AN ASSESSMENT OF THE EFFICIENCY OF FISCALISED ELECTRONIC DEVICES IN IMPROVING REVENUE COLLECTION IN SELECTED COMPANIES IN HARARE: THE CASE OF THE FISCAL ELECTRONIC TAX REGISTERS.

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DEDICATIONS

I dedicate this dissertation to the most important people in my life, my late parents, my aunt and uncle (Mr and Mrs Jamera), my best friend and true love Tendai Alec Kuwani and the rest of the Penduka family. I love you all and thank you for being part of my life.

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ABSTRACT

The study assessed the efficiency of Fiscalised Electronic Devices in improving revenue collection in selected companies in Harare using the case of the Fiscal Electronic Tax Registers. The study specifically seeks to determine whether efficient Fiscal Electronic Tax Registers increase the revenue base due to tax compliance. The basis of the study lies on the need to raise awareness on the efficiency and importance of the ETRs in improving tax revenue and tax compliance. The research combines desk and field research. Field research entailed questionnaires and interviews with key informants. Desk research entailed review of concepts, theories and experiences related to the topic. The salient findings of this research are that, efficient Fiscal Electronic Tax Registers increase the revenue base due to tax compliance. While there has been a remarkable improvement in the tax collection system, there is not much improvement on the Value Added Tax (VAT) collections since the adoption of FEDs. FETRs have only improved tax compliance in the companies that are using them. The factors that negatively affect tax compliance are resistant to change, reluctance by tax payers to embrace fiscalisation, lack of knowledge, increased administration costs and lack of capacity as well as the influx of informal traders who do not offer receipts. Fiscalisation improves internal accountability, management and control of business by recording and storing all sales without manipulation. This is evidenced by accurate caption of data and shorter audit periods by the tax collectors among others. Notwithstanding this, fiscalisation has its own challenges such as few suppliers of the devices, unrealistic deadlines, and higher penalties and also the system was not user-friendly and compatible with other devices. This is evidenced by the slow uptake of the devices due to lack of capacity and failure to get tax clearances because they had not fiscalised. Against this backdrop, the study recommends that ZIMRA carry out an impact assessment on the fiscalisation project to determine the extent of it success through monitoring and evaluation. There is need to educate the nation on the use of FETRs and the need to comply, even in rural remote areas. The government should revise the turn-over downwards to accommodate more tax payers. There is need to develop systems that are compatible and can be integrated with the computers in business premises. The informal sector should also be brought into the tax net to increase competition. The government should come up with a more user-friendly system that is easy to use linked to the internet for faster and easy access by ZIMRA.

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LIST OF ACRONYMS

AJBUMA	:	African Journal of Business and Management
ASYCUDA	:	Automated Systems for Customs Data
ECR	:	Electronic Cash Registers
ERCA	:	Ethiopia Revenue and Customs Authority
FED	:	Fiscalised Electronic Devices
FESD	:	Fiscalised Electronic Signature Devices
FETR	:	Fiscalised Electronic Tax Registers
FP	:	Fiscal Printer
GDP	:	Gross Domestic Product
GPRS	:	General Packet Radio System
ICPAK	:	Institute of Certified Public Accountant of Kenya
ICT	:	Information Communication Technology
IJSK	:	International Journal of Scientific Knowledge
IMF	:	International Monetary Fund
KRA	:	Kenyan Revenue Authority
MRA	:	Malawi Revenue Authority
OECD	:	Organisation for Economic Cooperation and Development
POS	:	Point Of Sale
PWC	:	Prince Waterhouse Coopers
SME	:	Small to Medium Enterprises
TRA	:	Tanzania Revenue Authority
VAT	:	Value Added Tax
URA	:	Ugandan Revenue Authority
ZIMRA	:	Zimbabwe Revenue Authority

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This research sought to assess the efficiency of Fiscalised Electronic Devices (FEDs) in selected Registered Companies in Harare. It used the case of the Fiscal Electronic Tax Registers to investigate how they have managed to improve revenue collection systems. However, this introductory chapter basically interrogated the problem and its setting.

1.1 Background

The use of FEDs is expected to enhance government tax collection as the devices cannot be tempered with. The previously used Electronic Cash Registers (ECRs) resulted in more revenue loss, a lot of paperwork, conflicts between taxpayers and the revenue officers, sales were not updated and audit reports were delayed among other things hence the system was prone to falsification. Fiscalised Electronic Devices (FEDs) are small machines or mini computers used to determine the exact amount of value added tax remitted to government (Niosi 1994:139). The FEDs have a beneficial effect on revenue mobilisation as is evident from the improved tax to GDP ratio in the countries using them. The world is changing drastically and becoming more and more complex not only from a business perspective but also from a taxation point of view. Governments use different kinds of taxes to distribute the tax burden among individuals that are involved in various taxable activities (Hunter 2010). The government realized that taxation is a sensitive instrument and if used properly, it can give a handsome dividend.

According to the IJSK (2012:18) ETRs in developing countries are a recent phenomena although they have been used for sales since a long time ago. In Ethiopia, ETRs began in Addis Ababa back in February 2008 and their use has managed to expand significantly during the past 5years. According to International Tax Dialogue (2005:6), the spread of the use of fiscalised electronic gadgets in most countries has been the most important development in taxation over the last half century. The Fiscalised Electronic Devices (FEDs) are still work in progress as most countries continue to adopt them, new problems arise and new ideas emerge. Those that have adopted them continue to grapple with improving their design and implementation.

The global economic downturn in developing economies has created an additional issue to address and there is need to consider how they can improve their tax systems. Lopez and Preston (2013:13) note that, One French Philosopher, Colbert once remarked that, “the art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing”. Governments still face the challenge of maximising revenue collection while minimising distortions, although the way taxes are collected and paid has changed a great deal.

According to Sharife (2012:12), tax is the compulsory levy on privately held asserts, work, transactions and other activities and flows as designated by the parliament and enacted by the government. Ibid (2012:16) adds that, tax leakages occur through a number of channels including corruption, debt servicing, illicit outflows, tax incentives and informal economies. Tax evasion undermines the entire tax system because it is harder to tax the profits of foreign investors, wealthy individuals and cross boarder flows. Tax revenue provides governments with investment funds for social development to alleviate poverty and deliver public services. However, many governments are facing challenges in increasing their revenue from domestic sources. If tax reforms and public expenditure are accompanied by increased transparency, tax compliance may be enhanced.

According to BDO Tax Bulletin (2012) Zimbabwe Revenue Authority **(**ZIMRA) has set up efforts to enhance compliance on registered operators through audits. Although ZIMRA is surpassing targets, there is a possibility that there are still loopholes in the tax system. Maseko in the Zimbabwe Tax Bulletin (2012:27) is of the view that, punitive measures could be suggested in order to rescue the situation although a permanent solution lies in building a tax compliance culture for Zimbabwe. Most companies in Zimbabwe are still finding it difficult to get tax clearance certificate year in year out and this is a clear indication that there are still high levels of non compliance by these tax payers.

In 2009, Zimbabwe introduced several reforms in its revenue collection system including the introduction of Fiscalised Electronic Devices (FEDs) which include Electronic Tax Registers (ETRs). An ETR machine is an ordinary cash register with security features that guarantee the trustworthy of the fiscal memory. It is designed in a way that it is not easy to manipulate or destroy data such that critical data is well protected even in cases of power cuts. These are useful especially in retail environment. Full implementation of the fiscalisation process is a much needed, semi-solution to the present liquidity crunch.

Burkhardt and Marlene (1994:869) add that, technological change has become the mode of operation in the 20th century business community. Fiscalisation in Zimbabwe was introduced on the 8th of June 2010 and later adopted in October 2011. In Zimbabwe all registered operators under Category ‘C’ whose annual value of taxable supplies exceeding US$240 000 are required to record sales electronically in terms of Statutory Instrument 104 of 2010 (as amended by SI 99 of 2011 gazetted on the 1st of August 2011). Failure to which, may result in paying US$400 fine or face imprisonment for a period not exceeding 12 months. Zimbabwe Revenue Authority (ZIMRA) spearheaded the introduction of Fiscalised Electronic Devices (FEDs) to enhance accountability systems for tax to replace the previous manual paper system which was considered inefficient and straining. The assumption is that revenue collection will improve by about 20% following the operationalisation of the Fiscalised Electronic Tax Registers (FETRs) and Fiscal Memory Devices from top 300 contributing companies and by 40% if implemented across sectors (http://www.zimra.co.zw). The overall intention is however on refocusing energy towards reviving the economy.

According to Chad and Wolf (1973), a number of countries have made efforts to deal with weak tax administration and reduce tax evasion and avoidance. Taxation is fundamental to development and economic growth, therefore effective tax reforms such as the use of ETRs can help to raise the revenue needed to deliver essential services since tax revenue is one of the most important sources of government income across nations. The aim is to ensure that as many individuals as possible are brought into the tax net. Tanzania Revenue Authority (TRA) has made large efforts to improve tax payer compliance in recent years. According to the Tanzanian Revenue Authority (http://www.tra.go.tz 2012) it started using Electronic Fiscalised Devices (EFDs) in July 2010, with expectations to increase tax collection between 40% and 50% annually. Tax evasion is a major challenge and course estimates suggest that the loss in tax revenue due to evasion amounted to one 6th of the entire Tanzanian budget in the fiscal year 2009/2010.

The ETR programme in Kenya is but one of the many tax administration reform measures undertaken. They were introduced in June 2004 to ensure proper recording of sales by registered tax payers (Price Waterhouse Coopers, 2005). The initiative focused on improving tax compliance with vat requirements. According to AJBUMA (2010:48), this move was largely because most of the tax monies that Kenyans pay over the shop counter never reached their intended destination hence they would end up in the private pockets of unscrupulous traders. The threshold for registration in Kenya to obtain FETRs is Ksh3Million but in some cases registration is compulsory regardless of turnover.

In Malawi it is envisaged that the Electronic Devices Project will be fully rolled out by March 2014 and they cited benefits such as computerizing the tax auditing process, less work for tax authority, less disputes and increased tax revenue. (http://www.mra.mw). According to PWC (2013:74) in Thailand, several attempts were made to lessen the time spent in assessing tax returns and make the laws more sophisticated and complex in terms of plugging loopholes for tax avoidance. Since January 2012 the revenue department has developed the e-tax invoice and e-receipts.

Attempts to increase tax revenue have focused on closing the taxation gap and expanding the tax base as well as addressing serious economic distortions. ETRs help ZIMRA to establish the exact amount of VAT payable without necessarily requiring the traders to provide records for crosschecking. The introduction of ETR machines was aimed at improving revenue collection and the sales audit for business. Their objective is to enhance revenue disclosure by the taxpayer through enforcing improved and secure record keeping as well as recording transactions in such a way that it cannot be deleted.

Silvan (1992) observes that, many countries have spent millions on computer equipment still without being able to improve the effectiveness of their tax administration. The administrative and taxpayer compliance burden associated with large-scale invoice matching continues to be significant despite dramatic improvements in recent years in Information Communication Technology. Automation through fiscalisation facilitates the clearance of legitimate trade, improves the efficiency of taxation controls and secures revenue collection (Kathuri, 2006).

Zimbabwean government is said to be losing a significant amount of potential tax revenue due to tax evasion which is the legal utilization of the tax regime to one’s own advantage to reduce the amount of tax payable by means that are within the law. There is a growing concern that most traders in Zimbabwe are undervaluing their sales in order to evade tax (http://www.newsday.com). Many informal businesses are going underground thereby creating a parallel market of activities and lack of transparency. The system means that all registered operators must do away with manual tilling systems and digitalise.

