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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

An investigation on the relationship between tax amnesty and tax compliance. A case Study Manicaland SME's.

BY

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2017

DECLARATION FORM

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DEDICATION

This dissertation is dedicated to my parents (Mr and Mrs Sangoya) and to all my brothers and sisters.

ABSTRACT

Zimbabwe introduced its first tax amnesty provision in October 2014 with the objective of cultivating a culture of voluntary compliance and widen the tax base. However such a provision has caused a decline in tax compliance levels of NMC clients despite the fact that the main objective was to improve taxpayer compliance. As a result, it was the objective of this study to investigate on the relationship between tax amnesty and tax compliance of SMEs in the Manicaland province. Mixed methodology approach was used in data collection and primary data was collected through the use of questionnaires and interviews. The population samples were drawn from SMEs that are operating in the manufacturing sector in Manicaland province and the convenience sampling technique was used. The results from STATA 11 shows that the relationship between tax amnesty and tax compliance depends on the objective of the amnesty. There is a positive relationship when the objective of the amnesty is to widen tax base and a negative relationship when the objective of the amnesty is to generate short term revenue. Various researchers observed that amnesties tend to increase compliance in the short-run and some argued that the long-run impact of amnesties on compliance levels is harmful to the tax system as tax payers may end up evading taxes in expectation of another amnesty. The researcher suggested strategies that could be used together with amnesties so as to deal with the issue of non-compliance by SMEs such as publicizing post amnesty consequences and consultations before the enactment of the amnesty as recommendations.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The chapter presents the reader with the nature of the problem thereby giving an overview of the tax amnesty and compliance levels of Small to Medium Enterprises in Zimbabwe. It focused on determining the relationship between tax amnesty and tax compliance.

1.1 Background of the Study

Marchese (2014), Saraçoğlu (2013) and Silvani & Katherina (2014) discovered that there is a positive relationship between the tax amnesty program and compliance level of companies in the sense that tax amnesties provide a free writing-off of previous accumulated tax liability hence the detection of unknown tax payers will improve tax compliance. Feld and Frey (2014) supported tax amnesty as major way of improving tax compliance basing on the belief that if strict measures are adopted such as regular tax audits and prosecutions, positive results on compliance of tax payers are yielded. On the other hand, Ayiro (2012), Kirchlner et al (2015) and Alm (2015) brought a different approach on the relationship between the amnesty and tax payer compliance. Arguments were outlined that expectation of future amnesty significantly reduce tax compliance of taxpayers thereby providing evidence of a negative relationship. Herman and Kara (2014) and Luitel (2016) stated that there is no relationship between tax amnesty and compliance levels because economic factors are not the only factors that affects compliance but also political, social, cultural and psychological factors. The disagreements of the above scholars gave motivation to the researcher for further researches since they were mainly focusing on companies in developed countries that have vibrant economies and advanced technology. However not much research has been done on the relationship between tax amnesty and compliance levels of tax payers in the Zimbabwean economy specifically Small to Medium Enterprises after being granted such a provision during this time of unfavourable economic condition.

NMC Chartered Accountants is in the service industry and provides audit services, tax advisory as well as preparation of financial statements specifically for Small to Medium Enterprises in the eastern region of the country. According to information obtained from www.nmc.co.zw , NMC

clients lack financial resources to pay their tax obligations to ZIMRA. SMEs are failing to settle their tax liabilities such as Value Added Tax, PAYE and corporate tax among others. Following a reduction in the level of compliance, government introduced a tax amnesty program in 2014 with the main idea being that of giving relief to the already overburdened tax payers (www.zimra.co.zw). Tax amnesty has caused major liquidity crunch to NMC clients trying to settle their tax obligation from previous periods. Increase in compliance cost due to complex filing procedures of tax authorities can be one of the aspect contributing to a decline in compliance level (NMC Internal Report, 2015). The reaction of NMC clients to that program of amnesty that are operating in a manufacturing sector motivated the researcher to look into depth the relationship that exist on the provision of tax amnesty program on compliance levels of SMEs.

The Table 1.1 below highlights the amount of tax due to ZIMRA in relation to the payments made by NMC clients for a 3 year period from 2013 to 2015 over the provision of tax amnesty program.

Table 1.1 NMC client’s tax assessment from 2013 to 2015.

Year	2013	2014	2015
Tax due	61,445.62	45,728.59	39,368.48
Amount paid	42,072.30	20,860.30	14,335.90
Balance	19,373.32	24,868.29	25,032.38

(Source): NMC Chartered Accountants statistics 2013, 2014, 2015.

According to Table 1.1 presented above, payments made to ZIMRA in respect of clients’ tax liability declined from year to year despite the introduction of the tax amnesty program in year 2014. It can be calculated that 68.47% of the tax due to tax authorities in 2013 was settled and the balance rolled over to 2014 during which period tax amnesty was introduced. There was a sharp decline from 68.47% to 45.61% and 36.42% in year 2014 and 2015 respectively. Pasi (2016) suggested that the decline might have been caused by ZIMRA’s failure to introduce tax incentives and tax holidays as a motivational instrument to compliant taxpayers other than provision of tax amnesty. In 2015, an amount of \$25 032.38 was still outstanding to tax authorities being an evidence that taxpayers are non-complying. Kirchler et al (2015) stated that non-compliance could

be due to limited resources and inadequate expertise to comply with diverse and complicated tax regulations. Despite the provision of amnesty program the compliance rate of taxpayers declined by 29.21%. According to information available on www.nmc.co.zw, high tax compliance cost due to complex filing procedures recently introduced by ZIMRA has also contributed to a decline in compliance level. Banyonwe (2016) states that 7 of its client had tax owing with ZIMRA before the provision of tax amnesty to settle their tax obligation but only two took part in the program that represent 28.57% of the population complying (NMC Chartered Accountants internal statistics report 2015). This proved that 71.42% of its clients were unwilling to participate in the amnesty regardless of the point that tax authorities were willing to waiver penalty and interest.

According to information available on www.nmc.co.zw, the launch of tax amnesty has caused major liquidity crunch to NMC clients trying to settle their tax obligation from previous periods. Luitel (2016) stated that the level of compliance can decline despite the provision of tax amnesty and this is evidenced by NMC clients that are failing to comply despite having been granted tax amnesty in 2014. The introduction of tax amnesty has brought a major problem to NMC clients such high compliance cost due to complex e filing procedures (www.nmc.co.zw). Though government has introduced tax amnesty program in an endeavor to encourage compliance of taxpayers, NMC clients' rate of tax compliance have continually declining. Therefore the researcher seeks to investigate on the relationship between tax amnesty and tax compliance level on Small to Medium Enterprises.

1.2 Statement of the Problem

NMC clients are facing difficulties in complying with tax authorities despite the provision of tax amnesty program by the government that was aimed to improve the level of compliance of taxpayers in future. Tax amnesty has caused major liquidity problems to NMC clients trying to settle their tax obligation from previous periods. Increase in compliance cost due to complex filing procedures of tax authorities can be one of the aspect contributing to a decline in compliance level. This study seeks to investigate on the relationship between tax amnesty and tax compliance rate of SMEs.

1.3 Main Research Question

What is the relationship between tax amnesty and tax compliance level of SMEs in Zimbabwe?

1.4 Research Objectives

- To identify the factors affecting small to medium enterprises in complying with the tax amnesty.
- To identify measures ZIMRA can adopt to motivate compliance among SME's
- To investigate the relationship that exist on tax amnesty and compliance
- To determine the best practices that tax authorities can make use of to improve tax compliance by SMEs.

1.5 Research Questions

- What are the factors that affect SME's in complying with the tax amnesty?
- What measures ZIMRA can adopt to motivate compliance among SME's other than tax amnesty program?
- What is the relationship between tax amnesty and compliance levels of SME's?
- What is the best practices tax authority can adopt to improve SME's tax compliance?

1.6 Delimitations

The research is an evaluation on the relationship of tax amnesty and tax compliance of SME's .For the research to be manageable, it shall be centered on 25 SME's in manufacturing sector in the Manicaland Province of Zimbabwe .The period of the research shall be from year 2013 to year 2015 and any issues arising before or after this period shall be excluded from the research.

1.7 Significance of the Study

- To the researcher

The research is submitted to Midlands State University in partial fulfilment of the Bachelor of Commerce Accounting Honors Degree and is of paramount importance as it enable the researcher to complete the studies. The study will equip the researcher with a deeper understanding of both industrial and theoretical knowledge in the area of study as well as encourage a practical application of theoretical concepts on the area under study.

- To Midlands State University

The study will contribute additional relevant information as literature to Midlands State University which can be used by other students in future to carry out further researches on the area under study.

- To Small to Medium Enterprises

The study seeks to provide recommendations which the concerned firms might find helpful or might need to further explore and refine for the betterment of compliance levels of SME's and associated effects of non-compliance.

1.8 Limitations

Relevant information pertaining to organizational operations and processes is confidential and it may not be easy to get access to that sensitive data especially that compromises the image and integrity of companies involved. However, to overcome this hindrance the researcher used interview approach to access relevant restricted data. The researcher faced financial constraints to cater for transport, telephone and printing cost to carry out the research effectively. Despite the limitation outlined above, the researcher forgo some needs in order to carry out the research.

1.9 Assumption of the study

The researcher made assumptions that are stated below during his research;

- Sample chosen is a reliable representative of the whole population.
- There is no bias on all responses from entities involved.
- Prevailing conditions of Manicaland Small to Medium Enterprises are the same to all SME'S operating in Zimbabwe.
- Ceteris paribus on other economic factors in Zimbabwe.

1.10 Definition of Terms

- Tax amnesty- Togler (2015), defines tax amnesty as a limited time opportunity granted to a specified group of taxpayers to settle a defined amount in exchange for forgiveness of a tax liability including interest and penalties relating to a previous tax period or periods and without fear of criminal prosecution.

- Tax compliance – Werner (2013), defines tax compliance as interpreting required information about taxes, settling obligation of tax payers on time without preoccupation and paying their tax liability on time without any sanctions to responsible tax authorities.
- Small and Medium enterprises - A small enterprise is formally registered business with a turnover less than \$240 000 and assets less than \$100 000. Medium enterprise is formally registered business with turnover and assets above a small enterprise threshold but less than \$1 million dollars each (The Small and Medium sized Enterprise Association of Zimbabwe 2013).

1.11 Chapter Summary

The chapter introduced the research with background to the study which briefly outlines the scholarly views regarding relationship of tax amnesty and compliance levels of tax payers. The chapter highlighted the objectives of the study as well as the questions to be discussed .Limitations and how the researcher managed to overcome them. Some of the important aspects that were discussed in this chapter are the significance of the study to the researcher, college and SME's at large, definitions of main research terms and the delimitations of the study. The next chapter will focus on literature review on tax amnesty and tax compliance from different scholars.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covered what other researchers have said in relation to the effects of tax amnesty provision on the operations of SME's and factors leading to non-compliance after given such provision. According to Murali (2012), the review of previous research works on the particular area of research will help the researcher familiarize with the subject under research, review outlined problems and research findings hence avoiding duplication of previously work done in coming up with a research gap.

2.1 Factors affecting compliance of SME's with the tax amnesty.

2.1.1 Economic Factors

In the tradition of tax compliance research, a number of factors have been considered important for explaining tax compliance. Complexity of the tax system, penalties for non-compliance, probability of tax audit, taxpayer income generation levels and the responsibility of preparer on penalties are economic factors that significantly affect the compliance levels of SME's (Jackson and Milliron, 2012).

2.1.1.1 Tax audits.

According to Dubin (2012) tax audit have a positive effect on tax compliance. These results suggests that tax audits can play a significant role to increase voluntary compliance in the self-assessment systems. In addition to the above, Witte and Butter (2016) pointed out in their research that tax audits on small business have a pivotal role in tax compliance. Woodbury (2012) examined these findings and supports that tax audits influence negative compliance behavior to positive behavior. Furthermore, Young et al (2013) in their studies in Angola found that tax audits on SME have a direct impact on tax compliance. According to Palil and Mustapha (2014), some studies claimed that audits have a positive impact on tax evasion, these findings suggest that in self-assessment systems, tax audits can play an important role and their central role is to increase voluntary compliance. Palil and Mustapha (2014) argued audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all

income and claim the correct deductions to ascertain their tax liability. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions. Shanmugam (2013) and Dubin (2014) suggested that audits have a positive impact on tax compliance in the sense that, the number of systematic audits carried out by the authority could encourage taxpayers to be more careful in the filing of their tax returns accurately and in time.

However, Beron et.al. (2014) found a contradictory result. Beron et.al. (2014) reported that audits were found to be more effective in inducing taxpayers to over claim deductions rather than encouraging them to correctly report actual income. Graetz and Wilde (2012) found that higher number of audits carried out usually have a positive impact on income tax reporting also found that taxpayers who are not themselves audited pay more in taxes when audit rates increase. In addition to the above, previous studies by Eriksen (2012) and Fallan (2015) found that likelihood of being audited was inversely correlated with compliance behavior. Therefore the study seeks to investigate on whether tax audits affects the compliance level of SME's in Zimbabwe.

2.1.1.2 Tax rates

Barbutamisu (2014) pointed out that, SME's compliance rate is affected by the level of tax rate as tax payers assesses the pros of non-compliant with tax evasion costs such as penalties, prosecution and fines. When the tax evasion costs are less than tax compliance costs consequently SME's avoid paying taxes. Favorable tax rates attracts SME to settle down their tax obligation other than amnesty provision (Sakunda, 2015). Chepata (2012) identified tax rates as major causes of tax evasion. Ritsema (2013) pointed out that the more the tax rate the higher the taxpayers burden thereby reducing business disposable income hence the higher chances of evading tax. Allingham and Sandmo (2012) empirically examined tax rate as an economic factor that affect compliance levels of SME's and asserts that tax rates significantly affects compliance levels of taxpayers. In a survey conducted in Nigeria by Stumpel (2013) reviewed that tax compliance shows that the tax rate has an ambiguous effect on the level of tax compliance, depending upon taxpayer's attitude towards risk. Spicer & Becker (2014) found that taxpayers who are aware that their tax rate is higher than average tax rate paid by other have higher records of tax evasion evidencing tax rate as a factor that affects compliance. In a study carried out by Knoblett (2012) in Angola, concluded that tax rate rates play a pivotal role on compliance levels of tax payers in the sense that when the government increased the corporate tax rate by 2.5%, there was a 12% decline in the level on

compliance. Similarly, it was also found that taxpayers' underreporting behavior is positively correlated with high tax rate. More evidences show that the high tax rate is positively related to tax evasion and negatively related to tax compliance (Ali and Cecil, 2015).

