 Miscellaneous receipts

The local Government act no.9 of 1982 part 11 section 4 states that" Any receipt derived from any trade, industry, work, service or other undertaking carried on owned by a district/Municipal council either in whole or in part may, with the approval of proper office, be paid into separate fund to be obtained by the district (Municipal) council for the purpose of trading, work, industry, service or undertaking as the case may be from which receipt is derived"

2.11 Empirical Literature Review

A report by Christine, (2009) on ways to promote taxing Micro and small Business presented to ITD Africa conference, Kigali Rwanda found that the major Tax payers who escape tax system are the small and medium – sized enterprises which are the "hidden tax payers" in Tax administration. In her study she noted that it is difficult to tax small and medium sized enterprises because most of these firms are unregistered merchants and business professionals, have difficult in keeping business books and records, may not be familiar with banking and financial transactions and therefore keep under cover. The study identified several factors leading small and medium-sized enterprises to escape tax. These include (i) high tax rate, (ii) inability to undertake the complexly tax system and procedures, (iii) low risk of detection of non compliant culprits, and (iv) lack of confidence in government use of revenue.

A report by Kimungu & Kleva (2007) presented to ITD Conference, Buenos Aires, Argentina found that taxing SMEs involves a number of challenges particularly to those in the informal sector such as (i) identification, (ii) registration, (iii) non compliance, (iv) poor or non record keeping and (v) non return filling. In their conclusion remarks, they recommended that, building a system of compliance and fairness through various programmers is vital to make SMEs compliant in Tax payment. Also presumptive taxation if made simple and well administered can be the option for revenue maximization.

Assessment report (Receive a Block Grants) a minimum condition performance measures of local government authorities made at Kilwa District council in April 2005 by assessment team from president' office MTWARA ZONAL REFORM PROGRAME which were Mr. Mwakibete, Mr. Ruta and Mganga recommend that the tax revenue collections and expenditure were poorly performed as such proper analytical tools of interpretation of financial statement are required (kilwa district council 2005),

This show that the collection and application of fund for many council fail to meet target goals or plans due to lack of analytical tools and techniques that reveal the past, current and future financial performance that act as a guidance for control of the development project in the councils. Allan (1992) The complexity of the revenue collection function is the evident from the number of process which involved in the collection of revenue process which include, assessment of taxes, fees and charges, billing of taxes, evaluation of collection procedures litigation involving delinquent revenue due, accounting for revenue collection and information management.

In addition, the contributions SMEs usually make to tax revenue are lower than its contributions to output and employment (International Tax Dialogue, 2007). That fact notwithstanding, SMEs have not become competitive enough to increase their share of output even though they form three-fifths of the number of manufacturing firms where larger manufacturing companies rely on SMEs for their supplies (Hanukah et. al, 2002).

Sepia (1998) found that the district council have their own tax base, since the poll tax has been unpopular and garneted only a little income districts have concentrated on other form of taxation. He reported that Tanzania Local Administration. A vehicle for democratic development conducted in East Africa cities found that the district council receives income from two sources central government allocations and its own taxes and levies. The Central government allocation covers the salaries of the majority of officers.

He also found that, he said in Southern Tanzania, the crop levy collected on cashew production has greatly generated a sizeable income; he concluded that in Dares Salaam they constitute an average of 70% of the city's the total revenue sometimes reaching significantly higher levels than this, as in 1995 when they peaked to 82%. He said that central government allocations are very important source of local government revenue in Tanzania and Uganda cities, but are almost nonexistent in the case of Kenya.

The findings by Donoghue (2003). He found that Local authorities current or day to day expenditure, are financed from a range of revenues, payments for provision of services, commercial rates and government grants is the general purposes block grant, which is allocated to authorities annually from the Local government fund.

He found that there are growing demand on Local authority's findings' as the requirements for new and improved services increases.

According to his report about strategies for Local government authorities conducted at Galway country council, he said that the availability, control and use of finance are at the core of any organization's existence, and not least local authorities in their public service delivery role. He conclude at that existing sources of funding for local government are consider to be secure uncertain and the base for rising revenue too narrow new system should identify sources of funds, which would be under the control of local authorities.

Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for small and medium enterprises reduce the size of the informal economy and the number of non-complying registered taxpayers (Vasak, 2008).

Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009), and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses

In absolute terms, larger companies bear a higher regulatory burden than smaller enterprises. However, when the total regulatory burden is measured relative to the number of employees, the turnover, the profit or a similar variable, small companies bear a disproportionate regulatory burden. On average, a company with fewer than ten employees has to face a regulatory burden (measured per employee) that is roughly twice as high as the burden of a company with more than ten but fewer than twenty employees and about three times as high as the burden of companies with more than twenty but fewer than fifty employees. For bigger companies, the burden per employee is only one fifth or one tenth of that of small enterprises.

Tax compliance costs constitute one of the most important elements in general regulatory compliance costs. The disparity in the regulatory burden borne by small and large companies can also be seen with tax related compliance costs. The European Tax Survey (2009) finds that European SMEs have a cost to tax revenue ratio (i.e. the ratio between total tax related compliance cots and all paid taxes) of 30.9%. Large companies on the other hand have a cost to tax revenue ratio of only 1.9%.

The distribution of compliance costs between large companies and small businesses is disproportionate despite the fact that small businesses are usually not affected by many tax rules designed for large companies and companies that operate on an international scale (e.g. transfer pricing documentation). Moreover, several tax rules already provide simplification or exemptions for smaller businesses. Two general reasons can be identified for the relative disadvantage of smaller companies as regards compliance costs. First, compliance costs are to some extent fixed. Tax accounting and filing does not become more expensive just because larger figures have to be entered in the forms.

