

# GREAT ZIMBABWE UNIVERSITY



## MUNHUMUTAPA SCHOOL OF COMMERCE

DEPARTMENT OF ACCOUNTING AND  
INFORMATION SYSTEMS

**TAX EVASION ON REVENUE COLLECTION PERFORMANCE IN  
ZIMBABWE. A CASE STUDY OF MASVINGO (2019 - 2022)**

**RESEARCH PROJECT**

**BY**

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SUBMITTED TO GREAT ZIMBABWE UNIVERSITY IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR MASTER OF COMMERCE IN  
PROFESSIONAL ACCOUNTING AND CORPORATE GOVERNANCE DEGREE.

**MASVINGO, ZIMBABWE**

**YEAR 2023**

**GREAT ZIMBABWE UNIVERSITY**

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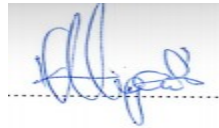
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TITLE OF THE PROJECT : Tax Evasion on Revenue Collection Performance in Zimbabwe. A Case Study of Masvingo (2019 - 2022)

DEGREE FOR WHICH PRESENTED : Master of Commerce in Professional Accounting and Corporate Governance Degree

YEAR GRANTED : 2023

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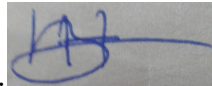
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**APPROVAL FORM**

I, the undersigned certify that I have read and recommend to Great Zimbabwe University for acceptance; a project entitled “**Tax Evasion on Revenue Collection Performance in Zimbabwe. A Case Study of Masvingo (2019 - 2022)**” submitted by **Keith Mupambi** in partial fulfilment of the requirements for **Master of Commerce in Professional Accounting and Corporate Governance Degree**.



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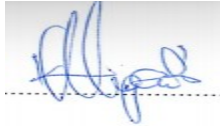
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## DECLARATION

I hereby declare that the project has been the result of my effort and such work was not presented elsewhere for any Higher Diploma or Degree. All additional information was acknowledged by means of references.

**Signature**

A handwritten signature in blue ink, appearing to be 'Aliged', written over a horizontal dashed line.

**Date**.....

## **DEDICATION**

To my long-gone parents, my father Hilary Mupambi and mother Yustina Jaravaza dedicate this note to you. You left me at a tender age when I knew nothing and only your images were pure reflections in my eyes. I feel your presence in my struggles and triumph. Rest in power and may your spirits and the God Almighty make me a great man in all my trials.

## **ABSTRACT**

This study provides a theoretical analysis of the effect of tax evasion on Zimbabwe's revenue collection performance, a case of Masvingo taxpayers and Zimra officials. The study intended to examine the extent to which taxes are evaded in Masvingo, investigate the major problems hinders performance of revenue collection process and determined the strategies used by ZIMRA to combat tax evasion in Masvingo. The research used a mixed method in this investigation. Survey design was employed. The study population consisted of 8640 taxpayers and 148 Zimra officials from Audit, Customer Care and Debt Management Sections. The sample total sample consisted of 342 tax payer respondents, and 55 Zimra officials. Data was collected through documentary analysis, questionnaires and interviews. The study adopted the Classical Linear Regression Model in data analysis. The study performed diagnostic tests such as multicollinearity, heteroscedasticity, autocorrelation, unit root and stability tests with the main view of avoiding spurious results. Regression results showed that income tax and VAT are the most evaded tax heads and the strategies employed to combat tax evasion were not effective. The study concludes that tax evasion negatively but significantly affects tax revenue in Masvingo. The study also found that in order to overcome tax evasion Masvingo should provide more powers of access to information, opportunities from voluntary disclosure, prosecution and imprisonment of tax offenders and publication of tax offenders.

## ACKNOWLEDGEMENTS

I am appreciative to everyone who has contributed significantly to the effective completion of this effort. It is not feasible to address each one of them separately. On the other hand, the following individuals merit special recognition and should be mentioned by name.

Firstly, and foremost, I give thanks to the All-Powerful God of Zion for the numerous benefits He has freely bestowed upon me in my life, education and professional career. These blessings have given me the strength and joy to carry out all of my obligations, including this task.

I would especially want to express my gratitude to Mrs. H. Beans, who oversaw my research, for his professional advice, support, and tolerance. Her constant availability, knowledgeable advice, and comforting demeanour greatly encouraged me to finish my study.

With deep appreciation, I thank my beautiful daughters Fadziso, Kudzaishe and Tafadzwa for their enlightening smiling faces all the time.

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# CHAPTER I

## INTRODUCTION

### 1.0 Introduction

This chapter deals with the background of the subject matter under study. It also provides a detailed explanation of the research problem which motivated the researcher to embark on this study with the main view of proffering solutions. The chapter also goes on to look at the objectives of the study, research questions, research hypothesis, significance of the study, assumptions of the study, delimitations of the study, limitations of the study, definition of terms and a summary of the chapter.

### 1.1 Background of the study

Tax evasion is a global problem that affects governments, businesses, and society all over the world. Global tax evasion is thought to result in revenue losses in the trillions of dollars, making it more difficult for governments to provide essential public services (de La Feria, 2020). These kinds of losses are felt on all continents, as tax cheating erodes fiscal stability and fuels the rise in economic disparity (Sandford, 2019). Taking a continental viewpoint instead of a global one, Africa, for example, struggles with tax issues that impede its development efforts. Many African nations have significant revenue deficits as a result of high rates of informal economy and inadequate tax administration systems (Ofurum 2018). Across the continent, the necessity of efficient tax and governance structures is becoming more and more obvious.

