

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN INVESTIGATION ON THE EFFECTIVENESS OF VAT
ADMINISTRATION ON REVENUE COLLECTION**

BY

CATHRINE MAKUYA

R134564Y

***THIS DISSERTATION IS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS OF THE BACHELOR OF COMMERCE ACCOUNTING HONOURS
DEGREE***

GWERU, ZIMBABWE

JUNE 2017

RELEASE FORM

NAME OF STUDENT: Cathrine Makuya

DISSERTATION TITLE: AN INVESTIGATION ON THE EFFECTIVENESS OF
VAT ADMINISTRATION ON REVENUE
COLLECTION.

DEGREE TITLE: Bachelor of Commerce Honors Degree in Accounting

YEAR GRANTED: 2017

Permission is hereby granted to the Midlands State University Library to produce single copies of this dissertation and to lend or sell such copies for private, scholarly or scientific research purpose only. The author does not reserve other publication rights of the dissertation nor may extensive extracts from it be printed or otherwise reproduced without the author's written permission.

PERMANENT ADDRESS: 2348
ROOIPOINT,
CHIVHU
ZIMBABWE

CONTACT NUMBERS: +263 77 424 2428

SIGNED.....

DATE:

APPROVAL FORM

The undersigned certify that they have read and recommend for acceptance, a dissertation entitled, “An investigation on the effectiveness of VAT administration on revenue collection” submitted by R134564Y in Partial Fulfilment of the Requirements of Honours Degree in Accounting with Midlands Stated University.

.....

...../...../.....

SUPERVISOR

DATE

.....

...../...../.....

CHAIRPERSON

DATE

DEDICATIONS

This work is dedicated to my family, my friends, Mr and Mrs Masiwa and Ms Muteve, for the support and encouragement they gave me through my studies

ACKNOWLEDGEMENTS

My deepest and most heartfelt gratitude is extended to Almighty God for strength wisdom and guidance. I also extend my sincere gratitude to Ms Muteve, Mr and Mrs Masiwa, Mr Geza and family members for the support. May our Lord continue to bless you.

I would also like to express my special gratitude to my supervisor Mrs Mwedzi for working tirelessly giving me necessary support to come up with this research study and to Midlands State University for giving me an opportunity to pursue my studies under their institution.

Lastly to my friends Mavis, Junior, Laura, Lorna and Zelda, thank you for your support and encouragements.

ABSTRACT

This research focused on the effectiveness of VAT administration on revenue collection. The researcher observed during audit that revenue collected from VAT is continuously decreasing when the economy started to be unstable. VAT administration that was used when the economy was stable is still being used to the unstable economy and this has caused a lot of challenges in VAT administration. This has highly negatively affected revenue collection on VAT. Descriptive research design was used to gather data using questionnaires and interviews as research instruments. A sample of 45 people was used comprises of registered operators, VAT officers, line managers and the managing director of Zimbabwe Revenue Authority (ZIMRA). The research finding indicated that the effectiveness of VAT administration on revenue collection is affected by the instability of the economy of Zimbabwe. The effectiveness of VAT administration is affected through its factors that are the registration of VAT taxpayers, processing of VAT returns, and collection of VAT arrears, penalties and interest, VAT refunds, VAT rates, VAT audits. The respondents also noted that the effectiveness of VAT administration of revenue collection is negatively affected due to the current economic hardships. The recommendations that were made were that ZIMRA should revise its VAT administration that were used during the stable economy to suits the unstable economy through decrease of VAT threshold, VAT rate, payment plan, frequent of VAT audits, registering of informal sectors.

TABLE OF CONTENTS

Table of Contents

RELEASE FORM	i
APPROVAL FORM	ii
DEDICATIONS	iii
ACKNOWLEDGEMENTS	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
LIST OF FIGURES	xiii
LIST OF TABLES	xiv
CHAPTER 1: INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the study	1
1.2 Statement of the problem	3
1.3 Main research question	4
1.4 Research objectives	4
1.5 Research questions	4
1.6 Significant of the study	4
1.7 Delimitation of the study	5
1.8 Limitation of the study	5
1.9 Assumptions of the study	6

1.10 Definitions of key terms	6
1.11 Summary	6
CHAPTER 2: LITERATURE REVIEW	7
2.0 Introduction	7
2.1 Effectiveness of VAT administration on revenue collection	7
2.1.1 Identification and registration of taxpayers	7
2.1.2 VAT rates.	8
2.1.3 Processing VAT returns	9
2.1.4 Collection of VAT arrears.	9
2.1.5 Penalties and interest	10
2.1.6 VAT refunds	10
2.1.7 VAT audits	11
2.2 Challenges and problems encountered in VAT administration on revenue collection.	12
2.2.1 Resistance against value added tax registration	12
2.2.2 Setting threshold	13
2.2.3 Setting VAT rates	13
2.2.4 Treatment of hard-to-tax sectors	14
2.2.5 Fraud or tax evasion	15
2.3 Possible measures that can be implemented to improve vat administration on revenue collection	16
2.3.1 Improving tax compliance	16

2.3.2 Tax audit	17
2.4 Performance of vat administration on revenue collection.	17
2.4.1 Fiscalisation	17
2.4.2 Segmentation of taxpayers	19
2.4.3 Mechanics of VAT	19
2.4.4 Remittance of VAT	20
2.5 Summary	21
CHAPTER 3: RESEARCH METHODOLOGY	22
3.0 Introduction	22
3.1 Research design	22
3.1.1 Descriptive research	22
3.1.2 Qualitative approaches	23
3.2 Population	23
3.2.1 Sample size	24
3.3 Primary data	25
3.4 Research techniques	25
3.4.1 Questionnaires	25
3.4.2 The Likert scale	26
3.4.3 Interviews	27
3.5 Reliability and validity	27

3.5.1 Reliability	27
3.5.2 Validity	28
3.6 Data analysis and presentation	28
3.6.1 Data presentation	28
3.6.2 Data analysis	29
3.7 Summary	29
CHAPTER 4: DATA PRESENTATION AND ANALYSIS	30
4.0 Introduction	30
4.1 Response rate	30
4.1.1 Questionnaire response rate	30
4.2.1 Identification and registration of taxpayers	31
4.2.2 VAT audits	32
4.2.3 VAT rate	33
4.2.4 VAT refunds	34
4.2.5 Penalties and interest	35
4.2.6 Collection of VAT arrears	36
4.2.7 Processing VAT returns	38
4.3.1 Resistance against value added tax registration	39
4.3.2 Setting threshold	40
4.3.3 Setting VAT rate	41

4.3.4 Treatment of hard-to-tax sectors	42
4.3.5 Fraud or tax evasion	43
4.4.1 Improving tax compliance	44
4.4.2 Tax audits	45
4.5.1 Fiscalisation	46
4.5.2 Remittance of VAT	47
4.5.3 Segmentation of taxpayers	48
4.5.3 Mechanics of VAT	49
4.6 Interview responses	49
4.6.1 Question 1: How effective is VAT administration on revenue collection?	49
4.6.1.1 Respondent 1	49
4.6.1.2 Respondent 2	50
4.6.1.3 Respondent 3	50
4.6.1.4 Respondent 4	51
4.6.1.5 Respondent 5	51
4.6.1.6 Discussion	52
4.6.2 Question 2: What are the challenges faced by vat administration to enhance revenue collection?	52
4.6.2.1 Respondent 1	52
4.6.2.2 Respondent 2	52

4.6.2.3 Respondent 3	53
4.6.2.4 Respondent 4	53
4.6.2.5 Respondent 5	53
4.6.2.6 Discussion	54
4.6.3 Question 3: Can tax audits and tax compliance improve vat administration on revenue collection?	54
4.6.3.1 Respondent 1	54
4.6.3.2 Respondent 2	55
4.6.3.3 Respondent 3	55
4.6.3.4 Respondent 4	55
4.6.3.5 Respondent 5	56
4.6.3.6 Discussion	56
4.6.4 Question 4: How vat administration is performing on revenue collection?	56
4.6.4.1 Respondent 1	56
4.6.4.2 Respondent 2	57
4.6.4.3 Respondent 3	57
4.6.3.4 Respondent 4	57
4.6.4.5 Respondent 5	58
4.6.4.6 Discussion	58
4.7 Summary	58

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	59
5.0 Introduction	59
5.1 Summary of the study	59
5.2 Research findings	60
5.3 Conclusions	61
5.4 Recommendations	61
5.5 Area of further research	63

LIST OF FIGURES

Fig 4.1	Identification and registration of taxpayers	31
Fig 4.2	VAT audits.	32
Fig 4.3	VAT rate	33
Fig 4.4	Penalties and Interest	35
Fig 4.5	Collection of VAT arrears	37
Fig 4.6	Processing VAT returns	38
Fig 4.7	Resistance against Value Added Tax registration	39
Fig 4.8	Setting threshold	40
Fig 4.9	Fraud or Tax evasion	43
Fig 4.10	Improving Tax Compliance	44
Fig 4.11	Remittance of VAT	47

LIST OF TABLES

Table 1.1	Annual VAT performance report	2
Table 3.1	Sample size and total population	24
Table 3.2	Linkert Scale	26
Table 4.1	Questionnaire response rate	30
Table 4.2	VAT refunds	34
Table 4.3	Setting VAT rate	41
Table 4.4	Treatment of hard-to-tax sectors	42
Table 4.5	Tax Audits	45
Table 4.6	Fiscalisation	46
Table 4.7	Segmentation of taxpayers	48
Table 4.8	Mechanics of VAT	49

CHAPTER 1: INTRODUCTION

1.0 Introduction

The primary objective of this study is to establish and to ascertain the effectiveness of VAT (Value Added Tax) administration on revenue collection by Zimbabwe Revenue Authority (ZIMRA) in Zimbabwe. In this chapter the purpose of this research has been pointed out as well as the significance of the research.

1.1 Background of the study

The researcher aims to investigate the effectiveness of VAT administration on revenue collection. Abiola and Asiweh (2012), Ayorinde et al (2013) and Sikwila et al (2016) stated that effective VAT administration increases revenue collection in a stable economy because it widens the tax base by factoring in the informal sector. Minh (2012), Ojeka and Ojochugwu (2012) argued that VAT administration negatively affects revenue collection, as VAT is more complex to administer compared to other types of consumption taxation. Okoli and Matthew (2015); Dheressa et al (2015) and Olaoye (2012) are of totally different opinion as they say that VAT administration does not enhance collection of revenue in Nigeria because it is affected by changes in technology. Ohemeng and Owusu (2015) argued VAT administration does not enhance collection of revenue but it only deals with public management of funds. Having pointed out the effectiveness of VAT administration on revenue collection in a normal and stable economy, this researcher is going to undertake research on the effectiveness of VAT administration on revenue collection in the turbulent Zimbabwean economy.

Moyo (2013) stated that revenue collection from VAT is low because of reduction in industrial capacity utilization, which resulted in low levels of production on goods that attracts VAT. This low industrial capacity utilization has led to a decrease in production as well as company's abilities to secure funds for the procurement of efficient production machinery. Moyo (2013) went on to say low disposable incomes negatively affected consumer spending on goods that attract VAT hence a decline in importation of goods that attracts VAT. Bonyongwe (2016) says even with revenue forgone from a decline of import goods that attract VAT, the performance of VAT on imports is disappointing and the decline could also indicate a certain level of transit fraud.

Chakanyuka (2015) stated that ZIMRA is failing to administrate VAT on revenue collection because invoices of sales are not evidence that a company has received the payment hence there is no way that the company can be able to pay taxes on VAT, but ZIMRA is not considering all that and Chakanyuka (2015) went on to say ZIMRA must be practical, dynamic in relation to the harsh Zimbabwean economic environment companies are operating. Therefore, effective administration of VAT collection by ZIMRA needs to be established. Chakanyuka (2015) further says the administration of ZIMRA on revenue collection is still the same for both normal economy and harsh economy. In an attempt to maximize revenue collection by using revenue collection administration of normal economy to unstable economy, ZIMRA is failing to meet the target and the revenue collection on VAT is still declining.

The performance of VAT is shown on Table 1.1 below where performance is measured by using variance, which is equal to the difference between the actual VAT collected, and the projected target VAT figures.

Table 1.1 Annual VAT performance report

Revenue Head	Actual (US\$)	Target (US\$)	Variance (US\$)	Variance (%)
2013 VAT	1.2 billion	1.16 billion	40 million	3 %
2014 VAT	1.22 billion	1.24 billion	20 million	-2 %
2015 VAT	987.72 million	1.51 billion	63 million	-6.38%

(Source): According to www.zimra.co.zw

As shown by the above Table 1.1, the total annual VAT collections are decreasing from year to year. For the year of 2013, 2014 and 2015 shows a sharp decline of revenue collection of VAT from 3%, -2% and -6.38% respectively, despite the introduction of VAT suppressing instruments. Bonyongwe (2016) stated that in order to increase revenue collection on VAT on

imports, the fiscals must introduce VAT suppressing instruments, which discourage the importation of the products in order to promote local products. However, Bonyongwe (2016) further stated that VAT on imports has declined by 8% in 2015 compared to 2014 collections and this was attributable to policies implemented aimed at discouraging importation of certain products and also hinted that there could be a possibility of fraud on VAT collection against import goods. Pasi (2014) suggested that the decline on VAT on local sales by 32% in 2014 and 18% in 2013 might have been caused by the industrial closures which led to the reduction of production of products that attract VAT and low incomes earned by consumers leading to low spending on products that also attract VAT.

Mandizha (2015) pointed out that revenue collected on VAT has declined due to the decrease in the number of formally employed people and the decline in domestic firms' profitability. Bonyongwe (2015) stated that a decline in revenue collection on VAT on local sales might be caused by non-compliance of taxpayers, whereby they are failing to pay on time and also late submission of VAT returns. Bonyongwe (2015) indicated that the decline on revenue collected on VAT indicates a certain level of transit fraud. Owusu (2015) pointed out that a decline in VAT collected could be caused by tax evasion and avoidance.

According to Mandizha (2014), the poor VAT administration on revenue collection is a result of bottlenecks in manpower, money, tools and machinery to meet the ever-increasing challenges and difficulties. Also the negative attitude of most tax collectors toward taxpayers is directly linked or can be traced to poor remuneration and motivation, which brought about the resultant decline in VAT collections. Therefore, because of the above and identified problems in VAT administration, this has prompted the writer to carry out a thorough investigation on the effectiveness of VAT administration on revenue collection by ZIMRA in an attempt to try to prevent the decline in VAT collections, and to construct implementable recommendations to eradicate the problems identified.

1.2 Statement of the Problem

ZIMRA is facing a significant decline in revenue collected on VAT as a result of an unstable economy and poor administration of VAT. The economy is very turbulent and VAT administration methods and tools employed to collect revenue is of the stable economy compared to unstable economy hence a decline of VAT collected is inevitable. Some of the measures that were implemented to increase collection of VAT that is VAT suppressing

instruments which discourage importation of products were not efficient due to high level of fraud in transit which is also causing a decline in VAT. Sale of goods and services on credit, low income earned by consumers, closure of companies and non-taxed sectors that is informal firms has caused a decrease in VAT. This research seeks to establish the effectiveness of VAT administration on revenue collection in an unstable Zimbabwean economy.

1.3 Main research Question

How effective is VAT administration on revenue collection in Zimbabwe by ZIMRA?

1.4 Research Objectives

- ❖ To ascertain the effectiveness of VAT administration on revenue collection.
- ❖ To identify the challenges and problems encountered in VAT administration on revenue collection.
- ❖ To identify measures ZIMRA can adopt and implement to improve VAT administration.
- ❖ To examine the performance of VAT administration on revenue collection.

1.5 Research Questions

- ❖ How effective is VAT administration on revenue collection?
- ❖ What challenges are being encountered by VAT administration on revenue collection?
- ❖ What are the possible measures that can be implemented to improve VAT administration on revenue collection?
- ❖ How VAT administration is performing of on revenue collection?

1.6 Significant of the Study

The need to carry this research study has help the researcher improve on knowledge and understanding of matters concerning VAT, to discover the important aspects of VAT administration and get an insight on how the business world is complying with the regulations and in turn marry the two, that is, academic and real world practical knowledge. The study is

also of prime importance as it is requirement of the Bachelor of Commerce Honors Degree in Accounting, currently being undertaken by the researcher.

The research study is a significant contribution to the knowledge searchers and provides beneficial literature review for future students and staff members and act as a platform or springboard for further research in the related area. The research study will enable the public to have the knowledge on the importance of paying VAT and the benefits thereof.

For ZIMRA and its officials they will benefit from the research study mostly from the derived measures and recommendations to implement in order to improve on VAT administration on revenue collection in effect.

1.7 Delimitation of the Study

This study was conducted in Harare CBD and is but only limited to the Zimbabwe Revenue Authority. The study involves interacting with people that are directly involved in the activities of Zimbabwe Revenue Authority on a daily basis. This research is mainly focusing on the effectiveness of VAT administration on revenue collection in Zimbabwe by ZIMRA. The period covered by this research stretches from the year 2013 to the year 2015.

1.8 Limitation of the Study

❖ Confidential nature of information of the Zimbabwe Revenue Authority

Some information is kept under strict terms of privacy and confidentiality, therefore it will not to be disclosed at all, considering the role of ZIMRA in the Zimbabwean government. The researcher had to give some form of assurance that the information was not going to be disclosed in anyway but rather be used intended for intended purpose defined. The researcher was part of the organisation, used minutes and circulars to circumvent this limitation. Furthermore, the researcher used information obtained from various media and form such as company website, published newspapers and gazettes.

❖ There was less cooperation and unwillingness to fill questionnaires.

1.9 Assumptions of the Study

The researcher made the following assumptions during the research:

- ❖ Administration procedures will not change during the research period.
- ❖ All information publicized by ZIMRA, the Ministry of Finance etc. is correct and credible.
- ❖ The systematic randomly selected sample cluster will give the required information without bias or inaccuracy.

1.10 Definitions of Key Terms

In order to measure the effectiveness of VAT administration in Zimbabwe the following terms were constantly used.

