

FACULTY OF COMMERCE

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The impact of the strategies meant to curb tax evasion: case study of ZIMRA

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CHAPTER 1

Introduction

The present chapter is an introduction to the study, taking the reader through a background of the study, justification of the study, the statement of the problem, research objectives, research questions, aims of the study, delimitations and limitations of the study and a brief summary of the whole chapter.

Background of the Study

The Zimbabwean government has been plagued by an unstable macroeconomic environment for more than a decade now and is currently lacking in balance of payment support from multilateral and bilateral financial institutions and donors (Ndlela 2015). This is due to a huge international debt which has left the country failing to finance its national expenditure since the International Monetary Fund has cut off its funding (Financial Gazette 2015). This condition has been witnessed by the poor state the infrastructure is in, severe load shedding and deferred civil servant salaries which in 2013 constituted 70% of government's total revenue collections (Muronzi 2014) signalling a gross incompetence in service delivery.

The government in partnership with ZIMRA has devised measures to maximise revenue collection, of noteworthy mentioning is the adoption of Value Added Tax in 2004 to escape tax evasion associated with sales tax, Toll Gate systems in 2009 and reintroduction of duty on imported farm implements in 2011 following observed incursion of agricultural equipment which posed an eminent threat on the local market (Keen and Mansour 2010). Underneath the

series of tax reforms was the need to reduce tax evasion and at the same time improve tax compliance and protect local industries from cheap imports (IMF 2011).

ZIMRA has over the years implemented various strategies that include use of non intrusive scanners in 2013, fiscalised electronic devices and electronic filing systems in 2010, online and post importation auditing, highway vehicle patrols and simplified regime for cross border traders in 2009, client awareness campaigns like Operation Integrity in 2005 and the introduction of a 24 hour service at Beitbridge border post (ZIMRA 2015). Despite their execution, optimal revenue collection is still structurally and operationally challenged by grey areas in the income tax framework, lack of transparency in revenue collection and remittance process and corruption within establishments elected as receivers of revenue (Zhou and Madhikeni 2013).

Since its establishment ZIMRA has maintained its record of surpassing its revenue targets with Value Added Tax, Customs Duty and Individual Income Tax among its high performing tax heads. (National Budget Statement 2011, 2012). However this performance record may not be reflective of the entire truth behind the issue as cases of tax evasion have been on the rise considering that ZIMRA has over the years been labelled with allegations of revenue leakages through dodgy loopholes like smuggling of goods through undesignated entry points, bribery, under declarations, under manning of border posts, under invoicing and lack of appropriate technology like detection machines at its border posts (Zhou 2012).

According to Zhou et al (2013), Zimbabwe which is struggling to rebuild its economy has lost more than a third of \$225.11 million through tax evasion by the corporate sector. There has been a reduction in collection of revenue as a result of tax evasion (Zhou et al 2013). The table below shows statistics of revenue collected from 2011-2014.

Table 1:1 Statistics of revenue performance by ZIMRA

Year	Expected Revenue	Total Revenue Collected	Variance Analysis %
2011	2 450 450 000	2 734 293 000	+11.6
2012	3 054 900 000	3 185 340 000	+4.27
2013	3 644 400 000	3 432 570 000	-5.80
2014	3 824 748 000	3 557 646 000	-6.98

Source: Extract from ZIMRA evaluation report as at 31 December 2014

As shown by the table above, ZIMRA has been able to meet its yearly targets from 2011-2012, However the trend shows a decline in revenue collection over the period as noted by the negative variances from 2013-2014. Nyakuwa 2011 argues that, even though ZIMRA appears to have effectively extended its revenue collection to all sectors however the performance figures have not marginally responded as expected due to loopholes in the income base. AFRODAD (2011) argues that the extent of tax evasion in Zimbabwe is still yet to be measured, estimating that ZIMRA could be collecting 80% of the revenue it should be collecting.

It is against this background that the research has been conducted to analyse the reforms implemented to curb tax evasion and their effect on revenue performance from 2011.

Statement of the Problem

With diminishing domestic revenue reserves in most third world countries, the need to strengthen state revenue collection systems has been particularly of utmost importance. However, devising efficient means of collecting tax revenue remains an overwhelming challenge in countries like Zimbabwe. Hence ZIMRA has gone through a series of reforms in its policies to broaden the tax

base and improve its revenue performance. Though it's meeting its targets, maximum revenue collection is still compromised by loopholes in the revenue cycle.

Main Research Problem

Are the policies implemented by government effective in curbing tax evasion?

Sub Research Questions

- What are the strategies which are being implemented by the government to curb tax evasion?
- What are the barriers to effective tax administration?
- What factors account for high tax evasion in the country?
- What strategies have been implemented by other countries to curb tax evasion?
- How can tax evasion in the economy be reduced?

Objectives of the Study

- To identify the strategies which are being implemented by government to curb tax evasion?
- To identify the barriers to effective tax administration.
- To identify factors that cause high tax evasion in the country.
- To identify strategies that have been implemented by other countries to curb tax evasion.
- To provide recommendations in reducing tax evasion in the country.

1.6 Justification of the Study

To the student

The researcher is in partial fulfilment of the requirements of the Bachelor of Commerce Accountancy Honours' Degree at Midlands State University. It will allow the researcher to have

a deeper understanding and both theoretical and practical knowledge in the area of research and encourage a practical application of theoretical concepts on the area under study.

Midlands State University

The study will provide an additional reservoir of knowledge to the Midlands State University body of knowledge which will be used by other researchers in future. The study will also benefit the student who will gain invaluable knowledge and insights into the study of the Zimbabwean taxation environment while at the same time fulfilling the requirements of the Bachelor of Commerce Honours degree in Accounting.

To Other Researchers

The literature will offer a reference of study material and provide a gap for other researchers who might want to investigate the area further. The present study will contribute to the existing body of knowledge concerning tax reform strategies and other tax related matters.

1.7 Limitations of the Study

Confidentiality of information

Information pertaining to organisational operations and processes was confidential and it was not easy to get access to critical information especially information that compromised the integrity of those involved. To counter for this constraint, the researcher sought for statistics from official bodies and financial publications.

Reliability of Respondents

Difficulties were expected in obtaining information from respondents since some of the information was considered confidential. However, reliance was placed on company reports,

financial publications and responses from strategic official state bodies to bridge the gap and reduce bias.

Limited experience of the researcher

The researcher has limited experience in the area of study and to counter for this had to engage on an extensive study of the material available on all aspects of taxation to gain a solid background.

1.8 Delimitations of the Study

The research covered the period from 2011 to 2014 and focused on tax consultants and ZIMRA investigation and custom officials in Harare to eliminate bias towards one side. The research was based on the strategies implemented by ZIMRA to curb tax evasion.

1.9 Summary

The persistence in economic challenges has seen the government crafting sophisticated, deep cutting policies meant to curb the growth of tax evasion. However the main question that has to be asked is: are these government policies effective in curbing tax evasion? This chapter covered the background of the study, statement of the problem, main research question, sub research questions aiding information gathering, research objectives, significance of the study, limitations, delimitations, definition of terms and the next chapter covers the literature review.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

Tax evasion is a serious loss of public funds and is a major concern across nations since it limits the development of fiscal competence (Besley and Persson, 2014), distorts the allocation of resources in the economy, and can result in a dependence on economically inefficient tax instruments (Gordon and Li, 2009). It is for this reason that the study of tax evasion is of paramount importance to economic development and this chapter looks at the literature review on tax evasion and an in-depth analysis of the link between the objectives outlined in chapter one with the literature available on tax evasion.

2.1 STRATEGIES WHICH ARE BEING IMPLEMENTED BY ZIMRA

ZIMRA like any other entity faces a number of challenges that include corruption, smuggling and tax evasion, among others, which in essence are crimes against humanity as they take essential resources away from where they are required (Chinamasa, 2014). One of the greatest problems facing the Zimbabwe tax system is tax evasion. Successful tax reforms are linked to a profound analysis of the nature and cause of tax evasion and other loopholes in the tax framework (Hove, 2012). These strategies include automation of systems in 2010, sniffer dogs in 2012, incentives and awards, highway and border patrols, online audits in 2009, increased penalties on offenders, awareness campaigns in 2005, cargo monitoring, high way patrols in 2009, decentralization, body searches, rewarding of whistle-blowers, baggage and non intrusive scanners in 2013, among others (Zhou, 2013).

2.1.1 Systems Upgrade

ZIMRA introduced the Automated Systems for Customs Data World (ASYCUDA World) as a means of improving efficiency in the processing of customs and an upgrade from ASYCUDA++.

The system was introduced in 2010 and has been praised for being more efficient and highly developed for customs data processing via the internet and intranet (The Herald, 2012).

According to ZIMRA (2011) the ASYCUDA system was intended at reducing corruption within customs by minimizing the chances of interface between employees and clients and has allowed the Authority to go paperless, reducing the need for cumbersome paperwork during commercial transactions (Chirisa, 2012).

Moyo (2012) argues that going paperless means no paper trail is left and the ASYCUDA world system can only be used in conjunction with other software which has created loopholes in the system by which customs officials outwit the system as it cannot detect fake details, if they were used in the previous system. This is in line with the findings of Mills (2012) who argues that it may take a week to clear a motor vehicle. The Zimbabwean government has a serious shortage of electricity, therefore as the system works with the internet, during load shedding customs officials and touts can take advantage of the situation to engage in corruption (Chirisa, 2012).

2.1.2 Baggage and non intrusive scanners

The introduction of scanners by ZIMRA at border posts also strengthened the identification of smuggled goods and dangerous substances. Scanners were first introduced in 2003 with improved prototypes being introduced over the years (ZIMRA, 2013).

Ndoro 2011 argues that for scanners to be effective they must be handled by employees with integrity who are able to monitor and follow up on any suspicious activities for them to yield

results at Zimbabwe's borders. However cases of malfunction have been rampant across the borders with officials resorting to body searches which have been criticized by the Chicago convention of 1944 for violation of human rights. This results in delays and increases the chances of corruption among ZIMRA officials.

2.1.3 Use of sniffer dogs to detect smuggled goods

Since 2012 sniffer dogs have assisted in the detection of illegal substances that cannot be detected by scanners and were being smuggled into and out of the country like drugs. According to ZIMRA (2013), sniffer dogs were introduced to avoid body searches that attracted local and international disapproval because of the invasion of privacy and its contravention of the Chicago Convention. The dogs can be found anywhere where a human can be found and is capable of operating under any conditions fair to humans and normally cannot be broken (Baker, 2011). They are easy to transport and the dog-handler team functions in an instantaneous mode and hence faster than some sniffers that rely on sample collection followed by preconcentration and analysis steps (ZIMRA 2013). The team offers more constructive information than a sniffer alone and is usually better able to pinpoint the location of an explosive as opposed to merely alerting to its general presence.

Being a team means it's double the cost of the person and the dog and being a living creature, dogs cannot be worked as intensely as machinery. Dogs are also vulnerable to distraction by loud noises, bright-lights, new environment, exhaustion, and fascinating whiffs left behind by dogs of the opposite sex (Chirisa 2012). According to Moyo (2012), canines have a limited concentration period and effectively sustaining a dog operation, especially the one handler-one dog mode preferred by many law enforcement organizations, are very expensive.

2.1.4 Border and highway patrols

Border patrols have played a vital role in catching criminals and evaders along the border. The presence of uniformed forces increases the feeling of security whilst reducing the risks of corruption and collusion (ZIMRA, 2012). Such goods are impounded and sold at auctions. According to the ZIMRA Newsletter (2011) border and highway patrols have been a fairly successful strategy, with reports of intercepting smuggled goods being reported.

However the success of every strategy depends on the integrity of the staff involved and if these officers are corrupt, they become the loopholes for revenue leakages by aiding evaders (Nyakuwa 2011) as most goods that go through the border under declared or under invoiced with the collusion of customs officers go undiscovered during highway patrols by ZIMRA customs officers and police (Chirisa, 2012).

2.1.5 Incentives and rewards

ZIMRA has had incentive schemes which allow clients of the ZIMRA customs unit to voluntarily pay their levies in order to gain some tax incentives such as rebates (ZIMRA, 2013). Incentives have created some form of compliance among ZIMRA customs clients who feel acknowledged in their dealings with the organization. Incentives are also given to the ZIMRA employees. For instance, the ZIMRA Motor Vehicle Acquisition Policy was introduced in 2012 as a way of giving incentives to employees in a way that would minimize corruption (The Standard, 2012). Employees were allowed to buy cars on favorable terms so as to obviate the need to get more money through corrupt dealings.

