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DEPARTMENT OF ACCOUNTING

THE EFFECTS OF NON COMPLIANCE TO TAXATION AND STATUTORY REGULATIONS ON COMPANY FINANCIAL PERFOMANCE: A CASE OF JIMAT DEVELOPMENT CONSULTANTS.

BY

JULIET MUGODHI

R147396T

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NAME OF THE STUDENT: Juliet Mugodhi

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Harare.

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The undersigned certify that they have read and recommend to the Midlands State University for acceptance; a dissertation entitled; the effects of non-compliance to taxation and statutory regulations on company financial performance. A case study of Jimat Development Consultants. Submitted by Juliet Mugodhi in partial fulfilment of the requirements of Bachelors of Commerce Accounting Honours Degree at Midlands State

Supervisor………………………….. **Date …………………..**

Chairperson………………………… **Date……………………**

External examiner…………………….
Date……………………..

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DEDICATION

This dissertation is dedicated to my late mum.

ABSTRACT

This research was undertaken to investigate the effects of non-compliance to taxation and statutory regulations on financial performance of Jimat Development consultants. The management report (2017) of Jimat indicated a sharp decrease in profits which was triggered by a rise in costs associated with non-compliance to taxation and statutory regulations. Literature from different sources was reviewed to find out the reasons behind non-compliance, effects of non-compliance on the financial performance of the firm and measures which can be adapted in order to curb non-compliance within the firm. In conducting the study, the researcher used the mixed approach. Questionnaires and interviews were conducted in order to come up with data for addressing the research questions. Data presentation and analysis showed the factors which influence non-compliance, the effects of non-compliance on financial performance and identified the ways which can be implemented in order to curb non-compliance within the firm. The researcher concluded that in order for the company to be compliant so that it can be granted a tax clearance on time and be able to bid for more tenders, the company needs to educate it's employees on taxation and statutory rules, engage tax consultants and more so to practise proper financial resource management within the company.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter identifies the aim of the study, statement of the problem, research objectives and research questions. It also shows the delimitations of the study, significance of the study, definition of key terms and a list of abbreviations and acronyms as well as the summary of the chapter.

1.1 Background of the study

Asenov (2015) concluded in his study in the banking sector that paying taxes and statutory regulations in time improves the safeguard of assets and interest of shareholders and more so it reduces possible losses to the business including penalties and fines. Compliance to taxation and statutory regulations improves the firm's financial performance due to the fact that no additional costs will be expended on fines and penalties, hence this leads to the diminishing of the company's tax burden.

Higher taxes and fines usually constitute a large outflow of funds for banks that if not planned, they lead to disproportionate and unwilling transfer of corporate resources to the government with its negative impact on the operating capacity and firm's value.Loana (2015) concluded that the effective tax rate has a negative influence on the financial performance of a company and the ability of the business to sustain its operations. Fines and penalties are a burden upon the firm since they will lead to the outflow of large amounts of profits.

Olamide et al (2015) in a study conducted in Nigeria, they concluded that being compliant to statutory regulation does not guarantee increase in financial performance. It only reduces the occurrence of economic breakdown only. The effects of non-compliance on financial performance is increasingly being acknowledged in other sectors, yet little research has been conducted on the effects of non-compliance in consulting industry. Hence this study seeks to extend prior effects of non-compliance to taxation and statutory regulations on performance in the context of a development consulting firm.

The 2016 management report of Jimat highlighted that the organization is failing to achieve its organizational objectives due to constraints in the company's financial performance which are influenced by increased penalties and fines from taxation and statutory regulations.

In the minutes of the last quarter board meeting which was held on the 16th of December 2017, the Managing Director, Chisvo, M. also pointed out that penalties and fines which arise as a result of non-compliance to taxation and statutory regulations had led to the firm's poor financial performance.

Jimat development consulting firm has been facing challenges of consecutive decline in profit margins and adverse financial performance ratios between 2015 and 2017 as outlined on table 1.1 below.

Table 1.1Analysis of financial of financial performance of Jimat

Statutory Obligation	**2015**	**2016**	**2017**
Profit for the year	145,250	120,522	90,522
Taxation	34,011	40,613	50,518
Training and Development levy (ZIMDEF)	1,500	1,700	2,000
Employee Contribution Plan (NSSA)	7,416	8,140	8,880
Penalties and Fines	22,000	27,000	35,000

Source Jimat financial reports (2015-2017)

From the above Table 1.1 in the year 2016 the annual profits were $120,522 which was 17.02% below that was realized in 2015.In the year 2017 the profits were $90,522 which is a 24.89% decline from the profits realized in the previous year. From the above analysis of the company financial performance, the decline in profit margins may have been triggered by penalties and fines which arises due to the late payment of taxes and the discrepancies in amounts between tax audits conducted by Zimra and the company's tax returns.

In 2015 taxation was $34, 011, then increased by 19.41% in 2016. It further increased by 24.38% in 2017, in the same year $50,518 was collected by Zimra. Training and development costs were $1,500 in 2015 and increased by 13.33% in 2016 and there was a further 17.64% increase in 2017.Employee Contribution Plan amounted to $7,416 in 2015, and it increased to $8,140 in 2016 and there was a slight increase in 2017 as it amounted to $8,880.Penalties and fines occupied 15% of profits in 2015 and there is a drastic change in 2017 as it moved from 22.40% in 2016 to 38.66% in 2017.

From the foregoing analysis the writer has concluded that the severe drop in profits in the year 2015 to 2017 may be largely owing to the non-compliance on taxation and statutory regulations. Henceforth this research aims at finding out the solution of the aforementioned problem.

1.2 Statement of the problem

As shown by table 1.1, Jimat is experiencing decrease in profits as a result of penalties and fines being imposed on the firm due to non-compliance on taxation and statutory regulation. Penalties and fines increased as a result of inaccuracy in payment and the discrepancies in the amount paid and Zimra tax audit, late payment and submission of tax returns. As a result of non-compliance, corporate profit continues to decrease at a high rate and failure to address the problem will lead to the going concern of the firm being threatened.

1.3 Main research question

What are the effects of non-compliance on taxation and statutory regulations on the company financial performance?

1.4 Research objectives

This research seeks to achieve the following objectives:

- To ascertain the reasons why the company is not complying with taxation.
- To ascertain the reasons why the company is not complying with statutory regulations.
- To determine the effects of non-compliance to taxation on the company's financial performance.
- To determine the effects of non-compliance to statutory regulations on the company's financial performance.
- To identify other measures that can be implemented to curb non-compliance to taxation and statutory regulations.

1.5 Research questions

- What are the reasons of non-compliance to taxation?
- What are the reasons of non-compliance to statutory regulations?
- What are the effects of non-compliance to taxation on the company's financial performance?
- What are the effects of non-compliance to statutory regulations on the company's financial performance?

- What other measures can be implemented to curb non-compliance to taxation and statutory regulations?

1.6 Delimitations of the study

Delimitations of the study are divided into period of focus, theoretical and physical delimitations and they are stated below.

1.6.1 Period of focus

The researcher will examine the effects of non-compliance to taxation and statutory regulations on the financial performance of Jimat from the period of January 2015 to December 2017.

1.6.2 Concept

The main aim of the study is to identify weather non-compliance to taxation and statutory regulations is influencing financial performance of the firm.

1.6.3 Geographical

The study is limited to Harare branch of Jimat Development Consultants.

1.7 Significance of the study

- **To the researcher**

The research was carried out in partial fulfilment of the requirements of the Bachelor of

Commerce Accounting (Honours) Degree.

- **To Midlands State University**

The research may be used by students and staff members for research and academic purposes.

- **To Jimat Development Consultants.**

The findings from the research may be useful to Jimat Consult consulting firm in planning for taxation and statutory regulations so that they become compliant and improve their financial performance and therefore meet the requirements of certain tenders.

1.8 Limitations of the study

- **Confidentiality**

The author found it difficult to gather enough data due to the confidentiality of the information stipulated in the company's policies. The student had to obtain a letter from the institution in order to give management assurance that the data collected is for academic purpose and secrecy will be maintained.

- **Financial constrains**

The researcher had inadequate financial resources to travel to Harare to interview the Jimat staff. To overcome this, the researcher had to manage and budget funds effectively.

1.9 Research assumptions

The underlying assumptions in the research study are that:

- Responses to questionnaires from respondents are reliable and accurate.
- The entire population is represented by the sample utilized.
- Researcher assumed that the economic environment during the period under study will not change.

1.10 Definitions of key terms

- **Non-Compliance:** Non-compliance refers to extraordinary procedures that can be taken by taxpayers to lessen their tax obligations. Tax avoidance and tax evasion can also be perceived as practices of non-compliance, Modugu et al (2014)
- **Taxation:** Taxation refers to the compulsory payment by individuals and organisations to the relevant inland or internal authorities at federal, state or government levels, Chude (2015)
- **Statutory Regulations:** refers to the creation of substantive and procedural rules through legal statute and it forms an important element of the system of employment law, Dlamini (2017)
- **Financial performance:** refers to the degree to which financial objectives being or has been accomplished, Rajguru and Mahatme (2016).
- **Development Consultants:** is the providing of expert knowledge on economic and social services to a third party for a fee, Jimat (2017)

1.11Abbreviations and acronyms

- JIMAT-Jimat Development Consultants
- ZIMRA -Zimbabwe Revenue Authority
- ZIMDEF- Zimbabwe Manpower Development Fund
- VAT - Added Tax
- WHT- With Holding Tax.
- PAYE - Pay as you earn
- NSSA-National Social Security Authority

1.12 SUMMARY

This chapter focused on the main background information that is the statement of problem, the research question, research objectives, and assumptions of the study, significance of the study, delimitations and limitations of the study. The next chapter will be focusing on literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature and theories from different authors on the effects of non-compliance to taxation and statutory regulations on financial performance of companies. It identifies reasons for non-compliance among firms and the effects of non-compliance on financial performance and it also suggests ways that can be implemented to curb non-compliance and then gives a summary of the chapter at the end. Xiao and Watson (2017) defined literature review as a process whereby the researcher compiles and evaluates existing researches to have a comprehensive understanding of the area of study.

2.1 Reasons for non-compliance to taxation.

2.1.2 Tax Knowledge

Dlamini (2017) pointed out that lack of tax knowledge is the key foundation to non-compliance among tax payers. Nyamwanza et al (2014) and Zivanai et al (2016) concurred in their studies in Zimbabwe that the level of tax knowledge that owners and managers have on the calculation and filing of tax returns have an impact on their choice to operate in line with the legal system. Amayi (2013) and Mohamad et al (2016) added to the above as they viewed tax knowledge as being the most influential factor that determine tax payer compliance under self-assessment system, they further depicted the positive relationship between tax knowledge and tax compliance. Smulders and Naidoo (2013) in a study they conducted in South Africa highlighted on the importance of government to embark on tax knowledge disseminating programs so as to educate taxpayers who incur difficulties in interpreting the tax law since lack of tax knowledge has influenced a high non-compliance rate among taxpayers. Rahayu et al (2017) in a study conducted in Indonesia put emphasis on the need for government to equip tax payers with knowledge and understanding of tax regulation as this can result in lower levels of non-compliance amongst taxpayers.

Saad (2014) and Maseko (2014) however has the view that tax knowledge have no direct impact on tax compliance, as it only affects the filing of returns yet the willingness to comply is the choice of the tax payer. Deloitte (2016) highlighted that the integrity and ethics of management have a bearing on the organization's commitment to comply with statutory and regulatory laws and business ethics. Pulay (2014) and Solomon et al (2015) alluded that if top management appears to be indifferent with statutory regulations, this results in employees not complying with laws since no directive will be given from the top management. Manjit and Marc (2017) further review that a company with management's integrity which is questionable will result in failure to adhere with the rules and regulations of the state and as a result high penalties will be charged which adversely affects the profitability of the company, hence this research will discover how tax knowledge affects non-compliance.

2.1.3 Tax Complexity

Evans et al (2016) postulated that non-compliance among tax payers is as a result of the complexities that a tax payer incur when trying to comply. They added that tax complexity can be grouped into compliance, rule and procedural complexity and these complexities result in the tax payer parting with resources and time when trying to comply. Abdul and Wang'ombe (2018) also supported that the complexity of the tax law results in a few tax payers willing to honor their mandate of remitting taxes.PWC (2014) in their study to determine the hours taken by taxpayers when complying with taxation, found out that in Africa it takes about 320 hours as compared to 268 hours which is incurred in other continents because of the complexity in calculations and as a result leads to high level of non-compliance within African countries. Gambo et al (2014) suggested on the need for a good self-assessment system which is simple and less complex in order to encourage compliance among taxpayers.Saad (2014) in a study conducted in Netherlands concluded that tax complexity arises due to sophistication in tax law and he further revealed that if the tax system is complex, more tax payers will not comply with tax policies therefore resulting in high levels of non-compliance. Devos (2014) found that tax complexity have a negative impact on the tax awareness and tax knowledge of tax payers and it was perceived to contribute to non-compliance.

However, Adimasu and Daare (2017) has the view that tax complexity does not affect non-compliance since tax payers who are willing to comply will engage tax consultants to do the tax calculations. They further added that non-compliance is influenced by lack of skills among the management of the company.Oladipupo (2016) postulated that tax payers perceive tax as being complex in order to alleviate paying taxes due from them. He added that these tax payers are reluctant to acquire knowledge on tax computations since tax seminars are being offered by tax authorities on regular basis and the computation is not complex as they perceive. Zivanai et al (2016) and World Bank (2017) agreed that complexity does not result in non-compliance but most tax payers are reluctant to pay taxes for the reason that there is low transparency within the tax authorities and the poor quality of the services that the government offers in return for the taxes paid by citizens.

2.1.4 High Tax Rates

Zivanai et al (2016), illuminated that exorbitant tax rates are a major contribution for non-compliance to tax .They added that high tax rates are viewed as contributing to the increase in the cost of operating thereby resulting in the taxpayer realizing low profits. Masarirambi (2013) further revealed that non-compliance among tax payers is triggered by tax payers who regard the tax rate as being too high and moreover the majority of SMEs are of the opinion that they could be in the non-taxable threshold if they are in the formal sector. Evans et al (2016) and Mas'ud et al (2014) agreed that the high tax rate in African countries leads to high levels of non-compliance among tax payers. They further added that tax payers who are aware that their tax rate is higher than average tax rate have a tendency of not remitting the tax due from them.Osebe (2013) in a study conducted in Kenya found out that compliance cost has an adverse effect on the level of compliance. Mas'ud et al. (2014) further added that the cost of compliance have a negative effect on the compliance level as they highlighted that if there are lower chances of being detected, the tax payers can opt not to comply since paying tax is costly. They further added that non-compliance is practiced by tax payers in a way to cancel their perceived tax overpayments.

PriceWaterCoopers (2015) further emphasized on the need for the government to create a tax system that is efficient and cost effective which reduces the level of non-compliance moreover achieving economic growth. Zachary et al (2017) in a study conducted in Kenya also noted the need for tax authorities to come up with tax policies that reduce tax compliance costs since they will encourage the growth of companies and moreover their willingness to comply with taxation.

Zivanai et al (2016) on the other side has the view that non-compliance is not influenced by high tax rates, due to fact that the majority of tax payers can afford to pay taxes, he further added that non-compliance lies on the taxpayers perceptions against the remitting of taxation to tax authorities. Serene and Panades (2013) was in agreement with Zivanai et al(2016) as they highlighted that lack of incentives by tax authorities is one of the reasons for non-compliance. Deb and Chakraborty (2017) added that non-compliance among tax payers is not centered on the high tax rate but it is influenced by the perception that tax payers have on the high non-compliance rate.Olaoye (2017) also added that the penalties which the tax payer will be supposed to pay upon tax audits are far much higher as compared to the high tax rates, therefore high tax rate does not accompany non-compliance.

2.1.5 Size of Firm

Nyamwanza et al (2014) pointed out that small and medium business are reluctant to comply with tax laws although many of the taxpayers are employed in that sector.Sapiei et al. (2014) added that small firms usually understate their income as a way of evading taxation.Yusof et al (2014) further stated that small firms are non-compliant since their tendency to maintain reputation is lower as compared to larger organisations. Mohamad et al (2016) supported the notion that company size influence tax compliance as he noted that the bigger the company the more compliant the company is, due to the proper internal controls, better accounting systems and greater tax knowledge as compared to small and medium companies.

