AN EVALUATION ON THE EFFECTIVENESS OF ELECTRONIC FISCAL DEVICES ON VAT COMPLIANCE AND REVENUE COLLECTION IN ZIMBABWE: A CASE STUDY OF ZIMRA

(2011-2014)

BY

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DEDICATION

I dedicate this research to my beloved husband, Aaron Mutero, my two sons Prince and Teejay, who stood by me throughout the whole programme. They kept on encouraging me in spite of the challenges that I faced along the way. They gave me moral and social support especially when the books got tough.

DECLARATION

I, Calitas Soga declare that this document is my own work undertaken through research conducted by me, and that it has not been submitted to any college or university before.

Student's Signature:_____ Date: 25/03/15

Supervisor's Signature_____ Date:_____

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ABSTRACT

Zimbabwe Revenue Authority's (ZIMRA) mandate is to collect revenue for the government of Zimbabwe. ZIMRA is well known of meeting its set target by the Ministry of Finance and Economic Development. Value Added Tax (VAT) is one of the tax heads that ZIMRA uses as a method of collecting revenue in Zimbabwe. VAT a tax system which islevied, charged and collected on behalf of the Zimbabwean government on the value of supplies made by registered operators of goods and services and importations of any goods and services into Zimbabwe. ZIMRA then introduced the use of Electronic Fiscal Devices to enhance efficiency in the collection of VAT. The Electronic Fiscal Devices were introduced in 2011. This study therefore seeks to find out the effectiveness of these devices in enhancing tax compliance at the same time as revenue collection.

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LIST OF ABBREVIATIONS

ZIMRA	Zimbabwe Revenue Authority
VAT	Value Added Tax
PAYE	Pay as you earn
EFDs	Electronic Fiscal Devices
USD	United States Dollars
OECD	Organisation of European Community Development
ECRs	Electronic Cash Registers
ETRs	Electronic Tax Registers
EBMs	Electronic Billing Machines
ESDs	Electronic Signature Devices

CHAPTER ONE

1.1 INTRODUCTION

The use of Electronic Fiscal Devices (EFDs) was introduced in Zimbabwe on the 8th of June 2010 through a Statutory Instrument number 104 of 2010. The operators who were supposed to register for fiscalisation effectivelystarted registering on the 1st of October 2011.The aim of this study was to assess and evaluate in detail the effectiveness of the use ofthesefiscal devices in enhancing compliance on Value Added Tax (VAT) by taxpayers and its effect on revenue collection in Zimbabwe from 2011 to 2014.This chapter, therefore, gives the background of the topic under study, the problem statement, research objectives together with the research questions, hypothesis, and significance of the study and the scope of the research.

1.2 BACKGROUND

The Zimbabwean economy has not been performing well for the past decade or so. The industries has closed down and the economy is on the decline and only depends on donations from Non-Governmental Organisations received were also becoming smaller and smaller. Thus, the Government of Zimbabwe has virtually failed to meet its expenditures. Tax revenue therefore, became the most reliable source of government funding with VAT contributing the lion's share. The government therefore, sought to improve on the tools of enhancing the collection of VAT. It introduced the use of Electronic Fiscal Devices, a process well-known as fiscalisation.

1.2.1 VAT

The tax base of most sub-Saharan Africa has been very narrow with Zimbabwe being no exception. The IMF through its main policy recommendations on trade liberalisations led to a transition from sales tax to VAT (IMF, 2001). This resulted in VAT being one of

the main sources of revenue collection for many governments. By definition it is the difference between the value of the goods and services supplied and the value of the goods and services bought by a person in a specific period of time (INTA, 1995). VAT is a multiphase tax head, it is calculated and collected according to the percentage of value added of the goods and services produced and supplied in the process of production and distribution cycle. In Zimbabwe VAT commenced in January 2004 and is charged at a rate of 15%. Since then VAT contributed a bigger share to the fiscus as compared to other tax heads. The most reliable source of government revenue came from ZIMRA of which VAT was the major contributor. In 2009 and 2010 VAT contributed 37% of ZIMRA's total collections, in both years (Dr Mandishona, 2009). In 2011 it contributed 40%, 2012 33% and 2013 30% of ZIMRA's total collections (Moyo, 2012). This turbulent trend with the percentage of VAT contributions rising up in 2011 and dropping down in subsequent years might be attributed to the effect of the introduction and implementation of fiscalisation.

1.2.1.1 VAT IMPLEMENTATION

According to the VAT Act [Chapter 23:02] there shall be charged, levied and collected, for the benefit of the Consolidated Revenue Fund a tax at such rate as may be fixed by the Charging Act on the value of:

(a) the supply by any registered operator of goods or services supplied by him on or after the fixed date in the course or furtherance of any trade carried on by him;

(b) the importation of any goods into Zimbabwe by any person on or after the fixed date;

(c) the supply of any imported services by any person on or after the fixed date; and

(d) goods and services sold through an auctioneer by persons who are not registered operators.

Zimbabwe Revenue Authority (ZIMRA) with the help of the Ministry of Finance is supposed to focus on effective methods of collecting revenue so that the country's budgets will be met. This has led to the adoption of fiscalisation in October 2011.

1.2.2 ELECTRONIC FISCAL DEVICES (EFDs)

The government of Zimbabwe has made it mandatory for companies to purchase the electronic fiscal devices. These devices cost from six hundred USD to three thousand two hundred dollars each. The government through the Ministry of Finance licensed five companies to supply the fiscal devices to the Operators. By October 2011 devices were not yet supplied. These devices are not locally made, so the licensed companies had to import and distribute. This led the government to add some more companies from five to ten which became responsible for supplying these electronic gadgets.

Fiscal devices are electronic gadgets which contain a "fiscal memory" which 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 (VAT)(http://zimra-intranet, 14 February 2014). This is done to make sure that no revenue due to the government will escape the net. There are three broad categories of the prescribed fiscal devices. These are Fiscal Electronic Registers - also referred to as Electronic Tax Registers (ETRs); Fiscal Printers; and Electronic Signature Devices (ESDs)(http://zimra-intranet, 14 February 2014).

EFDs have been introduced to promote integrity, transparency and equity among registered operators and account for VAT collected and ensure remittance to the fiscus of the correct tax due. Fiscal tax registers and fiscal memory devices contain an in built read only memory which stores tax information at the time of sale. The device will be directly linked to the electronic server of the Revenue Authority. So every transaction that the taxpayer does the device will report directly to the Authority. EFD's have special features that cannot be tempered with, hence encourage transparency and integrity of taxpayers.

1.2.2.1 WHO IS SUPPOSED TO BE FISCALISED?

Registered Operators who are registered for VAT are placed under categories, that is, A, B, C and D. From the 1st of October 2011 registered VAT operators in category C

with annual taxable turnover of USD240,000 were required to record their transactions electronically.Legislation stipulates that failure to comply with the requirement to use Fiscal Electronic Devices for the recording of all business transactions constitutes an offence and renders the operator liable to a fine or to imprisonment or to both the fine and imprisonment (VAT ACT, 2010). Initially, in 2011 3048 clients were identified for fiscalisation with an additional 802 clients identified in 2012. To date 2 566 clients have been fiscalised giving 85% fiscalisation. ZIMRA expected to boost its VAT collections by 20% once the electronic fiscal devices came into place.

1.2 STATEMENT OF THE PROBLEM

The introduction of Electronic Fiscal Devices (EFDs) in Zimbabwe came into being with the main aim of combating challenges that were mainly associated with the collection of VAT.Most of ZIMRA clients are involved in tax evasion, making estimates on tax returns and claiming of undeserved tax refunds. The use of these devices was expected to enhance collection efficiency. EFDs are said to save time initially wasted in scrutinising of records of which some of the records might have faded or will have gone missing. Most of the operators hire tax consultancy and accountants to do their tax returns which are an additional cost to them. As such a clear analysis has to be made to establish if it also benefits the operators as well. This will see profits increased, costs reduced, good record keeping and the business efficiency will also increase. Fiscalisation on its own is a commendable process but countries that succeeded in implementing it planned in detail for some time before rolling it out. In the case of Zimbabwe the government seems to have done it with some haste. The economy or industry of the country is grossly under-capitalised. Businesses are struggling to survive and their main aim is to raise new capital and try and attract foreign investors**.** This study therefore,seeks to analyseand assess the effectiveness of fiscalisation on VAT compliance in our country.

1.3 RESEARCH OBJECTIVES

1.3.1 MAIN OBJECTIVE

- To assess the effectiveness of Electronic Fiscal Devices in enhancing VAT compliance and revenue collection**.**

1.3.2 SECONDARY OBJECTIVES

- To check the levels of VAT compliance on business operators after the use of the Electronic Devices.
- To assess the efficiency of Electronic Fiscal Devices as a tool for collectingrevenue.
- To establish the extent to which clients or operators benefit from fiscalisation.

1.4 RESEARCH QUESTIONS

- What impact do electronic fiscal devices have on tax compliance?
- Is there a difference in the revenues collected before and after the use of electronic fiscal devices?
- How does the operators benefit from the process of fiscalisation?
- From what has been gathered how best can fiscalisation be improved?

1.5 HYPOTHESIS

The efficient use of electronic fiscal devices with strong monitoring and inspections increases tax compliance and revenue collections.

1.6 SIGNIFICANCE OF RESEARCH

An IMF study(2005), on VAT refunds, found out that a pre-condition for successful reform is a strong commitment on the part of government and key stakeholders. The premises 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 wireless networks and links. Furthermore, the introduction of ICTs needs to be accompanied by extensive capacity building.

The use of EFDs reduces fraud, remote access to information, improved collection of statistics, and uniform application of tax legislation if all is implemented as recommended. Tax automation also minimizes direct contacts between tax collection officers and operators or their consultants, and hence leads to a reduction of corruption (Strauss, 1997). Strauss gives further benefits that can be achieved through automation as including improved reporting, control of file transfers, and automatic reconciliation of tax returns declarations.

Paperless declarations and tax automation save time and make it easier to focus on inspecting high-risk transactions (Strauss, 1997). The possibility of submitting tax returns declarations on-line has in some cases made it possible to reduce the associated fees; in other cases it has helped eliminate the obligatory contracting of Tax consultants (Strauss, 1997). All these factors points out to increased revenue collection and compliance on taxpayers. Most countries that had adopted the use of EFDs have enjoyed the benefits of it, that is, the likes Kenya, Tanzania and Malawi. The case is different from Zimbabwe; it seems there are more of challenges than benefits.

1.7 SCOPE OF RESEARCH

This study is expected to be completed within six months, that is, from mid-February, 2014 to July 2014 so that the study would be completed within the MBA training period.

The study would be done in Harare region only because of time constraints due to work and school commitments. Most of the clients who are fiscalised are also in the Harare region because the companies which met the threshold, that is, $240 000 to be fiscalised are mainly concentrated in Harare. By the end of 2013, two thousand eight hundred (2 800) operators were fiscalised, of which, around one thousand five hundred (1 500) are from Region one (1) where Harare dominates. So for the purposes of this study Harare is a sample that can sufficiently represent or cover the intended populace. The respondents to questionnaires administeredare the ZIMRA's Managers, Supervisors and Officers in the Large Client office, Audits and VAT sections and clients who use the EFDs. These are the people directly involved in the fiscalisation process.

1.8 DISSERTATION OUTLINE

The dissertation shall be outlined as follows;

Chapter 1 has given a brief description of the background and introduction of the use of EFDs in Zimbabwe.

Chapter 2 gives a description of relevant literature with the regards to the use of EFDs in Zimbabwe and other nations. The literature review will also include discussions on tax compliance and descriptions of the various components of the effective use of EFDs and the success or failure stories of other countries.

Chapter 3 describes the methodology used to gather data and the analysis techniques to derive meaning from the data collected.

Chapter 4 provides the interpretation of the findings

Chapter 5 summarizes the study as well as giving recommendations that can be adoptedafter conducting the research.

1.9 CHAPTER SUMMARY

The introduction of EFDs in Zimbabwe was a success since most of the big companies are now fiscalised. The challenge that is looming now is that of the viability of fiscalisation. The operators have acquired the devices as required by the statutes but the issue of the effectiveness of the devices is now in question. ZIMRA was supposed to have installed an electronic server for the direct link of the Authority with the Operators. Fiscalisation process was supposed to be done in stages, that is, the big companies first followed by the medium clients then the small ones until it touches the informal or micro clients. To date only a small fraction of the companies in Zimbabwe have been fiscalised. Can that failure be attributed to ZIMRA or to the Legislators or to the clients? Why did VAT percentage contribution to the fiscus increased in 2011 and then drop down in 2012 and even lower in 2013? Was it because of the introduction of the fiscal devices, if so, why then a sudden drop in the subsequent years? This is what the researcher needs to find out and seek possible solutions to the problems and give recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews literature on the use of Electronic Fiscal Devices (EFDs) in different countries that had adopted this method with their success and failure stories. More attention is also given to the issue of tax compliance, the factors that affect tax compliance together with revenue collection. This literature will be the foundation for an evaluation and discussion of the findings of the area under study.