Consequently, the average compliance costs per employee decrease with the increasing size of the business. Second, larger companies are, as a rule, more efficient in dealing with tax compliance. The higher absolute compliance costs justify the employment of specialists (internal or external) for tax compliance and also the investment in systems to increase efficiency (e.g. software).
According to the expert group, the main reasons for the high tax compliance costs of smaller companies are the following:

1. Frequent changes of tax laws
2. Complexity of tax systems
3. Existence of different tax administrations
4. Incomprehensible language of tax laws, including incomprehensible forms,
5. Strict deadlines for tax payments (resulting in cash flow problems),
6. Costs of tax consultants,
7. Registration procedures.

2.12 Conceptual Framework

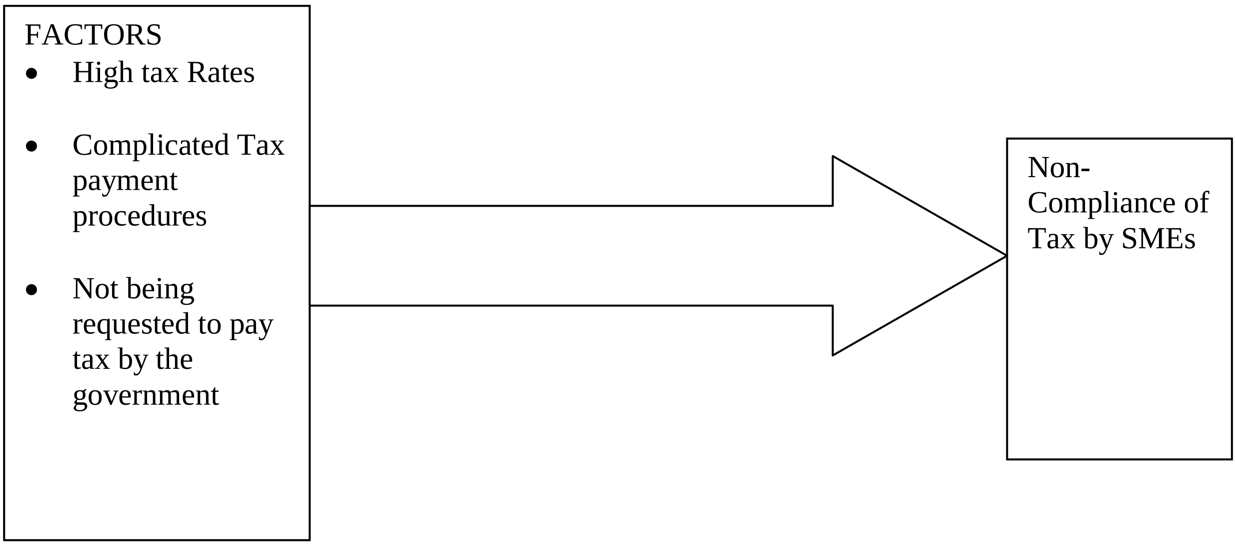
From the literature, different factors have been identifies to be constraints facing SMEs in tax compliance. This study will use those factors mentioned (high tax rates, procedures for tax filling are too complicated and not being requested to pay tax by the government).

This research is based on the concept that tax evasion by SMEs have been caused by some factors. If there good policies designed by the government as we have seen in chapter one the efforts of Tanzania government to facilitate SMEs in paying tax, SMEs will be able to pay tax voluntarily. The government will collect enough funds for economy growth. This study also assumes that not only the mentioned three factors cause SMEs avoid tax payment, the researcher will find if there any other from the field.

According to Sekaran, (2003) Theoretical/Conceptual framework is a model of how one theory makes logical sense of the relationship among the several factors that have been identified as important to the problem. It is a narrative outline presentation of variables to be studied and hypothetical relationships between and among the variables. It aims at indicating the most important areas to be covered by the study. As we can’t construct a house without foundation, a research work also needs foundation (Adam & Kamuzora, 2008).

There two types of variables in this conceptual model, the dependent variable which is non-compliance of tax. The second is the independent variables which are high tax rates, procedures for tax filling procedures are too complicated and not being requested to pay tax by the government. The following figure presents the relationship between the variables.

Figure 2.4: Conceptual Model



Sources; Authors 2013

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the way in which the research will be undertaken. The chapter starts by discussing the research design appropriate for the study, the Population involving the study and the sample size used by this study. Thereafter, methods used to collect data and the ways data will be treated are discussed.

3.2 Study Design

A case study design will be employed. The researcher will select a case study design because; a case study is a complete study in itself, as it studies the social unit in detail and in its totality. It helped in getting a deeper knowledge of a wide problem with limited resources.

3.3 Area of the Study

This research will be conducted at Kilwa District Council by employing the cross-sectional research design on the case of four wards which are Kilwa Masoko, Kivinje, Mandawa and Pande where the perception of the SME population will be based.

3.4 Population of the study

There are 16 wards in Kilwa District there no specific records showing exact number of SMEs within the region. This study intends to involve SMEs at kilwa district.

3.5 Sampling Techniques

Two sampling techniques were used in this study, one being the judgemental sampling technique and the second random sampling technique.

Judgmental sampling technique

This technique will be used by the researcher to obtain ward and village executive officers. This technique was preferred because the researcher will want to obtain the respondents who are involved in collection of local taxes and they have great number of SMEs in their village or wards.

Random sampling technique

This technique will be used by the researcher to obtain information from SMEs practitioner respondents. The technique was chosen because it allows the researcher to pick any of the respondents as long as he/she has business and belong to the SMEs group.

3.6 Sample size

In order to draw appropriate information concerned about the topic, the study will attempt to use SMEs practitionar, WEOs and VEOs of the Kilwa district council representing a sample of 80 people in Total. The researcher choose four wards where he will choose randomly 36 males and 24 females in the group of practitioners thus the total of 60, 4 wards executives officers (only four wards are included in the study namely Kilwa masoko ward, Kivinje ward, Mandawa ward, and Pande ward) and 4 treasury office staffs will be involved. The sample also includes three village executive officers from each ward. For the detail see table 3.1 below.