Graham et al (2014) urges that the size of the firm does not have an impact on the compliance of firm since the majority of small firms conduct business with government and other companies which require them to have tax clearance for proper conduct of business. Modugu et al (2014) noted that in some cases the larger the work force the higher the taxes therefore big companies are also unlikely to comply with statutory regulations. Zivanai et al (2016) highlighted that non-compliance lies within the ethics and integrity of the company and the size of the company does not contribute to compliance. They further added that the reason why most taxpayers decide to go underground is because of exorbitant tax policies implemented by government. The 2018 Annual Budget Statement chapter 9(526) publicized on the tax concessions that small firms enjoy when they comply which encouraged business growth.

2.2 Reasons of non-compliance to statutory regulations

2.2.1 Liquidity Crunch and Financial Crisis

Zimra (2014) and Zivanai et al (2016) concurred that financial crisis is believed to have an impact on contribution evasion among people and corporates. In Zimbabwe, the liquidity crunch appeared to be constraining employers not to comply with NSSA and Zimdef contributions as large institutions like parastatals and the public service are not complying on a monthly basis as they used to do during the Zimbabwean dollar era. Ngwenya (2014) added that the financial crisis has resulted in employers struggling to pay salaries on time and as a result the contributions to NSSA and Zimdef are being deducted on the pay slips but not remitted due to unavailability of funds within the organisation. Edwards et al (2016) also found that liquidity constrains is a major contributing factor to non-compliance to statutory regulations in many companies which are under financial distress since most of them are at the verge of collapsing. This is a possible cause for their evasion.They further added that the liquidity crunch and financial crisis has down sized the operations of the company and this results in banks not willing to lend loans to companies so that they can secure outstanding obligations and this has triggered the non-compliance rate within the companies.

Conversely, NSSA and Zimdef reports (2017) highlighted that financial crisis does not have an influence on non-compliance since some companies did not even comply when the economy was stable. The reports also revealed that compliant companies can remit the tax returns and decide to make payments plans with the relevant authority during the liquidity crisis so that they can later pay the amount due without incurring penalties and fines. This was also agreed to NSSA (2016) as it highlighted its willingness to work with companies during this financial crisis era to master that companies does not incur unnecessary penalties. Helhel and Ahmed (2014) on the other hand suggested that non-compliance is a matter of the attitude and social norms within the company or individuals. They added that these social norms influence the decision of whether to comply with the law or not to comply. The liquidity crisis have contributed to non-compliance among companies, however there have been contradictions regarding the firm’s sector, therefore this research seeks to establish the impact of liquidity constrain and financial crisis on the compliance level of Jimat.

2.2.2 Complexity of payment procedures

Olawale (2017) and Saad (2014) were in consensus that complexity of payment procedures affects entity’s ability to value annuities and the procedure used when paying statutory regulations is a bit cumbersome due to formulas, time spend in the calculations and filing the returns when the employer chooses to comply. In Zimbabwe the employer is required to complete a number of forms and this demotivated the employer to comply. Kirchler (2017) also added that a less complex system will encourage companies to comply since they will be no difficulties in calculations and procedures.

Bird (2014) and Ngwenya et al (2014) agreed that the complexity of compliance processes does not contribute to employers evading remitting of returns and payments for statutory obligations. Bayar et al (2018) highlighted that evasion is practiced even when people are aware of their statutory obligations and he further highlighted that it is an act of poor corporate governance within the company. Talking Social Security (2015) also supported the above notion as it explains that some employers were even default paying contributions and debts which have already been calculated by NSSA.According to Mashudu (2018) the Minister of higher and tertiary alluded that some of the mining giant companies are aware of their debts and have neglected to settle them and more over they did not remit their monthly levies when they fall due. This indicates that non-compliance is not caused by the complexity of compliance procedures due to the fact that they are aware of their debt.Sarker (2013) on the other hand was uncertain on the effect of complexity in the payment procedures on the level of non-compliance to statutory regulation, therefore this study will examine the effect of complexity of tax procedure on non-compliance.

2.2.3 Low Penalties for evasion

In Zimbabwe the penalties for non-compliance to statutory regulations are 10% to 15% and they are a bit lower as compared to taxation which is tagged at 100% penalty plus an interest of 10% as highlighted by Zimra (2014).Most employers prefer to settle taxes due first and later on remit statutory obligations since they attract a low penalty rate. The lower penalties attract non-compliance among taxpayers as they will do cost benefit analysis on whether to invest the money first and later remit to NSSA since the penalties will not result in a large outflow of funds. Seidu et al (2015) also noted that low penalties leads to non-compliance ,since tax payers will not directly suffer the consequences of non-compliance and if there are no follow ups there will be higher chances of not being detected.

Masarirambi (2013) however in the study conducted in Zimbabwe argues that the imposed low penalties for non-payment of statutory contributions does not have an effect on non-compliance since defaults can be found even when the penalties for evasion are high. Mohdali et al (2014) cited that high penalties may put the defaulter in a worse position that may threaten closure of business when settling the obligation and added that the severity of penalties may discourage companies to be compliant since the possibility of losing outweighs the possibility of gaining if they fail to comply. However, Modugu and Anyaduba et al (2014) could did not comprehend the relationship between the charging of low penalties and non-compliance by employers in the study that they conducted in New Zealand. Therefore this study seeks to ascertain if low penalties charged on evasion of statutory obligations is contributing to non-compliance within Jimat Consult.

2.3 Effects of noncompliance to taxation on financial performance

2.3.1Penalties reduces the organizational profit

According to Zimra (2013) costs associated with non-compliance comes in various ways which includes high collection cost, legal fees and moreover extra cost which can be incurred in additional to fines and penalties that may negatively affect cash flows of the organisation. Zimra (2013) charged a penalty of 100% of the amount due plus a 10% interest per annum is imposed on tax payers who fail to submit their tax returns in stipulated time. Penalties do have a negative effect on the business as they come up to reduce the money that will be set up for investment or for distributing to equity participates, therefore this results in loss of potential investors willing to invest as a result of low or absence of returns due to penalties. Asenov (2015) suggested that non-compliance can be source of major financial crisis within the firm since huge cash outflows will be experienced due to penalties. He further emphasized that the only way to reduce the cash outflows is for the banks to educate its employees on taxation issues so as to comply.Aproskie and Goga (2013) pointed out that penalties and fines usually results in price increase of the goods or services offered by the firm and as a result this will lead to higher prices, thereby inevitably reduce the sales and there will be a decline in the profitability of the organisation.

Swistak(2015) urges that although tax penalties are indispensable for compliance they cannot motivate compliance as a result they can leads to increase in the rate of non-compliance as business operations will not be formalised.He further suggested the need for penalties to motive taxpayers to be compliant rather to exert suppressive measures against them.

2.3.2 Operating without a tax clearance reduces sales revenue

Tshuma (2017) illuminated that a tax clearance is very crucial in the operations of companies since it is a prerequisite when companies are submitting tenders or bid for doing business with other firms outside Zimbabwe. This was further reviewed by the Kazunga (2018) as Zimra ordered all local authorities not to issue business licenses to companies without valid tax clearance certificates. Most international companies are less willing to work with companies without tax clearance, especially in the development consulting industry. This means that when a company does not have a tax clearance more sales will be lost to competitors with tax clearances. Zimra (2017) also highlighted that when the company does not have a tax clearance a 10% withholding tax will be held when the company supplies goods and services this will result in more cost to the firm which in turn will result in decrease in revenue.

2.3.3 Potential Manipulation of accounting statements

Katz et al (2013) noted that some companies end up undermining their profits by recording fictitious cost so as to evade tax despite the fact that those decisions will lead to compromising of internal controls thereby employees will be prone to engage in fraudulent activities and the end result will give a profit which is not the true and fair view of the company.BDO (2014) agreed to the above notion,as they claimed that business with a tendency of tax evasion are involved in manipulation of accounts as they will deliberately over state liabilities and understate assets and income as a way of evading tax. Swistak (2015) pointed out that revenues bodies seem to rely on increased checks and severity of penalties as a way of enforcement of tax compliant since penalties are just one of the many factors that drive taxpayer compliance due to their adversely effects on the financial performance. Moreno et al (2016) supported the notation that compliance improves the firms' financial performance since no losses of control over business and reduced productivity as a result fines and penalties which increase the tax burden will be incurred during the operation.

2.4 Effects of non-compliance to statutory regulations

2.4.1 Delisting of the company on the Stock exchange

Pratt et al (2014) noted that when the company is listed on the stock exchange due to the fact that non-compliance to statutory regulations results declining in net current assets of a company and liquidity position will increase the chances of being delisted on the stock exchange. They further added that delisting of companies on the stock exchange will result in poor financial performance that is the level of profits will decline since no strict internal controls will be observed. Moreover the suppliers will no longer be confident in the company due to delisting which will result in a decline in sales revenue and therefore profits realized by the firm will decrease. Bortolon and Junior (2015) added that the delisting of the company will also have a great impact especially to companies that offer services since clients will be questioning the going concern of the company thereby this will result in loss of tenders if the company is listed on the stock exchange.

2.4.2 Prosecution

NSSA annual report (2016) highlighted that, since the employer is obliged to remit employee contributions therefore failure to do so is a criminal offence. It further highlighted that employees who have their contributions deducted but not remitted could bring a case of fraud or theft against the employer. The costs associated with settling the court cases and paying the lawyers will result in an unnecessary increase in operating cost thereby results in decline in the profit for the organisation. More so the prosecution results in a bad reputation for the company which may have a negative impact on future recruitment of the company and more so potential investors will no longer have the zeal to invest in the company.

2.4.3 Garnishment of bank accounts

According to Norbury (2015) a garnishee can be defined as a process of recovering debts, including taxes, whereby a third party is required to surrender money belonging to the debtor.Umeora (2013) highlighted that garnishee orders results in negative cash flow to the business since they divert money which is meant to finance the operation activities of the company to settling the statutory debts. He further revealed that companies will suffer negative cash flows and decline in profits due to garnishment since they will have to secure loans to finance the operations of which the loans attracts more interest which increase cost thereby results in decline in profits.Norbury (2015) found that once funds have been garnished, companies will suffer loss of supplier trust and this can negatively affects the sales revenue especially when the company is mostly involved in credit purchases. Usually after garnishment, the employer will be left with no funds to cater for the salaries for that period and this will results in low productivity due to low morale among the employees therefore a decline in sales will be experienced and thereby reduction in company profits for that period unless the company secures bank loans which also attracts interest as highlighted by Meara (2013).

2.5 Measures which can be implemented to curb non-compliance

2.5.1 Engaging tax consultants

Katz (2013) in his study on the impact of engaging tax consultants on compliance behavior noted that engaging tax consultants will result in both the government and the tax payer benefiting since the consultant will be servicing the client in the best way and on the other hand acting as agents of the government in promoting compliance. Tax consultants are also up to date with changes in tax regulations. This helps the firm to avoid tax penalties due to mistakes and moreover the client will gain knowledge on tax matters. Tax consultants also monitor that the tax liabilities of the client is minimizes by claiming of other tax credits due to the client.

Bajwa (2015) argues that costs associated with engaging tax consultants and tax lawyers are cheaper than payment of non-compliance penalties and fines. He added that effective compliance should be practiced within a company to avoid penalties and fines for non-compliance since they outweighs compliance costs.

2.5.2 Tax education

Dlamini (2017) proposed that government and tax authorities should embark on educating the tax payers through tax awareness programs and disseminating tax education through different channels of communication since tax education results in increased tax compliance. Zivanai et al (2016) further emphasized on the need for tax authorities to enlighten local citizens on the importance of tax to the economy of the nation and also the effects of non-compliance to taxation. Additionally he suggested that most of the tax payers are not aware to their expected roles in the development of the nation and more so the effects of non-compliance to taxation. He added that the majority of business operators need to be educated in order to comprehend tax legislations so as to encourage their willingness to adhere to the requirements of the law. Palil (2014) emphasized on the use of tax workshops and seminars in America since the tax hand books given to tax payers do not contain enough tax education and he further questioned the chances of taxpayers understanding the laws and regulations on their own. Muklis (2013) added that tax education is vital since it builds tax knowledge which will then promote compliance among tax payers in the community due to awareness of tax rates and the impact of taxation in their business operations. Hastuti (2014) suggested that tax education to be implemented at high school to enable students such that these potential tax payers need to know how to calculate, report and pay their taxes in the future. Randolph (2015) further highlighted that when tax payers are imparted with tax education the non-compliance rate will decrease and also costs associated with non-compliance.

2.5.3 Fiscalisation

According to Zimra (2014), it pointed out that companies should be engaged in fiscalisation of their sales for Vat purposes. This can be done so as to avoid inaccuracy in recording of business taxes. Fiscalisation encourage reduction in cost of compliance for the tax payers since it automatically calculates the amount which is owing to Zimra. Dalu et al (2015) concluded that the use of fiscal machines positively affects the compliance of the client since accurate amounts will be remitted thereby reduce the chances of penalties which have a negative effect on the cash flow of the organisation.

However fiscalisation is quite expensive as it requires the purchases of devices and engaging of experts in the installation which results in an increase in operating expenses of the organisation. Although fiscalisation is quite expensive, however the benefits associated with fiscalisation outweighs costs of non-compliance which results in an increase in operating expenses of the organisation,

2.5.4 Knowing the legislation and implementing it internally

Sarker (2013), argues that the use of self –assessment tax system could improve compliance among companies. He further explained that under self-assessment system, the tax payers will declare their gross income, and the allowable deductions in a return and a payment schedule for the tax obligation which will then be filed with the tax authorities.NSSA (2017) added that companies can make use of statutory calendars and tables whereby all the relevant information will be available at any given time as a way of improving compliance to statutory obligations. Due to the available information the taxpayer will be responsible for the tax liability assessment and this will result in compliance both in remitting funds and also in submitting tax returns.

2.5.5 Effective Management of cash flow

Houston et al (2013) highlighted that effective management of cash flows focuses of the decisions by management on how to account for financial resources of the company, that is proper planning of what type of assets to purchase and planning for the management of cash needs of the business so that it maintains its value.Naser et al (2013)highlighted that companies should be in possession of reasonable working capital so as to ensure that shortterm obligations and future operating cost are financed when they fall due. Bielefeld and Tschirhart (2016) postulated that companies should adopt policies for stewarding its resources effectively and in line with laws and ethical principles. They added that effective resource management improves the profitability of the company due to a decline in non-compliance costs such as penalties and legal cost. Brigham and Ehrhardt(2014) highlighted that proper financial management involves reservation of funds to cater for crucial costs like statutory obligations and taxation so as to reduce unnecessary costs associated with non-compliance.Drury(2013) revealed that when management make it a mandate to properly manage business funds they will be able come up with strategies for the financing of statutory obligation regardless of the financial position of the firm.He further added that effective management of cash flow will result in the company attaining its objectives and fulfilling its commitments to its stakeholders so as to avoid unnecessary penalties arising from failure to comply with statutory obligations such as Zimdef and NSSA.

2.5.6 Automated payment procedures

Bragg (2015) highlighted that automated remittance of statutory regulations which allows the bank to automatically pay statutory regulations such as Zimdef and NSSA upon payment of salaries, results in increased compliance among organisations, due to the automatic calculation of the amounts due by the system and the immediate remittance when they became due. He further added that by implementing an automated payment system the changes in statutory obligations can be promptly updated and calculations will be provided.Chavan(2013) added that the automated system allows payments to be made before they become due and therefore results in an increase in financial performance of the firm due to decline in non-compliance costs such as penalties and fines.Allman –Ward et al (2017) pointed out that the use of automated payment procedures reduces the errors to a minimum level and therefore increases the profitability of the firm as a result of reduction in penalties associated with noncompliance.

2.5.7 Implementation of a company policy that mandate management to attend all statutory regulatory workshops.

Ward (2015) postulated that statutory regulatory workshops and seminars are key determinants to compliance among companies since they involves massive dissemination of compliance knowledge and strategies to curb non-compliance within companies.She added that compliance workshops and seminars by statutory regulators provides the legal framework which enhances the employer and employee relationship and as a result will improves the profitability of the company since no penalties and legal actions will be incurred by the employer.

