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DECLARATION FORM

I Paul Gosha, do hereby declare that this dissertation is the result of my own research except to the extend indicated in the acknowledgements and references. This research has not been submitted in part or in full for any other degree for consideration by any other university. As such no part of this research in any form, electronic or photocopy may be reproduced for any other purposes other than for academic without the approval form the undersigned.

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DEDICATION

I would like to dedicate this dissertation to my children, mother, father and my wife for their love and encouragement during period of study.

ACKNOWLEDGEMENTS

Firstly I would like to thank Dr. A Makasi, my project supervisor for his guidance and support during the research period.

I would also like to thank the Almighty God for his guidance from the start of the research up to the end. A special note of thanks is extended to my family and friends who supported, encouraged, advised me and otherwise assisted me during the research. I am also grateful to my respondents who gave their time to participate in the research interviews.

May God bless you all.

ABSTRACT

The objective of this research was to establish the effect of net wealth tax on public deficit in Zimbabwe since the country's budget deficit is growing from 2014 up to the present day. The main thrust was put on the effect of wealth distribution on public deficit, effect of wealth valuation on public deficit, the effect of wealth tax unit on public deficit, effect of wealth tax administration on public deficit, effect of wealth tax efficiency on public deficit and finally the effect of wealth tax challenges on public deficit. A survey was carried out from a sample in Harare where respondents from the two stratums that is the low density and the high density were randomly chosen. The respondents indicated their views on the questionnaires and the majority of the respondents agreed that there is unequal wealth distribution in Zimbabwe. The respondents also agreed that the distribution of wealth have an effect on the budget deficit of the country. The relationship between wealth valuations to budget deficit was viewed by the respondents to be in existence. The research findings also established that wealth tax unit has an impact on public deficit in Zimbabwe. From the respondents' views, the relationship between wealth tax administration and budget deficit was found to be positive. On wealth tax efficiency mixed views were obtained and the generality of the respondents indicated that there is a negative relationship between wealth tax administration and budget deficit. The government can use the results from this research to implement the net wealth tax since the majority of the respondents agreed that net wealth tax is a good policy and that the benefits derived from its implementation outweigh the disadvantages. The research centered on the effect on net wealth on budget deficit only. Future research on the effect of wealth tax in reducing inequality need to be looked at since the country is faced with unequal distribution of wealth.

ABBREVIATIONS

ZIMRA –	Zimbabwe Revenue Authority
VAT -	Value Added Tax
SPSS-	Statistical Package for Social Scientist
OECD-	Organisation for economic co-operation and development.
GDP-	Gross domestic product.
HIPC-	Highly Indebted Poor Country
MDRI-	Multilateral Debt Relief Initiative
IMF-	International Monetary Fund

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

In this study the researcher analyzed the effect of net wealth tax on public deficit in Zimbabwe. The background of the study, statement of the problem, research objectives, research questions, hypothesis testing, significance of the study, delimitations, assumptions, and limitations, definition of terms and summary of the chapter is covered in this chapter.

1.1. Background to the study

The global financial crisis of 2007-2008 caused by the sub-prime mortgage in USA have seen many countries falling into budget deficit and the world recorded its worst recession since the Great Depression of 1930 (Kanyenze et al, 2011). In many countries budgets were left in a mess state and the whole of OECD countries had their debt to GDP ratio sky rocketing to 110 per cent (Bach et al, 2014).Germany one of the OECD countries which quickly recovered from this recession continued to suffer from budget deficits. Bach et al, (2014) noted that Germany reacted to this budget deficit by putting on its agenda a capital levy to enable it increase the country's revenue base. Kanyenze et al, (2011) discovered that even African countries were not spared from the effects of this recession. Many African countries applied for HIPC adopted by World Bank and IMF as a way of giving relief to countries who had borrowed to recover from budget deficit. Kanyenze et al, (2011) noted that the IMF required the indebted country to undergo IMF programs for six years and also to maintain a stable macro-economic conditions before qualifying for a highly indebted poor country status. For all the countries which qualified for HIPC only Uganda reached the completion stage and this HIPC failed to provide the necessary recourse to the African countries' budgets deficit (Kanyenze et al, (2014).The G8 summit at Gleneagles further introduce MDRI which requires financial institutions to write off 100 percent debt of developing countries that reached the completion stage.(Kanyenze et al,2011).Despite all the initiatives of the IMF and World bank to assist African countries, budget deficit continued to haunt African countries.

Zimbabwe one of the developing countries which was also severely affected by recession and budget deficit failed to qualify for either HIPC or MDRI and has to look for solutions to its budget deficit internally. The Zimbabwean government is facing severe challenges in addressing public priorities like health, education and standards of living is going down amid huge deficit. The country has seen a massive concentration of wealth in the hands of a few individuals and families since dollarization and this has since created a huge gap between the rich and the poor as evidenced by luxarious cars owned by the rich and the many big houses they build while the poor can hardly secure a stand in the high density area. What is happening in Zimbabwe can be seen as a tale of two parallel nations in one. The rich can sink boreholes at their homes while the poor die of cholera and typhoid whenever there is an outbreak due to unclean water, the rich rely on generators for power when there is power cuts while the poor stay in darkness, with refuse collection a night mare in high density areas, the rich can dispose their own refuse, and seek education and medical attention abroad whilst the majority lament in poor standards of living.

Kanyenze et al, (2011) suggested that the budget deficit in Zimbabwe can be addressed by creating a fiscal space which can be achieved through tax policy by improving tax administration, collection, performance compliance and broadening the tax base. The government, in an effort to broaden the Tax base introduced a number of tax heads for example VAT was introduced but however the revenue is not enough to meet public deficit. The government through (ZIMRA) introduced Value Added Tax (VAT) in year 2004 which replaces sales tax and other small taxes such as gaming, betting and some stamp duties. The introduction of VAT proved to be a success in improving revenue collection in Zimbabwe and since 2009 VAT is the main contributor to total revenue collected (AFRODAD, 2011).The table below shows the contributions made by each tax head towards the clearing of Zimbabwe ‘s budget deficit. From the table below it seems there is no room to create fiscal space by improving the existing tax heads because most of the tax heads surpassed the set targets. Only individual tax, carbon tax, dividend, fees, interest &remittances failed to meet the set targets.

Table 1.1 ZIMRA collections by tax heads

TAX HEAD	2017 TARGET	2017 COLLECTION	VARIENCE	% VARIANCE
Individual Tax	763 000 000,00	490 011 929,78	-272 988 070,22	-35,78%
Company Tax	337 200 000,00	730 496 981,71	393 296 981,71	116,64%
VAT	1 012 135 000,00	1 075 006 919,88	62871919,88	15,28%
Net Customs Duty	287 540 000,00	295 750 282,21	8 210 282,21	2,86%
Excise Duty	674 716 000,00	675 897 301,43	1 181 301,43	0,18%
Carbon Tax	35 340 000,00	30 367 584,15	-4 972 415,85	-14,07%
Mining Royalties	68 770 000 ,00	73 111 798,69	4 341 798,69	6,31%
Dividend, Fees, Interest &Remittances	67 035 000,01	56 839 438,51	-1 195 561,49	-15,21%
WHT on Contracts	87 510 000,00	126 446 817,08	38936817,08	44,49%
CGT &CGT WHT	29 000 000,00	30 317 613,77	1 317 613,77	4,54%
Tobacco Levy	10 904 000,00	13 707 986,44	2803986,44	25,72%
Other Indirect Taxes	26 940 000,00	39 475 011,57	12535 011,57	46,53%
Net Non-Tax Revenue		112 541 950,68	112 541 950,68	
NET REVENUE	**3 400 090 000,01**	**3 749 971 615,89**	**349 881 615,88**	**10,29%**
GROSS REVENUE	**3 400 090 000 01**	**3 978 247 578,44**	**578 157 578,43**	**17,00%**

Source: ZIMRA Revenue Performance Report 2017

The table below shows that even though the revenue received by the government improved over the years due to the introduction of VAT, this did not end budget deficits in the country. The table below shows the Zimbabwe budget deficit since 2014

Table 1.2 Budget deficit from 2014 to 2016

YEAR	2014	2015	2016	**TOTAL**
DEFICIT	186 000 000	125 000 000	1 410 000 000	**1 721 000 000**

Source: Ministry of finance

Piketty (2014) suggested that budget deficits and inequality was worsening and propose the introduction of wealth tax on the net worth of individuals and trusts as a solution for clearing the national debt, widen the tax base and stabilize the economy. Ferry (2011) stressed that wealth tax can increase revenue collected by the government, especially in developing countries where the government is obliged to assist the needy. This tax reform is important if the government is to reduce the effects of the perennial inadequate revenue inflows by boosting its national resources

The Zimbabwe public deficit and economic inequality can be addressed by the introduction of a progressive tax system in the form of wealth tax. Piketty (2014) pointed out that the inequality distribution of wealth which also creates budget deficit may be addressed by wealth tax implementation since the inequality is not an accident but rather a feature of capitalism which can only be reversed through state intervention. Magnus and Gunmar (2014) states that the possession of wealth gives the taxpayer the ability to pay hence redistribution of wealth and an increase of revenue to the government. Sonja et al (2015) state that although wealth tax collection can be small its tax base is less volatile hence stable source of revenue to the government. The current taxation system in Zimbabwe is unsuccessful in adequately taxing the gains from capital appreciation and unearned additions which is acting as important sources of inequality. These circumstances where there are cash barons and property moguls require the imposition of an annual tax falling directly on their wealth, a tax which would also automatically bridges the gap left by capital gains which require tax to be paid on the gains when the asset is sold to third parties and tax is paid only if a gain is realized. Wealth taxation was introduced in Germany in 1952. Currently wealth taxation is practiced in a number of countries, and among others there is France, Columbia and India. In India it comes into existence due to a wide gap between the rich and the poor and as a result a wealth tax was enacted on 1 April 1957. Sweden, Norway, and Denmark have just employed it as a standard feature of their revenue systems for over a half century, and the Netherlands introduced it in 1914. Despite its long European history, the net wealth tax is of very recent origin in the Far East. Pakistan introduced wealth tax more recently, in 1963, after the report of the Taxation Enquiry Committee.

1.2. Statement of the research problem

Many researchers have acknowledged that wealth taxation can reduce inequality by redistributing income (Piketty 2015). Markus et.al (2015) noted that there is little which is known about the relationship between income and wealth and how the understanding of this relationship can help in the formulation of policies such as wealth taxation. A lot has been researched on how other countries implement wealth tax but not much is said on how net wealth tax introduction can help reduce public debt (Markus et.al, 2015). The government of Zimbabwe is facing severe challenges in an effort to address the issue of public deficit and inequality in the distribution of resources in the country. Revenue shortages have continuously affected the government's effort in addressing poor standards of living and poor service delivery like health, education and road services. Corruption had also contributed to amass of wealth and properties by the few at the expense of the generality of citizens. In Zimbabwe wealth taxation is yet to be introduced and this work call for the introduction of wealth taxation on the net worth of an individual so as to expand the tax base of the government and raise significant revenue to enable the government address the problem of public deficit in the country.

1.3. Research Objectives

1.3.1. Broad AIM:

This study aim to establish the effect of wealth tax on public deficit in Zimbabwe.

1.3.2. Specific Research Objectives

The research objectives which follow were formulated in line with the research.

To establish if wealth distribution has an effect on public deficit in Zimbabwe.

To establish if wealth valuation has an effect in addressing public deficit in Zimbabwe.

To investigate the effects of wealth tax unit in addressing budget deficit.

To assess if the administration of wealth tax has an effect on public deficit.

To assess the effectiveness of wealth tax implementation in addressing public deficit in Zimbabwe.

To investigate the extent to which wealth tax challenges affect the implementation of wealth tax in addressing budget deficit.

1.4. Research Questions

Research questions were developed from the research objectives as follows:

To establish if wealth distribution has an effect on public deficit in Zimbabwe.

How wealth is unevenly distributed and how can it be redistributed?

What is the effect of wealth distribution on budget deficit?

To establish if wealth valuation has an effect in addressing public deficit in Zimbabwe

How is wealth valued for wealth taxation?

What are the challenges of valuing wealth?

To investigate the effects of wealth tax unit in addressing budget deficit

To what extend does each tax unit contribute to reduce public deficit?

To assess if the administration of wealth tax has an effect on public deficit.

Does wealth tax administration contribute to more revenue?

How does wealth tax relate to other taxes?

To assess the effectiveness of wealth tax implementation in addressing public deficit in Zimbabwe.

What are the parameters for successful wealth tax implementation?

Will the implementation of wealth tax improve the tax base?

1.5. Hypothesis

The following will be tested in line with the outlined theoretical framework.

H1: Wealth distribution has an effect on public deficit in Zimbabwe.

H2: Wealth valuation has an impact on the success of wealth taxation in addressing budget deficit.

H3: Wealth tax unit has an effect on a budget deficit.

H4: Wealth tax administration enhances the effectiveness of wealth tax in addressing budget deficit.

H5: Wealth tax problems have an effect on public deficit in Zimbabwe.

1.6. Significance of the Study

If the research findings are considered the researcher trusts that the economy, the university, government, Zimbabwe Revenue Authority and the student will benefit as follows:

1.6.1. Economy

Re-distribution of wealth will lead to an improvement in the living standards of the citizens.

