



## **Faculty of Commerce**

### **Department of Accounting**

**an investigation on presumptive tax non-compliance amongst zimbabwe smes-a case study of  
motor trade industry (2011-2014)**

BY

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**APPROVAL FORM**

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## **DEDICATION**

First and foremost I would like to thank God the almighty for guiding me through my life. To God be the Glory!!!!

I would like to dedicate this project firstly to my husband Tapiwa J. Furusa for his encouragement and patience during the past 3 years I have been carrying out this study. My dedication will not be complete without mentioning my children, Brian, Tapiwa Jnr., Tinotenda and Blessing for the time they missed me as I searched for academic excellence.

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## ABSTRACT

The purpose of this study was to investigate presumptive tax non-compliance among SMEs operators in the Motor Industry. Since the introduction of the presumptive tax in Zimbabwe in 2005, as a means of bringing the informal sector into the tax net, there has been slow progress in achieving compliance especially in the Motor Industry. The existence of the presumptive taxation framework and the accompanying guidelines have been explored and investigated within the Motor trade sector and it was observed that their existence is disseminated and understood within the sector. The study also delved on the adequacy of the personnel in terms of expertise and quantity for the implementation of the guidelines. The existing controls such as e-filing, formalization of the informal sector and the promotion of the cashless economy were also highlighted together with the best practice in the administration of the presumptive taxation framework in the Motor Trade sector. The mixed research design, including the qualitative and quantitative approaches were used for the research. Questionnaires were used to gather the quantitative aspects of the presumptive tax phenomenon, while the interviews provided the qualitative aspects. Tables and charts were used for data presentation and analysis for this study. The findings were that, the presumptive taxation framework exists in Zimbabwe and the implementation guidelines are disseminated to the users and they are understood. The personnel at ZIMRA are adequate for the implementation of the presumptive tax guide implementation and the existing controls are adequate to promote presumptive taxation compliance. It was recommended that, the tax authorities, promote e-filing, simplify the tax administration system and also promote tax amnesty.

**Key words:** Presumptive tax, Compliance, tax administration, framework

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.0 Introduction**

This study seeks to investigate tax non-compliance by Small to Medium Enterprises (SMEs) with special reference to the Motor Industry in Zimbabwe. The chapter gives the background to the study, the statement of the problem, the objectives and the research questions. Further the limitation and the delimitation of the study were explored together with the assumptions and the significance of the study. Definitions of terms and a summary conclude this chapter.

#### **1.1 Background to the Study**

The global recession years of 2007-2009 have affected the revenue collection in Africa and in particular, Zimbabwe (Saungweme et al, 2014). During the recession period, capital flight in Zimbabwe was the order of the day, with a sizeable number of companies in the formal sector shutting down (Maseko, 2014). Capacity utilization went down to around 20% in both the manufacturing and productive sectors, which further weakened the revenue collection mechanism from the formal sector (FinScope, 2013). This has forced the government to look for other ways to improve and widen the revenue streams.

The growth of the SMEs sector in Zimbabwe has created hope for improved tax revenue, since the enactment of the presumptive tax base (Hove et al, 2013). According to Logue and Vettori (2010), the introduction of presumptive tax was meant to reduce the tax gap especially in developing countries. In Zimbabwe, Zivanai et al (2014) noted that the informal sector has outgrown the formal sector such that it is now employing more than 60% of the country's workforce and should contribute 60% of the national Gross National Product (GDP).

Zimbabwe introduced presumptive tax in 2005 as a way of harnessing the untaxed informal sector thereby reducing the tax burden on the formal sector, (Zivanai et al 2014). The informal sector includes the hair saloon, commuter omnibuses, driving schools and Haulage trucks (Zhou and Madhekani, 2013 and 2015 National Budget Statement). On the other hand, the formal sector has been shrinking leading to low tax revenue collections resulting in so much attention being directed to the informal sector through presumptive tax (Thomas, 2013).

Since its introduction and subsequent amendments, Utaumire et al (2013), noted that although the informal sector has grown over the years, the contribution of the presumptive tax to the total revenue of Zimbabwe Revenue Authority (ZIMRA), has been insignificant (3% contribution to total revenue). There has been minimal collection of the presumptive tax because most informal sector players are not registered and therefore they cannot be accounted for within the tax net (Mashiri et al, 2013). In addition some tax payers in the SMEs sector deliberately evade and avoid payment of taxation (Mashiri et al, 2013).

**Table 1.1: Budgeted and Actual Presumptive Tax Collections (2011-2014)**

Year	Target/Budgeted (\$)	Actual Collection (\$)	Variance (\$)	Variance (%)
2011	5 220196.66	3699000.00	-1521196.66	-29.14%
2012	13143213.53	9452985.00	-3690228.53	-28.08%
2013	14024904.74	13096700.00	-928204.74	-6.62%
2014	16032500.00	12433904.23	-3598595.77	-22.45%
<b>Total</b>	<b>48420814.93</b>	<b>38682589.23</b>	<b>-9738225.70</b>	<b>-20.11%</b>

Comment [TF1]:

Source: Ministry of Finance Outturn Reports (2011-2014)

Table 1.1 presents the budgeted presumptive tax and the actual collections. In 2011 targeted collections were \$5220196.66 but actual collections amounted to \$ 3699000.00 giving an adverse variance of \$1521196.66. The budgeted presumptive tax for years 2012 and 2013 were a target of \$13143213.53 and \$14024904.74 respectively, while actual collections were \$9452985.00 and



\$13096700.00, respectively. As a result, negative variances of \$3690228.53 and \$928204.74 were recorded during the year, respectively. Over these years, the budgeted presumptive tax has been growing progressively, showing the increasing importance of this sector to total revenue collection. The targeted presumptive tax increased by 207.1% from \$5220196.66 in 2011 to \$16032500.00 in 2014. In total, presumptive tax collections missed the budgeted amount by 20.11%, over the years. This was against a declining revenue base in the formal sector resulting from retrenchments as the country's economic performance plummeted (RBZ, 2013). Traders within the SMEs sector moved away from designated sites and went into background workshops (IMF, 2012). The identification of these traders then became a challenge in revenue collections from this sector. What has compounded the situation is that government's responsibilities have increased yet the tax net is shrinking (Nyamwanza et al, 2014)

The Commissioner General of Taxes Mr. Pasi in the ZIMRA yearly report of 2014 indicated that ZIMRA is owed close to a billion dollars by tax payers and chief among them are the informal sector players.

Jongwe (2015), noted that most informal traders are in the motor industry, supporting Nyamwanza et al (2014), who also noted that the retail and motor industry contribute 52% of the informal traders while manufacturing contributes 33% and the rest are "other services". The lack of tax compliance within the motor industry has thus cast a burden on the fiscal revenue collection and hence the research intends to investigate the presumptive tax non-compliance in this sector.

## **1.2 Statement of the Problem**

Since the introduction of the presumptive tax in 2005, the performance of this tax head has continuously missed the targeted or budgeted amount. The formal sector which used to drive the economy has shrunk and government focus has turned to the informal sector through the introduction of the presumptive tax. This informal sector is dominated by SMEs. Most studies have established that tax avoidance and evasion in this sector have been as a result of the low revenues created by the traders, but this study seeks to investigate presumptive tax non-compliance in the Zimbabwe's Motor Industry.

## **1.3 Main Research Question**

An investigation on presumptive tax non-compliance amongst Zimbabwe SMEs-A case study of Motor Trade Industry (2011-2014)

## **1.4 Research Objectives**

- To establish the existence of a presumptive tax collection framework,
- To establish the implementation guide of presumptive tax,
- To examine whether there is adequacy of personnel for the implementation of the presumptive tax guidelines,
- To investigate the challenges of presumptive tax administration,
- To examine the controls in place over presumptive tax administration,
- To propose the best practice in presumptive tax collection.

## **1.5 Sub Research Questions**

- What presumptive tax collection framework is in existence?

- What implementation guidelines on presumptive tax are in place?
- What personnel capacity does ZIMRA have in presumptive tax administration?
- What are the challenges of presumptive tax administration?
- What controls are in place over presumptive tax administration?
- What should be the best practice in presumptive tax collection?

### **1.6 Assumptions**

In carrying out this study, the researcher assumes the following:-

- The government policy regarding the tax framework for SMEs would not change,
- Respondents are to furnish reliable data to the best of their knowledge without bias.

### **1.7 Significance of the Study**

This study is significant to the researcher, the Ministry of Finance and Government and Midlands State University.

#### **To the Researcher**

The research is in partial fulfillment of the requirements of the Bachelor of Commerce Honours Degree in Accounting at the Midlands State University.

#### **To the Ministry of Finance and Government**

The results of the study would make recommendations to be considered for the adoption by ZIMRA, which is under the Ministry of Finance.

## **To Midlands State University**

The study is going to be part of the literature in the university library and therefore would help other students in their future researches.

### **1.8 Delimitation of the Study**

The research focused on presumptive tax non-compliance in the Motor Industry with particular focus on the Harare Home Industrial area in Willowvale. The targeted respondents were the omnibus operators, car sale dealers and panel beaters.

Data for the research was sourced from January 2011 to December 2014.

### **1.9 Limitations of the Study**

The three limitations in carrying out this study, were financial, confidentiality and time constraints.

#### **Financial Constraint**

Financial resources were required for printing, travel and communication with the supervisor. The researcher had to dig deeper in their pocket to meet these costs.

#### **Confidentiality**

Some of the information were protected by the Official Secrecy Act and was difficult to obtain. Guarantee was provided that the findings would be used for academic purposes only.

#### **Time constraint**

The researcher was a fulltime employee so had to devoted time between work and this research project. Further the researcher wanted to attend lectures at the same time carrying out the research.

## 1.10 Definition of Terms

<b>Presumptive Tax</b>	Refers to tax regimes in environments in which administrative/enforcement costs are unusually high and therefore accuracy of income measurement is unusually expensive,( Logue and Vettori,2010)
<b>SMEs</b>	These are entities engaged in the production of goods and services, but not constituted as separate legal entities independent of the individuals or households that own them (RBZ, 2012)
<b>Tax Evasion</b>	This refers to efforts used by corporates and individuals to avoid paying taxes illegally, (Africa Partnership Forum, 2013)
<b>Tax non-compliance</b>	Tax non-compliance refers to the failure to reporting of all incomes and payment of all taxes, by not fulfilling the provisions of laws, regulations and court judgments, (Palil and Mustapha, 2011)

## 1.11 Summary

The presumptive tax non-compliance in the motor industry has affected the revenue collection in Zimbabwe. Although the tax authorities have put in place this tax head in order to bring the informal sector in the tax brackets, the motor industry has emerged as one sector without compliance. The study, investigated presumptive tax noncompliance by presenting some objectives on the existence of the presumptive tax framework and implementation guides. Further, the challenges, the suggested best practice were proposed. The study was limited to the motor industry sector in particular, the omnibus operators, panel beaters and car sale dealers in the Willowvale industrial areas in Harare. Chapter two is on literature review.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The chapter reviews literature on presumptive tax concept and collection framework, presumptive tax administration and personnel factors, implementation guide and the controls in place for its collection. The challenges faced in presumptive tax administration and the best practices that have to be put in place for the effective collection of the presumptive tax have also been explored.

#### **2.1 Presumptive Tax Concept**

According to Ahmad and Stern (1991), presumptive taxation involves the use of indirect means to ascertain tax liability, which differ from the usual rules based on the taxpayer's accounts. The term 'presumptive' is used to indicate that there is a legal presumption that the taxpayer's income is no less than the amount resulting from application of the indirect method, Shome (1996).

Thurony (2003) pronounced that presumptive techniques may be employed for a variety of reasons. One is simplification, particularly in relation to the compliance burden on taxpayers with very low turnover (and the corresponding administrative burden of auditing such taxpayers). Second is to combat tax avoidance or evasion (which works only if the indicators on which the presumption is based are more difficult to hide than those forming the basis for accounting records). Third, by providing objective indicators for tax assessment, presumptive methods may lead to a more equitable distribution of the tax burden, when normal accounts-based methods are unreliable because of taxpayer noncompliance or administrative corruption. Fourth, rebuttable presumptions can encourage taxpayers to keep proper accounts, because they subject taxpayers to a possibly higher tax burden in the absence of such accounts. Fifth, presumptions of the exclusive type can be desirable

because of their incentive effects - a taxpayer who earns more income will not have to pay more tax. Finally, presumptions that serve as minimum taxes may be justified by a combination of reasons (revenue need, fairness concerns, and political or technical difficulty in addressing certain problems directly as opposed to doing so through a minimum tax).

## **2.2 Presumptive Tax Collection Framework**

Presenting the 2011 National Budget, the Minister of Finance and Economic Development came up with a policy to increase revenue collection by adopting the presumptive tax head among other raft of measures. The adoption of the presumptive taxation collection framework could be split into the legal framework and regulations and the operational framework.

### **2.2.1 Legal Framework**

Taxation of all companies, institutions, trustees and individuals in Zimbabwe are government by the Income Tax Act [chapter 23:06] and read with the Finance Act [chapter 23:04]. Changes to these Acts are subject to a legislative process and statutory instruments amendments. The motor trade sector was brought into the tax bracket by the existing tax policies, and indirectly through Value Added Tax (VAT) and direct special taxation - presumptive tax (Dube, 2014:49). Presumptive tax was put in place in 2005, in trying to include the informal sector in the tax bracket (Mashiri, et al 2013:114). It was further reinforced in 2011, by the Minister of Finance and Economic Development (ZIMRA, 2011b).

In the United States, Logue and Vettori (2010:1), noted that the introduction of the presumptive tax regime within the motor trade sector greatly improved the tax head. Thomas (2013:118), asserts that the effective implementation of presumptive tax can improve revenue generation and collection.

