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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**THE EFFECTIVENESS OF THE TAX AMNESTY TOWARDS
PROMOTING COMPLIANCE AND INCREASING REVENUE INFLOW
FOR ZIMRA**

BY

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**This dissertation is submitted in partial fulfillment of the requirements of the Bachelor of
Commerce (Honors) Degree in Accounting in the Department of Accounting at MSU.**

Gweru: Zimbabwe, 2016

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DEDICATION

This project is dedicated to my country “ubuntu” I am what I am because of who we all are.....

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I would like to extend my acknowledgement to the almighty GOD the father of fathers, who seeks that we acknowledge his existence his authority and his glory not for the sake of profiting from our individual self-interests but for fighting for morality, law and order. Father who art in heaven I want to thank you lord for the spirit of wisdom that has breathed knowledge in to this document. Further acknowledgements are extended to Dr Mashiri my supervisor, Mr Mandingaise, My Friends, Miss S Chamatunhu, Mr and Mrs Jaka my parents and Zimra Staff. From the bottom of my heart I want to thank you all for your unwavering support in the form of love, commitment, open minds, constructive criticism, patience and financial support without your assistance this project would never have been a success. There is no way I can ever pay you back but my plan is to show you that I understand and I appreciate it. May the lords' love and patience continue to flow and guide you all through your endeavors.

ABSTRACT

The government of Zimbabwe enacted Finance Act no 2 of 2014 that introduced a tax amnesty program in order to make further provision of revenue in light of the fiscal crisis that has seen government failing to meet its expenditure. Proponents of tax amnesties point out that an amnesty may positively affect revenue and compliance. Other scholars argue that anticipation of future amnesties will result in a long term negative influence over revenue and compliance. The research sought to analyze the effectiveness of the tax amnesty introduced in October 2014 towards promoting tax compliance and raising revenue for Zimra. In order to draw a conclusion to the findings of this research a literature review and investigative research methods were employed to gather data for presentation and analysis. The major findings of the research indicate that the tax amnesty program was a failure, and this can be attributed mainly to the prevailing socio economic condition. As such recommendations from the study were provided.

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LIST OF ACRONYMS

CG	Commissioner General Taxes
ZIMRA	Zimbabwe Revenue Authority

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DEFINITION OF TERMS

Tax Amnesty:

A onetime offer awarded to delinquent taxpayers for the to settle an outstanding tax obligation for an amount that is less than the current debt (Nar 2015).

Tax Compliance:

According to Junpath (2013), tax compliance means true reporting of the tax base, correct computation of the liability, timely filing of the returns, and timely payment of the amounts due.

Tax Gap:

This is the difference between total amount of taxes collected against total amount of taxes due (HM Revenue and Customs, 2015)

Tax Evasion:

This a deliberate misrepresentation or concealment of the true state of affairs by taxpayers to tax authorities (Tapera, 2014)

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Chapter 1

1.0 Introduction

This paper will dwell on the background of the study, statement of the problem and also go on to highlight the justification and the research objectives of the study. The paper will articulate the research questions and emphasize the importance of carrying out the research through the significance of the study. The major constraints and how the study will be narrowed down to a manageable population will be revealed in this topic.

1.1 Background of the study

The heart of fiscal planning lies in the ability of a tax administration to optimize on revenue collection. It therefore becomes a priority for any tax administration to optimize tax revenue collection whilst on the other hand taxpayers seek to minimize their tax obligations (Chichoni 2012). In Zimbabwe the Zimbabwe Revenue Authority was given the mandate to levy taxes in order to fund public expenditure, to support the economically disadvantaged members of the society and to address market failures.

In light of tax amounts owing exceeding over 1 billion US dollars and increasing tax evasion, the Zimbabwe Revenue Authority (ZIMRA) in October 2014 introduced a Tax Amnesty on all the major revenue heads in the tax system by removing all the surcharges, penalties and interests associated with the principal tax amount owing dating from 2009 to 2014, (Finance Act (no2) 2014 Ss 15-17). This was all done in a bid to relieve the financially strained taxpayer, to collect back in millions the outstanding taxes, to increase future compliance by lowering its cost, to make it unnecessary to evade and hide past bad behavior, to improve records which in turn enhance future control of evasion, as pointed out by Mhlanga (2015) “Tax amnesty is a term


used to describe a onetime offer to settle an outstanding tax debt for an amount that is less than the current debt” (Nar 2015). The CG Gersham Pasi was quoted in Mhlanga (2015) conceding that Zimra had failed to achieve its target as it was still owed over US 1 billion in taxes by known entities aside from those that the authority was trying to engage through the tax amnesty. He also expressed disappointment in the tax payer for failure to take advantage of the Tax Amnesty as expressed by the low up take of about 1471 applicants before the program was extended to June 2015 and later on 31 December 2015. Mr Chiradza another Zimra official informed the Financial Gazette that the taxpayer’s response to the Amnesty call was very low and that most of the applicants were submitting returns with nil returns.

Table 1.1 below shows information accessed from ZIMRA Tax region 1. According to the table a total of 3928 applicants heed the amnesty call however by year end December 2015 there was a total amount of \$22,105,559.17 still owing from the applicants that had been approved for the amnesty program. Table 1.1 below shows that out of the total tax amount assessed during the amnesty, only 27% was recovered by year end 2015 resulting in a tax gap of 73% of the tax assessed. This is a clear indication that although the taxpayers had been relieved of all the penalties they still experienced challenges in fulfilling their obligation with ZIMRA.

TABLE 1.1

TAX AMNESTY APPLICANTS OCTOBER 2014 TO DECEMBER 2015					
REGION	APPROVED	REJECTED	OUTSTANDING	TOTAL	
1	3045	823	60	3928	
				Percentage	
TOTAL TAX ASSESSED AMOUNT				\$30,384,386.88	100%
TOTAL TAX PAYMENTS MADE AMOUNT				\$8,278,827.71	27%
TOTAL TAX OWING AT 31 DECEMBER FROM AMNESTY APPLICANTS				\$22,105,559.17	73%

TABLE 1.2

OUTSTANDING TAX BALANCE FOR THE YEAR 2014 AND 2015 PERCENTAGE VARIANCE ANALYSES		
		Percentage
OUTSTANDING TAX AS AT 31 DECEMBER 2015	\$1,380,000,000.00	
OUTSTANDING TAX AS AT 31 DECEMBER 2016	\$1,970,000,000.00	42.75% 

Source Zimra Region 1 Kurima House

According to the ZIMRA board chairperson Ms Bonyongwe (2015) “The year 2015 started with a debt of US\$1.38 billion which, after incorporating recoveries and new debts, the figure rose to US\$1.97 billion as at December 31, 2015”. This denotes to a 42.75% increase in outstanding taxes by the year ended December 2015 after implementing a tax amnesty whose main objective was to collect back outstanding taxes and raise revenue by year end as presented in table 1.2 above.

According to Nar (2015) “Tax amnesties have been accepted as one of the politically popular ways used for increasing the state revenues and their importance in tax policies is rising day by day”. While Alesina and Ardagna (2010) emphasize that there is a greater certainty of a tax amnesty actually decreasing, rather than increasing the efficiency and equity of a tax system. Junpath (2013) shares the same notions as Nar when he pointed out that amnesty programs where being used by various governments worldwide to curb tax evasion and promote tax compliance in an effort to broaden the tax base. However, Alm (2009) discovered that the introduction of a tax amnesty where applicants are allowed to pay previously unpaid taxes exclusive of all penalties and interests lowers post amnesty compliance.

Nar (2015) pointed out that countries such as the USA especially in 1980s, and recently in Australia, France, Ireland, Italy, and the Philippines have introduced amnesty programs which

have managed to raise revenue for the tax administrations of these institutions. This is also evident from the information made available by the Indiana Department of Revenue (2006) which had targeted to collect \$65 million from its amnesty program but ended up collecting actual cash of more than \$244 million. However Tax Amnesty programs introduced by Russia and South Africa failed to maximize revenue collection and post amnesty compliance as reflected by the multiple tax amnesties that were later on issued in each of the countries (Alm, 2009 and Junpath, 2013).

Other scholars are of the opinion that Tax Amnesties only increase revenue and compliance on a short term basis if the taxpayers partake of the program. The reasons attributed to this line of thinking being that as the probability of an amnesty rises, and thus the future opportunities to declare any dishonesty free of penalty, people report less income. Fjeldstad, (2012) conceded that expectations for a future tax amnesty may negatively affect compliance in the long term as well as prejudice the opinion of the honest taxpayer on justice. It is therefore as a result of these varying perceptions and the tax gap that could not be covered by the introduction of the Tax Amnesty in Zimbabwe the author formulates the premise of this research as a study area.

1.2 Problem Statement

Tax amnesties have been used world over, to mainly promote revenue collection and compliance, with evidence from developed countries showing a positive response on inception. On the other hand countries that are going through transition and still developing have considerably failed to achieve these desired goals. The government of Zimbabwe, introduced the tax amnesty program the first of its kind in Zimbabwe in order to promote compliance as well as increase revenue. By year end 2015 Zimra had managed to secure 27% of the revenue assessed

under the amnesty program leaving a tax gap of 73% coupled by an overall increase in total outstanding taxes by 42.75%. The purpose of the research is to analyze the effectiveness of the tax amnesty program in achieving its objectives.

1.3 Main Research Question

How effective was the Tax Amnesty program in promoting compliance and raising revenue for ZIMRA?

1.4 Research Questions

- i. What are the definition, objective and nature of the tax amnesty introduced in Zimbabwe?
- ii. What are the factors that influence a positive response towards an amnesty program?
- iii. What does experience from other countries which used tax amnesties teach?
- iv. What are the effects of tax amnesties on compliance and revenue collection?
- v. What are the conditions for a successful amnesty?

1.5 Research Objectives

- To define the tax amnesty according to the Zimbabwean context, the objectives of an amnesty and the types of amnesties that are commonly in use.
- To identify the factors that influences a positive response towards an amnesty.
- To provide solutions towards improving tax amnesty design by learning from amnesty programs implemented by other countries.

- To examine the effects of tax amnesties on compliance and revenue collection.
- To identify the conditions necessary for a successful amnesty.

1.6 Significance of The Study

The Student

The research will allow the researcher to interact with the tax administration and broaden his understanding and knowledge of tax policy planning and designing. The research will allow the researcher to learn from the experience of others.

To Theory

This study is important in laying a foundation for further research into the subject area thereby instilling critical thought and debate. Future studies on tax amnesty programs in Zimbabwe will refer to this research project.

To Zimra

This research is of significance to the domain of Tax Administration and ZIMRA as it extends the knowledge base that currently exists in the field. The research will align academic information and propose the implementation of a tax reform that promotes a greater response in the volatile economic environment.

The research will extend solutions that will assist the Zimbabwe Revenue Authority to overcome the challenges it currently faces in its administration to improve efficiency and effectiveness in a sustainable manner.

This research will raise awareness to those who are unacquainted with the detrimental effects of taxation towards economic growth, its potential implications and benefits.

1.7 Scope of the study (Delimitations)

The study will be confined to ZIMRA region 1, to analyze and observe the magnitude or change in percentage taxes from the revenue heads in 2015 to assess the effect of the amnesty on revenue and compliance. The research will also be conducted from a target sample of different companies from the data base of two small accounting and financial services firms in Harare. The study will therefore be narrowed down to Harare where most of the headquarters for these organizations are located. The study will therefore target relevant personnel from the Zimbabwe Revenue Authority and persons eligible for taxes under Zimra Tax Region 1 since these are the relevant people who are able to aid the research with credible information to make inferences to base the study on.

1.8 Limitations of the study

Lack of prior research studies on the topic in Zimbabwe: citing prior research studies forms the basis of the literature review of this thesis and helps lay a foundation for understanding the research problem under investigation. The study will therefore employ an exploratory rather than an explanatory research design. The limitation can serve as an important opportunity to describe the need for further research In Zimbabwe.

Access: the study depends on having access to people, organizations, or documents and, for whatever reason, access may be denied or otherwise limited. The researcher will assure the information gathered will remain confidential and used only for the purposes of the study. The

researcher will also emphasize his willingness to sign any confidential clauses to reassure the people and organizations the commitment towards confidentiality.

Longitudinal effects: the time available to investigate a research problem and to measure change or stability within a sample is constrained by the due date of the dissertation. The researcher will devote excessive amounts of financial and time resources to cover the necessary ground to meet the stipulated deadlines. The researcher will also use his friends during the questionnaire program so that more ground can be covered.