2.3 TYPES OF TAXES

Tax has been broken down into various tax heads or categories to take into account income from various sources ranging from individuals to companies which includes, Pay as You Earn (PAYE), Value Added Tax (VAT), Tobacco levy, Presumptive Tax, ATM levy, Capital Gains Tax, and Income Tax. In this case, the researcher will give brief definitions and explanations on the three major tax heads in Zimbabwe, that is, PAYE, VAT and Income tax. VAT is expanded a bit, because Electronic Fiscal Devices are used as a tool for collecting VAT.

2.2 TAXES

Taxes are compulsory, unrequited payments to the general government sector. All national governments must have the revenue necessary to fund the operations of their various sections, to provide infrastructure and services for the population, to invest in economic development, and to advance various other priorities. The main mission of the tax administration is to collect the tax revenue due and needed by their governments from taxpayers, under the country's tax laws, without hindering private sector development (Jacobs, 2013).

2.3.1 PAY AS YOU EARN (PAYE)

PAYE is a tax head which brings in different types of income/remuneration received or receivable by an employee to tax. Remuneration means any amount of income which is paid or payable to any person by way of any salary, leave pay, allowance, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance, stipend or commutation of a pension or an annuity, whether in cash or otherwise and whether or not in respect of services rendered. A variety of advantages and benefits granted by an employer or on behalf of an employer to an employee, spouse or children are also taxable as PAYE (ZIMRA, 2014).

2.3.2 INCOME TAX

This is tax levied on all clients, including individuals, companies, partnerships and cooperatives who had income earned or obtained from all sources, before it is segregated into employment income, business income, property income or other income in a country. Some businesses, operators are required to pay Presumptive Taxes and this includes operators of omnibuses, taxi-cabs, driving schools, goods vehicles, hairdressing salons, informal traders, operators of restaurants or bottle stores, small scale miners, cottage industry operators, operators of commercial waterborne vessels used for the carriage of passengers for profit and fishing rigs. Clients pay this tax for obtaining their income in a certain country and there is legislation guiding to that effect (ZIMRA, 2014).

2.3.4 VAT

Value Added Tax is a tax head that is regarded by the revenue systems of many countries as their work horse. VAT is the backbone of the revenue system of every country in Europe (Auerbach & Hassett, 2005). VAT revenue is one of the most promising incomes that governments depend largely on for their budgets (Brew & Wiah, 2012) and is now a major source of fiscal revenue for the governments, and particularly for the central government (Weixian & John, 2014).

VAT has become a key source of government revenue in over 120 countries. About 4 billion people, 70 percent of the world's population, now live in countries with a VAT, and it raises about $18 trillion in tax revenue-roughly one-quarter of all government revenue. VAT proves to be an efficient tool for revenue collection; its performance, therefore, has direct impact on fiscal mobilisation, macroeconomic stability, and development (Tuan, 2003)

VAT yields on average about 20% of the total tax revenue and represents on average about 7.6% of GDP in European OECD countries. This is why a systematic VAT revenue loss has dramatic budgetary consequences for European countries. In China VAT is an important component of its entire taxing regime. Based on the Ministry of Finance for the year 2011, China collected more than one third of its entire tax revenue in the form of VAT (Smith, 2012).

The value added tax is a broad-based business tax imposed at each stage of the production and distribution process that, when applied nationally, is typically designed to tax final household consumption (Tait, et al., 2005, p. 461). VAT is a general tax on consumption expenditure. It is a consumption tax that taxes the value added by businesses at each point in the production chain and applicable to both manufactured goods and services (Brew & Wiah, 2012).

Value Added Tax (VAT) is a type of sales tax. Other countries like Canada and Singapore call it a goods and services tax. It is a form of indirect tax that is collected from someone but the tax burden is borne by the final consumer of the taxable goods

and services (Allingham & Sandmo, 1972). According to Tumpel (2007) VAT is not intended to be a tax on value added as such but rather a tax on consumption. More precisely, VAT is a tax on the expenditure of income or capital to acquire goods or service for consumption or use for other than business purposes.

2.3.4.1 HOW VAT IS COLLECTED

According to Jacobs (2013), VAT is collected through self-assessment and voluntary compliance, that is, declaration by the taxpayer. This is the most preferred method to determine and collect the amount of tax liability due from each taxpayer by many countries. For a self-assessment system, the country's tax laws must include provisions to the effect that taxpayers will: provide to the tax authorities the facts on which their tax liability can be computed; compute the tax liability themselves; file a tax return on specified due dates showing and declaring the result of the computation and the tax due; and pay the amount of tax owed at the time of filing. In effect, taxpayers are expected to comply on their own with the country's tax laws (Jacobs, 2013).

According to Tumpel (2007) the key features of the VAT are that: (1) it is ultimately paid by end consumers for their consumption expenditures, (2) levied on a broad base, and (3) charged and collected on all transactions by businesses throughout the production and distribution process, with (4) provision for deduction of VAT covering all business inputs. At the end the consumer cannot recover the tax, the amount of tax actually collected is equal to the amount of VAT charged by the last vendor in the supply chain to the consumer.

VAT is a highly cost-effective form of taxation because the collection process is carried out by the businesses that provide taxable goods and services. The cost of administration falls largely on businesses, which must adapt their commercial processes to ensure the tax, is collected according to the rate, method, and timing set out by each tax administration (Saviano & Phillip, 2011).

Despite dramatic improvements in recent years in information technology, including automated data capture, the administrative and taxpayer compliance burden associated

with large-scale invoice matching continues to be significant. To enhance the accountability systems for Value Added Tax, some governments have spearheaded the introduction of the Electronic Tax Registers and Electronic Signature Devices (Lumumba et al., 2010).

Fiscal devices offer unique benefits to Operators and the Revenue Authorities alike by recording transaction data in such a manner that it cannot be deleted (Lumumba et al., 2010). It also aims at modernising tax administrations and aligning the legal framework and procedures with international standards and best practices. This is the reason why many countries are adopting the modernisation initiatives such as the Electronic Fiscal Devices commonly known as fiscalisation(Lumumba et al., 2010).

2.4 FISCALISATION

The Zimbabwean Government through the Ministry of Finance and Economic Development decided to introduce fiscalisation for the effective administration of VAT. By definition fiscalisation is the electronic recording of taxable transactions using fiscal devices (ZIMRA, 2014).

Fiscal Electronic Devices are small machines or mini-computers that are used to determine the amount of VAT remitted to the government (Niosi, 1994). These devices are designed in such a way that they record each transaction made by an organisation to calculate the amount which is supposed to be remitted to the government as Value Added Tax.

2.4.1 TYPES OF ELECTRONIC FISCAL DEVICES

Rathus and Nevid (1987) identified four types of fiscalised electronic devices, which comprises of electronic cash registers (ECRs), electronic tax registers (ETRs), fiscalised printers (FPs) and electronic signature devices (ESDs) and their accessories.

2.4.1.1 ELECTRONIC TAX REGISTER (ETR)

Rathus and Nevid (1987) pointed out that an ETR is a stand-alone device, which is used to issue receipts manually and where the frequency of receipting is not too high. The Fiscalised Tax Registers and Fiscal Memory Devices contain an inbuilt read only memory which stores tax information at the time of sale. They also have special features that cannot be tempered with hence encourage transparency and fairness among tax payers. Rwanda Revenue Authority uses an Electronic Billing Machine (EBM) instead of ETRs and has proved to be very effective to them.

2.4.1.2 FISCAL PRINTERS (FP)

These are high speed printers connected in a computer network to store all sales transactions in its memory, when it issues receipts to taxpayers. It is commonly used in supermarkets (Rathus & Nevid, 1987).

2.4.1.3 ELECTRONIC SIGNATURE DEVICE (ESD)

This is a device used in conjunction with computerised accounting systems. The invoices pass through the ESD and are signed. Cascio(1986) defines Electronic Signature Device as any electronic means that indicates that a person adopts the contents of an electronic message. Gadgets must be approved by a multi-disciplinary team established by the Ministry Of Finance and Zimra (ZIMRA, 2014).

The Fiscal Electronic Devices and the fiscal system have to be equipped with an external or built-in Tax Terminal (TT). The purpose of this terminal is to transfer the reports from the fiscal memory of a FED and fiscal system through the mobile operator's GPRS communication system to a connected internet passive FTP server for the authority (Tax Administration Of Kosovo, 2012). The FEDs report directly to the server

of the Authority, that is, all sales done and any faults including electric faults or any tempering to/with the devices done.

2.5 WHY USE ELECTRONIC FISCAL DEVICES?

Price (2005) revealed that ETRs were introduced to ensure that sales are properly recorded by registered taxpayers in the country. IMF (2005) found out that, tax collection systems in Sub-Saharan Africa unlike in the Western countries are still developing. So, the World Customs Organisation (WCO) has helped in setting up standards that averagely need to be adopted by almost every country in order to combat tax vices that exist in almost all countries.

Tax systems should be sufficiently dynamic and flexible to keep pace with new development (Saviano Phillip, 2011). When greater use of technology helps to make compliance more efficient, such as through the increased use of e-filing or electronic payment, then administrations should take a pragmatic approach to embracing these innovations (Saviano Phillip, 2011).

Electronic Fiscal Devices help revenue authorities to collect easy taxes from traders and also simplifies payment of taxes from the traders whereby payment will be done online (URT, 2010). These machines have wireless connection between customers' central servers which shows exactly amount for traders to pay. It reduces misreporting of data which is done by traders so as to escape paying of taxes to the government hence Electronic fiscal Device become the solution on collection for taxes by showing real amount to pay traders (URT, 2010).

The use of electronic Fiscal Devices helped the management of taxes by saving time on the whole process of collection of taxes because all business people have to pay their taxes through online (URT, 2010). Also it reduces the cost of tax management to use a lot of time to search for the traders who does not pay taxes because everything is done online. Also on the side of traders help them to reduce cost of transport and time to pay for taxes, but through that tax payment is done through online (URT, 2010).

Peha (1999) pointed out that automation is a crucial component of taxation reforms, which aims at modernising tax administrations and aligning the legal framework and procedures with international standards and best practices. Automation improves the efficiency of taxation controls and secures revenue collection. In addition, Newcomb (1943) stated that the benefits of automation include a reduction of fraud, remote access to information, improved collection of statistics and uniform application of tax legislation. The introduction of tax automation minimizes direct contacts between Tax collection officers and Operators or their Consultants and hence leads to a reduction of corruption.

According to Lumumba, et al. (2010)IMF study of 2005 on VAT refunds found out that a pre-condition for successful reform is a strong commitment on the part of government and key stakeholders. The premises 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 wireless networks and links. Furthermore, the introduction of ICTs needs to be accompanied by extensive capacity building.

Three years after the introduction of Electronic Fiscal Devices (EFDs) as an aid to tax revenue collections, the Tanzania Revenue Authority (TRA) says the machines have been showing considerable difference for the better, especially in the area of value-added tax (VAT) collections(Chiwango, 2012). Tanzanian Revenue Authority collected a total of Tsh785, 882.4 million in the 2009/2010 financial year, before the EFDs were introduced. By comparison, the Authority collected Tsh791, 462.9 million in the 2010/11 financial year, immediately following introduction of the fiscal electronic devices. Significantly enough, in the following financial year of 2011/12 TRA collected Tsh1, 086,374.0 million, about a 40 per cent increase. This indicates that the introduction and use of the machines has brought about marked improvement in the collection of VAT(Chiwango, 2012).

According to Jacobs (2013), tax administrations all over the world are faced with powerful opportunities as well as challenges to use modern information technology in all of their operations. For developing countries, the opportunities offered by technology

are more elusive and challenges are greater for several reasons, of which inadequate budgets are at the top. Beyond technology limitations and inadequate budgets, tax administrations in developing countries face additional daunting challenges, such as the complexities of the taxpayer population and the generally large informal or "underground" economy, the need to tailor different service and compliance strategies for small, medium, and large taxpayers for effective risk management, and the need to establish and maintain positive and productive relationships and coordination with various other institutions at all levels.

2.6 TAX COMPLIANCE AT MACRO LEVELS

Taxpayer compliance concerns human behaviour and is complex. This also means that it is a complex task to influence behaviour. Aiming for changes in taxpayer behaviour will likely ask for major changes in revenue body behaviour. To focus on behaviour in terms of compliance means that the effectiveness of the Revenue Body has to be measured in terms of outcome and this puts more focus on outcomemeasurement (the impact on behaviour) instead of output-measurement(OECD, 2010).

2.6.1 LEGISLATION

Compliance with tax regulations is much more likely to occur if the requirements are not unnecessarily complicated or demanding(Prestine, 2011). Good tax legislation is therefore a precondition for high compliance. Good tax legislation is, from a compliance point of view, characterised by being appropriate to the environment and circumstances where the taxpayer is operating and easily understandable and easy to administer, both for Tax Authorities and for the taxpayer community. Poor legislation, on the contrary, is characterised by being difficult to implement and comply with and hard and costly to administer. Such legislation also often works as a stimulant for corruption(Prestine, 2011).

(Ebrill, 2001).Jacobs (2013) noted that a high degree of voluntary compliance among all taxpayers does not just simply happen. It is incumbent on the tax administration to design, implement, and practice complementary measures to encourage a self-assessment and voluntary compliance culture. Measures to encourage voluntary compliance include:

- Target services and procedures to taxpayer types;
- Simplify procedures;
- Provide support and education;
- Institute a rigorous system of penalties;
- Establish a reputation of fairness; and
- Subject decisions to appeal.