Dube (2014:51), asserted that the presumptive tax legislation and administration in Zimbabwe improved revenue collection, especially during the period 2009-2014.

### **2.2.2 Operational Framework**

According to Mashiri et al (2013:115), the Income Tax Act allows ZIMRA to delegate the collection of the tax to local authorities. The local authorities would retain 10% of the collected revenues and pass through the remainder to the tax authorities within the stipulated time frames (ZIMRA, 2011c). Under this arrangement, the bigger task of tax collection is done by the delegated authority, than by ZIMRA. There is, however, no evidence that this presumptive tax collection method has been cost effective and efficient and the benefits of tracking and collecting revenues through this method are also not clearly justified (Dube 2014:52).

In contrast, however, the reasons for presumptive tax implementation were set out by Stern and Loeprick (2010) and Mashiri et al (2013) as to broaden the tax base, reducing tax evasion (Thomas, 2013), recognition of the motor trade sector as a legitimate source of economic activity (Njeru, 2012), creating a culture of tax compliance (Joshi et al, 2013). This research will thus try to fill in a gap created by the contrasting authors on ways through which the presumptive tax operational framework can be made clear and more objective to strengthen presumptive tax collection.

### **2.3 Presumptive Tax Implementation Guide**

Bulutoglu (1995) mentioned four possible presumptive tax rates approaches to administrative assessment. One of them is that the amount assessed may be a simple lump-sum tax based on the average income of a particular trade or profession. It may be based on a more complex calculation using information on sales, employees, assets or location. This approach has been used in Zimbabwe since 2006 to tax taxicabs and omnibus operators; hairdressing salons; informal traders; small-scale



miners; cross-border traders; restaurants ;bottle stores and cottage industry operators ( ZIMRA 2011).

Guevara (2008) proposes that taxpayers are rational and self-centered and that they assess justice in terms of proportionality of output to inputs between the parties to an exchange transaction. Based on this theory, the taxpayer is less compliant and evades tax if he/she perceives inequity in taxation and is compliant if they perceive equity. In this context commuter operators expect improved road conditions, parking services and related benefits that they perceive as a product of their taxes. In addition, a commercial vehicle which can generate more revenue should contribute more to tax than a commercial vehicle that generates lesser revenue. If these conditions are not there, taxpayers will not be compliant.

ZIMRA has put in place an implementation guide for presumptive taxation (ZIMRA, 2011, online). The various categories of the motor trade sector are defined and the respective amounts to be paid are outline.

**Table 2.1: Presumptive Tax for Motor Trade - Guideline (2014-2015)**

Operators of:	Description	Presumptive Tax (US\$ per quarter for each vehicle)
Omnibuses	8 to 14 passengers	150
	15 to 24 passengers	175
	25 to 36 passengers	300
	From 37 passengers and above	450
Taxi-Cabs	All	100
Driving Schools	Class 4 vehicles	500
	Class 1 and 2 vehicles	600
Goods Vehicles	More than 10 tonnes but less than 20 tonnes	1000
	More than 20 tonnes	2500
	10 tonnes or less but with combination of truck and trailers of more than 15 but less than 20 tonnes	2500

Source: ZIMRA

Figure 2.1 depicts the various presumptive tax per quarter by the various motor trade entities for 2014 and 2015. Omnibuses that carry a minimum of 14 passengers pay \$150 per quarter while those that carry more than 37 passengers pay \$450 per quarter. Taxi cabs, class 4 and class 1 and 2 driving schools pay \$100, \$500 and \$600, respectively, while goods vehicles pay a minimum of \$1,000 and a maximum of \$2,500 per quarter, depending on their tonnage.

Taxpayers have to make payments for presumptive tax in respect of the prior quarter by the 10<sup>th</sup> of the month following the end of a quarter. According to Akintoye and Tashie (2011:220), there are some taxpayers fail to meet and follow these guidelines and payments dates.

The respective payments dates for the presumptive taxes are as outlined on the figure below:-

**Table 2.2: Payments Dates for Presumptive Tax**

Period of each year	Due Date
1 <sup>st</sup> Quarter (Jan to March)	10 <sup>th</sup> April
2 <sup>nd</sup> Quarter (April to June)	10 <sup>th</sup> July
3 <sup>rd</sup> Quarter (July to September)	10 <sup>th</sup> October
4 <sup>th</sup> Quarter (October to December)	10 <sup>th</sup> January of the following year

*Source: ZIMRA*

The implementation guide of presumptive taxation is affected by taxpayer behavior towards the payment of taxes and Akintoye and Tashie (2011:221) set out factors that influence taxpayer behavior on whether or not to pay taxes, which are (1) economic deterrence; (2) fiscal exchange; (3) social influences; (4) comparative treatment; and (5) political accountability and these are elaborated below.

### 2.3.1 Economic Deterrence Theory

According to Ali et al (2013:219), taxpayers always try to avoid tax payment because of deterrence such as high compliance costs and complexity of compliance. Maseko (2013:30), noted that when there are high compliance costs, SMEs try to avoid compliance. This was further asserted by Alabede et al (2011:93), who alluded that the behavior of taxpayers when subject to audit and penalties can increase noncompliance. According to Alabede (2011:91), the deterrence theory concludes that penalties and tax audits affect the level of compliance among taxpayers. But in the informal sector and in particular the motor trade sector, audits are far and wide and hence they are not subject to the high penalty charges. A study by Atawodi and Ojeka (2012) concluded that high tax rates, complicated and costly tax administration procedures are the main factors that cause SME entrepreneurs not to pay taxes in Nigeria

Thomas (2013:114), was also of the view that existence of deterrence factors discourages the taxpayer to achieve compliance. These deterrence factors are evident in the motor trade sector in Zimbabwe and leads to many failing to be of a defined abode. Mapira (2013), Chau and Leung (2009:36) in Alabede et al (2011:93), alluded that tax penalty is one of the critical deterrence factors has an effect on tax compliance in SMEs.

According to Mugulusi (2001), SMEs in developing countries depend entirely on internally generated funds for their growth and survival since they can hardly access loan capital from financial institutions due to the high borrowing rates and requirements for collateral security. Therefore over taxation of their profits means depleting their major source of funds for expansion.

Akatuhurira (2011) in study, conducted in Wakiso Town Council of Uganda, established that there was a strong relationship between presumptive tax administration and revenue performance of

small scale businesses and that any additional levies passed to the traders by the authorities were passed on to final consumers. Were (2011) in a study of Nakawa Division in Uganda, found out that presumptive income tax system has a negative effect on the profitability of small business enterprises.

Sour, (2004) has however observed that there are people who never evade taxes, even when the probability of detection is zero. A classic example is in the case of the United States and Scandinavia, where empirical data revealed high level of compliance “...more than what could be accounted for even by the highest feasible levels of auditing, penalties and risk aversion” (Fjeldstad, Schulz Herzenberg and Sjurson, 2012:3). This observation has led a number of authors to comment that going by the deterrence model, the actual question regarding tax compliance should be why people pay taxes, and not why people evade them (Alm, 1999; Alm et al., 1992; Slemrod, 1992).

### **2.3.2 Social and Cultural Influences**

Stern and Loeprick (2011:1), argued that compliance is affected by social factors, such as religion, sex, professionalism. Joshi (2013:5), noted that the culture within the SMEs is to always avoid paying taxes and this is prevalent even in the motor trade sector in Zimbabwe. Many SMEs do not register with the local authorities and operate backyard entities. They do not even open bank accounts, but operate on a cash basis or use individual bank accounts of the owner (Chikoko and Mangwendeza, 2012:249). A culture of corruption and bribery affects compliance among the SMEs (Ivanyna, 2010:3). Lumumba et al (2010:121), singled out cultural perception and peer behavioral as the two main causes of non-compliance among the motor trade sector set up.

According to Braithwaite (2003), the tax system in Australia is based largely on self-assessment and voluntary compliance by taxpayers, and the probability of receiving an audit from the Australian

Taxation Office (“ATO”) is low. The chance of being caught avoiding tax is also, on the balance of probabilities, unlikely, and if a taxpayer is caught, the culpability penalties are relatively minor when compared to the potential for economic gain. Yet it has been found that the majority of Australian taxpayers still comply with their obligations and pay their taxes with good will.

Torgler (2003) concluded that tax compliance among taxpayers of Costa Rica, a developing country, has a positive relationship with individual morals, as good morals from individuals could help to instigate tax compliance over time.

In a study on Tax Morale in Japan, Tekeli (2011:51), concluded that socio-economic and socio-demographical factors have a negative effect on tax compliance among taxpayers. Hyun (2005:56) in Ebimobowei and Peter (2013:111), alluded that the perception of the tax payer on both the tax legal system and the tax administration functions affects compliance among the taxpayers. Furthermore, ITC (2010:14), argued that countries without a deep rooted culture and habit of paying taxes are far from achieving tax morality. Badara (2012:77), opined that the sociological aspects of human behaviour impacts upon the compliance aspects of taxation in sociality at large. This is as a result of peer association within the communities and society.

In the USA, Alm (2013)’s findings were that tax compliance can be explained by expanding the standard analysis of individual compliance behavior to ways in which individual decisions are shaped by group motivations. In addition, Alm (2013) also concluded that motivations for tax compliance are triggered by the tax payers to shape by audit, fear of penalty, and increase in tax rates and how the society as a whole will view the violator.

### **2.3.3 Comparative Treatment**

The treatment of taxpayers by the tax authorities can lead to non-compliance (Badara, 2012:72). Tax audits and investigations in Zimbabwe are directed towards the larger corporations, which by nature are always compliant to tax. These large corporates end up not being tax compliant because they feel that other institutions which are not being audited are the “chief” violators of the legislations (Mwase, 2014:6). According to Williams (2014:9), operating or exiting a formal market into the informal is premised on the perception that corruption and hence non tax compliance is easily detected in the formalized institutions than the less formalized ones. The comparative treatment then leads to the exit or entry of institutions to the informal sector set-up.

According to Lumumba et al (2010:119), the tax systems are not “fair”. This was based on the study in Kenya on the attitude of taxpayers towards tax compliance. Taxpayers tend to make a comparison with the other taxpayers in terms of benefits obtained through voluntary compliance, Lumumba et al (2011:121).

Thuronyi (2004) argues that tax enforcement for SMEs is always problematic, because many countries rely on special tax regimes that try to balance several conflicting objectives which are the reduction of compliance costs, the provision of incentives to operate in the formal economy, the reduction of tax evasion and the growth in tax revenues. In view of multiple conflicting objectives, fulfilling one or more of them may mean relegation of the others.

### **2.3.4 Political Legitimacy**

Alabede et al (2011:92), noted that the tax service quality and public governance quality has a significant influence on compliance. When the moral of the taxpayers is low, there is no motivation

for compliance and therefore non-compliance is affected by government accountability and transparency in tax revenue (Akintoye and Tashie, 2011:223).

Fjeldstad, et al. (2012:7) and Ali, et al., (2013:5), were also of the opinion that, the trust and transparency of the government of the day, affects tax compliance. When the general populace do not have recognition of the political government, they withhold paying taxes and this is true especially in the informal sector set ups. Further Palil (2010:204), alluded that the identification with a ruling party and its policies influences tax compliance. Obstacles to address these challenges are frequently rooted in politics, rather than in the absence of local understanding or lack of donor funding to tax reform (Fjeldstad, 2014:186).

Tyler (1990) and OECD (2010) opine that it is normal to expect that the more citizens trust their government and social institutions, the more likely they will voluntarily abide by the decisions and rules set by such government and institutions, and this influences tax compliance decisions. Evidence to such situations where the government is perceived to work for the common good is found in the works Picur and Riahi-Belkaoui (2006) who, based on a study of 30 developed and developing countries, found that tax compliance is highest in countries with high control of corruption and low size of bureaucracy. Richardson (2008) thus suggests the need for governments to increase their reputation and credibility, as a means of gaining the taxpayers' trust. Closely linked with political legitimacy are the issues of national pride, and political affiliations. Tyler (2000) contended that national pride influences peoples' behavior in groups and provides a basis for encouraging cooperation, just as it positively impacts tax morale (Torgler and Schneider 2005; McKerchar and Evan, 2009).

## **2.4 Adequacy of Personnel for the Implementation of the Presumptive Tax Guidelines**

According to the IMF (2015:4), the adequacy of the personnel in presumptive tax implementation can be analyzed on the basis of two factors, the quality and the size of personnel within the tax administration framework.

### **2.4.1 Personnel Quality**

Hansford and Hasseldine (2012:289), noted that the quality of tax personnel have a bearing on the implementation of the requisite tax guidelines. Furthermore the OECD (2014:18), alluded that the quality of the tax administrators, in terms of qualifications, training and expertise affects the tax administration. According to the IMF (2012:15), the geographical areas to be covered by ZIMRA as compared to the personnel expertise are at variance. AFRODAD (2013:25), noted that the personnel do not possess the requisite skills to monitor and evaluate and audit the mining sector. The same can be said about the motor industry, which is very complex and sometimes remotely distributed.

Responding to the Portfolio Committee on budget and finance, the deputy Commissioner General – Domestic Taxes, Mr. Kuzvinzwa, alluded that the majority of Revenue Officers are holders of First Degrees in Risk Management, Accounting and Economics and less than 6% of the personnel are registered with the Institute of Certified Tax Accountants (Business reporter, 2015:B2). The qualifications that are available only take taxation as a module and not as full qualification (PAC, 2013:25).