1.9 Summary

The government of Zimbabwe introduced a Tax Amnesty program in October 2014 the primary objectives of this amnesty were to promote compliance and make further provisions for revenue collection and as such the main priority of this research was to analyze the effectiveness of the tax amnesty towards the aforementioned objectives. In chapter one the researcher analyzed the background of the research in which he identified factors such as a widening tax gap and the fiscal crisis as the main reasons behind the introduction of the tax amnesty. However the increase in the difference between the tax collected from economically active persons against the tax assessed just after the introduction of the tax amnesty highlighted the need to conduct this research as presented in the problem statement in chapter one.

Chapter 2

Literature Review

2.0 Introduction

The researcher will review literature available which will cover the following areas, an overview of the tax amnesty introduced in Zimbabwe, the types and objectives of tax amnesties, other countries and tax amnesties, factors influencing responsiveness and the effect of tax amnesties on revenue and compliance.

2.1 Definition, Objectives, and Types of Tax Amnesties

2.1.1 Defining Tax Amnesty In Zimbabwe

Tax amnesty is a relief granted to delinquent taxpayers which absolves them of the obligation to incur interest, penalties and any other prosecution costs relating to tax liabilities that have qualified for amnesty. The parliament and presidential office enacted Finance Act (No .2) of 2014 in order to stimulate supply for revenue for public expenditure and to enact an amnesty for taxes and duties levied by the Zimbabwe Revenue Authority.

The amnesty program introduced by the government of Zimbabwe suspended the non application of certain criminal and other laws in respect of amnestied matters, Sec16, ss (1) and (2) of the Finance Act (No.2) of 2014.

The scope of the amnesty was expressed in section (17) of the Finance Act (No. 2) the amnesty would be applied for in respect for any outstanding taxes administered by Zimra. Taxpayers were absolved of the obligation to pay any interest and penalties relating to the outstanding taxes covered under the amnesty. The amnesty would prevent the National Prosecuting Authority from

prosecuting any offender or imposing administrative penalties for false declarations or evasion, failure to submit returns and payments of the tax in due time or any act of fraud, negligence and willful default with respect to the covered tax.

According to section (18) of the Finance Act (No. 2) under normal circumstances individuals who were liable for prosecution, penalties and interests in relation to outstanding taxes were supposed to apply for an amnesty no later than 31 March 2015. The amnesty would be granted upon the applicant having made a voluntary disclosure and providing supporting documents in conformity with the terms prescribed by minister in respect for outstanding taxes covered by the amnesty term.

Section (19) of the Finance Act (No. 2) stated that an application for amnesty would be invalid if tax audits, investigations or any prosecution process involving the seizure or detention of property had already begun before the tax amnesty was issued.

According to section (20) of the Finance Act (No. 2) after being granted an amnesty a taxpayer was supposed to have paid all amounts due according to the amnesty no later than the 31st of March 2015. In the case of delays in processing applications on the part of the Commissioner General would extend the payment period beyond the 31st March 2015. However, because of a poor response towards the amnesty program the initial due date 31 March 2015 had to be extended to 30 September 2015 with the payment period expiring on 31 December 2015 (Ndlovu 2015).

2.1.2 Objectives of Tax Amnesties

There are two main objectives that influence a tax administrations' decision to implement a tax amnesty as a tax reform program. The discussion below highlights the main objectives and other objectives.

2.1.2 To Raise Revenue

The need to raise revenue is consider one of the key objectives that influence tax administrations to issue tax amnesties. The amnesties are targeted at taxpayers existing on the register and those outside the register. The intention is to collect back outstanding taxes and to bring on board taxpayers outside the tax register under conditions that are desirable to the taxpayer. According to SARS (2006), part of the purpose and objective of the Small Business tax amnesty was to broaden the tax base. Nakamura (2009) highlighted that governments generally limit tax amnesties to taxpayers not currently reporting their income or to those with outstanding liabilities that have not been identified by the tax authorities in order to increase revenue inflows. Finance Act (No .2) 2014 introduced an amnesty in respect of taxes and duties administered by the Zimbabwe Revenue Authority in order to stimulate supply for revenue for public expenditure.

2.1.2 To Increase Compliance

Tax compliance is crucial to revenue collection and as such it is considered one of the main reasons that influence tax administrators to introduce tax amnesties. Taxpayers might evade taxes because of the punitive nature in which there might be administered. Therefore, in order to increase compliance tax administrators encourage taxpayers to declare and pay previously

undeclared tax, file tax returns, or register to pay taxes, so as to increase revenue through the use of an amnesty. According to SARS (2006), part of the purpose and objective of the Small Business tax amnesty was to increase and improve the tax compliance culture. Junpath (2013) also agreed that the purpose and objective of a tax amnesty are to increase and improve the tax compliance of taxpayers who had not been tax compliant in the past.

2.1.2 To Stimulate Recapitalization and Investment

The introduction of tax amnesties has also been motivated by the desire to encourage constructive society engagement around taxes in order to promote recapitalization and investment programs in economies. This is also evident from part of the objective that was set out in the small business tax amnesty as the SARS (2006) emphasized the need to facilitate participation in the tax recapitalization program. Indonesia is one of the countries which has introduced a tax amnesty with the intention of retaining off shore and on shore assets as a measure to stimulate investment and recapitalize its economy (Rajah and Tann 2016).

2.1.2 To Improve Record Keeping

Tax authorities are also keen to introduce tax amnesties because they improve record keeping which enhances future control of evasion. The SARS (2006) emphasized the need to facilitate the normalization of the tax affairs of small businesses. Sawyer (2005) pointed out that other countries have also introduced a record keeping amnesty that waives of all penalties associated with failure to keep proper records on condition that the records are now kept. Cordes et al (2005) states that if taxpayers participate in an amnesty program that advocates for proper record keeping this will allow the tax administration to generate information which can be used to enforce future compliance.

2.1.2 To Impose Punitive Measures On Those Who Refuse To Take Up The Amnesty

The introduction of a tax amnesty allows a tax administration to impose severe penalties on those who refuse to take advantage of tax amnesty. “In some cases, legislation extending amnesty also imposes harsher penalties on those who are eligible for amnesty but do not take it” (Agbonika, 2015). A similar objective was part of the tax amnesty policy introduced by the Indonesian tax administration. According to Saraçoğlu (2011), Indonesia introduced a new tax system that shut out those that had failed to make use of the amnesty massive tax audits were held and properties attached.

2.1.3 Types of Tax Amnesties

Most scholars have identified and named Tax Amnesties according to the nature, scope and extent of the Tax Amnesty program. Nar (2015) categorized tax amnesties according to their regulations.

Revision Tax Amnesty

This is a voluntary disclosure program offered to taxpayers on condition that there are supposed to revise their tax returns of specific tax years with a reduced penalty. It might also involve a process where by taxpayers are required to revise and disclose the amount of, off shore or on shore assets (Rajah and Tann 2016). A similar tax amnesty program has recently been introduced in Indonesia and the tax administration requires that all onshore or offshore assets declarations be revised and the outstanding taxes be paid in the form of redemption charge (Rajah and Tann 2016). The amnesty enables taxpayers to correct their income returns upwards in order to pay the

missing taxes. However, Taxpayers who accept the amnesty are not immune from the investigation and auditing activities of the tax administration.

Investigation Amnesty

This tax amnesty offers delinquent taxpayers an exemption from investigation on condition of voluntary disclosure of tax liabilities. According to Nar (2015) under this Amnesty taxpayers are offered an exemption from audits on specific tax years upon payment of an amnesty fee. Rakhmindyato (2011) also defined an investigation amnesty as a promise made to a tax offender that reassures them that if they voluntarily disclose income upon payment of an amnesty fee the government will not investigate the source of income for those specific years. It is basically an offer to suspend all investigations on the real amount or the origin, of the taxable income of the taxpayers who participate in the program.

Prosecution Amnesty

The last type of amnesty defined by Nar (2015) is the Prosecution Amnesty. The amnesty is usually offered to indicted taxpayers who pleading guilty ease the judicial course. The tax administration suspends its prosecution power with respect to specific tax years in exchange for a lumpsum compensation and partially waives of all penalties and interest charged. A prosecution amnesty is a limited time offer by the government to delinquent taxpayer that grants the offender freedom from legal prosecution (Boer and Borgne, 2008). Rakhmindyato (2011) asserts that a prosecution amnesty grants immunity from prosecution for detected offenders on the basis of the payment of some compensation fee.

2.2 Factors Affecting Tax Payer's Response To Tax Amnesties

The generalized opinion about tax amnesties is that they do raise revenue and increase compliance in developed countries as noted from analysis of other countries and their experience with amnesties Vasavada (2010). However, it has been noted that the response towards a tax amnesty period in countries which are going through a transition or developing is very low. Below is an analysis of theoretical frameworks and other factors that influence a taxpayer's response to a tax amnesty.

2.2.1 Theoretical framework

James Alm (2009) pointed out that the public perception of the penalty for underreporting and the probability of getting caught will affect the level of income reported during the amnesty period if a taxpayer believes that post amnesty audits and penalties will increase. This will result in an increase in amnesty revenues reported thus significantly increasing total revenue. This perception was explained in a Theoretical Model of Behavior Under An Amnesty derived by Alm and Beck 1991 based upon the seminal model of tax evasion first developed by Allingham and Sandmo 1972. The underlying assumptions are that a taxpayer is assumed to have some unreported income from past years expressed by the function $\{E_0\}$. It is also assumed that the taxpayer would choose the level of $\{E_0\}$ to report in the amnesty which is $\{A\}$ and is taxed at the rate of $\{t\}$. In the event that the taxpayer doesn't report $\{A\}$ during the amnesty period, they are faced with a risk of being caught with probability $\{p\}$ which is subject to a penalty at the rate $\{f\}$ on the unreported income.

The model expresses the event of the taxpayer being caught with the equation $IC = [E_0 - tA - f(E_0 - A)]$, $\{IC\}$ is the income after tax payable. On the other hand, if they are not caught, income after tax payable IN is calculated by the formula $IN = [E_0 - tA]$. Since it is also assumed that a

taxpayer is rational and as such their cost and benefit analysis prioritizes minimization of the tax obligation. A tax amnesty should be coupled with increases in penalties, interests, and risk of being caught such that {IC} should be lower than {IN} in order to maximize the utility function of less cost in as far as the tax obligation is concerned in the eyes of the taxpayer.

In conclusion, a tax administration can encourage more income reporting during the amnesty if the amnesty is accompanied by increases in the probability of detection or in the penalty. However, the effect of the tax rate on the level of income reported in the amnesty is vague, as it is subjective to the taxpayer's level of unreported income that he chooses to declare during an amnesty.

2.2.2 Psychological Behavior

Psychological attributes impact every decision a human being makes in every aspect of their lives because of the human nature characteristics embedded in them. Emotions such as jealousy, love, hate, anger, doubt, fear, trust, loyalty and resentment have been found to influence the type of reception a legislation or policy might face. A most recent Zimbabwean example is the strikes and demonstrations against statutory instrument 64 import ban which resulted in damage to property and goods at Zimra warehouse in Beitbridge border post (Mandizha 2015). This validates the work presented by Nar (2015) where he pointed out that psychological behavior has an influence towards the response a tax administration might receive from its taxpayers. Therefore there is a need to conduct a behavior analysis of the taxpayer in order to predict with reasonable certainty the reception a tax reform such as a tax amnesty might receive from a taxpayer.

A positive response towards an amnesty program that yields voluntary compliance is likely to occur if the taxpayer feels that there is a moral obligation with taxes. In addition, the taxpayer should believe that the government is accountable and responsible and that the tax administration is fair and can be trusted. Nar (2015) emphasized that in order to prevent noncompliant behaviors an amnesty program should pay special attention to some variants such as attitudinal factors before reinforcing a tax reform with aggravating punitive sanctions. Osman et al (2011) agreed that supporting a tax reform with punitive measures would increase the rate of voluntary compliance, and thus prevent taxpayers from developing an expectation habit towards amnesties.

However, there are detrimental effects associated with the use of tax amnesty to achieve the objectives mentioned earlier. Tax amnesty might be considered as a reward to dishonest individuals for delinquent behavior by honest taxpayers this might affect future post amnesty compliance. Nar (2015) expressed concern over the fact that negative perceptions of honest taxpayers may interrupt voluntary compliance process in the future. A tax amnesty is unequal as it might have the effect of penalizing regular taxpayers and rewarding delinquent taxpayers. Agbonika, (2015) indicated that amnesties may offer better returns on assets to those who have evaded taxes than to those who have routinely paid. This will, in turn, affect compliance as honest taxpayers might consider evasion with the anticipation of benefiting from future amnesties.

Therefore, tax amnesties should be put into force for one time or it should be spread into long time intervals in a form that won't result in new expectations if it cannot be put into force once. In addition, it is especially important to note that, with higher levels of trust from the taxpayer, a more responsive and legitimate state associated with more tax effort will improve the performance of tax reform.