However, Sanchez and DeJuan (2015) found the opposite in a Spanish sample, Baldry (2012) did not find a significant effect on the experiment carried out in that If there is a little difference in the tax rates between two countries, we can assume that the effect of tax rate on the level of tax compliance is negligible. Kirchler et al. (2012) and McKerchar and Evans (2015) suggested that the degree of trust between taxpayers and the government has a major role in ascertaining the impact of tax rates on compliance. Torgler (2016) reiterated that, decreasing tax rates does not automatically boost up tax compliance. From the foregoing review, it is evident that there are mixed findings on the relationship between tax rate and tax compliance. In fact, other studies have confirmed this trend of conflicting finding (Richardson, 2016). When trust is low, a high tax rate could be perceived as an unfair treatment of taxpayers and when trust is high, the same level of tax rate could interpreted as contribution to the community. In the first case, the tax rate would be interpreted as the wielding of power by some tax offices and in the second case, as a joint agreement within the community. Thus, it is suggested that since the economic literature on the effect of tax rate and tax compliance is not conclusive due mixed findings by various studies, the issue still require further investigation.

2.1.1.3 Source and Level of income

According to Cuccia (2013), the level of income that is earned by SME's with regards to tax obligations to be settled by tax payers is a factor that directly affects participation rate in the tax amnesty thereby resulting in low income earners being non-complying as compared to high to medium income earners since they have to settle more obligations other than tax liabilities. Barbutamisu (2012) also argues that the factors of having insufficient financial resources to comply with tax laws affects the compliance levels SMEs especially in developing countries.

However, A different aspect of the income source, if income was earned by hard work or an effortless job has been studied in experiments by (Kirchler, Muehlbacher and Hölz, 2012). Participants were less compliant when they reported income earned by low effort than when they reported hard-earned income. It seems that taxpayers are reluctant to lose their hard-earned money by gambling with tax authorities (Kirchler et al, 2014). Stahl (2015) reiterated that, the

issue is important not only for designing proper audit strategies, but also for tax ethics, since a negative relation of income and compliance would put into question the intended or pretended distributional effects, respectively of progressive income taxation. More so, Waltler (2012) is of the view that self employed taxpayers have more opportunities for tax evasion and these opportunities might further increase with the number of different income sources. Hence, in tax compliance decisions the level of income might interact with its source (Reingham 2014). Therefore the researcher seeks to investigate on whether the level and source of income affect the compliance levels of SMEs in Zimbabwe.

2.1.1.4 Compliance cost

The expenditure (both monetary and time) that taxpayer incur in order to comply with government regulations with respect to taxation affects the compliance rate of taxpayers (Coolidge, 2012). SME's compliance costs relates all cost that includes obeying the law, administration and planning in addition to direct expenditure and time spent filling papers. ZIMRA recently introduced the filling procedures that resulted in most SME's incurring more compliance cost than before (www.zimra.co.zw). In a survey that was conducted in the Republic in Yemen, Angola and Nigeria that measured compliance cost on SME's by Eriksen (2012), Fallan (2015) and Dubin (2012) respectively reviewed that the greater the compliance cost the lesser the compliance rate on SME's. Nyamwanza et al (2014) reiterated that SME's view cost of compliance as time consuming and high in the sense that most of SME's do not employ skilled labour with adequate tax knowledge in their employment thereby outsourcing accounting service to already established firms who will charge high tax consultancy fees thereby directly affects compliance of taxpayers. According to Ritsema (2013) the inability to meet the high consultancy fees charged by tax consulting firms who will in turn charge unreasonable amounts significantly affects the rate of participation in the tax amnesty program.

However, As Ogundele (2014) had noted, it is quite conceivable that non-compliance might be driven by simple incapacity to comply or even ignorance of what to do thereby rejecting compliance cost as a factor that affect compliance of taxpayers. Sandmo (2012) is of view that compliance cost alone cannot affect the level of compliance but with compliments of other factors such as norms and penalties. This research seeks to establish a relationship between the cost to comply and compliance levels of Zimbabwean SME's.

2.1.2 Psychological factors

In the tradition of tax compliance research, a number of psychological factors have been considered important for explaining tax compliance. Ahmed (2013) outlined the factors as follows; tax morale, social norms, fairness and equity and perception of political/government accountability. These factors shall be discussed below.

2.1.2.1 Social Norms

Stetson (2014) states that social factors that relate to individual mindsets influence tax compliance in dealing with tax issues. Social factors arise from tax payer's interaction with the community they operate in, social values, structure and beliefs shared. As a result, the mentioned factors play a significant role in determining tax payer's decision to comply. Sagareth and Burgoyne (2013) states that social norms are one of the most important predictors of tax compliance. Wahlund (2012) discovered that tax payers who do not anticipate shame and guilt in case of violation are more compliant than taxpayers with strong values for cooperation. The public with a high sense of social norms within the society comply with tax laws because of their genuine motivation, and not because they are forced by sanctions and audits thus economic factors (Martze and Bryan, 2015). Wetherell (2012) reiterated that individuals are likely to be influenced by the norms recognized by their group, if they understand the group to which is highly relevant to self-image and if they recognized with their group. Weigel and Hessing (2013) earlier found that ethics, attitudes and moral beliefs significantly affect the tax compliance of taxpayers. Eidjar (2015) revealed that social norms evades tax compliance whilst altruistic orientation including community values advances tax compliance.

However, with regards to tax compliance, a field experiment conducted by Wenzel (2013) showed that social norms directly affects tax compliance in that social norms regulates compliance that are based on perceived frequency of avoidance or evasion and societal acceptance of evasion. Above all, Kingsley (2014) states that social norms alone are not enough to directly affect tax compliance of tax payers in that individuals are ignorant to social norms even if they know what the society expects. Mohdy (2013) is of the view that social norms have nothing to do with tax compliance and there is no relationship between social norms and compliance levels. This research seeks to investigate on the factors that affect SMEs compliance in Zimbabwe.

2.1.2.2 Tax morale

The attitude of a group or the entire population of taxpayers is the question of accomplishment ignorance of their tax duties. Scholders (2012) pointed out that tax moral is a significant psychological factor that influence compliance levels of taxpayers in that the individuals are not solely motivated by maximization of their own well-being but also by their feeling of responsibility towards the society. Hudson (2013) is of the view that tax morale is directly linked to the motivational concept of civic duty. Fischler (2012) revealed that tax morale has higher legitimacy for political institution that has led to higher tax morale values consequently higher rate of compliance showing a relationship between the tax morale and tax compliance. In a survey conducted in Tanzania by Torgler (2015), showed the importance of tax morale emphasizing that mutual respect increase the tax compliance levels. According to Martinez (2016) tax morale significantly affects compliance levels of tax payers in that an aggressive burden on tax policy has a negative effect on tax morale and the opposite policy helps to raise tax morale resulting in high compliance levels. Hyun (2013) brought a similar point on tax morale, that the way government treats taxpayers has a consequence on the willingness of the taxpayer to settle their tax obligations. In an investigation between South Korea and Japan, Dryden-Witte (2012) outlined that tax culture as a morale is one fundamental determinants of compliance, with japan having a higher level of tax culture and thus a higher level of compliance. Hudson (2013) states that different cultural context which influence one's perception of the events may drive one's attitude towards noncompliance thus providing evidence of tax morale as a factor that influence taxpayer compliance. This research seeks to investigate on the factors that affect SME's compliance in Zimbabwe.

2.1.2.3 Perception of Political/Government Accountability

This is one of the psychological factor that influence compliance level of tax payers. Bradley (2014) states that political stability of the ruling party of the government in a country may play a significant role in determining tax compliance behavior. Feld and Frey (2012) supports the above statement ad further exemplify, if an individual favor the current ruling government party, firms might choose to be compliant because he believes that the government is trusted, efficient and equitable. Spicer (2015) is of the view that taxpayers ,especially who pay high amounts of tax, will be sensitive to what government spends their money on thus taxpayer believes that the government

is misusing funds, it will result in the reduction level of compliance in the next tax period. Haseldine and Hite (2016) concluded that political party affiliation has a significant impact on taxpayer compliance, identified the tax provision to a specific part, the more favorable it will be received by the members of that party relative to taxpayers with other political affiliations.

Ainsey (2015) stated that the utilization of governments funds in administering quality of public services affect the compliance levels. Mohd (2012) reviewed that there is a positive correlation between the compliance and tax payer's perceptions in Malaysia government spending with tax police in Malaysia. If government fails to meet the expectations of a tax payer, it will result in repulsive behavior in line with compliance and less participation in tax regulations introduced by government.

In contrast to the above, Wenghler (2014) brought a different approach in that perception of political and government spending cannot be a factor to consider as one of the factors that affect compliance levels of taxpayer in that a taxpayer have an obligation to settle their obligations regardless of current political position. In addition to the above, Vogel and Yarborough (2015) pointed out that it is the responsibility of the government to allocate available financial resources not the contributors of the resources. This study seeks to investigate on whether Zimbabwean SMEs are influenced by political perception in order to comply with tax regulations.

2.1.2.4 Fairness and Equity

Fairness and equity are another factor that affect compliance level. New Zealand government for example has continuously placed great emphasis on this criterion and outlined that the fairness and equity of a tax system also impacts upon compliance levels (Andreon, 2014). Ross (2012) discovered a significant association between fairness of tax system and compliance levels. A study conducted in Hong Kong by Jackson and Milliron (2014) had a positive relationship with a link between taxpayer's perception of fairness and tax compliance behavior. If tax authority is perceived as supportive, tax compliance increases giving evidence that fairness is a factor that affect tax compliance (Kirchler, 2012). Windler (2016) discovered that fairness and equity is a factor that affects the tax compliance of a tax payer.

However, tax amnesties have a negative effect on the compliance of honest taxpayers who feel materially disadvantaged. More so, Wenger (2015) reiterated that, what is regarded as a fair tax

system varies from expectations of individual there by creating a difficult situation to consider fairness and equity as factor that affects tax compliance. This research seeks to investigate the impact of fairness and equity is a factor that affect compliance level of SME's in Zimbabwe.

2.2 Relationship between tax amnesty and compliance levels of SME's .

The relationship between tax amnesty and compliance levels of taxpayers depends on the objective in which the tax authority grant the tax amnesty. The main objective government can provide a tax amnesty is to broaden tax base, short term revenue generation and stimulate compliance levels.

2.2.1 Broadening tax base

Government can grant tax amnesty provision with the main aim of broadening tax base through allowing all unregistered business operators to come forth and register with respective tax authority (Young et al, 2013). Kara (2014) states that there is a positive relationship between amnesty and compliance when government introduce amnesty with an objective of widening tax base in the sense that new taxpayers especially when SME's that are operating under shadow economy participate in the amnesty. Kinsey and Smith (2012) reiterated that, government flagship program, tax amnesty is not merely to bring undeclared assets back to government but also to increase the country's tax base thereby resulting in a positive relationship between tax amnesty and compliance levels of tax payers. Marchese (2014), Silvani and Katherina (2014) discovered that tax amnesty and compliance have a positive relationship if government introduce amnesty program with the view to widen tax base of the nation in the view that if strict measures are adopted such as regular tax audits and inspections, positive results on compliance are yielded.

However, Kircheler et al (2015) and Alm (2015) brought a different approach on the relationship between tax amnesty and level of compliance when amnesty's objective is to widen tax base. Arguments were outlined that expectations of an amnesty significantly reduce tax compliance thereby providing evidence of an inverse relationship. According to Luitel (2016), a negative relationship between amnesty and compliance exists when the objective of the amnesty is to widen the nation tax base, because taxpayers that are unregistered business operators are unwilling to participate if honest taxpayers resent the special treatment of tax evaders then their willingness to comply may decline. Aktan (2012) is of the view that if individuals come to believe that the amnesty is not simply a one-time opportunity, then they may reduce their current compliance in

anticipation of another future amnesty thereby a decline in the level of taxpayer participation. Therefore this study seeks to address the outstanding issues on relationship between tax amnesty and compliance levels of taxpayers in Zimbabwe economy specifically SME's after being granted such provision with the main objective of increasing taxpayer compliance.

2.2.2 Short-term Revenue generation

The relationship between compliance and tax amnesty is influenced by the government objective to raise short term revenue generation. Fisher et al (2015) and Beck (2016) pointed out that tax amnesties are a controversial revenue raising tool as individuals take advantage of the grace period to settle outstanding tax obligation. According to Wilde and Durbin (2013), states that when government introduce amnesty with an objective to raise short term revenue, a positive relationship with compliance levels of taxpayer exists due to successful government collecting money from both underground domestic economy and capital held abroad. According to Feld and Frey (2013), the most evident potential benefit is windfall revenue gain that accrues to the government from the collection from past debts thereby providing evidence of positive relationship between compliance and tax amnesty since taxpayers will be settling their tax liabilities. Further evidence on relationship between amnesty and compliance on objective to raise short term revenue in order to quench liquidity problems was reviewed by Cowell (2012), that the amnesty is both labour and money saving since the taxpayer submits to voluntary disclosure and therefore and some economic reasons for complying thereby increasing the taxpayer compliance rate.

On the other hand, Muhammed (2015) empirically examined the relationship between tax amnesty and compliance on taxpayers and reviewed that when government's objective is to raise short term revenue, it can result in an inverse relationship to compliant citizens may come to expect their government to offer tax amnesties, these expectations can decrease the incentive pay tax routinely and lead to increase in number of tax evaders thereby a reduction in level of compliance rate. On the same note conclusions drawn from a study carried out in the Thrace region by (Ayiro, 2015) suggested that despite the fact that amnesties increase short term revenue, they tend to decrease tax revenue in the long run because if the government resort to the tax amnesties often, taxpayers surmise that there will be an amnesty in the future and consequently tend not to satisfy their tax obligations (Ozkaya et al 2012). Kingsley (2016) urges that if amnesties make evasion seem forgivable, they reduce voluntary compliance over the long run, causing serious financial

consequences for the government evidencing an inverse relationship. Therefore the research seeks to investigate the relationship between the tax amnesty and level of compliance since Zimbabwe introduced tax amnesty in order to raise short term revenue due to government liquidity problems targeting SME's.

2.3 Measures tax authority can adopt to motivate compliance among SME's

Lubua (2014) asserts that tax revenue is significant in a nation for the continued growth of its economy. The revenue collected is used for the provision of improved public services which in turn boosts taxpayer compliance. In a bid to enhance revenue collections, the state should build an atmosphere or environment that improves awareness and willingness among taxpayers towards satisfying their tax obligations voluntarily (Malima 2013). It is the responsibility of the tax authority to come up with ways to urge taxpayers to have the capacity to take an interest in the satisfaction of their tax obligations (Mukhlis, Utomo and Soesetyo 2014). Enhancing tax compliance requires long term changes, starting with reinforcing the association and administration of the tax office and implementing sound collection systems (Russell 2015). Khaflan (2012) suggested that voluntary compliance can be improved through tax education, an improved self-assessment system and provision of tax incentives among others.