Breaux and Gordon (2013) emphasized on the need for management to attend workshops conducted by statutory boards so as to be up to date with changes in statutory regulations and more so that they may understand the need for compliance and consequences faced upon non-compliance. Maseko (2014) added that management should be involved in workshops and seminars since more knowledge on statutory regulations is disseminated clearly so as to encourage compliance. The workshops conducted by the statutory regulatory authorities will also enlighten management on ways for planning the company finances and measures which can be taken to avoid penalties when there is a financial crisis within a firms are also disseminated during the workshops and seminars.

2.6 Summary

The chapter integrated various literature on the causes of non-compliance to taxation and statutory regulations and the effects to the profitability and financial performance of a company. The researcher outlined the reasons for non-compliance, its effects on financial performance and ways that can be implemented to curb non-compliance and enhancing the financial performance of the firm.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter reveals the research methodology used by the researcher in carrying out the research. It further discussed the research design, sources of data, target population, research techniques, data presentation and analysis which were used in the study and at the end it provides a summary of the entire chapter.

3.1 Research Design

According to Caruth (2013) a research design refers to an overall strategy that integrates different components of the study so as to adequately address research questions in a more coherent way. Singh (2016) and Babbie (2013) concurred that a research design includes a systematic plan that is structured to console theoretical research problems into related empirical research with the aim of producing relevant information from reasonable costs. Creswell (2013) identified the need of properly choosing the research design which best suits the problem understudy.Rahi (2017) urged on the need of formulating a good research design which enables the measurement of all variables so as to enhance the quality of the study. The researcher is going to use the descriptive research design. It involves the use of numerical data to collect, summarize and analyze data.

3.2 Research Approach

The researcher will conduct the study using the mixed approach in order to achieve the established objectives of the study which are the effects of non-compliance to taxations on the financial performance. The researcher decided on the mixed approach since it incorporates both the qualitative and quantitative data collection methods which assists the research to achieve more enhanced insight in the problem so as to yield more comprehensive information as compared to other research methodologies.

Kumar (2014) highlighted that when the researcher uses the mixed approach, better results outcomes will be produced due to a better understanding of the study area.Haiying (2014) further appraised the mixed approach as he pointed out that the method highlights the variables that needed to be tested and this assists the researcher in identifying specific variables that have an impact on the financial performance of Jimat which needs to be considered in later researches.Caruth (2013)added that the mixed approach allows the capturing of questions that can be missed by utilizing only one research design and generates more questions for future studies due the fact that the researcher will not be limited to one research method.

3.1.3 Qualitative Data

Caruth (2013) refers to qualitative data as a method of collecting data in which a researcher is focused on understanding a phenomenon at a closer perspective and will derive some explanations from the data collected. Creswell (2013) outlined that qualitative method involves the uses of explanations and storytelling, citations and references in an attempt to capture discussions, proficiencies, viewpoints and the power of speech in collecting data for a research.

Singh (2016) added that qualitative method is centered in determining the underlying motives and desires through the use of in-depth interviews for the purpose. Taylor et al (2015) added that qualitative research method results in the data collected reviewing what people actually say and this will give effective research results since there is no limitation to the responds of the interviewee.

Rahi (2017) on the other hand has the opinion that qualitative researches are subject to judgement errors since the interpretation is based on the theoretical perceptions of the researcher. Kumar (2014) further added that qualitative research methods are cumbersome to understand and mostly not structured properly which make it impossible for the responded to understand.

3.1.4 Quantitative Data

Long (2014) defined quantitative research method as a specific, well-structured method of collecting data which focuses attention on measurements and amount on the research under study. Kumar (2014) further added that quantitative method involves the calculation techniques in determining relationships between variables.

Kumar (2014) illuminated the advantages of quantitative research as being specific to the research, well-structured and being tested to their validity and reliability which makes them explicitly defined and recognised.Creswell (2013) added that the qualitative research method can mitigate personal bias in data collection thereby resulting in better results being produced. Church (2013) added that the use of statistical methods results in the data considered reliable as compared to other methods.

Creswell (2013) pointed out that quantitative data is not always up to date due to the use of figures. He further illustrated that quantitative approach may give a false impression of homogeneity in a sample since they do not explore further reasons on the questions.

3.2 Case study

According to Bryman (2015) a case study can be defined as a detailed empirical assessment of a particular situation which adds value to the research since the researcher can investigate and acquire information from the company under study. The use of a case study made it convenient for the researcher to investigate and acquire enough data since the study focused solely on Jimat Consult.

3. 3Target Population

According to Sheafter at al (2013) a target population incorporates people and objects which forms the subject of the research in a particular study. They further emphasized on the need for a target population when doing a research since data should be collected from a group of people either directly or indirectly associated with the study problem.

Table 3.1 Target population

Participates	Target Population	Interviews	Questionnaires
Finance	4	1	4
Administration	4	1	4
Business Development	2	1	2
Projects	10	1	10
Total	20	4	20

3.3.1 Census

According to Yin (2013) a census can be defined as a complete enumeration of all members of a given population. Since the target population of Jimat employees was small, in order to achieve accurate results due to the participation of all employees the researcher used the census method in collecting data. The findings from the census were used to make conclusion for the research.

3.4 Sources of Data

When conducting a study the sources of gathering data are of greater importance and the researcher can choose between the primary and secondary or can make use of both sources in order to come up with enough data for the research.

3.4.1 Primary Source of Data

According to Griffin (2013) primary source refers to the collection of first-hand data by the researcher through observation, recording and inspection in order to achieve the requirements of a research.

Since tax rates and other statutory costs change on a yearly basis, the researcher had to use the primary source of data in order to obtain first-hand data from employees of Jimat Consult. Due to the fact that all the departments are involvement in the calculation of taxation and statutory regulation amounts on their different core activities, the researcher had to collect data from all employees so as to come up with more reliable results as postulated by Babbie (2013).

3.4.2 Secondary Data

According to Babbie (2013) secondary source refers to data that is readily available which have been collected for other motives not specifically for the ongoing research.Keshab(2014)added that secondary data encompasses the use of magazines,journals,newspapers and online portals so as to depict the relationship of the secondary data and the research problem under view.

The secondary data used for this study was obtained from annual financial statements, audit reports and Jimat financial reports. The financial statements used were statement of Comprehensive income to depict the trends in penalties and fines and the financial position to assess the amounts owing for taxation and statutory regulations.

3.5 Research Instruments

Research instruments are data collecting techniques that can be used by the researcher in collection of relevant data for the research. The researcher made use of both the interviews and questionnaires in obtaining data for the research.

3.5.1 Questionnaires

A questionnaire can be defined as a document which contains questions developed to collect data and it contains specific place to note the answers given by the interviewer.

Church (2013) postulated on the two types of questionnaires namely open ended and closed ended questionnaires. He added that open ended requires more thoughts as compared to closed ended which require one word answer for each question.

3.5.3 Likert Scale

Yin (2013) defined a likert scale as a tool used by a researcher to measure attitudes, reactions opinions and perceptions regarding a certain area. He recommended the use of the likert scale in attaining the target level of person to the proclaimed assertion and when deeper level of detail is required in the response so as to increase effectiveness of the research.Huettner (2015) emphasized on the need for accuracy when phrasing the questions so that respondents can understand the question better.

It is used by respondents to rate the degree to which they agree or disagree with certain a certain aspect.

Table 3.2 Likert Scale and rating.

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

Source:Yin (2013)

3.5.2 Interviews

Long (2014) defined an interview is an interaction between an interviewer and interviewee, whereby the interviewer or researcher personally askes the responded a series of questions based on the research subject. Rahi (2017) added that when an interview is being conducted, interviewer must portray confident and neutrality so as to generate trust from the interviewee in order to obtain efficient and complete data form the interview.

3.6 Data Reliability and Validity

Church (2013) highlighted that a measuring instrument is regarded as reliable if it produces consistent results over a period of time. He further added that the degree of reliability of results is influenced by the degree of stability of the results under the study. The researcher used both the questionnaires and interviews in collecting data in order to increase the reliability of the data.

Bryman (2015) stated that data is regarded as valid when the results of the research truly presents what it depicts to present and when highlighting the true view of what is being researched. The researcher inspected on the completeness of all questions on the questionnaires to ensure that the data was valid. The data collected by the researcher was complete, reliable and valid since it manages to provide solutions to the research questions.

3.7 Data Presentation and Analysis

The researcher collected both qualitative and quantitative data and this was analyzed using bar graphs, pie charts and tables for easy interpretation. The researcher opted for graphs, charts and pie charts since they can be easily comprehended and they clearly shows the trends to give a better conclusion. Tables were used in summarizing data as they can easily allow comparison to be made between variable. The measures of central tendency were applied as the researcher used the mean, mode and median in calculations regarding the percentage respondents to questions.

3.8 Ethical Consideration

Saunders (2013) alluded that researchers should guide their action such that they will not have undesirable effect on the interest of the others. Participates need assurance that the data collected from them will be held with confidentiality and their identities being held anonymous.Malliari and Togia (2016) added that the researcher must not coerce or pressurize the interviewer in data which may result in ineffective data being collected. In order for the research to be fruitful the researcher had to adhere to the afore mentioned ethics.

3.9 Summary

The chapter outlines the essential elements of research methodology used in the study. The research design of the study has been discussed and sources of data and research techniques have been identified. The target population, methods of data collection, data presentation and analysis were also discussed. The next chapter will present and analyze the key research findings.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter is about data presentation and analysis of the research findings so as to come up with conclusions on the effects of non-compliance to taxation and statutory regulations on the company financial performance with Jimat Development Consultants as a case study. The data is presented in tables, graphs and pie charts. Research findings are fully analysed and linked to research objectives and a summary of the whole chapter is given at the end of the chapter.

4.1 Response Rate

Table 4.1 Questionnaire Response Rate

Department	**Questionnaires Sent**	**Questionnaires Returned**	**Response Rate %**
Finance	4	4	100
Administration	4	3	75
Business Development	2	2	100
Projects	10	8	80
Total	20	17	85

Table 4.1 is presenting the response rate of the questionnaires distributed. The Finance and Business Development departments managed to complete and return all the questionnaires as they provided a response rate of 100%.This is followed by a response rate of 80% from the Projects department and 75% from the Administration which was a very high response rate due to their busy schedule at the time of the survey. Creswell (2013) highlighted that when

the questionnaires have a response rate of 70%-100% a positive impact can be derived from the study, therefore the researcher made use of the above results in making conclusions and recommendations.

4.2 Demographic information of the respondents on Gender

Table 4.2 Showing respondents gender distribution

Gender	Respondents	Percentages%
Female	12	71
Male	5	29
Total	17	100

Table 4.2 illustrates that 71% of the respondents were female, as compared to 29% which were males. As postulated by Wiknman (2013) that gender equality must be well-thought-out when undertaking a research so as to avoid bias on the results of the study.

Table 4.3 Showing respondent's highest level of education

Level of Education	Respondents	Percentages %
Ordinary Level	1	6
Advance Level	0	0
Certification	4	23
Diploma	7	41
Degree	3	18
Degree Plus	2	12
Total	17	100

Table 4.3 above is an illustration of the respondent's level of education. The table shows that 6% of the respondents have Ordinary level as their highest qualification while none of the

respondents have advanced level as highest qualification. It further shows that 23% of the respondents are holders of certificates while 41% are in possessions of diplomas as their highest level of qualifications. The table further shows that 18% of the respondents have degrees as their highest qualification and the other 12% have degree plus as their qualifications. From the table it can be shown that most of the respondents possesses diplomas as their highest level of qualifications. Since most of the tax education is provided from the higher diploma level or degree, therefore this highlights the need for personnel to go through tax courses at the company in order to enhance their tax knowledge.

Table 4.4 Respondents work experience

Work Experience	Respondents	Percentages
Less than 1year	3	18
2-5 years	4	23
6-9 years	3	18
More than 9 years	7	41
Total	17	100

As shown by table 4.4 above, 41% of the respondents have served Jimat Development Consultants for more than 9 years. This implies that the data obtained from the respondents is reliable since the majority of the respondents were aware of the effects of non-compliance to taxation and statutory regulations over the past years. However, this can negatively affect the compliance rate since they might not be aware of recent changes in taxation and regulations as compared to a population in which consist of employees who are just coming from tertiary education.

4.5 Determinants of non-compliance to taxation

4.5.1 To what extend do you agree that the following have an impact on non-compliance?

Table 4.5 Relationship between tax knowledge and non-compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	8	5	1	2	1	17

Figure 4.1 Relationship between tax knowledge and non-compliance

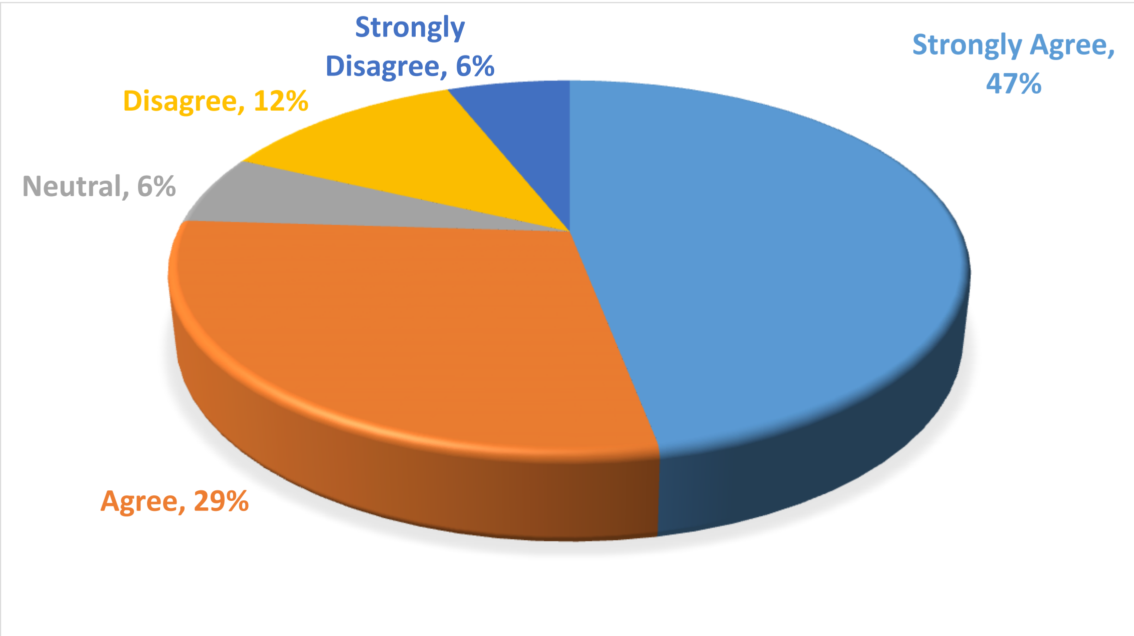


Figure 4.1 illustrates that 47% of the respondents strongly agreed on the statement that tax knowledge has an impact on non-compliance, 29% also agreed with the statement and 6% were neutral. On the other hand 12% disagreed and 6% strongly disagreed with the statement. Therefore based on the above pie chart it can be depicted that a total of 76% agreed that tax knowledge have an impact on non-compliance while the other 24% disagreed to the above claim.

It can also be noted from interview question one (1),on the contributing factors to non-compliance that only a few respondents mentioned that non-compliance to taxation was influenced by lack of tax knowledge. The above results from questionnaires concurred with the findings of Dlamini (2017) and Nyamwanza et al (2014) as they concluded in their studies that non-compliance within companies was influenced by the lack of tax knowledge and they added that if tax authorities engage in tax dissemination activities, this will lead to a decrease in the level of non-compliance.

Hence, this implies that if employees are provided with tax education the level of tax knowledge will increase and this will result in a decrease in non-compliance. It can be concluded from the above information that lack of tax knowledge leads to a higher level of non-compliance within the company.