### **2.4.2 Personnel Quantity**

In terms of numbers, the Zimbabwe revenue authority is not adequately staffed, AFRODAD (2013:24). The jurisdiction of ZIMRA is wide and this affects tax collection and monitoring of the informal sector, especially the motor trade industry. Fjeldstad and Heggstad (2012:17), opined that



donor community support in Mozambique, Zambia and Tanzania has improved the recruitment of additional personnel in order to improve tax revenue coverage. Nakamba-Kabaso and Phiri (2013:17), concluded that in Zambia, the small taxpayers' office which collects only 2% of the total revenue is manned by 14% of the staff compliment of Zambia Revenue Authority (ZRA). This is against the backdrop of 3.3% of staff managing the larger corporation desk which rakes in between 75%-80% of total revenue.

## **2.5 Challenges of Presumptive Tax Administration**

The ability to appropriately administer presumptive tax in Zimbabwe is affected by a number of factors. Among them, lack of tax payer education, corruption, human capacity issues and lack of formalization of the motor trade sector (Maseko, 2013:28).

### **2.5.1 Lack of Tax Education and Awareness**

Reserve Bank of Zimbabwe (RBZ) (2011:12), alluded that tax education and awareness in Zimbabwe are fairly poor. Quite a number of entities in the motor trade sector are not aware of the need to pay taxation or the process to be followed (Maseko 2013:27). According to Machogu and Amayi (2013:13), a number of taxpayers, even if they receive the education, do not understand it. Maseko (2013:31) and Machogu and Amayi (2013:14), further asserted that tax education is mainly concentrated in the larger town, leaving the smaller ones unaware of their obligation to pay presumptive tax.

Nyamwanza et al (2014:1), noted that it is imperative that the tax authorities must provide formal tax education to both the formal and informal sectors. The author sighted the Uganda Tax Authority, which uses tax days, workshop and a number of forums to educate the taxpayers and create awareness on the costs and benefits of compliance.

Utaumire, Mashiri, and Mazhindu (2013) concluded that informal traders in Zimbabwe should be educated on why they should pay taxes like any other formally employed person. They do not feel they should pay tax for various reasons, however, education will ensure that, the impact of presumptive tax on the sector will not instill resistance. Utaumire, Mashiri, and Mazhindu (2013) also concluded that government and ZIMRA should embark on a major public exercise to educate the informal sector about presumptive tax. They should use the media which reaches out to the informal sector like the public broadcaster not tax workshops which mostly attract people who are already paying taxes.

Palil and Mustapha (2011:39)-in a study on Pakistan Economy on presumptive tax, asserted that the tax education activities and compliance influencing awareness could be used to achieve presumptive tax compliance in the motor trade sector. Nalishebo and Halwampa (2014:35) also noted that the majority of the despondence on their study of tax evasion in Zambia were tax illiterate and those who never got an awareness.

Barbour and Llanes (2013:5), proffered that supporting the informal sector to formalize their business by the governments and tax authorities is the first step into accepting their contribution to the economy's growth. Furthermore, Gurtoo (2010:8), in a study of the Indian presumptive tax processes and guidelines, noted that entrepreneurial growth is promoted through regulatory and economic support. This means then that the entrepreneurial dimensions can be boosted when there is education and awareness on the need to comply with the tax authorities.

### **2.5.2 Capacity Issues**

The Organisation for Economic Co-operation and Development (OECD) (2013:41), noted that a number of developing countries fail to collect enough revenues because of human capacity issues.

Further, the AFRODAD (2013:25), asserted that there are capacity challenges at ZIMRA, where the jurisdiction is larger than the personnel available. This is the reason why some local authorities have been contracted by ZIMRA to collect presumptive tax (Mashiri et al, 2013:115).

Aboayge (2013:15), in a study on SME Women Entrepreneurs in Ghana, noted that, most have received harsh treatment from their interaction with the tax authorities' officers. This has increased non-compliance among women traders. Public relations is a crucial part of officials and individuals in tax issues and can make or break compliance, Aboayge (2013:14).

Utaumire, Mashiri, and Mazhindu (2013) concluded that tax courts, specializing in tax issues should also be introduced in Zimbabwe to deal with defaulters in any sector so that the need for every citizen to play their part in contributing to the fiscus is over emphasized.

### **2.5.3 Corruption**

Mwase (2014:6), noted that the greatest challenge of presumptive tax administration in Zimbabwe is corruption. This was also asserted by International Tax Compact (ITC) (2010:41), who alluded that in Bangladesh more than 40% of the revenue collected is lost through bribery and corrupt activities by the staff of the collecting authorities. Further, Micah et al (2012:11), concluded that corruption is the major impediment of growth in Africa. In an analysis in one American state (Connecticut), Bates and Santerre (1993), however, find no evidence linking higher pay to better performance in property tax collection.

Studies by Uadiale and Noah (2010) in Nigeria concluded that the level of tax evasion when government is corrupt is higher than when it relates to other views expressed on government discrimination, unjust treatment and tax affordability. Following the analysis of respondents view, it

was also concluded that respondents' tax evasion is as a result of increase in government corruption, unfair treatment of citizens, and unaffordability of taxes by individuals and unfavorable tax system.

Bilotkach (2006) carried out a study on tax evasion with empirical evidence in Ukraine. Results indicated that officials especially those from the tax regulatory bodies accept bribes from evaders. These evaders who include businessmen and some employers take advantage of the greediness of these officials to escape taxation. Bilotkach (2006) also found out that flawed monitoring and low wages of government officials are reasons that relate to their irresponsibility in wiping out hidden economies or shadow economic activities.

Muleya (2014:7) noted that ZIMRA has dismissed more than 40 staff members at Plumtree Boarder Post due to corrupt activities involving motor vehicles clearance. This has descended to even the local authorities, which have been delegated the authority to collect presumptive tax by ZIMRA. Akintoye and Tashie (2013:225), also further noted that the level of non-compliance in the motor industry has been encouraged by the payment of bribe to the collecting agents and inspectors from the revenue authorities.

A study by Saad (2012) concluded that Malaysian taxpayers have a perception of fairness of the income tax system which is better than that of New Zealand. Taxpayers in New Zealand are, however, more obedient to their tax liability than in Malaysia. The author concluded that this could be due to the compliance behavior of individuals in the two countries followed by subjective norms. In this case, the tax fairness perception is strongly influenced by the tax knowledge and the complexity of the tax system. The tax justice may thus ultimately explain community's tax compliance.

## **2.6 Controls in Place Over Presumptive Tax Administration**

A raft of controls have been put in place in order to improve presumptive taxation collection in Zimbabwe and other developing country. These includes, the formalization of the SMEs sector, the encouragement of a cashless economy and education and awareness programmes, (RBZ, 2014:25).

### **2.6.1 Formalization of the SMEs sector**

The government of Zimbabwe through the Ministry of Small to Medium Enterprise and Development (MSMED), has spearheaded the formalization of the informal sector (RBZ, 2014:15). ZRA noted that the improvements in the presumptive tax collection is premised on the ability to formalize the sector (ZRA, 2014:42). This has also been asserted by RBZ (2014:18), who argued that without formalization, the motor trade sector will continue to play “hide and seek” with the tax authorities. This transforms the micro-business to formal enterprises through the Private Business Corporations (PBCs) (Masarirambi, 2013:175).

Oviedo (2009:2), in a study on the formalization of the Turkish economy, alluded that the formalization of the SMEs sector will be made possible by aligning the fiscal, operation and tax administration policies with the business dimensions. Furthermore, Spiegel (2012), undertook a study on formalization in Africa and Asia and noted that the cluster system works better in the informal sector, where a majority of employers are small to medium in size.

Utaumire, Mashiri, and Mazhindu (2013) concluded that presumptive tax rates should be set in such a way that they encourage informal sector businesses to graduate after some time into the formal sector whilst at the same time discouraging formal sector companies taking refuge in the informal sector.

### **2.6.2 Encouraging the Cashless Economy**

The government has put in place policies that are meant to encourage the motor trade sector to transact through the banking or mobile money transfer systems (RBZ, 2014:27). This enables the tax authorities to trace transactions, than in a purely cash economy (National Budget Statement, 2015:201). Oluchukwu (2014:101), also asserted that the cashless economy, reduces risks of robbery and unwarranted financial losses. This aspect has been the thrust of government since the introduction of the multi-currency system. Candy (2013:21), predicted that the financial inclusion thrust by the government, has an influence on the motor trade sector especially the unbanked and those that are far from the bank's branches. According to Chikoko and Mangwendeza (2012:252), the level of business within the banking sector has been improved by the introduction of the mobile banking services, like Mobile Moola (FBC Bank) and Texta Cash (CABS).

### **2.6.3 Tax Administration Reforms**

Brazil, which forms part of the BRICS, uses tax credits to encourage tax monitoring for improved tax revenue collection, (Logue and Vettori, 2011:8-9). The system is designed to foster voluntary compliance by the taxpayer. Sigh and Nagpal (2014:3), noted that emerging economies like Brazil, Indonesia and South Africa have used tax administration reforms to harness all the taxpayers within the tax bracket, including the informal sector.

### **2.7 Best Practice in Presumptive Tax Collection**

According to Mwangi (2014:45), countries the world over have adopted a number of controls that can be deemed best practice on presumptive tax administration. These practices include training of personnel in tax administration, adequacy of personnel in tax administration, the use of the Block

Management System (BMS), formalization of the SMEs sector, tax amnesty and financial inclusion policies.

### **2.7.1 Training of Personnel in Tax Administration**

Responding to Budget and Finance committee of Parliament, the Commissioner General, Mr. Geshom Pasi, noted that there is need to partner universities and come up with a tax qualification in Zimbabwe for the ZIMRA personnel, (Mwase, 2014:6)

IMF (2015:8), reiterated the need for continuous training needs assessment and designing appropriate capacity building interventions. This should be the thrust of the revenue authority if the presumptive taxation framework is to be properly implemented. This assertion was further supported by The World Bank (2013:61), noting that revenue authorities in developing countries need to strengthen institutional capacities in order to improve tax administration. Training in areas like, transfer pricing and mining taxation needs to be facilitated (ZRA, 2014:41).

Jacobs (2013:17), noted that for the purpose of effective tax collection, there is need to train personnel in tax auditing, appeals and tax laws. Mwangi (2014:17), noted that there is need for continuous development by the revenue authorities among its staff so that they keep abreast with developments on tax issues. This training need not be on technical aspects only, but also on public relations with the taxpayers.

### **2.7.2 Adequacy of Personnel In Tax Administration**

According to PAC, (2013:45), for ZIMRA to effectively manage the collection of presumptive tax in the informal sector and specifically the motor trade sector, there is need for it to be adequately

staffed. IMF (2015:38), also alluded that taxpayer services – both in design and in structure - need to be adequately addressed.

### **2.7.3 Use of Block Management System (BMS)**

The BMS has been used in Tanzania, for which a person is allocated a block of streets to work through and collect presumptive taxation (Mbilinyi, 2013:62). Each month, the officer reports on the performance of the block and inform the taxpayers on the need to pay taxes and the consequences of non-compliance (Mwangi, 2014:51). Trade areas are divide into blocks, from which individual Officers are allocated. IMF (2011:45), noted that the cost of presumptive tax collection would be reduced by using the block system. Furthermore, ICTD (2012:23), alluded that the reorganization of the trading areas into blocks is meant to enhance monitoring and registration of the motor trade sector.

Oviedo (2009:2), in a study on the formalization of the Turkish economy, alluded that the formalization of the SMEs sector will be made possible by aligning the fiscal, operation and tax administration policies with the business dimensions. Furthermore, Spiegel (2012), undertook a study on formalization in Africa and Asia and noted that the cluster system works better in the informal sector, where a majority of employers are small to medium in size.

### **2.7.4 Encourage Tax Amnesties to Traders.**

Mwangi (2014:75) opines that tax amnesty is the encouragement to taxpayers to fulfill their previously unpaid taxes without being subjected to penalties. ZIMRA (2015, online), encouraged the taxpayers to voluntarily apply for tax amnesty, so that they can be pardoned and pay up their obligations on agreed terms. According to Mwangi (2014:74), the Kenyan Revenue Authority



extended an olive branch to the tax payers, especially the motor trade sector. This improved presumptive tax revenue collections by 33% (Mwangi, 2014:76). Furthermore International Finance Corporation (IFC) (2011:18), asserts that South Africa introduced the small business tax amnesty which improved tax revenue collection from the informal by 42%.

Marchese (2014:5-6), concluded that there are pros to tax amnesty, like “repentance” of the violators and efficiency in tax administration. According to Agbonika (2015:107-108), the government of Ireland improved revenue collections by between 34% and 51% during its successful tax amnesty in 1988. A study in India, South Africa and Pakistan’s tax amnesty concluded that tax compliance by the SMEs improved and revenue generation increased by more than 15% in each study (Agbonika, 2015:109-110)

Marchese (2014:1), alluded that tax amnesties are an important tool for achieving compliance, but noted that this needs to be monitored for potential abuse by the tax payers. This was further supported by Ross (2012:2) - in a study of 10 states in the United States - who noted that the granting of tax amnesty again and again can be pervasive in nature and allow for delinquency. IMF (2015:38), also noted that the enforcement of amnesty process is not followed up as per the agreed procedures when they are signed.

