

**ASSESSMENT OF QUALITY OF TAX PAYERS' SERVICES ON THE
PERFORMANCE OF TANZANIA REVENUE AUTHORITY: THE CASE OF
ZANZIBAR**

BY

JUMA, HASSAN KHAMIS

**A research Report Submitted in Partial Fulfillment of the Requirements for
Award of Degree of Masters of Science in Accounting and Finance (Msc.A&F)
of Mzumbe University**

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled **Assessment of quality of tax payer services on the performance of Tanzania Revenue Authority (TRA): The case of Zanzibar** in partial/fulfillment of the requirements for award of the degree of Master of Business Administration of Mzumbe University

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DEDICATION

I dedicate this Dissertation to my beloved parents , Kidu Makame Juma and Khamis Juma Gora , my four brothers Juma Khamis Juma , Khamis , Abdalla and Majliwa , and my sister Namboto Khamis Juma for giving me encouragement, while carrying out the study.

LIST OF ABBREVIATION

TRA	-	Tanzania Revenue Authority
IMF	-	International Monetary Fund
ITA	-	Income Tax Act
GDP	-	Gross Domestic Product
VAT	-	Value Added Tax
TFAs	-	Tanzania Financial Accounting Standard
OECD	-	Organization for Economic Co-operation and Development
SMTs	-	Small and Medium Traders
FIAS	-	Foreign Investment Advisory Service (A joint service of the International Finance Corporation and the World Bank)
NBAA	-	National Board of Accountant and Audit

ABSTRACT

The study set out to examine the relationship between the quality of tax payer's services and performance of TRA in tax revenue Collection. The study used a cross-sectional survey design. This design was adopted so as to exhaustively study the variables within the stipulated time. The research instruments were self-administered questionnaires. Convenience sampling was used to select respondents from the sample size. The research objectives were to identify services offered to taxpayers by TRA; to assess the quality of services received by taxpayers at TRA; to assess the performance of tax revenue collections and to determine the relationship between the qualities of taxpayer services received and the performance of tax revenue collections.

The study was conducted in a descriptive and analytical cross-sectional survey. Both qualitative and quantitative data were collected using research questionnaires and personal interviews. The research found that the performance of tax revenue collections at the TRA in Zanzibar was good for the period 2010/11 -2011/12 respectively, the quality of taxpayer services TRA provided was not good while the services quality was positively correlated and significant affect the performance of tax revenue collection.

The research recommends that TRA should improve taxpayer services which is positively influenced the performance of tax revenue collections with focus on the Reliability, responsiveness, and assurance, empathy and tangibility determinants of taxpayer service quality which would raise revenue collection and increase the taxpayer's compliance. The customer survey should introduce to find out the quality of services provided and obtain regular feedback. This would help in identify area of weakness so as to develop means for improvement.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION

1.0 Introduction

This chapter explains the background of the research topic about the assessment of the quality of Taxpayer services offered by TRA and performance of Tax collection in Zanzibar. It comprises background and statement of the problem, objectives of the study, research questions, and significance of the study and limitation of the study. Quality of taxpayer services is playing an important role in Voluntary tax compliance and Income tax collection.

1.1 Background Information

Raising more domestic revenue is a priority for most sub-Saharan African countries (Drummond et al. 2012). Mobilizing revenue is a way for governments to create fiscal space, provide essential public services, and reduce foreign aid and single resource dependence. However, the domestic tax bases in most African countries are undermined by widespread tax avoidance and evasion (IMF, 2011). Although taxpayer non-compliance is a continual and growing global problems, many indications suggest that developing countries, especial in Sub-Saharan Africa, are the hardest hit (Fuest and Riedel 2009).

Tanzania Revenue Authority was established by Act No. 11 of 1995. The Authority is a semi-autonomous agency of the Government, responsible for the administration of the central Government taxes as well as several non-tax revenues. The Authority, which administers a number of taxes, is under the general supervision of Board of Directors. TRA has been established as supreme organ to monitor, supervise and put in force the tax and non-tax revenue collection in Tanzania.

The Income Tax Act N0. 33 of 1973, was enacted by the Parliament of the United Republic of Tanzania. The Act received presidential assent on 30.12.1973 and it became effective law in 1st January of 1974. But the introduction of the income taxation dates back to 1937 when it was first introduced in Kenya. Later in 1940 it was introduced in Tanganyika (now Tanzania), Uganda and Zanzibar by way of territorial ordinances. The four ordinances were consolidated after the formation of East African High Commission

in 1948 by means of the East African Income Tax Management Act of 1952. The 1952 Act had retrospective affect from 1st January 1957. However, each territory then retained its power under the high commission to enact its own ordinance fixing the rates of tax and personal allowances.

The 1958 Act continued to form the basis of income tax administration throughout East African when the treaty for East African cooperation was signed in 1967. Several amendments Acts to the 1958 Act made it so unwieldy that in 1970 it was revised on the authority of the community Act No.3 of 1968 which authorized the consolidation of all community Acts. Obsolete registration was deleted and the remaining sections were numbered. The revised edition was officially designated as “The East African Income Tax Management Act,” (Revised edition 1970 chapter 24 of the law community).

Prior to June 1996, the Tax administration in Tanzania was under three independent Revenue Departments, which operated under the civil service framework. The Ministry for Finance was responsible for the direction and control of these independent departments whose performance in revenue collection was not very good. The Government was determined to improve the revenue collection situation and one way of doing this was through an improved Tax administration system, which operates under a direction of one institution. It is against this background that the idea of establishing a semi-autonomous Tax administration was conceived by the Government and the Tanzania Revenue Authority (TRA) was born on the 1st July 1996 (Report 2000).

In April 2004, a new Income Tax Act (ITA 2004) No.11; was passed in Tanzania. It came into effect in July 2004 for withholding taxes. After July 2004 the taxes beginning to be paid through installments and filed returns, this Act restructure the income tax system in line with modern requirements and repealed the previous Income Tax Act, 1973. Tax is levied on income from employment, income from business and income from investment. Taxable persons include entities and individuals. An entity can be a corporation or a trust, and a corporation is loosely defined to mean any incorporated or unincorporated body of persons or association (ITA 2004). For partnerships the individuals within the partnership are taxed on their share of the income. Taxation is on worldwide income for residents (or for individuals, of residents of more than two years)

while taxation of non-residents is on Tanzanian source income only (ITA, 2004). Among the aims of the Act are to provide a clear, coherent and structured income tax law, to ensure horizontal equity (income of different types being taxed similarly) and vertical equity (higher burden on rich than poor), to provide for ease of administration and compliance and to prevent tax avoidance.

According to TRA Third Corporate Plan for the period 2008/09 –2012/13 which has been stated to be build over from the achievements gained in the Second Corporate Plan and the future challenges, The vision for the Third Corporate Plan is to be “A Modern Tax Administration by 2013” with a mission of being “An effective and efficient Tax Administration which promotes voluntary tax compliance by providing high quality customer service with fairness and integrity through competent and motivated staff”. The plan also state the TRA strategic goals of which includes Increase Revenue Collection economically; Modernize TRA Operations; Provide High Quality and Responsive Customer Services; Promote Voluntary Tax Compliance and Enhance Staff Performance Management System.(Third Corporate Plan 2009-2013).

Taxpayer services is adopted by Tanzania Revenue Authority context to mean the co-operation between taxpayers and tax administrators, improved service delivery for taxpayer voluntary compliance, quick handling of taxpayers complaints and provision of effective tax education (Third Corporate plan 2009-2013). The taxpayer services can be improved if the tax revenue organization like TRA knows and understands their taxpayer's expectations. The taxpayers in Tanzania environment expect courteous revenue officers, reliable and satisfactory service, positive attitudes and a friendly environment (Kezaabu et al. 2001).

According to Jenkins and Khadka (2000), the rationale for providing quality taxpayer services is to raise tax awareness and enhance the level of voluntary tax compliance. They add that, provision of taxpayer services can be done by providing the taxpayers and their agents with clear precise and timely tax information, simplifying the tax forms and tax laws, translating the laws into local understood dialects by the taxpayers, ensuring courtesy and considerate treatment is extended unconditionally to all taxpayers, responding expeditiously to every taxpayer's enquiry, compliant or request, explaining

the grounds for derivation of every tax assessment, providing proper technical advice to the taxpayer requests about tax implications, assisting new taxpayers to register, educating the taxpayers and the general community about tax obligations and rights.

The taxpayers continued to demand for better services from TRA despite the taxpayer services unit being in operation for over several years. The taxpayers still encountered a lot of inconveniences, partly from ignorance of the tax laws, largely from the bad conduct of the tax officers. The tax officers are arrogant, rude, impatient and unreceptive to taxpayers. Consequently, their conduct was responsible for lengthy procedures in paying taxes, creating anxiety and stress and increasing taxpayer operations costs (Aslund, 2002).

1.2 Statement of the Problem

The steady rise in Tanzania's tax collection performance both in absolute terms and as a proportion of GDP continued in 2008 and leveled off in 2009 in the consequences of the global financial crisis. However, according to the World Bank (2009), domestic revenue in Tanzania is still below the average for Sub-Saharan Africa, and not high by international standards.

The taxation system in Tanzania consolidates one or few related taxes under the same administrative authority in order to benefit from integrated facilities and functions. It is unlikely that, all the taxes was ever be administered by a single authority. Extreme consolidation may not be feasible in practice on administrative difficulties and the audit function is not easily emendable to consolidation (World Bank, 2009).

Despite The Tanzania Revenue Authority create taxpayers Quality Services Chatter 2012 to improve the quality of services to taxpayers , and as one of the strategies to raise performance of the Tax revenue collection but taxpayers still complain about the behavior of the TRA staff when handling taxpayer queries and complaints on tax matters, they also complain on the lengthy bureaucratic procedures coupled with the nature of physical facilities in keeping, retrieving and processing taxpayer information.

The length of bureaucratic administrative tax procedure affected tax registration, submission of tax returns and payment of taxes hence Consequently affecting the taxpayer voluntary compliance and the tax revenue collections (Aslund 2002).

Several researches have been done on taxation and revenue collection performance and suggest different ways to improve taxpayer's compliance. The study conducted by FIAS (2006) on the performance of Income Tax Sector and effective burden to Tax payers, the study reveal large increase on tax collection of 14% from 12.9% in 1996. The research done by Fjeldstad (2011), on Taxation and Tax Reforms in Tanzania and show that Income tax collection rose from 10.8% in 2004/2005 to 14.6% in 2009/2010. Study of fiscal challenge of Tanzania (Bovia, 2012) shows that increase of collection from 15.3% at 2008/09 to 15.8% at 2011/12.

Another study by Heggstad (2012) on building tax payer culture in Tanzania and show that Voluntary tax compliance in Tanzania are very low due to the tax policy implication but did not indicate the tax payer service. The research conducted by Mbilinyi (2013) on the Curbing tax evasion by professional service providers in Tanzania. The study shows that there are many sectors that are involving in tax evasion and avoidance especial in professional institutions.

However, a little is known about the change in tax payer services relatively to the increase of revenue collection or about the services provided by tax Authority which could improve the Voluntary compliance.

It is the contention of this research to assess the relationship between the quality of taxpayers' services and the performance of TRA in tax revenue collections

1.3 Objective of the Research.

1.3.1 General objective

The overall objective of the study is to assess the effectiveness of quality of taxpayers' services and performance of TRA.

