

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN ANALYSIS ON THE IMPACT OF TAXATION AND OTHER REGULATORY
REQUIREMENTS ON CORPORATE FINANCIAL PERFORMANCE: THE CASE OF
THE VICTORIA FALLS HOTEL PARTNERSHIP**

BY

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**THIS DISSERTATION IS SUBMITTED TO THE MIDLANDS STATE UNIVERSITY
IN PARTIAL FULLFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF
COMMERCE ACCOUNTING HONOURS DEGREE**

GWERU

ZIMBABWE, MAY 2016

DECLARATION FORM

I, Lesley Tafadzwa Chiwona, declare that this project is my own work and has not been copied from any source without acknowledging the source.

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The undersigned do hereby certify that they supervised the student Lesley Tafadzwa Chiwona (R123051R) on the research topic entitled **An Analysis on the Impact of Taxation and Other Regulatory Requirements on Corporate Financial Performance: The Case of The Victoria Falls Hotel Partnership** which is submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree at the Midlands State University

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DEDICATION

This dissertation is devoted to my parents, family members and friends who played an indispensable role through all forms of assistance that they provided for me to complete this project successfully.

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ABSTRACT

Taxation and other regulatory requirements were cited by the management at TVFH as the major causes behind the sharp reduction of annual profits and unfavourable working capital between the periods 2013 to 2015. A descriptive research design was employed on a sample population of 22 staff members at TVFH most of whom were from the administrative departments. A total of 18 questionnaires were distributed to the sample population while interviews were carried out on 4 heads of departments who had unlimited access to information relevant to this research. The research found out that taxation and other regulatory requirements reduces organisational corporate profitability, reduces organisational working capital, compromises corporate growth, that tax planning does not significantly reduce organisational total costs, the only benefits of taxation and regulatory requirements were that money collected by government was being used for infrastructure development so as to attract more tourists and that local businesses enjoyed competitive advantage against foreign firms due to some selective laws introduced by government on foreign firms. The hotel's management was recommended to participate in National Consultative Budgets preparation programmes so that they would air their views and explain to policy makers how they were affected by the regulatory framework, to engage in dialogues with the government or government agencies over their grievances, to do tax planning no how insignificant it is. The RBZ was also recommended to ensure that local banks provide a multi-processing facility for payments using international bank cards.

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LIST OF ACRONOMIES

CGT	-	Capital Gains Tax
NSSA	-	National Social Security Association
POS	-	Point of Sale
TVFH	-	The Victoria Falls Hotel Partnership
VAT	-	Value Added Tax
ZIMDEF	-	Zimbabwe Manpower Development Fund
ZIMRA	-	Zimbabwe Revenue Authority
ZTA	-	Zimbabwe Tourism Authority

CHAPTER 1

INTRODUCTION

1.0 CHAPTER INTRODUCTION

This chapter provides a concise description of the problem under research and at the same time establishing the research gap as evidenced at the organisation of study. The aims and importance of the research were also outlined in this chapter.

1.1 BACKGROUND TO STUDY

Chude and Chude (2015) and Beigi et al (2013) pointed out that taxation had a significant impact on corporate profitability. However Liu (2011) argues that the economic circumstances of the corporate income tax suggests that the effects of corporate income tax can be shifted to various candidates including investors, workers, and consumers and hence will not affect profitability alone. Jepkogei(2014) pointed out that taxation reduces business earnings for re-investment. Tripathi et al (2011) pointed out that with VAT business operators will only pass the burden to the consumer by increasing the price thereby reducing sales as goods will be expensive for the customers. However on the contrary Irongwe and Peter (2015) and Rohtak (2013) argues VAT has no direct bearing on corporate financial performance since the burden is simply passed. Akinboade (2014) and Ezugwu and Akubo (2014) argues that the nature of the regulatory requirement may affect businesses' competitiveness and productivity as it contributes to business failure. On the other side Beigi(2013) pointed out that an efficient tax system insures the businesses against the risk of the unknown as the government may use the tax collected to incentivise or normalise a disaster that will have taken place. The research however aims to clarify the debate around effects of tax by looking at effects of taxation and other regulations on hospitality businesses that took place between the periods 1 October 2013 to 30 September 2015.

TVFH's monthly average revenue reduced to \$850 000 per month from \$1 000 000. This was after the introduction of standard rate on foreign accommodation which was once zero rated with regards to VAT by the 2015 National Budget Statement (TVFH financial Statements: 2015) The loss of revenue in turn resulted in 52% profit reduction between the period 2014 to 2015 as evidenced by the information on the table below:

Table 1.1 Statutory Obligation Effects on Profit Analysis

STATUTORY OBLIGATION	2013	2014	2015
Taxation	20%	25%	30%
Training and development levy(ZIMDEF)	3%	4%	7%
Tourism levy	5%	7%	6%
Employee contribution plan (NSSA)	2%	2%	3%
Penalties and fines	2%	3%	5%
Profit for the year	\$3 000 000	\$2 5 000 000	\$1 2 000 000

(Source: TVFH Statistical Record Book)

Table 1.1 shows that of the hotel's annual total costs taxation occupied 20% in the year 2013,25% in the year 2014 and 30% in the year 2015. Training and development levy (ZIMDEF) occupied 3% in 2013 , 4% in 2014 and 7% in 2015 of the hotel's annual total costs. Tourism levy occupied 5% in 2013, 7% in 2014 and 6% in 2015 of the hotel's annual total costs. On the other hand the employee contribution plan (NSSA) occupied 2% in 2013, 2% in 2014 and 3% in 2015 of the hotel's annual total costs. Penalties and fines occupied 2% in 2013, 3% in 2014 and 5% in 2015 of the hotel's annual total costs. The annual profits were \$3 000 000 in 2013, \$2 500 000 in 2014 and \$1 200 000 in 2015.

The upward trend in portions of the total cost occupied by taxation for the period between 2013 and 2014 was attributed to increase in imports by the hotel which resulted in the hotel meeting customs and duty taxes. While the increase in taxation from 2014 to 2015 was a response to reduction of variable costs resulting in taxation occupying a large portion of total costs. (Financial Controller's Report: 2015)

NSSA and Training and Development levy which are paid commensurate to the cost of employee benefits generally shows an increase in portions occupied with Training and development levy increasing from 3% to 4% in 2014 and to 7% in 2015 while on the other side NSSA recorded an increase from 2% to 3% in 2015 due to the increase in recruitment as the hotel was trying to meet the human resources' service demands of increasing number of tourists arrivals at the hotel. (TVFH Meeting Minutes Book: 2015)

Tourism levy which is charged as 1% of the total revenue increased by 2% in 2014 the increase of which was as a result of revenue increase in 2014 given that tourism levy is charged as a percentage of total revenue. The decrease between 2014 and 2015 was as a result of the loss of revenue to newly introduced standard rate VAT on foreign accommodation. (Financial Controller's Report: 2015)

The penalties which shows an upward trend was due to failure to meet deadlines because of the consecutiveness of the due dates against the time that it takes for the entity to get money from the hotel's SA bank account. (Financial Controller's Report: 2015)The research however seek to examine and clarify the effects of taxation and other regulations on hospitality businesses.

1.2 STATEMENT OF THE PROBLEM

The effects of taxation and other regulations on businesses has largely been associated with reduction in profits but however on contrary taxation in some cases actually have indirect benefits to businesses for example customs and duties helps local firms to fight competition against imports or sometimes block imports from coming in hence increasing revenue for local businesses. Other levies like the Tourism Levy are also useful in the sense that they are

paid to ZTA which markets Zimbabwean tourism hence increasing tourist arrivals. The Victoria Falls Hotel's management are of the view that the constant reduction in profits that the hotel has suffered is as a result of regulatory costs. Hence this research seek to find clarity on the debate surrounding effects of taxation and statutory obligations.

1.3 MAIN RESEARCH QUESTION

What are the effects of taxation and other government regulation on corporate' financial performance?

1.4 RESEARCH OBJECTIVES

- To examine the effects of taxation and other regulation on profitability.
- To assess the effectiveness of tax avoidance towards cost cutting.
- To examine the effects of taxation and other regulations on liquidity and corporate growth.
- To evaluate the benefits associated with taxation and other regulations to corporate entities.

1.5 RESEARCH QUESTIONS

- What are the effects of taxation and other regulation on profitability?
- Does tax avoidance work effectively on the organisational cost cutting measures?
- What are the effects of taxation and other regulation on liquidity and business growth?
- To what extend is taxation and other regulations important to business entities?

1.6 SIGNIFICANCE OF STUDY

1.6.1 To the student

The research will assist the student with detailed information about the effects of selected laws on businesses

1.6.2 To the Midlands State University

The outcome of the research will provide useful information as well as a reference to research for the students who may want to research on a related topic in future.

1.6.3 To TVFH and the Nation

The research will help the organisation on how best they can make use of the available benefits that maybe enjoyed from the current laws and also an appreciation of the impact of the entity's behaviour and attitude towards taxation and other statutory obligations.

The research will also alert the government and other relevant stakeholders about the effects of the laws that they make.

1.7 DELIMITATION TO THE STUDY

The research relates to the period from October 2013 to October 2015 and will use TVFH in Victoria Falls, Zimbabwe as a case study .The study focuses on the effects of taxation and other regulatory costs to businesses. The information was collected from 22 employees at the hotel, the majority of whom were from administrative departments who were interviewed and asked to fill in questionnaires while some were selected for interviews.

1.8 LIMITATION OF STUDY

Although all efforts were directed towards obtaining data based on objectivity, circumstances that were to deter the gathering of the information were however inevitable. The following were the limitations:

1.8.1 Access to data

Confidentiality policy at TVFH is one of the challenges that the researcher met as the management of the entity entities initially were reluctant to disclose some required information however the researcher used face on face interviews on selected individuals and questionnaires in which no names of the participants was to be included so as to ensure that no particular individual would be identified as having breached any possible confidentiality policies.

1.8.2 Authorisation to carry out a research

The other challenge which the researcher met was authorisation to carry out a research at the targeted organisation of study However the researcher overcame this by following the due and proper application to carry out a research at the organisation fully explaining the importance to both the researcher and the organisation of study and at the same time emphasising that the research is for academic policies only.

1.9 ASSUMPTIONS

In this study there are assumptions that have been made. It is assumed that the research subjects were knowledgeable and willing participants in this research. The other assumption is that the target population responses were not influenced by their superiors and was objective in all aspects. The other assumption is that data was collected on reasonable time which would allow the researcher to complete the research under scheduled time.

1.10 DEFINATION OF TERMS

- **Value Added Tax**-According to Irongwe and Peter (2015) it is a tax paid by an economic unit for the value of which one adds to goods or services during the stages of production or the distribution of those goods or services.
- **Statutory Obligations**-The obligation created under law that does not arise from a contractual relationship (The Law Dictionary: 2015)
- **Profitability**- Ability to earn profits by a business. (Study.com:2015)

1.11 CHAPTER SUMMARY

The chapter highlighted the problem of effects of taxation and other regulatory costs as evidenced at The Victoria Falls Hotel Partnership which is the organisation of study. Objectives of the study and their research questions to be addressed were also highlighted in this chapter alongside with the challenges faced by the researcher during the time when he was carrying out his research. The next chapter now focuses on the literature review of the problem

CHAPTER 2

REVIEW OF LITERATURE

2.0 CHAPTER INTRODUCTION

This chapter provides a review of early researches concerning effects of taxation and other statutory obligation on businesses and will go on to relate the literature with what happened at the organisation of study. The research gap from the previous chapter will also be further looked at in greater detail. The research objectives listed in chapter 1 will be used as guideline to the review of literature.

2.1 EFFECTS OF TAXATION AND OTHER STATUTORY OBLIGATIONS ON BUSINESS PROFITABILITY

2.1.0 Taxation and other statutory obligations reduces profits for the businesses

Jepkogei(2014) pointed out that taxation do have a negative effect on the organisation's profitability as it comes in to further reduce the money that will have been put aside either for reinvestments or for distributions to equity participants which in turn will motivate both existing and potential investors to invest money into the business thereby increasing capital expenditure the assets of which will be used to generate revenue. Adejare (2015) agreed to this by pointing out that there is a negative relationship between profitability and taxation given that taxation reduces profits hence the higher the taxation the lower the profits earned by the organisation. On the same note Tripathi (2011) argues that VAT reduces the profitability since introduction on a certain product will result in businesses passing the burden to the final consumer who will in turn end up ceasing to buy the product due to price increase hence revenue will have been reduced the effect of which will result in profit

decline. However at TVFH no price increases were introduced in response to introduction of VAT standard rate on foreign accommodation.