1.6.2. The University

The research will add to the University's body of literature which will help other students to identify gaps in this area of research about the implementation of wealth tax which are not yet explored.

1.6.3. The Government

The government will get more revenue to finance its public deficit and reduce inequality in the distribution of wealth.

1.6.4. Zimbabwe Revenue Authority

Zimbabwe Revenue Authority will be able to meet its targets and remit to the government more revenue.

1.6.5. The Student

This research will contribute to the better understanding of wealth taxation by the researcher and in the researcher's professional development.

1.7. Delimitation of Study

1.7.1 .Geographical Delimitation

The research participants will be from Harare only although there are many people outside Harare who have wealth .However, this will not negatively affect the research findings since the majority of high profile people are found in Harare as a capital city.

1.7.2. Data Period Delimitation

The collection of data will be limited to the period from 2014 to 2017.This period was chosen because it is the period where huge budget deficit were recorded.

1.7.3. Theoretical/Literature Delimitation

Literature will only be reviewed on wealth tax implementation and budget deficit as the variables of the research.

1.8. Assumptions

It is assumed for the purpose of this study that the respondents will be willing to give accurate information timeously. The researcher also assumes that the economic atmosphere which necessitated the call for this research will remain constant for the entire research period.

1.9. Limitations of the Study

1.9.1. Sample size

The sample size might be too small to represent the whole population since the outcome of this research might call for policy change which will affect every citizen in Zimbabwe.

1.9.2. Withholding Information

Some research participants might not want to disclose confidential information when responding to questionnaires but the researcher intend to put the data in ranges.

1.10. Definition of terms

Wealth- the value of all the assets of worth owned by a person.

Wealth taxation-are taxes levied on the net value of the taxpayer's net assets.

Budget deficit-is a state where the expenditure exceed the revenue.

Progressive tax system-is a tax system where by those who earn more are taxed higher than low income earners.

Tax evasion-is an illegal way of hiding income from tax authorities.

Fiscal space-is the financing that is available to the government as a result of concrete policy actions.

Emerging economy-the country which is not rich but has potential for growth.

Wealth distribution- is the assessment of the wealth of different members or groups in a society.

1.11. Chapter Outline

Chapter one: Introduction

This chapter gives an insight of the research that is being carried out. It briefly outlines why the study is being carried out and taking into consideration the background of the problem, statement of the problem, research objectives, research questions and the hypothesis.

Chapter Two: Literature Review

Chapter two provides body of knowledge previously carried out by other researchers on the subject of wealth taxation. Literature will also be reviewed on how other countries implemented wealth taxation. The research gap will also be discussed in this chapter.

Chapter three: Research Methodology

Chapter three gives an outline of the research design, sampling methods, data collection and data analysis tools.

Chapter four:Data Presentation, Analysis and Interpretation of findings

In this chapter the responses from questionnaires and interviews are analyzed.

Chapter five: Summary, Conclusions and Recommendations

Chapter five of this dissertation will give a summary, conclusions and recommendations to the research.

1.12. Chapter Summary

This chapter give an insight of the importance of this research by discussing the background of the research problem, research objectives and the research questions the study endeavour to answer. Important terms and abbreviations were defined in this chapter. Theoretical and empirical literature regarding the effect of wealth tax on public deficit will be reviewed in chapter two.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Theoretical and empirical literature reviewed in this study include wealth distribution, wealth valuation, the wealth tax unit, wealth tax administration, and wealth tax economic efficient and wealth tax challenges. The chapter also considered empirical literature from developed countries where wealth taxation was implemented before.

2.1 Theoretical Literature

In this study the theoretical literature reviewed include books, journals and Wealth Tax Acts of other countries were wealth taxation is practised.

2.2: Theoretical Framework

There are two theories of taxation which are the ability theory and the benefit theory (Samuelson, 2012).

2.2.1The ability theory

The ability to pay theory of taxation which was developed by Arthur Cecil Pigou is based on the principle that the person who is able to pay must pay more (Samuelson, 2012). An individual is taxed according to his or her ability to pay. Samuelson (2012) noted that when the income is greater, the tax payable by an individual will also be high and this is the sacrifice made by the taxpayer. The theory suggest that taxes should be favorable to the poor who depend on government assistance and the rich who earn more should cover the gap by paying more taxes. Many countries today use the ability to pay theory when coming up with tax policies. Samuelson (2012) came up with the following utilities which must be considered under the ability to pay principles

Equal sacrifice

The equal sacrifice theory suggests that there must be similar total loss of utility to all tax payers. There must be high taxes on the rich (Samuelson, 2012). The equal sacrifice theory suggest that the rich be taxed deeply than the poor. The theory also calls for more tax for the rich on top of losing a greater absolute amount of utility (Samuelson, 2012).

Equal proportional sacrifice

Samuelson (2012) suggested that a tax system must result in proportional loss of utility which is equal to all tax payers.

Equal marginal sacrifice

Equal marginal sacrifice according to Samuelson 2012 suggest that there must be a huge proportion of utility which must be given up by the rich. The person with more wealth must pay more tax. The equal marginal sacrifice propose that the rich should sacrifice the bigger proportion of their utility. The higher tax burden should be felt by the person with more income. This theory however will lead everyone to have the same income after tax (Cordes at el, 2005).

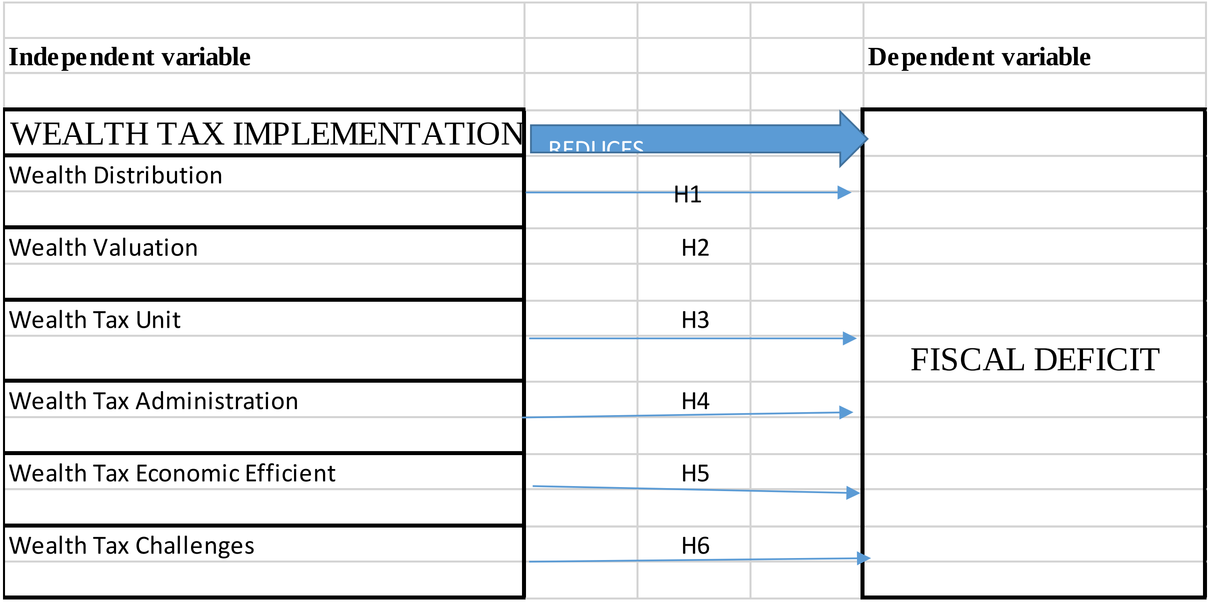
2.2.2The benefit theory

The benefits theory is based on the principles that the person who benefit most from the government should pay more, hence the poor will be vulnerable to more taxes since they demand more assistance from the government (Weinzierl, 2018).This principle according to Weinzierl (2018) will add more burden to the poor and that it is also against the principle of justice. Weinzierl (2018) noted that coming up with the amount of benefit one enjoyed from the government might be difficult and that the expenditure incurred by the government is for the general public and should not be linked to taxation.

2.3: Conceptual Framework

The conceptual frame work below was generated from reviewed literature on wealth tax. Each of the wealth tax constructs shown on the figure below has a bearing on fiscal deficit. From the reviewed literature it was also established that there is a positive relation between the implementation of wealth tax and budget deficit. The relationship between independent variable (wealth implementation) and the dependent variable (budget deficit) is shown by Figure 2.1 below.

Figure2.1



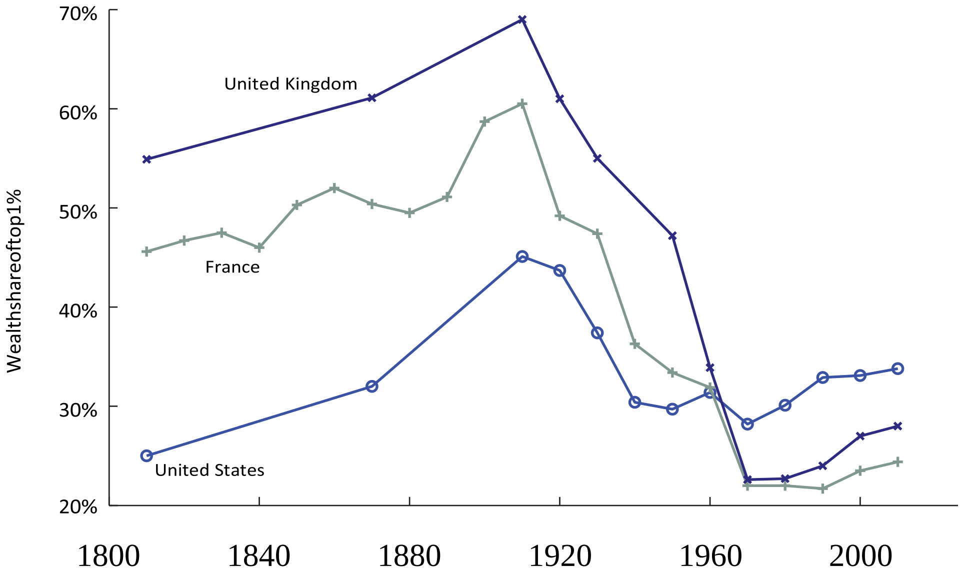
2.4. Literature Review

2.4.1. Effect of wealth distribution on budget deficit

Piketty (2015) said that the history of wealth distribution is political and cannot be reduced to total economic mechanics and is shaped by what social economic and political factors perceive as just and what is not. Wealth distribution is affected by social economic and political factors and the policies chosen by the society to adopt (Piketty, 2015).In USA Benhabb et. al, (2015) noted that there is unequal distribution of wealth with the top 1% of the richest people owing 33% of wealth. The ordinance of Income and Wealth Taxation in Sweden took the unequal distribution of wealth as an opportunity to tax those who are in possession of the wealth since they have the capacity to pay (Henrekson and Rietz, 2014).Nieva and Galasso (2014) discovered that the wealth of the world is divided into two groups with the first group or the rich which constitute 1% getting 110 trillion which is 65 times that of the poor and the other half of the wealth going to the poor who constitute the remaining 99%.There is a level of wealth distribution which is necessary to reward hard work and drive growth and progress (Nieva and Galasso, 2014). However, excessive concentration of wealth by the few has negative effects on economic growth and poverty reduction and can cause social problems (Nieva and Galasso, 2014).The problem which can arise where wealth distribution is centred on the upper tail of the distribution is that the rich can influence rules to be bent to support them and this will deprive equal opportunity to the other citizens (Nieva and Galasso, 2014). Instead of the government putting in place policies like wealth taxation which will support economic and reduce public deficit it will not do that since wealth will influence politics (Nieva and Galasso 2014).Nieva and Galasso (2014) also noted that the massive concentration of wealth by the few pose a major threat to economic and political systems. The findings from Oxfam's polling in South Africa, Spain, USA and UK establish that the laws which are now crafted are for the benefit of the rich. The figure below shows the aggregate wealth held by the richest I percent of the population in the USA, France and United Kingdom.

Figure 2.2

Wealth Shares of the Top 1% in Three Countries, 1800 to 2010



Source: Supplementary Table S10.1 for chapter 10 of Piketty (2014), available at: http://piketty.pse.ens .fr/capital21c.

From the above figure the unequal distribution of wealth started long back from 1800 and decreased over the years but the top 1% continued to own much of the world 'wealth.

Nieva and Galasso (2014) finally suggested the introduction of a progressive taxation on wealth as a solution to end inequality in the distribution of wealth. Concentration of wealth in few hands cause undue political influence and unfair tax policy and threaten the regulatory powers of the government (Nieva and Galasso, 2014).Orthofer (2016) also discovered that unequal wealth distribution can cause political and economic problems. Public deficit will remain a challenge to governments if individuals continue to own huge wealth which might not produce taxable income hence loss of revenue to reduce public deficit (Saezand and Zucmac, 2016).

