

Release Form

NAME OF STUDENT: Melody Sigauke

DISSERTATION TITLE: An investigation on the influence of tax knowledge on
tax compliance

DEGREE TITLE: Bachelor of Commerce Accounting (Honours)
Degree

YEAR DEGREE WAS GRANTED: 2017

Permission is hereby granted to the Midlands State University Library to produce single copies of this project and to lend or sell such copies for private, scholarly or scientific research purposes only. The author reserves other publication rights and neither the project nor extensive extracts from it may be printed or otherwise reproduced without the author's written permission

SIGNED:

PERMANENT ADDRESS: 15274 8th CLOSE Sunningdale 2
Harare

DATE: 04 May 2017

Declaration Form

I Melody Sigauke declare that this project is my own piece of work which has not been copied from any source without acknowledgement of the source.

Signature:

Date.....

Approval Form

The undersigned certify that they have read and recommend to the Midlands State University for acceptance; a dissertation entitled; an investigation on the influence of tax knowledge on tax compliance. A case study of Zimtile (Pvt) Ltd. Submitted by Melody Sigauke in partial fulfillment of the requirements of Bachelors of Commerce Accounting Honours Degree at Midlands State University.

Supervisor:

Date:

Chairperson.....

Date:

External examiner.....

Date:

Acknowledgements

I would like to thank God for giving me strength in my research. I would also want to express my gratitude to the Accounting department and my research supervisor Mr. C Kazembe for helping me throughout my research. Special thanks to the members of Zimtile (Pvt) Ltd for their help in this research. I would also want to thank my family and Methosoc family for their support during the course of my research.

Dedication

This dissertation is dedicated to God, my parents and my siblings.

Abstract

This research seeks to investigate the influence of tax knowledge on tax influence using Zimtile (Pvt) Ltd as a case study. Some researchers were of the view that tax knowledge has a significant positive influence on the tax compliance level of a company. However, others argued that there is a negative association between tax knowledge and tax compliance. Zimtile (Pvt) Limited failed to obtain a tax clearance certificate on time during the period between from 2014-2016. Therefore this gave the researcher room to conduct an investigation on the influence of tax knowledge on tax compliance. In conducting this research, the researcher used a descriptive case study that was both qualitative and quantitative. Data was collected through interviews from four interviewees and through questionnaires from thirty-two respondents. Data that was collected from the research showed that tax knowledge has a strong positive impact on tax compliance. The researcher also concluded that there are other factors such as complexity of the tax system and awareness of tax offences and penalties that affect tax compliance. Therefore, the researcher recommends companies to always aim at equipping their employees with tax knowledge so as to enhance their tax compliance level.

Table of Contents

	Description	Page
	Release form	i
	Declaration Form	ii
	Approval Form	iii
	Acknowledgements	iv
	Dedication	v
	Abstract	vi
	Chapter One Introduction	
1	Introduction	1
1.1	Background of the study	1
1.2	Statement of the problem	3
1.3	Main research question	3
1.4	Sub research questions	3
1.5	Research objectives	3
1.6	Significance of the study	3
1.7	Delimitation	4

1.8	Limitations of study	4
1.9	Assumptions	5
1.1	Definition of terms	5
1.11	Acronyms	6
1.12	Summary	6
	Chapter Two Literature Review	
2	Introduction	7
2.1	The relationship between tax knowledge and tax compliance	7
2.1.1	Tax knowledge	7
2.1.2	Tax compliance	8
2.1.3	Effect of tax knowledge and tax compliance	10
2.2	Effect of operating without a tax clearance certificate on the company	12
2.3	Other factors that influence tax compliance	14
2.3.1	Tax benefits of various forms of legal entities/individuals	14
2.3.2	Tax Audit and Audit probabilities	14
2.3.3	Awareness of offence and penalties	15
2.3.4	Perceived enforcement of tax law	15
2.3.5	Fairness of the tax system	15
2.3.6	Tax system	15

2.3.7	Ethics and Attitudes towards taxes	16
2.3.8	Tax Rate	17
2.3.9	Probability of detection	17
2.4	Strategies that can be adopted to enhance tax compliance	17
2.5	Research Gap	19
2.6	Summary	20
	Chapter Three Research Methodology	
3	Introduction	21
3.1	Research design	21
3.1.1	Qualitative research design	16
3.1.2	Quantitative research design	22
3.1.3	Mixed Approach	24
3.2	Case study	25
3.3	Population	25
3.4.0	Sampling	26
3.4.1	Judgmental sampling	26
3.4.2	Sample size	27
3.5	Sources of data	27
3.5.1	Primary data	27

3.5.2	Secondary data	28
3.6	Data collection instruments	28
3.6.1	Interviews	28
3.6.2	Questionnaires	29
3.7	Likert Scale	29
3.8	Validity and Reliability	30
3.9	Data presentation and analysis	30
3.1	Ethical considerations	31
3.11	Summary	31
	Chapter Four Data Analysis and Presentation	
4	Introduction	32
4.1	Question Response rate	32
4.2	Effectiveness of information dissemination methods on the tax compliance level of the company	34
4.3	Other determinants of tax compliance	40
4.4	Effect of tax seminars and workshops on tax compliance	47
4.5	Effect of operating without a tax clearance on the business operations in bidding for tenders and other business opportunities	49
4.6	Effect of presumptive tax on imports on the company	50
4.7	Effect of any tax legislation and system on the compliance level of the company	52

4.8	Interview response rate	53
4.8.1	What are the factors that have been affecting and caused the company not to submit its withholding tax returns as required by the Income Tax Act	53
4.8.2	What are the major reasons that have resulted in ZIMRA not being able to provide the company with a tax clearance certificate on time	53
4.8.3	What are the strategies that have been adopted to enhance the level of tax compliance in the company	53
4.8.4	What have been the effects of operating without a tax clearance to the company	54
4.8.5	What are other factors affecting the compliance rate of the company	54
4.9	Summary	54
	Chapter Five Summary, Conclusions And Recommendations	
5	Introduction	55
5.1	Chapter summaries	55
5.1.1	Chapter one	55
5.1.2	Chapter two	55
5.1.3	Chapter three	56
5.1.4	Chapter four	56
5.2	Major findings	56
5.2.1	The relationship between tax knowledge and tax compliance	57
5.2.2	Other factors that influence tax compliance	57
5.2.3	Effect of operating without a tax clearance certificate on the company	57
5.2.4	Strategies that can be adopted to enhance tax compliance	58

5.3	Conclusion	58
5.4	Recommendations	58
5.5	Further areas of study	59
	Reference List	60
	Appendix A	65
	Appendix B Research project questionnaire	66
	Appendix C Research interview guide	72

List of tables

	Description	
1.1	Average of variances in submission of returns dates and when ITF263 was received in days.	2
3.1	Population and sample size	26
3.2	Likert Scale rating	30
4.1	Questionnaire Response Rate	33
4.2	Respondents level of education	34
4.3	Respondents work experience	35
4.4	Influence of tax workshops organized by the company on tax compliance	35
4.5	Influence of tax workshops organized ZIMRA on tax compliance	37
4.6	Influence of interpretation of the tax legislation by the organization members	38
4.7	Influence of complexity of the tax system	39
4.8	Influence of use of the self-assessment system	40
4.9	Relationship between tax audits and audit probabilities with tax compliance	41
4.1	Relationship between awareness of tax offenses and penalties with tax compliance	42
4.11	Relationship between provisions of rewards to companies that have a high level of compliance with tax compliance	43
4.12	Relationship between fairness of the tax system and tax compliance	44
4.13	Relationship between probability of detection and tax compliance	45
4.14	Relationship between ethics and attitudes towards tax and tax compliance	46
4.15	Relationship between tax rate and tax compliance	47

4.16	Impact of tax workshops organized by the company had a positive influence on tax compliance	48
4.17	Impact of tax seminars organized by ZIMRA has had a positive influence on tax compliance	49
4.18	Impact of operating without a tax clearance on the business operations in bidding for tenders and other business opportunities	50
4.19	Effectiveness of presumptive tax on imports on the company	51
4.2	Effect of any tax legislation and system on the compliance level of the company	52

List of Figures

	Description	
4.1	Figure 4.1 influence of tax workshops organized by the company on tax compliance	36
4.2	Influence of tax workshops organized ZIMRA on tax compliance	37
4.3	Influence of interpretation of the tax legislation by the organization members	38
4.4	Influence of complexity of the tax system	39
4.5	Influence of use of the self-assessment system	40
4.6	Relationship between tax audits and audit probabilities with tax compliance	41
4.7	Relationship between awareness of tax offenses and penalties with tax compliance	42
4.8	Relationship between provisions of rewards to companies that have a high level of compliance with tax compliance	43
4.9	Relationship between fairness of the tax system and tax compliance	44
4.1	Relationship between probability of detection and tax compliance	45
4.11	Relationship between ethics and attitudes towards tax and tax compliance	46
4.12	Relationship between tax rate and tax compliance	47
4.13	Impact of tax workshops organized by the company had a positive influence on tax compliance	48
4.14	Impact of tax seminars organized by ZIMRA has had a positive influence on tax compliance	49
4.15	Impact of operating without a tax clearance on the business operations in bidding for tenders and other business opportunities	50
4.16	Effectiveness of presumptive tax on imports on the company	52
4.17	Effect of interpretation of any tax legislation and system on the compliance level of the company	53

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter contains the introduction to the research topic which outlines the main aim of the study which is to investigate the influence of tax knowledge on tax compliance. Major components of this research contained in this chapter are background of the study, problem statement, the main research question and the sub research questions. Limitations, delimitation of the study, critical terms definition and the chapter summary are also going to be outlined in this chapter. Zimtile (Pvt) Ltd is going to be used as a case study for the purposes of this research.

1.1 Background of the study

Baru (2016:23), explained that according to the research they had conducted, it was concluded that any knowledge pertaining to tax laws and regulations does not affect tax compliance.” However, there has been no consensus since some researchers have come up with a different opinion. For example, Oladipupo (2016:22) concluded that tax knowledge affects tax compliance positively than other determinants of tax knowledge such as tax penalties. In the year 2015 Zimtile (Pvt) Ltd obtained a tax clearance certificate in June. In 2016 the company obtained a tax clearance certificate in December so they spent the financial year operating without a Tax clearance certificate. According to www.zimra.co.zw, (31/01/17, 10:30am) a Tax clearance certificate (ITF 263), refers to a document that is issued by the Zimbabwe Revenue Authority (ZIMRA) to those persons who are obligated to pay tax under the tax laws and regulations administered through ZIMRA and shows that his/her tax position is satisfactory. According to www.zimra.co.zw, (31/01/17, 11:01am) for a company to be issued with a Tax clearance certificate, it should have furnished returns that are supposed to be submitted under any of the Acts administered by ZIMRA, or it should have made satisfactory arrangements with ZIMRA for the purposes of submission of such returns and payments of the tax obligations in terms of the tax laws and regulations that are administered by ZIMRA.

In 2016, representatives of Zimtile went to liaise with ZIMRA on the issue of obtaining a Tax clearance certificate. During that meeting it was clarified by the ZIMRA officials that business operators who enter into a contracts for goods or services of at least USD\$1,000.00 in a particular

year of assessment should comply with Section 80 of the Income Tax Act [Chapter: 23:06]. The legal requirement is that 10% withholding tax is to be deducted from all taxpayers who enter into contracts with other tax payers that are registered under ZIMRA if they do not have a tax clearance certificate. They received that knowledge, which was different to the information they had obtained from another article published by ZIMRA in The Herald in 2014 which stated that 10% Tax should be withheld from persons without a Tax clearance certificate who enters into contracts of US\$250.00 or above. The information provided by ZIMRA might have affected companies in their preparation of withholding tax returns and this may have led to tax non-compliance of Zimtile (Pvt) Ltd.

In a meeting held at PG Industries Zimbabwe Head Office, on 20 May 2016, the Company Secretary, Mrs Waniwa expressed her concern over Zimtile operating without a Tax clearance certificate and she arranged a meeting with ZIMRA on behalf of Zimtile (Pvt) Ltd. After that meeting the Finance Manager, Mr Ticharwa also gave an instruction to the Finance department team to prepare their WHT on a monthly basis to enhance compliance. Table 1.1 below shows the average days in which the returns for WHT were submitted to ZIMRA and when ITF263 was received:

Table 1.1: Average of variances in submission of returns dates and when ITF263 was received in days.

TAX HEAD	2014	2015	2016
WHT	53	113	165
ITF263 RECEIVED IN	120	181	334

Source: Zimtile Statutory Reports (2014-2016)

Table 1.1 above has the average number of days in which the returns for WHT were not submitted on time. The worst case scenario is WHT ranging from 53 days in 2014, to 165 days in 2016. The figure for WHT also shows that in some of the months the WHT returns were not submitted because according to www.zimra.co.zw, (01/02/2017, 11:45am) dates , the returns are supposed to be submitted every month, that is in 30 days. The average of 53 days in 2014 shows that in some

months, the WHT return was not submitted. From Table 1.1 above, the months in which the tax clearance certificate was received from ZIMRA from 2014-2016 is also illustrated. ITF 263 is supposed to be issued at the beginning of the year, but the trend above from 2014- 2016 shows that the tax clearance certificate has been received later in the financial year and this has been worsening particularly in 2016, when it was received after 334 days. Therefore this research seeks to investigate how tax knowledge has influenced tax compliance.

1.2 Statement of the problem

Zimtile (Pvt) Ltd had been operating without a tax clearance certificate in a longer part of their financial year in 2015 and 2016. The company had also been missing deadlines for submission of WHT returns. This research aims to investigate how tax knowledge has influenced tax compliance in the company.

1.3 Main research question

What is the effect of tax knowledge on tax compliance in Zimtile (Pvt) Ltd?

1.4 Sub-research questions

- What is the relationship between tax knowledge and tax compliance?
- How does operating without a tax clearance certificate affect the competitive edge of the company?
- What other factors besides tax knowledge influence tax compliance?
- What other strategies can be adopted to enhance tax compliance?

1.5 Research objectives

- To establish the relationship between tax knowledge and tax compliance.
- To discuss how operating without a tax clearance certificate has affected the competitive edge of the company.
- To examine other factors that influence tax compliance.
- To determine strategies that can be adopted to enhance tax compliance.

1.6 Significance of study

To Student

The research was done in partial fulfilment of the requirements Bachelors of Commerce Accounting (Honors) Degree. The completion of the degree successfully will have an effect of enhancing the researcher's status in the academic field and professionally.

To MSU

The research assists in the provision of the necessary literature on the research area of influence of tax knowledge on tax compliance that could be essential to other students in the future in conducting their further research. It is also the students' hope that it will also serve as a future reference for researchers who need to further investigate in this area.

To Zimtile (Pvt) Ltd

The significance of this study is that, the findings can be used by policy makers in order to make a sound policy in relation to providing tax knowledge as means of reducing tax non-compliance. This study will also be an eye opener to the Zimtile (Pvt) Ltd so that it can regularly equip the employees with knowledge pertaining to ZIMRA requirements to enhance compliance.

1.7 Delimitation

- Zimtile ((Pvt)) Ltd Company which is located in Lochnivar, Harare is used as the case study.
- The research covers the period 1July 2015 – 31 July 2016.
- The main aim of the study is to identify identifying whether tax knowledge is influencing tax non-compliance in Zimtile (Pvt) Ltd.
- The respondents targeted at Zimtile (Pvt) Ltd is the management and other personnel of Zimtile (Pvt) Ltd in conducting the research.

1.8 Limitations of study

The researcher is bound to encounter some problems in conducting the research which include:

- Time constraints- the period under which the research is to be conducted is limited but the researcher will make use of emails and telephone in carrying out the research.