Kawano and Slemrod (2012) argued that if tax rates are set commensurate to the economic performance of a country then the effect will not necessarily be reduction of profit as taxation will be reduced to a normal expense which will likely be recovered either directly or indirectly. This was also agreed to by Gale and Samwick (2014) that tax rates really need to be cautiously set so as to avoid negative effects on organisational profitability. According to Coglianesi (2012) if a business complies with all the legal requirements then there are costs that will be cut hence resulting in increased profit as the business will not incur unnecessary expenses such as penalties and fines which contributes towards increased profit. Manokore Attorneys (2014) also alluded to the same point by postulating that it is cheaper and economically reasonable to run a business which is legally registered. However on the contrary Rohtak (2013) argues that taxes like VAT will not result in the business losing its profit as there are 2 ways to recover the VAT costs the first one being to take advantage of the mechanics of VAT by claiming input tax against output tax and the second one being the passing on of the burden to the customer by increasing the prices with the VAT percentage hence the profitability will not be affected.

At TVFH the profit reduced by 52% in 2015 after the introduction of standard rate in terms of VAT on foreign accommodation by the 2015 National Budget Statement. Management at TVFH once engaged the Zimbabwe Tourism Authority in a bid to try and negotiate with the government so as to seek a win-win approach as they complained that the regulatory costs were too much and was negatively affecting the organisation's performance. TVFH is registered on all the regulatory costs for the hospitality industry but however the hotel has

been subject to penalties and fines which would occupy a significant portion of the hotel's total costs due to failure to meet deadlines for the remittance of regulatory obligations.

2.1.1 Taxation and other statutory obligations indirectly increases organisational Profitability

Custom duty tax helps protect local entities in an economy from cheap imports as the tax charged on imports will increase the cost of goods coming in so as to provide a level playing field for businesses in terms of pricing.(Chude and Chude :2015).On the other hand Obradovic (2014) agreed with this as he added that regulating the business world will improve the competitiveness of local product since the imports will be made expensive by the taxes imposed on them hence resulting in increased profit for the local businesses. BDO (2014) pointed out that there are tax avoidance measures which are legal that can be taken by companies so as to reduce the total costs hence enhancing profitability.

Katz et al (2013) who contradicted this postulated that tax avoidance measures will not go a long way towards reducing possible costs but will only reduce an insignificant cost of which that will not result in profit increase given that every government tries its best to get rid of all loopholes on the legislation hence taxpayers will be left without much to take advantage of. At TVFH more than 80% of the purchases made by the hotel are zero rated in terms of VAT yet accommodation which occupies 75% of the hotel's revenue is standard rated in terms of VAT hence there is not much to claim as input tax the result of which was that revenue declined which in turn resulted in profit decline for the hotel.

According to Felix and Hines (2014) business entities normally do not systematically relocate their most profitable business operations to low-tax states, but those who have done that have

realised that the effect of any such relocation is overpowered by the impact of tax incentives on returns to marginal investments. Contrary to this Beigi(2013) argued that an efficient tax system insures the businesses against the risk of the unknown as the government may use the tax collected to incentivise or normalise a disaster that will have taken place. Obradovic (2014) agreed to this by pointing out that government agencies appointed to ensure compliance will help business entities to indirectly benefit through increased revenue by providing services such as marketing the whole industry in the country and practicing protectionism so as to ensure local business entities' competitiveness against foreign products hence the increase in revenue will instigate profit increase as well.. KPMG (2013) also added that taxation paid by business entities normally comes back in form of grants of which that grant will result in the increase in economic benefits hence indirectly the firm will have realize a gain which is as good as profit. In Zimbabwe hospitality businesses like TVFH have to remit 1% of their total revenue to the Zimbabwe Tourism Authority which is a parastatal created for the purpose of ensuring regulatory compliance in the tourism industry and also to market the country's tourism in the world thereby increasing the number of tourists coming to Zimbabwe and hence increasing revenue for hotels which in turn result in profit increase.

2.1.2 Potential manipulation of accounting statements

Katz et al (2013) argued that most businesses end up trying to undermine their net income by recording fictitious costs so as to evade regulatory costs despite the fact that such a decision may end up resulting in compromised internal controls which will give employees a chance to engage in fraudulent activities hence the profit reported will not be a true and fair reflection of the organisation's financial performance. BDO (2014) agreed to this by also claiming that businesses who have a tendency of evading tax usually achieved this through manipulation of financial reports as businesses would deliberately understate their assets and

income alongside with overstating the liabilities and expenses so as to try and evade taxation. Mutarindwa and Rutikanga (2014) however had a different view concerning this claim on tax evaders by arguing that an effective audit carried out by government agencies appointed to collect and administer revenue collection or the treasury would force companies to report the exact profit that they will have realized hence taxation will not have affected financial performances. In relation to tax evasion Nyamwanza et al (2014) also pointed out that tax evaders would simply temporarily shut down their businesses as soon as they get to know that ZIMRA officials were carrying out audits of which closing down would mean lost potential revenue thereby resulting in decreased profits. Alternatively tax evaders would simply bribe tax auditors so that they would not be liable to penalties and fines but the money used for bribing would be high likely not recorded in the financial statements yet it's a cost hence the profit recorded will not be a true reflection of the organizational profitability. Although TVFH has not been engaged in either manipulation of financial statements and corrupt activities the hotel has however been subject to penalties and fines which would contribute to costs hence reducing the profit.

2.2 TAX AVOIDANCE'S EFFECTIVENESS ON COST REDUCTION

2.2.0 Effective in terms of reducing costs

Adebisi and Gbegi (2013)¹ pointed out that tax avoidance effectively reduces organisational costs as it is legal and high unlikely to meet any future obligation like penalties as a result of evasion and further concurred that a strong negative relationship do exist between tax avoidance or tax evasion and the income generated by an economy's revenue authority which means that there is significant relationship between the tax rates and tax avoidance or tax evasion however tax evasion has the disadvantage that a future tax obligation may arise which will be more than what should have been paid. Alm and Finlay (2012) also alluded to

the same point by pointing out that costs of paying taxes should be set as an approximation by the cost savings from possible legal tax avoidance strategies available for an organisation as it is normally practiced by any business with competent personnel who will normally be well vested in tax issues and loopholes within the act. Masarirambi (2013) pointed out that tax avoidance reduces costs and its legality characteristic protects the firm from any future repercussions to do with non-compliance. While on the same note Kawor and Kportorgbi (2014) the efforts put in place by management to legally dodge cost of taxation do result in the reduction of organisational cost of which tax planning has a neutral influence on firms' performance as it does not necessarily mean that every saving made through tax planning goes towards benefitting the equity holders of the business and that tax planning alongside with other factors simultaneously play a major role in determining the business's market performance. Lastly business organisations' tax avoidance attempts decreases as the taxman reduces tax rates and that such a finding indicates that leakages in tax revenue as a result of intensive tax planning of firms reduce when tax authorities set low tax rates.

Goh (2013) also pointed out that forms of corporate tax avoidance which are not very aggressive strongly reduces a business firm's cost of equity and that this effect is strongly affect firms with better outside monitoring and those firms whose probability of realising higher marginal benefits from tax savings and firms with appropriate information and knowledge. Kholbadalov (2012) also pointed out that tax avoidance goes a long way in reducing the cost of the organisation as in some case it helps to reduce the cost of debt on an indirect basis as tax avoidance may end up being viewed as a substitute for the use of debt. Ftouhi et al (2014) argues that there is a strong negative relationship between the value of the firm and the tax avoidance measures that an organisation undertakes and also that tax planning may in a way be viewed as steps taken by taxpayers so as to reduce tax liability in

obtaining the cost saving benefits hence maximising the tax benefits but the end effect will be the reduction of the value of the business organisation.

Sikes and Verrecchia (2014) argued that if all or the majority of the companies decide to engage in tax avoidance measures then the result will not be as beneficial as intended by the business organisations in fact such an action will result in the covariance between a firm's cash flow and the market cash flows increasing hence instigating the increase in the firm's cost of capital of which that will affect all the business organisation in an economy despite the fact that they engage in intensive tax planning or not. Chen et al (2011) also disagrees with the fact that tax avoidance significantly reduces total costs as the argument is that there is great need for precaution and expertise when discovering a loophole within the statutory instrument or an act of law the discovery of which will require an expert who is more likely to be expensive to pay the cost of which may be equivalent to that avoided in form of tax. According to the European Commission (2016) only small businesses are the ones that benefits more from tax avoidance as the tax liabilities that they will have avoided may be material and hence contribute much towards cost cutting but however the major drawback that they face is that they lack well skilled staff who can appropriately interpret the law hence that result in them evading tax whilst trying to avoid it hence resulting in penalties charged on them. However this may justify why TVFH ceased tax planning given that they are not a small organisation.

Gravelle (2015) argues that multinational companies are the ones who benefit much from tax planning and tax avoidance with actions such as shifting debt to high-tax jurisdictions as countries tend to tax these organisations when they repatriate their moneys back to their country of origin hence multinational companies can effectively reduce their costs. This was

also agreed to by The Fair Tax Campaign Limited (2013) who postulated that “Multinational companies can choose to inflate the costs of their operations in higher tax regime countries thereby benefitting from the extra tax relief applied to business expenses.”⁵ Hasan et al (2014) also argues that firms who intensively practices greater tax avoidance incur more stringent non-price loan terms and higher interest rates, incur higher at-issue bond spreads, and prefer bank loans over public bonds when obtaining debt financing and that this is an indication that banks view tax avoidance as promoting higher risks.

However according to Nsor-Ambala (2015) ethically minded businesses will try by all means to desist from tax avoidance or even evasion practices as they will be conscious of the fact that they have a responsibility to also provide funds for the government so that it will in turn be able to create a conducive environment for the same business firms to operate hence customers have a tendency of buying at an ethically oriented organisation thereby increasing its revenue. However at TVFH the reason for not practicing tax planning was the immateriality associated with the cost saved against huge volumes of transactions that the organisation would transact hence the amount was considered insignificant.

2.3 EFFECTS OF TAXATION AND OTHER STATUTORY OBLIGATIONS ON BUSINESSES’ GROWTH AND LIQUIDITY

2.3.0 Reduces working capital and causes adverse liquidity ratio

According to Umeora (2013) taxation do affect the businesses’ liquidity position in a negative way as most governments usually apply strict rules as far as meeting the remittance deadline is concerned. Regulatory costs on hospitality business are a further burden to the working capital as the industry is usually involved in refunds as it is high likely that any

complain in the hospitality industry will result in a quick refund so as to maintain a friendly manner and the repute behind the hospitality. According to Liu (2011) taxation will always reduce the organisational working capital as its payment takes cash away from the business and deferring will result in the liability which will again reduce the working capital and at times will further be affected by penalties which makes the liability to be cumulative hence reducing working capital. WTTC (2012) argued that VAT charged on hotel accommodation would strongly reduce the organisation's working capital as most of the goods purchased by hotels usually do not have VAT charged on them for example food products .This research finding is evident of what happened at TVFH after the government introduced 15% VAT on foreign accommodation. The zero rated goods that the hotel purchases comprises of more than 80% of the total costs yet the revenue from accommodation occupies 75% of the total revenue hence the VAT remitted to ZIMRA will be more than what will be recovered by the hotel.

Edame and Okoi(2014) argues that taxation which is well administered and fairly distributed across industries by the relevant authorities does not necessarily have a negative effect on the firm's liquidity as the distribution of the tax collected will result in remuneration of the civil service who in developing countries form larger portion of the employed will in turn spent the money or invest it in the business that will have paid taxes hence no effect but just a circulation of money. RBZ(2012) pointed out that regulation and fees charged when making a foreign payment are designed to discourage those buying outside so as to ensure that there is no liquidity crunch among businesses as that would compromise every company's working capital.

Different forces prevent a firm from pursuing its optimal investment level. Chief among them is high corporate tax rate as it affects the liquidity specifically cash belonging to the organisation because cash holdings have a strong relation with the firm's investment. Cash holdings which help firms with high internal financing cost for financially constrained firms which will take up positive net present value projects. This means that, high tax rate does have an effect on corporate liquidity. Therefore high corporate tax normally forces businesses into liquidity problems even if the business makes heavy profits because not all profits declared by companies are in cash yet revenue authorities or treasury requires their dues in cash. (Ezugwu and Akubo: 2014) (1) This finding matches what happened at TVFH with 60% of the hotel's revenue being realised as a credit sales yet ZIMRA want the VAT remitted on the due date and failure to do that would attract a 100% penalty hence tightening the liquidity position of the hotel.

However contrary to this Tripathi et al (2011) argued that the mechanics of VAT would be advantageous when the business is making purchases on credit and at the same time receiving their revenue in cash of which that will result in the organisation having a healthy cash position hence improving the liquidity position of the business. According to Covas and Driscoll (2014) regulation is only necessary in the banking sector where depositors' money has to be secured otherwise in other industries and sectors they are only there to negatively affect the organizational liquidity position as they provide money for government to fund its expenditure.