2.3.1 Tax education

According to Rusell (2015), tax authorities should make available tax education and assistance programs as they help taxpayers and their advisers understand their obligations and entitlements. This is usually done through public awareness campaigns. A research carried out by (Mukhlis, Utomo and Soesetyo 2014) suggested that it is important for taxpayers understand well how the tax system in that country operates. Pulis and Mostafa (2015) found out that tax knowledge and understanding can significantly affect the consistence of taxpayers in meeting their tax obligations. With reasonable understanding of the tax law and tax system in the country, taxpayers are willing to abide and consequently they are more compliant to pay taxes than evade them which bring about a mutual relationship between the government and the taxpayers (Palil, Akir and Ahmad 2013). Tax education has an advantage of increasing tax awareness among taxpayers. Information dissemination activities such as public meeting with small to medium enterprises owners and their advisers should be employed from time to time by tax authorities. In order to increase level of tax compliance, (Richardson, 2016 and Kirchler et. al, 2012), believed that tax

knowledge plays the important role. Hence, people should be equipped with the tax education so that everyone has a sufficient knowledge towards competent taxpayers. Park & Hyun (2003), suggested that tax education is one of the effective tools to induce taxpayers to comply more. If the taxpayer has a better understanding of taxation, it will give better ramifications on tax fairness felt. Nyamwanza et al (2014) emphasized the need for ZIMRA to employ effective means of communication as results of a study carried out in Gweru showed that the use of the internet had little impact in improving communication with SMEs. Okello (2014) also suggested that tax authorities could improve tax education through dissemination activities such as tax clinics seminars, workshops, tax information brochures and pamphlets, taxpayer service centers and call centers to enable walk in or call in services across the country.

Although the above researchers' supports tax education as way to motivate compliance levels, Batrancea (2012) argues that taxpayers avoid settling their tax obligation not because they lack tax knowledge but they lack financial resources to settle their obligations. In a survey that was conducted in Angola by (Jashony, 2015) concluded that taxpayers are not motivated by tax education for they to comply because government had injected more capital trying to offer education services for free to taxpayers and in return a 5% decline in compliance rate was yielded. Ahmed and Chetty (2012) states that tax education alone cannot motivate compliance levels of SME's. Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers.

2.3.2 An improved self-assessment system

A self-assessment system is a system that allows the taxpayers to determine their tax liabilities with little or no involvement by the tax authority since it recognizes the taxpayer as the better person with the firsthand knowledge of the business operations, financial transactions and have ready and immediate access to accounting records (Lubua, 2014). An improved self-assessment system tends to improve voluntary compliance since tax payers can determine their tax obligation without the involvement with the tax officials (Okello 2014). Tax returns are accepted on face value and not subject to further scrutiny by tax officials. Tax authorities will only have to check for arithmetical accuracy and inspect of the necessary detail has been captured on the tax return form. In a bid to improve the self-assessment system ZIMRA introduced an e-filing for self-assessed income tax returns to enable its clients to submit their tax returns electronically

(www.zimra.co.zw). In a study carried out among 10 Sub Saharan African countries by the International Monetary Fund (2014), it was noted that take up of the electronic filing of the tax returns was low, long queues at tax administration offices was still evident, the information on brochures and pamphlets was at times outdated and very few brochures were available to taxpayers (Russell 2014).

Sharghall (2012) noted that the website and emails were at most of the time outdated, there was on platform for airing out taxpayer questions online regarding tax procedures and crucial forms, circulars and information was unavailable on the website. Mobarak (2013) states that few taxpayer help and call center were available and inexperienced technical staff were deployed on telephone call centers. This tend to affect the effectiveness of the self-assessment system. Okello (2014) suggested that tax authorities should make use of drop boxes that are will be available in the tax administration building or banks to allow taxpayers to drop off their returns and proof of payment so as to reduce face to face interactions with tax officials. Tax authorities should ensure safe and secure mailing services, encourage compulsory use of e-filing of tax returns services for all businesses so as to overcome the long queues when submitting tax returns which is costly and time consuming as this is a predominant practice in developing countries (Ahmed and Chetty 2014).

However, in a survey conducted by Okello (2014), empirical evidence was obtained from a study carried out in Tanzania where the research was done to find the way in which the Information and Communication Technologies (ICTs) influence tax compliance. The results showed that although ICT tools such as electronic fiscal devices, income tax system and custom application online system were introduced there was a relatively low increase in the revenue collected. It was suggested that e-transparent services must be improved and managed well since they are important in improving compliance as they have an effect of improving awareness of tax laws and the training needs of taxpayers (Lubua 2014).In addition to the above, Anderson (2013) reiterated that improved self-assessment system cannot be considered as a motivational to boost compliance levels of SME's since government and tax authority have a mandate to explain through tax education programs that allows taxpayer to clearly understand tax regulations. Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers.

2.3.3 Simplifying laws, policies and procedures

Taxpayers are more compliant if the tax regulation authorities enact simple laws and procedures in their tax administration system. According to Russel (2014), it is difficult for taxpayers to be compliant if it is too difficult for them to understand the tax system and when the procedures are difficult and expensive to comply with. Tax authorities should make an effort to pay attention to new businesses clearly advising them of the tax obligations and the necessary procedures involved in full filing them at the commencement of their business operations (OECD 2012). This initiative has the potential of cultivating a culture of voluntary compliance in businesses which in turn saves time and costs to the taxpayer. The introduction of electronic services can simplify the procedures taken by taxpayers in satisfying their tax obligations and they are convenient to the taxpayer. In a bid to improve tax compliance the United State revenue body introduced the Office of Taxpayer Burden Reduction (OTBR) which focuses on simplifying forms and publications, streamlining internal policies and procedures and implementing taxpayer burden reduction processes (OECD 2012). Simplification has also been introduced in the filing and payment process. More tax administrations have been moving towards electronic filing and payment systems, often making it mandatory among large taxpayers thereby making it easy for taxpayer to comply (Sarker 2012). Electronic systems can reduce the amount of time it takes for businesses to fill out multiple forms with similar information, as well as cut down on time spent waiting in line to file returns and make payment at the tax office in return taxpayers will be motivated to comply (Allingham and Sandmo, 2015). Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers.

2.3.4 Use of information technology

The use of information technology in the tax system is one of the effective ways of improving taxpayer compliance. According to Mungaya et al (2012) taxpayer education can be enhanced by digitization of the tax system and the use of the internet. Information technology provides the appropriate media channels for which vital information can be conveyed between taxpayer and the tax authority. Ahmed, Chetty, Mobarak, Rahman and Singhal (2012) suggest that digitisation of records and the ability to verify the information provide by the taxpayer through the use of electronic means can have a positive effect on taxpayer compliance and the revenue collected by the government. Ndedzu et al (2013) supports this view and recommends that ZIMRA should

improve and simplify the tax administration through a computerized tax records system so that they can detect evasion early and be up to date with taxpayer dealings. This is also known as third party reporting and data matching. Saxena (2013) also suggested that tax authorities should improve taxpayer assistance programs and education so as to achieve the desired level of compliance and tax revenue. An online filing and counselling platform is necessary for convenience and easy interaction between the taxpayer and tax officials. Televising and radioing adverts, announcements and notices can improve compliance as this mediums of communication tend to have a wider coverage (Sarker 2012). Ngwenya et al (2014) suggested that the collection of taxes should be computerized to enable assessment and tax records accessibility to all.

On the other hand, Luitel (2016) brought a different idea in that the use of technology in the tax system involves the use of computers and availability on internet for smooth flow of information between the taxpayer and tax authority that would require capital to acquire. Lack of financial resources can hinder taxpayer to comply with relevant tax regulations. Allingham (2015) is of the view that the use of technology as way to motivate tax compliance can produce negative results. Ojeka (2012) reiterated that high compliance cost can hinder taxpayers to comply since there will be more additional cost to compliance filling returns electronically. According to Mroz (2012), use of technology in the tax system will resulting in adding complexity to tax system thereby discouraging taxpayers to comply. Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers.

2.4 Best practice to improve SME's tax compliance

In order to improve and retain maximum compliance, tax authorities ought to adopt the most appropriate practices. These practices tend to cultivate a culture of mutual understanding and voluntary compliance among taxpayers. These practices are in the form of tax compliance programs and tax education.

2.4.1 Tax compliance Program

An effective way of ensuring maximum revenue collections for the government and the compliance among SMEs is for the tax authorities to come up with a sound and balanced compliance program (OECD 2012). Russell (2015) states that, a tax compliance program as a high level operative detailing how the tax authority intends to respond or combat the most significant

risks identified in its tax system. According to Saunders (2012), tax compliance program does not deal with the revenue authority's activities but focuses on way to improve compliance among large, medium, small and individual businesses. Successful compliance programs are dependent upon an appropriate balance of taxpayer education, simple tax law and procedures and risk based verification programs. Downs (2014) stated that tax compliance program enables people and business to understand the issues under scrutiny and helps them and their advisors manage their tax affairs more effectively, resulting in better overall compliance. It is regarded as the best practice to improve SME's tax compliance because it act as a mechanism for raising community awareness of the depth of compliance activities undertaken by the revenue agency and improving community confidence in the administration of the tax system (Spicer and Becker, 2015). For a compliance program to be effective, a full review and refresh of the compliance program should be conducted on an annual basis as an integral part tax authority strategic and operational cycle (Amrizah 2014). The purpose of a taxpayer compliance program is therefore to identify and respond to the most significant risks in the tax system through a range of measures aimed at the underlying causes of the non-compliant behavior (Jackson and Milliron, 2012). Yitzhaki states that the objective is to achieve the widest possible impact on voluntary compliance across the taxpayer population.

In contrary to above thoughts, the compliance program should encompass both proactive and reactive strategies as well as measures that cover all aspects of compliance management from education to prosecution (OECD 2012). Jackson and Millron (2012) is of view that compliance programs alone cannot be the best method to enhance tax payer compliance. Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers

2.4.2 Taxpayer incentives

According to the OECD (2012), providing incentives is one of the effective ways to improve taxpayer compliance. Wegner (2012), a survey was carried out in the United Kingdom in which an incentive scheme was introduced to improve compliance among businesses that failed to register for VAT. An estimate of over 3000 businesses made use of the incentive and the publicity connected with the scheme increased awareness among taxpayers with regard to VAT registration. Holmes (2015) suggested that, tax authorities should sweeten the benefits of cooperation as this tend to build inner confidence in the taxpayer of the revenue collecting body. Suggestions by

Ojeka (2015) and Atawodi and Ojeka (2012) entails that tax authorities should provide more exemptions and tax incentives as these tend to increase voluntary compliance among taxpayers. Wegner (2012) also noted that rarely do taxpayers evade taxes when they are aware of the benefits accruing from being tax compliant. This is also supported by Ngwenya et al (2014) who suggested that the government should increase and make use of tax holidays and other exemptions to honest taxpayers so as to encourage other taxpayers to partake voluntary compliance. Batrancea (2012) noted that the use of force in improving compliance barely works as that was the case in Nigeria. This had the effect of creating disapproving thoughts of the government handling of tax matters.

However, Russell (2016) argues that tax incentives mostly resulted in benefits accruing to the country of origin at the concerned companies and not on the host. According to Anderseon (2014), tax incentives work in the contrast of effective governance, with the type of political regime influencing tax incentives, as in countries with weaker governance without political incentives the incentives only added a burden and led to overreliance on other tax heads. Tongler and Murphy (2013) is of the view that, main aim of compliance is to raise government revenue and when government issue tax incentives such as tax holidays to some tax payers that will result in government loses revenue through such incentives. Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers.

2.4.2 Tax awareness program

Tax awareness is the principle of knowing what tax, tax law and principles is all about and what is applicable to an individual taxpayer. Ngwenya (2014) reiterated that for the government to have an effective and efficient tax administration system there should be also an effective and efficient tax awareness program. Alstadsaeter and Jacob (2013) assert that, the ability to access and process information differs among individuals and this has an effect on compliance. The mere design of the tax return can lead to an individual evading taxes if he/she is facing challenges in understanding that tax return form. Hove et al (2013) recommended that the tax authority should provide tax education throughout the country frequently as this can increase voluntary compliance and consequently the tax revenue collected by the state. This is also supported by Utaumire et al (2013) who suggested that taxpayer education should be made available to existing and potential taxpayers. Hastitu (2014) argues that for self-assessment system to fully realise its potential, taxpayers should have the necessary know how and be able to fully understand the tax laws.

However, Alsadsaeter and Jacob (2013) noted that, there is a positive correlation between tax knowledge and tax compliance. This is supported by an investigation carried out by Palil (2014) in Malaysia in which it was found out that the tax knowledge have a significant impact on the level of compliance although there are other factors such as there probability of being audited and perceptions of being prosecuted among others. Conclusions drawn by Alstadsaeter and Jacob (2013) were that lack of awareness of the tax law and principles is a major contribution of tax evasion. Knowledge about the tax system and laws can be obtained through various instruments such as self-learning, taking formal education, attending tax seminars and workshops. Hastitu (2014) suggested the need for one to acquire tax knowledge at grass roots level that is in high school as one is a potential taxpayer in the future. Maseko (2014) noted that the best way for a taxpayer to understand his/her tax responsibilities is through tax awareness and tax education. Mungaya et al (2012) suggested that tax official should provide manuals with instructions to newly registered SMEs after handing them tax return forms so that they understand and comprehend what their tax obligations are. With the use of various programs and methods employed to improve compliance, a beneficial relationship can emerge between tax authorities and taxpayers Therefore the researcher seeks to establish measures tax authority can adopt to motivate compliance levels of taxpayers.

2.5 Chapter Summary

This chapter covered relevant literature from various articles, journals and publications that supported the research. The literature reviewed looked at the factors affecting SMEs compliance with the tax amnesty and the effect the amnesty had on SMEs. The impact of the tax amnesty on the tax authority's revenue collection was also looked at in this chapter. The various ways in which compliance among taxpayers could be improved was dealt with including recommendations on the best practices that can be employed by the tax authority. The next chapter covers the research methodology.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher presents and discusses the methodology and design of the study. It gives a description in detail of how the research was conducted including an explanation of the research design, population, sample plan and sample size and determining the data gathering methods. It also clarifies how the data will be improved for validity and reliability through data presentation, data analysis and summarization to arrive at conclusions. The methodology used in this study wanted to establish the way tax amnesties influenced compliance levels of SMEs in the manufacturing sector with focus being on the Manicaland province in Zimbabwe. Rusere (2014) quoting Andreason (2012) explains a methodology as a system of explicit rules and procedures upon which claims of knowledge are exhausted. Therefore guided by this definition the researcher identified the following research design as the most suitable to facilitate the research study.