1.3.2 Specific objectives.

The specific objectives are:-

1. To identify services offered to taxpayers by TRA;
2. To assess the quality of services received by taxpayers at TRA;
3. To assess the performance of tax revenue collections;
4. To determine the relationship between the qualities of taxpayer services received and the performance of tax revenue collections.

1.4.3 Research Questions

1. What are services offered by TRA to tax payers?
2. What is the quality of taxpayer services at the TRA?
3. What is the performance of tax revenue collections at Zanzibar tax zones?
4. How was the quality of taxpayer service at the TRA related to the performance of income tax?

1.4 Scope and Limitation of the Study

This study examines the quality of taxpayer services provided by TRA, as one of the factors that affected the level of taxpayer voluntary compliance and the performance of tax revenue collections.

The research was examined the performance of tax revenue collections, a portion of the total tax revenue collection that was affect and affected by the quality of taxpayer services provided by TRA.

Given the amount of time allocated for this study and accompanying with financial constraints, the study was limited to income tax assessment departments specifically in business income and a small sample of the taxpayer's in the region was used.

1.5 Significance of the Study

The study contributes the body of knowledge on the impact of quality of service offered by TRA to taxpayers and performance of revenue collection in Tanzania. The study intends to shed light on the relationship between the performance of Revenue collection made by TRA and the taxpayers' services quality performed. This help to come out with

substantive possible alternative policy intervention which might help to address the problems and challenge which limit taxpayers' voluntary compliance. The information obtain from this study provides a set of guidelines necessary to be applied by policy makers and administers of income tax collectors as well as taxpayers. It also useful in designing appropriate tax procedures for income tax assessment.

The study provide an empirical analysis of the tax assessment procedures in TRA as a Government agency for revenue collection and helps to improve various set of strategies to ensure that all factors, which are likely to hinder a successfully collection of income tax are smoothed.

The study was a source of information to other researchers and an addition to other research that has already been carried out. This study also used as a reference when undertaking further findings about the same issue or any other issue in future days to come.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the key concept which were used in this study as well as looking at a number of theories that have been given by different authors concerning their views relating to the service quality and its determinants, TRA taxpayer service, taxpayer compliance and the performance of tax revenue collections.

2.1 THEORETICAL LTRATURE REVIEW

2.1.1 Definition of Key Terms

2.1.1.1 Taxation

Taxation refers the imposition by the Government of compulsory levies on its residents, properties, income, commodities and various transactions for the purpose of raising revenue for its spending (ITA 2014).

Aji (1997) in his own contributions defines taxation as “compulsory contribution to the support of government, levied on persons, property, income, commodity and transaction mostly proportional to the amount on which the contribution is levied”. It is the imposition of levies by government upon persons or property for the purpose of raising fund. The reason for such levy is to support the government in the provision of essential services for the people of the country.

2.1.1.2 Performance of Revenue collection

Revenue performance constitutes the ultimate goal of any tax administration. However, as outlined, there is no existence of one widely accepted indicator for this output dimension of the capability to raise revenue, tax administrators and donor agencies often focus on the tax-to-GDP ratio for assessing revenue performance. However, it was shown that a sole focus on this indicator is insufficient for adequately reflecting administrative performance

2.2 Taxation Overview

Taxation is an imposition of levies by government on persons, companies and property for the purpose of raising funds for economic growth and development of any country. There are two types of taxes, the direct tax and the indirect tax.

2.2.1 Direct Taxes

These are taxes levied directly on people's income from employment, business or ownership of property and an investment. The impact and incidence of the tax falls on the same person i.e. incidence cannot be shifted to another person e.g. corporate tax, Pay As You Earn (PAYE) and withholding taxes

2.2.1.1 Corporation Tax

This is a tax, which is paid from corporate profits. Companies or entities have to prepare final accounts, which must be approved by authorized Auditors, and Accountants recognized by both NBAA and TRA. These accounts are submitted to TRA on the prescribed accounting date.

All companies whether resident or non-resident are required by the Income Tax laws to file an estimate of income within three months after the start of its accounting year. The firm is supposed to pay tax based on four installments. Six months after the accounting period, the firm must file a final tax return to TRA. Corporation tax is tax levied on the income of companies following enactment of the Income Tax Act 2004 as amended.

2.2.1.2 Individual Income Tax

Individuals include sole traders and salaried people who are taxed at progressive individual income tax rate, which varies from the lowest marginal rate of 14% to the top marginal rate of 30%. However, for a non-resident individual the applicable rate is 20%, which is charged on the total income (ITA 2014).

Section 4 of the ITA 2004, Cap 332; says that tax shall be charged and is payable for each year of income in accordance with the procedure in *section 78 of ITA 2004* by every person

- a. Who has total income for the year of income;

- b. Who has a domestic permanent establishment that has repatriated income for the year of income; or
- c. Who receives a final withholding payment during the year of income.

Baily and Friedman (1991) commented that “Taxes are levied to pay for government expenditures. Tax revenue is overwhelmingly the largest source of the funds used by the government to pay for its spending”.

According to National Board of Accountants and Auditors (NBAA), Tanzania financial Accounting Standards (TFAs) No.13; defines income as increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decrease of liabilities that result in increase in equity, other than those relating to contributions from equity participants. Income encompasses both revenues and gains.

According to Section 5 subsection 1 of ITA 2004, Cap 332; the total income of a person shall be the sum of the person's chargeable income for the year of income from each employment, business and investment less any reduction allowed for the year of income under *section 61 of ITA 2004*, relating to retirement contributions to approved retirement funds. Individual income tax can be categorized into three namely employment income, business income and investment income.

2.2.1.3 Employment Income

Income by which an employee earns from an employment in the form of salary, which is payable in daily, weekly, or monthly basis (ITA. 2004 sec.7(2)). It includes:

- a) Payments of wages, salary, payment in lieu of leave, fees, commissions, bonuses, gratuity or any subsistence traveling entertainment or other allowance received in respect of employment or service rendered;
- b) Payments providing any discharge or reimbursement of expenditure incurred by the individual or an associate of the individual;
- c) Payments for the individual's agreement to any conditions of the employment;
- d) Retirement contributions and retirement payments;

- e) Payment for redundancy or loss or termination of employment;
- f) Other payment made in respect of employment including benefits in kind.

2.2.1.4 Business Income

A person's income from a business during a year of income is the amount of gains or profits from that business. The following amounts derived from business are regarded as gains or profits and they are taxable: service fees; incomings for trading stock; gains from the realization of business assets or liabilities of the business; amounts derived from the realization of the person's depreciable assets of the business; amounts derived as consideration for accepting a restriction on the capacity to conduct the business; gifts and other ex-gratia payments received by the person in respect of the business; amounts derived that are effectively connected with the business and that would otherwise be included in calculating the person's income from an investment; and all other amounts derived in conducting the business ITA 2004 sec 8 (2).

2.2.1.5 Income from investments

The income from investments includes dividends, distribution of a trust, gains from life insurance, gains from an interest in an unapproved retirement fund, interest, natural resources payment, rent, or royalty, net gains from realization of investment assets (Capital gains), amounts derived as a consideration for accepting a restriction of the capacity to conduct the investment (ITA. 2004 Sec 9(2)).

2.2.1.6 Withholding Tax

The Income tax Act of 2004 and its amendments of 2006 and others provide that all incomes including professional income is subjected to taxation. Consultant services are subjected to withholding tax of 2%, 10% and 15% depending on the sources of income (ITA, 2004 sec 81(1)). The law also provides that the employers or institutions who consume the services are legally required to act as agents by withholding the income taxes revenue from the services providers and remitting to TRA. (ITA, 2004 sec 81 (2))

2.2.2 Indirect Taxes

These are taxes including Import Duty, Excise Duty, and Value Added Tax (VAT). By definition the legal incidence of the tax falls on the trader who acts as a collection agent of the government while the effective incidence falls on the final consumer of goods or services who eventually pays the tax.

2.2.2.1 Value Added Tax (VAT)

Value Added Tax is a consumption tax charged by VAT registered traders on all taxable goods and services at a standard rate of 18%. The VAT is a multistage tax levied at each stage of production and distribution up to the retail stage. The tax is also levied on taxable imports made by persons whether or not registered for VAT. There are four categories of VAT supplies in Tanzania: zero-rated supplies (0 percent), exempt supplies [0 percent; however on exempt supplies you cannot claim input VAT (VAT incurred by an entity). Not claimable input VAT is a distinguishable factor when comparing exempt supplies (zero rated supplies and special relief supplies) from special relief supplies (0 percent) and VAT table supplies (18 percent) (ITA.2004).

2.2.2.2 Excise duty

Excise duty refers to the tax which is applicable to specified goods manufactured in the within the country for domestic sale or consumption. this includes Specific tax: imposed on certain goods based on weight or volume capacity or any other physical unit of measurement (Specific tax = volume x tax rate) example Alcohol products, petroleum products, tobacco products and Ad valorem tax: imposed on certain goods based on selling price or other specified value of the goods (Ad valorem tax = selling price x tax rate) examples Mineral products, automobiles etc.

2.3 Tax Compliance

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, Marti (2010). Various opinions exist about the best ways to improve tax compliance. Given the chance, a lot of businesses were not paying taxes unless there was a motivation to do so. Some believe that the best way is to increase incentives (Feld & Frey, 2007) others

believe that 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 of Tax Compliance

They are also known as deterrence theories and they place emphasis on incentives. The theory suggests that taxpayers are moral 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 of Tax Compliance

Psychology theories on the other hand puts forward 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.

2.3.3 Taxpayers compliance

According to Cuccia, (1991) taxpayer compliance has been primarily viewed from three theoretical perspectives: the general deterrence theory, economic deterrence models and fiscal psychology. Deterrence theory is concerned with the effects of sanction threats on criminal and undesirable behavior, however this had problems of identifying sanctions, determining how much effect and specifying the mechanism by which the effect occurs. On the other hand, the economic deterrence model smoothened out the problems of deterrence theory for instance by the use of utilitarian approach to measure sanction threats.

According to Plumley, (1996) voluntary compliance is explained by dimensions like timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations. However according to Terkper, (2003) many small and medium taxpayers do not register voluntarily, while those who do register often fail to keep adequate records, file tax returns, and settle their tax liabilities promptly. Hence in the small business context, opportunities for evasion are high and resources are often scarce for field auditing. Even when high investments are made in auditing, uncovering 'hidden cash' is never going to be an easy task without an adequate audit trail (Ahmed & Braithwaite 2005).

In developing countries the tax compliance has been constrained by the significant number of changes to the tax laws, that they are now so complex and only a handful of tax experts can understand them. This creates additional problems for compliance by taxpayers who do not have access to sophisticated tax specialists (Oberholzer, 2008). Moreover enforcement of these laws cannot reduce non compliance among taxpayers because some tax measures put SMTs under severe liquidity pressure, forcing many to fold in the informal sector (Terkper 2003).

According to Kibuta (2011), the tax compliance in Tanzania is poor. There are various factors that account for tax payer's compliance as well as tax payer resistance. Ignorance of the law and complexity of taxation are two factors that affect compliance in Tanzania and result in tax evasion. In his study he reveals that 57% of the tax payers over three years evaded tax by either understating their income or overstating their allowable on income.