Table 4.6 Influence of tax complexity on non-compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	6	7	1	2	1	17

Figure 4.2 Influence tax complexity on non-compliance

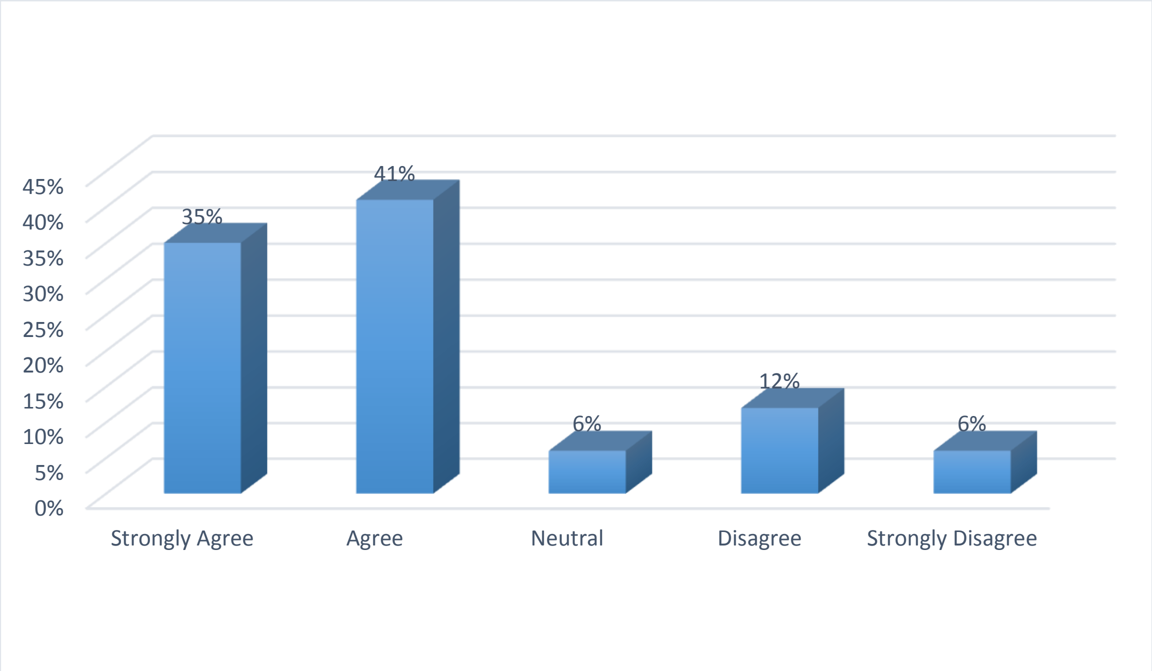


Figure 4.2 illustrates that 35% of the respondents strongly agreed that tax complexity have an impact on non-compliance and the other 41% also agreed to the above claim.The other 6% were neutral, 12% disagreed and 6% strongly disagreed to the impact of tax complexity on

non-compliance. Therefore in aggregate 76% of the respondents were in agreement that tax complexity influence non-compliance whilst the other 24% disagreed with the above claim.

Hence based on the above results it can be concluded that there is a positive relationship between tax complexity and tax non-compliance. During the interviews the employees also mentioned that they were facing challenges in submitting the tax returns on time due to the complexities in calculations and this resulted in tax returns being submitted after due date.

This argument is supported by Abdul and Wang'ombe (2018) as they advocated that companies were not complying to taxation due to the complexities in tax calculations.PWC (2014) further added that because of the complexity of taxation, it takes more hours in African countries when trying to compute the tax calculations and it advised companies to engage tax consultants in the tax computations so as to reduce costs associated with non-compliance. Based on the above information it can be concluded that there is a positive relationship between tax complexity and non-compliance rate.

Table 4.7 Influence of high tax rates on non-compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	5	4	3	2	3	17

Figure 4.3 Influence of high tax rates on non-compliance

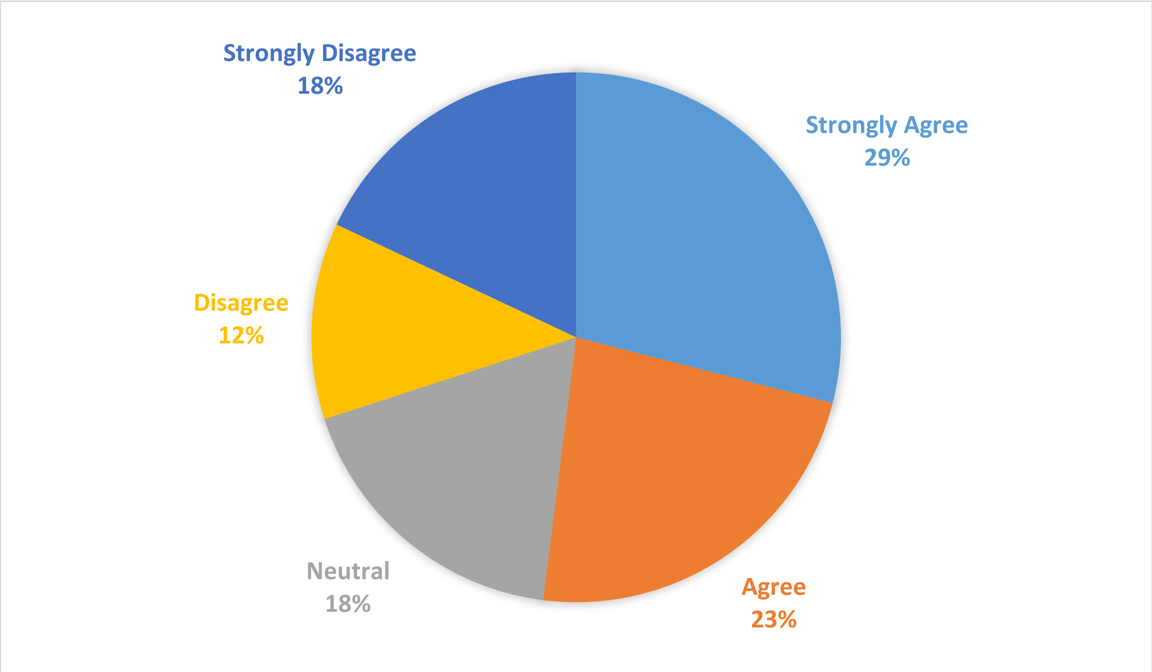


Figure 4.3 shows that 23% of the respondents agreed that high tax rates influence non-compliance within the company and 29% strongly agreed to the above claim.The other 18% of the respondents were uncertain while 12% disagreed and 18% strongly disagreed to the above claim.The majority of the respondents being 52% agreed that high tax rates positive influence non-compliance to taxation.

This was also highlighted by respondents on interview question one (1)on the factors contributing to non-compliance as they mentioned that the high tax rates charged by tax authorities were contributing to non-compliance to taxation within the company. This is in line with the findings of Zivanai et al (2016) and Masarirambi (2013) as they concluded that the rise in non-compliance levels among companies is being influenced by high tax rates. PWC (2015) advocated on the need for the government to create a tax system that is efficient and cost effective which reduces the level of non-compliance moreover achieving economic growth. Therefore grounded on the above findings it can be concluded that there is a positive relationship between high tax rates and non-compliance.

Table 4.8 Relationship between size of the firm and non-compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	4	5	2	3	3	17

Figure 4.4 Relationship between size of the firm and non-compliance

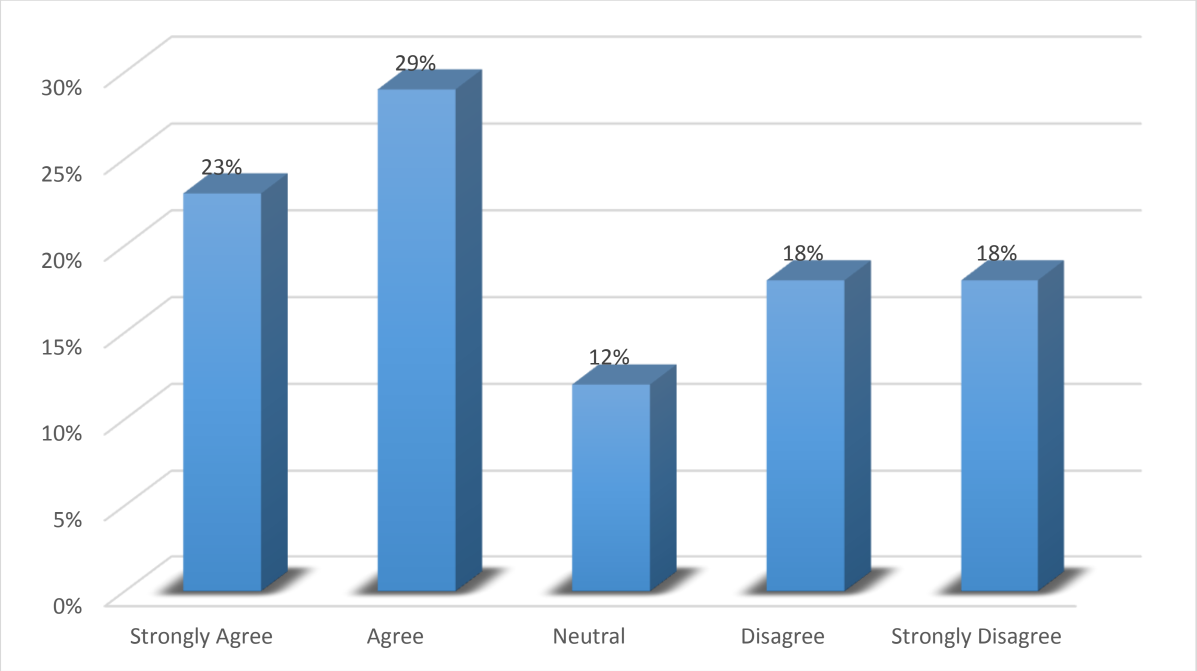


Figure 4.4 above highlights that 29% of the respondents agreed that the size of the firm significantly affects the level of non-compliance to taxation and 23% strongly agreed to the above claim.The other 18% strongly disagreed, 18% disagreed and 12% were neutral. Therefore in aggregate 52% of the respondents agreed that the size of the firm has a negative influence on non-compliance to taxation and the other 48% disagreed to the above claim.

The respondents from the interview question 1 on the factors influencing non-compliance, the majority revealed that the size of the firm is one of the major factors, due to the fact that the company might not have adequate funds to engage tax consultants for the computation of complex calculations.Yusof et al (2014) on their study of the impact of the size of the firm to non-compliance concluded that there is a high level of non-compliance among small to medium firms as compared to larger firms. Mohamad et al (2017) further added that the high level of non-compliance within small firms is as a result of improper internal controls and better accounting system and more so inadequate funds to engage tax consultants to perform the computations. Therefore basing on the above information it can be concluded that there is a negative relationship between company size and non-compliance rate, thus the smaller the company the higher the level of non-compliance.

4.6 Determinants of non-compliance to statutory obligations.

4.6.1 To what extend do you agree that liquidity crunch and financial crisis have an impact on non-compliance to statutory regulations?

Table 4.9 Influence of liquidity crunch and financial crisis on non-compliance to statutory regulations

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	5	4	1	3	4	17

Figure 4.5 Influence of liquidity crunch and financial crisis on non-compliance to statutory regulations

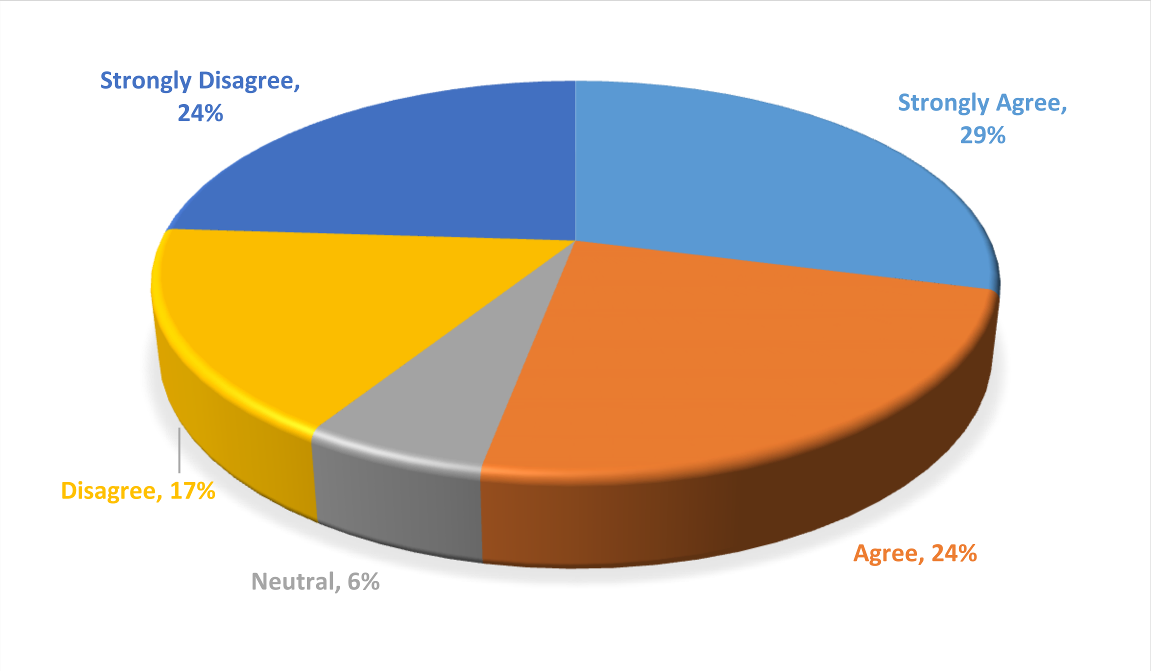


Figure 4.5 above shows that 24% of the respondents agreed that non-compliance to statutory regulations is influenced by the liquidity crunch and financial crisis which is being experienced in the economy.In additional 29% strongly agreed to the above claim. It can also be noted that 17% of the respondents disagreed and 24% strongly disagreed while 6% were uncertain on the influence of financial crisis to non-compliance. In total 53% of the respondents agreed and the other 47% disagreed on the effect of liquidity crunch to non-compliance to statutory regulations.

The respondents to interviews question one also noted that liquidity crunch and financial crisis also contributed to the company's failure to remit the employees contributions on a monthly basis. They further highlighted that the company was also struggling to pay salaries on time due to financial crisis within the country. Ngwenya (2014) and Ayadi (2013) concurred that the high level on non-compliance to statutory regulations such as Zimdef and NSSA is being influenced by the poor financial crisis within the economy which results in companies succumbing to financial constraints. The results can be further supported by NSSA (2016) and ZIMDEF (2017) reports which pointed out that the increase in non-compliance rate was triggered by the economic constrain within the country. Therefore based on the above results it can be concluded that the financial constrain within the country has led to a rise in non-compliance to statutory obligations.

Table 4.10 Influence of complexity of payment procedures on non-compliance to statutory regulations.

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	6	5	1	2	3	17

Figure 4.6 Influence of complexity of payment procedures on non-compliance to statutory regulations.

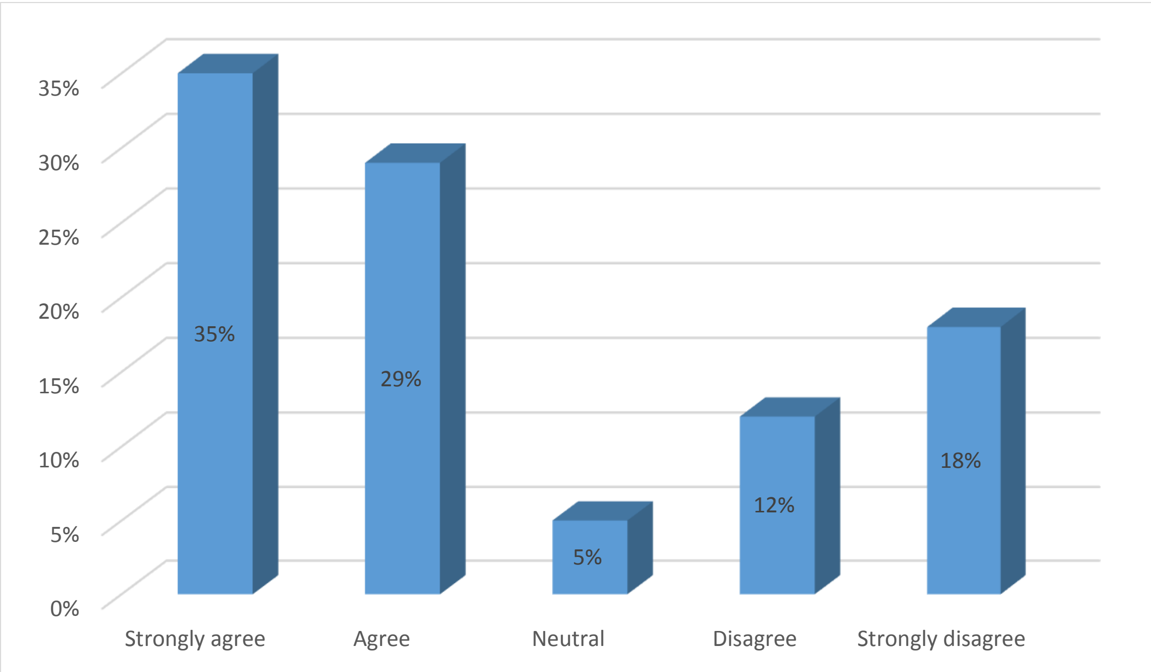


Figure 4.6 above shows that 29% of the respondents agree and the 35% strongly agreed that the complexity of payment procedures results in non-compliance to statutory regulations within companies. On the other hand 5% of the respondents were neutral to the above notion.