However Nyakuwa (2011) argues that despite these incentives, tax compliance is still low especially amongst the informal sector and cases of evasion are on the rise. Dalu 2012 states that taxpayers opt to pay nothing than to be given an incentive and still offer something in return.

2.1.6 Awareness campaigns

Lack of knowledge can be a huge deterrent to efficient tax administration, even though ignorance of the law cannot be used as an excuse (AFRODAD, 2011). According to Zhou et al 2013, tax reforms without awareness campaigns to the community are predestined to fail due to the ignorance of the public. ZIMRA has carried out awareness campaigns evidenced by pamphlets distributed at border posts and its decentralized institutions, the broadcasting of messages in various radio and television programmes, and billboards mounted in major streets and at the border (ZIMRA, 2013). When inappropriate behavior is clearly spelt out, punishing those who are perpetrators of corruption becomes easier and when customs officials understand the principle of good leadership, which includes provisions on misuse of state property, accepting gifts disclosure, assets and liabilities (Eric & Melnikov, 2011) it becomes easier to combat corruption.

However according to Dalu (2012), moral decay is now embedded in our society and the mentality in tax payers includes finding every possible loophole to minimize tax payable and hence successful implementation depends on the attitude and morals of the tax payers and customs officials.

2.1.7 Penalties

Penalties are considered to be a way of not only punishing offenders but also acting as a deterrent measure to potential offenders (Besley 2010). Some corrupt officials within ZIMRA have been summarily suspended due to their corrupt behavior (Herald, 2014). In 2010 the Minister of Finance suggested the imposition of stiffer penalties for economic crimes such as corruption and smuggling (ZIMRA, 2012). However, there is no clear evidence that this has

worked to eradicate corruption and in some instances, investigations reached a dead end due to a number of inefficiencies in the judicial system (Maalouf, 2013).

2.1.8 Whistle blowers and witnesses protection

Witness protection and use of whistle-blowers is a constructive strategy to give citizens an upper hand in the fight against corruption (Klevin, 2012). To endorse whistle-blowers to come forward with information, ZIMRA introduced an incentive system whereby providing specific information leading to the recovery of revenue is rewarded with 10% of the value of the recovered goods (ZIMRA, 2013). However, there are still some difficulties as the protection of whistle-blowers is still weak and needs intensification. Whistle blowers are thought to play an important role in facilitating tax enforcement (Matamande, 2012), however you might be labelled as the sell-out and may face retaliation hence people prefer to stay quiet than report unfair practices (Schwarzkopf 2013).

2.1.9 Effective investigation and criminal justice

A swift criminal justice response is essential in any successful fight against corruption. The SADC has a standing commendation that anti-evasion strategies in member states must be underpinned by dedicated anti-corruption units with exceptional investigating tools, competence and an effective criminal justice system (Zvekic, 2012). However delays in prosecution and inability to deal with implicated people leads to criminals escaping justice, making a mockery out of whatever initiatives have been implemented curb corruption and tax evasion (NORAD, 2009).

2.2 BARRIERS TO EFFICIENT TAX ADMINISTRATION

A weak tax base constrains the state's choice of economic strategies, forcing it to consider higher and more distorted taxes, increased borrowing, or reduced provision of public goods (Dalu, 2013). The public perception that others are not paying their share may increase disrespect for the law and diminish trust between individuals and the costs of administering the tax system will rise, even as policy-makers find that their ability to measure and hence steward the economy has been significantly weakened (Nyamwanza 2013). In short, effective tax collection is fundamental to a well-functioning state. (Hallsworth, 2014)

2.2.1 Lack of adequate resources

A major constraint in tax administration is the lack of adequate resources to sustain and facilitate the operation of tax authorities (Easson, 2009). ZIMRA is undergoing major investment in computerized systems to enhance its risk management function. This investment in equipment such as scanners is aimed at increasing detection and deterrence of criminal activities like fraud and smuggling at all ports of entry. Strides have so far been made in embracing ICT as part of the Authority's efforts to modernise Tax and Customs operations (Adams 2013) and now has a fully functional in-house training centre whose goal is to pass on skills to its officers. Despite these developments, ZIMRA has not put enough effort to develop strategies for collecting revenue from the informal sector (Maseko, 2014). All these developments seem to be targeted at the formal sector ZIMRA seems to turn a blind eye on the sector (Zhou et al 2013).

2.2.2 Financial constraints

Financial constraints have rendered many tax officials incapable of comprehending the tax laws they are administering, and the accounting concepts that are essential to analyzing returns (Nyakuwa 2011). Everest-Phillips (2010) argues that lack of up to date technology, to facilitate the taxation process is another obstacle to effective tax administration. Until recently, Uganda,

like most developing countries, had to rely on manually entering taxpayer data into accounting records, and keeping a huge amount of tax information in print (von Soest 2010). Zhou (2012) argues that even with the advent of modern technology, the lack of resources to purchase equipment means that a number of tax offices still use highly ineffective manual systems of recording tax information.

2.2.3 Tax Administration and Data

The lack of efficient tax administration is a common feature in most developing countries, with administrations facing major problem that include a large proportion of the economy at a subsistence level; many taxpayers do not keep records, and even where records are kept, they are not necessarily reliable (Christensen, 2012). The Global Financial Integrity (2010) argues that taxpayer cooperation is also low because of chronic shortages of trained officials, habits of corruption, and lack of visible improvements in administration services. As a result, countries establish tax systems that utilize and exploit every tax options they have at their disposal rather than build up modern and efficient tax systems that create wide tax bases from which to draw revenue.

2.2.4 Political and Social Factors

According to Everest-Phillips (2010) these factors produce further difficulties in coming up with tax policies for developing countries. Lack of political will to support tax reforms in developing countries has oftentimes led to unsuccessful reforms. According to Dalu (2012), lessons learnt from successful reform programmes suggest that the key factor is strong political support, shown by a dedication from the state. With most third world countries being prone to military dictatorships, corruption, civil wars, underdevelopment, profound poverty, disease, and food

crisis (Daley 2010), all these factors have certainly led to low tax revenue collections in developing countries (Baker, 2011).

2.2.5 Delays in customs clearance, bribery and corruption

Delays in clearance have been the biggest challenge facing border posts, being exacerbated by the fact that passing through the police department to have vehicles cleared inwards before reporting to Customs is mandatory (Chirisa, 2012). Mills (2012) says that on average, producers can expect their vehicles to spend up to a week at the border if they don't pay anything. Zhangazha (2009) also indicates that it may take 12 hours to have a passport stamped at the border post.

Everest-Phillips (2010) points out that while tax laws impose obligations on taxpayers to contribute to state revenues, the actual amount of revenues channelled into the hands of any government depends on the effectiveness of its revenue administration. Not only do developing governments face challenges in incorporating individuals and small businesses into the taxation process, but governments face insufficient administrative staff with a minimum skill set, high levels of illiteracy and ignorance among taxpayers and tax collectors, lack of up to date computer hardware and facilities, and lack of reliable statistical data (Amos 2013).

2.3 REASONS FOR TAX EVASION

Tax evasion is motivated by different reasons and for one to come up with methods for curbing tax evasion it becomes important to understand the different reasons for such tendencies (Young, 2010).

2.3.1 Low tax morale

Taxpayers' attitudes towards tax compliance are diverse across the world (Drury, 2010) and are not only depended on the tax burden. Studies conducted have shown that taxpayers all over the globe pay more taxes than can be explained by even the highest feasible levels of auditing, fines and risk aversion (ZIMRA, 2013). Risk averse people are inclined to pay more taxes in an effort to steer clear of detection risk and castigation (Alm and Vazquez 2009). These high levels of tax compliance result from the tax morale of society that fosters self-enforcement of tax compliance (Wright 2013). Tax morale is, however, not easy to establish especially in countries without a set culture and habit of paying taxes (Torgler et al., 2011).

2.3.2 Tax knowledge in SMEs

Even though tax consultants believe that some of their SME clients have good personal tax knowledge they still sought external tax services because they either did not have time to prepare returns or their knowledge is not up to date. Maseko (2014) argues that the majority of the informal sector was reported to have complications in appreciating income tax and the technicalities of VAT. This is due to the fact that income tax and VAT computations involve comparing two or more groups of items, the determination of which are governed by tax law, hence, interpretation of tax law concerning these issues is considered to be a major challenge faced by most taxpayers (Maseko, 2014). A study by Palil (2010) has revealed that tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply.

2.3.3 SME tax compliance and taxpayer perceptions

SME operators' discernment on government spending has an influence on their compliance decisions and this demonstrates rising levels of tax awareness in Zimbabwe (Maseko 2014).

According to Dalu (2012) taxpayers are more willing to pay tax when the government is spending more on public goods and services that bring more direct benefits to them than those perceived to benefit others. A previous study conducted by Stern and Barbour in 2005 reported that SME taxpayers would not pay tax when they perceive that the benefits of compliance are outweighed by the costs (Kirchler et al, 2010). This corroborates the findings of Lumumba et al (2010) who revealed that SMEs did not pay taxes since they felt that they were not paying a 'fair' share of tax. Similarly, large companies can often more easily take advantage of tax loopholes, thereby contributing to the perceived unfairness of the system (Pomeranz, 2013).

2.3.4 High levels of corruption

Citizens are more likely to evade taxes if they perceive that high levels of corruption are prevalent within a country, in this regard citizens cannot be certain whether their paid taxes are used to finance public goods and services or diverted for private use (Duff, 2012). A tax-payer might consider evading taxes if the cost of bribing a tax auditor is lower than the potential benefit from tax evasion. According to Nyamwanza et al (2013), SMEs have assumed a number of schemes to avoid compliance and with payment of bribes to authorities being on the top of the list, showing high levels of corruption among the officials

2.3.5 High compliance costs

According to Kleven et al., 2010, a noteworthy factor to tax evasion and non compliance could be high compliance costs. Maseko (2014) argues that SMEs also cite cash flow problems, which have the effect of increasing tax resistance as discovered by Alabede et al (2011) that taxpayer financial conditions play a part on tax compliance behaviour. Poor record keeping by Zimbabwean SMEs was found to be the main reason why they face compliance challenges

(Maseko 2014). Limited book keeping skills increase their administrative costs as they have to seek external assistance, hence, this situation led businesses to worry more about the administrative burden than about the actual tax burden (Baker, 2011).

2.3.6 Insufficiencies in tax collection

Regarding tax collection, many developing countries face difficulties with respect to important premises for a well functioning tax administration, especially with respect to identifying and administering those citizens and firms that are liable to tax payments (Nyakuwa 2011). Problems of insufficient capacity may also occur due to the organizational set up of the tax administration and its relationship to the ministry of finance (AFRODAD, 2011). (Fjeldstad and Moore, 2009) argues that unclear responsibilities regarding the collection and administration of specific types of taxes by different institutions can lead to inefficiencies and tax losses and require a reorganization of the tax administration (Jansky, 2013). According to the World Bank (2009), shortfalls in tax collection procedures as well as weak capacities of tax administrations to detect and prosecute tax violators are both factors that contribute to a low enforcement of tax legislation.

2.3.7 Presence of the Informal Sector

Insufficiencies in tax collection result from the fact that economies of most third world countries are dominated by a large informal sector (NORAD, 2009). Often, the reasons to be active in the informal economy are not directly related to attempts to avoid taxation but rather to limited options or excessive administrative requirements to enter the formal economy or excessive costs of labour regulations (Brown, 2011). However, there are also cases where individuals and companies choose to be active in the informal sector with the intention to escape their tax liabilities (Daley 2010). Dalu et al 2013 argued that most informal traders were not registered

and were not aware of their tax obligations, however the actions taken by SMEs are indicative of awareness of tax obligations, as discovered by Laroche (2014).

Maseko (2014) argues that compliance to tax regulations is mandatory and hence for most SMEs, because of the various limitations they face, tax compliance is sometimes related with heavy costs that burden operations of SMEs not only in Zimbabwe but also in other countries (Engelschalk, 2009).