According to a Press Statement by the former Minister of Finance, Biti, many retailers and other businesses are prejudicing the government in many ways including ‘a deliberate failure to levy tax, keeping various books for tax evasion purposes and the fraudulent invoices. The operating systems in several companies have loopholes which allow for different boards of some companies to endorse authorized systems that are flawed, added The Commissioner General, Gershom Pasi (http://www.newsday.com). The paperwork system was prone to corruption since it was associated with high levels of tax evasion, filling and wrong tax returns as well as the claiming of undeserved tax funds. According to The independent (2012), in Rwanda, the Commissioner General, Kagarama added that, the devices came at a time when some tax payers continue to boycott the call to issue receipts and keep records, which leads to payment of less tax or default. He goes on to say that, the intention however was not to catch thieves but to help streamline their processes as some firms issued invoices while some would not.

1.2 Statement of the problem

In order to increase tax revenue in line with growth in the economy, there is need for major tax reforms which enhance tax compliance. Some registered operators have neglected the need to fulfil their statutory obligations regarding the submission of tax returns and remittances by the due dates thereby negatively affecting revenue performance. The productivity of ZIMRA tax systems could be improved if compliance and administration were improved. Electronic Tax Register (ETR) is an answer to ensure that everyone pays tax and that government auditors secure fair auditing although the fiscal technology is however not a guarantee to total compliance since they only capture sales. If a business chooses not to issue an electronic invoice, the ETR will not capture it thereby prejudicing the fiscus of revenue. The introduction of ETRs in Zimbabwe was to combat vices associated with the collection of taxes like tax evasion, filling and wrong tax returns as well as the claiming of undeserved tax funds. ETRs are expected to help taxpayer’s process their tax returns efficiently without major problems that were associated with the previous paperwork system. Given that there are increasingly high levels of tax evasion and tax avoidance affecting revenue collection in Zimbabwe, it is not clear whether Electronic Tax Registers have managed to increase revenue collection by widening the tax base through encouraging tax compliance.

1.3 Objectives of the study

The specific objectives of this research were:

1. To compare revenue collection before and after the introduction of Fiscal Electronic Tax Registers.
2. To investigate how Electronic Tax Registers have improved tax compliance.
3. To explore the benefits and challenges of using Fiscal Electronic Tax Registers in revenue collection.
4. To recommend fiscal intervention strategies that can be adopted to improve revenue collection.

1.4 Research questions

1. Has revenue collection improved after the introduction of Fiscal Electronic Tax Registers?
2. Do Fiscal Electronic Tax Registers improve tax compliance?
3. What are the benefits and challenges of using FERTs in revenue collection?
4. What do you recommend should be done to improve the efficiency of FERTs in revenue collection?

1.5 Hypothesis

Efficient Fiscal Electronic Tax Registers increase the revenue base due to tax compliance.

1.6 Justification of the study

The study of FEDs is basically informative; it will be of much value to tax payers, students of taxation and accounting, economists, policy makers, development practitioners and the general public interested in development tax administrative issues. This study can contribute positively to the knowledge and understanding of tax requirements as it enlightens the public on tax systems. It helps to inform consumers on the need and importance of the culture of asking for a receipt or tax invoice generated by the FEDs in order to minimise corruption and other vices.

Effectively managing tax affairs is increasingly becoming challenging but is essential to business tax planning strategies and policies. FEDs improve revenue collection through correct disclosure turnover, reduced fraudulence practices, better control and management of business by traders. Tax compliance is currently a topical issue as governments in most developing countries are seeking ways to improve efficiency in tax revenue collection to finance their budgets.

Taxation is an interesting area of concern to every citizen. Everyone ought to know the dynamics of taxation. The evaluation of the way tax is administered needs to go beyond the amount of revenue being collected. None of the studies previously carried out dealt with the impact of ETRs in improving revenue collection in Zimbabwe hence there is a gap in literature concerning the efficiency of these ETRs. There is little information on fiscalisation since the area has not been fully investigated, not much has been said or written about it and as a result, the impact of the FEDs in revenue collection has not been established. Thus this study raises awareness on the efficiency and importance of the ETRs as well as the need to generate more revenue through tax compliance.

1.7 Delimitations

The study was conducted in Harare and it utilised only a few selected registered companies. Harare seemed more appropriate to work with since it is the largest city in Zimbabwe and major businesses that are carried out in the CBD range from large scale businesses, service provision industries to small scale businesses. Majority of the traders are registered tax payers, some of which have since adopted the modern ETRs. There are many Fiscalised Electronic Devices employed by ZIMRA such as Electronic Cash Registers (ECRs), Electronic Tax Registers (ETRs), Fiscal Printers (FPs) and Electronic Signature Devices (ESDs) but this study only focused on the Fiscal Electronic Tax Registers and did not cover all the other devices. ZIMRA's proximity and accessibility to the researcher makes it feasible, reasonable and easily reachable for studying by the researcher.

1.8 Limitations

The scope of the study was confined to Fiscalised Electronic Tax Registers only so it was very difficult to have a critical appreciation of all the Fiscalised Electronic Devices employed by ZIMRA to improve revenue collection from just a single programme as well as a single city.

There is likely to be a shortage of sensitive data from the companies that are not paying their taxes; and ZIMRA may not disclose their information.

1.9 Organisation of the study

Chapter one serves as an introductory of the entire dissertation. It comprises of the background of the study, statement of the problem, hypothesis, research objectives and questions, justification of the study, limitations as well as the delimitations of the study. The focus of chapter two is basically the review of relevant concepts, themes, debates and experiences from other countries. Chapter three serves as the methodology and it presents the research instruments, sampling procedures, data collection, presentation and analysis methods. The fourth chapter specifically presents, analyses and discuses the major findings of the study and will make use of tables and illustrations. Chapter five summarises the main observations, the conclusions drawn from the study as well as the recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The focus of this chapter is basically the review of relevant concepts, themes, debates and experiences from other countries. It also looks at the rationale for adopting Fiscalised Electronic Devises (FEDs) as well as the critical success factors for effective use of the (FERTs). Literature review provides the reader with an up to date account of the discussion and enlarges people's knowledge about a particular topic. It also sharpens the research focus and helps avoid incidental plagiarism. Bosswell and Cannon (2009) agree that, literature review demonstrates a gap between the researcher's curiosity and knowledge of the subject area. Review is therefore at the conceptual, theoretical and practical level.

2.1 The Conceptual Framework

Fiscalisation according to the Zimbabwe Revenue Authority (ZIMRA), refers to configuring of fiscal devices to enable them to record sales and other tax information on the read only fiscal memory at the time of sale for use by the tax authorities in value added tax administration (http://www.zimra.co.zw). The initiative was introduced mostly to reduce suppression of sales, non issuance of tax invoices, non remittance of vat collected, undervaluation of tax receipts, using multiple sets of business records, non disclosure of branches and associated businesses. Fiscalised Electronic Devices (FEDs) provide evidence of sales transactions in a technically easy and undisputed way as the daily sales transactions will be transmitted online through GPRS/mobile network connectivity to the authority's central server. These are mainly used by manufacturers, wholesalers, retailers and service providers.

Fiscalised Electronic Devices (FEDs) are small machines or mini computers used to determine the amount of vat remitted to government (Niosi 1994:139). These devices are designed in such a way that they record each transaction made by an organisation to calculate the exact amount which is supposed to be remitted to the government. Rathus and Nevid (1987) identify four types of FEDs which are Electronic Cash Registers (ECRs), Electronic Tax Registers (ETRs), Fiscal Printers (FPs) and Electronic Signature Devices (ESDs). He further defines ETRs as cash registers with fiscal memory, which is a special, read only memory built into the cash register to store tax information at the time of sale. Electronic Tax Register (ETR) is a standalone device which is used to issue receipts manually and has special security features such as seal, memory, serial number, special technical specifications. Electronic Fiscal Printers (EFPs) are high speed printers connected in a computer network to store all sales transactions in its memory when it issues receipts to tax payers. These are commonly used in supermarkets. Electronic Signature Devices (ESDs) are used in conjunction with computerised accounts system. The invoices pass through ESD and are signed. These ETRs are different from ordinary cash registers as these have fiscal memory which is special Read Only Memory built into the cash register to store tax information at the time of sale. Bird and Zolt (2003:5) note that, the first task of any tax administration particularly the use of FEDs is to facilitate compliance; the second is to reduce tax evasion.

2.2 The Genesis of Fiscalised Electronic Devices

Bird (2003) propounds that FEDs were first introduced in Italy by Italian ministry of Economics in the 1980s to keep key financial data such as vat totals, total turnover and owners details for the tax authorities. Then other countries in Europe and Asia adopted the system which includes Russia, Poland, Bulgaria, Serbia, Albania and Georgia. The inventiveness was also adopted in African countries like Kenya, Ethiopia, Uganda and Tanzania and it continues to spread across nations.

Modernisation through the use of Information Communication Technology (ICT) can result in significant operational efficiencies and must be applied judiciously. Government is concerned over whether companies are paying ‘the right amount of tax’ and that calls for tax reform and transparency around how they operate. PWC (2013:44) observes that Africa has the highest average total tax rate of any region as well as the highest average number of payments of any region. Working group (2011:10) reveal that, developing countries face challenges in trying to establish effective and efficient tax systems. All developing countries have to address four basic problems that are; the structure of the economy which makes it difficult to impose and collect taxes, the limited capacity for tax administration, the poor quality of basic data and also the political set up in many developing countries is less amenable to rational tax policy than in advanced countries. Low registration rate of taxpayers is also another obstacle.

Before the enactment of Income Tax Ordinance 2001, the taxpayers were not required to maintain books of accounts by law and if there was a 'no accounts case' the assessing officer had no option but to frame an order of assessment to the best of his judgement using the material that is there. The results of an assessment order were based on semi-educated guesswork (DOT Gazette 2007:6). Tax payer services aim to reduce compliance costs and improve taxpayer education as well as adopting a 'customer' orientation (LeBaube and Vehom 1992:17).

Tax reforms in the past 8years focused on reducing profit tax rates and improving tax compliance and now more economies focused on introducing electronic systems in the past two years (PWC 2013:122). Because the previous system resulted in more people not complying with tax, there was the need to come up with a system that encourages tax compliance. Tax non compliance is a range of activities that are unfavourable to a state's tax system. This may include tax avoidance or tax evasion. This occurs in two categories, that is, commission (what you do) and omission (what you fail to do). Both attract penalties per statutes of Zimbabwe and so as other countries. Voluntary compliance principle is grounded in two key ideas that is, tax administrations have limited resources and tax payers who have the best information about their tax liabilities. Sylvan and Baer (1997:11) define voluntary compliance as the timely filling and reporting of required tax information, the correct self-assessment of taxes owned and the timely payment of those taxes without enforcement action.

According to the Doha Declaration article 16 (2009:8), efforts were set up to enhance tax revenue through modernized tax systems, more efficient tax collection, broadening the tax base and effectively combating tax evasion. Former South African finance minister Pravin Gordhan once exclaimed that aggressive tax avoidance is a serious cancer eating into the fiscal base of many countries and this shows that it is a common problem prevalent in most countries. Challenges that face developing countries today include weak tax administration; low taxpayer morale, corruption and poor governance are deeply entrenched, hard to tax sectors (small firms) and non compliance.

Maximising tax compliance by the general public is necessary for any government. Non compliance is prejudicial not only to the government which requires revenue flows to fund their operations, to maintain and enhance infrastructure and to fulfill their obligations to the populace.

According to OECD (2010:31) huge gaps in compliance undermine the legitimacy of tax systems severely, particularly for personal income tax by national elites and the informal sector.

DOT Gazette (2007:6) reveals that, in developing countries one of the problems that seem to baffle tax authorities is chronic understatement of turnover by retailers and wholesalers. They may choose to not either issue sales receipts to their customers or issue informal receipts when pressed to do so and those may not be serially numbered, dated or authenticated in any proper manner and these receipts are of no value at the time of tax audit. This poses an extremely serious problem that has a detrimental effect on tax revenue as understatement of turnover leads inevitably to understatement of total income when the return of income is filed.

In this global economic downturn, economies are under pressure to implement competitive tax systems that encourage economic growth and addressing public sector deficits at the same time putting economies on a more sound footing (PWC 2013:7). One solution to this chronic and complex problem was to put technology to work and install ETRs in selected retail outlets like large departmental stores.