Among such measures are efforts to minimise the cost and burden of complying with the tax laws, such as providing simple overall procedures and facilities for taxpayers to file and pay their taxes.

2.6.2 TAX ADMINISTRATION

According to Jacobs (2013), the paramount objective of any tax administration is to encourage, facilitate, attain, and maintain a high degree of self-assessment and voluntary compliance by taxpayers with their tax obligations. A high degree of voluntary compliance in any country allows the tax administration to concentrate its resources on identifying and dealing effectively with those taxpayers who fail to fully comply with their tax obligations. Without a doubt, the most successful tax administrations around the world continuously encourage, attain, and maintain a high degree of voluntary compliance.

According to Prestine (2011), the art of good tax administration is based on the creation of an environment which is strongly facilitating compliance. In order to create an

environment, which would ensure a high level of tax compliance Tax Authorities must focus on three issues:

- Facilitating voluntary compliance by making it easy to comply;
- Positive and negative incentives including visible enforcement; and
- Influencing the norms of the taxpayers to enhance the will to comply.

For voluntary compliance to flourish, the tax administration must offer a wide variety of high-quality taxpayer services and taxpayer education programmes with a dedicated staff to demonstrate that those taxpayers who comply voluntarily are respected and treated as valued customers by their government(Jacobs, 2013).

Establishing a reputation for efficiency and effectiveness in the tax administration helps promote voluntary compliance. The tax administration establishes such a reputation when it continually minimises the potential risk of revenue loss by identifying and prioritising its compliance monitoring and audit verification activities (Jacobs, 2013).

2.6.3 TAXPAYER ATTITUDE AND PERCEPTION

McBarnet, (2003) stated that taxpayers have different possibilities to express their attitudes towards a tax system. Research done by many scholars commonly treats tax evasion as an important reaction. However, there are other possibilities as, e.g., British tax negotiations, where someone negotiates with those enforcing the law over the meaning or applicability of the law and tries to make a deal on how the enforcement is taking place.

Cowell (1992) has shown that how a person perceives his own role in influencing the perceived inequity is of central importance and it has been argued that a taxpayer may withdraw from the exchange relationship by evading taxes in order to offset or reduce the disparity.

Allingham and Sandmo(1972) assume that people are behaving in a rational way. In this view, compliant or non-compliant behaviour is the result of a cost-benefit

calculation. People comply when the costs of evasion outweigh the benefits of evasion and do not comply when the balance tips with the other side. Typical benefits of tax evasion are the unpaid taxes, while typical costs are the risk of getting fined and the severity of the fines.

How business people think about the VAT money they collect may also influence their behaviour towards it: the notion of mental accounting (see Shefrin & Thaler, 1988) may be helpful here. Mental accounting is often described as a psychological mechanism whereby income is framed. Winnett and Thaler(1988) propose, in respect of personal finance, that people have a number of mental accounts that operate independently of one another. What is interesting in the current context is whether businessmen and women psychologically separate monies owed to the VAT into a separate mental account from that of business turnover. If they do not, they may be more likely to try to evade VAT as a result of seeing it as 'their' money.

2.6.4 TAX SYSTEM

The tax system must allow continual exploration and execution of vigorous compliance monitoring and enforcement programs aimed at taxpayers who are not in full compliance at any given time to lessen the burden on taxpayers who comply voluntarily. However, even compliance/enforcement staff engaged in their duties must encourage voluntary compliance. To do so, they must perform their duties in a manner that demonstrates all due respect and courtesy to taxpayers and third parties (Jacobs, 2013).

Another taxpayer incentive for voluntary compliance is a strong but fair penalty system for non-compliance. The country's tax laws should provide substantial financial penalties for non-filing; non-payment and under-payment of tax liabilities; under-reporting of income; and failure to keep adequate books and records, as required by the tax law. In addition, the tax laws must provide for severe penalties for tax fraud and tax evasion convictions, including incarceration. Convictions of taxpayers for tax fraud and tax evasion should be highly publicized to the general public as strong examples of

consequences for those who do not comply voluntarily with their tax obligations (Jacobs, 2013).

The empirical results indicate that tax compliance leads to increases in income and audit rates and decreases in tax rates. Compliance is also greater when the individuals perceive some benefits from a public good funded by the tax payments while changes in fine rates appear to have little effect on tax compliance behaviour(Alm, 1992)

2.7 TAX COMPLIANCE AT MICRO LEVELS

Tax compliance is determined by a variety of factors which include the level of income of the tax payer, enforcement measures put in place by the authorities, or other deterrent measures.

2.7.1 LEVEL OF INCOME

According to Ritsema, Thomas and Ferrier, (2003), tax compliance decision depends on income level of an individual taxpayer, inspection (audit) by tax authorities and deterrent measures put in place. Empirical studies have also shown the inter-links between the VAT performance of a country and its level of development. The revenue gains from VAT are likely to be higher in an economy with higher level of per capita income, lower share of agriculture, and higher level of literacy (Ebrill, 2001)

2.7.2 AUDITS AND INSPECTIONS

OECD (2010) found out that taxpayer's reactions to an audit are far from solely determined by the monetary result (the amount of the reassessment and the height of penalties). The influence of procedures, i.e. the auditors handling of the case, may by far outweigh its influence on the behaviour of the taxpayer. A high degree of perceived procedural justice will most likely result in a better effect, than when the procedures surrounding the audits are unjust in the eyes of the taxpayer. A perception of procedural

justice may be promoted in many ways, for instance by an auditor taken the taxpayer's view into account and treating the taxpayer with respect and empathy. This type of auditor behaviour will most likely lead to an acceptance for what the revenue body is doing, even if the taxpayer may not be happy about the personal financial consequences of the encounter (Lumumba , et al., 2010).

2.7.3DETERRENT MEASURES PUT IN PLACE

Deterrence is a very important driver for compliance and has traditionally been the dominant tool in tax administration. It is, however, important to be aware that audits and issuing of fines have strong limitations as compliance tools, because they are rarely creating sustainable compliance and in that audits are very costly to carry out for the tax administration (OECD, 2010).

2.8 SYNTHESIZING LITERATURE ON ELECTRONIC FISCAL DEVICES

Kagina (2012) stated that, developing countries need to ensure that their own policies are coherent and do not undermine their development priorities. Effective tax systems are a vital pillar to strengthen the fiscal space of governments, allowing them to determine and fund national priorities. As such, tax policy needs to be viewed as an intrinsically political issue that requires international attention and support to combat illicit financial flows, tax avoidance and evasion; and reduce the impact of tax havens.

Both taxpayers and tax administrations want a system that is fair and effective. There should be a framework in place to collect the right amount of tax at the right time, while minimising the potential for tax evasion. Scrutiny of individual taxpayers should be proportionate to the risks involved, so that companies are not excessively penalised for trying to be fully compliant. A closer relationship between business and tax

administrations, based on open disclosure, can be valuable in promoting a more constructive and effective approach (Saviano & Phillip, 2011).

Jacobs (2013) stated that, in developed countries, tax administrations have been fast embracing many technological advances used in the private sector, such as electronic commerce, interactive telephone systems, and the capture of data by the scanning or imaging of paper documents. Tax authorities have been moving quickly to redesign their basic business processes and to rapidly implement electronic receipt, processing, and delivery methods. They have been facilitating increased use of the internet for transmission of information and access to tax forms by taxpayers.

Chiwango (2012) pointed out that, Electronic Cash Registers and other point of sales systems in retail stores and restaurants are generally assumed to contain accurate information but once they are equipped with specialist “sales suppression” software, they can be used to facilitate elaborate tax frauds. This poses a major risk in all countries and results in governments losing billions in tax revenue. It has been estimated that sales suppression in Canadian restaurants alone could amount to $2.4 billion in just one year.

Jacobs (2013) pointed out that, tax administrations in most developing countries are also confronted with many external obstacles on the path to modernising their organisations. For example, they still face weak legal/regulatory institutions, outdated tax policies, inadequate or non-existent civil service rules, regulations, and compensation-levels for attracting and retaining qualified staff, an absence of international accounting and professional standards, which are indispensable for tax purposes, and a lack of modern financial and banking standards and institutions.

Tettey (1997) also found that support for the introduction of information technology at the Customs, Excise and Preventive Service in South Africa yielded only mixed results as computers had not taken over all processes within the service, customs officers retained considerable personal discretion and ineffective procedures at the authority remained in place and were only computerised. No coherent reform of the whole organisation was carried out. Tettey (1997) noted that, Internal Revenue Service for

South Africa had not yet been computerized by 2008 and had no proper databases of taxable persons, property or other possessions. This made it very difficult to mobilize taxes from outside the registered, formal sector of the economy.

Kagina (2012) found out that, tax administration reform is a long-term exercise which requires a long term view on the part of donors. Explaining the prospective reforms of tax administration (and tax policy) and their implications to stakeholders inside and outside the tax administration is very important. Effective tax administration move hand in hand with adequate staffing.

Jacobs (2013) concluded that computer equipment, data networks, and communications lines are still in short supply and expensive in many countries, and governments have very meager financial resources for their acquisition. Therefore, electronic and internet tax filing systems, electronic funds transfer and payment systems, and integrated tax administration data systems that enable electronic forms processing – among the many tools in the "options basket" being adopted extensively by tax administrators of developed countries – are options available only to a limited degree for tax administrations in many developing countries that are engaged in the early stages of information technology modernisation efforts (Jacobs, 2013).

Electronic Billing Machine are designed to suite every business environment. If taxpayers already own invoice processing equipment, they must make sure if their system is compatible with requirements, as soon as possible. Asking a vendor about the compatibility is the first step. The requirements and the testing method are provided by Rwanda Revenue Authority (RRA, 2014).

Kagina (2012) reported that SARS has been particularly successful in building and applying systems and capacity for enforcements as well as encouraging compliance. Emphasis on solid policy formulation and evaluation capacity as key to strong revenue performance was made. She noted that, modernising through the use of ICT can result in significant operational efficiencies but must be applied judiciously.

The process of the government to introduce Electronic Fiscal Device and force traders to buy it, creating the conflict between the government and traders whereby traders

oppose the use of Electronic Fiscal device by stopping opening their shops and small business conducting. This is because; the government has failed to provide enough education to traders supposedto buythe EFD machines and the amount of capital needed. For example in September, 2013 Mbeya Traders opposed the use of EFD by stopping opening their shops and small business, Morogoro in Second week of November and In Dar es salaam in 18-20-11-2013 spent one week after Morogoro demonstration (URT, 2010). Due to its cost in buying EFD discouraging some small business people to participate on trading because the amount of capital invested and amount of machine (EFD) is quite different.

According to Fjeldstad (2003), in Tanzania donor involvement has been strong and the strengthening of Tanzania's tax administration has been an explicit conditionality by the donor community. The donor community has been heavily committed to providing information technology to the TRA. Kagina (2012) stated that the donor funding in TRA has facilitated a number of reforms mainly aimed at increases in revenue administration efficiency through automation including the replacement of the Electronic cash registers with Electronic Fiscal Device system that was more efficient in monitoring the VAT taxpayers. Tanzanian revenue Authority's prime objective has been to strengthen central government revenue collections by reducing corruption, improving the merit orientation of human resource management, and building a more coherent organizational structure. TRA in its annual report of 2011 mentioned the inability of the tax system to keep pace with the technology speed of sector like the telecom, tourism and services; the infrastructure problems such as power failures impacting on productivity; unclear segmentation of taxpayers according to complexity of their businesses; and unsatisfactory utilisation of the available ICT i.e. e-filing, EFD, TRAMED etc for decision making.

Kagina (2012) stated that in 2006, the Ugandan Revenue Authority developed a Plan (2006-2009) to improve revenue collections by the URA to enable the government of Uganda to achieve and sustain the targets set out in its Poverty Action Eradication Plan (PAEP). During this period a number of reforms were executed such as; Electronic Tax Administration Platform for Domestic Taxes (E-Tax) aimed at efficiency gains.