2.3.1 Improves growth rate of business

Adejare (2015) argued that regulatory costs do result in the growth of businesses as the remitted taxes and levies will be used to develop infrastructure which will in turn attract

investors to invest into local businesses of a country. Tulsian (2014) also agreed to the same point that taxation which is one of the major components of regulatory costs for businesses indirectly results in growth of the businesses as government policies will always be made to try and provide grants and subsidies to under-performing industry and the source of funding will be regulatory costs charged on businesses. Onaolapo et al (2013) pointed out that if more goods and services are taxed, the national treasury revenue of a country will increase which will in turn in one way or the other benefit the general public and the businesses as government expenditure objectives will be to ensure survival of businesses which provide them with the revenue and to ensure the growth and creation of new firms so as to widen the government's revenue base.

However on contrary Moffatt (2015) argued that a change in tax will change the behaviour of those who buy given that consumers are the people who normally contribute towards the revenue of a business hence a permanent tax change will affect the organisation's profitability and growth given that if the tax is reduced then revenue will go up for the business firms and if it is increase revenue will be reduced as consumers will tend to reduce their level of spending. Parker and Kirkpatrick (2012) argued that those businesses which have the capability of paying tax and do pay tax normally do not benefit from government grants or subsidies as most governments tend to strive to speed up the growth of small businesses and special economic zones. This concurs with Haida (2012) who pointed out that the main purpose of taxation is to distribute wealth equally and not to directly benefit the one who will have paid hence the tax collector will be concerned about ensuring equitability rather than growth of business. Felix and Hines (2014) also argued that government only view businesses operating in their country as sources of their revenue that they use to grow

new businesses and fund their expenditure hence they are interested in the businesses' survival rather than growth.

There is a negative correlation between tax and businesses' potential to growth. This means that the higher the amount paid as regulatory costs by business, the lower the amount of funds available for re-investment into the business of which low re-investment will in turn lead to a slower rate of business growth or expansion.(Atawodi and Ojeka:2012) This concurs with the findings of Bolton et al (2014) that the growth of business in any given economy is in the hands of the government officials specifically the treasury which is significantly involved in the policy making regarding tax administration .According to Mungaya et al (2012) if taxes are high then they will adversely affect the competitive advantage of the business hence its growth will have been compromised and also that that businesses would definitely grow if the tax-policy does not ignore the needs of the entrepreneurs and investors. The Zimbabwe Tourism and Hospitality Minister was quoted as saying that the idea of charging VAT on foreign accommodation was unintelligent as it killed the goose that laid the golden egg given the significant amount contributed to the national treasury by the tourism sector.

On the other hand Gathigia (2011) argues that although it is cheaper to run a business legally there are however circumstances in which compliance end up being very expensive for the businesses in developing countries given the level of strictness applied by those governments as taxation is the only source for their revenue, such actions result in the hindrance of the possible growth and expansion of the business. Akinboade (2014) argues that regulations hit small businesses hard as they have higher compliance cost than larger businesses, they are not very much resilient to regulatory costs as compared to larger businesses ,they lack specialists relevant for regulatory requirements and that smaller businesses needs government

attention and assistance for them to be able to fully comply with the regulatory costs. Faramarzi et al (2014) if taxes are high firms will retrench and when they retrench the sales will go down as the employed are the ones who normally occupies a greater portion of organisations' sales and when the organisation retrench it will definitely fail to produce quality results given that they will be understaffed.

TVFH may be considered a large business given that it gets a higher amount of revenue and fairly higher profits and also that they are able to employ specialists in regulatory costs hence their growth is not very much deterred by taxation and other regulatory costs. In addition no grant or subsidy was received from the government between the periods 2013 to 2015

2.4 BENEFITS OF TAXATION AND OTHER STATUTORY OBLIGATIONS

2.4.0 Protects local firms against foreign competition

Obradovic (2014) pointed out that the regulatory environment do protects local businesses from foreign imports by simply charging custom duty tax which increases the cost for the importer so that the imports will end up being more expensive than the local products which in some cases may have been incentivised hence creating a competitive advantages for local businesses. Listokin (2011) agreed to this by postulating that had there be no regulatory costs developed countries would simply come into small and developing economies ,sell their goods which would be far much cheaper given the economies of scale that they enjoy and such a measure would leave local companies forced out of business by competition resulting in businesses shutting down. However on the other side Rohtak (2013) argued that government need to be very careful when crafting their tax regime as some raw materials for some companies cannot be found in the local market hence there will be need for government

to easy its regulatory costs as far as importing of scarce or unavailable raw materials is concerned for such a move will end up making the finished goods more expensive hence compromising the competitive advantage. At TVFH about 45% of the total raw material purchases are imports which are either scarce or the quality required cannot be found in Zimbabwe of which the goods are subject to customs duty tax, VAT and in addition to those costs there is also the cost of clearing which the hotel have to meet as they have a clearing agent who do the clearing on their behalf.

McKenzie et al (2011) argues that although taxation is said to be applied uniformly across a given economy, difficulties arises when a not for profit organisation or a government run organisation run the same business as that of a private sector business yet the not for profit organisation or government run organisation is exempted for profit, the result will be that the competitive advantage claim will have been defeated as the other one will not be meeting more costs hence will reduce the price. Kebewar (2011) agrees to this by pointing out that if taxation is not uniformly applied among business players in the same sector then the competitive advantage will only be enjoyed by those who are exempted and the continued price difference will end up leading to serious price differences which will in turn lead companies towards a shutdown point. This however does not apply to TVFH given that there is no exempted business that operates in the same sector as TVFH.

2.4.1 Business entities gets incentives and government grants from taxes collected by government

Beigi (2013) pointed out that an efficient tax system insures the businesses against the risk of the unknown as the government may use the tax collected to incentivize or normalize a disaster that will have taken place. Not all companies or businesses that pays tax receives the

incentives and government grants otherwise the rest are only there to contribute to the national treasury and will only benefit from public goods of which that will be an indirect benefit (Adebisi and Gbegi:2013) ZIMRA (2012) on the other side claims that it is cheaper and risk free to run a business legally and there are benefits that revenue authorities provide to businesses who pay tax on timeous basis for example the revenue authorities may exempt a business from paying tax as a way to recognize the effort made by the entity to pay tax and in addition there are also some awards that revenue authorities give to businesses in order to recognize the effort made by the entities which will go a long way in portraying the organizational repute.

Governments normally have wishes to use tax incentives to attract mobile capital, but as a result they will end up facing many revenue constraints and high tax revenue collection costs from taxes on factors that are not necessarily capital. In such circumstances incentives that targets new and mobile investments may end up appearing as if they are an attractive idea, since it allows a competitive tax system and provides revenue from existing capital and other non-mobile activities (IMF:2012) On the same note ATAF (2014) argued that even if treasury incentives and government grants are intended for domestic purposes they usually have external implications which lead to tax competition despite the fact that taxes will have created competitive advantage for their local firms. Hence the government will end up increasing tax rates so as to cover up for the back fall. The objective of these incentives will be address the externalities specifically the spill overs of some of the established knowledge to other firms. The presence of incentive and governments grants in an economy will attract foreign investments which will in turn improve the organisation's equity and boost domestic investment. According to Tripathi et al (2011) if a well administered VAT system gets implemented , it will not only shut options for the traders and entrepreneurs to evade paying

their taxes, but also make sure they will be compelled to keep proper records of sales and purchases but however the growth of those businesses will only be determined by the possibility of that tax remitted coming back either in the form of an incentive or in the form of a government grant which will increase the organisational income hence opening the possibility of the organisation being a bigger one. However given the economic conditions that prevailed in Zimbabwe between the period 2013 to 2015 government was unable to provide any significant incentives or grants for businesses.

2.5 CHAPTER SUMMARY

This chapter reviewed previously researched problems and weighed the views and findings of early researchers of which during the analysis of their views research gaps were established to justify why the researcher decided to research on similar matters which still have debates surrounding them as evidenced by the aforementioned literature review. The objectives in the first chapter were used as a guideline to review early researches related to the same problem. Where an early research finding matched with what took place at the organisation of study, the researcher would state that a similar event happened.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 CHAPTER INTRODUCTION

This chapter shows the methods that were used in the process of gathering the data from the research subjects. The chapter will explore the research design that will have been used and justifies why that design was considered appropriate for the problem that was being researched on as recommended by early writers and also the researcher's professional judgement on rationalisation of the methods to be used in relation to the research objectives. It further show the sampling frame and the research instruments that were used to gather data.

3.1 RESEARCH DESIGN

3.1.1 Descriptive Research

A descriptive research method was employed as it aided the researcher in objectively obtaining the data as it describes the state of affairs as they exist at present value. The fact that it would describe the existing state of affairs would mean that the respondents would provide me with current data as to how taxation and other statutory obligations affect their organisation's financial performance. According to Sivasubramaniyan (2012) the major purpose of descriptive research is description of the state of affairs as it exists at present and that the researcher will not have any control over the variables but will simply have to report what is there and what is not. According to Walliman (2011) one of the major factors that influences descriptive research design is the level of complexity of the research subject. Given the complexity associated with taxation and other statutory the use of descriptive research design was identified by the researcher as the most appropriate for this study as the

respondents would get the chances to fully describe how taxation and other statutory obligations were affecting the organisational financial performance hence ensuring that all the required data for this research is fully obtained.

3.2 TARGET POPULATION

The researcher had a target population which comprised of a total of 30 employees who are from various departments at TVFH which comprised of all levels of management and those that are not part of the management but whose opinion was considered relevant. The staff were categorised so as to assist the researcher in objectively finding out how the taxation and other statutory obligations would affect the organisation's financial performance. The researcher decided to choose these target population elements as they would provide various data given that these personnel would attend financial review meetings and would also bear some taxation burdens alongside with enjoying taxation benefits as departments.

3.2.1 Sampling Frame

In this study purposive sampling was employed so as to allow the researcher to deliberately choose the sample population elements who would frequently attend financial review meetings at the organisation and also those who were involved in both the preparation of financial statements and ensuring that all legal requirements are complied with. According to Sivasubramaniyan (2012) the selection of particular elements constituting the target population which represent the whole picture has to be done by picking those who are knowledgeable about the variables of the research being undertaken so as to come up with an unbiased result.

According to Shannon (2013) a smaller target population of less than 50 would high likely come up with a reliable and valid result if at least 60% of the target population is selected as a sample.

The following table summarises the distribution of the sample from targeted population to those who comprised the sample:

Table 3.1 Population and Sample Size

Respondents (TVFH Staff)	Target Population	Sample Population	Sampled Population as a %
Accounting & Finance Function	12	10	85%
Human Resources Function	8	6	75%
Procurement & Stores Function	5	3	60%
Front Office Function	5	3	60%
Total and % Average	30	22	70%

As shown on Table 3.1 a total of 30 employees were chosen as the target population and then after purposive sampling was employed, only 22 employees were selected as the sample population from which the researcher obtained the data from resulting in an average of 70% of the target population being the sample population.

3.3 DATA SOURCES

Given that tax rates and other regulatory cost usually change on a yearly basis the researcher opted to use primary data so as to obtain first hand evidence from TVFH staff members who were selected as sample population since they are the ones who would prepare, contribute, attend financial review meetings and also preparing returns for the remittance of both

taxation and other regulatory costs as Walliman (2011) postulated that Data that has been observed, experienced or recorded close to the event are the nearest one to the truth. In addition primary data was also considered an aid by the researcher as it would provide a chance to both interrogate and observe the way the sample population would respond as this would help in understanding the emphasis and expressions over the effects of taxation and statutory obligations on financial performance.

3.4 RESEARCH INSTRUMENTS

3.4.1 Questionnaire

In this study questionnaires were used as instruments to obtain data from the sample population. The questionnaires were prepared in line with the research objectives so as to allow the researcher to be able to draw a conclusion and also to provide recommendations to the research problem with the evidence obtained from the organisation.

The questionnaires were distributed to the sample population elements and had a combination of close ended questions based on a Likert Scale and a few open ended questions. The reason for putting more close ended questions based on a Likert scale was to ensure that the respondents would easily understand the question given its self-explanatory characteristics. In addition to this a few open ended questions were also included in the questionnaire as a result of the consideration of the complexity associated with both interpreting and observing the effects of taxation which would allow the respondents to further describe or explain effect that they may find necessary to.

3.4.2 Interviews

In addition to the use of the questionnaire the researcher also employed semi-structured interviews as a research instrument so as to complement the use of the questionnaire. The use of unstructured interviews allowed the sample population elements to respond without being restricted to possible answers provided by the researcher and went a long way in providing clarity as to how and what were the effects of taxation and other statutory obligations on the organisational financial performance. Interviews were only carried out on top management and heads of the departments chosen mostly from administrative departments as they are the ones without limited access to financial records, records related to regulatory cost and any grants or incentives received. The interviews were carried on a face to face basis so as to allow the researcher to observe other non-verbal cues which the researcher would find useful in obtaining data.