- Data access may be limited due to the company's maintenance of confidentiality. The researcher obtained a letter from the academic institution in order to give assurance to the management that secrecy will be maintained as data disclosed by the company is used for academic purposes only.
- Cooperation from the respondents such as management and other personnel may be a challenge due to the nature of their jobs which may keep them occupied. In order to overcome this challenge, the researcher will administer questionnaires even through the use of emails.

1.9 Assumptions

- The researcher's results will be based on the responses from respondents and accuracy of data that would have been collected.
- The other data will be accessed from statutory reports that are kept at the company.

1.10 Definition of terms

Tax according to the Income Tax Act Chapter (23:06) section 7, is an amount that is levied on income, goods or services usually levied by the tax authorities of a country with the support of government to assist in generating public revenue or other purposes deemed necessary.

Tax compliance can be refers to the process in which tax returns required to be submitted to the tax authorities are filed at the appropriate time with the accurate tax liability as required under the tax laws and regulations of a country. Baru (2016)

Tax knowledge is can be defined as the level of tax education the taxpayers and other business operators have in relation to the tax requirements of a country. Tax knowledge can also be explained as the process in which the information pertaining to the tax laws and regulations of a country is made available to the taxpayers and other business operators. Oladipupo (2016)

Withholding Tax is the amount that is deducted by a payer to another payee and then the amount is paid over to ZIMRA. Amounts to be deducted by the payer depends on the nature of product or service that is being paid for. The payee is taxed on the gross amount using the stipulated tax rate,

and the amount of that would have been withheld is remitted to ZIMRA on or before the 10th of the following month. www.zimra.co.zw, (15/02/17, 9:03am).

1.11 Acronyms

- **ITF 263** Tax Clearance Certificate
- **PAYE** Pay As You Earn
- **VAT** Value Added Tax
- **WHT** Withholding Tax
- **ZIMRA** Zimbabwe Revenue Authority

1.12 Summary

This chapter contained problem statement, background of study, main research question, research objectives, sub-research questions, significance of study and delimitation. The following chapter will be focusing on literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter looked at the prior works of other authors and scholars that were conducted by other researchers on the investigation of the influence of tax knowledge on tax compliance. The main purpose of this research is to identify other authors' views on the research. The researcher discussed the objectives of the research in this chapter and summarized the whole chapter at the end.

2.1 Relationship between tax knowledge and tax compliance

2.1.1 Tax knowledge

Baru (2016), illuminated that governments and tax authorities need to come up with an effective and efficient tax system that can be easily understood by the taxpayers to enable them to comply with the stipulated tax legislation. He also added that knowledge is an aspect of tax compliance that affect the ability of the business operators and other tax payers to comprehend tax legislation and the willingness to adhere to the requirements of the tax law. Tax knowledge is an aspect of tax compliance relates to the business operators' ability to comprehend tax legislation and any other information relating to the opportunity to evade tax. Mohd (2013) emphasized the need for tax awareness programs as an essential aspect in the advancement of the knowledge of the public especially in areas that relate to tax legislation and the management of public finance including taxes. Mohani (2013) explained that it is very crucial for tax authorities and policy makers to expose all the business operators to their expected roles in the development of the nation through tax compliance. He further explained that the exposure could be provided by government and tax authorities the provision of tax through tax awareness campaigns, tax workshops or working together with the Ministry of Education and try to come up with a curriculum that incorporates taxation as a module at secondary school.

2.1.2 Tax Compliance

Tax compliance refers to the level which business operators and other taxpayers adhere to the tax legislation, Mohd (2013). Mohd (2013) further explained that tax compliance could be explained through separation of avoidance of tax from evasion. The two terms are different in that avoidance encompasses measures that can be used to lower tax obligations and are acceptable under the tax law while evasion refers to illegal measures that result in a reduction of the tax liability. Brown and Mazur (2013), explained tax compliance is a broad term which encompasses payment compliance, filing compliance and reporting compliance. They explained that this means tax compliance refers to the adherence to tax laws which are different depending on the country in which the taxpayers are operating in. Therefore tax operators have to divulge the accurate information in filing of their tax returns on time and they should also reflect the accurate tax obligation.

Baru (2016) explained that tax compliance can also be divided into technical and administrative compliance. Administrative compliance was explained as adhering to rules of tax compliance meaning reporting compliance. Regulatory compliance refers to complying with the technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the shares of tax. Ahmed and Kedir (2015) classifies tax compliance into three aspects that is committed, capitulative compliance and creative compliance. They further explained that committed compliance refers to the ability of the taxpayer to report the accurate tax obligation willingly, capitulative tax compliance is when the taxpayer is not willing to discharge off tax obligations and creative compliance is similar to tax avoidance as it seeks to lower tax obligations through loopholes that may be in the confinement of the law.

Ahmed and Kedir (2015), described tax compliance as the degree to which taxpayers obliges to tax rules and regulations. Mas'ud et al (2014) further mentioned that tax compliance could be achieved through two ways, which are either through thorough enforcement of tax laws by the tax authorities or by the willingness of the taxpayers.

Most researchers have over the years classified non-compliance as an evasion problem, it is an aspect of non-compliance, Modugu and Anyaduba (2014). They further explained that if taxpayers go to extraordinary measures to lower their tax obligations, tax avoidance will also be seen as a

form of non-compliance. Activities that are regarded as part of non-compliance involves incorporating non-existent transactions in the calculation of the tax liability to avoid paying tax, seeking for alternative legitimate deductions, and delaying the payment of tax obligations and making appeals for the purpose of altering flow of tax payments and all other activities associated with the ones mentioned. Tax avoidance can also be explained as the lowering of tax obligations legally using measures that are under the tax legislation such as waiving of taxes, and the splitting of income over a long period of time. Alm (2012) explained that tax compliance encompasses the accurate reporting of all tax obligations as required by the tax legislation. Tax compliance also encompasses the declaration of the business operators' taxable income and remittance of the tax liabilities as and when they fall due without the tax authorities' enforcement.

Roth et al (2014) expressed the need for business operators to make provision for all the information necessary to be included in the tax returns by the tax legislation and emphasized on the need for the taxpayers to report the accurate amounts of the tax obligations that have been calculated in as required by the tax law. Failure to comply with the requirements of the tax legislation willingly or in any other way is an offense. According to James and Alley (2014) tax compliance can be explained by referring to tax gap, which represents the difference between the correct amount of tax liability and the amount that the taxpayer would have reported voluntarily. They further explained that tax gap is a result of subtracting the exact amount of tax collected from the amount anticipated to be collected if there has been tax compliance level at 100%. Therefore they concluded that tax compliance refers to compliance that would have been done willingly not compulsory behavior. According to Mohd (2013) taxpayer's compliance is not voluntary compliance if they merely comply due to fear of the tax authorities. Taxpayers' compliance is not considered voluntary compliance if the business operator merely complies for fear of tax authorities. He further explained that tax compliance is a very essential aspect as non-compliance may lead to the government having on to reduce the government expenditures or finding other ways to fund the deficit, on the budget. Late payments of tax is also considered as a form of tax non-compliance.

James and Alley (2014) also explained that tax non-compliance can be split into intentional and unintentional compliance, where intentional non-compliance is an offence which is subject to punishment while intentional understatement or overstatement of tax liability is caused by failure

to pay due care and lack of understanding in the maintenance of books of accounts and the preparation of returns.

According to Kubicova and Valkova (2013), tax evasion involves some aspects of fraudulent conduct, with a taxpayer having a real intention to willfully mislead, or conceal or to pay less tax than actually owed while non-compliance involves the late submission of a tax return and failure to submit the tax return, reporting reduced tax liability, inflating the allowable deductions and being unable to meet the tax obligations due dates. Mas'ud et al (2014) divided tax compliance into administrative and judicious compliance. Mas'ud et al (2014) further explained that administrative compliance is when business operators abide to the requirements of the tax laws and regulations while judicial compliance is the accuracy of information entered in tax returns.

2.1.3 Effect of tax knowledge on tax compliance

It is very essential that taxpayers are equipped with tax knowledge which enables them to adhere to tax legislation. The tax knowledge is necessary for the purposes of enhancing compliance level and will also assist record keeping in business and also in creating a conducive business which enables the business operators who are compliant to operate freely, Amayi and Machogu, (2013). Mukhlis et al (2013) suggested that business operators could increase their compliance rate if they obtain the relevant tax knowledge and tax education. They also emphasized that the only way to have tax compliance improved among businesses and individuals is through enhancement of tax education and tax implementation among the businesses. Berhan (2013) concluded that the reason why tax compliance rate is low in Africa is due to the lack of adequate tax education and that if it is improved, the compliance rate would also be improved. Palil and Mustapha (2014) explained that there is a tax knowledge has a positive impact on compliance. Mustapha (2014) also said that provision of relevant knowledge to taxpayers would result in them meeting their tax obligations as and when due. Santi, A. N. (2012) advocated that one of the way in which compliance could be attained would be through the tax authorities conducting public addresses.

According to Palil (2014), tax compliance can be enhanced through provision of education to taxpayers making them aware of their social responsibilities thereby influencing them to comply. He further explained that tax compliance is influenced by public co-operation and there are many merits associated in helping taxpayers to meet their tax liability, through making significant

improvements to the information provided , or providing more tax knowledge to them through, for example TV Campaigns. This equips the taxpayers to become more responsible citizens and can result in an increase in tax revenue which is better than to use the money on enforcement activities.

Tax knowledge usually relates to the taxpayers' ability to comprehend and comply or not with tax laws Ahmed and Kedir (2015). According to Ahmed and Kedir (2015), tax knowledge can be divided into two elements which are the general degree of fiscal knowledge and the specific degree of fiscal knowledge in relation to opportunities of tax evasion. Ahmed and Kedir (2015) also emphasized that through the enhancement of the general tax knowledge, attitudes of the taxpayers are improved and this results in creation of a positive attitude towards tax which results in enhancing tax compliance. Making the taxpayers aware of the ways in which they can manipulate tax legislation will have an adverse effect on tax compliance because it helps in increasing the level of non-compliance. Singh (2016) explained that tax knowledge in general has a significant impact on complying with the tax legislation and this brings about a positive association between tax knowledge and tax compliance. Mohammad et al (2012) discovered that adherence to tax policies was higher in groups with people who are well equipped with tax knowledge and knowledge on taxation has a greater impact on tax compliance. Therefore he concluded that as a result of adequate tax knowledge, knowledgeable tax payers are the ones who file their tax returns on time rather than the uneducated taxpayers. According to Mariziana et al (2013), tax knowledge has a positive effect on tax compliance. He also stated the importance of having a high level of tax awareness as it would also result in a high level tax compliance rate and vice versa. Therefore general tax knowledge is very essential as a basis of understanding tax law and regulations to comply with them.

Richardson (2012) explained that it is very important for people to understand tax law, because it shapes their disposition to comply. He also explained that generally, the law is viewed as complex, this results in taxpayers becoming unwilling to try and comprehend the tax legislation. Many people find it difficult to comprehend the messages contained in the tax laws, their better level of comprehension depends on the knowledge that a person has pertaining to the area of tax knowledge Saad (2014). They also explained that people with a high level of qualifications in general are able to interpret the tax legislation in a better way and this influences tax knowledge positively. They further explained that the result of being unable to comprehend tax law eventually leads to non-

compliance among taxpayers. Therefore they concluded that taxation authorities should endeavor to simplify tax laws through rewriting tax legislations into language that can be easily understood by taxpayers. Intricacy of the tax legislation poses a challenge through the creation of uncertainty in interpreting tax legislation resulting in high tax compliance level.

Ahmed and Kedir (2015) also concluded that the level of tax compliance can be affected when taxpayers are unaware of the number of non-compliance acts to be detected by the relevant tax authorities in carrying out their tax audits. Due to lack of adequate tax knowledge most business operators and other tax payers make use of tax consultants and lawyers in preparing their tax returns. This results in high compliance costs which may deter taxpayers from complying. Therefore equipping taxpayers with tax knowledge will reduce the non-compliance level and result in more taxpayers being compliant. Inadequate tax knowledge and the uncertainty of tax law results in taxpayers applying wrong tax provisions in preparation of their returns.

Tax knowledge has a significant and positive relationship with tax compliance. This means that a high level of tax knowledge, will increase voluntary compliance. This result also suggests that tax knowledge and awareness plays an important role among taxpayers and affects their level of compliance. Park and Hyun (2013) added that tax knowledge is an effective tool to induce tax payers to be more compliant. On the other hand Marziana (2013) also mentioned that if taxpayers are equipped with the relevant tax knowledge this will increase their willingness to comply. He concluded that tax compliance can be improved through provision of the relevant tax education and it will reduce the tax inclination to evade taxes.

Palil (2014) discovered that tax knowledge affects tax compliance positively, but however the level of tax knowledge significantly among respondents. Therefore taking more measures to provide tax knowledge to a greater part of the society assists in the prevention tax evasion and results in the promotion of voluntary tax compliance. Conversely, poorer tax knowledge is associated with negative attitude towards taxation and increases tendency to evade tax.

2.2 Effect of operating without a tax clearance certificate on the company

According to Tshuma (2017) tax clearance certificates play a very important role in the economy of a nation as they are a requirement when business operators submit tender or bid for doing business with the government. This situation clearly puts in jeopardy business operators whose

requests for tax clearance certificates are denied or revoked. This affects the competitive edge of a company when tendering or bidding for contracts. According to Mavengere (2015), in Zimbabwe in the informal sector, importers that have not been formalized and are operating without a tax clearance certificate are now required to pay a presumptive tax fee of 10% at the time of clearing goods. He also explained that this results in business operators losing a large amount of money in a bid to clear their imports at the same time trying to settle outstanding tax liabilities. Business operators end up losing more money that should have been used to settle outstanding obligations to presumptive taxes. Effect of presumptive tax is that it is an addition to the stockholding funds and this results in it posing working capital management problems.

This also applies to local suppliers as non-compliant traders are required by law to subtract deduct % in case of their suppliers failing to present a valid tax clearance certificate, Tshuma (2017). This amount of 10% is known as withholding tax on contracts. Presumptive tax at 10% is higher than the normal business tax rate applied when a tax return is submitted. 10% presumptive tax is an addition to the tax liability that would have been for the company on its taxable amount.

Zimbabwe has a wide number of trade arrangements with its neighbors and is also a member of SADC and COMESA, Nalishebo (2014). He further explained that if a business operator who is in the trade of exporting goods or services operates under the regional trading blocs is importing goods in the country, the business operator is charged a lower duty rate in the importing country. This is applicable in the cases when the business operator is importing goods into Zimbabwe. Business operators are able to enjoy these benefits if they are ZIMRA registered. To enjoy these benefits business operators need to formalize their operations and comply with tax laws.

According to Bajwa (2015) costs associated with consultation of tax consultants and tax lawyers are cheaper than payment of non-compliance fines and penalties. He explained that the costs of non-compliance are higher than the cost of compliance. Effective corporations at all times contemplate tax noncompliance consequences such as tax fines and interests as avoidable expenditures to their industries, and they for that reason they put in place arrangements to make sure that they act in accordance with the tax requirement of the nation, Bajwa (2015). Submission of tax returns late will result in the companies being fined with a penalty of \$30/day. Failure to

remit tax liability on time also attracts a penalty and interest in addition to the principal amount and this increases the costs incurred in a business, thereby reducing profitability.

2.3 Other factors that influence tax compliance

Jackson and Milliron (2013) from their research that they conducted derived 14 aspects that have an impact on the degree of tax compliance. These aspects are age, sexual category, knowledge, earnings, employment status, other tax payers' influence, moral code, lawful authorization, intricacy, relationship with taxation authority, income bases, alleged equality of the tax structure, possibility of being reviewed and tax rate. However they also mentioned that some of the factors refer to individual taxpayers. Mohani (2013), also came up with elements such as penalty, audit and tax rates and described that they have a great influence on the level of tax compliance.