2.2.3 The Tax Administration

According to Bird (2014), some of the factors that might influence the reception of tax amnesties are the nature and impact of the legal system of the tax administration, the level of corruption, and the peoples' perception of the government. Sibanda (2015) quoted advocate Mudenha as he expressed concern over the fact that Zimbabwean tax laws were archaic, punitive and anti investment. Punitive taxes are one of the reasons why tax payers evade taxes. Public trust may be weakened or strengthened by the manner in which a tax administration collects its taxes. On numerous occasions Zimra officials have appeared in newspaper articles and before prosecuting authorities with allegations of tax evasion and corruption involving abuse of office, these are among some of the factors that undermine public trust and confidence in the tax administration (Mhalanga 2015).

The nature of the tax structure and the underlying legal system is one factor, as is the extent to which taxation is used to achieve objectives other than simply collecting revenue. The efficiency and effectiveness of a tax administration depends to a considerable extent on the environment within which it works (Nar 2015). This obviously implies that the structure and nature of the economy are factors alone that affect a tax administration. The Zimra (2015) has attributed the decline in revenue collection and compliance to the state of the economy which is coupled by a liquidity crisis, high rate of unemployment, an untapped growing informal sector and a weakening taxable base. Therefore citizens will not pay taxes not because they choose to but because they cannot afford too.

Wilkinson, and Klaes 2012 prose that when informal activity remains important governments should turn to presumptive taxation. Due to globalization and sophistication of financial systems, it becomes easier for funds to cross international borders to escape taxes. Indonesia had to rely

on the intervention and automatic exchange of information with major financial jurisdictions under the Organization for Economic Cooperation and Development's ("OECD") Common Reporting Standards which commences in 2018 in order to support its voluntary disclosure program aimed at supporting the declaration of on shore and off shore assets for its citizenry (Rajah and Tann 2016). The introduction of crossborder electronic commerce, limits the scope of feasible administrative actions by national tax authorities, tax administrations in developed countries are still working on the matter so as to address it (Nar 2015). However, Agbonika (2015) expressed concern over the fact that if an amnesty is successful it affects the real income that a revenue authority is supposed to realize. This windfall of gain in revenue might influence a government to overlook structural economic problems such as burdensome regulations and poor economic policies that are the causes of evasion thus failing to address the root cause of the problem.

2.3 Other Countries and Tax Amnesties

The analysis below examines the experience other countries have obtained from using tax amnesties as part of their reform programs. Particular attention has been placed on four countries which introduced tax amnesties for the first time in their countries but obtained different results. The research considered the availability of information and the state of the economies of the country to which Zimbabwe can relate to. The discussion will review and explore reasons for differing success rates in Ireland, Indiana, Russia and South Africa.

IRELAND

During Ireland's 1988 fiscal budget, it introduced a tax amnesty that relieved delinquent taxpayers of the obligation to pay interests and penalties on overdue amounts (IMF 1988). The

tax amnesty was considered a success because the central bank of Ireland revealed that the tax amnesty program raised over 750 million against a target set of 50 million.

Among other factors resulting in that tremendous success was the fact that the government had placed emphasis on the fact that the amnesty was going to be a once-off program, which is why there was an increase in the number of taxpayers that applied for an amnesty towards the end of the program. The government went on and supported the amnesty program with an increase in tax compliance officers to enforce tax collection. The government also gave the tax administrator the authority to seize stock and other assets and to freeze bank accounts of convicted taxpayers prior to the enactment of the amnesty so this influenced the taxpayers to take advantage of the amnesty (Stella 1989). The government also promised not to prosecute any of these delinquent taxpayers a publication exercise was put into place which disclosed delinquent taxpayers in newspapers. At the end of the ten months amnesty, a new tax system was introduced to shut out those who had failed to take advantage of the amnesty program.

Stella (1989) anticipated that although Ireland had exceptionally succeeded in expanding its taxable base post amnesty compliance was likely going to decline due to the fact that the tax administration maintained its high tax rates which were considered one of the reasons why most taxpayers chose to evade taxes in the first place. Therefore it is important to consider that, while strengthened enforcement measures should help sustain a tax reform and widened a tax base, the maintenance of high tax rates may well increase the incentive for evasion.

Indiana State (USA)

The first Indiana tax amnesty program was conducted in 2005-2006 it was introduced as a onetime offer for delinquent tax payers to square accounts. According to Indiana Department of

Revenue (IDR), (2006) Indiana entered 2005 with \$1.3 billion in uncollected taxes, with some liabilities dating back more than three decades. The tax amnesty program started in Sept 2005 and officially ended in June 2006. With a target set of \$65 million, the program managed to collect more than \$244 million over a total cost of 15,5million in amnesty related administration expenses.

IDR (2006) concluded that the Indiana Tax Amnesty was an undeniable success. This success was owed to a number of factors including, the ability of the strategic management to develop a road map for success from a research that was conducted to obtain sufficient appropriate reasons on the factors that influenced the success of other amnesties held by other states in the USA. The IDR instituted a training exercise to equip its workforce with the relevant technical knowhow this also ensured uniformity and consistence in the application of the amnesty law.

The IDR also outsourced services from external credit collectors to reinforce its workforce in order to surpass the target set without adding additional permanent workforce to the payroll system. According to IDR (2006) the amnesty was supported by a public relations team that identified various stakeholders, its strategy was to exhaust all communication channels as broadly as possible. The publications team published weekly reports on the progress of the amnesty program to ensure transparency, a toll free number for amnesty related quires was established for convenience purposes. In addition a public announcement was made that confirmed the existence of an anti evasion drive that would double the penalties for those that were eligible for the amnesty but chose not to participate.

Russia

According to Alm et al (2009) Russia experienced high levels of outstanding tax collections and widespread tax evasion. It is for those reasons that the government's tax authority attempted to reform the tax system, but only partially succeeded. As part of its tax reform programs, the Russian government enacted a number of tax amnesties. "The first amnesty was introduced on 27 October 1993 by Presidential Decree No. 1773", (Alm,2009). The amnesty allowed taxpayers who would disclose their unpaid taxes and tax payments for the yr 1993 and prior years to be exempt from all penalties and interests on the principal amount owing. This amnesty had duration of a month as it begun on October 27 to November 30, 1993. This is one of the reasons why the tax amnesty program failed. Among other factors considered as responsible for the failure of the program was that the amnesty required that the liability is repaid within one month and that it failed to allow for inadvertent or unintended mistakes.

Another amnesty was also introduced by Presidential Decree No. 65 of 19 January 1996 this amnesty did not produce satisfying results for Russia as well. Alm (2009) pointed out that this Decree was widely perceived by the taxpayers as burdensome, because of the fact that unpaid up nominal amounts would attract an interest of 30% annually. This is why the decree was amended by the Presidential Decree No. 685 on 8 May 1996, in order to reduce interest penalties on late payments and tax arrears and allow for 'technical errors' in the computation of tax returns. However, lack of government control of current events, including the ineffectiveness of the tax administration authorities, did not help to make the amnesty relevant in the eyes of taxpayers since Russia was going through a transition. In as far as Russia is concerned the tax amnesties issued from 1993 to 1998 were not as successful as expected.

After learning from the failures of past amnesty programs the amnesty program introduced in 2007 collected \$130million in the first six months according to Agbonika (2015). The Russian tax authority reinforced this amnesty program with compliance officers and audit trails. The amnesty had 9 months window period which was long enough to accommodate more taxpayers but short enough to influence them to make the decision to take up the amnesty offer.

South Africa

According to Junpath (2013), five different tax amnesties have been offered in post-apartheid South Africa. The first two tax amnesties were introduced under the tax amnesty act in 1995 and under the final relief on tax, interest, penalties and additional tax act in 1996. This was followed by a third amnesty which was passed by the exchange control amnesty act of 2003. Thereafter in 2006 the small business tax amnesty was introduced. The most recent amnesty introduced was the Voluntary Disclosure Program which came into effect in 2010.

When the government of South Africa first introduced its amnesty program an important aspect was unnoticed in the haste to implement it (Mantshantsha, 2006). The amnesty infringed confidentiality as it impelled tax advisors and practitioners to report any tax offense made by their clients and in addition, advisers faced the risk of litigation for any advice given to offenders and as such tax practitioners discouraged their clients from participating in the program (Mantshantsha, 2006). The exchange control amnesty was reported to have had the same effect where a number of auditing and consulting firms were reluctant to assist clients until the matter was resolved. This affected the decisions of a number of people that wanted to apply for the amnesty (Vermeulen, 2003).

The 2006 Small Businesses Tax Amnesty offered in South Africa did not meet its fundamental objectives (Mkhize, 2011, Temkin, 2007). Most of the applications were submitted by taxpayers already on the tax register in order to regularize their tax affairs for previous transgressions. Mkhize (2011) concluded that the Voluntary Disclosure Program offered in the 2010 tax year had a poor outcome similar to that of the small business tax amnesty.

It is important to note that an amnesty in isolation will not produce the desired objectives if it is not supported by an effective tax administration, a stable economic environment, a participative citizenry, a determined government that prioritizes the welfare of its citizens towards sustainable and socio economic development.

2.4 Effects of Tax Amnesties on Compliance and Revenue Collection

There is a direct relationship between tax compliance and revenue collected during a fiscal year and as such the higher the level of compliance the higher the revenues collected “ceteris paribus”. Tax amnesties can result in a positive or negative effect on these fundamentals. Other contestants, content that tax amnesties have no effect on tax amnesties. Below we review these varying perceptions.

2.4.1 Positive Effect

In the short term tax amnesties increase revenue collection and tax compliance by courting in taxpayers who were outside the tax system. According to Rakhmindyarto (2011) Indonesia achieved a 14,2% in its aggregate tax growth after implementing an amnesty program which was introduced in 2008 under the title Sunset Policy, it raised 7,46 trillion rupees and registered over 5 million new taxpayers by the end of the amnesty. A well planned tax amnesty builds up

compliance if it is supported by an increase in tax audits and penalties post amnesty (Saraçoğlu, 2011). Under the Deterrent Economic Theory as quoted by Mavhangere (2015) taxpayers evaluate the cost and benefits of participating in a tax amnesty program, their decision to comply and in turn raise revenue rests on the feasibility of an amnesty in its offer to minimize their tax obligations. Therefore tax amnesties will only increase tax compliance if the cost of evasion far outweighs the cost of participating in an amnesty. However, there must be an imposition of punitive measure prior and after an amnesty so as to compel the taxpayer towards the amnesty, higher levels of income will be declared by taxpayers as the probability of detection increases.

2.4.2 Negative Effect

According to the Theoretical Model of Behavior Under An Amnesty proposed by Alm and Beck in (1991) total revenue collected during an amnesty is a summation of revenue collected from an amnesty and real revenue collected during the year. It is important to note that the figure arrived at when calculating revenue collected from an amnesty is ambiguous as it is subjective to the level of unreported income a defaulter chooses to voluntarily disclose, which reflects their attitude towards compliance. According to OECD (2015), some taxpayers may use an amnesty as an opportunity to underreport overdue taxes and as such undermining the upheld belief that amnesties increase revenue inflow and compliance because of their voluntary nature. Some of the Zimra officials expressed that some of the applicants that had decided to take part in Zimbabwe's tax amnesty program were submitting returns with nil balances Mhlanga (2015). Mavhengere (2015) highlighted that whilst there might be short-term revenue gains from a tax amnesty it is important to note that tax amnesties create long run losses due to diminishing compliance levels in anticipation of future tax amnesties by the taxpayer. The Organization for Economic Development (OECD, 2010) expressed concern over the fairness of the tax system as

this has a bearing on compliance and revenue. An experimental analysis conducted by Kircher et al (2007) shows that honest taxpayers' perception of the unfairness of a tax amnesty under the comparative treatment theory will result in a decrease in compliance which will negatively affect revenue collection as honest taxpayers perceive that an amnesty is a reward for delinquent behaviour and as such it does not serve as justice in their eyes.

2.4.3 No Effect

Romer (2010) quoted the expected utility model of evasion proposed by Allingham and Sandmo in 1972 which predicts that a tax amnesty would have no effect on the behavior of delinquent taxpayer and as such no effect on tax compliance and revenue. The reasoning behind this notion being that taxpayers rationalize the marginal costs or benefits of tax evasion and as such if their decision was to evade then the introduction of an amnesty would have no influence nor would it induce them to comply. Feldstad (2012) paid particular attention on habitual tax evaders and claimed that, because of the fact that these class of evaders are habitual the introduction of a tax amnesty alone would not compel them to comply and as such disregarding the proposal that through the introduction of an amnesty longterm evaders are brought back into the tax system, therefore, providing long-term revenue. However, this proposition has been offset by the fact that amnesties should be reinforced by aggravating penalties and high risk of detection in a manner that a taxpayer is forced to recalculate their marginal costs or benefits and make the decision to comply (Alesina, 2010).