Table 3.1. Sample Size

Sample units	**Number of respondents**	**Male**	**Female**
SMEs practitioners	60	36	24
Ward Executive Officer	4	4	0
Treasury officers	4	3	1
Village Executive Officer	12	9	3
Total of respondent	**80**	**52**	**28**

3.7 Types of data

There are two types of data collection namely primary and secondary types of data collection. From the purpose of carrying affective research study, researcher will collect both primary and secondary data; the data to be collected will depend on the research objectives and research questions.

3.7.1 Primary data

These are data collected for the first time, and were collected using questionnaire, interview and observation.

Questionnaires

The respondents will be asked to read the question and to provide answers by ticking in the space which will be provided if YES or NO and providing multiple answers on the open ended questions. The questionnaire will be used simply because can easily get a lot of information from people in none treating way by inexpensive to administer.

Interview

Structured interview schedule will be administered to respondents. The respondents will be interviewed directly for clarification of some issues relating to the perception towards tax payment in local government authorities. However the type of interview question will vary from one respondent to another. The motives behind of selecting this technique is that, interview is saving time because it is directed to the question, it gives primary information about particular case of interest, as also reliability of the information gathering is high. This consists of a number of questions printed/ typed in a definite order on a form or set of forms. The questionnaire will be provided to the respondents who are expected to read and write down reply on their own. The study will use of both open and closed questioner because it is reliable and minimize the number of errors.

Observation

This is the systematic way of recording, describing, interpretation and analyzing people's behavior, perception and attitudes. The observation will be planned to ensure validity and reliability of data, so the observation will be used by the study to observe and at the same time to participate fully in tax collection in local government authorities. The researcher will carry out the observation on the tax collection methods and procedures in Kilwa district council and how they influence SMEs perception towards tax payment.

3.7.2 Secondary Data

Documentation/ documentary review

This include written documents of the local government authorities in tax collection and payment such as receipts, tax invoices, records, notices , list of SMEs as well as non written document . The researcher will use documentation to collect some her secondary data necessary to answer research questions on local government tax collection methods and procedures.

3.8 Data analysis techniques

Data will be analyzed and presented in table and figures. These techniques of data analysis and presentation will be preferred by the researcher because they are easily applicable and understandable. In order the research to be objective at the end of the study, the researcher expects to make the analysis for the findings by the use of Statistical Package of Social Science (**SPSS**) technique. Finally, an exploratory analysis and interpretation of the respondents' perceptions towards taxation in Kilwa Local Government Authority will be reported.

CHAPTER FOUR
PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This Chapter presents data which were gathered through questionnaires and interviews; it includes data analysis, presentation and interpretation of the results. Data was analysed using Statistical Package for Social Scientists (SPSS) version 18. First the data variable database was designed after which the data was coded and entered. Some of the information that could not be analysed using the computer was categorized into meaningful themes related to the research objectives especially those obtained through observation. The Chapter begins with analysis the respondents profile followed by analysis of the background information and results on research objectives.

4.2 Respondent's Background

This section presents the respondent's background information which in one way or another are important for the study analysis and can be used to run some cross tables to see any differences of opinion among different characteristics of our respondents.

4.2.1 Analysis of Response Rate

A total of 80 questionnaires were distributed in order to accomplish the intended study, comprising of 60 questionnaires sent to SMEs practitioner in four wards chosen namely Kilwa masoko ward, Kivinje ward, Mandawa ward and Pande ward. The other 20 questionnaire was sent to ward/village executive and kilwa district council staffs 10 each category. A total of 68 questionnaires were returned being completely filled giving a response rate of 85% while only 12 questionnaires were not returned, giving a response rate of 15%. The table below shows the response in each category of respondents

Table 4.1 Response analysis in each category

Position of Respondents

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	KDC Staffs	7	10.3	10.3	10.3
	ward executive officers	9	13.2	13.2	23.5
	SMEs practitioner	52	76.5	76.5	100.0
	Total	68	100.0	100.0	

S**ource**: Author ,2013

The finding from table 4.1 shows that the response rate is enough and fair. This indicates that the findings of the study would be representative.

4.2.2 Working experiences

This part analyse the work experience profile of the KDC staffs and ward/village executives who responded the questionnaires of the study. For the SMEs practitioner working experience is referred to business experience that is how long they have stayed in business. Table 4.2 shows that only 4.4% of respondents have experience ranging from 2 to 5 years, 23.5% ranging from 6 to 10 years and the remaining 72.1% have experience ranging above 11years. This information has been presented in table 4.2

Table 4.2 Working Experience of Respondents

Working Experience

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	2 to 5 years	3	4.4	4.4	4.4
	6 to 10 years	16	23.5	23.5	27.9
	11 and above	49	72.1	72.1	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

However this information may have more meaningful if the cross table analysis may be performed. The analysis helps to show the relation of age experience and respondents categories. When the analysis was performed, in a 72.1% (respondents experienced above 11years) 93.9% are practitioner and 6.1% were ward/village executives, there no KDC staffs.

Table 4.3 Cross tabulation analysis between working experience v/s position of respondents

Working Experience * Position of Respondents Cross-Tabulation

		position of respondents			**Total**
		KDC Staffs	**ward executive officers**	**SMEs practitioner**	
working experience	2 to 5 years	1	0	2	3
	6 to 10 years	6	6	4	16
	11 and above	0	3	46	49
Total		7	9	52	68

Source; Author, 2013

4.2.3 Education of Respondents

This information intended to show the education of respondents involved in the study, 69.1% of respondents are primary education, 10.3% are secondary education, 13.2% are certificate and diploma and 7.4% are bachelor or master’s degree. Further analysis was undertaken and the analysis is presented below;

Table 4.4; Education of Respondents

Position of Respondents * Education Cross-Tabulation

		Education				**Total**
		primary education	**secondary education**	**certificate and diploma**	**bachelor/masters**	
position of respondents	KDC Staffs	0	0	2	5	7
	ward executive officers	0	3	6	0	9
	SMEs practitioner	47	4	1	0	52
Total		47	7	9	5	68

Source; Author, 2013

The result shows that 71.4% of KDC staffs have bachelor or master's degree, 28.6% are certificate/diploma education. 66.7% of ward/village executives are certificate holders while 90.4% of SMEs practitioners have primary education.