Globalization has created new opportunities for avoidance during the past few decades, which rich people and multinational corporations have taken advantage of worldwide. This dodge has been tolerated for far too long as an inevitable by-product of globalization and an inevitable aspect of human nature. Nonetheless, policy decisions that either aim to prevent tax evasion or, more broadly, tax avoidance, can lead to it or they can fail to do so. In my capacity as co-chair of ICRICT, the Independent Commission for the Reform of International Corporate Taxation, I speak for a group of prominent policy-makers and economists who are adamant that there are ways to effectively combat tax evasion and avoidance and, more generally, to establish a more equitable international tax system. And we think that doing so is essential. Clearly, the money that would be raised if we were to reduce tax evasion and avoidance is vital to society, given the challenges that face nations worldwide from pandemics, climate change, and inequality, as well as the need for governments to make necessary investments in infrastructure, technology, education, and health.

Prior to the automatic sharing of bank data, affluent people's offshore tax evasion was a serious problem. Numerous studies showed that those who concealed their assets with offshore banks engaged in widespread tax cheating. This includes proof from leaks (like the Panama Papers and the HSBC Switzerland leak) that researchers have examined in conjunction with tax authorities in multiple nations; outcomes from tax amnesties (like the US, Norway, Sweden, Colombia, and Argentina voluntary disclosure programs) that have exposed substantial sums of previously concealed assets; and official investigations (like the US Senate's on US taxpayers' hidden assets), (Simone & Lester, 2020). It is estimated that between 90% and 95% of offshore financial wealth was not declared to tax authorities during 2007 and 2008, resulting in significant losses in tax

income for governments. The top of the wealth distribution was the focus of this evasion, (Zucman, 2019).

Both sending and receiving countries suffer from the billions that tax havens draw in. Before the global financial crisis of 2008, tax havens were mostly regarded as strange sideshows to the world economy, like wealthy aristocrats, gangsters, and celebrities frequenting Caribbean islands or Alpine financial fortresses (Gras, 2023). Since then, two alarming facts have come to light for the world: first, the phenomenon is much larger and more significant to the world economy than almost anyone had previously realized, and second, the largest havens aren't where we initially believed them to be.

According to estimates (Crivelli, de Mooij, and Keen 2018; Cobham and Janský 2018), tax havens cost governments between \$500 billion and \$600 billion annually in lost corporate tax revenue from both legal and illegal means. Low-income economies bear the brunt of this lost revenue, amounting to about \$200 billion; this is more than the \$150 billion or so in foreign development assistance that these economies receive annually and a bigger hit relative to GDP than advanced economies. An estimated \$2.6 trillion was held offshore by American Fortune 500 companies alone in 2017. However, some of that money was repatriated after US tax reforms in 2018.

Not just corporations gain from this. An economist at the University of California, Berkeley named Zucman (2017) estimates that people have hidden \$8.7 trillion in tax havens. More thorough estimates by economist and attorney Henry (2018) result in an astounding total of up to \$36 trillion. Both estimate that global individual income tax losses are approximately \$200

billion annually, assuming significantly different rates of return. These losses must be added to the corporate total.

The public debt of Sub-Saharan Africa has risen to its highest level since the early 2000s, placing governments in the region under tremendous pressure to generate money or face default and austerity measures, (Heitzig & Senbet, 2021). Tax evasion and avoidance, which often take the form of illicit financial flows, are often overlooked while accounting for 3.7% of GDP. Taxation is one of the most important instruments available to a government for accomplishing social, political, and economic objectives (Okoye, 2018). It is vital to a country's existence, especially in terms of achieving the development objectives set forth by decision-makers. African countries need to implement targeted strategies to optimize revenue mobilization and prevent revenue loss from taxes. Nations in Africa must, however, work together.

When it comes to specifics, Zimbabwe, like many other African countries, has special tax issues. A complicated environment for tax collection has been generated by political instability, currency volatility, and informal economic operations (Abdixhiku 2017). Zimbabwe's tax officials work hard to resolve these problems in order to keep up the steady stream of income required for economic expansion. Zimbabwean enterprises operate under this complex tax environment at the corporate level. Their tax evasion techniques are mostly determined by factors including profitability, firm size, and debt (Ernawati 2019). Businesses in Zimbabwe make judgements on whether to comply with tax laws or evade them based on a number of variables, including law and social standards. With an emphasis on the Zimbabwean context, this research aims to investigate the complex web of tax evasion and avoidance in light of these global, continental, national, and company-specific tax dynamics.