2.4 TAX REFORMS IMPLEMENTED BY OTHER COUNTRIES

Tax regimes have become increasingly regressive in their impacts on poor people with indirect taxes being substituted for more progressive income, wealth and property taxes (Christensen 2012). The end result in many countries have included low tax returns involving extreme reliance on foreign aid, negligible investment in public services such as health and education, general open disappointment with the revenue authorities and the government itself.

The four case studies of Ghana, Tanzania, Uganda and Zambia provide a wide range of experience gained in relation to revolutionising the tax administration system in sub-Saharan Africa. These four countries have all adopted almost similar measures including the establishment of semi-autonomous revenue authorities, even though with different results like Zimbabwe. They all belong to the same group of alliances like the SADC and COMESA hence some of the policies implemented are a result of these strategic alliances.

2.4.1 Ghana

The Ghanaian government instigated the National Revenue Secretariat (NRS) in a bid to restructure the tax administration system (Devas 2011). The authority overtook revenue collection duties of the Ministry of Finance; it was sanctioned with ministerial responsibilities

and participated in policy formulation together with the Ministry of Finance. The Internal Revenue Service (IRS) and the Customs, Excise and Preventive Service (CEPS) which existed before the inception of the NRS were brought under the direct supervision of the new revenue authority (Miller 2012).

In 1998 the Revenue Agencies Governing Board (RAGB) was established to replace the NRS and to increase the independence of revenue agencies, which became three: the IRS, the CEPS, and the VAT Service (VATS), created in 1998 (Osei 2010). The RAGB oversaw the three organizations, which operated separately from each other. One significant motive for this division can be seen in the chronology of establishing the semi-autonomous entities: the IRS and the CEPS had already been underway before the NRS holding structure was established. These authorities have opposed an amalgamation and have remain somewhat strong citing that constitutional technicalities are the barrier creating one integrated, separate revenue agency (Terkper 2010).

2.4.1.1 Reforms against corruption

Corruption has been characterized a major concern in the Customs departments over the years, and in an endeavor to curb this, efforts have been made to automate the CEPS (Chipeta, 2012). The United Nations advocated for the introduction of the ASYCUDA system to Ghana with the help of UNDP which funded the preliminary purchase of hardware and educating the staff on how to operate the system (Tettey 2012). In a measure to reduce prevalent tax evasion, a special tax police was established to verify that all individuals had paid their taxes and this presented some form of equity in the tax system and as a result received countrywide acceptance. Tax

audits and tax payer information collection, by the IRS and the VATS, have since become more effective and accurate (Gray 2011).

2.4.1.2 Integrity of Personnel

Measures were put in place to root out incompetent and corrupt officials (Hill 2014) whereby capacity tests and job interviews were performed to enlist capable staff with integrity. An incentive scheme was initiated by the NRS to instill a sense of value among its employees (Quartey2009) which included annual bonus schemes for exceeding revenue targets; nevertheless, these were not maintained. Despite staff awareness, computerization and stringent conformity assessment, the honor of the revenue systems emerges subject to soaring levels of corruption (Zhou 2012). Chand and Moene (2014) advocate the resurgence of corruption to the failure of the NRS to maintain its independence with regards to the Ministry of Finance and political interference.

2.4.1.3 Information processing and revenue collection

With the establishment of three independent revenue authorities, it follows that the consolidation and exchange of information is found seriously lacking on most if not all occasions (Christensen 2012). To counter this effect, a Large Taxpayer Unit (LTU) was established in 2004, which collects all types of taxes from the 350 largest taxpayers of the country and this endeavor appears to be more effective than the rest of Ghana's tax administration (Atuguba 2009).

The three revenue authorities have repeatedly missed revenue targets, with the CEPS trailing behind (Chand et al 2014). The Ministry of Finance's revenue forecasting skills are far outdated and it lags behind in the implementation of legislative changes considering that its Budget Division focuses mainly on disbursement matters (Christensen, 2012). The Ghana has

extensively reformed the tax structure, chiefly among the policies being the liberalization of the customs regime, a modification in the tax mix advocating for indirect taxes on local production and expenditure, and a consequent decrease of direct tax rates, together with a decrease in tax exemptions (Christensen, 2012).

2.4.1.4 Amending the Income Tax Act

An Income Revenue Act was approved in 2001 encompassing new measures for taxing the informal sector which makes up nearly 80 % of economic activity (GTZ 2009). The tax administration appointed the respective union (Ghana Private Road Transport Union) to collect tax revenue from informal passenger transportation operators and by offering the union 2, 5 % of the share of their total revenue collections, motivation was induced to maximize revenue collection (Joshi 2012).

2.4.1.5 Lessons Learnt from Ghana

- Efficient tax administration is depended on the level of autonomy granted on the roles of the revenue authority and the Ministry of Finance.
- All stakeholders must participate and be knowledgeable in the tax administration for the successful implementation of tax reforms.

2.4.2 Tanzania

The unregistered informal sector is said to consist of at least 60–70 % of the country's economic activity (Fischer 2014). This fact and the existence of serious deficiencies in the tax administration itself have resulted in low domestic revenue collections. Researchers have come to the agreement that inefficiency and chronic corruption were responsible for low tax collections in Tanzania (Feldjstad, 2013).

This resulted in the establishment of the semi-autonomous Tanzania Revenue Authority (TRA) with the main intention of strengthening central national tax collections by decreasing levels of corruption, improving the merit orientation of personnel, and establishing a more consistent and sound organizational structure (Feldjstad 2013). The TRA has been held up by an all-inclusive restructuring scheme, the Tax Administration Project (TAP) and has been mainly run by the World Bank (Miller, 2012).

2.4.2.1 Information processing and collection

The auditing functions of the tax administration have gone through a complete overhaul by the TRA and linking the Tax Investigation Department with all the different revenue departments has enforced tax laws through timely investigation of tax cases with considerable amounts of income at risk (Feldjstad 2013). A Large Taxpayer Department was established in 2001, to exclusively deal with Tanzania's 100 largest taxpayers (BMZ 2013) and this restructuring has been of crucial importance as this group of taxpayers accounts for the bulk of tax revenue.

With respect to customs, an international reshipment company was put under contract to assess the value of imports to Tanzania and integrity problems in this area were so severe that outsourcing this crucial function was deemed necessary by the government (Rakner 2013). However weaknesses were noted by the IMF advocating for the recruitment of additional auditors so as to strengthen the post-clearance verification and audit unit of the Customs Department (IMF 2009).

2.4.2.2 Automation of systems

Tanzania was lagging behind the other countries in rolling out the Automated System for Customs Data (ASYCUDA++) software to all major customs stations (IMF 2009) due to the

numerous systems that could not be linked together. This diversity produced three different systems of taxpayer identification numbers which are unrelated to each other (BMZ 2013) and this has been intrinsically damaging to a consistent auditing process.

2.4.2.3 Integrity of personnel

During the formation of the TRA, all former employees were dismissed and had to re-apply for the new TRA, but, more than a third were rejected because of prior misconduct and almost 1,200 earlier staff members, of whom 500 were former customs officers, were not re-employed (Feldjstad 2013). Personnel had to declare their private assets and business interests altogether and an internal Investigation and Monitoring Unit was initiated (Feldjstad et al. 2013). In contrast to practices in other revenue authorities, local, non-expatriate managers, paid by the foreign community, were employed to turn Tanzania's tax administration around (Christensen 2012).

The largest obstacle to merit orientation of the TRA's personnel has been the reappearance of corruption within the organization (Feldjstad 2013) and it has been impossible to hedge the tax administration system from this corrupt environment. Revenue performance of the TRA has remained on the down low with the country hardly ever getting nearer to fiscal self-sufficiency and political support for the new, semi independent authority has proven to be inadequate with the political will to decrease the prevalent exemptions presented by tax policies has been lacking. The revenue authority has not been successful in curbing corruption within its institute.

2.4.2.4 Main lessons to be learned from tax administration reform in Tanzania

- Tax management restructuring can increase revenue performance only if tax exemptions are decreased to a reasonable number.

- Political support for tax administration reform needs to be strengthened and institutionalized (Kefela 2009).

2.4.3 Uganda

The Uganda Revenue Authority (URA) was established with the vision to minimize political interference within the tax administration and to improve tax collections and was the first tax restructuring programme in Africa to combine the Departments of Taxes and Customs under one roof (Therkildsen 2014).

2.4.3.1 Information collection and processing

Tax audits are a common feature within the URA and a special unit, the Anti-Smuggling Protection Unit, was established to enhance measures to ease smuggling and tax evasion (Ayoki et al. 2015). The data capturing by the URA has been criticized as officers are associated with cases of taxpayer harassment and audits of large taxpayers and anti-smuggling measures have not been intensified to minimize tax evasion (Gray et al. 2011).

2.4.3.2 Integrity of Personnel

At inception of the URA, all personnel of the former state-integrated tax administration were absorbed into the new entity and employed on a probation basis (Therkildsen 2014) and more than 85 % of the employees were permanently employed despite the fact that corruption was deeply entrenched in Uganda's state-integrated tax administration (Feldjstad 2013).

The donor communities advocated for the employment of expatriates in high level positions of the URA as foreigners were thought to be less incorporated into local society and less vulnerable to political interference (von Soest 2012), thereby, improving professionalism and integrity. Despite these measures foreigners have not been able to avoid political interference this being

further exacerbated by the fact that career promotion of employees is based on seniority or ethnic affiliations rather than on merit (Therkildsen 2014).

Corruption has seriously affected the integrity of URA personnel and the revenue authority has constantly come short of revenue targets set by the Ministry of Finance, hence, relations between the two organizations are not on good terms due to the authority's reputation which has gradually worsened and the introduction of VAT in 1996 caused widespread resentment. On apposite note, tax measures in Uganda have considerably simplified the tax structure and lowered tax rate, however, according to Feldjstad (2013), the tax system in Uganda remains too complicated for effective implementation by the URA and leaves room for arbitrary application by tax officials.

2.4.4 Zambia

The Zambia Revenue Authority (ZRA), a semi-autonomous authority, was established in 1994 as a donor requirement by IMF to strengthen Zambia's tax administration (Hill 2014). The revenue authority has significantly increased the number of tax audits and has personally monitored large companies, which are the most main source of revenue (Keen and Mansour, 2010).

2.4.4.1 Information collection and processing

Lack of coordination has further increased the frequency of audits carried out by the different tax divisions and these clumsy inspection measures features among the most common business complaints with respect to the revenue authority (von Soest 2012). A Central Investigations Unit was set up to deal with serious cases of tax evasion and support the investigative units of the ZRA's tax divisions.

2.4.4.2 Automation of systems

All systems were upgraded to the ASYCUDA in 2000, which standardized the customs clearance process, (Hill 2014), with the software system being later upgraded to its current version ASYCUDA++ (Desai, 2011). Through training programmes for employees, the endeavor to develop taxpayer data collection and processing has largely been a success and through constant training, the scheme has built up technical proficiency within the ZRA to use the information technology installed (Miller, 2012).

2.4.4.3 Integrity of personnel

Every staff members had to reapply in order to be employed by the new institution (Mintz, 2012) after its establishment and were only hired on the basis of interviews and aptitude tests conducted. A minimum qualification policy was initiated and every employee had to hold a diploma or a higher degree from university including professional qualifications, from those in middle positions (Miller, 2012).

Expatriates were hired in top level positions as it was believed that expatriate leadership would be less responsive to local corruption syndicates and to political influence (Kasanga 2009; Chapman 2011), however local managers were slowly groomed for leadership positions. Management may without explanation decline to offer a new contract (von Soest 2012).

One of the revenue's major accomplishments has been the maintenance of independence in recruitment from political influence due to employment of a strong expatriate management team, which found acceptance both within the revenue authority and in the Zambian government (von Soest 2012). Compared to other revenue authorities, the ZRA's main executive standard has

been its managerial autonomy (Zhou 2012) and the executive Commissioner General alone is responsible for the collection of revenue which must meet revenue targets set out in annual negotiations with its principal, the Ministry of Finance (Baker 2011).

The Executive Support Unit has enabled ZRA to analyze tax policies and forecast the revenue impact of policy changes and has also been a major player in formulating Zambia's tax policy and making revenue predictions (von Soest, 2012). Functions between the Ministry of Finance and ZRA have not been clearly defined and these have created tensions which have been furthered by the high salaries and technical equipment of the ZRA, thereby creating some resentment within the Ministry of Finance.

