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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN INVESTIGATION ON THE PERFORMANCE OF THE LEVY
COLLECTION SYSTEM: A CASE OF ZIMBABWE TOURISM
AUTHORITY (ZTA)

COMPILED BY:

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GWERU ZIMBABWE: MAY 2014

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DEDICATION

This dissertation is a special dedication to the Mangayi Family for the moral support they gave me throughout the course of my studies with special mention going to my mother and brother Zondai.

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Firstly I would like to thank the Almighty God for enabling me to carry out this research. I wish also to express my profound gratitude to my immediate supervisor Mr Kazembe for providing me with the much needed guidance and support. Your patience, kindness and academic experience have been invaluable to me.

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ABSTRACT

Despite the reforms implemented to minimise non-compliance tourism, operators continue to be non-compliant in submitting levy due. Non-compliance reduces levy collected by Zimbabwe Tourism Authority (ZTA) and has thus created a gap between levy collected and the actual levy owed. The study looked at the strengths and weaknesses in the current system, reasons for non-compliance and the ways used by operators to evade levy payments and it sought to provide strategies that could be used to improve levy collection. To obtain information on the performance of the current levy system the researcher reviewed literature from other sources of work previously published by others. ZTA was examined to obtain an understanding of the views and perspectives of the reasons for the poor performance of the current levy system in collecting levy due. The research adopted a case study research design. To obtain data on the performance of the levy system questionnaires were administered to twenty-five respondents, interviews were conducted with three managers being staff and employees at ZTA and document review of secondary sources was done. From the data gathered the researcher discovered that the current system was weak and contributed immensely to the poor performance of ZTA, compliance costs in the current system discouraged compliance and under-reporting and under-invoicing were the main ways used by operators to evade payments. The researcher thus recommends that ZTA should implement an automated system of levy collection, increase the amount of risk based audits it conducts on operators, streamline the levy according to operator size as well as improve operator education and training.

LIST OF ACRONYMS

| | |
|-----|----------------------------|
| ZTA | Zimbabwe Tourism Authority |
| SAS | Self Assessment System |

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CHAPTER 1 INTRODUCTION

1.0 Introduction

The chapter is an overview of the study. It is an introductory chapter that gives the background of study, statement of the problem, the research objectives of the study, research questions, limitations, assumptions and the summary of the chapter.

1.1 Background to the study

In an attempt to strengthen and enhance revenue collection in the Tourism sector the Zimbabwe government introduced the 2% levy collection system stipulated in section 55 of the Tourism Act Chapter 14:20 and prescribed in the Tourism (Designated Tourist Facilities) General Regulations 1996 (SI 107 of 1996). The 2% levy is levied on hotels, restaurants, camp safaris and any other tourist facilities. Tourism operators are thus required to submit estimates of their returns and to remit 2% of the total income received for the previous month on or before the 15th day of the following month to the Zimbabwe Tourism Authority (ZTA).

However, ZTA has been facing challenges in collecting the levy which contributes more than 70% of the total revenue received due to non-compliance or the under remittance of levy. This has resulted in ZTA failing to meet its targeted revenue and hence operating at an adverse variance as shown in table 1.1 below.

Table 1.1 Variance analysis of budgeted levy and actual levy

| Year | Expected levy | Actual levy | Variance | Variance % |
|------|---------------|--------------|--------------|------------|
| 2010 | \$ 5 500 000 | \$ 4 775 887 | (\$ 724 113) | (13) |
| 2011 | \$ 6 650 000 | \$ 6 052 437 | (\$ 597 563) | (9) |
| 2012 | \$ 7 450 000 | \$ 6 708 384 | (\$ 741 616) | (10) |

Source :Management Accounts (2010-2012)

Failure to meet their budgeted expectations prompted management to implement strategies to increase levy remittance. In March 2011 to address the problem of non-compliance to levy remittance, ZTA issued a Circular 002/ 11stating that those who had outstanding levy and who failed to remit their levy by 15 April 2011 would face a 100% penalty of the levy not remitted (Correspondence File, 2011). However this caused unremitting levy to soar by 218% from \$103 851 in 2010 to \$329 887 in 2011 (Board Pack 2011).This received a positive

response from small operators with levy ranging from \$0 - \$30 who by August 2011 had paid \$ 15 378 of the levy due and had submitted their payment plans for approval at ZTA.

The negative response management received from large tourism players who had outstanding levy after issue of Circular 002/11 prompted management to engage debt collectors to recover the outstanding levies .In February 2012 it was resolved that operators who had levies of more than 120 days and who were not remitting levy for the years 2011 and 2010 had to be handed over to Well-cash Debt Collectors (Finance Board Pack 2012) .However the authority was only able to recover 39% of the \$204 370 levies placed under the debt collectors. The reasons for non-compliance were some operators with levy worth 9% of the total levy had closed down their operations, 5% had been registered under new owners and the remainder was spread over operators who were disputing that amounts due were in excess of the actual amounts the operators owed. For instance of the \$ 90 365 that is 44% of levy placed under the debt collectors that was said to have been owed by Chevron, Ambassador and Midlands Hotels the operators were of the opinion that they actually owed \$43 260 (Finance Board Minutes 2013).

In June 2013 prior conducting Masvingo levy audits the Head Finance Mr Stima stated that there was need for the Authority to closely monitor those operators who were found in default (Harare Audit Report).In the report after the audit of 20 operators \$344 115 had been collected by operators on behalf of ZTA but 53% of the levy due had not been remitted.

In the Monetary Policy 2014 the Acting RBZ Governor Dr Charity Dhlwayo stated that a significant number of tourism operators have not complied with the requirements to regularly submit remittance forms to the Reserve Bank and ZTA on a monthly basis and hence this has caused leakages in the sector due to under-declaration of revenue. More so, amid concerns of under-declaration of revenue by tourism operators the ZTA Chief Operating Officer Mr Givemore Chidzidzi at a Tourism Indaba workshop in May 2013 stated that there has been alarming evidence of under-remittance by operators and hence there was need to improve the levy system in order to increase 2% levy compliance.

1.2 Statement of the problem

Public revenue systems in Zimbabwe have been facing challenges in collecting the revenues due with the tourism sector not being an exception. However despite the efforts made by ZTA to encourage levy collection through the introduction of penalties and putting levy due under debt collectors some operators still continue to be in default. The research is thus an investigation on the performance of the levy collection system of ZTA.

1.3 Research objectives

- To examine the strengths and weaknesses of the tourism levy system at ZTA.
- To describe the practices effected by companies to evade levy compliance.
- To determine the reasons why operators do not want to comply with the 2% levy.
- To recommend strategies to benefit ZTA on revenue collections.

1.4 Research questions

- What are the strengths and weaknesses of the tourism levy system at ZTA?
- What are the reasons why firms do not want to comply with the 2% levy?
- What practices are local firms undertaking to evade levy payments?
- What strategies can the tourism authority implement to strengthen the levy collection system?

1.5 Significance of the study

To the student - The study was done in partial fulfilment of the Bachelor of Commerce Honours Degree in Accounting at Midlands State University. The research enables the researcher to gain research skills.

To Midlands State University - The research will act as a future reference for other scholars who intend to carry out research on the subject.

To Zimbabwe Tourism Authority - The findings and recommendations in this study will help improve the performance of the levy collection system at ZTA.

1.6 Assumptions

- The study will be carried out on the following underlying assumptions.
- The researcher had all the material required to enable her carry out the study.
- The study respondents were co-operative and provide unbiased information.
- The chosen sample was a true representative of the whole population
- The limitations encountered did not affect negatively the viability of the research.

1.7 Limitations of the study

- The time frame of the research study was limited as there was need to strike a balance between research and other modules but however the researcher worked beyond day hours and used night hours to conduct a meaningful study.
- Unavailability of adequate resources such as money and time undermined the research of the project however the researcher had to sell weaves and braids to raise the money required.
- Supply of inaccurate data might have led the researcher to poor evaluations since not all information required was available due to confidentiality however the researcher had access to the required information after giving assurance to the information providers that the data provided was used for research purposes only.

1.8 Delimitation of the study

- The research focused on the Zimbabwe Tourism Authority Head Office which is located in Harare and is only going to cover events during the period 2010 to 2012
- The research was only confined to the performance of the levy collection system at ZTA.

1.9 Definition of terms

Levy- A levy is a payment for license awarded by statutory regulators or duties to finance industry specific research foundations are normally classified under taxation (UK Treasury 2013)

Remittance –payment to settle an obligation due.

Compliance –being in accordance with established guidelines or legislation.

Operator – entities in the tourism sector.

1.10 Chapter Summary

Chapter 1 covered the background of the study, problem statement, objectives of the study, research questions, significance of the study, assumptions, delimitations, limitations and definition of key terms. The next chapter focuses on the literature review of the subject matter.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter discusses literature that will lay down the foundation of this research. The objective of this chapter is to review literature relating to the levy collection system. The chapter focuses on the strengths and weaknesses of the current levy system, reasons for non-compliance, describes practices used by companies to evade levy compliance and strategies to improve levy collection. The chapter is also aimed at analysing the theoretical arguments, empirical evidence relating to the subject matter and lastly provides the summary of the chapter.

2.1 Literature review

According to www.grammar.about.com (accessed on 30/03/2014 at 1805hrs) literature review is the process of reading, analysing, evaluating and summarising scholarly materials about a specific topic. There should be clear link between the literature review and the area under study. According to Thomas (2011) literature review led the researcher to define with exactness what the researcher wanted to do. Website www.guides.library.ucsc.edu (accessed on 30/03/2014 at 1815 hrs) agreed citing that literature review surveys scholarly articles, books and other sources (e.g. dissertations, conference proceedings) relevant to the study area and its purpose is to provide information published on a work.

2.2 Overview of the Tourism industry

According to Sariisik, Sari, Sari and Halis (2011) as one of the fastest growing sector the tourism industry contribution to GDP is estimated as 5%. Assaf and Josiassen (2012) cited that to improve the industry businesses have to improve the determinants that affect tourism performance. Hence the increase in performance will cause an increase in arrivals, which determines the increase in levy collected.

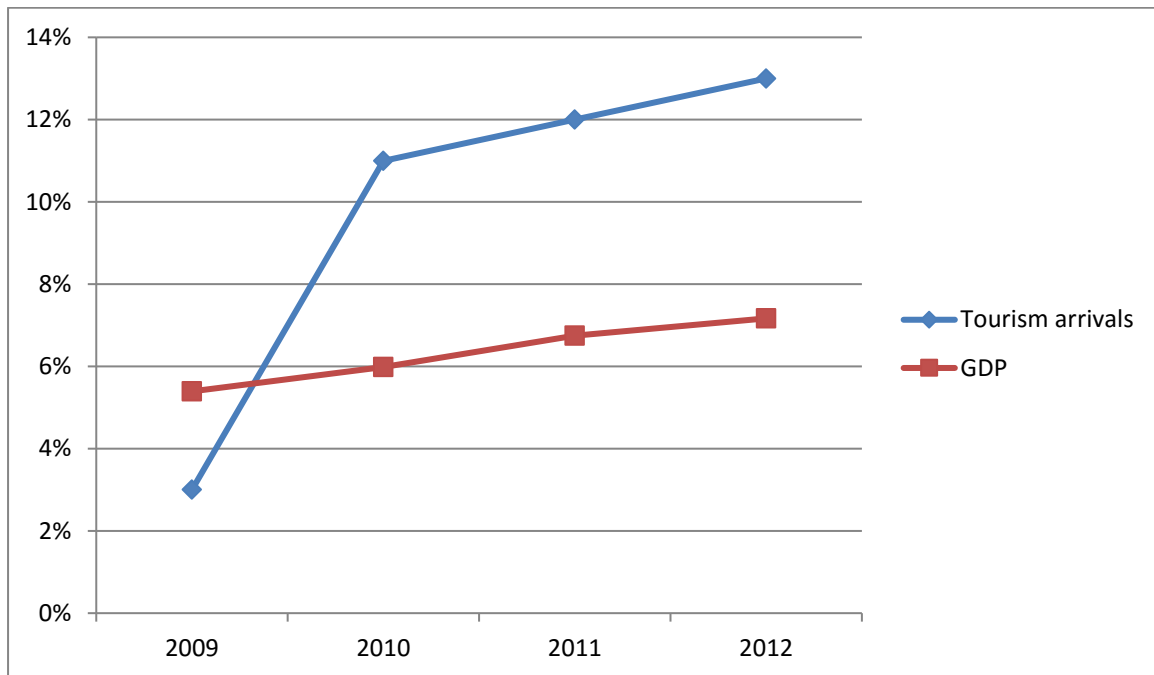
2.2.1 Determinants of tourism performance

2.2.1.1 Economic performance

According to Assaf and Josiassen (2012) the economic performance of a nation such as employment and income levels are strong determinants of performance in many industries with the tourism sector not being an exception. The authors cited that tourism tend to highly perform in developed countries as compared to developing countries. Sariisik, Sari, Sari,

Halis (2011) agreed citing that the economic performance of a tourist destination affects demand in hospitality sector and hence as a result this will cause a decline in revenue. Chen (2010) also agreed citing that the prospects of a business is closely related to the prevailing economic climate that is changes in firm performance relates to the expansion and contraction of the business cycle.

Fig 2.1:GDP and Tourism Sector performance in Zimbabwe (2009-2012)



Source: Economic Outlook Report 2013 and Tourism Statistics Report 2012

The increase in GDP during the period brought about an increase in tourism arrivals in Zimbabwe hence this increase could be matched by an increase in tourism receipts and levy collected during the same period.

2.2.1.2 Government policy

Effective government policy influence industry performance. According to OECD (2012) the role of central governments in developing effective policy is vital. Assaf and Josiassen (2012) agreed citing that government policy leads to improved performance since it creates policies for a successful tourism industry for enhancing tourist arrivals as well as investments.

However, OECD (2012) stated that there was need for tourism ministries to build relationships with other ministries and establish procedures for dealing with policy issues so as to create policies which enhance tourism sector performance.

2.2.1.3 Tourism price competitiveness

According to www.africaneconomicoutlook.org (accessed on 06/04/2014 at 1545hrs) competitiveness is the set of institutions, policies, and factors that determine the level of productivity of a country. According to Assaf and Josiassen (2012) tourism arrivals are affected by the competitiveness of the destinations prices thus the intention to return or visit a destination depends on the prices as well as the exchange rate, ticket prices and fuel prices in the tourist destination. In addition, Oom do Vaal, Pintassilgo, Matia and Andre (2012) agreed citing that tourist have different attitudes towards surcharges on their bills depending on the elasticity of demand for the product. When demand is inelastic tourism revenues will be slightly affected by the impacts of the surcharges however when demand is elastic price increases will result in reduced demand and hence a reduction in tourism revenues or tourism levy.