According to Silvan (1992) technology is necessary to ensure progress in tax administration. A budget for tax administration will guarantee the purchase of the most modern technology. He goes on to say that, many countries have spent many millions on computer equipment without being able to improve the effectiveness of the tax administration. In light of these challenges, fiscalised electronic registers are perceived to be the only solution to the chronic problems facing tax systems across nations.

2.3 The Rationale for Adopting FERTs

IJEF (2013:2) alludes that, Ordinary Electronic Cash Registers (ECRs) were prone to falsification hence the need for adopting ETRs as they have a memory that carries information on tax which is programmable read only memory. The tax memory capacity should store data for at least five years or 1800 day transactions. They also issue receipts which are easily identifiable for inspection purposes and daily fiscal summary reports.

In addition, Kumar (2005) postulates that, Fiscal Electronic Tax Registers (FETRs) are devices useful in the retail environment and are usually stand alone devices that print receipts and help the owner organise his shop, get report on his totals and perform a number of necessary operations without the need to use a more complicated solution. The FERTs are ordinary cash registers modified to have security features that guarantee the trustworthy of the fiscal memory. An embedded fiscal, write once, read only fiscal memory, hardware that is proven to comply with certain specifications. Therefore, it is not easy to destroy or manipulate critical data and that data are well protected even in case of power failures or malicious attempts.

The fiscalisation system eliminates excessive paperwork and taxpayer interaction with tax officers. They increase tax compliance and reduce the cost of tax administration but it requires effective implementation of fiscalised electronic devices and high quality security systems to achieve these results. The use of FEDs is expected to enhance government tax collection as the devices cannot be tempered with. The devises are designed to capture all sales information and automatically re-route it to the tax authorities who in turn are able to see how much they are owed by companies (Kumar 2005).

According to PWC (2013:74) since January 2012 in Thailand, the revenue department has developed the e-tax invoice and e-receipts. OECD (2010:17) postulates that, Information Technology upgrading has been a part of virtually all reform programmes. The aim is to improve data management and analysis; lower compliance costs reduce the scope for corruption and collusion and improve monitoring. ETRs are argued to be more reliable and faster as compared to the manual data processing method. Electronic device processing method is less time consuming, less costly, more accurate and faster as compared to the manual method of data processing.

The main factors contributing to an improved revenue performance are changes in tax legislation, tax administration and minimal tax evasion, (Morrisset and Izquierdo 1993). Newcomb (1943) states that the benefits of automation include a reduction of fraud, remote access to information, improved collection of statistics and uniform application of tax legislation. It also minimises direct contact between tax collection officers or traders thus reducing corruption. According to Malawi Revenue Authority (MRA), the system allows you to be accountable in your business. It helps tax operators manage their stocks, data reliability as well as reducing audit disputes. It also assures the customer or general public that vat charges have been accounted for and will be remitted to the tax authorities.

To achieve the optimum benefits of ETRs, they should be used with other fiscalised electronic devices like Fiscal Printers, Hi Speed Fiscal Printers, Fiscal Electronic Signature Devices (FESDs) which validate financial documents. The invoice passes through the ESD and is saved. Retailers on business to business transactions may use ESDs for invoices, transport ledgers and credit notes. The FEDs have a beneficial effect on revenue mobilisation as is evident from the improved tax to GDP ratio in the countries using them.

2.4 Theoretical Framework

2.4.1 Deterrence Theory

According to Palkington (1998), deterrence or economic theory suggests that a significant number of taxpayers would evade tax. The fear of detection or deterrence theory suggest that the taxpayer will minimize their own self interest by performing a cost-benefit analysis, that is, comparing the benefits of evading tax with the penalties of being caught out evading tax. The theorist goes on to say that, the perceived probability of being caught is a major motivational factor of complying with the law. Prammer (2011:5) adds that, the economic theory links taxation to growth through its influence on the decisions of economic agents.

Why tax payers do not comply with tax obligations is a topic that most revenue authorities around the world fail to understand, but should. Quoting Gibbs et al (1968), Murphy (2004) notes that researchers become particularly interested with the effects of deterrence on compliance with laws. It is believed that individuals will only comply with rules and regulations when confronted with harsh sanctions and penalties. According to deterrence views, people first assess opportunities and risks and if the anticipated fine and probability of being caught are small in relation to the profits to be made through non-compliance, they disobey the law (Murphy 2004). This is evident in many countries where there is a number of tax payers evading and avoiding tax because the chances of not being caught or detected were higher before the introduction of Fiscalised Electronic Devices. Companies continue to surpass targets regardless. Tax compliance levels do not only reflect the effectiveness of tax administration but also the tax payer’s attitude towards both taxation and government in general.

However, many researchers have questioned the deterrence theory framework as the most appropriate model for explaining tax behaviour. Studies carried out in Australia suggest that, taxpayers' attitude towards the tax system and the way they are treated by the tax authorities are important in explaining taxpayer non-compliance (Braithwaite et al 2001). Some scholars explain tax compliance with two classes of theories first being the Economic based theories which emphasise incentives. This theory suggests that taxpayers 'play audit lottery' that is calculating the economic consequences of different compliance alternatives, the probabilities of detection and the consequences thereof and then choose the alternative for a desired level of risk. This shows that before the introduction of the Fiscalised Electronic Devices it was difficult to monitor or trace tax monies hence some people ended up being overcharged through the estimates or underpaying due to under-valuation.

In contrast, the second class assumes that psychological factors including morals and ethical concerns are also important to taxpayers and hence they may comply even where the risk of audit is low. In short, Economic theories generally call for increased audit and penalties as the solution to compliance (Braithwaite et al 2001). On the other hand, the policy prescriptions of psychological theories leads to emphasise on changing individual attitude towards the tax systems by increasing its perceived fairness and making it easy to comply with the tax law through such measures as superior website information, increased customer services and appropriate Information Communication and Technology. Through the use of FEDs people will be obliged to comply with the tax laws since most companies are fiscalising, there will be that culture of demanding a legal receipt, hence a change in individual attitude towards tax systems.

2.4.2 Benefit Principle

According to Neil (2000:118) the benefit principle holds that taxes which an agent pays should reflect the benefit that he receives from the mix of goods and services supplied by the state. It is more easily defended on efficiency grounds. Taxes should be based on the benefits received hence those that receive the greatest benefits should pay the most taxes. The people who benefit from the public goods are logically the ones who should pay for their provisions. It is a taxation principle that states that taxes should be based on the benefits received. People nowadays do not feel the drive to pay tax because of corruption in most countries hence more often than not the money does not go towards nation building. When people do not receive the intended benefits, they do not feel the need to pay tax; hence the higher levels of tax avoidance and evasion.

Bird (2003:1) adds that, people dislike taxes and governments do not like to impose them. In any country whether developed or developing, operating an efficient tax administration system is not a simple task. Taxes are perceived to be unfair and people receive few tangible benefits in return for taxes paid. OECD (2010:48) adds that, people are interested in what they have to pay for and in ensuring that they get value for their contributions. FEDs ensure that everyone pays their taxes however there is no guarantee that the money in the fiscus goes towards nation building.

2.5 The Challenges of using FEDs

Holland (1987) notes that, the Minister of Finance in New Zealand declared that, "the tax system has failed to keep up with changes in our society". The ETR regime is too cumbersome for businesses that have a minimal number of transactions. ICPAK (2005) is of the view that, the implementation of tax registers has not been successful in other countries like Turkey and Tanzania. According to Kathuri (2006) the ETR gadgets failed in 21 countries including Tanzania hence there was fear of inaccurate record keeping with the devices. The revenue structures of most developing countries have not been most productive as desired. Too often, the growth in revenue has failed to catch up with government spending. These countries have had to reform their tax structures, with general objective of revenue and adequacy, economic efficiency and simplicity (Osoro 1993). Policies directed towards countries desiring to reform their tax systems has emphasised on more stringent administrative changes to seal loopholes that encourage tax evasion.

Prammer (2011) is of the view that, the massive and unprecedented fiscal interventions and fiscal stimulus packages to fight the economic and financial crisis have left large strains on the public finances of the European Union Member States. This surge in government deficits however, calls on governments to devise credible fiscal exit strategies. Although evidence shows that the consolidation effects on the spending side are more effective than those on the revenue side. Tax policies pursue many policy objectives which create tradeoffs. Taxes should not be distortive for economic growth as the quality of taxation and revenue collection is a multifaceted concept.

According to Bird and Zolt (2003), there is a lack of a tax paying culture which is the largest obstacle to build a firm long term revenue base hence increased efficiency of the tax administration is not enough. Government is currently finding it difficult to channel informal businesses into the mainstream economy. With the ICT revolution, there is opportunity to tap into this market and improve revenue collection.

2.6 Country Case Studies

2.6.1 Tanzania

In Tanzania ETRs were introduced in July 2010. These were to be used by Vat registered tax payers to process their tax returns as required by the law. The law requires Retailers to record their daily stakes and issue receipts through Electronic Cash Registers (ECRS). An acceptable ECR should be capable to issue receipts for each translation containing name, address, VAT number, PIN of the supplier, date of supply, tax exclusive value of each category of good or service among others (http://www.tra.go.tz). ECRs were introduced mainly because retailers do not issue tax invoices or receipts and consumers do not have the culture of asking for a receipt or tax invoice.

Electronic Fiscalised Devices (EFDs) were expected to increase tax collections by 40 and 50% annually. The new tax enforcement proved efficient and is expected to boost vat collections and will have a positive Impact on profit tax. Sales record keeping will minimise the common risk of theft by employees. TRA has recorded an increase in vat under the use of FEDs in the 2010/2011 financial year compared to the 2009/2010 before FEDs were introduced. However, the system is lacking support from business operators in the country due to the high cost of buying the electronic devices and hence this may hinder voluntary tax compliance.

Michelsea Institution (2003:20) adds that, the success implementation of reforms in Tanzania requires political-will for instance; an indication of the limited political willpower to fight fiscal corruption and tax evasion is the rise in tax exemptions granted in recent years. Experiences show that tax exemptions create room corruption, shrink the tax base, and intensify loopholes for tax evasion.

2.6.2 Kenya

OECD (2010:30) reveals that, the tax resistance in Kenya by tax payers helped to precipitate change and sent a strong signal to the subsequent government that a stronger tax bargain was needed. In the late 1990s a decline in tax compliance reflected particularly income tax, despite large gains earlier in the decade. The ETR programme in Kenya is but one of the many tax administration reform measures undertaken by the Kenyan Revenue Authority (KRA). They were introduced in June 2004 to ensure proper recording of sales by registered tax payers (Price Waterhouse Coopers, 2005). The initiative focused on improving tax compliance with vat requirements. According to AJBUMA (2010:48), this move was largely because most of the tax monies that Kenyans pay over the shop counter never reached their intended destination hence they would end up in the private pockets of unscrupulous traders. The threshold for registering vat in Kenya and obtain FETRs is Ksh3Million but in some cases registration is compulsory regardless of turnover.' According to OECD (2010:32), protests against the introduction of ETRs for improving VAT compliance failed to result in any kind of tax bargain and tax payer anger remained unresolved. Kenya has sixteen authorised operators and it shouldered the cost of implementation.

2.6.3 Malawi

According to the Malawi Revenue Authority (MRA), the main challenge in revenue collection over the years has mainly been through tax evasion by non-issuance of tax invoices especially by small to medium taxpayers. It is hoped that the introduction of Electronic Fiscal Devices (EFDs) by the MRA will help curb this situation as sales transactions will now be monitored electronically, through a GPRS modem to the Authority's central server. To further ensure compliance, the buyer will be encouraged to demand a tax invoice that will be generated by the (EFDs) as this is the only way a taxable transaction will be captured. In Malawi it is envisaged that the Electronic Devices Project will be fully rolled out by March 2014 and they cited benefits such as computerizing the tax auditing process, less work for tax authority, less disputes and increased tax revenue. (http://www.mra.mw).