2.3.1 Tax benefits of various forms of legal entities/individuals

Santi, A. N. (2012) considered taxation benefits of various forms of legal entities/individuals as a factor that influence the level of tax compliance. He explained that this has resulted in entrepreneurs migrating from one form of organization to another, which offers tax advantages for purposes of paying lower taxes. Therefore more emphasis is given to the government and taxation authorities to increase tax incentives to formal organizations as this will enhance tax compliance through encouraging the business operators in the informal sector to venture into the formal sector.

2.3.2 Tax Audit and Audit probabilities

Santi, A. N. (2012) suggested a most efficient policy to protect the issues of tax compliance. They also explained the two determinants of the level of tax audit as the number of taxpayers selected and the depth of the audit. Therefore the level of compliance of the taxpayer will depend on the probability of being audited. If the tax payer is likely to be audited this will enhance tax compliance to avoid penalties from the taxation authority. Tax compliance level is also dependent on how intensive the audit is, Mohd (2013). If taxation authorities are to carry out a more intensive audit, this will result in taxpayers being more tax compliant to avoid penalties from the tax authorities.

2.3.3 Awareness of offence and penalties

According to Allingham and Sandmo (2012) penalties and probabilities have a great impact on the level of tax compliance, the rate of the tax penalty and the probability that the taxpayer will be audited discourages non-compliance. Sandmo (2012) also explained that awareness of tax offences by taxpayers has a very positive impact on the influence level of tax compliance and if taxpayers are well versed with knowledge pertaining to the offences they are committing in being non-compliant with tax laws and regulations and the consequences of the actions, they may improve their level of tax compliance. Mohammed et al (2013), established that enlightening taxpayers and ensuring that they are fully conversant with the consequences associated with tax non-compliant, is very essential as it is a preventive measure which is better than cure.

2.3.4 Perceived enforcement of tax law

Murphy (2014), explained that tax compliance approaches which are viewed by the taxpayers as nondiscriminatory, dutiful and re-integrative due to their nature have an encouraging effect on long-standing compliance performance. Alm et al (2012)after carrying out his research discovered that tax incomes rise due to better administration efforts in place, on the other hand this pay off drops as the likelihood of being caught and reprimanded for non-compliance intensifies. Feld and Frey (2013) proclaimed non-compliance with the requirements of the tax legislation could be discouraged if the consequences resulting from non-compliance such as the anticipated punishments and fines are satisfactorily high to dissuade tax payers from being deceitful.

2.3.5 Fairness of the tax system

Mohd, Mohd and Wan (2013) observed that another element that is bound to affect the tax compliance level is the impartiality of the tax structure that is in existence. They further explained that non-compliant behavior may be caused by tax payers who consider the tax system to be unfair and may not be willing to comply. This however depends on the level of experience and knowledge that the tax payer has about the tax system.

2.3.6 Tax system

Ma (2015) explained that the improvement in the degree of tax compliance problem is an outcome of devising a complex tax system that taxpayers are not able to operate and interpret. This problem

becomes more conspicuous under circumstances where the nation makes use of a self-assessment structure. Lignier and Evans (2012) added that the modern tax business systems can be quite burdensome especially on small to medium enterprises. Lignier and Evans (2012) also explained that the three main elements of the tax burden are, the process of the tax implementation amongst the taxpayers, in addition they also explained that competent costs that are incurred as a result of compliance known as compliance costs which have arose due to the payments of taxes and in conclusion there are expenditures associated with operating a particular tax system, which can be referred to as costs of complying with tax laws. According to Ahmed and Kedir (2015), consistent tax laws which are stable in enactment and performance will result in the tax system being less complex and it will encourage tax compliance. According to Reza et al (2012), simplicity of the tax system is very important in determining tax compliance. He also added that a simple tax system will enhance compliance for the reason that taxpayers come from different backgrounds with different level if tax knowledge. In order to enhance compliance, tax authorities are supposed to contemplate on introducing a modest but then again satisfactory tax return.

2.3.7 Ethics and Attitudes towards taxes

According to Bird (2014), countries tax compliance levels exhibited by different countries does not merely reveal the efficacy of tax organization, nevertheless it also reveals the assertiveness of taxpayers concerning the tax and fiscal policy and government at overall level. Bird also explained that assertiveness presented by the taxpayers have an impact on the motives, which in the long run disturbs actions. He also mentioned that attitudes can be there molded in a collective situation by dynamics such as the sensitivity in the tax arrangement, the observed evenhandedness of the tax configuration and its convolution. The paramount forecaster of an individual's actions is moral code, but then again this connection can be unsettled due to the passage of time. Bird (2014) also explained that there is no a precise method and no procedure which once put in place, in any nation can the best solution to resolve noncompliance behavior. In other studies carried out the researchers have also concluded that moral codes partake a greater role in determining compliance conduct. According to Oladipupo (2016) there is quite a number of taxation organizations which have over the years conducted different procedures in order to quantify the degree of non-compliance, nevertheless at hand there is at all times going to be more or less degree of compliance that remain reliant upon the public outlooks and behavioral traits of taxpayers.

2.3.8 Tax Rate

Gambo et al (2014) concluded that tax rate has substantial optimistic correspondence with tax compliance in Africa. The end result however illustrates that tax rate devises momentous undesirable consequence on tax compliance in Africa. According to Ahmed and Kedir (2015) the affiliation between tax rate and tax compliance is diversified. They came to this conclusion after considering research that had been conducted by other scholars with results differing and one scholar in an empirical study came to the conclusion that there is no relationship between tax rate and tax compliance.

2.3.9 Probability of detection

According to Ahmed and Kedir (2015), taxpayers always work hard to increase their benefit through thorough consideration of the threat that they may be discovered and be reprimanded due to non-compliance activities pertaining to tax requirements. They expounded that the prospect of discovery of noncompliance activities denotes the possibility that the tax authority may at some point find out a taxpayers' non-compliance and strive for remedy of the activities associated with evasion. They also mentioned that the relationship between tax compliance and probability of detection has been the interest of many tax literatures over the years. In the pioneer tax evasion research, the relationship between the two was found to be positive, that is business operators and other taxpayers are bound to at all times proclaim their earnings in the approved manner if the possibility of exposure is great. Therefore it was concluded that the greater the chances of being discovered due to noncompliance activities or being reviewed would embolden taxpayers to improve their compliance levels.

2.4 Strategies that can be adopted to enhance tax compliance

Murphy (2014) asserted that coming up with a supervisory administration approach which will be more operational in attainment of prolonged deliberate compliance from taxpayers is presenting problems for quite a number of tax authorities globally. However, he also explained that some enforcement approach methods may actually alienate tax lawbreakers from both the tax structure and the authority which put into effect the law, as a result this can bring about adverse consequences on the taxpayers' compliance behavior.

Bird (2014) explained that there has been many years of active research that have been invested in the studies conducted around taxation as a research area though until now it has not yet brought about answers to the questions surrounding tax compliance. He also postulated the complexities surrounding coming up with an ideal solution that can unravel tax non-compliance challenges globally. He further explained that the countries that are still in their developing stage globally exhibit extensive variety of tax compliance levels which in turn present their respective tax supervisions and insolences towards their governments.

Mohammed et al (2013) disclosed that enlightening taxpayers and business operators and ensuring that they are well versed with the results that arises from non-compliant behaviour is a very important prevention measure. According to Khole (2014) Zimbabwe could consider offering a tax amnesty to business operators with huge amounts of outstanding tax liabilities under the condition that they submit proper tax returns clearly expounding their affairs.

According to Sarker (2013), the use of a self-assessment tax system could be a way that can be used to improve the compliance level of business operators. Sarker also explained that in a self-assessment system, the taxpayer declares their gross income, and allowable deductions in a return which will then be filed with the tax regulators including a payment schedule for the tax obligation calculated in that return. In a self-assessment system, it is a taxpayer that is responsible for the tax liability assessment. He further asserted that, a self-assessment system has proven to be highly efficient as it only opt for extraordinary circumstances intended for supplementary inspection, it disregards the clerical being that surrounds assessment labour, it also reassures prompt and appropriate assemblage of taxes while moderating bribery through lessening association with taxpayers.

According to Ahmed et al (2012), recompenses may possibly remain operational instruments that are of greater significance in improving the level of tax compliance. He concluded that compliance increases significantly when taxpayers are rewarded for their honesty. He also asserted that rewards involves providing a relative advantage to other taxpayers and this would motivate other taxpayers to increase their level of compliance. He also explained that rewards could be offered in the form of certificates to taxpayers from tax offices designating that the taxes would have been to the finest of their understanding appropriately acknowledged and they would also be indicating

that entities have shown unlimited cooperation and met all their tax liabilities on time. Such a certificate improves the firms' reputation and image. This may result in shareholders responding in a positive way.

Ahmed et al (2012) explained that provision of taxpayer knowledge and service can result in taxpayers being well informed with issues pertaining to the tax structure and they may require support as they endeavour to comply with the requirements of the tax system. Therefore he suggested that intentional compliance could correspondingly be accomplished if the tax authorities focus on methods that diminish the business operators' expenditures associated with their tax obligations.

2.5 Research Gap

Ericksen and Fallan (2013) suggested that the best way to prevent tax compliance is to provide supplementary tax awareness to an inordinate section of the community so as to advance tax morals and the public's notion on the objectivity that the tax structure has. Collins, Milliron and Toy (2014) came up with their own discoveries after conducting a research and concluded that tax education and tax awareness remained adversely interconnected to tax compliance activities. Mohd (2013) also came up with a conclusion that there is present an undesirable association concerning tax knowledge and tax compliance.

The information discussed by different scholars above indicates that the results conducted on the influence of tax knowledge and tax compliance contradict with each other. Therefore this difference in results presents a tax gap which motivates the researcher to carry out the study on the investigation of the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd as a case study.

2.6 Summary

The Chapter reviewed relevant literature from various scholars that are in support of the research topic. A critical examination and assessment of ideologies, understandings, concepts, principles, realities, inferences and remarks of a number of researchers was completed with an aim to come up with a research that is well supported. A number of researchers are of the opinion that tax knowledge has a positive substantial influence on tax compliance.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter contains explanations pertaining to the carrying out of the research. It covers methodology and design that were incorporated in planning the data gathering process from different sources. It aimed at setting up the plan to be used for the purposes of the research, it also sets out the samples derived from the population, research tools, data collection methods and it also encompasses processes in which the data was gathered and presented. The chapter is of greater significance to the investigator as it assisted in obtaining data that is relevant and adequate for the purposes of the research. At the end of the chapter, a summary was also given.

3.1 Research design

According to Singh (2016) research design is a method of research incorporated by the researcher in conducting the research project and the expansion of some of the constituents of the project. He further clarified that a research design is a planning stage which is made through the visualization of its practicability. Creswell (2013) explained research design through taking into consideration the procedures and techniques that are incorporated in the research. A research design includes research plan, selection criteria, high-quality enquiry of research tools and a method of numerical performances. Creswell (2013) illuminated that the approach to be used rest upon the circumstances surrounding problem under study and the three methods that can be used are qualitative, quantitative and mixed approach. Research design can also be explained as a process that involves the methods of collecting data, scrutiny that the researchers put forward meant for their areas of study. Research methodology can also be defined as the systematic procedures which are undertaken by the researcher as of the point in which a challenge is first noted to the ultimate conclusion of the research, Singh (2016).

According to Kumar (2014) descriptive research design assists the researcher in answering the questions of the circumstances surrounding a particular research problem. A descriptive study is then useful if undertaken with the aim of attaining evidence that pertains to the investigation area

under study and to refer to anything that is happening in respect to variables or circumstances in a certain state.

According to Murphy (2014) causal design is a type of research that is used to measure the effect of a particular change in one variable on other existing norms and assumptions. The causal effect occurs when one variation in a research area, which is referred to as an independent variable, results in the variation in another dependent variable.

According to Saunders (2013) experimental or investigational design is a research design in which the investigator endeavors to conclude or forecast the aftermath. As a result it facilitates the investigator to keep up regulation upon all the additional elements that will possibly have an impact the consequence of the experimentation. The investigational design has a regulator assembly and a trial assembly that are used for the purposes of the experiment.

The researcher has incorporated a descriptive research approach as it is most applicable to the area of research in answering questions of circumstances surrounding the influence of tax knowledge on tax compliance.

3.1.1 Qualitative research design

Qualitative design involves the use of data that encompasses more citation and references, explanation and storytelling while endeavoring to capture discussions, proficiencies, viewpoints, power of speech and connotations. This type of investigation encloses disputes as a substitute of statistics. Creswell (2013) enlightened that a qualitative research is takes into account lesser illustrations and non-statistical methods frequently purposively designated.

Singh (2016) described the characteristic of qualitative investigation and explained that researchers conducting a qualitative study have a greater chance of explaining a research area by means of difference of opinion and incorporate more words rather than statistics. More prominence is premised on the procedure rather than the outcome.

Advantages of qualitative research design

According to Bryman (2015) the advantages of a qualitative research design is that it uses undeveloped and concluded enquiries and investigations which results in the respondents having an chance to give feedback in their own words rather than leaving them with no option besides ensuring that they make a choice on the presented responses as is done quantitative methods do. Open ended interrogations have the capacity to bring to mind reactions that are expressive and customarily outstanding to the partaker unsuspected by the investigator. Issues under investigation can be assessed with greater intensity and in greater detail. Interviews are under some circumstances not restricted to precise questions are susceptible to be readdressed by the researchers and the researcher during the interview process thereby adding value to the research under study. Direction and framework of research can be twisted upon the emergency of new information while undertaking the study. Data collected through quantitative methods depends on the human experience of the respondents. It results in low cost since it requires smaller scales.

Disadvantages of qualitative research design

It greatly relies upon the expertise of the researcher and can without difficulty be predisposed by the prejudices of the researchers. Magnitude of the gathered data results in making the comprehension and examination of the data consuming more time and this is a restriction to the researcher. Presence of the researcher during the data collection process can influence the research outcome. Issues of discretion and secrecy have an effect of presenting challenges in the course of presenting the outcomes.

3.1.2 Quantitative research design

According to Kumar (2014) quantitative research design entails the study of associations amongst variables so as to be content that definite objectives have been met and it encompasses the use of calculated techniques in the detailed analysis of the data collected. Quantitative methods test the objective theories by examining relationships between variables. The quantitative data is collected through standardized tests.

Advantages of quantitative research design

According to Hughes (2014) the advantage of quantitative research design is that they are highly reliable and valid, this makes it easy for conclusions to be made with levels of high accuracy. Obtained information from analyzed records can be certainly understood through better precision by means of systematic examination. Degree of importance of the examined data can similarly be determined. Scoring method of quantitative data is very much impartial. Quantitative analysis has high precision and accuracy levels.

Disadvantages of quantitative research design

According to Creswell (2013), the disadvantages of quantitative research analysis is that they are not always up to date due to the fact that they are based on figures, regular updating is necessary. Another limitation of quantitative research design is that it requires the use of data analysis software which may be difficult and may not always be accessible for use. It can also be time consuming because the process requires data capturing and thorough analysis of the data before the presentation of the data.

3.1.3 Mixed Approach

Kumar (2014) explained that mixed method involves collecting of facts by means of incorporating both quantitative and qualitative data so as to derive a significant and reasonable research. He also explained that mixed methods research is a type of investigation or study where the investigator makes use of both qualitative and quantitative approaches.

Advantages of mixed approach

According Bryman (2015), the benefit of mixed research approach is that it assists in understanding the differences between the qualitative and quantitative data in carrying out the research. It also results in the integration of qualitative and quantitative data to provide more detailed information than each of the methods would do alone.

Disadvantages of mixed approach

According to Hughes (2014) one of the limitations of mixed methods approach is that it can increase the complexity of data analysis and evaluation. Mixed methods can be time consuming as they require more resources and time than is required when analysing data using a single method.

The researcher has adopted a mixed approach in carrying out the study as it is most suitable to the area of research because it incorporates both the qualitative and quantitative data.