In Zimbabwe due to the multi-currency system introduced in 2009 the country has been facing a stable economic environment with the country averaging an inflation rate of 5.1% and 3.9% in the years 2011 and 2012 respectively. According to www.africaneconomicoutlook.com (accessed on 06/04/2014 at 1545hrs) Zimbabwe in 2009 has been adopting a flexible exchange rate system which is determined by the performance of the South African Rand and the United States dollar and hence this gives tourists certainty on the purchasing power of their currency when they visit Zimbabwe and hence an increase in arrivals.

2.2.1.4 Other factors

Determinants of tourism performance are inexhaustible .According to Assaf and Josiassen (2012) many factors affect the performance of the industry and these include natural resources, tourism and related infrastructure, global events, security, health and safety of the tourist destination.

2.2.2 Reasons for introducing tourism levy

According to www.exebit.org (Accessed 29/03/14 at 1630hrs) governments introduce the tourism levy so as to promote and market the tourism destination. According to King (2010) tourism levy takes a number of forms from a compulsory percentage based levy, a voluntary levy, a flat levy or percentage levy only placed on accommodation. However many countries

tend to use a percentage levy since it is more appropriate as it directly relates to the revenues collected by the operator.

2.3 Overview of the Levy Collection System

According to Zhou and Chilunjika (2013) efficient revenue collection systems are the hub of every public administration system. Ayegyba (2013) cited that to carry out their functions governments rely on revenue from tax and non-tax sources as well as fees, grants and levies but however governments have to formulate strategies to improve revenue collections. Slemrod and Robinson (2013) defined a levy system as the base and rate structure as well as the procedures used to assess and collect levy liabilities so as to monitor and enforce compliance.

According to www.thomsonreuters.com (accessed 20/03/14 at 1530hrs) in collecting revenues governments are faced with the same basic challenges and breakdowns at any point in the system can lead to lower revenue, confusion and perceptions of unfairness. Von Haldenwang, Von Schiller and Garcia (2014) cited that through creating Semi-Autonomous Revenue Authorities governments will enjoy effective revenue collection and further the author identifies the following as attributes of an effective revenue collection system that is an effective revenue collection system has regulatory, coercive and sanctioning powers, should recruitment a competitive staff, an excellent leadership structure and accountability.

Lastly, Okello (2014) asserted that effective levy systems are those that induce the vast majority of levy payers to meet their levy obligations voluntarily, leaving levy officials to concentrate their efforts on those payers who do not comply.

2.4 Definition of a Self Assessment System

Udin and Wahab (2013) defined a self assessment system (SAS) as a levy system in which the obligation of remittance and submission of correct returns is put to the levy payer. Slemrod and Robinson (2011) viewed SAS as a system where the levy due is determined by the levy payer. Nigeria. Federal Inland Revenue Services (2011) agreed stating that SAS is a levy system whereby the levy payer is given the right to compute their own liability, pay the levy due and produce evidence to the administration when the time of filling the return is due. Udin and Wahab (2013) asserted that, the system assesses information at face value that is returns submitted by the levy payer are deemed to represent the amount of the actual levy due. Therefore under the system levy payers are bound to submit complete and accurate returns.

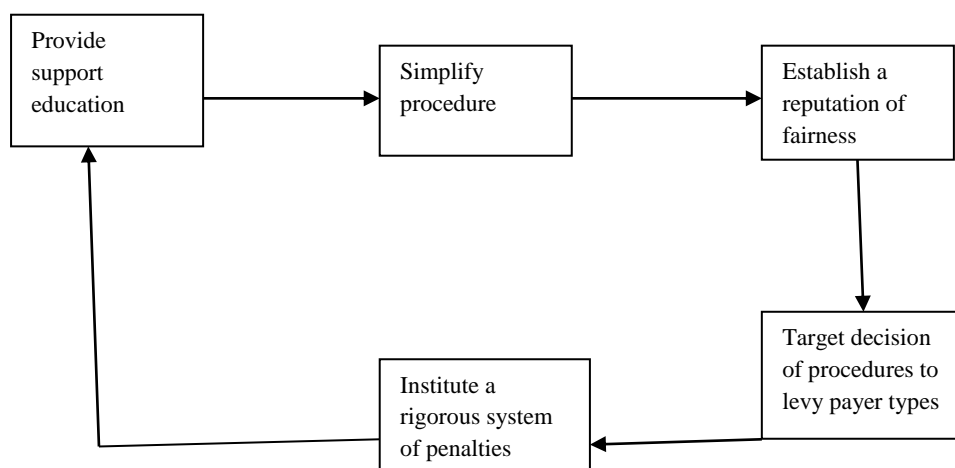
2.5 Strengths and weaknesses of a Self Assessment System

Jacobs (2013) suggested that for SAS, the country's levy laws must include provisions to the effect that levy payers will provide to the levy authority the facts on which their liability can be computed; compute the liability themselves; file a return on specified due dates showing and declaring the result of the computation and the levy due; and pay the amount of levy owed at the time of filing. Extensive self-assessment and voluntary compliance by payers, combined with targeted compliance and enforcement programs that are based on risk assessment strategies, allows the levy administration to administer the tax or levy system effectively and efficiently.

For SAS to function properly it depends on the voluntary compliance of levy payers to submit the levy due. Slemrod and Robinson (2011) suggested that for effective compliance to take place administrations should be empowered by enforcement measures to collect amounts due, ability to verify the accuracy the amounts remitted that is whether they represent amounts due and ability to impose a maximum penalty rate for incorrectly submitting remittances due.

For effective self assessment levy systems and for effective voluntary compliance to take place Jacobs (2013) identifies the following measures as shown in Fig 2.1 to encourage a self assessment and voluntary compliance culture.

Fig 2.2 Voluntary Compliance measures



Adapted from Jacobs (2013:4)

From Fig 2.2 ,Jacobs (2013) asserted that for a smooth flow in the levy collection system complexities in the system have to be removed ,levy payers have to be educated to stimulate

voluntary control and the levy collection administrator should have sanctioning powers so as to prohibit non-compliance.

According to Jacobs (2013) governments have moved from the official tax system to self assessment systems so as to reduce administration costs of levy to a minimum as well as increase the revenue base. In addition the author states that a self assessment system allow the levy or tax administrator to concentrate its resources on identifying and dealing effectively with those levy payers who fail to fully comply with their levy obligations. However the authors cite that small businesses may lack proper books and accounting records to determine and extract their levy liabilities and thus it is very difficult and costly to obtain figures from these groups.

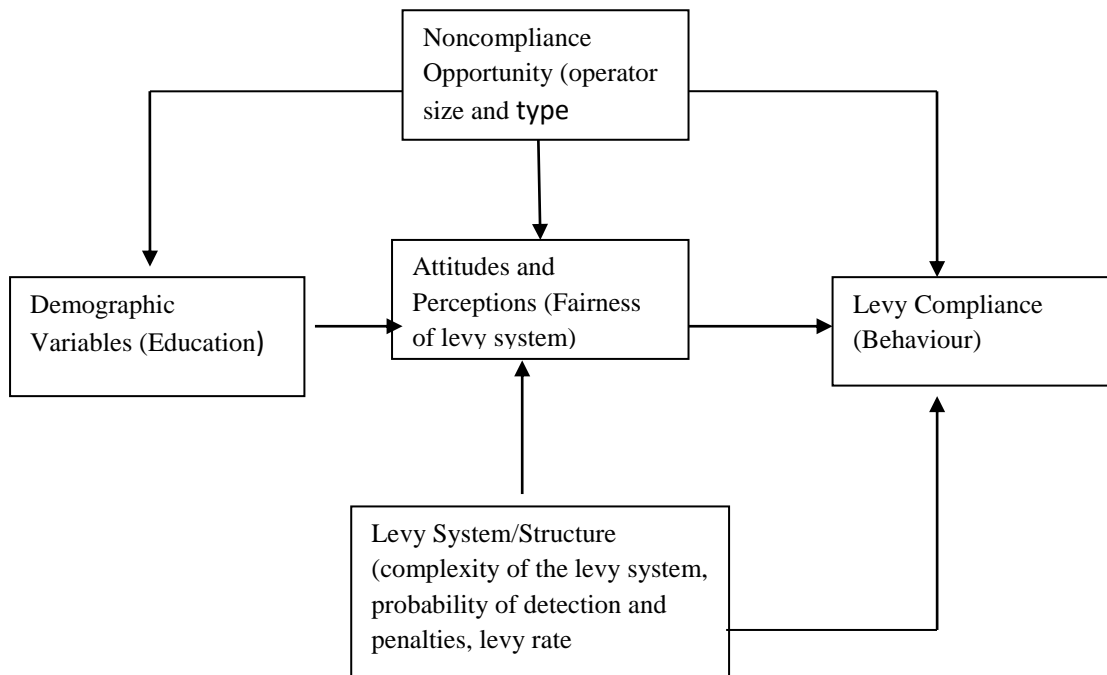
Udin and Wahab (2013) stated that under a self assessment system the levy payer has to prepare the remittance and submit to levy administrators. However the system leads to various offences like failure to submit levy return forms, submitting inaccurate returns and providing insufficient information and thus this will result in the levy administrator recording inaccurate returns.

In addition successful implementation of the self assess system depends on the ability of the levy payer to prepare and record accurate remittances. Udin and Wahab (2013) further stated that a successful self assessment system depends on levy knowledge, perceived complexity of the levy law, and attitude towards paying levy, general problem-solving ability and experience.

2.5 Factors affecting non-compliance

According to Twum (2013) various factors accounts for levy non-compliance but however these factors can be categorised into four groups and can be presented as a summary using the Fischer model.

Fig 2.3 Fischer Model



Adapted from Twum (2013:3)

2.5.1 Noncompliance opportunity

In the Fischer model non-compliance opportunities can affect the levy taxpayers directly through the size of the business and the type of the business. The level of compliance varies due to the opportunities available to the levy payer to evade levies through overstating expenses or understating income.

2.5.2 Demographic variables

Demographic variables indirectly influence compliance due to their impacts on the levy payers' opportunities of compliance. Twum (2013) defined education as the levy payers' ability to grasp as well as comply with the current levy system. The author suggested that those who have acquaintance of the levy system are more likely to comply than those who lacked the knowledge.

2.5.3 Levy system /Structure

According to Twum (2013), the levy system is the major determinant of the factors affecting noncompliance. The effectiveness of the levy system, the probability of detection as well as the power of the administrator to impose penalties determines the level of compliance.

2.5.4 Attitudes and perceptions

The fairness of the levy system determines the level of compliance. Levy payers are less likely to comply when they perceive the levy system to be unfair and this is usually the case when levy payers benefit the least from the levy.

2.6 Reasons for non-compliance

According to Kanbur and Keen (2014) it is not merely the fact of non remittance of levy that is of concern but the reasons why firms do not want to remit the levy. These reasons are discussed below:

2.6.1 The efficiency and effectiveness of the system

According to Crawford and Huckless (2013) the integrity of the regulator determines whether the one being regulated is going to comply. If the regulator has good relations with the one being regulated the regulated are more likely to comply and be attentive whilst bad relations between the two will result in the regulated showing a deaf ear to the regulator. Cummings, Longo and Rioux (2012) defined integrity as the ability of the levy officer to observe the principles of objectivity, professional due care and independence. Crawford and Huckless (2013) cited that compliance depends on the ways of compliance that is whether it is legislative or creative with payers being more compliant if there is available legislation to support the compliance.

Von Haldenwang, von Schiller and Garcia (2014) stated that the effectiveness of the administration system of the revenue collecting agency determines whether or not levy or tax payers are going to comply. Weak administrations lack the human resources or infrastructure to enable them carry out basic revenue collection functions and thus those administrations are not provided with the actual information, are prone to corruption and are exposed to political interference. Matsaganis and Flevotomou (2010) agreed that the efficiency and effectiveness of the system determines the level of compliance.

2.6.2 Social norms as determinants of compliance

Babek, Hageman and Kelliher (2012) identified social norms which are defined as the rules and standards understood by members of a group that guide a constraint social behaviour when assuming the absence of law to determine compliance. The authors identified general societal expectations of behaviour (injunctive norms), expectations for valued others own

opinion and one's own expectations of valued others own behaviour or beliefs as determinates of compliance. The author suggested that if social norms are dominant influence on the current level levy payer compliance maintenance and enhancement of the norms is essential for an effective levy revenue source.

2.6.3 The tourism sector is a highly taxed sector

Kanbur and Keen (2013) argued that in practice levy payers are often faced with multiple obligations. This may be true simply in tax terms—distinct thresholds for the VAT, tourism tax, corporate tax, a presumptive income tax, for instance—but can also arise because firms also face non-tax obligations: the requirements of labour law, for instance and thus because firms are faced with a variety of statutory payments ,they may end up not complying with some statutory regulations or payments. Vjekoslav, Bejakovic and Anton (2012) agreed stating that the tourism industry is highly taxed with around 45 taxes being levied on the sector. The authors identified different types of levy and other statutory non-tax items ranging from hotel and accommodation taxes, airport and harbour charges for operators in the shipping and transport industry. Vjekoslav, Bejakovic and Anton (2012) further cited that these levies charged on the industry burden business activities in the sector and hence may result in operators not complying with all the statutory payments due to them.

2.6.4 The levy should be used for the betterment of the tourist destination

Pazienza (2012) cited that operators will be in compliance with remitting levy due if there is tangible evidence to show that a greater proportion of the tourism levy were used for the betterment of the tourism destination. The author cited that although an appropriate way of taxing tourism should be based on the daily spending of the tourist at each stage of tourist spending, this presented a challenge to governments to identify each stage of tourist spending on a levy basis. Pazienza (2012) stated that it is possible for governments to set higher levy levels and face minimum evasion if the greater proportion of the levy is employed to benefit the levy payers. Udin and Wahab (2013) agreed saying that levy payers would pay more levy whenever they are satisfied with the returns from their payments that is when they directly benefit from them and when they view the system as being fair.