2.4.4 Ethiopia

According to the IJSK (2012:18) ETRs in developing countries are recent phenomena although it has been used for sales since a long time ago. In Ethiopia, since the introduction of vat in January 2005, there has been a history of tax evasion and corruption, lack of standard record keeping system and knowledge about vat and a tax base for its computation. ETRs began in Addis Ababa back in February 2008 and their use has managed to expand significantly during the past five years. The Ethiopia Revenue and Customs Authority (ERCA) adopted the ETRs Automated System for Customs Data Management (ASYCUDA) to improve their tax collection methods thereby increasing government revenue and decreasing tax evasion. Ethiopia records a success story as the use of ETRs is increasing across the country. A total number of 53 241 tax payers purchased 59 879 ETR machines by January 2013 (Kathuri, 2006).

2.6.5 Uganda

PWC (2013:58) alludes that, the reforms implemented are hoped to reflect improvements in the number of hours and the payment indicators. These reforms include the introduction of electronic filling of tax returns which was originally introduced towards the end of 2009 as a pilot project by the Ugandan Revenue Authority (URA). The initiative started with a selected number of tax payers and in 2010 all large tax payers were added onto the tax register and are required to use electronic tax filing. Working Group (2011:15) notes that, in Uganda tax payer cooperation is low because of chronic shortages of trained officials, tradition of corruption and lack of visible improvements in government services.

The corruption levels and mismanagement of funds had gone up, therefore Uganda Revenue Authority devised a system that can capture every transaction that occur in the system and ascertain the amount of revenue collection. URA’s reasons for adopting e-tax devices where mainly to increase revenue collection as well as reducing costs incurred during collection, suit the demanding technology, reduce corruption, reduce paperwork and ease payment as well as increase tax compliance levels, among others. Uganda records a success story as it managed to ease payment process, reduce costs by eliminating the middleman, efficient filling of returns to mention but a few. However, although the URA successfully adopted the electronic system, it has failed to accomplish some issues since the system is expensive, one has to be computer literate, loss of employment and the system design is still complex (Auyat 2013).

2.7 Critical Success Factors

According to the Working Group (2011:16) the challenges faced by developing countries are made painfully clear by comparing the administrative recommendations made by the International Monetary Fund (IMF) with the realities in developing countries. IMF concluded that effective tax administration depends on the existence of factors such as, a predominantly money economy, high standard literacy, and prevalence of honest and reliable accounting, a large degree of voluntary compliance on the part of the taxpayers, a political system not dominated by wealthy groups acting arbitrary in their own self interest.

An IMF study (2005) on tax refunds found out that a precondition for successful tax reform is a strong commitment on the part of the government and key stakeholders. The premise and equipment necessary for automation may include new or rehabilitated offices, hardware, software, internal communication systems and connections to external networks and they may also require the set up of the wireless networks and links. Moreover, the introduction of Information Communication Technology (ICT) needs to be accompanied by extensive capacity building. They require a lot of money to install because there will be a lot of change of infrastructure and the process is weighing a lot of business down because they are not liquid enough due to economic challenges.

OECD (2010:34) asserts that, efforts to promote responsiveness and accountability as well as encourage tax compliance must be based on dialogue between citizens and government. Awareness and transparency are required for building public engagement and essential trust, in the absence of these, taxation is likely to remain characterised by conflict. (ibid: 3) Poor performance by tax authorities are often blamed on the lack of political support. Political will is important a factor in tax compliance environment and lack of political will is simply used as a blanket excuse by poorly performing tax authorities and local governments. Tax reforms require time and a country's government commitment as they will have to use up some of its political capital to finance some of the changes in the system.

Bird (2003) is of the view that there is no single set of prescriptions; no secret recipe that once introduced will ensure improved tax administration in any country. Developing countries exhibit a wide variety of tax compliance levels, reflecting not only the effectiveness of their tax administration but taxpayer attitude towards taxation and government in general. PWC (2013:122) is of the view that, improving tax policy and compliance results is a never ending task.

2.8 Conclusion

This chapter has looked at the review of relevant concepts, themes, debates and experiences from other countries. It also looked at the rationale for adopting Fiscalised Electronic Devises (FEDs) and well as the critical success factors for effective use of the (FERTs). The next chapter presents the methodology; research instruments, sampling procedures, data collection, and presentation as well as analysis methods.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the data collection and analysis methods used to assess the efficiency of Fiscalised Electronic Devices (FEDs) in improving revenue collection. The researcher adopted a triangulation approach whereby both qualitative and quantitative data methods were utilised. The research outlines the research design, population sample, and methods of data collection, presentation and analysis as well as the ethical considerations. Each objective was stated in line with the method used to gather data. Below is a profile of the respondents.

Profile of Respondents

Organisation	Questionnaires	KII	Target Sample	Date	Access to Research	Male - Female	
Bon Marche Westgate	3	1	Branch Manager	30/01/15	Granted	3	-
Bon Marche Bond	4	1	IT Manager	02/02/15	Granted	2	2
Bon Marche Belgravia	3	-	Branch Manager	02/02/15	Granted	2	1
Pick n Pay Westgate	3	1	Branch Manager	30/01/15	Granted	2	1
Pick n Pay Head Office	4	-	IT Department	19/01/15	Granted	2	2
Pick n Pay Arundel	3	-	Branch Manager	26/01/15	Granted	1	2
ZIMRA	10	1	Regional Manager	06/02/15	Granted	6	4
Total	**30**	**4**				**18**	**12**

3.1 Research Design

This study is on the efficiency of Fiscalised Electronic Devices (FEDs) in improving revenue collection in selected registered companies in Harare. The study focused on the retail shops in Harare such as Bon Marche and Pick n' Pay as well as the authorised revenue collectors Zimbabwe Revenue Authority (ZIMRA). This is because Harare is the capital city of Zimbabwe where majority of registered payers are and their closeness to Zimbabwe Revenue Authority makes them have high chances of adopting policy and technology changes faster. The study employed both qualitative and quantitative methods of data collection. Key informant interviews and questionnaires were utilised to collect qualitative data and the data was analysed through thematic analysis. Documentary search was also used and these include publications such as newspapers, articles, journals, government publications such as Acts of Parliament and ministerial publications. Data gathered through documentary search was analysed using content analysis.

3.2 Target Population

The researcher employed non probability sampling techniques such as purposive sampling. As defined by Babbie (2010:193), purposive sampling is a non probability sampling method in which the units are selected on the basis of the researchers' judgment about which ones will be most useful or representative. The population sample consisted of retail shops registered for Value Added Tax (VAT) and who have adopted the Fiscal Electronic Tax Registers from the years 2010 to 2014, other tax payers, academics as well as ZIMRA officials who are the authorised revenue collectors. A sample was drawn from these selected companies in Harare. The target population was the ZIMRA Officials as well as the Regional Manager for Domestic Taxes, Bon Marche and Pick n Pay Branch Managers with their IT Managers. There are eight Bon Marche Shops in Harare and three of them were chosen as representative sample. Three Pick n Pay shops were chosen out of the four in Harare. At Zimbabwe Revenue Authority the researcher focused on the Department of Domestic Taxes since the FEDs are used for Value Added Tax collection.

The researcher chose purposive sampling because it helps to identify participants who are likely to provide detailed data which is relevant. One of its disadvantages is the subjectivity of the researchers' decision making. It is also a source of potential bias and a significant threat to validity (Tongco 2007:147).

3.3 Data Collection Methods

As defined by Burns & Groove (1997:383), data collection is the systematic way of gathering data which is relevant to the research objectives, purpose or questions. The researcher used both primary and secondary data. Primary data was collected through self administered questionnaires with both closed and open-ended questions. The closed ended questions enabled the researcher to collect quantitative data while open-ended questions qualitative data. Secondary data was gathered from the document research. Key informant interviews were utilised to gather data from taxpayers as well as the revenue authority officials. The researcher chose mixed methods to compliment the weaknesses of the other.

3.4 Research Instruments

3.4.1 Documentary search

To compare revenue collection before and after the introduction of Fiscal Electronic Tax Registers which is objective one, the researcher used documentary search. Documentary search according to Mogalakwe (2006:221) refers to the analysis of documents that contain information about the phenomenon one wishes to study. This method was used to gather secondary data in comparing and assessing the impact of FETRs on revenue collection. The range of documents used included publications such as journals, newspapers, electronic media, reports and ministerial publications. Although documentary search is associated with historical research, history provides a sense of the past and how the present came about. Hamersley and Atkinson (1995:173) agree that documentary products are especially important for providing a rich vein for analysis. The researcher chose this method to get a wider range of insights on what other people have published on FEDs.

3.4.2 Questionnaires

To investigate how Fiscalised Electronic Tax Registers have improved tax compliance, which is objective two, the researcher used closed and open-ended questionnaires as one of the instruments to collect the information needed. According to Best and Kahn (1981), a questionnaire is a data gathering instrument through which respondents answer questions or respond to statements in writing. The researcher undertook the administration of the research instruments by delivering the questionnaires to the selected companies using ETRs as well as other tax payers personally. A total of forty-five questionnaires were distributed evenly to the three organisations, that is, fifteen to Bon Marche shops, fifteen Pick n Pay and fifteen ZIMRA. The questionnaires were given to the Branch Managers, IT Managers and at ZIMRA, the Regional Manager for Domestic Taxes and other Officials.

The researcher chose this method because it maintains confidentiality and anonymity of the respondents' information. It also allows respondents to answer questions at their own convenience. It also provides permanent record of responses; therefore, providing information which can be stored and retrieved whenever the need arises. A questionnaire that is administered personally to groups of individuals has a number of advantages and disadvantages. Upon administering the instrument the researcher has an opportunity to establish rapport, explain the purpose of the study and clarify terms although it is very easy for respondents who do not have the knowledge to answer randomly or even guess. The differences in interpretation may also go undetected. However, the researcher was not happy with the outcome of this method because the respondents took a long time to complete and return the questionnaires than was anticipated.

3.4.3 Key informant Interviews

Key informants Interviews (KII) were used to compliment the questionnaire. According to Anastasi (1988), an interview is a way of gathering information from the respondents in form of a conversation. USAID (1996:1) defines key informant interviews as a qualitative, in-depth interview of people selected for their first-hand knowledge about a topic of interest. Key informant interviews were utilised because according to Claire (1959:238) they offer an opportunity for greater flexibility in eliciting information. The researcher held a one on one interview with the Regional Manager for Domestic Taxes to get information about the benefits and challenges of using Fiscal Electronic Tax Registers in revenue collection. Another interview was taken with the IT Manager for OK Zimbabwe as well as the Branch Managers. A total of seven interviews were scheduled but only four were successful.

A KII allows the researcher to read into the situation by taking note of the non-verbal cues such as gestures, facial expressions, the tone and atmosphere. This helped the researcher to get to know the inner true feelings of the respondents by how they say it. The researcher may also be able to detect how the informants behaved upon being questioned as well as to clarify unclear questions. Although effective, it may also be time consuming and costly. The researcher was not happy with this method because the key informants denied interviews giving different excuses due to tight busy schedules. However, the researcher maximised on the successful interviews and also made use of the questionnaires to support the interviews.

To explore benefits and challenges of using Fiscal Electronic Tax Registers in revenue collection was the third objective. To achieve this objective, the researcher used both the questionnaire and the key informant interview to gather data on the efficiency of using FERTs. Although interviews also allows the investigator to get detailed information as the interviewee is able to elicit considerable information through probes and follow up questions, the researcher may not be satisfied with the responses as they may not give much information. Peil (1995:122) argues that, the information supplied by informants may be unreliable because they are not as knowledgeable as they seem or because they are deliberately misleading you. As such, information may be filtered through the informants' values, opinions, emotions, and attitudes towards the topic. Hence, to overcome these problems, the researcher will triangulate this method with documentary search.