Untaxed informal sector in Tanzania accounted 28.1% of Tanzania DGP in 1986, 36.1% in 1996 and 48.1 in 2006 and the estimated tax gap in 2005/2006 was around 20% of potential revenue. The data from the Third corporate plan tax gap rise from 17.8% in 2010/11 to 20.1% in 2011/12 and to 22.7% in 2012/13.

2.4 Taxpayers' Services

Taxpayers' services is a broad term that was adopted in the Tanzania Revenue Authority context to mean the co-operation between taxpayers and tax administrators, improved

service delivery for taxpayer voluntary compliance, quick handling of taxpayers complaints and provision of effective tax education. The taxpayer services can be improved if the tax revenue organization like TRA knows and understands their taxpayer's expectations. The taxpayers in Tanzania environment expect considerate revenue officers, reliable and satisfactory service, positive attitudes and a friendly environment (Kezaabu et al. 2001).

2.4.1 TRA Taxpayer Service

The Tanzania Revenue Authority taxpayers' service is defined in the TRA Taxpayer's Charter (2012), through an elaboration of the rights and the obligations of the taxpayer. It involves promoting equity by applying tax laws and procedures uniformly to all, handling all taxpayers' affairs with neutrality, presuming the taxpayers and their agents' honesty until proven otherwise and collecting only the fair and correct taxes.

It involves confidentiality by ensuring secrecy of every taxpayer's affairs and use of tax information only as allowed by the law. It also involves facilitation of taxpayer compliance by: providing taxpayers and their authorized agents with clear precise and timely information, ensuring the courtesy and considerate treatment are extended unconditionally to all taxpayers, responding expeditiously to every taxpayer's enquiry, complaint or request, explaining the grounds for and derivation of every tax assessment, providing proper technical advice to the taxpayer on requests about tax implications, assisting new taxpayers to register, educating the taxpayers and the general community about tax obligations and rights.

It also involves attending promptly to each taxpayer's objections in accordance with the relevant laws and procedures and facilitating taxpayer to exercise the right of appeal to an independent tax tribunal. The services provided by TRA to taxpayer includes Registration, Tax Assessment, Tax Audits, Customs Clearance, Permits and licenses, Response to enquiries and complaints, Tax relief, Tax refunds, Tax investigation services, Tax education, Provision of statistical data and Training.

2.5 Service Quality

For any tax administration to meet the canons of taxation, it must be supported by a quality taxpayer service. Taxpayer service usually means service and information, which the Tax Administration provides to taxpayers so that they can fulfill their tax obligations. It should also give the taxpayer a fair guideline of what consequences taxpayers' activities in terms of taxes. The service should not only address the expressed needs of the taxpayer, it should also include assistance in areas in which the taxpayer might not even have realized that compliance could be facilitated through taxpayer service and information. (Grampert, 2001).

It is generally agreed that service quality is an attitude or global judgment about the superiority of a service, although the exact nature of this attitude is not agreed. Some suggest that it stems from a comparison of expectations with the performance perceptions (disconfirmation) (Parasuraman et al, 1988) while others argue that it is derived from a comparison of performance with ideal standards (Teas, 1993) or from perceptions of performance alone (Cronin and Taylor, 1992).

It also agreed that service quality is distinct from customer satisfaction. Although the exact nature of this distinction seems to be somewhat unclear, some argue that, while service quality is an overall attitude towards service firm, customer satisfaction is specific to an individual service encounter (Bolton and Drew, 1991; Parasuraman et al., 1988). Meanwhile, Teas (1993) argues that service quality is not an overall attitude, but that it is also transactions specific. Further confusion arises, because the popular press and companies tend to use the term "customer satisfaction" to mean a cumulative measure (Boulding et al., 1993). Iacobucci et al. (1996) review various models of service quality and customer satisfaction, finding many similarities, and conclude that instead of studying the concepts separately, future research should be investigating the macro issue of "consumer evaluation"

2.5.1 Service Quality Determinants

Parasuraman et al. (1988) conceptualized perceived service quality as "a global judgment, or attitude, relating to the superiority of the service (p. 16)". In this regard, Parasuraman et al. (1985) proposed that ten dimensions determine service quality:

reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding and knowing the customers, and tangibles. Thus, they proposed that the differences between perceived performance and expected performance of these ten dimensions determine overall perceived quality. Through an empirical test, Parasuraman et al. (1988) developed Service Quality from a modification of the ten dimensions proposed in 1985 to 22 items/five dimensions in 1988: tangibles, reliability, responsiveness, assurance, and empathy.

The five dimensions are defined as follows:

1. **Tangibles:** The appearance of physical facilities, personnel, tools or equipment, technology used to provide the service and communication material.
2. **Reliability:** Ability to perform the promised service dependably and accurately.
3. **Responsiveness-** The willingness to help the customer and to provide prompt service,
4. **Assurance:** Knowledge and courtesy of employees and their ability to convey trust and confidence.
5. **Empathy:** Caring, individualized attention the firm provides to its customers.

The table bellow show the correspondences of the services quality and ten dimensions for evaluating services quality.

Table 2.1: Sequel Dimension and Original ten dimensions

Original Ten Dimension	Services Quality Dimensions				
	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Tangibility					
Reliability					
Responsiveness					
Competence					
Courtesy					
Credibility					
Security					
Access					
Communication					
Understanding customers					

Source: Parasuraman (1988)

2.6 TRA Performance of Tax Revenue Collections

Taxation is a government instrument for raising revenue to enable government carries out its role of financing government expenditure on public goods and services. A good tax Revenue Collection system ought to be capable of efficiently collecting and collections methods are effective if they can collect all the taxes as projected/planned and efficient if the collections are done with minimum resources. The terms performance measurement and performance management are often used interchangeably. However, performance management is a broader term that includes not only performance measurement but also the determination of the appropriate level of performance, the

development and reporting of performance information, and the use of that information to assess the actual level of performance against the desired level. It refers to the process of looking after the objectives, approaches, institutional arrangements and performance information systems put in place to measure performance. Performance measurement systems can provide several types of information, including information about inputs, activities, outputs and outcomes. (William Crandall 2010)

The OECD has defined performance management strategy as a positive element in any modernization program. Countries that have performance measurement in place are said to have seen improvement in management reforms, efficiency, cost awareness and effectiveness. Clarity and transparency surrounding accountability at the political and administrative levels of government also improves. Countries are moving increasingly to correcting and adjusting their systems and to increase the use of performance measurement in areas such as budget formulation and tax administration.(OECD,1997)

A quality taxpayer service program should ensure that there is timely handling of taxpayer complaints and the tax officials have empathy and are competent. The tax office should be easily accessible either by telephone and Internet or being in a convenient location. The tax administration should communicate to the taxpayers in the language they understand and endeavor to cater for special needs of the taxpayers. Security of taxpayers' documents and tax affairs should be paramount. The physical appearance of equipment, facilities and layout should facilitate taxpayers' services (Aslund 2002).

The World Bank (2003) proposed that tax administration performance should be evaluated with respect to the three requirements of effectiveness, efficiency and equity. Teera (2005) suggests that tax performance evaluation should focus on raising more tax revenue. According to Serra,(2005) an example of an output of a tax administration system is the number of audits carried out by each tax inspector; while the outcomes usually include taxpayer satisfaction, quality of services to the taxpayers and taxpayer compliance rate.

2.7 Theoretical Model

The literature review provides some basis theory on the relationship of tax revenue collection and taxpayer's services. In this section, theoretical model was proposed to determine the relationship between each variable. It is developed to enable one to understand clearly the research problem and what variables were studied under this research.

The conceptual model shows three different variables that were studied and their interrelationships. They included quality of taxpayer services, taxpayer voluntary compliance and the performance of tax revenue collections. From the works of Plumley, (1996) and Erard (1997) tax compliance is described in terms of correct reporting, timely filing and payment of amounts due. Performance of tax revenue collection as defined by Nsamba (2000) is actual revenue as a percentage of expected / budgeted revenue. Budgeted revenue as was pointed out by Bird (1992), encourages effective administrative procedures to be put in place.

2.8 Empirical Literature Review

Service quality is a comparison of expectations with performance. A business with high service quality would meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness. This may be achieved by understanding and improving operational processes; identifying problems quickly and systematically; establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes (Fitzsimmons,2003)

The measurement of subjective aspects of customer service depends on the conformity of the expected benefit with the perceived result. This in turn depends upon the customer's expectation in terms of service, they might receive and the service provider's ability and talent to present expected service. Pre-defined objective criteria may be unattainable in practice, in which case, the best possible achievable result becomes the ideal. The objective ideal may still be poor, in subjective terms (Grampert, 2001)

TRA taxpayers and stakeholders services quality includes other things are based on TRA charter of 2012 based on services provided by them such as Registration of Taxpayers, Customs Clearance , handling of Tax query and Tax Audits as stated by the Charter. Bird and Oldman (2000), asserts that effective implementation of taxpayer services programs in Singapore, in the late 1990's revealed that 95 percent of individual taxpayers and 83 percent of corporate taxpayers were satisfied with the program. The taxpayers found it to be convenient as well as competently and courteously provided. The effort was aimed at making tax compliance easy for citizens.

Jenkins and Khadha (2000) acknowledge that Bolivian government and internal Revenue Authority of Singapore made huge investments in taxpayer service programs. They realized that an investment in taxpayer services would be more productive and might even give more immediate results than an investment in tax officers training. There is a tendency among tax officials not to change their traditional working style after training due to fear of losing private facilitation from taxpayers. Jenkins and Khadha (2000) concludes that tax administration needs to launch and sustain a comprehensive taxpayer services program covering all the major taxes in order to raise tax awareness and enhance voluntary tax compliance.

TRA believes that it is possible to mobilize revenue in a simplified and transparent manner and taxpayers shall have easy access to services that are offered promptly and by putting in place a transparent system where taxpayers and stakeholders can be aware of their tax obligations, rights and service standards, set by the Authority that would enable them to complain. The Charter explains service level standards as well as the taxpayers' rights which are covered in tax laws and reinforce the existing tripartite relationship of TRA-Public-Private Partnership which based on mutual respect and trust. It state fundamental service standards that would implemented so as to achieve quality service delivery through adopting tax administration practices, which allows the partnership with taxpayers/stakeholders to grow and thereby improve tax administration. The services provided by TRA to taxpayer includes Registration, Tax Assessment, Tax Audits, Customs Clearance, Permits and licenses, Response to enquiries and

complaints, Tax relief, Tax refunds, Tax investigation services, Tax education, Provision of statistical data and Training.

Bird (1989) stresses that the willingness of the taxpayer to comply with their tax obligation depends to the large extent, upon the perception that the funds taken from them are put to some good use. The highest tax rates are found in Scandinavian countries, where government provides a range of welfare to its citizens than in the rest of the world (Kay and King 1990). Taxpayers in these countries are therefore tax compliant because of what their governments provide in return.