2.6.5 Large and small operators

According to Corthay and Loeprick (2010) tourism operators consider levy and the costs to comply as substantial obstacles to business and investments and thus an effective levy regime

should treat large firms differently from small operators. The major of the sectors activities is generated by small operators for instance restaurants and travel agents who are sensitive to compliance costs. The author cited that though the levy is generally small in terms of its percentage it can accumulate to become a greater burden for governments and firms particularly for small firms.

Corthay and Loeprick (2010) suggested that it is essential to stream line and rationalise according to size the tourism levy system. The authors argued that though the levy is used to market the tourist destinations the levy regulatory practices impose the greatest burden on small and medium operators because small operators are the least to benefit from the levy. Assaf, Deerey and Jago (2011) cited that larger restaurants appeared to be more efficient on average than small restaurants, and this could be partly because of the economies of scale differences between these. Hence because of the economies of scale large operators like hotels and airline travels are the ones which benefit since when marketing destinations tourism authorities mainly market large operators.

OECD (2010) suggested that by lowering the overall levy burden on small businesses and simplifying the levy process will help achieve more neutral levy treatment of businesses of varying sizes. Neutral treatment of firms will yield efficiency and encourage compliance with a country's levy laws and will further encourage businesses to operate in the formal rather than in the informal sector.

2.6.6 Compliance costs

According to OECD (2010) besides actual levy liability firms must also contend with heavy compliance costs resulting from complex business structures or the complexity of the levy system. In addition Udin and Wahab (2013) stated that levy knowledge and the complexity of its calculation may cause payers to defer their payment for long periods or not comply with the levy collection system. Cummings et.al (2012) agreed that complexity in the levy system guides the levy payers whether to pay the levy, seek exceptions or avoid levy together.

2.7 Ways firms use not to comply

2.7.1 Under-declaration of levy

According to Cummings, Longo and Rioux (2012) under-reporting referred to not reporting the full levy on a timely filed return. According to Kwame et.al (2013) full declaration is important in levy administration because it is upon such information that levy is placed on the

payer thus levy payers may evade paying levies through under declaration of incomes earned. The author further identifies under-invoicing as a way of not complying to levy collection. Von Haldenwang, Von Schiller and Garcia (2014) agreed by giving the definition of unreported income as the difference between the amount of income that should be reported to the revenue authority (under full compliance with the levy code) and the amount actually reported Udin and Wahab (2013) identifies various offences, including failure to submit levy return forms, submitting inaccurate returns and providing insufficient information as the ways used by firms to evade paying levies.

2.7.2 Failure to submit returns

According to Cummings et.al (2013) levy payers may use non-filing of revenues earned as away to evade levy payments. According to Fischer and Washburn (2012) non-filing occurs when returns that should be filed to the revenue collecting agent are not filled or are not filed when they are due. The author identified that the cause of the levy gap was that revenues which were earned by businesses were not being filed with the levy administrator. However Fischer and Washburn added that filling of returns with levy administrators depended on the efficiency of the administrator as levy payers are less likely to file returns in a weak administration.

2.7.3 Under- invoicing

According to Fischer and Washburn (2012) to evade levy payments businesses under invoiced income earned. The authors asserted that under-invoicing occurred when levy payers failed to include income earned as required through for, instance increasing credits not allowed as if they were granted. Under-invoicing thus distorted the income that the business would have earned thereby reducing its levy payments. In addition, Nzari, Emami and Shakarbeigi (2012) asserted that firms under-invoiced incomes earned to financially benefit from the amounts not paid to levy officials and hence the authors classified under-invoicing as a form of corruption.

2.7.4 Engaging in the underground economy

According to www.tandfonline.com (accessed 24/03/14 at 1645hrs) to avoid paying levy that are charged in the formal sector guests would prefer staying in an informal or underground accommodation since no levy are charged for room occupancy. Hence this result in under-remittance of levy to the government levy collecting agency as levy which are supposed to be

remitted to the agent are not remitted. In addition Blackburn et.al (2012) cites that to avoid paying levy businesses may engage in the shadow economy whose effects result in inefficient use of resources, circumventing of regulations which result in national accounts being inaccurate and incomplete. The author identified burdens of the levy, the complexity of the levy system and regulations as the factors that cause businesses to engage in the underground economy.

2.8 Strategies that can be used to improve levy collection

2.8.1 An automated levy system

Ayegba (2013) stated that for government and revenue authorities to enhance revenue collection they have to move from the manual revenue collection systems into automated or e-revenue collection systems .The author identified the following challenges faced by revenue agencies as the cause for them to move to automated systems of revenue collection:

“delay remittance of collected revenue to the State treasury due to the huge computation involved in bringing together all revenues collected within the State, difficulty in identifying and locating evaders for necessary legal and prohibitive actions to be taken against them”(Ayegba 2013:56)

Connoly, Banister and Kearney (2010) asserted that automating levy collection system has various benefits for the state which included cost reduction and manpower savings. Cost reduction provided by automated systems thus allows revenue collection agencies to release resources to tackle more complex cases and serious fraud emanating from evasion. Turban et.al (2010) also cited stating that automating levy collection results in reduced costs and up to date company material.

Ayegba (2013) cited that automating revenue collection system results in timely provision of data since it increases the speed of processing, retrieval and assembly of information required for decision making purposes. Turban et.al (2010) agreed stating that the use of automated systems results speeds up the pace of business and results in reduced errors.

However according to Reigner and Cegielski (2010) governments have to incur costs to automate revenue collection systems. In addition the authors stated that automating revenue collections had its limitations which were technological and non-technological.

2.8.2 Risk based audits

According to Saracoglu and Caskurlu (2013) levy compliance increases due to the increase in risk based audits. Gemmel and Ratto (2012) agreed citing that an increase on the audit probability decreases the amount of evaded income as it increases the expected cost of being caught. In addition Gemmel and Ratto cited that responses by levy payers to audits depends on the verdict of previous audits since levy payers comply if previous audits were successful in determining non-compliance. However the authors argued that if an audit does not fully identify evaded levy the perceptions of being caught in future will be lowered and therefore an increase in non-compliance. Saracoglu and Caskurlu (2013) agreed citing that the extent that audits increase levy collected depends on the efficiency of the levy collection system.

2.8.3 Follow-ups

According to Okello (2014) to enhance levy collection levy collection agents should implement follow-up strategies to collect amounts due through sending formal letters and written reminders. The author highlighted that less aggressive follow-up measures encouraged effective compliance but however the author further cited that less aggressive measures are often insufficient to bring levy payers into compliance and therefore more aggressive measures based on a structured escalation process were therefore necessary.

2.8.4 Penalties

According to Holmes (2010) penalties should be imposed on levy payers if their reporting positions are not the correct positions. Holmes (2010) further stated that levy payers would not act on the opportunity to cheat if the perceived costs of detection and the subsequent punishments exceed the utility and the opportunity to cheat and hence the need for authorities to set higher penalties. However, Cummings, Longo and Roux (2012) cited that an increase in either the severity of punishment may change non-compliance from positive to negative. Cummings et.al (2012) stated that punitive strategies do not always alleviate non-compliance as at times it may worsen the problem.

2.9 Tourism sector performance in the Southern Africa Development Community (SADC) region

2.9.1 South Africa

According to www.exebit.org (Accessed 29/03/2014 at 1630hrs) the Tourism Marketing Levy South Africa (TOMSA) was set up in 1998. The tourism levy is voluntary and amounts

collected do not constitute a cost to the business. The levy collected constitutes 1% of the revenue collected from bed night costs of accommodation, R3 from car rental and R5 per tour package sold by tour operators and is transferred to the TOMSA fund. During the financial year 2010 levy collected amounted to R 97 829 460 and in the year 2011 levy collections declined by 1.6% and amounted to R 96 183 488 the decline may be because in 2010 South Africa hosted the FIFA World Cup and hence this caused a substantial increase on tourism arrivals. According to www.pmg.org.za (Accessed 29/03/2014 at 1645hrs) Global arrivals declined by 4% in 2009 whilst South Africa's arrivals grew by 3.6%. South Africa's growth outstripped global growth every year since 2004. According to South Africa Tourism Statistics tourism arrivals for the years 2009,2010,2011,2012 were 7 011 865, 8 073 552, 8 339 354, 9 188 368 respectively.

2.9.2 Namibia

According to King (2010) the Namibian tourism rate is 1% -2% of revenue collected for the period. Tourism levy in Namibia is charged at a rate of 1% or 2% depending at the services offered by the tour operator. If the operator offers accommodation only the levy is 2% and if it offers a full package that is accommodation and food or other services the levy would be 1% of the total amount charged by the operator. For the period 2009 the Namibian Tourism Board collected levy amounting to \$N 1 594 939.

Table 2.1 : Tourism sector performance for South Africa, Namibia and Zambia for 2011

| Country | Levy (%) | Growth rate (%) | Inflation rate (%) | Tourism Arrivals |
|--------------|----------|-----------------|--------------------|------------------|
| South Africa | 1 | 3.5 | 5 | 8 339 354 |
| Namibia | 1-2 | 4.7 | 5 | 1 218 234 |
| Zambia | - | 6.8 | 8.7 | 920 299 |

Source: Tourism statistic report 2012

Table 2.1 above shows the performance of the tourism sector in the stated economies. From the table it can be deduced that South Africa is the most competitive destination of the listed states with a total of 8 339 335 tourist arrivals and Zambia is the least performing state with 920 299 arrivals .From the data one can deduce that the amount tourism arrivals is

determined by the economic performance indicators of a nation. And hence this determines levy collected.

2.9.4 Tourism levy performance for South-Africa for the period 2009-2012

Table 2.2 Tourism arrivals and tourism levy

| Year | Tourism arrivals | Tourism levy |
|------|------------------|--------------|
| 2009 | 7,011,865 | 81,000,000 |
| 2010 | 8,073,552 | 96,183,488 |
| 2011 | 8,339,354 | 97,829,460 |
| 2012 | 9,188,368 | 112,000,000 |

Source: Tourism Business Council for South Africa Report 2012 The data presented in table 2.2 shows a positive relationship between the amount of tourism arrivals and the amount of levy collected during the same period. This thus shows that an increase in tourism arrivals could be matched by an increase in levy collected.

2.10 Successful implementation of e-revenue collection in Zimbabwe

2.10.1 Zimbabwe Revenue Authority (ZIMRA)

In June 2010 to increase the revenue base ZIMRA moved from the manual system of collecting taxes to using the fiscalised taxation system for tax payers in the value added tax (VAT) administration. According to www.zimra.co.zw (Accessed 29/03/14 at 1715hrs) fiscalisation refers to configuring of fiscal devices to enable them to record sales and other tax information on the read-only fiscal memory at the time of sale for use by the tax authorities in Value Added Tax (VAT) administration. By introducing the fiscalisation tax system ZIMRA was able to curb non-compliance in the form of under-invoicing, under declaration as well as to eliminate the challenges faced in VAT preparation. In the year 2010 VAT amounted to \$ 830 929 557 and after fiscalisation revenue collected increased by 30% and amounted to \$ 1 087 603 463 and \$ 1 083 423 000 in the years 2011 and 2012 respectively

2.11 Chapter Summary

This chapter focused on the literature review on both theoretical and empirical research whereby information was accessed from renowned books, journals, and the internet. The next chapter looks at the research methodology

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The chapter explains how information relating to the performance of the levy collection system at Zimbabwe Tourism Authority (ZTA) was gathered. Issues presented in the chapter include the research design, population sample and sampling techniques used, data collection methods used, justification of the methods used, sources of data used, triangulation, data presentation and analysis and lastly the summary of the chapter.

3.1 Research design

According to Kumar (2011) a research design is a plan structure and strategy of investigation so conceived so as to obtain answers to research questions. It is a procedural plan used by the researcher to answer questions validly, objectively, accurately and economically. Kumar (2011) added that, the research design showed how the researcher collected information from respondents, how respondents were determined, how the information was analysed and the communication of findings. The research design helped the researcher to determine the research methodology, study population, research sample and methods of data collection. In carrying out the research the researcher used the descriptive research design in the form of a case study .

3.2 Descriptive research

According to Kumar (2008) a descriptive research gives a description of the state of affairs as they exist at present. The researcher had no control over the variables but rather only reported on her findings. Clause (2014) cited that descriptive research methods describe specific behaviour as it occurs and they are divided into three categories mainly surveys, observations and case studies.

3.2.1 Justification of Research design

In carrying out the research the researcher used a case study being the case of Zimbabwe Tourism Authority (ZTA). The researcher used a case study since according to Kumar (2011) a case study provides an overview and in-depth understanding of the case under study, processes and provides interactional dynamics within a unit of study and hence a single case can provide insight into events and situations in a group in which the case is drawn. However a case study has its limitations in that it cannot claim to make any generalisation to a population which is not similar to the one under study. In addition the researcher used ZTA

as a case study as the researcher was once attached at the company and hence this made it easier for the researcher to obtain data necessary for the research.

3.3 Sources of data

The researcher used both primary and secondary sources of data in carrying out the research.

3.3.1 Primary data

According to Blessing and Chakrabarti (2009) primary data is data the researcher has collected themselves and it is acquired through observation, questionnaires, surveys and interviews. The researcher employed self-administered questionnaires, face to face interviews as primary data collection techniques. The primary data was collected from staff at the Zimbabwe Tourism Authority. The researcher used questionnaires and interviews since the researcher was able to collect information straight from the source that is respondents or those interviewed as noted by Kuiper and Clippinger (2013). However the use of questionnaires and interviews was not without its limitations in that those who provided the information might have deliberately distorted the information to reflect their favourable positions as cited by Kuiper and Clippinger (2013).

3.3.2 Secondary Data

Blessing and Charkrabati (2009) defined secondary data as data which already exist and is obtained from journals, magazines and other published information.. The researcher used secondary data from Zimbabwe Tourism Authority (ZTA) company reports, ZTA annual financial statements, ZTA board minutes, ZTA Board Packs and magazines. The researcher also used past researches related to the area of study as well as information from websites. Secondary data was obtained through document review, desktop review and browsing through the internet .The researcher used information from ZTA company records and reports since the data was highly available and accessible to the researcher as the researcher was once attached at the company under study. In addition, the researcher used secondary sources since they were authenticated and thus the researcher relied on them more depending upon the authority of the publication. In addition, secondary sources were used since the information was less subjective to intentional bias as compared to primary data.

However secondary data is by definition old data and hence the data was not particularly timely for newer purposes.