2.4.2. Effect of wealth valuation on budget deficit.

Wealth is the current market value of all the assets owned by households net of their debts (Orthofer, 2016).However Orthofer (2016) discovered that wealth is difficult to measure since the tools in place were designed to measure income and consumption and not wealth and that a lot of people are not even aware of the current values of their assets. Henrekson and Rietz (2014) stated that information concerning the stocks of assets was difficult to find until statistical institutions of developed countries start to include national stock accounts in balance sheets and this will assist in the valuation of assets. Piketty (2014) suggested to value the assets of the world's wealthiest people using the figures published by the Forbes and other magazines. For the rest of the assets owned by others Piketty (2014) supported the idea of using the market value of all the assets owned including any form of participation in listed and unlisted companies.

Zucman (2014) identified some of the challenges in the valuation process of assets for wealth tax as that there are many assets which are scattered all over the world which cannot be traced to its owners. Zuckman (2014) also noted that it is difficult to determine the value of financial holdings because of the prevalence of derivative financial instrumets.The value of wealth owned by a country's citizen in a foreign country can be established only if banks start reporting of foreign accounts (Zucman,2014).

In Sweden wealth tax was levied on households and based on the household's net wealth (Stenkula, 2013). In 2013 Stenkula noted that special valuation is applied to different assets for the calculation of wealth tax in Sweden. The table below shows how assets were valued in Sweden for wealth tax purposes.

Table 2.1: Valuation of assets for wealth tax.

ASSET	VALUATION ETHOD
Real estate	75% of the market value
Co-operate Building Society apartments	Members share of the society's wealth
Periodic payments Personal property	Capitalised values according to tax authorities Market value
Inventory of small firms	Below market value
Companies	Expected sales value

Source Nordic Tax Journal 2014

To mitigate the effect of wealth tax total tax caps were put in place. For individuals earning low income in relation to their wealth for example if taxable wealth surpassed 25 times taxable income from labour and capital the wealth taxable is lowered to that amount (Stenkula, 2013).Stenkula (2013) also highlighted that valuation relief is also granted to business capital for machinery inventory and stocks in trade and a 25% reduction is given if the net corporate assets exceed SEK 500 000. No relief is granted to corporate assets below SEK 500 000 (Henrekson and Rietz, 2014). The fact that an estimate of $185 trillion of wealth is held unrecorded and in offshore accounts and cannot be valued it means governments are losing revenue to cater for public deficit (Henrekson and Rietz, 2014).

2.4.3 Effect of wealth tax unit on budget deficit

Piketty and Saez (2007) described a tax unit as a married couple or single person with their dependants if the tax unit has any. Piketty (2014) suggested to cover the tax units in the following brackets and even to include more brackets in order to obtain more revenue. Table 2.2 below shows the tax units which can be covered and the percentage of tax which can be levied as suggested by Piketty (2014).

Table: 2.2 Wealth tax brackets scenario 1

Tax Bracket.	Rate
0 to $ 1 300 000	0%
$1 300 000 to $6 500 000	1%
$6 500 000 And Above	2%

Source: Schuyler (2014)

Schuyler (2014) also noted that Piketty (2014)'s suggestion to include more wealth tax brackets will increase the number of tax units hence more revenue to the government. The table below shows how an increase in the number of tax brackets will cover more tax units .Piketty (2014) indicated that the increase in the tax brackets will subject even the middle class to net wealth taxes. Under the second scenario families who owns houses with fully paid mortgage will be subjected to wealth tax as well (Schuyler, 2014).

Table: 2.3 Wealth tax brackets scenario 2

0 to 260 000	0%
260 000 to 1300 000	0,5%
1300 000 to 6500 000	1%
6500 00 and Above	2%

Source: Source Schuyler (2014)

India Wealth Tax Act, 1957 include individuals, undivided families, and companies in the calculation of wealth tax. Like any other tax law, the Indian wealth tax exempt other persons from paying wealth tax and some of these persons are co-operative societies, political parties, mutual fund income and any social club (India Wealth Tax Act, 1957 section 45) Bach et al (2014) suggested to leave out corporate units in the calculation of wealth taxation since this would avoid double taxation as tax could have been levied on the individual shareholders but however suggested to tax individuals only.

2.4.4. Effect of wealth tax administration on budget deficit

The administration of any tax requires a properly defined tax base with clear policy objective (Calder, 2015).Calder (2015) also suggested that financial institutions worldwide must report information about wealth for easy administration of wealth tax and to avoid tax evasion. Surprise visits by government officials might also be necessary at times to inspect people's homes because people might fail to report their private valuables (Schuyler, 2014).However

Schuyler (2014) identified large and easily identifiable assets like land buildings and cars as being easy to work with when levying wealth tax and suggested to leave small items. Bach et al. (2014) seemed to differ with Schuyler (2014) in that he felt if the private valuable wealth is left out of wealth taxation it might cause tax avoidance. The tax base for wealth taxes can cover the world wide net assets owned by the taxpayer. Wealth tax can be levied on the taxpayer alone or can include the aggregation of the family members (Schuyler, 2014).

Rudnick and Gordon (1996) established that the implementation of wealth tax is believed to be impractical in developing countries. It was also discovered that identifying the ownership of the assets and assigning net values to those assets can be difficult and this will affect the administration of wealth tax (Rudnick and Gordon, 1996). Rudnick and Gordon (1996) also discovered that although wealth tax can be attractive it can be judged unfeasible in developing countries because of its administration costs. Wealth tax administration can be made easy and effective by employing large exempt amounts and by taxing legal persons and other entities in lieu of interest in those entities (Rudnick and Gordon 1996). For easy administration of wealth tax Rudnick and Gordon (1996) suggested that transition or developing countries should use a flat rate of 0.5% to make the operation of the tax easy. The law must make it clear the time when the wealth tax is measured and the due dates for paying that tax (Rudnick and Gordon, 1996). If due dates are spread over the year especially for taxpayers with large amounts of tax this will make the administration of wealth tax easy for the tax authorities and the taxpayer to file the returns (Rudnick and Gordon, 1996). Administration of wealth tax can be simplified if the time for filing returns and making instalments is predetermined. Rudnick and Gordon (1996) suggested also that the filing of wealth tax returns and income tax returns be done at the same time so as to obtain necessary information relevant to audit the two taxes. Piketty (2014) suggested a global net wealth tax as this will promote enforceability. Schuler (2014) supported the USA'S idea of Foreign Account Compliance Act which requires banks to report on the financial wealth owned by American citizens as it will ensure compliance but it also however create some challenges especially for the American citizen living abroad when they want to open an account and the banks deny them the opportunity fearing that they will be sked to report on the wealth.

2.4.5. Effect of wealth tax economic efficiency on budget deficit.

Bach et al, (2014) agreed that net wealth tax can increase the amount of revenue received by the government especially where the state have to assist the needy in welfare state. He further noted that net wealth is highly concentrated and the capital levy could raise a lot of revenue even if high personal allowances are granted (Bach et al, 2014). It was discovered by Bach et al, (2014) that the idea of higher wealth taxes to finance the growing public debt was gaining ground in the wake of financial crisis in the OECD countries. Saez and Zucman (2016) suggest that in order to have a fair tax system, a national wealth tax should be implemented in conjunction with federal income tax. Property taxes are considered to be important in developing countries especially if the property and their ownership can be identified (Hefferan,2010).Hefferan (2010) further noted that land tax which is another form of wealth tax represented the country's most important source of revenue. Reji and Reddy, (2015) agreed that in emerging economies where the governments need to actively promotes economic growth but with limited capital, fiscal policy and the budget are key in promoting the growth. Reji and Reddy (2015) further noted that taxation which is an important feature of the fiscal policy need to be effectively used by the governments of emerging economies to raise revenue. Sonja et al, (2015) said that a lot of public finance researchers agree that wealth tax is not a bad tax policy because wealth taxes are efficient and relatively fair. It was also discovered by Sonja et al (2015) that the introduction of wealth tax does not cause the migration of people as per other researchers' like Carman (2015)'s sentiments because moving to another country is costly financially and emotionally. Sonja at el, (2015) also argued that there are barriers like religion, language and culture between countries which will bar people to run away from tax policy changes like the introduction of wealth tax. Piketty (2014) suggested that wealth taxes have various benefits like lowering income for the wealthy and raising extra revenue to the governments for it to assist the indigent.Wealth tax will give the wealthy the incentive to endeavour to get the best possible return on their capital stock (Schuyler, 2014).Schuyler (2014) also supported Piketty (2014)'s assertions that wealth taxation provide different benefits like lowering the income of the wealthy and collect extra revenue for the government. The fact that those who are in possession of wealth has the capacity to pay makes wealth tax an important source of revenue for governments to meet their needs (Rudnick and Gordon, 1996). Wealth tax can be used to assist in the administration of other taxes by providing information for the collection of income taxes and property taxes. A wealth tax base which is different from the income tax base can be helpful to track the taxes which were not collected due to tax avoidance or evasion and this will make sure that every income is taxed and revenue collection will be enhanced (Rudnick and Gordon, 1996). Rudnick and Gordon (1996) further discovered that wealth taxation help reduce the massive concentration of wealth by the few. If the government fail to reduce unequal wealth distribution it will result in political and social unrest (Rudnick and Gordon, 1996).

Those who say wealth tax is not economic efficient argued that since the wealth tax is not consumption based it might cause dissaving. Another argument as to why wealth tax cannot be economically efficient is that it can cause capital flight especially mobile capital and this flight will not stop until the rate of interest on capital increases to offset the effect of wealth taxation. Wealth tax has an effect of locking out capital which is supposed to enter into a country and reduce the level of investment since investors would want to invest in countries where tax rates are low (Rudnick and Gordon, 1996). Wealth tax's impact on the budget deficit might fall to be realised if collection costs are not minimised (Rudnick and Gordon, 1996).

2.4.6. Effect of wealth tax challenges on budget deficit

Critiques of the wealth taxation are of the view that wealth tax is not politically feasible and can be potentially harmful (Cowen, 2014) It was also noted by Cowen (2014) that wealth taxation undermine human capital investments and the creation of new business. Carmen (2017) noted that there is high administrative and compliance costs associated with wealth taxation hence its abolishment in other countries like Denmark and Germany. Another argument raised against wealth taxation is that there will be capital flight from the country charging wealth tax. Carmen (2017) established also that 500 people left France in 2006 to avoid wealth taxation. Sonja et al, (2015) noted that governments may find it difficult to implement different types of wealth tax for example property tax as this will affect the majority of elderly people who are likely to vote in the country's general elections and this will affect the government which need re-election and on the other hand taxing financial wealth more because of if mobility will result in tax avoidance. Javier and Block (2012) argued that progressive taxation is harmful since it tend to punish those who work and favours the lazy and this will hinder investment. Adam et al, (2011) identified some of the challenges of net wealth taxation to include difficulties in identifying and defining wealth tax base and preventing tax evasion. Konrad and Stolper (2016) highlighted that tax havens affect wealth taxation and indicated that 8% of the global private financial wealth is held by tax havens and this decreases the global tax revenues by about $200 billion annually. Konrad and Stolper (2016) noted that Switzerland, Singapore and Hong Kong are among countries which are involved in the management of offshore accounts through their banks which promotes large sums of wealth to be hidden in their countries and avoid tax. However, the OECD and the G20 in their endeavour to achieve global wealth tax compliance are pushing for Tax Information Exchange Agreements (Konrad and Stolper 2016). In USA former President Obama signed into Law Foreign Account Tax compliance Act which requires foreign banks to declare accounts held by US residents (Diamond & Saez, 2011). Globalisation has influenced corporations to move profits to lower tax countries to avoid taxation of their wealth (Zucman, 2014). When a country introduces a tax policy which is considered by residents to be an extra burden on them they will transfer their profits to countries where taxes are low. In USA companies are shifting their profits to Bermuda and Luxembourg on a large scale. By 2014, Switzerland held $2.46 trillion for foreigners (Diamond and Saez, 2011). Wealth tax was abolished in Sweden although wealth was increasing because it was discovered that this wealth increase did not correspond to the actual revenue collected from wealth taxation due to tax evasion. There was an outflow of assets from Sweden to Luxembourg and Switzerland and large sums of wealth were lost and this affected also capital gains tax, dividends and interest income (Henrekson and Rietz, 2014)**.**The table below shows how wealth is concealed in different countries and its impact on tax revenue. Africa, Russia and Gulf countries have a large percentage of offshore wealth but because in these countries there are low or no wealth taxes the tax revenue loss is low.

Table: 2.4

The world's offshore financial wealth

Country	Offshore wealth in billions ($)	Share of financial wealth held Offshore	Tax Revenue loss in billions ($)
Europe	2600	10%	75
United States	1200	4%	36
Asia	1300	4%	35
Latin America	700	22%	21
Africa	500	30%	15
Canada	300	9%	6
Russia	200	50%	1
Gulf Countries	800	57%	0
TOTAL	**7600**	**8.0%**	**190**

Source: Zucman (2013) offshore wealth include financial assets only

.In their pursuit of how wealth tax was abolished in other countries, Henrekson and Rietz (2014) discovered that there was investment drain as investors looked for investments in countries where there is less tax. Orthofer (2016) discovered also that taxation of wealth has the challenges that wealth can be transferred between asset classes to avoid being subjected to tax. Ristea and Trandafir (2010) supported the idea that wealth taxation has some challenges when they discovered that although wealth tax generate some revenue which can be used to finance the budget deficit, the management costs of the tax are high both to the tax payer and the tax authorities in comparison to other taxes in place. Oireachtas Library and Research service (2013) established that wealth taxation was abolished in Netherlands due to high administrative and compliance costs which amounted to 26,4 percent of the tax yield. These wealth tax challenges affect the possibility of wealth tax to reduce public deficit in a country.