3.5 Data Presentation and Analysis

Data analysis according to LeCompte & Schensul (1999) is the process a researcher uses to reduce data to a story and its interpretation that is, reducing large amounts of collected data to make sense of them. In order to organise, describe and analyse data collected, the researcher presented the data according to logical themes using tables, graphs, percentages and charts. The researcher used thematic and content analysis to analyse data since the research utilised both qualitative and quantitative methods.

Data gathered from key informant interviews was analysed using thematic analysis. Rice and Ezzy (1999:258) postulate that, thematic analysis involves the identification of themes through careful reading and re-reading of data. The researcher will also use content analysis to analyse data drawn from documents, speeches such as text books or newspapers. Berg (1989:106) argues that content analysis is any technique for making inference by systematic and objective identifying special characteristics of messages. It is however important to triangulate data in analysing it, to facilitate interpretation of, for example quantitative data or findings with qualitative narrations to support it.

3.6 Ethical Considerations

3.6.1 Permission to Conduct the Research

Firstly, the researcher sought authority to conduct the research from the University of Zimbabwe, Department of Political and Administrative Studies and was given a letter of authority. The letter of authority helped the researcher with access into organisations like Zimbabwe Revenue

Authority, Pick n Pay and Bon Marche Head Offices. In addition, the researcher also obtained authority to conduct the research from their different outlets in Harare prior to the commencement of data collection. Permission to conduct Research at Bon Marche Supermarkets was sought from the Human Resources Manager at OK Zimbabwe Head Office in Graniteside. The researcher also sought permission to conduct research at Pick n Pay Supermarkets at the Pick n Pay/TM Head Office in Msasa.

3.6.2 Informed Consent

Participants were given sufficient detail about the nature of the research and the procedures involved in order to ensure that respondents make informed decisions on whether to participate or not. The researcher assured participants that the purpose of the research was strictly academic and that those who are willing to participate should do so voluntarily and they are free to withdraw at any point of the research, should they feel like it. After explaining everything, the participants were given a chance to ask questions for further clarification of the costs and benefits of taking part in the research to make sure they understood.

3.6.3 Respect for Anonymity and Confidentiality

The researcher made sure privacy and confidentiality were upheld to protect personal and sensitive data. The researcher ensured this by avoiding any identifying information such as names on the questionnaire or key informant interview guide however they were asked to only include their designation.

CHAPTER FOUR

PRESENTATION OF FINDINGS AND ANALYSIS

4.0 Introduction

The aim of this chapter is to chronicle the findings and analyse data pertaining to the efficiency of Fiscalised Electronic Devices (FEDs) in revenue collection in selected registered companies in Harare, focusing on Fiscalised Electronic Tax Registers (FETRs). As stated in chapter one, the main objectives of the study are to compare revenue collection before and after fiscalisation, investigate how FETRs have improved tax compliance as well as exploring the benefits and challenges of using Fiscalised Electronic Tax Registers in revenue collection. Tables, pie charts, and graphs were used to explain the actual numerical scores and percentages. Conclusions were drawn from the findings based on the three selected companies that are, Bon Marche, Pick n Pay as well as Zimbabwe Revenue Authority (ZIMRA). Field research comprised interviews, questionnaires and documentary search / desk research. Below is a profile of the response rates:

4.1 Table 4.1.1 Data collection response rate

	Questionnaires		Key Informant Interview			
Organisation	Distributed	Returned	Scheduled	Successful	**Target Sample**	**Date**
Bon Marche Westgate	5	3	1	1	Branch Manager	30/01/15
Bon Marche Bond	5	4	1	1	IT Manager	02/02/15
Bon Marche Belgravia	5	3	1	-	Branch Manager	02/02/15
Pick n Pay Westgate	5	3	1	1	Branch Manager	30/01/15
Pick n Pay Head Office	5	4	2	-	IT Department	19/01/15
Pick n Pay Arundel	5	3	1	-	Branch Manager	26/01/15
Zimbabwe Revenue Authority	15	10	3	1	Regional Manager	06/02/15
Total	**45**	**30**	**10**	**4**		

The researcher encountered a few problems with the research. Forty-five questionnaires distributed as shown in the table above, only thirty were completed and returned to the researcher. Out of the ten interviews that were scheduled, only four were successful. Some organisations openly denied interview saying that they were busy and instead preferred questionnaires which they would answer at their own convenience. The researcher made several unfruitful visits to the different organisations to collect the questionnaires as the responses took longer than anticipated. Zimbabwe Revenue Authority was clear that they would not avail some information due to confidentiality, however only one interview was conducted and they could only give the researcher the Legislation.

4.2 Reasons for fiscalisation

Documentary search revealed that, the government of Zimbabwe introduced Fiscalised Electronic Devices mainly to reduce fraud and corruption and also encourage transparency and efficiency in value added tax (VAT) collections. It was noted that, so many companies and individuals have devised ways to avoid paying taxes and they have been working with officials from Zimbabwe Revenue Authority (ZIMRA). It also surfaced that, while the informal sector has become a major economic employer in Zimbabwe, it is not contributing meaningfully to the treasury due to non tax compliance by the operators. Reviewed literature also supports that, most companies especially Small to Medium Enterprises (SMEs) evade tax by paying bribes, keeping two sets of records, understating profits, relocating to new premises without notifying authorities and temporarily closing businesses during compliance blitz and this creates revenue leakages within the tax system (Nyamwanza et al 2014).

The study also revealed that tax evasion has become a lifestyle and ZIMRA is overwhelmed to stop it in the country because the taxpayers have managed to outpace the taxman hence all non-compliant taxpayers are running scot-free. Harare is dominated by retail shops that are making a lot of money which is not even making it to the bank. One interview respondent noted that, in as much as the authority has recently expressed the need to formalise Small to Medium Enterprises, taxes and other vendors in order to collect taxes, they should also target retailers who do not even offer a receipt when people buy from them.

One of the reasons for fiscalisation was to improve tax administration through the use of FETRs to minimise revenue leakages and boost slow growth of the tax base. The use of Fiscalised Tax Registers and fiscal memory devices was launched in 2010 and businesses were urged to embrace fiscalisation and support Government’s efforts by ensuring that they received fiscal receipts whenever they make purchases. Literature also supports the culture of demanding a legal receipt whenever a purchase is made as is the experience in Tanzania. Therefore, each business man is an informal revenue collector for the government.

Desk research revealed that another reason for fiscalisation is that, Zimbabwe lost $12billion in the past 30 years through illegal financial outflows that include secret financial deals, tax avoidance and illegal commercial activities. Revenue leakages in Zimbabwe were mainly because of corruption activities that include tax evasion and avoidance and other illegal commercial transactions. It also surfaced that most firms that dislike fiscalisation evade tax and do not want to be compliant in tax payments. Reviewed literature maintains that, if the fiscalisation process is implemented fully, it would annihilate the problem and grow the tax base, a much-needed semi-solution to the present liquidity crunch.

The conclusions drawn from these findings compare favourably with those in countries such as Tanzania, Uganda, Ethiopia, Malawi and Kenya where they feature as, to curb corruption, standard record keeping, encourage transparency and efficiency in tax collections, minimise tax evasion and avoidance. However, the various reasons given above all focused on increasing the tax base through improved compliance.

4.3 Revenue collection before fiscalisation

The study noted that, before the introduction of Fiscalised Electronic Device (FEDs), people used ordinary cash registers which had no fiscal memory and they did their calculations manually. Interviews with Bon Marche employees revealed that, previously they used manual calculators, Point of Sale (POS) system which had no fiscal memory. It is only in 2011 when they started to use FEDs. Retail POS system is typically a computer, monitor, cash drawer, receipt printer, signature capture device and a customer pin pad. Bon Marche supermarkets use Fiscal Printers among the Fiscalised Electronic Devices which then feed into the Fiscalised Electronic Tax Registers.

As explained by three interviewees, the fiscalised devices replaced POS printers and where an organisation has been issuing receipts and invoices, the memory devices keep a record of all the transactions made and transmits this information through GPRS to ZIMRA. The only difference is that, FETRs have inbuilt fiscal memory which can store data for up to three years.

The study revealed that, some of the challenges the retailers faced with the old system include that the manual calculations were time consuming and also the figures were sometimes inaccurate. The machines could not produce reports for ZIMRA so they had to do it manually. Although they had their own weaknesses, some of their advantages include their reliability and efficiency, people argued that they were easy to use and they were speedy. It also surfaced that apart from being time consuming and producing inaccurate figures sometimes, they did not have any challenges with the machines, as was revealed by the Pick n Pay employee in an interview.

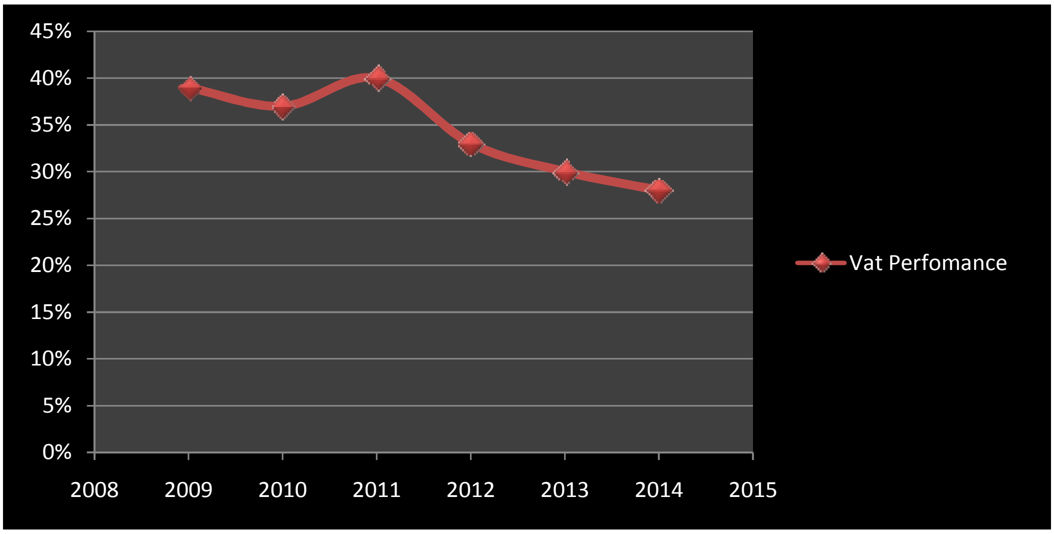
However, the study failed to come up with the revenue collection trends before fiscalisation due to challenges in data collection as the respondents could not avail the records to the researcher. On the other hand, before fiscalisation was introduced the study found out that ZIMRA kept on recording remarkable revenue collections especially on VAT. In 2009 a total of 39% VAT was collected and although it later on reduced by 2% to 37% in the year 2010, it remained the main contributor among tax collections.

4.4 Revenue collection after fiscalisation

This section sought to compare revenue collection after fiscalisation and the study noted some of the improvements brought about by the FEDs such as, improved tax revenue inflows, accurate reporting of figures by companies and takes less time to prepare accounts and also improves compliance as the system forces people to comply. However, the study also revealed that there has not been a remarkable improvement with the value added tax performance but with the tax system instead. One of the employees at Bon Marche also noted that, the new system is good and there is no way one can avoid it. They also agreed that revenue collection is now much easier in terms of filling because FETRs are faster and more efficient than the previous methods.

The study noted that, when the FEDs were implemented in 2011, VAT contributed 40% of the year’s total revenue. By this time it was not clear as to whether the higher contribution was attributed to the FETRs as it was still a new concept and not many people had actually adopted the new system. The graph below shows the VAT trends before and after fiscalisation was introduced.