3.4 Population

According to Aggarwal and Khurana (2009) a population referred to the entire field under which knowledge is sought. It refers to the sample the researcher is going to draw on his conclusion. In addition, Aggarwal and Khurana (2009) cited that a sample referred to that part of a population selected for the purpose of the investigation. The target population for the research was employees that are management, finance staff, audit department and personnel from the grading and registry department of ZTA. The researcher chose ZTA since it was the company under study.

3.4.1 Sampling and sampling techniques

According to Khan (2008) the term sampling means the selection of a part of a group or an entirety with the sole aim of collecting complete information. To determine the sample the researcher used the purposive / judgemental sampling technique since the technique enabled the researcher to sample with a purpose in mind. The judgemental sampling technique enabled the researcher to use judgement to select respondents that best could answer research questions as well as meet research objectives. The basis of the target population was based on the subjective instinct that those selected represented the whole population. In addition, judgemental sampling, allowed the researcher to select respondents who were able to provide the necessary information on the performance of the levy collection system at ZTA.

3.4.2 Justification of sampling

The researcher used samples instead of the entire population because sampling was not costly since expenses incurred in data collection and analysis was less than when the total population was used. Using a sample led the researcher to increased accuracy since only the necessary data was processed.

Although the targeted population had 40 employees the researcher only used a sample of 35 employees who are in one way or another involved in the levy collection system. The sample was divided into 4 groups namely management, non-managerial finance personnel, audit department and personnel from the grading and registration department.

Table 3.1 Sample size

| Category | Population | Sample | % | Method used |
|--|------------|--------|-----|-------------|
| Management | 8 | 4 | 50 | I |
| Non-managerial staff (accounting and finance) | 12 | 12 | 100 | Q |
| Audit department | 3 | 3 | 100 | Q |
| Staff from registration and grading department | 17 | 10 | 59 | Q |
| Total | 40 | 35 | 87% | I=4 Q=31 |

Key

I = interviews

Q= questionnaires

The researcher

used a sample of 87% since according to Saunders and Thornhill (2012) a sample should be at least 30% of the total population in order for it to be a true representative of the total population as shown in table 3.1 above.

3.5 Data collection

To obtain data relevant for the research the researcher made use of qualitative and quantitative methods of data collection. To gather quantitative data the researcher used questionnaires, ZTA financial statements and ZTA budgets. In addition, to obtain qualitative data the researcher used interviews, Board minutes, ZTA management reports and company records.

3.6 Research instruments

The researcher used questionnaires, interviews and documentation review as the main data collection techniques for the study.

3.6.1 Questionnaires

According to Saunders and Thornhill (2009) a questionnaire is a technique of collecting data in which each respondent answer a set of questions in a pre-determined order. The researcher chose questionnaires since they were a better method of obtaining data from respondents as they were cheap, timely and offered great anonymity on who completed the questionnaire to ensure confidentiality since no name was reviewed. In addition questionnaires were economic to both the researcher and the respondents in terms of time. However questionnaires had their limitations in that responses might have been biased in that those who returned them might

have had attitudes and motivations different from those that failed to return. In addition responses might have been biased since responses to some questions were influenced by response to other questions as supported by Kumar (2011).

3.6.2 Design and administration of questionnaires

The researcher used self-designed questionnaires and these were hand posted to respondents at the ZTA head office in Harare. 31 selected individuals were asked to respond to structured questions, and questionnaires were mainly used to get data from those respondents who were not interviewed. The questionnaires contained instructions on how the questions were going to be answered and each question dealt with a single idea and was structured as simply as possible.

The questionnaires were designed using the Likert scale format to ensure simplicity and allowed the researcher to get a clear idea of the opinions of respondents as proposed by Cooper and Schindler (2013). The researcher mainly used statements with a five-point Likert scale ranging from “strongly agree” to “strongly disagree”. In addition the researcher also used statements with scales ranging from “large extent” to “lesser extent” as well as “yes” or “no” statements.

Questionnaires used by the researcher comprised of open and closed-ended questions and were structured in such a way that they answered the research questions of the study. The researcher avoided using open-ended questions so as to minimise time spent by the respondents in answering the questionnaires.

3.6.3 Justification of questionnaires

The researcher was able to collect first hand information about the area under study since questionnaires were handed or posted directly to the researcher. Using questionnaires allowed the researcher to collect primary data and in addition it provided the researcher with qualitative information as it represented people’s views on the subject matter. In addition the researcher used questionnaires since they were relatively cheaper and they could be administered to a large number of respondents at the same time.

However the researcher was not present when the participants were completing the questionnaires and hence this resulted in some questions not being properly answered. In addition it was difficult to know whether the intended respondent was the one who actually completed the questionnaire however due to the subject under research it was difficult for anyone without the knowledge of the levy collection system to complete the questionnaire

and hence the researcher is of utmost confidence that the questionnaires were completed by intended respondents.

3.6.4 Data validity and reliability

According to Kuiper and Clippinger (2013) validity refers to the extent to which differences revealed with a measuring tool represent true differences. Data is valid if it provides objective and accurate information about the research topic. To ensure validity of data the researcher had to check questionnaires to see if all the questions were answered so as to reduce the sampling risk. In addition the questionnaires were sent in time to the respondents so as to give them sufficient time to answer the questions. The researcher ensured that the questions were as clear as possible to avoid situations in which some questions went unanswered by the respondent.

3.6.5 Interviews

The researcher in addition to questionnaires used interviews to obtain primary data from the respondents. Ferrante (2014) defined an interview as a verbal conversation in which the interviewer asks a question or expression of opinion and the interviewee supplies the answer. The interviews were conducted at the ZTA head offices in Harare and the persons interviewed were 3 senior management staff in the Finance, Auditing as well as from the Grading and registration departments. The researcher used interviews on management since they had in depth knowledge on the performance of the levy collection system that could not be provided by non-managerial staff. In conducting the interviews the researcher made use of structured interviews.

3.6.6 Justification of interviews

The respondents were interviewed at their natural setting (ZTA head office) and thus were able to more accurately answer questions about their setting. The face to face interaction with the interviewee also gave the respondents some degree of confidence to divulge some sensitive information that could not be provided through the use of questionnaires. In addition the interviewer was able to clarify questions that the respondent found difficult to understand. The interviewer was also able to ask more explanations for clarity on areas that were vague thereby reducing the risk of having a biased conclusion.

However, in carrying out interviews, respondents were selected as a representative of the organisation and hence respondents restricted the coverage of the interviews by not exposing information that they considered portrayed the company negatively. In addition not all the

data discussed in the interviews was recorded since the interviewer had difficulty in recording and capturing every single detail of the interview.

3.7 Triangulation

According to Lapan, Quartaroli and Riemer (2012) triangulation referred to an examination of how different sources of data on the same topic complimented each other to deepen understanding of a research topic. The researcher used three research techniques which were questionnaires, interviews and document review. Through triangulation the researcher was able to reach a strong conclusion on the subject under study since using one source of data may be misleading as cited by Armstrong and Taylor (2014). In addition, with the use of triangulation, the researcher was able to collect information that could not be collected through questionnaires through the use of interviews and document review.

3.8 Data presentation and analysis

Data collected from questionnaires was presented in the form of tables, bar graphs, line graphs and pie charts and these forms were used to enhance comprehension as well as illustrate the pattern of responses. Data was analysed in a descriptive and interpretive manner. In addition data from questionnaires was also analysed statistically through the use of frequencies to demonstrate the view and perceptions of respondents. The researcher first cleaned the data to eliminate errors and then tallied the response question by question before drawing up conclusions. Findings from interviews were summarised. Through data analysis the researcher was able to answer the research questions as proposed by Tullis and William (2012).

3.9 Chapter Summary

The chapter outlined the research methodology, research design, sources of data collection, data collection methods, data validity, research instruments, and triangulation. The chapter also discussed how the data was presented and analysed. The next chapter focuses on research findings and discussions and shows how the findings were presented, analysed and interpreted.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The chapter seeks to present, analyse and interpret the key results in the investigation of the performance of the tourism levy collection system at Zimbabwe Tourism Authority having conducted the literature review and research methodology in the previous chapters. This chapter through the use of various data analysis techniques analysed results from questionnaires administered, interviews conducted and information from secondary sources of data. Results were related to research objectives and were presented in a way to answer research questions highlighted in Chapter 1. The results are presented using tables, bar graphs and pie charts. In addition the chapter also includes the summary of the chapter.

4.1 Response Analysis

The researcher's respondents were staff and employees from the Zimbabwe Tourism Authority (ZTA) head office in Harare.

4.2 Data presentation and analysis of findings

Information collected through questionnaires, interviews and secondary sources of information was presented using graphs, pie-charts and tables. Secondary sources of information were obtained from ZTA Annual Reports for the years 2010, 2011 and 2012, ZTA media publications, websites and ZTA Management Reports for the same period.

4.3 Questionnaires response rate

To collect data the researcher used questionnaires as the main research instrument. The researcher achieved an 81% response rate since of the 31 questionnaires administered to respondents 25 were returned to the researcher. The results are shown in table 4.1 below.

Table 4.1: Questionnaire response rate

| Targeted category | Questionnaires distributed | Respondents | Response rate |
|--------------------------|-----------------------------------|--------------------|----------------------|
| Finance Department | 12 | 11 | 92% |
| Registration department | 16 | 11 | 69% |
| Audit department | 3 | 3 | 100% |
| Total | 31 | 25 | 81%(average) |

The response rate of 81% was deemed to be sufficient and adequate for the researcher to make recommendations on the basis of the findings.

4.3.1 Questionnaires

4.3.1.1 The current tourism levy collection system is effective in collecting levy due

Table 4.2 Responses on : the effectiveness of the levy collection system.

| Description | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 3 | 2 | 0 | 1 | 19 | 25 |
| Frequency % | 12% | 8% | 0% | 4% | 76% | 100% |

From the table 4.2, the majority of the respondents were on the disagreeing side that the levy system was effective in collecting levy due. Of the population, 76% strongly disagreed a further 4% disagreed while 20% were on the agreeing side. The information results on the ineffectiveness of the levy system were also reviewed through secondary data which showed that ZTA was unable to reach its levy targets for the stated period and hence operated at adverse variances of 18%, 17%, 11% and 15% for the 1st quarter, 2nd quarter, 3rd quarter and 4th quarter of 2013 respectively (Finance Board Pack 2013). The results thus reflect that the current levy system is not effective in collecting levy due hence the need to implement measures to improve levy collection.

4.3.1.2 Tourism operators are compliant in submitting their returns

Table 4.3 Response on: Tourism operators are compliant in submitting their returns

| Response | Strongly agreed | Agreed | Uncertain | Disagree | Strongly disagree | Total |
|-------------|-----------------|--------|-----------|----------|-------------------|-------|
| Frequency | 0 | 4 | 2 | 1 | 18 | 25 |
| Frequency % | 0% | 16% | 8% | 4% | 72% | 100% |

Fig 4.1 Responses on tourism operators are compliant in submitting returns

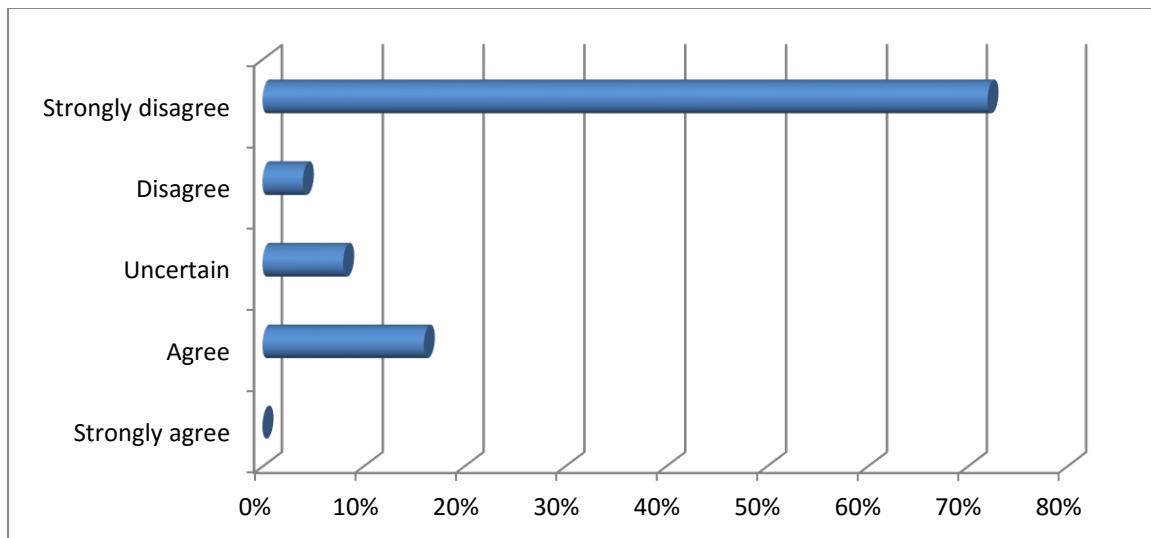


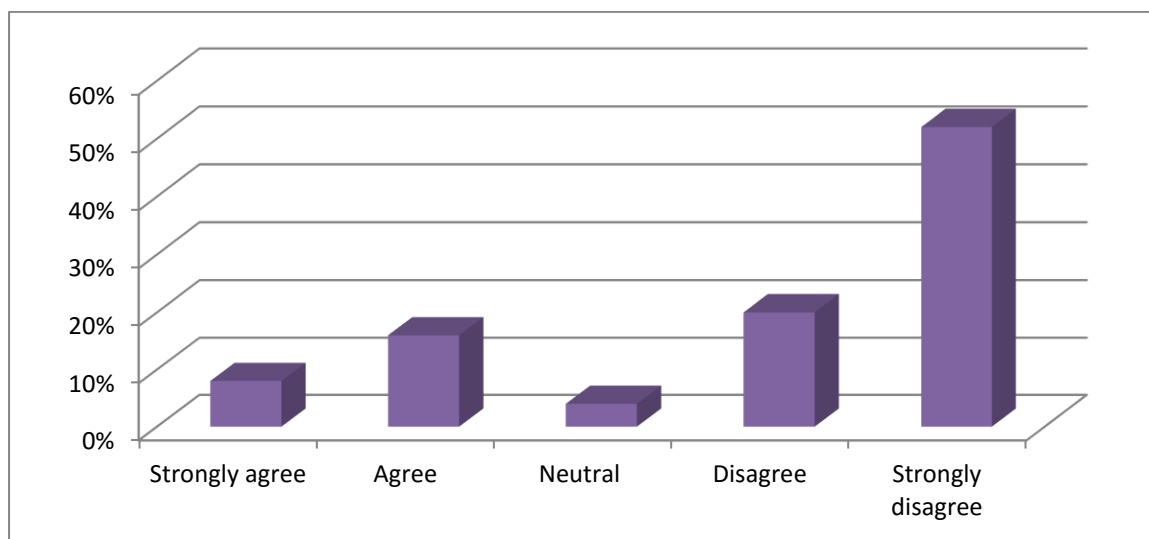
Table 4.3 indicates that of the 25 respondents, 72% (18/25) strongly disagreed that the operators were in compliance in submitting returns and a further 4% (1/25) disagreed, 8% were uncertain and 16% agreed. The results agreed with responses from interview question 1 in which management stated that the weakness in the current system is that tourism operators were not compliant in submitting their returns and remittances to ZTA. The results thus show that there are weaknesses in the current system since according to Slemrod and Robinson (2011), for SAS to function properly it depends on the voluntary compliance of levy payers to submit their remittances to the levy collection agent. These results are further shown graphically on Fig 4.1.