2.5 MEASURES IMPROVING TAX COMPLIANCE

High levels of tax evasion represent a serious challenge for many developing nations that are seeking to grow and expand their public services and with trade liberalization a part of many reforms in developing nations, domestic revenues need to increase in order to replace the revenues lost from decreased tariffs (Asher 2009). Low tax compliance contributes to a large extent to inadequate revenue collections resulting from the evasion of tax payments (Schneider, 2009). The informal sector and SMEs remains an untapped revenue base and measures should focus on reforms that bring those in this sector to contribute to national fiscus (Dalu, 2012).

2.5.1 Taxpayer education and taxpayer service

The importance of taxes for the successful governing of the state is not always obvious to the taxpayer but with awareness schemes being implemented, the government can reach an entirely new tax base (Global Financial Integrity, 2010). Maseko (2014) states that individual tax returns

and requests to conform with the administration system such as completing tax return forms might be unknown or difficult to comprehend especially within the informal sector and among SMEs, since these comprise the largest employer. Zhou (2013) argues that by means of taxpayer education and taxpayer service, the nation can be well informed and educated about the tax system and be given a hand in their efforts to comply with the tax system.

2.5.2 Addressing tax compliance costs and administrative costs

Apart from promoting voluntary tax compliance, governments in third world countries should concentrate on measures that reduce taxpayers' compliance costs amongst SMEs and the informal sector (Chiumya and Chiza 2009). Many revenue authorities are moving towards a customer service orientation which reflects the growing realization of the need to offer a quality service to the taxpaying public so they can reciprocate by paying up their dues (Miller, 2012). For instance, measures to simplify the taxpaying process and promoting service oriented tax administration include a reduction of the number of tax forms and an increase in the officers assisting clients in filling out documents or the introduction of online services (Zhou 2012).

2.5.3 Addressing weak enforcement at the national level

This involves the establishment of semi autonomous revenue authorities to improve revenue collection enhance service delivery and improve personnel competence, eradication of corrupt activities and tax evasion, salary upward adjustments and recruitment of competent personnel (Chirisa, 2012). Tax administration costs should be kept to a minimum by initiating exclusive taxpayer identification numbers to enable cross checking of data between different tax heads (Miller, 2012). This makes follow ups of customers, especially those in the informal sector and SMEs, easier since they are more at risk of evading tax. In addition, monitoring and auditing of tax payments and tax arrears are easier if a unique taxpayer identification number exist.

2.5.4 Install CCTV and surveillance systems

With the advancement of technology systems, the use of electronic surveillance arrangements to strictly and efficiently keep an eye on the conduct in any tax administration system cannot be overstressed (World Bank, 2010). It is of paramount importance that every centre where revenue transactions are being conducted to be under regular monitoring to make sure that unlawful conducts are identified and preventive measures are executed timely. The detection of syndicates is made easy when surveillance systems are put in place. The suggestions put forward by Irish (2015) advocated for the putting in place of CCTV cameras around customs areas so as to mitigate cases of tax evasion.

2.5.5 Adopt an e-government framework

Information technology can be used to improve the right of use and execution of public services to the advantage of the general public, trade associates and the general workforce thus producing a competent and up to date tax administration system (Männisto, 2010). Chiumya and Chiza (2009) argue that a system that provides such an integrated approach is of primary importance as it combines all the business operations and state departments and facilitates the exposure of indiscretions all operations.

2.5.6 Improving internet connectivity

Reliable internet connectivity is essential to run a successful online system as every minute that the system is offline can cause a serious loss in potential revenue and presents a breeding ground for officials to discover loopholes within the system that they can use to commit illegal acts (Brown, 2011). ASYCUDA World calls for proficient internet connectivity and a noted interruption in the system has resulted in delays in customs clearance (Ndoro, 2011). This may

encourage potential evaders to regard the smuggling way since their efforts would have been futile in trying to receive services from the customs officials (Chirisa, 2012).

2.5.7 Upgrading Infrastructure

Ease of accessibility of information and services can act as a deterrent to potential evaders as some tax payers resort to evasion due to the inconvenience caused by delays in clearance at border posts (Ngoro, 2011) hence readily available information makes customs clearance and tax compliance easier and reduces chances of tax evasion (Chirisa, 2012). Information hubs need to be refurbished and improvements regularly initiated (Moyo, 2012).

2.6 Summary

The main conclusion of the chapter is that the systems in place seem to be effective at face value, but in actual fact they have so far failed to curb tax evasion (Dalu, 2012). It is therefore of paramount importance that ZIMRA and the government work hand in hand to curb the problem but however there is little work on reducing tax evasion to increase revenue collection in developing countries especially Zimbabwe hence the need for the current study. This chapter looked at the literature review on tax evasion with particular emphasis on the strategies implemented by ZIMRA. The next chapter looks at research methodology.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

This chapter looks at the methodology employed in carrying out the research, research design, research instruments, data collection procedures and data analysis. The methodology and methods used in this study sought to create new knowledge in the phenomenon of tax evasion in Zimbabwe with the focus on ZIMRA.

3.1 Research Design

This is the arrangement put in place to steer the research to accomplish its goals and entails steps taken to retain the soundness of the research and describes the structure and format under which the research was carried out (Kumar 2012). The researcher is going to assemble data from secondary and primary sources to conduct this research and gather the relevant data to the research problem. The research design is divided into three categories namely explanatory, descriptive and informal research designs (Neufville and Field, 2010). The researcher used the descriptive research design method and case study.

3.2 Descriptive method

It mainly centres on observations as a way of data collection and it assumes a model of establishing the standard, the reoccurrence of precise circumstances occurring within the same environment (Creswell, 2012). These can be in diverse forms and comprise interviews, questionnaires, and other recordings necessary. Qualitative research design of data collected will be adopted. According to Wisker (2009), a qualitative investigation is a natural approach that seeks to gain an in depth breakdown of situations with a boundary.

3.2.1 Case Study

According to Neufville and Field (2010) a case study is a thorough and concentrated study of a unit, such as a firm or a corporate division that stresses aspects contributing to its success or collapse. The researcher used the case of ZIMRA and this involved the presentation and explanation of real world situations that could be observed and experienced which were supported by the data collected.

3.2.2 Population

Wagner (2010) states that a population is a data-set made up of all probable observations of a certain study. The target population used is twenty eight people and consists of ZIMRA senior management and customs officials and tax consultants in accounting firms. These shall solely contribute to the data collected and analysed.

3.3 Sample

A sample was used in trying to come up with a conclusion based on the case in data collection, which is a segment of the population chosen to symbolize the population as a whole (Wagner,2010). The sample was evenly distributed and allowed the researcher to compile a fair representative of the opinions of the larger population.

Table 3.1 Sample size

Participants	Population size	Sample size	Sampled population
ZIMRA staff – senior management	3	3	100%
ZIMRA staff – investigation officers	10	8	80%
ZIMRA staff – customs officials	10	7	70%
Tax consultants – Consultants	5	4	80%
Total	28	22	79%

3.3.1 Sampling techniques

The research made use of stratified random sampling.

3.3.2 Stratified Random Sampling

The method involves partitioning of the population into sub-groups with the sample reflecting each sub-group in proportion to their representation in the total population. Selection of individuals within each sub-group is then made on a random basis.

Data Sources

Primary Sources

The primary sources include questionnaires, interviews and reports from respondents and according to Kumar (2012) this has the benefits of obtaining up to date information that is explicit to the problem under study, information that is free from interpretation and will present necessary information to the research. However, this method is time consuming in information gathering and also very expensive. The questionnaires are targeted at ZIMRA officials.

Secondary Sources

According to Wegner (2010) secondary sources include business journals, financial publications, newspapers, published reports and written speeches relevant to the research problem. The secondary research was only limited to only those secondary sources that provide relevant information to the subject under study and these were linked to the theory provided in the previous chapter. Readily available data is cost effective and time saving in respect of researching, though, some information might not be relevant to the research problem and may be subjective since their main basis is dissimilar to the research problem and data may be outdated and therefore sometimes inappropriate (Wegner, 2010).

Research Instruments

These are tools that are to be used for the data collection that is related to finding resolutions to the research problem (Kumar, 2012). For the purpose of this research, interviews and questionnaires were made use of in data collection.

3.5.1 Interviews

According to Gray (2009) an interview is a dialogue between two or more people with one having the role of the interviewer. Interview questions may be structured or semi structured questions and structured questions are suitable for quantitative analysis. The use of identical questions was assumed, that is, asking the same questions to all individual respondents. This has the effect of enhancing greater interactions with the respondents and thus allows the respondents to develop their ideas (Gray, 2009).

Questionnaires

Gray (2009) states that questionnaires are a research instrument in which respondents are expected to answer to a set of the same draft questions. The researcher sent questionnaires to the selected sample in order to obtain primary data. The questionnaires were aimed at finding out whether the strategies being implemented by ZIMRA are effective in curbing tax evasion. These questionnaires were a mixture of open ended and closed questions.

Open ended questions

Most of the questions in the questionnaire were closed while a few open ended questions were included in order to reduce the amount of time to complete the questionnaire. Open ended questions were asked to probe for more information from the respondents, the intention being to collect a wide range of responses that can be obtained (Kumar, 2012).

Closed ended questions

Structured questions were used so that the respondents gave answers according to the confines presented. The advantages of this method is that it take less time to complete since alternatives are given as a guide to the respondents and they only give relevant data since only what is relevant to the research would have been asked (Davies, 2011). They are very easy to analyze and it is easy to compare the information if all the respondents have responded well. Due to their objectivity they enabled the same information to be collected from various sources, which also aid in data comparison and analysis. However with the use of questionnaires there is possibility of missing out an opportunity to cover more important factors other than those already listed and respondents may place wrong emphasis on the questions if they are unaware of the purpose of the research (Silverman, 2011).

3.5.3 Likert scale

It has response categories ranging from strongly agree, agree, neutral, disagree and strongly disagree (McGivern, 2009). Respondents indicate their agreement or disagreement level in respect of the favorable or unfavorable scenarios presented. A likert scale is easy to administer, construct and comprehend (Bertram, 2010). However, it restricts the respondents' decisions to the options available. The researcher made use of this technique in designing the questionnaire.

Table 3.2 Rating of Likert scale

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

Data Collection procedures

Questionnaires are going to be administered and distributed personally.

Personal Distribution

The questionnaires were handed to ZIMRA staff and tax consultants in Harare in person and were left with the respondent so that they had enough time to fill it and these were later collected after completion. The method used was cost effective since the respondents were all in the same city.

3.7 Validity and Reliability of instruments

3.7.1 Reliability

According to Noble and Smith (2015) measuring the reliability of research findings calls for the researcher to formulate conclusions concerning the ‘soundness’ of the study with regards to the application and appropriateness of the procedures carried out and the integrity of the final conclusions. Reliability is chiefly concerned with making sure the method of data gathering leads to consistent results (Curationis, 2013) and in this case this was done by making sure that informants were well informed on the nature of the research, that is, why the researcher was there, what she was studying and what she will do with the data and by comparing the results obtained with other evidence obtained from secondary sources.

3.7.2 Validity of instruments

Validity refers to whether or not the research is well planned and offers results that are suitable to generalize to the population of interest (Trochim, 2009). Thus the tools should be able to produce compelling results. Since the researcher could not work with the whole population, a

smaller sample of the population was used so as to draw conclusions about the larger group from which the sample was drawn. Randomization in selecting the sample was also made use of.

Data analysis and presentation

3.8.1 Analysis

The data collected was analyzed in line with the categories of the questions asked using qualitative analysis so as to check for completeness and accuracy of the data responses obtained.

3.8.2 Presentation

Tables, bar charts, and pie charts, were used to present qualitative data from closed ended questionnaires.

Ethical Considerations

The ethical considerations that the researcher took into account were gaining the consent of the respondents involved, maintaining data confidentiality and anonymity of the respondents and thereby ensuring validity and reliability of data.

3.10 Summary

This chapter looked at the research methods and techniques used in obtaining data. The advantages and disadvantages of the various data collection methods were outlined. The next chapter will now present the results of the data collected and the research findings.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter lays out the presentation and analysis of the data collected based on the research on the effectiveness of the strategies implemented by ZIMRA to curb tax evasion. Bar charts, graphs and pie charts were made use of in data presentation and results were analyzed with the aid of statistical measures and analytical techniques.