- ❖ **ZIMRA**- Zimbabwe Revenue Authority
- ❖ **VAT**- Value Added Tax.
- ❖ **VAT administration**- refers to the duties and responsibilities of tax officials in identification and registration of taxpayers, processing returns, controlling collections, securing of delinquent declarations, collection of tax arrears, making refunds, auditing taxpayers, investigating tax fraud and evasion and levying penalties. Emiru (2012).
- ❖ **VAT Registered operator**- a manufacturer, wholesaler, an importer or a supplier of taxable goods and services registered under section 23 of the Act.
- ❖ **Act** - Value added tax Act [Chapter 23:12]

1.11 Summary

This section is a briefing and an intro on what has triggered this research and provides the motivation behind this researcher upon taking the onus of a thorough research and investigation on the effectiveness of VAT administration on revenue collection in Zimbabwe by ZIMRA. It also gives us cognizance of the questions, which are going to be addressed in detail by the end of the research, its purpose, and significance and also the objectives it intends to meet successfully. The following chapter is on literature review.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This is an evaluative account by this researcher on relevant identified literature published by accredited scholars, researchers and authorities, their ideas, findings, conclusions studies on the topic of the effectiveness of VAT administration on revenue collection. Hence this researcher found and identified balance and relevance in related literature in support of the research question. The gaps, incompleteness and limitations of each and identified literature under scrutiny is revealed in this orderly review of the below studies.

2.1 Effectiveness of VAT administration on revenue collection

According to Emiru (2012), effective VAT administration refers to “compliance of the duties and responsibilities of tax officials in identification, registration of taxpayers, processing returns, controlling collections, securing of delinquent declarations and collection of tax arrears, making refunds, auditing taxpayers, investigating for tax fraud and evasion and levying penalties.”

2.1.1 Identification and registration of taxpayers

Grandcolas (2012), registration of taxpayers for VAT increases the total revenue collection and widen the tax base. Grandcolas (2012) and Adekanola (2012) indicated that VAT registration has a minimum turnover limit for taxable supplies on compulsory registration and this give assurance to the revenue collectors that the taxpayers are able to pay VAT, which enhance revenue collection. Harrison et al (2012) stated that the idea of thresholds for registration helps to limit the number of taxpayers to a size that is compatible with administrative capacity and lowering of cost which therefore increases revenue collection. Ohemeng and Owusu (2015) also stated that a registration threshold is used to relieve some taxpayers of this requirement which can create an imbalance in terms of compliance, and an administrative burden for taxpayers with low turnover, resulting in low revenue collections. Umera (2015) indicated that voluntary registration of taxpayers for VAT increases revenue collection since the registration base for VAT has been widened.

However, according to Glenday (2013), compulsory registration is limited since VAT systems generally have a minimum turnover of taxable supplies thus lowering the amount of revenue

collected. Adesola (2012) and Glenday (2013) further stated that small businesses are allowed to register voluntarily by VAT systems in order to enhance revenue collection, however, those small business owners are not willing to register for VAT which negatively affects the revenue collection. According to the official ZIMRA website, www.zimra.co.zw, most companies are shutting down operations and there's more growth in informal trading and operations of which most players aren't registered for VAT and this negatively affects revenue collection. According to Hafidiah and Sumartaya (2014) and Gendron (2013), failure of taxpayers to register for VAT, especially those who have reached the turnover according to the law enhances revenue collection since those taxpayers will be charged penalties and interest. The study seeks to find out whether identification and registration of taxpayers on VAT enhances revenue collection.

2.1.2 VAT rates.

According to Cnossen (2014), one VAT rate simplified VAT administration since more rates are generally associated with higher administrative and compliance costs which reduces revenue collection. Bodin et al (2012) also stated that a single rate is an important factor in simplifying the administration of VAT from the tax administration and business owner's perspectives on the ground because a single rate allows specific revenue collection to be the tax base. According to Glenday (2013) and Jones (2013), high VAT rates increases revenue collection because more revenue is generated through taxing taxpayers with high rates on all goods and services. Syndelle (2012) argued that low VAT rates increase revenue collection, as more taxpayers are willing to register for VAT as they consider the rate reasonable. Bodin (2012) further indicated that VAT rate facilitates record keeping and invoicing thus enabling revenue collectors to identify those who have paid or not since it affects the overall revenue collection.

However, Martinez and Rider (2015) indicated that high VAT rates do not enhance revenue collection as they think it will not be acceptable by the taxpayers hence taxpayers will evade taxes hence negatively affects revenue collection. Ainsworth (2012) also stated that high rates of VAT are causing domestic prices to be raised and this might affect investor's decision thus lowering the company production hence affects revenue collection negatively. According to Jatmiko (2013) suggested that low VAT rates increase workload to be administered hence more administrative costs, which lowers revenue collection. The study seeks to find out whether VAT rates affect revenue collection.

2.1.3 Processing VAT returns

According to James and Nobes (2013) pointed that VAT returns positively affects revenue collection since VAT returns shows a clear picture of what the company is supposed to pay to the authorities. Abiola (2012) suggested that for the government to be successful in revenue collection it must have all the documents which show the summary of the total output and input VAT activities that give rise to the net VAT payable or due as credit or refund. Fischer (2013) and Myles (2014) indicated that filling of VAT returns ensure VAT audits to be carried out effectively as they provide evidence of transaction that has been done in terms of revenue collection. Honoham (2012) and Narayan (2015) indicated that in order for corruption and theft to be reduced in terms of revenue collection, VAT authorities have to ensure that VAT returns are processed by the taxpayers and filled both by the taxpayers and the revenue authorities.

According to Keen and Mintz (2014) regarding the submission of VAT returns and remittances by the due dates however some registered operators have neglected the need to fulfill their statutory obligations thereby negatively affecting revenue collection. Roy (2013) and Leach (2013) suggested that in many countries filing returns is a time consuming process as most taxpayers remit their taxes on the same day hence there may be long queues on the final due date which negatively affects revenue collection. This study seeks to find out whether VAT returns have impact on revenue collection.

2.1.4 Collection of VAT arrears.

Elmirzaev and Kurbankulova (2016) suggested that the primary responsibility of a revenue authority is to collect the taxes and payable duties within the confines of the law and in a manner that fosters, sustain confidence in the tax system and its administration. According to Jantscher (2012) and Whenkrofff (2015) collection of VAT arrears boost revenue collection because the payment that is done by the taxpayer for the debt carries an interest charged by the tax authorities to the debt that they already have. According to Narayan (2015) collection of VAT arrears positively affects revenue collection as taxpayers are given more time to operate and earn thus enabling them to settle their debts. Brondolo et al (2013) stated that VAT arrears appear to be a deliberate policy and the decision of using refund arrears helps governments to achieve the projected revenue collection targets.

However, according to Jantscher (2012) VAT arrears negatively affect revenue collection, as it is a major factor to the economic imbalance. According to IMF (2012) VAT arrears are due to difficult environment that is being experienced in different countries which affects revenue collection. Cottarelli (2013) suggested that VAT arrears reflect poor administrative processes and it negatively affects revenue collection. This study seeks to find out whether VAT arrears affect revenue collection.

2.1.5 Penalties and interest

Zhou (2014) stipulated that VAT law clearly indicate that failure by taxpayers to fulfill the requirements of the stipulated Act is an offense that results in financial penalties and in turn affecting the revenue collected. Odusola (2013) says that penalties attract more revenue since an additional of a certain percentage is charged on the outstanding tax and interest is also charged at the prescribed offence done. According to Shaw (2012), Hardwick et al. (2012) and Slemrod and Blumenthal (2014) penalties and interest that are charged on late payment and giving false information on matter considered material. Narayan (2015) added on to say that penalties are also charged on failing to notify change of address, to issue receipt and to keep proper records. Whenkroff (2015) further stated that penalties that are charged on those who go against law promote effective revenue collection as taxpayers will comply with tax laws as they fear to lose money on penalties and interest.

However, McLure, and Bloomfield (2013) argued that penalties and interest negatively affect revenue collection as some countries charge incremental penalties thus, the longer the tax payer takes to pay VAT the more penalties they are going to pay which results the government failure to meet revenue collection target. Choi (2014) and Slemrod and Sorum (2013) also says New Zealand late payment penalties are initially levied at a rate of 1%, a day after VAT payment due date, and an additional 4% is charged if the outstanding amount remains unpaid after seven days, 1% incremental penalty is applicable for every month thereafter, thus low revenue collected at the end of the month. The study seeks to find out whether penalties and interest affects revenue collection.

2.1.6 VAT refunds

Jantscher (2012) stated that the experience with VAT administration in many countries shows that credit refunding has been a source of tension between tax authorities and the business

sector, which then affects revenue collection. Whitaker (2015) and Narayan (2015) suggested that to ensure effective revenue collection, VAT refunds should be paid promptly upon reception of VAT returns, as delays gives rise to excessive credit. In order to ensure effective revenue collection, the IMF (2012) has promoted an efficient model for refund processing and this model uses random sampling for auditing of high-risk refund claims. Brautigam (2012) and Ohemeng and Owusu (2015) suggested that the tax regime should be transparent, set severe penalties for refund fraud, specify mandatory time frame for refund processing and impose interest on outstanding refunds beyond the established mandatory time limits in order to achieve the revenue collection targets. Minh Le (2013) and Kulbhushan (2012) indicated that refunds are supposed to be made within the stipulated days after receipt of the relevant VAT returns, after the expiry of which interest would be claimable by the taxpayer for every day the refund is delayed so that revenue collection is done effectively. This is aimed at promoting efficiency on the part of the VAT administration and expediting processing of client's dues, which in turn affects revenue collection (Brondolo 2013).

Jantscher (2012) indicated that however the payment is delayed since tax officials cite fraudulent claims, which negatively affects revenue collection. Chetty et al (2012) indicated that the tax administrations use time consuming and labor intensive processes to verify refund claims before approval, resulting in backlogs of refund requests thereby negatively impacting revenue collection. Harrison et al (2012) suggested that delays in processing refunds which affects revenue collection occurs when stated budgets are made under pressure, with projected tax collection targets not met in effect, this often happens when the responsible authorities do not have suitable forecasting and monitoring systems in place to anticipate refund levels and failure to aside sufficient funds to pay valid claims when they occur. According to Ebeke and Ehrhart (2015) and Jackson and Millron (2015) other taxpayers are not receiving their refunds due to incomplete original VAT refund claim form, non-submission of input tax soft copy schedules, non-submission of taxpayer's bank, branch, account number and account name and pending verification of purchases invoices. This study seeks to finding out whether VAT refunds have an effect on revenue collection.

2.1.7 VAT audits

According to Jantscher (2012) there is a considerable VAT evasion in most developing countries, which negates revenue collection. Elchfelder et al (2014) goes on to say, the real solution to the problem of VAT evasion is a good VAT administration and a strong VAT audit

program. According to Edmiston and Bird (2013) a strong VAT audit program with appropriate audit case selection method enhances revenue collection. Jantscher (2012) indicated that by cross checking purchases, sales data of various taxpayers will be an effective way for selecting VAT taxpayers for audit and improve audit results and overall results in effective revenue collection. Ebeke and Ehrhart (2015) suggested that introduction of electronic filing resulted in increased efficiency in terms of revenue collection and with VAT returns being submitted online tax officials now conduct the audits online. According to Gemmell and Hasseldine (2014) samples for audit are selected online and are emailed to the respective client who will in turn send the physical documents requested and this has reduced administration costs in terms of time and travelling costs which were normally incurred when they used to conduct audits from the client's offices hence increase revenue collection.

However, Palil and Mustapha (2012) argued that VAT audits and the thoroughness of the audits could encourage taxpayers to be more imprudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability thus affecting revenue collection negatively. Carlon and Massey (2013) also argued that unaudited VAT payers might be tempted to falsify their actual incomes, deductions and claims thus negatively affecting revenue collection. The study seeks to find out whether VAT audits enhance revenue collection.

2.2 Challenges and problems encountered in VAT administration on revenue collection.

2.2.1 Resistance against Value Added Tax registration

According to Abay (2015) business firms eligible for registration threshold are not registered, based on the assumption that, the VAT factor will make their prices less competitive, higher compared and the possibility of losing dear customers to other players within the market thus negatively affects revenue collection. Khan et al (2014) indicated that all tax payers very aware that the government is the main beneficiary or recipient of VAT revenue collections, because of that fact they boycott register VAT registration. Owusu (2015) stated that the registration approval of businesses on VAT payment system is very suggestive, although the government authorities disseminates information on importance of VAT to paying businesses, the correct perception, willful registration of the businesses and the desired level isn't achieved yet which results in low revenue collection.

However, Dheressa et al (2015) found out that the other factors that hinder the taxpayers from registering voluntarily to collect VAT are, fear of competition from unregistered similar firms and weak VAT administration which affects revenue collection negatively. This research seeks to find whether resistance against Value Added Tax registration affects revenue collection.

2.2.2 Setting threshold

Gebresilassey and Sow (2015) stated that a key challenge in the implementation of value-added tax (VAT) is setting an appropriate threshold standard upon which firms are obliged to register for tax, a higher threshold lowers tax revenue collected. According to Keen and Mintz (2014) in Uganda the introduction of VAT was almost failed due to rapid increase of threshold from \$20 000 to \$50 000 thus the revenue collection base was not achieved as targeted. Abdella and Clifford (2012) and Cnossen (2014) indicated that while setting a higher threshold might solve the high compliance costs problems of small firms, it might lead to other issues that some registered firms might face a high threshold and allow firms with significant size to avoid VAT registration which resulted in low revenue collected.

However, Modugu and Anyaduba (2014) argued that setting a low threshold imposes high compliance costs for both small firms and the government, which also lowers revenue collection. Slemrod et al (2013) indicated that setting a low threshold causes more taxpayers to be in the bracket which will increase VAT administration cost resulting in low revenue collection. Keen and Smith (2012) and Hafidiah and Sumartaya (2014) also argued that revenue forgone by having a higher threshold may be insignificant compared to saving administration costs by the authorities and compliance costs by the taxpayer, this so because the potential tax revenue collection base is strongly concentrated in the largest companies. Almunia and Rodriguez (2014) are of the opinion that it might be desirable for tax authorities to still set a high threshold because of their low fiscal capacity in order to increase revenue collection. The study seeks to find how threshold set on VAT affect revenue collection.

Setting VAT rates

Minh Le (2012) indicated that setting VAT rates is a challenging task, which has to be done with a good economical mind, and if they are set too low they will increase workload to be administered hence more administrative costs leading to low revenue collected. Ebimobwei & Ogbonna (2016) are of the opinion that if VAT rates are set too high they will not be

acceptable by the tax world hence taxpayers will evade taxes hence the revenue collected will be lower. According to Keen and Mintz (2014) and Whenkroff (2015) in Ghana the near-failure of the VAT introduced was suppressed in bigger proportions by rapidly increasing the rate from a standard rate of 15% to 17.5% and it resulted in low revenue collection. Keen and Mintz (2014) further went on to say that the introduction of a higher VAT rate was not politically accepted hence it resulted in low revenue collected.

Minh Le (2012) and Adesola (2012) further stated that high rates would be an invitation for evasion and avoidance, consequentially a narrow tax and a narrow tax base leads to higher rates which kicks in motion an interesting vicious circle and a multiplier effect on revenue collected. Slemrod et al (2013) suggested that multiple exemptions, rates, and limited coverage tend to erode the tax base and the need for setting higher standard rate for sufficient revenue collection. The study seeks to find out whether VAT rates affect revenue collection.

2.2.4 Treatment of hard-to-tax sectors

Adeniyi (2012) suggested that other economic sectors as financial services, and small traders, are practically difficult to tax, the reason being, their administration is imposable and it's financially costly to estimate the value added by such sectors. Adeniyi (2012) went on to say that the compliance costs for taxpayers are prohibitively higher, which resulted in the decrease of revenue collection. Jackson and Millron (2015) and Crandall (2013) further stated that low compliance levels among the hard-to-tax are a problem for both developed and developing countries; however, the extent and effects of evasion among these sectors is much larger in developing countries which negatively affects revenue collection. Minh Le (2012) and Abiola and Aside (2012) stated that despite the fact that many developing countries have legislations providing for the taxation of hard-to-tax sectors, revenue authorities have largely been unable to effectively administer the applicable tax legislation and rules, resulting in significant levels of tax evasion that greatly erode an already limited tax base or low revenue collected. Kloeden (2012) and Crandall (2013) goes on to say businesses offering services can easily evade or undermine VAT because it is difficult to measure value addition on their products there by neglecting revenue which was meant to increase revenue base.

However, Shanmugam (2013) and Prichard and Bentum (2012) argued that treatment of hard-to-tax is not a challenge if the tax authorities adopt systems that has been brought through technology which can solve the problem that are encountered in the treatment of hard-to-tax

like use of fiscalization devices. The study seeks to find out whether hard to tax sectors affects revenue collection.

2.2.5 Fraud or tax evasion

According to Madzharova (2015), due to technological progress and the introduction of new methods of payment, VAT administrations face new possibilities of improving tax enforcement, while firms devise creative opportunities for tax evasion, which affects revenue collection. Brautigam (2012) and Osei & Quartey (2014) reported that government of Kenya losses so much of VAT through poor tax structures resulting to tax evasion resulted in a decrease in revenue collection base. To illustrate further, according to Ainsworth (2012) stated that the latest report on Kenya's tax system reveals that the rogue firms rob the government of billions through tax evasion yearly and moreover the report indicates Kenya losses over Kshs 131 billion in tax revenue of VAT every year.

Khan et al (2014) suggested that given the enormous estimated losses of VAT revenue collection is an indication that fraud prevention is not frequently done. Kayaga (2013) stated that consequently, tax evasion has negatively effects the revenue collection from VAT. Spiro (2015) suggested that the possibility of tax evasion by some manufacturers through means of under-reporting and misrepresentation of sales figures or records. Bonyongwe (2015) stated that the decline on revenue collected on VAT indicates a certain level of transit fraud. Owusu (2015) pointed out that a decline in VAT collected could be caused by tax evasion and avoidance.

Kassu (2012) however stated that tax evasion might be due to the lack of competence of tax auditors who carry tax audits to taxpayers thus they might fail to detect fraud or tax evasion by the taxpayers, which negatively affects revenue collection. Worku (2013) further indicated that fraud or tax evasion might be due to the lack of knowledge by the taxpayers therefore the taxpayers might do as if they are complying with tax laws. The study seeks to find out whether fraud or tax evasion affects revenue collection.

2.3 Possible measures that can be implemented to improve VAT administration on revenue collection

2.3.1 Improving Tax Compliance

Syndelle (2012) stated that VAT administration has a goal to foster voluntary tax compliance and the idea of penalizing tax evaders or going after delinquent taxpayers is not the main objective of VAT administration. Osunkoya (2013) suggested that tax compliance can be increased if there is an effective VAT administration on revenue collection and an effective collection should not be confused with an efficient VAT administration on revenue collection as an administration may be efficient in that its collection costs are very low, yet at the same time it may be ineffective if it is unable to enforce compliance. Desai and Hines (2012) and Owens (2012) indicated that taxpayers would comply better, if they were aware that failure to comply is running a substantial risk of being penalized in a relatively severe fashion. Aguirre et al. (2012) and Osunkoya (2013) further stated that, lower cost to a complying taxpayer is considered fairness. The factor such, simplicity of laws, procedures and the services provided rendered to the taxpayers by the VAT Administration are all vital in expediting and stimulating voluntary compliance and in turn increases revenue collection, Osunkoya (2013). Popoola (2014) suggested that macro-economic variables such as the role of interest and inflation may exert negative influence on tax compliance thus reduce the tax base of revenue collected.