4.3.1.3 Returns submitted represent the amount of actual levy due

Table 4.4 Responses on: Returns submitted represent the amount of actual levy due

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 2 | 4 | 1 | 5 | 13 | 25 |
| Frequency % | 8% | 16% | 4% | 20% | 52% | 100% |

Fig 4.2 Responses on returns submitted represent amounts of actual levy due



Of the total 25 respondents, 52% strongly disagreed and a further 20% disagreed while 8% strongly agreed, 16% agreed and 4% were uncertain that returns submitted represented the amount of actual levy due. The results are further supported responses in interview question 1 in which management highlighted that operators were under declaring levy due or submitting insufficient information to ZTA since the current system was unable to detect non-compliance due to under reporting of incomes. The researcher thus concludes that it is critical for the authority to implement measures that results in submission of actual levies as Slemrod and Robinson (2011) suggested, that administrations should be empowered with measures to collect amounts due and should be able to verify the accuracy of the amounts remitted that is whether they represent actual amounts due. Responses are graphically shown in Fig 4.2.

4.3.1.4 Levy payers have proper books and accounting records and are able to prepare and record correct remittance forms

Table 4.5 Responses on: Levy payers have proper books and accounting records and are able to prepare and record correct remittance forms

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 2 | 2 | 1 | 4 | 16 | 25 |
| Frequency % | 8% | 8% | 4% | 16% | 64% | 100% |

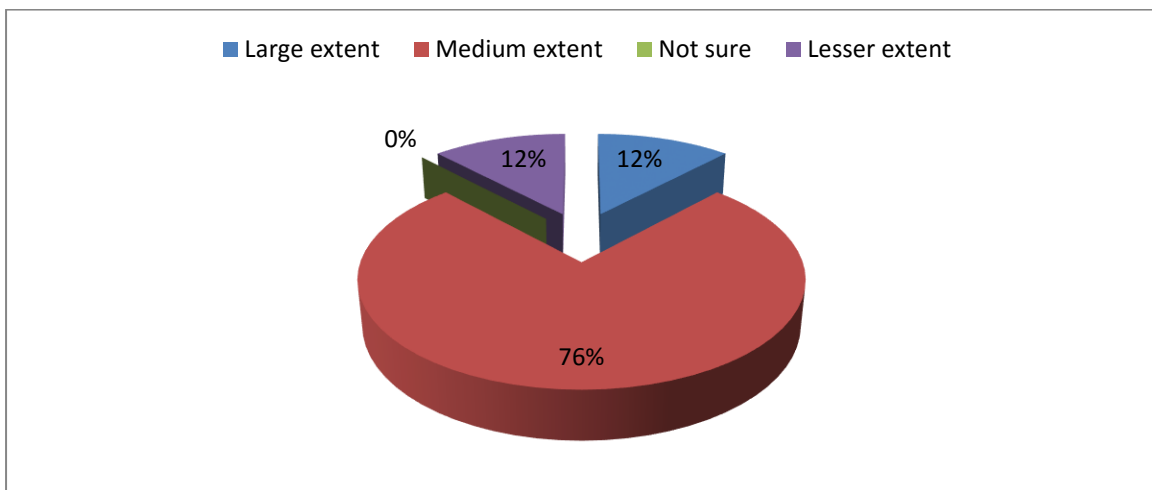
From table 4.5, 64% of respondents strongly disagreed, 16% disagreed, 4% were uncertain, 8% agreed and 8% strongly agreed that operators had proper books and accounting records and were capable of preparing and recording correct remittances. The responses presented by the majority of the population who were on the agreeing side are supported also with responses in interview question 2 in which management highlighted that not all payers were able to complete correct returns for submission to ZTA. In addition in question 4 of the interview guide management stated that small operators were not complying since they had the challenge of computing the levy as they had inadequate records and books were mainly prepared by owners who mostly had challenges in preparing returns. The researcher thus concludes that there is need for improvement in the current system to enhance levy collection since the results also disagree with Udin and Wahab (2013) who asserted that a successful self assessment system depends on levy payers ability to prepare and record accurate remittances.

4.3.1.5 To what extent does education and training promote tourism levy compliance for ZTA?

Table 4.6 Responses on the extent education and training promoted compliance to ZTA

| Response | Large extent | Medium extent | Not sure | Lesser extent | Total |
|------------------------|--------------|---------------|----------|---------------|-------|
| Education and training | 3 | 3 | 0 | 19 | 25 |
| Frequency % | 12% | 76% | 0% | 12% | 100% |

Fig 4.3 Responses on the extent education and training promoted compliance to ZTA



From Table 4.6, 76% of the respondents were of the opinion to a moderate extent, 12% to a large extent, 12% to a lesser extent and no respondents were unsure that education and training promoted compliance to ZTA. The results are complemented by responses in interview question 3 in which management highlighted that to mitigate levy evasion ZTA was educating operators to a moderate extent on the need to remit levy. The results thus show that there is need for ZTA to educate operators to a large extent so that education and training would increase compliance to a large extent this agrees with Twum (2013) who suggested that those who had acquaintance with the levy system were more likely to comply than those who did not.

4.3.1.6 The following are the reasons why tourism operators do not want to comply with the 2% tourism levy.

4.3.1.6.1 The ineffectiveness of the levy system

Table 4.7 Responses on the ineffectiveness of the levy system as the reason for noncompliance

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly Disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 17 | 2 | 2 | 1 | 3 | 25 |
| Frequency % | 68% | 8% | 8% | 4% | 12% | 100% |

From Table 4.7 above, 68% of the respondents strongly agreed and a further 8% (2/25) agreed that the ineffectiveness of the levy system was one of the reasons why operators were not complying. In addition, interview results in question 2 show that management suggested that the ineffectiveness of the current system in detecting fraud or under reporting were the reason for non compliance. Thus this shows that operators use this weakness in the current system as the reason for non compliance. The results therefore agree with Matsaganis and Flevotomou (2010) who asserted that the efficiency and effectiveness of the levy system determined the level of compliance.

4.3.1.6.2 Tourism sector is highly taxed

Table 4.8 Responses on: The tourism sector is highly taxed as a reason for noncompliance

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly Disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 16 | 4 | 3 | 2 | 0 | 25 |
| Frequency % | 64% | 16% | 12% | 8% | 0% | 100% |

Responses in Table 4.8 show that 64% of the respondents strongly agreed, 16% agreed, 12% were uncertain, 8% disagreed and no respondents strongly disagreed that the tourism sector was a highly taxed sector and hence was one of the reasons why operators were not complying. The responses given by 80% of the population who were on the agreeing side agree with management responses to interview question 2 also stated that the tourism sector is highly taxed hence the cause for non-compliance. The results thus reflect that since operators are faced with many obligations this could be the reason for non-compliance. The results agreed with Kanbur and Keen (2013) who asserted that tourism operators were faced with multiple obligations and hence this resulted in operators not complying with some statutory regulations or payments.

4.3.1.6.3 The levy is not used for the betterment of Zimbabwe tourism

Table 4.9 Responses on: Levy is not used for the betterment of Zimbabwe tourism

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly Disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 2 | 4 | 0 | 4 | 15 | 25 |
| Frequency % | 8% | 16% | 0% | 16% | 60% | 100% |

The majority of the respondents 60% strongly disagreed, 16% disagreed, 8% strongly agree and 16% agreed that the 2% tourism levy was not benefiting Zimbabwe tourism. These results presented by the mode of the population who strongly disagreed were disagreeing with Pazienza (2012) who cited that operators would be in compliance with a levy system if the greater proportion of the levy was used for the betterment of the tourist destination. The

results thus illustrate that although the 2% levy is benefiting players in the tourism industry, the operators still continued to be in non-compliance in remitting levy due to ZTA.

4.3.1.6.4 Operator size

Table 4.10 Responses on : Operator size as the reason for noncompliance

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly Disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 11 | 7 | 4 | 3 | 0 | 25 |
| Frequency % | 44% | 28% | 16% | 12% | 0% | 100% |

From Table 4.10, 44% (11/25) of the respondents strongly agreed followed by 28% who agreed, 16% who were uncertain and 12% who disagreed that operator size contributed to non-compliance. The results presented by 72% of the respondents who were on the agreeing side show that the size of the operator determines whether or not the operator is going to comply with the levy payment. Results are supported with responses in interview question 4 in which management stated that operator size played a role in determining those who complied and those who did not. The results reflects that there is need to streamline the levy in accordance to size to encourage compliance as supported by Corthay and Loeprick (2010) who suggested that it was important to stream line and rationalise according to size the tourism levy system since the system imposed the greatest burden on small and medium sized operators who least benefited from the levy.

4.3.1.6.5 Compliance costs

Table 4.11 Responses on : Compliance costs as the reason for non-compliance

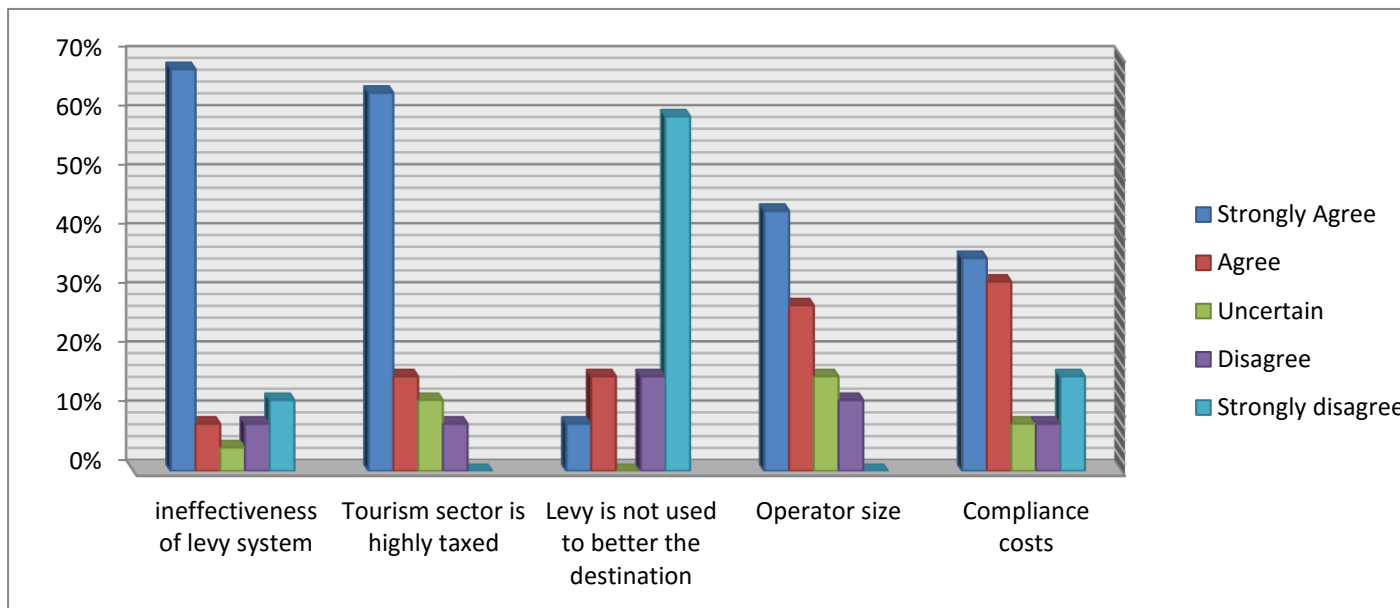
| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly Disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 4 | 2 | 2 | 8 | 9 | 25 |
| Frequency % | 36% | 32% | 8% | 8% | 16% | 100% |

From Table 4.11 68% were on the agreeing side and 32% were on the disagreeing side that compliance costs in the levy system were the reasons for non-compliance. The responses by 68% who were on the agreeing side agree with results from interview question 2 in which management stated that compliance costs could be the reason for non-compliance since small operators had challenges in determining the levy due. The result thus reflects that the

presence of compliance costs in the levy system is one of the reasons for non-compliance and hence there is need to implement an automated system to mitigate the costs in levy calculation. The results thus agreed with Udin and Wahab (2013) who suggested that the complexity of the levy process causes operators to defer their payments.