3.1 Research Design

Research design refers to the complete means or a blue print that reflects the way procedures of the study are undertaken. Saunders et al (2012) added that research design depicts the numerous approaches to be employed in solving the research problem therefore, the research design assists the researcher to perform the study in a systematic and cost effective way. After considering the former definition, the researcher purposefully selected the best research design that would suit the objectives and questions of the study. The main objective of this research is to investigate on the relationship of tax amnesty and tax compliance therefore, the researcher adopts a mixed methodology approach to answer the problem of this study in the most economical way considering the existing constraints. The researcher also chose the qualitative method to have a better and deeper insight of views and opinions of auditors about the influence audit workload has on audit quality.

3.1.1 Mixed Research Design

The researcher chose the mixed research method as it best suits the objectives of the study. The study has objectives with relationship and non-relationship questions and the mixed research

design approach will be more appropriate for the study. Kumar (2012) stated that a mixed design research uses the qualitative research model for one phase of a research study and the quantitative research paradigm for another phase of the study. Kumar (2012) further highlighted that the quantitative aspect involves the conduction of an experiment thereafter conduction of an interview with participants which is qualitative in nature so that results can be obtained on how the participants agreed with the experiment. The mixed method research is like conducting two mini studies within one overall research study. Furthermore, the data has to be reliable so as to be helpful to the conclusions reached and in the same view the researcher found the mixed research method providing answers. This method was adopted because it involves the study of a few factors in a large number of factors that is it takes into account samples to represent a large group. This study involved a mixed research design as it focused on the investigating the relationship between tax amnesty and tax compliance. Kumar (2012) views the mixed research design as one that examines a phenomenon to fully examine the impact and relationship.

3.1.2 Qualitative Research Design

The qualitative research design was adopted for this study because the information obtained is mostly that which relates to the current status of the phenomena and to describe what is in existence as dictated by the variables and conditions in the situation under study, (Benjamin, 2013). Such a research design was the most suitable to address the sub research questions of this study which are mainly what and how questions (Kinmond, 2014). According to Hale (2012) descriptive research obtains information about a subject without influencing it, this is ideal since management and other respondents are unwilling sometimes to have their systems affected by some study. The descriptive research method is the ideal one in identifying the attitudes and opinions of the taxpayers which are an important determinant of the post amnesty effects on manufacturing companies (Remenyi et al, 2012). Kara (2014) in conducting the research on tax amnesties in Turkey implemented the qualitative research design and argued that the approach is most suitable especially given a limited time to complete the research and also respondents' opinions are fairly expressed. Alm et al (2012) in their research on the impact of amnesties on revenue collection used the quantitative research design but however argued that the method upon its own was not conclusive enough to give fair results as there was need to embrace the qualitative approach also.

3.2 Target Population

Kumar R. C. (2015), stated that a target population as a large well-defined collection of individuals or objects with common, binding characteristics or traits that is the main focus of a scientific query. Plossy (2014) further explains a population as any group of people, institutions, social relations and events. Research questions presents issues that are pertinent to a group of individuals who then constitute the research population. The research population acts as the universal set of elements from which sample elements are drawn (Kinmond, 2012). The target population for this study shall be 45 SMEs in manufacturing sector eligible for taxation in the Manicaland province.

3.3 Sampling

Saunders et al (2014), asserts that sampling is necessitated by a number of factors which include the impartibility of a whole population survey because of the population size and scope of research. Also is the issue of budget constraints, time constraints and where data have been collected but results are unexpectedly needed urgently. This study is being carried under a background of both time and budget constraints as well as the fact that it is impractical to reach all possible respondents to SMEs seeking consultancy at NMC. In this study researcher made samples that were constructed from the group of the population selected from Manicaland SME's as it save time and comply with limited resources available. The researcher come up with a sample of 25 SME's in manufacturing sector. Questionnaires and interviews were used by the researcher to gather data, this literally mean that qualitative data was gathered through interviews and questionnaires.

3.3.1 Convenience Sampling

The convenience sampling technique is used in this research, for carrying out the research in SME who are clients at NMC Chartered Accountants, targeting decision making personnel of the different organizations. Since most of these SMEs do not have offices and operate from their manufacturing sites convenience sampling was the best technic as it prompted collection of data from those available, (Sawyer, 2012). The researcher had to get respondents at the NMC offices as they came for consultancy services to avoid travelling to the numerous remote manufacturing sites. It is easy, and a faster way of collecting data though at times unreliable since subjects are chosen on the basis of being readily available. Denise (2013) stated the major problem of

convenience sampling as that respondents might be atypical of the population of interest with regard to critical variables.

Table 3.1 Target Population and Sample Size

Organization	Target Population	Sample size	Interview
Durian Ent	3	3	-
Alosta J. Experts	5	3	1
Glemor Ent	5	3	-
Plouboy (Pvt)	6	2	1
Muchic Trading	4	2	-
Eatag Investments	5	3	1
The Chikaz Ent	4	2	-
Etosha Ent	3	3	-
Asidi Investments	5	3	1
Trowbar Ent	5	1	
Total	45	25	4

The researcher tried to be as even as possible by choosing at least one respondent from each of the firms which seek consultancy at NMC Chartered Accountants. As shown in the table above, 25 SME's were sampled from the pool of 45 enterprises giving rise to a sample size of 55.6% The interviewees were chosen randomly from the firms which applied for the amnesty and are also experiencing problems in getting tax clearances and selection was on the basis of availability and willingness.

3.4 Data Sources

3.4.1 Primary Sources

Primary data is that which is collected for the first time in the field specifically for the particular research in question. Primary data seeks to update and refine secondary information obtained in the research, Drury (2015). It is captured at the point of generation for the first time as research findings in the form of unprocessed data, Wegner (2013). The research collected primary data through the use of questionnaires, Likert scales and interviews administered to decision makers of SME's who are clients at NMC Chartered Accountants. Blaxter et al (2014), supported the use of primary data in that, it address particular research issue. By carrying out the research, the researcher will aim at collecting information that fits to the research needs and answers the research questions. This gives greater control to the researcher and entitled to choose the location and sample size of the research. Primary data was used to enhance the impact of tax amnesty on tax compliance matters. In carrying out this research ,the researcher used primary data because primary data encourages proprietary of information as the researcher will choose whether such information gathered should be shared or not. More so, in an attempt to curb the long and time consuming process of primary data collection, the researcher sent in advance the questionnaires and did follow ups before final visit for collection. Moreover the data collected seemed to be reliable as it was collected from parties directly involved in tax matters as this is the main area under study.

3.5 Research Instruments

These are tools used for collecting data and information needed to find solutions to the problem under investigation, (Rusere, 2012). A research instrument helps the researcher to obtain information which is beyond physical observation for instance data hidden in feelings, attitudes and reactions, (Pierce, 2013). This research used questionnaires and interviews as instruments to collect data. Questions were designed as per each objective uniformly to acquire information on the attitudes and opinions of SME's towards the tax amnesty and their tax compliance.

3.5.1 Questionnaires

In this research questionnaires were used to gather data from a respondent in the form of answers or reactions to pre-constructed questions presented in a specific order (Griffin, 2013).

Questionnaires eliminated bias since the research required uniformity of questions to all respondents as equivalent industrial players. The element of anonymity increased the response rate and made the respondents more co-operative. The research collected data which can be relied on since it is firsthand information. The different respondents also attended to the questionnaires concurrently since they were distributed to all respondents at lower costs and respondents attending them at their own time, unlike in interviews where respondents can only give information in the presence of the interviewer. However, it seems to be time consuming to wait for the questionnaires to be filled in since the respondents will attend to them on their own spare time. Closed-ended questions were used where there was need for the researcher to get the respondent's answer among known possible answers. Remenyi et al (2015) asserts that such questions are used with the assumption that a detailed knowledge is available on the attitudes of interests and therefore pre-specifying the categories is made easy. Likewise, an open-ended question was asked at the end of the questionnaire with the intention to seek the respondents' suggestion on how best to improve compliance levels by SME.

3.5.2 Likert Scales

The research used Likert scales in the questionnaires, on questions relating to respondents' perceptions as regards the implications of participating in government initiatives like compliances. Griffin (2013) argues that in order to get an individual's opinion in the area under study, a ratings format on which the respondents must rank their opinion must be completed. It is an attitude or behavior measure instrument which shows the degree of an individual's opinion towards phenomena, for instance it may have ratings from "strongly disagree" to "strongly agree", (Saunders, 2015). The Likert scale assisted the researcher to quantify the opinions, attitudes and beliefs of the auditors with regards the influence of tax amnesty on tax compliance making it easier for the researcher to draw graphs and conclusions from the scaled responses. The likert scaled responses also give more scope as the observation ranges from high to low rather than a simple yes or no format of questioning (Griffin, 2013). The answers includes strongly agree, agree, disagree, strongly disagree and unsure as illustrated below.

Table 3.2 Likert Scale

Questions	Strongly Agree	Agree	Disagree	Strongly disagree	unsure	Total
Points	1	4	2	0	3	10

(Source): Nicoliar, 2013

The likert scale is easy to understand as it has a range of 5 possible option of answering the question under study and simply have to indicate their level of agreement and disagreement as shown in Table 3.2 above.

3.5.3 Interviews

In-depth interviews were used in this study and they assisted through the exchange of views between individuals to find out that which is on the interviewee’s mind on the subject of the research, (Pierce, 2012). The main thrust of an interview is the exchange of ideas in real time by use of phone calls and personal face to face discussions, (Cooper and Schinder, 2013). The researcher interviewed four key participants in the selected SMEs and there were more conversant on issues about how the amnesty affected their compliance levels.

The research used both the personal face to face interviews and the telephone or cell phone interviews where interviewees were busy and could not spare time for personal interviews and for follow ups on certain matters that needed clarification. Pre-formatted questions were constructed for the interviews to guide the interviewer in the administering of the interview and for the sake of uniformity in the questions asked to different interviewees. The necessity to establish how tax amnesties influenced compliance levels resulted in the researcher implementing guided interviews in gathering the information.

3.6 Reliability and validity

Polit and Hungler (2013) reiterated reliability as the degree of consistency with the instruments which measures an attribute. The less the variation the instrument produces in repeated measurements of an attribute the higher the reliability. Hong et al (2015) argues that a questionnaire response rate above sixty percent is rational to meet the standards of this research technique to meet reliability and validity. Mangur (2013) was of the view that a reliable sample must be at least 50% of the targeted population and in carrying out this research the researcher

used 88% of the targeted population. The use of uniform interviews and questionnaires was used by the researcher for each related group so as to increase reliability. Research questions and objectives were used by the researcher to structure interview questions and questionnaire so as to increase reliability. Validity is the measure of truth or falsity of the data obtained through using the research instruments. In this study validity refers to the truth or falsity on how the amnesty affected the compliance levels of SMEs. To ensure reliability triangulation was used through different sources of data and data collection techniques. Saunders et.al, (2010), reviewed triangulation as a method of using various techniques for data collection under one study with the intention that the data makes meaningful sense to the research. To ensure validity, the researcher asked relevant questions in line with the study and using suitable research instruments. At the end of the data gathering process, to ensure validity of the information, the researcher would check the validity and accuracy of obtained data as well as get information of the position occupied by the respondent in a certain organization.

3.7 Data Presentation

Findings of the study questionnaires were presented in tabular form, charts and graphs and in qualitative form. Tables were used to group and organize data for it to be manageable and easy to interpret. The researcher quantified some of the data obtained for ease of presentation and comparison. The use of tables makes the displaying of summarized information more precise and concisely effective. Effective presentation of visually stimulating information is done through the use of graphs.

3.8 Data Analysis

Data analysis can be referred to as a process of evaluating and transforming raw data into information or rather into a form through which data can have meaningful interpretations and be able to draw up conclusions (Wenger, 2012). With the need to ensure consistency with philosophical views that underpins this research, the researcher incorporated content analysis to qualitatively analyse data. The researcher applied content analysis to this study as it gave the researcher room to utilise data from other literature related to this research as the starting point. More so, content analysis was incorporated in the study as it allowed the researcher to make inferences as well as to make a closer analysis to content of responses obtained through questionnaires and interviews as supported by (Myers, 2012). Descriptive statistics were utilised

for the analysis of quantitative data by means of averages, mode and relative percentages. In addition, packages such as Microsoft Excel were also used by the researcher to organise and to make statistical inference of respondents' views. The use of STATA 11 was also implemented to deduce the relationship between tax amnesty and tax compliance while regression was used to compute the coefficient of variation between the aforementioned variables.

3.9 Summary

The chapter described the research methods and instruments used in the carrying out of the research and the justification for their choice. It also went on to describe the presentation and analysis of findings of the research. The subsequent chapter will present, analyze and interpret the research finding

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The chapter presents data and analyses information obtained from the field research. Data and information obtained from the research instruments was presented through the use of tables and pie charts. The information was then analyzed and interpreted and related to relevant literature in the research area. In addition interpretations and explanations were made so as to improve understanding of data presented. The researcher will make use of percentages in analysing the data. Analysing the data collected will enable conclusions and recommendations to be made by the researcher.

4.1 Response Rate

The response rate is the number or the percentage outcome of the successful questionnaires in relation to those administered or distributed by the researcher (Johnson and Wislar 2012). High response rates allows the researcher to have reliable and meaningful data that enable wider representation of the population. Table 4.1 below shows the questionnaire response rate for the SME's under study.

Table 4.1 – Questionnaire response rate

Category	Target	Actual	Response Rate
Durian Ent	3	3	100%
Alosta J.Experts	3	3	100%
Glemor Ent	3	2	66.7%
Plouboy (Pvt) Ltd	2	2	100%
Asidi Ent	4	3	75%
Eatag Ent	3	3	100%
Muchic Trading	2	2	100%
The Chikaz Ent	1	1	100%
Etosha Trading	4	3	75%
Total	25	22	88%

According to Table 4.1 above, the sample size was made up of twenty five (25) respondents. Twenty Five (25) questionnaires were distributed to the selected Manicaland Small to Medium Enterprises. Of these questionnaires, only three (3) were not returned and the other twenty-two were successfully filled in and returned. According to Saunders et al (2010) reliability and relevance of data findings is a critical issue to any research. The response rate of the 22 questionnaires out of the 25 questionnaires issued was an average of 88% and this made the researcher to depend greatly on the responses as the response rate represented a reliable result. Hong et al (2016) recommended that a questionnaire response rate above sixty percent as rational to meet the reliability and validity of this research.

4.2 The following factors affected SME’s compliance with tax amnesty.

4.2.1 Is high compliance costs a factor that affect tax compliance of SME.s?

The question objective is to assess whether high compliance costs associated with the provision of tax amnesty a factor that affect tax payer compliance levels. The Table 4.2 below show the results obtained from aggregated questionnaires that were distributed by the researcher to sampled SME’S.