Dalu (2018) claims that tax evasion and tax avoidance are the same demons in Zimbabwe's tax system, making it difficult for the government to collect taxes from citizens. Similar to Zimbabwe, many other countries have struggled to close the budget deficit brought on by tax evasion and to build various infrastructures (Alleyne & Harris, 2017). Tax avoidance is a widespread issue. It intersects with wider concerns such as economic injustice and social fairness. Governments frequently respond to tax evasion by cutting back on public services or raising taxes on others, which exacerbates social inequality (de La Feria, 2020). This occurs when people and companies escape paying taxes. In Zimbabwe, where economic inequality is widespread, resolving tax-related concerns serves as a tool to advance economic stability and fairness in addition to revenue collection. Furthermore, there are now more opportunities and problems in the field of taxes due to the advent of the digital era. Businesses and individuals may now more easily engage in cross-border transactions and international tax planning because to technology (Lipniewicz, 2017). This has prompted concerns about how effective conventional tax systems are in a digital environment that is changing quickly. Like other countries, Zimbabwe struggles to update its tax laws and administration for the digital age.

This study is made more urgent by examining the effects of tax evasion in the context of a worldwide crisis (Sandford, 2019). This research explores the complex realm of tax evasion in the unique setting of Zimbabwe. The research intends to provide light on the many opportunities and problems that taxes brings in the twenty-first century by analysing the dynamics at the national, international, continental, and business levels. The study also acknowledges the wider effects of these tax policies on social fairness, fiscal resilience, and economic inequality, highlighting the importance of this research in light of the dynamic global environment of today.

## **1.2 Statement of the Problem**

Globally, tax evasion is a complex problem that threatens the efficiency of tax administration systems, exacerbates economic inequality, and has an impact on governments' ability to manage their budgets (Sandford, 2019). Like many developing countries, Zimbabwe faces these difficulties in the particular socio-political and economic environment that it inhabits (Abdixhiku, 2017). The frequency of tax evasion is high and negatively impacts the macroeconomic goals of taxation, resulting in a discrepancy between actual and prospective government tax collection and a number of issues that require immediate attention and resolution. Despite the government's best efforts, nobody enjoys paying taxes, even though it is widely acknowledged that they must be paid. This encourages some individuals to evade taxes, which prevents the government from consistently raising the necessary amount of income. Because of the way Zimbabwe's tax system is set up, for example, it is difficult to collect actual taxes from self-employed people like accountants, physicians, company owners, and consultants, to name a few, as many wilfully refuse to pay by declaring annual losses or lower earnings than they actually make.

In an effort to avoid paying taxes, some people and businesses create non-profit companies and notify foundations or religious institutions of gifts so that they may report lower earnings. In the informal sector, there is also a high risk of tax fraud. For example, people and businesses may purposefully understate sales figures, insist on cash payments and issue only cash sale receipts, or both. This gives them the freedom to choose where to bank the money, usually in individual bank accounts, reporting low sales and ultimately reducing the amount of tax they are required to pay. This makes it intriguing and inspired the researcher to look into how tax evasion affects Zimbabwe's tax income without raising taxes or cutting spending.

### **1.3 Research Objectives**

#### **1.3.1 Major Objective**

To examine effects of tax evasion on revenue collection performance in Masvingo

#### **1.3.2 Research sub-objectives**

- 1) To examine the extent to which taxes are evaded in Masvingo
- 2) To investigate the major problems hinders performance of revenue collection process
- 3) To determine the strategies used by ZIMRA to combat tax evasion in Masvingo.
- 4) To examine effectiveness of strategies employed by ZIMRA in curbing tax evasion in Masvingo.

### **1.4 Research Questions**

#### **1.4.1 Major Research Question**

What is the effect of tax evasion in revenue collection performance in Masvingo

#### **1.4.2 Research sub-questions**

1. To what extent is tax evasion prevalent in Masvingo?
2. What are the major problems which hinders performance of revenue collection process?
3. What are the strategies used by ZIMRA to combat tax evasion in Masvingo?
4. Are strategies employed by ZIMRA in curbing tax evasion effective?

### **1.5 Significance of the Study**

#### **1.5.1 To the Student**

It can improve knowledge of the value of efficient revenue collecting methods and the contribution of legislative initiatives to the fight against tax evasion. Studying this subject can also help the student become more knowledgeable and proficient in the areas of public finance and taxes.

### **1.5.2 To Great Zimbabwe University**

The study and its outcome may be used by other learners as a starting point in carrying other researches in the area of taxation and public finance. The study might also be used as a reference by future researchers as it adds value to the existing body of literature in the field of accounting.

### **1.5.3 To policy makers**

The results of the study may also be used to guide policy debates and decision-making procedures pertaining to tax reform, raising revenue, and maintaining fiscal sustainability.

### **1.5.4 To the organisation**

Organization may use this information to improve compliance procedures, find and discourage tax evasion, and streamline revenue collection methods.

### **1.5.5 To the stakeholders**

The study's recommendations can enable interested parties to advocate for better tax governance and accountability through conversations and actions.

## **1.6 Limitations of the Study**

### **1.6.1 Financial constraints**

Financial limitations were one of the study's limitations on the effect of tax evasion on Zimbabwe's revenue collection performance. Financial resources were needed to conduct in-depth research and collect data for tasks including data analysis, survey administration, and

database access. Given such a situation, the researcher had to draw from personal savings which were meant for other purposes and donations from family friends.

### **1.6.2 Time constraints**

The study on tax evasion and revenue collection performance was limited by time restrictions. There were deadlines for research projects, and there wasn't much time for gathering, analyzing, and interpreting data. Lack of time led to a reduced sample size, restricted data gathering techniques, and a hastily completed analysis. The researcher used available public holidays, weekends and spared extra hours during the night.