3.5 RELIABILITY AND VALIDITY

The researcher made use of the descriptive research design in this study as it would allow the researcher to clearly hear the descriptions concerning how the regulatory costs would affect corporate financial performance directly from those who work at an organisation affected by these regulatory cost thereby ensuring validity of the data obtained. Primary data was used as a data source because of the fact that it allowed the researcher to obtain current data which is appropriate for taxation given that tax rates are usually changed every year by the government hence ensuring both validity and reliability of the data collected. The target population elements were chosen from various departments with the aim of not allowing bias and to hear views from other departments. To ensure reliability and relevance of the data the researcher chose purposive sampling which allowed the researcher to only select staff members who had the experience or knowledge about the variables in the research topic

given the complexity associated with taxation and other regulatory requirements hence the sample selected was a true representative of the whole population as it was made up of only those who were experienced or knowledgeable about the variable in the research problem. In addition to this the researcher also used two research instruments in this study namely questionnaires and interviews so as to ensure that data collected would be reliable given that in addition to questionnaires senior management who have unlimited access to financial statements and statutory returns records would shade more light during an interview whose questions would not limit them to possible answers provided by the researcher.

3.6 DATA COLLECTION PROCEDURES AND ANALYSIS

The researcher requested the Financial Controller at TVFH to carry out a research and after having been authorised to do so the researcher went on to book an appointment with the sample population elements through the telephone, the appointment of which was accepted. After having obtained the go ahead the researcher went on to distribute the questionnaires and carry out interviews in person. The data collected was checked for completeness, categorised and was presented and logically grouped according to their level of relatedness. After all this was done data was then presented and analysed using tables, pie charts and graphical presentations.

3.7 CHAPTER SUMMARY

This chapter clearly showed how the researcher collected and obtained the data by concisely explaining the research design, the selection of the population sample from the target population, the research instruments used and why they were used, the proof that the researcher is satisfied that the research was reliable and valid and finally how data collected would be presented and analysed.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 CHAPTER INTRODUCTION

This chapter provides the presentation and analysis of the data collected from the research and will further conclude the analysis by presenting the findings. The data collected was presented in tables, pie charts, graphs and a descriptive structure to aid the understanding of the readers.

4.1 RESPONSE RATE FOR QUESTIONNAIRES

A total of 18 questionnaires were distributed and the response rate is as shown on the table below:

Table 4.1 Response rate for Questionnaires.

Responding Staff Members	Number of questionnaires distributed	Number of Answered questionnaire	Response Rate Expressed as a Percentage	Non Response Rate Expressed as a Percentage
Accounting & Finance	9	9	100%	0%
Human Resources	5	5	100%	0%
Procurement & Stores	2	2	100%	0%
Front Office	2	2	100%	0%
Total and % Average	18	18	100%	0%

Table 4.1 shows that there was 100% response rate hence every sample population element responded to the questions. Cresswell (2012) argued that if the response rate is above 50% then there are high chances that the result obtained is accurate. Given the fact that a purposive sampling method was used in which only knowledgeable people about the subject were selected and that all the sample population elements responded, the data collected is high likely to be accurate as Walliman (2011) postulated that if data is well responded to by a population made up of knowledgeable people then the results are definitely something to rely upon. The success in terms of getting 100% response was as a result of timeous appointments made by the researcher and the fact that the sample population was not made up of a lot of people which also gave the researcher a room to clarify wherever there was need for clarification.

Table 4.2 Responses rate in terms of Regulatory costs complied with

Regulation	Accounting & Finance Function	Human Resources Function	Procurement &Stores Function	Front Office Function	% out of 18 participants
VAT	9	5	2	2	100%
Corporate Income Tax	9	3	2	1	83%
CGT	9	2	1	0	67%
Withholding Tax	9	3	2	2	89%
Training and Development Levy	9	5	1	1	89%
Tourism Levy	9	3	1	2	83%
NSSA	9	5	2	2	100%
NEC	9	5	1	1	89%
PAYE	9	5	2	2	100%
Excise Duty	9	2	2	1	78%
Other	9	0	0	0	50%
Average response rate in terms of regulatory costs complied with					84.36%

Table 4.2 shows the number of participants who confirmed that the hotel complied with the respective statutory obligations. All the 9 staff members from the Accounting and Finance function confirmed that the hotel complied with the listed statutory obligation and further provided 1 more obligation which was not provided for in the questionnaire while those from other departments confirmed but not all of them would always confirm.

This shows that an average of 84.36% of those eighteen participants who responded to questionnaire agreed that the organisation complied with the listed statutory obligations alongside with others which were not provided for in the questionnaire. Some staff from other departments other than Accounting and Finance could not tick on some statutory obligations probably due to the fact that some of the regulatory cost were not being met by their departments and that they had no free access to financial statements.

Kowalczyk (2015) argued that a more than 60% agreement of a certain phenomenon by participants is enough to conclude the existing position.

Therefore in this case an average of 84.36% clearly evidences that the organisation of study (TVFH) complied with statutory obligations hence making the organisation of study relevant to the research as the researcher aimed to find out how those listed statutory obligations were affecting the organisation's financial performance.

4.2 RESPONSES TO QUESTIONS

4.2.1 Effects of taxation and other statutory obligations on corporate profitability

Fig 4.1 Reduction of corporate profits

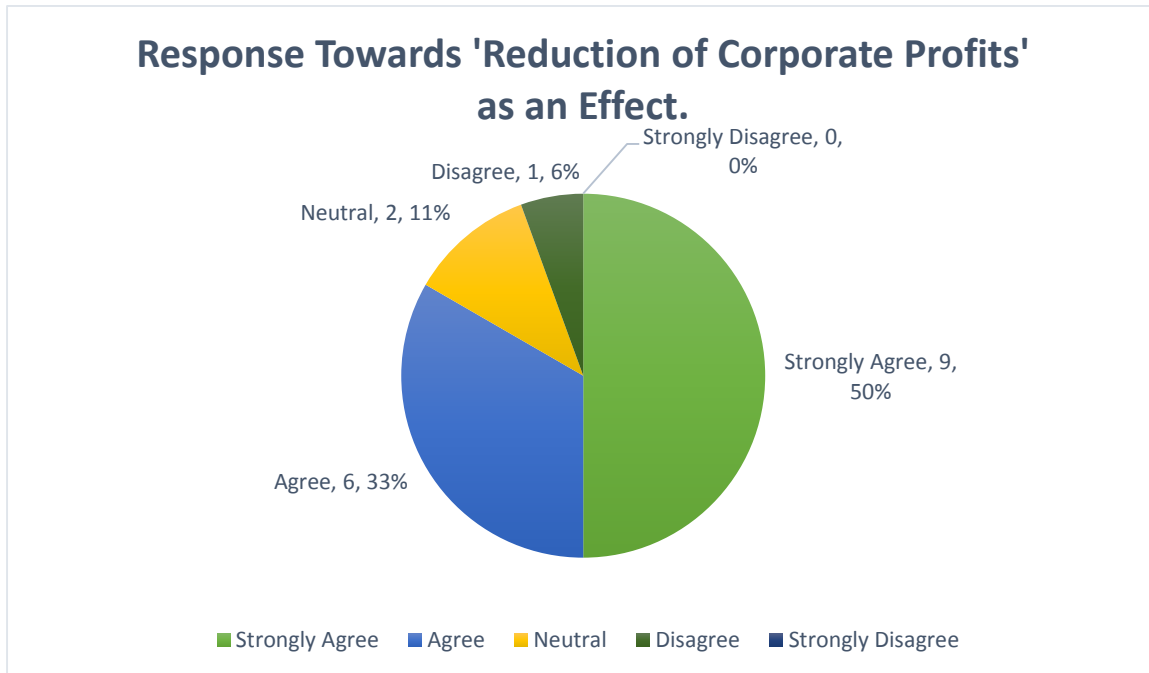


Fig 4.1 shows that 9 out of 18 participants strongly agreed that taxation and other statutory obligations do reduce organisational profit while on the same note 6 out of 18 participants were in agreement that the effect of taxation and other statutory obligations on their organisation was to reduce profit. On the other side a total of 2 of the participants were neutral or undecided over the claim while only 1 participant disagreed that that taxation and other statutory obligations reduces organisational profitability. None of the participants strongly disagreed that taxation and other statutory obligations reduces profits

On aggregate a total of 88% of the sample population agreed either strongly or by merely agreeing that taxation and other statutory obligations do reduce organisational profitability. This concurs with the findings of Jepkogei (2014) and Adejare (2015) who argued that regulatory requirements had a negative relationship with organisational profits hence taxation

and other statutory obligations reduces corporate profitability. The other 11% of the participants were neutral over the claim and may probably have required other conditions to be satisfied such as those of Kawano and Slemrod (2012) who pointed out that if tax rate are set commensurate to the economic performance of a country then the effect will not necessarily be the reduction of profit. Only 1 participant who represented 6% disagreed that taxation reduces profits hence representing an insignificant portion which goes in line with the findings of Rohtak (2013) who argued that taxes like VAT do not reduce organisational profits. None of the participants chose the strongly agreed band which is a sign that there was no high confidence in the one person who disagreed.

Given that those who agreed occupied a total of 88% of the sample population and that the mode is on those that strongly disagree, the researcher learns that taxation and other statutory obligations reduces profitability at TVFH.

Fig 4.2 Indirectly Increases Organisational Profits

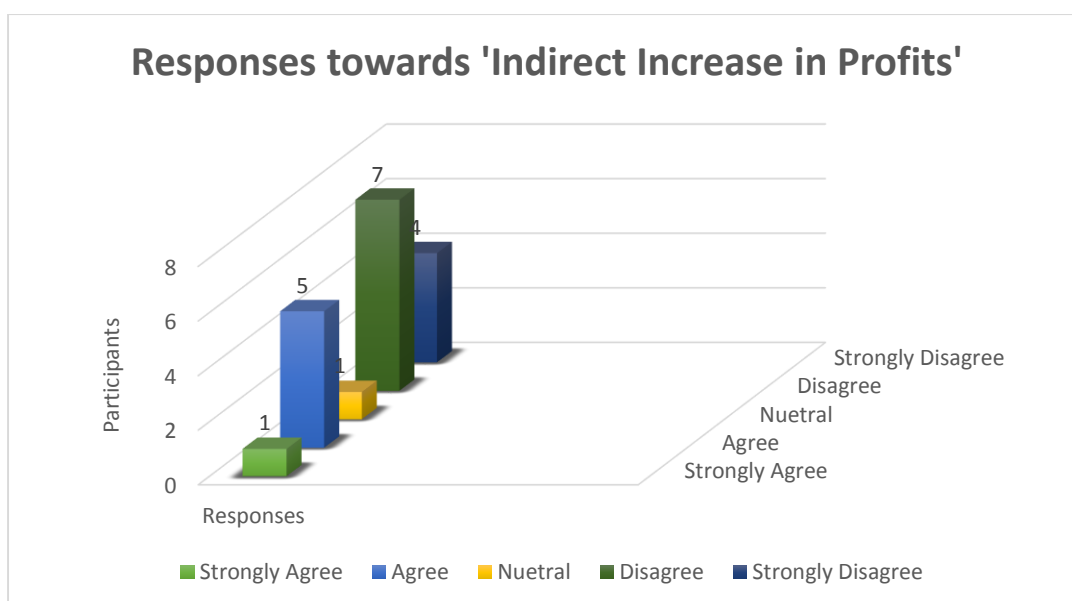
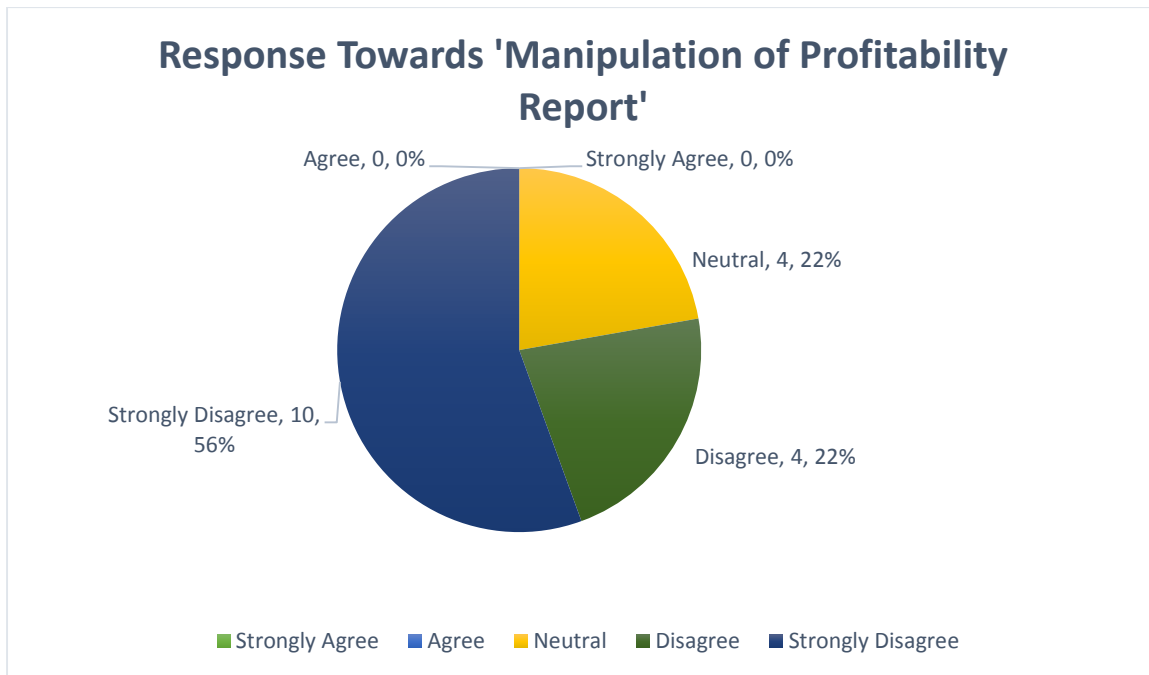


Fig 4.2 shows that 1 out of 18 participants strongly agreed that taxation and other statutory obligations indirectly increases profits while 5 out of 18 participants agreed that regulatory requirements indirectly increases profits for the organisation. Only 1 participant was neutral as to whether regulatory requirements would indirectly increase profits or not. On the contrary was 7 participants who disagreed that profits would indirectly increase profits and a further 4 out of 18 participants who strongly disagreed with the claim that regulatory requirements indirectly increases profits.