Table 4.2 Responses on High compliance cost as a factor

	Strongly Agree	Agree	Disagree	Strongly disagree	unsure	Total
Respondents	11	6	2	0	3	22
Percentage	50%	27%	9%	0%	14%	100%

Table 4.2 above shows that 11/22 (50%) strongly agreed that high compliance cost associated with tax amnesty affect compliance rate of tax payers, 6/22 (27%) agreed that high compliance cost associated with tax amnesty affect compliance rate of tax payers, 2/22 (9%) disagreed that high compliance cost associated with tax amnesty affect compliance rate of tax payers, 3 (14%) unsure that high compliance cost associated with tax amnesty affect compliance rate of tax payers and 0 strongly disagreed that high compliance cost associated with tax amnesty affect compliance rate of tax payers. In aggregate 17/22 (11/22 strongly agree, 6/22 agree) thus (77%) agreed the fact that compliance cost have a greater impact on compliance rate of taxpayers. Using the mode of 11 the researcher established that high compliance costs posed a threat in taxpayers complying with tax issues. The respondents’ view that high compliance costs have adverse effects on SMEs

compliance is supported by Maseko (2014) who noted that there exists a positive correlationship between the costs of associated with compliance for example tax consultancy fees and non-compliance. In support of the above, According to Ritsema (2013) the inability to meet the high consultancy fees charged by tax consulting firms who will in turn charge unreasonable amounts significantly affects the rate of participation in the tax amnesty program.

On the other hand, 5/22 (2/22 disagree and 3/22 unsure) thus representing 23% of the total population that high compliance cost have nothing to do with tax compliance levels of tax payers. Those that were unsure that high compliance cost have a direct effect on compliance entails that are technologically advanced and with relevant equipment to undergo ZIMRA E-Filing procedures. Sandmo (2012) is of view that compliance cost alone cannot affect the level of compliance but with compliments of other factors such as norms and penalties. Therefore the researcher used the modal responses to draw conclusion on whether high compliance cost affects taxpayer compliance levels.

4.2.2 Is High tax rates a factor that affects tax payer compliance?

The question was structured by the researcher in order to determine whether high tax rates gazetted by the tax authorities have an impact on tax payer compliance levels. The Table 4.3 below shows the results (raw data) obtained from aggregated questionnaires that were distributed by the researcher to conduct a research.

Table 4.3 Responses on high tax rates

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	14	6	0	0	2	22
Response (%)	64	27	0	0	9	100

From the Table 4.3 it can be noted that 14/22 (64%) strongly agreed that tax rates from local tax authorities have an impact on the compliance levels of SME.s, 6/22 (27%) agreed that tax rates from local tax authorities have an impact on the compliance levels of SME.s, 0/22 disagreed that tax rates from local tax authorities have an impact on the compliance levels of SME.s, 0/22 strongly disagreed that tax rates from local tax authorities have an impact on the compliance levels of SMEs and 2/22 (9%) were unsure from the 22 response obtained that tax rates from local tax authorities

have an impact on the compliance levels of SME.s. This overallly shows that 9% (0 disagree, 0 strongly disagree and 2/22 unsure) disagreed and 91% (14/22 strongly agree and 6/22 agree) agreed that setting a low tax rate and participation of taxpayers in the determination of the tax rate improve voluntary compliance among SMEs.

Using the mode of 20/22 (91%) respondents it can be established that involving taxpayers in the determination of the tax rates and setting low rates may improve taxpayer compliance. These findings are supported by Beron et al (2013) who suggested that ZIMRA should engage stakeholders in the determination of the tax rates so as to improve the relationship between tax administrators and taxpayers. The above response rate was in line with Barbutamisu (2014) who pointed out that, SME's compliance rate is affected by the level of tax rate as tax payers assesses the pros of compliant with tax evasion costs such as penalties, prosecution and fines. When the tax evasion costs are less than tax compliance costs consequently SME's avoid paying taxes. Favorable tax rates attracts SME to settle down their tax obligation other than amnesty provision (Sakunda, 2015).

On the other hand, 2/22 of the respondents were uncertain making a response rate of 9% and 0 respondents disagree to the fact that tax rates affects compliance levels of taxpayers. This might be due to inadequate knowledge on tax rates of some respondents so they do not have sufficient knowledge on whether tax rates is a factor to be considered. Torgler (2016) reiterated that, decreasing tax rates does not automatically boost up tax compliance. From the information available on www.nmc.co.zw , clients like Durian and Asidi enterprises have major challenges on complying with tax regulation not because of tax rates but lack of financial resources to settle their tax obligations. Based on the modal response of 20/22 (91%) of those that agreed, the researcher concluded that tax rates is a factor that affects the compliance levels of SME.s in Manicaland.

4.2.3 Is Perceived Fairness and equity a factor that affect tax Compliance

The above question was asked by the researcher to facilitate a research on whether perceived fairness and equity have an impact on taxpayer compliance. The responses to the above question are shown below.

Table 4.4 Perceived fairness of current tax system

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	5	11	4	1	1	22
Response (%)	23	50	19	4	4	100

From the Table 4.4 it can be noted that 5/22(23%) strongly agreed that perceived fairness and equity of current tax system is a factor that influence tax compliance levels of SME's. 11/22 (50%) agreed that perceived fairness and equity of current tax system is a factor which influence tax compliance levels of SME's, 4/22 disagreed, 1/22 strongly disagreed that perceived fairness and equity of current tax system is a factor that influence tax compliance levels of SME's and 1/22 respondent was unsure that perceived fairness and equity of current tax system is a factor which influence tax compliance levels of SME's. In total, 27% (4/22 disagree, 1/22 strongly disagree and 1/22 uncertain) disagree and 73% agreed (5/22 strongly agree and 11/22 agree) that perceived fairness of current tax system and affected taxpayer compliance with the amnesty. Using the mode of 16/22 respondents (73%) it can be noted that perceived fairness of current tax system and equity affect participation and compliance of SMEs with tax regulations. Supporting the respondents' view, Weber et al (2014) noted that the taxpayer perception of how the government utilises the tax revenue collected has an effect on how they respond to tax regulations. Ross (2012) discovered a significant association between fairness of tax system and compliance levels. A study conducted in Hong Kong by Jackson and Milliron (2014) had a positive relationship with a link between taxpayer's perception of fairness and tax compliance behavior. If the tax system is perceived to be unfair and the government is spending funds without satisfying the taxpayers, this in turn has an adverse effect on their level of compliance.

However, 27% of the respondents thus (4/22 disagree, 1/22 strongly disagree and 1/22 uncertain) were of the different view that perceived fairness and how government spend tax revenue have nothing to do with tax compliance. In support of these respondents, Wenger (2015) reiterated that, what is regarded as a fair tax system varies from expectations of individual there by creating a difficult situation to consider fairness and equity as factor that affects tax compliance. The percentage was insignificant for the researcher to draw conclusion on that fact. From the

respondent answers, the researcher then draws conclusion that perceived fairness and equity affect level of participation among taxpayers since 16/22(73%) agrees.

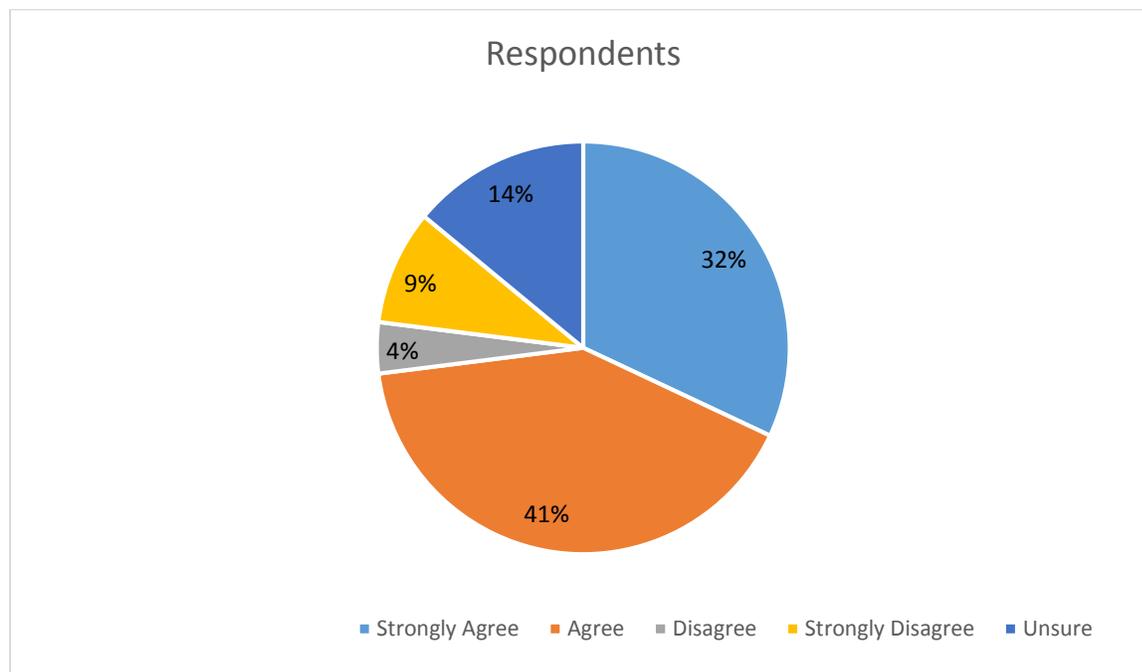
4.2.4 Is Social Norms within a society affects tax compliance levels of SME's

The question above was posed by the researcher in a bid to establish on whether social norms within a certain society have a greater impact on tax compliance within a tax amnesty period. The Fig 4.1 below explains and illustrate the responses that were drawn.

Raw Data

	Strongly Agree	Agree	Disagree	Strongly Disagree	Unsure	Total
Respondents	7	9	1	2	3	22

Fig 4.1 Responses on Social Norms and tax compliance of SME's



From the above Fig 4.1 it can be shown that, 7/22 (32%) strongly agreed that social norms have a direct influence on determining the participation levels of a taxpayer, 9/22 (41%) agreed social norms within a society in which a taxpayer operate in affect tax compliance rate, 1/22 (4%) disagreed, 2/22(9%) strongly disagreed to the same issue and lastly, 3/22 (14%) was unsure on relationship between social norms and tax compliance rate. In aggregate it can be noted that that 73% agreed (32% strongly agreed and 41% agreed). The responses above were supported by

Stetson (2014) and Sandmo (2012) who stated that social factors that relate to individual mindsets influence tax compliance in dealing with tax issues. As a result, above the mentioned factor play a significant role in determining tax payer’s decision to comply (Sagareth and Burgoyne, 2013). About 2/22 disagree to the fact that social norms affects the tax compliance representing 9% .The above respondents can be supported by a field experiment conducted by Wenzel (2013) showed that social norms directly affects tax compliance in that social norms regulates compliance that are based on perceived frequency of avoidance or evasion and societal acceptance of evasion. Above all, Kingsley (2014) states that social norms alone are not enough to directly affect tax compliance of tax payers in that individuals are ignorant to social norms even if they know what the society expects.3/22 (14%) of the respondents were unsure. SME’s such as Glemor and Etosha Trading were neutral on this issue and it can be the fact that they were supporting Mohdy (2013) with a view that social norms have nothing to do with tax compliance and there is no relationship that exist between social norms and compliance levels. Conclusions were made by the researcher on a modal basis of 16/22(73%) who agreed that social norms within a society have a greater impact on tax compliance levels.

4.3 The Following factors can motivate SME’s compliance levels in Zimbabwe.

4.3.1 Is Tax Education a measure that can motivate SME’s compliance levels?

There are several measures that can be adopted by ZIMRA in order to motivate compliance levels of taxpayers, the researcher posed the above question to the respondents with an aim of finding out if tax education is one of the motivation measure to tax compliance among SME’s. Below is Table 4.5 that summarizes the responses from 22 SME’s.

Table 4.5 Responses on Tax education as a motivational tool.

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	9	5	7	1	0	22
Response (%)	41	23	32	4	0	100

Respondents expressed mixed opinions with regards to tax education as a motivational to that encourage voluntary tax compliance among taxpayers. Of the 22 respondents, 9/22(41%) strongly agree that equipping tax payers with adequate tax knowledge can motivate taxpayers to settle their

tax obligations in time, 5/22(23%) agree to the same fact, 1/22(4.5%) respondents strongly disagree that tax education cannot be categorized as a motivational tool whilst 7/22(32%) respondents were in the same wavelength and disagreed. Thus from the information provided above the skewness is distributed to agreeing of 64% than 36% of disagreeing. The 14/22 respondents agreed (9/22 strongly agreed and 5/22 agreed) that tax education is a measure that can be adopted to motivate taxpayer participation on their tax liability. In support of the respondents, a research carried out by (Mukhilis,Utomo and Soesetyo 2014) suggested that it is important for taxpayers understand well how the tax system in that country operates. Pulis and Mostafa (2015) found out that tax knowledge and understanding can significantly affect the consistence of taxpayers in meeting their tax obligations. With reasonable understanding of the tax law and tax system in the country, taxpayers are willing to abide and consequently they are more compliant to pay taxes than evade their tax liability which brings about a mutual relationship between the government and the taxpayers (Palil, Akir and Ahmad 2013).

However, 8/22 (7/22 disagree and 1/22 strongly disagree) brought a different view with the one above that tax information cannot be categorized as a motivational tool since it is a mandatory for tax authority to provide tax information to taxpayers at zero cost. The above respondents can be supported by Batrancea (2012) who argues that taxpayers avoid settling their tax obligation not because they lack tax knowledge but they lack financial resources to settle their obligations. This is what exactly on the ground that some organizations have adequate information and they know what exactly to remit to ZIMRA but there are facing liquidity problems. In a survey that was conducted in Angola by (Jashony, 2015) concluded that taxpayers are not motivated by tax education for they to comply because government had injected more capital trying to offer education services for free to taxpayers and in return a 5% decline in compliance rate was yielded. Ahmed and Chetty (2012) states that tax education alone cannot motivate compliance levels of SME's. Nevertheless, from the modal responses 14/22(64) that were made from the research, the researcher then concluded that tax education is a motivational tool that encourage taxpayer to participate in settling tax due on time.