However, 12% of the respondents disagree and 18% strongly disagree that the complexity of the payment procedures has a negative influence on the level of non-compliance.Therefore in total 64% of the respondents agreed that complexity of payment procedures results in non-compliance to statutory regulations and the other 36% being the minority disagreed that the complexity of payment procedures of statutory regulations results in non-compliance.

The respondents to the interview question two, on the factors influencing non-compliance to statutory regulations also cited the complexity of payment procedures as one of the major reasons for non-compliance.Kirchler (2014) noted that most of the companies were not complying with statutory regulations because of the complexity in payment and remittance procedures which requires exorbitant calculations. Based on the above results it can be concluded that complexity of payment procedures affects non-compliance to statutory regulations.

Table 4.11 Influence of low penalties for evasion on non-compliance to statutory regulations

Response	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	6	4	2	4	1	17

Figure 4.7 Influence of low penalties for evasion on non-compliance to statutory regulations

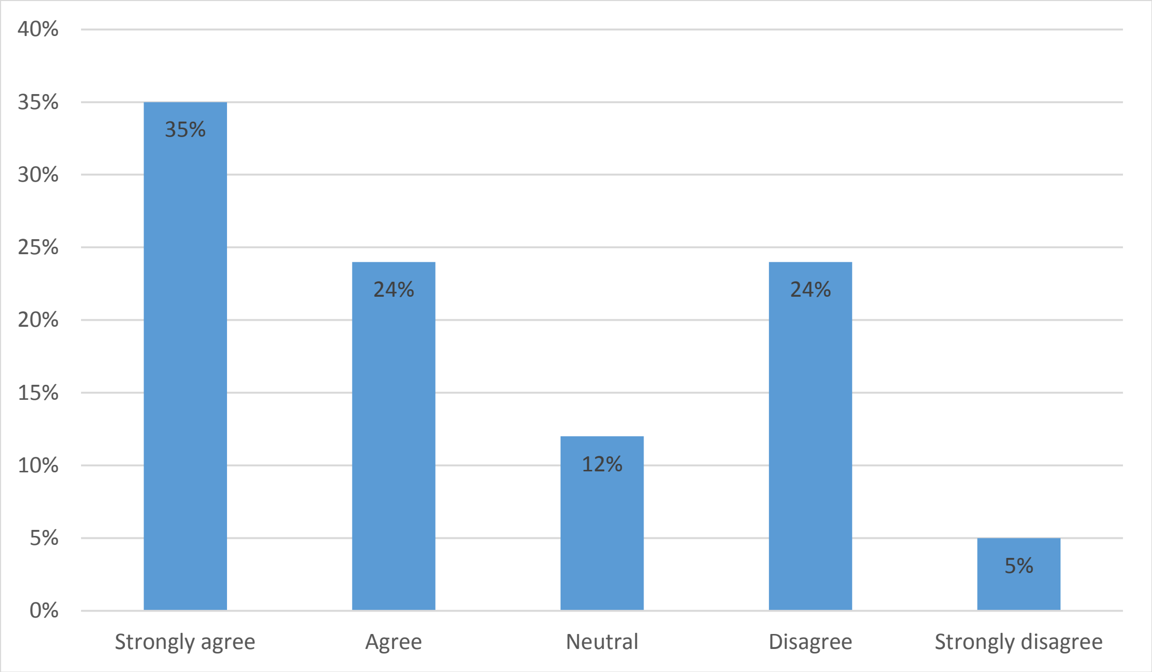


Figure 4.7 above illustrates that 35% of the respondents strongly agreed that low penalties for evading statutory regulations influence the level of non-compliance within companies. The other 24% were also in agreement, while 12% were neutral, 24% disagreed and 5% strongly disagreed to the above claim. Therefore the majority of respondents being 59% agreed while the other 41% disagreed on the claim that non-compliance within the company was influenced by low penalties for non-compliance. Based on the above information it can be concluded that low penalties for evading statutory regulations influence non-compliance.

The respondents to interview question three highlighted that to some extend the company prioritised remittance of taxation to contributions for NSSA and Zimdef since the penalties are low. This concurred with the findings of Seidu et al (2015) as they noted that low penalties leads to non-compliance since tax payers will not directly suffer the consequences of non-compliance and if there are no follow ups there will be higher chances of not being detected. Therefore it can be concluded that low penalties for evading statutory obligations influence non-compliance within the company.

4.7 Effects of non-compliance to taxation on financial performance

4.7.1 To what extend do you agree that penalties reduces the organizational profits?

Table 4.12 Effects of penalties on organisational profits.

Response	Strongly	Agree	Neutral	Disagree	Strongly	Total

	Agree				disagree	
Responded	7	6	2	2	0	17

Figure 4.8 Effects of penalties on organisational profits.

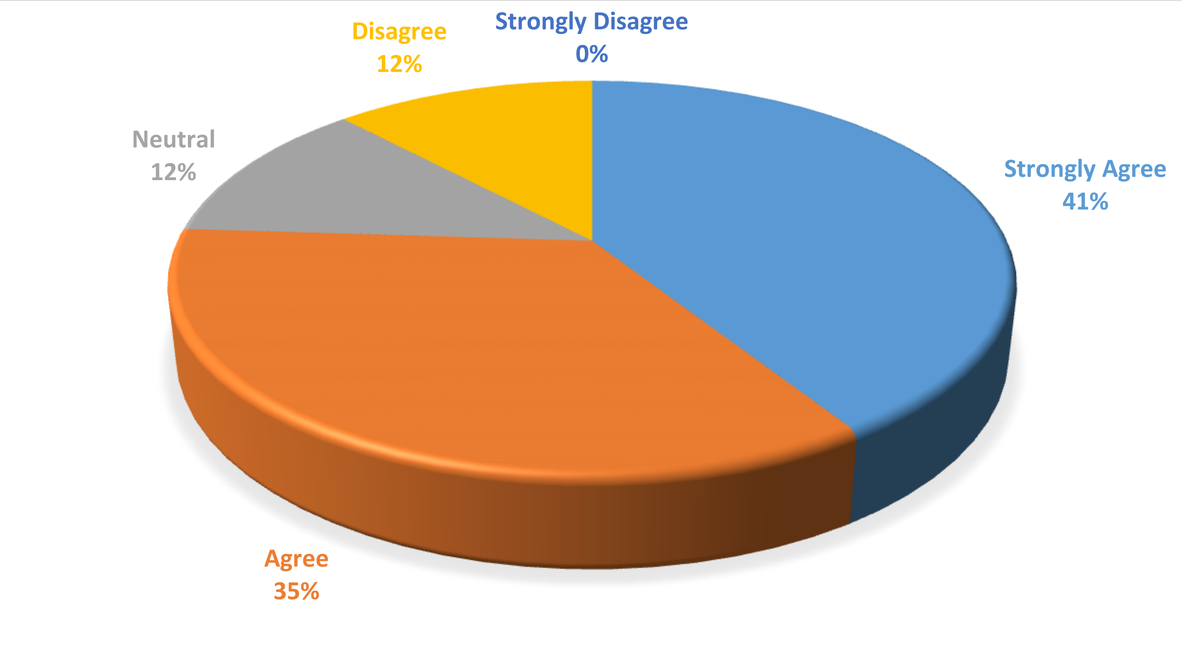


Figure 4.8 illustrates that 41% strongly agreed that penalties leads to reductions on the profits of the organisation and 35% also agreed on the above notion.The other 12% of the respondents disagreed while the other 12% were neutral and none of the respondents strongly disagreed that penalties results in a decrease in the profits of the organisation.

All the respondents to interview questions three were in agreement that penalties for non-compliance were the major influence for reduction in profits for the company.

Since the majority of the respondents agreed that penalties reduces organisational profits, this concurs with the findings of Aproskie and Goga (2013) as pointed out that penalties and fines usually cause in an increase in the prices of the goods or services offered by the firm. As a result this will result in higher prices, thereby inevitably reducing the sales which will result in a decline in the profitability of the organisation. Therefore based on the above results, can be concluded from the above results that penalties adversely affects the profits of the organisation.

Table 4.13 Effects of operating without a tax clearance on sales revenue

Response	Strongly	Agree	Neutral	Disagree	Strongly	Total

	Agree				disagree	
Responded	5	6	3	1	2	17

Figure 4.9 Effects of operating without a tax clearance on sales revenue

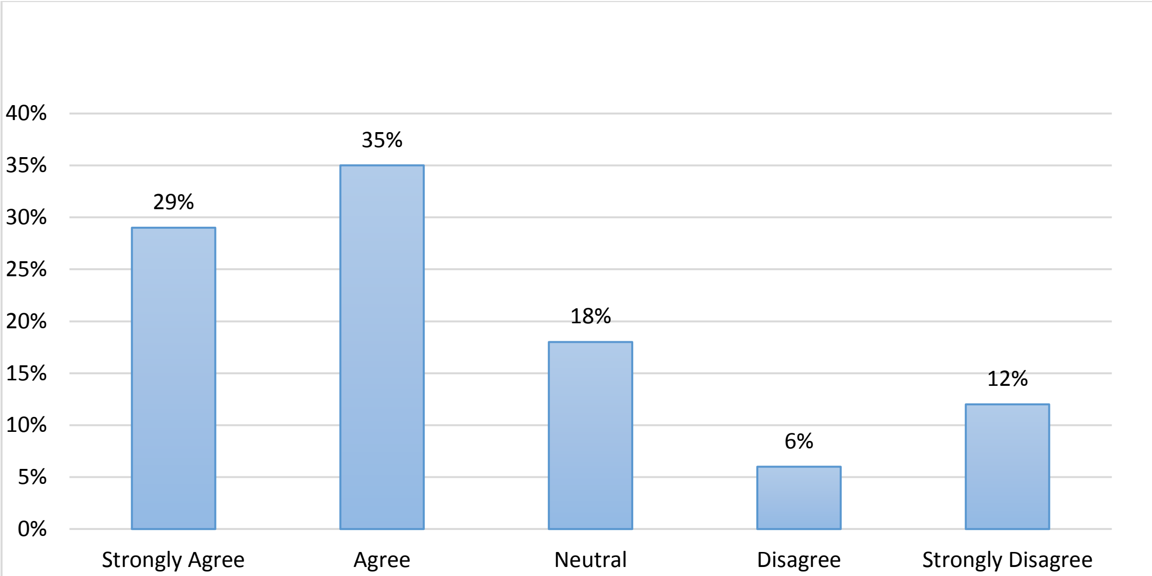


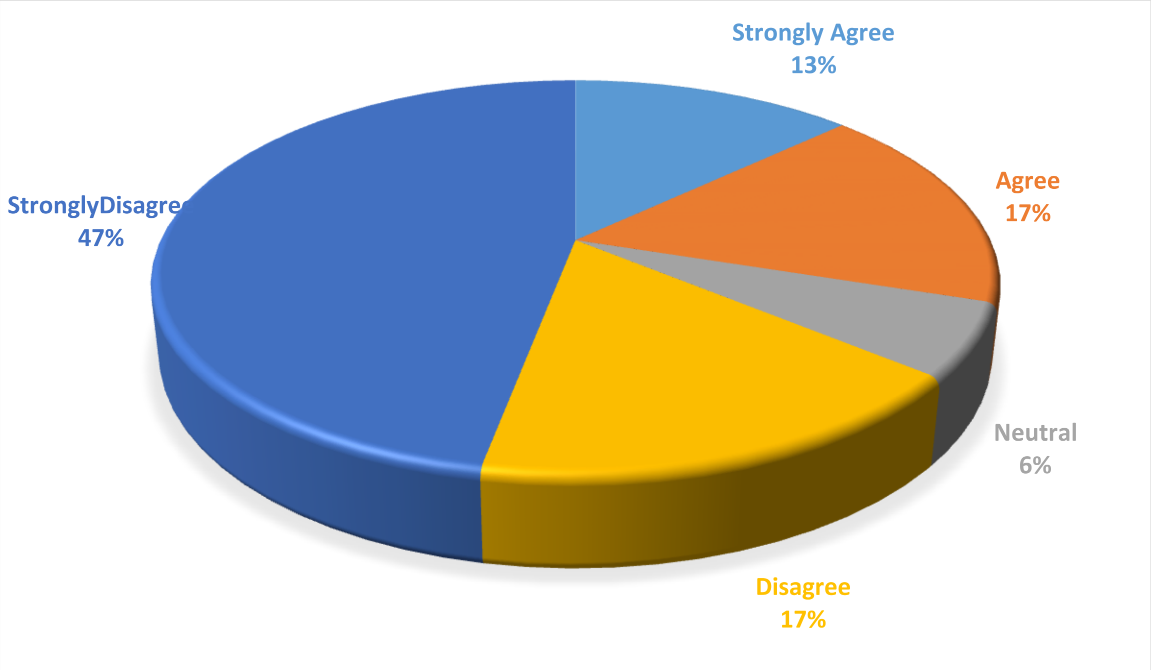
Figure 4.9 shows that 29% of the respondents strongly agreed that operating without a tax clearance reduces sales of the company,35% agreed and 18% were neutral on the effects of operating without a tax clearance on the sales volume of the company. The other 6% disagreed to the above claim and 12% strongly agreed. In aggregate 64% of the respondents agreed that absence of a tax clearance results in a reduction in sales while 36% disagreed to the above notion. Based on the above results it can be seen that unavailability of a tax clearance results in the company operating adversely and as a result low profits margins will be earned.

Respondents to interview question four also concurred that operating without a tax clearance leads to a reduction in sales revenue since the company was not able to bid for some tenders due to the absence of the tax clearance.This is in agreement with Tshuma (2017) who concluded that when a company operates without a tax clearance some of the tenders will be lost to competitors since a tax clearance is a prerequisite when tendering. Therefore based on the above results it can be concluded that operating without a tax clearance negatively affects sales revenue and profits of the company.

Table 4.14 Effects of non-compliance to taxation on potential Manipulation of accounting statements

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	2	3	1	3	8	17

Figure 4.10 Effects of non-compliance to taxation on potential Manipulation of accounting statements



The results in figure 4.10 shows that 13% of the respondents strongly agree with the claim that non-compliance to taxation would result in manipulation of accountings statements, 17% agreed and 6% were neutral. On the other hand 17% disagree and the other 47% strongly disagree to the above claim.

During the interviews conducted, the majority of the employees revealed that although the company was failing to remit taxes due on time, the management was not involved in manipulation of financial reports in order to reduce tax burden to the company. This is in agreement with the findings of Mutarindwa and Rutikanga (2014) as they cited that due to effective tax audits being carried out by tax authorities there are low chances of manipulations of accounting statements within organisations. They added that since the tax authorities will further impose high penalties if manipulation is discovered, this discourages most firms to manipulate their accounting statements.

Therefore, based on the above results it can be concluded that effects of non-compliance to taxation on the financial performance of the company have not forced management to be involved in manipulation of the company financial reports.

4.8 Effects of non-compliance to statutory regulations on financial performance

4.8.1To what extend do you agree that the following are effects of non-compliance?