### **2.7.5 Tax Administration Reforms**

The Zimbabwe government is in a process to change over from a source based income tax system to a residence based approach (National Budget Statement 2013). The purpose is to overcome some of the loopholes that are in the current piece of legislation. According to Mangoro (2013), the revenue leakages are prevalent and include the use of offshore accounts, international investments and e-commerce transactions. According to Mashiri, Nyamwanza and Mhaka (2014:209), the source based

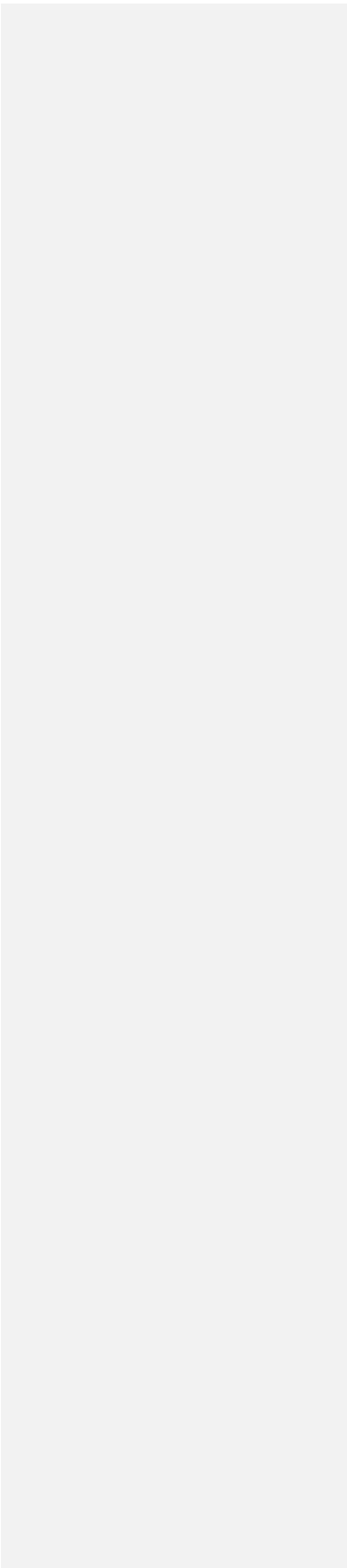
income tax does not prevent an individual from evading taxation, since they can claim that the tax is not from a Zimbabwean source. The government has, therefore made a proposal for the introduction of the residence based income tax system.

### **2.7.6 Financial Inclusion**

FinScope (2013:29), highlighted that the levels of financial inclusion in Zimbabwe is 54% for unlicensed and unregistered businesses, while the level for registered operators is 71%. The motor trade is made up of mainly unregistered operators and there is need for the banking sector to improve their extension of credit and services to this sector. ILO (2009:26), argued that the growth of the developing world's economies is hinged on financial inclusion. The mobile money systems in Zimbabwe have improved that aspects (RBZ, 2014:16) and many unbanked operators both in the urban and rural areas have been benefiting. Mpambela (2013:19), alluded that since the introduction of the mobile money transfer system, there has been a widening and a broadening of financial inclusion among the motor trade sector.

### **2.8 Summary**

The chapter reviewed literature on presumptive tax concept and collection framework, presumptive tax administration and personnel factors, implementation guide and the controls in place for its collection. The challenges faced in presumptive tax administration and the best practices that have to be put in place for the effective collection of the presumptive tax were also looked at. Chapter three provides the methodology used in gathering the data.



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

Hussey (1997) refers to methodology as the overall approach to the research process, starting from the theoretical underpinning or paradigm to the collection and analysis of the data. Research methodology is, thus, mainly concerned with why certain data are collected, what type of data was collected, what type of models are used, the sources of data, when and how the data was collected and finally the basic theory behind collecting the data and how the data was analysed.

This chapter consists of procedures and methods that were used to gather data. These includes research design, population, sample size, sampling techniques, types of data, research instruments, types of questions, data validity and reliability, data presentation, data analysis, ethical considerations and summary of the study.

#### **3.1 Research Design**

According to Rajasekar (2013:15), a research design is a logical and systematic method of presenting information about a study area. The plan or proposal to conduct research, involves the intersection of philosophy, strategies of inquiry, and specific methods, (Creswell, 2008:5). In educational research it is possible to group research designs as either qualitative, quantitative or a mixture of both, (Harwell, 2010:147). In this study a qualitative research design was used in order to gather information about presumptive tax non-compliance in the motor trade.

A qualitative research design, as defined by Van Wyk (2014:13), explores meaning, reality and purpose. Bruce (2009:145), states that an understanding of how certain outcomes and outputs are achieved and how they impact on the study area, can be better explained using qualitative research

design. The various outcomes and output on the investigation on presumptive tax non-compliance in the motor industry were better explained and understood using the qualitative aspects

A qualitative approach which is descriptive in design was used for this study because it merely reported on data without manipulating it in any way. Further, the researcher used the case study approach on SMEs in the Motor Industry in the Willowvale area in order to focus research resources, time and finances. All SMEs in the Motor Industry in Zimbabwe are subject to the same presumptive tax legislation and therefore a case study on a specific area could be generalized to all other places in the country.

Survey research is a quantitative process of collecting data from a sample of existing large population units with no particular control over factors that may affect the population characteristics of interest in the study. As such, the researchers should plan and conduct the survey in a systematic manner (Saunders et al., 1997). Best and Khan (1993) observed that surveys can be descriptive or explanatory. In this study, the researcher employed the survey research design which entailed collecting data from the motor industry sector in the Willowvale industry area. According to Saunders et al. (1997), the findings can be generalized to the target population and this was one of the major reasons for the use of the survey research design. A survey design is defined by Creswell (2003) as a design which provides a quantitative or numeric description of some fraction of the population (the sample) through data collection, a process involving asking people some questions. Sampling was done as part of the survey research design and this is explained in this chapter. The respondents in a sample gave their experiences and opinions in order for the researcher to generalize their findings to a population that the sample was intended to represent (Dane, 1990).

The researcher realized that survey research gathered large amounts of data from sample with relative ease. In addition, survey research allowed the use of a variety of instruments such as questionnaires and interviews for collecting data.

### **3.2 Study Population**

According to Cooper and Schindler (2003), a population is the total collection of elements about which the researcher wishes to make some inferences. Zikmund (2003) term this the target population or study population. The study population of this research was made up of the Ministry of Finance's tax policy department, the compliance department at ZIMRA Kurima house, panel beaters, car dealers and Commuter Omnibus Operators within the Willowvale industrial areas, along Willowvale road in Harare. The list of 63 SMEs involved in panel beating, car dealing and commuter omnibus operators was drawn from the licenses' list administered by the City of Harare for licensing purposes and this was considered an appropriate representation of the population. In addition, there are 110 officers in the compliance department of ZIMRA, to make up a total population of 173.

### **3.3 Sample Size and Design**

A sample is a representative part of a target population taken to show what the rest of the population is like. Levin (1994:52) defines a sample as a collection of some, but not all of the elements of the population under study, used to describe the population.

According to Guest et al. (2006) where the researcher's aim is to understand commonalities within a fairly homogenous group, 12 in-depth interviews should suffice. However, this sample size of 12 is unlikely to be sufficient where the sample is drawn from a heterogeneous population or the focus of

the research question is wide ranging. Creswell 2007 suggests that where the population is heterogeneous a sample size between 25 and 30 participants will suffice.

The researcher chose to select a sample which consists of 30% of the population of each strata. The choice of the sample size was influenced by the cost of sampling, spread of the population, the difficulty in collecting data and the level of precision the researcher wants the final estimation to be. In addition, this sample size exceeds benchmarks that were set by Creswell (2007) and Guest et al. (2006)

The sample size selected for this research study consisted of twenty (20) SME businesses in the Motor Industry Sector in the Willowvale area. In addition, thirty (30) ZIMRA officials in the compliance department were also part of the sample.

The sample of 20 participants from the motor industry represent 30% of the population size of each strata in the area. The figure below denotes the sample size and the research instruments used for data gathering.

**Table 3.1: Sample and Data Collection Method**

<b>Respondent Group</b>	<b>Sample Size</b>	<b>Population</b>	<b>Research Instrument</b>
Tax Officials/Revenue Officers (ZIMRA)	30	110	Questionnaire
Panel Beating Entrepreneurs	6	20	Questionnaire
Car Dealers	6	18	Questionnaire
Commuter Omnibus Operators	8	25	Questionnaire
<b>Total respondents</b>	<b>50</b>	<b>173</b>	

Source: Primary Data.

### **3.4 Sampling Procedures**

Sampling procedures consist of the ways in which the sample was selected, (Michael, 2014:2). The procedures consist of probability random sampling and non-probability sampling.

#### **3.4.1 Non-Probability Sampling**

Michael (2014) defines non probability sampling as the selection of units depending on subjective judgments and the probabilities cannot be assigned objectively over the population.

##### **3.4.1.1 Advantages of Non-probability Sampling**

The researcher employed this sampling technique in selecting some of the sample members as it brought with it convenience, especially where some commuter omnibus operators were busy and difficult to get. The researcher observed that non-probability sampling was easier, quicker and cheaper when compared with probability sampling. Due to these practicalities, the researcher used of non-probability sampling techniques for convenience.

##### **3.4.1.2 Disadvantages of Non-probability Sampling**

Reliability of the sample results was difficult to ascertain because of the lack of objectivity on each sample unit. The researcher observe that non-probability sampling could lead to the under-representation or over-representation of particular groups within the sample. The inherent bias in convenience sampling meant that the sample was unlikely to be representative of the population being studied. This undermined the researcher's ability to make generalizations from the sample to the population studied.



### **3.4.2 Simple Random Probability Sampling**

According to Michael (2014) probability sampling is based on random selection of samples and each unit has an equal chance of being selected out of the population. Selection of an individual unit has no influence on the selection of other units within the population. In selecting the sample for panel beaters, the researcher used this technique, since these operators are expected to be operating from a fixed location.

#### **3.4.2.1 Advantages of Simple Random Probability Sampling**

Simple random sampling was observed to be easy to use and accurately represented the population. The randomness also allowed that the selection process and each member of the larger population had an equal probability of selection. Simple random sampling was also observed to be as simple as its name indicated.

#### **3.4.2.2 Disadvantages of Simple Random Probability Sampling**

The researcher realised that simple random sampling can give biased results if the researcher is biased in the sampling. It was observed that, if not careful, individual prejudices could creep into the information, as the researcher would not spread the questionnaires to a specific group of the population.

### **3.4.3 Stratified Sampling**

The researcher used a stratified sampling method, which is a probability sampling procedure. According to Michael (2014), stratified sampling involves dividing the population into homogeneous non-overlapping groups (that is, strata), selecting a sample from each group, and conducting a simple random sample in each stratum. On the basis of information available from a frame, units are

allocated to strata by placing within the same stratum, those units which are more-or-less similar with respect to the characteristics being measured. After this had been reasonably achieved, the strata became homogenous, that is, the unit-to-unit variability within a stratum were small. The following were the strata for this research study:-

- i. Tax officials at ZIMRA;
- ii. Panel beaters;
- iii. Car dealers; and
- iv. Commuter omnibus operators.

#### **3.4.3.1 Advantages of Stratified Sampling**

The researcher observed that stratified sampling ensured a high degree of representativeness of all the strata in the population, as well as ensuring that these strata are **not over-represented**. This then allowed the researcher to compare strata, as well as make more valid inferences from the sample to the population. The researcher also used strata to make the survey easier to administer operationally.

#### **3.4.3.2 Disadvantages of Stratified Sampling**

In one of the cases, it was observed that one of the respondents owned a commuter omnibus, operated a car dealership business and was also into panel beating. In this case, the researcher realized that stratification was not effective since the respondent cut across all the three strata.

### **3.5 Types of Data**

Data can be defined as the qualitative or quantitative values of a variable (Kumar, 2013:3). Data was collected from both primary and secondary sources. This enhanced the triangulation of information from the researcher's findings.

### **3.5.1 Primary data**

Kumar (2013:6), defined primary data as, original data that has been collected by the researcher for a specific purposes. The researcher used primary data as it provides a firsthand approach to the data collection unlike in secondary data where the researcher would be a third party to the data.

#### **3.5.1.1 Advantages of Primary Data**

The choice of using primary data was influenced by Kumar (2013) who explained that the data collected by means of a primary method is authentic because it has not yet been diluted to suit other purposes. The research found primary data to be more reliable because the researcher had control on both the quality and the quantity of the information that was gathered. In addition, the data gathered was more objective because it suited and fitted the specific purpose of the area under study, unlike in secondary data where the data has to be fine-tuned to meet the objective outside the research area initially carried out.

#### **3.5.1.2 Disadvantages of Primary Data**

Use of primary data was done despite Kumar (2013)'s indication that primary data gathering is costly since the researcher had to carry out a thorough data collection, analysis and presentation. The cost of preparing documentation, distribution, collection and assimilation was on the higher side, than just obtaining already analysed data. Primary data gathering was also time consuming, as responses were not always coming back be at the same time and the researcher had need to wait until a sizeable number of responses were in place in order to analyse and present results and conclusions.

### **3.5.2 Secondary Data**

This is data collected over a study area and includes journals, textbooks, publications and government gazettes (Ghuri, 2005:25). Secondary data has a number of advantages as well as disadvantages.

#### **3.5.2.1 Advantages of Secondary Data**

According to Ghauri (2005:25), secondary data is information that has already been sourced and readily available in bound books, printed and e-journals and other publications in university and other public libraries. Under this research such data included a list of panel beaters, omnibus operators and car dealers which was provided by the City of Harare. The information especially that obtained from libraries was easily accessible under this research. Furthermore the internet gave the researcher access to e-journals and other government publications online. The researcher used secondary data which included the performance of the presumptive tax head and legislation in place. Some of the data was also collected from publications and guidelines at ZIMRA offices and its website.

#### **3.5.2.2 Disadvantages of Secondary Data**

Denscombe (2010:45), however noted that there are some disadvantages of using the secondary data sources. The researcher found out that some of the secondary data was inappropriate to the specific research study and this resulted in lack of control of data quality. Some of the collected secondary data could not fit into the research needs. The researcher also discovered that some of the data had been collected for a particular study area and therefore, was not appropriate to any other research other than the specific study area. In line with Saunders (2009:12)'s opinion, the researcher also realized that data quality is not guaranteed on secondary data, since the information is not primarily

collected for this specific research study. This researcher took note of these shortcomings in this research.

### **3.6 Data Collection Instruments**

Questionnaires and interviews were used for this research study and the definition and advantages and disadvantages of each method are highlighted below.