Syndelle (2012) further stated that in countries with a high degree of non-compliance, the imposing of effective penalties is the ability of VAT administration as it is the key in shaping the behavior of taxpayers thereby doing enhancing revenue collection. Nightingale (2013) stated that if VAT compliance is to improve, effective action to deal with shortfalls must be taken by VAT administration thus enhancing revenue collection. Lymer and Oats (2014) indicated that it is vital to learn in what way effective administration is in dealing with each gap and when VAT administration exercise is able to successfully control only one of these gaps, non-compliance might shift to the gap where the VAT administration exercises weaker control. Lamb et al (2014) says that it is not enough for the VAT Administration to make efforts to eliminate the informal economy and register all potential taxpayers, in order to increase revenue collection if registered taxpayers cannot then be made to fill returns, to report and pay the proper amount of tax. The study seeks to find out whether tax compliance improves revenue collection.

2.3.2 Tax Audit

Laffer (2015) stated that the audit function is of crucial importance to VAT administration on revenue collection. If it is not reasonably effective, VAT administration will not be reasonably effective either and the revenue collected will be affected negatively. James and Nobes (2012) suggested that in order to bridge the gaps between revenue stated by taxpayer and actual tax stipulated by the law, an adequate audit plan must be put into practice. James and Nobes (2012) further says the audit function should be evaluated in terms of the quality and quantity of audits carried out and revenues voluntarily paid where voluntary collection is revenue obtained from the amended returns (corrections) filed by taxpayers after they have been audited. Gordon and Li (2012) and Ekeocha (2013) indicated that the effectiveness of the audit function should not be measured in terms of straight tax receipts derived from additional assessment, but rather to what extent this function contributes to improving tax compliance which results in an increase in revenue collection.

According to Popoola (2014), revenue collected and adequate planning of the audit function requires definition of general guidelines for combating the various forms of tax evasion. Appah (2014) and Owolabi and Okwu (2012) says that any taxpayer that commits tax evasion through fraudulent actions such as forging or falsifying records must not go beyond the scope of taxation, must be punished for fraud and criminal charges, even when no harm had been done to the treasury. Appah (2014) further stated that the penalty should be very severe as a deterrent so as to increase revenue collection. The study seeks to find out whether tax audits improve revenue collection.

2.4 Performance of VAT administration on revenue collection.

2.4.1 Fiscalisation

Taxpayers were under declaring output tax and defrauding the government's revenue collection hence the introduction of Electronic Tax Registers (ETR) by tax authorities and these ETR contains a special Read Only Memory built into the cash register to store tax information at the time of sale (Sartra and Hati, 2012). Kulbhushan (2012) indicated that the ETR can be used as a stand-alone unit or configured into a network, linked to the tax office through GPRS such that the Revenue Authority will be able to know how much tax is due even before the client makes a declaration. VAT fiscalised devices were introduced in order to increase revenue

collection through promoting integrity and transparency among registered operators (Kulbhushan 2012).

According to Jatmiko (2013), Nightingale (2013), fiscalisation uses electronic devices such as electronic tax registers, fiscal printers and signature devices for efficient management controls in areas of sales analysis and stock control for revenue collection. These devices capture and automatically re-route all sales information to the tax authorities who are in turn able to see how much they are owed by companies for revenue collection (Jayakumar 2016). According to Elson (2015), fiscalised electronic devices have a positive impact on firms through improvements, saving time, reduces or elimination of direct contact between tax collectors and hence minimizes corruption. Umera(2015) suggested that the use of fiscalised electronic devices is more effective and efficient on revenue collection than the use of the manual methods. Paddington (2015) stated that the majority of young employees in the firms have positive attitudes and feel secured in the use of fiscalised electronic devices on revenue collection.

However, Kirchler (2014) suggested that uneducated employees find it difficult to use fiscalised electronic devices because they lack know how and how best to use them and this affects revenue collection. Jatmiko, (2013) stated that employees negatively perceived the use of fiscalised electronic devices because they are not familiarized with their use and other are just resistant to change, even though, given all the resources they will still be reluctant to use such advanced methods. Elson (2015) further stated that some organizations do not have enough capital to acquire fiscalised electronic devices. Kirchler (2014) suggested that there is a negative correlation between age and the use of electronic devices in the firms hence revenue collection is affected.

Katolik (2014) stated that the application of the fiscalization law resulted in an increase in taxable deliveries thus increasing revenue collected and the level of taxable supplies will depend primarily on VAT Administration, specifically on the department of supervision which is in charge of the laws specialized in the work carried out. The study seeks to find out whether fiscalisation enhances the performance of revenue collection.

2.4.2 Segmentation of taxpayers

The administration of VAT was seen to be complex hence the need for it to be placed under special organizational units so that it becomes a success in revenue collection, Desai and Hines (2012) and Grandcolas (2013) indicated that special organizational units and systems were set up to monitor and control large VAT taxpayers in most modernized VAT administrations. Bodin (2012) indicated that VAT administration facilitates the development of a more structured picture of the taxpayer's population, beginning with categorization of businesses based on their annual turnover (above or below the VAT registration threshold) for easy revenue collection. In many countries, especially in Africa the introduction of VAT helped in developing a better understanding of business segmentation by means of size and turnover. Nightingale (2013) indicated that taxpayer segmentation seems to yield significant benefits in revenue collection through increase of compliance and reduction of VAT collection costs.

Dheressa (2015) and Ekeocha (2012) suggested that service delivery segmentation enables the tax authority to understand, each category of taxpayers better hence strengthening the monitoring mechanism of revenue collection. Some companies were avoiding tax payments and not complying with the tax bylaws hence it resulted in tax authorities categorizing VAT clients to boost revenue collection. Ojeka (2012) stated that clients are shared amongst revenue officers who are responsible for assessing, accounting and providing information to their respective clients to ensure effective revenue collection thus clients contact their liaising officers for clarity of issues and any other matters.

However, Micci-Barreca and Ramachandran (2013) stated that segmentation of taxpayer's increases the work load of VAT administration resulting in increase in the costs of administration of VAT thus negatively affects the performance of revenue collection. Katolik (2014) went on to say that segmentation of taxpayers is time consuming which cause some of the work to be suspended hence the performance of revenue collection is affected. The study seeks to find out whether segmentation of taxpayers enhances the performance of revenue collection.

2.4.3 Mechanics of VAT

According to Adeniyi (2012) stated that for effective revenue collection by the tax authorities on VAT, mechanics of VAT must be established and implemented. Alm et al (2013) stated that

mechanics of VAT consist of VAT on sales, VAT on purchases and registration of taxpayers for VAT. According to information on www.zimra.co.zw, the mechanics of VAT is achieved when one registered operator supplies another registered operator with goods or services, the supplier will then levy VAT and this increases revenue collection. Blumenthal (2012) stated that mechanics of VAT on sales improves revenue collection compared to sales tax system that was used because VAT is flexible to generate large and floating revenues, because it levies tax on value additions. Lambert (2013) and Christian (2012) suggested that the mechanics of VAT on sales is important in the performance of revenue collection, as the amount of VAT at each and every stage of the goods sold is known unlike with the sales tax system the tax amount isn't known. Halil and Mustapha (2014) indicated that VAT is a multi-point tax with set-off for tax paid on purchases, it prevents repeated taxation of the same product which eliminate exaggeration of revenue collected. Richardson (2013) indicated that mechanics of VAT on the registration of taxpayers enhances revenue collection as the tax base of revenue is increased due to the increased number of taxpayers.

However, Glassey (2013) indicated that poor mechanics of VAT negatively affects the performance of revenue collection. Glassey (2013) further stated that this might be due to the application of old method of mechanics of VAT, which is not applicable to the current economy. The study seeks to find out whether mechanics of VAT enhance the performance of revenue collection.

2.4.4 Remittance of VAT

Adereti et al (2013) stated that the due date for submission of VAT returns in preparation for revenue collection differs with countries, with most countries stating it as a countable number of days from the end of tax period. Asiweh, (2012) suggested that remittance of VAT is done in order to facilitate provision of credit since the date is set with in very few days to the end of tax year, tax payers who have sold goods on credit terms are forced to borrow to meet their VAT obligations. Owolabi and Okwu (2012) indicated that VAT legislation allows taxpayers to file their returns and make payments on or before the stipulated date of remittance to ensure effective revenue collection. Alm et al (2013) stated that compliance of taxpayer on tax laws ensures effective remittance of VAT, which enhances the performance of revenue collection by the tax authorities. Olaoye (2012) and Elson (2015) stated that remittance of VAT online has boost the performance of revenue collection as taxpayers of VAT has find it easy and less time consuming to remit their returns. Elson (2015) further stated that remittance of VAT

online has reduced some of the firm`s expenses including stationary and transport cost which has contributed towards the payment of VAT resulting in an increase in revenue collection.

However, Liam et al (2012) stated that, in most countries, filing returns, paying taxes is a time consuming process and most taxpayers remit their taxes on the very same day and consequentially long queues characterizes the due date, resulting in decrease on revenue collection. Lymer and Oats (2014) suggested that remittance of VAT online has caused occurrence of errors and mistakes, which affected the collection of revenue, as VAT was not received on time. The study seeks to find out whether the remittance of VAT enhances revenue collection.

2.5 Summary

This chapter focused primarily on relevant and identified literature on the effectiveness of VAT administration on revenue collection, the challenges, problems encountered, and recommended measures ZIMRA can adopt to improve on administration and the performance of VAT on revenue collection. The pith of the research was to synthesize, integrate and critique the arguments and ideas of other researchers on the effectiveness of VAT administration on revenue collection. The next chapter shows the research methodology that was used by the researcher.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

To fulfill the primary objective of this research study, primary data were used. All primary data were collected through questionnaires and unstructured interview. The chapter further explains research design, samples, research instrument and methods used to analyze data as well as validity and reliability of data. The chapter contents enhance the acceptability and credibility of the research findings and the recommendations of the research.

3.1 Research Design

According to Rajasekar et al (2013) research design indicates the various approaches used in solving the research problem, sources and information related to the problem in terms of time frame and the cost budget. Basically the research design creates the foundation of the entire research work. Rajasekar et al (2013) furthermore suggested that, the research design help the researcher to perform the chosen task easily, in a systematic way and once the research design is completed the actual work can be initiated. Ceswell (2013) suggested that, research design shows strategies and the procedures, which are going to be used in gathering, interpretation and analysis of the data collected by the researcher. Ceswell (2013) went on to say that researchers must choose a good research design as the presented information (significant or insignificant) in the research is connected to the problem statement.

Based on the above emphasis, paying meticulous consideration to detail, best alternatives, the advantages, disadvantages, the importance of a good research design and the research itself, this writer found the descriptive research method best suited for this crucial research, data gathering and analysis. The chosen method suits well and support the research in the sense that, it saved the writer a great deal of time, it's very simple, it shows trends over time which tallies with the overall research study, it gives increased understanding on the subject matter, better conclusions and unlimited possible ways to achieve decision making goals in effect.

3.1.1 Descriptive research

Descriptive research helps to obtain information, aiming towards defining the condition of a situation or phenomenon existing during the time of research Hale (2012). In adoption and application of this research method, the researcher is endeavoring to fully describe in analysis the existing data in relation to the recognized problems using answers obtained from interviews

and questionnaires. The descriptive research method is the best to help the researcher achieve a complete and accurate description of the effectiveness of VAT administration on revenue collection. Farthing (2015) suggested that with descriptive research, the researcher has no control over the variables but will be able only to report on what is happening and what has happened. Despite the above mentioned limitations, the descriptive research topped as it allowed this researcher to gather qualitative data using research instruments such as questionnaires and interviews to evaluate the effectiveness of VAT administration on revenue collection and also that it was useful in in-depth study of theoretical ideas as it was not possible to develop models.

3.1.2 Qualitative approaches

According to Ceswell (2013), qualitative approach deals with understanding, exploration, attitudes, opinions and motivations of individuals or a community towards a particular problem which cannot be measured but observed only. This researcher had to use the qualitative approach through interviews to gain insight into, people's opinions, understandings and ideas on the effectiveness of VAT administration on revenue collection. Qualitative research is concerned with qualitative occurrence involving quality. Farthing (2015) suggested that qualitative approach is non-numerical, descriptive, applies reasoning and uses words and aims to get the meaning, feeling and describe the situation. Based on the above, this researcher realized the necessity for interaction, observation and to inspect the attitudes, views, understanding of those that are always involved into day-to-day activities of the business, this approach was very useful in identifying and understanding the underlying reasons, motivations and opinions. Through the use of interviews, the researcher has more insight on the effectiveness of VAT administration on revenue collection also identified ways to enhance effectiveness of VAT administration on revenue collection as the researcher get to read non-verbal communication during interviews.

3.2 Population

Tran Farthing (2015) indicated that a population has elements that are components or participants to be measured. A population is a collection of persons who have the same traits that are to a research (Mackey, 2013). According to Nargundkar, (2012) a sample population is a subset of the defined target population from which a sample for research can be realistically selected. The targeted population by the researcher consisted of ZIMRA employees, registered

operators and tax practitioners as the sample population has those who have interest to the activities of the organization and they have knowledge on the effectiveness of VAT administration on revenue collection. The researcher chose 45 people as the sample population from the whole population of 134 people because it has those who have interest to the activities of the organization.

3.2.1 Sample size

Sampling refers to the process of selecting the correct individuals, objects or events as representatives of the entire population when carrying out a research, Sarantakos (2012). Agbloyor (2012) defines sampling as the process of defining who participates in the study since it cannot be carried out on the whole population due to some constraints. This researcher used stratified random sampling as it provides greater precision on the effectiveness of VAT administration on revenue collection and also require small sample and saves money. In this research, the sampling unit comprises of registered operators, revenue officers, supervisors or middle management and top management of ZIMRA. Jalil (2013) stated that a minimum sample size should be 30%. The sample of 45 participants from the target population of 134 employees is illustrated below.

Table 3.1 sample size and total population

Level	Total population	Sample size	% sample size	Interviews
Top management (Managing Director)	1	1	100%	1
Middle management (Supervisors)	9	5	55.6%	1
Revenue officers	16	9	56.25%	1
Registered operators	108	30	27.8%	2
Totals	134	45	33.6 %	5

This researcher created a sample with size of 45 representatives, which comprised of 15 employees and 30 registered operators. Of the 15 selected employees there's 1 Managing Director, 5 Supervisors/Middle management and 9 Revenue officers. The total sample size was 45 out of 134, which gives us 33.6% sample size of the total, and 3.6% above 30% of the required minimum sample size as cited by Jalil (2013). The researcher randomly selects 5 participants from the sample, for interviews. The researcher used stratified random sampling.

3.3 Primary Data

Agbloyor (2012) stated that primary data is the original material that is created by a participant in an event; witnesses or the researcher, primary data is raw and unprocessed information gathered by a researcher in accomplishment of a particular research assignment. Saunders et al (2012) described primary data as the original work of the researcher or raw data without interpretation or declarations that represent an official opinion or position. Primary data information was used since it provided the conditions of the current effectiveness of VAT administration on revenue collection and provide ways that can be adopted to enhance effective VAT administration on revenue collection thereby making primary data more relevant and spot on. Primary data was collected using questionnaires using closed end questions. Interviews were also used to notice respondent's attitudes, which cannot be detected on questionnaires, and to further ask on areas that require explanation or clarification. This was handier and effective as it assisted this researcher in collection of error free first-hand information, well enough for accurate deductions and decision-making.

3.4 Research techniques

According to Agbloyor (2012), research techniques are data collection tools for gathering information to meet the research objectives. Saunders et al (2012) suggested that well put together research techniques result in reliable and relevant data. This researcher effectively used questionnaires and interviews to obtain the required and relevant information to address all research questions.

3.4.1 Questionnaires

A questionnaire can be technical defined as a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents.

Agbloyor (2012) indicated that a questionnaire is a set of questions designed to obtain data suitable for analysis and addressing the research in question. Agbloyor (2012) further stated that a questionnaire is an organized collation of questions that are directed to the targeted population from which appropriate information is desired. Bias is reduced if closed end questions are structured well and there is quicker comparison and data analysis if they are used in conjunction with the Likert Scale as they have classes that are easy to program. Closed end questions were used so as to gather much information as possible as they provide ready-made categories, which makes information to be analyzed and obtained easily. Questionnaires were made use of because they helped guide respondents to answer in line with the objectives of the effectiveness of VAT administration on revenue collection and it proved to be a reasonably low cost instrument.

3.4.2 The Likert Scale

Kumar (2012), Likert Scale is a psychometric scale usually involved in study questionnaires and that all values on the scale represent attitudes towards the research subject. The researcher made use of a Likert scale which is a series of answers by the researcher for the respondents to choose from such as strongly disagree, strongly agree, agree and not sure. Likert scale options are shown below:

Table 3.2 The Likert scale

Item	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Points	1	2	3	4	5

(Source): Kumar (2012)

The Likert Scale shows the point of respond of a person to a particular aspect under research question. Strauss and Cobin (2012) pointed out that the Likert scale provides direct and reliable assessment of attitudes when scales are well constructed and it is quick and economical to administer and score. Likert Scale as a method of ascribing quantitative value to qualitative data, to make it agreeable to statistical analysis was used. A numerical value was assigned to each potential choice and a mean figure for all the responses from the questionnaires was computed at the end of the evaluation. The author used the Likert Scale in conjunction with questionnaires where respondents will indicate their level of agreement or disagreement on the

questionnaire from 1 to 5 as shown by table 3.2 above. It is very easy to understand that is why the researcher had to use the Likert scale. The researcher used Likert Scale in answering closed questions on the objectives of the effectiveness of VAT administration on revenue collection.

3.4.3 Interviews

An interview is conversation between an interviewer and an interviewee prepared to answer the research questions (Anderson et al 2012). According to Wegner (2013) suggested that an interview is a verbal technique for gathering primary data and it is a decided conversation between two or more persons. The interview allows the interviewer to ask within the scope of research and face-to-face was done and feedback was received instantly and the interviewer takes notes in order to avoid information loss. The interviewer asked clarifications on issues which were not clear which increased the depth of information gathered so as to come up with comprehensive data. Jalil (2013) stated that in order to collect quality data, the interviewer should gain trust of the interviewee by present good personal relationship. Interviews were conducted with employees of ZIMRA to gather primary data and with authorization of from those with authority. The use of interviews helped the researcher to gather valid and dependable data that was appropriate to the research questions and objectives (Saunders et al; 2012). Face to face interviews were used to obtain information from ZIMRA managers.