4.3 The Level of Non-compliance in Paying Local Taxes by SMEs

In assessing the level of non-compliance in paying local taxes by SMEs at Kilwa District, the researcher asked the question to KDC staffs and village/ward executives if they prepare revenue budget. The findings show that 56.2% of all respondents agreed that they do prepare revenue budget, 12.5% they don't prepare revenue budget while 31.3% they do prepare sometimes and sometimes they don't. These results are presented under table 4.2.1 below;

Table 4.2.1 Revenue budget

Do you prepare the revenue budget?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	9	56.2	56.2	56.2
	no	2	12.5	12.5	68.7
	sometime	5	31.3	31.3	100.0
Total		16	100.0		

Source; Author, 2013

Further analysis was conducted trying to identify the decisions who mostly prepare revenue budget. The result shows that 44.4% of respondents who prepare the revenue budget are KDC staffs and 55.6% are ward/village executives. From the results it shows that most of village/ward executives about 80% do sometimes prepare the revenue budget. The results are presented in table 4.2.2

Table 4.2.2 Revenue Budget v/s Category of Respondents

Position of Respondents * Do you Prepare the Revenue Budget? Cross-Tabulation

Count

		Do you prepare the revenue budget?			Total
		yes	no	sometime	
position of respondents	KDC Staffs	4	2	1	7
	ward executive officers	5	0	4	9
Total		9	2	5	16

Source; Author, 2013

Thereafter the researcher was interested to know if KDC do register SMEs at the level of the council or ward levels. The findings shows that they do register SMEs as 80.9% accepted while only 19.1% said no. since it seems that SMEs are registered then another question was asked to KDC staffs and ward/village executives to find if taxes or charges are being collected from SMEs. The findings shows that “yes” the do collect. Table 4.2.3 presents the findings;

Table 4.2.3 Revenue collected from SMEs

Do you collect any revenue from SMEs in your area?

		Frequency	Percent	Valid Percent	Cumulative Percent
	yes	12	75.0	75.0	75.0
Valid	no	4	25.0	25.0	100.0
Total		16	100.0		

Source; Author, 2013

Since we have already identified that KDC do register SMEs and do collect some revenue from them, then it’s better to find type of taxes or charges that are supposed to be paid by SMEs to the council. The results shows that, produce cess, district service levy, Fishing market levy and business license are taxes or charges paid by SMEs at KDC. The findings are presented below from table 4.8.1 to Table 4.8.4;

Table 4.8.1; Produce cess

What are the local taxes or charges required to be paid by the SMEs?- produce cess

		Frequency	Percent	Valid Percent	Cumulative Percent
	applicable	64	94.1	94.1	94.1
Valid	not applicable	4	5.9	5.9	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.8.2; District service Levy

What are the local taxes or charges required to be paid by the SMEs?- district services levy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	59	86.8	86.8	86.8
	not applicable	9	13.2	13.2	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.8.3 Property Tax

What are the local taxes or charges required to be paid by the SMEs?- property tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	53	77.9	77.9	77.9
	not applicable	15	22.1	22.1	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.8.4 Business License

What are the local taxes or charges required to be paid by the SMEs?- business license

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	68	100.0	100.0	100.0

Source; Author, 2013

By ranking the above results, it shows that mostly SMEs are required to pay Business license which is ranked first, followed by produce cess ranked second, district service levy is ranked thirdly while fishing market levy is ranked lastly.

Now the study have identified the local tax or charges required to be paid by SMEs at KDC, however the objective is to find the level of non-compliance in paying local taxes. The question asked to respondents if SMEs pay themselves without a great follow up of the local authority. The results show that respondents are not certain if the answer is "Yes" or "No" as most respondents about 51.5% choose somehow. The results are presented in table 4.2.5 below;

Table 4.2.5 Compliance of SMEs

Do they pay themselves without a great follow up of the local authority?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	13	19.1	19.1	19.1
	no	20	29.4	29.4	48.5
	somehow	35	51.5	51.5	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Thereafter the researcher wanted to know the fairness of compliance tax of SMEs towards tax payment. The findings show that local tax or charges are compiled fairly. The results shows that 22.1% are very fairly complied, 52.9% the compliance is fair while 25% are unfair. The results are presented using table 4.2.6 below;

Table 4.2.6 Fairness of tax compliance

How do you rank the compliance of SMEs towards local taxes payment?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very fair	15	22.1	22.1	22.1
	fair	36	52.9	52.9	75.0
	unfair	17	25.0	25.0	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

The level of tax compliance may different from one tax or charges type to another, therefore the researcher asked the respondents to rank the compliance of SMEs in different taxes. The results shows that Business licence is highly complied followed by District service levy then produce cess and lastly property tax. These findings are presented under table 4.10.1 to 4.10.4.

Table 4.10.1; Percentage of compliance of produce cess

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21 to 40	6	8.8	8.8	8.8
	41 to 60	29	42.6	42.6	51.5
	61 to 80	33	48.5	48.5	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.10.2; Percentage of compliance of District service levy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	41 to 60	28	41.2	41.2	41.2
	61 to 80	31	45.6	45.6	86.8
	81 to 100	9	13.2	13.2	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.10.3; Percentage of compliance of Property tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 to 20	12	17.6	17.6	17.6
	21 to 40	11	16.2	16.2	33.8
	41 to 60	28	41.2	41.2	75.0
	61 to 80	17	25.0	25.0	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.10.4; Percentage of compliance of Business License

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	41 to 60	13	19.1	19.1	19.1
	61 to 80	29	42.6	42.6	61.8
	81 to 100	26	38.2	38.2	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

4.4 The Factors Constraining Local Taxes Payments for SMEs

In the above section we have seen that KDC do charge different taxes or charges to SMEs and the compliance is fair. Therefore this section seeks to find out factors that constrain local taxes payment. Different factors were identified by the researcher and asked the respondents to show if the factor mentioned is applicable. Also the chance for any other reasons apart from that mentioned was given. The results shows that only three factors were accepted to be reasons or factors limiting tax payment which are High tax/charge rates 64%, the existence of different tax administration which has 59% and the bribery to local authority staffs with 54.4%. The results are presented under table 4.11.1 to 4.11.5