Figure 4.4.1 Value Added Tax Performance from the Years 2009 to 2014

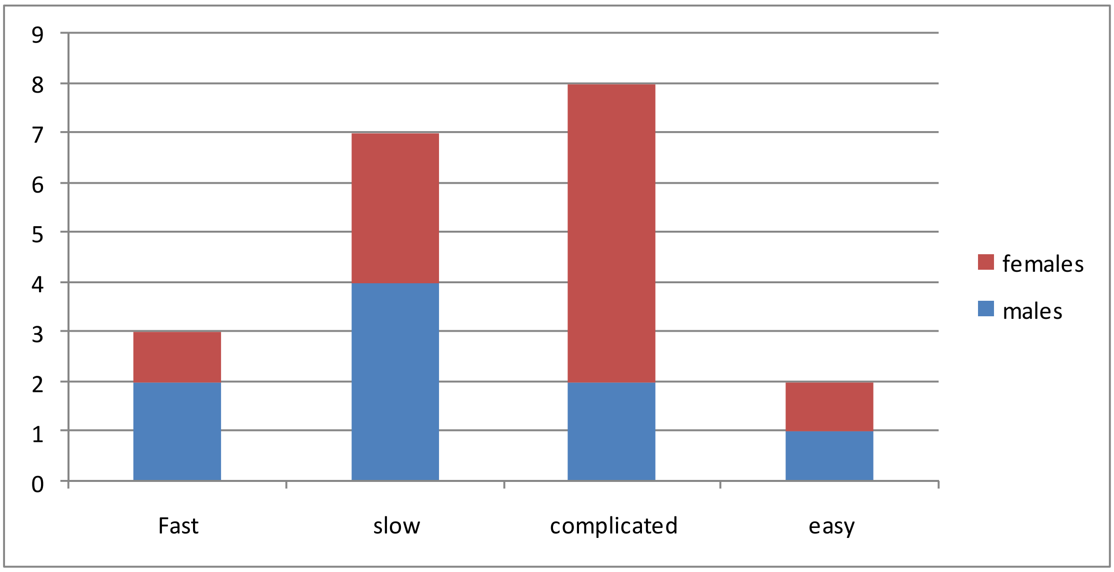


Source : http://www.zimra.co.zw

Desk research revealed that in 2012, VAT decreased by 7% to 33%, and then in 2013 it decreased by 3% to 30%, and also by 2% in 2014 to 28% as shown in the line graph above. One ZIMRA official revealed that, they cannot really say they have not yet established the efficiency of the FETRs because there has not been an improvement in the VAT performance as it keeps decreasing but nonetheless it remains the main contributor and at times even surpassing their targets.

The study noted that in Zimbabwe the contribution of FETRs has not been clearly established. However, experiences from other countries show that FETRs improve revenue collection as was evidenced in Tanzania. Tanzanian Revenue Authority (TRA) recorded an increase in VAT through the use of FETRs in 2010/2011 compared to 2009/2010 before the introduction of fiscalisation (http://www.tra.com). On the other hand, interviews with Pick n' Pay employees revealed that many people have mixed feelings on the performance of the FEDs. One respondent at Pick n Pay revealed that the devices are sometimes slow and complicated compared to the previous ordinary cash registers. He said they are also not compatible with other devices hence they are not user-friendly. In contrast to that, others argued that they are faster and easy to use. Below is a graph showing the profile of views on the efficiency of FETRs.

Figure 4.4.2 Perceptions on the efficiency of FEDs



Source: Field Research.

However common among the various responses was the fact that they all agreed that FETRs improve tax compliance because the system forces people to comply and as such there is no way one can avoid it. The graph above shows the frequency distribution of the perceptions on efficiency of FEDs by the twenty respondents who use the new system. 8 (40%) people agreed that the system is complicated to use and hence it requires adequate training and only 2 (10%) said it is easy to use. 7 (35%) of them were of the view that it is slow and cumbersome while in the same vein only 3 (15%) agree that they are faster than the previous system.

The conclusion drawn from this is that they are much slower and complicated than as they are perceived faster and easy by the implementers. Experiences in Zimbabwe cast a contrast with other countries such as Kenya and Ethiopia, which maintain that FETRs are much faster and easy to use probably because their computerised systems are not as advanced and complicated as the one Zimbabwe first adopted.

4.5 Tax compliance through the use of FETRs

On the issue of tax compliance through the use of FETRs, the study noted high tax compliance. It was noted that, Axis Solutions one of the suppliers continue to record good sales as at least 500 companies throughout the country had purchased electronic registers between the end of

2010 and the beginning of 2011. Desk research revealed significant progress in the implementation of the fiscalisation project, which compels registered operators in categories A, B, C, and D to use fiscalised devices. To date 75% of registered operators in categories A, B, C, and D have fully fiscalised their operations in Regions 1, 2 and 3. Harare falls under Region 1 and this shows remarkable progress because out of the 2 844 registered companies, 2114 (74%) companies have fully fiscalised. Only 616 (22%) have not yet fiscalised their operations and 114 (4%) had partially fiscalised (National Budget Statement, 2013). The table below shows the number of registered companies who have adopted fiscalisation in Zimbabwe.

Figure 4.5.3 Frequency Distribution of the number of companies who have fiscalised

Region	Fully Fiscalised	Partially Fiscalised	Not Fiscalised	Registered operators
1	**2 114 (74%)**	**114 (4%)**	**616 (22%)**	**2 844**
2	443	88	74	605
3	349	5	53	407
Total	**2 906**	**207**	**743**	**3 856**
Percentage	**75%**	**5%**	**20%**	

Adapted from the 2013 National Budget Statement 15/11/12 by P. A. Chinamasa

Harare is the most dominant as it has recorded higher tax compliance rate among the three Regions. This shows remarkable progress considering that it was only a year after the implementation of the Fiscalised Electronic Devices. The study noted that, to date people continue to purchase the devices. However, the study is not going to discuss Regions two and three because it is only confined to Region one.

While the table above indicates that many companies in Zimbabwe have managed to fiscalise, the problem still lie in the informal sector where most companies are failing to comply mainly because of the higher administrative costs. An interview with one ZIMRA official, he argued that, the uptake of fiscalised electronic devices has been very slow and it is taking efforts to enforce compliance on registered operators who have no yet fiscalised.

Desk research revealed that, many companies are supporting the fiscalisation process; the Spar supermarket reportedly needs several million dollars to install the tax gadgets at its various retail outlets countrywide. The Grain Marketing Board (GMB) had started installing the gadgets at their depots in line with the government directive. GMB General Manager reported that,

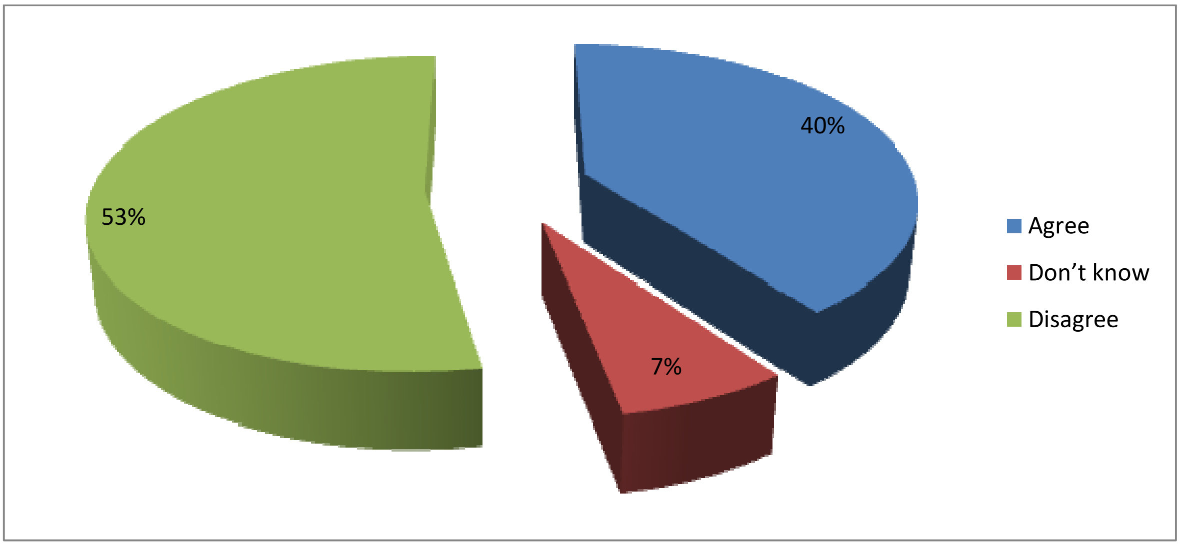
> *"We have invested $500 000 in installing fiscalised devices at all our 84 depots in the country, as we speak, most of our depots have now been fiscalised and comply with the current vat legislation"(* http://www.chronicle.co.zw)

Experiences in Zimbabwe share similarities with those in Uganda and Kenya. Although Uganda Revenue Authority (URA) successfully adopted the electronic system it failed to accomplish some issues since the system is expensive and the design was still complex. Kenya also experienced resistance to change by the taxpayers at one point and as a result the problems befalling Zimbabwe are also common in other countries.

4.5.1 Do FETRs minimise tax evasion?

On this question, the study noted that there are mixed views on whether FETRs minimise tax evasion. When the respondents were asked whether they think Fiscalised Electronic Tax Registers have managed to minimise tax evasion and avoidance, 12 (40%) of the total sample size agreed, as shown in the pie chart. See pie chart below on the various opinions shared.

Figure 4.5.4 Opinions on whether FETRs minimise Tax evasion



Source: Field Research

FETRs minimise tax evasion to the organisations using them as they do not give room to avoid or evade tax since the money is transferred directly to ZIMRA. However the same is not true for the companies which are not using the devices. 2 (7%) were not familiar with the system and could not comment on the matter. 16 (53%) disagreed on the account that the system is subject to manipulation and also because many people have not started using the devices.

Interviews with Bon Marche employees revealed that, FETRs do not minimise tax evasion and avoidance completely because in the event that a fault is reported, ZIMRA may take long to repair the machines and sometimes even authorize the use other printers that are not fiscalised. Hence they do not minimise tax evasion entirely because people can still go back to using their old devices, creating room for loopholes within the tax system. Others agree that if enforced to all organisations tax evasion and avoidance will be minimised greatly.

The views expressed above contrast with experiences in Kenya, Malawi, Ethiopia, Uganda and Tanzania, which suggests that FETRs minimise tax evasion greatly because the system forces people to comply leaving no room to evade or avoid tax. This could be attributed to the fact that other countries have not faced problems Zimbabwe has.

4.6 Factors affecting tax compliance

In this section, the study sought to assess factors affecting tax compliance and it revealed that, the low uptake of the devices was a result of the high prices of the gadgets. The employees at Pick n Pay expressed the view that, the FEDs are more expensive to procure and set up and hence more companies have no capacity. Most companies have not yet started using the electronic tax system and as a result it is difficult for them to get tax clearance as they have no money to buy the expensive fiscalised registers. Most taxpayers complained that the cost of compliance is too high as penalties are also high; companies may be forced to close shops, said one Pick n Pay employee.

The study also noted that, the machines are too expensive because they have to be at every point of sale and large companies who have many branches cannot sustain the expense. This was a huge sudden cost for companies requiring a huge number of devices. Reviewed experiences indicates that, in Kenya a taxpayer with more than one point of sale will be refunded for all the machines and devices purchased for use in the business. An official at ZIMRA noted that, a lot of companies especially retailers have struggled to raise money required to buy the new tax registers as a result, the uptake of the fiscalisation by firms across various sectors remains low. A SME survey conducted in 2012 shows that more than US47.4 billion is circulating in the informal sector. Most SMEs are not registered due to higher threshold and lack of capacity. This is also evident in Kenya and Malawi where most taxpayers are failing to fiscalise due to lack of capacity. Although the Zimbabwean government has undertaken to sponsor 50% of the cost of the acquisition of the fiscal devices, the process remains expensive regardless.

Bon Marche employees expressed that, most companies are not performing at full capacity hence they try to maximise on profits by evading tax and this is one of the factors affecting tax compliance. Pick n Pay employees also shared the same views that, it is because of economic hardships and the economy is not growing so paying tax is problematic sometimes. Some were of the opinion that, in a country like Zimbabwe where most businesses are undercapitalised it is difficult to obtain FEDs because of lack of money. However, Zimbabwe needs to learn from other countries like South Africa and Ethiopia which have adopted fiscalisation but the respective governments contributed to the implementation process; hence their implementation process was a success. One employee at Pick n Pay exclaimed that, only when the country's economy is sustainable and organisations viable that is when we can fully recognise the efficiency and benefits of the fiscalised electronic devices.