### **1.6.3 Access to information**

For the purpose of conducting an extensive study on tax evasion and revenue collection performance, access to pertinent and correct information was essential. Access restrictions to certain data or information, however, presented a problem. It was challenging to get comprehensive information on tax evasion since tax agencies were not allowed to share taxpayer information. Access to sensitive or private data pertaining to investigations or cases of tax evasion was also limited. The researcher relied on secondary information on Zimra website and financial reports published on its website.

## **1.7 Delimitation of the Study**

### **1.7.1 Geographical delimitation**

The study's geographic focus was restricted to tax payers and ZIMRA officials in Masvingo.

### **1.7.2 Theoretical delimitation**

The research focused on the Masvingo area boundary since it is where he resides and it was an appropriate location for him to conduct this investigation. The investigation on the impact of tax evasion on Zimbabwe's ability to collect money was limited geographically. This suggests that other countries or regions were left out of the study, which had a Zimbabwean context as its exclusive emphasis. The study's conclusions and results are not applicable to other countries or regions with different tax codes, economic climates, or cultural standards.

### **1.7.3 Time delimitation**

The study concentrated on the fiscal years 2019–2022, in order to examine the effect of tax evasion on revenue collection performance in Zimbabwe. As a result, the research was limited in time and only represented a moment in time within a given time frame.

## **1.8 Definition of Terms**

1. **Tax Evasion:** According to de La Feria (2020), tax evasion is the intentional and unlawful act of under-reporting income, exaggerating deductions, or participating in fraudulent actions to lower one's tax burden and avoid paying legally required taxes.
2. **Tax Avoidance:** Legally taking advantage of tax rules and regulations to reduce tax obligations while abiding by the letter of the law is known as tax avoidance. Usually, it involves using legal tax methods and smart financial planning (Shokrkhodaei & Salatin, 2018).
3. **Government Revenue:** The money that a government receives from a variety of sources, such as taxes, fees, customs charges, and other kinds of public revenue, is referred to as government revenue (Moore & Prichard, 2020). According to Ofurum (2018), it is necessary to fund public services and initiatives.

## **1.9 Organization of the Study**

This dissertation is organized into five chapters, each of which examines tax evasion in the context of Zimbabwe for a particular goal. Chapter One contains the background to the problem, statement of the problem, purpose and significance of the study, research objectives and associated questions, delimitation and limitations of the study. The goals, and importance of the research are established in this chapter, which also provides an overview of the dissertation's format.

Chapter Two contains a review of related literature covering theoretical stances and empirical evidence drawn from both developed and developing countries, and Zimbabwe in particular, explaining the factors which tax evasion imposes on collection are presented and analysed; followed by a synthesis and delineation of the research gap. The theoretical and conceptual framework is presented in Chapter two, which also links the study's goals to the most suitable techniques.

Chapter Three describes the research methodology which was used in this study. It delineates the approach to the study, research design, and study area, population of the study, sample and sampling procedures, data gathering techniques, validation of instruments, data analysis plan and ethical considerations of the study

Chapter Four contains the presentation of the research findings. The findings are presented according to the study objectives, research questions delineated in chapter one.

Chapter five provides a thorough overview of Zimbabwe's tax policies by summarizing the study findings. This chapter is to present a summary of the findings of the study, the conclusions drawn based on the findings of the study and recommendations made for consideration.

## **1.10 Summary**

The first chapter covered the introduction of the study. The study's goals and the topics for discussion have been emphasized in this chapter and the researcher's strategy for overcoming them. The importance of the study to the researcher, the university, ZIMRA, and the stakeholders, as well as the definitions of key research terminology and the study's boundaries, are just a few of the significant topics covered in this literature review is covered in the next chapter.