Table 4.11.1; Existence of tax Administrations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	59	86.8	86.8	86.8
	not applicable	9	13.2	13.2	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.11.2; High tax or charges rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	64	94.1	94.1	94.1
	not applicable	4	5.9	5.9	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.11.3; complicated tax payment Procedures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	27	39.7	39.7	39.7
	not applicable	41	60.3	60.3	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table; 4.11.4; Not being requested to pay tax by the government officers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	6	8.8	8.8	8.8
	not applicable	62	91.2	91.2	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.11.5; Bribery to local authority staffs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	applicable	37	54.4	54.4	54.4
	not applicable	31	45.6	45.6	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Furthermore, respondents shows that complicated tax payment procedure 39.7% applicable and not being requested to pay tax or charge the government 8.8% applicable therefore are not reasons for not paying tax or charges by SMEs.

Also the researcher wanted to know how respondents rank each of the factors mentioned as reasons for SMEs not paying required taxes. The results shows that Bribery to local authority staffs was ranked first followed by high tax or charges rates and existence of different tax administrations. However, among the reasons identified by respondent's concerning factors limiting local tax payment shows that, fraud and unequal treatment in the ways local taxes are collected are other factors. See table 4.12.

Table 4.3.2 Other Factors constraining Local taxes payment

Please mention any other factors constraining local taxes payment by SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		52	76.5	76.5	76.5
	corruption	5	7.4	7.4	83.8
	corruption or bribe	4	5.9	5.9	89.7
	Fraud	1	1.5	1.5	91.2
	unequal treatment in the ways local taxes collected	6	8.8	8.8	100.0
	Total	68	100.0	100.0	

Source; Researchers Findings 2013

4.5 Ways to improve tax compliance by SMEs

Firstly in tackling this objective the researcher asked the respondents if they think it's possible to increase local revenue of the authority from SMEs. The results shows "Yes" at 100%, and therefore different ways to improve tax collection was provided by the researcher and respondents were required to state if they agree or disagree on the provided method. The results shows that all the methods suggested by the researcher was accepted by strong agree rank, the results are presented below in table 4.13.1 to table 4.13.4

Table 4.13.1; Low Tax or Charges Rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strong agree	20	29.4	29.4	29.4
	agree	44	64.7	64.7	94.1
	disagree	4	5.9	5.9	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.13.2 Proper Utilization of the collected Taxes or charges

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strong agree	60	88.2	88.2	88.2
	agree	8	11.8	11.8	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.13.3 Clear Channel of payment of taxes or Charges

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strong agree	33	48.5	48.5	48.5
	agree	18	26.5	26.5	75.0
	disagree	17	25.0	25.0	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

Table 4.13.4 clear and simple payment procedures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strong agree	50	73.5	73.5	73.5
	agree	18	26.5	26.5	100.0
	Total	68	100.0	100.0	

Source; Author, 2013

In addition respondents were asked to suggest what should be done to motivate SMEs paying local taxes or charges. The findings shows the following should be done.

What do you suggest to be done to motivate SMEs paying local taxes or charges? 2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		41	60.3	60.3	60.3
	consider tax incentives	1	1.5	1.5	61.8
	facilitate access of loans and equity finance	1	1.5	1.5	63.2
	improve infrastructure	1	1.5	1.5	64.7
	improve standards of Living	1	1.5	1.5	66.2
	increase awareness of taxes paid	5	7.4	7.4	73.5
	increase awareness of the taxes paid To SMEs	1	1.5	1.5	75.0
	increase efforts and close follow up in tax collected	1	1.5	1.5	76.5
	proper use of collected charges	5	7.4	7.4	83.8
	provide tax incentive to SMEs	1	1.5	1.5	85.3
	Reduce tax rates	2	2.9	2.9	88.2
	seminar to SMEs in importance and procedures of paying tax	3	4.4	4.4	92.6
	seminars to increase compliance	4	5.9	5.9	98.5
	strengthen infrastructure to facilitate market access	1	1.5	1.5	100.0
	Total	68	100.0	100.0	

Source; Researchers findings 2013

Some questions was asked specifically to SMEs practitioner, there results are as presented below. The first question is trying to assess if they are satisfied with taxes they supposed to pay and second question on if they receive reports of the tax collected. The results are as follows, see table 4.16.1 and table 4.16.2

Table 4.16.1; Satisfaction with taxes supposed to be paid

Are you satisfied with these taxes you supposed to pay?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	15	22.1	28.8	28.8
	no	37	54.4	71.2	100.0
	Total	52	76.5	100.0	
Missing	System	16	23.5		
Total		68	100.0		

Source; Author, 2013

Table 4.16.2; Feedback from Kilwa Council

Are you getting reports from kilwa council on taxes collected and how used?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no	51	75.0	100.0	100.0
Missing	System	17	25.0		
Total		68	100.0		

Source; Author, 2013

If the respondents were not satisfied on the taxes they supposed to pay, were asked to tell what should be done. The results are as provided below;

if No, What should be done to ensure that your satisfied with taxes you supposed to pay?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		28	41.2	41.2	41.2
	education must be provided to SMEs	16	23.5	23.5	64.7
	reduce tax rates	20	29.4	29.4	94.1
	reports on amount collected and spent be sent to tax payers	4	5.9	5.9	100.0
	Total	68	100.0	100.0	

Source; Researches Findings 2013

Also SMEs practitioner were asked the general methods the council use in collecting the tax, the results shows that

Table General Methods of collecting local taxes

What are the general methods used to collect local taxes at kilwa District?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		19	27.9	27.9	27.9
	direct payment to council	8	11.8	11.8	39.7
	direct payment2	19	27.9	27.9	67.6
	outsourcing personnel	18	26.5	26.5	94.1
	use of collectors	4	5.9	5.9	100.0
	Total	68	100.0	100.0	