While the fiscalisation programme is expected to make positive changes within the taxation system, others are of the view that, the government's fiscalisation process may lead to the demise of several businesses. The government has to sit down and think carefully through the implementation process. These views had audience even among economic analysts, who noted that,

> "*I have mixed feelings on fiscalisation. On one hand, it has merit in that it achieves more tax collections. On the other hand, it is criminal for the government to have done it with this indecent haste. Beyond implementation problem, the fiscalisation process was commendable" (http://www.newsday.co.zw).*

The impression emerging is that, it is difficult to implement the process at a time when businesses in the country are grossly undercapitalised. Most businesses are struggling to raise new capital and are unable to attract foreign investment. As a result, fiscalisation is just another cost beyond the means of businesses.

Bon Marche employees were of the view that, resistance to change is also affecting tax compliance. The ZIMRA official in an interview also mentioned that, the introduction of FEDs met fierce resistance from businesses mainly because of the various concerns raised by the taxpayers. This is also supported by experiences in Kenya where there were protests against the introduction of ETRs. The devices are highly technical and there is a lot of software involved because they are not plug-in and play devices. There are big companies that are perceived to have a sophisticated computer system already through which ZIMRA officials can monitor and government must not lump an additional cost to businesses as people are used to their previous systems.

Reluctance to issue fiscal receipts has been a major factor affecting tax compliance as it creates potential for revenue loss. Those operators who do not issue fiscal receipts have tax evasion tendencies and it is evident that many people have not developed the culture of asking for a receipt whenever they make purchases and this negatively affects tax compliance. Literature also supports that, Tanzania conducts massive campaigns for people to demand fiscal receipts whenever they purchase anything no matter how small.

Desk research also revealed that, informal traders in the central business district of Harare were not aware of tax obligations. As a result, lack of awareness through publicity is affecting tax compliance. One of the respondents commented that, the communication channels used by authorities are not effective to raise awareness and compliance, that is, radio, pamphlets and television are found to be more effective than internet, newspapers and workshops. On the other hand, an interview with the ZIMRA official revealed that, they have held several workshops to raise awareness and encourage compliance to the taxpayers. Desk research also supported that; Zimbabwe commemorates Taxpayer Appreciation Day to encourage voluntary compliance on under the theme "*Realising Zim-Asset goals through tax compliance*". The study noted that ZIMRA has since embarked on activities to increase tax compliance by the informal sector using workshops, seminars and also by participating at exhibitions such as the Zimbabwe International Trade Fair (ZITF).

4.7 Benefits of using FETRs

This section sought to explore the benefits of using the Fiscalised Electronic Tax Registers in revenue collection. The study revealed that the major benefit is that, the devices will improve internal accountability and management of tax affairs. There is assurance that the tax paid as per the issued receipt is indeed remitted to the government therefore, increasing the revenue collection and widening the tax base. The employee at Pick n Pay revealed that ETRs enhance fairness in an assessment and reduces objection or disputes since all tax information is transmitted directly to ZIMRA without being altered hence shorter audit periods by tax department and less paperwork by the traders. One respondent also agreed that fiscalisation improves accountability and ensure businesses are compliant to tax laws. Revealed literature in countries like Kenya, Poland and Tanzania also supports that the system allows taxpayers to be accountable and it also brings orderliness in business.

FETRs ensure timely preparation of reports and it is also easy to retrieve sales information and stock reports weekly, monthly and annually. It provides business security for traders as well as security for business information since all information entered and stored into the fiscal memory cannot be altered. A ZIMRA official in an interview added that, ETRs keep records for three years and ensure that no other person uses the fiscalised device and in this instance, tracking customer transaction will be easy. The employees at Bon Marche Supermarket also supported that; fiscalisation is a modern way of keeping records and it is now easy to prepare daily, monthly and annual reports of sales and value added tax.

Reviewed literature also supports that, FETRs minimise corruption allows for access to genuine receipt each time a purchase or payment is made thus, more revenue due to accurate caption of data as well as accurate record keeping. While it helps the government, it also benefits the industry through improved management and control of business. Taxpayers would also benefit from taxation efficiency in terms of improved infrastructure and social services as it minimises tax disputes and tax arrears. In case of faults, the system reports all faults to ZIMRA promptly or no later than eight hours.

It was also revealed that, ETRs provide better control and management of business by traders. Other countries experiences also support that ETRs improve internal accountability and management, it reduces corruption, improved management and control of businesses, accurate caption of data, eliminates excessive paperwork and improved tax memory capacity. It is also easily traceable in case of defaults, they can be easily identified.

4.8 Challenges of FETRs

This section sought to explore the challenges faced in revenue collection through the use of FETRs and it revealed that, when the system was introduced in 2010, ZIMRA did not have the capacity to take data from fiscalised machines. The technology first identified was not appropriate. It was also too expensive and difficult to convert, hence there was need to review and come up with a more friendly system. The devices were not compatible with the old system hence there was need to train people how to use them and in case of faults, the machines took a lot of time to be repaired. In an interview, Bon Marche employees, revealed that, the devices are not easy to operate hence they requires adequate training and also because the devices are not connected to the internet, it takes a long time for them to be repaired.

There is also the problem of capital constraints. Companies were not in a position to install the devices as the exercise required a lot of capital which will worsen their already dire financial position. It also surfaced that, many people were reluctant to fiscalise because they did not see how that would benefit them. FETRs in Zimbabwe were initially scheduled to be introduced in April 2010, before the deadline was postponed to October 2010 and January 2011. Interviews revealed that, most taxpayers argued that, the deadline was unrealistic as the exercise required a lot of capital and implementation costs of about $600 and $3200 per unit would weigh down small businesses. Bon Marche employees also revealed that, the devices were expensive and ZIMRA is unfairly burdening business with the changeover costs. The initiative is weighing a lot of companies down because fiscalisation involves a lot of expenditure to install as it entails a complete change of infrastructure.

Another challenge was mainly because there were few suppliers, initially only two companies were licensed players. The two companies did not have the capacity to meet the demand for the devices by the said date. However, the study noted eight additional players who have been licensed to supply fiscalised devices but despite this initiative they were also not in a position to supply the fiscalised devices. There had been questions surrounding the capacity of the suppliers to satisfy market demand. The employees at Pick n Pay also agreed that, the main challenge was mainly the delays on the suppliers' side as they fail to meet demands and also hardware challenges by some taxpayers as the devices are not compatible with modern accounting packages. The study noted that, the devices took a long time to be delivered once ordered hence they could not meet the deadline. One of the suppliers from First Computers admitted that it takes about four weeks to have the devices delivered once ordered. Unlike Zimbabwe, Kenya has thirteen authorised operators and a range of thirty-six devices and Zimbabwe should draw lessons from this, even though the size and structure of our economies are different

The respondents revealed that the major weakness of the FEDs machines is devices failure. Some of the machines were imported with faulty batteries. The study noted that, Axis Solutions imports their devices from Bulgaria and the machines could have stayed for a long time in the warehouse hence they develop problems which will result in a lot of breakdowns. Another challenge brought out by the study was that, some of the devices have back-up batteries that can only last for 8 hours and this raises problems for people in the rural areas who go for over two weeks without power and have nowhere to recharge their batteries.

However, the study noted that the challenges discussed above are not only peculiar to Zimbabwe alone. Literature reviewed that Kenya also experienced a slow uptake due to lack of capacity. On the other hand, in other countries their respective governments shouldered the costs of acquisition of the devices and they also did not have problems like higher penalties and delayed supplies especially in Kenya which has thirteen suppliers.

4.9 Conclusion

The research has presented the data collected from field research and documentary search. The researcher also analysed and discussed the findings. It has surfaced that the fiscalised electronic devices are more efficient although they have their own inherent challenges. They have many benefits to revenue collection however the most challenging thing among many taxpayers is failure to obtain the devices due to lack of capacity and financial constraints. Otherwise if fully implemented, they will reduce the challenges of tax evasion and avoidance at the same time increasing the revenue base.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The study sought to assess the efficiency of Fiscalised Electronic Devices (FEDs) in selected Registered Companies in Harare. It used the case of the Fiscal Electronic Tax Registers (FETRs) to investigate how they have managed to improve revenue collection systems. The focus of this chapter is therefore, to summarise the main objectives, the conclusions drawn from the findings as well as the recommendations.

5.1 Summary

Objective one sought to compare revenue collection before and after the introduction of the Fiscalised Electronic Tax Registers and it was observed that, there has been greater improvement on the revenue collection system but not much improvement on the value added tax (VAT) performance as evidenced by the decrease of VAT contributions since 2011. However, the system is faster and efficient as it produces accurate results. There is now timely preparation of reports and stores data in the fiscal memory for over three years without being altered.

The second objective sought to investigate how the Fiscalised Electronic Tax Registers have improved tax compliance and it was observed that, they have improved tax compliance a great deal to companies that are using them because they are forced to pay tax since the money is transmitted directly to Zimbabwe Revenue Authority. However, the same is not true for companies who have not yet started to use the devices for their various reasons, as they still have room to avoid or evade tax. The following were observed as the factors affecting tax compliance, resistant to change, reluctance by tax payers to embrace fiscalisation, lack of knowledge, increased administration costs and lack of capacity as well as the influx of informal traders who do not offer receipts.

In relation to the benefits and the challenges of using Fiscalised Electronic Tax Registers in revenue collection which was objective three, it surfaced that fiscalisation improves internal accountability, better management and control of business, records all sales and stores them without being manipulated, saves time, minimises tax evasion and corruption as evidenced by accurate caption of data, shorter audit periods by the tax collectors among others. However, it also came with its own challenges such as few suppliers of the devices, many companies complained about the unrealistic deadlines and higher penalties, the system was not user-friendly and compatible with their other devices, the devices were faulty, slow and it took longer for them to be repaired among others. This is evidenced by the slow uptake of the devices due to lack of capacity and also people failed to get tax clearances because they had not fiscalised.

5.2 Theme-specific conclusions

Several conclusions were drawn from this study on their respective themes.

Reasons for fiscalisation

The study concludes that, fiscalisation is not a panacea to improving compliance and minimising tax evasion and corruption. The system is not compatible with the computer systems in business premises and people are not fully supporting the programme because it is more complex and expensive.

Revenue collection before and after fiscalisation

On this theme, it is concluded that, Electronic Tax Registers improved the tax collection system, however since the introduction of fiscalisation there has been a decrease in VAT collections hence the impact of ETRs is not clear. ZIMRA did not carry out a preliminary study to determine whether this would impact tax compliance and revenue collections.

Tax compliance through the use of FETRs

People do not understand the importance of FETRs in revenue collection and as a result they become change resistant as they do not want to embrace the technological changes. The new system is not user-friendly and is perceived to be slow and complicated.

Factors affecting tax compliance

Many people are not aware of the tax obligations and the need to ask for a fiscal receipt whenever they make purchases. The FEDs types are few and require business environments with higher thresholds, not all of them can be used in the informal environment.

Challenges of using FETRs

There are a few suppliers who are over prising the devices. The devices are not online and they have faulty batteries. In the event of any fault, they take long to repair and sometimes even inconveniencing businesses.

These conclusions are not surprising because the same has been observed before by other countries using the new tax system such as Kenya, Tanzania, Uganda, Ethiopia, and Malawi, as shown in chapter two of this study. The value of this thesis is in providing further evidence for the need to increase the tax revenue base through tax compliance. If Fiscalised Electronic Tax Registers are enforces fully to all businesses, big and small, it would really seal the loopholes for tax evasion and avoidance at the same time increasing the revenue base. Below the study provides some recommendations.