2.9 THE CONCEPTUAL FRAMEWORK

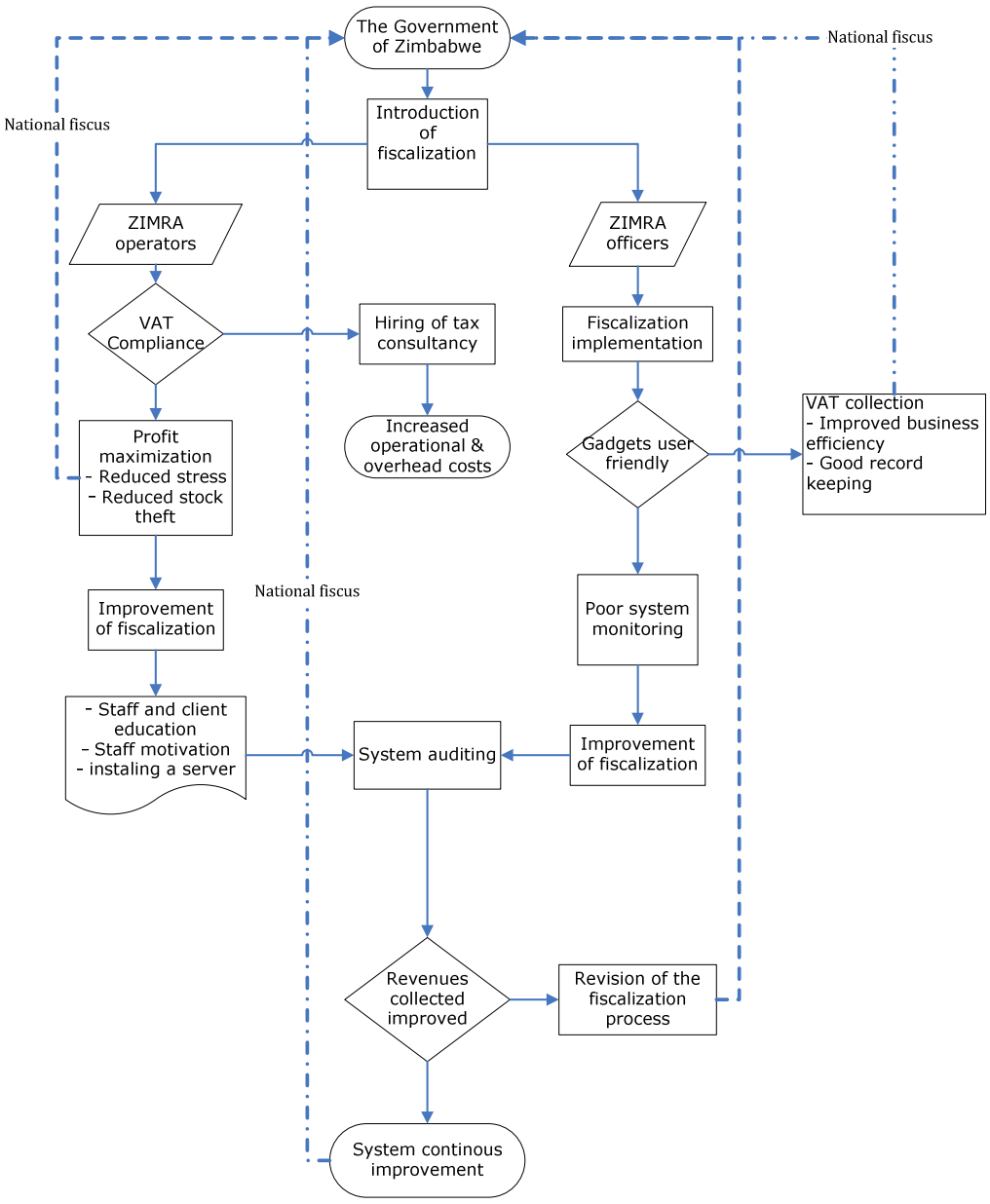

Figure 2.9.1: Conceptual framework

In this study, the researcher looked at the government as the policy maker and adopted the idea of using the EFDs and put some legislation to it and gave ZIMRA the mandate

to implement it. ZIMRA disseminates it to its officers to implement and to business operators to comply. The operators then had to purchase the devices and change their systems to be compatible with the new legislation. This means there is increase on their costs of operations including hiring of tax consultancy. If properly done the client would also benefit through improved accounting standards which leads to profit maximisation thereby increasing government revenue. In the same vein, if ZIMRA can implement the policy in full with full monitoring and relevant staff education the government would reap more from fiscalisation. On the other hand, if ZIMRA could not monitor the process and clients do not use the gadgets properly or are not user friendly the whole project will fail dismally.

2.10 CHAPTER SUMMARY

In Zimbabwe, VAT is a tax head that brings in almost 30% of the gross collections of the Zimbabwe Revenue Authority. The use of EFDs has been introduced to account for VAT collected and ensure remittance to the fiscus. In many respects, taxpayers and tax administrations share a common goal. Both wanted a system of taxation that enables tax compliance to be managed effectively and efficiently. For governments, a fair and efficient system means that incidences of fraud decrease, while a growth-friendly tax environment will help stimulate the economy. VAT is a highly cost-effective form of taxation because the collection process is carried out by the businesses that provide taxable goods and services. The cost of administration falls largely on businesses, which must adapt their commercial processes to ensure the tax, is collected according to the rate, method, and timing set out by each tax administration.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter is mainly focused on the discussion of various research designs and methodologies which are used in this study. This study will be centred on how to do a research which is reliable and which produces authentic data that will enable the researcher to make a good analysis and give recommendations. Discussions on how data is collected, processed, analysed and presented will be done in this chapter. Definitions of sampling techniques and different types of collecting data are also a subject of great value in this chapter (Saunders et al., 2007).

3.1 RESEARCH DESIGN

According to Ghoshi (2002), a research design is a plan of the proposed research work. Converse and Presser (1986) defined a research design is an art of collecting data that can be done in an orderly way so that information can be collected.

If a research follows the wrong method the systematic knowledge or the truth cannot be ultimately found out (Ghoshi, 2002). So the use of correct method is very crucial in a research project. Blakstad (2008) defines research design as the structure of any scientific work. He also pointed out that, it gives direction and systemises the research and each design has its own advantages and disadvantages. The method one chooses will affect the results and how you conclude the findings. Most researchers are interested in getting reliable observations that can help them understand the phenomenon.

3.1.1 RESEARCH PHILOSOPHY

Saunders et al (2007), state that there are two research philosophies namely positivism and phenomenological researches. These research philosophies give assumptions of what is important to study, what can be known, what research tools and designs are appropriate, and what standards should be used to judge the quality of the research.

3.1.1.1 POSITIVISM

According to Saunders et al (2007), researchers make observations of the social reality and deduce generalizations out of it which has the same results as would come out when done by physical and natural scientists. The general assumption of this phenomenon is that reality is fixed and directly measurable. Willis et al, (2007) postulated that positivists assume that data can be collected independent of the social or political perspectives of the researcher.

Remenyl (1998), believes that the business world is made up of components or things that can be measured and verified that are facts. So, positivists seek to explain and predict what happens in the business world. This can be achieved by searching for causal relationships. Anti-positivism purports that the business can only be understood from the point of view of individuals directly involved in the activities. This means, the research should be driven by participation.

3.1.1.2 PHENOMENOLOGICAL PHILOSOPHY

Burrell and Morgan (1979) points out that phenomenological research seeks to explain the stability of behavior from the individual perspective. Neville (2005) adds that unlike positivism philosophy, human behavior is not easily measured as phenomena in the

natural sciences. For instance, inner thought processes of a human behaviour are not observable such that it becomes hard to generalise.

Neville (2005) further argues that reach insight could be lost when complex issues are reduced to a series of mere generalizations. People have different interpretations given an event, that is, meanings do not match with the way that others interpret that same event. Phenomenological philosophy points to subjective interpretations given by the participants.

In this current study, the researcher used the phenomenological approach. One hundred and twenty questionnaires were administered to ZIMRA staff and management and the clients who use the EFDs, that is, fifty to tax payers and seventy to ZIMRA officers. This approach allowed both the ZIMRA officers and business operators to give what they think and the way they want it to be done. This information will allow the researcher to come up with a clear position of whether the use of the gadgets is effective or not.

3.1.2 RESEARCH APPROACHES

According to Leed (1997),a research for a study can only be divided into two elements, i.e. either, empirical or non-empirical. Empirical approach can be in various forms which includes deductive and inductive or Subjective and objective.

3.1.2.1 DEDUCTIVE APPROACH

According to Leedy (1997), deductive research approach can be explained as an evaluation that can be done on empirical observations and particular circumstances can be deduced from the general instances.

3.1.2.2 INDUCTIVEAPPROACH

Hussey and Hussey (1997)explained inductive approach as general inferences that can be developed into theories as a result of observing the empirical reality.

3.1.2.3 SUBJECTIVE AND OBJECTIVE

Leed (1997) commented subjectivity and objectivity as very crucial elements to research paradigms. Objectivity relates to the exclusion of the researcher from the fieldwork whereas, subjectivity refers to a situation whereby the researcher has direct influence on the results of the study. As researchers it is important to be as objective as possible, to recognise when our assumptions and philosophies may cloud our thinking and try to dispel them for the purpose of research (Chikova, 2013).

3.1.2.4 BASIC AND APPLIED RESEARCH

According to Neville (2005), the rational for the basic research is to improve the existing knowledge. It focuses on the development, examination, verification and refinement of research method, procedures techniques and tools that form the body of research methodology. Applied research involves the research techniques, procedures and methods that form the body of research methodology are applied to the collection of information about various aspects of the situation, issues or problem. Information gathered can be used for other things such as policy formulation, administration and enhancement of understanding of a situation. Neville (2005) reported that applied research is designed to apply its findings to a particular situation. In this case, the researcher wants to come up with information on EFDs that the government through the Ministry of Finance and Economic Development can use to make amendments to the fiscalisation law. The results will also help ZIMRA to come up with implementation strategies in enhancing ZIMRA's mandate and uphold its vision of being a beacon of excellence in the collection of revenue.

3.1.3 RESEARCH STRATEGIES/METHODS

There are various strategies or methods that can be used by researchers. These can be classified into positivism and phenomenological philosophies. The first step is usual reality, the world, politics, history, business, people etc. (Bannister, 2005). A good researcher would employ a strategy that executes a careful thought before implementation (Phiri, 2005). In this study, the researcher used the survey method.

3.1.3.1 SURVEYS

A survey is where a sample of subjects is drawn from a population and studied to make inferences about a population (Canhao, 2000). According to Canhao (2000), there are two major types of surveys; namely, a descriptive survey which is concerned with identifying and counting the frequency of a specific population, either at one point in time or at various times for comparison. Such surveys are associated with political elections, but are frequently used in business research in the form of attitude surveys. Secondly is the analytical survey where the intention is to determine whether there is any relationship between different variables. In this study, the researcher was interested in finding out if VAT compliance (dependant variable) can be influenced by the use of the EFDs. Different variables could include EFDs, legislation, tax system, tax administration, income levels, tax payer attitude and perceptions, processes and procedures and deterrent measures in place.

3.2 POPULATION

A survey is going to be conducted to obtain the perceptions of all stakeholders. The population of study was Region 1 domestic taxes, with respondents being the Zimbabwe Revenue authority employees and VAT taxpayers who are fiscalised. In this study, simple random sampling was used, whereby each employee of ZIMRA and fiscalised clients of Region 1 has an equal chance of being selected. However, Wergner

(1993) defines a population as possible observations of the random variable under study.

3.3 SAMPLING

Wegner (1993) and Ferber (1974) defined a sample as part of the population chosen by the researcher under statistical enquiry. Saunders et al, (1997) argue that the researcher's objective is to collect data through asking of questions that brings answers to his/her objectives. So it is impractical for the researcher to survey the whole population, hence the need to sample. Trochim (2006), defined sampling as the process of selecting units (e.g., people, organisations) from a population of interest so that by studying the sample we may fairly generalise our results back to the population from which they were chosen. Sampling enables a higher overall accuracy than does a census (Saunders et al, 2007). Properly selected samples would yield accurate results.

3.3.1 SIMPLE RANDOM SAMPLING

Wegner(1993) pointed out that all the elements of the population have an equal chance of being selected. Goshi (2002) echoes this when he described simple random sampling as a method where the units are selected from the population in such a manner as to afford every unit of the population the same chance of being selected. In this study, the researcher administered questionnaires to the ZIMRA employees in the VAT, Audits and Large Client Office (LCO). Distribution was done to managers, supervisors, officers and clerks of the three sections. These sections were chosen by the researcher because they deal with the fiscalised clients, that is, they are the ones who do the monitoring, inspections, sealing, audits, penalties and prosecutions of the fiscalised clients and gadgets. Tax payers were selected at random from the fiscalisation database that ZIMRA has and questionnaires were administered to them. The clients were a mixture of large and SME clients who are fiscalised.

3.4 SAMPLE SELECTION

In most populations in research, there exists very little similarities among elements and the situation detects that a sub set or sample of the population be used to represent the population. The sample findingswill then be used to make conclusions on the whole population (Wegner, 1993).

Saunders et al (2007) admitted that estimating the response rate from the sample to which you are sending the questionnaire is difficult. One way of establishing the response rate is through the review of previous survey. In this study, fiftty questionnaires were administered to ZIMRA employees were responded. For the batch that was distributed to tax payers out of the fifty questionnaires thirty-seven were returned. This means the response rate was eighty-nine percent, which is a high figure.

3.5 DATACOLLECTION

There are various methods used to collect data which includes interviews, questionnaires or participant observation. Each method has its own advantages and disadvantages. Each study has also its own suitable method/s. In this study the researcher used the questionnaire.

3.5.1 QUESTIONNAIRES

Kotler and Keller (2006)alluded that a questionnaire is a simple and flexible way of collecting primary data. They outlined the features of a questionnaire as consisting of a set of questions presented to the respondent in the form of a written document.Chikova (2013) explained a questionnaire as a set of questions brought together in order to extract reliable responses from the chosen representatives.