Those who support wealth tax argued that wealth taxation do not prohibit investment but it however discourage the holding of inactive assets because the cost of wealth tax will be high on those assets and less costly to high return assets (Edison, 2012).The introduction of a wealth tax will drive those who are holding unproductive assets to put those assets into use to avoid paying taxes when there is no income on the asset. A lot of wealth which is obtained through inheritance and gifts remain unutilised since it will not give the holder an incentive to work due to the fact that there is no cost of holding the asset, however the introduction of wealth tax will compel someone to work to get money to pay the tax (McKinnon, 2012).Another argument for wealth tax by Reji and Reddy, (2015) is that in emerging economies where the governments need to actively promote economic growth through fiscal policy, taxation which happens to be the most important feature must be actively utilised to raise revenue for the government. Sonja et al, (2015) said that a number of public finance researcher agree that wealth taxation is not a bad tax policy because wealth taxes are efficient and relatively fair and that there are barriers like religion, language and culture between countries which will bar people to run away from wealth taxation. Prabhakar et al. (2017) noted that there is little information available to the public and this result from the public opposing wealth tax. He also noted that people were not well informed about the extent of wealth inequality and the potential of wealth tax to reduce budget deficit.

2.5. Empirical Literature Review

Wealth tax was introduced in a number of countries in an effort to raise enough revenue to reduce budget deficits. This study will look at Wealth tax in India, France and Germany where it was abolished.

2.5.1. Wealth Tax in India

Wealth tax was introduced in India on 1 April 1957 after a protest because the gap between the rich and the poor was growing (Saini and Panjwin.2012).The country's rate of corruption was high and the government was in control over many things which resulted in the amass of wealth by those who were involving in corrupt activities. India is one of the emerging economies which is growing fast and is not considered to be a rich country and the introduction of wealth tax was to bridge the gap between the rich and the poor and to tax the unproductive assets. Different taxes levied in India include income taxes, custom and export duties, and corporate taxes, estate duties and wealth tax. The country have various legislation which govern the way taxes are levied and these include the Income tax Act of 1961 and the Wealth Tax Act of 1957.

Saini and Panjwin, (2012) discovered that in India the tax units for wealth taxation include individuals and companies unlike in France where companies are not taxed. Pensioners who do not earn income are not taxed since they will have to sell some of their assets to raise money for tax purposes if they are levied wealth tax. Wealth tax in India is levied for assets exceeding Rs 30 lakh whether inside or outside India and debts which were incurred both inside and outside are deductible as well. India Wealth Tax Act 1957 include in the calculation of wealth tax assets like houses, cars,jewellery,urban land and cash at hand. Also included in the levy are the financial assets like the bank balances, shares, securities and fixed deposits with the bank (Saini and Panjwin, 2012).The citizenship and residential status is of paramount importance when it comes to wealth taxation in India.

2.5.2 Wealth Tax in France

France introduced wealth tax in 1981 to raise 2, 6 billion Euros but it was latter abolished in 1986.The government re-introduced it again in 2008 and managed to raise 4, 5 billion Euros in that year. The fact that wealth tax was once abolished and the government realised that it was a wrong decision to abolish the tax and re-introduce it again means that the tax is important if a country is to raise substantial amount of revenue to meet its budget requirements. To avoid double taxation of corporates, wealth taxation is levied on individuals with wealth exceeding 790 000 Euros where ever the wealth is in the world. France has other taxes besides wealth tax which includes corporate taxes, income tax, VAT, petroleum tax succession tax, gift tax and capital gains tax. The tax base include all assets, rights and values belonging to the taxable person. In 2015 the country managed to raise 5, 22 billion euros despite the fact that it taxes individuals only and not companies like India, this shows that wealth taxation can benefit a country more than the cost of administration.

2.5.3. Wealth tax in Germany

Bach et al, (2011) discovered that Germany which is one of the developed countries introduced wealth tax to raise revenue for the expenditure created by the world war. The tax was levied on individuals and businesses with wealth despite where the wealth is. Wealth tax was abolished in 1997 because it was against the principle of equality according to the Germany constitution. The valuation rules were said to be unfair since it produced different values which even differs from the market values. Bach et al, (2011) established other factors which led to the abolishment of wealth tax in Germany as that the tax was difficult and expensive to administer, the constitutional protection of liberty do not allow taxation which is confiscatory and the need to protect and respect the continuity of marriage institution and family. The fact that Germany did amend its constitution and re-introduce wealth tax back means that the tax was not befitting the country.

2.6: Research Gap

There is unequal distribution of wealth in the world as evidenced by the reviewed literature especially in developed countries.Net wealth taxes were introduced in many developed countries long ago but in Africa it is yet to be introduced and Zimbabwe is among the countries with severe budget deficit and can utilise the opportunity of unequal distribution of wealth to levy a net wealth tax on the rich class. France being one of the developed countries with good standard of living per capita as compared to Zimbabwe is said to be ideal for wealth taxation. This research aim to close the gaps of empirical research carried out in developed countries which are implementing wealth taxation and a research to establish the effect of this wealth tax on a developing country like Zimbabwe is yet to be done. Different tax units, valuation methods and administration of the wealth tax which might be only necessary to developed countries and in slow moving economies like Zimbabwe there is little or no information on how the assets are to be valued for wealth tax purposes. The impact of tax havens on developing economies like Zimbabwe where the rich externalise huge amounts of financial assets while the country has poor economic growth need to be investigated to find out how that wealth can be taxed and reduce the country's budget deficit.

2.7. Chapter Summary

The chapter discussed wealth distribution, wealth tax unit, and wealth tax valuation, economic efficiency of wealth tax and wealth tax challenges. An overview of how wealth taxation was implemented in other countries and the challenges they encounter formed part of this chapter. Chapter three will discuss the research methods that were used in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

The previous chapter focused on what other scholars say about the implementation of net wealth tax and how this levy is being administered in different countries across the world. This chapter focused on the steps the researcher adopted in order to establish the effect of wealth tax on budget deficit. The methodology design used to obtain data was discussed in this chapter and include research design, target population, sampling methods, sampling frame, sample procedure, sample size, data sources, research instruments, data collection procedure and administration, validity and reliability of findings and lastly the analysis of data and presentation tools. This chapter also included the justifications for making certain choices and the summary to the chapter at the end

3.1. Research philosophy

Positivism paradigm philosophy was used in this research. This research philosophy helped to structure the research and in the illustration of how all the other major parts of the research worked together in addressing the research questions since the research is quantitative in nature. The need for statistical data under this research resulted in the use of the questionnaire and positivism paradigm support the use of the questionnaires. This research also tested the theory using hypothesis testing and this resulted in positivism paradigm being an ideal philosophy to pursue. Wahyuni (2012) supported the use of positivism research philosophy where the researcher is independent from the source of data and is working from outside. Since the researcher was not part of the sample and operated from an outsider perspective this made this philosophy suitable in this research. Wahyuni (2012) also supported the idea of positivism in cases where the findings from the research are expected to be the same even if someone carries the same research using similar research process and the researcher is expected to be free from the data and cannot influence the respondents. Quantitative research approach was used since the positivism approach was adopted. Positivism philosophy uses numeric measures to come up with accepted knowledge and this can be achieved by the use of quantitative research approach.

3.2. Research Design

A survey research design was used given the nature of this study though there are other several research methodology designs like exploratory, experimental, and observational design which can be used. A survey approach was necessary for this study to get the opinion on how people feel about the introduction of net wealth tax on a small geographical area and with a limited number of people and this resulted in reduced costs of the research. This design was chosen because it helped the researcher to explore the relationship between wealth taxation and the budget deficit since the budget deficit variable already exist and cannot be manipulated. A survey research design enabled the researcher to acquire data about different groups by asking them questions and tabulating the answers. Survey design attempts to describe and provide explanations to present conditions by using many subjects and questionnaires to fully describe a subject under study (Fowler, 2013). Like any other research design, the survey design has got its own limitations. Data is only limited to what the respondents are able and willing to provide especially when it comes to sensitive information especially those which seek to compel the respondent to provide the amount of wealth they have. It is tiresome and time consuming to administer and analyzing questionnaires under the survey design and a short questionnaire which do not take much of the respondent's time was used and Wahyun (2012 supported the idea of a short questionnaire.

3.3. Target Population

The research population was drawn from Harare residents since Harare is a capital city a lot of activities are carried there. Many rich people are found in Harare making it the best place to carry out the research. The sample was selected from this population which consist of the rich and the poor to get different views about how net wealth tax would affect the budget deficit in Zimbabwe. Harare urban is made up of 45 suburbs with half of the suburbs representing the high density and the other half representing the low density. Hanlon and Larget (2011) defined a population as all the individuals or units of interest which the researcher is interested in and to which the researcher will generalise the outcome .The results of this research will be generalised to represent the views of all the people in Harare. Harare urban was preferred to be the population because it is near the researcher and is of interest to the researcher because of many different people who stay there.

3.4. Sampling methods and sampling technique

For the purpose of this study stratified sampling technique was used since the population is already divided into the rich in western suburbs and the poor in northern suburbs of Harare. This is a probability sampling technique which allows each unit to have the same probability of being chosen. Fowler (2013) described a probability sampling as a sampling technique which allows each unit to have an equal chance of selection and where each subject has a known probability. The technique allowed hypothesis testing and generalization of results. Under probability sampling there are many sampling methods which can be used to arrive at a good sample and these sampling methods include multistage sampling, stratified, cluster, simple random sampling and systematic sampling. The use of stratified random sampling allowed the researcher to do an in-depth analysis of wealth tax from different people with diverse backgrounds. Stratified sampling proved to be of use in this study by trying to capture key population attributes in the sample. Stratified sampling produced characteristics in the sample that were comparative to the overall population, since it provided a sample that was extremely representative of the population being studied, this observation was also echoed by Fowler (2013).

3.4.1. Sampling Frame

In this research the city of Harare map was used as a sampling frame. This frame consisted of all the suburbs in Harare and addresses of houses which are found there. The following is the sampling frame which was used.

Table 3.1

Low Density Suburbs	Genlorne, Borrowdale, Mt Pleasant, Chisipite, Mandara Avondale, Belvedere, Milton Park, Greendale, Hatfield, Chishawasha Hills, etc.
High Density Suburbs	Glenview,Budiriro,GlenNorah,Highfield,Mufakose,Kuwadzana,Dzivarasekwa,Mbare,Sunningdale,Southlea Park, Ushewokunze, Kambuzuma.etc

Source: Harare Map

The researcher used the frame because it contains all units which are necessary for the research. Additional information about the units in this research like the street numbers and telephone numbers can be found in the frame which makes the frame ideal for this study. The frame also contained an up-to-date information such that every element of the population was included. Fowler (2013) describe a sampling frame as those people who have the chance of being included among the selected sample. Every sample procedure provide a chance to some individuals to be selected in a sample while excluding others. In this research the sampling frame include all those who are rich and those who are poor.

3.4.2. Sample procedure

A stratified sampling procedure was used to arrive at a sample which is representative of the population. The population was divided into two different strata which is the high density and the low density. This enable the researcher to pick a sampling technique which reduced the sampling error. The use of stratified sampling allowed the researcher to get different views form people who live in different areas and with different backgrounds. Stratified sampling provided the most representative sample to the population since all groups of the people in Harare were included and were given the same chance of being chosen. The population was put into different strata or sub population so as to come up with suitable sampling technique which reduces sampling error. Black (2010) defined Stratified sampling as a process where the population is divided into homogenous sub population by using sex, geographic region or socio economic class. In this research the population was divided using socio economic class where by the high density represented people who are said to be poor and the low density representing those who are said to be rich under normal circumstances. Simple random sampling method was then used to pick participants from each stratum in this research to make sure every person had a chance of being chosen.

3.4.3. Sample size

There are forty suburbs in Harare urban which are divided into low density and high density. From the low density 10 suburbs were chosen and the other 10 came from the high density area. This sample size represented a good sample of the population because it is more than 10 percent of the population. Two households were chosen from each suburb for questionnaires and five households will be interviewed from each suburb. The research sample consisted of 20 households from the low density and 20 households from the high density. The high density area represented the poor since the value of their properties is low and the low density represented the rich taking into consideration that the value of their properties is high. The sample proved to be convenient in gathering data since it avoided the gathering of data with similar characteristics. The reliability of the results was enhanced by making sure that all the units were represented in the sample. Fowler (2013) described a sample as a small collection of units from a population used to determine the truth about that population.

Table 3.2.Sample size for questionnaire

Location	No of households	Percentage of the population
Low Density	20	50%
High Density	20	50%
Total	40	100%

3.5. Data sources

Primary data which will be collected through questionnaire will be mostly used and to a lessor extend secondary data to support the new description and explanations from primary data.