2.5 Conditions for a Successful Tax Amnesty in Developing Countries

From the literature review above the discussion below proposes a set of conditions that a necessary for a tax amnesty in developing countries. A similar approach to tax amnesties was also proposed by Dr. A. Agbonika (2015) while carrying out a research in Nigeria. Below is a list of these conditions as supported by literature:

2.5.1 There must be high levels of tax evasion and less risk of the taxpayers opposing the amnesty

Agbonika (2015) identified that a tax amnesty would be most successful where there has been high tax evasion and there is a minimum risk of the taxpayers opposing the offer of an amnesty. This opinion was also brought out by Saraçoğlu, (2011) when he stated that if it is possible to conduct a pre-amnesty survey that allows taxpayers to indicate their preference in the form of votes in favor off or against a tax amnesty then compliance would increase or decrease as the results from the votes are drawn. This reduces the risk of issuing an amnesty that would be opposed by the taxpayers.

2.5.2 Pre and post amnesty sanctions should induce fear of being penalized.

Taxpayers must have an imminent fear of discovery this can be achieved through issuing an anti-evasion drive before announcing an amnesty and more emphasis should be placed on the fact that an anti-evasion drive will continue post amnesty (Agbonika 2015). On the other hand, Bird (2014) highlighted that a modern tax system cannot function on fear alone, enforcement cannot be solved by calling the tax police but governments should try to constructively engage the taxpayer as a client rather than an animal.

2.5.3 Education

Agbonika (2015) stated that it is important to note that a taxpayer's perspective can be enhanced by clarifying legal ambiguities in tax law, communicating effectively and clearly such that people understand. This removes the fear of being tricked or trapped. In a newspaper article done by Mhlanga (2015) he clearly highlighted that insecurity was one of the causes that resulted in a poor response towards the amnesty introduced by Zimra. He highlighted that the taxpayer was not too sure of the consequences, this raised suspicion that Zimra would inflict lasting damage on them if they participated. Therefore tax officials and taxpayers should be educated to raise their awareness and how the law should be applied.

2.5.4 Confidential Treatment

In Agbonika (2015)'s proposal she emphasized that tax offenders would participate in an amnesty program if they are satisfied that they will receive confidential treatment and that participating in an amnesty will not result in future harassment. Padmakoham (2015) is of the opinion that one of the major reasons that can be attributed to the attractiveness of the voluntary disclosure scheme issued in India 1997 was the reassurance made by the government that identities of applicants who would participate in the program would be concealed.

2.5.5 An appropriate window period

Agbonika (2015) states that an amnesty offer should be open for a definite and limited period which is long enough for publicity about amnesty to reach all evaders, but short enough for there to be a certain amount of urgency about making a decision. An amnesty should be a once of offer to reduce the anticipation of future amnesty which the taxpayer can partake off. Rakhmindyato (2011), Corede (2005) and Baer (2008) propose that governments must establish tax amnesties

only once in a particular period of time and they should emphasize that there won't be future tax amnesty policies.

2.5.6 It must be beneficial to participate in an amnesty

According to Agbonika (2015) the tax amnesty must be structured in a manner that makes it comparative and financially beneficial to participate in, instead of gambling on the probability of getting caught. A tax administration can encourage more income reporting during the amnesty if the amnesty is accompanied by increases in the probability of detection or in the penalty (Alm, 2009).

2.5.7 It must reveal government's determination to engage its citizenry

Lastly, the amnesty must not be presented in a manner that portrays an act of desperation by the government to raise revenue but it must show the government's determination to give an evader a last chance to square accounts (Agbonika 2015).

2.6 Summary

The fiscal distress facing the government of Zimbabwe compelled the government to enact an act that saw the introduction of a tax amnesty on all of the revenue heads. The primary objectives of this amnesty were to raise revenue through collecting the principal in outstanding taxes and to encourage delinquent taxpayers to register with the revenue authority. Evidence from the literature shows that if a tax amnesty is poorly planned and poorly implemented it could result in a deviation from the objectives set. Governments need to conduct a situational analysis, by looking at the factors that could influence the response a tax reform program might get in order to predict with reasonable certainty the possible outcome. Theoretical frameworks presented in the literature review conclude that there is a direct relationship between compliance and revenue. In conclusion, governments should consider their ability to reinforce a tax reform program and should propose a constructive diplomatic solution towards encouraging society engagement around taxes.

Chapter 3

Research Methodology

3.0 Introduction

This chapter introduces the reader to the research methodology that was used by the researcher to provide answers to the research questions. The chapter presents the research design, the population, the sample and the sampling techniques, data collection, and analysis. The chapter also reviews the instruments used to collect data and the methods implemented to maintain validity and reliability of information.

3.1 Research Design

This is the strategic plan that formulates the guideline for procedures throughout the research in order to minimize mistakes at the same time assist the researcher to identify isolated variables of interest in the study. According to Kurmar (2011) a research design is the core foundation to planning, implementing, reviewing and executing the research procedures in a study. According to Rowley (2014) a research design is more of a conceptual framework within which a research will be carried out. The purpose of this research design with regard to this study is to provide a plan for assessing the effectiveness of the tax amnesty introduced by Zimra in stimulating compliance and its ability to raise revenue. It also provides a plan of study that fosters an examination of factors influencing the response the tax amnesty realized. In that sense the author employed a descriptive approach to research in order to answer questions on whether the tax amnesty was able to increase compliance and raise revenue.

3.3.1 Descriptive Research

According to Denise (2010) a descriptive research collects and analyses data to characterize a group or a conceptual structure. A descriptive research is useful when the area of study is a new concept in the environment to which the research is being carried out, it explains and clarifies the concept in order to increase understanding and experiment from a different perspective to obtain new information Griffin (2013). In an attempt to document and describe factors, conditions and attitudes surrounding the response towards the tax amnesty introduced in Zimbabwe the author used the descriptive survey research design. Hale (2011) states that a survey or questionnaire is a practical tool to use when collecting data under a descriptive research study. A survey research collects and analyzes data through the use of structured questionnaires or interviews. The researcher used structured questionnaires and open ended questionnaires during interviews in order to investigate the effectiveness of the tax amnesty in achieving its primary goals. This required a mixed method approach to data collection.

3.2 Mixed Method Approach

The author wanted to describe whether the amnesty was a failure or a success and as such there was a need to obtain quantitative data through the use of statistical records from Zimras' archives. After identifying the outcome the author then carried out a qualitative research to understand the factors influencing the outcome as expressed from the quantitative analysis. Kinmond (2012) highlighted that a mixed approach involves the use of both quantitative and qualitative research to data collection. A quantitative research, quantifies information about a phenomenon in a numerical format that can be analyzed through the use of statistics to describe or test relationships and to examine the cause and effect of relationships (Grafton, 2011). According to Saunders et al (2010) a quantitative research determines the relationship between

an independent variable and a dependent variable in a population. The most common way of carrying out a quantitative research involves the filling in of questionnaires by respondents.

A qualitative research is a social inquiry that pays attention to individual perceptions, interpretations, and their understanding in relation to a phenomenon under study (Rowley 2014). Grafton et al (2011) defines a qualitative research as a research that produces results by any other means other than the use of statistical approach or quantification, results are obtained from a natural environment where the study is being conducted. It is from this definition that researchers can obtain qualitative data from field notes, public documents, and journals. In order to overcome the inherent limitations of each approach and the need to arrive at a reliable sufficient and appropriate conclusion the mixed approach was adopted as it allows the quantitative and qualitative research approaches to complement each other.

3.3 Research population

The target population is a collection of elements from which the researcher intends to make inferences about the subject under study through the use of a sample survey (Kumar 2011). It can also be referred to as a summation of all elements that have a direct relationship and relevant characteristics from which the researcher can draw up a sample population (Denise 2010). The research population for this study shall be Zimra tax officials and all the persons and organizations eligible for tax in Zimra Region 1 Kurima house.

3.3.1 Target Population

According to Bell and Bryman (2011) a target population is considered as a universe of objects whose characteristics are to be examined. In order to generalize results under the research the researcher identified a target group of employees who administered the amnesty program in

region 1 from Zimra office who would address the first part of the research were the researcher wanted to measure the effectiveness of the amnesty against its objective with a total sample size of 10.

In order to analyze factors influencing the response towards the amnesty, the research targeted taxpayers under Zimra region 1 Kurima. The author obtained data from two small accounting services firms in Harare which offered accounting services to taxpayers who applied and were assessed under the amnesty but failed to make payments in due time. The sensitivity nature of this research has prohibited the researcher to disclose the firms in order to protect their businesses and mostly their clients. The author had to rely on the population of these small accounting firms as a target' clients since the revenue authority Act (chapter 23:11) precluded Zimra from revealing certain specific information concerning its clients to third parties. The researcher had requested to be allowed to have access to the tax register for the purposes of using the taxpayers as a target population.

TABLE 3.1 TARGET POPULATION				
TARGET	ACTUAL POPULATION	SAMPLE SIZE	SAMPLE SIZE %	RESEARCH DESIGN
Zimra Tax Amnesty Administrators in Region 1	21	10	48%	Interview & Questionnaires
Accounting Services Firm (A)	46	23	50%	Questionnaires
Accounting Services Firm (B)	89	45	51%	Questionnaires
Total	156	78	50%	

3.3.2 Sampling

The fact that the research population is too large for the researcher to consider as a whole for the purposes of carrying out this research validates the need for sampling. According to (Griffin

2013) sampling is necessary when it is impracticable to review whole population under a research. The author also factors in time and financial constraints and the urgency surrounding the completion of this report as factors validating the need to sample. There are various sampling techniques namely non probability sampling, quota sampling, purposive sampling, snowball and convenience sampling. This research will adopt the convenience sampling technique.

3.3.3 Convenience Sampling

According to Hale (2011) convenience sampling is a simple a faster way of collecting data from a research population. However Kinmond (2012) argued that convenience sampling may be unreliable since subjects are chosen on the basis of being readily available. The need to execute the research in the most efficient, effective and economic manner compelled the researcher to adopt the convenience sampling technique. In order to get information about the factors affecting the response towards the tax amnesty, the researcher targeted any individuals, associations, organizations who were eligible for tax purposes. The sensitivity nature of this research necessitated the need to adopt the convenience sampling as other participants would refuse or be unavailable to express their views and concerns over the subject under study.

3.4 Sources of Data

Information presented in this research was obtained from both primary and secondary sources of data. The primary data was obtained through self administered interviews and questionnaires for Zimra staff and questionnaires for eligible taxpayers. The secondary data was obtained from scholarly journals, reference books, newspaper articles, and from the internet.

3.4.1 Primary Sources of Data

Saunders et al (2010) explained that primary data is information gathered through the use of interviews and questionnaires. Bell and Bryman (2011) went on to explain that the structure of the research problem, research questions, and research objectives define what the researcher is supposed to look for. In order to obtain a quantitative analysis of the data to analyze the effectiveness of the tax amnesty towards influencing compliance and revenue collection the researcher used self administered questionnaires with the tax amnesty administration staff at Zimra. The researcher also used questionnaires to obtain information from eligible tax payers who participated and those that didn't in the tax amnesty program. Primary data is useful and important as it is original; first hand and specifically address the research problem of the study.

3.4.2 Secondary Sources of Data

According to Rowley (2014) secondary data maybe either official or unofficial data obtain from text books, journals, yearbooks, research reports, newspapers and the internet. Kurmar (2014) pointed out that secondary data helps to clarify the requirements the research, provides an insightful interpretation of primary data and provides information that cannot be obtained through primary research. Secondary data was presented by Denise (2010) as any data that has been collected for other purposes other than the research at hand. The researcher used secondary data in preparing the background of the study, the literature review and data analysis in chapter four. The secondary data was collected from internal and external sources.

3.5 Research Instruments

In order to gather data in this research the researcher used interviews and questionnaires as research instruments.

3.5.1 Research Questionnaires

Griffin (2013) defines a questionnaire as a systematic set of structured questions designed by the researcher to obtain information from participants in a study. According to Hale (2011) a questionnaire is research instrument under which a research administers questions to respondents in a sequential manner, with predetermined responses being provided. Under a questionnaire information is gathered from individuals through asking them rather than observing them. A researcher can administer a questionnaire which consists of both open ended questions and closed ended questions (Bell and Bryman2011). In this research the researcher pre formulated answers to the research questions presented in the questionnaires the questionnaire was divided into three categories namely section (A) biographical questions about the respondent's age, business, occupation, income category, section (B) asked questions relating to tax compliance and section (C) asked questions about the tax amnesty.

In section A the researcher used closed ended questions. In section B and C of the questionnaire the author used both open ended questions and closed ended questions. Closed ended questions allow the response from a participant to be specific, which makes it easier for the researcher to interpret and code. Open ended questions allow the participants to further explain and support their notions about the tax compliance and the tax amnesty. The researcher also used a 5 pointer Likert type scale which was used by participants to respond to close ended questionnaires by placing a tick were appropriate.