3.2 Case study

The researcher used Zimtile (Pvt) Ltd as a case study because it is not time consuming considering the experiences that the researchers has had at the company during the period of work related learning. According to Bryman (2015) the use of a case study as a research method adds value to the research as it gives the researcher more room to investigate and acquire more evidence from various sources within the company.

Advantages of a case study

According to Murphy (2014) the use of a case study is a powerful means to portray strategies to outsiders as it has a reference point. A case study is also a powerful research tool as it depicts stakeholder experience in strategy input, processing and output. According to Murphy (2014) case studies are also very important as they capture reality rather facts that are not proven.

Disadvantages of a case study

Murphy (2014) explained that case studies are difficult to summarize into general theories and no single case can be generalized thereby adding value to scientific development.

3.3 Population

According to Yin (2013) a population in an investigation is a distinct group of characters or items that can be identified due to their related features. All characters or items contained by a definite populace typically partake a collective compulsory distinctive attribute.

Table 3.1 Population and sample size

Participants	Target Population	Sample size	Percentage of sample size	Interviews
Management and Board of Directors	5	4	80	1
Finance department	11	10	91	1
Procurement	4	3	75	-
Sales and Marketing	12	11	92	1
HR Department	3	2	67	-
Warehouse	7	6	86	1
Total	42	36	86	4

3.4 Sampling

Yin (2013), defined sampling techniques as techniques adopted by a researcher in collecting research evidence. The researcher incorporated judgmental sampling in collecting data seeking to investigate the influence of tax knowledge on tax compliance.

3.4.1 Judgmental sampling

Bryman (2015), defined a purposive sampling technique as a technique that is based on the personnel's opinion of what is representative with regards to the population under study. The researcher used the technique due to the belief that the use of an authority can bring more useful results than taking into account the whole population. The authority is expected to be reliable in implementation of data, representative and professional in judgment. According to Yin (2013), purposive sampling is carried out with a purpose in mind and usually involves gathering data from one or more specific predefined groups.

The researcher used the technique to pick 7 departments in the company which are viewed to be in a better position to discharge information with regards to tax compliance as they are viewed them to be the major departments that are involved in carrying out work that requires a certain level of tax knowledge. According to Bryman (2015) critical case sampling is a type of judgmental sampling which involves picking one case which is expected to reveal insights that can be applied to like cases. Basing on this statement, the finance department is considered a critical case by the researcher because all departments report to the finance department in relation to their challenges pertaining to tax issues and also ZIMRA requires all the important tax information form the Finance department.

3.4.2 Sample size

According to Yin (2013) a sample is a section of the total population which contains elements that have homogenous traits.

In conducting the study, the researcher selected 36 respondents from the population of 42 respondents since it was impracticable to consider everyone due to the cost and time constraint that affected the researcher.

3.5 Sources of Data

In carrying out a research, researchers need to consider sources on which to base their research findings. A choice should be made between the use of primary data and secondary data or the use of both is also acceptable and it is termed dual methodology.

3.5.1 Primary Data

According to Bhattacharjee (2012) and Griffin (2013) primary data refers to information gathered for a specified purpose in carrying out a research and is usually collected through observations, recording, inspection by the researcher. Steward (2012) added that primary data refers to first hand data and is gathered directly by the researcher from respondents by way of inquiry mechanisms that incorporates questionnaires and interviews.

The researcher made use of primary data through handing out questionnaires and also through the conducting interviews at the company.

3.5.2 Secondary Data

Keshab (2014) defined second hand data as the process which encompasses collecting data from secondary sources such as newspapers, journals, magazines, online portals and other sources so as to find the relationship between the secondary data and the current research problems. Secondary data sources can be classified as either quantitative or qualitative in nature.

The researcher gathered secondary data from company documents, statutory reports and incorporating studies that were carried out by other scholars.

3.6 Data Collection instruments

According to Keshab (2014), data collection instruments are methods that are adopted for the purposes of data collection. For the purposes of gathering data that was useful and relevant to the research, the researcher conducted primary and secondary research. Questionnaires and interviews were the main methods used under the primary research conducted at Zimtile (Pvt) Ltd.

3.6.1 Interviews

According to Siebold (2011), interviews are used in order to completely comprehend somebody's impersonations or else understandings or acquire further knowledge pertaining to their responses to questionnaires. This means that the interviews can be used in conjunction with questionnaires for the purposes of absolutely appreciating the insights of the respondents.

Advantages of Interviews

Interviews result in a friendly environment being created between the interviewer and the interviewee and this may result in a lot of data being divulged. They are more objective as the interviewee is not influenced by any other external factors during the interview.

Disadvantages of Interviews

Interviews can be time consuming. They can also be costly. Interviews can be hard to analyze. Interviewee's responses can also be biased by the person carrying out the interviews.

3.6.2 Questionnaires

According to Steward (2012) questionnaires are used when there is need to get the depth of data from another person.

Advantages

They can be completed anonymously. They are inexpensive to administer. They can also be adapted online, verbally and on paper. They are easy to compare and analyze.

Disadvantages

Question wording can bias respondent's answers. The questionnaires cannot always be useful because the interviewer cannot always get the full story from the data provided.

3.7 Likert scale

According to Yin (2013) the likert scale is a reaction measure that is used by a researcher in feedback forms such as questionnaires to attain a targeted person's level of support to the proclaimed assertions. The targeted population will be requested to designate their degree of support to a specified proclamation by means of an ordinal scale. The researcher used the likert scale in data collection to get the respondents' opinions.

Table 3.2 Likert Scale and Rating

Strongly disagree	Disagree	Undecided	Agree	Strongly agree
1	2	3	4	5

3.8 Validity and Reliability

According to Singh (2013), data reliability refers to the fact that any significant results must be a more than once-off finding and be inherently repeated. The researcher permitted data reliability through gathering both primary and secondary data with regards to tax compliance so as to reinforce annotations and results drawn under different conditions. According to Bryman (2015) data validity can be defined as a measure of the soundness of a project under research. Validity in data collection ensures that results give a true representation of the researchers' claims. The researcher maintained data validity through the use of questionnaires and interviews to reinforce the research whilst eliminating demerits of each method rather if each method was to be used separately.

3.9 Data presentation and analysis

The nature of the data collected was qualitative in nature and this was analysed through making conclusion by considering the uniform patterns of the data and quantitative data was analysed was presented through the use of Microsoft excel using presentation methods such as pie charts, tables and graphs. The measures of central tendency were also used by the researcher to analyse data using mean, mode and median. The researcher used these methods as they are not complex to comprehend and they clearly illustrate patterns of the information gathered. An analysis of questionnaires was made through considering the uniformity of the responses that were presented by the questionnaires in order to come up with conclusions. Bryman (2015) noted that data presentation involves a statistical technique of presenting/defining data through the aid of diagrams. The researcher made use of Microsoft excel and generated bar graphs, pie charts and tables to present the information obtained from the data collected during the research process.

Interviews were analysed through interpretations to come up with a conclusion to the research area.

3.10 Ethical considerations

According to Saunders (2013), researchers should take into account public interest of the society and others beyond their own legal obligations. He also explained that their actions should not have a negative impact on the interest of others.

In carrying out the research, the researcher requested for permission from responsible authorities before conducting any data collection with the targeted respondents. The study was open to withdrawal without penalty by anyone concerned in the sample who felt his/her participation could result in loss/ negativity. In order to protect participants from emotional, social and intellectual damage as a result of discarding research information, no respondent was required to give out their particulars and anonymity was maintained throughout the research. The researcher also acknowledged the works of other authors who assisted in fulfilling the purpose of the research through in text citations and maintaining the references list.

3.11 Summary

This chapter outlines the research methodology for the research project which was based on a descriptive mixed research design. The chapter also detailed out the target population, methods of sampling, data collection instruments and different sources of data. A discussion was made on the reliability of the data in the chapter. Validity of the data was also taken into account and a discussion was made on the validity of the data to be collected in the research. The data presentation and analysis plan was also highlighted. The following chapter will be mainly focusing on presenting and analyzing the research findings with an aim of coming up with conclusions and recommendations.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter covers the data presentation and analysis of the research findings in order to come up with conclusions on an investigation on the influence of tax knowledge on tax compliance with Zimtile (Pvt) Ltd as case study. The data is presented using table, graphs and pie charts. The findings of the research were fully analyzed and linked to the research objectives. At the end of the chapter a summary was presented on the discussions covered in this chapter.

4.1 Response rate

Table 4.1 Questionnaire Response Rate

	Questionnaires sent	Questionnaires returned	Response rate (%)
Management and Board of directors	4	3	75
Finance department	10	9	90
Procurement	3	3	100
Sales and Marketing	11	10	91
HR Department	2	2	100
Warehouse	6	5	83
Total	36	32	89

Table 4.1 is illustrating the response rate of the questionnaires. The board of the directors' and the management of the company's response rate was 75% which was a very high response rate due to their busy schedule at this time of the year. This is followed by a response rate of 83% from the warehouse department, 90% from the finance department and 91% from the sales and marketing department. Creswell (2013) explained that a positive impact is acceptable from a questionnaire

with a 70-80% response rate. Therefore the researcher made use of the above illustrated results in making conclusions and recommendations.

Table 4.2 Respondents level of education

Level of education	Respondents	Percentages (%)
Ordinary Level		0
Advanced Level	1	3
Certificate	5	16
Diploma	16	50
Degree	7	22
Degree Plus	3	9
Total	32	100

Table 4.2 above shows the highest level of qualifications acquired by the respondents. The table illustrates that 50% of the respondents have a diploma as their highest level of qualification. The person with the least qualification has got Advanced level. Table 4.2 also shows that 9% of the respondents have got the highest level of qualification with a degree plus, some noted that in addition to the undergraduate degree they have got a Masters' degree and others have got a professional qualification. The information shows that most of the respondents have got a diploma as their highest level of qualification. Most of the tax education is provided from the higher national diploma level or degree, therefore there is need for the personnel to go through tax courses at the company to enhance their tax knowledge.

Table 4.3 Respondents work experience

Level of education	Respondents	Percentages (%)
Less than 1 year	5	16
2-5 Years	10	31
6-9 Years	12	38
More than 9 years	5	16
Total	32	100

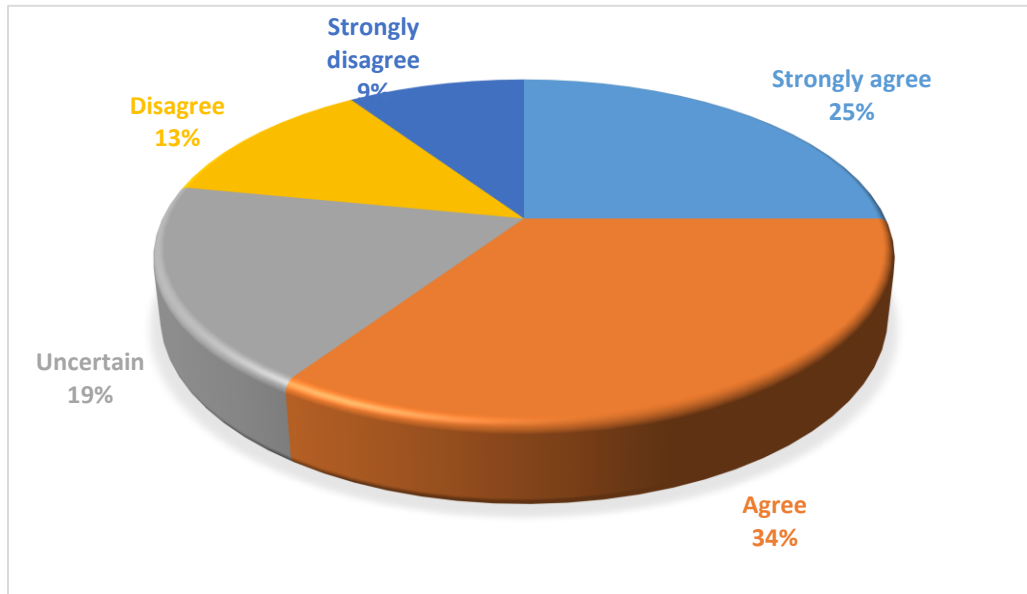
Table 4.3 shows an analysis of the respondent's work experience. 38% of the respondents have between 6-9 years of work experience at the company. Only 16% of the respondents have experience of more than 8 years at the company. The respondents with less than one year of experience are only 16% of the total number of the respondents.

4.2 Effectiveness of information dissemination methods on the tax compliance level of the company

Table 4.4 Influence of tax workshops organized by the company on tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	8	11	6	4	3

Figure 4.1 Influence of tax workshops organized by the company on tax compliance



The information in Figure 4.1 above show that 59% of the people in the organization agree that tax workshops organized by the company can have a positive influence on the level of tax compliance with the company. The information also shows that 22% of the respondents agreed disagreed that tax workshops organized by the company have a positive influence on the tax compliance level of the company. There were also 19% of the respondents who were uncertain. Therefore from the information contained in figure 4.1 we can conclude that there is positive relationship between tax knowledge from tax workshops organized by the company and tax compliance level of the company. This is also in line with the conclusions made by Berhan (2013) who concluded that the reason why tax compliance rate is low in Africa is due to the lack of adequate tax education and that if it is improved, the compliance rate would also be improved. Therefore through the provision of tax knowledge to company personnel the company can assist in educating the employees.

Table 4.5 Influence of tax workshops organized ZIMRA on tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	9	13	7	3	