The reasons on why operators are not complying with the levy payments are graphically shown in Fig 4.4

Fig 4.5 Responses on why tourism operators are not complying

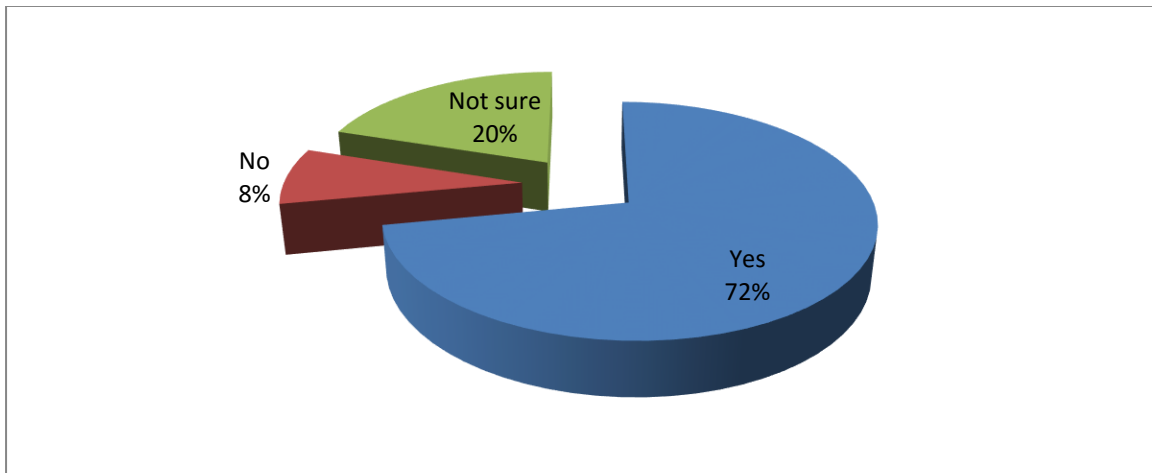


4.3.1.7 How feasible is the levy in the current economic environment?

Table 4.12 Responses on the feasibility of collecting levy in the current economic environment

| Response | Yes | No | Not sure | Total |
|-------------|-----|----|----------|-------|
| Frequency | 18 | 2 | 5 | 25 |
| Frequency % | 72% | 8% | 20% | 100% |

Fig 4.5 Response on the feasibility of the levy in the current economic environment



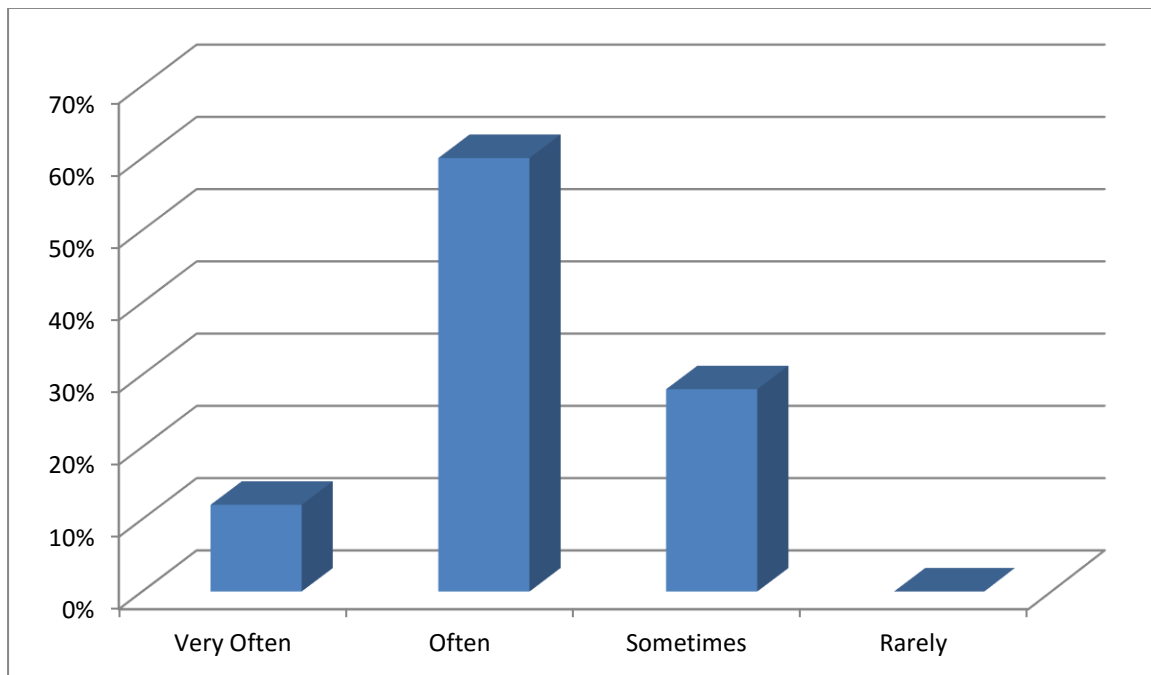
From Table 4.12 above, 72% agreed, 20% disagreed and 8% that it was feasible to collect levy in the current economic environment. According to www.africaneconomicoutlook.com (accessed on 20/04/2014 at 1730hrs) Zimbabwe is experiencing a stable economic environment and thus it is feasible to collect levy since Chen (2010) cited that business prospects are related to the prevailing economic climate. However a review of the Finance Board Pack 2013 showed that for the period 2010-2012 though the Zimbabwe economy was stable, information submitted by the operators did not match the increase in performance as operators stated low occupancy rates as well as low receipts. Thus this reflects that though it is feasible to collect the levy in the economic environment players in the tourism sector continue to under report their incomes thus the reason for the poor performance in the current levy system.

4.3.1.8 How often does ZTA audit a single tourism operator to see if they comply with paying the tourism levy?

Table 4.13 Responses on how often ZTA audits operators

| Response | Very often | Often | Sometimes | Rarely | Total |
|-------------|------------|-------|-----------|--------|-------|
| Frequency | 3 | 15 | 7 | 0 | 25 |
| Frequency % | 12% | 60% | 28% | 0% | 100% |

Fig 4.6 Responses on how often ZTA audits operators



From table 4.14, 60% of the respondents stated that ZTA audited operators often, 28% said sometimes, 12% very often and no respondents were of the opinion that ZTA audited operators rarely. These responses can be complemented with interview findings (see question 3) in which management stated that they had resorted to carrying out risk based audits often to mitigate non-compliance. Thus the results show that there was need for ZTA to increase their levy audits so as to increase levy payments as asserted by Saracoglu and Caskurlu (2013) who stated that levy compliance increases due to the increase in risk based audits .

4.3.9 Which operators are the least compliant in remitting levy due?

Table: 4.14 Responses on the least compliant operators

| Operator size | Large | Medium | Small | Total |
|---------------|-------|--------|-------|-------|
| Frequency | 16 | 7 | 2 | 25 |
| Frequency % | 64% | 28% | 8% | 100% |

From Table 4.14, 64% of the respondents were of the opinion that large operators were the least compliant in remitting levy, followed by medium operators with 28% and small sized operators with 8%. The results are further supported by interviews (see question 4) where the majority of the management interviewed stated that large operators were the least compliant

in remitting levy. The results disagree with Assaf et.al (2011) who stated that small operators are the least compliant since they are the least to benefit from the levy since when marketing destinations tourism authorities mainly market large operators. The results thus reflect that though large operators benefit from the levy they continue to be noncompliant in submitting levy due.

4.3.1.10 Are all operators registered with ZTA?

Table 4.15 Responses on: are all operators registered with ZTA

| Response | Yes | No | Total |
|-------------|------|----|-------|
| Frequency | 25 | 0 | 25 |
| Frequency % | 100% | 0% | 100% |

All the respondents stated that not all operators had been registered with ZTA. The responses agreed with findings in interview question 5 in which management stated that some operators in the tourism sector used not registering with ZTA as a way to avoid remitting levy. The results thus show that players in the tourism sector use non-registration with ZTA as a way to evade levy payments and thus the results agree with Blackburn et.al (2012) that asserted that to evade paying levy, levy payers may engage in the informal sector.

4.3.1.11 To what extent does ZTA educates operators on the need to remit levy

Table 4.16 Responses on the extent ZTA educates operators on the need to remit levy

| Response | Large extent | Moderate extent | Not sure | Lesser extent | Total |
|-------------|--------------|-----------------|----------|---------------|-------|
| Frequency | 3 | 15 | 2 | 5 | 25 |
| Percentages | 12% | 60% | 8% | 20% | 100% |

From Table 4.16, 60% of the respondents were of the opinion that ZTA was to a moderate extent educating operators on the need to remit levy and 20% and 12% were of the opinion to a lesser extent and to a large extent respectively. The results are supported by interview question 3 responses in which management stated that to mitigate the risk of levy evasion management were educating and training operators on the need to remit levy but however this encourage compliance to a lesser extent. The results thus show that ZTA has to increase the extent it trains operators so as to enhance levy collections as asserted by Aderibigbe and Zacharia (2014) who asserted that training and educating operators aided compliance as levy

payers are more likely to comply when they know they have a have a stake in the levy system when they know the purpose the levy is used for.

4.3.1.12 The following are the ways used by operators to evade levy

4.3.1.12.1 Under-declaration

Table 4.17 Responses on under declaration as a way to evade levy

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 19 | 1 | 2 | 2 | 1 | 25 |
| Frequency % | 76% | 4% | 8% | 8% | 4% | 100% |

From Table 4.17, 76% (19/25) strongly agreed, 4% agreed, 8% were uncertain, 8% disagreed and 4% strongly disagreed that under-declaration was a way used by tourism operators to evade levy payments . The responses can be complemented by results in secondary data where Table 4.29 where results show that ZTA was not able to meet its targets in 2013 and was operating at an adverse variance of 14%. In additions results from interview question 5 also supports this as management stated that operators were under declaring their revenues as a way to avoid levy. The results thus shows that players in the tourism are under-declaring their incomes to evade levy payments and agree with Kwame et.al (2013) that cited that levy payers may evade paying levies through under-declaration of revenue earned.

4.3.1.12.2 Under-invoicing

Table 4.18 Responses on under-invoicing as a way to evade levy

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 17 | 2 | 2 | 1 | 3 | 25 |
| Frequency % | 68% | 8% | 8% | 4% | 12% | 100% |

Responses on under-invoicing as a way to evade levy showed that 68% of the respondents strongly agreed, 8% agreed ,12% strongly disagreed, 4% disagreed and 8% were uncertain that under invoicing was used to evade levy. The mode of the respondents were on the strongly agree side of the Lickert scale .The responses agree with interview responses in which (see question 5) management highlighted that management was under-invoicing incomes earned so as to reduce levy payments. The results show that the majority of the

respondents agree with under-invoicing being used as a way to evade levy and thus agree with Kwame et.al (2013) who asserted that levy payers may evade levy payments through under-invoicing.

4.3.1.12.3 Failure to submit remittance forms

Table 4.19 Responses on Failure to submit remittance forms as a way to evade levy

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 18 | 1 | 0 | 2 | 4 | 25 |
| Frequency % | 72% | 4% | 0% | 8% | 16% | 100% |

From data received, 72% of respondents strongly agreed, 4% agreed and 24% were on the disagreeing side that failure to submit returns was used to evade levy. A review on the remittance forms that were submitted to ZTA showed that for the period 2010 to 2012 more than 60% of the registered operators were not submitting their remittance forms to ZTA (Remittance files 2010-2012). In addition responses from management in interview question 5 also supported these results. The results thus reflect that some players in the tourism sector are non-filing their returns with ZTA so as to evade levy payments and hence Cummings et.al (2012) that asserted that operators used non-filing of returns as a way to avoid paying levy due.

4.3.1.12.4 Engaging in the underground economy

Table 4.20 Responses on engaging in the informal sector as a way to evade levy

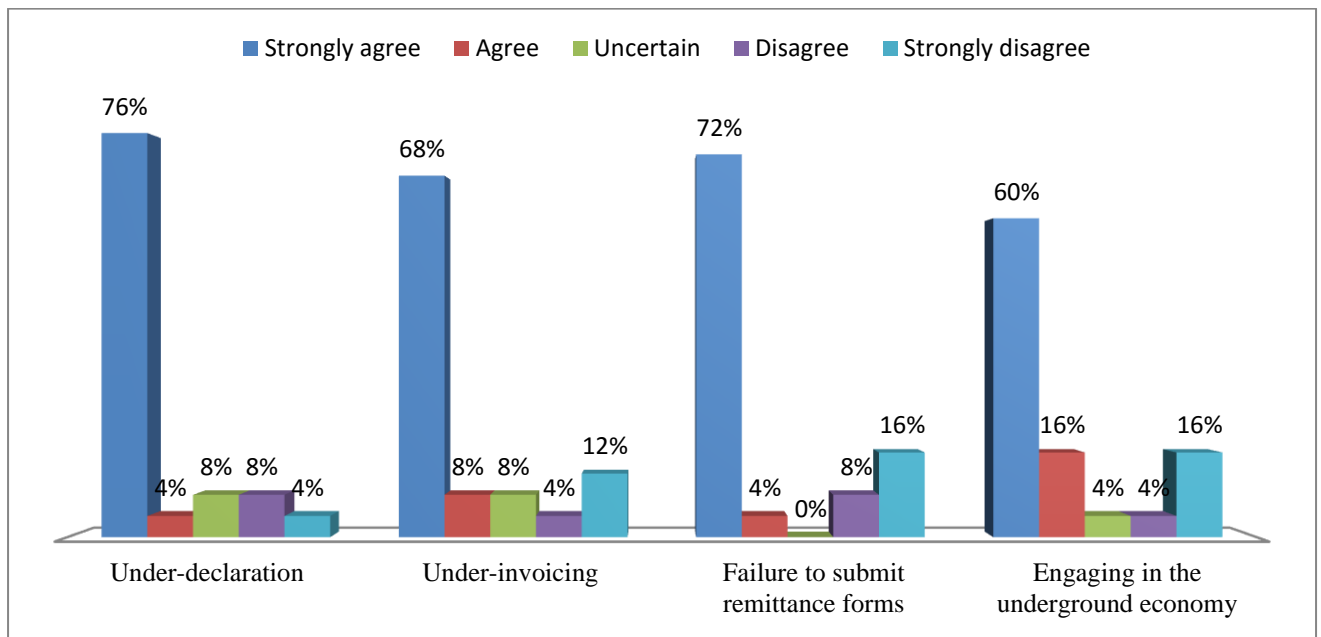
| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 15 | 4 | 1 | 1 | 4 | 25 |
| Frequency % | 60% | 16% | 4% | 4% | 16% | 100% |

Responses on engaging in the informal sector as a way to evade levy payments showed that 60% (15/25) of the respondents strongly agreed and 16% (4/25) agreed, 4% were unsure, 16% strongly disagreed and 4% agreed that operators avoided registering their businesses to ZTA as a way to evade levy. Responses shown by the mode of the population who strongly agreed are supported by management responses in interview question 5 where management cited that

a substantial number of tourism operators did not register with ZTA so as not to comply with levy payments. The results thus show that the low levies collected by ZTA could be as a result of operators not complying through avoiding to register their businesses with ZTA and thus agreed with Blackburn et.al (2012).

Responses on the ways used by operators to non-comply with levy payments are further shown graphically in Fig 4.7 below.