Table 4.15 Effects of prosecution on financial performance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	7	4	1	2	3	17

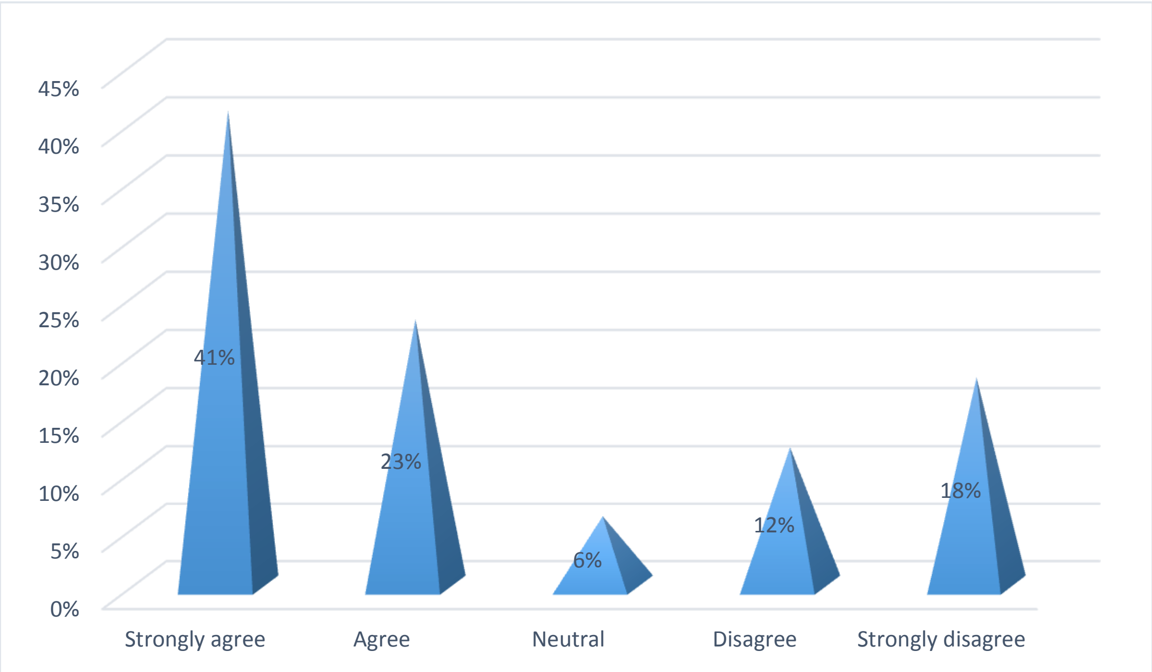


Figure 4.11 Effects of prosecution on financial performance.

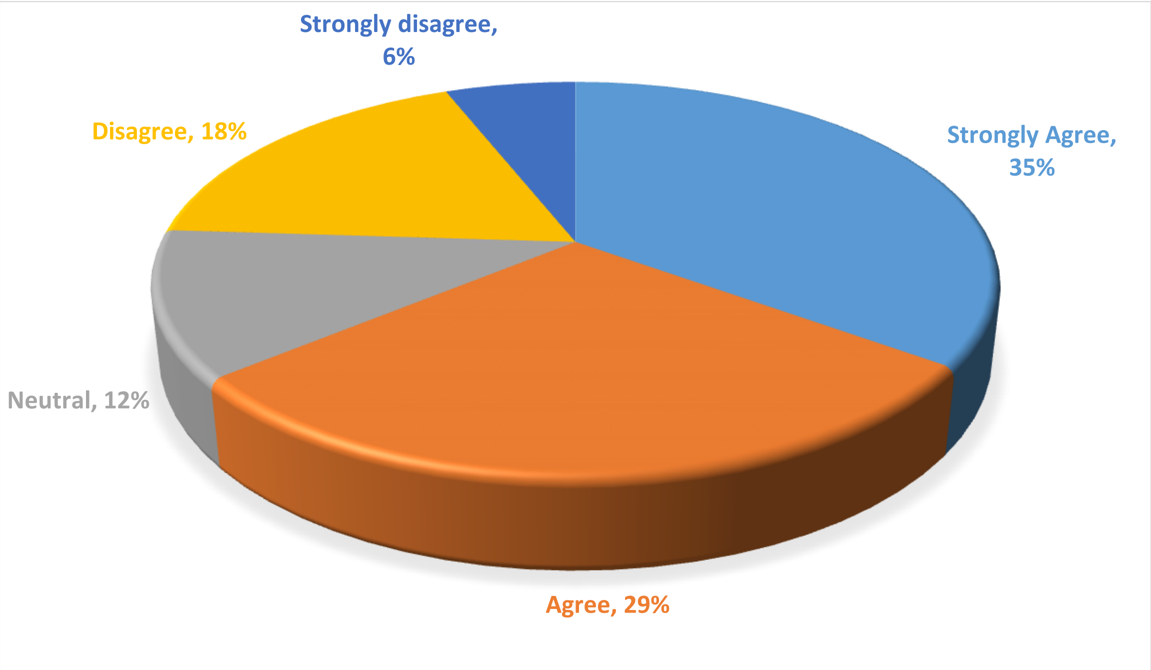
Figure 4.11 illustrated that 23% of the respondents were in agreement, 41% strongly agreed that non-compliance to statutory regulations results in prosecution of the company by the statutory boards. The other 6% were neutral, while 12% disagree and 18% strongly disagreed to the above claim.The majority of respondents being 64% agreed that non-compliance results in prosecution which negative affects the profitability of the company. On the other hand 36% disagreed therefore it can be concluded that non-compliance to statutory regulation results in prosecution which results in decreases in profits.

The respondents to interview question three, on the effects of non-compliance to statutory regulations revealed that at some point the company incurred legal costs non-compliance which resulted in outflow of company financial resources. Since the majority of the respondents claims that non-compliance to statutory regulations results in prosecution, this concurred with NSSA annual reports (2016) whereby they stated that failure by the employer to remit amounts due on behalf of the employees is regarded as a criminal offence and will result in the prosecution of the company. This was also noted on the analysis of the decrease in company profits as legal costs occupied a larger amount of the costs. Based on the above results it can be concluded that non-compliance to statutory regulations results in the company being prosecuted and as a result, they will be an outflow of funds when settling the court cases.

Table 4.16 Garnishment of funds

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	6	5	2	3	1	17

Figure 4.12 Garnishment of funds



The results shown in figure 4.12 indicates 35% of the respondents strongly agreed to the statement,29% agreed and 12% were uncertain on the claim that non-compliance to statutory regulations can result in the garnishee of the company's bank accounts. The other 29% of the respondents disagreed and 35% strongly disagreed to the above claim. Therefore the majority of the respondents being 64% agreed to the above claim while the other 36% disagreed that non-compliance results in the garnishee of bank accounts.

The majority of respondents to interviews question three highlighted that non-compliance to statutory regulations may result in the garnishment of company's funds since they have experienced financial constrains within the company after garnisheed of the company's bank account.Umeora (2013) agreed on the above when he postulated that garnishee orders results in negative cash flow within the company and this will have an adverse effect on the operating of the company. Therefore based on the above results it can be concluded that non-compliance to statutory regulations results in bank account garnishee and thereby decline in profitability since of some the suppliers will charge interest due to delay in payments.

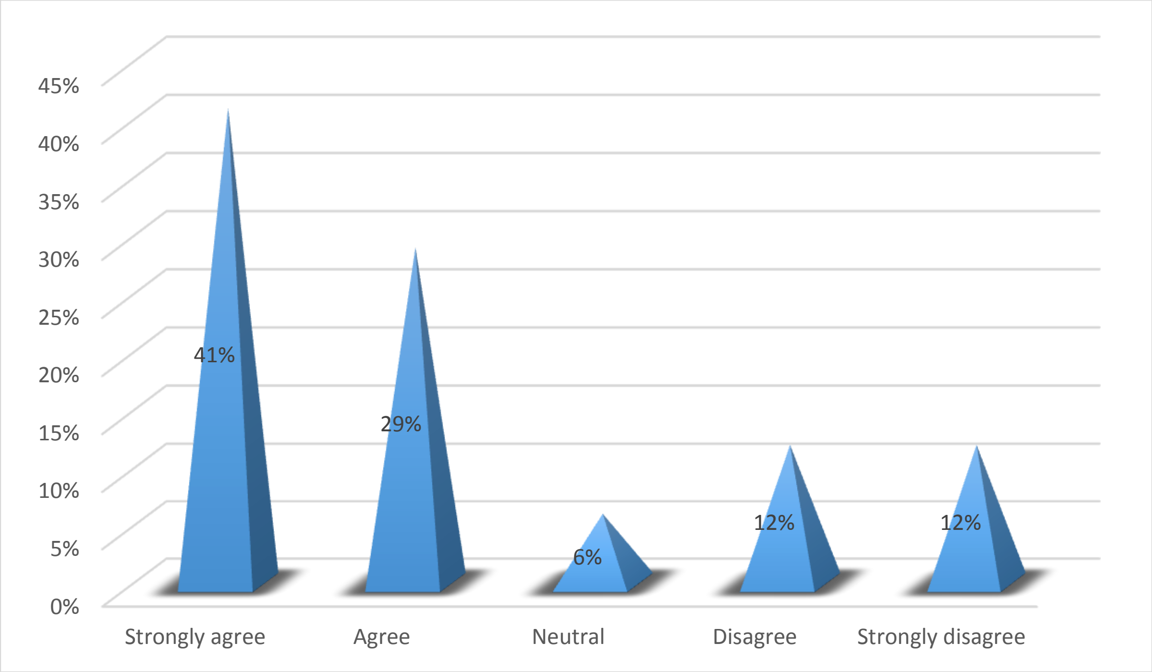
4.9 Measures to curb non-compliance to taxation

4.9.1 To what extend do you agree that the following can curb non-compliance to taxation?

Table 4.17 Influence of tax education on compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	7	5	1	2	2	17

Figure 4.13 Influence of tax education to compliance



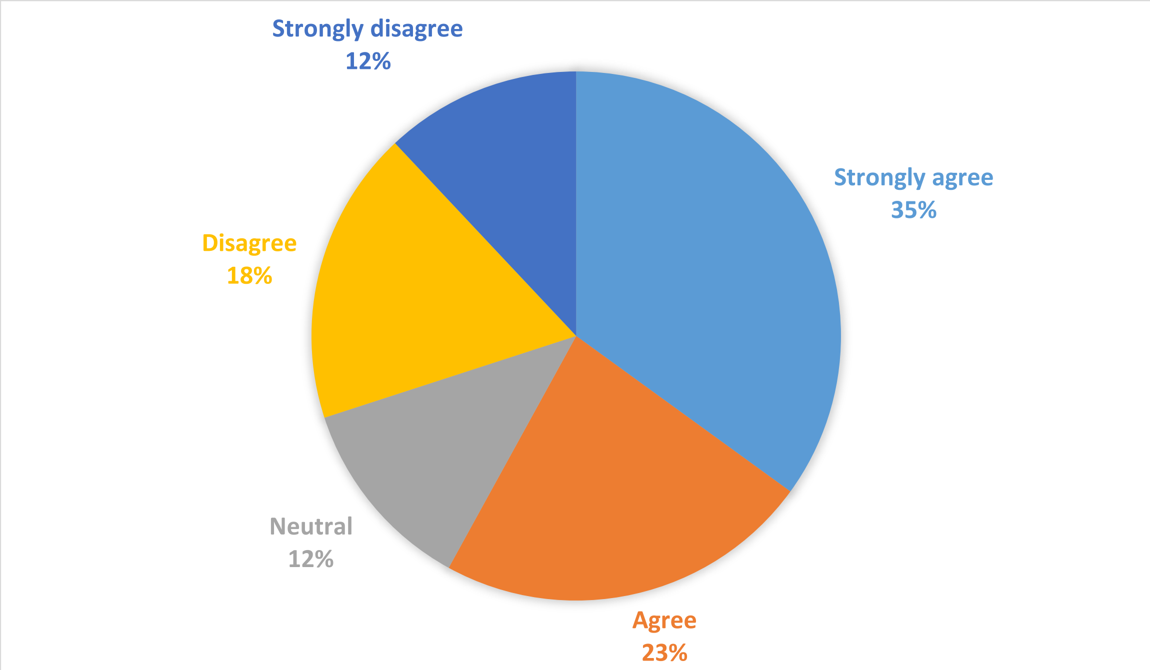
It can be depicted figure 4.13 above that 41% of the respondents strongly agree,29% agree while 6% were neutral on the claim that when employees are equipped with tax education, they will be a decline in the level of non-compliance. On the other hand 12% of the respondents disagree and 12% strongly disagree that tax education can curb non-compliance within the organisation. Since the majority being 70% of the respondents were in agreement and the other 30% disagree it can be concluded that tax education can curb non-compliance.

During the interviews the respondents on question five emphasized on the need for tax education within the firm so as to curb the high rate on non-compliance within the firm. The above results concurred with what Zivanai et al (2016) found in their study, that if employees are equipped with tax education the level of non-compliance will decrease. Based on the above results it can be concluded that tax education can influence compliance to taxation within companies.

Table 4.18 Relationship between engaging tax consultants and decrease in non-compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	6	4	2	3	2	17

Figure 4.14 Relationship between engaging tax consultants and decrease in non-compliance



The results shown in figure 4.14 indicates that 35% of the respondents strongly agree,23% were in agreement that engaging tax consultants will curb non-compliance to statutory regulations. The other 12% of the respondents were neutral while 18% disagreed and 12% strongly disagree that engaging tax consultants will result in a reduction in non-compliance rate. According to figure 4.15 above, it can be concluded that if the company engage tax consultants the non-compliance rate to taxation will decrease, this concurred with the findings of Osebe (2013) who concluded that engaging tax consultants will results in a decrease in the level of non-compliance, due to the fact that tax consultants are always up to date with changes in tax computation. The majority of the respondents during the interviews revealed that if the company engage tax consultants in the computations of taxation, they will be a decline in non-compliance as a result of proper computation thereby reducing non-compliance costs. Therefore based on the above results, it can be concluded that when the company engage tax consultants, the level of tax compliance will rise thereby resulting in an increase in the profitability of the organisation.