Figure 4.2 Influence of tax workshops organized ZIMRA on tax compliance

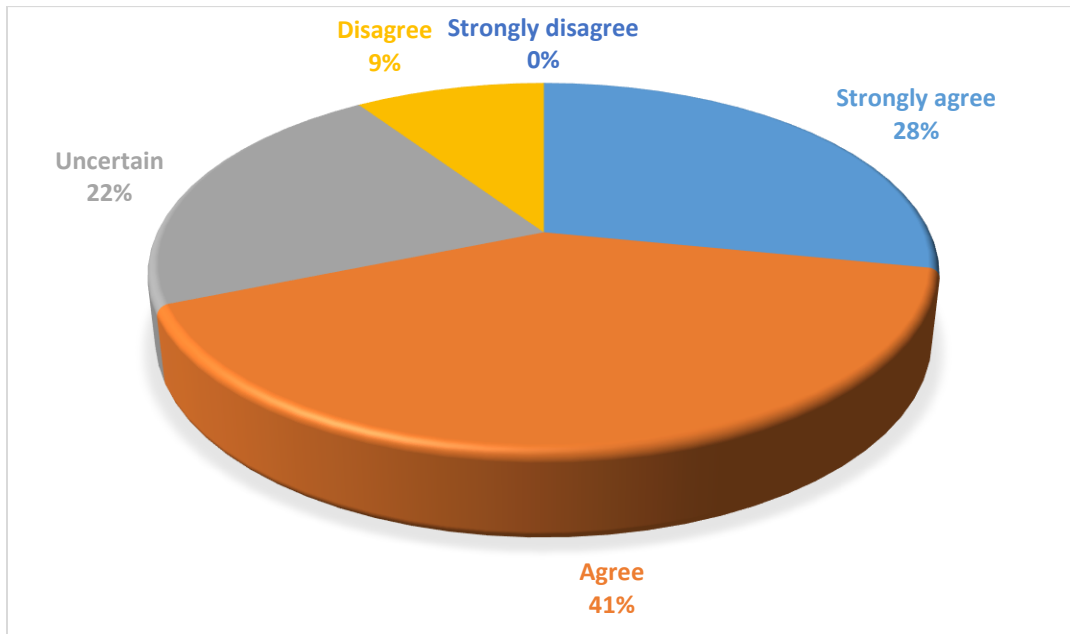


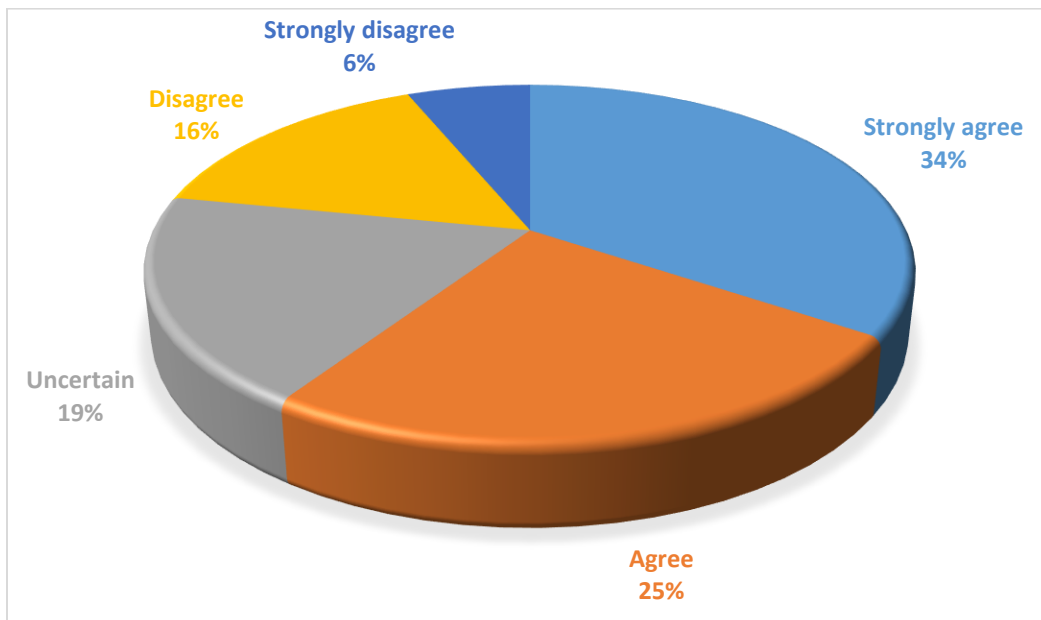
Figure 4.2 above illustrates that 69% that is the majority of the respondents agree that the tax workshops organized by ZIMRA have a positive influence on tax compliance. The results also show that 9% of the respondents disagreed that tax workshops organized by ZIMRA have a positive influence on tax compliance. However 22% of the respondents were uncertain. Therefore the conclusion based on the research is that there is a positive relationship between tax knowledge and tax compliance. Santi, A. N. (2012) advocated that one of the way in which compliance could be attained would be through the tax authorities conducting public addresses. Therefore there is need for ZIMRA to conduct more workshops and public addresses in order to educate the public about changes in tax legislation. This is also in agreement with Mustapha (2014) who explained

that the provision of relevant tax knowledge to taxpayers would result in them meeting their tax obligations as and when due.

Table 4.6 Influence of interpretation of the tax legislation by the organization members

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	11	8	6	5	2

Figure 4.3 Influence of interpretation of the tax legislation by the organization members



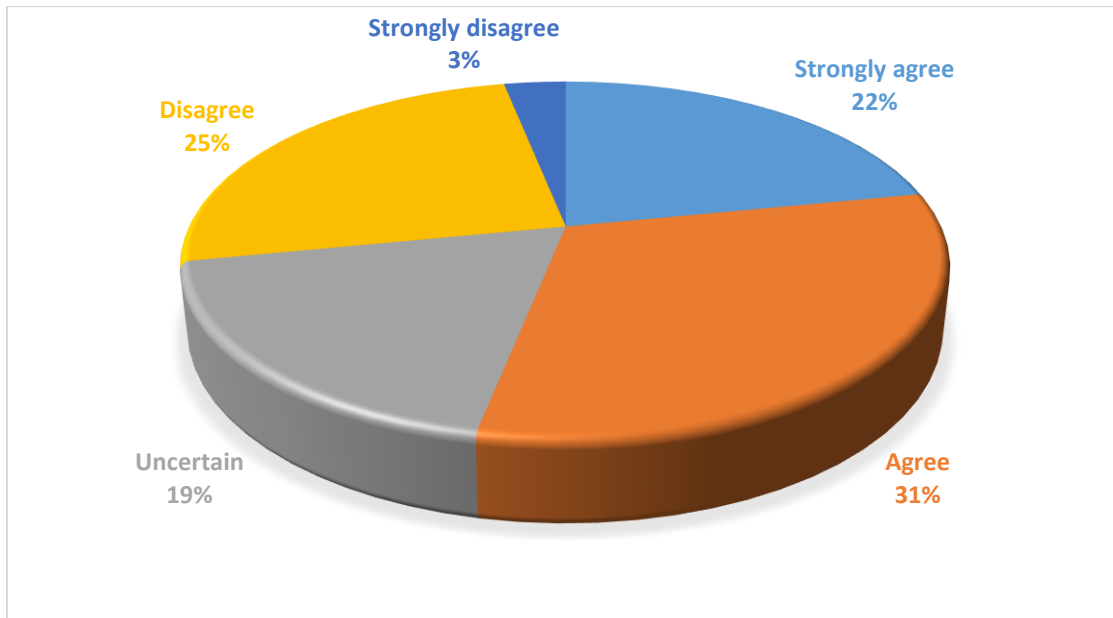
The information in figure 4.3 above shows the influence of interpretation of the tax legislation by the organization members on tax compliance. The information shows that 59% of the respondents agreed that the interpretation of the tax legislation by the organization members has a positive influence on the tax compliance level of the company. The results also show that 22% of the respondents disagreed that interpretation of the tax legislation by the organization members has a positive influence on tax compliance. However 19% of the respondents were uncertain. Some respondents in their interview responses actually indicated that, the interpretation of the tax

legislation could have been one of the major reasons why they were not able to submit their withholding tax returns on time. Ma (2015) explained the reasons for increase in the significant rate of tax compliance burden results from having a complex tax system that taxpayers are not able to operate and interpret.

Table 4.7 Influence of complexity of the tax system

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	7	10	6	8	1

Figure 4.4 Influence of complexity of the tax system on tax compliance



From Figure 4. 4 above, it is shown that 53% of the respondents agreed that complexity of the tax system has a positive influence on the tax compliance level of the company. It also shows that 28% of the respondents disagreed that complexity of the tax system has a positive influence on tax compliance. The other 19% of the respondents were uncertain. Lignier and Evans (2012) also

explained that the three main elements of the tax burden are, how the tax is being implemented on taxpayers, there are other costs associated with tax compliance, which have been brought about by taxes and lastly there are system operating costs, which can be referred to as costs of complying with tax laws. Therefore we can conclude that there is a positive relationship between complexity of the tax system and tax compliance since the tax system becomes less complex it results in a high level tax compliance rate.

Table 4.8 Influence of use of the self-assessment system

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	7	7	10	5	3

Figure 4.5 Influence of use of the self-assessment system

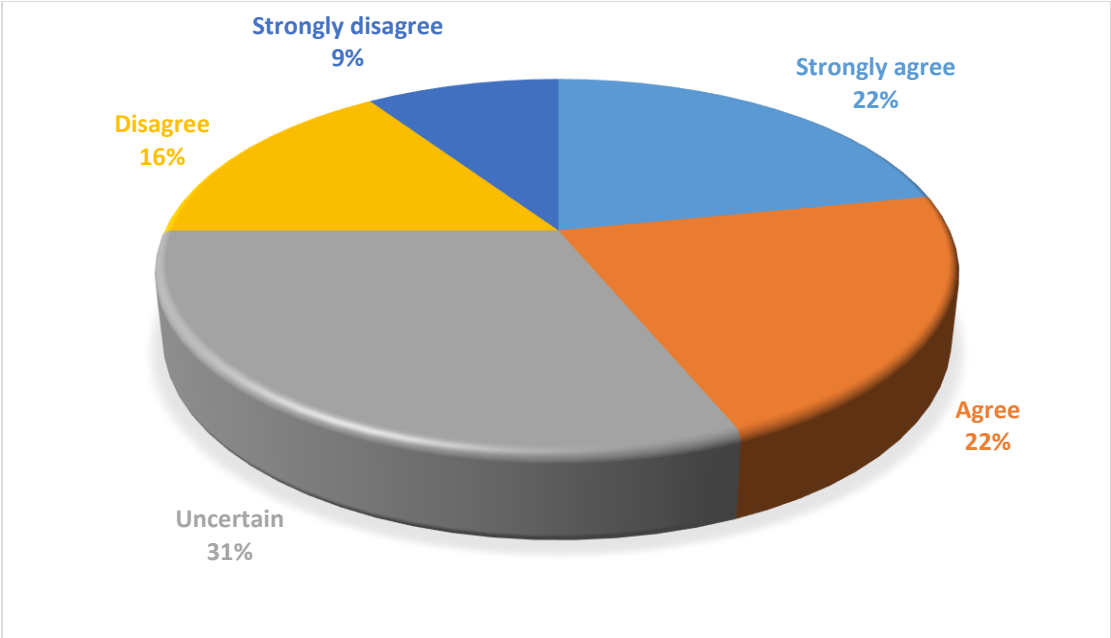


Figure 4.5 above shows that 62% of the respondents agree that the use of a self-assessment system has a positive influence on the compliance rate of the company. The 25% of the respondents

disagreed that the use of a self-assessment system has a positive influence on the tax compliance rate of the company. The other 19% of the respondents were uncertain. Sarker (2013), explained that the use of a self-assessment tax system could be a way that can be used to improve the compliance level of business operators. Therefore we can conclude that the relation between the use of a self-assessment system and tax compliance is positive.

4.3 Other determinants of tax compliance

Table 4.9 Relationship between tax audits and audit probabilities with tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	14	10	4	2	2

Figure 4.6 Relationship between tax audits and audit probabilities with tax compliance

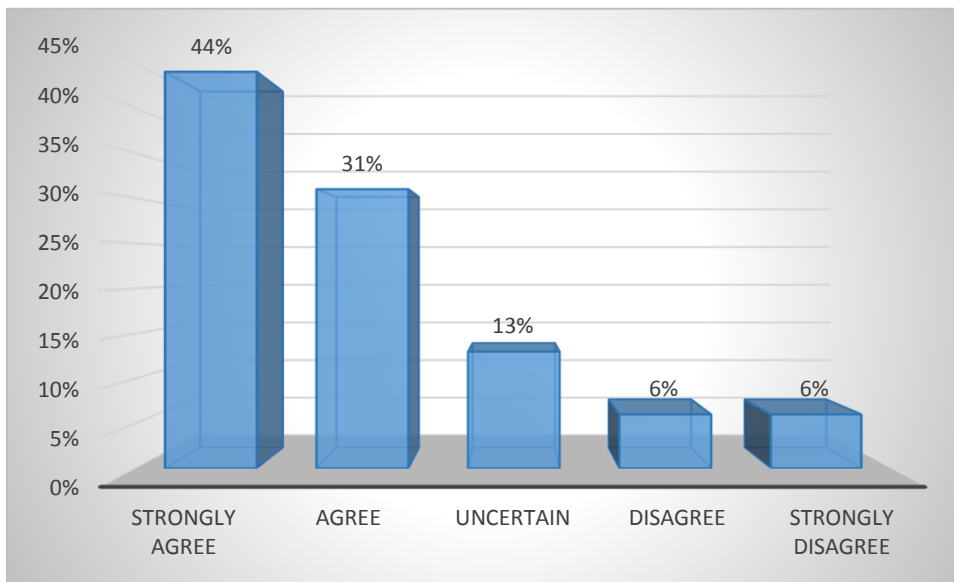


Figure 4.6 above shows the relationship between tax audit and probabilities with tax compliance. 75% of the respondents agreed that there is a positive relationship between tax audit and probability and tax compliance. The results show that 12% of the respondents disagreed and 13% were uncertain. Santi, A. N. (2012) explained that the major elements which have an effect on the

level of tax audit are the number of the taxpayers that are selected for the purposes of the audit and the depth of the audit. Therefore since the majority of the respondents agreed, it can be concluded that the more probability there is that a company will be audited, the higher the tax compliance level of the company. This is also supported by Mohd (2013) who explained that tax compliance level is also dependent on how intensive the audit is.

Table 4.10 Relationship between awareness of tax offenses and penalties with tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	12	9	8	1	2

Figure 4.7 Relationship between awareness of tax offenses and penalties with tax compliance

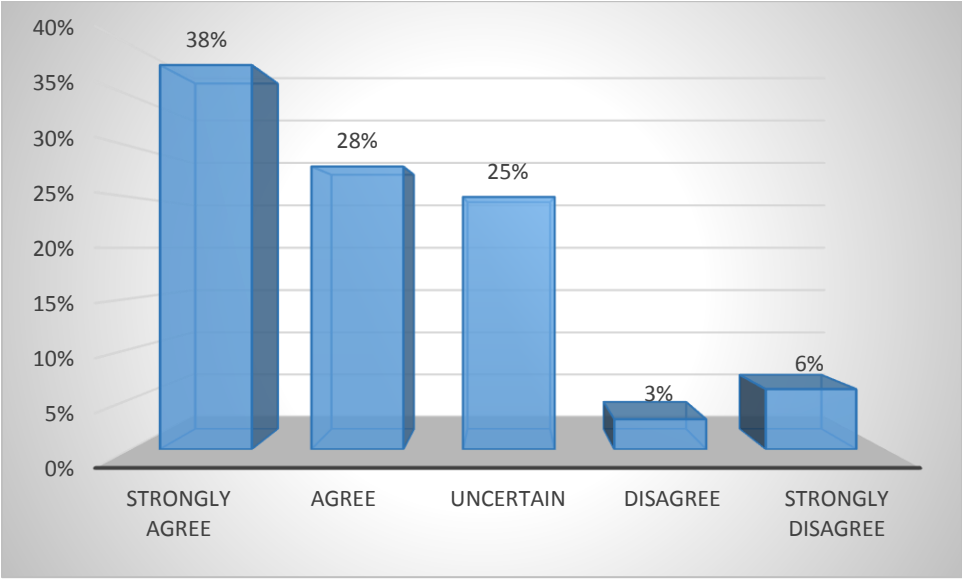


Figure 4.7 above shows the relationship between awareness of tax offenses and penalties with tax compliance. 66% of the respondents agreed that there is a positive relationship between awareness of tax offenses and penalties and tax compliance, 9% of the respondents disagreed while 25% of the respondents were uncertain. According to Allingham and Sandmo (2012) penalties and

probabilities have a significant influence on the level of tax compliance of companies. Therefore taking into consideration that the majority of the respondents agreed, the conclusion is that there is a positive association between awareness of tax offenses and penalties. This is also supported by Sandmo (2012) also mentioned that if the taxpayers are not educated about the consequences that comes with non-compliance, they are expected to be more non-compliant as they may not be aware of the consequences of their actions.