#### **3.6.1 The Questionnaire**

Kumar (2013:7), defined a questionnaire, as a list of questions either open ended or closed ended for which respondents responded to. Questionnaires can be conducted through mail, live in public areas and institutions, through electronic mail or through fax. Zohrabi (2013:254), noted that the use of questionnaires need to be handled with care because if they are poorly designed, they might not produce the required results. This research used a questionnaire which was completed either through interviews or the interviewee completed it during their own free time. The design of the questions was linked to the research objectives of the study, to allow the questionnaire to capture all the required information.

##### **3.6.1.1 Advantages of a Questionnaire**

The use of a questionnaire allowed the researcher to cover a large number of respondents within a short time, and responses obtained were easy to code. The use of a questionnaire also allowed respondents to have more time to consider questions, especially when questionnaire were left for the respondents to complete during their own free time.

##### **3.6.1.2 Disadvantages of a Questionnaire**

The researcher, however realized that in some instances, if questionnaires were not administered face-to-face, some respondents were reluctant to respond, and the researcher had to make several

follow-ups. In some cases, some respondents could not understand the questions and would wait for the researcher to seek clarity which was time consuming.

### **3.6.2 Interviews**

According to Nalzar (2012) interviews involve structured and unstructured verbal communication during which information is obtained for a study. This direct interaction is the source of both advantages and disadvantages of interview as a research technique.

#### **3.6.2.1 Advantages of Interviews**

Following the opinion of Annum (2015:2), the researcher used interviews when the researcher felt that there was need for face to face interaction with the idea of generating ideas in a discourse that borders on mutual interest. Interviews were held to provide clarification on comments made on the questionnaire and any additional information on issues that could not have been addressed adequately in the questionnaire. The researcher was also able to capture some verbal and non-verbal body language during the interviews.

#### **3.6.2.2 Disadvantages of Interviews**

The researcher found the use of interviews to be susceptible to interview bias as the respondents were trying to respond in line with the researcher's feelings and thinking. In addition, the researcher discovered that some respondents felt that they had been intruded and they were showing signs of uneasiness. Some of the respondents seemed to be affected by some verbal or non-verbal body language movements of the researcher.

### **3.7 Types of Questions**

Zohrabi (2013:255), also noted that there are three types of questions which a research can use to obtain information, namely closed ended, the open ended and the mixed questions.

#### **3.7.1 Open Ended Questions**

According to Wilkinson and Birmingham (2012:10), open ended questions impose no restrictions on the answers to be obtained from any question posed. They have a greater flexibility such that a respondent can answer as widely and exclusively as possible to questions posed. Responses to open ended questions are not in any way predetermined by the researcher and are a more reflections on the thoughts of the respondent. According to Bulsara (2012:89), the open ended questions are meant to produce qualitative information for the researcher. Open ended questions are difficult to decode, especially when the sample size is large. This research avoided using open ended questions.

##### **3.7.1.1 Disadvantages of Open Ended Questions**

The researcher avoided the use of open-ended questions, despite the fact that responses are usually richer in quality. This choice was made considering the time limit, compilation costs and the amount of effort that would have been required to digest the information provided and analyse it, which could have overwhelmed the researcher. In addition, considering that the sample size was selected as 50 participants, it was going to be difficult to adequately code the data, unless if the sample size was smaller.

### **3.7.2 Closed Ended Questions**

Zohrabi (2013:254), noted that closed ended questions produce quantitative data which can then be analysed numerically by the researcher. Following Wilkinson and Birmingham (2012:11)'s opinion, the researcher used closed ended questions to restrict personal opinion by the respondents. The researcher raised questions where the respondents indicated his or her response by ticking on the available choices that had been provided upfront in the questionnaire rather than to give personal views. These closed ended questions reduced the time taken to complete the questions as was supported by Wilkinson and Birmingham (2012).

#### **3.7.2.1 Advantages of Closed Ended Questions**

The researcher realized that closed-ended questions are conclusive in nature and created data that was easily quantifiable. The responses obtained were easy to code. Furthermore, the use of closed-ended questions allowed the researcher to categorise respondents into groups based on the options they had selected.

#### **3.7.2.2 Disadvantages of Closed Ended Questions**

The use of closed-ended questions, however required the researcher to already have a clear understanding of the topic of the questions and how they tied into the overall research problem before they were created. Without this, it was possible that closed-ended questions could lead to insufficient options for respondents to select from. In addition, the researcher could ask questions that do not properly reflect the research's purpose and limited or erroneous provide information, if the questions were not well structured.



### 3.7.3 Mixed Questions

Zohrabi (2013:254) opines that the facets in both the closed and open questions are combined into a single questionnaire in order to give respondents their views about a given study area and also to respond to guided questions, and this is called a mixed questionnaire. The researcher realized that this type of questions have the same advantages and disadvantages as highlighted under open ended and closed ended questions. The researcher did not use mixed questions under this study.

### 3.8 The Likert Scale

A Likert scale, according to Venek (2012:1), is a psychometric response scale primarily used to answer closed ended questions on a list of questions. The researcher used this scale in decoding data that had been gathered during the research.

**Table 3.2 Likert Scale**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5	4	3	2	1

*Likert Scale*

*Source Venek (2012)*

#### 3.8.1 Advantages of the Likert Scale

The researcher realized that the use of the Likert scale helped in contains items that are easily understood and quantified. It also accommodated neutral or undecided responses. The researcher also found the Likert scale to be providing a meaningful way to group a series of items as it enabled computation of overall scores.

### **3.8.2 Disadvantages of the Likert Scale**

The researcher realized that the use of the Likert scale required a great deal of decision-making by the respondents and it failed to measure true attitudes of respondents as some respondents were concerned about looking good or meeting expectations of this researcher.

### **3.9 Reliability and Validity**

According to Annum (2015) reliability is concerned with the question of whether the results of a study are repeatable. It is an indication of the ability of a system to perform and maintain its functions consistently in routine circumstances as well as hostile or unexpected circumstances. Reliability is particularly important in quantitative research. The researcher looked at the presumptive tax non-compliance in Zimbabwe SMEs, a case for the motor trade industry, focusing on SMEs in the Willovale area. The behavior of operators in the Willovale area was not different from the behavior of other operators anywhere else in the country since the laws that apply in the country are uniform. The research was not carried out when tax authorities were conducting any tax compliance outreach, or when there were any incentives and punishment which were rigorously being pursued by the tax authorities. As a result, the results obtained were reliable as they could be obtained by anyone else who could carry out a similar research after this study.

According to Annum (2015), validity means that a tool measures what it sets out to measure. Validity is concerned with the integrity of the conclusions that are generated from a piece of research. A valid measure is one which is measuring what it is supposed to measure. A valid measure must be reliable, but a reliable measure need not be valid. Validity refers to obtaining results that accurately reflect the concept being measured and it implies reliability (consistency). The researcher investigated presumptive tax non-compliance in Zimbabwe SMEs, a case for the motor

trade industry. The questionnaire that was used to gather data had questions that mainly focused on the study at hand. The researcher also clearly defined the research objectives and the research was able to measure assessed goals and objectives since the researcher had used a pilot survey to assess whether the research was covering the intended purpose. Modifications were then made to the questionnaire after obtaining feedback from the pilot survey. The modified questionnaire was then used to obtain data which was used in the research to make conclusions and recommendations.

### **3.10 Data Presentation**

Data for the research was presented using graphs and tables. The use of these tools enable readers to analyse trends and movements in the variables presented. Text was also used to support the given data trends, graphs, pie charts and tables for ease of understanding by the readers. Data presentation from a quantitative point was in graphs, pie charts and tables while the qualitative aspects was presented in text in the data presentation section.

Pie charts were used when the researcher wanted to compare parts of a whole. The pie chart presented outcomes into sectors that were equal in size to the quantity represented. Bar graphs were used to compare opinions between/among different groups. The researcher, however realised that in some cases when differences are small, the bar graphs could not clearly show this, and the researcher had to adopt another form of presentation. The researcher used tables where there was need to compare individual values, and where the values had to be precise.

### **3.11 Data Analysis**

Brewerton and Millward (2001) considered data analysis as the lynchpin to the research process, for without the ability to analyse data, a researcher will not be able to interpret data, nor draw any

conclusions or recommendations. Data analysis is the application of reasoning to understand and interpret data.

A mixture of both qualitative and quantitative data analysis methods were used. Qualitative analysis was used for words and other data that had no numerical value, while quantitative analysis was used for numbers and other data that assumed numerical value. The process of interpretation was applied which involved making inferences and drawing conclusions by examining the findings from different angles.

### **3.12 Ethical Considerations**

Participant confidentiality was ensured by utilizing identification code numbers to correspond to research data in any research paperwork and computer files (University of Nottingham, 2014:6). The research followed all the ethical issues relating to carrying out a research. These included the assurance to the participants that the information gathered from them will be used for academic purposes only. Protection of the participants through the informed consent process favored the formalized interaction between the researcher and the participants

Sufficient data security arrangement was put in place throughout this study to prevent unauthorized breaches of confidentiality. Individual participant personal information obtained as a result of research was considered confidential and disclosure to third parties was prohibited with the exception of statutory notification as applicable to the particular research.

### **3.13 Summary**

The methodology used in gathering data for the research was highlighted in this chapter. The chapter consisted of procedures and methods that were used to gather data. These included research design, population, sample size, sampling techniques, types of data, research instruments, types of questions,

data validity and reliability, data presentation, data analysis, ethical considerations and summary of the study. Chapter 4, which follows, focuses on data presentation and analysis.

## CHAPTER 4

### DATA ANALYSIS AND PRESENTATION

#### 4.0 Introduction

The previous chapter was on the research methodology, highlighting how the data was going to be collected and the respective instruments that were going to be used. This chapter presents and analyses the data collected using tables, graphs and charts in order to come to conclusions and hence give recommendations to policy makers

#### 4.1 Questionnaire Response Analysis and Presentation

##### Question 1: Questionnaire Response Rate

A total of 50 questionnaires were administered, comprising of 30 to policy makers and 20 to SMEs. The response rate was 88% or 44 out of 50. The panel beating, commuter Omnibus Operators, Car sales and Policy makers had the following response rates respectively, 83.3%, 75%, 100% and 90%. The data is presented in table 4.1 below.

The response rates are satisfactory to merit further data analysis.

**Table 4.1: Responses**

	<b>Sample Size</b>	<b>Response</b>	<b>Response Rate</b>
Panel Beating	6	5	83.3%
Commuter Omnibus Operators	8	6	75.0%
Car Sales	6	6	100.0%
Treasury/ZIMRA Officials	30	27	90.0%
<b>Total</b>	<b>50</b>	<b>44</b>	<b>88.0%</b>

Source: Primary data.

**Question 2: Position of respondents in the Organisation**

Respondents comprising 57% are in the Finance and Administration section, followed by 18% who are in Top management and 11% who are owners of the businesses in the SMEs. 9% are in middle management and the other 5% comprises other managerial positions.

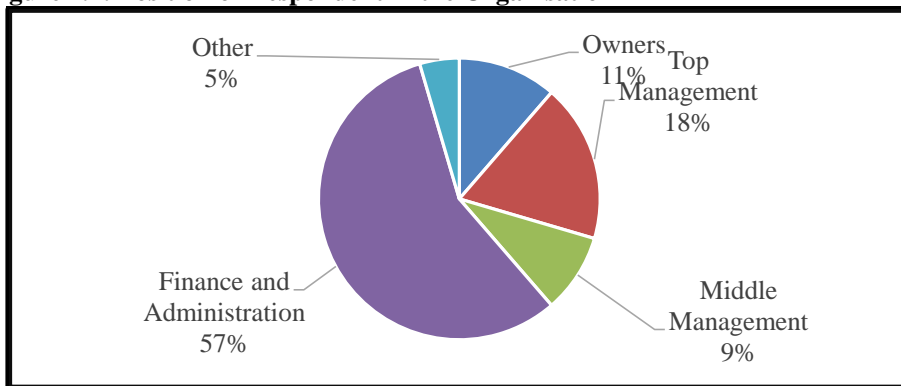
**Table 4.2 Position in Organisation**

Position	Response	Response Rate
Top Management	8	18 %
Middle Management	4	9%
Finance and Administration	25	57%
Owners	5	11%
Other Position in Organisation	2	5%
<b>Total</b>	<b>44</b>	<b>100%</b>

Source: Primary data.

This shows that, the mode of 25/44 of response are well versed with the accounting and administration functions of the business, from which presumptive taxation administration is part of their daily functions. The Operators in the Motor Industry display a high level of professionalism by engaging experts in Finance and Administration, which many other sector in the SMEs sector of the Motor Industry cannot afford to do.

**Figure 4.1: Position of Respondent in the Organisation**



Source: Primary Data

### Question 3: Level of Education

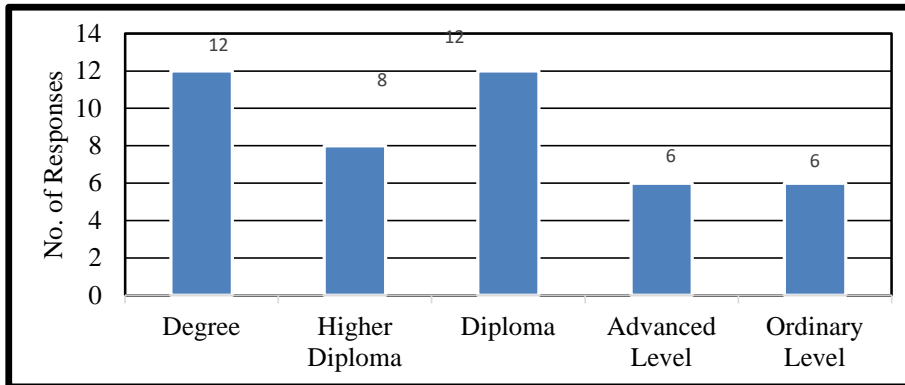
**Table 4.3: Level of Education**

Position	Response	Response Rate
Degree	12	27.2%
Higher Diploma	8	18.4%
Diploma	12	27.2%
Advanced Level	6	13.6%
Ordinary Level	6	13.6%
<b>Total</b>	<b>44</b>	<b>100%</b>

Source: Primary data

Twelve (12) out of 44 (27.2%), of respondents are degreed, 8 out of 44 (18.1%), have higher Diplomas and 12 out of 44 (27.2%) have diplomas. The remaining 27.2% or 12 out of 44 comprises of holders of advanced levels 6/44 (13.6%) and Ordinary Levels 6/44 (13.6%).