5.3 Recommendations

5.3.1 With regards to objective one which sought to compare revenue collection before and after the introduction of the Fiscalised Electronic Tax Registers, the study recommends that:

Strengthening the law: The government should consider revising the law on the requirements for one to fiscalise, especially the threshold or turnover. They must revise the turn over downwards to accommodate more tax payers. They should draw lessons from Kenya where in some cases registration was compulsory regardless of turnover.

Fiscalisation impact assessment: Zimbabwe Revenue Authority (ZIMRA) needs to carry out an impact assessment on the fiscalisation project to determine the extent of it success through monitoring and evaluation. This is important because it helps them monitor progress and lack of it hinders the efficiency of the Fiscalised Electronic Tax Registers (FETRs) because if there are weaknesses within the system, they remain unknown and unresolved.

New compatible system: ZIMRA should develop systems that are compatible and can be integrated with the computers in business premises. The devices should work together with their previous systems and not require a complete change of infrastructure that can burden the taxpayers with costs.

Amnesty for past debts: The government should offer amnesty for past tax debts and enforce registration on small businesses. This should then apply to taxpayers who do voluntary disclosure and must be given a chance to register and start remitting tax properly through the use of FERTs.

Strong commitment: There is need for strong commitment on both parties that is, the government and the citizens. The government should also improve support of the fiscalised electronic devices by encouraging taxpayers to adopt the new system and enforcing them to all organisations.

5.3.2 On the issue of how the Fiscalised Electronic Tax Registers have improved tax compliance and the factors affecting tax compliance, the study recommends:

Embrace technological changes: Most businesses need to embrace changes in the global economy and reduce the level of resistance to change. Many businesses need to be sensitised to reduce resistance to change and increase the coverage on the use of the devices. The government should be up to date with the global changes in the business environment and be in a position to adapt to change and setting the pace for others to follow.

Raise awareness: The government needs to educate the nation on the use of FETRs and the need to comply even in rural remote areas where people are not even using them. This can be done through educational awareness campaigns urging people to develop a tax paying culture and ask for a legal receipt when purchasing. The government can also learn from Tanzania where Tanzanian Revenue Authority conducts massive campaigns for people to demand receipts for anything they purchase even if it is a beer, soda or needle. ZIMRA should give business people more formal tax education to enhance understanding of tax obligations and the need for compliance.

Introduce more FEDs: The government should introduce Fiscalised Electronic Devices that can handle field sales. They should come up with mobile devices that people can use even vendors. They should learn from Kenya which has approved 36 devices and taxpayers now have a wider range of devices to choose from. The government must also finance the devices in order for the fiscalisation project to be successful, just like in Tanzania and Kenya.

Widening the tax net: The government should target the informal sector and ensure that the small to medium enterprises (SME's) are also brought into the tax net because that is where business is growing. Many businesses are going underground and there is need to seal potential for revenue loss. The government must ensure that everyone who is into business also gives back to the government.

5.3.3 On the issue of the challenges of using Fiscalised Electronic Tax Registers in revenue collection, the study recommends:

Introduce more suppliers: The government should introduce more suppliers on the market to increase competition and overcome delays in delivery of the devices. This helps them improve capacity of the suppliers to sustain the nation. They should learn from Kenya were fiscalisation was successful and it has thirteen suppliers. They should add more players on the market to ensure the smooth delivery of the devices rather than relying on a few suppliers who are not always reliable.

Develop a more user-friendly system: The government should come up with a more user-friendly system that is easy to use. They must do away with the complex one that requires a lot of training. They should devise machines that are easy to use and that can work hand in hand with their previous systems. They should also conduct training programmes to ensure that people know how to use the devices.

Rapid responses to faults: ZIMRA should respond to reported faults quickly so that they do not affect the smooth running of businesses. Instead of asking the companies to use alternative printers for substitution they must just repair the devices faster.

Strengthening institutional capacity: There is need to strengthen the tax department by ensuring officers are well trained to monitor and evaluate the system so they can be aware of the areas prone to falsification and address them.

Introduce spot fines: The government should introduce spot fines for not issuing fiscal receipts. They must carry out continuous surveillance and surprise visits in all high risk areas of non-issuance of fiscal receipts.

Link devices to the internet: The devices should be linked to the internet for faster and easy access by ZIMRA. This will help them know when the devices fail and fix them faster.

5.4 Conclusion

The conclusion is therefore that, efficient Fiscal Electronic Tax Registers increase the revenue base due to tax compliance as was evidenced in chapter four of this study. It was concluded that, the system helps the tax collectors to account for every cent as long as people use the Fiscalised Electronic Tax Registers. The money is transmitted directly to ZIMRA each time a transaction is made at every point of sale, thereby sealing all loopholes for tax evasion and corruption as well as increasing tax compliance.

5.5 Areas for further research

This study suggests the following areas warrant further studies mainly because they were discovered during the study as areas of major concern in as far as the efficiency of Fiscalised Electronic Devices (FEDs) in Registered Companies in Harare is concerned: the impact of an efficient fiscalisation system on revenue collection in the informal sector, taxpayers attitude towards fiscalisation, an assessment on the implementation process of Fiscalised Electronic Tax Registers in Zimbabwe.

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APPENDIX A: Questionnaire for ZIMRA

Target Population : Zimbabwe Revenue Authority (ZIMRA) Officials

My name is Gamuchirai Penduka, a postgraduate student at the University of Zimbabwe studying Masters in Public Administration (MPA). I am doing my dissertation titled '***An assessment of the efficiency of Fiscalised Electronic Devices (FEDs) in improving revenue collection in selected Registered Companies in Harare. The case of the Fiscal Electronic Tax Registers.*** You have been selected as one of my respondents. The information gathered during this exercise will be used strictly for academic purposes only and is highly confidential.

Profile of Respondents

Date of Interview………………..			Occupation………………………	
Gender:	Male	[ ]	Female	[ ]
Period stayed at the Organisation:			Between 0 to 1 year	[ ]
			Between 2 to 4 years	[ ]
			Between 5 and 10 years	[ ]
			10 and Above	[ ]

Answer all questions and in some cases put a tick.

1. What is your general understanding of Fiscalised Electronic Devices?

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2. List reasons that influenced the acquisition of the Fiscalised Electronic Tax Registers (FETRs)?

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3. Can you briefly explain the importance of Fiscalised Electronic Tax Registers (FETRs) to revenue collection?

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4. Which method were you using previously before the introduction of the FETRs?

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5. What were some of the challenges you faced using the old system, if any?

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6. Have you noticed any changes in revenue collection since the adoption of FETRs?

Yes [ ] No [ ] Not sure [ ]

Briefly explain your response:

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7. What are some of the improvements brought about by the Fiscalised Electronic Tax Registers in revenue collection?

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8. What do you think are the factors affecting tax compliance in general?

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9. Do Fiscal Electronic Tax Registers improve tax compliance?

Yes [ ] No [ ] Not Sure [ ]

Justify your response below

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10. What do you think are some of the reasons why some companies have not yet fiscalised?

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11. What are the major weaknesses of using the Fiscalised Electronic Tax Registers in revenue collection?

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12. What can you say to encourage other companies which are not yet using Fiscalised Electronic Tax Registers?

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13. Of all the other electronic methods of revenue collection, have FETRs proved to be more effective?

Yes [ ] No [ ] Not Sure [ ]

Justify your response below

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14. Currently how many suppliers of Fiscalised Electronic Devices are there?

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15. Do you think Fiscalised Electronic Tax Registers have managed to minimise tax evasion and tax avoidance?

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16. Fiscalised Electronic Tax Registers are simple and fast compared to the previous manual system?

Agree [ ] Disagree [ ] Not Sure [ ]

Justify…………………………………………………………………………………………….
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17. What do you recommend should be done to improve the efficiency of Fiscalised Electronic Tax Registers in revenue collection?

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Any other comments on Fiscalised Electronic Devices

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END! THANK YOU FOR YOUR PRECIOUS TIME

APPENDIX B: Questionnaire for the Users of FEDs

Target Population : Pick N' Pay and Bon Marche Employees

My name is Gamuchirai Penduka, a postgraduate student at the University of Zimbabwe studying Masters in Public Administration (MPA). I am doing my dissertation titled '***An assessment of the efficiency of Fiscalised Electronic Devices (FEDs) in improving revenue collection in Selected Registered Companies in Harare. The case of the Fiscal Electronic Tax Registers.*** You have been selected as one of my respondents. The information gathered during this exercise will be used strictly for academic purposes only and is highly confidential.

Profile of Respondents

Date of Interview……………………………		Occupation…………………………	
Gender: Male	[ ]	Female	[ ]
Period stayed at the Organisation:		Between 0 to 1 year	[ ]
		Between 2 to 4 years	[ ]
		Between 5 and 10 years	[ ]
		10 and Above	[ ]

Answer all questions and in some cases put a tick.

1. What is your general understanding of Fiscalised Electronic Devices?

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2. Which Fiscalised Electronic Devices do you use in your organization?

Electronic Tax Registers	[ ]	Electronic Cash Registers	[ ]
Electronic Signature Devices	[ ]	Fiscal Printer	[ ]

Others………………………………………………………………………………….............

3. When did you start using Fiscalised Electronic Devices?

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4. Which method were you using previously before the introduction of the Fiscalised Electronic Devices?

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5. What were some of the challenges you faced using the old system, if any?

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6. What are some of the improvements brought about by the Fiscalised Electronic Devices in revenue collection?

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7. What do you think are the factors affecting tax compliance in general?

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8. Do Fiscal Electronic Devices improve tax compliance?

Yes [ ] No [ ] Not Sure [ ]

Justify your response below

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9. What do you think are some of the reasons why some companies have not yet fiscalised?

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10. What are the major weaknesses of using the Fiscalised Electronic Devices in revenue collection?

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11. What can you say to encourage other companies which are not yet using Fiscalised Electronic Devices?

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12. Of all the other electronic methods of revenue collection, have Fiscalised Electronic Devices proved to be more effective?

Yes [ ] No [ ] Not sure [ ]

Justify your response below

……………………………………………………………………………………………….........

13. Do you think FEDs have managed to minimise tax evasion and tax avoidance?

……………………………………………………………………………………………………
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14. Fiscalised Electronic Devices are simple and fast compared to the previous manual system?

Agree [ ] Disagree [ ] Not Sure [ ]

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15. What do you recommend should be done to improve the efficiency of Fiscalised Electronic Devices in revenue collection?

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Any other comments on Fiscalised Electronic Devices

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END! THANK YOU FOR YOUR PRECIOUS TIME

APPENDIX C: Key Informant Interview Guide

Target Population : Zimbabwe Revenue Authority (ZIMRA) Officials

RESEARCH QUESTIONS

1. What in your opinion led to the introduction of the Fiscalised Electronic Devices (FEDs)?
2. Which System were you using previously and what were some of the problems you faced?
3. Can you briefly explain the importance of FETRs to revenue collection?
4. What are some of the improvements brought about by the ETRs in revenue collection?
5. Have FETRs managed to improve tax compliance?
6. What are the major challenges of the FETRs in revenue collection?
7. What do you recommend should be done to improve the efficiency of FERTs in revenue collection?

APPENDIX D: Key Informant Interview Guide Users of Fiscalised Electronic Devices (FEDs)

Target Population : Pick n Pay and Bon Marche Employees

1. In your opinion, what do you understand by Fiscalised Electronic Devices?
2. Which Fiscalised Electronic Devices do you use in your organization?
3. How long have you been using the Fiscalised Electronic Devices?
4. What in your view influenced the shift to Fiscalised Electronic Tax Registers?
5. Can you briefly explain the importance of FETRs to revenue collection?
6. What were some of the challenges you faced using the old system, if any?
7. Have you noticed any changes in revenue collection since the adoption of ETRs?
8. Do you think Fiscal Electronic Tax Registers improve tax compliance?
9. What are the major challenges of using FETRs in revenue collection?
10. What do you recommend should be done to improve the efficiency of FERTs in revenue collection?

END! THANK YOU FOR YOUR PARTICIPATION