Table 4.11 Relationship between provisions of rewards to companies that have a high level of compliance with tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	12	8	5	4	3

Figure 4.8 Relationship between provisions of rewards to companies that have a high level of compliance with tax compliance

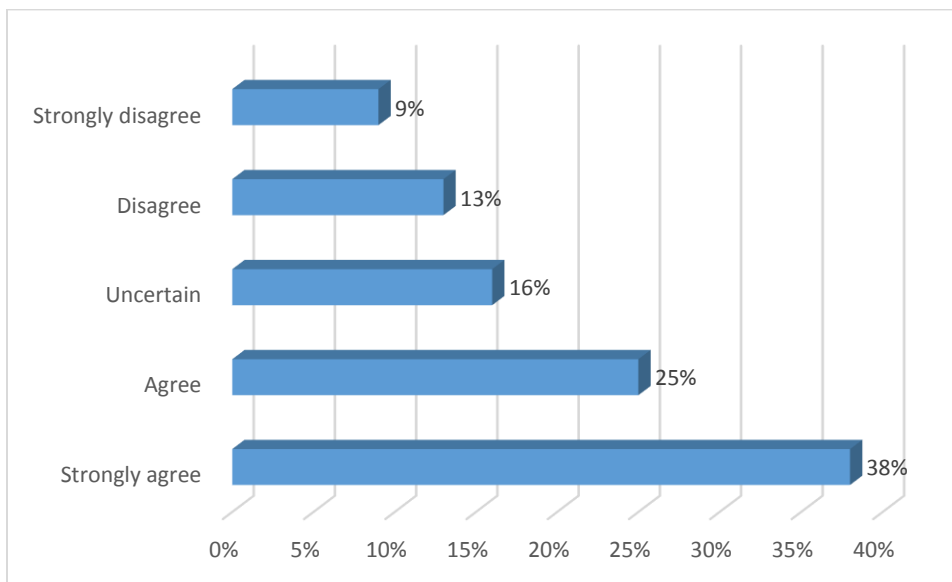


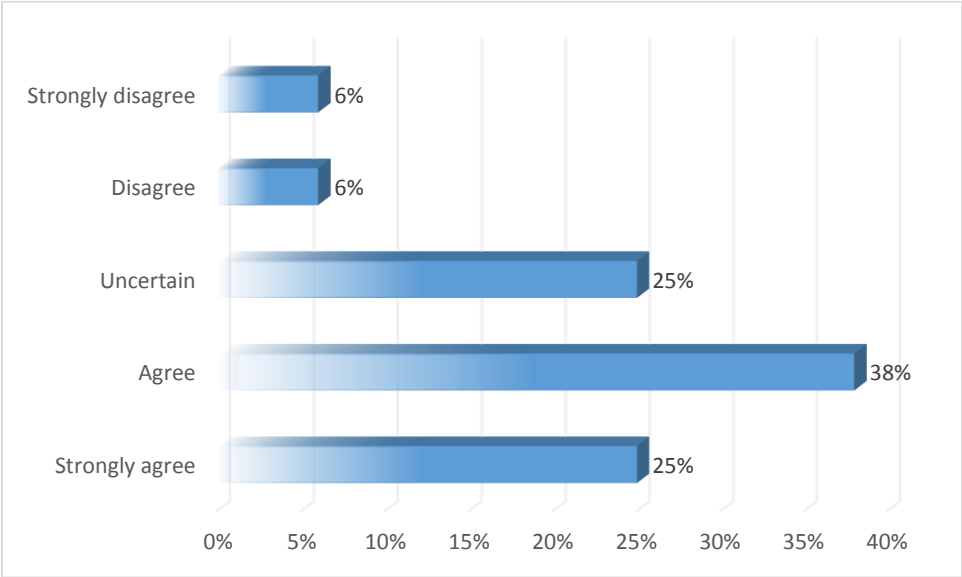
Figure 4.8 above shows that 63% of the respondents which is the highest proportion of the respondents supported the view that there is a positive relationship between provisions of rewards

to companies that have a high level of compliance, 16% were uncertain and 22% of the respondents were in disagreement. Ahmed et al (2012) asserted that rewards involves providing a relative advantage to other taxpayers and this would motivate other taxpayers to increase their level of compliance. The conclusion on that assertion according to this research is that there is a positive relationship between provisions of rewards to companies that have a high compliance rate and tax compliance since a larger proportion of the respondents were in support of that.

Table 4.12 Relationship between fairness of the tax system and tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	8	12	8	2	2

Figure 4.9 Relationship between fairness of the tax system and tax compliance



63% of the respondents indicated in figure 4.9 agreed that fairness of the tax system has a positive impact on tax compliance, 25% of the respondents were uncertain while the other 12% disagreed. This leads to a conclusion that if the taxpayers consider the tax system to be fair, they will be more

compliant than when they do not consider the system to be fair amongst the taxpayers. Mohd, Mohd and Wan (2013) explained that non-compliant behavior may be caused by tax payers who consider the tax system to be unfair and may not be willing to comply. This is in agreement to the researchers' conclusion.

Table 4.13 Relationship between probability of detection and tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	8	7	5	8	4

Figure 4.10 Relationship between probability of detection and tax compliance

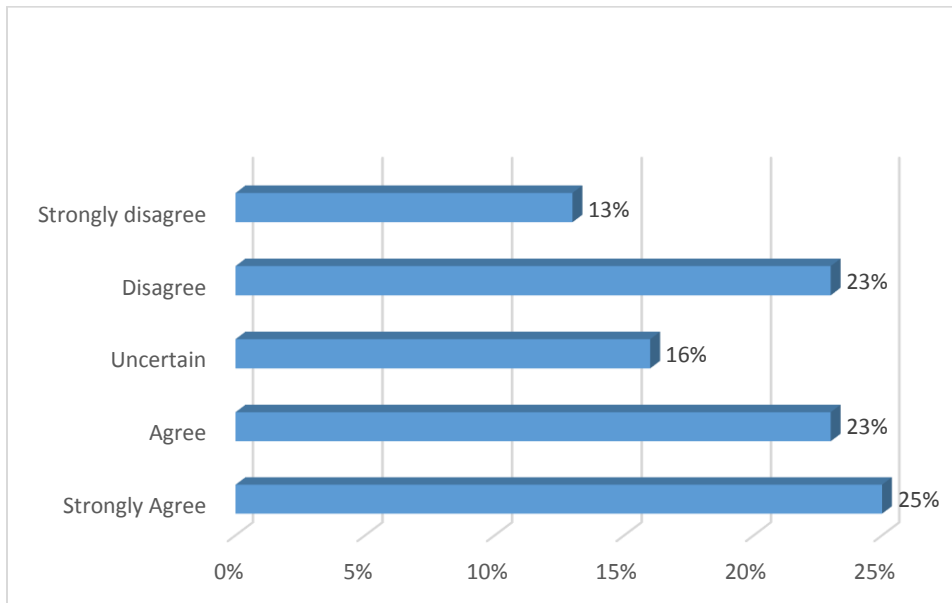


Figure 4.10 illustrates that among the respondents 48% have agreed that the probability of detection has a positive influence on tax compliance, 36% of the respondents agreed and the other 16% were uncertain. The fact that less than half of the respondents have agreed to that means that there is a detection probability does not have an influence on the tax compliance level of a company. Therefore any probability that the company's noncompliance will be detected will not

affect the compliance level of the company. Ahmed and Kedir (2015) concluded that if there are high chances that the companies will be audited or there is a significant chance that they may be detected, this would result in the companies having to be more compliant in order to avoid tax audits which may bring about more penalties. This contradicts with the results that the researcher obtained from the research. Therefore this leaves room for further research.

Table 4.14 Relationship between ethics and attitudes towards tax and tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	5	14	4	6	3

Figure 4.11 Relationship between ethics and attitudes towards tax and tax compliance

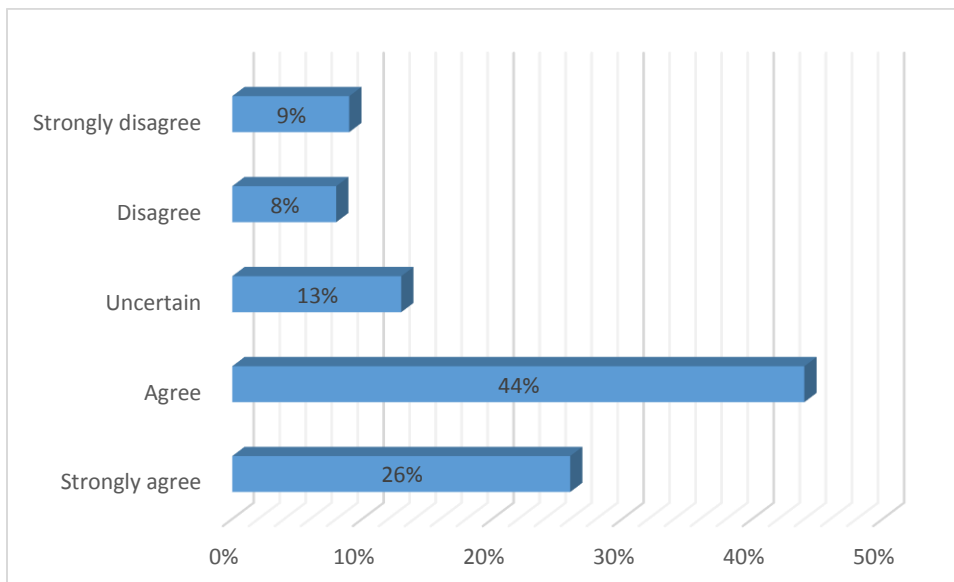


Figure 4.11 shows that 70% of the respondents have agreed that there is a positive relationship between ethics and attitudes towards tax and tax compliance, 13% were uncertain while the other 17% disagreed. This leads to the conclusion that there is a positive relationship between ethics and attitudes towards tax and tax compliance. This is in agreement with Oladipupo (2016) who

explained that there will always be some level of compliance that will be dependent on the social attitudes and behavioral aspects of taxpayers.

Table 4.15 Relationship between tax rate and tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	12	10	5	3	2

Figure 4.12 Relationship between tax rate and tax compliance

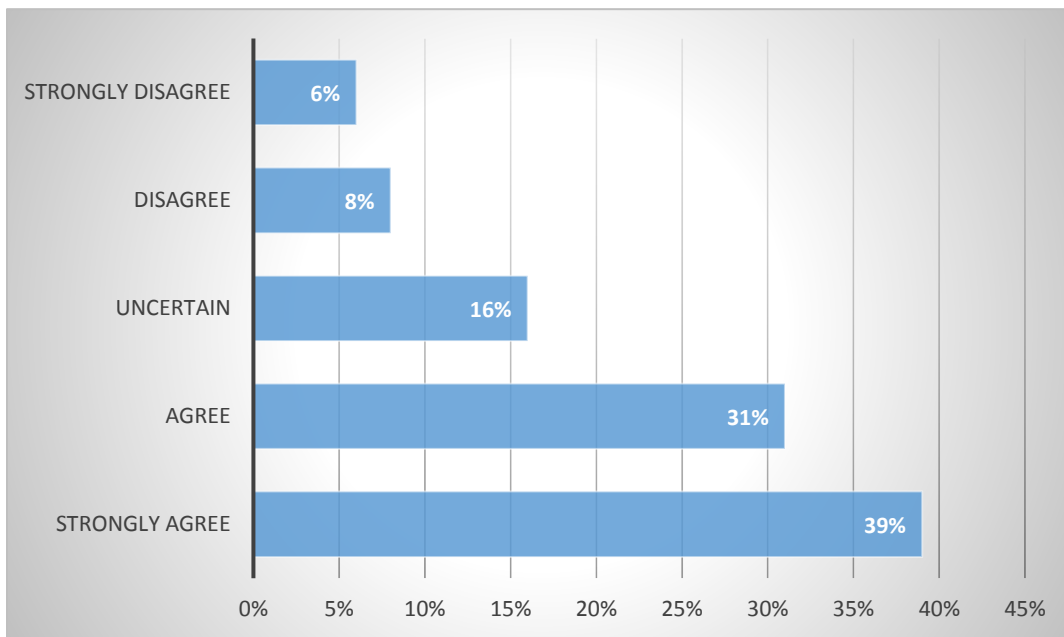


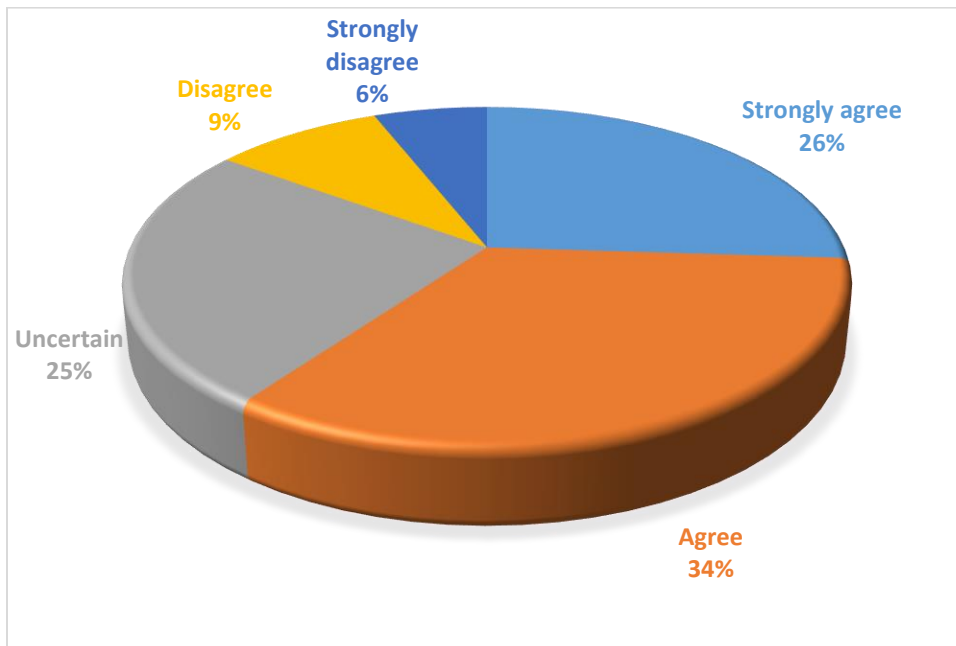
Figure 4.12 above shows that the 70% of the respondents have agreed that tax rate has a positive influence on tax compliance. The results also show that 16% were uncertain and 14% were in disagreement. This means that there is a positive relationship between tax knowledge and tax compliance and a significant increase in the tax rate will result in the companies becoming unwilling to comply. This agrees to Gambo et al (2014) who concluded that tax rate and compliance in Africa have a positive association.

4.4 Effect of tax seminars and workshops on tax compliance

Table 4.16 Impact of tax workshops organized by the company had a positive influence on tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	8	11	8	3	2

Figure 4.13 Impact of tax workshops organized by the company had a positive influence on tax compliance



The information in Figure 4.13 above show that 60% of the people in the organization agree that tax workshops organized by the company can have a positive influence on the level of tax compliance with the company. The results also show that 25% of the respondents were uncertain while 15% disagreed. Therefore from the information contained in figure 4.13 based on the results

we can conclude that there is positive relationship between tax knowledge from tax workshops organized by the company and tax compliance level of the company. This is supported by Amayi and Machogu (2013) who explained that the tax knowledge provided to those involved in preparation of tax returns will result in minimization of non-compliance and will also assist record keeping in business as well assist them in operating their business freely.

Table 4.17 Impact of tax seminars organized by ZIMRA has had a positive influence on tax compliance

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	10	9	7	2	4

Figure 4.14 Impact of tax seminars organized by ZIMRA has had a positive influence on tax compliance

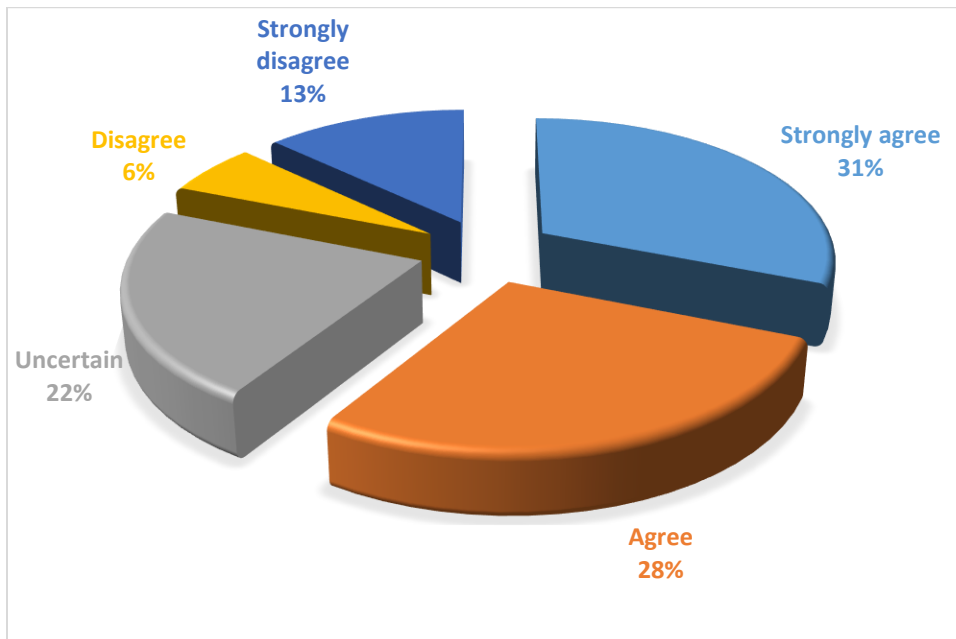


Figure 4.14 above shows that 59% of the respondents agree that the tax workshops organized by ZIMRA have a positive influence on tax compliance. The information also shows that 22% were

uncertain while the other 19% disagreed. Mustapha (2014) also said that provision of relevant knowledge to taxpayers would result in them meeting their tax obligations as and when due. Therefore from the information presented above the conclusion of it all is that there is a positive relationship between tax knowledge and tax compliance. Therefore there is need for ZIMRA to conduct more workshops in order to educate them about changes in tax legislation.