3.5.1 Likert Scale.

Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
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3.5.2 Research Interviews

An interview is an interaction between two or more people which is conducted for the purposes of collecting information (Saunders 2010). According to Rowley (2014) any interview is any person to person interaction where questions are asked by the interviewer to the interviewee with a specific intention. An interview allows the participants to communicate effectively as there is room to ask for clarity, room to explain in detail which allows the researcher to gather valid and reliable information first hand. In order to analyze the effectiveness of the tax amnesty towards influencing compliance and revenue collection the researcher had to conduct one on one interviews with Zimra tax amnesty administration staff.

3.6 Reliability and Validity

3.6.1 Reliability

Reliability measures the extent to which results are consistent over time and are an accurate representation of the total population under study (Cooper and Schindler 2013). Reliability also means that the results of a study can be reproduced under a similar methodology with a similar research instrument. Bell and Bryman (2011) presents reliability as the replicability or repeatability of results or observations under a research study.

According to Grafton (2011) measurements in quantitative representations should be remain the same and stable over time while in qualitative representations should reflect some form of consistence and these could be achieved by a test and retest method. The researcher did not apply

this method of retesting because of time and financial constraint instead a different approach to ensure reliability and consistence where adopted. Proponents of qualitative research argue that the issue of replicability of qualitative data implies that the data has been manipulated so that the same results are produced and they therefore place emphasis on a naturalistic approach to reliability of data. These arguments allowed the researcher to pay attention to precision, creditability as he sort to understand the phenomenon behind factors affecting the response that the tax amnesty received. The research obtained quantitative information from company records and archives such as annual reports and press statements which can be accessed by other individuals. In order to safe guard qualitative reliability the researcher attached a brief description of instructions on how to fill in the questionnaires to reduce participant errors. The research assured the participants of concealed identities to ensure that the participants would freely express themselves to reduce bias.

3.6.2 Validity

Validity determines whether the research truly measures that to which it purports to represent Bell and Bryman (2011). The research questions, objectives and literature will form the construct of the research instrument which will determine which data is to be gathered and how it is to be gathered. Construct validity measures a similar related aspect to the variable that is being observed in a research, the results are compared and a correlation is identified (Rowley 2014). Content validity measures validity by obtaining expert opinion on the questions in a research instrument to determine whether the questions test what there are supposed to test (Rowley 2014). The research had to consult his supervisor to check the content of the questionnaire and assess whether they were structured in a manner that addressed the problem the questionnaires were corrected and edited to make sure that the research objectives were addressed. The research

tested the validity of the questionnaires by administering a pilot study to ensure that the questions were simple and clear to understand. The researcher also sort expert advice from Zimra officials and Tax experts to develop questionnaires that would best present the relevance of the questions to the study.

3.7 Data Analysis and Presentation

Data analysis and interpretation is important and relevant to any research study as it assists the researcher to formulate an opinion and arrive at a conclusion on which to base the study on. Data analysis allows a researcher to derive a meaning from the observations made during the research study (Grafton, 2011). According to Kurmar (2011) data analysis in mixed methods research is the process of separately analyzing quantitative data using quantitative methods and qualitative methods for qualitative data. On the other hand Denise (2010) pointed out that both sets of data could be analyzed using a mixture of both qualitative and quantitative methods to analysis. Griffin (2013) points out that analysis of quantitative involves the use of statistics, tabulating and summarizing numerical data. While qualitative data involves preparing the data implies organizing and transcribing information from interviews and observations into word processing files for analysis (Hale 2011).

3.7.1 Data Presentation

The researcher presented the findings from the questionnaires in a tabular form, graphs, and charts and in qualitative form. The tables and graphs make it simple to arrange data in order to manage and interpret it easily (Cooper and Schindler, 2013). The researcher quantified some of the data obtained for ease of presentation and comparison. The use of tables makes the displaying of summarized information more precise and concisely effective. Effective presentation of visually stimulating information is done through the use of graphs.

3.7.2 Data Analysis

Measures of dispersion, variance, square root, standard deviation and range are used as ways of analyzing data using the statistical approach to analysis Bell and Boynen (2011). The data collected from this study was analyzed using Microsoft Excel. A narrative description was employed to interpret and further analyze the data.

3.8 Ethical Considerations

A researcher must be able to exhibit professional behavior, honesty and exercise due care when administering a research. These qualities will allow the researcher to earn the respect, confidence and trust of the participants and the public at large (Kurmar 2011). Voluntary participation requires that participants should willingly participate in a research without using force or undue influence (Denise 2010). As such voluntary participation is the heart of research ethics participants should decide freely whether they want to participate or not. According to Griffin (2013) researchers should also observe the principle of anonymity and confidentiality as one of the fundamental principles governed by ethical considerations under a research. The research attached a letter of consent which described the conditions of the study. The letter of consent informed the participant of their rights it expressed that participants were free to withdraw from the study at any point; the letter of consent also assured the participants of their rights to concealed identities. The information gathered in this research was solely used for this research. The author got ethical clearance to carry out the research from the faculty of commerce department of accounting at Midlands State University. The author also got partial clearance to carry out the research from Zimra since the revenue authority act chapter (23:11) precludes the sharing of certain specific information about the clients and the authority.

3.9 Summary

The researcher used a mixed method approach to data collection under this descriptive research survey study. The researcher had interviews staff at Zimra. He also administered questionnaires on a sample of 78 participants using the convenience sampling technique because of the sensitivity nature of the research. The questionnaires were made up of open ended and closed ended questions. The author ensured that reliability and validity would be achieved by pilot testing the research instruments. The descriptive analysis of information gathered from this research methodology will be presented in chapter 4.

Chapter 4

Data Presentation and Analysis

4.0 Introduction

This chapter focuses on data presentation and analysis obtained from the research instruments that were administered in the field study. The data is systematically presented in an order which analyzes the questionnaires administered to Tax Amnesty staff at Kurima House in Harare first, followed by questionnaires issued to persons eligible for tax purposes from the accounting firms' data base. The data was analyzed using Microsoft Excel in terms of the research objectives.

4.1 Questionnaires Response Rate

The researcher issued out 10 questionnaires to the sample population of Zimra officials that administered the tax amnesty program in Zimra to which the researcher received a 70% response rate. The second set of questionnaires was issued out to clients of two small accounting services firms in Harare. There was a 65% response rate from the questionnaires issued to the first firm and a 64% response rate from the questionnaires issued to the second firm. The availability of the participants and their willingness to take part in the program influenced the response rate. The researcher had to continuously extend the deadline to collect back the questionnaires as the participants were hesitant because of the sensitivity of the research and worked at their own pace.

TABLE 4.1 QUESTIONNAIRE RESPONSE RATE

TARGET	Sample Population	Response	Response Rate %	Research Instrument
Zimra Tax Amnesty Administrators in Region I	10	7	70%	Questionnaires
Accounting Services Firm (A)	23	15	65%	Questionnaires
Accounting Services Firm (B)	45	29	64%	Questionnaires
Total	78	51	66%	

4.2 Presentation of Findings

The data is presented in an order which analyzes the questionnaires administered to Tax Amnesty staff at Kurima House in Harare; the findings are discussed according to the sections in the questionnaire that is section A Tax Compliance and section B Tax Amnesty. The analysis is, followed by questionnaires issued to persons eligible for tax purposes from the two accounting services firms in Harare. The findings are also reviewed according to the sections presented in the questionnaire namely section A biographical details of respondents, section B Tax compliance and section C Tax Amnesty.

4.3 ANALYSIS OF THE QUESTIONNAIRE ON EFFECTIVENESS OF THE TAX AMNESTY FOR ZIMRA STAFF

Out of a sample population of 10 participants from the total population of Zimra officials assigned to administer the tax amnesty program 7 officials managed to fill in and submit the questionnaires back. The officials explained that they were responsible for interviewing clients, receiving amnesty applications, making assessments, approval and rejection of applications, waivering off interests and penalties associated with the principal tax owing approved for amnesty purposes, reporting and updating the taxpayer's account and taxpayers' register. The questionnaire was categorized into two sections namely the tax compliance and tax amnesty section.

4.3.1 SECTION A: TAX COMPLIANCE

4.3.2 Tax Compliance Pre Amnesty

An enquiry into to the staff of their perception towards tax compliance levels before the tax amnesty program revealed that 3/7 (43%) of the staff agreed that there was a low rate of

compliance, while 1/7(14) of the pointed out that there was a high rate of compliance and the remaining 3/7(43%) agreed that there was a high rate of evasion. From an overall perspective I can conclude that 86% of the staff agreed that there was high level of noncompliance. According to Mhlanga (2015) the revenue authority expressed concern over the failure of clients to submit returns on time and an increase in the number of business operating in the shadow economy.

Of the 86% of the staff that agreed that there was a high level of noncompliance attributed this fact to the notion that there is a general resentment towards paying taxes. Thiga (2015) points out that citizens have a negative perception towards taxes and regard taxation as a government scheme targeted towards reaping them off of their hard earned money. The staff also highlighted that lack of knowledge around tax affairs for example withholding tax and accounting for taxes under the various tax heads are part of the factors affecting tax compliance. According to Machogu (2013) lack of education around taxation has negative effect on compliance as taxpayers fail to comply because they do not understand how to account for taxes. A practical example is that of commercial farmers, sugar cane farmers in Chiredzi, they do not know how to account for tax and as such they have accumulating outstanding balances on taxes. The prevailing economic crisis characterized by high levels of company closures, unemployment, liquidity crisis and a growing untaxed informal sector are some of the factors that were considered as reasons for high rate of evasion and noncompliance before the amnesty program. The annual performance report published by Zimra for the year ended 2015 revealed that performance from revenue heads was negatively being affected by low profitability of local industry and closure of companies, the board chairperson Ms Bonyongwe contemplated the need for structural reforms and a concentrated national effort to stimulate economic recovery.

The Zimra staff also highlighted that clients were remitting taxes after the due date and that some of them were under declaring and that the authority did not have adequate systems to check and enforce compliance.

4.3.3 Tax Compliance Post Amnesty

Out of the 6/7 (86%) participants in the questionnaire of them agreed that there was a high a rate of compliance from the taxpayers that had qualified and participated in the tax amnesty program. However 1/7 (14%) pointed out that it was important to note that on an overall level without out factoring in taxpayers that had qualified for the amnesty there was still a low rate of tax compliance. This correlates to the increase in the total of outstanding taxes from 1, 38 billion to 1.97 billion at the ended of the amnesty program in 2015 (Zimra, 2015).

4.3.4 SECTION B: TAX AMNESTY

4.3.5 Zimra Staff's Percepiton On The Amnesty Program

The participants all agreed that it was necessary for the government to issue an amnesty program as a measure to make provision for revenue and to encourage voluntary compliance. In light of an increase in outstanding taxes and failure to meet revenue targets the Zimra staff justified the authority's initiative of issuing an amnesty as a measure to address these issues. The general perception was that the waiving off of interests and penalties would encourage the taxpayers to voluntary comply this measure would also make it easy for the taxman to trace and make follow ups on the taxpayer. The tax amnesty would therefore increase revenue collection in the short run, foster compliance and expand the taxable base in the long run. This correlates to Mouloud, (2014) who pointed out that most governments introduce amnesty programs to fight against tax

evasion and adjust the shadow economy increasing revenue in the short run and expanding the tax base in the long term.

4.3.6 Rating The Tax Amnesty Program

The tax amnesty program was a failure according to 6/7 86% of the Zimra Staff that participated in the questionnaire. This correlates with the information presented in chapter 1 where the statistics show that only 27% of the income assessed under the amnesty program had been paid up by December 2015. The statistics also showed that there was a low response towards the amnesty call. The Zimra in 2015 had anticipated a poor performance from the revenue heads in the first quarter of 2016 this prediction materialized with actual revenue collected from the first quarter failing to meet its target by 15.89% (Zimra, 2016). The Zimra board chairperson Ms Bonyongwe (2016) pointed out the authority was struggling to restrain the tax debt which had rose by 30.9% from US\$1.97 billion at the end of 2015 to US \$2.58 billion by the end of the first quarter of 2016. However 1/7 14% of the Zimra staff pointed out that for the few taxpayers that participated in the amnesty program, most of them were now keeping their records in check in order to avoid future penalties and interests.

4.3.7 Factors Influencing The Failure Of The Amnesty

The table 4.2 below describes the degree of influence that factors such as the feeling of insecurity, instability of the economy, inadequate strategic planning prior to the introduction of the amnesty program, lack of resources to reinforce the program and resistance by the taxpayer had over the failure of the tax amnesty program in the eyes of the Zimra Officials.