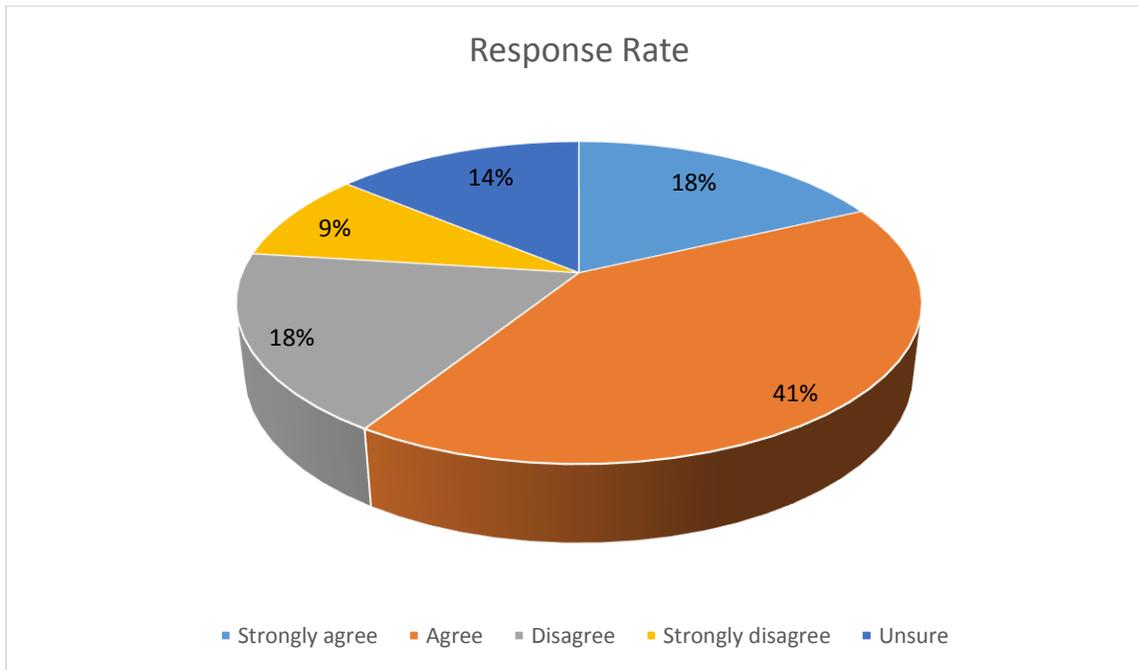
4.3.2 Can be Use of Information Technology motivate SME's compliance rate?

The question objective is to assess whether the use of Information Technology (IT) can be regarded as a motivational tool to compliance levels of Small to Medium Enterprises. The below Fig 4.2 shows responses drawn from raw data in the field by the researcher through questionnaires.

Raw Data

	Strongly Agree	Agree	Disagree	Strongly Disagree	unsure	Total
Respondents	4	9	4	2	3	22

Fig 4.2 Response Rate on the Use of IT



With reference to Fig 4.2 it can be noted that 4/22 (18%) strongly agreed that the use of IT on tax matters can be an motivational tool to compliance rate. 9 (41%) were in the same wavelength and agreed, 2/22 (9%) disagreed that the use of IT cannot be regarded as motivational tool to settle tax due on time, 2/22 (9%) were in the same motion and they strongly disagreed and 3/22 (14%) respondents were unsure thus neutral. Overall this shows that 41% (4/22disagree, 2/22 strongly disagree and 3/22 unsure) disagreed and 59% (4/22 strongly agree, 9/22 agree) agreed that the use of information technology through internet facilities improve voluntary compliance among SMEs. Making use of the mode of 9 (60%) respondents it can be established that making use of improve

and easily accessible internet services may improve taxpayer compliance. This view is supported by Ndedzu et al (2013) who recommended that the tax authority should make more use of automated system so that tax assessment and administration will be made easy and accessible to all users of the tax system. In addition to the above majority of SME's with adequate machinery such as Etosha Trading, Eatag and Plouboy Enterprises supported the fact during the interview that use of IT reduce compliance cost hence increase tax participation rate.

On the other hand, 27% (4/22 disagree, 2/22 strongly disagree) of the respondents were of the view that use of IT on tax matters cannot be regarded as a motivational factor. Luitel (2016) brought same idea in that the use of technology in the tax system involves the use of computers and availability on internet for smooth flow of information between the taxpayer and tax authority that would require capital to acquire. This is being evidenced by Glemor and Muchic Trading that have inadequate machinery due to lack of financial resources. Lack of financial resources can hinder taxpayer to comply with relevant tax regulations. Allingham (2015) supported that the use of technology as way to motivate tax compliance can produce negative results. The researcher therefore used the modal responses 59% (4/22 strongly agree, 9/22 agree) even though it was critical to draw up a conclusion that the use of IT can yield favorable tax compliance results.

4.3.3 Do simplifying tax laws and procedures be a motivational factor on compliance?

The researcher brought the above question to the respondents in a bid to gain better understanding on whether simplification of tax regulations and procedure be a motivational tool to encourage tax payer participation in settling their tax obligations. The table below with raw data obtained from 22 respondents is as follows.

Table 4.6 Responses on Simplifying tax laws and Procedures.

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	1	11	5	3	2	22
Response (%)	4	50	23	14	9	100

From the table 4.7 it can be noted that 1/22 (4%) strongly agreed that if tax authority simplify tax laws and procedures it can be a motivational tool to those that are non-compliant, 11/22 (50%) were of the same view and agreed, 5/22 disagreed that simplifying tax laws have no relationship with tax compliance, 3/22(14%) were in the same bracket and strongly disagreed and 2/22 (9%) were unsure from the 22 response obtained on whether simplification of tax laws can influence tax compliance.

This overall shows that 46% (23% disagree, 14% strongly disagree and 9% unsure) disagreed and 54% (4% strongly agree and 50 agree) agreed that simplifying tax regulations and procedures improve voluntary compliance among SMEs. Using the mode of 12/22 (54%) respondents it can be established that simplification of tax regulations from tax authorities may improve taxpayer compliance. These findings are supported by Russel (2014) who reiterated that, it is difficult for taxpayers to be compliant if it is too difficult for them to understand the tax system and when the procedures are difficult and expensive to comply with. Tax authorities should make an effort to pay attention to new businesses clearly advising them of the tax obligations and the necessary procedures involved in filing them at the commencement of their business operations (OECD 2012). Allingham and Sandmo (2015) also was of the same view that electronic systems can reduce the amount of time it takes for businesses to fill out multiple forms with similar information, as well as cut down on time spent waiting in line to file returns and make payment at the tax office in return taxpayers will be motivated to comply. However, 7/22(5/22 disagree and 2/22 strongly disagree) of the respondents were against the fact that tax compliance can be motivated by tax authority simplifying tax regulations and procedure thereon.3/22 were unsure representing 14% of the sampled population, this could be due to lack of knowledge of the respondents within an organization. The researcher therefore used the study to come up to a conclusion that simplifying tax laws and procedures within a nation is a motivational tool based on the 54% modal response.

4.3.4 Is Improved Self-Assessment system a measure that can be adopted to motivate compliance levels?

The question objective is to assess whether an improved self-assessment system can be regarded as a motivational tool on compliance levels of Small to Medium Enterprises. The below Fig 4.3 shows responses drawn from raw data in the field by the researcher through questionnaires.

Raw Data

	Strongly Agree	Agree	Disagree	Strongly Disagree	unsure	Total
Respondents	8	7	3	2	2	22

FIG 4.3 Response rate on Improved Self-Assessment system.

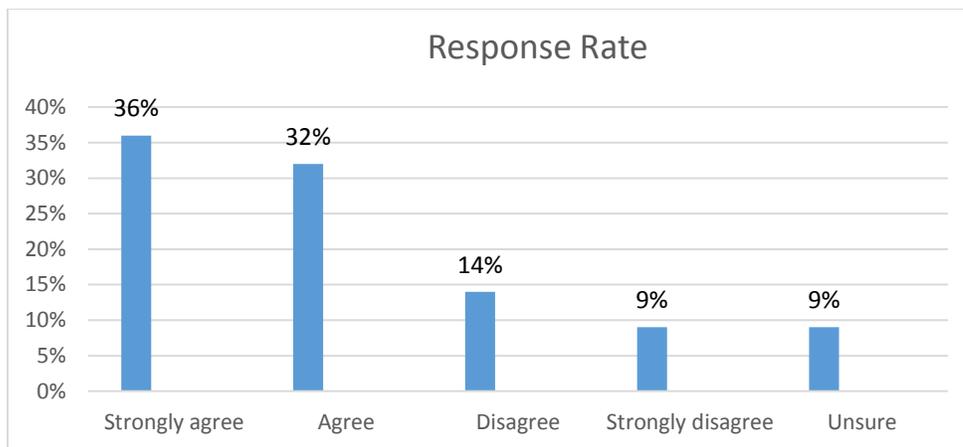


Fig 4.3 above portrays that 8/22(36%) strongly agreed that improved self-assessment system if adopted is a motivational tool on compliance, 7/22 (32%) agreed were on the same view, 3/22(14%) disagreed that improved self-assessment system can be viewed as a motivational factor of tax compliance, 2/22(9%) were on the same wavelength and strongly disagreed and 2/22 (9%) were unsure from the 22 respondents obtained by the researcher. All in all, 15/22 (8/22 strongly agree and 7/22 agree) thus 68% agree and 5/22 (3/22 disagree, 2/22 strongly disagree) of the respondents disagreed (9%) that an improved self-assessment system motivates tax compliance among taxpayers. Using the mode of 15/22 (68%) respondents it can be established that an improved self-assessment system motivates SME's tax compliance. This view is supported by Mikesell and Ross (2012) who noted that an improved self-assessment system tends to improve voluntary compliance since tax payers can determine their tax obligation without the involvement with the tax officials. In a bid to improve the self-assessment system ZIMRA introduced an e-filing for self-assessed income tax returns to enable its clients to submit their tax returns electronically (www.zimra.co.zw 2014). The likes of Durian Enterprises, The Chikataz

Investments and Alost Experts also acknowledged the use of self-assessment system on tax returns that have helped them to be more compliant than before.

On the other side of the coin, 5/22 (2/22 strongly disagree and 3/22 disagree) disagreed that an improved self-assessment system can motivate taxpayer to participate more than before on compliance levels. This was further supported by Mobarak (2013) who states that few taxpayer help and call center were available and inexperienced technical staff were deployed on telephone call centers as this affect the effectiveness of the self-assessment system. 2/22 were neutral and the researcher assumes that the respondents was uncertain of the answer to the question. Therefore the researcher concluded that an improved self-assessment system motivates taxpayer to comply with tax regulations in fulfilling tax obligations basing on the modal of 15/22 of the total respondents.

4.4 The Relationship between Tax amnesty and Tax Compliance

4.4.1 What is the relationship between Tax amnesty and Tax Compliance if the objective of the amnesty is to broaden tax base?

The relationship between the study variables namely tax amnesty and tax compliance was computed using STATA 11. Responses to coded ratings of questions 3 are averaged and question 5 is also utilised in STATA 11 to come up with the relationship of the two variables. STATA 11 results are shown in Table 4.7 below:

Table 4.7

Source	SS	df	MS			
Model	2.7961165	1	2.7961165	Number of obs =	22	
Residual	25.2038835	20	1.26019417	F(1, 20) =	2.22	
Total	28	21	1.33333333	Prob > F =	0.1519	
				R-squared =	0.0999	
				Adj R-squared =	0.0549	
				Root MSE =	1.1226	

taxcompliance	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
relationship	.2330097	.1564282	1.49	0.152	-.0932939	.5593133
_cons	1.417476	.4584951	3.09	0.006	.4610717	2.37388

Source STATA 11

Results to STATA 11 shown above were used to address the researchers aim to surface the relationship between tax amnesty and tax compliance. In this study tax amnesty is treated as an independent variable while tax compliance with an objective to widen tax base is considered a dependent variable. Table 4.7 above indicates that the two aforementioned variables have a positive coefficient of variation. In a technical view, an increase in tax amnesty by one unit will ultimately cause an increase by 23.30% ($0.2330097 * 100\%$).

The above view was also supported in literature by Silvani and Katherina (2014) who discovered that tax amnesty and compliance have a positive relationship if government introduce amnesty program with the view to widen tax base of the nation in the view that if strict measures are adopted such as regular tax audits and inspections, positive results on compliance are yielded. In addition to the above, Kara (2014) states that a positive relationship between amnesty and compliance may exist when government introduce amnesty with an objective of widening tax base in the sense that new taxpayers especially SME's that are operating under shadow economy participate in the amnesty. SME's such as Muchic Trading and Glemor Enterprises registered some of their small subsidiaries during the tax amnesty giving evidence of a positive relation when government grant amnesty with a view of widening tax base. The researcher concluded that there is a positive relationship between tax amnesty and tax compliance if tax authority grant amnesty to widen tax base.

4.4.2 What is the relationship between Tax amnesty and Tax Compliance if the objective of the amnesty is to generate short term revenue?

The relationship between the study variables namely tax amnesty and tax compliance was computed using STATA 11. Responses to coded ratings of questions 3 are averaged and question 5 is also utilised in STATA 11 to come up with the relationship of the two variables. STATA 11 results are shown in Table 4.8 below:

Table 4.8

Source	SS	df	MS			
Model	2.78451883	1	2.78451883	Number of obs =	22	
Residual	25.2154812	20	1.26077406	F(1, 20) =	2.21	
				Prob > F =	0.1528	
				R-squared =	0.0994	
				Adj R-squared =	0.0544	
				Root MSE =	1.1228	
Total	28	21	1.33333333			

taxcompliance	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
relationship	-.2531381	.1703339	-1.49	0.153	-.6084483	.1021722
_cons	2.621339	.481777	5.44	0.000	1.61637	3.626308

Source STATA 11

Results from STATA 11 shown above were used to address the researchers aim to surface the relationship between tax amnesty and tax compliance. In this study tax amnesty is treated as an independent variable while tax compliance with an objective to source short term revenue is considered a dependent variable. Table 4.8 above indicates that the two aforementioned variables have a negative coefficient of variation. In a technical view, an increase in tax amnesty by one unit will ultimately cause a decline by 25.31% $(-0.2531381 * 100\%)$.

Muhammed (2015) empirically examined the relationship between tax amnesty and compliance on taxpayers and reviewed that when government's objective is to raise short term revenue, it can result in an inverse relationship to compliant citizens may come to expect their government to offer tax amnesties, these expectations can decrease the incentive pay tax routinely and lead to increase in number of tax evaders thereby a reduction in level of compliance rate. Kingsley (2016) urges that if amnesties make evasion seem forgivable, they reduce voluntary compliance over the long run, causing serious financial consequences for the government evidencing an inverse relationship.