Source; Researcher's Findings 2013

Lastly the SMEs practitioner was asked what should be done to increase tax compliance. The results are as follows in table

Table 4.4.4 Things to be done to increase compliance- SMEs practitioner

What should be done to increase council tax compliance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		16	23.5	23.5	23.5
	availability of receipts when tax payment is done	4	5.9	5.9	29.4
	education be provided to tax payers	2	2.9	2.9	32.4
	education on importance of tax be provided to citizen	2	2.9	2.9	35.3
	education to tax payers	5	7.4	7.4	42.6
	education to tax payers on paying tax not being forced	1	1.5	1.5	44.1
	education to tax payers should be provided	2	2.9	2.9	47.1
	education to tax payers	1	1.5	1.5	48.5
	involve village chairmen	1	1.5	1.5	50.0
	may have tax collectors in every village	1	1.5	1.5	51.5
	more education to tax payers	1	1.5	1.5	52.9
	motivation to those who pay	3	4.4	4.4	57.4
	reduce tax rate	3	4.4	4.4	61.8
	reduce tax rate on small business	1	1.5	1.5	63.2
	reduce tax rates	8	11.8	11.8	75.0
	reports be provided on collected amount	3	4.4	4.4	79.4
	tax collected must develop environment of tax payers	1	1.5	1.5	80.9
	tax collector should not ask for bribe	4	5.9	5.9	86.8
	tax collectors must use polite language	1	1.5	1.5	88.2
	tax must base on the size of business and not type of business	2	2.9	2.9	91.2
	tax payment should be once a year	2	2.9	2.9	94.1
	use council staffs in tax collection	1	1.5	1.5	95.6
	use outsourcing in tax collection	1	1.5	1.5	97.1
	very small business should not pay tax	2	2.9	2.9	100.0
	Total	68	100.0	100.0	

Source; Researcher's Findings 2013

CHAPTER FIVE
DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

This chapter discusses the findings presented in chapter four above. Firstly, the chapter began with the discussion on the level of Non-compliance in Paying Local Taxes by SMEs. Several questions responded under the questionnaire are explained well. There after the chapter also discusses the Factors Constraining Local Taxes Payments for SMEs lastly the discussion about ways to improve tax compliance by SMEs.

5.2 The Level of Non-compliance in Paying Local Taxes by SMEs

From the study we have seen that revenue budget have been prepared as the results shows 56.2% of respondents said “yes”. The results also show that only 44.4% of respondents who prepare revenue budget are KDC staffs and 55.6% are ward or village executives. These results clearly show that revenue budget at KDC has been prepared from the lower level and it includes all sub-national or levels of government. It has been found also that SMEs are registered at KDC (80.9%) this allows easy forecast of revenue by the council hence concur with previous findings that revenue budget has been prepared.

The findings further shows that KDC do collect revenue from SMEs 75% said yes though 25% shows that KDC do not collect revenue from SMEs. These findings alert the study on the compliance of paying tax. In discussing types of taxes or charges paid by the SMEs, decision criterion has to be established. The decision criterion of this study is Percentage above 74% agreed by respondents to be applicable at KDC. When the percentage is less than 74% shows that the tax or charge is not applicable. From these decision criterion, then KDC do collect revenue from SMEs through produce cess 94.1% applicable, District service levy 86.8% applicable, Fishing market levy 74% and business licence at 100% applicable.

By ranking, the results shows that mostly SMEs are required to pay Business license which is ranked first, followed by produce cess ranked second, district service levy is ranked thirdly while fishing market levy is ranked fourth. However all of these taxes, SMEs are not paying these taxes on themselves as the results shows about 80.9% (the total of no and somehow). Only 19.1% do pay taxes on without great follow up see table 4.2.5. In general concerning tax compliance, 75% of respondents considered to have fair compliance while 25% shows there unfair in local tax or charges compliance see table 4.9

In assessing the level of tax compliance for each category of local tax paid by SMEs, the results show the level of compliance in each category. Business licence is highly complied as it shows 83.8% of respondents agreed at 60% and above, followed by District service levy the mean of 74%, the produce cess 67.8% and lastly fishing market levy 54% these findings are presented under table 4.10.1 to 4.10.4

In general discussing about the level of compliance in paying local taxes at KDC is fair.

5.3 The Factors Constraining Local Taxes Payments for SMEs

Identifying factors constraining SMEs in paying Local taxes, the decision criterion for the question is 50% and above to means factors are applicable and any percentage less than 50% factors does not apply. The results shows that only three factors were accepted which are High tax/charge rates with 52.94% the existence of different tax administration which has 56.62% and the bribery to local authority staffs 57.5% results are presented under table 4.11.1 to 4.11.5 In addition findings shows that complicated tax payment procedure 20% and not being requested to pay tax or charge the government 5% are applicable reasons for paying tax or charges by SMEs. So these two factors being considered as not applicable as they have less than 50%, consider our decision criterion.

To understand the extent each factor affects the payment of local taxes, the findings shows that Bribery to local authority staffs was ranked first with the mean of 2.05, followed by high tax or charges rates by the mean of 2.22 and existence of different tax administrations the mean of 2.62. Then fourth ranked was complicated tax payment procedures mean of 2.81 and lastly not being requested to pay tax or charges by the government mean of 3.91.

Furthermore some two more reason were identified which is concerning with factors limiting local tax payment s. Those factors are fraud and unequal treatment in the ways local taxes are collected are other factors See table 4.13.

5.4 Ways to improve tax compliance by SMEs

The study revealed that there still a possibility of increasing revenue from SMEs according to the results presented that respondents agreed at 100%. The decision criterion for this question is 50% and above agreed and any below 50% means disagrees. This criteria is reached as our licket scale is of 4scales, dived from strong agree (1) to strong disagree (4). The results show that all the proposed ways was accepted as they have above 50%. Low tax or charges rates has 94.1% of agreed(strong agreed and agreed), proper utilization of the collected taxes has 100% agreed, clear channel of payment of taxes or charges 75% agreed and clear and simple payment procedures 100% agreed.