3.5.1. Primary data

Primary source of data was mainly used because it was obtained specifically for the phenomenon under study and there is no misinterpretations or loss of data since the data collected was specifically for net wealth taxation. Primary data was necessary for this research since it provided current data which was reliable and valid to address the problem Zimbabwe is currently facing. To provide sound recommendations current data which can only be obtained from primary data was necessary.

3.5.2. Secondary data

Fowler (2013) describe secondary data as the data which is used for a different purpose from what it was originally obtained for. In this research secondary data was obtained from books, journals and other publications with information about wealth taxation. Secondary data since it was readily available provided a cheap and fast access to the data which the researcher needed. A framework and direction of the research was also made easy by the availability of secondary data since net wealth tax from other countries was reviewed. However, since secondary data tend to be obsolete with the passage of time current sources of data were used to maintain accuracy and reliability of the findings.

3.6. Research instruments

A research instrument is a tool used to gather data. In this research questionnaires and interviews were used to collect data.

3.6.1. Questionnaire

Questionnaires were mainly used to collect data since it allowed respondents time to consider their responses without the researcher's interferences. The questionnaire was designed in such a way that questions can be scored and scores summed up to get the aggregate view of the respondent. The researcher used questionnaires because it allowed data to be collected from many respondents very fast and less costly. Respondents were able to give their independent views because a questionnaire allowed them to respond at their own time and without disclosing their names. The researcher made several calls to follow up on the questionnaires which were not submitted on time. Since the questionnaire did not provide room for probing closed ended questions were put on the questionnaires.

3.6.2. Interviews

To complement the use of questionnaires, interviews were carried out to the colleagues before the questionnaire was distributed to get a better understanding of how the respondents will react to the questions in the questionnaire. Interview questions were not written down since they were contacted to just get an overview of the respondents' reaction to the topic and so colleagues were asked different questions which were necessary to make the questionnaire more effective. Open ended questions for the pre questionnaire interviews allowed probing or follow up questions to be made. Flexibility in language permitted by interviews allowed responses to be clear and it also allowed easy communication between the researcher and the respondents and this helped to understand how the respondents will react to the questionnaire. Interviews were done to get views both from the poor and those who were said to be rich. Some of these interviews were time consuming since the researcher had to make some appointments and to avoid losing much time the researcher utilized the lag periods between appointments to make sure the researcher prepared for the interviews.

3.7. Data collection Procedure and administration

Data was collected from respondents through surveys and this enabled the researcher to obtain quantitative data. The researcher received some of the completed questionnaires through e mails to save time collecting the responses. To make sure the questionnaires were completed the researcher made some phone calls to follow up. The researcher also visited some areas which were near the city to collect the questionnaires. Some of the interviews were done through the telephone to save time and travelling costs.

The researcher met some challenges in the administration of the questionnaires. Travelling from one place to another was time consuming and the researcher resorted to the e-mailing of the questionnaires. The researcher could not probe for more information through the use of the questionnaires. To make up for the gap created by the questionnaire, the researcher made some calls also to respondents who then ended making some comments in support of their earlier responses.

To support the main data collection method of questionnaires, interviews were also done. Interviews which were done were either face to face or telephone interviews. The interview questions were made flexible depending on the openness and understanding of the individual respondent. Most of the questions used were generated from the grey areas in the questionnaire because close ended questions were used. Participants were allowed to ask for clarification on questions they failed to understand. The interviewees were given questions in advance to make sure they prepare for the interview. Telephone interviews proved to be convenient, time saving and inexpensive.

3.8. Validity and Reliability of findings.

To make sure the research findings reflect the views of the people under study the idea of triangulation was put into effect. Multiple referents to arrive at the conclusion was done, for example different sources and methods of collecting data were employed. The researcher used both questionnaires and interviews to make sure data collected is reliable. The researcher went through literature review to also familiarise with net wealth taxation before collecting the data. The researcher also decided to carry on a pre exercise interview with workmates who met the sampling criteria to make sure that the questions were clear. The following measures were considered to ensure validity.

- Literature review was done to pre-test all the questions
- To avoid major events happening before the data is finally collected, data was collected within a week.
- Face to face interviews were done to ensure that non-verbal communication is utilised to support the responses.

3.9. Data Analysis and presentation tools

Data analysis in this research was done using data analysis tools like Statistical Package for Social Scientist (SPSS) and basic graphs, table and charts. In this research data was presented in descriptive narrations, tables and pie charts. The use of graphs and tables allowed interrelationships among data to be pictured and to make comparisons easy. The use of open ended interview questions provided checks and balances on whether there was consistence on the answering of the questions on the questionnaire. After the questionnaires were returned an examination to determine their completeness and correctness was done. Incomplete questionnaires were removed and were rendered spoiled to maintain credibility of the results. To make sure that the data can be analyzed, a Likert scale was developed and coded as illustrated by table 3.2 below and the coded data was then analyzed using Statistical Package for Social sciences (SPSS).

Table 3.3 Likert Scale

Likert scale rating	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Coding	1	2	3	4	5

3.10. Chapter summary

This chapter highlighted how the researcher carried out the research by indicating the research philosophy used, research design, and target population, sampling methods, sampling frame and data collection procedure used. The researcher also justified the use of the instruments used in this research. Chapter four will look at data presentation, analysis and interpretation of findings from questionnaires and interview

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter focuses on the presentation and interpretation of data after analysis. The response rate and demographics were presented in this chapter. In presenting the results the research objectives were also taken into consideration. Graphs, pie charts and tables were used to present data.

Table 4.1. Questionnaire Response rate

Description	**Distributed**	**Returned**	**Percentage**
Low Density	20	20	100%
High Density	20	20	100%

The researcher distributed 40 questionnaires and all were successfully completed and returned. Therefore, the research achieved a 100% response rate.

4.2 Reliability test

To test the internal consistent for group items in the survey instrument, the researcher performed an inter-item reliability test using Cronbach's Alpha. Table 1 shows the results of the reliability assessment. In general, the analysis shows good inter-item reliability for most of the groups of the items in the questionnaire except for the group of items falling under question 6, which has a Cronbach’s Alpha of .686. These items measure the respondents’ views on the effect of net wealth tax unit on public deficit. The .686 is the lowest, it shows an acceptable level of inter-item reliability.

Table 4.2: Inter item reliability test

Items	**Cronbach's Alpha**
Question 4	0.694
Question 5	0.829
Question 6	0.686
Question 7	0.772
Question 8	0.729
Question 9	0.736

Table 4.3: One sample statistics

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Wealth distribution	40	3.8350	.76445	.12087
Wealth valuation	40	3.5150	.83744	.13241
Wealth tax unit	40	3.5400	.79640	.12592
Wealth tax administration	40	3.4750	.86610	.13694
Wealth tax efficiency	40	3.7900	.65312	.10327
Wealth tax challenges	40	3.5850	.59981	.09484

Table 4.2 shows one sample statistics of the 7 variables run in this research and its shows the mean of the study and shows that on average the mean ranges from 3.4 to 3.8.

4.3 Test for sample adequacy

To test for sample adequacy and whether the data is suited for factor analysis, the researcher performed the Kaiser-Meyer-Olkin (KMO) Test. The lower the proportion, the more suited data is to Factor Analysis.

Table 4:4 Variance

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.309	25.644	25.644	12.309	25.644	25.644	4.623	9.631	9.631
2	4.144	8.634	34.278	4.144	8.634	34.278	4.420	9.209	18.840
3	3.406	7.096	41.375	3.406	7.096	41.375	3.427	7.140	25.980
4	2.957	6.161	47.536	2.957	6.161	47.536	2.944	6.133	32.113
5	2.743	5.715	53.251	2.743	5.715	53.251	2.913	6.068	38.181
6	2.142	4.463	57.714	2.142	4.463	57.714	2.693	5.611	43.792
7	1.899	3.956	61.670	1.899	3.956	61.670	2.678	5.579	49.371
8	1.770	3.687	65.357	1.770	3.687	65.357	2.636	5.491	54.862
9	1.690	3.521	68.878	1.690	3.521	68.878	2.527	5.264	60.126
10	1.528	3.183	72.061	1.528	3.183	72.061	2.360	4.917	65.043
11	1.376	2.868	74.928	1.376	2.868	74.928	2.323	4.840	69.883
12	1.249	2.602	77.530	1.249	2.602	77.530	2.097	4.368	74.251
13	1.215	2.531	80.061	1.215	2.531	80.061	2.089	4.351	78.603
14	1.186	2.471	82.532	1.186	2.471	82.532	1.886	3.929	82.532
15	.972	2.025	84.556						
16	.894	1.864	86.420						
17	.850	1.771	88.191						
18	.744	1.550	89.741						
Extraction Method: Principal Component Analysis.									

Components mix

There are as many components extracted during a principal components analysis as there are variables that are put into it.

Table 4.5: Component mix

Components matrix	
	Components
There is unequal distribution of wealth in Zimbabwe	.883
Redistribution of wealth improve revenue collection	.831
The rich can influence rules to bend in their favour	.871
I'm aware there is huge wealth owned which do not produce income	.812
Unequal distribution of wealth provide an opportunity to raise revenue for the government	.781
Concentration of wealth in few hands can influence unfair tax policy	.809
Those who have wealth have the ability to pay tax	.814
Unequal distribution of wealth has negative effects on economic growth	.861
Assets which cannot be linked to owners affect revenue collection and finally budget deficit	.817
Market value is the best valuation option	.902
Banks reporting on foreign accounts improve revenue collection and reduce public deficit	.823
Good wealth valuation methods increase revenue	.748
To what extent do you agree or disagree that wealth is difficult to measure?	.854
Including national stocks accounts in balance sheets help in the valuation of assets	.858
Tracing owners of assets which are all over the world will help increase revenue	.803
Knowing the value of your own assets will assist in coming up with correct values for net wealth taxation	.790
To what extend do you agree that more tax brackets are important to come up with more revenue to meet budget deficit?	.823
Including both individuals and companies n the calculation of wealth tax increase revenue.	.790
I am positive that lowering tax brackets will increase revenue collection.	.823
Including the middle class in the calculation of net wealth tax has an effect on budget deficit.	.870
Do you agree that including companies in the calculation of wealth tax will result in double taxation?	.827
Pensioners must be exempted from paying net wealth tax.	.851

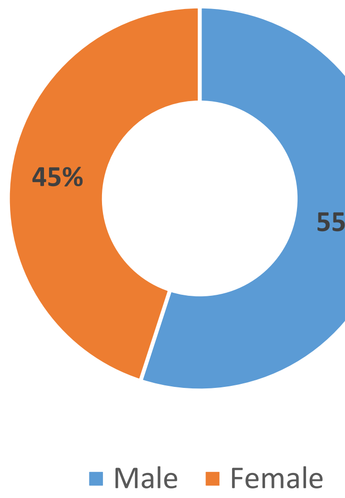
4.4 Test for normality

For the reason that the sample size is small ($n = 40$) the researcher used Shapiro-Wilk test of normality instead of the Kolmogorov-Smirnov test. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples). Since $p < 0.05$, the data for this study deviates from normal distribution.

4.5 Demographic data analysis

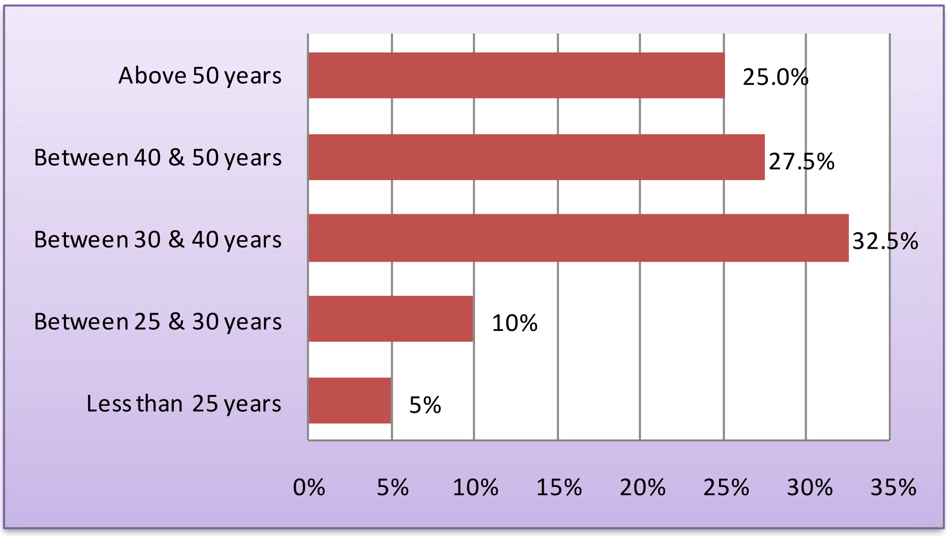
Respondent demographics

Figure 4.1: Gender of respondents



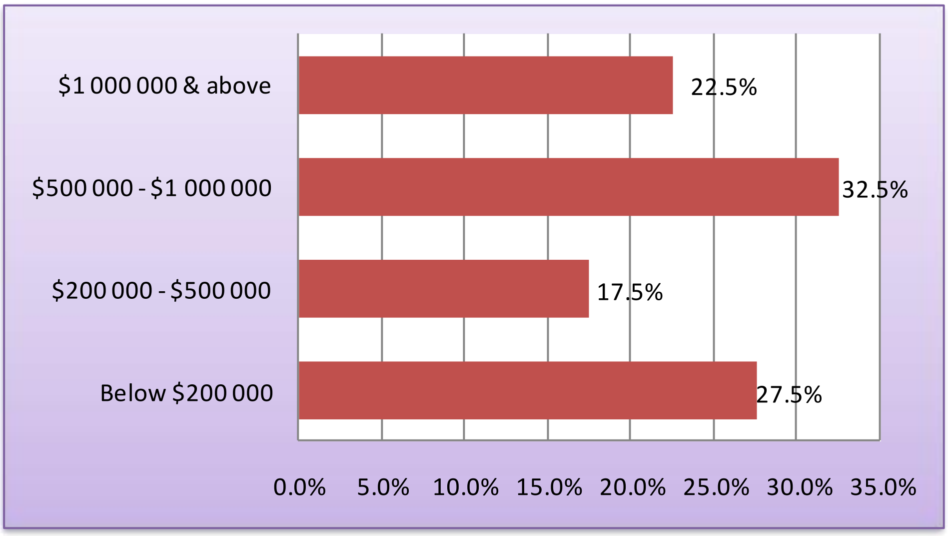
The majority of respondents that participated in the study were males constituting 55% of the sample compared to 45% women.