## CHAPTER II

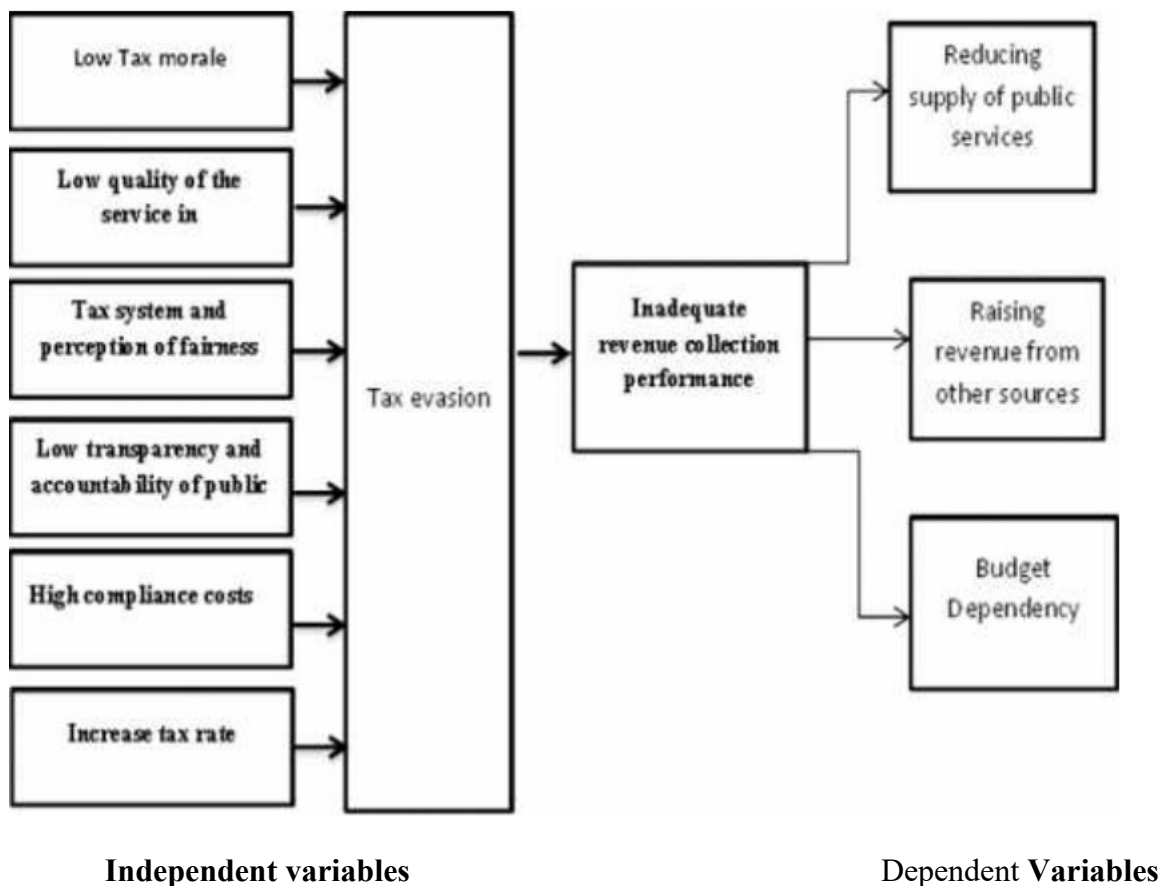
### LITERATURE REVIEW

#### 2.0 Introduction

The previous chapter introduced the subject matter under study and this chapter focuses on reviewing literature done on the impact of tax evasion on revenue performance. It is further subdivided into three distinct sections; the conceptual, theoretical and empirical literature.

#### 2.1 Conceptual framework

Figure 2. 1: Conceptual Framework



Source: Researcher (2023)

## **Tax evasion**

Often alludes to unethical methods of avoiding paying taxes. This is accomplished by hiding taxable income, earnings subject to taxation, or other taxable activities; misrepresenting the amount or source of income; or purposefully inflating tax-reducing elements such credits, deductions, or exemptions (Alm and Vazquez, 2021). Chiumya (2019) defined tax evasion as a taxpayer's wilful or intentional failure to comply with their tax obligations (Malkawi and Haloush, 2018).

## **Factors that Lead to the Tax Evasion**

### **Low tax morale**

Taxpayers' willingness to pay taxes differs widely across the world. It cannot be viewed as simply depending on the tax burden. Rather, Alm (2017) indicates that taxpayers throughout the world pay more taxes than can be explained by even the highest feasible levels of auditing, penalties and risk aversion. These high levels of tax compliance result from the tax morale of society that fosters self-enforcement of tax compliance. Tax morale is, however, not easy to establish. Especially countries without a deep-rooted 'culture' and habit of paying taxes find it difficult to establish tax morale (Alm, 2017).

### **Low quality of the service in return for taxes**

Citizens typically anticipate receiving some sort of benefit or service in exchange for paying taxes. Tax evasion and avoidance may result from people's unwillingness to pay taxes if the government fails to provide fundamental public goods and services or only partially supplies them (Pashev, 2017; Everest-Phillips, 2018; Lieberman, 2020; Brautigam et al., 2018).

### **Tax system and perception of fairness**

According to certain research, high tax rates encourage tax avoidance. It seems sense that high tax rates would result in a larger tax burden and a smaller amount of the taxpayer's discretionary income (Allingham and Sandmo, 2019; Chipeta, 2020). The amount of the tax rate, however, could not be the sole aspect affecting people's choice to pay taxes. In actuality, the whole tax system's structure also has an effect. People may feel that their personal tax burden is unjust and decide to report only a portion of their income if, for instance, the tax rate on corporate earnings is relatively low but the tax rate on their personal income is high.

### **Low transparency and accountability of public institutions**

Public mistrust of the government and the tax system is exacerbated by a lack of accountability and transparency in the use of public revenues. Thus, there is a rise in the desire to avoid paying taxes (Kirchler et al., 2017).

### **High compliance costs**

High compliance costs, these are the costs the taxpayer has to bear to gather the necessary information, fill out tax forms etc., can be an additional reason for tax evasion and avoidance. The World Bank's 2008 World Development Indicator for "time to prepare and pay taxes" shows huge differences between countries: While preparing and paying taxes requires 210 hours on average in high income OECD countries, the required time extends to 1080 hours in Bolivia and Vietnam and even 2600 hours in Brazil. Similarly, Everest-Philips (2018) describes a recent mapping of local taxes in Yemen which found over 1500 different taxes, licenses and fees covering various bases at different rates. This situation led businesses to worry more about the administrative burden than about the actual tax burden. In such a situation it can be assumed that

compliance costs are very high and the probability of the taxpayer complying with such a great variety of taxes low.