4.1 Respondent analysis

4.1.1 Questionnaires

Based on the questionnaires distributed to ZIMRA and other tax consultancy, valuable data was obtained. As discussed in the previous chapter 22 questionnaires were administered and the table below provides a summary of the questionnaires answered and those unanswered to due the unavailability of the respondents and the unwillingness to supply the information required because of confidentiality issues giving an overall response rate of 73%.

Table 4.1 Questionnaire Distribution

Institution	Questionnaires distributed	Questionnaires responded	Response rate %
ZIMRA - senior management	3	1	33
- investigation officers	8	6	75
- customs officials	7	6	86
Accounting Firms – Tax consultants	4	3	75
TOTAL	22	16	73

4.1.2 Interviews

Interviews were conducted with tax consultants and of the 4 chosen, 3 respondents giving a 75% response rate as indicated below.

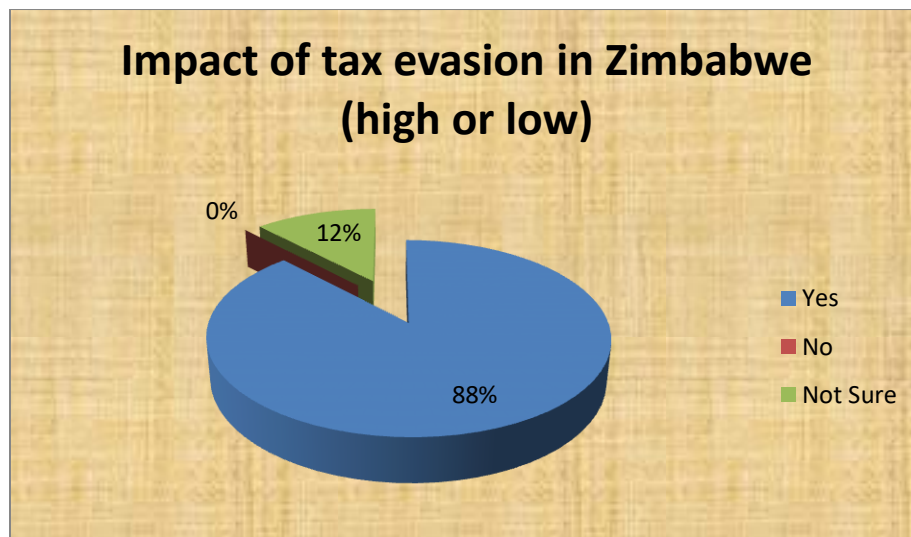
Table 4.2 Interviews conducted

Respondents	Interviews	Success	Response rate%
Tax Consultants	4	3	75
Total	4	3	75

4.2 Data Presentation and Analysis of ZIMRA Respondents

4.2.1 Impact of tax evasion in Zimbabwe

Figure 4.1 Impact of tax evasion in Zimbabwe

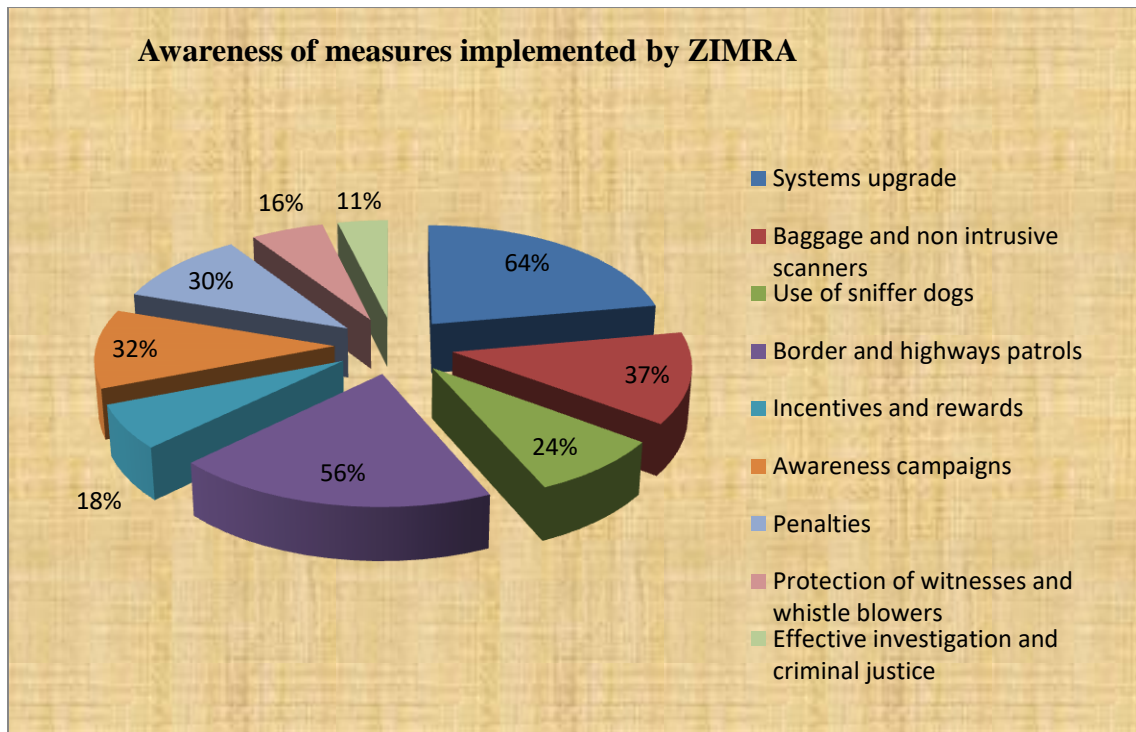


88% of the respondents argued that tax evasion was a call for concern in Zimbabwe citing moral decay as the root cause which has led to corrupt activities resulting in massive revenue leakages.

12% of the respondents were not sure arguing that since ZIMRA was meeting its Ministry of Finance targets then there is no real reason to be concerned.

4.2.2 Awareness of strategies being applied in Zimbabwe by ZIMRA

Figure 4.2 Awareness of measures implemented by ZIMRA



Systems Upgrade

As shown by the 64% response rate, the use of information and technology has proved quite popular, though the figure is only attributable to the rolling out the latest ASYCUDA systems. This has been evidence by the wide acceptance recorded by ZIMRA in its yearly reports and the effectiveness noted in the newspapers (*The Herald*, 2012).

Baggage and non intrusive scanners

37% of the respondents were familiar with the use of scanner technology at the border posts. The low response rate has been attributed to the frequent occurrence of malfunctions of the scanners hence resorting to less than effective measures like body searches as supported by Ngoro (2011).

Use of sniffer dogs

The use of dogs seems to be quite an unpopular measure; only receiving a 24% response rate. This can be traced back to the limited number of dogs that are trained each year, hence fewer dogs are found at the border posts, since they are expensive to maintain (Moyo, 2012).

Border and highway patrols

A 56% response rate was noted following acknowledgement of the presence of police officers on the highways and the security officials that circulate around the border post perimeter. This view is supported by Nyakuwa (2011) who argues people are less likely to commit corruption and collusion in the presence of uniformed officials, thereby acting as a deterrent to potential evaders.

Incentives and rewards

Incentives and rewards received an 18% response rate indicating the level of commitment dedicated to this strategy. It has not been effectively implemented due to lack of tax knowledge, that is, tax payers have not been sensitized on the availability of this measure hence Dalu (2012) states that through ignorance tend to avoid paying their taxes as they consider them too high.

Awareness campaigns

As shown by the 30% response rate, awareness campaigns are not too popular a measure. The respondents cited lack of adequate resources as the limitation to effectively explore the full benefits of this measure. Zhou (2013) supports this view arguing that due to the low response rate of the awareness campaigns it has resulted in other measures being ineffective as they are depended on awareness campaigns to them to be implemented on a large scale, for instance, incentives and rewards.

Penalties

32% of the respondents voted in favour of penalties. This low response rate can be attributed to the inefficiencies in the tax administration system perpetuated and an ineffective judicial system which are overruled by corruption hence penalties have remained on the ineffective side of implementation.

Whistle blowers and witness protection

As evidenced by the 16% response rate by the respondents, whistle blowers and witnesses have been poorly protected resulting in the ineffective implementation of the strategy. This is due to the fear of lack of anonymity when one comes forward with information hence people prefer to stay quiet than being labelled as the sell-out and face possible retaliation as argued by Matamande (2012).

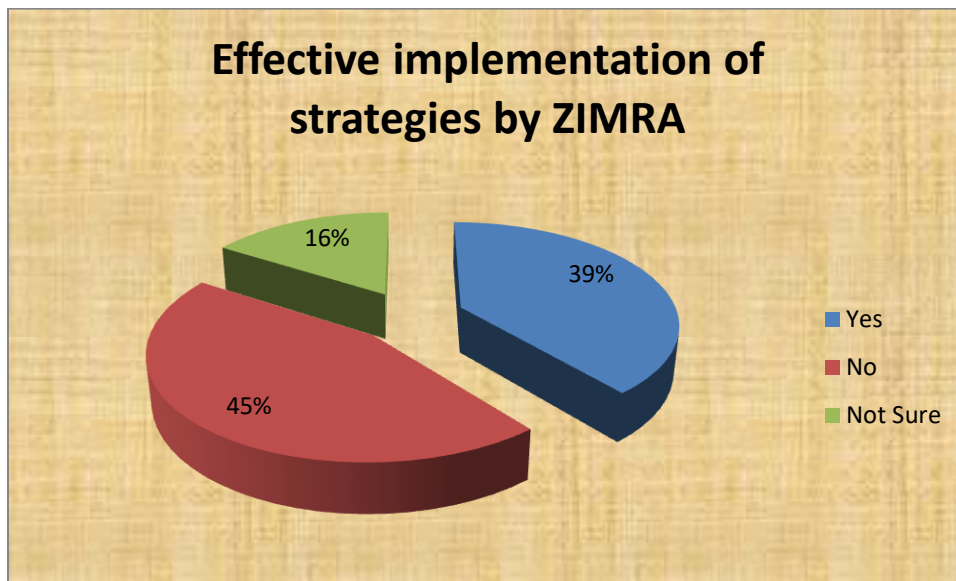
Effective investigation and criminal justice

Effective investigation and criminal justice received an 11% response rate. The respondents expressed their lack of confidence in the judicial system citing corruption, moral decay and

political interference as the barriers that limit the effectiveness of this strategy as evidenced by NORAD (2009), arguing that delays in prosecution lead to criminals escaping justice, making a mockery out of whatever initiatives have been implemented to curb corruption and tax evasion

4.2.3 Effective implementation of strategies by ZIMRA to curb tax evasion

Figure 4.3 Effective implementation of strategies by ZIMRA



A 45% majority of the respondents agreed that ZIMRA was not effectively implementing strategies to curb tax evasion as witnessed by the high incidences of tax evasion and corruption. However 39% of the respondents argued that ZIMRA has effectively fulfilled its mandate as evidenced by meeting its yearly revenue targets. This argument is further corroborated by Tuzova (2009) who states that the competence extent of any revenue authority is measured by the extent it meets its objectives and targets. Hence by meeting such targets, it points out to the argument that ZIMRA is effectively implementing its strategies to curb tax evasion.

4.2.4 Hindrances in implementing tax reform strategies

71% of the respondents cited corruption as the main hindrance to the effective implementation of strategies against tax evasion, the 18% favouring a weak tax administration system as the biggest contributor to cases of tax evasion. The presence of the informal sector was argued by the other 11% as the main challenge against successful tax reform implementation.

4.2.5 The barriers to efficient tax administration in Zimbabwe

Lack of adequate resources

A majority of the respondents (95%) cited lack of adequate resources as a major barrier to effective tax administration with the remaining 5% agreeing to this assertion as well. This is due to the notion that adequate resources ensure sustainable development and facilitates efficient operations of tax systems as noted by (Easson 2010) thereby promoting effective risk management.

Financial constraints

88% of the respondents strongly agreed that financial constraints have acted as a barrier to efficient tax administration. The Zimbabwean government has been, for years now, struggling to finance its national expenditure as evidenced by the late civil servant salaries and severe load shedding schemes (Muronzi, 2014). These conditions have severely affected the tax administration system as outdated data capturing equipment is still in use and lack of new staff development training schemes renders the skills of officials less effective in the execution of their duties. 4% of the respondents did not think that financial constraints had anything to do with being a barrier to efficient tax administration but argued that corruption and moral decay as the cause.