3.5 Reliability and Validity.

3.5.1 Reliability

Reliability refers to the degree to which the data collection methods or analysis procedures will produce dependable findings (Saunders et al; 2012). Reliability is a degree of consistency or accuracy that an instrument demonstrates and reliability is a quality that ensures accuracy and dependability (Faenkel et al, 2013). Information gathered was reliable as the researcher used more than one data collection tools. In addition, the sample size chosen represents every department at ZIMRA and those related to the activities of VAT administration. Jalil (2013) stated that a reliable sample must be thirty percent and above of the targeted population and in this research the sample size was 33.5%. The researcher increased reliability through use of uniform interviews and questionnaires for each related group. The research questions and interview questions were structured from the research objectives and questions thus also increasing reliability. To confirm and ensure the reliability of data, the researcher had to

triangulate. The obtained data was then compared to check whether there was no disparity between information collected using different sources.

3.5.2 Validity

Validity is concerned about whether the findings are really about what they appear to be about (Saunders et al; 2012). Validity entails the extent to which research instruments measure what they were purported to (Penwarden, 2014). To ensure that the data gathered was valid, the researcher had to analyze the data given and then equates to the research questions or research objectives. The process of data triangulation was used to validate the information collected by each instrument as the information from each instrument is contrasted for validity. This was done through combining two different types of research instruments that is face to face interviewing and questionnaires obtained from different information that provides data sets that complement one another. Asking relevant questions to the study and using the research instruments that were suitable to the research insured validity. At the end of the data gathering process the researcher went through checking the validity and accuracy of the data before analyzing begins. This was done to ensure that the data collected was free from error and that mistakes that might have been made during filling of questionnaires are corrected without changing the responses of the respondents. Interviews and questionnaires were used to collect primary data, which added data credibility.

3.6 Data Analysis and Presentation

3.6.1 Data presentation

The data collected was sorted into their respective categories in relation to the objectives and the research questions. Responses were tabulated and statistical methods of analyzing data were used. Following data collection, there is processing and presentation into a meaningful form. Potter (2013) indicated that diagrams have great impact on data presentation as they are favored most by people rather figures only. Pie charts, tables and graphs were used to present the data into a meaningful way by the researcher as they; are easy to understand, provide important variables being clearly illustrated, provide a clear picture of the trend and also that they provide a summary of all the data gathered. Data was gathered through primary sources using qualitative approach and presented in a consistent way with the research question and objectives.

3.6.2 Data Analysis

Kumar (2011) stated that data analysis helps to reduce the gathered data into a micro manageable quantity, identifying sequences and patterns, developing summaries and the application of statistical data analysis models. Responses from the questionnaires and interviews were sorted in line with the research questions and descriptions were used to show the circumstances as it happened at ZIMRA. Gathered data from the remaining employees was gathered and useful information relating to the study was set aside for the analysis and left out irrelevant data.

3.7 Summary

This chapter looked at the research methodology adopted by the researcher and the chapter covered design, data sources, research instruments, advantages and disadvantages of them, data collection, validity and reliability and lastly data analysis and presentation. It outlined how data was gathered during the study. The presentation and analysis of the collected data is shown in the upcoming chapter.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter shows the presentation, interpretation and analysis of the data gathered during the research and it outlines the results and findings of the research obtained using instruments discussed in the previous chapter. The data was presented through the use of tables, graphs and pie charts. The presented information was then analysed in order to come up with reasonable conclusions regarding factors which contribute to effectiveness of VAT administration on revenue collection.

4.1 Response rate

The research instruments that were used in this research are questionnaires and interviews and therefore the response rate was analysed as per technique used.

4.1.1 Questionnaire response rate

Table 4.1 Questionnaire response rate

Level	Sample size	Responded	Not responded	Responses rate
VAT officers	15	14	1	93.33 %
Registered Operators	30	24	6	80%
Total	45	38	7	84.44%

VAT officers had a response rate of 93.33% which means that out of 15 questionnaires sent, 14 were responded and 1 did not respond. The registered operators had a response rate of 80% when 30 questionnaires were administered and 24 questionnaires being responded while 6 were not answered. The researcher manages to get the overall response rate of 84.44% after administering questionnaires to the VAT officers and registered operators which are 38 questionnaires and 15.56 % were the questionnaires not responded which are 7 questionnaires which make a total of 45 questionnaires administered. According to Paston (2012) stated that better presentation of the target population is obtained from high responses and that a response

rate which is above 60% is ideal to meet the validity and reliability of the research techniques and this research the response was 84.44%.

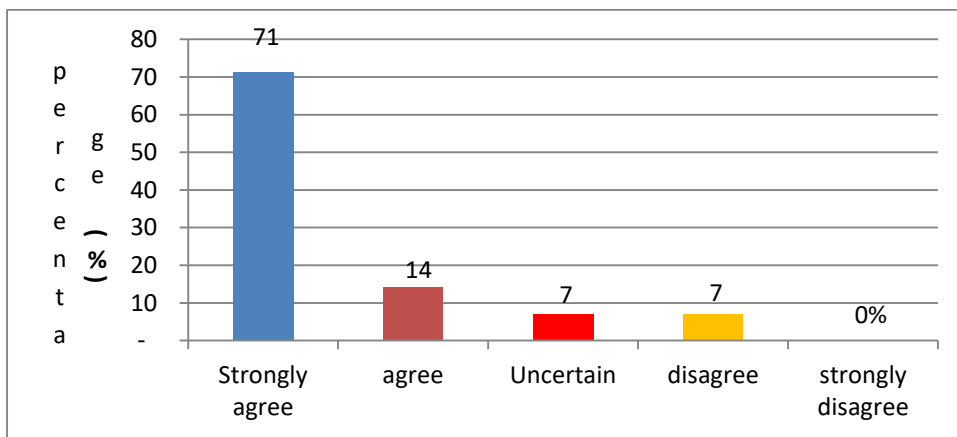
4.2 The following factors results in effective is VAT administration on revenue collection

4.2.1 Identification and registration of taxpayers

Raw data: Responses on whether or not Identification and registration of taxpayers results in effective on revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	10	2	1	1	0

Figure 4.1 Responses on whether or not Identification and registration of taxpayers results in effective on revenue collection



As indicated by Fig 4.1 above 71.43% (10/14) of the respondents strongly agreed and 14.29% (2/14) agreed that identification and registration of taxpayers contribute positively to the collection of revenue. 7.14% (1/14) of the respondents were not certain of the view of the identification and registration of taxpayers contributes positively to the collection of revenue, 7.14% (1/14) of the respondents disagree and 0% (0/14) strongly disagree with the view that identification and registration of taxpayers contribute positively to the collection revenue. In total, 85.72% (12/14) of the respondents agreed to the view that identification and registration of taxpayers contribute positively to the collection of revenue as this was supported by Grandcolas (2012), Grandcolas (2012) and Adekanola (2012) who alluded that registration of

taxpayers for VAT increases the total revenue collection and widen the tax base. This was also supported by Harrison et al (2012) and Umera (2015) who indicated that voluntary registration of taxpayers for VAT increases revenue collection since the registration base for VAT has been widened. However, in total, 7.14% (1/14) disagreed with the concept of the view that identification and registration of taxpayers contribute positively to the collection revenue as this was supported by Adesola (2012) and Glenday (2013) who argued that compulsory registration is limited since VAT systems generally have a minimum turnover of taxable supplies thus lowering the amount of revenue collected. This was also supported by the information on www.zimra.co.zw, most companies are closing and more of informal sectors are operating yet they are not registered for VAT and this negatively affects revenue collection. In summation, this can be concluded that identification and registration of taxpayers for VAT affects revenue collection and if ZIMRA does not enhances effective VAT administration on identification and registration of taxpayers, revenue collection might be negatively affected as this is evidenced by the decrease in revenue collection by ZIMRA from 2013 to 2015.

4.2.2 VAT audits

Raw data: Responses on whether or not VAT audits results in effective revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	12	2	0	0	0

Figure 4.2 Responses on whether or not VAT audits results in effective revenue collection

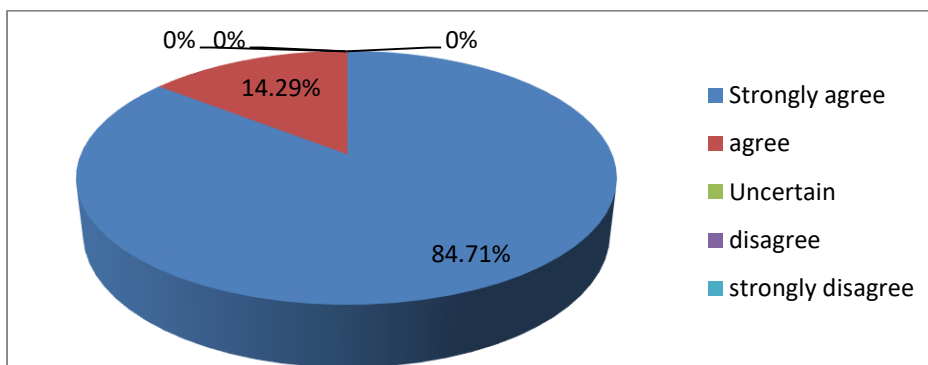


Fig 4.2 shows that 84.71% (12/14) strongly agreed that VAT audits positively affects collection of revenue and 14.29% (2/14) agreed that VAT audits positively affects collection of revenue. 0% (0/14) was uncertain that VAT audits positively affects collection of revenue, 0% (0/14)

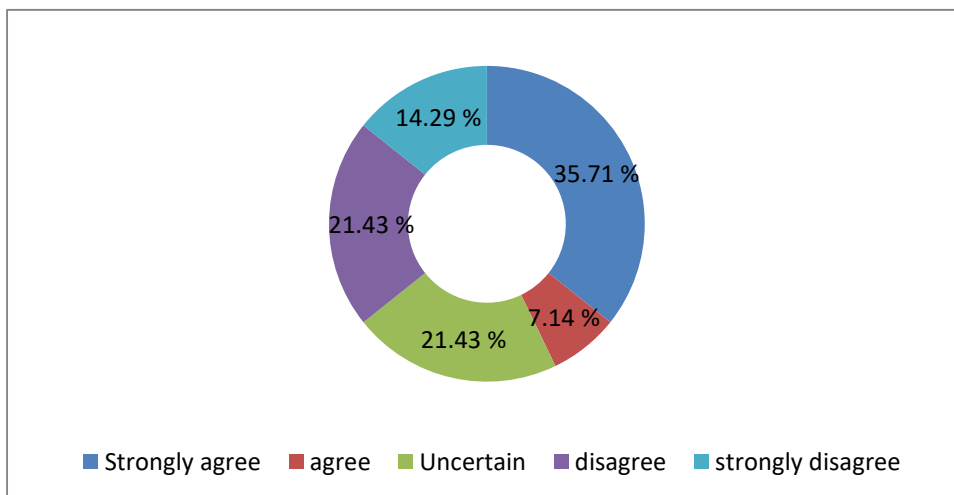
disagreed and 0% (0/14) strongly disagreed with the view that VAT audits positively affect collection of revenue. In addition, all the respondents (100%) agreed that VAT audits positively affects collection of revenue as this was agreed by Jantscher (2012), Elchfelder et al (2014), Ebeke et al (2015) as they indicated that a strong VAT audit program with a suitable audit case choice method enhances revenue collection. This was also supported by Normand and Hasseldine (2014) as they say the only real solution to the evasion problem which negatively affects revenue collection is a good VAT administration, particularly a strong VAT audit program. Revenue collected from VAT by ZIMRA increases from the year of 2012 to 2013 by 6% where VAT audits have been carried out. However, from 2013 to 2015 there was a decrease of revenue collected by ZIMRA for VAT by also 6% which conclude that VAT audits affects revenue collection.

4.2.3 VAT rate

Raw data: Responses on whether or not VAT rates results in effective revenue collection

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

Figure 4.3 Responses on whether or not VAT rates results in effective revenue collection



From the Fig 4.3 above, 5 (35.71%) and 1 (7.14%) strongly agree and agree respectively that VAT rates positively affect revenue collection. 3 (21.43%) were not certain whether VAT rates affect revenue collection. However, 2 (14.29%) disagree and 3 (21.43%) strongly disagree with the fact that VAT rates positively affect revenue collection. Combined, 42.85% of the respondents had an agreement that VAT rates positively affect revenue collection as this was

supported by Cnossen (2014), Bodin (2012), Glenday (2013) and Jones (2013) stated that high VAT rates increases revenue collection because more revenue is generated through taxing taxpayers with high rates on all goods and services. Also with the same view of increase revenue collection, Syndelle (2012) stated that low VAT rates increases revenue collection as more taxpayers are willing to register for VAT as the VAT rate is reasonable.

However, 57.15% combined, of the respondents disagreed that VAT rates positively affect revenue collection as this was supported by Nightingale (2013) and Ainsworth (2011) indicated that high VAT rates do not enhance revenue collection as it cannot be acceptable by the taxpayers hence taxpayers will evade taxes hence negatively affects revenue collection. ZIMRA has one VAT rate that is 15% standard rate and other are zero rated goods and services and others are exempt. Therefore, basing on the results it indicated that the standard rate of 15% is high which negatively affect collection of revenue.

4.2.4 VAT refunds

Table 4.2 Responses of whether or not VAT refunds results in effective revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	8	12	4	0	0
Percentage	33.3%	50%	16.7%	0%	0%

From Table 4.2 above indicates that 33.3% (8/24) strongly agreed that VAT refunds have a positive effect on revenue collection and 50% (12/24) agreed that VAT refunds have a positive effect on revenue collection. On the other hand, 16.7% (4/24) were uncertain, 0% (0/24) disagreed and 0% (0/24) strongly disagreed that VAT refunds has a positive effect on revenue collection. 88.3% in total of the respondents agreed that VAT refunds has a positive effect on revenue collection as this was supported by Jantscher (2012) and Whitaker (2015) stating that to ensure effective revenue collection, VAT refunds should be paid promptly upon reception of VAT returns, as delays gives rise to excessive credit. Also this was supported by Minh Le (2013) indicated that refunds are supposed to be made within the stipulated days after receipt of the relevant VAT returns, after the expiry of which interest would be claimable by the taxpayer for every day the refund is delayed so that revenue collection is done effectively.

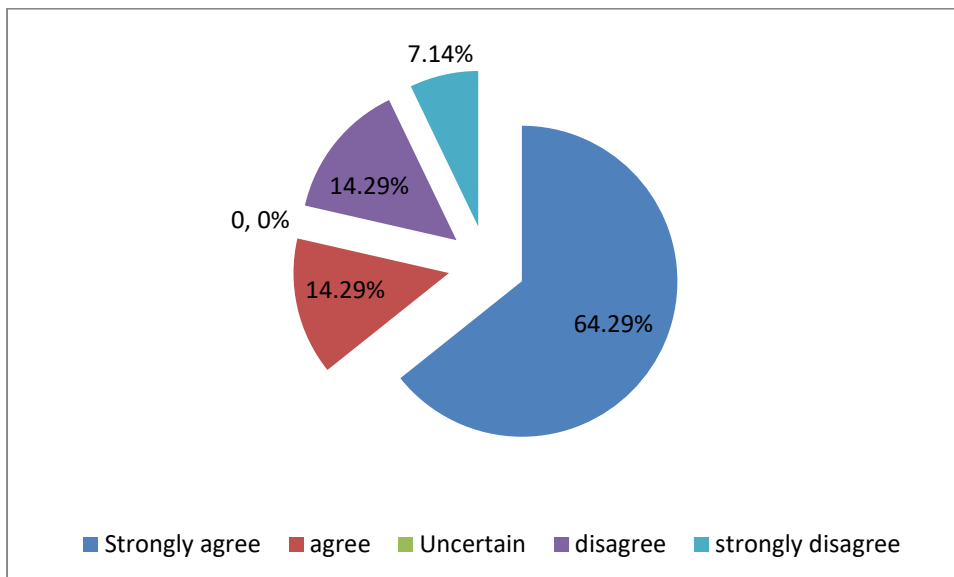
Payments of VAT returns by ZIMRA are done upon receipts. Therefore, from the respondents above it can be concluded that ZIMRA is paying VAT refunds to its taxpayers upon receipts and VAT administration is effectively administered by ZIMRA in terms of VAT returns.

4.2.5 Penalties and Interest

Raw data: Responses on whether or not penalties and interest results in effective revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	9	2	0	2	1

Figure 4.4 Responses on whether or not penalties and interest results in effective revenue collection



From the above Fig 4.4, 64.29% of the respondents with is 9/14 strongly agree that penalties and interest as a tool of VAT administration enhances revenue collection when 14.29% of the respondents which is 2/14 agreed that penalties and interest as a tool of VAT administration enhances revenue collection. However, 14.29% of respondents which is 2/14 disagreed that penalties and interest as a tool of VAT administration enhances revenue collection when 7.14% of the respondents which is 1/14 agreed as well to the same view. Overall, 78.58% are of the view that penalties and interest as a tool of VAT administration enhances revenue collection

while 21.42% disagree that penalties and interest as a tool of VAT administration enhances revenue collection.

78.58% of the respondents who agreed were supported by Odusola (2013), Shaw (2012), Hardwick et al. (2012) and Slemrod and Blumenthal (2014) says that penalties attract more revenue since an additional of a certain percentage is charged on the outstanding tax and interest is also charged at the prescribed offence done. However, 21.42% combined, of the respondents disagreed that penalties and interest as a tool of VAT administration enhances revenue collection as this was supported by Levison (2012) indicated that penalties and interest negatively affect revenue collection as some countries charge incremental penalties thus, the longer the tax payer takes to pay VAT the more penalties they are going to pay which results the government failure to meet revenue collection target.