The results shows that a significant portion of 61% (11/18) of the sample population all in all disagreed either as it is or positively with the claim that taxation and other statutory obligations do increase profits indirectly. This supports early literature of Felix and Hines (2014) who argued that tax incentives and grants do not really affect the organisational profitability as it is usually granted to already struggling sectors. Only 1 participant representing 6% of the sample population was neutral as to whether taxation indirectly increased profit or not which may be an indication that such may be pronounced true or false only under certain conditions as alluded to by Beigi (2013) who argued that an efficient tax system has to be put in place for it to indirectly benefit those who remit it.

On aggregate 6 out of 18 participants in a way agreed that taxation and other statutory obligation indirectly increased profits hence representing 33% of the sample population. Given that the mode of the data presented shows disagreement with the assert and that the mean of those who disagreed is higher than those who agreed, the conclusion is that there is little or no profit indirectly brought from taxation and other statutory obligations at TVFH.

Fig 4.3 Manipulation of Profitability report



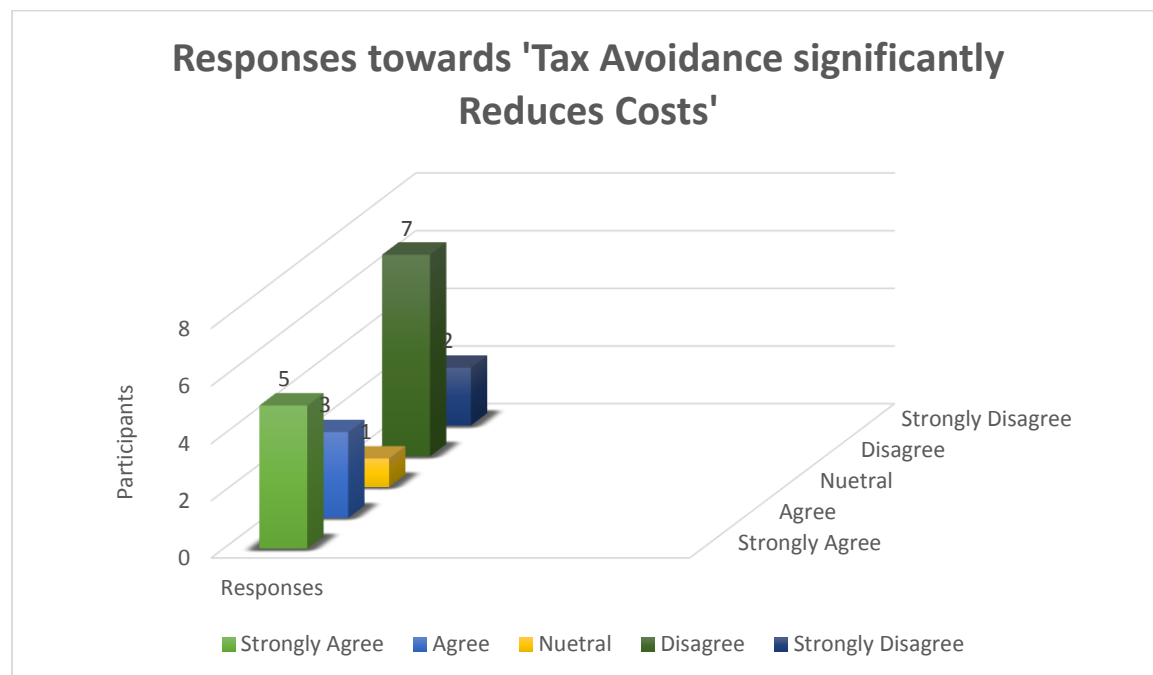
The results in fig 4.3 shows that 10 of the sample population elements strongly disagreed and 4 out of 18 participants also disagreed that taxation and other statutory obligations causes manipulation of financial statements probably in a bid to evade tax. A total of 4 out of 18 participants were neutral over the claim and neither of the participants agreed nor strongly agreed that regulatory costs results in the manipulation of financial statements.

The above results shows that 78% of the sample population disagreed with the claim that taxation and other statutory obligations would result in manipulation of profitability report which support the findings of Mutarindwa and Rutikanga (2014) who argued that if effective tax audits are being carried out by revenue authorities then there will be no chances for organisations to manipulate financial reports as that will attract a further unnecessary cost if discovered. On the other hand 22% of the participants decided to remain neutral over the issue of manipulation of financial reports as perhaps they may not have had the chance to scrutinise the hotel’s financial reports given that they are confidential. On the same note neither of the participants agreed nor strongly agreed that taxation and other statutory

obligation do result in manipulation of financial reports thereby contradicting the findings of Katz et al (2013) who postulated that most businesses end up trying to undermine their profits so as to evade statutory obligations. Therefore given the level of confidence and positivity which shows 56% as the mode on the strongly disagreed band and that none of the participants ever agreed or strongly agreed, the researcher concludes that at TVFH taxation and statutory obligations have not forced the organisation to manipulate financial reports to avoid taxation.

4.2.2 Impact of Tax Planning or Tax Avoidance on Organisational Costs

Fig 4.4 Significantly Reduces Costs



The results shown on fig 4.4 shows that 5 out of 18 participants strongly agreed that tax planning does significantly reduces the organisational total cost while another 3 out of 18 fell under the agreed band which agrees that tax avoidance measures significantly reduces organisational costs. Only 1 out 18 participants was neutral over the issue of tax planning

being said to be significantly reducing organisational total costs. Those who disagreed that tax avoidance significantly reduces cost were 7 out of 18 and those who strongly disagreed were 2 out of 18 participants.

On aggregate those who agreed that tax avoidance or planning significantly reduces organisational total costs occupied 44% (8/18) of the sample population the result of which is in concurrence with the findings of Kawor and Kportogbi (2014) and that of Adebisi and Gbegi (2013)(1) who pointed out that tax avoidance measures effectively reduces total costs for business organisations due to the legality associated with tax planning which does not attract future penalties. Of the sample population 6% represented by 1 participant was neutral as to whether tax avoidance would significantly reduce cost or not probably due to possible limited access to financial statements hence it is assumed that the participant may have required certain conditions to be met before agreeing to the claim as Finlay (2012) pointed out that the cost foregone may be replaced by cost of competent personnel as tax planning or tax avoidance requires a competent person to detect loopholes in the provisions of the law. On the other hand 50% (9/18) of the sample population disagreed with the argument that tax avoidance had significant effect towards reduction of costs which support the findings of Sikes and Verrecchia (2014) who argued that there was no significant reduction of costs from tax avoidance. Given that 50% of the sampled population disagreed with the assert that tax avoidance significantly reduce organisational cost and that the mode was also on those who disagreed , the conclusion is that tax avoidance measures do not significantly reduce organisational costs.

Table 4.3 No Significant Reduction in Costs

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Number of Participants	3	6	1	3	5
Result in %	17%	33%	6%	17%	27%
Aggregate	50%		6%	44%	

Table 4.3 shows that 3 of the 18 participants strongly agreed there was no significant reduction in costs effected by tax avoidance while the other 6 were in agreement of the claim that total cost were not being significantly reduced by tax planning. Only 1 participant was neutral with regards to tax avoidance having no significant impact in terms of cost cutting. Those who disagreed that tax planning had no significant impact in terms of cost reduction were 3 and those who were on the strongly disagree band were 5 out of 18.

When generalised one will find out that 50% of the sample population agreed that tax avoidance had no significant impact on cost reduction which concurs with early results obtained by Chen et al (2011) who argued that tax avoidance requires precaution and expertise which in turn substitute the cost of tax avoided and in the end such may end up being more costly than the tax avoided. Meanwhile 6% of the sample population were neutral or undecided over the issue probably because a certain condition may have been required such as that pointed out by Goh (2013) who argued that tax avoidance measure which are not very aggressive strongly reduces a business' cost of equity. On the contrary 44% disagreed with the assert that tax planning significantly reduced costs which supports

prior findings of Kholbadov (2012) who argued that tax avoidance significantly reduces costs as in many cases it significantly reduces the cost of debt. Given that 50% generally agreed that there is no significant impact on cost reduction by tax avoidance and that the mode is among those who agreed, it is evident that there no significant effect on cost reduction caused by tax avoidance.

Fig 4.5 Costly as Tax Avoidance Requires Expert(s)