Beck and Jung (1989) acknowledge that other factors such as perceived fairness (equity) of the tax system and the decision maker context, could also affect taxpayer compliance. The view is also shared by Wittee and Woodbury (1985). The seriousness with which the government enforces the revenue laws has profound effect on public attitudes. The extent to which the government overreaches in trying to tax income may affect overall compliance (Gordon 1990). MaClure (1982) emphasizes the deterioration of the perception of fairness causes concern in a tax system based on voluntary compliances

Revenue performance constitutes the ultimate goal of any tax administration. However, as outlined, there is no existence of one widely accepted indicator for this output dimension of the capability to raise revenue, tax administrators and donor agencies often focus on the tax-to-GDP ratio for assessing revenue performance. However, it was shown that a sole focus on this indicator is insufficient for adequately reflecting administrative performance. In addition, the amount of direct taxes collected, and the tax gap, meaning the difference between (estimated) tax potential and tax actually collected need to be incorporated into the analysis. Thus tax gap which is the difference between tax potential and tax actually collected forms a major challenge for tax administrations in developing countries. Often, a large part of economic activity is pursued and the majority of the population works in the informal sectors (unregistered sector of the economy) (Soet,2006)

According to Omotosho (2006), identify the factors which militate the effective administration and collection of companies' income tax. This includes corruption, lack

of motivation, window dressing of the company financial statements, lack of up to date census of tax payers' registration, lack of staff punishments for tax offender and in separate tax court which deals with tax offender as quick as possible. The study was conducted at Nigeria, 57 out of 60 responded to have those problems.

Serra (2005) argued that a lack of knowledge of measurement and the complexity of measuring the public sector resulted in oversimplified performance measurement. As a result, simplified performance measurement would tempt employees to maximize the targeted score instead of achieving institutional objectives. Serra (2005) mentioned that the indicators that measure performance in tax administration was maximization of tax revenue collection, minimizing compliance costs and taxpayer satisfaction as measured by surveys. However, other specific objectives are to improve efficiency, promote staff development, reduce levels of tax evasion and tax avoidance, improve taxpayer services and develop technology. The World bank (2003) suggested that tax administration performance should be evaluated with respect to the three requirements of effectiveness, efficiency and equity.

The OECD (2001) evaluated performance in tax administration of OECD countries by focusing on efficiency, service quality and effectiveness. In other words, the scope of evaluation relates to input, output, productivity, quality, taxpayer satisfaction and the outcomes from revenue and compliance. It stated that the outputs of a tax administration are, for example, the number of inquiries processed and the number of audits cases and debt cases settled; and the outcome could be in the form of changes in taxpayers' compliance. The main input measures are cost and labour hours whereas output measures are usually associated with the number of taxpayers or tax returns and the number of audits and verifications. Productivity is shown in terms of unit costs such as cost per taxpayer, administration cost of tax collection revenue etc. Finally, the quality of service or taxpayer satisfaction is one of important factors for measurement. This may be shown by processing time for an application, the accuracy of the assessments and so on. This information should come regularly from the results of taxpayer surveys.

According to Hazel Granger (2013), tax revenue as a percentage of GDP varies greatly around a global average of 19%. This data also indicates countries with higher GDP tend to have higher tax to GDP ratios, demonstrating that higher income is associated with more than proportionately higher tax revenue. On average, high-income countries have tax revenue as a percentage of GDP of around 22%, compared to 18% in middle-income countries and 14% in low-income countries. Many low-income countries have a tax-to-GDP ratio of less than 15% which could be due to low tax potential, such as a limited taxable economic activity, or low tax effort due to policy choice, non-compliance, or administrative constraints.

Some low-income countries have relatively high tax-to- GDP ratios due to resource tax revenues (e.g. Angola) or relatively efficient tax administration (e.g. Kenya, Brazil) whereas some middle-income countries have lower tax-to-GDP ratios (e.g. Malaysia) which reflects a more tax-friendly policy choice.

In an ideal world, all taxpayers would voluntarily pay their taxes and comply with all of their tax obligations willingly. But TRA, face no one enjoys paying tax, and at the end of each financial year some people's thoughts turn to how they can best arrange their affairs to pay as little tax as possible. This may simply involve making use of strategies that allow one to legally minimize tax (for example, increasing superannuation contributions or negative gearing an investment property). These strategies are what the tax authority considers to be non-aggressive tax planning strategies. Alternatively, however, the strategies that may involve non-compliant or fraudulent activity that could be most appropriately described as tax evasion (for example, creating false expenses or shifting money offshore). There is also a third type of strategy used by some taxpayers that falls somewhere between these two extremes. These are the tax avoidance strategies that the Tax Office commonly refers to as aggressive tax planning strategies. They are 'aggressive' as they seek to exploit deficiencies or uncertainty in the law. Aggressive tax planning by its very nature involves finding ways to accomplish compliance with the letter of the law while totally undermining the policy intent or spirit behind the words. According to Kristina Murphy (2004), find that 73 percentages of the investors were not willingly to pay tax and the rest pay tax because of their legality.

As the extent to which individuals think that their own ethnic group is treated unfairly increases by one point, the probability of having a tax compliant attitude decreases by 5% in Tanzania. This may provide indication towards the comparative treatment model, which is based on equity theory and posits that addressing inequities in the exchange relationship between government and taxpayers matters for tax compliance (Persson,2008)

Compliance is also greater when the individuals perceive some benefits from a public goods funded by the tax payments while changes in fine rates appear to have little effect on tax compliance behaviour. It therefore appears that there are additional tax policy instruments beyond standard prescription of enforcement actions that government can enact to achieve its desired degree of compliance with the tax laws.

In fact, some of these standard instruments like greater penalties may be largely ineffective in increasing tax compliance. In short, government should pursue a range of approaches in its efforts to promote compliance. Thus, the payment of fines and penalties appear for overdue taxes. Thus, there arises the need to allow audit by tax collectors if deemed necessary, especially if they suspect that there is some kind of some tax non compliance (Nicolae, 2011).

According to Omotosho (2006), sixty percent (60%) believe that the only reason why registered companies are paying taxes is to secure tax clearance certificate for other uses rather than willingly contribute their quotas to government revenue. 40 percent believe that registered companies are paying taxes to contribute to government revenue willingly and to secure income tax clearance certificate for other uses. Therefore, something needs to be done to change their orientations toward willingness to pay income tax and perform other social responsibilities to their host communities in general.

Niwagaba (2011), found that lack of proper supervision from tax administrators leads to poor performance of tax revenue collection. In his study 77.5% of the respondents agree that lack of sufficient supervision leads to low local revenue collected. Mrema (2012), Constraints which minimize the compliance which include related party transactions that have harmful tax practices such as Transfer pricing, thin capitalization and Gain on licence /interest transfers where most mergers and acquisitions are done overseas and

commonly in a tax haven jurisdiction .The High Investment Costs and Technology Challenge Which include Costs of exploration and extraction of the underground resources is exorbitantly high and cannot be affordable by the underdeveloped countries and hence modern technology is required for tax authorities to be able to effectively capture and analyze actual costs. Other factors which minimize the compliance are staff retention, Delays in clearance of imports, Corruption Due to human weaknesses, Undervaluation due to Falsification of invoices by declaring unrealistic prices in order to defraud the revenue by unfaithful importers and Lack of Proper Infrastructure which affects automation and transport/movement of cargo to the destined locations eg unreliable sources of power generation.

2.9 Conceptual Model

The conceptual frame works reflects the study variables which explain the research problem. The discussion at conceptual level where the key variables have been distinguished clearly the different types of variables studied and specify nature of relationship between them.

The independent variable is quality of taxpayer's services influencing Performance of tax revenue collection while taxpayers compliance as moderating variables. The quality of taxpayer services TRA provided was evaluated considering five dimensions of service quality namely: tangibility, Reliability, responsiveness, assurance and empathy. Other factors like corruption, nature of tax policy and law, economic condition and political interferences and social influences on tax voluntary compliance and Tax revenue collection are assumed constant. The figure 2 bellows indicates the conceptual of this research.

Tangibility ; This is services quality determinant which refers to the appearance of physical facilities, personnel, tools or equipment, technology used to provide the service and communication material. The determinants gives the tax payers confidence on tax transactions. This resulting in voluntary compliance hence reducing compliance cost Physical facilities and facilitating goods should attract the customers to pay tax obligation.

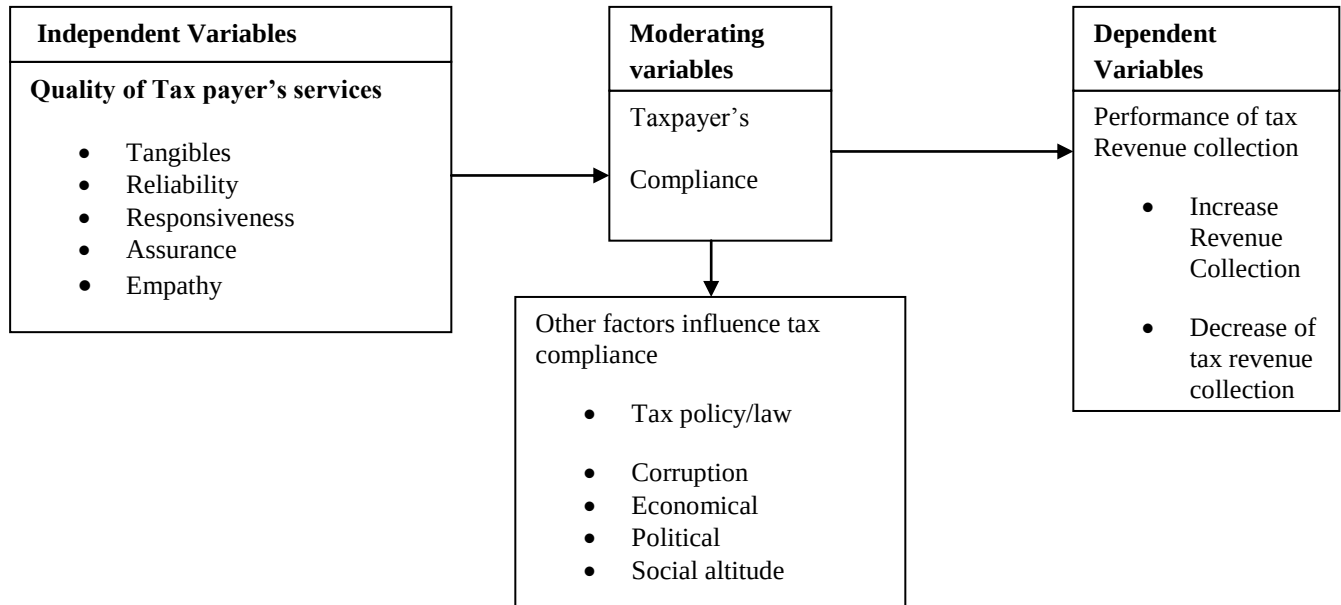
Reliability services quality determinant: Ability to perform the promised service dependably and accurately. If TRA staff provides services timely, accurate and consistence, they should make customers to reduce tax overdue. Regularity of services encourages customers to pay tax happily and on promised time.

Responsiveness- The willingness to help the customer and to provide prompt service, TRA staff should avoid keeping customers waiting for no apparent reason. They should pay prompt attention to request, questions, Problem solution and Complainants handling. The Quick recovery, if service failure occurs should create interest to customers to pay tax hence increases tax collection and revenue performance.

Assurance: Knowledge and courtesy of employees and their ability to convey trust and confidence. If tax officers give feeling that customers' best interest is in your heart hence being polite and showing respect for customer. The tax payers should enjoy paying tax without being forced resulting good performance of tax collection.

Empathy: the tax officers should be approachable, caring, understanding and relating with customer needs. They should be compassionate and provides individualized attention to its customers. Taxpayer's needs to be advised, educated and given awareness of some of the tax matters, this should encourage them on voluntarily paying their tax hence increase revenue from tax.