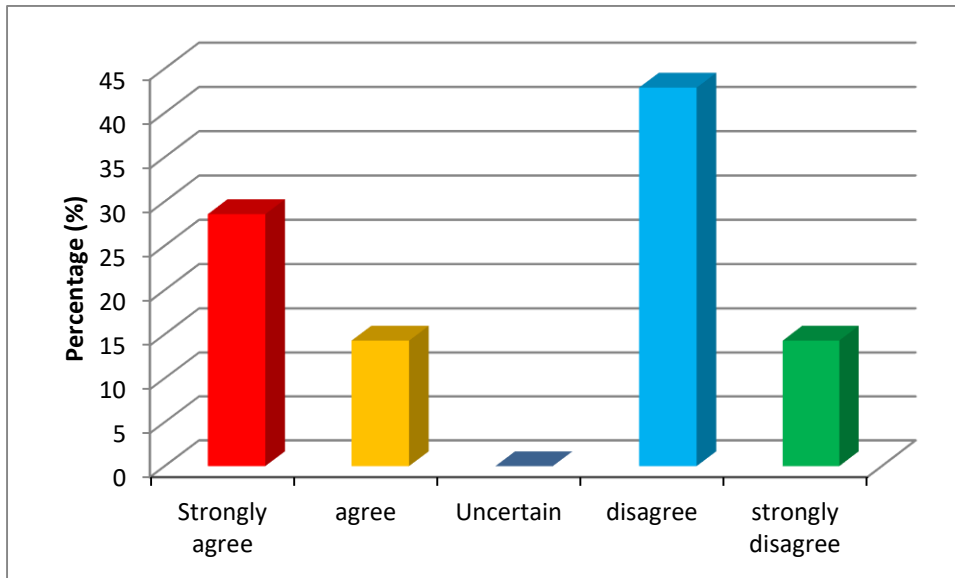
ZIMRA charge penalties when a taxpayer fails to comply with tax laws and increase in penalties and interest indicate that VAT taxpayers are failing to pay VAT on time or there is tax evasion or fraud which causes a decrease in revenue collection which is evidenced by the decrease of revenue collected from 2013 to 2015 by ZIMRA revenue authorities. Therefore, from the responses above it can be concluded that ZIMRA is placing penalties and interest on VAT payers which affects the collection of revenue.

4.2.6 Collection of VAT arrears

Raw data: Responses on whether or not Collection of VAT arrears results in effective revenue collection

	Strongly agreed	Agree	Uncertain	Disagree	Strongly disagree
Responses	4	2	0	6	2

Figure 4.5 Responses on whether or not collection of VAT arrears results in effective revenue collection



From the respondents as shown above by Fig 4.5, it shows that 28.57% that is 4/14 strongly agreed and 14.29% that is 2/14 agreed respectively that collection of VAT arrears positively affects revenue collection, while 0% that is (0/14) were uncertain, 42.86% that is (6/14) disagreed and 14.29% that is (2/14) strongly disagreed that collection of VAT arrears positively affects revenue collection. Overall, 42.86% are of the view that collection of VAT arrears positively affects revenue collection as supported by Brautigam (2012) suggested that collection of VAT arrears positively affects revenue collection as taxpayers are given more time to operate and earn thus enabling them to settle their debts

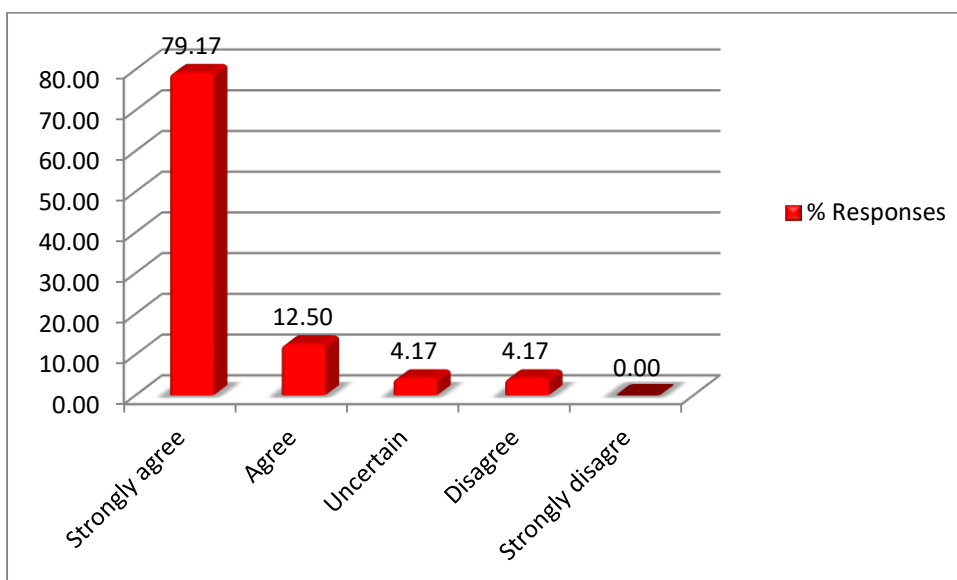
However, 57.15% combined, of the respondents disagreed that collection of VAT arrears positively affects revenue collection as this was supported by Jantscher (2012) stated that VAT arrears negatively affect revenue collection as it is a major factor to the economic imbalance. This was also supported by Cottarelli (2013) suggested that VAT arrears reflect poor administrative processes and it negatively affects revenue collection. When VAT taxpayers fail to pay their tax on time penalties are charged on them by ZIMRA however if those debts take long time not paid ZIMRA follow those clients for payment and this negatively affect revenue collection. From the respondents above it shows that ZIMRA is failing to administer VAT effectively on revenue collection.

4.2.7 Processing VAT returns

Raw Data: Responses on whether processing VAT returns results in effective revenue collection

	Strongly agreed	Agree	Uncertain	Disagree	Strongly disagree
Responses	19	3	1	1	0

Figure 4.6 Responses on whether processing VAT returns results in effective revenue collection



From the Fig 4.6 above, 19 (79.17%) and 3 (12.5%) strongly agree and agree respectively that processing VAT returns affects revenue collection. 1 (4.17%) were not certain whether processing VAT returns affects revenue collection. However, 1 (4.17%) disagree and 0 (0%) strongly disagree with the fact that processing VAT returns affects revenue collection. Combined, 91.67% of the respondents had an agreement that processing VAT returns positively affects revenue collection as this was supported by Nobes (2013), Fischer (2013) and Myles (2014) stated that VAT returns positively affects revenue collection since VAT returns shows a clear picture of what the company is supposed to pay to the authorities. This was also supported by Honoham (2012) and Narayan (2015) indicated that process of filling returns by taxpayers reduce corruption and theft of revenue collection from VAT as the VAT returns are filled both by the taxpayers and the revenue authorities. 8.34% (2/24) in total

however disagreed with the notion of processing VAT returns can affects revenue collection as this was supported by Keen and Mansom (2014) indicated that regarding the submission of VAT returns and remittances by the due dates however some registered operators have neglected the need to fulfill their statutory obligations thereby negatively affecting revenue collection. Before the introduction of electronic filling of VAT returns ZIMRA used to allow taxpayers to submit hard copy of VAT returns to ZIMRA offices which was costly and also reduces revenue collection. It can be concluded from the respondents that processing of VAT returns affects revenue collection.

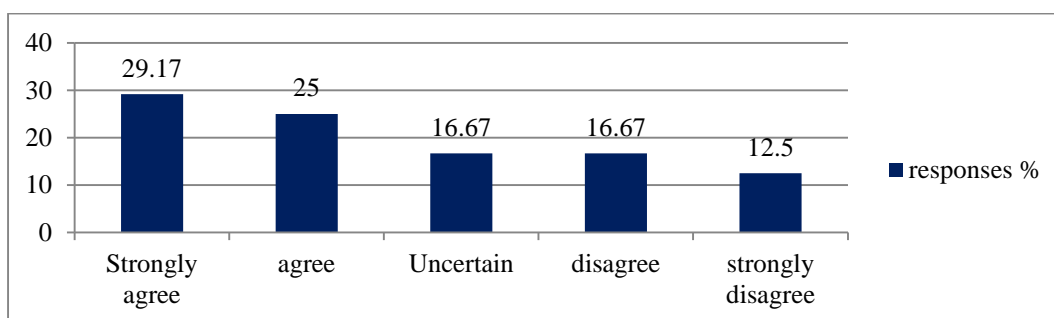
4.3 The following are the challenges that are encountered in VAT administration on revenue collection

4.3.1 Resistance against Value Added Tax registration

Raw data: Responses on whether or not Resistance against Value Added Tax registration is a challenge on revenue collection

	Strongly agreed	Agree	Uncertain	Disagree	Strongly disagree
Responses	7	6	4	4	3

Figure 4.7 Responses on whether or not Resistance against Value Added Tax registration is a challenge on revenue collection



As shown from the Fig 4.7 above, that 7 (29.17%) strongly agree and 6 (25%) agree that resistance against Value Added Tax registration affects revenue collection. 4 (16.67%) were not certain whether resistance against Value Added Tax registration had an effect to revenue collection. However, 4 (16.67%) disagree and 3 (12.5%) strongly disagree with the view that

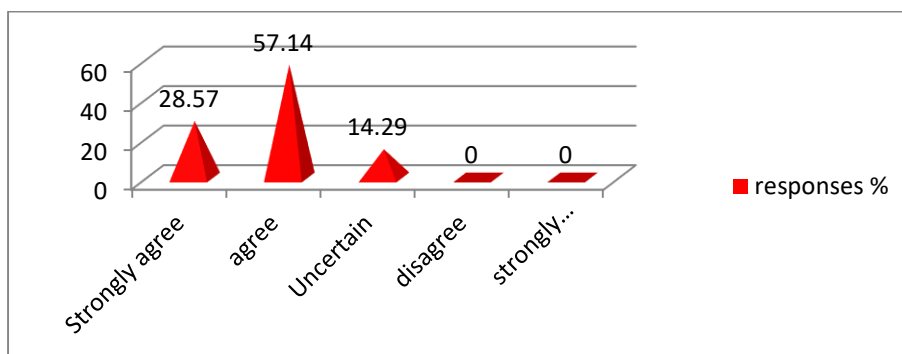
resistance against Value Added Tax registration had an effect to revenue collection. Combined, 54.17% of the respondents had an agreement that resistance against Value Added Tax registration had an effect to revenue collection as this was supported by Abay (2013) and Khan et al (2013) stated that other business firms those with legible registration threshold are not registered assuming that they would lose their customers as the price charged including VAT will be high thus negatively affects revenue collection. However, 45.83% combined, of the respondents disagreed that resistance against Value Added Tax registration affects revenue collection as this is supported in the study of The Case of East Wollega Zone Dheresa et al (2015) found out that the other finding is that the factors that hinder the taxpayers not to be registered voluntarily to collect VAT are due to fear of competition from unregistered similar firms and due to weak VAT administration which affects negatively revenue collection. When business owners reached a threshold of \$60 000 they are legally required to register to ZIMRA offices for VAT however some of the firms are not registered for VAT yet they have reached the threshold which has contributed to decrease in revenue collection by ZIMRA from 2013 to 2015. Therefore, basing on the results from the findings it can be proven resistance against Value Added Tax registration is a challenge faced by ZIMRA on revenue collection.

4.3.2 Setting threshold

Raw data: Responses on whether or not setting threshold is a challenge on revenue collection

	Strongly agreed	Agree	Uncertain	Disagree	Strongly disagree
Responses	4	8	2	0	0

Figure 4.8 Responses on whether or not setting threshold is a challenge on revenue collection



28.57% of the respondents which is 4/14 strongly agreed that setting threshold has affected revenue collection negatively when 57.14% of the respondents which is 8/14 agreed as well to the same view. 14.29% of the respondents which is 2/14 were not certain that setting threshold has an effect on revenue collection and 0% disagreed and 0% strongly disagreed of respondents being 0/14, 0/14 and 0/14 disagreed to the view agreed that setting threshold has affected revenue collection negatively. Overall, 85.71% are of the view that setting threshold has affected revenue collection negatively while 14.29 are uncertain. The 85.71% of those who agreed was supported by Gebresilassey and Sow (2015) stated that a key challenge in the implementation of value-added tax (VAT) is setting an appropriate threshold level of turnover at which firms are obliged to register for the tax because a high threshold lowers tax revenue collection. This was also supported by Abdella and Clifford (2012) indicated that while setting a higher threshold might solve the high compliance costs problems of small firms, it might lead to other issues that some registered firms might face a high threshold and allow firms with significant size to avoid VAT registration resulted low revenue collected. ZIMRA has a threshold of \$60 000 however some of the companies are closing down and most of the remaining are not earning up to \$60 000 and this negatively affects revenue collection. From the findings it shows that ZIMRA faces the challenge of setting a threshold that is adequate to the current economy. It can be concluded that setting a threshold is a challenge that is faced by ZIMRA and the results shows that ZIMRA faces this challenge.

4.3.3 Setting VAT rate

Table 4.3 Responses on whether or not setting VAT rate is a challenge that affect revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	2	3	1	7	1
Percentage	14.29%	21.43%	7.14%	50%	7.14%

As shown from the Fig 4.3 above, that 2 (14.29%) strongly agree and 3(21.43%) agree that setting VAT rate affects the collection of revenue. 1 (7.14%) were not certain whether setting VAT rate had an effect to collection of revenue. However, 7 (50%) disagree and 1 (7.14%)

strongly disagree with the view that setting VAT rate had an effect to collection of revenue. Combined, 35.72% of the respondents had an agreement that setting VAT rate had an effect to collection of revenue as this was supported by Ebimobowei & Eze (2013) and Minh Le (2012) indicated that setting high and low VAT rates positively affects revenue collection in that high VAT rate enhances more revenue collection while low VAT rate encompass more taxpayers thus broadening tax bases thus increase in revenue collection.

However, 64.28% combined, of the respondents disagreed that setting VAT rate had an effect to collection of revenue as supported by Minh Le (2012) and Adesola (2012) stated that high rate, would become an attractive invitation to evasion and avoidance and an interesting vicious circle can be seen as narrow base lead to high standard rate causing evasion and avoidance hence narrower base of revenue collected. ZIMRA has set a standard rate of 15% on goods or services, zero rated and exemptions on other goods or services and this means that this has been accepted by both tax collector and tax payers as both they benefit. From the above responses it can be concluded that setting a VAT rate is not a challenge.

4.3.4 Treatment of hard-to-tax sectors

Table 4.4 Responses on whether or not treatment of hard-to-tax sectors is a challenge that affect revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	4	10	0	0	0
Percentage	28.57%	71.43%	0%	0%	0%

Table 4.4 is showing 28.57% and 71.43% of respondents being 4/14 and 10/14 respectively who strongly agreed and agreed respectively that treatment of hard-to-tax sectors affects revenue collection and 0% were uncertain, 0% disagreed and 0% strongly disagreed of respondents being 0/14, 0/14 and 0/14 disagreed to the view. All the respondents (100%) agreed that treatment of hard-to-tax sectors affects revenue collection this was supported by Jackson and Millron (2015) and Crandall (2013) stated that low compliance levels among the hard-to-tax are a problem for both developed and developing countries. Jackson and Millron (2015) and Crandall (2013) go on to say that the extent and effects of evasion among these

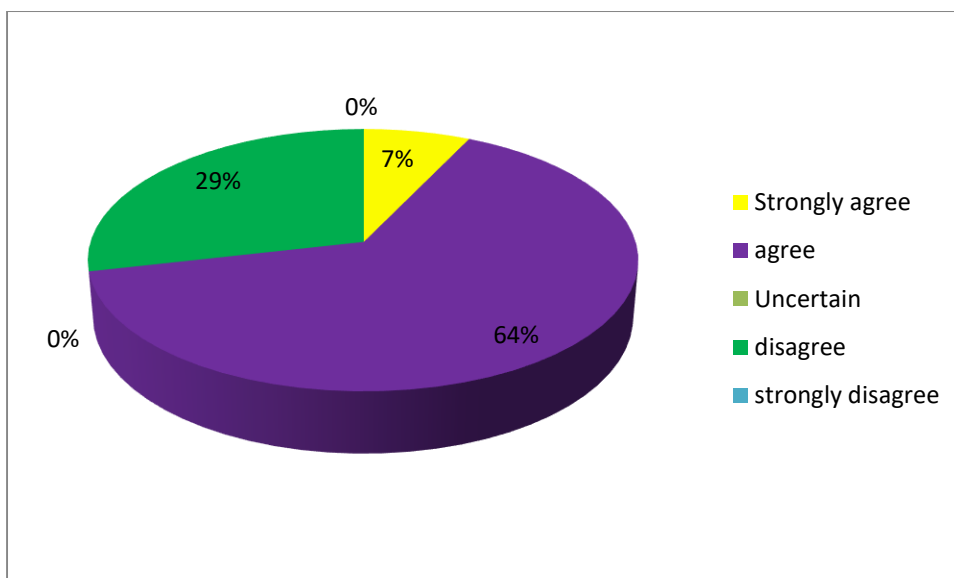
sectors is much larger in developing countries which negatively affect revenue collection. ZIMRA has no application software that can automatically calculate VAT from hard-to-tax sectors which causes some of the revenue not be collected. Based on the findings it can be heavily concluded that ZIMRA has no application software that can calculate hart to tax sectors and treatment of the hard to tax is one of the major problems affecting revenue collection.

4.3.5 Fraud or Tax evasion

Raw data: Responses on whether or not fraud or tax evasion is a challenge that affect revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	1	9	0	4	0

Figure 4.9 Responses on whether or not fraud or tax evasion is a challenge that affect revenue collection



From the respondents as shown above by Fig 4.9, it shows that 7% and 64% which is 1/14 and 9/14 respectively points out that they strongly agreed and agreed respectively that fraud and tax evasion affects revenue collection, while 0% which is (0/14) were uncertain, 29% which is (4/14) disagreed and 0% which is (0/14) strongly disagreed that it's not fraud and tax evasion that is affecting revenue collection. Bonyongwe (2015) supports the idea that the decline on revenue collected on VAT indicates a certain level of transit fraud or tax evasion as 71% agreed

to the same fact of fraud or tax evasion. Also in support, Khan et al (2014) stated that given the enormous estimated losses of VAT revenue collection indicate that fraud prevention are not frequently done and Kayaga (2013) stated that consequently, tax evasion has negatively effects the revenue collection from VAT.

However, 29% who disagreed with the view, are supported by Worku, G. (2013) states that fraud or tax evasion might be due to the lack of knowledge by the taxpayers therefore the taxpayers might do as if they are complying with tax laws. ZIMRA is failing to meet the target of revenue collection due transit in fraud and it can be concluded that fraud or tax evasion is a challenge faced by ZIMRA in revenue collection and as from the results from the findings proves that fraud or tax evasion is a challenge faced by ZIMRA.