4.5 The following factors are the best way to improve tax compliance among SME'S

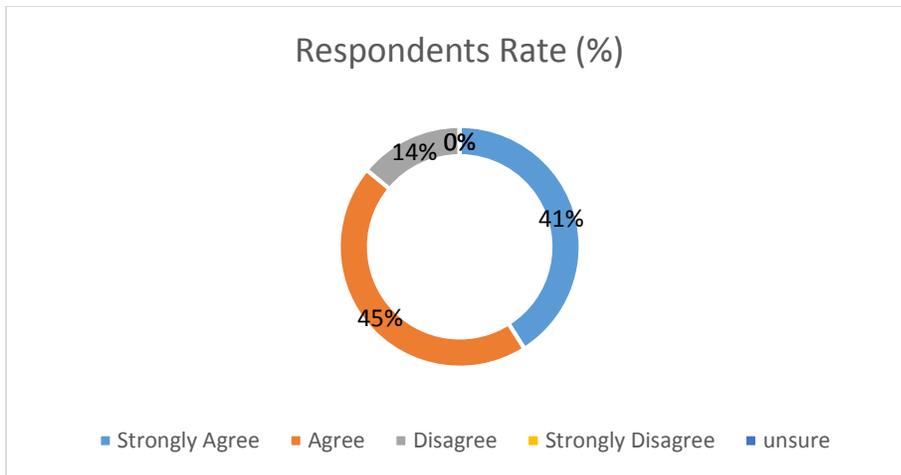
4.5.1 Do Tax Awareness Program a best way to improve taxpayer compliance?

The question above was posed by the researcher in a bid to establish on whether tax education an awareness programs is the best way that improve tax compliance. The Fig 4.5 below illustrate the responses that were drawn.

Raw Data

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	9	10	3	0	0	22

Fig 4.4 Responses on Tax Awareness as a best tax compliance measure.



With reference to Fig 4.5, respondents expressed mixed opinions with regards to tax education as a motivational to that encourage voluntary tax compliance among taxpayers. Of the 22 respondents, 9/22(41%) strongly agree that equipping tax payers with adequate tax knowledge through tax awareness campaigns can be one of the best way to motivate taxpayers to settle their tax obligations in time thereby improving compliance, 10/22(45%) agree to the same fact, 3/22(14%) respondents disagree that tax awareness cannot be the best way to improve tax compliance. Whereas none strongly disagree and unsure to the fact above of tax awareness being the best way. In aggregate 19/22(86%) of the respondents agreed that tax awareness campaign is the best way to improve tax compliance among SME's. This response is in line with Russell (2015) who alluded that, a tax awareness campaign as a high level operative detailing how the tax authority intends to respond or combat the most significant risks identified in its tax system. More so, Spicer and Becker (2015) were also in support and mentioned that tax awareness campaign enables people and business to understand the issues under scrutiny and helps them and their advisors manage their tax affairs more effectively, resulting in better overall compliance.it is regarded as the best practice to improve SME's tax compliance because it act as a mechanism for raising community awareness of the depth of compliance activities undertaken by the revenue

agency and improving community confidence in the administration of the tax system.

However, 3/22 of the respondents thus (14%) disagreed tax awareness programs as a best way to improve. This is due to the fact that they believe that tax education is always available at zero cost and very accessible by any individual who might be need assistance from ZIMRA. Also noticed that such clients (Plouboy, Muchic and Alostia Experts) are nearer to ZIMRA and have access to information. Nevertheless, making use of the mode of 19 (9/22 strongly agree and 10/22 agree)the researcher concluded that the provision of tax education and awareness programs may be the best way to improve voluntary compliance among SME’s following 86% response rate.

4.5.2 Is tax incentive a best way to improve compliance?

The researcher brought the above question to the respondents in a bid to gain better understanding on whether granting tax incentives and tax holidays a best way to improve tax payer participation in settling their tax obligations. The Table 4.10 below with responses obtained from 22 respondents is as follows.

Table 4.9 Responses on Tax incentives.

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	15	6	1	0	0	22
Response (%)	68	27	5	0	0	100

Table 4.9 illustrates that 15/22 (68%) strongly agreed that granting tax incentive to SME’s can be the best way to improve compliance, 6/22 (27%) agreed that granting tax incentive to SME’s can be the best way to improve compliance, 1/22 (5%) disagreed that granting tax incentive to SME’s can be the best way to improve compliance, none strongly disagreed as well as unsure. This views can be summed up to note that 95% (27% agree and 68% strongly disagree) agreed to the fact that granting tax incentive to SME’s can be the best way to improve compliance. Holmes (2015) is of the same view and states that tax authorities should sweeten the benefits of cooperation as this tend to build inner confidence in the taxpayer of the revenue collecting body. Suggesstions by Ojeka (2015) and Atawodi and Ojeka (2012) entails that tax authorities should provide more exemptions

and tax incentives as these tend to increase voluntary compliance among taxpayers. This is also supported by Ngwenya et al (2014) who suggested that the government should increase and make use of tax holidays and other exemptions to honest taxpayers so as to encourage other taxpayers to partake voluntary compliance. The 95% response rate amazed the researcher and realized that almost everyone needs benefits and that was the interesting response ever.

Not all respondents were in the same wavelength, 1/22(5%) disagreed that improving tax incentives improve voluntary compliance among SMEs. In support of the above responded Tongler and Murphy (2013) is of the view that, main aim of compliance is to raise government revenue and when government issue tax incentives such as tax holidays to some tax payers that will result in government loses revenue through such incentives Making use of the mode 9 (60%) respondents it can be noted that the tax authority’s improvement of the tax incentives may improve taxpayer compliance. This is view is also supported by Ojeka (2012)SS who suggested that an increase in tax incentives in the form of tax holidays and exemptions among others will bring in new taxpayers to the tax roster. Nevertheless, there is no reasonable doubt for the researcher to draw a conclusion that tax incentives is one of the best way to improve tax compliance rate.

4.5.3 Is Tax compliance program a best way to improve tax compliance?

The researcher brought the question to the respondent’s attention in order to establish whether tax compliance programs a best way to improve tax compliance among SME’s. Below is the table that shows the raw data obtained from the respondents?

Raw Data

	Strongly agree	Agree	Disagree	Strongly disagree	Unsure	Total
Response	5	10	3	2	2	22

Fig 4.5 Responses on Tax Compliance Programs

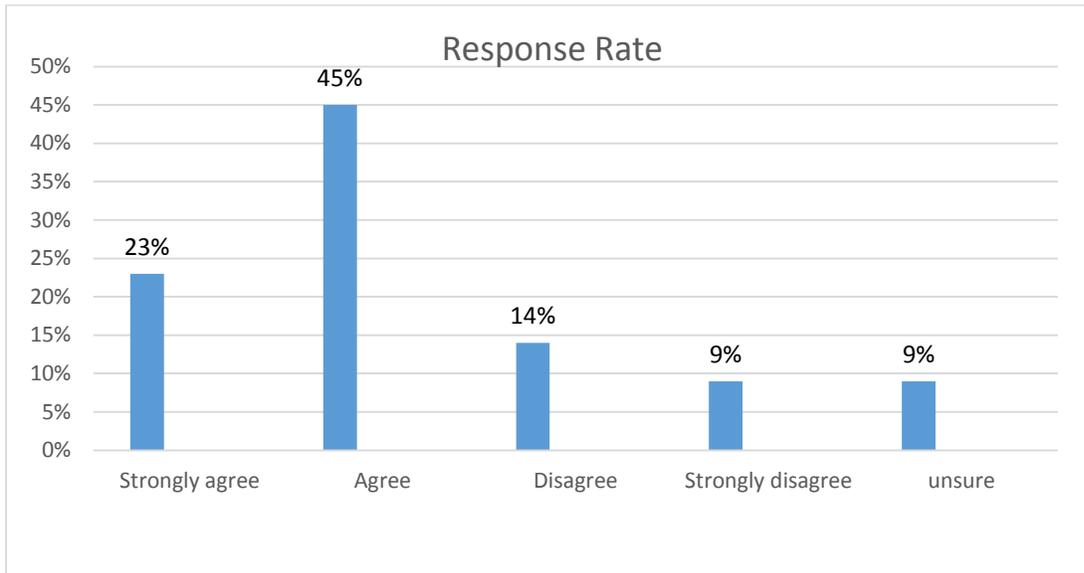


Fig 4.6 illustrates that 23%(5/22) of the respondents strongly agreed that tax compliance programs is a best way to improve tax compliance among taxpayers, 45% (10/22) agreed that tax compliance programs is a best way to improve tax compliance among taxpayers, 14% (3/22) disagreed that tax compliance programs is a best way to improve tax compliance among taxpayers. The other respondents 9% (2/22) were in the same wavelength and strongly disagreed to the issue in question and 9% (2/22) were unsure on whether tax compliance program is a best tool to improve tax compliance. The modal response rate shows that 15/22 (5/22 strongly agreed and 10/22 agreed) making up 68% agreed that tax compliance programs is a best way to improve tax compliance among taxpayers. In full support of the above response, Blaxer et al (2014) concluded that tax compliance program enables people and business to understand the issues under scrutiny and helps them and their advisors manage their tax affairs more effectively, resulting in better overall compliance. Yitzhaki (2013) supported that the objective of a tax compliance program is to achieve the widest possible impact on voluntary compliance across the taxpayer population. SME's such as Glemor and Asidi Enterprises supported that lack of tax compliance programs yearly from ZIMRA is the one that was contributing towards non-compliance before the period of tax amnesty in 2014.

However, 7/22 (3/22 disagree, 2/22 strongly disagree and 2/22 unsure) were of the view that tax compliance programs is not one of the best way to improve tax compliance among SME's in

Zimbabwe. Jackson and Millron (2012) in support of the above response review that compliance programs alone cannot be the best method to enhance tax payer compliance, further to the compliance program, government should make tax information available to taxpayers in time and simplifying tax regulations. Despite other side discussed above, the researcher concluded that tax compliance program is essential in order to improve tax compliance level.

4.6 Analysis of interview responses

4.6.1 How efficient was the amnesty in mobilizing resources for ZIMRA?

Respondent 1

The first interviewee indicated that the timing of the amnesty was imperfect considering the economic conditions of the country, linking to their own manufacturing industry to which debts are still accumulating from buyers yet they need raw materials to no credit basis suppliers. Kara (2014) argues that even though states enact amnesties in time of fiscal duress timing is of significant influence as it has great impact on the morale of the beneficiaries.

Respondent 2

Respondent two highlighted the assessment realized from the amnesty which was only \$ 40 million dollars compared to the total amount owed in terms of taxes which stood at over a billion dollars in 2015 thereby labelling the amnesty by ZIMRA as inefficient in resource mobilization. Thus Alm et al (2010) indicated that amnesties when they are first introduced usually perform below the expected targets and the research was based on various countries when they implemented amnesties for the first time.

Respondent 3&4

The third interviewee indicated that the amnesty conditions were not flexible to tax defaulters especially SMEs who operate earning low incomes and for this reason the amnesty was not an efficient resource mobilization tool. Dapira (2015) also highlighted that ZIMRA's amnesty provision did not perform as was expected due to the payment conditions and deadline set to clear the debt. The other interviewee was of the same opinion with the first in that the timing of the amnesty was not good but further added that the motive behind the amnesty was to solve the liquidity crunch the country was in.

Discussion

This question was aimed at establishing the interviewee's opinion on how efficient was the amnesty in mobilizing resources for the tax collector. All of the candidates interviewed indicated that the amnesty was not that effective as was expected by the authority thereby giving evidence of a negative relationship between tax amnesty and tax compliance when the objective of the amnesty is to generate short term revenue to the government as tax revenue. This was evidenced in the responses on question 5 in the questionnaire on which 65% agreed that there is a negative relationship between the two variables in a bid to raise revenue.

4.6.2 Evaluating the amnesty generally, how effective can we say it was?

Respondent 1

The first respondent highlighted that the amnesty was not that effective as there was no indication of new registrants due to the provision. Emphasis was that the amnesty failed to widen the tax base as most SMEs operating not registered with the authority after the amnesty. Kapeza (2015) argues that the amnesty introduced by ZIMRA did not add new tax payers to the system but most of the applicants were already registered with the taxpayers.

Respondent 2

The second respondent aligned the ineffectiveness of the amnesty to its inability to yield positive results as was illustrated by the applicants that turned in to the amnesty provision which was further extended by six months compared to the SMEs that are defaulting tax or not even tax registered. This is supported by Kara (2014) who is of the opinion that an amnesty is considered effective due to the proportion of the shadow economy or tax defaulters that it brings to light.

Respondent 3

The third interviewee was of the opinion that the amnesty was ineffective as resources that were put towards the commitment of the provision were not enough. The respondent cited that the amnesty lacked proper awareness campaigns and education to the business stakeholders (SME chrome miners) about the amnesty and registering with the authority for tax purposes. This is supported by NJBIZ (2015) that pointed out that for an amnesty to be successful meaningful resources must be readily available be it in research and development or in expertise advise.

Respondent 4

The last respondent indicated that the amnesty was ineffective because it was new to the state and added that most SMEs feared that the taxman would use the information they would have provided against them. Dapira (2015) also argued that the Zimbabwean amnesty conditions were so tight such that tax defaulters feared to engage in the provision due to the huge number of applicants that were turned down, results indicating that at least 5000 applicants were rejected out of the 7580 applicants following the extension of the amnesty period. The above is supported from questionnaires in which 80% of the respondents agree that tax amnesty was not effective.

Discussion

The question was intended at getting the respondents' views on how effective the amnesty provision introduced by ZIMRA was on widening the tax base. The above responses from four different interviewees indicated that the provision of tax amnesty was ineffective as far as widening the tax base because it was new and first of its kind to grant such a provision as the amnesty lacked proper campaigns and education awareness. In the responses from questionnaires, it was indicated that such awareness campaigns and tax education is vital to improve taxpayer compliance other than tax amnesty alone.

4.6.3 Of the amnesty beneficiaries in your industry, how can you describe the effect the amnesty have had on their compliance behavior

Respondent 1

The first interviewee who applicant for the amnesty and turned down relates the amnesty as a witch hunting technique and that most unsuccessful applicants regret applying for this amnesty because there are now faced with huge amounts of penalties and interests. The respondent however added that compliance to beneficiaries after the amnesty come in the form of continued follows ups by ZIMRA personnel on their tax affairs. Kara (2014) indicated that usually tax defaulters whose applications are not accepted tend to continue being non-compliant in the long-run hence compliance is only achieved in the short-run as the authority will be making follow up on its debts.

Respondent 2 & 3

Respondent two highlighted that amnesty beneficiaries compliance improved as they now fear being caught on the wrong side of the law. Respondent number three was of the opinion that compliance behavior of amnesty beneficiaries was likely not to improve due to anticipation of another amnesty. Ipek (2012) argued that this notion that another amnesty will occur is only disregarded if the amnesty is implemented with commitment that it is not recurring. Thus Murali (2012) also added that states must warn tax defaulters of the post amnesty period implications against them so that compliance will improve during the post amnesty period.

Respondent 4

The last respondent picked up political orientation as another reason for the drop of compliance motivation as tax payers especially SMEs which are mainly owned by individuals that would be perceived by the way government spent their resources in the tax system.

4.6.4 How was the amnesty perceived by the compliant taxpayers and how has it affected their compliance behavior recently?