In this study the researcher used a questionnaire. The questionnaire was used due to its applicability to the case study research design (Labovitz and Wallen, 2003). The use

of questionnaires allows respondents to respond to the same set of questions. Closed form questions allow the researcher to interpret data from a large number of respondents at the same time. Questionnaires address quite a number of questions at once. The respondent needs not waste time on other issues which do not address the objectives of the study. If the response rate is high the researcher would get a wide range of opinions which gives allowances of making conclusions which are close the reality. People usually want to give their opinions without being known to avoid victimisation. Questionnaires are a good hub of anonymity.Questionnaires have also a number of their own shortcomings. Generally speaking their response rate is very low. Some of the questionnaires will not be fully completed. This may result in some of your key questions not being properly addressed. Some respondents do not even return the questionnaire. Researchers try to simplify the questions so that all the people would get to understand but this can distort the objectives of the researcher.This method also caters for only those who are literate.

3.6 DATA

There are two types of data, that is, primary and secondary which can be used by researchers in the course of the study. In this study, the researcher used both data, i.e. primary and secondary.

3.6.1 PRIMARY DATA

Zikmund (1997)defines primary data as data compiled for a specific purpose. This is supported by Parasuraman(1991) who agrees that primary data is collected specifically for a project. Primary data is expensive to collect but it is important as it is possible to formulate structured and unstructured questionnaires that focus on the study topic. This study relied mainly on the data collected through questions as its source of primary information. The information is crucial to the research project as it specifically addresses issues of interest to the study area.

3.6.2 SECONDARY DATA

Secondary data is mostly historical data. It is data that will have been assembled for some other projects Zikmund (1997). Secondary data is data gathered and recorded by someone else prior to the current project. It is not primarily intended for the study under review. In this study, the researcher used some reports published especially by ZIMRA with the total amounts of revenue collected annually.

3.7 THE DESIGN OF THE QUESTIONNAIRE

3.7.1 QUESTIONNAIRE VALIDITY, RELIABILITY AND OBJECTIVITY

Every research needs to get data which is valid and reliable. This can only be achieved if the researcher is very objective in his/her contact. The data gathered objectively would result in information which is free of bias, reliable and valid to the area under study. Validity refers to the ability of the instrument used to measure what it should measure (Labovitz and Hagedorn (1976).However,Fraenkel and Wallen (1996), dispute that and defined validity as the defensibility of the inferences the researchers make from the data collected through the use of a research instrument. Since the researcher makes inferences in some instances it means the instruments must also be consideredwith regard to those areas. This means that the researcher needs an instrument that warranties good inferences to be madewhich would not distort the perceptions of the respondents under study.

Fraenkel and Wallen (1996), postulated that the researcher always wants to fulfill his/her objectives of the study. The information that is required by the researcher need always be consistent. This would mean that the information obtained correctly represents the intended study. Reliability of instruments is shown by similar responses obtained when the same research instrument is administered to different respondents.

Fraenkel and Wallen (1996) qualified the issue of objectivity as the absence of subjective judgments. It is very crucial to try by all means to eliminate subjectivity in a study though it is difficult to eliminate it completely. The truth of the research can only be found through objective means by the researcher. To get around this problem in this research, the questionnaire was pretested before the actual survey was contacted. This was done to do away with poor worded questions, ambiguous questions, and irrelevant material.

3.7.2 NATURE OF THE QUESTIONS

The quality of the questionnaire determines the quality of the results. Chikova (2013) states that firstly, you need to know about the respondent. Secondly, include only the information that adds an extra value to your area of study. Questions asked should follow a systematic flow. This helps the respondents to be consistent in their responses and deductions are easy to make when questions flow. Chikova (2013) stressed the point that the questions should be simple and should not include two questions in one question.

Fraenkel and Wallen (1996) stress that, attention should be given to the length and clarity of the questions. The development of the questionnaire involved both the closed and open ended questions. Closed questions are easier to use and to analyse but will provide you with limited data, so use some open-ended questions as well (Chikova, 2013).Fraenkel and Wallen (1996) believed that questions which are easy to answer, like just ticking, are preferred by respondents.These short and simple questions allow the respondents to save their time. These types of questionnaires allow the researcher to easily contextualise the different responses from different people.

The Likert Scaling structure was used more in the questionnaires administered by the researcher for both the ZIMRA employees and business operators because of its simple way to contextualise complex responses. According to Chikova (2013), Likert rating scale is the strength of response on a scale say “Strongly Agree”, “Agree”, “Not sure,” “Disagree,” “Strongly Disagree” Or sometimes it is rating without a neutral response. These structures offered reasonably high validity and reliability.

3.8 LIMITATIONS TO THE STUDY

Time had been the major constraint of this time. The time to carry out the research was rather too short. This limited the researcher to explore other issues that could have yielded more valid results. The researcher could have taken samples from different regions in the country rather than focusing in Harare only. Interviews could also have been done by the researcher so that the disadvantages of using closed questions, which gives no room for expansion or clarification, could have been dealt with. The study was done with a bit of some haste and this compromised the quality of the research. The questionnaires were very short and simplified because most of the respondents complain of long and complicated questions. This affected the detail and depth of the study.

3.9 CHAPTERSUMMARY

In conclusion, the questionnaire was used in this study because of its ability to address many issues at the same time and getting different views from different people. The next chapter gives the results of the data gathered.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 INTRODUCTION

This chapter presents the findings from the data that was collected using questionnaires.

4.2RESPONSE RATE

A total of 120 questionnaires were administered to both ZIMRA staff and fiscalised clients. Out of the 60 questionnaires administered to ZIMRA employees 57 were successfully completed and collected. Of the 60 which were distributed to clients 39 were completed and returned. This leaves the response rate at 80% which warranties validity to the research findings.

4.3 DEMOGRAPHIC INFORMATION

The demographic information and trends prevailing in the surveyed population is illustrated in the sections detailed below.

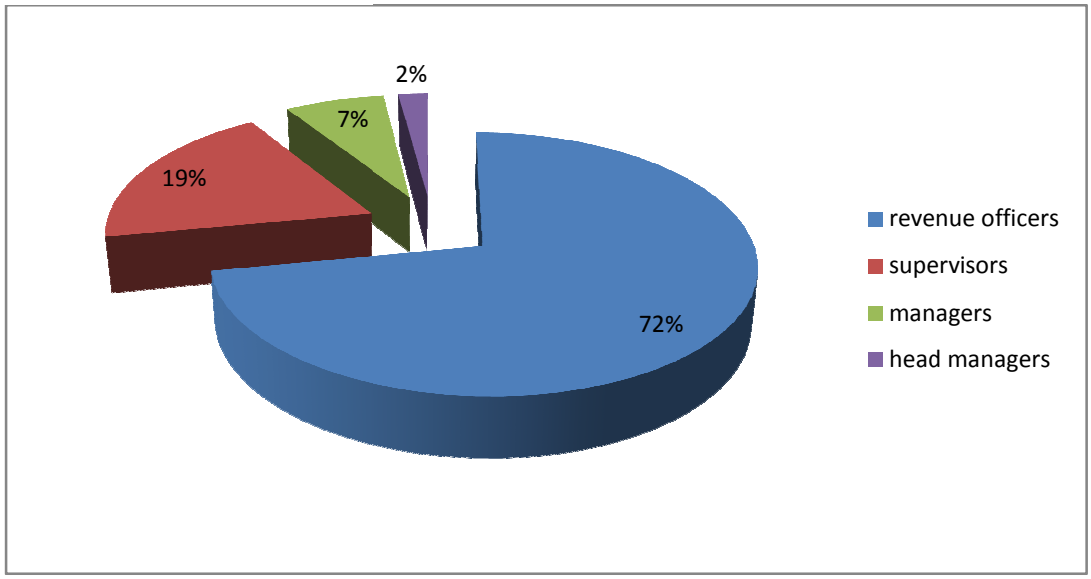

Figure 4.1 Position of the respondents

From the research findings 72% of the respondents were revenue officers, 19% were supervisors, 7% were managers and head managers covered 2%. This shows that there was a fair representation of all levels of operation of the population which adds value to the validity of the findings.

4.2.2 EDUCATIONAL QUALIFICATIONS

In order to assess the educational background of the respondents, an exploratory analysis regarding the data from the sampled population was made and shows that the bigger proportion of the respondents in all the three sections have degrees, with Large Client Office having 69, 2%, followed by VAT with 68% and lastly Audit with 64%. Those with O'level qualifications constitute a proportion that is less than 10%. This implies that more educated respondents understand more the needs and expectations of the research so they will treat the questionnaire with all integrity. As such**Figure 4.1**, below illustrate these findings.

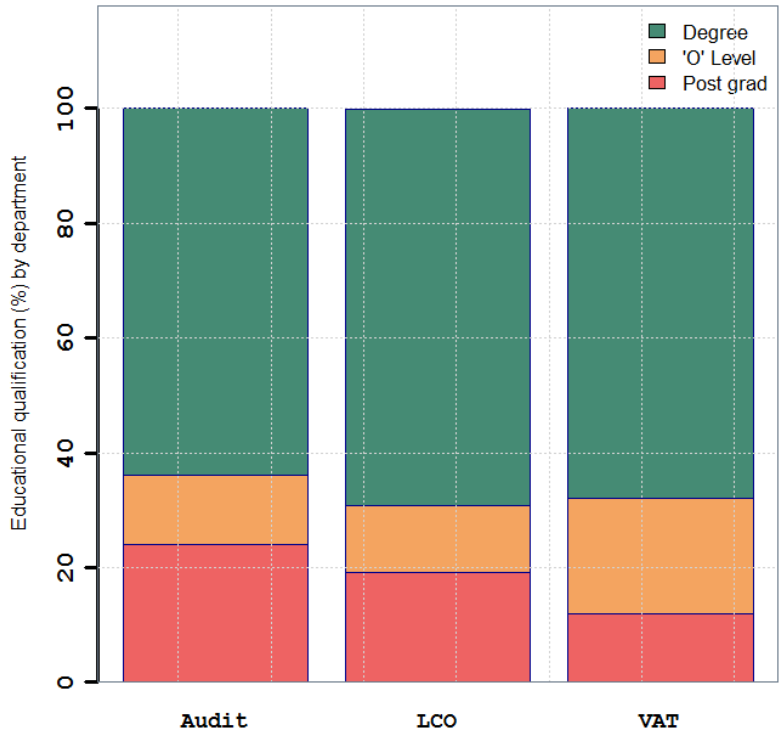

Figure 4.1: Educational qualifications

4.2.3 LENGTH OF SERVICE IN ZIMRA

Most of the respondents(57%) had from 2-5 years with the organisation, 21% had less than 2 years with the organisation and 22% has more than 5 years with the organisation. This shows that the majority of the respondents were already with the organisation when fiscalisation was introduced thus, they can give a good analysis and assessment of fiscalisation from its inception to date.

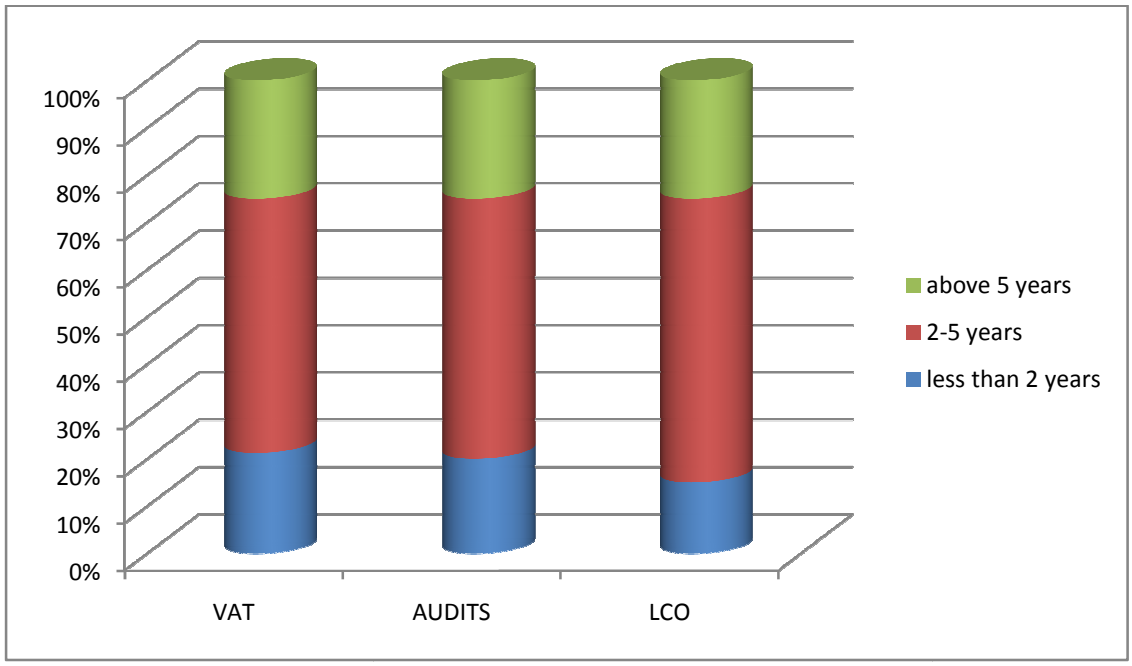

Figure 4.3: length of service in ZIMRA

4.3 EMPIRICAL ANALYSIS

In order to provide insight into the research questions earlier on posed in chapter one of the study, a data analysis, presentation and interpretation of the research findings is given in the relevant thematic areas of this section.