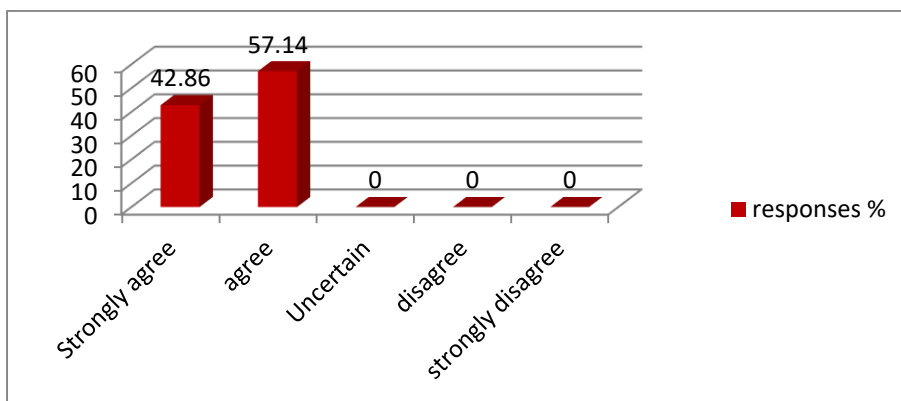
4.4 The following are measures that can improve VAT administration on revenue collection

4.4.1 Improving Tax Compliance

Raw data: Responses on whether or not improving tax compliance can improve revenue collection

	Strongly agreed	Agree	Uncertain	Disagree	Strongly disagree
Responses	6	8	0	0	0

Figure 4.10 Responses on whether or not improving tax compliance can improve revenue collection



From the Fig 4.10, 42.86% of the respondents and 57.14% of the respondents which are 6/14 and 8/14, strongly agreed and agreed that improving tax compliances can enhance revenue collection. None disagreed to the notion. Altogether, 100% of the respondents (42.86% strongly agree and 57.14% agree) are of the idea that improving tax compliances as a measure to improve the effectiveness of VAT administration can enhance revenue collection. This was supported by Osunkoya (2013) suggested that tax compliance will be increased if there is an effective VAT administration on revenue collection and an effective VAT administration on revenue collection should not be confused with an efficient VAT administration on revenue collection as an administration may be efficient in that its collection costs are very low, yet at the same time it may be ineffective if it is unable to enforce compliance. ZIMRA ensure tax compliance through tax awareness, education, advertisements and this causes taxpayers to be aware and know what is required and implement it on time thus increasing revenue collection. From the research findings it can be concluded that improving tax compliances enhances revenue collection.

4.4.2 Tax Audits

Table 4.5 Responses on whether or not Tax Audits can improve revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	7	7	0	0	0
Response %	50%	50%	0	0	0

From the Table 4.5 above, 50% (7/14) strongly agreed, 50% (7/14) agreed, 0% (0/14) were uncertain), 0% (0/14) disagreed and 0% (0/14) strongly disagreed that tax audits improves VAT administration on revenue collection. All the respondents agreed (50% strongly agree and 50% agree) that tax audits have to be implemented so that VAT administration on revenue collection might be effective. Continuous tax audits need to be implemented to improve VAT administration on revenue collection as this was supported by Laffer (2015). James and Nobes (2012) stated that the audit function is of crucial importance to VAT administration on revenue collection. From the findings it can be concluded that continuous tax audits need to be implemented to improve revenue collection.

4.5 The following are factors that can improve the performance of VAT administration on revenue collection

4.5.1 Fiscalisation

Table 4.6 Responses on whether or not fiscalisation can improve the performance revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	19	3	0	2	0
Response %	79.2%	12.5%	0%	8.3%	0%

The Table 4.6 shows that 79.2% (19/24) strongly agree, 12.5% (3/24) agree, 0% (0/24) were uncertain, 8.3% (2/24) disagree and 0% (0/24) strongly disagree that fiscalisation enhance the performance of VAT administration on revenue collection. 8.3% in total who disagreed, argued that employees with low educational level find it difficult to use fiscalised electronic devices because they lack know how on how best to use them and this affects revenue collection as supported by Alvin(2015) and this was also supported by Suyatmin (2014) and Jatmiko, (2013) were they indicated that employees negatively perceived the use of fiscalised electronic devices because they are not aware of the method and some are just resistant to change that is given all the resources they will reject to use the advanced method.

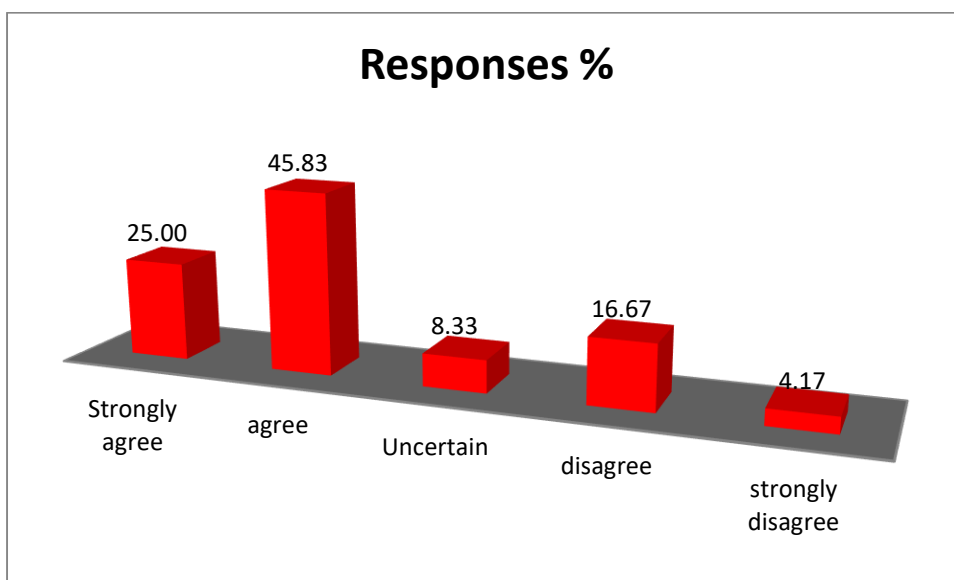
The modal class of 91.7% agreed that fiscalised electronic devices had positively impacted on the firms through improvements in revenue collection, saves time in revenue collection, reduces direct contact between tax collectors and hence minimizes corruption which was supported by Elson (2015) and Umera (2015). From the results shown, it can be concluded that fiscalisation enhance the performance of VAT administration on revenue collection.

4.5.2 Remittance of VAT

Raw data: Responses on whether or not remittance of VAT can improve the performance of revenue collection

	Strongly agreed	Agree	Uncertain	Disagree	Strongly disagree
Responses	6	11	2	4	1

Figure 4.11 Responses on whether or not remittance of VAT can improve the performance of revenue collection



As shown from the Fig 4.11 above, that 6 (25%) strongly agree and 11 (45.83%) agree that remittance of VAT positively affect the performance of revenue collection. 2 (8.33%) were not certain whether remittance of VAT can affect performance of revenue collection. However, 4 (16.67%) disagree and 1 (4.17%) strongly disagree with the fact that remittance of VAT positively affects the performance of revenue collection. Combined, 70.83% of the respondents had an agreement that remittance of VAT positively affect the performance of revenue collection as this was supported by Olaoye (2012) and Elson (2015) stated that remittance of VAT online has boost the performance of revenue collection as taxpayers of VAT has find it easy and less time consuming to remit their returns to tax authorities.

However, 29.17% combined, of the respondents disagreed that remittance of VAT positively affect the performance of revenue collection as this was supported by Lymer and Oats (2014)

suggested that remittance of VAT online has caused occurrence of errors and mistakes which affected the collection of revenue as VAT was not received on time. Taxpayers of Vat used to remit VAT manually to ZIMRA and those remittances were then filled for audit purposes and this has cause a lot of cost to be incurred by both parties. Therefore, basing on the results it indicated that remittance of VAT has enhanced the performance of revenue collection.

4.5.3 Segmentation of taxpayers

Table 4.7 Responses on whether or not segmentation of taxpayers can improve the performance of revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	8	4	0	2	0
Response %	57.14%	28.57%	0%	14.29%	0%

From the respondents as shown above by Table 4.7, it shows that 57.14% and 28.57% which is 8/14 and 4/14 respectively points out that they strongly agreed and agreed respectively that segmentation of taxpayers enhances the performance of revenue collection, while 0% which is (0/14) were uncertain, 14.29% which is (2/14) disagreed and 0% which is (0/14) strongly disagreed arguing that segmentation of taxpayers does not enhances the performance of revenue collection. Dheressa (2015) and Ekeocha (2012) suggested that segmented service delivery enables the tax authority to better understand each category of taxpayers hence strengthens the monitoring mechanism of revenue collection as 85.71% agreed to the same fact of segmentation of taxpayers.

However, 14.29% who disagreed with the view are supported by Micci-Barreca and Ramachandran (2013) stated that segmentation of taxpayers increases the work load of AT administration resulting in increase in the costs of administration of VAT thus negatively affects the performance of revenue collection. ZIMRA segment their taxpayers of VAT according to categories that are Category A, B and C for revenue collection and collection and as from the results from the findings proves that segmentation of taxpayers enhances the performance of revenue collection.

4.5.3 Mechanics of VAT

Table 4.8 Responses on whether or not mechanics of VAT can improve the performance of revenue collection

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Response	10	4	0	0	0
Response %	71.43%	28.57%	0%	0%	0%

From the Table 4.8, 71.43% of the respondents and 28.57% of the respondents which are 10/14 and 4/14, strongly agreed and agreed that mechanics of VAT can enhance the performance of revenue collection. None disagreed to the notion. Altogether, 100% of the respondents (71.43% strongly agree and 28.57% agree) are of the idea that mechanics of VAT can enhance the performance of revenue collection. This was supported Richardson (2013) indicated that mechanics of VAT on the registration of taxpayers enhances revenue collection as the tax base of revenue is increased due to the increased number of taxpayers. This was also supported by Lambert (2013) and Christian (2012) suggested that mechanic of VAT on sales is of importance in the performance of revenue collection as the amount of VAT would be known at each and every stage of goods sale unlike in the Sales tax system where the amount of tax levied on the goods at all stages is not known. ZIMRA achieves mechanics of VAT when one registered operator supplies another registered operator with goods or services, the supplier of those goods or services will levy VAT which increases revenue collection and as from the results from the findings proves that mechanics of VAT enhances the performance of revenue collection.

4.6 Interview responses

During data collection, structured interviews were set for the research population and the researcher managed to interview 100% of the planned research population.

4.6.1 Question 1: How effective is VAT administration on revenue collection?

4.6.1.1 Respondent 1

The managing director indicated that effective of VAT administration on revenue collection is achieved by compliance of the duties and responsibilities of tax officials in identification and

registration of taxpayers, processing returns, controlling collections, securing of delinquent declarations and collection of tax arrears, making refunds, auditing taxpayers, investigating for tax fraud and evasion and levying penalties as this is in line with the view of Emiru (2012); Grandcolas (2012) ; Adekanola (2012); Glenday (2013) ; Jones (2013); James ; Nobes (2013) and Anecdotal (2014). The managing director also indicated that for effective VAT administration, taxpayers who fail to meet the deadline of payment of VAT a certain percentage of interest much be charged on the amount not paid before levying a penalty this is also according to Shaw (2012), Hardwick et al. (2012) and Slemrod and Blumenthal (2014). This has caused an increase in revenue collection since taxpayers are not willing to pay an extra amount to that they were supposed to pay as this was also indicated by Odusola (2013). The manager goes on to say that the effective of VAT administration of revenue collection is affected by the changes in the economy where some taxpayers may fail to register for VAT due to closing down of firms or they no longer reach the threshold set by the authorities.

4.6.1.2 Respondent 2

The middle manager indicated that VAT administration on revenue collection can be effective by taking into consideration the economic situation in the country. The supervisor stated that the registration of taxpayers is decreasing compared before as the registration of taxpayer is one of the VAT administration that can increase the revenue base of the country as this was supported by Umera (2015) and with the same note indication was made that voluntary registration of taxpayers for VAT increases revenue collection since the registration base for VAT has been widened. The interviewee also indicated that many taxpayers are failing to pay on time their VAT and this force us to levy penalties on those revenue taxpayers as way of VAT administration as this was supported by Odusola (2013). The respondent further alluded that for effective VAT administration on revenue collection they have increases the number of VAT audits as a tool for VAT administration so as to increase compliance thus enhancing revenue collection as it was also indicated by Jantscher (2012) and Elchfelder et al (2014).

4.6.1.3 Respondent 3

The interviewee indicated that electronic filling of VAT returns is one of the factors that enable effective VAT administration as this reduces the work load that was once used to be done manually of filling hard copies of VAT returns. The interviewee further sate that some of the documents of VAT returns were misplaced which consumes much of time looking for them for

audit purposes as this was also indicated by Fischer (2013) and Myles (2014). The respondent also indicated that revenue taxpayers who failed to fulfil their obligation are followed by debt collectors for payment when their debts are due for long time as also indicated by Jantscher (2012) and Whenkroff (2015) as they note that collection of VAT arrears boost revenue collection because the payment that is done by the taxpayer for the debt has an interest charged by the tax authorities to the debt that they already have. Also making refunds as indicated by Whitaker (2015) and Minh Le (2013) is the other that makes VAT administration effective on revenue collection.

4.6.1.4 Respondent 4

The registered operator 1 pointed out that ZIMRA for them to enhance effective revenue collection they should reconsider their VAT administration. The respondent pointed out the issue of penalties levied on late payment by the tax authorities that they are too high and they do not take into consideration the economy situation of the country that it is facing as this was indicated by Chakanyuka (2015). The respondent further alluded that for effective VAT administration on revenue collection the tax authorities should pay VAT refunds upon receipts as this motivates the taxpayers to pay VAT on time as this was indicated by Minh Le (2013) and Brondolo (2013).

4.6.1.5 Respondent 5

In support with other respondents, the respondent acknowledged that effective of VAT administration on revenue collection is achieved by compliance of the duties and responsibilities of tax officials in identification and registration of taxpayers, processing returns, controlling collections, securing of delinquent declarations and collection of tax arrears, making refunds, auditing taxpayers, investigating for tax fraud and evasion and levying penalties as this is in line with the view of Emiru (2012); Grandcolas (2012) ; Adekanola (2012); Glenday (2013); Jones (2013); James ; Nobes (2013) and Anecdotal (2014). The respondent also noted that for effective VAT administration the tax authorities have to amend their payment plan as their clients they purchase goods and services on credit and no cash is received on the same day as this was indicated by Chakanyuka (2015) pointing out that in this economy people are facing cash challenges and may fail to pay on time purchased goods.

4.6.1.6 Discussion

Registration of taxpayers, processing returns, collection of tax arrears, making VAT refunds, auditing taxpayers, investigating for tax fraud and evasion and levying penalties are the factors that enhance effective VAT administration on revenue collection. Penalties levied on late payments was not regarded as a factor that can enhance revenue collection in questionnaires but from the interview it was regarded as a factor for VAT administration that can enhance revenue collection. From the interview the other factor indicated was the consideration of payment plan for VAT and consider the economy situation of the country. In conclusion these were the factors that enhance effective VAT administration on revenue collection.

4.6.2 Question 2: What are the challenges faced by VAT administration to enhance revenue collection?

4.6.2.1 Respondent 1

The managing director indicated that the challenges that are being faced by VAT administration to enhance revenue collection are setting threshold, resistance of registration by taxpayers, fraud, tax evasion, treatment of hard-to-tax sectors as this is in line with the view of Abay (2013); Khan et al (2013); Gebresilassey and Sow (2015); Abdella and Clifford (2012); Jackson and Millron (2015) and Crandall (2013); Brautigam (2012) and Osei & Quartey (2014). The interviewee also indicated that late payment of taxpayers is another challenge that is faced by VAT administration on revenue collection as payments made by the taxpayers help the administration to be done through payment of salaries to workers, development of infrastructure of the country. This has caused the administration of VAT to be affected negatively leading to decrease in revenue collection as this in line with the study of Minh Le (2012).

4.6.2.2 Respondent 2

The supervisor indicated that the challenges faced by the organization were related to the prevailing economic conditions to which the interviewee stated that the threshold that is available that was set when the economy was stable is being used to the economy which is unstable and now it is too high. The respondent continues to stated that this has negatively affect revenue collection because the taxpayers where now resistant to register for VAT as this was supported by Gebresilassey and Sow (2015) and Abay (2013). The respondent further

alluded that VAT administration is facing a challenge on how to treat hard –to-tax sectors as tax authorities they do not have the application software that can perform the task as also indicated by Jackson and Millron (2015) and Crandall (2013) noting that businesses offering services can easily evade or undermine VAT because it is difficult to measure value addition on their products there by neglecting revenue which was meant to increase revenue base.

4.6.2.3 Respondent 3

The interviewee indicated that tax evasion as also indicated by Madzharova (2015) and Brautigam (2012) as a challenge in the sense that due to technological progress and the introduction of new methods of payment, VAT administrations face new possibilities of improving tax enforcement, while firms devise creative opportunities for tax evasion which affects revenue collection. The respondent further alluded that they face fraud from the taxpayers and also from the staff within the tax authorities as this was indicated by Bonyongwe (2015) noting that the decline on revenue collected on VAT indicates a certain level of transit fraud.

4.6.2.4 Respondent 4

The interviewee pointed out that the challenge with VAT administration is the threshold that they still using for taxpayers to register for VAT as other taxpayers may fail to register because of the high threshold as this was supported by Mintz (2014) and Abdella and Clifford (2012) noting that that while setting a higher threshold might solve the high compliance costs problems of small firms, it might lead to other issues that some registered firms might face a high threshold and allow firms with significant size to avoid VAT registration resulted low revenue collected. The register operator continues to say that we are not enjoying some of the benefits that come from registered operator of VAT.

4.6.2.5 Respondent 5

In support with the other registered operator, the respondent acknowledged that the challenge with VAT administration is the threshold that they still using for taxpayers to register for VAT as other taxpayers may fail to register because of the high threshold as this was supported by Mintz (2014) and Abdella and Clifford (2012) noting that that while setting a higher threshold might solve the high compliance costs problems of small firms, it might lead to other issues that some registered firms might face a high threshold and allow firms with significant size to

avoid VAT registration resulted low revenue collected. The respondent further stated that the other challenge being faced is that the VAT administrator are failing to serve taxpayers when they arrive at their office in time thus lead us from doing other businesses that were enabling us to make profits.

4.6.2.6 Discussion

Setting threshold, fraud, tax evasion, treatment of hard-to-tax sectors, resistance of taxpayers to register were the challenges that are being faced by VAT administration on revenue collection which are in dual existence from the research instruments used. The interviews added that another challenge that is faced by VAT administration on revenue collection is late payments made by the taxpayers and this negatively affects the administration. The payments made by taxpayers help the administration to be done through payment of salaries to workers, development of infrastructure of the country. VAT staff is also failing to serve taxpayers when they arrive at their office in time. Setting VAT rate was considered not a challenge by both research instruments used.