Fig 4.7 Responses on the ways used to evade levy



4.3.1.13 To what extent was ZTA able to mitigate levy evasion through the ways in 4.3.12

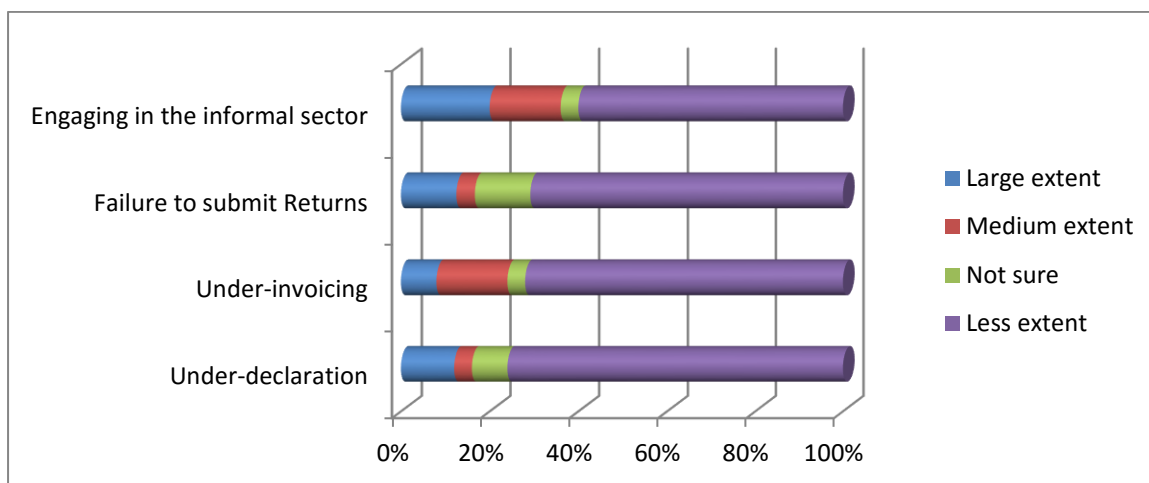
Table 4.21 Responses on the extent ZTA was able to minimise levy evasion

| Ways to evade levy | Large extent | % | Medium extent | % | Not sure | % | Less extent | % | Total | % |
|---------------------------------|--------------|-----|---------------|-----|----------|-----|-------------|-----|-------|------|
| Under declaration | 3 | 12% | 1 | 4% | 2 | 8% | 19 | 76% | 25 | 100% |
| Under invoicing | 2 | 8% | 4 | 16% | 1 | 4% | 18 | 72% | 25 | 100% |
| Failure to submit returns | 3 | 12% | 2 | 4% | 3 | 12% | 17 | 68% | 25 | 100% |
| Engaging in the informal sector | 5 | 20% | 4 | 16% | 1 | 4% | 15 | 60% | 25 | 100% |

The majority of the respondents acknowledged that ZTA was to a lesser extent able to minimise levy evasion through the ways highlighted in Table 4.21.

Under declaration, under invoicing, failure to submit remittance forms and engaging in the informal sector were said to be minimised to a lesser extent and responses in favour of this were 76%, 72%, 68% and 60% respectively. The results can be supported by interview responses (see question 3) in which management highlighted that to minimise levy evasion management were making follow-ups and conducting risk based compliance audits but however these measures the measures had encouraged compliance to a lesser extent. The results thus show that ZTA has to implement measures to mitigate levy lost through the ways stated as well as improve the levy collection system since www.thomsonreuters.com (accessed 20/04/14 at 1300hrs) cited that challenges at any point of the revenue collection system lead to lower revenues, confusion and perception of unfairness. The results are further shown graphically in Fig 4.8

Fig 4.8 Responses on the extent ZTA was able to minimise levy evasion.

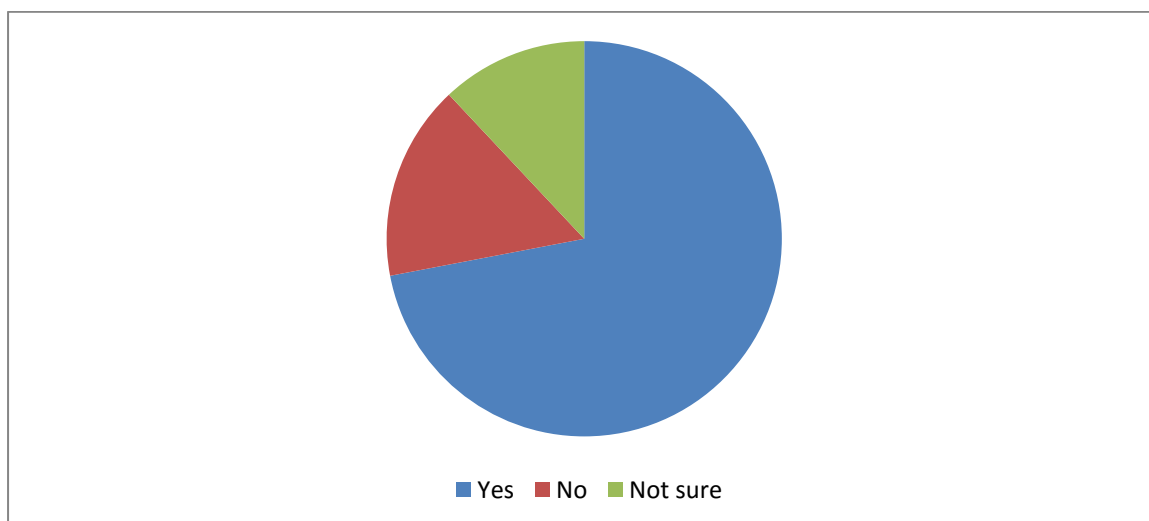


4.3.1.14 Has ZTA considered adopting an e-levy system?

Table 4.22 Responses on: Has ZTA considered adopting an e-levy system

| Responses | Yes | No | Not sure | Total |
|-------------|-----|-----|----------|-------|
| Frequency | 18 | 4 | 3 | 25 |
| Frequency % | 72% | 16% | 12% | 100% |

Fig 4.9 Response on: Has ZTA considered adopting an e-levy system



From table 4.22 above 72% agreed, 16% disagreed and 12% were not sure that ZTA had previously considered adopting an e-levy system. The responses shown by the majority of the population are supported by interview responses in question 7 in which management stated

that ZTA had considered adopting an e-levy collection system and were positive that if the system was implemented it would improve levy collected by ZTA to a large extent. The results reflects that management had seen the problems presented by the current system and hence the results agreed with Ayegba (2013) who cited that to enhance revenue collection authorities have to move from the manual collection system into automated or e-collection systems.

4.3.1.15 Reasons for not adopting an e-levy system

Table 4.23 Responses on: Costly for ZTA as the reason for not adopting e-levy

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 3 | 1 | 1 | 2 | 18 | 25 |
| Frequency % | 12% | 4% | 4% | 8% | 72% | 100% |

From table 4.23, 72% of the respondents strongly disagreed, 8% disagreed, 4% were uncertain and 16% were on the agreeing side that ZTA was not adopting an e-levy collection system because it was costly for ZTA. The results agree with Ayegba (2013) who stated that benefits for automating revenue collections surpass the costs associated with them and hence governments should move from manual revenue collection systems into e-revenue collection systems.

Table 4.24 Responses on: Costly for operators as the reason for not adopting e-levy

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 16 | 2 | 1 | 3 | 3 | 25 |
| Frequency % | 64% | 8% | 4% | 12% | 12% | 100% |

From table 4.24 72% of the respondents were on the agreeing side and 28% were on the disagreeing side that implementation of the e-levy collection system was costly for operators. The responses presented by the majority of the population are supported by responses on interview question 7 where management stated that implementation of an e-levy system was costly for operators and hence there was need to subsidise these costs since the benefit

enjoyed outweighed the costs. The results thus shows that ZTA could not be implementing the system because it is costly on operators and thus agree with Rainer and Cegeieski (2011) who stated that for successful automation of businesses firms are faced with various costs which include, purchase of hardware and training of personnel to equip them with knowledge necessary for them to use the system.

Table 4.25 Responses on: Unaware as the reason for not adopting e-levy

| Response | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree | Total |
|-------------|----------------|-------|-----------|----------|-------------------|-------|
| Frequency | 3 | 1 | 1 | 1 | 19 | 25 |
| Percentages | 12% | 4% | 4% | 4% | 76% | 100% |

From table 4.25 76% of the respondents strongly disagreed, 4% disagreed,4% were uncertain and 16% were on the agreeing side that they were unaware of the existence of an e-levy system. The responses presented by the majority of the population care supported by responses in interview question 7 in which management highlighted that they had considered implementing an e-levy collection system.

4.3.1.16 The effectiveness of recommended strategies in improving levy collection

Table 4.26 Responses on: Effectiveness of the recommended strategies in improving levy collection

| Strategy | VE | % | E | % | ME | % | IE | % | Total | % |
|-----------------------------|----|-----|----|-----|----|-----|----|-----|-------|------|
| e-levy | 21 | 84% | 4 | 16% | 1 | 0% | 0 | 0% | 25 | 100% |
| Increasing levy audits | 3 | 12% | 16 | 64% | 2 | 8% | 4 | 4% | 25 | 100% |
| Follow ups on levy payments | 4 | 16% | 3 | 12% | 15 | 60% | 3 | 12% | 25 | 100% |
| Penalties | | 16% | 2 | 8% | 8 | 32% | 15 | 60% | 25 | 100% |

Key

VE= Very Effective ,E = Effective,ME = Moderately effective, IE = ineffective,

From table 4.26 above, 84% of the respondents were of the opinion that introduction of an e-levy system would be very effective in improving levy collection while 16% said it was

effective. The results agree with responses from interview question 7 in which management highlighted that the introduction of an e-levy system would be very effective in collecting levy due. The results thus show that ZTA should introduce an automated system of levy collection to enhance levy collection as agreed by Ayegba (2013).

From Table 4.26 above the majority of the respondents 64% stated that increasing levy audits would be effective in increasing levy due whilst 12%, 8%, 12% and 4% were of the opinions very effective, moderately effective, not sure and ineffective respectively. The results agree management responses on question 8 of interviews in which management highlighted that increasing levy audits would aid in improving levy collections. The results thus show that ZTA should increase the amount of levy audits it is conducting as agreed by Saracoglu and Carskulu (2013).

On follow-ups as a strategy to improve levy collection, 60% of the respondents were of the opinion that follow-ups increased levy to a moderate extent while 16%, 12% and 12% were of the opinions very effective, effective and ineffective. The results from the data are supported by interview responses (see question 8) in which the majority of management highlighted that increasing follow-ups could be used as strategy to improve levy collection. The results thus reflect that ZTA should increase its follow-ups so as to increase compliance as agreed by Okello (2014).

Lastly in table 4.26 the majority of the respondents 60% were of the view that penalties were ineffective increasing compliance. The results are supported by interview responses since in response to question 8 in the interview guide none of management recommended the issue of penalties as a strategy to improve levy collection. The results thus reflect that to improve levy collection ZTA should not use the penalties as one of its strategies and thus agree with Cummings et.al(2012) who asserted that punishments do not always alleviate the burden of non-compliance.

4.4 Analysis of interview responses

The response rate for interviews was 75% since a total of 4 interviews were scheduled and 3 were conducted by the researcher. The response rate of 75% justifies the use of the results to make recommendations. The interview only targeted top and middle level management since they had more knowledge on the systems performance. The persons interviewed were the Head Finance, Head Audit, Head Registration.

4.4.1 What are the strengths and weaknesses of the current levy system?

All the respondents stated that the strength of levy system was that levy computations were done by the levy payer and hence this reduced levy administration costs to ZTA. However the same respondents cited that since levy computations are done by the levy payer, operators were under declaring levy due or submitting insufficient information since the current system is unable to detect noncompliance due to under invoicing or under remittance and hence there was need to introduce a system which mitigated these risks. The levy system depends on the levy payers ability to calculate and record their remittances however not all payers are able to compute correct returns for submission to ZTA. The responses given by management agreed with questionnaire responses in question 1 to 4 .In addition, management stated that though the major weaknesses arise from under invoicing and under remittance of incomes due there were other factors that contributed to operator non-compliance. The reasons include corruption within ZTA officers in which officers may make personal arrangements with operators in exchange with not paying levy.

4.4.2 Reasons why operators are not complying with 2% levy

A majority of the respondents cited that the ineffectiveness of the current levy system, compliance costs, operator size and the presence of many taxes in tourism is the reason why operators were not compliant. These results by the interviewed support the findings made from questionnaires (see question 6).The results thus show that management were aware of these reasons being factors which affected non-compliance.

4.4.3 Measures put in place to mitigate the risk of levy evasion

All of the interviewed highlighted that to mitigate the risk of levy evasion ZTA were making follow-ups through telephone calls, sending reminder letters and issuing penalties to operators as well as conducting audits to encourage compliance. However management stated that though the measures were implemented they have not benefited ZTA to a greater extent. The results are supported by responses in question 8 in which management highlighted that ZTA was auditing operators often to see if they comply and hence agree with Saracoglu and Caskurlu (2013) who asserted conducting risk based audits can be used to encourage compliance.

4.4.4 Which operators are least compliant in remitting levy?

The majority of the interviewed stated that large operators were the least compliant in remitting levy, followed by medium sized operators and lastly small sized operators. The findings supported findings on question 9 of the questionnaire in which 64% of the respondents stated that large operators were the least compliant in remitting levy. The respondents further cited that small operators had challenges in computing returns earned since books were done mostly by the owners who in most cases had no knowledge in determining amounts of levy due. The results thus show that operator size were the reasons for non –compliance and hence agree with Corthay and Loepnick (2010) who asserted that it was important to streamline the levy according to size.

4.4.5 What practices are used by firms to non-comply with levy payments?

All of management interviewed stated that operators were not complying with levy payments through making no payments to ZTA, under declaration of amounts, under-invoicing or failure to submit remittance forms to ZTA or collusion with levy officers. In addition respondents cited that some operators were not registering their businesses as a way to evade paying levy. The results agree with question 12 on the questionnaires in which respondents strongly agreed that the operators used the stated ways not to comply with levy payments. The results thus show that management were aware that levy evasion was taking place in the levy system.

4.4.6 To what extent has ZTA been able to minimise levy evasion through the ways used in question 5

All respondents highlighted that ZTA was able to minimise levy evasion through the under-reporting, under-invoicing, failure to submit returns and engaging in the informal economy to a less extent. The results agree with results in question 13 in which respondents highlighted that ZTA was able to minimise levy evasion through the stated ways to a lesser extent. The results thus show that although management were aware of the ways used by operators a solution had not been put in place to mitigate the risk of levy evasion. The results agreed with www.thomsonreuters.com (accessed 20/04/14 at 1300hrs) cited that challenges at any point of the revenue collection system lead to lower revenues, confusion and perception of unfairness.