Figure 4.2: Age of respondents



A plurality of the participants were aged between 30 and 40 years (32.5%), followed by those aged between 40 and 50 years (27.5%). Participation was generally low for those below the age of 30.

Figure 4.3: Approximate value of own wealth



The study managed to reach out to people of varying wealth ranging from below $200 000 to $1 000 000 and above. Most of the participants, however, estimated value of their wealth to be between $500 000 to just below $1 000 000.

4.6 Presentation of data by hypothesis

4.6.1.1 Hypothesis 1 Effect of wealth distribution on public deficit (Descriptive statistics)

The study also investigated respondents' views on the distribution of wealth which differs from the income distribution in that it is concerned with the economic distribution of ownership of the assets in a society instead of the current income of members of that society. The table above shows respondents' views on the effect of wealth distribution on public deficit.

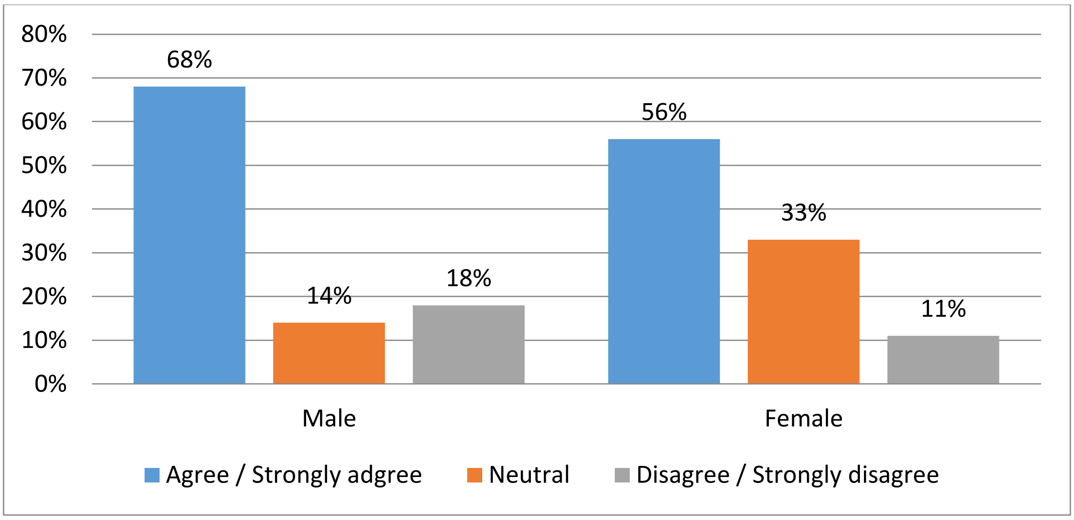
Table 4.6: Effect of wealth distribution on public deficit

	Agree / Strongly agree	Neutral	Disagree / Strongly disagree
Those who have wealth have the ability to pay tax	35%	30%	30%
The rich can influence rules to bend in their favour	48%	38%	10%
I'm aware there is huge wealth owned which do not produce income	48%	28%	25%
Unequal distribution of wealth provides	53%	33%	15%

an opportunity to raise revenue for the government			
Redistribution of wealth improve revenue collection	55%	35%	5%
Concentration of wealth in few hands can influence unfair tax policy	58%	28%	15%
Unequal distribution of wealth has negative effects on economic growth	63%	23%	15%
There is unequal distribution of wealth in Zimbabwe	83%	13%	5%

The generality of the people agree that wealth distribution positively affect budget deficit. For example, 55% believe that 'rredistribution of wealth improve revenue collection' while another 58% think that 'concentration of wealth in few hands can influence unfair tax policy.An overwhelming majority of people share the opinion that there is 'unequal distribution of wealth in Zimbabwe' (83%) and that this 'unequal distribution of wealth has negative effects on economic growth' (63%). Almost half of the respondents (48%) believe that 'the rich can influence rules to bend in their favour'.However, opinion is split on whether those who have wealth have the ability to pay tax. The majority (35%), however, believe that those who have wealth have the ability to pay tax and only 30% did not agree to this position.A follow up on effect of wealth distribution on public deficit was done with key demographics. Figure 4 below provides a summary of the analysis.

Figure 4.4: Relationship between gender and respondents view on distribution of wealth



From the graph, it appears gender is an important variable in understanding respondents' perception on whether or not the 'unequal distribution of wealth has a negative effect on economic growth'. Apparently, more men (68%) than women (56%) agree that unequal distribution of wealth has a negative effect on economic growth. To be sure about the relationship, the researcher performed a Chi-square for independence and found out the result is not significant; χ^2 (4) = 5.455, p > .05 (p = 0.24). The result means that there is no relationship between gender of the respondents and their views on whether or not unequal distribution of wealth has a negative effect on economic growth

4.6.1.2 Hypothesis 1 Effect of wealth distribution on public deficit (Inferential statistics)

Table 4. 7: Hypothesis 1

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.062	.183		5.800	.000
	Qn4. Wealth distribution	**-.003**	.047	-.011	-.066	**.948**
a. **Dependent Variable: BuDeficit**						

Budget Deficit = -003Wealth Creation + 1.062, p > .05 (p = .948), meaning the result is not significant. There is a negative relationship between budget deficit and wealth creation. For every one unit increase in wealth creation, there is -0.03 increase in budget deficit. However, the effect of wealth creation on budget deficit is not significant.

4.6.2.1 Hypothesis 2 Effect of wealth valuation on public deficit (Descriptive statistics)

The study also sought to establish the extent to which the respondents agree with the view that wealth valuation positively affect budget deficit. Respondents were asked to respond to various items that are linked to the estimation of the individual wealth. The results for this are shown in the table4.7.

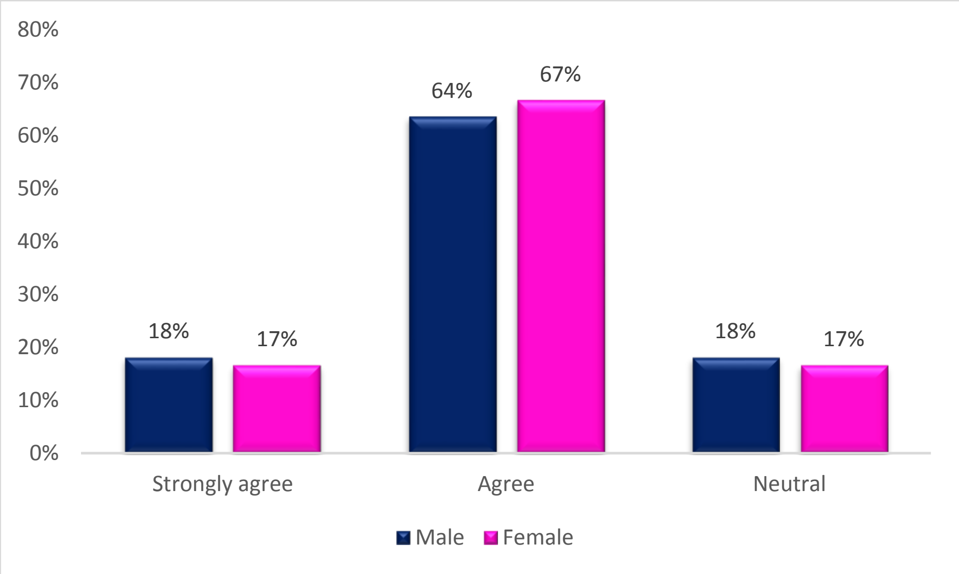
Table 4.8: Respondents' views on the effect of wealth valuation on public deficit

	Agree / Strongly agree	Neutral	Disagree / Strongly disagree
Assets which cannot be linked to owners affect revenue collection and finally budget deficit	90%	10%	
Market value is the best valuation option	93%	4%	3%
Banks reporting on foreign accounts improve revenue collection and reduce public deficit	68%	33%	
Good wealth valuation methods increase revenue	83%	18%	
To what extent do you agree or disagree that wealth is difficult to measure?	55%	38%	8%
Including national stocks accounts in balance sheets help in the valuation of assets	43%	48%	10%
Tracing owners of assets which are all over the world will help increase revenue	53%	35%	13%
Knowing the value of your own assets will assist in coming up with correct values for net wealth taxation	60%	33%	8%

Generally people recognise the importance of wealth valuation in addressing public deficit. And overwhelming majority (91%) believe that assets which cannot be linked to owners affect revenue collection and finally budget deficit. Approximately seven in 10 (68%) support the idea that banks reporting on foreign accounts improve revenue collection and reduce public deficit. There is also unanimity on the opinion that good wealth valuation methods increase revenue (83%) with the majority of respondents noting that market value is the best valuation option (93%)

However, tracing owners of assets which are all over the world will help increase revenue found limited supporters (53%) while including national stocks accounts in balance sheets help in the valuation of assets proves unfamiliar with the respondents with only paltry 43% showing support for the method. Further analysis showed that the majority of both men and women agree with the statement that 'good wealth valuation methods increase revenue'. There is no much difference as indicated on Figure 5.

Figure 4.5: Wealth valuation methods on revenue by gender



The researcher performed a Chi-square for independence and found out the result is not significant; χ^2 (2) = .040, $p > .05$ ($p = 0.980$). The result means that there is no relationship between gender of the respondents and their views on whether or not good wealth valuation methods increase revenue.

4.6.2.2 Hypothesis 2 Effect of wealth valuation on public deficit (Inferential statistics)

Table 4.9: Hypothesis 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.208	.152		7.941	.000
	Qn5. Wealth valuation	**-.045**	.042	-.171	-1.067	**.293**

a. Dependent Variable: BuDeficit

Budget Deficit = **-.045** Wealth valuation + 1.208, $p > .05$ (p = .293), meaning the result is not significant. There is a negative relationship between Budget deficit and Wealth valuation.

4.6.3.1 Hypothesis 3 Effect of Wealth Tax Unit on Public Deficit (Descriptive statistics)

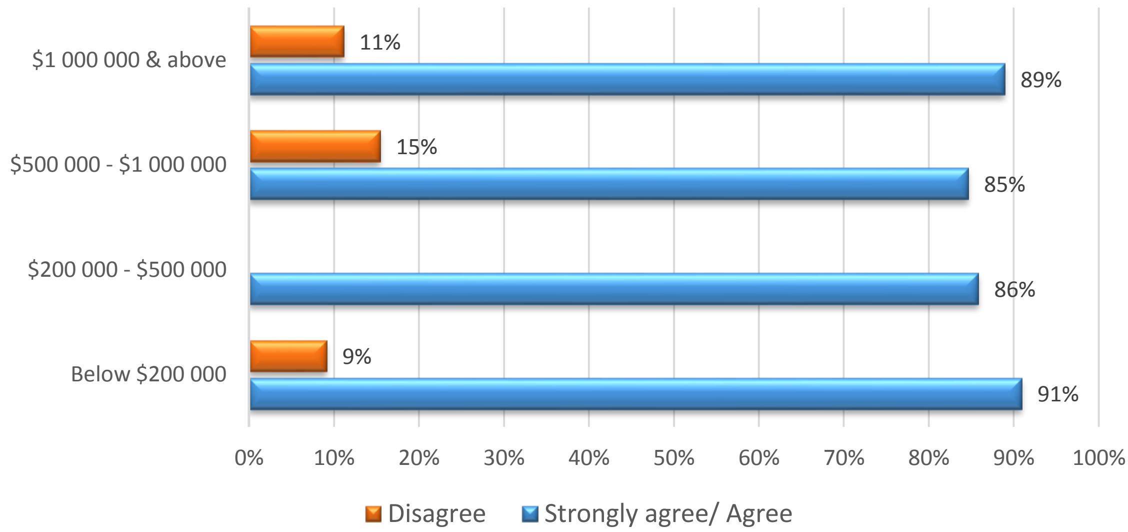
On the whole, there is overwhelming belief that wealth tax unit positively affect budget deficit (Table 4).