Lack of efficient tax administration

A majority of the respondents were in support that a lack of efficient tax administration can be a barrier arguing that not being able to adapt to changing times has seriously hampered progress in the revenue authority as outdated means and policies are still being applied. These tend to have a regressive effect on the gains made by ZIMRA. This view is supported by Christensen (2012) who argues that a tax administration system must keep up with the times by ensuring that staff engages in skills development schemes, awareness campaigns on corruption and maintain proper records.

8% remained neutral on their views arguing that the reason why there is an inefficient tax administration system does not originate from within the revenue authority itself but emerges as a result of factors like the level of development that the country is at and the financial resources allocated to specific functions like retraining of staff. 3% of the respondents disagreed to these views citing the rigid legislature governing the tax administration as the root cause of the inefficiencies, arguing that there is little that can be done when given no mandate to change the system.

Political and social factor

56% of the respondents remained neutral on their views on the effect of political and social factors on the tax administration system. Arguing that they are not directly involved in the operations of the revenue authority but only elects legislation that empowers ZIMRA to act the way it does. 18% of the respondents agreed to the assertion that political and social factors have an impact on the tax administration system in Zimbabwe. It was argued that the fact that ZIMRA was semi autonomous, it follows then that the revenue authority is under the influence of

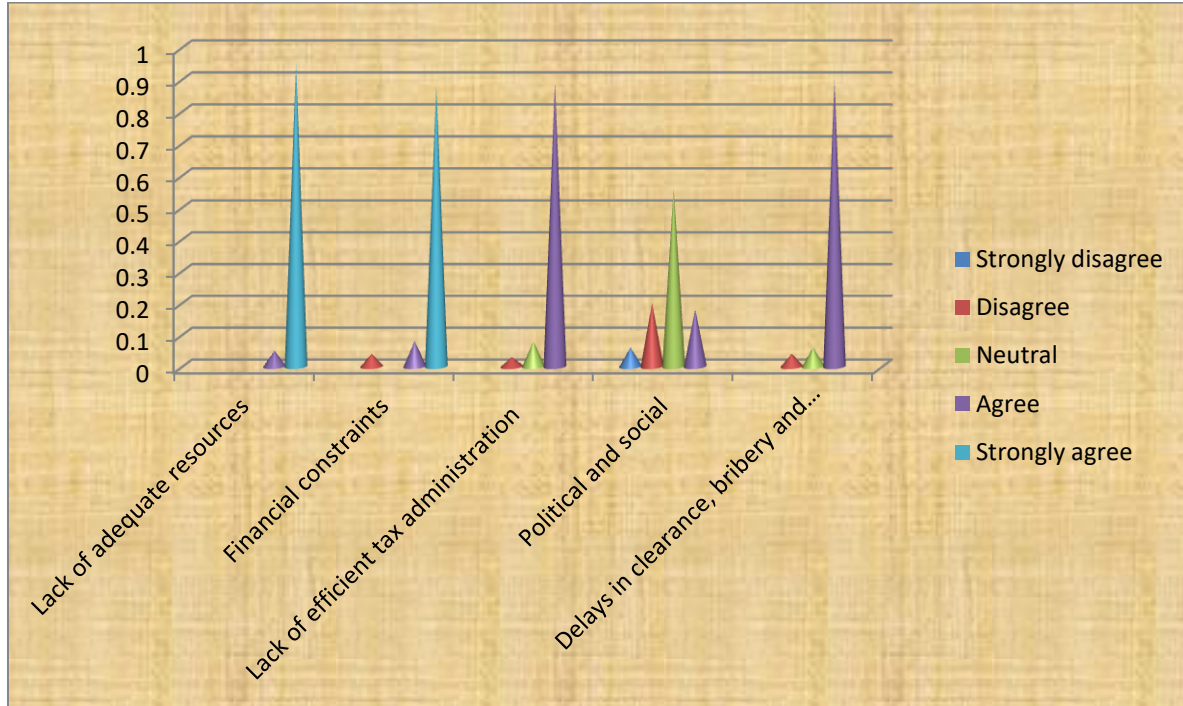
political will and therefore lacks the independence to elect laws that can turnaround the tax administration system into a more competent one.

26% argued against this factor citing that the mess that ZIMRA is in is because of its own doing. The levels of corruption prevalent within the walls of the organisation and cases of nepotism at the workplace being noted have adversely affected the execution of its duties. Most of the personnel are incompetent in the execution of their duties and at every given opportunity officials devise ways to circumvent the controls in place by creating loopholes to engage in corrupt activities.

Delays in customs clearance, bribery and corruption

90% of the respondents were of the view that delays in customs clearance, bribery and corruption a hindrance in the tax administration system as the amount of revenue that should be raked in ends up getting lost through tax evaders who tend to avoid the long queues that plague the border posts. This view is supported by Chirisa (2012) who states that these delays are caused by internet connectivity, malfunctioning baggage scanners and incompetent personnel. The respondents argued that corrupt officials use this as a loophole to engage in illegal activities and earn some quick money. With 6% being neutral, it was argued that the inefficiency came rather from the incompetent personnel at the borders who lack integrity thereby perpetrating corruption by accepting bribes. 4% of the respondents chose to disagree with this view the only barrier that existed for ZIMRA to be fully competent was embedded in the rigid laws of the country which limited ZIMRA's operation.

Figure 4.4 Barriers to efficient tax administration in Zimbabwe

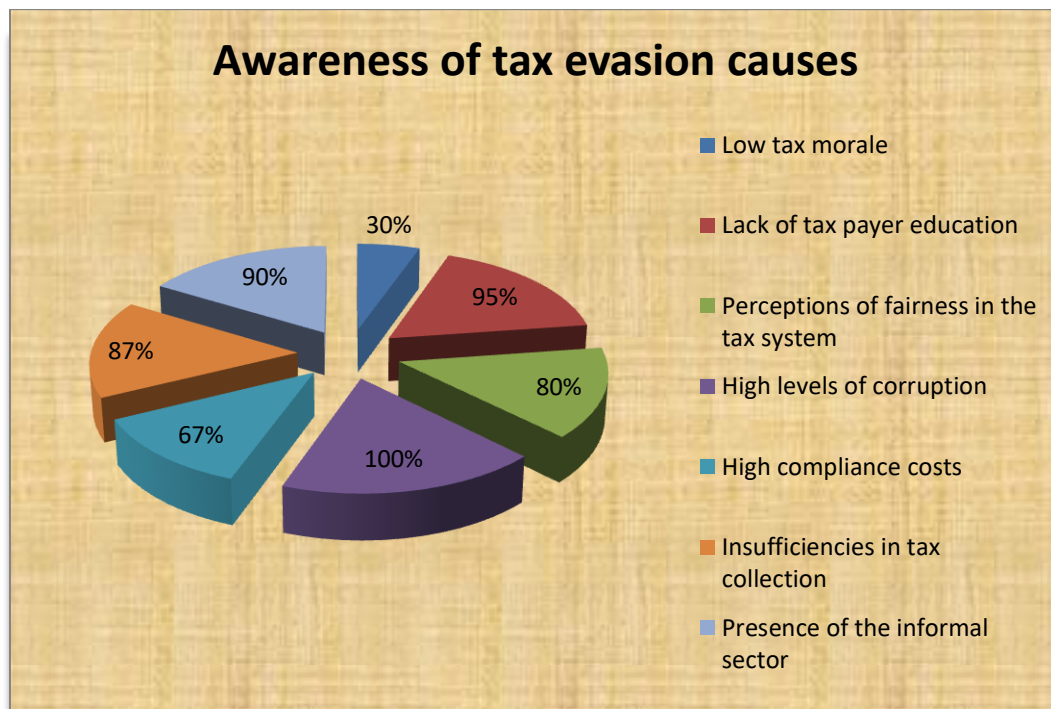


4.2.6 The informal sector with regards to tax evasion

95% of the respondents argued that the informal sector to a large extent was a major contributor to revenue leakage as they feel marginalized in all the efforts employed by government to add value to all sectors. They argued that government should integrate the informal sector in all empowerment exercises it extends to other sectors thereby increasing perceptions of fairness so that they are obligated to pay their taxes. The remaining 5% felt that the informal sector was not much of a contributor to revenue leakage but advocated for the revision of the Income Tax Act so as to simplify the tax administration system.

4.2.7 Causes of high tax evasion in the Zimbabwean economy

Figure 4.5 Awareness of tax evasion causes



Low tax morale

30% of the respondents agreed that low tax morale results in high tax evasion, arguing that countries with a culture of tax compliance have lower levels of tax evasion; hence moral decay has hampered all efforts to increase self enforcement of tax compliance (Wright 2013).

Lack of tax payer education

A 95% majority of the respondents suggested that lack of tax payer education has an influence on tax evasion as indicated by Palil (2010) who argued that tax knowledge is directly related to the taxpayers' ability to understand the laws and regulations of taxation, and their ability to

comply, though, ignorance of the law cannot be used as an excuse not to comply with policies and regulations.

Perceptions of fairness in the tax system

80% of the respondents agreed that perceptions of fairness in the tax system have a bearing on the compliance levels of an individual arguing that people tend to pay their taxes when they feel that others are paying as well and that they are paying a fair amount compared to others. This is in line with the findings of Lumumba et al (2010) who states that that SMEs did not pay taxes since they felt that they were not paying a fair amount of taxes. The respondents also argued that tax payers would be willing to comply with their dues if they felt that the government spends that money on public goods that benefit the tax payers directly as argued by Maseko (2014).

High levels of corruption

All the respondents were of the opinion that corruption has a part to play in tax evasion; this is because for corruption to have occurred, funds that should be part of revenue collections are diverted and benefit individuals. They argued that usually the cost that evaders have to pay as a bribe is usually less than the potential benefit from tax evasion as discovered by Mabugu (2015).

High compliance costs

67% of the respondents were of the view that high compliance costs lead to high incidences of tax evasion as they argued that companies tend to worry more about the administrative burden than about the actual tax burden. This view is corroborated by Baker (2009) who argued that limited record keeping skills increase the administrative costs as they outsource this task resulting in more costs being incurred (amidst cash flow challenges) in trying to be tax compliant.

Insufficiencies in tax collection

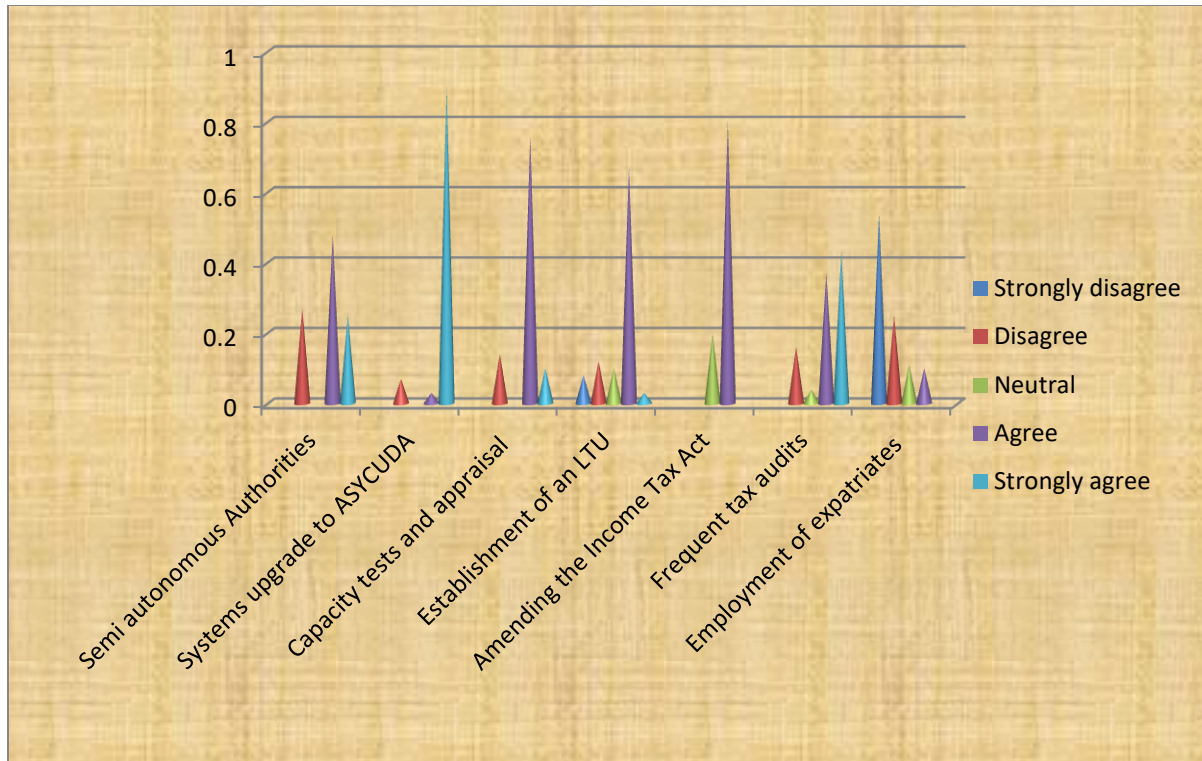
The presence of insufficiencies in the tax collection system was supported by 87% of the respondents who argued that some of the legislation that applied to situations that were prevalent back then and is still being used today (for instance the Income Tax Act) creates gaps in tax collection procedures as well as limited capacity for tax administrations to detect and prosecute tax evaders as supported by Fjeldstad and Moore (2009).