4.4.7 How would introduction of an e-levy system improve levy collection?

All of the respondents stated that introduction of an e-levy system would improve levy collections to a large extent. The respondents stated that if the system is implemented it would enable ZTA to curb non-compliance resulting from under invoicing, under-declaration and collusion between ZTA officers and operator management since these were not detected in the current system. The respondents said that introduction of e-levy would result in timely provision of data and reduced errors since remittances submitted would reflect the actual income earned by the operators. The results agree with findings in questionnaires (see question 16) 84% of the respondents agreed that introduction of an e-levy system would be very effective in improving levy collections.

In addition management stated that the introduction of the e-levy system was costly for operators hence there was need to subsidise the costs associated with such a system and ZTA was willing to subsidise these costs since the benefits associated with the system outweigh the costs.

4.4.8 What other strategies besides implementing an automated system of levy collection can be used by ZTA to improve the performance of the levy system

All the respondents highlighted that to improve levy collection ZTA has to improve the amounts of follow-ups and risk based audits it is performing. The responses are supported by responses on question 16 of the questionnaire in which the 64% and 60% of the respondents were of the opinion that increasing audits and follow-ups respectively would be effective and moderately effective in improving levy.

4.5 Analysis of secondary data

In addition to questionnaires and interviews the research also used various secondary sources of data .Findings from the data are presented below.

4.5.1 Current performance of levy system

Table 4.27 Variance analysis of budgeted levy and actual levy for 2013

| Period | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th quarter | Total |
|------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------|
| Budgeted | 1,162,500 | 1,700,000 | 3,037,500 | 2,200,000 | 8,100,000 |
| Actual | 953,250 | 1,411,000 | 2,703,375 | 1,870,000 | 6,937,625 |
| Variance | 209,250 | 289,000 | 334,125 | 330,000 | 1,162,375 |
| Variance % | 18% | 17% | 11% | 15% | 14% |

Source: Finance Board Pack 2013

Data from table 4.27 show that ZTA was unable to meet its target levy for the 4 quarters of 2013 and hence operated at an adverse variance. The results thus show the ineffectiveness of the current levy system in collecting levy due .the information can further be supported by questionnaire responses in question one in which 76% of the respondents strongly disagreed that the current levy system was effective in collecting levy due from operators.

In Finance Board Pack 2012 management stated that in the period 2010 -2012 there was a general increase in the performance of the tourism sector but however the figures that were brought to the attention of ZTA did not match increases in performance in the sector. In addition during the Tourism Indaba 2013, the Chief Operating Officer Mr Chidzidzi stated that during the period 2012, Zimbabwe had a growth of GDP of 17% and an increase in tourism arrivals of 11% the tourism sector posted lower rates occupants of less than 60% indicating that there was immense under-invoicing or under remittance in the sector (Tourism Indaba report).The information can be further be supported by Chen (2010) who asserted that business prospects increase relating to the prevailing environment.

Table 4.28 Variances of registered operators and operators who are filling their remittance forms with ZTA

| Year | 2010 | 2011 | 2012 |
|---|------|------|------|
| Registered operators | 250 | 287 | 325 |
| Operators submitting remittance forms with ZTA | 140 | 150 | 175 |
| Percentage of operators submitting remittance forms | 56% | 52% | 53% |

Source : Remittance files and Operator Register (2010-2012)

Table 4.31 show that less than 60% of the operators registered with ZTA are submitting their remittance forms for filling with ZTA. The data agrees with findings in question 12 of the questionnaire in which 72% agreed that failure to submit remittance forms was a way used by operators to avoid levy payments. The information thus shows that levy payers might be avoid filling their remittances with ZTA as way of evading levy payments. The results can be supported by Cummings et.al (2012) that asserted that levy payers may use non-filling of returns as a way of non-complying with levy payments.

4.6 Chapter Summary

The chapter centred on the presentation and analysis of data gathered through questionnaires, interviews and secondary sources. The data presentation and analysis was done through the use of tables, graphs, pie charts and descriptive summaries. The following chapter looks at the summary of findings, conclusions and recommendation.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter concludes the research and the conclusion is derived from findings discussed in the previous chapter and with reference to the research objectives presented in Chapter 1. In this chapter the researcher summarises the study, gives major findings and the recommendations on the subject under study, and suggests areas of further research and summary.

5.1 Executive Summary

In Chapter One the researcher highlighted the reasons of carrying out the study through providing the background of the study. The chapter also included the problem statement, research objectives, sub-research questions, the significance of the study, assumptions, limitations and delimitations of the study as well as definition of key terminology.

In Chapter Two the researcher considered theoretical and empirical literature so as to gain a better understanding on the performance of the levy collection system at Zimbabwe Tourism Authority. The main authors in the research study were Twum (2013) and Slemrod and Robinson (2011).

In Chapter Three, the researcher determined the research design, population sample and sampling techniques used, data collection methods employed, sources of data used and the data presentation and analysis plan was clearly shown. The research used the case study research design. In addition the researcher used a judgemental sampling technique and a sample of 25 questionnaires and 3 interviews were used by the researcher.

Chapter 4 covered the presentation and analysis of data which was obtained from questionnaires administered, interviews conducted and document review of secondary sources. The data was presented in the form of tables, graphs and pie charts.

5.2 Major research findings

The researcher after thorough analysis of the data collected through questionnaires, interviews and secondary data came up with the following findings:

5.2.1 To determine the strengths and weaknesses of the levy collection system

The overall analysis of the questionnaires administered, interviews conducted and secondary data review showed that there were more weaknesses than strength in the levy collection system at Zimbabwe Tourism Authority. Weaknesses presented by the current system were that the current levy system was ineffective in determining the current levy due from operators since it failed to detect levy lost through non-compliance through under-invoicing, under declaration and non-filling of returns. Information gathered revealed that operators were not compliant in submitting their returns to ZTA and if these returns were submitted they were either incorrect or contained insufficient information needed in determining the levy due. The only strength presented by the current system was that computation of the levy was done by the levy payer and hence this reduced levy administration costs to ZTA.

5.2.2 To determine the reasons why firms do not want to comply with levy payments

From the analysis of questionnaires administered and interviews conducted. The researcher came up with the conclusion that the major reasons while operators were not complying with the 2% levy were that operators were aware of the ineffectiveness of the current system not to detect levy evasion through under remittance, under reporting and failure to submit returns and hence used this as a reason to non-comply with the levy payments due to them. The second major reason was that compliance costs in the current system discouraged compliance. In addition the tourism sector is a highly taxed sector and this was established as one of the reasons for non-compliance. Lastly it was revealed that ZTA was educating operators to a moderate extent and hence the reason for no-compliance.

5.2.3 To describe the practices used by operators to evade levy payments

The major ways used by operators to evade levy payment was through under-reporting and under-declarations of levy. Operators also used non-filling of remittance forms and engaging in the informal sector as the ways to evade or to non-comply with levy payments. In addition information revealed by management interviewed also showed that fraud and collusion between levy officers and operator management was also used as a way to evade levy payments.

5.2.4 To recommend strategies to benefit ZTA on levy collection

Results from the study showed that of an e-levy collection system would be the most effective way in improving the levy collection system at ZTA as the system would be able to curb levy evasion through under-reporting, under declaration and non filling of returns with ZTA. In addition the company was not conducting risk based audit frequently and hence could be the reason for not collecting the levy due.

5.3 Conclusion

The researcher thus concludes that the research was a success as it was able to determine that the current levy system used by ZTA is ineffective in collecting and determining the amount of levy due. The use of the levy system was the major determinant for the poor performance in levy collection.

5.4 Recommendations

The following are the recommendations the researcher makes to Zimbabwe Tourism Authority to improve the performance of the levy collection system. In addition the recommendations are based on the findings of the study.

ZTA should implement an automated system of levy collection so as to mitigate the risk of levy evasion through under reporting, under invoice and non filling of returns as well as other weaknesses presented by the current system. The system should be implemented since from the findings the major reasons for non-compliance were that the operators have identified this as a loop hole since the current system is unable to detect these. In addition implementation of the system would result in reduced errors as well as timely provision of information when required (Ayegba,2013).

From the findings it was discovered that ZTA has been educating operators to a moderate extent and hence to improve levy collection ZTA has to improve education of operators to a large extent as education and training has an effect on the level of compliance by the operators as asserted by Twum (2013).

The researcher proposes that ZTA streamline the levy according to operator size and should introduce presumptive levy on small operators so as to mitigate the risk of levy evasion by small operators as highlighted by Corthay and Loepnick (2010)

ZTA should increase the amounts of risk based levy audits as well as follow ups on levy payments it performs as supported by Gemmel and Ratto (2010) as these measures were said to be effective in improving levy collection.

5.5 Recommendation for further Study

The researcher recommends that further research be carried out on:

- The impacts of education and training on the performance of the levy collection system
- The effects of the use of penalties on levy compliance

APPENDIX 1
Midlands State University

P. Bag 9055

Gweru

14 April 2014

The Finance Director

Zimbabwe Tourism Authority

55 Samora Machel Avenue

Harare

Dear Sir

REF: PERMISSION TO ADMINISTER QUESTIONNAIRES TO GATHER INFORMATION

I am a final year student, studying towards the completion of a Bachelor of Commerce Accounting Honours Degree at Midlands State University. It is a precondition of the department that I am obliged to carry-out a research during the final semester. My research topic is entitled: **“An investigation on the performance of the levy collection system: a Case of Zimbabwe Tourism Authority”**. I therefore kindly seek your assistance by giving me the consent to distribute questionnaires to the sampled members of staff from your organisation.

A high level of confidentiality will be maintained; findings will be held in confidence and will be used for academic purposes only.

Your assistance will be greatly appreciated

Yours faithfully

Chido Mangayi (R104401W)

APPENDIX 2

Midlands State University

P. Bag 9055

Gweru

14 April 2014

Dear Respondent

REF : ASSISTANCE WITH INFORMATION FOR ACADEMIC RESEARCH PROJECT

I am a final year student, studying towards the completion of a Bachelor of Commerce Accounting Honours Degree at the above mentioned university. It is a precondition of the department that I am obliged to carry-out a research during the final semester. My research topic is entitled: **“An investigation on the performance of the levy collection system: a Case of Zimbabwe Tourism Authority”**. I therefore kindly seek your assistance by completing the questionnaire attached to this letter.

A high level of confidentiality will be maintained, findings will be held in confidence and will be used for academic purposes only.

Your assistance will be greatly appreciated

Yours faithfully

Chido Mangayi (R104401W)

APPENDIX 3
Questionnaire

Instructions

- 1. Do not write your name on the questionnaire**
- 2. Tick in the relevant box for your response**

Department.....

Position

| Question | Strongly agree | Agree | Undecided | Disagree | Strongly disagree |
|--|-----------------------|--------------|------------------|-----------------|--------------------------|
| The current tourism levy system is effective in collecting levy due. | | | | | |
| Tourism operators are compliant in submitting their monthly returns to ZTA. | | | | | |
| Returns submitted represent the amount of actual levy due. | | | | | |
| Levy payers have proper books and accounting records and are able to prepare and record correct remittance forms | | | | | |

5 To what extent do education and training promote tourism levy compliance for ZTA?

| Measure | Large extent | Moderate Extent | Lesser Extent | Not sure |
|------------------------|---------------------|------------------------|----------------------|-----------------|
| Education and training | | | | |

6. The following are the reasons why operators do not want to comply with the 2% tourism levy

| Reason | Strongly agree | Agree | Uncertain | Disagree | Strongly disagree |
|---|----------------|-------|-----------|----------|-------------------|
| Ineffectiveness of the levy system | | | | | |
| Tourism sector is highly taxed | | | | | |
| Levy is not used for the betterment of Zimbabwe tourism | | | | | |
| Operator size | | | | | |
| Compliance costs | | | | | |

7. Is the levy charge feasible for all operators to comply with in the current economic environment?

Yes

No

Not sure

8. How often does ZTA audit a single tourism operator to see if they comply with paying the tourism levy?

Very often

Sometimes

Often

Rarely

9. Which operators are the least compliant in remitting levy due?

Large Medium sized

Small

10. Are all the tourism operators registered?

Yes No

11. To what extent does ZTA educate operators on the need to remit levy?

Large extent Medium extent

Lesser extent Not sure

12. The following are the ways used by tourism operators to evade paying 2% tourism levy

| Ways to evade 2% levy | Strongly Agree | Agree | Undecided | Disagree | Strongly disagree |
|-------------------------------------|----------------|-------|-----------|----------|-------------------|
| Under-declaration | | | | | |
| Under-invoicing | | | | | |
| Failure to submit remittance forms | | | | | |
| Engaging in the underground economy | | | | | |

13. To what extent was ZTA able to minimise levy evasion through the ways stated above?

| Ways to evade 2% levy | Large extent | Moderate extent | Not sure | Lesser extent |
|-------------------------------------|--------------|-----------------|----------|---------------|
| Under-declaration | | | | |
| Under-invoicing | | | | |
| Failure to submit remittance forms | | | | |
| Engaging in the underground economy | | | | |

14. Has ZTA considered adopting an e-levy system?

Yes No

15. What could be the reasons for not adopting an e-levy system?

| Reasons | Strongly Agree | Agree | Undecided | Disagree | Strongly disagree |
|-----------------------------|----------------|-------|-----------|----------|-------------------|
| Costly for ZTA to implement | | | | | |
| Costly for operators | | | | | |
| Unaware | | | | | |

16. How effective are the following strategies in improving levy collected

| Strategy | Very effective | Effective | Moderately effective | Ineffective |
|---|-----------------------|------------------|-----------------------------|--------------------|
| Introduction of an e-levy system | | | | |
| Increasing levy audits | | | | |
| Follow-ups on levy payments | | | | |
| Penalties | | | | |

Thank you for taking the time to complete this questionnaire.

APPENDIX 4

INTERVIEW GUIDE

1. What are the strengths and weaknesses of the current levy system?
2. Zimbabwe Tourism Authority is currently unable to collect the actual levy due what could be the reasons for not collecting the levy due?
3. What measures have been put in place by ZTA to mitigate the risk of levy evasion?
4. Which operators are less compliant in remitting levy?
5. What practices are being used by firms to evade levy payments?
6. To what extent has ZTA been able to curb the underground economy in the tourism sector and which measures have you adopted?
7. How would introduction of an e-levy system improve tourism levy collection?
8. What other strategies besides introduction of an e-levy system can be used by ZTA to improve the performance of the levy system?

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