4.6.3 Question 3: Can tax audits and tax compliance improve VAT administration on revenue collection?

4.6.3.1 Respondent 1

The interviewee responded that the tax audits and tax compliance can improve VAT administration on revenue collection in such a way that tax audits can causes taxpayers to comply with tax laws as they give the recommendation if they fail to comply with tax laws as this was supported by Gordon and Li (2012) and Ekeocha (2013) indicating that the effectiveness of the audit function should not be measured in terms of straight tax receipts derived from additional assessment, but rather to what extent this function contributes to improving tax compliance which results in an increase in revenue collection. The managing director added that improving tax compliance can improve VAT administration on revenue collection in the sense that taxpayers will have the knowledge and the reason why they are paying tax and this will encourage them to pay VAT.

4.6.3.2 Respondent 2

The respondent indicated that tax audits play an important role in improving VAT administration on revenue collection as it causes tax payers to do their work in a correct way that is filling of returns will be done properly for audit. The supervisor continue to say that tax audits enhance VAT administration on revenue collection through detecting fraud and tax evasion done by the taxpayers which will lead to severe penalties as this was supported by Appah (2014) and Owolabi and Okwu (2012) noting that a taxpayer who is guilty of evasion with fraud, commits tax evasion through fraudulent actions such as forging or falsifying records must not go beyond the scope of taxation but into area of criminal offences and fraud should be punished even where no harm is done to treasury.

4.6.3.3 Respondent 3

The revenue officer responded that improving tax compliance of taxpayers is one of the factors that can improve VAT administration on revenue collection. The responded stated that this can be done through road shows, workshops, radio and television advertisements and by doing this taxpayer will have the knowledge on what they are supposed to do. The responded further alluded that taxpayers if they fail to comply they know the consequences of not paying as indicated by Desai and Hines (2012) and Owens (2012) indicating that taxpayers will comply better if they believe that failure to do so will mean assuming a substantial risk of being penalized in a relatively server fashion.

4.6.3.4 Respondent 4

The respondent eluded that tax audits that are done by the tax authorities causes the taxpayers to have order in doing the work that is required by tax payers that's submitting of VAT remittances and VAT returns and payment of VAT on time. The respondent indicated that causes those who are involved in fraudulent and tax evasion to be identified so if this is done this also influence our (taxpayers) business to make profits as those who are involved in fraudulent are being captured. This was indicated by Appah (2014) and Owolabi and Okwu (2012) noting that a taxpayer who is guilty of evasion with fraud, commits tax evasion through fraudulent actions such as forging or falsifying records must not go beyond the scope of taxation but into area of criminal offences and fraud should be punished even where no harm is done to treasury and through tax audits they are identified.

4.6.3.5 Respondent 5

In addition, with the other registered operator, the respondent acknowledged tax audits cause those who are involved in fraudulent and tax evasion to be identified so if this is done this also influence our (taxpayers) business to make profits as those who are involved in fraudulent are being captured thus are in a position to make payments for VAT to tax authorities. The interviewee stated that as registered operators we comply with the tax laws if we know what we are supposed to do that is they might not have the knowledge of how to file the returns on e-filing and if I fail they will place penalties as indicated by Desai and Hines (2012) and Owens (2012) indicating that taxpayers will comply better if they believe that failure to do so will mean assuming a substantial risk of being penalized in a relatively server fashion. The registered taxpayer further stated that if the tax authority revises the payment plan for VAT due to the instability of the economy on their VAT administration as this will make them achieve their targets on revenue collection.

4.6.3.6 Discussion

From both research instruments used (questionnaires and interviews), tax audits and tax compliance are the factors that can improve VAT administration on revenue collection that were noted from both research instruments. Revision on the payment plan for VAT due to the instability of the economy on their VAT administration was noted under interviews and was regarded as alternatives by the interview that can be used to improve VAT administration on revenue collection but not in questionnaires.

4.6.4 Question 4: How VAT administration is performing on revenue collection?

4.6.4.1 Respondent 1

The respondent said that the performance of VAT administration on revenue collection is indicated by the results of the introduction of fiscalisation, segmentation of taxpayers, remittance of returns and mechanics of VAT. The Managing director stated that the introduction of fiscalised devices on revenue collection of VAT to taxpayers has causes a significant increase of revenue collected as compared to where there was not fiscalised devices for VAT collection on till points as indicated by Jatmiko (2013), Nightingale (2013) noting that VAT fiscalised devices were introduced in order to increase revenue collection through promoting integrity and transparency among registered operators. However, the managing

director stated that some of the registered operators are not familiar with the change to technology thus they are failing to use these devices which is affecting the collection of revenue negatively as indicated by Suyatmin (2014) suggesting that employees with low educational level find it difficult to use fiscalised electronic devices because they lack know how on how best to use them and this affects revenue collection.

4.6.4.2 Respondent 2

The respondent indicated that the segmentation of taxpayers has caused the performance of VAT administration on revenue collection to increase. The supervisor explained indicating that segmentation of taxpayers has caused the work of the VAT staff to be easy especially on the treatment of hard-to-tax sectors as they are categorized in groups as indicated by Bodin (2012) noting that VAT administration facilitates the development of a more structured picture of the taxpayer population beginning with categorization of businesses depending on their annual turnover (above or below the VAT registration threshold) for easy revenue collection.

4.6.4.3 Respondent 3

The interviewee stated that the mechanics of VAT has affected the performance of VAT administration on revenue collection positively noting that mechanic of VAT on sales is of importance in the performance of revenue collection as the amount of VAT would be known at each and every stage of goods sale unlike in the Sales tax system where the amount of tax levied on the goods at all stages is not known as indicated by Lambert (2013) and Christian (2012). However, VAT officers has indicated that segmentation of taxpayers has increased the work load to VAT staff which has negatively affected revenue collection as indicated by Micci-Barreca and Ramachandran (2013) stated that segmentation of taxpayers increases the work load of VAT administration resulting in increase in the costs of administration of VAT thus negatively affects the performance of revenue collection.

4.6.3.4 Respondent 4

The interviewee responded that the use of fiscalised devices has caused the work done at the firm to be efficient and effective as this device calculate the amount that is supposed to be paid to ZIMRA on its own as this was indicated by Jatmiko (2013), Sumarso (2012), fiscalisation uses electronic devices such as electronic tax registers, electronic fiscal printers and electronic

signature devices for efficient management controls in areas of sales analysis and stock control for revenue collection.

4.6.4.5 Respondent 5

In support with the other registered operator, the respondent acknowledged that the use of fiscalised devices has caused the work done at the firm to be efficient and effective as this device calculate the amount that is supposed to be paid to ZIMRA on its own as this was indicated. In addition, the respondent stated that the introduction of electronic filling has also reduced the work load and reduces the expenses incurred in submitting the VAT returns to tax offices as indicated by Elson (2015) stating that remittance of VAT online has reduced some of the firm`s expenses including stationary and transport cost which has contributed towards the payment of VAT resulting in an increase in revenue collection.

4.6.4.6 Discussion

The questionnaires and interview responses pointed out that fiscalisation, segmentation of taxpayers, remittance of VAT and mechanic of VAT are the factors that can increases the performance of VAT administration on revenue collection. However, lack of knowledge on how to use fiscalised devices and increase of workload due to segmentation of taxpayers has affected the performance of VAT administration on revenue collection negatively as noted in interviews but not under questionnaires.

4.7 Summary

The chapter was focusing data analysis and presentation on the data which was obtained through questionnaires and interviews. Pie charts, tables and graphs were used to do data analysis and presentation. The results from this research revealed that VAT administration is affected by the instability of the economy and is affecting revenue collection negatively. The responses from the respondents helped the researcher to answer the research objectives.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The preceding chapter was on data presentation and analysis. This chapter gives the research findings, conclusions, recommendation and summary of chapters on the effectiveness of VAT administration on revenue collection. Recommendations were made basing on the research findings.

5.1 Summary of the study

Chapter one introduced the research study which is an investigation on the effectiveness of VAT administration on revenue collection''. ZIMRA is facing a decline in revenue collected on VAT as a result of unstable economy and also poor administration of VAT. The economy is unstable and VAT administrations that are being used to collect revenue are of the stable economy hence a decline of VAT collected is being experienced. Due to failure of meeting the required targets set, the revenue collection of ZIMRA continued to decline and caused the government to have challenges in implementing their plans of maintain the country.

Chapter two of the study includes the literature by other researchers on the effectiveness of VAT administration on revenue collection. Grandcolas (2012) indicated that registration of taxpayers for VAT increases the total revenue collection and widen the tax base. Glenday (2013), VAT systems generally have a minimum turnover limit of taxable supplies for compulsory registration thus lowering the amount of revenue collected. Cnossen (2014) and Bodin (2012) indicated that one VAT rate simplify VAT administration since more rates are generally associated with higher administrative and compliance costs which reduces revenue collection. James and Nobes (2013) stated that VAT returns positively affects revenue collection since VAT returns shows a clear picture of what the company is supposed to pay to the authorities. Honoham (2012) and Narayan (2015) indicated that corruption and theft to be reduced in terms of revenue collection, VAT authorities have to ensure that VAT returns are processed by the taxpayers and filled both by the taxpayers and the revenue authorities. Jantscher (2012) and Whenkrofff (2015) stated collection of VAT arrears boost revenue collection because the payment that is done by the taxpayer for the debt has an interest charged by the tax authorities to the debt that they already have. Odusola (2013) says that penalties attract more revenue since an additional of a certain percentage is charged on the outstanding tax and interest is also charged at the prescribed offence done. Whitaker (2015) suggested that

to ensure effective revenue collection, VAT refunds should be paid promptly following receipt by the tax authority of a VAT return giving rise to an excess credit. Elchfelder et al (2014) goes on to say the only real solution to the evasion problem which negatively affect revenue collection is a good VAT administration, especially a strong VAT audit program

In Chapter three the researcher used descriptive research design by means of qualitative approach due to the fact that this particular method helped better explaining the effectiveness of VAT administration on revenue collection. This chapter was a contribution of research methodologies and research instruments used to gather data in ZIMRA. A sample of 45 respondents was selected from a population of 134. Stratified random sampling was used in collection of data using primary sources of data since the population had a large number of people. Interviews and questionnaires were used to gather data and questionnaires were used in conjunction with the Likert scale.

Chapter four was centered on data analysis and presentation. The results from the questionnaires were presented using presentation models prescribed in chapter three. Data gathered from interview was presented in an explanatory nature. Therefore, using data gathered, this is where summary, conclusions and recommendations in relation to the main research question lies upon.

5.2 Research findings

From the research done it can be concluded that the effectiveness of VAT administration on revenue collection is affected by the instability of the economy of Zimbabwe. The effectiveness of VAT administration is affected through its factors that are the registration of VAT taxpayers, processing of VAT returns, and collection of VAT arrears, penalties and interest, VAT refunds, VAT rates, VAT audits. Also the consideration of payment plan for VAT and economy situation of the country was also the other factor that affected the effectiveness of VAT administration on revenue collection indicated from the research. The respondents also noted that the effectiveness of VAT administration of revenue collection is negatively affected due to the current economic hardships.

The research also concluded that the effectiveness of VAT administration of revenue collection is affected by the following challenges setting threshold, fraud, tax evasion, treatment of hard-to-tax sectors, resistance of taxpayers to register. In addition, the another challenge that is faced by VAT administration on revenue collection is late payments made by the taxpayers due to

instability of the economy and this negatively affects the administration of VAT as the payments help the administration to be done through payment of salaries to workers, development of infrastructure of the country and also failing to serve taxpayers when they arrive at their office in time.

From the research, it was concluded that tax audits and tax compliance are the factors that can improve VAT administration on revenue collection. Revision on the payment plan for VAT due to the instability of the economy on their VAT administration was regarded as alternatives that can be used to improve VAT administration on revenue collection.

From the research concluded that fiscalisation, segmentation of taxpayers, remittance of VAT and mechanic of VAT are the factors that can increase the performance of VAT administration on revenue collection. However, lack of knowledge on how to use fiscalised devices and increase of workload due to segmentation of taxpayers has affected the performance of VAT administration on revenue collection negatively.

5.3 Conclusions

The research succeeded in evaluating the effectiveness of VAT administration on revenue collection a case study of ZIMRA. The research pointed out that ZIMRA is failing to administer the effectiveness of VAT on revenue collection due to the instability of the economy. The study was successful as it managed to give results on objectives.

5.4 Recommendations

From the research carried out, the scholar makes the following recommendation to ZIMRA.

- ❖ VAT administration involves setting of threshold for registration. The threshold that was set during the economy when it was stable is still being used in an unstable economy. This has negatively affected the collection of revenue. ZIMRA should revise its threshold and come up with the suitable threshold which suits the current economy as many firms are not registering for VAT due to high threshold and in Zimbabwe it now has more informal sectors than formal and they are not being registered for VAT due to high threshold. The researcher thus recommends that the government review its limit to a threshold that is more affordable to businesses in Zimbabwe so as to broaden the collection base.

- ❖ The informal sector contributes about sixty percent of all businesses in the economy, hence it represents a vast amount of untapped potential revenue. The government should develop a strategy to tax the informal sector in which it should consider initially engaging the informal sector, enforce the registration of all small and medium businesses and follow them up on payment of tax. Government should offer amnesty for past tax debts and invite the small and medium businesses to come forward and pay taxes in order to increase the revenue base by increasing the number of persons who are liable for VAT purposes.
- ❖ ZIMRA should do VAT audits frequently in order to reduce or eliminate fraud or tax evasion that is being done as stated by Bonyongwe (2015). VAT audits are done one per annum and registered operators and VAT staffs now predict the time period VAT audits will be carried out and by this might cause window dressing of books which cannot be detected during once off audit. Many registered operators are now very particular with the profits they obtain in this unstable economy and when they consider 15% of their sales for VAT they might be unwilling to make payments leading to tax evasion or fraud to avoid this payment of 15%.
- ❖ The researcher recommends that ZIMRA should revise the payment plan for VAT by registered operators as registered operators are selling their goods or services on credit due to unstable economy and the crisis for cash as this is causing them fail to make payment according to tax laws which might cause ZIMRA to charge heavy penalties that the registered operator may completely fail to pay.
- ❖ ZIMRA should take action on updating its registered operators as they may continue to record registered operators yet they are no longer paying VAT due to the closing of firms due to unstable economy. Also ZIMRA should do follow up on those firms that are not yet registered for VAT when they meet the requirement of tax law to register for VAT.
- ❖ VAT has a contribution of an increase in the prices of goods and services and due to unstable economy it is now difficult for customers to purchase products which are expensive leading to shut down of companies as they will be operating in losses. ZIMRA should revise on the VAT rate charged on goods and services that is 15% as this might cause a decrease in revenue collection.

5.5 Area of further research

- ❖ An analysis of the social, economic and administrative effects of including small to medium enterprises in VAT administration. An investigation of how information and communication technology (ICT) can be used to improve tax audits in ZIMRA.
- ❖ The effectiveness of the use of Fiscalised Electronic Devices in VAT administration.

REFERENCE LIST

Books

1. Adesola, S.M. (2012) *Tax Laws and Administration in Nigeria*, Third revised edition, University Press: Obafemi Awolowo, Nigeria.
2. Appah, E. (2014) *Principles and Practice of Nigerian Taxation*, Andy Best Publishers: Lagos, Nigeria
3. Brautigam, M.M. (2012) *Taxation and stated-building in developing countries: Capacity and consent*, Cambridge University Press: London, UK.
4. Ceswell, W., J., (2013) *Research Design 4th ed.*, Sage Publications: London, UK.
5. Farthing, S. (2015) *Research Design in Urban Planning: A Student's Guide*, Sage Publishers: New York, USA.
6. Fischer, S. (2013) *Methods of Public Financial Management*, University of London: London, UK.
7. Glenday, G. (2013) *Assessment of the Current Stated of VAT Implementation in SADC Member States*, Duke Center: Washington DC, USA.
8. Hardwick, P. Sandford, C. and Godwin, M. (2012) *Administrative and Compliance Costs of Taxation*, Fiscal Publications: Bath, USA.
9. Honoham, P. (2012) *Taxation Theory and Practice*, Oxford University Press: London, UK.
10. James, S. and Nobes, C. (2012) *Economics for Taxation. 8th ed.*, Fiscal publications: Birmingham, UK.
11. James, S. and Nobes, C. (2013) *The Economics of Taxation, 9th Ed*, Fiscal Publications: Birmingham, UK.
12. Katolik, A. (2014) *Impact of fiscalization at the height of calculated value added tax*, Polytechnic of Slavonski Brod, Andreja Press: Zagreb, Croatia.
13. Kirchler, E. (2014) *The Economic Psychology of Tax Behaviour*, Cambridge University Press: London, UK.
14. Kumar, R (2011), *Research Methodology*, 3rd Edition, London Sage: London, UK.
15. Lamb, M. et al. (ed.) (2005) *Taxation: an Interdisciplinary Approach to Research*, Oxford publication: New York, USA.
16. Leach, G. (2013) *The Negative Impact of Taxation on Economic Growth*, Reform institute of Directors: London, UK.

17. Lymer, A. and Oats, L. (2014) *Taxation Policy and Practice, 16th ed*, Fiscal Publication: Birmingham, UK.
18. Micci-Barreca, D. and Ramachandran, S (2013) *Improving tax administration with data mining*, Elite Analytics LLC: Washington, USA.
19. Minh, L. (2012) *Value Added Taxation: Mechanism, Design And Policy Issues*: Washington D.C, USA.
20. Narayan, P. (2015) *The Macroeconomic Impact of the IMF Recommended VAT Policy for the Fiji Economic: Evidence from a GCE model*, Blackwell Publishing Ltd: Tokyo, Japan.
21. Nightingale, K. (2013) *Taxation theory and practices, 4th ed*. Pearson Education Ltd: England, USA.
22. Potter, W. J. (2013) *An Analysis of Thinking and Research About Qualitative Methods*, Routledge Press: New York, USA.
23. Saunders, M. N. et.al (2011) *Research methodology for Business students*, Pearson Press: India.
24. Slemrod, J. and Blumenthal, M. (2014) *The Income Tax Compliance Cost Of Big Business*, Public Finance Publishers: New York, USA.
25. Slemrod, J., Shaw, J., & Whiting, J. (2013) *Administration and Compliance, Dimensions of Tax Design: the Mirrless Review*, Oxford University Press: London, UK.
26. Spiro, P. S. (2015) *Size, Causes and Consequences of the Underground Economy. Aldershot*, Ashgate Publishing: England, USA.
27. Whenkroff, G.S. (2015) *Value Added Tax in the Enlarge Command Market, 1st edition*, Association Business Programme Publishers: London, UK.
28. Worku, G. (2013) *Tax Accounting in Ethiopia*, Alem Printing Press: Addis Ababa, Ethiopia.