4.3.1 TAX COMPLIANCE

Of the respondents in the audit sectionthirty-six percentare neutral on whether the electronic devices had changed the levels of compliance. Of the LCO respondents thirty-nine percent believe that electronic fiscal devices led to non-compliance of tax by business operators. On the other hand, forty percent of the respondents in the VAT section believe that the fiscal devices led to moderate tax compliance by the operators. An elaboration of these results is illustrated in

Figure.

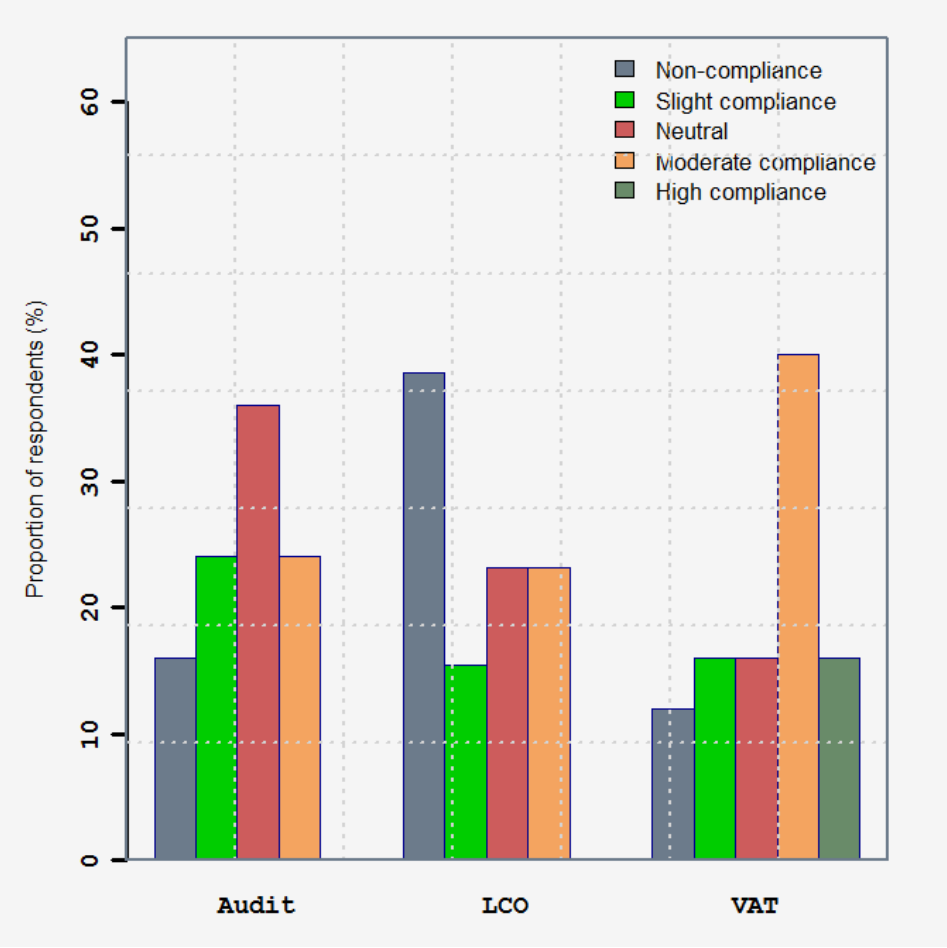

Figure 4.4: Tax compliance levels due to the use of electronic fiscal devices

According to Prestine (2011), the art of good tax administration is based on the creation of an environment which strongly facilitate compliance. In ZIMRA, the LCO section is there to serve just a few and each company has its own liaison officer who deals with all issues pertaining that client. To LCO the reporting of faults by the clients, inspections and the sealing processes are just extra burdens to them since their clients are large and have proper accounting standards and have always been compliant. This is a different case with the SMEs that the VAT and Audit sections deal with. SMEs try by all means to evade tax and under declare their sales so much. So these gadgets help clients try to comply in fear that they might be caught by ZIMRA and will be heavily fined. Ritsema et al (2003), gave another possibility on the different perceptions by ZIMRA officers that tax compliance decision depends on income level of an individual taxpayer. SMEs usually do not want to comply.

4.3.2 PROBLEMS ENCOUNTERED IN THE USE OF EFDs

4.3.2.1 PROBLEMS ENCOUNTERED BY THE ZIMRAEMPLOYEES

Research findings indicate that thirty-six percent in the Audit section, thirty-five percent of the respondents in the LCO and forty percent of the respondents in the VAT section disagree with the fact that power cuts are some of the problems encountered by ZIMRA officers (**Figure 2.5).**Of the respondents forty-eight percent of the respondents in the Audit,thirty-nine percent of the respondents in the LCO and forty percent of the respondents in the VAT section strongly agree that the lack of user friendly gadgets forms part of the problems experienced by the ZIMRA officers.The majority of the respondents strongly agree that the absence of a central server in the organization hamper the execution of the day to day work of the ZIMRA officers. Thirty-six percent of the respondents in the audit and forty-two percent of the respondents in the LCO strongly disagree with the idea that corruption interferes with the work of ZIMRA officers. On the other hand, thirty-two percent of the respondents in the VAT section strongly agree that corruption is a major problem facing ZIMRA officers (**Figure 2.5).**Thirty-nine percent of the respondents in the LCO and forty percent of the

respondents in the VAT sections agree that procedures within ZIMRA affect the work of the ZIMRA officers. On the other hand, fifty-two percent of the respondents in the audit section strongly agree that procedures affect ZIMRA officers.From the findings it implies that power cuts is not a major problem to the ZIMRA officers.

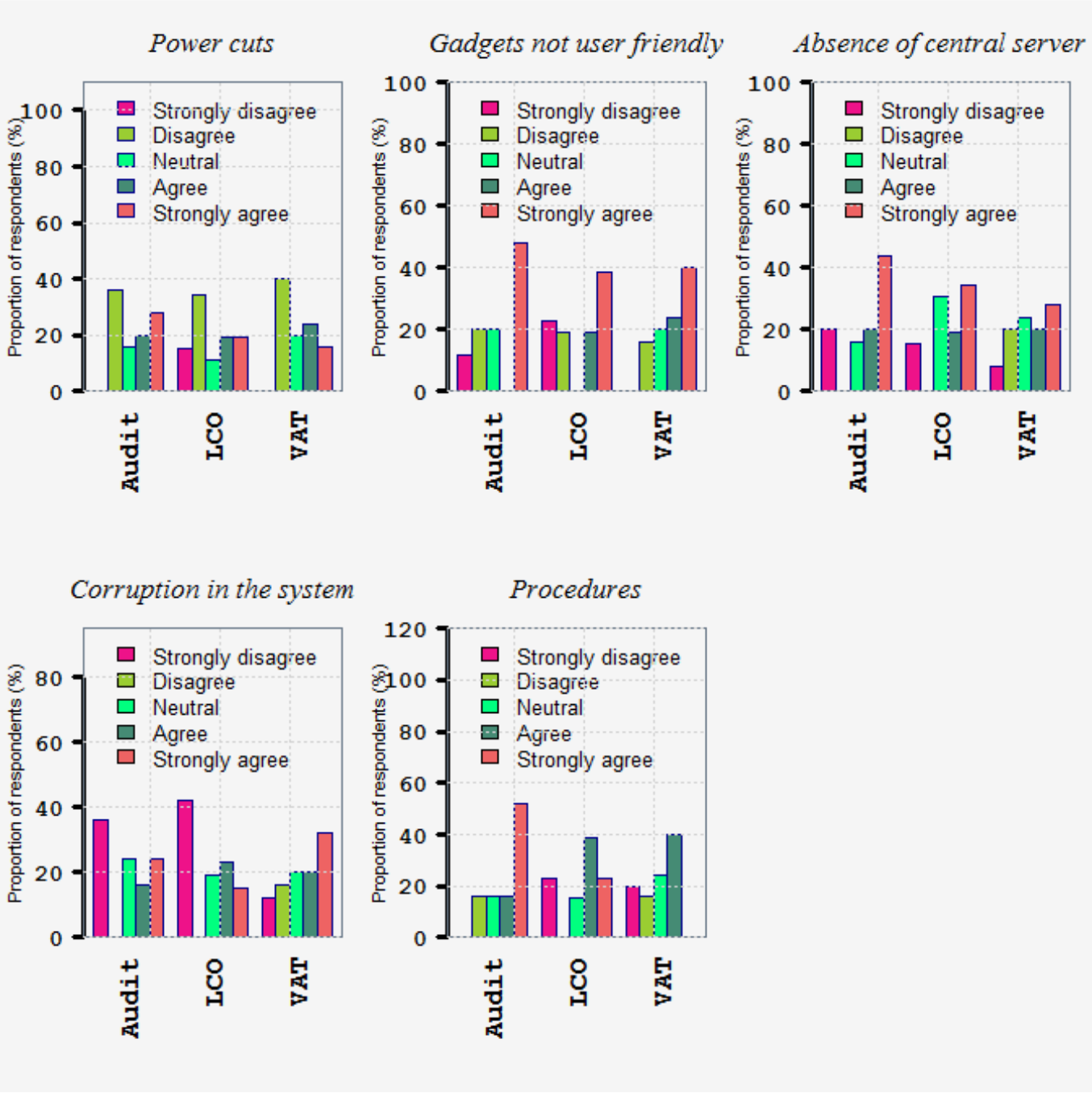

Figure 2.5 Problems encountered by the ZIMRA employees

The gadgets which are not user friendly pose problems to ZIMRA employees. ZIMRA employees are not comfortable with using the gadgets which must not be the case with people who are supposed to enforce that law and advice clients on challenges they face. Most of the staff agrees that installation of a server which connects clients to ZIMRA is very crucial. Corruption issue was not an issue with the ZIMRA employees. Employees agree that procedures hinder their effective and efficient working.

4.3.2.2 PROBLEMS ENCOUNTERED BY BUSINESS OPERATORS

The large client respondents indicated that 50% disagree with the notion that power cuts affect Business operators in the use of the fiscal devices. On the contrary, 45% of the SME clients strongly agree and 20% agree that power cuts are some of the problems facing business operators in the use of the fiscal devices as illustrated in Figure 4.6. The large clients' respondents show that 50% disagree with the notion that the lacks of user friendly gadgets affect business operators in the use of the fiscal devices.

On the other hand, the majority of SME clients agree with that notion of the gadgets not being user friendly.Both the large clients and SMEs share the same sentiments that the absence of a central server affectsbusiness operators on the use of the fiscal devices (**Figure 4.6)**. This implies that the installation of the ZIMRA central server gives advantage to those clients who want to comply and do not have anything to hide from the Authority and definitely they vote for it. To those who seek to evade tax they advocate for its uselessness because the gadgets will expose them, that is, it will automatically report its fault, idleness and when tempered with. It will also be difficult to manipulate figures like cost of sales and the sales figures on their financial statements and on ZIMRA declarations.

Large clients participants 40% disagree that corruption is one of the problems faced by business operators from ZIMRA officers on the use of the fiscal devices whereas, 47%

of the SME clients strongly agree that corruption is a problem faced operators in the use of the fiscal devices especially when general audits are done.

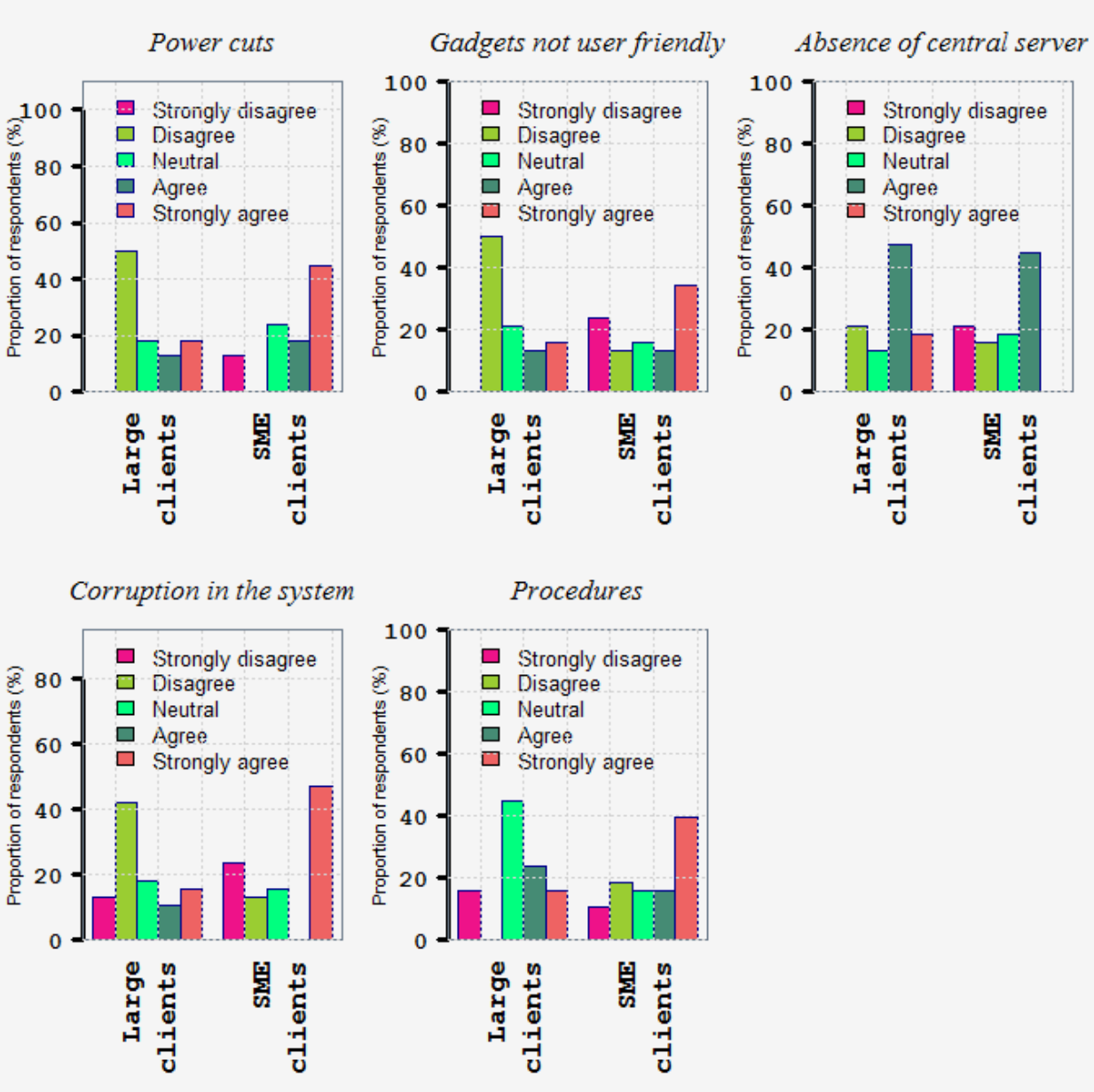

Figure 4.6: Problems encountered by the business operators

On the issue of procedures, 45% of the large client respondents remained neutral on whether or not procedures is a problem facing Business operators on the use of the