### **Increase in tax rate**

Regarding tax collection, many developing countries face difficulties with respect to important premises for a well-functioning tax administration, especially with respect to identifying and administering those citizens and firms that are liable to tax payments. Although there has been progress, tax administrations' capacity to introduce and sustain e.g. well-functioning tax registers still pose severe difficulties in many developing countries. Problems of insufficient capacity may also occur due to the organizational set up of the tax administration and its relationship to the ministry of finance. In general, there are two approaches for the organizational set up of tax administration.

## **2.2 Effects of Tax Evasion on Revenue Collection**

According to Fjeldstad (2017), there are at least three reasons why tax evasion has had such a wide range of fiscal repercussions. First, revenue losses resulting from non-compliance and corruption become noteworthy during periods of considerable budget deficit. Second, because there are many avenues for tax evasion, people may pay varying effective tax rates, which negatively impacts both horizontal and vertical equity (Alm & Martinez, 2017). Shome (2020) emphasized once more that tax evasion may have a significant negative impact on equity. Both horizontal and vertical inequality exist, where the higher-taxed individual pays for the lower-taxed individual since, in the absence of tax evasion, the tax rates would have been lower on the basis of revenue neutrality. Third, there's an increasing amount of worry about the developing shadow economy and how it influences economic policy (Tanzi and Shome, 2018).

Thus, fiscal corruption and tax evasion contribute to the erosion of governmental credibility. Additionally, a citizenry that disobeys tax rules may also disobey other laws. Toby (2018) confirmed that tax evasion has definitely had a negative impact on the ability of the government to generate money as well as the economy overall. He also said that taxpayers engage in tax evasion by using a variety of strategies. These actions increase inflationary pressures and undermine moral principles. This argument is supported by the fact that both people and businesses have large sums of money at their disposal as a result of tax avoidance. Businesses announce increased dividend payments, and personal profit margins are substantial.

### **2.3 The extent to which taxes are evaded in Masvingo**

To reduce or avoid paying taxes, private people and companies use a variety of tax flight tactics, which are described in this part. This article aims to provide a general overview of the most common tools that are impeding efforts to mobilize money in underdeveloped nations—Zimbabwe specifically included. It should be noted that the review concentrates on the tax evasion strategies that are most pertinent to tax losses in poor nations, particularly Zimbabwe, rather than offering an exhaustive list of all potential strategies.

#### **VAT fraud**

False claims of business transactions liable to VAT are one kind of tax evasion that has gained more attention as goods and services taxes (GST) or VAT are adopted more widely and at higher rates in developing nations. For instance, a single instance of VAT fraud forced Sri Lanka, which implemented the VAT system in 2002, to suffer significant revenue losses (about 10% of its net VAT revenues; Keen and Smith, 2007). As a result, there are many various ways that fraudulent exploitation of the VAT system occurs, both inside and beyond national boundaries. The basis

for all types of VAT fraud is the idea that all registered companies can deduct the VAT they pay on sales from the VAT they pay on the items they buy (Keen and Smith, 2017). In its most basic form, missing trader fraud consists of under-reporting sales through the falsification of accounts and records, which enables the fraudster to amass taxes without sending them to the appropriate authority. Similar tactics are used, particularly by start-ups when matching sales levels are not anticipated right away, such as inflating purchases and falsifying invoices to raise the amount of VAT refunds (Keen and Smith, 2017).

### **Misclassification of commodities**

The misrepresentation of goods subject to varying VAT rates in an effort to lower tax obligations or maximize claims for tax refunds is another method of tax evasion. Smuggling products across borders to avoid VAT responsibilities and other indirect taxes like customs and excise fees is related to revenue losses resulting from tax evasion operations (Keen and Smith, 2017).

### **Bribery of tax officials**

As demonstrated in the instance of Bangladesh, where sugar importers avoided 90% of excise taxes in coordination with dishonest tax authorities, developing nations that have inefficiencies in the administration and enforcement of taxes are vulnerable to corporate bribery (TJN,2018). In summary, it is crucial to remember that the tax evasion methods mentioned above are not exclusive of one another and can also have an impact on one another. For instance, earnings from illegal acts like the smuggling of commodities, the fraudulent manipulation of VAT records, or bribery may result in illicit financial flows that are channeled to offshore accounts.

### **Tax shelters**

Investments that allow for, or claim to enable, a decrease in one's income tax burden are known as tax havens. When the term "tax shelter" was first coined, it primarily referred to certain

investments made in the form of limited partnerships, some of which were deemed abusive by the U.S. Internal Revenue Service. However, things like home ownership, pension plans, and Individual Retirement Accounts (IRAs) can be broadly considered "tax shelters" insofar as funds in them are not taxed, provided that they are held within the Individual Retirement Account for the required amount of time.

### **Smuggling**

The unlawful import or export of foreign goods is known as smuggling. Both the introduction of contraband and complete escape of customs charges are accomplished through smuggling. Since smuggled goods are not transported via customs ports that are compatible with customs taxes, they are not required to be declared and, consequently, are not subject to the payment of duties and taxes, meaning that a smuggler is exempt from paying any customs charges.