TABLE 4.2 FACTORS AFFECTING THE FAILURE OF THE TAX AMNESTY					
	Statement	Not at all an influence	Somewhat of an influence	Very little influence	Great deal of influence
A	The feeling of insecurity by taxpayers	14%		43%	43%
B	The instability of the economy		14%		86%
C	In adequate preparations prior to the introduction of the program		29%	14%	57%
D	Lack of resource to reinforce the program		14%	57%	29%
E	Resistance by the taxpayer		43%		57%

According to the table above 3/6 43% of the participants were of the perception that the feeling of insecurity by the taxpayer had very little influence on the failure of the tax amnesty. The other 3/6 43% were of the perception that the feeling of insecurity had a great deal of influence on the failure of the amnesty while the remaining 1/6 14% was of the opinion that this factor was not at all an influence towards the failure of the tax amnesty. These results correlate with Mhlanga (2015) who proposed that insecurity had resulted in a poor response towards the tax amnesty program.

6/7 86% of the participants agreed that the instability of the economy had a great deal of influence on the failure of the tax amnesty while 1/6 14% thought that there was a somewhat of an influence towards the failure of the amnesty program. The first quarter revenue performance report published by Zimra for (2016) highlighted that revenue performance was poor due to the economic condition that remained harsh as the liquidity situation worsened coupled by a further decline in industrial capacity utilization as companies continued to close and downsize. James Alm (2009) attributed the failure of Russia's 1993 amnesty program to the fact that the program was introduced at a time when the country's economy was going through transition.

About 2/7 29% of the participants felt that inadequate strategic planning prior to the introduction of the amnesty program had a somewhat influence on the failure of the amnesty. 1/7 14% of the participants thought that inadequate preparation had very little influence on the failure of the program however 4/7 57% of the participants were of the opinion that inadequate preparation had a great deal of influence on the failure of the amnesty program. This concedes with a report published by IDR (2006) which stated that the ability of the strategic management to develop a road map for success through conducting analytical researches on the factors that influenced the success of similar programs in other states was one of the main reasons why their tax amnesty was a success.

According to table 4.2 4/7 57% of the participants thought that lack of resources to support the program had very little influence towards the failure of the amnesty program while 1/7 14% of the participants felt that lack of resources had a somewhat of an influence towards the failure of the amnesty program. Qualitative information obtained from the questionnaire revealed that awareness programs were conducted through the television, radios and newspapers. The Zimra trained its workforce and conducted workshops to educate the taxpayers. 2/7 29% of the participants felt that lack of resources to support the amnesty program had a great deal of influence towards the failure of the amnesty program. Their qualitative opinion was that the authority had a strict budget which limited the ability of the authority to put into place systems that would check and effect compliance.

Lastly 4/7 53% of the participants agreed that the resistance of the taxpayer had a great deal of influence towards the failure of the amnesty and 3/7 47% of the participants pointed out that the resistance of the taxpayer had a somewhat of an influence on the failure of the tax amnesty. These findings can be supported by Abgonika (2015) when she proposed that a tax amnesty

would be most successful where there has been high tax evasion and there is a minimum risk of the taxpayers opposing the offer of an amnesty. In conclusion the analysis shows that all the factors highlighted in table 4.2 had a great deal of influence on the failure of the tax amnesty.

4.3.8 The Effect of The Tax Amnesty On Revenue and Compliance

About 6/7 86% of the participants revealed that the tax amnesty had no impact on revenue and compliance. This concurs with the third quarter revenue performance report at the end of the amnesty as at 30 September 2015 which revealed that the authority had attained net collections amounting to US\$ 878.22 million against a target set of US\$964 million resulting in a negative variance of 8.90%. The report further stated that there was a 0.71% decline in revenue collected when the period was compared against 2014. Romer and Romer (2010) quoted the expected utility model of evasion proposed by Allingham and Sandmo in 1972 which predicts that a tax amnesty would have no effect on the behavior of delinquent taxpayer and as such no effect on tax compliance and revenue. The reasoning behind this notion being that taxpayers rationalize the marginal costs or benefits of tax evasion and as such if their decision was to evade then the introduction of an amnesty would have no influence nor would it induce them to comply. 1/7 14% of the participants thought that the 2/7 27% of the income collected from the tax assessed under the amnesty program (refer to table 1.1 chapter 1) had a positive effect on revenue and compliance.

4.3.9 Perception On The Possibility of A Future Amnesty

4/7 57% of the participants were not sure whether the authority was supposed to issue a tax amnesty program in future. However 3/7 43% of the participants thought that a similar program should be issued in future under favorable economic conditions after adequate planning and preparation for the program has been conducted.

4.4.0 QUESTIONNAIRE ON EFFECTIVENESS OF TAX AMNESTY FOR STAKEHOLDERS

4.4.1 SECTION A: BIOGRAPHICAL DATA

This section presents a biographical description of the clients from the data base of the two accounting services firms in Harare who participated in this research. A total of 44 clients participated in this research and the biographical issues explored in this research were, age, gender, industry, occupation, description and income.

Table 4.3 below indicates the age group, gender and occupation of the respondents.

Table 4.3 Biographical Data							
			Gender				
Age	Frequency	%	Male	%	Female	%	Occupation
less 19	0	0	0	0	0	0	0
20-29	6	14	3	7	3	7	Self Employed
30-39	8	18	6	14	2	5	Self Employed
40-49	15	34	8	18	7	16	Self Employed
50-59	10	23	5	11	5	11	Self Employed
60+	5	11	5	11	0	0	Self Employed
Total	44	100	27	61	17	39	

According to the table above the majority of the participants in this study were male expressed by an overall 61% whilst that of the females was 39%. The imbalance of gender does not have an impact on the factors to be examined in this research. The table 4.3 shows that highest group of participants was between the age group of 40 to 49 years with a percentage weighting of 34%. The second largest group of participants was between the age group of 50 to 59 years with a percentage weighting of 23%. The age group between 30 to 39 years consisted of 18% of the total participants while 14% was made up of the age group between 20 to 29 years. 11% of the

participants were +60 years. The total population of the participants was self-employed; this can be owed to a decline in formal employment, alongside the indigenization and empowerment policy. A report published by BTI (2016) highlighted that informal sector has grown tremendously at an estimated 60% of the overall economy serving as the main pillar of economic activities putting Zimbabwe at the top of the world’s list of economies with informal activities. The majority of the clients that seek accounting and financial services from the data base of the two firms used in this research are private owned businesses run by various individuals who do not have accounting knowledge. The lack of knowledge on management of financial accounts and the intricacy surrounding the Zimbabwean tax law has resulted in many businesses outsourcing the services of Financial/Accounting service firms.

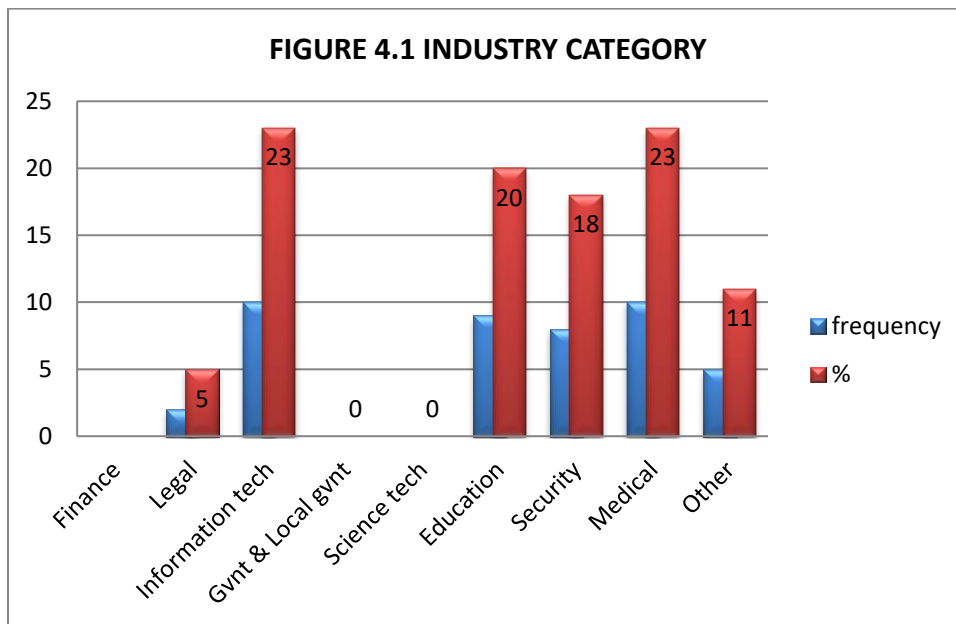


Figure 4.1 above presents the industry class category that the participants in this research were vested in. Since the respondents in this research were individuals who owned private businesses and managed their financial and accounting affairs with the assistance from the service firms

figure shows that there were no respondents in the finance industry. 5% of the respondents were from legal industries consisting mainly of partners in legal advisory firms. The information technology industry made up 23% of the total respondents consisting of retail shop owners and networking and programming businesses. There were no respondents from the government and local government and the science and technology industry. Figure 4.1 also shows that 20% of the participants were in the education industry the participants were owners of private colleges and preschools (kindergarten). The security sector made up 18% of the total respondents in the research the respondents were owners of private security guards services. The medical sector had a response rate of 23% the respondents were owners of private pharmacies, clinics and surgeries. Lastly 11% of the participants represent the other category this consisted individuals in the transport industry, commercial farmers and so on.

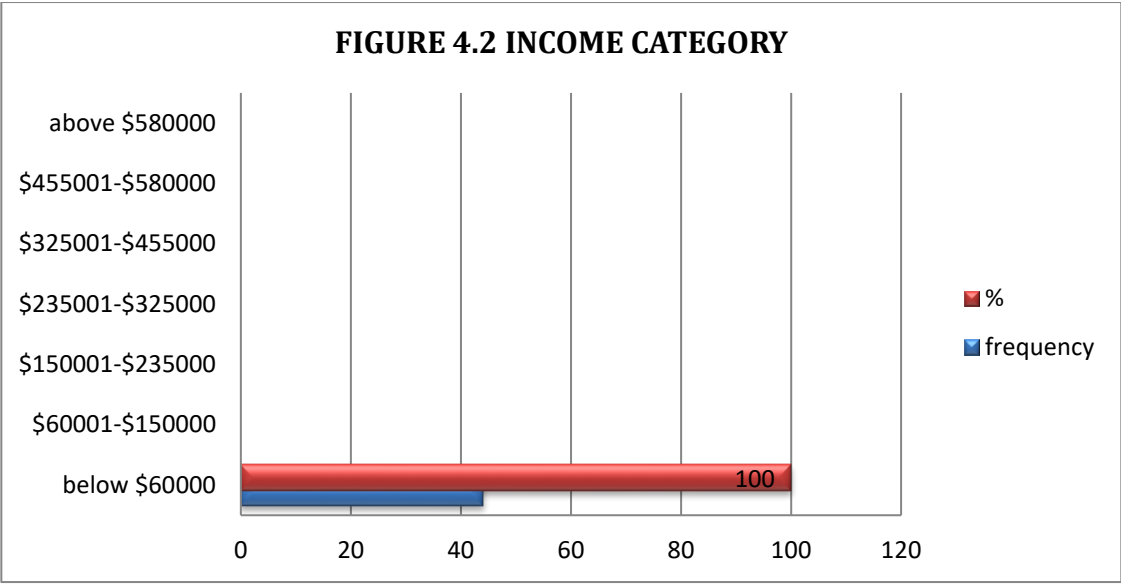


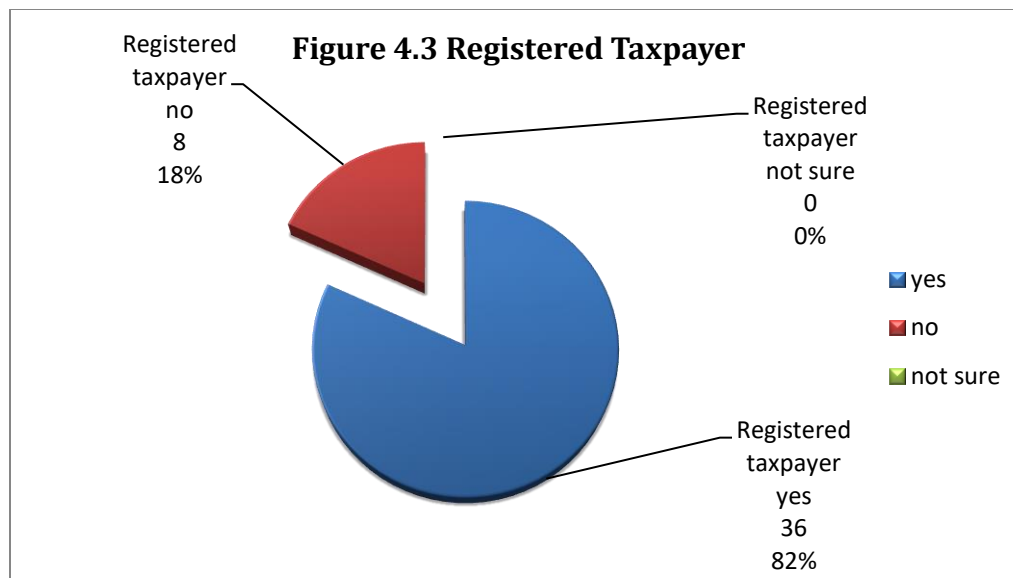
Figure 4.2 shows that all the respondents had an annual income category that was below \$60000.