fiscal devices. On the other hand, 40% of the SME clients strongly agree that procedures are one of the problems facing Business operators on the use of the fiscal devices (**Figure 4.6)**. This implies the different treatments they get at ZIMRA. For LCO clients all is done on one desk but for the SMEs clients had to go round and round the building seeking for assistance with their devices in hands if they had developed a fault. The fiscalisation office was disbanded and so the officers take turns to inspect and seal devices. So the client had to go round and round looking for the team on duty that period.

4.3.3 REVENUES COLLECTED AND THE INTRODUCTION OF FISCAL DEVICES

The time trend (**Figure 4.7**) shows the differences in the revenue collected before and after the introduction of the fiscal devices.

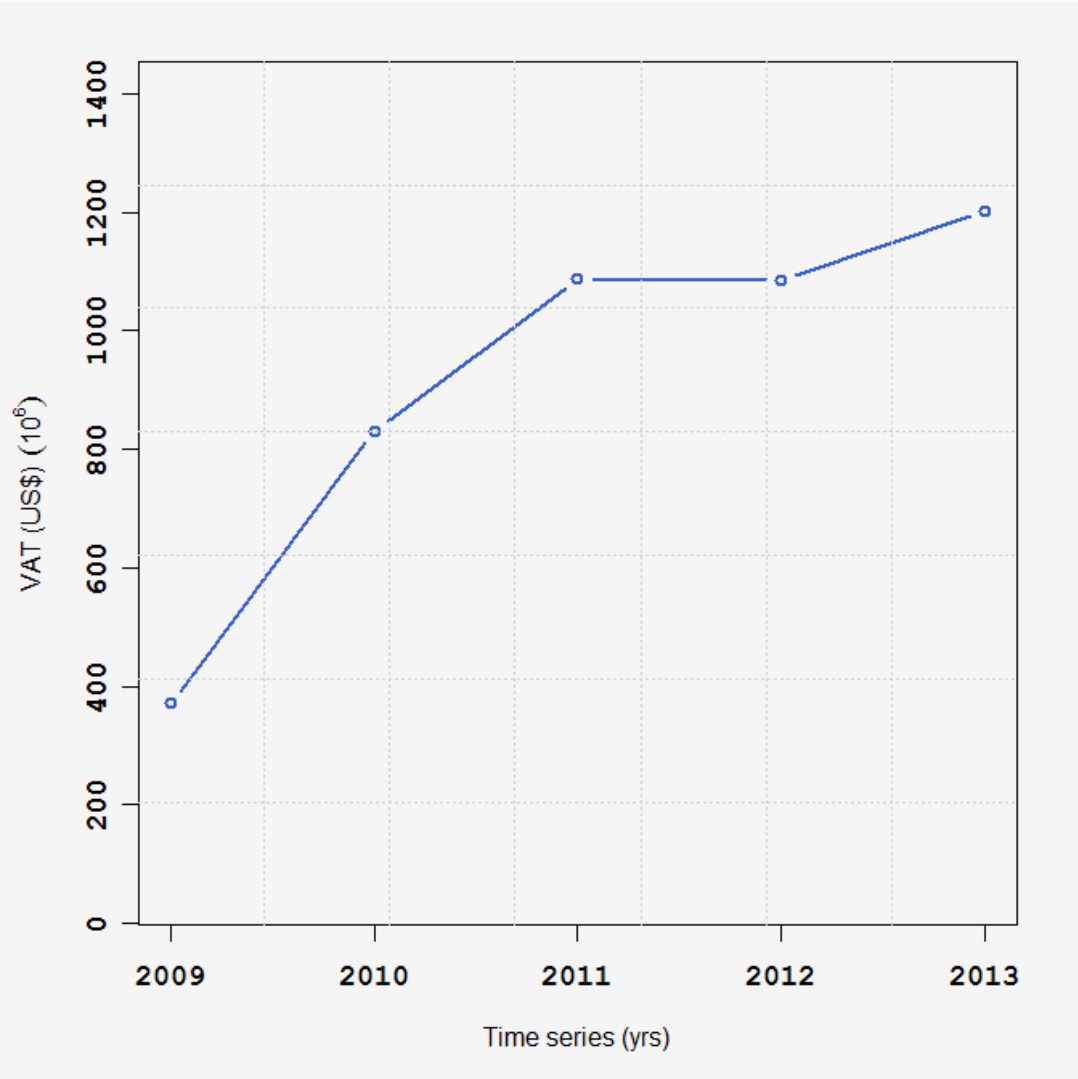

Figure 4.7: Revenues collected and fiscal devices

The VAT collected in 2009 was lower than USD400 million and more than doubled in 2010. In 2011 it increased to over a billion and increased slightly in the following year. It started to rise again in 2013. This trend could be the reason that in 2009 it was very low because it was the year when the multi-currency system was legalised in Zimbabwe and thus, it was the beginning of the new era. The other factor might be of the global financial crisis of 2008 that had affected the economy negatively, so 2009 was the year of recovery of many economies. In 2010 the economy was picking up so collections also improved. 2011 is the year when Fiscal Electronic Devices were introduced. The collections increased though at a decreasing rate. This could be the reason of the

economy approaching its peak levels where growth is noticed but at a slower rate than the previous periods. With the effective use of the EFDs the graph could have shot showing the effect of the introduction of an enhancing collection tool. So the fact that there was no change to the VAT collections trend indicates the failure of EFDs in enhancing VAT collections. This could also be a sign of operators resisting the electronic fiscal Devices as stated by McBarnet (2003). Taxpayers have different possibilities to express their attitudes towards a tax system. Research commonly treats tax evasion as an important reaction. In 2012 the collections were constant and started to grow in 2013. This could be attributed to other policies formulated and implemented by the government, such as, ZIMASSET, which boosted the economic growth hence increases in VAT collections.

4.3.4 BENEFITS OF THE PROCESS OF FISCALISATION TO THE OPERATORS

Of the large client 36% of the respondents agree that the process of fiscalisation reduces physical visits while 37% of the SME clients strongly agree with the idea that fiscalisation reduces physical visits. This implies that visits by ZIMRA officers to the client means disturbance of work of the client and 47% of the large client respondents agree that fiscalisation has reduced inspections whilst 32% of the SME clients strongly agree that the process of fiscalisation reduces inspections. 42% of the large client respondents are neutral on whether the fiscalisation process reduces stress whilst 26% of the SME clients strongly agree that fiscalisation has reduced stress on them, **Figure** .

Large client had a responds rate of 40% which agrees that fiscalisation has reduced paperwork in their day to day operations. This is in agreement with what Saviano and Phillip, (2011) revealed also that, tax systems should be sufficiently dynamic and flexible to keep pace with new development. Most businesses are now done online with the world moving towards one being one village. The use of paper seems to be on its way out of the trading system.

On the other hand, 34% of the SME clients strongly agree that the fiscalisation process has reduced stress on their part. 37% of the large clients strongly agree that the

process of fiscalisation has reduced incidences of stock theft while 37% of the SME clients agree that the fiscalisation process has reduced incidences of stock theft. This is so because when using EFDs the stock has to be recorded in the system and the stocks will be sold deductions will be made automatically, thereby generating a report that alerts the owner of the shortage of stock. For tax purposes the missing stock is assumed to be a sale and tax will be charged on such. So no business person would want to lose stock.