Figure 2.1: The Conceptual Framework



Source: Parasuraman, et all (1988) and modified on this research.

2.10 Description of the Model

The model used in this study is drawn from Parasuraman, et all (1988) on his study Multiple- item Scale for Measuring Customer Perceptions of Service Quality. In his study ten dimensions was used to measure the customers perception on the services quality. The items include tangibility, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding the customers. In this study, five major dimension was used to measure services qualities and their contribution to performance of revenue collection, others items was used as performance indicators of these five major quality services determinants .

On other hand, Parasuraman (1988), considers tax policy, corruption, economic and political interference as other factors which influence tax compliance and affects the performance of Revenue collection and ignores social attitude which had also effect the tax revenue collection. According to Murthy (2004), social attitude toward taxation affects the tax compliance resulting to more tax evasion hence reducing the performance of tax revenue collection. In this research this factor is also taken constant.

In addition, other researcher like Iga (1999); found out the effective tax administration can lead to the collection of expected revenue, which is one of the measure of tax revenue performance using quality dimension of reliability, responsiveness and assurance. In this research two more variables of Tangibility and empathy was used to measure the quality of services in relation with performance of tax revenue collection.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter presents various steps that were adopted by the researcher in studying the research problem along with the logic behind them. In this essence, the chapter presents the research design, description of the study area and its rationale, the study population, the sampling frame and sample size, sampling techniques, types and sources of data, data collection methods, and the way data was analyzed and presented

3.1 Description of Area of Study

The study concentrates on Zanzibar particularly Unguja Island where TRA is among the of income tax collection Zone. This area includes Western and Urban District (Urban Region). The total population of Zanzibar is 1,303,569 where urban Region has 593,678 which is equivalent to 46% of the total population (Census 2013). The main activities of people of Zanzibar are small scale business entrepreneurs, Farmers and fishermen. Their personal, business and Investment income are derived from that activities where TRA and ZRB are charging for the tax. Zanzibar annual tax revenue performance was 85%, 73%, 77% and 118% in 2003/04, 04/05, 05/06 and 06/07 respectively (Corporate plan 2008/09 – 2012/2013).

3.2 Research Design

The TRA and in particular income tax department operates both in Tanzania Mainland and Zanzibar. This is very large area for a study of this nature due to time and financial constraints. The study used cross-sectional survey because it facilitates the researcher to examine a section of the population at a single-time period (Kothari, 2004). Both qualitative and quantitative data were collected using questionnaires and interviews, which were administered to different categories of respondents comparing the target population.

3.3 Target Population

Cohen (2000) shows that population is a group from which the researcher expects to get useful information and draw conclusions for the study. Target population for this study was Taxpayers and TRA staffs. The total population is 11,460 tax payers which are grouped into 1,638 corporate taxpayers, 9,580 Small business and individual taxpayers and 242 TRA staff.

3.4 Sampling Techniques and Procedures

3.4.1 Sample Size

Sample size is a number of sampling units which are to be included in a sample (Kothari, 2004). This study is going to use a sample of 99 respondents who was divided into two groups; the first was comprise of 60 small taxpayers, second 39 corporate tax payers in the study area. The sample size respondents obtained by using the standard formulae, $n = N / (1 + Ne^2)$ as proposed by Yamane in 1997. Where, n = sample size, N = total number of household = 11,218, e = standard error ($e = 10\%$) giving 99 respondents.

$$N=11,460 \quad e= 10\% \quad n=?$$

$$n = 11,460 / (1 + 11,218 * 0.1^2) = 99$$

Table 2: Sample selection

Type of respondents	Target Population	Sample Size	% respondents
Small Business/small tax payer	9,580	60	61
Corporate Tax payers	1,638	39	39
Total	11,218	99	100

Sources: Research data(2014)

The selection of 99 respondents enables the researcher to make the inferences to entire population and is possible to handle them during research work. The TRA respondents were chosen under purposive sampling with particular interest in those whose routine

work involves handling corporation and individual tax matters for interviews, those who were knowledgeable and experienced in the phenomenon under study. The 99 respondents were selected using convenience sampling through their quotas; this was done to get respondents who are active tax payers with information needs with the study.

3.4.2 Sampling procedure

Purposive and simple Quota techniques were used to obtain the population samples. The target population in this study was the tax payers who are registered for TIN and TRA staffs. The purposive sampling was used for TRA respondent and Quota sampling was used for selecting corporate and small/individual taxpayers. The selected samples were interviewed to their respective working place by using personal interview and structured questionnaire.

3.4.3 Judgment or Purposive Sampling

Under this sampling procedure the researcher selects respondents based on her/his reasonable judgment that they are the ones who are most likely to provide the desired information. This can also mean that the information obtained was reasonably representative of the rest of the population. Under this study the TRA staff was selected using this technique.

3.4.4 Quota sampling procedure

According to Kothari (2004), the actual selection of the items for the sample is left to the interviewer's discretion. The interviewers are simply given quotas to be filled from the different strata, with some restrictions on how they are to be filled. Under this study the tax payer are grouped into quotas and the sample was drawn from each quarter. The 99 respondents were selected using this method. The individual should be selected from each quotas using convenience sampling to get the total number of sample.

3.5 Unit of analysis

This includes official staff from Tanzania Revenue Authorities that was interviewed from the sample unit, corporate tax payers and small / individual tax payers.

3.6 Data Collection

3.6.1 Primary Data

Mlyuka (2011) points out that primary data are the first hand information collected through various methods such as questionnaires, interviews and observation. The primary data was obtained by using questionnaires, interview and observation in the study area. Also Kothari (2004) defines primary data as those collected afresh and for the first time and thus happen to be original in character. This type of data was collected in the current study by the use of questionnaires, interviews and observation.

3.6.2 Secondary Data

Secondary data are those obtained from literature sources or data collected by other people for some other purposes (Adam and Kamuzora, 2008:138). On the other hand they are data which have already been passed through the statistical process. The researcher collects these data from documented materials, such as books, reports, and electronic archives in forms of websites. The purpose of applying this method is to get archival information to support raw data to be collected from field in the course of this study.

3.7 Data Collection Methods

Kothari (2004:95) advises that while deciding about the methods of data collection to be used for the study, the researcher should keep in mind two types of data; namely primary and secondary. The instruments for collecting data are therefore selected depending on the type of data the researcher would be collecting. In order to collect data needed in this study; the researcher use questionnaire, interview and observation methods for collecting primary data, and documentary method for collecting secondary data. This study involves the collection of quantitative data supplemented with qualitative ones.

3.7.1 Questionnaires

Questionnaires were first pre-tested by a small number of respondents and then after they were distributed by the researcher to respondents for collection of raw data. They

were filled in a self-administered manner. In this regard, they were formulated in English and translated into Swahili to make them understandable to respondents. They were distributed to collect quantitative data from 99 tax payers and staff members.

3.7.2 Interviews

Interviews were arranged to allow respondents to freely provide their views related to the problem that is being investigated. The purpose of applying this method is to supplement the questionnaire method of data collection so as to obtain the qualitative data which have not been collected through questionnaires.

Interviews were semi-structured; i.e. some of the questions and topics were predetermined. Other questions were arising during the interview session and thus the method was appeared to be informal and conversational, but carefully controlled and structured. Interviews were used to collect data from respondents who did not have time to fill in questionnaires but could express themselves verbally. However, under this method, interviewee's was included TRA staff members.

3.8 Data Management, Analysis and Processing

3.8.1 Data Management

This involves systematically organizing mass of raw data to be collected in a manner that was facilitating analysis of data. The Researcher designed numbers directly for close ended questions in the questionnaire and for open ended questions; the researcher categorized all responses given and assigned numbers to them.

3.8.2 Data Analyses and Processing

The study used qualitative data analysis with a quantitative bias in addition to some aspects. Quantitative methods were used to measure the relationship between Quality of Tax payer's services and revenue performance by using correlation. The data derived from the questionnaires were analyzed using **SPSS** statistical package on analysis of quality of services and **EXCELL** software on the revenue assessment to compute percentages, tabulation of responses.

3.9 Ethical Considerations

Ethical considerations in conducting a research should not be overlooked. Nearly every research study has the potential of affecting subjects in some way, either psychologically or physically. Researchers dealing with human subjects must take great care to ensure that all precautions are taken to alleviate any potential harm to subjects. These include carefully planning a study as well as debriefing subjects upon completion of the project (Payne & Payne, 2004). Saunders (2007) defines research ethics as the appropriateness of the researcher's behaviour in relation to the right of those who become the subject of the study work. In this study ethical procedures were considered throughout the period of research study and the researcher ensured that names of respondents would not appear on the questionnaire to ensure confidentiality of the respondents as it was a part of the ethical procedure to ensure that respondents are protected.

3.10 Measurement of Variables

The critical determinants of services quality as independent variables that are: tangibles, responsiveness, reliability, assurance and empathy were measured to give the quality of taxpayer's services offered by TRA using measurement indicators of these critical determinants below. The measurement indicators of these determinants of quality were used to develop questionnaires of the five likert scale to determine the quality of services.

Table 3: Determinant of Services quality and measurement indicators

Quality of services determinants	Meaning/refers to	Measurement Indicators
Tangibility <i>Representing services physical</i>	The physical representation or images of service	Physical facilities Equipments Technology Employees Tax education materials
Responsiveness <i>Being willing to help</i>	Willingness to help the customers and to provide prompt services.	Willingness to help Prompt attention to request ,questions Problem solution Complainants handling Flexibility
Reliability <i>Delivery on promises</i>	Ability to perform the promised services dependable and accurately	Timeliness Consistency / regularity Accuracy
Assurance <i>Inspiring trust and confidence</i>	The knowledge and courtesy of the staff, their ability to inspire trust and confidence	Staff confidence Respect of customers Credibility Probity and confidentiality Safety and security
Empathy <i>Treating customers as individuals</i>	The caring individualized attention you provides to your customers	Access (to staff, services, information) Communication (clear, appropriate, timely) Understanding the customers Services appropriate to customers' needs Individualized attention

Sources: Fitzsimmons et al (2003) Service Management (5e) modified on this research

All factors that affect tax payer's compliance were kept constant. The factors include tax policy, corruption, economic factors and political interferences. The tax compliance as moderating variables was not studied. The identification of service offered by TRA should be made using the documentary review of authority legal documents such as taxpayer quality charters introduced 2012 , and other formal documents with semi-structured questionnaires was used.

The performance of tax revenue collection is dependent variable was measured as percentage of the actual annual income collection to the total annual tax revenue projection in each year over period of two years 2011/2012-2012/2013. The quality of tax payer's services was measured using five point likert scales. Questionnaires were administered to tax payers and staff to evaluate the five critical determinants of the services quality.

A relationship between tax payer's services and the performance of tax revenue collections was established through correlation analyses using SPSS analysis packages.

3.11 Validity and reliability

The research instruments that are going to be used was valid since they are from authorized publishers, and the results of interviews, questionnaire and other methods of data collection that was used may be tested without producing different answers. Therefore the result that was obtained from this study was reliable and can be used as a source of further references.