Presence of the informal sector

90% of the respondents cited the presence of the informal sector in Zimbabwe as a major cause of tax evasion where most individuals are not registered and tend to get away with it because they are not in the system and can resort to breaking down their costs to below the threshold so that they are not charged Withholding tax. It was argued that most of the individuals in the informal sector lacked the basic education with regards to tax and were not aware of their tax obligations as supported by Dalu (2012).

4.2.8 Strategies adopted from other countries

Figure 4.6 Effectiveness of adopted reforms from other countries



Setting up semi autonomous Revenue Authorities

A majority of the respondents (48% and 25%) were in agreement that setting up a semi autonomous revenue authority was the way to go in terms of improving the tax administration system noted by von Soest (2012) in the cases of Ghana, Tanzania, Uganda and Zambia as this increases the competence of the authority through an elevated level of autonomy. However 27% of the respondents disagreed with this assertion, arguing that having the revenue authority directly under the control of the MoF ensured strict adherence to legislature, policies and procedure by maintaining a tight rein in terms of control that the authority lacks right now.

Systems upgrade to ASYCUDA World

The introduction of ASYCUDA was a huge capital investment by the ZIMRA Customs Department aimed at, among other things, plugging revenue leaks that were hemorrhaging the organization

through corruption and inefficiency (Hove, 2012). The introduction of ASYCUDA can be regarded as enforced modernization as the matter was made much more urgent by rampant corruption.

Capacity tests and Performance appraisal

A total of 86% of the respondents agreed that capacity tests and performance appraisal is an effective strategy to be implemented in Zimbabwe, arguing that this might be the solution to rooting out incompetent personnel who were hired through corruption, bribery and nepotism but without the requisite qualifications. 14% of the respondents were against this strategy arguing that if this exercised was conducted half of ZIMRA's staff might lose their jobs due to allegations of corruption and incompetence in executing their duties.

Establishment of a Large Taxpayer Unit

A total of 70% of the respondents agreed that establishment of an LTU was an effective strategy that made consolidation of tax payer information easier, faster and avoid revenue leakages and gaps through unclear boundaries where there is more than one revenue authority like in the case of Ghana which has three separate revenue authorities (von Soest, 2012). 10% remained neutral on their views citing that the case may be difficult to implement in Zimbabwe considering that we have one revenue authority already and all the information is collected and consolidated by the same authority. A total of 20% of the respondents argued that the current arrangement, where ZIMRA was the principal receiver of domestic revenue was fine as it is, since the strategy,, if applied in Zimbabwe, may result in further revenue leakages through gaps amongst the collectors and this may create conflict between the receivers of revenue.

Amending the Income Tax Act

80% of the respondents agreed that amending the Income Tax Act as in the case of Ghana (von Soest, 2012) so as to simplify tax administration system and allow previously not taxable individuals and items to be taxable which will result in increased revenue collections. The remaining 20% chose to stay neutral, arguing that amending the Act is a waste of financial resources that could be channeled into other areas like the staff skills' development.

Frequent tax audits

16% of the respondents argued against frequent tax audits citing that the exercise was quite expensive and require additional personnel which will further cut into the already tight budget. 4% argued that frequent tax audits might not be effective as a deterrent especially where creative accounting is employed to conceal profits and the use of offshore accounts is employed. 80% of the respondents argued in favour of audits indicating that they increase declared income since risk averse payers are deterred from hiding taxable income as supported by Gauthier (2011).

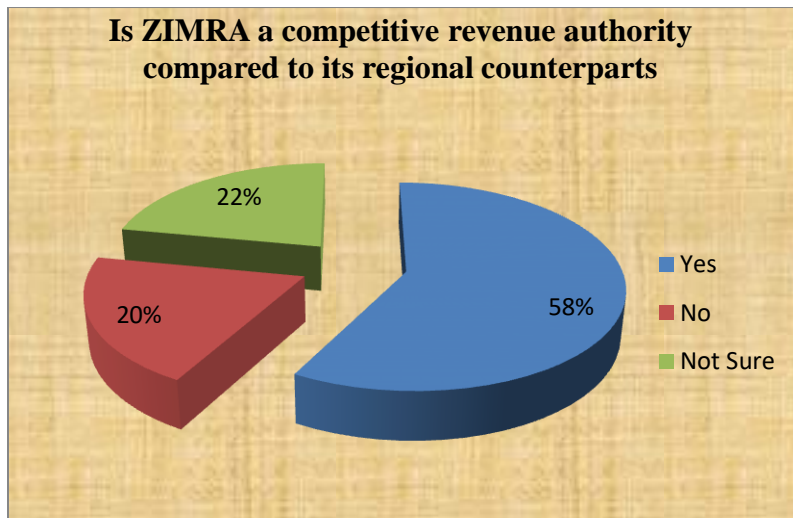
Employment of expatriates in high level positions

With this strategy, a total of 79% were against this move as they believed it was a denial of their rights that they should enjoy working in top level positions. 11% of the respondents remained neutral advocating for the integration of expatriates in middle level positions to cut off the top level management from colluding with those on the ground (lower levels). The expatriates in the middle will act as a barrier to illegal acts (von Soest 2012). 10% were in favour, arguing that this endeavour will go a long way in alleviating problems linked to nepotism since they will be new to the area and reduce cases of bribery and corruption as they will be on a mission to prove

wrong, those who did not believe in the employment of expatriates as evidenced by Kasangana (2009) in the case of Zambia.

4.2.9 Competitiveness of ZIMRA in comparison to its regional counterparts

Figure 4.7 Competitiveness of ZIMRA



As shown above, 58% of the respondents agreed that ZIMRA was a competitive revenue authority citing meeting its yearly targets as a measure of performance as supported by Tuzova (2009) who argued that meeting its revenue targets and performance can be used as a measure of performance. 22% were not sure as to this assertion as they were not in a well informed position about the performance of other countries to express an opinion on their performance. 20% argued “no” indicating that other countries had a better and flexible tax administration system capable of dealing with loopholes in revenue leakages.

4.2.10 Addressing tax evasion in Zimbabwe

Tax payer education

A total of 97% of the respondents agreed that many tax payers lacked education in terms of tax compliance and believed that they were not breaking any laws while not being tax compliant.

They argued that an important feature in tax compliance was a sound education in tax laws and proper record keeping so that tax payers understand the tax system and the procedure involved as shown by Bird (2013). 3% disagreed to this assertion, arguing that all tax payers to some extent are aware of their obligations in terms of tax compliance but tend to hide behind ignorance as an excuse to avoid paying their taxes.

Addressing tax compliance and administration costs

89% supported this measure arguing that the tax system needs to improve its quality in service delivery in all aspects of its departments so as increase customer satisfaction and avoid the use of its inefficiency as a scape-goat and blamed for the reason why tax payers resort to tax evasion. 11% remained neutral advocating for the amendment of the Income Tax act (Christensen, 2012).

Addressing weak enforcement at national level

All the respondents agreed to this measure, arguing that the establishment of semi autonomous revenue authorities to improve revenue collection enhance service delivery and improve personnel competence, eradication of corrupt activities and tax evasion, salary upward adjustments and recruitment of competent personnel (Chirisa, 2012). Tax administration costs should be kept to a minimum by initiating exclusive taxpayer identification numbers to enable cross checking of data between different tax heads (Miller, 2012).

Installation of CCTVs and surveillance systems

All the respondents were in favour of this strategy arguing that when officials and potential evaders are under constant surveillance they tend to do things by the book thereby reducing incidences of corruption, bribery and ultimately tax evasion. as supported Chirisa (2012) argues

that the use of surveillance systems also make detection of suspicious behaviour easier and timely execution of preventive measures thereby acting as a deterrent to potential evaders.

Adopt an e-government framework

70% of the respondents agreed that the tax system needed a complete overhaul, advocating for the use of information and technology to improve access controls, consolidating and updating the tax payer database system thus establishing a competent and modernised tax administration system as supported by Mannisto (2010). This type of system is fundamental as it integrates the operations of business and government departments and enables the detection of irregularities in business operations and fiscal declarations as noted by Chiumya and Chiza (2009). 30% were against the enforcement of a new framework as this requires diversion of already committed resources.

Improve internet connectivity at border posts

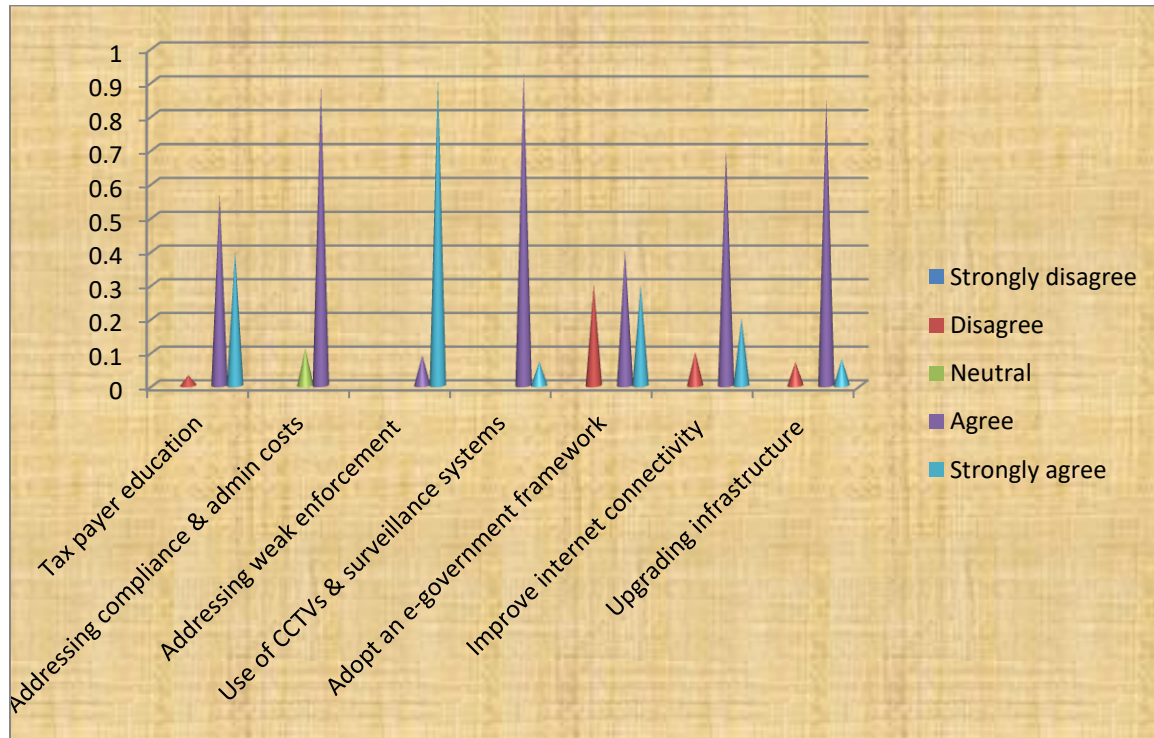
90% of the respondents supported the improvement of internet connectivity at cause a serious loss in potential revenue and presents a breeding ground for officials to discover loopholes within the system that they can use to commit illegal acts (Brown, 2011). 10% argued against improving internet connectivity.