Table 4.19 Influence of fiscalisation on compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	4	5	3	2	3	17

Figure 4.15 Influence of fiscalisation on compliance

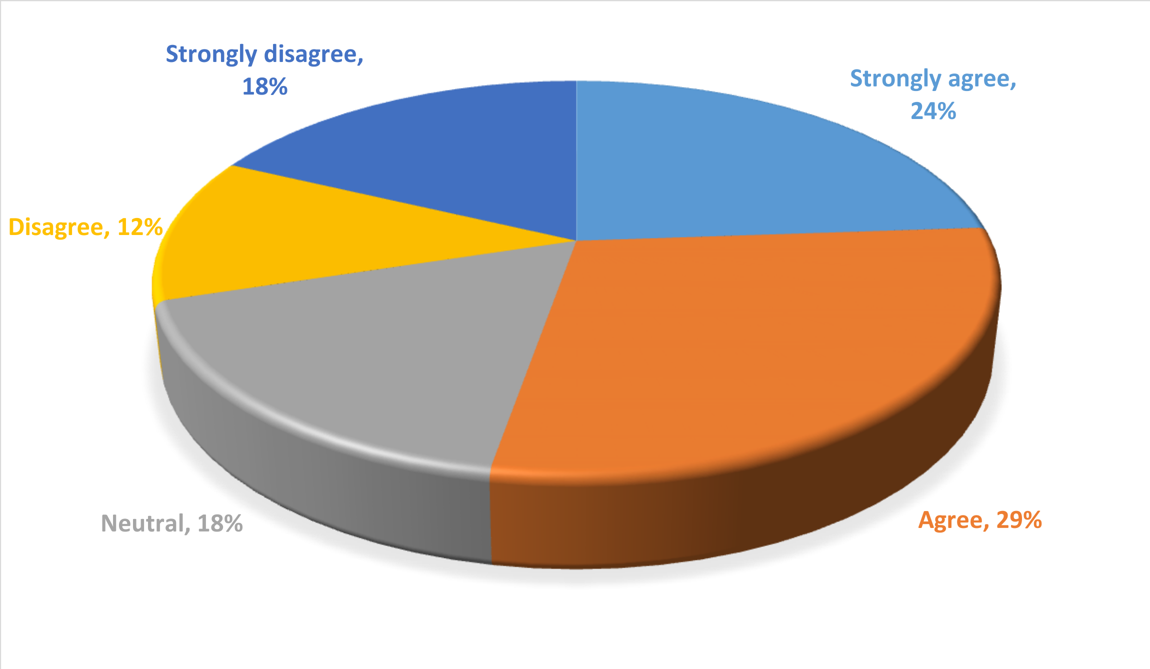


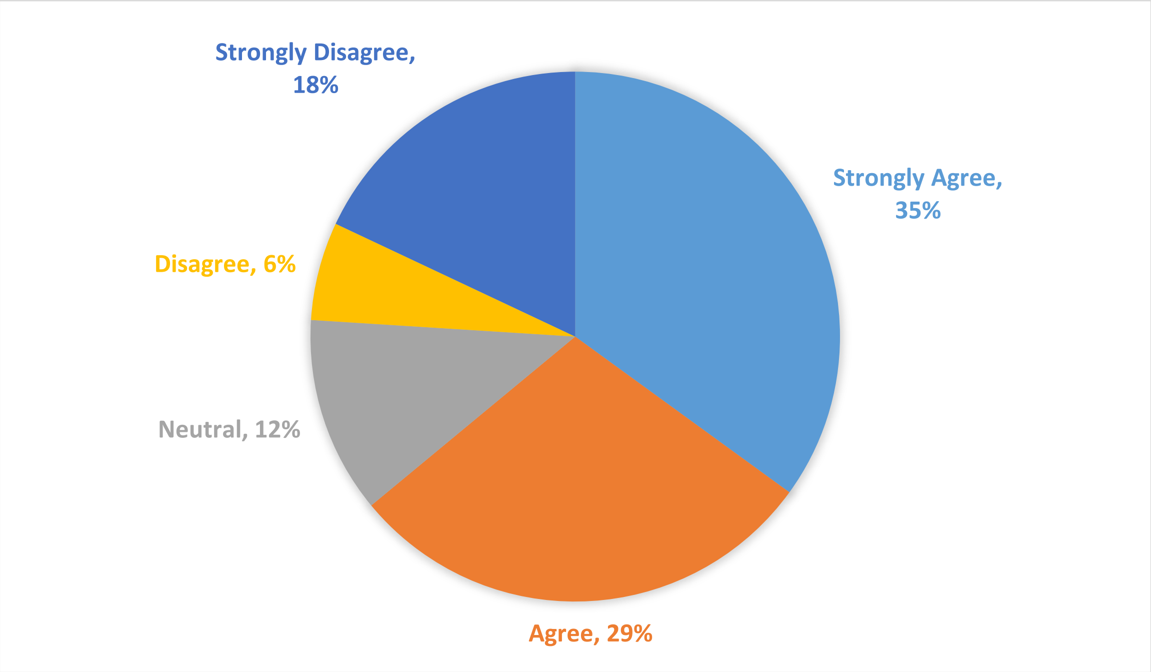
Figure 4.15 shows that 29% of the respondent agreed that fiscalisation can influence compliance within the company and 24% strongly agreed to the above claim. From the respondents 18% were neutral. On the other side, 12% disagreed and 18% strongly disagreed that fiscalisation will curb non-compliance within the company. Therefore based on the above results it can be concluded that 53% being the majority of the respondents were in agreement and the other 47%disagreed that fiscalisation can influence compliance within the company.

Since the majority of the respondents agreed that fiscalisation can curb non-compliance, this matches with the findings of Dalu et al (2015) as they discovered that fiscalisation influence the level of compliance within companies. The respondents from the interview question 5 cited that fiscalisation will result in compliance especially to VAT since the company is still doing the computations manually. From the above information it can be concluded that fiscalisation results in an increase in the level of compliance since it allows for accuracy in calculations and also the amounts will be automatically paid to tax authorities upon payment of the client.

Table 4.20 Influence of knowing the legislation and implementing it internally to compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	6	5	2	1	3	17

Figure 4.16 Influence of knowing the legislation and implementing it internally to compliance

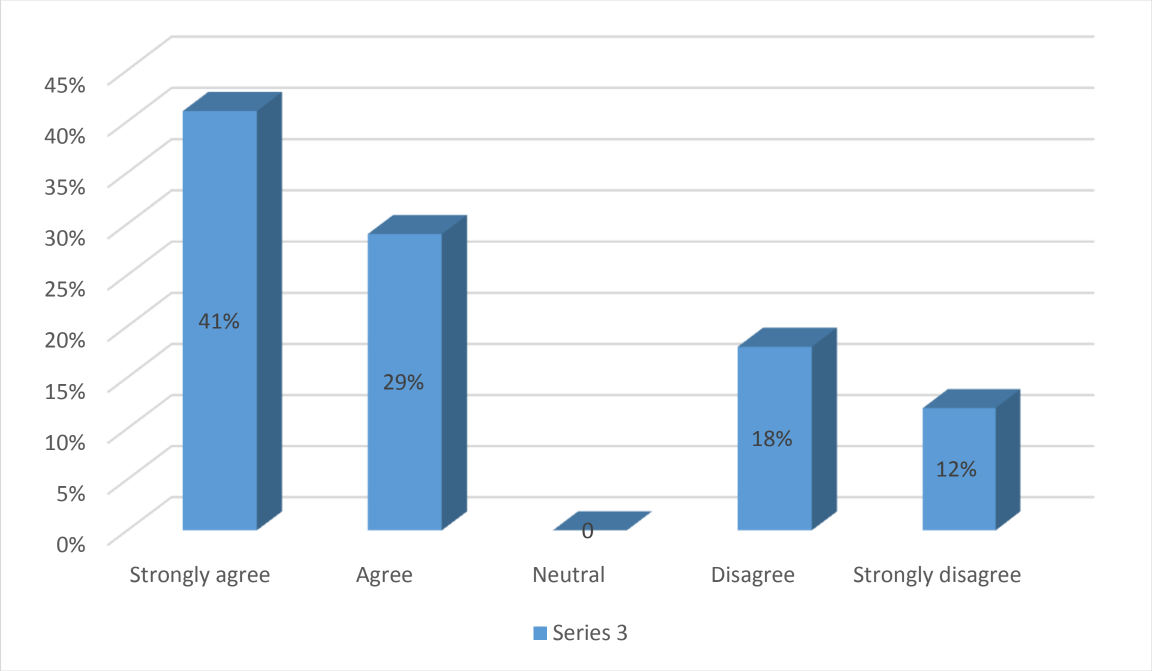


It can be noted from figure 4.16 that from the respondents to the above claim 29% were in agreement,35% strongly agreed while 12% were neutral on the effect of knowing the legislation and implementing it internally on the non-compliance rate. The other 18% strongly disagreed to the above claim and 6% further disagreed that when management became aware of the legislation and implement the legislation internally it will influence the level of tax non-compliance. Therefore 59% of the respondents were in agreement and 41% being the minority disagreed that when management know the legislation and implement it internally will result in a reduction on level of non-compliance. The respondent's form the interviews added that non-compliance within the firm was also as a result of lack of knowledge. The above results are in agreement with the findings of Sarker (2013), who found that the use of self-assessment system would improve compliance among firms. Based on the above results it can be concluded that if management know the legislation and implements it internally this can curb non-compliance to statutory regulations.

Table 4.21 Influence of effective management of cash flows to compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	7	5	0	3	2	17

Figure 4.17 Influence of effective management of cash flows to compliance



From the figure 4.17 above it can be noted that 41% of the respondents strongly agreed and 29% agreed that if the company practise effective cash flow management this will result in a decline in non-compliance to both taxation and statutory regulations.It can also be noted that none of the respondents were neutral on the above claim, while 18% disagree and 12% strongly disagreed that proper management can curb non-compliance to statutory regulations within the company.Therefore based on the above information, the majority being70% were in agreement and the other 30% disagreed that proper financial management can curb non-compliance.

None of the respondents to interview question five on measures which can be implemented to curb non-compliance cited that if management practise proper financial management will result in compliance thereby improving the financial performance of the company.

According to questionnaires responses it can be noted that if management become engaged in proper management of the cash flows the level of non-compliance will decrease thereby improving the company's profits since no funds will be channelled towards non-compliance costs. This is also in line with the findings of Drury (2013) as he pointed out that when management implements proper financial management strategies, costs associated with non-compliance will be avoided since they will be able to remit amounts due on time. Based on the above findings it can be concluded that proper financial management will lead compliance within the company.

Table 4.22 Influence of automated payment procedures to compliance level

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Responded	4	3	3	5	2	17

Figure 4.18 Influence of automated payment procedures to compliance level

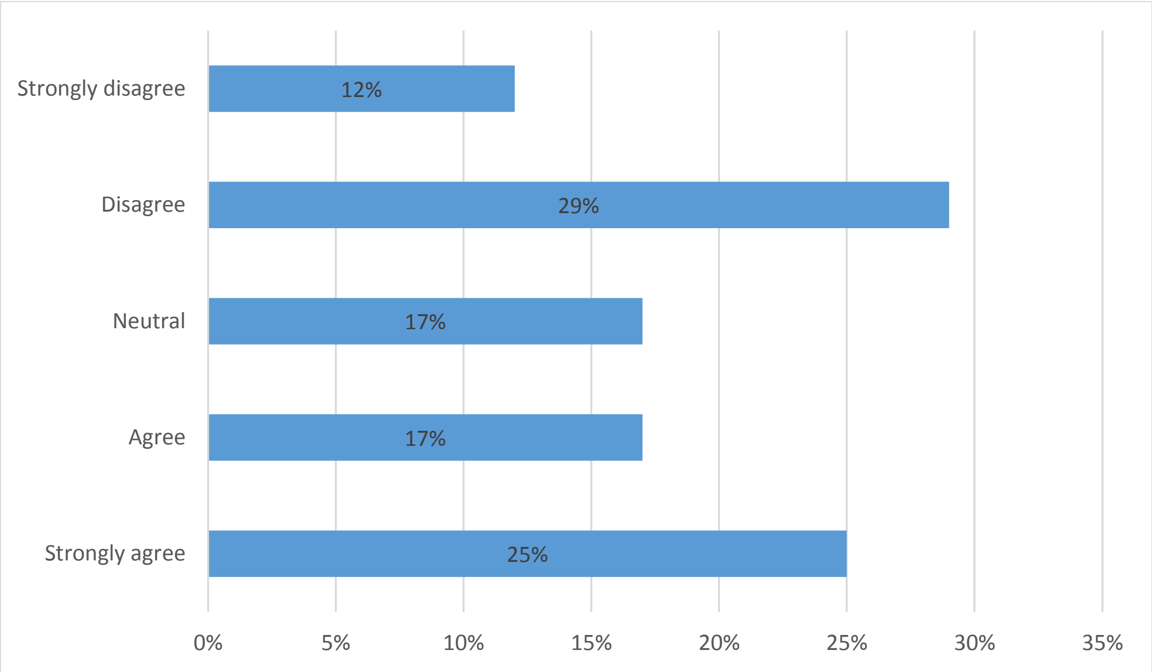


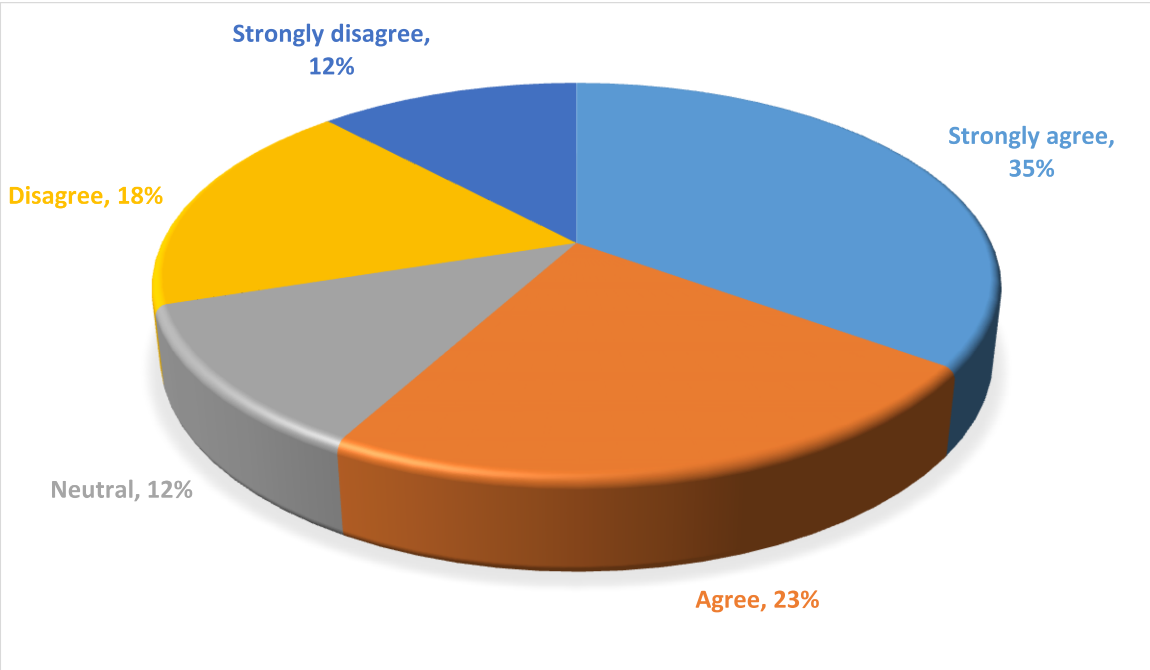
Figure 4.18 illustrates that 25% of the respondents strongly agreed to the above claim, 17% agreed while the other 17% were neutral on the influence of the automated payment system on compliance level.The other 29% of the respondents disagree and 12% strongly disagreed to the above claim.Therefore 42% of the respondents were in agreement and the other 58% disagreed that automated payment procedures does not influence non-compliance to statutory regulations.

Allman –Ward et al (2017) as they concluded that the use of automated payment system on statutory regulations will reduce non-compliance among the company since there will be no errors in calculations and the amounts will be automatically remitted by the bank when they fall due. Half of the respondents to interviews were in agreement that automated payment system can curb non-compliance while the other half were indifferent on the effect of automated system to non-compliance. Based on the above findings the researcher came out with the conclusion that, although automated payment system increase the level of compliance, the majority of the respondent do not agree because they question the availability of funds when the payments fall due since management does not practise effective cash flow management.

Table 4.23 Implementation of a company policy that mandate management to attend all statutory regulatory workshops

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Responded	6	4	2	3	2

Figure 4.19 Implementation of a company policy that mandate management to attend all statutory regulatory workshops



As shown in figure 4.19, 35% of the respondents strongly agreed and 23% were in agreement that if the company make it a policy that all management should attend workshops conducted by statutory regulations board, the rate of compliance will increase within the firm. The other 12% of the respondents were neutral while 18% disagree and 12% strongly disagreed. Therefore in aggregate 58% were in agreement and the other 42% disagree on the above claim. 18%.

During the interviews the majority of the respondents being in the management also highlighted their need to attend workshops conducted by statutory boards so as to enhance their compliance knowledge. Based on the above results it can be concluded that if management are involved in workshops conducted by statutory authorities, this can lead to compliance in statutory obligations. Maseko (2014) pointed out that management should be involved in workshops and seminars since more knowledge on statutory regulations is disseminated clearly so as to encourage compliance. The workshops conducted by the statutory regulatory authorities will also enlighten management on ways for planning the company finances.Moreso measures which can be taken to avoid penalties during the financial crisis are also highlighted during the workshops and seminars.

4.10 Interview Response Rate

The researcher scheduled four interviews with each department head as a way of collecting qualitative data. Due to the fact that the interviews were scheduled on time, all the respondents managed to attend the interviews culminating a successful response rate of 100%.