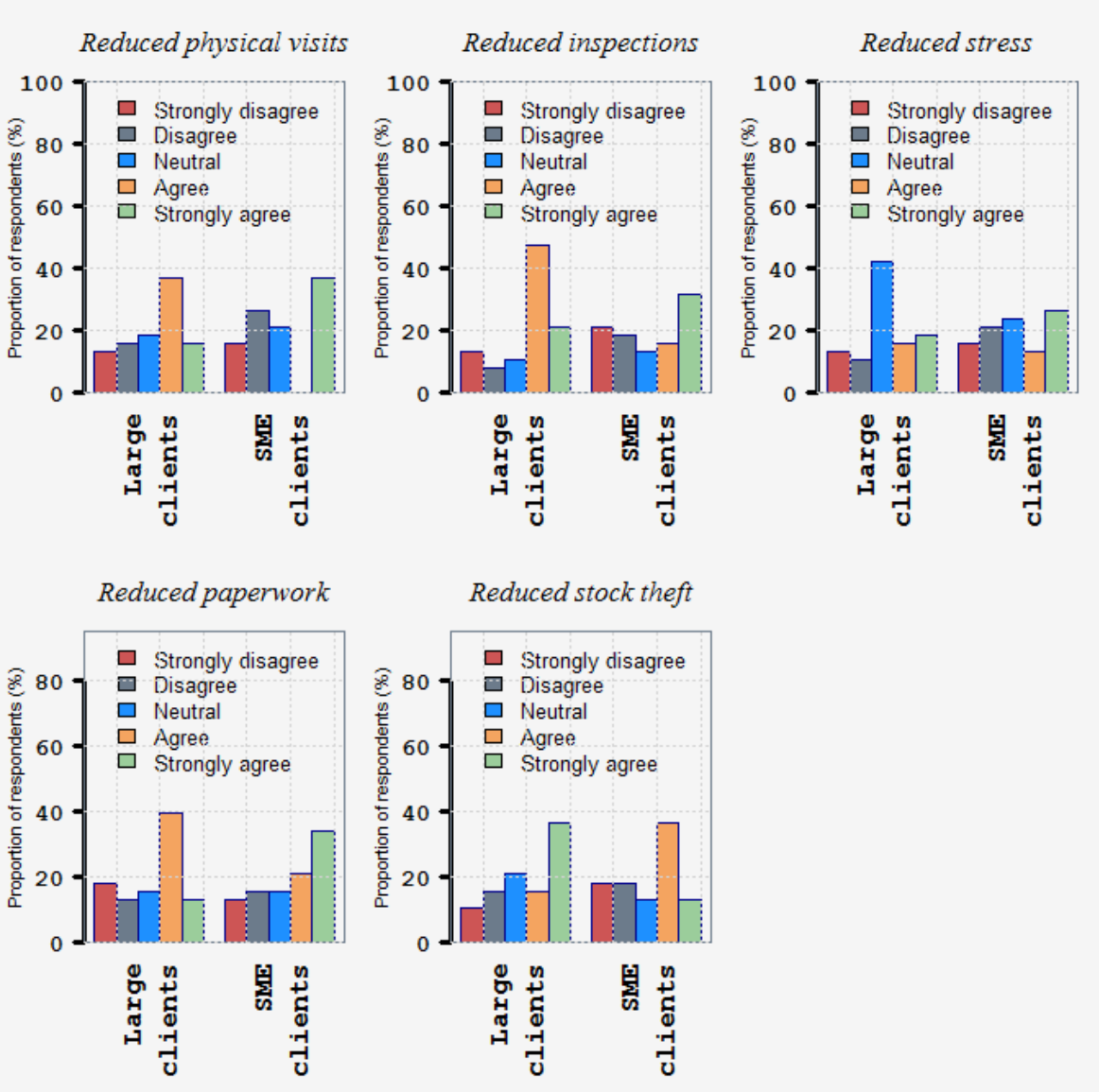

Figure 4.8: Benefits of the fiscalisation process to the operators

4.3.5 POSSIBLE MEASURES TO IMPROVE FISCALISATION

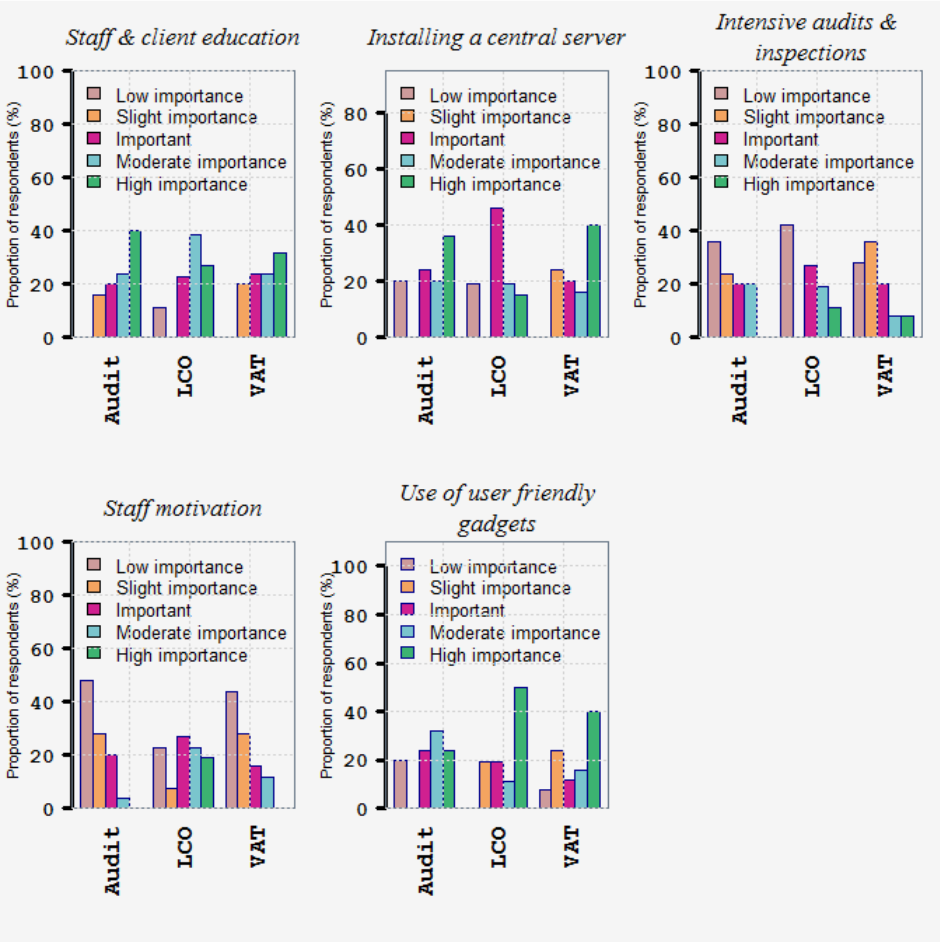

Figure 4.9: Suggestions for the improvement of the fiscalisation process

Audit respondents had 40% and 32% of the respondents in the VAT sections see staff and client education as of high importance in the improvement of the fiscalisation process as illustrated in **Figure** . Officers had difficulties in reading and analyzing the Z-reports. On the staff training done it was brief and no gadgets were there to show case. It is very difficult to inspect the functionality of a gadget that you do not know how it functions. This is in agreement with what Kagina (2012) found out in South Africa that SARS's staff capacity should keep abreast with its transformation; SARS is aware that whilst it has made great strides in enhancing staff capacity, more needs to be done to strengthen skills. The leadership management training initiative needs to be rolled out across the organization.

On the other hand, 39% of the LCO respondents see staff and client education as of moderate importance towards the improvement of the fiscalisation process. 36% of the respondents in the audit and 40% of the VAT respondents see the installation of a central server in ZIMRA as of high importance towards the improvement of fiscalisation. However, 46% of the LCO respondents (mean=3.1, s.d=1.3) neither see the installation of a central server nor continuing with the status quo as of any importance in the improvement of the fiscalisation process, (**Figure)**. If the server is installed there won't be any need to visit the client frequently except when doing inspections and audits. All the information that the officer would want from the client will be availed at the click of the button.

In the audit section 36% of the respondents and 42% of the LCO respondents (mean=2.6, s.d=1.5) see intensive audits and inspections as of low importance in improving fiscalisation. On the other hand, 36% of the respondents in the VAT section see intensive audits and inspections as of slight importance as illustrated in **Figure 4.9.** The VAT section deals with these clients everyday so they seem to have a better judgment as to how enforcement or improvement could be done to make fiscalisation effective. 48% of the audit respondents and 44% of the VAT respondentsbelieve staff motivation to be of low importance for improving fiscalisation. However, 27% of the LCO respondents (mean=3.1, s.d=1.4) are neutral on whether staff motivation improves fiscalisation or not. 50% of the LCO respondents and 40% of the respondents in the Vat

section see the installation of user friendly gadgets as of high importance for improving fiscalisation. In the same vein, 32% of the audit respondents (mean=3.4, s.d=1.4) see the installation of user friendly gadgets as of moderate importance. As shown in **Figure** .

4.4 CHAPTER SUMMARY

This chapter has presented findings on the use of Electronic Fiscal Devices in Zimbabwe, that is, the effect of fiscalisation to tax compliance, the benefits of fiscalisation to clients, the problems encountered by both the officers and the clients and its effect on annual VAT collections. The next chapter presents the study conclusions and recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter will summarize, conclude and give recommendations to the research study that was done.

5.2 SUMMARY

The area under study was to assess the effectiveness of the use of Electronic Fiscal Devices in enhancing VAT compliance and revenue collection. Chapter 1 gave the background to the study and what the researcher wanted to achieve. Chapter 2 reviewed the related literature to the study and the researcher gave her conceptual framework. Chapter 3 gave the methodology applied. The study was done through administering of 120 questionnaires to both the ZIMRA employees and business operators who use the EFDs. Chapter 4 outlined and discussed the results from the data collected from ZIMRA employees and fiscalised clients. Chapter 5 gives the summary, conclusion and recommendations to the research study done.

5.3 CONCLUSION

The main objective of this study was to find out the effectiveness of using EFDs in enhancing tax compliance by the taxpayers. From the study, EFDs had achieved moderate compliance but no major changes were ascertained on revenue collections that can be attributed to fiscalisation. This means that fiscalisation was not a failure in Zimbabwe neither was it a success worth talking of. The use of EFDs ideally should increase compliance since the operator would be forced by the system to make correct declarations because each and every transaction would be recorded and send directly to the Authority's server, thereby increasing revenue collections. The Authority will then verify the client's declarations with what the EFDs reported. EFDs give no room to change/doctor sales figures. The fact that there is no server to connect to the clients three years after the introduction of fiscalisation in Zimbabwe renders the project less useful. There seems to be more challenges than benefits to the use of these machines in Zimbabwe by operators. Operators think it is an unnecessary burden to them since they have to use their business funds to purchase the gadgets together with backup power supply, report on any faults to ZIMRA and suppliers and take them there using their resources but it is the Authority which wants to verify the taxpayers' declarations, thus, benefitting from the whole project. If the project was implemented properly and fully taxpayer burden would have been lessened. ZIMRA employees, most of them, also cannot use the gadgets neither can they interpret the reports generated well. In a nutshell, the whole fiscalisation process needs to be revisited and start again but not with haste. There is need for proper planning by the legislators together with the Authority.

The Zimbabwe Revenue Authority (Zimra) is reviewing the fiscalisation system after some challenges were encountered since its introduction a few years ago. (NewsDay, June 2014). Speaking on the side-lines of a Zimra Business Forum recently, Zimra Commissioner-General Gershem Pasi said the review would result in the introduction of more user-friendly equipment. He said when the system was introduced in 2010; Zimra did not have the capacity to take data to the ZIMRA server from fiscalised machines because the technology they had identified was not appropriate.

5.4 RECOMMENDATONS

The study recommends that:

1. For EFDs' effectiveness in enhancing tax compliance–the government of Zimbabwe and ZIMRA should revisit the fiscalisation legislation and implementation processes. The absence of the server at ZIMRA connected to the EFDs was a major blow to the whole process. The Authority should be capitalized before starting to implement the project. Capitalised so that it can:
    i. Install the ZIMRA server,
    ii. Train the ZIMRA employees on how the gadgets are used so that they can do successful audits,
    iii. Carry out workshops training the taxpayers on how to handle and use the machines to reduce the frequency of faults,
    iv. Advertise and make clients and the public aware of fiscalisation and assist each other in making the project a success
2. VAT compliance levels can be increased if the system can be managed well. The implementation process was half backed. SMEs comply when things are run well. Large clients comply to protect their reputation. Zimbabwe is now dominated more by SMEs than large clients. The economic environment also needs to be improved so that business can be viable and more can be brought to the government fiscus, thus, enhancing compliance levels.
3. There is need for ZIMRA to intensify its inspections and audits. There is need of law that is strict on non-compliers. Legislation also should be looked at since prosecution of client is the last resort for ZIMRA but the fines charged by the courts makes it better for the client to be prosecuted than comply to statutes
4. For EFDs to be efficient the gadgets should be user friendly. They should be easy to operate and be compatible with the operator's system. The manufacturer should be local so that the gadgets designed will fit properly in the working environment for operators. The gadgets are designed for environments with

continued supply of power but in Zimbabwe power cuts are the major let down for most businesses.

5. For fiscalisation to fully benefit the operators also, tax relief should be awarded to those who had purchased the gadgets and put in place the power back up supply. This will incentivize the operators. They also should be allowed to claim their purchase price of the gadgets in full as input tax so that purchasing the gadgets will not appear costly to them. This will also see ZIMRA sharing the cost burden with the clients.

6. ZIMRA should focus on installing the server, reducing corruption and intensify the inspections and audits to enforce compliance. The government of Zimbabwe to partner with the donor community for funding so that tax reforms will not suffer still births because of lack of funding and undercapitalization.

5.5 FURTHER RESEARCH

This study recommends a further study on the effectiveness of the use SAP system by ZIMRA.

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APPENDICES

MBA RESEARCH QUESTIONNAIRE FOR ZIMRA EMPLOYEES

Dear Colleague

My name is Calitas Soga. I am a final year student at the Graduate School of Management (GSM) at the University of Zimbabwe and currently at dissertation stage. I have chosen you to participate in this research study, which seeks to**: Evaluate the effectiveness of electronic fiscal devices on VAT compliance in Zimbabwe (January 2012 – July 2014).**

This is purely an academic research meant to assist me to fulfil the requirements of my MBA studies. I therefore request you to spare your time and answer questions in this questionnaire. Responses to this questionnaire will be treated in the strictest confidence and the outcome may be availed to you upon request.

May you return the questionnaire on or before 15 July 2014. Any queries on this study can be directed to the researcher on the following details.

Cell: 0772 472 352. Landline: 04 – 795720-40 ext. 3525Email address

csoga@zimra.co.zw

Yours sincerely

Calitas Soga

Evaluating the effectiveness of the use of electronic fiscal devices on Value Added Tax compliance and revenue collection in Zimbabwe

A. *Please tick the appropriate box to indicate your response. Where appropriate, write your answers in the spaces provided.*

1. **Please state your current section**

   Large client office ☐

   VAT section ☐

   Audits section ☐

2. **How long have you been employed by ZIMRA?**

Less than 2 years	From 2-5 years	Above 5 years

3. **Have you been trained on the use of electronic fiscal devices? Tick your answer in the box below**

   Yes ☐ No ☐

4. **Did you receive any training on how to use the fiscal devices?**

YES	
NO	

5. **In your portfolio, how do you quantify your fiscalised clients?**

All ☐ Many ☐ Few ☐ Not at all ☐

6. **Was there any increase in the revenues collected by the Authority from the time fiscalisation was introduced which can be attributed to it?**

   Yes ☐ No ☐ Not sure ☐

7. **Are there any improvements in the levels of VAT compliance to the fiscalised clients?**

   Yes ☐ No ☐ Not sure ☐

B. **Fiscalisation**

8. **Using the scale provided below, please circle the level of importance stakeholders place on tax compliance after the introduction of fiscal devices.**

   5 - High compliance

   4 - Moderate compliance

   3 - neutral

   2 - Slight compliance

   1 - Non-compliance

Please indicate your level of agreement on each of the following problems facing business operators in your view as ZIMRA officer.

1 - Strongly disagree
2 - Disagree
3 - neutral
4 - Agree
5 - Strongly Agree

	SME clients				
	Strongly disagree	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly agree**

	(1)				**(5)**
9. Power cuts					
10. Gadgets not user friendly					
11. Absence of central server in ZIMRA					
12. Corruption in the system					
13. Procedures					

14. VAT figures (data) from 2009 to 2013 as obtained from the records at the ZIMRA offices were as follows

2009	2010	2011	2012	2,013
370,443,409	830,929,558	1,087,603,476	1,083,423,000	1,200,000,000

Can these changed be attributed to fiscalisation?

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Please rank the level of importance each of the following suggestions for improving fiscalisation. Circle the appropriate rank.

5 - High Importance
4 - Moderate Importance
3 - Important
2 - Slight Importance
1 - Low Importance

15. Staff & client education	5	4	3	2	1
16. Installing a central server	5	4	3	2	1
17. Intensive audits& inspections	5	4	3	2	1
18. Staff motivation	5	4	3	2	1
19. Use of user friendly gadgets	5	4	3	2	1

20. What do you think ZIMRA should do to enhance the effectiveness of fiscalisation process?

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21. What do you think ZIMRA should do to encourage tax compliance?

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Thank you for taking your time to complete this questionnaire