Table 4.10: Respondents' views on the Effect of Wealth Tax Unit on Public Deficit

	Agree / Strongly agree	Neutral	Disagree / Strongly disagree
To what extend do you agree that more tax brackets are important to come up with more revenue to meet budget deficit?	88%	3%	10%
Including both individuals and companies in the calculation of wealth tax increase revenue	68%	25%	5%
I am positive that lowering tax brackets will increase revenue collection	55%	43%	3%
Including the middle class in the calculation of net wealth tax has an effect on budget deficit	65%	30%	5%
Do you agree that including companies in the calculation of wealth tax will result in double taxation?	58%	25%	18%
Pensioners must be exempted from paying net wealth tax	88%	5%	5%
In Zimbabwe net wealth tax must start to be levied on the wealth worth $100 000	55%	28%	18%
Only those who are resident in Zimbabwe should be taxed	48%	38%	15%

Though the majority of respondents (88%) support the idea of more tax brackets as important in ensuring the collection of more revenue to meet budget deficit, the same proportion argue that pensioners must be exempted from paying net wealth tax. For the government to increase revenue and positively affect budget deficit, respondents believe that it will be prudent to include both individuals and companies (68%) and the middle class (65%) in the calculation of net wealth tax. Close to 60% believe that including companies in the calculation of wealth tax will result in double taxation (58%). Asked about what they think should be the threshold for net wealth tax, a small majority (55%), believe that in Zimbabwe net wealth tax must start to be levied on the wealth worth \$100 000. About two (2) percentage points shy of the majority (48%) think that only those who are resident in Zimbabwe should be taxed whilst 30% did not have an opinion on this. Figure 6 shows that across all the own wealth categories, the majority agree or strongly agree with the statement ‘more tax brackets are important to come up with more revenue to meet budget deficit’.

Figure 4.6: Wealth category by respondents views on tax brackets



Computation of a Chi-square for independence showed that the result is not significant; χ^2 (9) = 7.789, $p > .05$ ($p = 0.556$). The result means that there is no relationship between one’s approximate wealth value and the view they hold on whether or not more tax brackets are important in coming up with more revenue to meet budget deficit.

4.6.3.2 Hypothesis 3 Effect of Wealth Tax Unit on Public Deficit (Inferential statistics)

Table 4.11: Hypothesis 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.319	.157		8.413	.000
	Qn6. Wealth tax unit	**-.076**	.043	-.274	-1.758	**.087**

a. Dependent Variable: **BuDeficit**

Budget Deficit = -.076 Wealth tax unit + 1.319, $p > .05$ (p = .087), meaning the result is not significant. There is a negative relationship between Budget deficit and wealth tax unit.

4.6.4.1 Hypothesis 4 Effect of wealth tax administration on public deficit (Descriptive Statistics)

Respondents' views on the administration, management, conduct, direction, and supervision of the execution and application of taxation laws and related statutes were also sought. Generally, participants believe that tax administration positively affect deficit (Table 5).

Table 4.12: Effect of wealth tax administration on public deficit

	Agree / Strongly agree	Neutral	Disagree / Strongly disagree
Good net wealth tax administration will improve revenue collection	82.5%	12.5%	5%
Worldwide reporting of wealth avoid tax evasion	72.5%	25%	2.5%
A flat rate tax will make tax administration easy	52.5%	37.5%	10%
Leaving private valuable wealth will cause tax avoidance	67.5%	20%	12.5%
There must be clear policy objectives when	70%	20%	10%

implementing wealth tax			
It is necessary for government officials to visit people's homes to look for undeclared asserts	47.5%	35%	17.5%
Administration of net wealth tax will be easy if large and easily identifiable asserts only are taxed	65%	17.5%	17.5%
Period valuation of asserts must be made clear in the policy	75%	10%	15%

4.6.4.2 Hypothesis 4 Effect of wealth tax administration on public deficit (Inferential Statistics)

Table 4.13: Hypothesis 4

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.210	.146		8.318	.000
	Qn7. Wealth tax administration	**-.046**	.041	-.181	-1.135	**.263**

a. Dependent Variable: Budget Deficit

Budget Deficit = -.046 Wealth tax administration + 1.210, $p > .05$ (p = .263), meaning the result is not significant. There is a negative relationship between Budget deficit and Wealth tax administration.

4.6.5.1 Hypothesis 5 Effect of wealth tax efficiency on public deficit (Descriptive Statistics)

There is mixed views by the respondents on the effect of wealth tax efficiency on public deficit. Whilst respondents tend to concur that wealth tax efficient positively affect budget deficit, they do not seem to support policy implementation (Table 6).

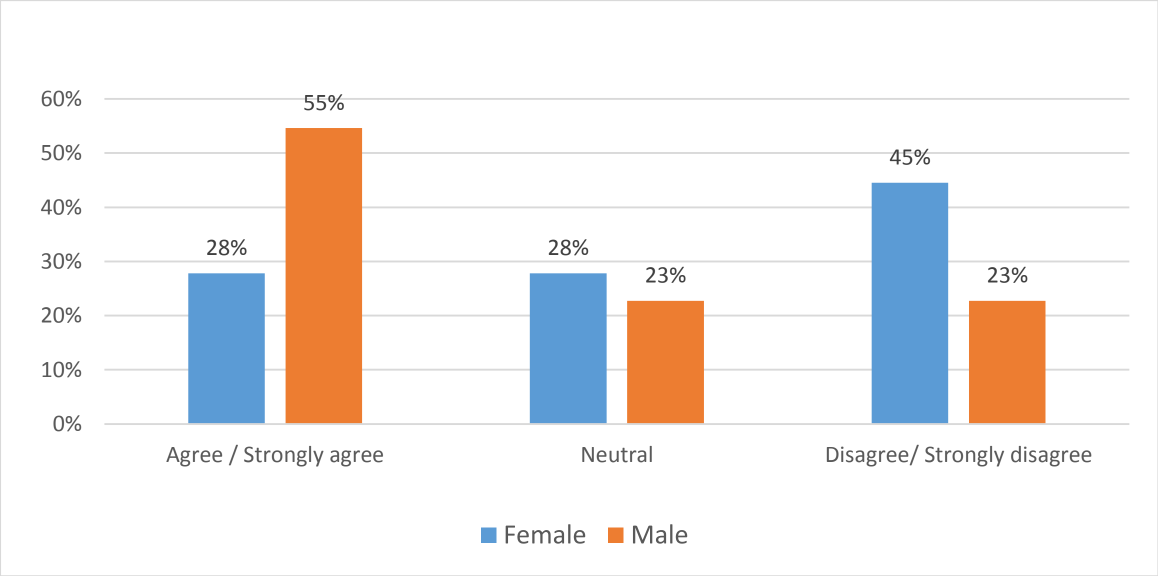
Table 4.14: Respondents' views on the Effect of wealth tax efficiency on public deficit

	Agree / Strongly agree	Neutral	Disagree / Strongly disagree
Net wealth tax is economic efficient	73%	23%	5%
Net wealth tax increases the amount of revenue collected by the government.	75%	20%	3%
Net wealth tax assist in the administration of other taxes by providing more information	68%	28%	5%
I have confidence that net wealth tax help people to make use of their idle assets, hence more income	68%	15%	15%
Net wealth help reduce massive concentration of worth tax by the law	50%	35%	15%
A different wealth tax base from other taxes can help track tax avoidance from other taxes	53%	33%	15%
Net wealth tax implementation is not a bad policy.	35%	25%	33%
Net worth is a fair tax because it taxes those who have the capacity to pay	43%	28%	30%

Respondents unanimously agree that net wealth tax is economic efficient (73%). In particular, they believe that net wealth tax increases the amount of revenue collected by the government (75%) and that it is critical in assisting in the administration of other taxes by providing more information (68%). Roughly half (50%) of the respondents said that net wealth tax help reduce massive concentration of wealth by the few.However, only 35% of the respondents think that net wealth tax implementation is not a bad policy (35%). This is a far cry from the belief they express about its efficiency. In addition, only 43% believe that net wealth tax is a fair tax because it taxes those who have the capacity to pay (43%). A substantial proportion of respondents did not want to commit but rather chose to remain neutral.

Data on net wealth tax policy implementation was disaggregated by gender. Figure 7 shows that more males (55%) compared to their female counterparts (28%) agreed or strongly agreed with the assertion that net wealth tax policy implementation is not a bad policy.

Figure 4.7: Gender and respondents'views on the effect of wealth tax efficiency of public deficit



4.6.5.2 Hypothesis 5 Effect of wealth tax efficiency on public deficit (Inferential Statistics)

Table 4.15: Hypothesis 5

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.909	.209		4.338	.000
	Qn8. Wealth tax efficiency	**.037**	.054	.110	.684	**.498**

a. Dependent Variable: BuDeficit

Budget Deficit = .037Wealth tax efficiency + .909, $p > .05$ (p = .498), meaning the result is not significant. There is a positive relationship between Budget deficit and Wealth tax efficiency

4.6.6.1 Hypothesis 6 Effect of wealth tax challenges on public deficit (Descriptive statistics)

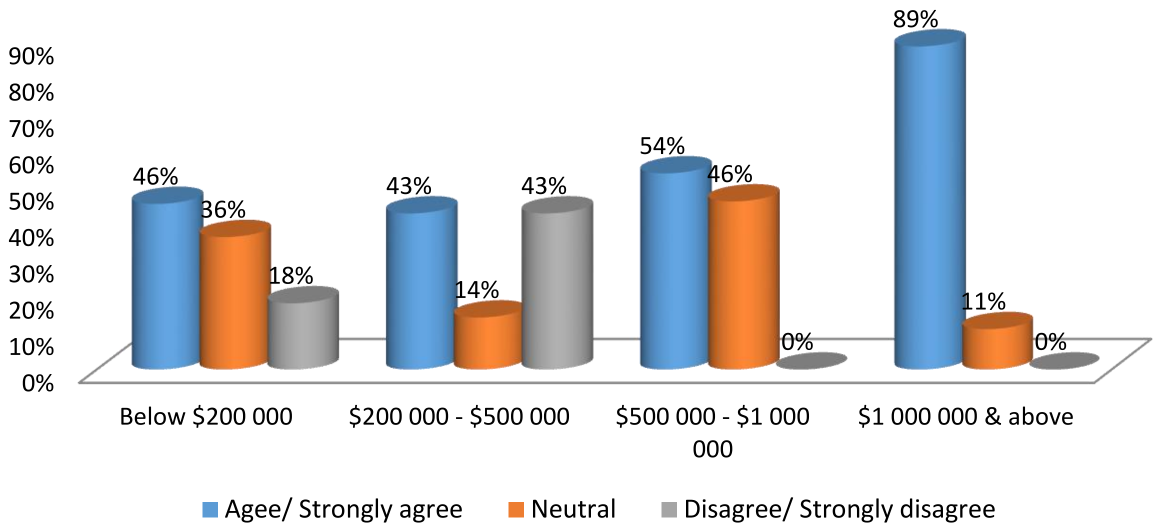
The common view among the respondents is that net wealth tax challenges negatively affect budget deficit (Table 4.5).

Table 4.16: Effect of wealth tax challenges on public deficit

	Agree / Strongly agree	Neutral	Disagree / Strongly disagree	Missing
Net wealth tax has high administrative costs	65%	28%	8%	
There is high compliance costs on net wealth tax	65%	33%	3%	
Net wealth tax prohibit investment	45%	35%	18%	3%
There is little information available about net wealth tax	55%	30%	15%	
Net wealth tax cause capital flight	78%	18%	3%	3%
Tax evasion cannot be avoided when implementing net wealth tax	73%	23%	3%	3%
Net worth taxation punish those who work hard.	50%	30%	13%	8%
Net wealth tax challenges do not outweigh the tax benefits	60%	30%	8%	3%

The most common thinking among participants is that net wealth tax causes capital flight (78%). Another competing view is that ‘tax evasion cannot be avoided when implementing net wealth tax’. The latter is shared by close to three quarters (73%) of the respondents.The respondents also think that that net wealth tax brings with it high cost such as expenditure of time or money in conforming to government requirements such as legislation or regulation (65%) and administrative (65%). Other negative effects associated with net wealth tax involve the view that it prohibits investment (45%) and that it punishes those who work hard (50%). However, despite these negative views people hold about net wealth tax, they seem to think that these challenges do not outweigh the tax benefits associated with it. Further analysis showed that more respondents in each wealth category agreed or strongly agreed with the statement that net wealth taxation punishes those who work hard. A significant proportion (89%) among those with wealth value $1 000 000 and above supported the assertion.

Fig 4 8: Value of wealth and views on net wealth taxation challenges.



To be confirm the finding, the researcher performed a Chi-square for independence and found out the result is significant; χ^2 (12) = 22.203, p < .05 (p = 0.035). The result means that there is a relationship between respondents' wealth value and their views on whether or not net worth taxation challenges have an effect on budget deficit.