However in motivating of SMEs practitioner five most findings shown are to increase awareness of taxes paid to SMEs, proper use of collected charges, seminars to increase compliance, seminar to SMEs in importance and procedures of paying tax and Reduce tax rates. Moreover, SMEs practitioner themselves are not satisfied with taxes required to pay and are not getting any reports from the council concerning taxes collected. Increasing the motivation of SMEs practitioner in being satisfied with taxes paid they suggested the following to be done ranked to the highest frequency, reduce tax rates, education must be provided to SMEs and reports on amount collected and spent be sent to tax payers.

CHAPTER SIX
SUMMARY, CONCLUSION AND POLICY IMPLICATION

6.1 Introduction

This chapter provides summary conclusion and policy implication or recommendations on specific objectives and then on general objectives. The chapter starts by summarising the findings about the level of Non-compliance in Paying Local Taxes by SMEs and then its conclusion is provided. Thereafter, summary for the Factors Constraining Local Taxes Payments for SMEs its conclusion last but one the summary about ways to improve tax compliance by SMEs and its conclusion are shown. Lastly the general conclusion about the study that is CONSTRAINTS FACING SMALL AND MEDIUM ENTERPRISES TOWARDS TAX PAYMENT IN LOCAL GOVERNMENT AUTHORITIES is providing.

6.2 The Level of Non-compliance in Paying Local Taxes by SMEs

From the study we have seen those revenue budgets are been prepared as the results shows 56.2%. The findings further shows that KDC do collect revenue from SMEs 75% said yes though 25% shows that KDC do not collect revenue from SMEs. Then KDC do collect revenue from SMEs through produce 94.1%, District service levy 86.8%, and business licence the mean of 100%. However all of these taxes, SMEs are not paying these taxes on themselves as the results shows about 80.9% (the total of no and somehow). Only 19.1% do pay taxes on without great follow up see table 4.2.5. In general concerning tax compliance, 75% of respondents considered to have fair compliance while 25% shows there unfair in local tax or charges compliance. Further results shows Business licence is highly complied as it shows 83.8% followed by District service levy 74%, the produce cess 67.8% and lastly property tax 54%.

In conclusion the level of tax compliance at KDC is fair.

6.3 Factors Constraining Local Taxes Payments for SMEs

The results shows that only three factors were accepted which are High tax/charge rates with the 52.94%, the existence of different tax administration 56.62% and the bribery to local authority staffs with 57.5%. In addition findings shows that complicated tax payment procedure 80% and not being requested to pay tax or charge the government 95% are not reasons for not paying tax or charges by SMEs.

Furthermore some two more reason were identified which is concerning with factors limiting local tax payment s. Those factors are fraud and unequal treatment in the ways local taxes are collected are other factors.

In conclusion the factors constraining tax payment at KDC are High tax or charge rates, existence of tax administration, bribery to local authority staffs, fraud and unequal treatment in local tax collection.

6.4 Ways to Improve Tax Compliance by SMEs

The study revealed that there still a possibility of increasing revenue from SMEs according to the results presented that respondents agreed at 100%. The results shows that all the proposed ways was accepted as low tax or charges rates has 94.1%, proper utilization of the collected taxes has 100% agreed, clear channel of payment of taxes or charges 75% and clear and simple payment procedures 100% agreed.

6.5 General Conclusion

In general conclusion tax payment at KDC are fairly complied and there some factors limiting full tax compliance which are High tax or charge rates, existence of tax administration, bribery to local authority staffs, fraud and unequal treatment in local tax collection.

In motivating of SMEs practitioner five most findings shown are to increase awareness of taxes paid to SMEs, proper use of collected charges, seminars to increase compliance, seminar to SMEs in importance and procedures of paying tax and Reduce tax rates. Moreover, SMEs practitioner themselves are not satisfied with taxes required to be paid and are not getting any reports from the council concerning taxes collected. Increasing the motivation of SMEs practitioner in being satisfied with taxes paid they suggested the following to be done ranked to the highest frequency, reduce tax rates, education must be provided to SMEs and reports on amount collected and spent be sent to tax payers.

6.6 Recommendations.

Many recommendations were provided by respondents, however can be grouped into the following categories;

i. Education

Many of our respondents recommended that KDC still has the duty to educate taxpayers on the importance of paying tax voluntarily as this will reduce the cost of collection hence increase ability of the Council in services provision.

ii. Availability of Receipts

Respondents' shows the concern that some time taxes can be paid but no receipt to be issued, this tendencies do encourage bribery and miss use of the taxes collected.

iii. Reduce tax rates

Many of respondents in this study have shown their concern about high taxes charged, moreover there unequal treatment during tax payment. This can be caused by the fact that tax payers don't know how much they required to pay until tax collector says the amount to be paid.

iv. Reporting

The study shows that there no reports on the amount collected provided to citizen. Respondents have shown their concern on this part and recommended that reports on the amount collected and spent should be known as it will encourage tax payers paying the tax voluntary.

v. Bribes and good manners to tax collectors.

It has been revealed that some tax collectors are involving in bribes, moreover some of them they use force and unpleasant language that always annoy many of the tax payers. Respondents suggested that some taxes can be made in way that payment can be made once a year and be basing on the size of business.

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APPENDICES

APPENDIX I

INTERVIEW GUIDE TO DISTRICT TREASURY DEPARTMENT:

PART A; PERSONAL INFORMATION

Name…………………………………………………………………………………

Occupations…………………………………………

Qualifications……………………………………….

Age…………………..

Sex: male ( ) female ( )

PART B; Local Revenue Collections

1. To what extent you collect the revenue from your own sources in relation to the budget?

   ……………………………………………………………………………………

   ……………………………………………………………………………………

   ……………………………………………………………………………………

2. How many types of local taxes which SMEs are required to comply with? Mention please

   ……………………………………………………………………………………

   ……………………………………………………………………………………

   ……………………………………………………………………………………..