4.5 Effect of operating without a tax clearance on the business operations in bidding for tenders and other business opportunities

Table 4.18 Impact of operating without a tax clearance on the business operations in bidding for tenders and other business opportunities

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	3	3	5	7	14

Figure 4.15 Impact of operating without a tax clearance on the business operations in bidding for tenders and other business opportunities

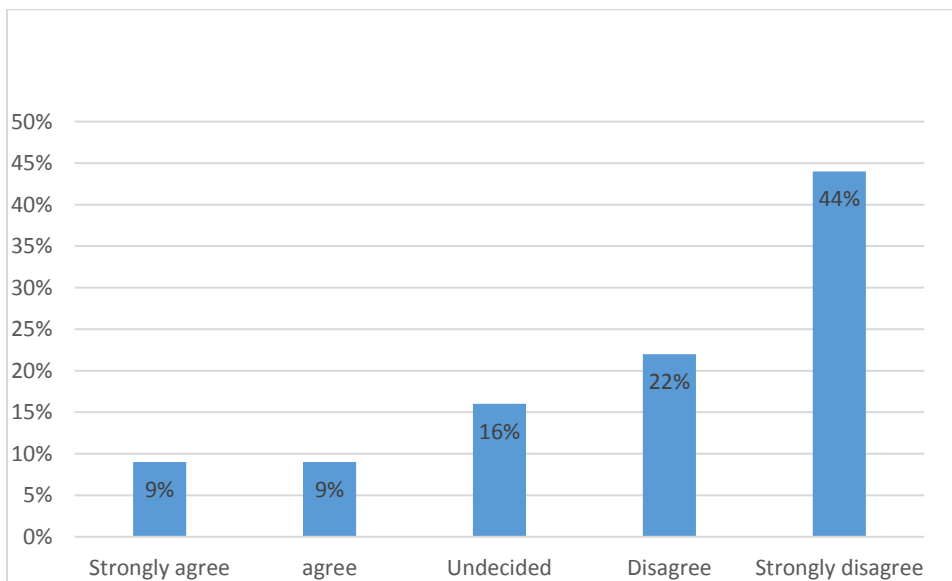


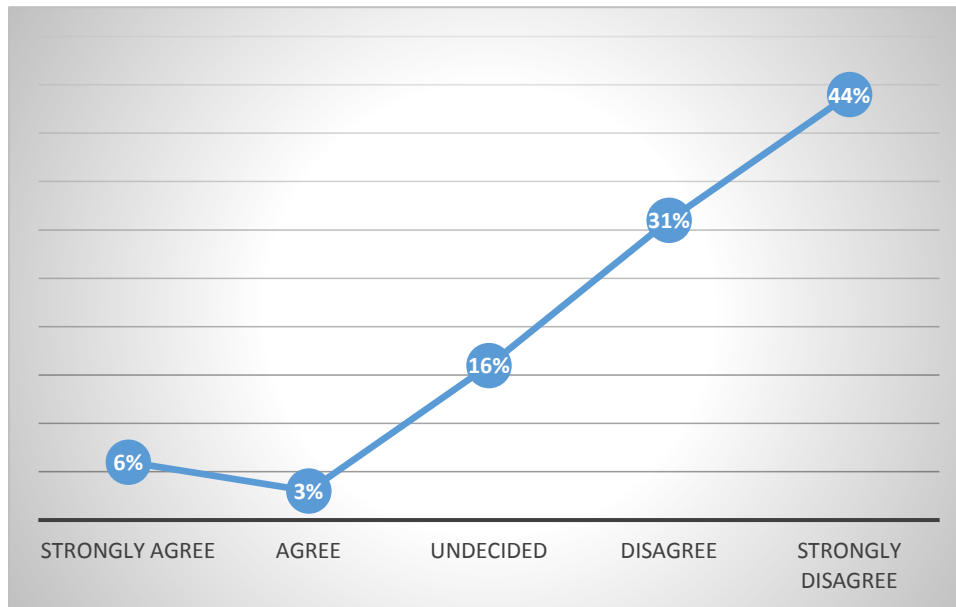
Figure 4.15 above illustrates that 66% being the majority of the respondents disagreed that the company has not been losing on the business operations in bidding for tenders and other business opportunities due to the unavailability of a tax clearance certificate, 18% agreed while the other 16% were uncertain. This means that the company was negatively affected by the unavailability of the tax clearance certificate and this resulted in the company operating adversely. This is supported by Tshuma (2017) who explained that tax clearance certificates play a very significant vital role in the economy of a nation as they are a requirement when business operators submit tender or bid for doing business with the government. This situation clearly puts in jeopardy business operators whose requests for tax clearance certificates are denied or revoked. This affects the competitive edge of a company when tendering or bidding for contracts.

4.6 Effectiveness of presumptive tax on imports on the company

Table 4.19 Effect of presumptive tax on imports on the company

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	1	2	5	14	10

Figure 4.16 Effectiveness of presumptive tax on imports on the company



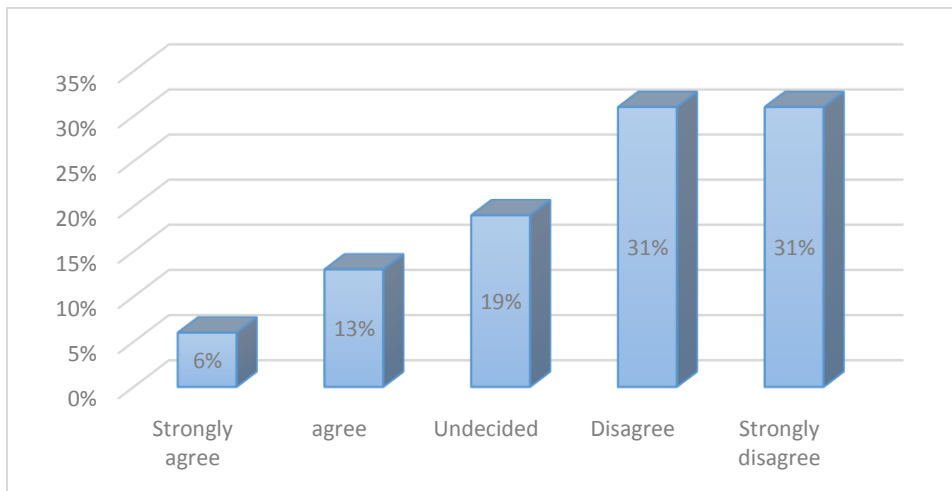
Majority of the respondents that is 75%, were in agreement that the company has been paying presumptive tax due to lack of a valid tax clearance certificate so this would result in a major increase in the cost of production of the company considering that most of the company's machinery spare parts and major raw materials are imported. The results also shows that 9% agreed while the other 16% were uncertain. This is supported by Mavengere (2015) who explained that, in Zimbabwe in the informal sector, importers that have not been formalized and are operating without a tax clearance certificate are now required to pay a presumptive tax fee of 10% at the time of clearing goods. He also explained that this results in business operators losing a large amount of money in a bid to clear their imports at the same time trying to settle outstanding tax liabilities. Business operators end up losing more money that should have been used to settle outstanding obligations to presumptive taxes. Therefore operating without a tax clearance has had a negative impact on the company.

4.7 Effect of any tax legislation and system on the compliance level of the company

Table 4.20 Effect of any tax legislation and system on the compliance level of the company

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	10	10	6	2	4

Figure 4.17 Effect of interpretation of any tax legislation and system on the compliance level of the company



The information in figure 4.17 above shows the influence of interpretation of the tax legislation by the organization members on tax compliance. 62% of the respondents agreed that the interpretation of the tax legislation by the organization members has a positive influence on the tax compliance level of the company, 19% were uncertain while the other 19% were in agreement. According to Ahmed and Kedir (2015), consistent tax laws which are stable in enactment and performance will result in the tax system being less complex and it will encourage tax compliance. Some respondents actually indicated that, the interpretation of the tax legislation could have been one of the major reasons why they were not able to submit their withholding tax returns on time. Therefore there is need for the policy makers to come up with tax laws and regulations that can be easily understood.

4.8 Interview response rate

All the four interviewees that were targeted by the researcher responded and the four interviews were carried out giving a response rate of 100%.

4.8.1 What are the factors that have been affecting and caused the company not to submit its withholding tax returns as required by the Income Tax Act?

Some of the interviewees noted that one of the factors that contributed to their not submitting the tax returns could have been the changes in the withholding tax return regulations. The company had been basing on the requirement that the WHT was supposed to be deducted from invoices with an amount of at least USD250.00. Therefore throughout the year some suppliers who did not have tax clearance certificates were now splitting invoices so as to avoid the deductions of the 10% tax. However at some point they eventually discovered that 10% is deducted from companies which do not have a tax clearance and have already transacted with the company for more than USD1,000.00.

4.8.2 What are the major reasons that have resulted in ZIMRA not being able to provide the company with a tax clearance certificate on time?

The interviewees explained that ZIMRA has not been able to give Zimtile (Ltd) a tax clearance certificate due to noncompliance especially in not furnishing return and in failure to meet the tax obligations. The company has not been able to adhere to its payment plan that has been agreed upon by the company and ZIMRA and this has resulted in gradual increase of the company's tax obligations. The company has also not been able to furnish the VAT, WHT and PAYE returns on time due to the changes introduced by ZIMRA from manual returns to online submission of returns. The interviewees highlighted that the online submission of returns is a complex process as it is sometimes affected by the network system which makes it difficult for the company to submit returns on time.

4.8.3 What are the strategies that have been adopted to enhance the level of tax compliance in the company?

The company has now put in place strategies to enhance the tax compliance level of the company. The management of the company in liaison with ZIMRA authorities have agreed to conduct a

number of workshops in order to continually educate the personnel of the company with the adequate tax knowledge.

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

The interviewees explained that operating without a tax clearance certificate has affected the operations of the company adversely since it has resulted in customers of the company deducting 10% withholding tax and this has been increasing losses of the company. The company has also lost some business opportunities as there other companies that have been willing to transact with companies that have a tax clearance certificate. The company has also been charged with the presumptive tax on imports and this has negatively affected the cash flows of the company.

4.8.5 What are other factors affecting the compliance rate of the company?

Due to the economic instability of the country, the company has not been able to meet the tax obligations on time due to the unavailability of the sufficient funds. The company has been making losses continually and the liquidity crunch has also affected the company. Since compliance is also measured in terms of being able to meet the tax obligation, this might have been reason enough that made the tax regulations to not issue the company with a valid tax clearance certificate.

4.9 Summary

The chapter covered the data and presentation analysis using data analysis tools such as charts, graphs and tables. The next chapter focuses mainly on the conclusion and recommendations of the research topic.

CHAPTER 5

SUMMARIES, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This research as done for the purposes of investigating the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd as a case study. This chapter contains summaries, conclusions and recommendations that the researcher came up with after carrying out the research. The conclusions are based on the analysis of research objectives that was conducted which resulted in recommendations that the researcher came up with based on the data collected and the findings made during the research. The recommendations are expected to assist the company in coming up with courses of action that may be adopted to enhance their tax compliance level.

5.1 Chapter summaries

5.1.1 Chapter 1

Chapter One covers the background of study on the investigation on the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd as a case study. The study was conducted due to the identified research problem that the company has not been managing to be issued with a tax clearance certificate on time by ZIMRA. The company has not been able to submit its withholding tax returns on time over the past three years. This research problem brought about the objectives of the study which were reviewed throughout the research. In addition to that the researcher also explained the research questions, limitations of study as well as the delimitations of the study. Zimtile (Pvt) Ltd has been having tax compliance problems since 2013 and this has been shown by not submitting tax returns and not being issued tax clearance certificates. The main research question was the effect of tax knowledge on tax compliance.

5.1.2 Chapter 2

Chapter Two focused mainly on the literature review of objectives that had been discussed in Chapter one. In discussing the objectives some of the authors were of the view that there is positive relationship between tax knowledge and tax compliance and they were of the opinion that policy makers and company authorities should bring about different information dissemination methods

in order to equip the employees with tax knowledge so as to enhance compliance. The suggested methods of information dissemination are public lectures, seminars and tax workshops that should be done frequently especially when there is a change in tax legislation. Other authors were of the view that tax knowledge has a negative influence on tax compliance and they recommended other factors to be considered in trying to improve the tax compliance levels. The most prominent authors in Chapter 2 were Ahmed and Kedir and Oladipupo who concurred that there is a positive association between tax knowledge and tax compliance.

5.1.3 Chapter 3

Chapter Three outlined the research methodology adopted by the researcher in data collection. It covers the methods of research that were adopted by the researcher in collecting data, the population and also the sample size including the justification for the selected sample size, validity and reliability of data and a summary of the data analysis and presentation plan. The selected sample was made up of six departments at the company that contribute on tax issues of the company. The chapter also gave an outline of the methods to be used in data presentation which are graphs, tables and pie charts and on interviews conclusion are to be made based on the information provided by the respondents.

5.1.4 Chapter 4

Chapter Four illustrated the analysis and presentation of data process. The raw data collected by making using data collection instruments such as questionnaires and interviews which were analyzed and presented as information by making use of tables, graphs and pie charts. Qualitative data was also analyzed through coming up with conclusions based on the information provided by the respondents. The information analyzed in chapter four provided the basis for the summary and conclusion and gave a guideline for the establishment of the recommendations.

5.2 Major Findings

The researcher made use of questionnaires and interviews in gathering data so as to investigate the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd as a case study. The research was conducted successfully and the researcher concluded that tax knowledge has a positive

influence on tax compliance and this calls for organizations and tax authorities to invest heavily in the provision of tax education to the public at large.

5.2.1 Relationship between tax knowledge and tax compliance

The results of the study concluded that there is a positive relationship between tax knowledge and tax compliance. This is supported by Mohd (2013) who emphasized the need for tax awareness programs as an essential aspect in the advancement of the knowledge of the public especially in areas that relate to tax legislation and the management of public finance including taxes. Mohani (2013) also explained that it is very crucial for tax authorities and policy makers to expose all the business operators to their expected roles in the development of the nation through tax compliance. He further explained that the exposure could be provided by government and tax authorities the provision of tax through tax awareness campaigns, tax workshops or working together with the Ministry of Education and try to come up with a curriculum that incorporates taxation as a module at secondary school.

However there are other factors besides tax knowledge that influence the tax compliance level of the company.