Upgrading infrastructure

93% of the respondents argued in favour of this strategy arguing that this would improve service delivery and thereby increase the efficiency with which procedures are done. This in turn will result in easy accessibility of information and services that can act as a deterrent to potential evaders as some tax payers resort to evasion due to the inconvenience cause by delays in

clearance at border posts (Ndoro, 2011). The remaining 7% were against this arguing that the current technology was sufficient but required a new tax administration system.

Figure 4.8 Approaches that effectively seek to address tax evasion in Zimbabwe



Interviews from Tax Consultants

Reasons why tax evasion is very high in Zimbabwe

The respondents attributed the prevalence of high tax evasion on the presence of corruption in Zimbabwe. This follows incidences that are being reported, on a daily basis, of ZIMRA officials who are being suspended and fired on suspicions of corruption (Herald, 2014) as the main cause of tax evasion with the remaining arguing that the presence of the informal sector increased chances of evading taxes.

Awareness of measures that have been implemented by ZIMRA to curb evasion

Only a third of the respondents were aware of all the measures that were listed by the researcher, which include systems upgrade, sniffer dogs, scanners and awareness campaigns among others, indicating a 33.33% response rate. This was attributed to the fact that some measures were employed on a small scale and barely have an impact, for instance, use of sniffer dogs, incentives and rewards, witness protection and awareness campaigns (Klevin et al, 2010). Systems upgrade, highway and border searches, penalties and the use of scanners were the measures that were identified as common amongst all the respondents.

Barriers to efficient tax administration in Zimbabwe

Hallsworth (2014) states that an effective tax administration is basic to an efficient state and all the respondents were in agreement with this assertion. From the results, it was noted that corruption and financial constraints were picked out as the major determinants to an inefficient tax administration system because of their impact not only on revenue performance but the integrity of the revenue authority. One tax consultant was of the view that the autonomy of a revenue authority cannot be over emphasized due to political factors which have a significant influence in terms of how the revenue authority is run as evidenced by Daley (2010).

Factors that account for high tax evasion in the country

66, 66% of the respondents cited corruption as the major cause of tax evasion arguing that the level of moral decay exacerbated by the rising cost of living, coupled by the late salaries, has left many at the mercy of corrupt activities so as survive the economic meltdown. The remaining respondent was of the opinion that the presence of the informal sector increased the chances of non compliance through ignorance of the law, resulting in a rise in the cases of tax evasion.

Competitiveness of ZIMRA compared to its regional counterparts

All the respondents were not sure where ZIMRA stood in terms of performance in comparison to its regional counter parts, arguing that even though ZIMRA is able to meet its yearly revenue targets, the level of corruption and cases of tax evasion are still on the rise which makes it difficult to justify their performance. They argued that factors that include level of political interference, autonomy and staff competence must be on the same level for a fair comparison to be made.

Measures to minimize cases of tax evasion in Zimbabwe

Respondents advocated for the amendment of the Income Tax Act arguing that this will go a long way in increasing the tax brackets to those who previously were not taxable and simplifying the tax administration system as outlined by von Soest (2012) in the case of Ghana. Stiffer penalties against evaders with possible jail time were said to act as a deterrent to potential evaders and corrupt officials and the upgrading of infrastructure and awareness campaigns were also noted as measures that could effectively seek to address the issue of tax evasion in Zimbabwe.

Summary

This chapter highlighted the presentation and analysis of data collected from the selected sample of respondents. From the results presented, it was evident that the strategies being implemented by ZIMRA are not effectively managing to curb the growing scourge of tax evasion. The following chapter focuses on the summary findings, conclusions drawn and the recommendations to what can be done to curb tax evasion.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the research findings, conclusions drawn and recommendations to the problems discussed in the preceding chapters and scope for further studies. Recommendations given here are specifically aimed improving the roll-out of the different strategies of curbing tax evasion. They also focus on other suggested ways of dealing with tax evasion within the country and policy recommendations on a long run basis.

5.1 Summary

5.1.1 Chapter One

Chapter one outlined the background to the study which was based on analysing the strategies implemented by ZIMRA to curb tax evasion. It presented the objectives to be covered under chapter two and the justifications, limitations and delimitations to the study.

5.1.2 Chapter Two

This chapter outlined the theory available with regards to tax evasion bringing out a balanced view that of literature in support, against and those neutral. The chapter was meant to achieve the objectives outline in chapter one. The first objective outlined the strategies that were being implemented by ZIMRA to curb tax evasion. The second objective addressed the barriers to efficient tax administration which were attributed to lack of adequate resources, financial constraints and corruption (Zhou 2012). The next aim meant to highlight the causes of tax evasion which were noted to include corruption, insufficiencies in tax collection and high compliance costs. The fourth objective focussed on tax reforms implemented by other countries which were similar to Zimbabwe in that they were all third world countries and had established

semi autonomous revenue authorities. The final objective meant to come up with solutions to curbing tax evasion.

5.1.3 Chapter Three

Chapter three highlighted the research methodology, outlining the research design and sampling techniques used. Stratified random sampling was used with a 79% sample being chosen. The type of research instruments, data sources and data collection procedures were presented in line with validity, reliability and ethical considerations taken into account.

5.1.4 Chapter Four

The questionnaires had a 73% response rate, with data being presented and analysed in numerical form using tables, charts and graphs. The data was linked to chapter two findings in line with the objectives. These findings allowed conclusions to be drawn and recommendations to be put forward in chapter five.

5.5 Major Research Findings

Based on the research findings, the strategies being implemented by ZIMRA are not being effectively carried out due to corruption, financial constraints, a weak tax administration coupled with political interference and lack of tax payer education (due to limited awareness campaigns being conducted).

5.6 Conclusion

The research was a success and the results provided by the respondents and the literature available on the implementation of tax reforms are enough to conclude that ZIMRA has failed in the implementation of its strategies to curb tax evasion as evidenced by high incidences of tax evasion in the country despite meeting its revenue targets.

5.7 Recommendations

The following recommendations have been put across to counter the effects of tax evasion and act as a basis for policy considerations.

- Unbiased and effective recruitment process - strict performance appraisal processes and capacity tests have to be carried out to ensure that staff members are competent for the job and have integrity to avoid poor performance as well as mistakes at workplace which may cost the organization a considerable amount of resources.
- Intensification of Ethical training of ZIMRA employees - resources have to be channelled towards ethical training and close monitoring of the development of the moral facet of all personnel.
- Strong political support - the government must be involved in every part of policy formulation and show their support through election of legislation that empowers the revenue authority to exercise their power without restrictions in the tax administration system.
- Transparency in the use of government funds - the government must be accountable for every cent that passes through their hands so that tax payers can see value for their money which encourages consistent taxpaying by the citizens.
- Strict audit standards - independence of the audit functions should be maintained to ensure objective results are produced that promote tax compliance and the recruitment of competent, ethical and effective auditors is required to ensure that audit standards are upheld.
- Computerization of information systems – there should be constant improvement in the computer systems so as to eliminate loopholes that entice officials to cut corners in a bid to

earn extra money, with access and physical controls being closely reviewed to ensure that they are being implemented as designed.

- Reviewing salaries of revenue authority employees upwards - staff salaries should be constantly reviewed so that employees do not accept bribes, kickbacks and initiate corruption so as to make up for shortfalls in their salaries.
- Awareness - budgets for awareness campaigns have to be set aside and effectively conducted with audits being carried out to ensure that the funds were used for their rightful purpose.
- Capacity building programmes in record keeping – all sectors, especially the informal sector, must be capacitated and actively involved in measures to improve their tax compliance through knowledge in tax compilations and maintenance of accounting records so that they are able to declare their returns.

5.8 Suggestions for future studies

Future research studies must consider issues such as political interference within policy making, tax avoidance, tax compliance within the informal sector and anti corruption strategies implemented by ZIMRA focusing on the customs departments at border posts.

5.9 Summary

This chapter looked at the conclusions drawn, research findings and recommendations that can overhaul the notions around tax evasion and provide effective policy guidelines for curbing tax evasion. Tax revenue is the backbone of the Zimbabwean economy; hence all avenues must be exhausted to ensure maximum revenue collections whilst minimizing all incidences of tax evasion.

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APPENDICES

LETTER OF AUTHORITY



Dear Respondent

RE: AUTHORITY TO INVESTIGATE ON REFORMS MEANT TO CURB TAX EVASION

My name is **Acquiline Mugabe** a final year student studying for a Bachelor of Commerce Accounting Honors Degree at Midlands State University. In partial fulfillment of the requirements of my degree program, I am undertaking a research entitled “**An analysis of the impact of the strategies meant to curb tax evasion: Case study of ZIMRA.**”

It is against this background that I have approached you with the sincere hope that you will assist me. You are kindly requested to complete this questionnaire, answering the questions as honestly as possible in the spaces provided. Please note that the data collected and the identity of respondents will be kept strictly confidential and used for the purposes of this research only.

Your co-operation is sincerely appreciated.

Yours faithfully

Acquiline Mugabe

SECTION A: RESEARCH QUESTIONNAIRE

Respondents are asked to complete the questionnaires and not to divulge their names for confidentiality purposes.

(Please tick inside the box that matches your answer)

1. Is tax evasion a call for concern in Zimbabwe?

Yes No Not Sure

Please state your reason:

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

2. Which of the following strategies are you aware of as being applied in Zimbabwe by ZIMRA?

Systems upgrade	<input type="checkbox"/>
Baggage and non intrusive scanners	<input type="checkbox"/>
Use of sniffer dogs	<input type="checkbox"/>
Border and highways patrols	<input type="checkbox"/>
Incentives and rewards	<input type="checkbox"/>
Awareness campaigns	<input type="checkbox"/>
Penalties	<input type="checkbox"/>
Protection of witnesses and whistle blowers	<input type="checkbox"/>
Effective investigation and criminal justice	<input type="checkbox"/>

3. Has ZIMRA been effective in implementing its strategies to curb tax evasion?

Yes No Not Sure

Please state your reason:

.....

 4. What hindrances is ZIMRA facing in implementing these strategies? (Specify below)

.....

5. The following factors are the barriers to efficient tax administration in Zimbabwe.

Factors	Strongly	Disagree	Neutral	Agree	Strongly
Lack of adequate resources					
Financial constraints					
Lack of efficient tax administration and data					
Political and social					
Delays in customs clearance, bribery and corruption					

6. To what extent has the informal sector been a major contributor to revenue leakage and what can be done to minimize this tax loss in the sector? (Specify below)

.....

7. Which factors account for high tax evasion in the Zimbabwean economy?

- Low tax morale
- Lack of tax payer education
- Perceptions of fairness in the tax system
- High levels of corruption
- High compliance costs

Insufficiencies in tax collection

Presence of the informal sector

8. The strategies below have been implemented by other countries; they will be effective if implemented by ZIMRA in Zimbabwe.

Approaches	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Setting up semi autonomous Revenue Authorities					
Systems upgrade to ASYCUDA World					
Capacity tests and Performance appraisal					
Establishment of a Large Taxpayer Unit					
Amending the Income Tax Act					
Frequent tax audits					
Employment of expatriates in high level positions					

9. In your opinion, is ZIMRA a competitive revenue authority compared to its regional counterparts?

-Yes No Not Sure

Please state your reason:

.....

.....

.....

.....

.....

10. The following approach(s) effectively seek to address tax evasion in Zimbabwe?

Approaches	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Tax payer education					
Addressing tax compliance and administration costs					
Addressing weak enforcement at national level					
Installation of CCTVs and surveillance systems					
Adopt an e-government framework					
Improve internet connectivity at border posts					
Upgrading infrastructure					

Additional comments with regards to tax evasion in Zimbabwe:

SECTION B: INTERVIEW GUIDE

1. Tax evasion is very high in Zimbabwe; can you give reasons why this is so?
2. Which measures are you familiar with, that have been effected by ZIMRA to curb evasion.
3. What are the barriers to efficient tax administration in Zimbabwe?
4. In your opinion, what factors account for high tax evasion in the country?
5. In your opinion has ZIMRA been effective in implementing strategies to curb tax evasion in comparison to its regional counterparts?
6. In your opinion, what should be done by ZIMRA to minimize cases of tax evasion?