3.12 Limitation of the study

Some taxpayers did not have time to personally attend to the questionnaire that was administered by the research assistants. About 25% of the questionnaires were administered on the representatives of the taxpayers, tax payers were not around on the business paces. This may have had an impact on the overall results obtained, since the actual feelings of 25% of the taxpayers were not captured. Some taxpayer did not want to respond the questionnaire due to fearing tax officers and the information provided will result them into tax penalty or punishments.

Some taxpayers were not interested and did not want to provide answers to the questionnaire for fear of the purpose of the information they provided though an explanation was given at the start of the interview. Their answers may have been affected by their skepticism about the purpose of the information collection, which may have affected the research results.

The time to carry out the research was short. The research assistants administered the questionnaires to taxpayers hurriedly. This may have had some negative impact on the answers they provided, consequently affecting the study results.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter includes the detail presentation of research findings. Respondent characteristics were determined based on the Questionnaire results. The services provided were identified using questionnaires and Documentary reviews. The TRA tax payers' services quality was determined by mean and percentage scores. The performance of tax revenue collection was measured using percentage of actual revenue to target revenue. The taxpayer's services and their impact on performance of tax revenue collection were predicted after correlation and regression analysis using SPSS analysis packages.

4.1 Sample Characteristics

The population characteristics were calculated using excel as represented in the table below:

Table 4: Population and Sample size Distribution

Type of respondents	Target Population	Percent of Population	Sample Size	Percentages of Sample size
Small Business/small tax payer	9,580	85	60	61
Corporate Tax payers	1,638	15	39	39
Total	11,218	100	99	100

Source: *Research data*

4.2 Description of TRA Services

The services provided by TRA were identified using questionnaires and TRA services quality Chatter. According to tax payer services quality Chatter (2012), the services include; Tax Registration, Tax Assessment, Tax Audits, Customs Clearance, Permits and licenses , Response to enquiries and complaints, Tax relief, Tax refunds, Tax investigation services, Tax education, Provision of statistical data and Training.

4.2.1 Tax Assessment And Audit

Around seventy six percent (76%) of registered business were assessed and audited, twenty four percent (24%) not audited. The table below shows number and percentages of business firm assessed by TRA.

Table. 5: Business firm made tax assessment by TRA

Respondents	Frequency	Percent
Yes	75	75.8
No	24	24.2
Total	99	100.0

Sources: Research data (2014)

The TRA services quality charter (2012) can not differentiate assessment time among business firms. According to research data, around sixty eight percent (68%) of the assessed business firm were assessed on annual basis while (8%) on semi- annual bases and the rest did not remember when they were assessed. The table 6 below shows the frequency and percentages of assessed firm made on different time bases

Table.6: Time used for assessment

Assessment Time	Frequency	Percent
semi annually	8	8.1
Annually	67	67.7
Don't remembers	24	24.2
Total	99	100.0

Sources: research data (2014)

According to TRA Services quality charter (2012); TRA shall conduct tax assessment and audit to tax payer's business record three (3) month or six (6) month for complex cases for every year. The report should be made within 21days after tax assessment and audit. For the year 2013/14, only Seventy six percent (76%) of the business firms were assessed and audited, twenty four percent (24%) of the registered tax payers were not assessed and audited. Out of 76% audited business firms, 8% assessed semi-annually, 68% annually and 24% they did not remember when they were assessed. This indicates that 24% of the revenue was not collected. On other hand it is very important for TRA to conduct annually survey so as to identify the quality of tax payers registered. the problems of unaudited firm disturb the tax administration and result into less revenue

collection as by Katusiin (2007), the proper assessment and audit depend largely on competent and committed staff and timely auditing (Christin, 2005).

4.2.2 Response to Enquiries and Complaints

Fifty nine percent (59%) of registered business firms sent complaints to TRA, but 32% did not and the rest did not remember to have sent their complaints. Thirty eight percent (38%) of business firms which sent their complaints responded by TRA after two months and 62% responded by TRA at different times. Table 7 shows the time that TRA has taken to responds the Taxpayers complaints.

Table.7: Time Taken to Respond the Taxpayers Queries

Time taken to responds	Frequency	Percent
5-30 day	3	3.0
30 - 60 days	37	37.4
60- 90 day	8	8.1
90- 180 days	7	7.1
360 days	1	1.0
I do not remember	43	43.4
Total	99	100.0

Sources : Primary data(2014)

The results shows that, there is delaying of response to tax queries and complaints of the tax payers, only thirty seven percent (37%) of queries was responded within two(2) months, 3% one month, 8% and 7% three to six months but 43% they don't remember the time taken to respond their complaints. Poor handling of the customers queries and complaints reduces the customers moral on tax obligation hence will cause undesired activities like bribes and failure to manage the potential taxpayers (Baker, 2005).

4.2.3 Tax education and services

Taxpayers' education was one of the new developments in tax administration aimed at Softening enforcement of tax laws and regulations. The objective is to enlighten taxpayers on their rights and obligations in order to enhance voluntary compliance.

The objective is to enlighten taxpayers on their rights and obligations in order to enhance voluntary compliance. This function is implemented at the TRA through establishment of taxpayers' service desks, which are charged with handling taxpayer inquiries and complaints. Seventy five percent (75%) of respondents had received tax education while twenty five (25%) did not get tax education. Table 8 below shows the frequency and percentages of business firm receive tax education.

Table.8 :Tax Payers who Received Tax Education

Respondents	Frequency	Percent
Yes	74	74.7
No	25	25.3
Total	99	100.0

Source: Research data(2014)

The desk makes sure that tax information is available to taxpayers through telephone, tax leaflets, and tax booklets and through verbal explanations. They disseminate tax information about the tax heads administered by the TRA, which the taxpayers are expected to know and do as far as tax affairs are concerned. They educate them on various tax forms and returns to fill, when to fill them and various due dates for payment of taxes. Around sixty eight percent (68%) of the respondents receives the tax education through Radio, (8%) through desk/class and (24%) through other means such as verbal explanations, leaflets and Posta and magazine. The table 9 below shows the frequency and percentages of taxpayers who received tax education.

Table. 9 :Means That Taxpayers Receive Tax Education

Means Taxpayers Receive Education	Frequency	Percent
on class/desk	7	7.1
Radio	67	67.7
Television	1	1.0
Other means	24	24.2
Total	99	100.0

Sources: Research data(2014)

The result indicates that tax educations are the most important services needed to enhance taxpayers' voluntary compliance because most of taxpayers do not appreciate to pay tax, they feel that tax payment as another cost/expense to reduce their profit. This argument supported by research done by Murthy (2004), who find that small businesses are registered just to get legality and not payment of tax.

The Authority provides services quality charter as a measure of standard performance. Around fifty seven percent (57%) of respondents are not satisfied with quality standards provided at the current time, while 43% are satisfied with the quality of services issued by TRA. Table below shows the satisfactory rate of quality services provided by TRA.

Table.10: Taxpayers perception on Quality of services provided by TRA

Taxpayers Quality perception	Frequency	Percent
Satisfactory	43	43.4
Unsatisfactory	56	56.6
Total	99	100.0

Sources: Research data (2014)

As far as services quality charter is concerned (2012), the two years implementation of this charter did not satisfy the customer perception. Around fifty six percent (56.6%) were not satisfied and only 43% satisfied; TRA should improve its services by increasing staff performance and equipment

The results indicated that, the services identified as an element of the Performance of tax revenue collection, those services include tax registration, tax education, tax assessment and tax audit. This shows that it is very important for the tax body to conduct annual Surveys to identify taxpayers and to make sure that tax payers can experience a positive impact on service delivery.

TRA does not have enough Offices and materials especially in Regional-wise. All taxpayers should be registered and pay their taxes at the central office which is available at Urban Region which is causing delays and to miss obligation for some the tax payers. The challenge of inadequate audit staff and utilization are still hampering the effectiveness of the Audit function. Katusiime, (2007), observes no strict enforcement of

penalties at the times penalties assessed. Taxation system is perforated with a number of weaknesses which require attention. Improvement in tax system will largely depend on competent staff, administrative units, and a strong Audit function.

The results also indicated that, the Collection Procedure and Tax Assessment should be beneficial to both the tax payers and the tax body. It is vital to always use receipts as an appropriate tax collection method and to make sure that tax assessors are effective in registering and assessing all potential tax payers. They should have the right qualifications and experience in tax related transactions. According to the research done by Christensen (2005), it can be said that if the Tax Authority manages the identified Tax Administration strategies well, it will hinder a situation where employees of various levels connive with tax payers so as to gain from what would be revenue for the institution. Enforcing these strategies of tax administration will help to control ethical or undesired activities in managing taxes such as undervaluing, under assessments, receiving bribes from tax payers and failure to register the potential tax payers (Baker, 2005).

4.3 Analysis of the TRA performance

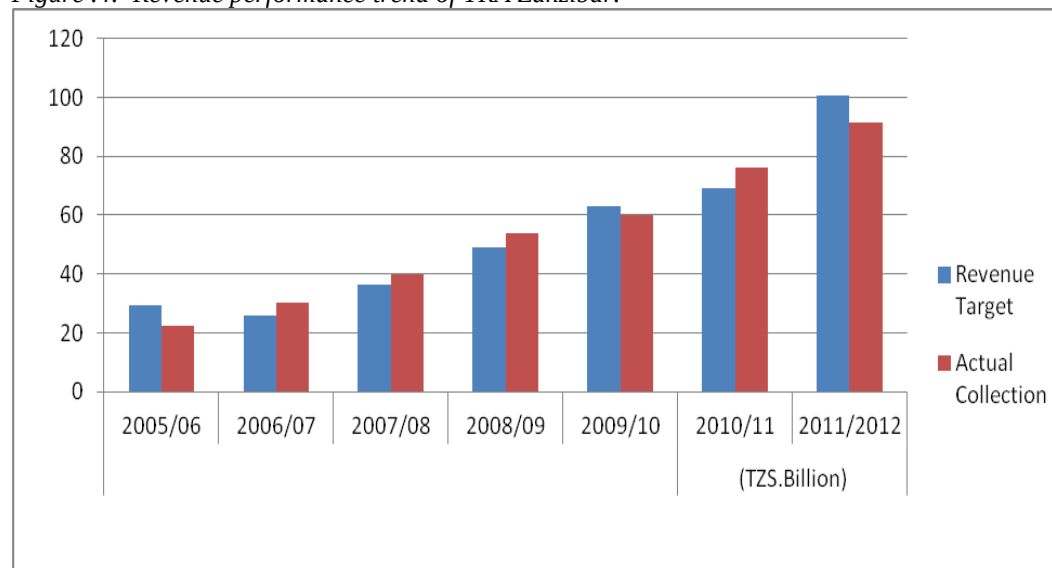
Before TRA established the Tax payer Quality Chatter of 2012, the revenue collected by TRA rose progressively but it was not according to planned target. According to Annual Financial Report of 2011/2012, the actual collections were Tzs.91, 652 million against collection targeted of Tzs.100, 580 million less by Tzs.8, 929 million or performance of 91%. Despite of the underperformance there was a decline of revenue growth, by 2010/201 the revenue growth was 27.2% while in 2011/2012 the revenue growth was 20%. The table 11 below shows the performance of TRA in 2005/04-2011/12 respectively, figures 4 show the performance trend in respective period and table 12 shows revenue collection by item. Table 11 below show the revenue performance from 2005/062011/2012

Table 11: Revenue Performance(TZS.Billion)

Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Revenue Target	29.2	25.8	36.2	49.2	63.2	69.2	100.6
Actual Collection	22.4	30.4	39.9	53.9	60	76.3	91.6
Performance	76.7%	117.8%	110.2%	109.6%	94.9%	110.3%	91.1%
Annually Growth	9.3%	35.7%	31.3%	35.0%	11.3%	27.2%	20%

Source: Tanzania Revenue Authority(2011/12)

Figure .4: Revenue performance trend of TRA Zanzibar.