5.2.2 Other factors affecting tax compliance

The results of the study concluded that there are other determinants of tax compliance besides tax knowledge. These other factors affecting tax compliance other than tax knowledge are tax rate, fairness of the tax system, complexity of the tax system and awareness of tax offences and penalties. Mohani (2013), also supports this and as a result he came up with elements such as penalty, audit and tax rates and described that they have a great influence on the level of tax compliance Probability of detecting that the company is not complying will not be regarded as influencing the tax compliance level of the company positively according to the results of the researcher.

5.2.3 Effect of operating without a tax clearance certificate on the competitive edge of the company

Operating without a tax clearance certificate has affected the operations of the company adversely since it has resulted in customers of the company deducting 10% withholding tax and this has been

increasing losses of the company. The company has also lost some business opportunities as there are other companies that have been willing to transact with companies that have a tax clearance certificate. This is supported by Tshuma (2017) tax clearance certificates play a very important role in the economy of a nation as they are a requirement when business operators submit tender or bid for doing business with the government. The company has also been charged with the presumptive tax on imports and this has negatively affected the cash flows of the company.

5.2.4 Strategies that can be adopted to enhance tax compliance

There is need for continuous upgrading of the company's employee's tax knowledge through tax awareness programs. This is supported by Ahmed et al (2012) explained that provision of taxpayer knowledge and service can result in taxpayers being well informed with issues pertaining to the tax structure and they may require support as they endeavor to comply with the requirements of the tax system.

5.3 Conclusion

The main objective of the research was to investigate on the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd as a case study. The researcher gathered literature review on the subject, distributed questionnaires and conducted interviews on the subject. The objective of the study was successful since it managed to address the research objectives.

5.4 Recommendations

There is need for the company authorities to consider the following methods for the purposes of improving their personnel's level of knowledge:

- Provision of tax courses within the company.
- Tax course, tax awareness programs, workshops.
- Inclusion of taxation as part of the induction process in each department.
- Requirements of the company are that only the finance personnel have a background of tax knowledge yet other departments such as HR, IT, Warehouse and procurement are involved in preparation and submission of tax returns.

- Increasing taxpayers' awareness of tax matters and to enable efficient and effective communication in changes in tax laws.

This is supported by Mohammed et al (2013) disclosed that enlightening taxpayers and business operators and ensuring that they are well versed with the results that arises from non-compliant behaviour is a very important prevention measure

- However there is need for consideration of other determinants of tax compliance as explained by Jackson and Milliron (2013) from their research that they conducted and derived 14 aspects that have an impact on the degree of tax compliance,

5.5 Further area of study

The research was a success although it was limited to a case study of Zimtile (Pvt) Ltd only. There is need for other researchers to consider other companies in Zimbabwe and other determinants of tax compliance.

REFERENCE LIST

Books

Bryman, A. (2015) "Business Research Methods", Oxford University Press, New York.

Creswell, J.W. (2013). *Qualitative inquiry and research design: Choosing among five approaches*. Thousand Oaks, CA: Sage Publications.

Griffin.G. (2013) "Research Methods for Humanities", Edinburgh University Press, UK.

Journals

Ahmed, A. and Kedir, S. (2015) *Tax compliance and its determinants*, International Journal of Research In Social Sciences, 6(2), Ethiopia.

Ahmed, N., Chetty, R., Mobarak, M., Rahman, A., Singhal, M., (2012) *Improving tax compliance in developing economies*, International Growth Center, Harvard University.

Allingham, M.G., & Sandmo, A. (2012). *Income Tax Evasion: A Theoretical Analysis*. Journal of Public Economics, 1, pp. 323-338.

Alm, J., McClelland G. H. and W. D. Schulze (2012) *why do people pay taxes?* Journal of Public Economics, 48, 21-38.

Bajwa, U. (2015) *Accessing Income-Boosting Benefits Through Tax Filing*, Canada www.prospercanada.org [online] accesses 18 March 2017.

Baru, A. (2016) *The Impact of Tax Knowledge on Tax Compliance*, Journal of Advanced Research in Business and Management Studies, (2)1, pp 22-30.

Berhane, Z. (2011) "The Influence of Tax Education on Tax Compliance Attitude", Addis Ababa, Ethiopia.

Bhattacharjee, A. (2012) "Social Science Research. *Journal of Principles, Methods and Practice*, 45-79.

- Bird, R.M., (2014). *Taxation and development: What have we learned from fifty years of research?* Public finance and management. 13, (4) 266 – 288.
- Brown, R.E & Mazur, M.J (2013). *IRS's Comprehensive Approach to Compliance*. National Tax Association Spring Symposium in May 2003, Washington D.C.
- Collins, J.H., Milliron, V.C., and Toy, D.R. (2014), '*Determinants of tax compliance: A contingency approach*'. The Journal of American Taxation Association, 14(2), 1 -29.
- Ericksen, K. and Fallan, L. (2013) '*tax knowledge and attitude towards taxation*', Journal of economic psychology, 17(3) 387-402.
- Feld, L.P. and Frey, B.S. (2013) *Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation*. *Law and Policy*, 29, 102-120. Available at: <http://dx.doi.org/10.1111/j.1467-9930.2007.00248.x> Accessed on 14/03/17
- Hughes, S. (2014) Research and Education <http://socialtheoryapplied.com>, Routledge.
- Jackson. B.R., and Milliron, V.C. (2013), '*Tax compliance research: Findings, problems, and prospects*', Journal of Accounting Literature 5, 125-65.
- James, S. and Alley, C. 2014, '*Tax compliance cost: Taylor and Francis Journals*', University of Exeter Business School Streatham, United Kingdom, 9(3), 281 -289.
- Keshab, B. (2014) "Research Methods for Economists", Nottingham University, Madison Ave, UK.
- Khole, S. (2014) Zimra should come up with tangible solutions on how to increase revenue www.sundaymail.co.zw [online] accessed 29/03/17.
- Kubicová, J., Valková B., (2013) *Journal of Applied Economics and Business*, 4(4) pp 43-62 Department of Finance, University of Economics in Bratislava, Slovak Republic.
- Kumar, R. (2014) Research Methodology, 3rd Edition, Surge Publications, London: UK.

Lignier, P., Evans, C. (2012). *The rise and rise of tax compliance costs for the small business sector in Australia*. Australian Tax Forum, 27: 615-672.

Machogu, C.G. & Amayi, J.B. (2013) *The Effect Of Taxpayer Education On Voluntary Tax Compliance, Among SMEs in Mwanza City- Tanzania*. International Journal of Marketing, Financial Services & Management Research. 2(3).pp 12-23.

Ma, D. (2015) *Small Business Tax Compliance Burden: What can be done to Level the Playing Field?* Msc thesis, University of Canterbury.

Marziana B. H., (2010), *The relationship between perceptions and level of compliance under self-assessment system – a study in the east coast region*, Journal of global business and economics. 1(1).

Mas'ud, A., Aliyu, A. and Gambo, E. (2014). *Tax Rate and Tax Compliance in Africa*. Journal of Accounting Auditing & Finance Research, 2(3): 22-30.

Mavengere, K (2015) *An Analysis of Factors Affecting Tax Compliance among SME's In Zimbabwe. A Case of Bulawayo Smes* International Journal of Management Sciences and Business Research, 4(8) <http://www.ijmsbr.com> Ascot, Bulawayo.

Modugu K. P., Anyaduba, J. O. and Eragbhe, E. and (2014) “*Impact of Deterrent Tax Policies on Tax Compliance: The Nigerian Experience,*” International Journal of Business and Social Science 5(9).

Mohani, A. (2013), ‘*Personal income tax non-compliance in Malaysia*’. PhD thesis, Victoria University: Melbourne, Australia.

Mohd, R. (2013), ‘*Tax knowledge and tax compliance determinants in self-assessment system*’, a thesis submitted to the University of Birmingham for the degree of Doctor of Philosophy, available at <http://www.acta.uob.edu.au/asfc.html> , accessed in March 2011.

Mohd, H. B., Mohd N., A. and Wan (2013), ‘The effects of knowledge on tax compliance behaviour’, *International Journal of Business and Social Science* 2(7) Faculty of business and economics, university Utara Malaysia.

Muchinguri, W. *Failure to meet targets reflection of economy* August 8, 2015 [online] <http://www.herald.co.zw/failure-to-meet-targets-reflection-of-economy> accessed 31/01/17.

Mukhlis, I. (2013) *Tax Compliance For Businessmen Of Micro, Small And Medium Enterprises Sector In The Regional Economy*, International Journal of Economics, Commerce and Management United Kingdom 6(9), State University of Malang, East Java Province, Indonesia, Maranatha Christian University, West Java Province, Indonesia.

Mukhlis, I., Utomo, S. H. and Soesetyo, Y. (2013) *Increasing Tax Compliance Through Strengthening Capacity of Education Sector for Export Oriented SMEs Handicraft Field in East Java Indonesia*, European Scientific Journal, 10(7), pp 170-184.

Murphy, K. (2014) *Enforcing Tax Compliance: To Punish or Persuade. Economic analysis & Policy*, Deakin University.

Murphy, M. (2014) Method, Research Students: Drawbacks of a case study research.

Oladipupo, A. (2016) *Tax Knowledge, Penalties and Tax Compliance in Small and Medium Scale Enterprises in Nigeria*, [online]. Benin City, Nigeria, available at <http://www.scirp.org/journal/ibhttp://dx.doi.org/10.4236/ib.2016.8100>(accessed)

Palil, R. M. and Mustapha A. M. (2014) Factors affecting tax compliance behavior in self-assessment system. School of Accounting, Faculty of Economics and Business, University Kebangsaan Malaysia, 43600 Bangi, Selangor, Malaysia.

Reza, G. A., Hadi K. and Hamid A. R. (2012) “An Investigation into the Determinant of Effective Factors on Tax Evasion” (Empirical Study of Iran).

Richardson, M. and A. J. Sawyer (2011), *A Taxonomy of the Tax Compliance literature: Further Findings, Problems and Prospects*, Australian Tax Forum 16(137), 137-320.

Richardson, G. (2012), *The Relationship Between Culture and Tax Evasion Across Countries: Additional Evidence and Extensions*, Journal of International Accounting, Auditing and Taxation.

- Roth, J.A, Scholz, J.T., and Witte, A.D. (2013), 'Taxpayer Compliance: An Agenda for Research'. Philadelphia: University of Pennsylvania Press.
- Saad, N. (2014) *Tax Knowledge, Tax Complexity and Tax Compliance: Taxpayers' View*, Procedia - Social and Behavioral Sciences 10(9) pp 1069-1075.
- Sandmo, A. (2012) *the theory of tax evasion: A retrospective view*: National Tax Journal, 58, 643-633.
- Santi, A. N. (2012) "Analysis of Effect of Taxation Awareness, Rational Attitudes, environment, Penalties Sanctions, and The Tax Authorities Attitudes on Taxpayer Compliance." University of Diponegoro. Semarang.
- Sarker, T. K., (2013) "Improving Tax Compliance in Developing Countries via Self-Assessment Systems What Could Bangladesh Learn from Japan", Asia-Pacific Tax Bulletin 9(6).
- Saunders, M. (2013) "Research Methods for Business Students", Oxford, London.
- Singh, P. (2013) *Behavioral intention of tax noncompliance among sole proprietors*, Journal of Asian academy of management, 2(6), pp 47–56, School of Business, Monash University Malaysia, available at www.ijbssnet.com/journals accessed on 01 March, 2017.
- Singh.Y. (2016) "Fundamentals of Research Methodology and Statistics". S: I, New Delhi.
- Steward, E. (2012) "Research Gathering Techniques", Lancashire, UK.
- Tshuma, E. (2017) Tax, SMEs, Tax Compliancy Zimbabwe, Newspaper article.
- Yin, R. (2013) "Case Study Research: Design and Methods", Thousand Oaks, Sage publications.

Other documents

- Government of Zimbabwe: *Income Tax Act [Chapter 23:06]*, Harare, Government Printers.
- Zimbabwe Revenue Authority (ZIMRA) (2017). *Withholding Tax*. Available online at <http://www.zimra.co.zw>, accessed 31/01/17.



Midlands State University
Established 2000

Our Hands, Our Minds, Our Destiny

APPENDIX A

Midlands State University
P Bag 9055
Gweru

19 April 2017

The HR Manager
Zimtile (Pvt) Limited
Cnr Gleneagles and J. Martin Rd
Lochnivar
Harare, Zimbabwe

Dear Sir/Madam

RE: REQUEST FOR PERMISSION TO COLLECT RESEARCH DATA FROM YOUR ORGANIZATION.

My name is Melody Sigauke. I am a fourth year student at Midlands State University undertaking a Bachelor of Commerce Accounting (Honours) Degree. In partial fulfillment of the program I am conducting a research study on **“An investigation on the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd as a case study.”**

I am kindly asking for permission to distribute my questionnaires to the finance, sales, and human resources department of Zimtile (Pvt) Ltd. Please be assured that any data gathered from your organization will be used solely for the purposes of this study. I would also want to assure your organization that any confidentiality will not be compromised in any way.

Thank you for your co-operation in advance.

Yours faithfully
Melody Sigauke (R133870M)

APPENDIX B

RESEARCH PROJECT QUESTIONNAIRE

Research topic: An investigation on the influence of tax knowledge on tax compliance.

Instructions

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

SECTION A: Preliminary research questions

1. In which department do you work?

Finance	Human Resources	Sales and Marketing	Procurement	Warehouse	Management

Other (specify).....

2. Please indicate your gender

Female	Male

3. Which position do you hold?

Management Post	Supervisory Post

Other (specify).....

4. For how long have you been in the department?

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

5. Please indicate your highest level of qualification

Ordinary Level	Advanced Level	Certificate	Diploma	Bachelors' Degree	Masters' degree

Other (specify).....

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

Below 20	Between 21 and 30	Between 31 and 40	Between 41 and 50	Above 50

Other (specify).....

SECTION B

7. To what extent do you agree that the following had a positive impact on tax compliance

	Information dissemination methods	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
(i)	Tax workshops organised by the company					
(ii)	Tax seminars organised by ZIMRA					
(iii)	Interpretation of the tax legislation					
(iv)	Complexity of the tax system					
(v)	Use of the self-assessment system					

8. To what extent do you agree that the following factors can have a positive influence on the tax compliance level of the company

	Determinants of tax compliance	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
(i)	Tax audits and audit probabilities					
(ii)	Awareness of tax offences and penalties					
(iii)	Provision of rewards to companies that have a high level of compliance					
(iv)	Fairness of the tax system					
(v)	Probability of detection					
(vi)	Ethics and attitudes towards tax					
(vii)	Tax rate					

9. To what extent do you agree that the following methods have influenced the level of tax compliance of the company positively

	Methods	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
(i)	Tax workshops organised by the company					
(ii)	Tax seminars organised by ZIMRA					

10. The company has not lost any tenders or some business opportunities due to unavailability of a tax clearance certificate

Strongly disagree	Disagree	Undecided	Agree	Strongly agree

11. The payment of presumptive tax on imports has not affected the competitive edge of the company through increasing the cost of production of the company

Strongly disagree	Disagree	Undecided	Agree	Strongly agree

12. Any interpretation of the tax legislation and the tax system in Zimbabwe has not posed any challenges that have resulted in the company failing to comply

Strongly disagree	Disagree	Undecided	Agree	Strongly agree

13. You can add other specific or general information with regards to the subjects above that you feel has been insufficiently addressed or needs further clarification.

.....

.....

.....

.....

.....

.....

Thank You



Midlands State University

Established 2000

Our Hands, Our Minds, Our Destiny

APPENDIX C

RESEARCH PROJECT INTERVIEW GUIDE

Questions

- 1) What are the contributing factors that have been causing the company to not submit its withholding tax returns as required by the Income Tax Act?
- 2) What are the major reasons that have resulted in ZIMRA not being able to provide you with a tax clearance certificate on time?
- 3) What are the strategies that have been adopted to enhance the level of tax compliance in the company?
- 4) What have been the effects of operating without a tax clearance to the company?