Journals

29. Abay, S.T. (2015) Assessment on the Implementation of Value-Added Tax (VAT) in Mekelle City Administration. *International Journal of Science and Research (IJSR)*, Vol.4, (8), pp908-923.
30. Abiola, J., & Asiweh, M. (2012) Impact of Tax Administration on Government Revenue in a Developing Economy - A Case Study of Nigeria. *International Journal of Business and Social Science*, Vol.3, (8), pp59-82.

31. Abiola, M.A. (2012) Impact of Tax Administration on Government Revenue in a Developing Economy – A Case Study of Nigeria. *International Journal of Business and Social Science*, Vol.3, (1), pp35-98.
32. Adekanola, O. (2012). Taxation as a means of Economic Revitalization: Limitation and Prospects in a Developing Economy. *Journal of the Institute of Chartered accountants of Nigeria*, Vol. 40, (4), p55.57.
33. Aguirre, G., Carlos, A. and Shome, P. (2012) The Mexican value-added tax (VAT): Methodology for calculating the base. *National Tax Journal* Vol.41, (4), pp543-554.
34. Ainsworth, R.T. (2012) Carousel Fraud in the EU: A Digital VAT Solution. *Journal of Tax Notes International*, Vol. 42, (5), pp443-448.
35. Alm, J., Jackson, B. R., and McKee, M. (1993) Fiscal exchange, collective decision institutions, and tax compliance. *Journal of Economic Behaviour & Organization*, Vol.22, (3), pp285-303.
36. Ayorinde A, O.; Joshua, A., R., and Addul-Rahman, O., A (2013) Assessment of Value Added Tax and its effects on revenue generation. *International Journal of Business and Social Sciences* Vol.4, (1), pp56-67.
37. Carlon, S. & Massey, D. (2013) Record keeping practices and tax compliance of SMEs. *eJournal of Tax Research*, Vol.3, (2), pp288-334.
38. Chetty, R., Friedman, J., Pistaferri, L. and Olsen, T. (2012) Adjustment costs, firm responses, and micro vs. macro labour supply elasticities: Evidence from Danish tax records. *Quarterly Journal of Economics*, Vol.126, (2), pp749–804.
39. Choi, Y.C. (2014) A Taxation Model: The Korean Value Added Tax on Electronic Commerce. *Review of Business*, Vol. 25(2), pp78-90.
40. Cnossen, S. (2014) Administrative and compliance costs of the VAT: a review of the evidence. *Tax Notes International*, Vol.20 (2), pp1649– 1668.
41. Dheressa, H., Reddy K.K, and Yadeta, D. (2015) Challenges of Value Added Tax Administration: The Case of East Wollega Zone. *Research Journal of Finance and Accounting* Vol.6, (2), pp1697-2222.
42. Ebimobowei, A. and Ogbonna, G.N. (2016) Effect of Tax Administration and Revenue on Economic Growth in Nigeria. *Research Journal of Finance and Accounting*, Vol.7, (13), ISSN 1697-2222.

43. Elmirzaev, S. and Kurbankulova, N. (2016) Tax Arrears, Tax Compliance and Tax Debt Management in Uzbekistan: Existing Issues and Possible Solutions *Research Journal of Finance and Accounting* Vol.7, (2), pp 1697-2222.
44. Elson, F. (2015) Attitudes of employees towards the use of fiscalised electronic devices in calculating value added tax (vat): a case study of motor industry in Zimbabwe, *International Journal of Management Sciences and Business Research*, Vol.2, (4), ISSN 2226-8.
45. Gendron, P.P. (2013) Value Added Tax Treatment of Public Bodies and Non- Profit Organizations. *Journal of Bulletin for International Fiscal Documentation*, Vol.59, (11), 514-526.
46. Gordon, R. & Li,W. (2012) Tax structure in developing countries: Many puzzles and a possible explanation. *Journal of Public Economics*, Vol.95, pp855-866.
47. Grandcolas, C. (2012), The occasional failure in VAT implementation, Lessons for the Pacific. *Asia–Pacific Tax Bulletin*, Vol.11,(1), pp6–13.
48. Hafidiah, A. and Sumartaya, D. (2014) The influence of taxpayer's awareness and tax morale toward tax evasion. *International Journal of Business, Economics and Law*, Vol. 5, (1), pp 2289-1552.
49. Jackson, B.R. and Millron, V.C. (2015). Tax compliance research: Findings, Problems and Prospect. *Journal of accounting literature*, Vol.15, pp125-165.
50. Jayakumar, A. (2016) A Study on Impact of Value Added Tax (VAT) Implementation in India. *World Journal of Social Science*, Vol .2, (5), pp145-160.
51. Jones, L.M. (2013) Optional Taxation in Models of Endogenous Growth. *Journal of Political Economy*, Vol.101, (3), pp 485-517.
52. Keen, J.M. and Mintz T. (2014) The optimal threshold for a value-added tax. *Journal of Public Economics* Vol.88, pp559–576.
53. Keen, M. and Mintz, J. (2014) The optimal threshold for a value-added tax. *Journal of Public Economics* Vol.88, (3), pp559–576.
54. Keen, M. and Smith S. (2012) Vat fraud and evasion: What do we know and what can be done? *National Tax Journal*, pp861–887.
55. Kulbhushan, C. (2012) An Integrated Approach to Value Added Tax in the Emerging Economic Scenario. *Indian Journal of Marketing*, Vol.36, (4), ISSN 1697-2222.
56. Martinez, J.V. and Rider, M. (2015) Multiple Modes of Tax Evasion: Theory and Evidence. *National Tax Journal*, Vol.3, (2), pp.51-58.

57. Myles, G. (2014) Value added tax. Fact of a positive Tax in Nigeria Kupas Public Affairs. *Taxation and Economic Growth, Fiscal studies*, Vol.21, (1), pp141-161.
58. Ohemeng, F. L. K. and Owusu, F.Y. (2015) Implementing a Revenue Authority Model of Tax Administration in Ghana. *An Organizational Learning Perspective American Review of Public Administration*, Vol. 45, (3), pp343–364.
59. Ojeka, A. and Ojochugwu, W.A (2012) Factors that affect tax compliance among SMEs in North Central Nigeria. *International Journal of Business and Management*, Vol.7, (12), pp23-56.
60. Okoli, M.N. and Matthew, A.S. (2015) Correlation between Value Added Tax (VAT) and National Revenue in Nigeria: An ECM model. *Research Journal of Finance and Accounting*, Vol.6, (6), pp1697-2222.
61. Owusu, F. (2015) Differences in the performance of public organizations in Ghana: Implications for public sector reform policy. *Development Policy Review*, Vol.2, (4), pp675-687.
62. Paddington, M. (2015) Attitudes of employees towards the use of fiscalised electronic devices in calculating value added tax (vat): a case study of motor industry in Zimbabwe, *International Journal of Management Sciences and Business Research*, Vol.2, (4), ISSN 2226-8.
63. Pall, M. R. & Mustapha, A. F. (2012) Tax audit and tax compliance in Asia: A case study of Malaysia. *European Journal of Social Sciences – Volume 24*, (1), pp7-32.
64. Sikwila, M.N. Karedza, G. and Mungadza, A. (2016) Tax Collection Constraints, and Tax Burden on the Mediterranean. *Journal of Social Sciences MC SER Publishing, Rome-Italy*, Vol 7, (6), pp2039-9340.
65. Slemrod, J. and Sorum, N. (2013) The Compliance Cost of US Individual Income Tax System. *National Tax Journal*, Vol 3, (7), pp461-474.
66. Slemrod, J., Blumenthal, M., & Christian, C. (2013) Taxpayer response to an increased probability of audit: evidence from a control experiment in Minnesota. *Journal of Public Economics*, Vol.79, pp455-483.
67. Umera, T. (2015) Attitudes of employees towards the use of fiscalised electronic devices in calculating value added tax (vat): A case study of motor industry in Zimbabwe. *International Journal of Management Sciences and Business Research*, Vol. 2, (4), pp2226-8235.
68. Whitaker, C. (2015) Bridging the Book-Tax Accounting Gap. *Yale Law Journal*, Vol.11, (5), pp34-45.

69. Zhou, G. (2014) Fiscal Management in Zimbabwe. *International Journal of Economics and Business Modelling*, Vol. 3, (1), pp152-161.

Websites

70. Ekeocha, P. C. (2013) Modelling the potential economic effects of tax policy reform in Nigeria: Simulation analysis using the computable general equilibrium analysis. Accessed 16/01/17, www.iiste.org.
71. Hale, J. 2012, Understanding Research Methodology, New Age International, New Delhi accessed on 08/02/2017, www.psychcentral.com.
72. Laffer, A. 2009, Taxes, Depression, and Our Current Troubles. Wall Street Journal, Eastern Edition, accessed 02/01/17, <http://www.proquest.com/>.
73. Osunkoya, D. 2013, Nigeria Tax system needs autonomy, accessed 20/01/17, <http://234next.com/csp/cms/sites/Next/Money/Finance/5499086-147/story.csp>.
74. Owens, J. (2012), Tax in a borderless world, Organisation for Economic Cooperation and Development, accessed 6/02/17, <http://govinfo.library.unt.edu/taxreformpanel/meetings/docs/owens.pdf>.
75. ZIMRA 2016, Zimbabwe Revenue Authority, accessed 19/12/16, www.zimra.co.zw.

Reports

76. Bonyongwe, W. (2016) Revenue Performance Report.
77. Chakanyuka, G. (2015) The News Day.
78. Madzharova, B. (2015) The impact of cash and card transactions on VAT collection efficiency, Changes affecting the tax base.
79. Pasi, G.T (2013) Revenue Performance Report.
80. Prichard, W. & Bentum, I. (2009) Taxation and development in Ghana: Finance, equity and accountability Ghana Report, Tax Justice Country Report Series.
81. Prichard, W. & Bentum, I. (2012) Taxation and development in Ghana: Finance, equity and accountability (Ghana Report, Tax Justice Country Report Series).
82. Shanmugam, S. (2013) Managing self-assessment - an appraisal, Tax National, 1st Quarter, Self-assessment.

Others

83. Abdella, A. and Clifford, J. (2012). The impact of tax reform on private sector development, Addis Ababa Chamber of Commerce. Ethiopia.
84. Adeniyi, A.R. (2012) The effect of tax administration on revenue generation in Enugu stated: A case study of the stated board of internal revenue Enugu stated. Nigeria.
85. Agbloyor, E. K. (2012) Financial Markets and Foreign Direct Investment in Africa. Unpublished PhD thesis, University of Ghana.
86. Ainsworth, R.T. (2012) *Zappers – Retail VAT Fraud*, Boston University School of Law Working Paper No. 10-04, Boston: Boston University School of Law, UK.
87. Almunia, M. and Rodriguez, D.L. (2014) Heterogeneous responses to effective tax enforcement: evidence from Spanish firms. Spain.
88. Anderson, E. (2012) Statistics for business and Economics. South Western Cengage Learning: Thompson/South Western Mason O.H.
89. Bodin, J.P., Ebrill, L., Keen, M.J. and Summers, V. (2012) The Modern Value Added Tax, International Monetary Fund, USA.
90. Brondolo, J., Silvani. C., Borgne E.L, and Bosch, F. (2013) Tax Administration Reform and Fiscal Adjustment: The Case of Indonesia, *IMF Working Paper*, 08/129.
91. Cottarelli, C. (2013) Revenue Administration, Performance Measurement in Tax Administration, International Monetary Fund: Fiscal Affairs Department, USA.
92. Crandall, W. (2013) Autonomy in tax administration and the revenue authority model, Washington, DC: IMF, USA.
93. Desai, M. and Hinesm, J. (2012) Value-Added Taxes and International Trade: The Evidence, Harvard University Working Paper.
94. Ebeke, E. and Ehrhart, H. (2015) Tax Revenue Instability in Sub-Sahara Africa, Consequences and remedies Auvergne University, France.
95. Edmiston, K.D. and Bird, R.M. (2013) 'Taxing consumption in Jamaica: the GCT and SCT', IPT Paper No 0414, International Tax Program, Rotman School of Management, University of Toronto.
96. Emiru, G. (2012) Assignment of VAT Revenue and Decentralization of its Administration: The case of Ethiopia
97. Gebresilassey M. M, Sow S (2015) Firm Response to VAT Registration Threshold in Ethiopia Boston University Columbia University.

98. Gemmell, N. and Hasseldine, J. (2014) Taxpayers' Behavioural Responses and Measures of Tax Compliance Gaps, A Critique and a New Measure.
99. Harrison, G. and R. Krelove (2012), 'VAT refunds: A review of country experience', IMF Working Paper No. 05/218, IMF, Washington DC.
100. IMF (2012) Revenue Mobilization in Developing Countries, IMF: Washington
101. Jalil, M. M. (2013) *Practical Guidelines for accounting summarizing good research purchase in line with the DCED standard.*
102. Jantscher, M. (2012) Administering the VAT, Value Added Taxation in Developing Countries, World Bank, Washington DC, USA.
103. Jatmiko, A. (2013) Effect of taxpayers Attitude on Penalties Sanctions Implantation, tax authorities Services and Tax Awareness against Taxpayer Compliance: Thesis, Master of Accounting, and Diponegoro University: Graduate Program Semarang.
104. Kassu, T. (2012) Challenges of tax administration in Arada sub city Administration: Thesis Submitted to Addis Ababa University, Ethiopia.
105. Kayaga, L. (2013) Tax policy challenges facing developing countries: A case of Uganda. Master of Laws thesis. Queens University, Kingston Ontario, Canada.
106. Khan, H., Adnan, Q., Khwaja, A. and Olken, B. (2014) Tax Farming Redux: Experimental Evidence on Performance Pay for Tax Collectors, Massachusetts Institute of Technology.
107. Kloeden, D. (2012) Revenue Administration Reforms in Anglophone Africa since the Early 2000s. IMF Working Paper 11/162.
108. Liam, E., Keen, M., Bodin, J.P. and Summers, V. (2012) The Modern VAT, International Monetary Fund, IMF: Washington D.C, USA.
109. McLure, C.E. and Bloomfield, M.A. (2013) The Value-Added Tax: Key to Deficit Reduction, American Enterprise Institute, USA.
110. Odusola, A. (2013) Tax Policy Reforms in Nigeria. *The World Institute for Development Economics Research (WIDER) Paper No. 2006/03.*
111. Olaoye, C.O. (2012) An assessment of administration of value added tax as a source of revenue generation in Nigeria, University of Ilorin Kwara Stated, Nigeria.
112. Osei, R. D. & Quartey, P. (2015) Tax reforms in Ghana (Research Paper No., 2005/66).

113. Owolabi, S.A. and Okwu, A.T. (2012) Empirical Evaluation of contribution of Value Added Tax to Development of Lagos Stated Economy, Middle Eastern Finance and Economics, Nigeria.
114. Popoola, N. (2014) A Good Tax System ll Enhance Economic Development.
115. Roy, K. (2013) Designing a Property Tax Reform Strategy for Sub-Saharan Africa, Howard University., Washington.
116. Sartra, S. and K, Hati. (2012) India's Move from Sales Tax to VAT: A Hit or Miss? Economic working Paper Series centre for Training and Research in public finance and policy.
117. Shaw, A. (2012) Fiscal Management, World Bank: Washington, USA.
118. Syndelle, S. (2012) Taxes Accountability and Revenue in Nigeria. Nigeria.

**APPENDIX 1: LETTER FOR SEEKING PERMISSION TO COLLECT RESEARCH
DATA FROM ZIMRA**



Kurima House ZIMRA

Harare

18 January 2017

The Manager

ZIMRA

Harare Office

Dear Sir

**RE: REQUESTING PERMISSION TO COLLECT RESEARCH DATA FROM YOUR
ORGANISATION**

I was once a student on attachment at ZIMRA – Harare Office particularly in the accounts department from 8 June 2015 to 31 January 2016. Currently, I am in my final year at Midlands Stated University and am doing a dissertation on **the investigation of the effectiveness of VAT administration on revenue collection**. May you kindly grant me the permission to collect research data from your organization. The research is purely for academic purposes and therefore the results will be treated confidentially and professionally.

Attached at the back is a letter also from Midlands Stated University. I look forward to hearing from you at your earliest convenience.

Yours sincerely

R134564Y

APPENDIX 2: SEEKING FOR DATA COLLECTION ASSISTANCE

Midlands State
University
Established 2000



Midlands Stated University
Faculty of Commerce
Department of Accounting
P Bag 9055
Gweru

Dear Sir/Madam

REF: Seeking for Data Collection Assistance

This questionnaire was prepared by R134564Y a final year student at Midlands Stated University studying Accounting Honours Degree. As part of my studies I am required to do a research project for which these questions have been prepared to help me to collect data. My research topic reads **AN INVESTIGATION ON THE EFFECTIVENESS OF VAT ADMINSTRATION ON REVENUE COLLECTION: CASE ZIMRA**. Respondents are kindly asked for their assistance in completing the attached questionnaires. All confidential information provided will be strictly handled and all findings are for academic use only. For more information, you can contact the undersigned.

Your corporation will be greatly appreciated.

Yours faithfully

R134564Y

APPENDIX 3: QUESTIONNAIRE

Instructions

1. Do not write your name.
2. Tick in the relevant box your response.
3. Give your opinion in the blank space where necessary.

Questions

1) Factors that results in effective VAT administration on revenue collection

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Identification and registration of Taxpayers					
b) VAT rate					
c) Processing of VAT returns					
d) Collection of VAT arrears					
e) Penalties and interest					
f) VAT refunds					
g) VAT audits					

2) Challenges that are faced by VAT administration on revenue collection

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Resistance against VAT registration					
b) Setting threshold					
b) Setting VAT rates					

c) Treatment of Hard-to-tax sectors					
d) Tax Evasion					

3) Measures that can improve VAT administration on revenue collection

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Improving tax compliance					
Tax audits					

4) Factors that can improve performance of VAT administration on revenue collection

	Strong Agree	Agree	Uncertain	Disagree	Strongly Disagree
Fiscalisation					
Mechanics of VAT					
Segmentation of taxpayers					
Remittance of VAT					

APPENDIX 4: INTERVIEW QUESTIONS

- 1) How effective is VAT administration on revenue collection?
- 2) What are the challenges faced by VAT administration to enhance revenue collection?
- 3) Is your organization performing well in terms of VAT administration on revenue collection?
- 4) Can tax audits and tax compliance improve VAT administration on revenue collection?