4.6.6.2 Hypothesis 6 Effect of wealth tax challenges on public deficit (Inferential statistics)

Table 4.17: Hypothesis 6

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.298	.213		6.092	.000
	Qn9. Wealth tax challenges	**-.069**	.059	-.188	-1.179	**.246**

a. Dependent Variable: BuDeficit

Budget Deficit = -.069Wealth tax challenges + 1.298, $p > .05$ (p = .246), meaning the result is not significant. There is a negative relationship between Budget deficit and Wealth tax efficiency

4.7 Summary of hypothesis

Table 4.18: Summary of hypothesis

Hypothesis tested	**Significance**	**p-value**	**Decision (Accept/reject)**
Effect of wealth distribution on public deficit	$p > .05$	P= .948	Result not significant: reject null hypothesis
Effect of wealth valuation on public deficit	$p > .05$	p = .293	Result not significant: reject null hypothesis
Effect of wealth tax unit on public deficit	$p > .05$	p = .087	Result not significant: reject null hypothesis
Effect of wealth tax administration on public deficit	$p > .05$	p = .263	Result not significant: reject null hypothesis
Effect of wealth tax efficiency on public deficit	$p > .05$	p = .498	Result not significant: reject null hypothesis
Effect of wealth tax challenge on public deficit	$p > .05$	p = .246	Result not significant: reject null hypothesis

4.8 Chapter Summary

This chapter presented the findings of the study. The general picture is that people agree that wealth distribution positively affect budget deficit. Most of the people recognise the importance of wealth valuation in addressing public deficit and there is also an overwhelming belief that wealth tax unit positively affect budget deficit. Generally, participants believe that tax administration positively affect deficit. There is mixed views on respondents’ perceptions on the effect of wealth tax efficiency on public deficit. The common view among the respondents is that net wealth tax challenges negatively affect budget deficit.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The objective of this research was to establish the effect of net wealth tax on public deficit in Zimbabwe since the country's budget deficit is growing from 2014 up to the present day. The main thrust was put on the effect of wealth distribution on public deficit, effect of wealth valuation on public deficit, the effect of wealth tax unit on public deficit, effect of wealth tax administration on public deficit, effect of wealth tax efficiency on public deficit and finally the effect of wealth tax challenges on public deficit. A survey was carried out from a sample in Harare where respondents from the two stratums that is the low density and the high density were randomly chosen. The respondents indicated their views on the questionnaires and the majority of the respondents agreed that there is unequal wealth distribution in Zimbabwe. The respondents also agreed that the distribution of wealth have an effect on the budget deficit of the country. The relationship between wealth valuations to budget deficit was viewed by the respondents to be in existence. The research findings also established that wealth tax unit has an impact on public deficit in Zimbabwe. From the respondents' views, the relationship between wealth tax administration and budget deficit was found to be positive. On wealth tax efficiency mixed views were obtained and the generality of the respondents indicated that there is a negative relationship between wealth tax administration and budget deficit. The government can use the results from this research to implement the net wealth tax since the majority of the respondents agreed that net wealth tax is a good policy and that the benefits derived from its implementation outweigh the disadvantages. The research centered on the effect on net wealth on budget deficit only. Future research on the effect of wealth tax in reducing inequality need to be looked at since the country is faced with unequal distribution of wealth.

5.2. Conclusions

5.2.1. Effect of wealth distribution on budget deficit.

The literature which was reviewed on the effect of wealth distribution on budget deficit indicated that if wealth is concentrated on the minority who at times do not pay tax or influence the authorities to bend the rules in favour of them and avoid tax this has an impact on the budget deficit of a country. The results from this research also indicated that wealth distribution has an effect on budget deficit. The implementation of wealth tax is a solution to end the unequal distribution of wealth.

5.2.2. Effect of wealth tax valuation on public deficit.

If wealth is not valued properly for wealth taxation the reviewed literature indicated that budget deficit will not be reduced. Valuation cannot be made easy if there is wealth which cannot be traced to its owners and the availability of tax havens. The same sentiments were echoed by the views of the respondents who also singled out market value as a best option for valuing wealth.

5.2.3. Effect of wealth tax unit on public deficit.

The results from the research indicated that the tax unit has an impact on budget deficit. There seems to be an agreement to this assertion between the reviewed literature and the findings. When introducing wealth tax, brackets must be lowered to accommodate more units and increase revenue. To avoid double taxation companies are to be excluded from paying wealth tax as noted by other respondents.

5.2.4. Effect of wealth tax administration on budget deficit.

It can be concluded that if government is to succeed in collecting extra revenue from the introduction of wealth tax it must put in place clear wealth tax policy objectives. Many respondents supported that view as earlier on alluded to by other academics in the literature review. If wealth tax is poorly administered it will have a negative effect on the budget deficit.

5.2.5. Effect of wealth tax efficiency on budget deficit.

The research revealed that wealth tax is efficient though there were mixed views on the assertion. It was established by other academics that wealth tax assist in the administration of other taxes resulting in the increase in revenue not only from wealth tax but from other taxes as well. The same sentiments were raised from the research findings thus making wealth tax an efficient way of raising extra revenue by the government.

5.2.6. Effect of wealth tax challenges on budget deficit.

Wealth tax has some challenges but however the challenges do not supersede its benefits. From the reviewed literature to the research findings the challenges associated with wealth tax were raised but it was noted that the challenges will not drain all the revenue the net wealth tax would have raised. If the challenges are not constantly checked will have a negative effects on the budget deficit.

5.3. Recommendations

To address budget deficit by introducing net wealth tax the following recommendations are made:

5.3.1. Double taxation Agreements

The government must enter into double taxation agreements to avoid axing an individual twice .A person can be taxed in the country of residence and from another country and this can only be avoided by exempting the amount which was levied tax in another country.

5.3.2. The implementation of wealth tax

Since most of respondents supported the idea of a wealth tax to end budget deficit recommend that the government implement wealth tax. The tax must be supported by legislation which will curb tax evasion and avoidance.

5.4. Suggestion for future research

This research concentrated much on how the introduction of net wealth can be used to fund budget deficit.Net wealth can also be used to reduce inequality and a further research to establish the effect of net wealth tax in addressing wealth inequality in Zimbabwe can also be done. A different research methodology can be used to establish the effects of net wealth taxation other than what was used under this study.

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APPENDICE A: QUSTIONNAIRE

QUESTIONNAIRE FOR NET WEALTH TAXATION IMPLEMENTATION IN ZIMBAMBWE.

My name is Gosha Paul, a final year student at Midlands State University studying Master of Commerce in Accounting Degree. I am carrying out a research on the **EFFECT OF NET WEALTH TAX ON BUDGET DEFICIT IN ZIMBABWE.** Responses will be totally for academic purposes and high level of confidentiality will be observed. In order to maintain confidentiality please do not write your name on this questionnaire. Your willingness to assist me in this research is greatly appreciated.

GENERAL INSTRUCTIONS

1. Kindly attempt all questions by putting a tick on your choice.

2. Please kindly add any other information which you think might be necessary at the end of the questionnaire.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender (Please put a tick where appropriate)

Male ☐ Feale ☐

2. Age (*please tick where appropriate*)

Less than 25 years ☐

Between 25 and 30 years ☐

Between 30 and 40 years ☐

Between 40 and 50 years ☐

Above 50 years ☐

3. Indicate the approximate value of your wealth.

Below \$200 000 ☐

\$200 000 to \$500 000 ☐

\$500 000 to \$1000 000 ☐

\$1000 000 and above ☐

SECTION B: EFFECT OF WEALTH DISTRIBUTION ON PUBLIC DEFICIT

4.Wealth distribution positively affect budget deficit. Do you agree? Please indicate your answer for the following questions by a tick on a scale 1-5 where: 1= strongly agree; 2 = Agree; 3 =Neutral; 4= Disagree; 5= Strongly disagree

		1	2	3	4	5
WDBD1	There is unequal distribution of wealth in Zimbabwe					
WDBD2	Re-distribution of wealth improve revenue collection					
WDBD3	The rich can influence rules to be bend in favour of them					
WDBD4	I'm aware there is huge wealth owned which do not produce income					
WDBD5	The unequal distribution of wealth provide an opportunity to raise revenue for the government.					
WDBD6	Concentration of wealth in few hands can influence unfair tax policy.					
WDBD7	Those who have wealth have the ability to pay tax					
WDBD8	Unequal distribution of wealth has negative effects on economic growth.					

SECTION C: EFFECT OF WEALTH VALUATION ON PUBLIC DEFICIT

5.Wealth valuation positively affect budget deficit. Do you agree? Please indicate your answer for the following questions by a tick on a scale 1-5 where: 1= strongly agree; 2 = Agree; 3 =Neutral; 4= Disagree; 5= Strongly disagree

		1	2	3	4	5
WVBD1	Assets which cannot be linked to its owners affects revenue collection and finally budget deficit					
WVBD2	Market value is the best valuation option					
WVBD3	Banks 'reporting on foreign accounts improve revenue					

	collection and reduce public deficit.					
WVBD4	Good wealth valuation methods increase revenue					
WVBD5	To what extend do you agree or disagree that wealth is difficult to measure?					
WVBD6	Including national stock accounts in balance sheets help in the valuation of assets.					
WVBD7	Tracing owners of assets which are all over the world will help increase revenue.					
WVBD8	Knowing the value of your own assets will assist in coming up with correct values for net wealth taxation.					

SECTION D: EFFECT OF WEALTH TAX UNIT ON PUBLIC DEFICIT

6. Wealth tax unit positively affect budget deficit. Do you agree? Please indicate your answer for the following questions by a tick on a scale 1-5 where: 1= strongly agree; 2 = Agree; 3 =Neutral; 4= Disagree; 5= Strongly disagree

		1	2	3	4	5
WUBD1	To what extend do you agree that more tax brackets are important to come up with more revenue to meet budget deficit?					
WUBD2	Including both individuals and companies in the calculation of wealth tax increase revenue.					
WUBD3	I am positive that lowering tax brackets will increase revenue collection.					
WUBD4	Including the middle class in the calculation of net wealth tax has an effect on budget deficit.					
WUBD5	Do you agree that including companies in the calculation of wealth tax will result in double taxation?					
WUBD6	Pensioners must be exempted from paying net wealth tax					
WUBD7	In Zimbabwe net wealth tax must start to be levied on the wealth worthy $100 000					

WUBD8	Only those who are resident in Zimbabwe should be taxed.					

SECTION D: EFFECT OF WEALTH TAX ADMINISTRATION ON PUBLIC DEFICIT

7. Wealth tax administration positively affect budget deficit. Do you agree? Please indicate your answer for the following questions by a tick on a scale 1-5 where: 1= strongly agree; 2 = Agree; 3 =Neutral; 4= Disagree; 5= Strongly disagree

		1	2	3	4	5
WABD1	Good net wealth tax administration will improve revenue collection.					
WABD2	Worldwide reporting of wealth avoid tax evasion.					
WABD3	A flat rate of tax will make wealth tax administration easy.					
WABD4	Leaving private valuable wealth will cause tax avoidance.					
WABD5	There must be clear policy objectives when implementing wealth tax.					
WABD6	It is necessary for government officials to visit people's homes to look for un declared assets					
WABD7	Administration of net wealth tax will be made easy if large and easily identifiable assets only are taxed					
WABD8	Period of valuation of assets must be made clear in the policy.					

SECTION D: EFFECT OF WEALTH TAX EFFICIENCY ON PUBLIC DEFICIT

8. Wealth tax efficiency positively affect budget deficit. Do you agree? Please indicate your answer for the following questions by a tick on a scale 1-5 where: 1= strongly agree; 2 = Agree; 3 =Neutral; 4= Disagree; 5= Strongly disagree

		1	2	3	4	5
WEBD1	Net wealth tax is economic efficient.					
WEBD2	Net wealth tax increases the amount of revenue					

	collected by the government.					
WEBD3	Net wealth tax assist in the administration of other taxes by providing more information					
WEBD4	I have confidence that net wealth tax help people to make use of their idle assets, hence more income					
WEBD5	Net wealth tax help reduce massive concentration of wealth by the few.					
WEBD6	A different wealth tax base from other taxes can help track tax avoidance from other taxes.					
WEBD7	Net wealth tax implementation is not a bad policy.					
WEBD8	Net wealth is a fair tax because it tax those who have the capacity to pay.					

SECTION G: EFFECT OF WEALTH TAX CHALLENGES ON PUBLIC DEFICIT

9. Net wealth tax challenges positively affect budget deficit. Do you agree? Please indicate your answer for the following questions by a tick on a scale 1-5 where: 1= strongly agree; 2 = Agree; 3 =Neutral; 4= Disagree; 5= Strongly disagree

		1	2	3	4	5
WCBD1	Net wealth tax has high administrative costs					
WCBD2	There is high compliance costs on net wealth					
WCBD3	Net wealth tax prohibit investment					
WCBD4	There is little information available about net wealth tax.					
WCBD5	Net wealth tax cause capital Flight					
WCBD6	Tax evasion cannot be avoided when implementing net wealth tax					
WCBD7	Net wealth taxation punish those who work hard					
WCBD8	Net wealth tax challenges do not outweigh the tax benefits.					

SECTION H: BUDGET DEFICIT

10 .Please indicate your answer to the following by a tick on the answer of your choice.

BD1	There is increasing budget deficit in Zimbabwe	Yes	No

Any other information which you think might be necessary.

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Thank you for completing this questionnaire