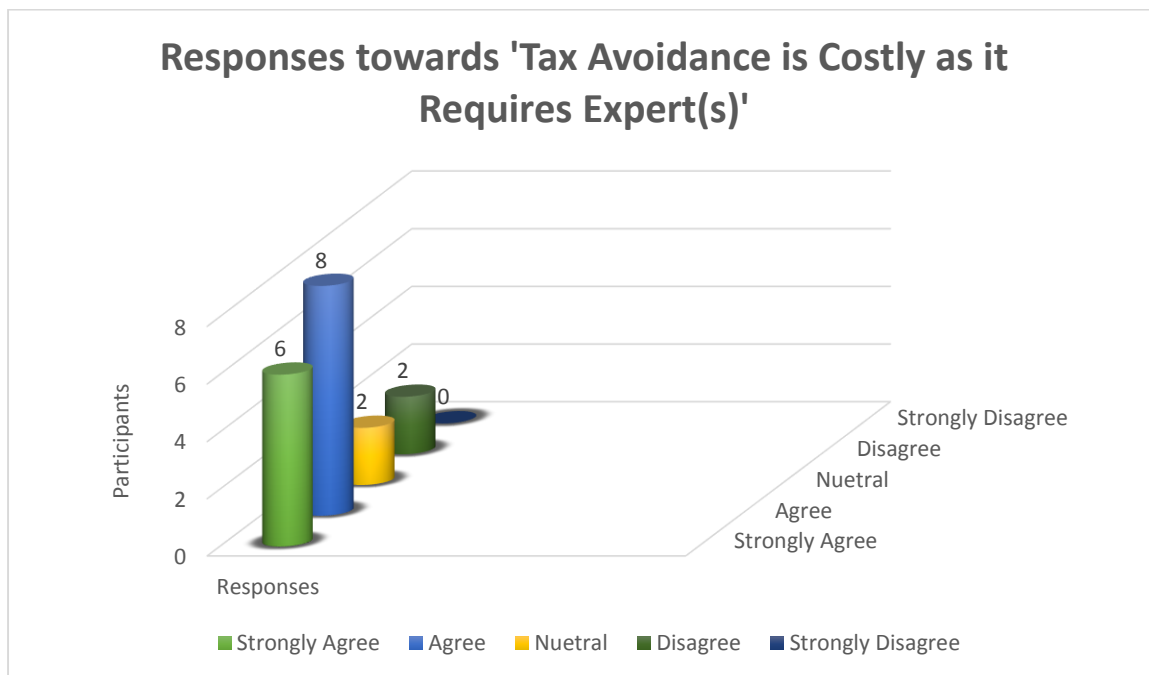


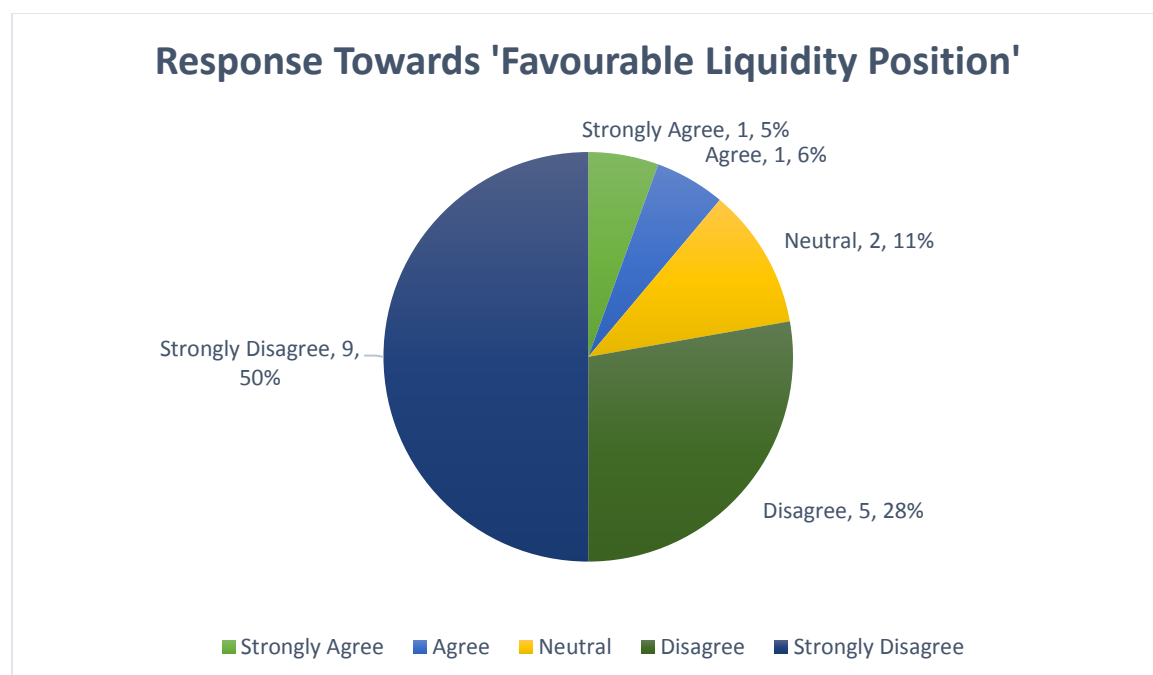
Fig 4.5 shows that 6 out of 18 participants strongly agreed that tax avoidance is costly since it requires an expert while 8 of the participants merely agreed that tax avoidance is costly. Of the participants 2 were neutral or undecided as to whether tax avoidance was costly or not a. On contrary were 2 of the 18 participants who disagreed that tax avoidances required a costly expert and none of the participants strongly agreed.

All in all the results shown on fig 4.5 shows that 78% of the sample population agreed that tax avoidance requires an expert hence it increases costs to the organisation the results of which matches with that of Chen (2011) who pointed out that it is expensive to employ an expert who detects loopholes in the act of law hence the process may increase costs. A total of 11% of the sample population were neutral hence may have required other conditions to be specified for them to decide. On the other side 11% of the sample population disagreed that tax planning would be costly as it needed experts to interpret the law which is in line with what Masarirambi (2013) pointed out that tax planning’s legality characteristic would make it an effective way of reducing costs.

Given that 78% of the sample population agreed, it is evident that tax planning and avoidance requires an expert who may in turn be costly thereby resulting in the purpose being defeated as the cost foregone is substituted by employee benefits to the expert(s).

4.2.3 Effects of Taxation and Other Statutory Obligation on Liquidity and Growth

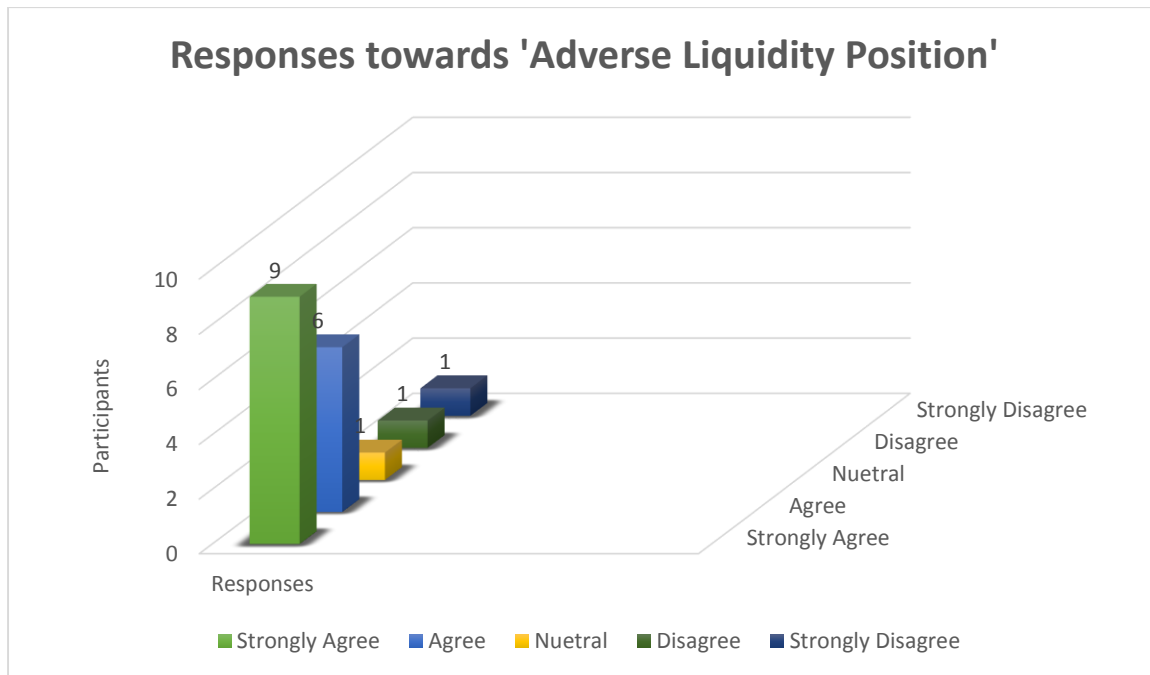
Fig 4.6 Favourable Liquidity Position



The Results shown in fig 4.6 indicates that 1 out of 18 participants strongly agreed with the assertion that regulatory requirements causes favourable liquidity position while a further 1 participant merely agreed to the same assert. A total of 2 out of 18 were neutral or undecided as to whether taxation and other statutory obligations do result in a favourable liquidity position of the organisation. On the contrary were 5 of the sample population elements who disagreed while 9 out of 18 participants were on strong disagreement with the claim that taxation and other statutory obligations do result in a favourable liquidity position for the business organisation.

Overally a total of 11% (2/18) of the sample population agreed that taxation and other statutory obligations does result in a favourable liquidity position a position which supports the early findings of Edame and Okoi (2014) who argued that taxation does not necessarily have a negative effect on the organisational liquidity if it is well administered and distributed as the money collected will be given to public sector workers who will in turn spent it hence circulating the money. Those who were neutral occupied 11% (2/18) of the sample population and the reason for being neutral may have been the fact that they may not have access or information about the cash at bank and information on financial reports as such are considered confidential information which can be accessed by selected people. A total of 78% of the sample population were either on the disagreed or strongly disagreed band which confirms the findings of Liu (2011) who pointed out that taxation reduces the working capital of the business as it is usually paid in cash and if deferred raises a liability and possibly a penalty which results in further outflow of cash. Therefore at TVFH taxation and other statutory obligation had no favourable effect on the liquidity position of the hotel especially given that the mode is on those who strongly disagreed.

Fig 4.7 Adverse Liquidity Position



The data presented in fig 4.7 shows that 9 out of 18 participants strongly agreed that taxation and other statutory obligation causes an adverse liquidity position for the organisation and 6 of the 18 participants agreed to the same claim. Only 1 participant was neutral or undecided. Again there was 1 participant who disagreed and another who strongly disagreed.

With regard to this a total of 15 out of 18 (83%) participants agreed that regulatory requirements have an adverse effect on corporate liquidity. This is concurrence with the results of Umeora (2013) who postulated that taxation had a negative effect on liquidity given the government's application of strict rules with regard to remittance of statutory dues. On the other side 6% (1/18) of the sample population was neutral regarding this claim. Those who disagreed occupied 11% (2/18) of the sample population which supports the results and findings of Ezugwu and Akubo (2014)(1) who argued that taxation normally force businesses into liquidity problems especially if the tax rates are high given that not all profits are in cash yet revenue authorities require business firms to pay their dues in cash. The results above

clearly shows that taxation and other statutory obligations do affect the liquidity position of TVFH given that a total of 83% of the sample population agreed to this claim.

Table 4.4 Improves Corporate Growth

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Number of Participants	2	3	0	5	8
Result in %	11%	17%	0%	28%	44%
Aggregate	28%		0%	72%	

The results shown in table 4.4 shows that 11% (2/18) strongly agreed that regulatory requirements improves growth rate of the business and 17% (3/18) of the sample population merely agreed that taxation and other statutory obligation improves growth. No participant was neutral as to whether taxation and statutory obligation improved growth or not. On the contrary were 28% (5/18) who disagreed and a further 44% (8/18) who strongly disagreed that taxation and other statutory obligations do improve corporate growth. In addition the 3 of those who agreed and strongly agreed further specified that it improved growth in an indirect way.

This indicates that aggregately 28% (5/18) agreed that taxation and other statutory obligations improved corporate growth a view which is shared with that of Adejare (2015) and Tulsian (2014) who argued that although taxation would indirectly take away resource from corporates but there is a time when that money collected is used to improve the growth of a selected sector or industry. On the other hand a total of 72% (13/18) generally disagreed to

the notion that taxation and other statutory obligations do improve corporate growth. This stance concurs with that of Haida (2012) who argued that taxation is not meant to improve growth but rather to ensure equitability. Therefore with regard to TVFH taxation and other statutory obligations have or do not improve the hotel's growth given that the mode is on the band of those that strongly disagreed hence showing the positivity in terms of the position of the participants and the fact that 72% in total were on the disagreement band.