**Figure 4.2: Level of Education of Respondents**



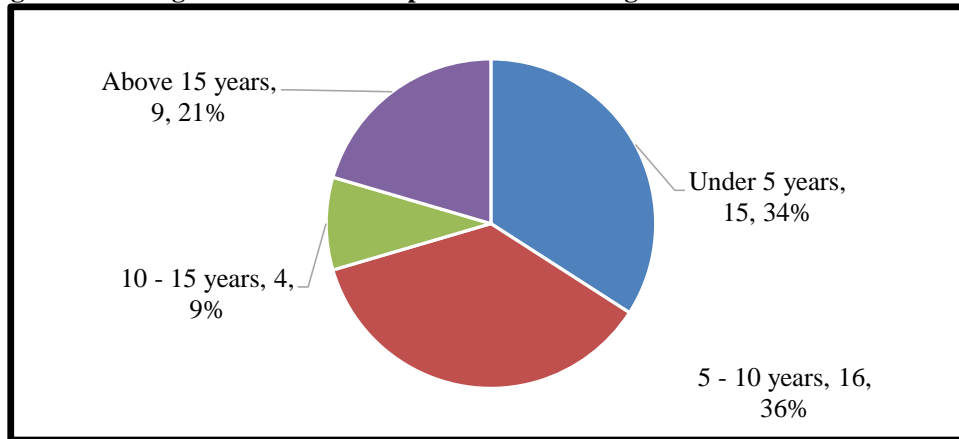
Source: Primary Data.

This shows that a considerable number of members in the Motor Industry SMEs are degreed, whilst a few 6/44(13.6%) are holders of ordinary level results. The respondents can be assumed to be knowledgeable about the operations based on their qualifications.



#### Question 4: Length of Service

Figure 4.3: Length of Service of Respondents in the Organisation



Source: Primary data

16/44 or 36% of the respondents have between 5-10 years length of services in the organisation, while 15/44(34%) are under 5 years and 9/44(21%) are above 15 years. The remaining 4/44 or 9% have length of service between 10 and 15 years.

The length of service of the operators shows that the respondents who returned the questionnaires have been between 10-15 years in the organization. The respondents can be assumed to be knowledgeable about the operations in the sector based on their service in the sector.

#### Question 5: Zimbabwe has a Presumptive Tax Framework

18/44(40.9%) of the respondents strongly agree that there is a presumptive tax framework in Zimbabwe. 13/44 (29.5%) agree, while 6/44 (13.6%) were unsure. A total of 4/44(9%) and 3/44(7%) respectively have disagreed and strongly disagreed.

A total of 31/44(70.4%) of the respondents agreed .while the remaining13/44 (29.6%) disagreed that there is a presumptive tax framework in Zimbabwe.

**Table 4.4: Zimbabwe has a Presumptive Tax Framework**

	<b>Number Of Respondents</b>	<b>Proportion</b>
Strongly Agree	18	40.9%
Agree	13	29.5%
Unsure	6	13.6%
Disagree	4	9.1%
Strongly Disagree	3	6.8%
<b>Total</b>	<b>44</b>	<b>100.0%</b>

Source: Primary data.

Information gathered from the interviews confirm the existence of the presumptive tax framework. However many noted that the framework is only known by those that are in policy making and the implementing agencies, such as ZIMRA and the respective local authorities, which administer the framework.

It can be concluded that although the presumptive tax policy is in existence, there are a few members who are aware of its existence.

**Question 6: The Presumptive Tax Framework is disseminated to the SMEs**

27% (12/44) of the respondents strongly agreed that the presumptive tax framework is disseminated to the SMEs. 34% (15/44) agreed, while 20% (9/44) were unsure and 14% (6/44) disagreed. The remaining 5% (2/44) of the respondents strongly disagree that this presumptive tax framework is disseminated to the SMEs.

**Table 4.6: The Presumptive Tax Framework is disseminated to the SME**

	<b>Number of Responses</b>	<b>Proportion</b>
Strongly Agree	12	27%
Agree	15	34%
Unsure	9	20%
Disagree	6	14%
Strongly Disagree	2	5%
<b>Total</b>	<b>44</b>	<b>100.0%</b>

Source: Primary Data

A total of 61% (27/44) of the respondents agreed while the remaining 17/44(39%) were in disagreement.

According to the results of the interviews, the Zimbabwe Revenue Authority (ZIMRA), carries out the awareness to the sector. These awareness session, however are hampered by the remoteness of the companies and the way they are scattered around the Willowvale industry. Those SMEs, which are affiliated to the Motor Trade Association of Zimbabwe (MTAZ) also get occasional updates from the association. The MTAZ carries out awareness on the industry and the players who are its members are always updated on the developments within the industry.

The conclusions on these findings shows that the dissemination of the presumptive tax framework to the SMEs, is currently being done, but there is need to intensify the awareness.

### Question 7: The Motor Industry is Aware of the Presumptive Tax Framework

A total of 10/44 (61.1%) of the respondents strongly agree that the Motor Industry is aware of the presumptive tax framework. 27.8% (5/44) agree, while 5.6% (1/44) and 5.6% (1/44) were unsure and disagree respectively, that the industry is aware of the framework. 0% (0/44) strongly disagreed.

**Table 4.5: The Motor Industry is aware of the Presumptive Tax Framework**

	<b>Number Of Respondents</b>	<b>Proportion</b>
Strongly Agree	10	61.1%
Agree	5	27.8%
Unsure	1	5.6%
Disagree	1	5.6%
Strongly Disagree	0	0.0%
<b>Total</b>	<b>17</b>	<b>100.0%</b>

Source: Primary Data

From the questionnaires it can be observed that, 89% (20/27) of the respondents therefore were in agreement that the motor industry was aware of the presumptive taxation framework, while 11% were in disagreement to the notion.

The interviews that has been carried out, observed that the Motor Industry is aware of the presumptive tax framework. The interviewee however noted that there is no awareness carried out to concertize the motor industry about its existence. The new players, especially those that are not affiliated to the Motor Trade Association of Zimbabwe (MTAZ), are not aware of this framework. The conclusion drawn here is that only those entities who are members of MTAZ are aware of the presumptive tax framework.

## Question 8: Implementation Guidelines on Presumptive Tax

### 8 i) The implementation guide is disseminated to SMEs

**Table 4.7 Implementation guide is disseminated to SMEs**

	<b>Number of Responses</b>	<b>Proportion</b>
Strongly Agree	15	34%
Agree	9	20%
Unsure	8	18%
Disagree	5	12%
Strongly Disagree	7	16%
Total	44	100.0%

Source: Primary data

15/44 of the respondents, representing 34% of the sample, strongly agree that the implementation guide is disseminated to the SMEs. Of this total, 2/15 were from the SMEs, while 13/15 were from the policy makers.

9/44 or 20% of the respondents, made up of 3/9 from SMEs and 6/9 from the policy makers' side, agreed that the implementation guide is disseminated to the SMEs. 8/44 of the respondents representing 18% were unsure, while 5/44 disagreed and 7/44 strongly disagreed that the implementation guide is disseminated to the SMEs. 24/44(55%) of the respondents are in agreement while 20/44(45%) were in disagreement

From the interviews carried out, the interviewees, noted that the implementation guide is disseminated to the SMEs, just like the framework, however the implementation guide is more inclined to the policy makers, who needs to enforce the compliance.

Conclusively, the results shows that the dissemination of the implementation be done systematically and within given timeliness, such that all the players aware of the implementation guide of the presumptive tax implementation guidelines.

**Question 8 ii) Presumptive tax implementation is understandable by users (Policy Makers' View)**

**Table 4.8a: The Presumptive Tax Implementation Guide is Understandable by Users (ZIMRA)**

	Policy Makers	
	Responses	Proportion
Strongly Agree	15	55.6%
Agree	3	11.1%
Unsure	6	22.2%
Disagree	1	3.7%
Strongly Disagree	2	7.4%
<b>Total</b>	<b>27</b>	<b>100.0%</b>

Source: Primary Data

A total of 15/27 (55.5%) of the respondents from the policy makers, strongly agreed that, the presumptive tax implementation guide is understood. 3/27(11.1%) of the respondents agreed, while 6/27(22.2%) were unsure to whether the users understand the presumptive tax implementation guidelines. 1/27(3.7%) disagreed and 2/27(7.4%) strongly disagreed.

A total of 18/27(66.7%) of the respondents were in agreement, while the remaining 9/27 (33.3%) were in disagreement that the users understand the presumptive tax implementation guidelines.

**Question 8 ii) Presumptive tax implementation is understandable by users(SMEs views)**

The results from the SMEs shows that 13/17 (76.5%) of the interviewees were agreeable that the presumptive tax implementation guidelines are understood by the user in the motor industry. 1/17(5.9%), could not provide an opinion, while 1/17 (5.9%) disagreed that the implementation guide is understood by the operators in the industry.

The results from the interviews shows that 6/8 (75%) of the interviewees were agreeable that the presumptive tax implementation guidelines are understood by the user in the motor industry.

1/8(12.5%), could not provide an opinion, while 1/8 (12.5%) disagreed that the implementation guide is understood by the operators in the industry.

It can be concluded that the SMEs in the Motor Industry understood the presumptive tax implementation guide.

**Table 4.8b: The Presumptive Tax Implementation Guide is Understood by the Users (SMEs)**

<b>Motor Industry SMEs</b>		
	<b>Responses</b>	<b>Proportion</b>
Strongly Agree	9	52.9%
Agree	4	23.5%
Unsure	1	5.9%
Disagree	1	5.9%
Strongly Disagree	2	11.8%
<b>Total</b>	<b>17</b>	<b>100.0%</b>

9/17(52.9%) of the respondents from the SMEs perspective, strongly agree that the presumptive tax guide is understood by the users. 4/17(23.5%) respondents agreed, while another 1/17(5.9%) were unsure. 1/17 (5.9%) of the respondents disagreed. The remaining 2/17 (11.8%) strongly disagreed to the understandability of the implementation guide by the users.

13/17(76%) of the results shows that they were in agreement that the guidelines are understood by the operators, while 4/17(24%) were in disagreement.

The interviews carried out shows that the level of understanding of the implementation guide stems from the level of awareness carried out. Observation were that the lack of awareness on the part of the Authority to the SMEs, had a direct bearing on the ability to understand the implementation guide by the SMEs players.

This shows that the presumptive tax guidelines are understood by the operators.

### Question 9: Challenges leading to presumptive tax non-compliance(SMEs)

#### Question 9.i) Lack of tax education

10/17 (58.8%) of the respondents strongly agreed that lack of tax education is a challenge leading to presumptive tax non-compliance in the SMEs. 3/17 (17.6%) of the respondents agreed, while another 3/17 (17.6%) were unsure and 0/17 (0%) disagreed. 1/17 (5.9%) strongly disagreed that the tax payer education is a challenge for the SMEs in the motor industry players' ability to be compliant to presumptive tax. A total of 13/17 (76%) of the total sample were in agreement that lack of tax education and awareness is a challenge to presumptive tax compliance, while 4/17 (24%) were in disagreement.

The results from the interviews shows that 7/8 (87.5%) of the interviewees opined that, ZIMRA has lacked tax educating the operators about the benefits and consequences of tax compliance. 1/8 (12.5%) of the respondents were in disagreement.

The conclusion drawn from this analysis is that lack of tax education has affected the presumptive taxation compliance.

**Table 4.9: Challenges to presumptive tax non-compliance**

	<b>Liquidity Constraints</b>	<b>Lack of tax Education</b>	<b>Regulatory Challenges</b>	<b>Grand %</b>
Strongly Agree	9	10	14	64%
Agree	4	3	2	18%
Unsure	3	3	1	14%
Disagree	1	0	0	2%
Strongly Disagree	0	1	0	2%
<b>Total</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>100.0%</b>

Source: Primary data



**Question 9 ii) Liquidity constraints**

9/17(53%) of the respondents opined that liquidity constraints leads to presumptive tax non-compliance and 4/17(24%) agreed to this factor. 3/17(18%) were unsure, while 1/17(5%) disagreed and 0/17(0%) strongly disagree that liquidity challenges have a bearing on presumptive tax non-compliance. A total of 12/17(70.5%) were agreeable, while 5/17 (29.5%) of the respondents were in disagreement that liquidity problems have become a challenge of implementation of the guidelines. A total of 13/17(76%) of the total respondents were in agreement, while 4/17(24%) were I total disagreement.

The results from the interviews shows that 7/8 (87.5%) of the interviewees were in agreement that the liquidity status of the operators has a bearing on the compliance levels. When the operators are financially squeezed, they tend to put attention on the pressing issues than pay taxes.

It can be concluded that liquidity constraints by the operators has affected the presumptive tax compliance within SMEs in the motor industry.

**Question 9 iii) Changes in regulations**

Changes in regulatory policies resulting in low turnover as a challenge has resulted in 14/17(82.3%) strongly agreeing. 2/17(11.7%) of the respondents agreed, 1/17(6%) were unsure, while 0/17(0%) disagreed and 0/17(0%) strongly disagreed that the regulations resulting to low turnover in the sector have a negative effect on compliance.