4.10.1 What are the contributing factors that have been causing the company not to remit its taxes as required the law?

The majority of the respondents pointed out that one of the factors that contributed to the company not remitting its taxes would have been lack of tax knowledge on how Vat and Withholding taxes were remitted. The company have been basing on the requirements that UN organisations were exempt from taxes, of which the VAT act section highlighted that they are supposed to remit as per the contract agreement and they claim the taxes from the tax authorities. However the company has not been including the VAT component on all UN organisation invoices for the previous years which resulted in penalties and fines being incurred by the company.

Based on the results of questionnaire one which is on the factors that influence non-compliance to taxation, the majority of the respondents being 76% agreed that non-compliance to taxation was influenced by lack of tax knowledge. This was also supported by

Dlamini (2017) and Zivanai (2016) as they concluded from their studies that non-compliance among tax payers was as a result of lack of adequate tax knowledge. Rahayu et al (2017) further emphasised on the need for the government to equip tax payers with tax knowledge and understanding in order to reduce the rate of non-compliance.

Based on the above results it can be concluded that lack of tax knowledge among employees has resulted in non-compliance to taxation within the firm.

4.10.2 What are the reasons that have been causing the company not to remit amounts due to NSSA and ZIMDEF?

The interviewees explained that the major contributing factors to non-compliance NSSA and ZIMDEF was the lack of adequate funds within the company which was caused by both economic constrains and financial crisis within the country. They also highlighted that their salaries are always in arrears and as a result some of the deductions will not be remitted even upon settlement of salaries arrears. They further highlighted that although there are economic challenges within the nation, the company must practise proper financial management of funds so that statutory regulations will be priorities.

It can also be noted from the questionnaires on the impact of liquidity crunch and financial crisis that the majority being 53% of the respondents agreed that the liquidity and financial crisis has influenced non-compliance statutory regulations. This was also highlighted in the reports of NSSA and Zimdef (2016) as they highlighted that the financial crisis within the country has resulted in companies not remitting contributions due to the boards. The majority of the respondents pointed out that in addition to the poor economic environment within the country, poor financial management of funds within the company further led to non-compliance to statutory regulations. This is in agreement with Ngwenya (2014) as he highlighted that the non-compliance to statutory regulations was influence by poor financial constrains within the economy and this has resulted in employer struggling even to pay employee’s salaries on time and more so the statutory contributions which will be deducted but not remitted.

Therefore based on the above results it can be concluded that the poor financial economic constrains and lack of proper financial management within the company has resulted in non-compliance to statutory regulations within the company.

4.10.3 What are the effects of non-compliance to taxation and statutory regulations on the profit of the company?

The respondents concurred that non-compliance to taxation and statutory regulations have resulted in the company incurring penalties and fines which results in decline in the company's profits. Some of the respondents clearly noted that the level of productivity will decline due to stress associated with non-payment of salaries on time since the funds will be channelled towards settling penalties and funds. They further explained that at some point the company's funds were garnished and this resulted in the company failing to pay suppliers on time and the company losing the majority of service providers due to delays in payments. They further added that due to loss of suppliers there was a decline in profits during that period.

The majority of the respondents from the questionnaires on the effects of penalties to financial performance being 76% were in agreement that penalties had resulted in the decline in the profits of the company. In addition 64% of the respondents to questionnaires agreed that non-compliance to statutory regulations can results in garnishment of the company bank accounts. This was also revealed by some of the respondents during the interviews who have once witnessed the garnishee of bank accounts and the effects of non-compliance to both taxation and statutory regulations.

The above results were also supported by Asenov (2015) as he pointed out that penalties and fines which arises due to non-compliance lead to decreases in the profits of the organisation. This was also supported by Aproskie and Goga (2013) as they pointed out that penalties and fines usually results in price increase of the goods or services offered by the firm and as a result this will lead to higher prices, thereby inevitably reduce the sales and there will be a decline in the profitability of the organisation.

4.10.4 What have been the effects of operating without a tax clearance to the company?

All the interviewees explained that the company's failure to obtain a tax clearance on time have adversely affected both the revenue and profits of the organisation. Since most of the tenders require companies with a valid tax clearance, the company was restricted to bid for those tenders which did not require a tax clearance, which resulted in a sharp decline in sales revenue for the company. On the other side suppliers were deducting 10% withholding tax on all supplies since the company failed to furnish them with a valid tax clearance and this has been increasing losses of the company. The respondents also highlighted that absence of a tax clearance results in the company being obliged to pay presumptive tax on imports which have adversely affected the cash flows of the company. They added that most of the suppliers have lost confidence in doing business with the company, due to failure to secure both a tax clearance and business licence.

From the respondents of the questionnaire, 64% agreed that operating without a tax clearance has resulted in a reduction in the sales revenue of the company. This is in agreement with the findings of Tshuma (2017) who concluded that when a company operates without a tax clearance some of the tenders will be lost to competitors since a tax clearance is a prerequisite when tendering.

Therefore based on the above results it can be concluded that operating without a tax clearance has negatively affected the financial performance of the company due to loss of sales revenue.

4.10.5 What are the strategies that have been adopted to enhance the level of tax and statutory regulations compliance?

The respondents pointed out that company has since embarked on working together with the liaison officer as a way to enhance the level of tax compliance and also its account managers from Zimdef and NSSA for statutory regulations. They further added that the management was in the process of seeking a tax consultant firm to assist on the tax calculations as a way to enhance the level of compliance to taxation.

Respondents on questionnaire 7 on suggested measures to curb non-compliance, 58% of the respondents agreed that engaging tax consultants will results in compliance to taxation within the company. This was also supported by Katz (2013) as he highlighted that engaging tax consultants will result in a decrease in the rate of non-compliance since tax consultants are always up to date with changes in tax regulation.

During the interviews, the respondents highlighted that management have started to inform the employees on the remittance of their contributions to NSSA and Zimdef every month. They further stated that they were working on strategies so as to make sure that they remit the contributions due on time. The majority being 70%, of the respondents from questionnaire 7 on the measures to curb non-compliance agreed that if the company practises proper financial management this will result in a reduction in the level of non-compliance.

This was also supported by Drury (2013) as he pointed out that if management practise proper financial management strategies, costs associated with non-compliance will be avoided. They further added that the management was also in a process of liaising with local authorities to be informed on all workshops and meetings associated with compliance to taxation and statutory regulations, so as to educate personnel and as well to keep the employees updated on taxation and statutory regulation issues.

4.11 Summary

The chapter covered data and presentation analysis from the study using charts, bar graphs and pie charts so as to give summaries of the research findings. Results from the interviews conducted were also analysed and conclusion given. The next chapter will mainly focus on summaries, conclusions and give recommendations regarding the study.

CHAPTER 5

SUMMARIES CONCLUSIONS AND RECOMMENDATIONS

5.1ntroduction

This chapter encompasses summaries, conclusions and recommendations that the researcher came up with after conducting the study. The conclusions are based on the outcomes of the research data and the analysis of the findings. The recommendations are expected to assist the company in coming up with courses of action that may be adopted to curb non-compliance which results in adverse financial performance.

5.1 Chapter Summaries

5.1.1 Chapter 1

Chapter 1 covers the background of the study on the effects on non-compliance to taxation and statutory regulations on company financial performance using Jimat Development Consultants as a case study. The research problem was established after realizing that there was a decline in huge sums of profits from the year 2015 to 2017 as a result of cost associated with non-compliance to taxation and statutory regulations. This research question brought about research objectives which were revealed through the study. The researcher further explained the research questions, limitations, delimitations of the study as well as assumptions made on the study.

5.1.2 Chapter 2

Chapter 2 focused on the literature review form different authors in regards to the objectives cited in chapter one. It discuss what other scholars concluded about the causes and ways to curb non-compliance on taxation and statutory regulations. It further highlighted the effects of non-compliance to taxation and statutory regulations on company financial performance. The most prominent authors in Chapter 2 were Dlamini (2017), Zivanai et al (2016) and Mohamad et al (2017) who concurred that lack of knowledge on taxation and statutory regulations was the major influence of non-compliance within the company.

5.1.3. Chapter 3

Chapter 3 outlines the research methodologies incorporated by the researcher in carrying out the study. Data was acquired using the mixed research approach. In order to get reliable data, the researcher opted for the census where by the research instruments such as questionnaires were distributed to the whole population. Interviews were also conducted, one interview from each of the four departments. The chapter further outlines the methods to be used when presenting data in Chapter 4 which are tables, graphs and pie charts.

5.1.4 Chapter 4

Chapter 4 focuses on data presentation and analysis. Raw data collected using questionnaires was presented on tables, graphs and pie charts so as to come up with conclusion on the findings. Qualitative data from interviews was also analysed and conclusion reached based on the opinions of the respondents. The information from data analysis in Chapter 4 provides a guide line for the establishment of recommendations to the company.

5.2 Major findings

5.2.1 Causes of non-compliance to taxation and statutory regulations.

The results of the study identified lack of knowledge for both taxation and statutory regulations as the major determinant for non-compliance within the firm. It was also further revealed that poor financial management within the company have also resulted in the company failing to comply with both taxation and statutory regulations.

However, there are other factors that influence non-compliance such as complexity in both taxation and statutory calculation, high tax rates, while to statutory regulations it is influenced by low penalties and fines for non-compliance. Also it was highlighted that the size of the firm to some extent affects the non-compliance level of the firm.

5.2.2 Effects of non-compliance to taxation and statutory regulations

The results of the study found that non-compliance to taxation and statutory regulations is the major contributing factor to decline in profit margins due to penalties and fines associated with non-compliance. It further revealed that costs associated with non-compliance which are penalties and fines have increased the amounts which the company owes Zimra, NSSA and Zimdef there by the company cannot be granted a tax clearance. Failure to secure a tax clearance on time has an adverse effect on the revenue of the company since the company will not be able to qualify to bid for certain tenders of higher monetary values.

5.2.3 Strategies that can be implemented to curb non-compliance

The study revealed that there is need for the employees to be equipped with knowledge for both taxation and statutory regulation so as to curb non-compliance. It was further noted that when the employees become knowledgeable, management on the other side must strategically device ways of managing the financial resources for the company such that the amounts will be remitted on time. Moreover engaging tax consultants can also results in compliance within the company.

5.3 Conclusion

The research was successful as the investigation indeed revealed that non-compliance to taxation and statutory regulation has a negative and significant impact on the financial performance of Jimat Development Consultants. It further revealed the reasons and effects of non-compliance and then suggested ways that can be exercised by management to curb non-compliance within the firm.

5.4 Recommendations

There is need for the management of the company to consider the following for the purposes of restraining non-compliance within the company:

5.4.1Complying with taxation in order to obtain tax clearance on time.

The company should comply with both taxation and statutory regulations, so that it obtains tax clearance on time and therefore it will be able to bid for tenders which requires tax clearance for a company to participate. This will result in an increase in the sales revenue since no extra cost for non-compliance will be incurred and therefore results in profitability of the company.

5.4.2 Provision of tax knowledge to employees through tax seminars and workshop

The company should embark on equipping employees with tax knowledge through workshops and seminars conducted by tax authorities. Smulders and Naidoo (2013) supported that if tax payers are equipped with tax knowledge, the rate of non-compliance will decrease thereby increasing the financial performance of the company.

5.4.3 Engaging tax consultants

Jimat should also consider engaging tax consultants in the filing and calculation of taxation since they have an upper hand of tax information. This was supported by Katz (2013) as he highlighted that engaging tax consultants will result in compliance since tax consultants are up to date with changes in tax regulations. Engaging tax consultants also positively affects the financial performance due to the fact that no extra cost will be incurred to fines and penalties and moreover the consultants will assist with legal tax planning strategies which can be practised so as to reduce the tax burden.

5.4.4 Proper management of financial resources within the company

The company should consider practising proper financial management practises so as to comply with statutory regulations. This was also supported by Drury (2013) as highlighted that if management implements proper financial management strategies the level of compliance will increase thereby increasing the profitability of the company.

5.4.5 Provision of knowledge on the computation of statutory regulations through attending workshops conducted by NSSA and Zimdef.

Jimat should also consider making it a company policy that management should attend workshops conducted by NSSA and Zimdef so as to educate them on the calculations, filing and remitting of statutory contributions. This was also supported by Sarker (2013) who concluded that if employees became aware of the statutory regulations and implement it internally will result in decrease in the level of non-compliance.

5.5 Further area of study

The research was a success although it was limited to a case study of Jimat Development Consultants only. This implies that there is need for other researchers to consider other companies in Zimbabwe and other determinants which may lead to poor financial performance within the company.

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APPENDICES

APPENDIX A

Midlands State University
P Bag 9055
Gweru

17 April 2017

The HR Manager
Jimat Consult Pvt Ltd
12 Cass Avenue
Hillside
Harare Zimbabwe

Dear Sir/Madam

REF: REQUEST FOR PERMISSION TO COLLECT RESEARCH DATA FROM YOUR ORGANIZATION

My name is Juliet Mugodhi.l am a fourth year student at Midlands State University undertaking a Bachelors of Commerce in Accounting (Honours) degree. In partial fulfilment of the program l am conducting a research study on "The effects of non-compliance to taxation and statutory regulations on company financial performance" using Jimat Development Consultants as a case study.

I am kindly asking for permission to distribute my questionnaires to the finance, administration, business development and the projects department. Please be insured that any data gathered from your organisation will be used solely for the purposes of this study. I would also want to assure your organisation that any confidentialities will not be compromised

Thank you for your co-operation in advance.

Yours faithfully

Juliet Mugodhi (R147396T)

Company Stamp

APPENDIX B

RESEARCH PROJECT QUESTIONNAIRE

Research Topic: **The effects of non-compliance to taxation and statutory regulations on company financial performance**

Instructions

- You are required to respond to the attached questionnaire questions.
- Please indicate by an **X** in the box corresponding to your answer
- Do not write your name on the questionnaire

Section A: Preliminary Research Questions

1. Please indicate your gender

Female	Male

2. Please indicate the range of age in which you are in

Below 20	21-30	31-40	41-50	Above 50

3. In which department do you work?

Finance	Administration	Business Development	Projects

4. How many years have you been in the department?

Less than 1 year	2-5 years	6-9 years	More than 9 years

5. Please indicate your highest level of qualification

Ordinary Level	Advanced Level	Certificate	Diploma	Degree	Master

Other (specify)…………………………

SECTION B

6. To what extent do you agree that the following have an impact on tax non-compliance?

	Determinates of non-compliance to tax	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(i)	Tax knowledge					
(ii)	Tax complexity					
(iii)	High tax rates					
(iv)	Size of the firm					

7. To what extend do you agree that the following have an impact on non-compliance to statutory regulations?

	Determinates of non-compliance to statutory regulations	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(i)	Liquidity crunch and financial crisis					
(ii)	Complexity of payment procedures					
(iii)	Low penalties for evasion					

8. To what extend do you agree that the following are effects of non-compliance to taxation?

	Determinates of non-compliance to statutory regulations	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(i)	Penalties reduces the organisational profit					
(ii)	Operating without a tax clearance reduces sales volume					
(iii)	Potential manipulation of accounting statements					

9. To what extend do you agree that the following are effects of non-compliance to statutory regulations?

	Determinates of non-compliance to statutory regulations	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(i)	Delisting of the company on the stock exchange					
(ii)	Prosecution					
(iii)	Garnishee of bank accounts					

10. To what extend do you agree that the following are effects of non-compliance to statutory regulations?

	Determinates of non-compliance to statutory regulations	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(i)	Prosecution					
(ii)	Garnishee of bank accounts					

11. To what extend do you agree that the following can curb non-compliance to taxation and statutory regulations?

	Measures to curb non-compliance to taxation and statutory regulations	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
(i)	Engaging tax consultants					
(ii)	Tax education					
(iii)	Fiscalisation					
(iv)	Knowing the legislation and implementing it internally					
(v)	Automated payment system					

You can add other general or specific information regarding the above subject that you feel has been insufficiently addressed or needs further clarification.

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Thank you

APPENDIX C

RESEARCH INTERVIEW GUIDE

Questions

1) What are the contributing factors that have been causing the company not to remit its taxes as required the law?

2) What are the reasons that have been causing the company not to remit amounts due to NSSA and ZIMDEF?

3) What are the effects of non-compliance to taxation and statutory regulations on the profit of the company?

4) What have been the effects of operating without a tax clearance to the company?

5) What are the strategies that have been adopted to enhance the level of tax and statutory regulations compliance?