4.4.2 SECTION B TAX COMPLIANCE

Tax compliance can be referred to as the proper meeting of tax obligations. According to Tapera (2014) taxpayers in Zimbabwe are supposed to register as a taxpayer, keep records of income and expenditure, and deduct tax as required by the law, remit tax on time the right amount and lodge tax returns as part of their general tax obligations. Therefore tax compliance in Zimbabwe means that taxpayers should fulfill the requirements of the general and specific tax obligations. Unfortunately tax compliance has been declining in Zimbabwe with evidence from Zimra's revenue performance reports showing a widening tax gap and decline in the formal sector. The following sections review issues that relate to tax compliance.

4.4.3 Registration as A Taxpayer

The questionnaire response rate showed that 82% of the participants were registered as taxpayers as presented in figure 4.3 below. According to figure 4.3 below 18% of the respondents were not registered taxpayers. The high percentage rate registered taxpayers is as a result of the source of the data base that was used in this research. The fact that the two financial services firms that allowed the researcher to have access to their clients offer company registration as part of their services best explains why there was a high percentage of registered taxpayers. The remaining participants that were not registered for tax purposes were new clients of the financial service firms that wanted to formalize their business activities.



4.4.4 Perception on whether being tax compliant is an Advantage

Table 4.4 below shows that 52% of the respondents thought it was an advantage to be tax compliant. 11 % of the respondents thought that it was not an advantage while 37% were not sure. These varying perceptions towards tax compliance being advantageous are best explained by Bird (2014) when he classified taxpayers into two groups' namely voluntary compliant taxpayers and quasi voluntary compliant taxpayers. Bird (2014) explained that some taxpayers may be compliant towards taxation because of their understanding of its importance towards socio economic development and because of their moral perspective. This is supported by Saraçoğlu (2011) as he explained that some taxpayers always comply not because they don't have the opportunity to evade or because there are risk averse but because they think it is the right thing to do and they believe that other right minded people are complying. Bird (2014) explained that quasi voluntary compliant taxpayers are compelled to pay taxes as they have no choice. Therefore taxpayers who perceived taxation to be advantageous can be classified as

voluntary compliant and those who were not sure and felt that it was not advantageous could be classified as quasi compliant.

Table 4.4				
Do you think being tax compliant is an advantage in Zimbabwe				
Response	Yes	No	Not Sure	Total
Frequency	23	5	16	44
%	52	11	37	100

A bilateral analysis on whether the participants had ever defaulted on their tax returns had a total response rate of 14% I would like to believe that some of the participants did not respond to the that question because of its sensitivity. Out of that 14%, 9% said they had never defaulted on their tax while 6% said they had defaulted on their taxes. Those that claimed that they had defaulted on their taxes highlighted the following reasons that they had done so because they did not know how to complete their return, they didn't manage to submit their return before the deadline and that they had not declared the correct income.

4.4.6 Analysis of Attitude Towards Tax Compliance

A likert scale was used by the researcher to analyze the attitude of the participants towards tax compliance.

Table 4.5 Attitude Towards Tax Compliance						
	Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
A	It is every citizen's civil duty to pay taxes	59%	29.54 %	11.36%		
B	Anyone who cheats on taxes should be made accountable	68.18%			31.81%	
C	It is everyone's responsibility to report on anyone who cheats on tax	22.72%	40.90 %		36.38%	
D	Tax payers should just pay what they feel is a fair amount			40.90%	20.45%	38.65%
E	The more ZIMRA provides knowledge and awareness the more people might comply.	47.72%	52.27 %			

The majority (59% and 68.18%) of the respondents strongly agreed that it is every citizen's civil duty to pay their taxes and that those that cheat should be made accountable. These results show that the respondents' moral beliefs are highly significant towards their level of compliance. According to Junpath (2015) other studies revealed that if tax compliance is seen as a moral issue, taxpayers are more likely to remain compliant regardless of the tax situation.

When the respondents were asked whether tax compliance would increase if the Zimra provided more knowledge and increased awareness campaigns 47.72% of the respondents strongly agreed while 52.27% of the respondents agreed. These results suggest that if tax knowledge is increased this could have a significant impact on tax compliance. Machogu (2013) considers a taxpayer education program as one of the most significant strategies of improving service delivery and tax compliance.

22.72% strongly agreed and 40.90% agreed that it was everyone's responsibility to report on anyone who cheated on their taxes. 59.10% disagreed with the fact that taxpayers should be given the opportunity to decide on the amount of taxation they should pay. Conclusively the analysis showed that the taxpayers have a positive attitude towards tax compliance.

4.4.7 Factors Affecting Tax Compliance

Table 4.6 Factors Affecting Tax Compliance						
	Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
A	Tax compliance is negatively affected by high tax rates	81.81%	18.18%			
B	Tax compliance is negatively affected by instability of the economy	72.72%	18.18%	9.09%		
C	Tax compliance is negatively affected by penalties and interest rates.		47.72%	29.54%	22.74%	

Table 4.6 shows that 81.81% and 72.72% of the respondents strongly agree that high tax rates and instability of the economy negatively affect tax compliance. A review of the Russian tax amnesty between 1993 and 1998 by Alm (2009) highlighted that, lack of government control of current events, including the ineffectiveness of the tax administration authorities, did not help to make the amnesty relevant in the eyes of taxpayers since Russia was going through a transition. A transitional economy is a change economic structure from a centrally planned economy to a market economy with the intention of developing market based institutions and to facilitate macroeconomic stabilization and the movement of private capital. 47.72% of the respondents agree that tax compliance is negatively affected by penalties and interest rates while 22.74% did not agree to the fact that tax compliance is negatively affected by penalties and interest rates.

4.4.8 Psychological Factors influencing Tax Compliance

Table 4.7 Psychological Factors influencing Tax Compliance					
	Statement	Not at all an influence	Somewhat of an influence	Very little influence	Great deal Of influence
A	Fear of an audit			38.63%	61.37%
B	Belief of others paying their taxes honestly			38.63%	61.37%
C	Third parties reporting your income		18.18%	9.09%	72.72%
D	Your personal integrity	20.45%		38.65%	40.90%

The statements A and C in table 4.7 indicate that 61.37% and 72.72% of the respondents feel that tax compliance is greatly influenced by the probability of being audited by the authorities and third parties reporting on income. Statement B shows that 61.37% of the respondents feel that the belief of other taxpayers paying their taxes honestly has a great deal of influence towards tax compliance levels. Bird (2014) highlighted that the fairness of a tax administration in exercising its mandate to ensure that there is equity and that other taxpayers are paying their taxes honestly. Alabede (2011) supports this notion as he contemplated that perception of taxpayers on the

fairness of the tax system can have a significant influence on individuals' tax compliance behavior. Statement D shows that about 40% of the participants consider personal integrity to have a great deal of influence on tax compliance while about 20.45% felt that personal integrity had no influence at all on tax compliance.

4.4.9 SECTION C TAX AMNESTY

The researcher wanted to analyze the taxpayer's perception on the tax amnesty introduced by the government however there was a low response to the section as only 56.81 percent of the 44 questionnaires had responses under this section.

4.4.10 Taxpayer Participation In The Tax Amnesty

36.35% the respondents fully participated in the tax amnesty program the qualitative opinions reflected that they wanted to take advantage of the program and to waiver of interest and penalties. 18.17% of the respondents never participated in the program while 2.2% partially participated. The respondent that partially participated explained that they had been assessed and successfully granted an amnesty but the failed to meet the payment deadline.

TABLE 4.8 AN ANALYSIS OF PERCEPTION ON THE TAX AMNESTY					
Q15: Do you think compliant taxpayers benefit from amnesties?					
Response	Yes	No	Not Sure	Missing	Total
Frequency	6	8	11	19	44
%	14	18	25	43	100
Q16: Do you think amnesties can influence compliance?					
Response	Yes	No	Not Sure	Missing	Total
Frequency	10	8	7	19	44
%	23	18	16	43	100
Q17: Was it necessary for the government to introduce an Amnesty?					
Response	Yes	No	Not Sure	Missing	Total
Frequency	10	0	15	19	44
%	23	0	34	43	100
Q18: Do you think a compliant/non-compliant taxpayer will remain compliant after an amnesty?					

Response	Yes	No	Not Sure	Missing	Total
Frequency	10	8	7	19	44
%	23	18	16	43	100
Q19: Do you think the government should continue to offer an amnesty to non-compliant taxpayers?					
Response	Yes	No	Not Sure	Missing	Total
Frequency	0	10	15	19	44
%		23	34	43	100

Table 4.8 shows that 14% of the respondents think that compliant tax payers benefit from an amnesty. While 18% and 25% do not and are not sure that there is a benefit that can be derived by a compliant taxpayer from an amnesty. 23% of the respondents thought that an amnesty has an influence on compliance they also believed that both compliant and pardoned non-compliant taxpayers would remain compliant after the amnesty. They also considered that it was necessary for the government to issue an amnesty. However 34% of the respondents were not sure or did not agree to the fact that a tax amnesty would have an influence on compliance there were also not sure whether it was necessary for the government to introduce the amnesty program most of them argued that the timing was in appropriate.

4.5 Summary

The chapter analyzed the effectiveness of the tax amnesty towards promoting compliance and raising revenue for Zimra. Out of a total sample population of 78 participants there was a 66% response rate mainly because the participants found the questionnaires being sensitive. The data was presented in tables and graphs with the aid of Microsoft Excel. A narrative analysis supported by literature brought out meaning to the findings in this research. The findings indicate that the program was a failure. Both the tax officials and taxpayers agreed that factors such as the timing, economic instability, fear, lack of education and resource negatively affect tax compliance. The majority of the participants in this research was not sure and didn't think the government should introduce a future amnesty program.

Chapter 5

Summary, Conclusion and Recommendations

5.0 Introduction

This chapter will provide a summary of the study, and conclude the facts and findings from the data collected. The chapter will also provide recommendations for future amnesty programs and describe the limitations encountered during the course of the research to provide a referral point for future research.

5.1 Chapter Summary

The government of Zimbabwe introduced a Tax Amnesty program in October 2014 the primary objectives of this amnesty were to promote compliance and make further provisions for revenue collection and as such the main priority of this research was to analyze the effectiveness of the tax amnesty towards the aforementioned objectives. In chapter one the researcher analyzed the background of the research in which he identified factors such as a widening tax gap and the fiscal crisis as the main reasons behind the introduction of the tax amnesty. However the increase in the difference between the tax collected from economically active persons against the tax assessed just after the introduction of the tax amnesty highlighted the need to conduct this research as presented in the problem statement in chapter one.

A Literature review was examined in chapter two in line with the research objectives where the researcher defined the terms and conditions of the tax amnesty as presented by the Finance Act No 2 of 2014. The types, objectives and factors affecting an amnesty program were supported by literature in chapter two. Contrasting views about the effect of an amnesty on tax compliance and revenue collection were also supported by literature. The researcher summarized the

lessons from experience of other countries that issued tax amnesties for the first time and supported these lessons as conditions necessary for a successful tax amnesty with the aid of literature quotes from other scholars.

In chapter three the researcher outlined the research methodology used to gather information whilst conducting this research. The nature and sensitivity of this research compelled the researcher to adopt a convenience sampling technique. Information from both primary sources of data and secondary sources of data was included in this research. The author tried to get access of the taxpayer register for Zimra Tax Region 1 but the revenue authority could not disclose this information as governed by the revenue authority act chapter (23.11). The author then concentrated on use of a data base from two small accounting services firm in Harare as the target population. Safeguards against bias, manipulation and errors were employed to make sure that the findings in this research were valid and reliable. A sample population of 78 participants was used in the research

In chapter four an analysis and presentation of the facts and findings gathered from questionnaires issued to Zimra officials who administered the tax amnesty program in region 1 and all eligible taxpayers from the two small accounting services firms in Harare was conducted. The author employed the use of graphs, tables and pie charts for a diagrammatic presentation which was complemented by a narrative description to give meaning to the facts and findings.