- Producing a fraudulent income return by overstating costs, understating income, or omitting revenue.
- Falsifying any facts that might influence one's tax obligation
- Creating and keeping fraudulent documents or books of accounts
- Application of fraud, such as falsifying valuation and stock sheets, damaging or destroying financial documents, and failing to provide sales receipts

## **2.4 The major problems that hinders performance of revenue collection process**

### **Corrupt Practices in Revenue Administration**

According to Child (2018), corrupt practices in revenue administration involves tax officers, taxpayers, importers and customs clearing agents, therefore it can take many forms ranging from

systematic- where individuals act together, systematically support evasion to individual corruption, where tax officers abuse their position for financial gain from tax payers. In most cases corrupt practices include: Charging for services that should be free, Charging for help to overcome complicated procedures and to qualify for exemptions or duty free treatment, Turning a blind eye to non-registration for taxation, smuggling, and fraud ( in customs, for instance, the declaration of false values supported by fraudulent invoices),Overstating values, over-assessing tax to instigate corrupt deals with importers and tax payers, Aiding taxpayers and importers in understating income and value of goods, Losing' files, Facilitating or organizing the smuggling of goods, Receiving payments to complete tax returns for tax payers or customs entries for importers.

### **Evasion or Avoidance**

One of the most important problems that any tax administration faces is cheating or evasion. It is important to distinguish between tax avoidance and tax evasion. Tax avoidance is changing one's behaviour in such a way as to reduce legal tax liability, and as such, tax avoidance is not illegal. Tax evasion is failing to pay taxes which are legally due. If a tax on oranges is levied and you sell fewer oranges, it is tax avoidance. If you fail to report your sales of oranges to the tax authorities, it is tax evasion. Tax evasion is not a new problem. Even Plato observed, when there is an income tax, the just man will pay more and the unjust less on the same amount of income. In recent years the phenomenon of tax evasion has received a large amount of public attention. However, by its very nature it is difficult to measure. Cheating may be habit-forming, that is, once people become accustomed to evading taxation, they will continue to do so even if the marginal tax rates are lowered.



## **Cash Transaction**

When business transactions are conducted through cash transaction, the situation complicates the enforcement of tax collection (Gordon and Li, 2017). Parties involved in this arrangement have the loophole of not being recognized by tax authority hence erosion of tax revenue.

## **Tax Exemptions**

Every year the Parliament of Zimbabwe carefully scrutinizes the Government's budget. Tax exemptions, on the other hand, do not receive the same attention in the Parliament, effectively making them hidden expenditures. Tax exemptions involve very large sums of money. The sheer size of the amount involved raises question about the purpose these incentives serve and whether the amounts spent on them are justified. Could it be that tax exemptions are too high for a country that is struggling to collect sufficient resources to finance its budget? Could it be that Zimbabwe would be better off if fewer tax exemptions were granted and more money was spent on health, water or education?

## **2.5 The strategies used by ZIMRA to combat tax evasion in Masvingo**

### **Addressing weak enforcement at the national level**

The implementation of tax administration changes is an essential component of any successful national enforcement strategy. Various organizational reform strategies, such as the establishment of large taxpayer units, semi-autonomous revenue authorities, and trainings and courses on particular subjects—such as tax fraud detection or illegal profit shifting—as well as wage schedule restructuring that provides enough incentives to draw in qualified employees and reduce the likelihood of corrupt behavior are among the measures taken in this area.

### **Provision of tax education to taxpayer**

Taxpayers sometimes fail to see how crucial taxes are to the state's operation. In a similar vein, one's own tax obligations and the documentation needed to comply with the tax code, such as various tax forms, may be unclear or incomprehensible. Citizens can receive information on the tax system, assistance in trying to comply with the tax system, and education through taxpayer education and taxpayer service. There have been initiatives made in this direction.

### **Addressing tax compliance costs and administrative costs**

Governments in developing nations and their development partners should focus on policies that lower the cost of taxpayers meeting their tax obligations in addition to encouraging voluntary tax compliance.

## **2.6 Effectiveness of strategies employed by ZIMRA in curbing tax evasion**

The role of tax administration in maximizing revenue generation and minimizing tax evasion cannot be over-emphasized. These remain challenging tasks at every stage of development of a tax administration. This is because it is not just a matter of maximization or minimization but, rather, one of optimization, Shome, (2018).

The strategies which could be utilised by governments to address the problem of tax evasion, can be categorised into those which define and criminalise tax evasion (for example, anti-avoidance legislation), those which punish evasion (revenue powers), those which forgive tax evaders and allow them to re-enter the formal economy (settlements and amnesties), and those which appeal to, or seek to, create group norms of compliant behaviour (naming and shaming) Oberholzer, (2017). Shome (2018) also stated that, there has to be a genuine threat and actual carrying out of

audit, scrutiny, investigation, penalty and punishment for an errant taxpayer. However, regarding this issue, Lewis (2019) cited in Oberholzer, (2017) is of the opinion that two major policy initiatives remain: increasing the deterrence capabilities of tax authorities and seeking an improvement in taxpayers' attitudes and perceptions vis-à-vis the government and tax authorities. He believes that what is required is compliance to rules prompted by conscience, rather than fear of punishment.