Sources: TRA report (2011/12)

The tables show the actual collection by item made by TRA at Zanzibar tax Zone.

Table. 11: Actual Collection by Item (TZS.Million)

Tax Item	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
P.A.Y.E.	3,631.0	5,670.0	6,000.3	8,810.9	11,828.7	13,319.9
Corporation Tax	2,440.6	2,365.9	3,662.7	3,608.7	5,420.9	5,000.4
Individuals	712.6	906.6	1,270.7	1,252.4	1,876.2	1,924.9
Others taxes	1,086.3	1,129.5	2,659.9	6,295.5	5,476.6	7,425.3
Import duties	5,770.9	8,600.8	10,974.4	14,122.2	13,248.0	20,949.7
Excise duty on Imports	2,382.8	3,623.6	4,168.8	4,448.8	4,638.4	6,102.7
VAT on Imports	5,270.5	7,106.2	9,616.5	13,224.6	12,466.3	18,498.3
Others	886.5	1,092.4	1,504.7	2,182.7	1,917.0	3,134.1
Total TRA (Zanzibar)	22,381.2	30,494.9	39,858.0	53,945.8	56,872.1	76,355.3

Source: Tanzania Revenue Authority(2011/12)

TRA mainly used revenue targets as the main measure of success. The usual practice was to try and meet the revenue targets with little attempt to improve the taxpayer services. The revenue performance measured as percentage of annually estimated

income so as to know how well TRA meet the target. The tax officials used to put pressure on taxpayers towards the end of each fiscal year to pay their taxes obligation in order to meet revenue targets. The performance trend for revenue collection was 110% (2010/11), 91% (2011/2012) and 97% (2012/2013). The belief among members of the business community was that if one tried to follow the rules, the end result was that one would be harassed and penalized, while those outside the system mainly politically connected, continued to pay little or no tax. This type of situation made the improvement of taxpayers' services at the TRA very difficult.

According to Serra (2005) mentioned that the indicators that measure performance do not only take percentages of targeted and actually collected, it also should consider maximization of tax revenue collection with minimizing compliance costs and taxpayer satisfaction as measured by surveys. The research established that 56% of respondents were not satisfied with services provided but the performance was very high; the World Bank report (2003) suggested that tax administration performance should also be evaluated with respect to the three requirements of effectiveness, efficiency and equity.

According to (William Crandall 2010), Performance measurement is an ongoing process of ascertaining how well, or how poorly, an organization is achieving its goals and objectives. It involves the continuous collection of data on progress made in this regard. Performance measurement systems can provide several types of information, including information about inputs, activities, outputs and outcomes. Performance indicators, or measures, are developed as standards for assessing the extent to which these objectives are achieved.

For TRA the major indicator of performance was percentages of actual revenue collected and contribution of tax revenue collected to GDP. The statement has been supported by TRA education officers (Zanzibar) during interview who said *“there are other indicators used to measure the performance of TRA but commonly were comparison between targeted revenue to actual and GDP ratio.”*

When he was asked about the challenge facing TRA in providing services to customers, *he said the major challenge faced by TRA were the risk that arises due to the*

complexities and innovation of business structure, new financial products, e-commerce, and overall globalization. Therefore TRA continue to restrategizing and designing the new approach to overcome the situation. This includes enhancement of ICT system to respond the ever changing business needs.

4.4 TRA Taxpayers services Quality

TRA taxpayer services quality rating was determined using a likert scale. The quality ranged from strongly disagree to strongly agree represented by one and five likert scale value respectively

The score for each question was entered into spread sheet and mean score were determined for each determinants of services quality using SPSS as analysis packages. The mean score of critical determinants are shown in Table.12 bellow:

Table 12: The mean score of services quality Determinants

Services Quality determinants	N	Range	Minimum	Maximum	Mean(X)
Reliability1	500	4.000	1.000	5.000	3.16834
Responsiveness2	300	4.000	1.000	5.000	3.22742
Assurance3	400	4.000	1.000	5.000	3.24812
Empathy4	400	4.000	1.000	5.000	3.13534
Tangibility5	400	4.000	1.000	5.000	2.59148

Sources: Research data (2014)

The data shows that, the mean score for the tangibility ($X = 2.59148$) is lowest compared with the other determinants, followed by Empathy ($X = 3.13534$) and reliability ($X = 3.16834$) determinants. The highest mean scores were Responsiveness and Assurance of $X = 3.22742$ and $X = 3.24812$ respectively. This means that physical representation or images of services using measurement indicators of Physical facilities, Equipment, Technology, Employees, Tax education materials provide minimum picture of TRA services compared to other determinants.

4.5 Description of Tax Revenue Collection

The performance of Tax revenue collection was measured by comparing the projected /targeted revenue and actually collected amount for each financial year. This secondary data was obtained from TRA offices and documentary reviews like Annual Financial

report of 2011/12 and 2012/13. The performance of tax revenue collection for the financial year 2010/11, 2011/12 and 2012/13 was calculated as percentages of actually collected tax revenue and targeted annual tax revenue. The percentage level obtained is shown in the table below:

Table.14: TRA performance of Tax Revenue Collection for three years

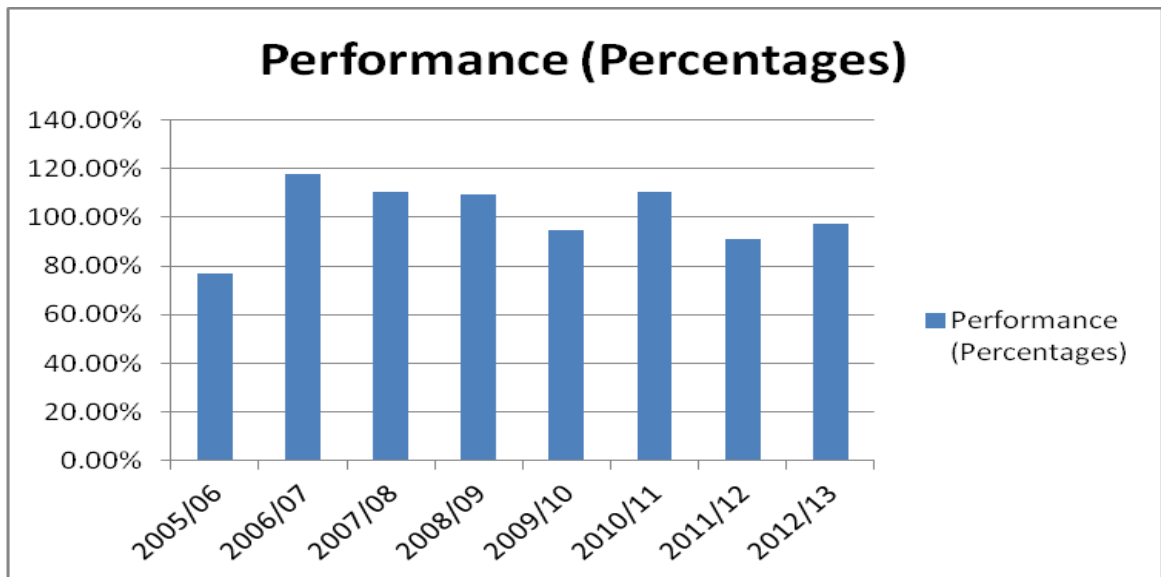
Year	Targeted Revenue Collection (Billions)	Actual Revenue Collected	Performance level	Average Performance
2010/11	69.24	76.35	110.3%	102.75%
2011/12	100.6	91.65	91.1%	100.69%
2012/13	106.73	103.86	97.3%	94.21%
Average Performance				99.21%

Sources: TRA report (2012/13)

The fiscal year of 2010/11 had the highest performance of tax revenue collection of 110.3% with average performance of 102.75%. The fiscal year 2011/12 had lowest performance of 91.1% with average revenue performance of 100.69% but 2012/2013 seemed to have higher revenue compared with 2011/12 fiscal year.

At that particular period, TRA performed well in terms of achieving revenue target since all of these years the lowest performance was 91.1% with the lowest average of 94.21%. The highest level of performance provides good indication of how well TRA are most effective in tax revenue collection. However the validity of this statement could be proved if other measures of performance were used. The figure 6 below shows the performance trend from 2005/06-2012/13 in term of percentages.

Figure. 6: TRA performance of Tax Revenue Collection



Sources: TRA report (2012/13)

4.6 Description of Taxpayer Quality and Performance of Tax Revenue Collection

The data collected were entered into SPSS analysis packages to produce the Pearson correlation matrix. The output from the Pearson correlation matrix was presented in table 14 below. The correlation was done to determine the extent of the effect of the independent variable on the dependent variable. The Pearson R value is presented noting that correlation r value is $+1 \leq r \leq -1$

Table .14: Pearson Correlations (r) between Dependent variable and Independents Variables

	1	2	3	4	5	6
Reliability (1) r	1					
Responsiveness (2) r	.192**	1				
Sig.	.001					
Assurance (3) r	.110*	.211**	1			
Sig.	.027	.000				
Empathy (4) r	.057	.152**	.258**	1		
Sig.	.256	.008	.000			
Tangibility (5) r	.158**	.048	.077	.112*	1	
Sig.	.002	.412	.123	.025		
Performance of Revenue Collection (6) r	0.125*	.097	.052	.117*	.102*	1
Sig.	.016	.096	.301	.020	.043	
Mean	3.1300	3.2300	3.2500	3.1375	2.5900	3.0720
Standard deviation	1.0135	1.0234	0.9975	1.0155	1.0723	1.0521

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.7 The correlation between the quality of taxpayers services and performance of TRA in revenue collection

The research variables were applied to show the effect of services quality determinant as independent Variables to the performance of TRA as dependent variable. The determinant measured were responsiveness, assurance, reliability, tangibility, and empathy toward the dependent variable of TRA performance.

The correlation coefficient matrix in table 14 above shows that:

The reliability determinants of services quality is low positive correlated and has significance effect with performance of Tax revenue collection ($r = 0.125$, $p = 0.016$) given that the standard significance of $p = 0.05$. This is to say the increase or decrease of in reliability may affect significantly the performance of tax revenue collection. It may reflect that TRA is accuracy, consistence and timely provision of their services to its tax payers. This indicates that the more TRA become reliable the more revenue will be collected as supported by Otosho (2006) who recommend that as services become reliable the more customers enjoy using.

The Responsiveness determinant of services quality is positive correlated with performance of Tax revenue collected but with insignificance effect ($r = 0.097$, $p = 0.096$) given the standard significance of 0.05. This means that responsiveness is positively related but its increase or decrease does not have significant effect to the performance of revenue collection.

The Assurance determinant of services quality is very low positive correlated with tax revenue collection but has insignificance effect ($r = 0.052$, $p = 0.301$) given the standard of significance value of 0.05. It means that the increase or decrease of the assurance in provision of the TRA services has positive relation with tax revenue collection but has not significance effects. It indicates that the more TRA implement confidentiality and consistent courtesy, the more tax revenue was collected but has insignificant effect to the total performance.