Fig 4.8 Compromises Corporate Growth

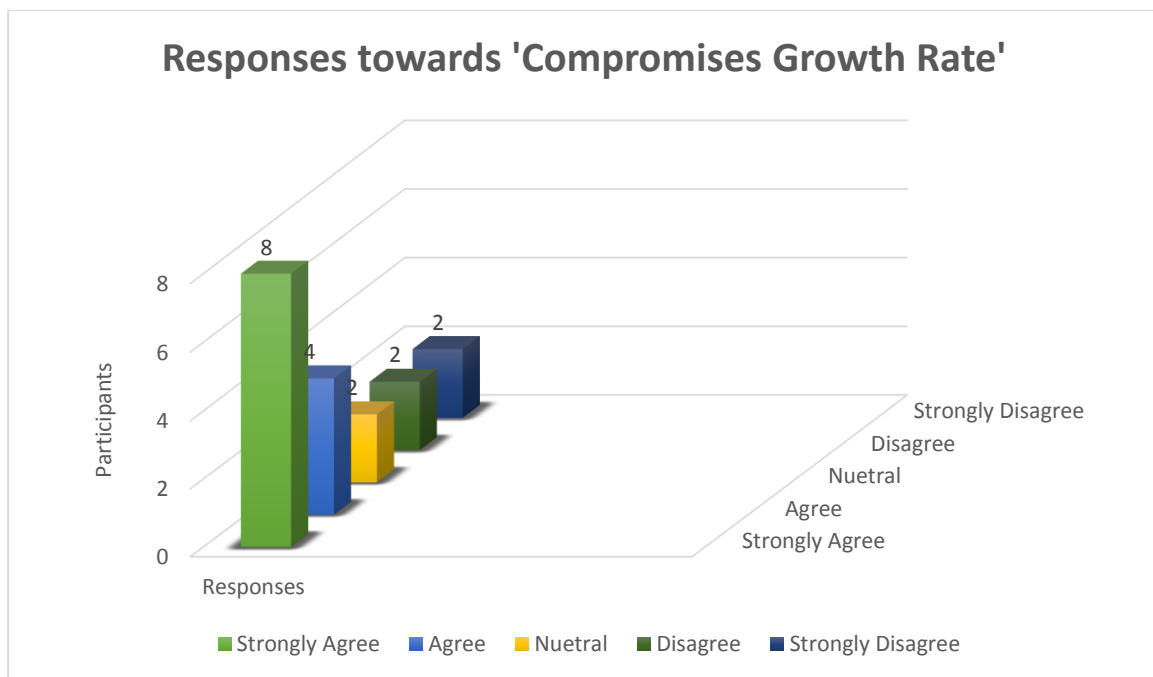


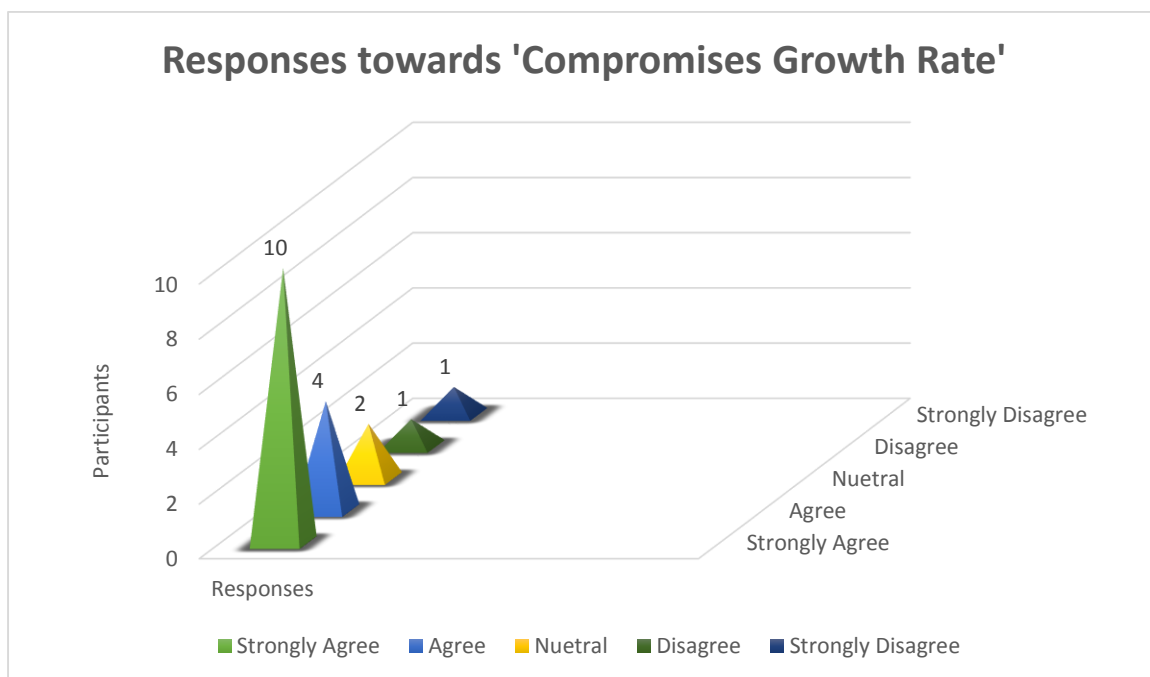
Fig 4.8 shows that 8 out of 18 participants strongly agreed that taxation and other statutory obligations compromises growth and a further 4 out 18 simply agreed to the same assert. Those who were neutral were 2 out of 18 while those on the opposing side were made up of 2/18 who disagreed and another 2/18 who strongly disagreed.

On aggregate these results shows that 67% (12/18) were in agreement with the claim that taxation and other statutory obligations compromises growth of which that is in line with early findings of Atawodi and Ojeka (2012) who pointed out that higher taxes discourages

investments of which lack of investment will definitely either slow the growth rate or even decline the value of businesses. Those who were neutral may be thought to have seen no effect on growth by taxation and other regulatory obligations and hence may have argued the same way as that of Bolton et al (2014) who pointed out that the growth of the business in any given economy is only determined by the government officials specifically the treasury which is significantly involved in the policy making regarding both tax administration and resource allocation. On the other hand the 22% of the sample population which disagreed supports the findings of Onaolapo et al (2013) who argued that if more goods and services are taxed or levied then the national treasury revenue will increase of which that money will be used to fund non-performing sectors. The conclusion with regard to this is that taxation and other statutory obligations compromises corporate growth rate at TVFH give that 67% agreed to this and also that the mode was on those that strongly agreed with this.

4.2.4 Benefits of Taxation and Other Statutory Obligations to Corporates

Fig 4.9 Protection from Foreign Competition



The results in fig 4.9 shows that 10 out of 18 participants strongly agree that taxation and other statutory obligations does protect local firms from foreign competition and those who merely agreed were 4 out of 18 participants. The other portion made up of 2 out of 18 participants were neutral while 1 out of 18 strongly disagreed and another single participant strongly disagreed with the claim that taxation and other statutory obligations do protect local firms against foreign completion.

Those who were in agreement whether strongly or by simply agreeing occupied 78% of the sample population and their views agrees with Obradovic (2014) who argued that regulatory environment do protects local businesses as excise and duty taxes will make foreign goods expensive hence promoting local products as they will be cheaper hence attracting consumers and in the process increasing revenue. The undecided occupied 11% of the sample population as they may probably had no knowledge over the affirmation that taxation and other statutory obligation would protect their organisation from foreign competition. The remaining portion of 11% was occupied by those who disputed the claim that taxation and other statutory obligations do protect local firms against local competition the view of which agrees with prior results of Kebawar (2011) who argued that if taxation is not uniformly applied then the competitive advantage will only be enjoyed by those exempted despite the fact that they are foreign or not. Therefore the results shows that at TVFH there was competitive advantage against foreign firms that was enjoyed as a result of taxation and/or other statutory obligations during the period under study given that 78% of the sample population agreed that there were competitive benefits enjoyed against foreign firms due to the existence of regulatory requirements.

Table 4.5 Tax Coming Back in Form of Grants

Response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Number of Participants	1	5	3	7	2
Result in %	6%	27%	17%	39%	11%
Aggregate	33%		17%	50%	

The results shown in table 4.5 shows that 1 out of 18 participants strongly agreed that tax and levies paid would come back in form of grants while 5 out of 18 agreed that statutory payments made would come back in form of grants. On the neutral band were 3 out of 18 participants while on the contrary were 7 out of 18 participants who disagreed and 2 out of 18 participants who disagreed.

IMF (2012) who pointed out that governments normally have wishes to use tax incentives and grants to attract mobile capital had their view similar to 33% of the sample population who agreed that tax would come back in form of incentives or grants from the government although they generally further specified that if there is enough revenue for the nation. Those who were undecided occupied 17% of the sample population. On the other side half of the sample population disputed that statutory levies comes back in form of grants. The researcher concludes that at TVFH no grants have been enjoyed from the government given that 50% of the sample population disagreed but however according to further information provided outside the closed ended question by some of those who disagreed it shows that if government was to receive enough or more funds than they are receiving then it would definitely provide grants for business organisations.

Fig 4.10 Government Spend on Infrastructure and Investment Promotion

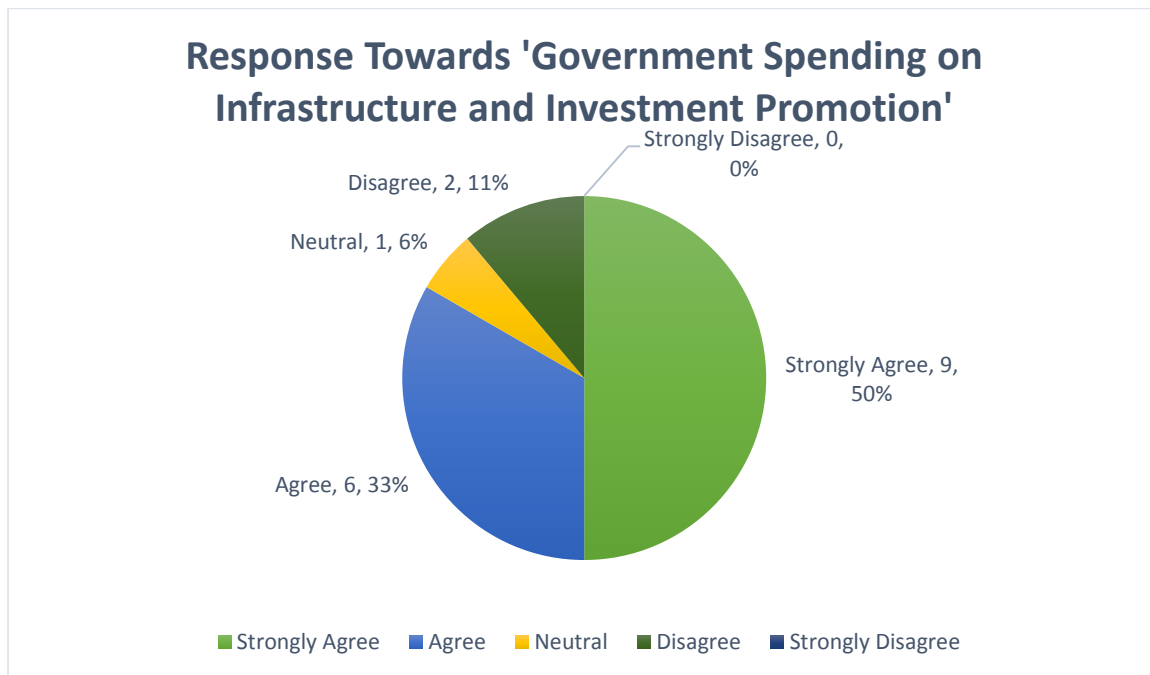


Fig 4.10 shows that 9 out of 18 of the sample population strongly agreed that government spend money collected as taxes or levies on infrastructure development and investment promotion. A further 6 out 18 participants merely agreed that government spend money collected to develop infrastructure and to promote investment while only 1 participant was neutral about the question. On the contrary were 2/18 of the sample population who disagreed and none of the participants fell on the strongly disagree band.

The results generally shows that there was a total of 83% of the sample population that concurred with the fact that government spend money collected as taxes and levies on infrastructure development and investment promotion. This view is the same as the findings of Adejare (2015) who pointed out that if there is good infrastructure provided by the government the investors will invest their moneys hence improving growth of businesses. One participant was neutral or undecided over the issue while a total of 11% disputed the

claim that government uses money spent on infrastructure development and investment promotion a view which concurs with that of Mungaya (2012) who argued that tax policies that ignore the need of investor or entrepreneurs slows the growth of businesses. Therefore the above clearly shows that in Victoria Falls government spend money collected as taxes and levies on infrastructure development so as to keep the resort town attractive to investors who will in turn invest hence benefiting the business organisation given that 83% of the sample population were in concurrence with this claim and also the fact that half of the sample population strongly agreed hence showing the positivity in the position of the participants.

4.3 INTERVIEW ANALYSIS

A total of four heads of departments who were selected for interviews because they are the ones involved in key decision making and do not have limited access to the hotel's financial reports and records were all interviewed and they provided their responses to the questions raised.

4.3.1 How would you describe the effects of taxation and other statutory obligations on profitability?

The first respondent said that taxation and statutory obligations reduced profit tremendously after the introduction of VAT on foreign accommodation for which the hotel did not increase the price to compensate the lost revenue to consumers as they were afraid that their services will end up being too expensive which will end up scaring away customers. Tripathi (2011) supports this research finding when he pointed out that VAT reduces the profitability since businesses will simply pass the burden to the final consumer who will in turn cease buying hence reducing the revenue and in the process reducing corporate profits. The second interviewee pointed out that taxation and other statutory obligations said that although

taxation itself may provide credits or incentives if losses are incurred, other statutory obligations however do not provide any form of leniency as they are required to be remitted whether there is loss incurred or not therefore in the same process the hotel will remain without enough funds for reinvestment, the response of which agrees with the point raised by Beigi (2013) who argued that an efficient tax system may insure businesses against risk such as losses as the government may use the tax collected to incentivise losses made but will however be unfavourable if businesses make profits for which tax rate will be applied on. The third interviewee argued that by the virtue of taxation and other statutory obligations being cost they are obviously bound to reduce corporate profitability. The fourth respondent emphasised on the fact that taxation and other statutory obligations affected the profitability in a negative way as financial reports would provide figures which clearly showed that profit would respond to introduction or increase in taxation by a downward trend. Adejare (2015) agrees with the responses from second and third interviewee response by arguing that there is a negative relationship between taxation and profitability. Therefore the fact that a total of 83% of the sample population which responded to the questionnaire concurred with the assert that taxation and other statutory obligations reduces profits and 100% of the interviewees also concurred clearly shows that taxation and other statutory obligations reduces corporate profitability with regards to TVFH.

4.3.2 Have you ever done tax avoidance at your organisation? If yes to what extend did it contribute towards the reduction of total costs.

The first interviewees emphasized that given the current economic conditions prevailing in the country where the government is actually failing to meet their targeted revenue collections ,the government will try and eliminate all possible loopholes in the acts that are used for revenue collection so that they will collect the maximum revenue possible hence

ZIMRA is always engaged in workshops meant to get rid of both tax avoidance and tax evasion hence the only remaining tax avoidance measure are not very significant which is the reason why management decided to do away with tax avoidance. Katz et al (2013) postulated that tax avoidance measures will not go a long way towards reducing possible costs but will only reduce an insignificant cost of which that will not result in profit increase given that every government tries its best to get rid of all loopholes on the legislation hence taxpayers will be left without much to take advantage of. The second interviewee responded that they used to do tax avoidance but later they ceased doing tax avoidance after they realised that the process was time consuming yet not significantly helpful in terms of reducing tax, the finding of which disagrees with that of Kholbadalov (2012) who pointed out that tax avoidance goes a long way in reducing the costs of the organisation especially the cost of debt and in the same process relatively agreeing Sikes and Verrecchia (2014) who argued that it increases cost of capital. The third respondent pointed out that the complexity associated with interpretation of the statutory requirements were one of the reasons why tax avoidance was abandoned as they were afraid of wrongly interpreting. The fourth interviewee responded by saying that given that ZIMRA is working hard to ensure all revenue collectable is collected and most regulations are changed without proper channels which may end up resulting in the hotel doing tax avoidance when in fact it will be tax evasion as that will have been changed but not properly announced which will result in further costs of fines and penalties which is currently on 100%.The third and fourth responses concurs with the findings of Chen et al (2011) who argued that there is need for precaution when avoiding tax as a mistake will result in the act being subject to penalties and fines

In this case the researcher concludes that tax avoidance does not significantly reduce costs and that it is no longer being taken seriously at TVFH given that 100% of the interviewees

responded that it was insignificant in terms of reducing costs, the response of which is similar to the mode in the questionnaires with regards to the same issue.