A total of 16/17(94.1%) of the respondents were in agreement, while the remaining 1/17(5.9%) were in disagreement that changes in regulations that affects profitability affects the presumptive tax compliance.

Results from the interviews, shows that 5/8 (62.5%) of the interviewees, opined that, the changes in regulatory policies have affected the compliance of SMES in the Motor Industry, to presumptive taxation. 3/8(37.5%) of the interviewees however were in disagreement. The inconsistencies in the policy implementation has affected the decisions of the operators to achieve compliance.

The conclusions which can be reached are that, the policy inconsistency and changes in regulations has hampered the achievement of compliance in the SMEs sector of the Motor Industry.

**Question 9: Challenges faced in implementing Presumptive tax framework by ZIMRA**

**Table 4.10: Challenges faced in implementing presumptive tax**

	<b>Personnel Issues</b>	<b>Lack of Tax Education</b>	<b>Lack of Awareness</b>	<b>Grand (%)</b>
Strongly Agree	20	21	24	80%
Agree	4	5	2	14%
Unsure	2	0	1	4%
Disagree	1	0	0	1%
Strongly Disagree	0	1	0	1%
<b>Total</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>100.0%</b>

Source: Primary data

**Question 9.i)Personnel issues**

20/27(74%) of the respondents from the policy makers strongly agreed that personnel issues is a challenge faced by ZIMRA in implementing the presumptive tax framework. 4/27(15%) agree, while 2/27(7%) were unsure and 1/27(4%) disagreed. Another 0/27(0%) were of the opinion that personnel issues at ZIMRA has a bearing on the ability to implementing the presumptive tax framework. A

total of 24/27(89%) were in agreement and 3/27(11%) did not agree that personnel issues is challenge in implementing the presumptive tax guidelines.

A total of 6/8(75%) interviewees were in support of the phenomenon that, personnel issues, both in terms of expertise and quantity are a challenge to presumptive taxation framework. 2/8(25%) of the respondents did not agree to the phenomenon, that personnel issue have a bearing on the implementation of the presumptive tax framework.

Conclusions reached are that personnel issues affects the implementation of the presumptive tax guidelines.

#### **Question 9 ii) Lack of tax education**

21/27(78%) of the respondents opined that lack of tax education has an effect on the ability of the tax authorities to implementing the presumptive tax framework. 5/27(18%) and 0/27(0%) of the respondents agreed and were unsure respectively. 0/27(0%) of the same sample of respondents disagreed and another 1/27(4%) strongly disagree that lack of tax education is a challenge in implementing the presumptive tax framework. A combined total of 26/27(96%) were in agreement, while 1/27(4%) were in disagreement that lack of tax education is a challenge in implementing presumptive taxation guidelines.

The results obtained from the interviews shows that 6/8 (75%), of the interviewees were in agreement that, tax education is a challenge faced in implementing the presumptive tax framework. The remaining 2/8(25%) noted that lack of tax education is not a challenge in the implementation of the presumptive tax framework within the SMEs sector of the Motor Industry.

It can then be concluded that the lack of tax education is a challenge in the implementation of the presumptive tax framework.

**Question 9 iii) Lack of tax awareness**

24/27(89%) of the respondents have opined that lack of tax awareness has affected the implementation of the presumptive tax framework. 2/27(7%) agreed while 1/27(4%) were unsure. 0/27(0%)disagreed and another 0/27(0%) strongly disagreed that lack of tax awareness by ZIMRA has affected the presumptive tax implementation.

26/27(96%) of the total sample agreed and the remaining 1/27(4%) of the respondents were in disagreement.

Results from the interviews shows that 8/8(100%) of the interviewees observed that lack of tax awareness is a challenge in the implementation of the presumptive tax framework. No interviewee opposed the notion that tax awareness is a challenge in implementing presumptive tax framework.

The conclusions drawn are that lack of tax awareness is indeed a challenge in the implementation of the presumptive tax framework.

**Question 10: Adequacy of the Personnel to Implement the Presumptive Tax Guidelines**

**Table 4.11: ZIMRA Staff Compliment is Adequate**

	<b>Number of Responses</b>	<b>Proportion (%)</b>
Strongly Agree	13	48.1%
Agree	6	22.2%
Unsure	5	18.5%
Disagree	1	3.7%
Strongly Disagree	2	7.4%
<b>Total</b>	<b>27</b>	<b>100.0%</b>

Source: Primary data

48.1% or 13/27 of the responses strongly agreed that the ZIMRA staff complement is adequate, while 6/27 or 22.2% of the respondents agreed and 5/27 or 18.5% were unsure. 1/27 (3.7%) disagreed and 2/27(7.4%) strongly disagree that the staff compliment at ZIMRA is adequate for the implementation of the presumptive tax guidelines. A total of 19/27(70.3%) of the respondents were in agreement that there is adequacy of personnel at ZIMRA, while the remaining 8/27(29.7%) were in disagreement.

The results from the interviews shows that 5/8(62.5%) of the opined that the staff compliment at ZIMRA is adequate for the implementation of the presumptive tax guidelines, but noted that the current attention on high yield tax heads. The remaining 3/8(37.5%) have disagreed. The compliment of ZIMRA official is adequate, to support the implementation of the presumptive tax framework.

There are dual roles among Officers within this section and this has hampered the systematic implementation of the guidelines.

**Question 10 ii): Personnel have Requisite Skills to Enforce Presumptive Tax Guidelines**

**Table 4.12: ZIMRA Personnel have the Skill to Enforce Presumptive Tax**

	<b>Number of Responses</b>	<b>Proportion</b>
Strongly Agree	12	45%
Agree	7	26%
Unsure	4	15%
Disagree	2	7%
Strongly Disagree	2	7%
<b>Total</b>	<b>27</b>	<b>100.0%</b>

Source: Primary data

12/27(45%) respondents strongly agreed that ZIMRA personnel have the requisite skills to enforce presumptive tax guidelines. 7/27(26%) agreed, while 4/27(15%) were unsure and 2/27(7%) disagreed. Another 2/27(7%) strongly disagreed.

19/27 (70%) of the respondents were in agreement that the personnel at ZIMRA, have the requisite skills to enforce presumptive tax guidelines, while the other8/27(30%) of the respondents were in disagreement.

The results from the interview shows that, the personnel at ZIMRA, indeed have the requisite skills, but because of technological changes and sophistication of the tax systems worldwide, there remain behind in knowledge.

The conclusions, drawn from the foregoing , shows that the personnel at ZIMRA , although they have the skills required continuous capacity development in order to keep abreast with the tax systems around the world.

**Question 11: Presumptive Controls in place**

**Table 4.13: Controls in presumptive tax**

	<b>Simplification of the Tax System</b>	<b>Promotion of e-filling</b>	<b>Monitoring and Evaluation</b>
Strongly Agree	21	16	22
Agree	4	5	4
Unsure	1	3	0
Disagree	1	2	0
Strongly Disagree	0	1	1
<b>Total</b>	<b>27</b>	<b>27</b>	<b>27</b>

Source: Primary data

**Question 11 i):Simplification of the Tax System**

21/27(77%) of the respondents strongly agreed that simplification of the registration process is a control which can be used to improve presumptive tax compliance. 4/27(15%) agreed, while 1/27(4%) were unsure. 1/27(4%) disagreed that simplification of the registration process is a control and 0/27(0%) strongly disagreed.

A combined total of 25/27(93%) were in agreement and the remaining 2/27(7%) were in disagreement that simplification of the tax system is a control in the presumptive tax administration. The results from the interviewees shows that, 5/8(62.5%) of the interviewees were on the opinion that, the simplification of the tax system has a bearing on the implementation of the presumptive tax framework within the SMEs in the motor industry. The remainder, 1/8 (12.5%) could not give an opinion of this aspects, while 2/8(25%) were in total disagreement that, the simplification of the tax system is a control in presumptive tax administration.

The conclusions which can be reached is that, the simplification of the tax system is indeed a control measure in place for the presumptive taxation administration.

**Question 11 ii):Promoting e-filing**

16/27(59%) of the sampled respondents strongly agreed that promotion of e-filing is a control in presumptive tax compliance. 5/27(19%) of the respondents agreed, while 3/27(11%) were unsure. 2/27(7%) disagreed and the remaining 1/27(4%) strongly disagree that e-filing will improve compliance. A total of 21/27(77%) were in agreement, while 6/27(13%) were in disagreement.

Results obtained from the interviews, shows that 6/8 (75%) of the interviewees totally agreed that the e-filing promotion is a control in place for the presumptive taxation administration. 2/8(25%)

were in disagreement ,noting that, the phenomenon is a new aspect in the country, which operators have not yet grasped.

It can then be concluded that, the promotion of e-filing is a control in place to improving presumptive tax administration within the motor industry' SMEs sector.

#### **Question 11 iii):Continuous Monitoring and Evaluation**

22/27 of the returned questionnaires from the policy makers, strongly agreed that continuous monitoring and evaluation of the presumptive tax guidelines, acts a control in achieving compliance. 4/27 agreed, while 1/27 were unsure and 0/27 disagreed. Another 0/27 of the respondents strongly disagreed that monitoring and evaluation as a control improves compliance.

89% of the respondents agreed, while 11% were in disagreement that presumptive tax are in control at ZIMRA.

Results obtained from the interviewees have shown that 8/8(100%) of the respondents were in total agreement that, continuous monitoring and evaluation of both the presumptive tax framework and the operators compliance levels is a control measure in place for the presumptive taxation framework.

Conclusions reached are that, monitoring and evaluation is a critical and important control tool in the presumptive tax administration.

#### **Question 11iii): Presumptive Tax Guidelines are Monitored**

A total of 17/27(63%) of the respondents strongly agreed that presumptive tax guidelines controls are monitored by the Tax authorities.6/27(22%) agreed, while 1/27(4%) were unsure and another 1/27(4%) disagreed. The remaining 2/27(7%) strongly disagreed that controls are monitored.



**Table 4.14: Presumptive Tax Guidelines Controls are Monitored**

	<b>Lack of Awareness</b>	<b>%</b>
Strongly Agree	17	63%
Agree	6	22%
Unsure	1	4%
Disagree	1	4%
Strongly Disagree	2	7%
<b>Total</b>	<b>27</b>	<b>100.0%</b>

Source: Primary data

23/27(85%) of the respondents agreed, while 4/27(15%) disagreed that presumptive tax guidelines controls are monitored.

The interviewee 7/8(87.5%) also alluded that regular reviews and monitoring of the activities and systems relating to the SMEs in the motor industry are carried out. The policy makers noted that, these reviews are done on a quarterly basis and that they have improved the tax administration at ZIMRA. The remaining 1/8(12.5%) were in disagreement that, the guidelines for presumptive taxation are monitored and reviewed.

The conclusions drawn are that, review of the presumptive tax guidelines and procedures are carried out through the Risk and Control Committee on a quarterly basis. In-between these meetings, the risk department, the internal audit and the Tax audits and investigations departments also carry out routine reviews of the entity's risk framework

**Question 12: Best Practice in Presumptive Tax Collection**

**Table 4.15: Best Practice in Presumptive Tax Collections**

	<b>Charging tax according to Income</b>	<b>Offer discounts</b>	<b>Amnesty extension</b>	<b>Grand %</b>
Strongly Agree	33	25	27	67%
Agree	6	9	11	20%
Unsure	3	2	2	5%
Disagree	1	2	2	4%
Strongly Disagree	1	2	2	4%
<b>Total</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>100.0%</b>

Source: Primary data

**Question 12i): Extension of Amnesty**

On the extension of amnesty as best practice, 27/44(61.5%) strongly agreed, 11/44(25%) agreed, while 2/44(4.5%), 2/44(4.5%) and 2/44(4.5%) either were unsure, disagreed or strongly disagreed respectively.

A combined total of 38/44(86%) were in agreement, while the remaining 6/44(14%) were in disagreement.

5/8(62.5%) of the interviewees totally agreed with the phenomenon that offering tax amnesty is best practice into achieving presumptive taxation compliance within the SMEs sector of the Motor Industry. 3/8(37.5%) were in disagreement noting that, the amnesty extension to the SMEs sector could promote delinquency and the vicious circle of offering amnesty will start from there on. They noted that, the tendency is that, if the operators are aware that the next circle of amnesty is about to be announced, they reduce compliance rates and levels.

The conclusion reached is that, the extension of amnesty improves presumptive tax compliance and is therefore regarded as best practice.

**Question 12 ii) Charging Tax According to Income**

33/44(75%) of the sampled respondents strongly agreed that the best practice in payment of the presumptive taxation is the charging of taxation according to income levels or business sector. 6/44(14%) agreed, while 3/44(7%) were unsure and 1/44(2%) disagreed. The remaining 1/44(2%) of the respondents strongly disagreed.

A combined total of 39/44 (89%) of the respondents agreed, while 5/44(11%) were in disagreement.

The interviewees totaling 6/8(75%), opined that, the charging of presumptive taxation according to income levels will improve tax compliance within the motor industry. The remained 2/8(25%) of the respondents were in disagreement, noting that, the income levels are not static and therefore, the readjustments need will affects the compliance rates.

The conclusion reached is that, the charging of the presumptive tax according to income levels is the best practice in presumptive taxation administration

### **Question 12 iii) Offering Discounts**

25/44(57%) of the respondents sampled were strongly agreeing that the offer of discounts to tax payers who meet the presumptive statutory deadlines is best practice, which ZIMRA, must adopt. 9/44(20%) of these agreed, while 6/44(14%) were unsure and 2/44(4.5%) disagreed. The other 2//44(4.5%) strongly disagreed that the offer of discounts is best practice.