Respondent 1

In responding the first interviewee was of the view that the amnesty was like a reward for being non-compliant to defaulters having their penalties scrapped off whereas compliant taxpayers did have penalties (from past audits) but did not benefit from the amnesty due to the conditions of the amnesty. Thus the amnesty did not include cases which were audited, (Dapira, 2015). This indication was the weakness of the Zimbabwean amnesty as it exposed the unfairness of the system to compliant taxpayers who will also be having penalties from previously audited cases (Kapeza, 2015).

Respondent 2&3

The second respondent was of the opinion that compliance behavior of honest taxpayers was likely to improve due to the motive that they now share the same yoke with the amnesty beneficiaries who were once tax defaulters. Kara (2014) in support of this linked religion with tax compliance and added that some people for example Israelites are taxpayers by default and in the case of an amnesty compliant taxpayers morale will not be affected as it is their norm to pay taxes. The third respondent was not sure about the implications on compliance behavior of honest tax payers during the post amnesty period.

Respondent 4

Respondent four was of the opinion that the amnesty should have had balance between compliant taxpayers and evaders. The justification for this view being that all stakeholders will feel a sense of recognition and not discriminated. The respondent highlighted that at least the authority should have offered to compliant tax payers an incentive in the form of a little discount or credit so that honest taxpayers would not feel like they are being exploited. Murali (2012) also argues that during an amnesty focus will be mainly on delinquent taxpayers importance of compliant taxpayers must not be taken for granted as there are the current tax contributors.

4.6.5 What alternative remedies can be employed to improve tax compliance in your industry?

Respondent 1

The first interviewee suggested ZIMRA revise the tax rates to suit the prevailing economic conditions on minimize to maximize basis. The respondent opinion was that if the tax rate is reduced compliance levels are likely to increase and more investors will be attracted to the chrome mining industry. This is supported by Rechberger et al (2012) who suggested that non-compliance is influenced by many factors like economic conditions and rates of tax among others.

Respondent 2

The second interviewee suggested that garnishee orders are the best resort to improve compliance but argued that the taxman should minimize the rates on amounts garnisheed. The interviewee further added that the use of the customary procedures like audits, penalties and interests are much effective in ensuring compliance. Hasseldine (2014) is of the opinion that strict enforcement measures (audits and penalties) though hurting are the best ways in which compliance is achieved.

Respondent 3 & 4

The third respondent indicated that compliance is improved through reducing the bureaucratic processes involved in the initial registration processes and suggested that tightening the tax enforcement and detection procedures such that it becomes almost impossible to operate without a regularized tax position. It was further proposed that tax authorities must penalize businesses that trade without tax clearances by not just withholding tax from them but denying them to trade

without a clearance certificate. Feld and Frey (2012) also supports Hasseldine but deliberated that these strict enforcement procedures and flexible client care systems plays an important role in reducing evasion rates. The last respondent recommended the use of exemplary procedures like naming and shaming of detected defaulters. Above all these Kara (2014) views an amnesties as good tools to improve compliance especially in unearthing the shadow economy but further suggested that it must be aligned with other enforcement procedures for it to be successful.

4.7 Summary

The chapter presented and analyzed the data collected using different research instruments. The data was presented using tables, pie charts and bar graphs. The analysis of the data was done through the use of percentages and the mode. Conclusions drawn from the research findings were in conjunction with the related literature discussed in chapter two. Findings have been generated in this chapter and the researcher will use these findings in generating recommendations and conclusions in the next chapter. The next chapter will focus on summary of chapter, major findings, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gave summaries of whole chapters covered by the research. It looked at the major research findings discovered during the research and conclusions drawn from them. Recommendations suggested by the researcher were also dealt with in this chapter.

5.1 Executive Summary

The main objective of the study was to investigate the impact of the Zimbabwean amnesty of October 2014 to Small to Medium Enterprises’.

Chapter one outlined the background of the tax amnesty in Zimbabwe which was introduced at a time the government was experiencing fiscal congestion and also fighting the shadow economy regulation war (Kapeza, 2015). The research was mainly driven by the fact that tax compliance levels did not register a positive change after the amnesty but a decrease, www.zimra.co.zw. The chapter identified the research objectives and questions, justified the study, delimited it, and identified the limitations of the study.

Chapter two related the research objectives with the literature from different scholars and authors who agreed and disagreed in their studies concerning how the tax amnesty influences the compliance levels of SMEs. The research revealed that factors such as high compliance cost, tax audits and tax rates affect tax compliance with amnesties. More so, tax education the use of IT and simplification of tax laws and procedures within a tax system can be measures that can be implemented to motivate tax compliance other than tax amnesty. Literature reviewed that the relationship between tax amnesty and tax compliance depends on the objective tax amnesty is granted for. The chapter also reviewed best way to improve tax compliance among SMEs such as tax awareness programs, tax incentives and tax compliance programs.

The researcher in chapter three concentrated on the mixed methodology approach to collect data that comprises both qualitative and quantitative research design. The convenience sampling

technique was used on Manicaland SME's who seek consultancy at NMC Chartered Accountants. The researcher used primary data collection method so as to get the in-depth understanding of the topic under review. STATA11 was used to establish the relationship between tax amnesty and tax compliance. Validity and reliability of data was considered before and after gathering data. Twenty five questionnaires were sent out but only twenty-two were successfully administered yielding a response rate of 88%. This enabled the gathering of reliable information by the researcher as the sample size was high. The researcher managed to get information from all of the listed interviewees therefore yielding a success rate.

Finally, chapter four presented, analyzed and interpreted the data findings from the 22/25 questionnaires responded to. Data was comprehensively presented through the use of pie-charts, tables and graphs. Descriptive results from interview responses were summarized. The analysis of the data was done using mode and percentages so as to give a descriptive summary of the data collected and conclusions established. STATA 11 was used to establish the relationship between tax amnesty and tax compliance. The research findings were assessed to find out if they matched the related literature reviewed in chapter two.

5.2 Summary of Major Findings

5.2.1 To identify the factors affecting SME's in complying with the tax amnesty.

It was discovered that rate of tax audits, high tax rates , source and level of income of tax payer and compliance cost at large are factors that play a pivotal role on affecting compliance of taxpayer. High compliance costs pose a threat to SMEs in adhering with tax regulations thereby reducing tax compliance levels.

5.2.2 To investigate the relationship between tax amnesty and tax compliance.

The relationship between tax amnesty and compliance levels of taxpayers depends on the objective in which the tax authority grant the tax amnesty. It was discovered from STATA 11 results that a positive relationship exist between tax amnesty and tax compliance if the objective to grant amnesty is to widen tax base. An inverse relationship when the aim is to generate short term revenue.

5.2.3 To identify measures ZIMRA can adopt to motivate taxpayer compliance.

To motivate SME's tax compliance, ZIMRA should provide proper education, use of information technology and practice improved self-assessment system. Above all, simplifying tax laws and procedures as to all easy submission of tax returns.

5.2.4 To determine the best practices that can be used to improve SME tax compliance.

Among the alternatives to amnesties were revision of tax rates to suit economic conditions, simplifying the initial registration process, tightening the tax enforcement and evasion detection procedures and publicizing nabbed evaders and their punishment were cited as other means of improving tax compliance that are currently underutilized.

5.3 Conclusion

This research was a success though it was conducted under a limited time frame. The research managed to determine the influence the tax amnesty provision introduced by ZIMRA in 2014 had on the compliance levels of Manicaland SMEs in investigating the relationship between the two variables. SMEs did not participate in the provision due to the conditions of the amnesty. From the data findings there is a positive relationship between tax amnesty and tax compliance when the objective is to widen tax base and an inverse relationship when the objective is to source short term revenue. SME's face difficulties in complying with tax regulations since they do not receive proper assistance in the form of tax education and awareness programs. Therefore the Zimbabwe Revenue Authority should implement regulations that cater for the growth and development of SME's.

5.4 Recommendations

Relating to the research findings the author suggest the following to improve on the compliance and performance of future amnesties.

5.4.1 Publicizing post amnesty consequences

An amnesty provision should be publicized with stern warnings of strict enforcements and tightened detection methods as well as stiff punishment in the post amnesty period. This strategy is effective as it discourages possible future tax evasion by former delinquents and tax compliant

taxpayers. When post amnesty enforcement strategies are strictly adhered to compliance levels are likely to increase, (Murali 2012).

5.4.2 Consultations before the enactment of an amnesty

For an amnesty program to improve compliance, defaulters must be strongly convinced that the amnesty is a good initiative for them and that they will now have a chance of operating as recognized businesses. Before an amnesty program is rolled out the government should make sure it has won the confidence of the defaulters through use of consultations, (Kapeza, 2015). Educating these defaulters about the amnesty itself and the benefit of taking advantage of this opportunity through various forms of media is another form to convince them to participate in the amnesty provision.

5.4.3 A tax amnesty provision must strike a balance between tax defaulters and honest tax payers

Research on most amnesties enacted by various states indicate that amnesties usually benefit tax defaulters. This might end up causing compliance of amnesty beneficiaries and non-compliance by honest tax payers in the long-run. States when introducing amnesties must strike a balance between tax defaulters and honest taxpayers so that compliance is not affected in the long-run, (Kara, 2014). Honest taxpayers may end up evading taxes if amnesties only benefit defaulters and they do this in anticipation of another amnesty. Also the government should express clearly that it has no intention to offer any other amnesty after the one in offering, (McKee, 2012).

5.6 Recommendations for further study

The researcher recommends that further research should be carried out on assessing the effectiveness of different types of tax amnesties.

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APPENDIX I
COVER LETTER

**Midlands State
University**



P. Bag 9055
Gweru

17 February 2017

Dear Sir/Madam

RE: AUTHORIZATION TO CARRY OUT RESEARCH AT YOUR ORGANISATION

I refer to the above matter.

I am a level four two student at Midlands State University. I kindly request your permission to conduct my field research at your organization. The information provided will assist in the accomplishment of the research titled: **An investigation on the relationship between tax amnesty and tax compliance. A case Study Manicaland SME's.**

The research is compulsory for the partial fulfilment my studies Bachelor of Commerce Accounting (Honors) Degree at Midlands State University (MSU). Information provided will be treated as confidential and will be used for academic purposes only.

Your cooperation will be greatly appreciated.

Yours faithfully

Sangoya Renias
R137375C

**APPENDIX II
REQUEST LETTER**

**Midlands State
University**



P. Bag 9055
Gweru

19 February, 2017

Dear Respondent.

RE: ASSISTANCE WITH FILLING OF QUESTIONNAIRE

Reference is made with regards to the above matter.

May you kindly complete the attached questionnaire by putting ticks in appropriate boxes and filling in the spaces provided? The information provided will assist in the accomplishment of the research titled: **An investigation on the relationship between tax amnesty and tax compliance.**

A case Study Manicaland SME's.

The research is compulsory for the partial fulfilment my studies Bachelor of Commerce Accounting (Honors) Degree at Midlands State University (MSU). Information provided will be treated as confidential and will be used for academic purposes only.

Your cooperation will be greatly appreciated.

Yours faithfully

Renias Sangoya
R137375C

APPENDIX III
QUESTIONNAIRE



MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING

To whom it may concern:

This letter serves to certify that Renias Sangoya [Student Number R137375C] is a final year student in the department of Accounting at the Midlands State University. He is carrying a research entitled “

An investigation on the relationship between tax amnesty and tax compliance. A case Study Manicaland SME’s. May you kindly assist him carry out this project by answering the following questions. The research is purely for academic purposes and therefore the results will be treated confidentially and professionally.

Thank you

Mrs Mwedzi

ACADEMIC SUPERVISOR.



University stamp

INSTRUCTIONS TO RESPONDENTS

I. Please tick in the box for your choice

II. Please fill in your response to open ended questions

1. In my opinion the tax amnesty system improved tax compliance among taxpayers.

Yes why?.....

No why?.....

2. From the reasons provided below please tick your appropriate one

i. Tax returns are being submitted on time

ii. Still facing challenges in meeting tax obligations

3. The following factors affected Small and Medium Enterprises compliance with the amnesty

Content	Strongly agree	Agree	Disagree	Strongly disagree	Unsure
a) High compliance costs					
b) Low level and source of income					
c) High tax rates					
d) Perceived fairness and equity					
e) Tax morale levels					
f) Social norms					

4. The following measures can motivate SME's compliance levels

Content	Strongly agree	Agree	Disagree	Strongly disagree	Unsure
a) Tax education					
b) Use of Information Technology					
c) Simplifying tax laws and procedures					
d) An Improved self-assessment system					

5. Is there a positive relationship between tax amnesty and tax compliance under the following objectives:

Content	Strongly agree	Agree	Disagree	Strongly disagree	Unsure
a) widen tax base					
b) short term revenue generation					

6. The following are the best ways to improve tax compliance among SMEs

Content	Strongly agree	agree	disagree	Strongly disagree	Unsure
a) Tax awareness programs					
b) Tax compliance programs.					
c) Tax incentives					

THANK YOU

APPENDIX IV

INTERVIEW QUESTIONS

- 1) What was the impact of tax amnesty on compliance levels of taxpayers after the period of amnesty?
- 2) What measures local tax authority can adopt to motivate compliance among SME's other than tax amnesty program?
- 3) Was the provision of tax amnesty introduced by ZIMRA an effective step on compliance of SME's?
- 4) What is the best practice ZIMRA can adopt to improve tax compliance levels of SME's?

APPENDIX V

STATA 11 results for questionnaire questions 3 and 5

Objective 1

Averaged responses to questions 3 and 5				
Ratings	1= Strongly Agree, 2= Agree, 3= Unsure, 4= Disagree, 5= Strongly Disagree			
	Response	Tax Compliance	Relationship	
	1	1	2	
	2	2	1	
	3	4	4	
	4	2	1	
	5	1	2	
	6	2	1	
	7	1	4	
	8	3	1	
	9	2	2	
	10	1	1	
	11	3	3	
	12	1	5	
	13	2	2	
	14	4	4	
	15	1	2	
	16	2	1	
	17	1	5	
	18	2	2	
	19	1	1	
	20	5	5	
	21	2	5	
	22	1	1	

Objective 2

Averaged responses to questions 3 and 5				
Ratings	1= Strongly Agree, 2= Agree, 3= Unsure, 4= Disagree, 5= Strongly Disagree			
	Response	Tax Compliance	Relationship	
	1	1	2	
	2	2	4	
	3	4	1	
	4	2	5	
	5	1	2	
	6	2	1	
	7	1	5	
	8	3	2	
	9	2	1	
	10	1	3	
	11	3	2	
	12	1	3	
	13	2	1	
	14	4	2	
	15	1	1	
	16	2	1	
	17	1	4	
	18	2	5	
	19	1	2	
	20	5	1	
	21	2	4	
	22	1	2	