5.2 Summary of Major Findings

The researcher identified that the tax amnesty did not have any significant influence towards promoting compliance and raising revenue for the Zimbabwe Revenue Authority. The tax administration and taxpayers both agreed that economic instability was chief among some of the

key factors that had a great deal of influence towards the decrease in tax compliance. The findings showed that there was a widening tax debt which increased the tax gap. This validates the notion that a tax amnesty may have no effect on compliance and revenue collection. The theoretical model of behavior under a tax amnesty also highlighted that the effect of the tax rate on the level of income reported during an amnesty is vague, as it is subjective to the taxpayer's level of unreported income that the taxpayer chooses to disclose under an amnesty. Other scholars highlighted that a tax amnesty is not relevant as it only collects back revenue that a tax administration would have otherwise collected had stringent measures been employed before to ensure that tax compliance is enforced. The argument was that an amnesty actually deprives tax administration additional revenue by waiving off interest and penalties on delinquent taxpayers.

5.3 Conclusion

After taking into consideration the facts and findings presented in chapter four and supported by literature the researcher has drawn the conclusion that the tax amnesty program introduced by the government was a failure. The amnesty did not raise any significant revenue in the short term nor did it widen the tax base instead it was followed by an increase in the tax gap an indication of noncompliance. The Zimra failed to meet its targeted revenue collection for 2015 by -6.96% and this was coupled by a 42.75% increase in total outstanding taxes by year end 2015 and a further increase in total outstanding taxes by 30.9% in the first quarter of 2016.

5.4 Recommendations

In order to substantiate the lessons learned from other countries and recommendations proposed by various authors cited in this research the research proposes that an environmental analysis should be conducted to develop a pragmatic response to the conclusion drawn from this research.

- The tax administration should factor in an environmental analysis as part the strategic plan when developing a tax reform. An evaluation of the environment will reveal whether the timing for introducing a tax reform such as a tax amnesty is appropriate.
- The tax administration should benchmark the conditions influencing the varying degrees of success for a proposed tax reform strategy against different tax administrations. This will enable the authority to develop a pragmatic response to a tax problem.
- The tax administration should also assess its ability to reinforce a tax reform strategy with adequate resources such as the cost of increasing the labor and the cost of publicizing the tax reform.
- The tax administration should also support a tax reform strategy with complementing policies such as zero tolerance to noncompliance, corruption, differential treatment. Psychological perceptions of the taxpayer towards the tax administration have a great deal of influence towards tax compliance.
- The tax administration should ensure that the cost of noncompliance far outweighs the cost of compliance through introducing anti evasion drives that will compel the tax pay to comply.
- The tax administration should also categorize and classify taxpayers into relative uniform groups in terms of their varying industries and tax heads in order to determine a tailored approach to tax administration after factoring in compliance costs. A tailored approach would determine the knowledge gap of taxpayers and this would allow the authority to provide an appropriate educational tool.

If the tax administration of Zimbabwe considers introducing a future amnesty it should take into account the considerations cited in chapter 2 as conditions necessary for a successful amnesty

such as having an appropriate window period for the amnesty, properly educating the taxpayer of the tax law, raising awareness and engaging both the young and old generations in tax administration affairs.

5.5 Limitations of the Study

The research was limited since the author was partially allowed to carry out the research by the Zimbabwe Revenue Authority as governed by the Revenue Authority Act Chapter (23.11). This resulted in a reduced target population and limited geographical location after being denied access to the taxpayers' register and information relating to the costs associated to the tax amnesty. The author managed to issue questionnaires to Zimra staff and got responses for questions that were not sensitive. The research sample was drawn from two small accounting services firms in Harare which also limited the diversity of the research in terms of income brackets, professions and knowledge of the tax system. As such the facts and findings from this research may not be generalized but are useful in providing a framework from which to address the challenges faced when implementing tax reforms such as the tax amnesty introduced in Zimbabwe

5.6 Suggestion for Further Research

As a result of the limitations highlighted in this research this study could have been expanded in terms of analyzing the impact of administration costs in tax reform programs. The research should have been diverse in terms of income brackets, professions and knowledge of the tax system and the effect these have on tax amnesties. An inclusion of an in depth study of compliance levels in the different tax heads could have been presented and as such the researcher suggests that other scholars may look at these areas for further research.

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Appendix B

Interview Questions To Zimra Staff

- 1) How much revenue owed from each tax region before the Tax Amnesty Program and after?

Response: Considered confidential denied access

- 2) How much revenue was the tax amnesty supposed to waiver off in the form of interest, penalties and other surcharges?

Response: Considered confidential denied access

- 3) How much did Zimra expect to recover through the program?

Response: Approved obtained feed back

- 4) How much did Zimra actual recover through the program?

Response: Approved obtained feed back

- 5) How much did Zimra spent in administration expenses related to the tax amnesty program?

Response: Considered confidential denied access

Appendix C

Questionnaire on Effectiveness of Tax Amnesty for Zimra Staff

Section A: Tax Compliance

All responses are anonymous and will be kept strictly confidential

1: In relation to the tax amnesty program issued by the Zimra could you describe your area of responsibility working as part of tax amnesty administration staff.

.....
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.....
.....

2: Which of the following best describes your perception of tax compliance levels before the tax amnesty?

High rate of compliance Low rate of compliance high rate of evasion

3: What are the possible factors influencing your response to question 2 above?

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.....
.....

4: Which of the following best describes your perception of tax compliance levels after the tax amnesty?

High rate of compliance Low rate of compliance high rate of evasion

5: What are the possible factors influencing your response to question 4 above?

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Section B: Tax Amnesty

According to the information available from the finance act No 2 2014 the tax amnesty was introduced to make provision for revenue and to encourage voluntary compliance.

6: In your own opinion was it necessary for the government to introduce a tax amnesty program?

.....
.....
.....
.....

7: In terms of success how would you rate the program?

Success Failure

For each of the following statements in question 8 and 9, please indicate your answer using the following 4-point scale where

1 – Not at all an influence 2 – Somewhat of an influence 3 – Very little influence 4- Great deal of influence

8: How much influence did the following have if you feel that the tax amnesty program was a failure?

	Statement	Not at all an influence	Somewhat of an influence	Very little influence	Great deal Of influence
A	The feeling of insecurity by taxpayers				
B	The instability of the economy				
C	In adequate preparations prior to the introduction of the program				
D	Lack of resource to reinforce the program				
E	Resistance by the taxpayer				

9: How much influence did the following have if you feel that the tax amnesty program was a success?

	Statement	Not at all an influence	Somewhat of an influence	Very little influence	Great deal Of influence
A	Fear of post amnesty penalties and interests				
B	Adequate planning and awareness campaigns introduced to support the program by Zimra				
C	The waiver of interests and penalties				
D	The windows period				
E	Resistance by the taxpayer				

If there are any other factors that support your response to either question 8 or 9 please indicate below

.....

10: If possible may you express the total cost incurred for introducing the tax amnesty as a percentage of total tax assessed or paid under the amnesty?

.....

11: What was the impact of the tax amnesty on revenue collection and compliance?

Positive Effect Negative Effect No Effect

Please explain why.....

12: What challenges did the revenue authority face in implementing the Tax amnesty program?

.....

13: What measures did the authority put in place in order to increase the probability of the amnesty program being a success?

.....
.....
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.....
.....
.....
.....

14: Do you think a similar program should be issued in future?

Yes No Not sure

Please explain why.....
.....
.....

Appendix D

LETTER OF CONSENT

Dear Participant

Thank you for agreeing to participate in this research study entitled: **Analyzing The Effectiveness Of The Tax Amnesty Towards Promoting Compliance And Increasing Revenue Inflow For Zimra.**

The aim of this study is to investigate whether the Tax Amnesty program of 2015 was successful at promoting tax compliance and raising revenue. The purpose of this research is to analyze taxpayer's compliance and perception of amnesty and to investigate in post amnesty compliance.

This study will make recommendations on whether the government should or should not offer tax amnesties for citizens that are not compliant with the tax system.

The researcher undertakes to assure you of the following:

- to maintain your confidentiality
- to protect your rights and welfare, i.e. to ensure that no harm comes to you as a result of

your participation in this research; you may remove this letter of consent when submitting the questionnaire.

- to present information and transcripts used in this research in such a way as to maintain your dignity, and if in doubt to first consult with you; and
- to make available to you the final copy of this research publication
- you are free to withdraw from this research at any time, if the need should arise
- no manipulation or withholding of information is involved in this study

It is intended that the findings of this research study shall also serve as guide for other researchers and institutions in their quest to evaluate and gain additional knowledge in this subject.

Thank you for volunteering to add to a body of academic knowledge in Taxation.

Yours sincerely

T. Jaka

MSU: Department Of Accounting

Student No: R131399V Contact : 0775024323 Email: jacmate93@gmail.com

I, _____ (participant's name), agree to participate in this study, to add to the body of academic knowledge in Taxation.

Participant's signature _____

Date _____

Questionnaire on Effectiveness of Tax Amnesty for Eligible taxpayers

All responses are anonymous and will be kept strictly confidential

1 In what age group are you?

19 and under 30 - 39 50 - 59

20 - 29 40 - 49 60 +

2 : Your gender: Male Female

3: Which of the following best describes your occupation.

Employee Self-employed Retired Unemployed

4: In terms of your current occupation, how would you characterize the industry you work in?

Finance Legal Medical

Education Information Technology Safety, Security & Defense

Government & Local Government Science & Technology

Other, please specify: _____

5: What income bracket do you fall under?

Below US 60,000 US 150,001 -US 235,000 US 235001 – US 325,000

US 325,001 - US 455,000 US 455,001 - US 580,000 Over US 580,000

SECTION B TAX COMPLIANCE

6: Are you a registered taxpayer?

Yes No Not sure

If not please explain why you did not register as taxpayer.....
.....

7: Do you think being tax compliant is an advantage in Zimbabwe?

Yes No Not sure

If not please explain why you did not think being a compliant taxpayer is not an advantage.....
.....

8: Have you ever defaulted on your tax return?

Yes No

9: If yes why did you default on your tax return?

Didn't want to pay any taxes Did not know how to complete my return

Did not declare the correct income Didn't manage to submit my return before the deadline

10: For each of the following statements, please indicate your answer using the following 5-point scale where

1- Strongly Disagree 2- Disagree 3- Not Sure 4- Agree 5- Strongly Agree

	Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
A	It is every citizen's civil duty to pay taxes					
B	Anyone who cheats on taxes should be made accountable					
C	It is everyone's responsibility to report on anyone who cheats on tax					
D	Tax payers should just pay what they feel is a fair amount					
E	The more ZIMRA provides knowledge and awareness the more people might comply.					

11 :

	Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
A	Tax compliance is negatively affected by high tax rates					
B	Tax compliance is negatively affected by instability of the economy					
C	Tax compliance is negatively affected by penalties and interest rates.					

12: For each of the following statements, please indicate your answer using the following 4-point scale where

1 – Not at all an influence 2 – Somewhat of an influence 3 – Very little influence 4- Great deal of influence

How much influence do the following have on whether you report and pay your taxes honestly?

	Statement	Very little influence	Not at all an influence	Great deal Of influence	Somewhat of an influence
A	Fear of an audit				
B	Belief of others paying their taxes honestly				
C	Third parties reporting your income				
D	Your personal integrity				

Section C Tax Amnesty

13: In 2015 the ZIMRA introduced the Tax Amnesty program on all revenue heads for all registered and non registered applicants please indicate with reasons whether you fully or partially or never participated in the program.

Full participation means that you as the taxpayer were assessed for amnesty and you paid your obligation.

Partial participation means that you as the taxpayer were assessed for the amnesty but you did not pay your obligation granted by the amnesty.

Never means you did not participate in the program.

.....
.....
.....

14: If your response was full participation to question 13, why did you apply for this amnesty? Place a tick.

I did not pay my taxes in the past.	<input type="checkbox"/>	I did not disclose my full income in the past.	<input type="checkbox"/>
To waiver interest and penalties.	<input type="checkbox"/>	I did not file my tax returns in the past.	<input type="checkbox"/>
To register as a taxpayer	<input type="checkbox"/>	To take advantage of the amnesty	<input type="checkbox"/>

15: Do you think compliant taxpayers benefit from Amnesties?

Yes No Not sure

16: Do you think amnesties can influence compliance?

Yes No Not sure

Please explain why.....

17: Do you think it was necessary for the government to issue a Tax Amnesty to promote tax compliance and raise revenue?

Yes No Not sure

Please explain why.....

.....

18: Do you think a non compliant or compliant taxpayer will remain compliant after the issuing of a Tax Amnesty?

Yes No Not sure

Please explain why.....

.....

19: Do you think the government should continue to offer Tax Amnesty to non compliant taxpayers?

Yes No Not sure

Please explain why.....

.....

20: Do you have any personal comments positive or negative about the Tax Amnesty program of 2015?

.....
.....
.....