A total of 34/44(77%) were in agreement, while the remainder of 10/44(23%) were in disagreement that offering discounts improves compliance.

7/8(87.5%) of the Interviews results obtained shows that, the tax authority's offering of discounts to those operators who makes payments within the stipulated deadlines have improved presumptive taxation compliance. 1/8(12.5%) were in disagreement that the authority's discounts offers have reduced presumptive taxation non-compliance.

Conclusively, it can be noted that, the tax authorities, discounts offering promotion has achieved compliance to presumptive taxation.

## 4.2 Summary

The Chapter presented data using diagrams, charts and tables from the data that was gathered by way of questionnaires and interviews. The results shows that there has been a collaborative conclusions drawn from what has been obtained by each instrument. The existence of the presumptive tax framework and the guidelines have been analysed, together with the adequacy of the personnel at ZIMRA to carry out the controls and the best practice which should be adopted to achieve compliance in presumptive taxation in Zimbabwe. The next chapter presents the findings, the conclusions reached and the recommendations to policy makers on presumptive tax non-compliance among SMEs in the Motor Industry.

## **CHAPTER 5**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter focuses on the summary and conclusions drawn from the research findings. Recommendations were reached from the conclusions with the intention of providing solutions to the improvement of presumptive tax collection and hence achieving compliance in the SMES in the Motor Industry.

#### **5.1 Chapter Summaries**

The research intended to investigate the possible ways of improving the rate on compliance to presumptive tax within the Motor Industry. Below are the chapter summaries.

Chapter one looked at the background of the study in which the presumptive taxation collected against the budget were highlighted. This also explored the shrinkage of the revenue base of the country and the growth in the tax evasion and avoidance by Small to Medium Enterprises. The main research question was an investigation into presumptive tax non-compliance among SMEs in the Motor Industry. Under discussion in this chapter was the statement of the problem, research objectives, and significance of the study, delimitations of the study, limitations, definition of terms and the summary.

Chapter two dealt with literature review on non-compliance by players in the Motor Industry SMEs. This was explored on a number of broad topics including the existence of the presumptive taxation framework, the implementation guide available and how the personnel at ZIMRA's adequacy affects the implementation guide. Mashiri et al (2013), opined that, the presumptive taxation framework is in place in Zimbabwe, but the implementation of that framework has not been fully rolled out. Dube

(2014), noted that although the intention of the presumptive taxation is to bring the untaxed informal sector into the tax net, the focus should be on the collections versus the costs of collection, especially in the motor industry SMEs sector. Mashiri et al(2013) also noted that the requirements by ZIMRA for local authorities to make application to be agents has also affected the ability to collect presumptive taxation, noting that, the guidelines should have be extended to all local authorities, with strict monitoring. Controls that are in place to ensure that the implementation guide is smoothly and systematically implemented were also analysed in relation to developing and developed countries around the world. Maseko (2013) and Nyamwanza et al (2014) highlighted the challenges that have affected the successful implementation of the presumptive taxation guidelines within the SMEs in the Motor Industry. The final aspect that was reviewed were the best practice into how the collection of presumptive taxation could be improved within the sector and countrywide

Chapter three reviewed the research methodology to be used using a qualitative research design. Stratified sampling technique was used. Research instruments used to gather primary data from were questionnaires and interviews, their validity and reliability are also discussed. The sample was divided into policy makers –comprising of ZIMRA and Ministry of Finance Officials responsible for finance and taxation.-and the players in the SMEs sector.

Chapter four presented data collected, its analysis and the interpretation of data to give information. Data was presented in form of tables and figures and further analyzed and the mode was used to reach conclusions. Data was presented as raw and yielded percentages in its presentation. Data was analyzed through the use of the mode. Conclusions and recommendations were based on the on information found in this chapter.

## 5.2 Major findings

The research findings disclosed that;

- Zimbabwe has a presumptive taxation framework,
- The implementation guide is also available, although some SMEs in the Motor Industry are not aware of its existence,
- There is adequate and qualified personnel to monitor the implementation guide of presumptive taxation at ZIMRA,
- The major challenges faced by ZIMRA in implementing the presumptive taxation guidelines are lack of awareness, funding challenges and structural issues at ZIMRA,
- There are adequate controls in place to facilitate guideline implementation,
- The practices that can be implemented are charging tax on amnesty, charging tax according to income, and offering of discounts.

## 5.3 Conclusion

The research was a success. The researcher managed to explore new policies and initiatives that may be used by the policy makers to improve presumptive taxation collection and hence achieve compliance within the SMEs. Information gathered from previous scholars, primary data and secondary data were of immense help to the success of this research study.

## 5.4 Recommendations

The following measures were recommended,

- The presumptive taxation framework should be available to all players in the SMEs sector,

- ZIMRA must work together with the players in the SMEs sector in implementing the presumptive taxation guidelines
- The Motor Trade Association should be used a conduit to information dissemination within the Motor industry players
- Regular review of the controls should be carried out by the policy makers,
- The revenue authorities must promote timely payments of the presumptive taxation by:-
  - Giving discounts for those that make payments within the statutory timelines,
  - Offer amnesty to those that honestly declare their obligations, but are financially constrained by the liquidity challenges
  - Simplification of the registration and payment systems
- The presumptive tax should be sector based and also according to incomes of the players rather than offering a blanket rate of presumptive taxation.

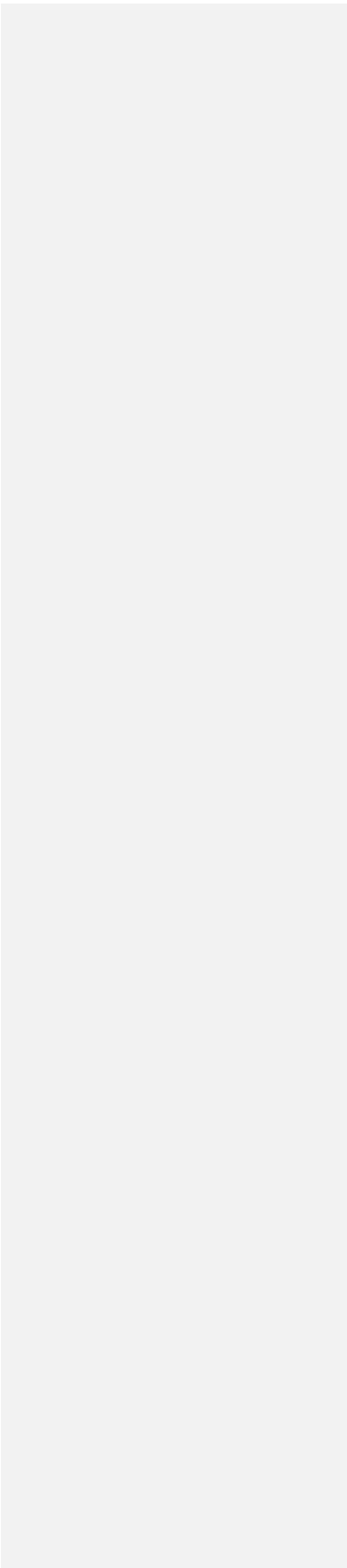
## **5.5 Further Research Areas**

The findings of the study could further facilitate the future research into the level of compliance achieved and the rate of presumptive taxation collections that have been achieved within this sector since the results and implementation of these recommendations.

## **5.6 Summary**

The chapter presented the summary of the first 4 chapters, major findings of the research, conclusions, recommendations and further research areas.





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## APPENDIX I

### Questionnaire for SMEs

- i. Please note that all your responses will be treated with strict confidence and the study will be used for academic
- ii. Please do not write your name anywhere in the questionnaire for the completed form to remain anonymous.
- iii. There are no right or wrong answers, hence, please answer all questions accurately and honestly to the best of your knowledge and opinion.
- iv. Please tick your responses to only one option on every question.

#### 1. State the sector you belong to

Panel Beating  Commuter Omnibus Operator  Car Sales

#### 2. Please state your position in your organization

Owner  Top Management  Middle Management   
Finance and Administration  Other

#### 3. State your highest level of education

Degree  Higher Diploma  Diploma   
Advanced Level  Ordinary Level

**4. State your duration with the organisation**

Under 5 Years		5-10 years		10-15 years		Above 15 years	
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**5. The industry in which you operate is aware of presumptive tax framework?**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**6. The presumptive tax framework is disseminated to the SMEs?**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**7. The presumptive tax guide is understandable by the users?**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**8. The implementation guide is disseminated to businesses in the SMEs sector?**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**9. The following are the challenges leading to the non-compliance with presumptive tax**

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
(i)Lack of tax education					
(ii)Liquidity constraints					
(iii)Changes in regulatory policies which results in lower turnover					



10. In your own opinion amnesty extension is also important for your compliance on presumptive tax

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree

11. The following are suggestions which ZIMRA should adopt so that there will be best practice in payment of presumptive tax.

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
(i)Charging of tax in accordance with income level or business sector					
(ii)Offer of discount to those who meet presumptive tax deadlines					

12. Any other comments on presumptive tax non-compliance which could be helpful for this study?

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*End of Questionnaire*

Thank you for your cooperation

**Pettness Furusa (R13535C**

Bcomm Accounting (Honours) Degree

Midlands State University

## **APPENDIX II**

### **Interview Guide for SMES**

1. What is your highest level of education?
2. What are the structure of the presumptive tax framework?
3. Did you understand the presumptive tax guidelines?
4. Explain whether compliance to the presumptive tax framework is being achieved in your organisation?
5. What are the challenges faced in complying the presumptive taxation guidelines?
6. Does the personnel have the requisite expertise to oversee the policy implementation?
7. What could be the best practice in adopting the presumptive taxation guidelines?

Thank you for your cooperation

**Pettness Furusa (R13535C)**

Bcomm Accounting (Honours) Degree

Midlands State University

## APPENDIX III

### Request for Authority to Carry Research

Midlands State University  
Bag 9055  
Gweru

02 October 2015

The Commissioner General  
Zimbabwe Revenue Authority  
ZB Life Centre  
Cnr Nkwame Nkrumah Ave/First Street  
P.O. Box 4360  
HARARE

Dear Sir,

#### RE: SEEKING AUTHORITY TO CONDUCT RESEARCH

I am a final year student at Midlands State University, pursuing a Bachelor of Commerce Accounting Honours Degree. As part of the prerequisite of the programme am supposed to carry out a research project which in partial fulfilment of the degree.

research topic is entitled “**An Investigation of Presumptive Tax Non-Compliance amongst SMEs-A case Study of Motor Industry (2011-2014)**”. I wish to be granted authority to gather data from the Compliance department, SMEs department and the Tax Audit and Investigations Department at Zimbabwe Revenue Authority (ZIMRA). Information gathered shall be used for academic purposes and will be treated with utmost confidence.

Yours Sincerely,

Pettness Furusa (R13535C)

Approved / Not approved  
For Commissioner General

DATE STAMP

## APPENDIX IV

### Questionnaire for Policy Makers

- i. Please note that all your responses will be treated with strict confidence and the study will be used for academic
- ii. Please do not write your name anywhere in the questionnaire for the completed form to remain anonymous.
- iii. There are no right or wrong answers, hence, please answer all questions accurately and honestly to the best of your knowledge and opinion.
- iv. Please tick your responses to only one option on every question.

**1. Please can you state your position in your organization?**

Owner  Top Management  Middle Management   
Finance and Administration  Other

**2. State your highest level of education**

Degree  Higher Diploma  Diploma   
Advanced Level  Ordinary Level

**3. State your duration with the organization**

Under 5 Years	5-10 years	10-15 years	Above 15 years
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**4. Zimbabwe has a presumptive tax framework**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**5. The presumptive tax framework is disseminated to the SMEs**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**6. The presumptive tax guide is understandable by the users**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**7. The implementation guide is disseminated to businesses in the SMEs sector**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**8. The personnel at ZIMRA have requisite skills to enforce the presumptive tax guidelines in the SMEs sector**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**9. The current staff compliment at ZIMRA is adequate.**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**10. The presumptive tax guidelines controls are monitored.**

Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
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**11. The following are controls in place on presumptive tax**

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
(i)Simplification of the registration process					
(ii)Promoting e-filling					
(iii)Continuous monitoring and evaluation					

**12. The following are challenges faced in implementing the presumptive tax framework by ZIMRA.**

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
(i)Lack of tax education					
(ii)Lack of tax awareness					
(iii)Corruption					

**13. The following are suggestions which ZIMRA should adopt so that there will be best practice in payment of presumptive tax.**

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
(i)Charging of tax in accordance with income level or business sector					
(ii)Offer of discount to those who meet presumptive tax deadlines					
(iii) Offer amnesty extension					

**14. Any other comments on presumptive tax non-compliance which could be helpful for this study?**

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*End of Questionnaire*

Thank you for your cooperation

**Pettness Furusa (R13535C**

Bcomm Accounting (Honours) Degree

Midlands State University

## **APPENDIX V**

### **Interview Guide for Policy Makers and Implementing Agent (ZIMRA)**

1. Who are responsible for the formulation of the presumptive taxation framework?
2. May you explain the implementation guide of presumptive taxation in Zimbabwe?
3. Explain whether the presumptive tax guidelines exhaustively cover the Motor Industry?
4. Are the taxation guidelines understood by the implementors?
5. What are the challenges faced in implementing the presumptive taxation guidelines?
6. Comment on the adequacy of the personnel in implementing the presumptive taxation policy?
7. Does the personnel have the requisite expertise to oversee the policy implementation?
8. What controls are in place to facilitate smooth implementation of the presumptive taxation guidelines?
9. How often are the controls reviewed for adequacy?
10. What could be the best practice in implementing the presumptive taxation guidelines?

Thank you for your cooperation

**Pettness Furusa (R13535C**

Bcomm Accounting (Honours) Degree

Midlands State University