The empathy determinants of the quality of services is positive correlated with performance of tax revenue collected but has significant effect to revenue collection ($r = 0.117$, $p = 0.020$) given the standard significance of 0.05. It means that the increase or decrease of the empathy may affect positively the performance of revenue collection. This indicates that if TRA has good access, communication, understanding the customer needs and carrying the individualized attention to tax payers the more they perform in tax revenue collection.

The tangibility determinants of services quality are positively correlated and has significantly affect to the performance of tax revenue collection ($r=0.102$, $p=0.043$) given the standard (p) value of 0.05. This means that increase or decrease of the tangibility has positively effect on the performance of revenue collection. This indicates that the more TRA improve its physical facility, equipments, Technology, employee, and tax education materials represent the good images of the services provided to taxpayers and hence the more tax they collect.

The TRA Taxpayer Service quality in Zanzibar is positively affected the performance of tax revenue collections. The predicted determinants of taxpayer service quality is positively and significantly affected the performance of tax revenue collections. An improvement in tangibility, responsiveness, and assurance, empathy and reliability determinants of taxpayer service quality would positively and significantly raise the performance of tax revenue collections in Zanzibar as well as Tanzania in general.

According to the study done by Soest (2006), the services quality determine the performance of tax revenue collection and hence tax payers voluntary compliance, this was also supported by Taxpayers education Officer during the interview, who said that: *even if the services quality are determined through the tax payer perception, but it also contributes much to the performance of revenue collection hence increase the voluntary compliance and reduce the compliance cost.*

A positive relationship that was noted between Quality of taxpayers' services and revenue performance in Zanzibar, Quality of Taxpayers services was a significant predictor of revenue performance. These results imply that the better managed services quality, the better the revenue performance as supported by Bird (2003) and Jit BS Gil (2003). According to Frost (2000), argue that innovative way of increasing the citizen influence is to improve the quality of perceived services and hence improve the performance.

Tanzania has definitely made improvements in tax policy over the years, but it still lacks sufficient administrative capacity. This has been attributed to numerous barriers to

efficient tax administration which apply directly to customers services as major aims of any institution. However, the extent to which tax policy has contributed to boosting compliance is still questionable. While tax laws impose obligations on taxpayers to contribute to government revenues, the actual amount of revenues flowing into the hands of any government depends on the effectiveness of its revenue administration (Bird, 2003). This is because good tax policy depends on effective tax administration to raise the revenue. Services quality showed a positive correlation with performance of revenue collection, this implies that if services quality is strengthened then tax Revenue performance is likely to be boosted as supported by Frost (2000).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

5.0 Introduction

This chapter presents a summary of the results obtained in chapter four. The discussion of results is followed by conclusion, recommendations, and recommended areas for further research as per the study objectives.

5.1 Services offered by TRA to taxpayers

The data collected show that the services identified in Quality of services charter of 2012 needs properly offered to taxpayers. The services include tax assessment, tax audit tax education and respondent of customer queries but some of tax payers did receive them accordingly.

On the tax education, data show that 75% of the respondents receive tax education, 68% of tax payers receive the tax education through radio and only 7% through desk. This shows that tax education given priority by TRA but the mean used to deliver the education does not satisfy the tax payer coverage. Only those who strive to find the tax information get them through radio.

Other services were received at once such as tax registration show business firm were like to be registered (100% of respondents). But only 40% of the small business tax payers was active the rest is either passive or dormant (Field data). This was supported by Tax education officer when he was asked about the challenge faced by TRA during interview, he said *the number of registered small businesses were very high but around 60% are dormant, TRA established special ICT system to monitor the tax payer who are escape the tax obligation.*

From the data collected, research concludes that TRA services monitoring is weak but active tax payers are willing to obtain tax information. Tax education is minimum which result to 40% to be inactive tax payers especial small scale businesses. 56% are not satisfied with services which resulting into tax evasion or avoidance.

5.2 TRA quality of services

The quality of taxpayer services provided was predicted by tangibility, responsiveness and reliability determinants of taxpayer service quality. The data show that the mean score for each services determinant was moderate and tax payers are mostly had not enough information about TRA services. On the other hand, the quality of services determinants shows positive relation with performance of TRA revenue collection.

The research concluded that the quality of taxpayer services was positive and affected the performance of annual tax revenue collections. An improvement on the quality of taxpayer services TRA provided, with focus on the tangibility, responsiveness and reliability determinants of taxpayer service quality would raise the performance of annual tax revenue collections in Zanzibar.

5.3 Performance of tax revenue collections

The revenue performance was measured using the percentages of targeted revenue to the actual collected to respective period. The revenue collection performance shows that, there was proper collection procedure used by TRA to meet the revenue target. In around 4years revenue performance was not less than 90% of the targeted collection. TRA have to maintain their performance status with consideration of customers/ taxpayers services which possible and will increase the taxpayer voluntary compliance.

5.4 Taxpayer Services Received and the Performance of Tax revenue Collections.

From the data collected, the research concludes that Qualities of Services are positively related to the Revenue collection Performance; as such the tax body should ensure that all the aspects related to the Quality determinants are not neglected as they positively influence performance.

The results in the previous chapters indicated that the tangibility, responsiveness and reliability determinants of taxpayer service quality are major component of the Quality of services variable and are leading element when it comes to the success of the tax administration

5.5 General Recommendations and policy implications

In order for the TRA to raise the performance of tax revenue collections in Zanzibar tax area; through enhancing the quality of taxpayer service, it should focus on improving the tangibility, responsiveness and reliability determinants of taxpayer service quality.

The TRA services office are centralized in central office of Zanzibar for Unguja and Pemba. This provides hard time for taxpayers from other regions to access the office when services are needed. TRA office buildings should be approachable at all times and within the proximity of the taxpayers. The offices should be located in a place that can be found by taxpayers, including finding one's way around the service environment and clarity of the route. The location should be such that the roads to the premises are well marked with road names, with easily identifiable and elaborate sign posts indicating and directing customers to the premises.

TRA should purchase enough information materials like computers and distribute services office so as to facilitate processing of information and entries, promote electronic filing, storage and quick retrieval of information in order to provide a quick and reliable service. This would go a long way in reducing overcrowding of taxpayers at the TRA offices. They should have enough material and literature about the taxes, tax laws and any other information that may facilitate taxpayer compliance.

All TRA staff should be trained in customer care to improve their attitude and conduct towards and in dealing with taxpayers. Through training, staff will get to know and understand that a "customer is always a king", and that a taxpayer needs to be listened to in order to provide a quality taxpayer service. The training can improve their skills so that they are more caring, and willing to accommodate taxpayer's views and constraints.

Customer surveys should be introduced to find out the quality of service provided to taxpayers and obtain regular feedbacks on taxpayers' services. This would help in identifying areas of weaknesses so as to develop means for improvement.

As most of the small taxpayer respondents were found to be Information Technology (IT) illiterate, they suggested that TRA should introduce e-tax gradually and if need be, run both manual processes and the automated processes concurrently in order not to drive them out of their small businesses.

The policy should introduce or put much emphasis on monitoring and supervising services produced by TRA, tax education and tax assessment should given high consideration on the policy matter so as to reduce aggressive tax planning for small and corporate firm. Increasing registration threshold for both small and corporate firms should be considered in order to have manageable taxpayer register. Emphasis of tax administration should be shifted to tax payer audits and assessment so that a reasonable proportion of registered tax payers to be audited annually to support the self assessment system.

5.6 Area of Further Research

In relation to this particular study, further study would be conducted in utilization of tax revenue and how perception that the taxpayers did not benefit from their tax revenue was the true factor in influencing their attitude to taxes.

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APPENDIX 1: RESEARCH QUESTIONNAIRES

PART A

To be filled by appropriate / representation of individuals or corporate tax payer

Dear respondent

Introduction

This questionnaire is designed to study the quality of tax payer services provided by TRA.

The information you provide will help us to understand quality of tax payers services because you are one who can give us a correct picture of the researcher perception and expectation on quality of tax payer services at Tanzania Revenue Authority.

I request you to respond to the statement truthfully and honestly. Your response will be kept strictly and confidentially and will used only for this research and not otherwise.

Respondent information

Dear respondent

I would like you to give an idea about services offered by TRA relative to our expectation and perception. For each of the following statement, please put the mark (✓) for the correct information from your idea given against statement:

1. Do your business registered to pat Taxes?
a) Yes ☐ b) No ☐
2. If Yes, What type of registration?
a) Small business ☐ b) Corporation ☐
3. Have your business ever made tax assessment?
a) Yes ☐ b) No ☐
4. If Yes, When assessment made?
a) Semiannually ☐
b) Annually ☐
c) after two years ☐

- d) More Than two years ☐
- e) I don't remember ☐

5. Have TRA Staff undertakes Tax audit to your business?

- a) Yes ☐
- b) No ☐

6. Have you ever sent your complaints to TRA?

- a) Yes ☐
- b) No ☐

7. If Yes, How long it take to be responded?

- a) 5-30 day ☐
- (b) 30 – 90 days ☐
- (c) 90- 180 days ☐
- (d) 180-36 days ☐
- (f) I don't remember ☐

8. Have you ever received tax education?

- a) Yes ☐
- b) No. ☐

9. If yes, where did you get tax education?

- a) On class ☐
- b) Radios ☐
- c) Television ☐
- d) Non of Them ☐

10. What other services that do you suppose TRA can offer to their customers?

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PART B

Instruction to Respondent

I would like you to give idea about TRA's services quality relative to our expectation and perception. For each of the following statement, please your impression of TRA services quality by putting appropriate number of likert scale given against statement:

When it comes to				
Strongly Disagree	Disagree	Neither	Agree	Strongly Agree
1	2	3	4	5

Reliability

1. TRA staff provides services promptly (.....)
2. TRA staff is dependable in handling tax payer services (.....)
3. TRA Staff perform the tax transaction right the first time (.....)
4. TRA staff provide services at promised time (.....)
5. TRA staff keeps tax payers informed when services will be performed (.....)

Responsiveness

1. TRA staff provides prompt services to tax payer (.....)
2. The employee of TRA are willing to help the tax payers (.....)
3. The employee of TRA are ready to respond to tax payer's request (.....)

Assurance

1. The employee of TRA provide confidence in tax payer (.....)

2. The employee of TRA make taxpayer feels safe in their transaction (.....)
3. The employee of TRA are constantly courteous (.....)
4. The employee of TRA has the knowledge to answer the tax payer question (.)

Empathy

1. The employees of TRA gives taxpayers individuals attention (.....)
2. The employees of TRA deals with taxpayer's caring fashion. (.....)
3. The employee of TRA has taxpayer's best interest at heart. (.....)
4. The employees of TRA understand the needs of their tax payers. (.....)

Tangibility

1. TRA has modern equipment. (.....)
2. TRA offices Visually appealing facilities to taxpayers. (.....)
3. TRA employee has neat and professional appearances. (.....)
4. TRA conduct business in convenient business hours to tax payers (.....)

APPENDIX 2: RESEARCH INTERVIEW GUIDING QUESTION

1. How do you feel about the quality of services provided by TRA to taxpayers?
2. Can you suggest what TRA should do to improve the quality of Taxpayers services?
3. What is the performance of TRA in 2011 to 2012?
4. What are the challenges facing TRA?