4.3.3 How does taxation and other statutory obligations affect your organisation's liquidity position?

The first interviewee responded that taxation and other statutory obligations adversely affect the organisational liquidity position as it would be required in cash, the response of which supports the findings of Liu (2011) who argued that will always reduce organisation working capital as its payment will take cash away from the business. The second respondent pointed out that due dates for statutory payments ignored the fact that some of the revenue recognised will be a receivable yet levies like Tourism levy which is charged on total revenue has due date in which the money has to be paid in cash. This response agrees with the findings of Ezugwu and Akubo (2014) (1) who argued that profits declared by companies are not necessarily in cash but may comprise receivables. The third interviewee also pointed out that taxation and other statutory obligations reduces working capital and further gave reference to the problem that the hotel faces in which most of their clients uses bank cards like Amex which do swipe on local machines hence they will be forced to direct those payments to the hotel's South African Bank account of which repatriating that money back to Zimbabwe takes time given the longer time South African Authorities takes to authorise the transfer of money which will be against the statutory fees and levies due dates which are consecutive hence resulting in the hotel failing to meet deadlines which will attract penalties and fines which will further reduce the hotel's working capital. This agrees with the findings of Umeora (2013) who argued that taxation do affect the businesses liquidity position in a negative way given that most governments usually apply strict rules as far as meeting the remittance deadline is concerned. The fourth interviewee responded that taxation does not

necessarily affects liquidity position and was arguing on the basis argued on the basis of VAT by referring to the mechanics of VAT which are input tax and output tax which was said to be a mere circulation of money ,in fact this interviewee blamed the adverse liquidity position on poor planning. This response is related to Tripathi (2011) who argued that the mechanics of VAT may in other cases be advantageous for example when one is making purchases on credit whilst realising revenue in cash.

Therefore it is evident that taxation and other statutory obligation adversely affect the liquidity position at TVFH given that 75% of the interviewees generally pointed out that taxation and other statutory obligations adversely affect the hotel's liquidity position and also the fact that the mode (78%) obtained from the use of questionnaires disagreed that regulatory environment liquidity position of the organisation.

4.3.4 How does taxation and other statutory obligations affect your organisation's growth?

The first respondent agreed by pointing out that taxation and other statutory obligations were only there to reduce growth as they would reduce organisational profits which the organisation could use to reinvest. This response concurs with that of Atawodi and Ojeka (2012) who postulated that the higher the amount paid as regulatory costs the lower the amount available for reinvestment into the business of which of which low or no investment will lead to a slower rate of business growth. The second interviewee responded in a relatively similar way by pointing out that the fact that it is a cost which is significant given that it is currently high makes it one of the factors that compromises growth, the response of which agrees with that of Mungaya et al (2012) who argued that if taxes are high then they will adversely affect the competitive advantage of the business and in the same process

compromising growth. On the same note the third respondent pointed out that regulatory costs were one of the major barriers to their organisation's growth. This response is supported by Felix and Hines (2014) who argued that governments only view businesses operating in their country as sources of their revenue that they use to fund their expenditure hence government is interested in the survival of businesses rather than growth of business. The fourth respondent argued that in a way taxation necessarily do not compromise growth given that it is applied uniformly and in a way indirectly comes back to those that remitted, reference was given to the tourism levy that is paid to Zimbabwe Tourism Authority which in turn will market tourism in Zimbabwe and also abroad during tourism expos thereby improving tourism growth in the country. This is supported Tulsian (2014) who postulated that regulatory requirements obliging businesses to comply indirectly results in growth of the businesses as government policies will always be made to try and provide grants, services and subsidies to business sectors.

The above response shows that 75% (3/4) of the interviewees generally pointed out that there was no growth at TVFH effected by taxation and other statutory obligations, the results of which concurs with the results obtained using questionnaires in which an aggregated 78% agreed that taxation and other statutory obligations were said to be compromising growth rate of the business. Therefore it is evident taxation and other statutory obligations are compromising growth rate at TVFH.

4.3.5 Have your organisation ever been a recipient of any grant from the government or have it ever been a beneficiary of any government programmes either directly or indirectly?

The first interviewee responded by saying that since joining the organisation in January 2014 no significant benefit was received from the government. This response is related to Parker and Kirkpatrick (2012) who argued that those businesses which have the capacity to pay tax and those which pay tax do not benefit from taxation as the money is used to fund ways to speed up the growth of small business and special economic zones. The second interviewee responded that they used to be beneficiaries of grants more than two decades ago when the economy had not deteriorated but since then they have never received any government grants. The third respondent said that there were no government grants received and in fact the hotel would sometimes help some of the government departments within Victoria Falls the names of which were not mentioned for professional reasons. These responses are supported by Kebawar (2011) who argued that Mckenzie et al (2011) who argued that although is not uniformly applied across a given economy, difficulties arises when other exempted businesses as such would compromise the competitive advantage. However the fourth respondent acknowledged that there were indirect benefits being received by the hotel as it helped to limit other foreign competitors like luxurious trains from South Africa which offers hotel services in transit by applying restrictions and charging taxes which local businesses were not subject to thereby resulting in the hotel enjoying competitive advantage. This concurs with the point raised by Obradovic (2014) that the regulatory environment do protects local businesses from foreign competition by simply charging excise duty on products sold by foreign businesses. These results obtained from interviews shows that a total of 75% of the interviewees generally responded that no benefits were enjoyed and no benefits are currently being enjoyed from the government, the results of which concurs with those obtained from questionnaires in which a total of 50% disagreed that there were benefits being enjoyed hence there are no benefits enjoyed in form of government grants at TVFH with relation to the period of study.

4.4 CHAPTER SUMMARY

This chapter presented the findings that were obtained by the researcher and then after presentation of data an analysis of each data followed as the findings would be related to prior literature as cited in chapter of this research project.

CHAPTER 5

SUMMARY, RESEARCH FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.0 CHAPTER INTRODUCTION

This chapter provides the chapter summaries for this whole research project, main findings obtained from the research, recommendations and conclusion for the research project.

5.1 CHAPTER SUMMARIES

Chapter one introduced the whole research project by establishing the research gap through the use of prior literature, providing concise information regarding the research problem as identified at the organisation of study, highlighted the importance of the study and then outlined the aims that the research was looking forward to achieve.

In chapter two the researcher reviewed literature whilst being guided by the objectives cited in the first chapter of this research. Early literature showed that disagreements still existed over whether taxation and other regulatory requirements reduced profit or not. Most of early writers whose literature was reviewed generally argued that taxation had reduces profits and working capital .On the same note early writers generally argued that tax planning would significantly reduce cost of which that was not the case at TVFH.

The third chapter displayed the methods used in the research namely the descriptive research design which was chosen because of its suitability to the research project that was being carried out. Questionnaires were distributed and interviews were conducted with the selected participants to enhance the quality of the data collected.

In chapter four the data collected was then presented using tables, pie charts and graphs and after presenting this data the researcher then provided an analysis of the data of which in the same process the responses obtained from the sample population elements was then related to the prior literature in chapter two of this research project. After the analysis of data the researcher would then reach draw conclusion from the responses.

5.2 RESEARCH FINDINGS

This section deals with the main findings obtained from the research carried so as to fulfil the objectives cited in chapter one of this research project.

5.2.1 Effects of Taxation and Other Statutory Obligations on corporate profitability

The research found out that taxation and other statutory obligations reduces the organisational profitability at TVFH.

5.2.2 The Extent to Which Tax Avoidance Reduces Total Costs

The research also found out that tax planning does not significantly reduce organisational total costs as those un attended loopholes by government are not significant or material and also that there is need for an expert to be able detect the loopholes in the enforcing Act of law.

5.2.3 Effects of Taxation and Other Statutory Obligations on the Corporate Liquidity Position and Corporate Growth

Taxation and other statutory obligations reduces working capital for business organisation as evidenced by data obtained from TVFH. The research further found out that taxation and

other statutory obligations are not improving growth at TVFH as intended by government when it collects taxes.

5.2.4 Benefits of Taxation and Other Statutory Obligations to Business Organisations

The research found out that the government of Zimbabwe is spending much on infrastructure development in the town of Victoria Falls which makes the resort town continue to look attractive to tourists which in turn increases revenue for TVFH due to more tourist arrivals. The other benefit that was discovered by the research was that taxation and other laws helps to a greater extend in protecting local firms from foreign competition as product and conditions of foreign businesses are a little constricted as to compare to those of locally owned businesses like TVFH.

5.3 CONCLUSION

The study concludes that the benefits that TVFH get from compliance with regulatory requirements are far less than the costs that they incur in the process as taxation and other statutory obligations negatively affect one of the key financial performance indicators that is profitability. In addition the same regulatory requirements also affect corporate liquidity adversely which is another key indicators of a financially stable organisation.

5.4 RECOMMENDATIONS

- The hotel management must participate when a consultative National budget is being crafted so that they will air their views and may possibly eliminate some of the costs that they meet.
- The hotel management should continue engaging the government and its agencies who collect taxes and levies so that tax rates will be reduced and VAT on foreign accommodation be removed

- The hotel should do tax planning no matter how insignificant it may be given that they have a competent financial controller who is already paid for his qualifications.
- The RBZ must ensure that local banks provide all processing facilities for payments made on POS machines that are compatible with international bank cards like AMEX.

5.5 CHAPTER SUMMARY

This chapter provided the summary of all other chapters in this research, main research findings, conclusion and recommendations.

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1ST APPENDIX

QUESTIONNAIRE



Dear respondent

My name is Lesley Tafadzwa Chiwona, Student Registration Number – R123051R. I'm a student at the Midlands State University in the Faculty of Commerce studying Bachelor of Commerce Honours Degree in Accounting. As required by the aforementioned degree programme I have to carry out a research of which mine is on the **'effects of taxation and other statutory obligations on corporate financial performance.'** I therefore kindly ask for your commitment and co-operation to fill in the questionnaire. Please note that the information will be treated as confidential and will be used for academic purposes only.

INSTRUCTIONS

- 1. Do not write your name on the questionnaire**
- 2. Show your response by ticking in the space provided**
- 3. Where necessary give your opinion on the blank space provided**

Section A

1. Please tick if you pay the below statutory obligations

VAT Income Tax CGT Withholding Tax

Training and Development levy Tourism levy NSSA

NEC PAYE Excise Duty

Please type any other regulatory cost that you meet on the space provided below:

.....

.....

SECTION B

2. The following are the effects of taxation and other statutory obligations on corporate profitability.

Effects	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Reduces Profits					
Indirectly Increases profits					
manipulation of profitability report					

3. Tax planning or tax avoidance has the following impact on organisational costs?

Impact	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Significantly reduces					
No significant reduction					
Needs an expert(costly) to avoid					

4. The following are the effects of taxation and other statutory obligations on liquidity and growth

Effects	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Favourable Liquidity position					
Adverse Liquidity position					
Improves corporate growth rate					
Compromises corporate growth rate					

Please provide a comment if you find it necessary

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5. The following are the benefits of taxation and other statutory obligations to corporates.

Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Protection from foreign competition					
Tax coming back in form of grants					
Government spend on infrastructure and investment promotion					

You may add other benefits you can think of if any on the below space provided

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Thank you for your valuable contribution.

2ND APPENDIX

INTERVIEW GUIDE

- How would you describe the effects of the taxation and other statutory obligations on profitability?
- Have you ever done tax avoidance at your organisation? If yes to what extent did it contribute towards the reduction of total costs?
- How does taxation and other statutory obligations affect your organisation's liquidity position?
- How does taxation and other statutory obligations affect your organisation's growth rate?
- Have your organisation ever been a recipient of any grant from the government or have it ever been a beneficiary of any government programmes either directly or indirectly?

3RD APPENDIX

Midlands State University

P Bag 9055

Gweru

Zimbabwe

08 April 2016

The Financial Controller

The Victoria Falls Hotel

1 Mallet Drive

Victoria Falls

Zimbabwe

Dear Sir

RE: APPLICATION FOR AUTHORISATION TO CARRY OUT RESEARCH AT YOUR ORGANISATION

My name is Lesley Tafadzwa Chiwona, Student Registration Number: R123051R, I hereby kindly seek permission to carry out research whose topic is Effects of Taxation and Other Statutory Obligations on Financial Performance.

The research is to be carried out in partial fulfilment of the requirements of Bachelor of Commerce Accounting Honours Degree that I am currently undertaking at the Midlands State University.

I assure you that all the information collected will be considered confidential and will be used for academic purposes only.

I will be very grateful if you grant me the permission.

Yours Faithfully

Lesley TafadzwaChiwona