3. What are the methods and procedures used to collect taxes from SMEs?

   …………………………………………………………………………………….

   ……………………………………………………………………………………

4. What are the challenges facing Kilwa district council on collection of local taxes from SMEs?

   ……………………………………………………………………………………

   ……………………………………………………………………………………

5. What are the perceptions of the SMEs towards payment of local taxes?

   ……………………………………………………………………………………

   …………………………………………………………………………………….

6. How do you think you can motivate the SMEs on the payment of taxes?

   ……………………………………………………………………………………

   ……………………………………………………………………………………..

APPENDIX II

DODOSO LA UTAFITI WA MTAZAMO WA WAFANYABIASHARA WADOGO NA KATI KATIKA ULIPAJI KODI ZA HALMASHAURI YA WILAYA KILWA:

Jina

…………………………………………………………………………………………….

Kijiji/Mtaa…………………………………………………………………………………

……..

Jinsia: mwanamke ( ) mwanaume ( )

Umriwako……………………………………………………………………………

Kiwango cha elimu…………………………………………………………………

Shughuli unayoifanya………………………………………………………………

1. Je unajua zipo kodi ngapi unazotakiwa kulipia kwenye halmashauri ya wilaya kilwa kupitia serikali za vijiji na kata?
    a) Tatu
    b) Moja
    c) Nne
    d) Nyingi tu
2. Chagua kati ya kodi zifuatazo, ni kodi ipi umewahi kutakiwa kulipa, tiki kwa kila moja uliyowahi lipa

Aina za Kodi	**Tiki**
Kodi ya masoko	
Kodi za leseni ya biashara	
Kodi ya mazao ya biashara	
Kodi ya mazao ya misitu	
Kodi ya mazao ya baharini	
Kodi zinazotokana na sheria ndogondogo (By-Law)	

3. Je kuna vipingamizi vyovyote vinavyokukabili wakati wa ulipaji wa kodi?
    (a) Ndiyo
    (b) Hapana

4. Kati ya kodi zilizotajwa hapo juu onesha ni kwa kiwango gani umekuwa ukilipia kila kodi,

Aina za Kodi	**Mara zote**	**Mara nyingi**	**wastani**	**Mara chache**	**Silipi kabisa**
Kodi za masoko					
Kodi za lesni za biashara					
Kodi ya mazao ya biashara					
Kodi ya mazao ya misitu					
Kodi ya mazao ya baharini					
Kodi zinazotokana na sheria ndogondogo (By-Law)					

5. Ni kitu gani kinakukatisha moyo kulipa kodi unazotakiwa?

Sababu	Tick
Hawanipi stakabadhi	
Rushwa	
Biashara haitoki	

6. Ni changamoto gani zinazokukabili wakati wa ulipaji wa kodi? Tiki kwa kila moja inayokukabili

Changamoto	Tick
Kodi kubwa	
Sijaombwa na wahusika	
Taratibu za ulipaji ni ngumu	

7. Katika swala zima la ulipaji wa kodi unazotakiwa, ni kwa kiwango gani sababu au changamoto hizi zimechangia ulipaji wako kudorola

Sababu	Mara zote	Mara nyingi	wastani	Mara chache	Haihusiki kabisa
Kodi kubwa					
Sijaombwa na wahusika					
Taratibu za ulipaji ni ngumu					
Rushwa					
Hawanipi stakabadhi					
Biashara haitoki					

8. Unapokuwa unafanya biashara, na hukulipa kodi ni njia ipi unatumia kutoka bila kukamatwa?

Njia	tick
Nauzia nje ya soko	
Natoa rushwa kwa wakusanyaji	
Sijawahi kuulizwa	

9. Unafikiri nini kifanyike kuongeza ufanisi wa ulipaji kodi za halimaashauri?
   a) ____
   b) ____
   c) ____

10. Ni sababu zipi zinazo kufanya ulipe kodi za Halmashauri?

11. Je unaridhika na aina hizi za kodi unazotakiwa kulipia halmashauri?
   (a) Ndiyo
   (b) Hapana

12. Kama jibu la swali namba 11 ni Hapana, unafikri nini kifanyike kuhakikisha kuwa unaridhika?

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13. Ni njia gani zinatumika katika ukusanyaji wa kodi katika Halmashauri ya Kilwa?

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14. Je unapata taarifa ya ulipaji kodi na matumizi yake kutoka kwa viongozi wa Halmashauri ya Kilwa?

(a) Ndiyo

(b) Hapana

16. Je una mapendekezo yoyote juu ya ukusanyaji wa kodi za Halmashauri ya Kilwa?

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APPENDIX III

DODOSO LA UTAFITI WA MTAZAMO WA WAFANYA BIASHARA WADOGO NA WA KATI KATIKA HALMASHAURI YA WILAYA KILWA.
USAILI KWA DIWANI NA MWENYEKITI WA MTAA/KIJIJI

Jina ……………………………………………………….………………………….
Kata/Kijiji/Mtaa………………………………….……………………………….
Jinsia: mwanamke (…..) mwanaume (…….)
Umri wako…………………………………………….
Kiwango cha elimu……………………………………….
Shughuli unayoifanya……………………………………….

1. Ni changamoto gani zinazokukabili wakati wa ukusanyaji wa kodi za wafanya biashara wadogo na wa kati?
   …………………………………………………………………………………
   …………………………………………………………………………………
2. Kuna aina ngapi zinazokusanywa katika Halmashauri ya Kilwa?
   …………………………………………………………………………………
   …………………………………………………………………………………
3. Je ni njia na kanuni zipi zitumikazo katika ukusanyaji wa kodi?
   …………………………………………………………………………………
   …………………………………………………………………………………
4. Je kuna orodha ya majina ya wafanya biashara wadogo na wa kati wanaolipa kodi?
   (a) Ndiyo
   (b) Hapa

6. Je unafikiri ni vitu gani vifanyike ili kuwapa motisha wafanyabishara hawa kulipa kodi bila usumbufu?
   ………………………………………………………...
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