Further, Shome (2018) summed up modalities in order to keep tax evasion in check, the tax administration must: (i) incorporate genuine threat of penalty but ensure due process; in order to do this, of course the tax administration should be adequately financed and structured; (ii) computerize as many administrative processes as possible to minimize the interface between taxpayer and tax official; and (iii) not remain aloof from tax policy but assist in every way possible to help design, in reflection of its field experience, a simple tax structure and its commensurate tax law. Green (2019) also simplified the how to control tax evasion in his research on the topic 'What Is Wrong with Tax Evasion?' stating that, there are presumably many potential fixes for the state of affairs and they are:

- Simplify the tax code, making clearer the distinction between lawful and unlawful behavior (though we should recognize how difficult this would be, particularly in the context of taxes paid by large businesses); and distinguish more clearly between what constitute criminal and civil violations of the code;
- Change our political rhetoric, attempting to educate people about the importance of tax revenues; and modify priorities for government spending;
- Make the Code more equitable, from both a vertical and horizontal perspective; and distinguish more clearly between choate and inchoate violations;

- Rethink the requirements of men's rea (criminal intent; the thoughts and intentions behind a wrongful act (including knowledge that the act is illegal); and increase enforcement and make the level of enforcement more uniform.

Chiumya (2018) has therefore stated that, counteracting tax evasion is one of the most complex activities in tax Administration. This is because tax evasion takes many forms and facets. One of the major keys to successfully carry out such activities is to first and foremost understand the behavior of taxpayers and the reasons that cause such specific behavior. Thus, taking into consideration the emphasis by Vogel (2019) cited in Oberholzer, (2017), on the importance of education and information in the process of opinion formation. A deeper understanding of the benefits provided for by taxes, as well as the technical reasons for tax laws and regulations are necessary preconditions to both positive attitudes about the tax system and appropriate fiscal behavior.

## **2.7 Theoretical framework**

Several economic theories have been proposed to run an effective tax system according to its importance. Taxes are generally classified under different theories as given: ability to pay theory, benefit received theory, socio political theory and equal distribution principle as well as economic of crime model.

### **2.7.1 Ability-to-Pay theory:**

The ability-to-pay philosophy of taxation posits that taxes must be imposed in line with taxpayer's capacity to pay (Investopedia, 2020). The theory was espoused by Adam Smith in 1776. The belief is that economic agents with higher incomes are able to pay more in taxes and

as such should contribute more than the poor. The idea is that wealth people should be prepared to plough back a little to society which assisted them to reach such greater heights. Advocates of the theory assert that a dollar denotes not a thing to the affluent than a salaried person hence the affluent should be prepared to part ways with such a little. The argument is that tax burden should be distributed among economic agents in accordance with their capacity to bear it, taking into consideration all of the relevant personal features and this makes personal levies the most suitable taxes. Thus, historically it was agreed that income is the best indicator of ability to pay.

Ability to pay theory gave birth to the progressive income tax concept and does not consider the amount of services that taxpayers use. For example, all workers contribute to AIDS levy despite not benefiting from the tax arrangement. According to Utz (2002), this has made some theorists to reject the ability to pay proposition in its early stages, for example, Knut Wicksell in 1986. Several English theorists like John Locke and Thomas Hobbes also dissent the ability to pay hypothesis and they assert that equity should be grounded on consumption rather than earnings. Indirect taxes such as VAT, excise duty and sales tax can also be fairly reconciled to the ability to pay principle. This can be done by instituting tax exemptions on necessities such as basic commodities like salt or by metamorphosing tax rates in accordance with exigency of need. However, such policies are overally ineffective and they contort consumer buying patterns and their intricacy often makes them arduous to install.

## **2.8 Empirical framework**

**Determinants of tax evasion in the developing economies: A structural equation model approach of the case of Ghana by Richard Oduro (2021)**

The study examined the factors that determine whether a tax payer would evade tax. It also explored the mediating role of tax education in the relationship between traditional, institutional, socio-cultural factors and tax evasion (Yong & Fukofuka, 2023). A cross-sectional survey was used for the study. This relationship was also found to be mediated by tax education as it relate negatively with traditional and institutional factors as well as tax evasion. It was also found that as agreed by Shakkour (2021) that socio-cultural factors such as gender, income level, education and age do not have significant influence on tax evasion. The study concluded that, tax education plays a significant role in reducing the effect of traditional and institutional factors on tax evasion. The study recommended that educating respondents on the need to pay taxes moderate the extent to which increases in tax rates, penalty for tax non- compliance, and audit probability contributes to tax evasion (Gorecki, 2021).

### **Assessment of Tax evasion practices in Tanzania: The case Temeke municipal**

**By Stephen Germino (2021)**

The study assessed the extent factors that influence tax evasion a case of Temeke Municipal Council. Specifically, the study assessed the accountability on tax collection; ascertain the influence of corruption on tax collection; discern the impact of staff ethics on the study was conducted through a descriptive design using a cross sectional survey within Temeke's Municipal Council workforce in Dar es salaam. The study employed purposive sampling to select the sample and sample elements. The field data was statistically analysed using descriptive statistics and narrative summary analyses. Findings indicate that accountability has a significant impact to TRA, lake of knowledge to taxpayer, corruption among those who are responsible, high rate of tax which causes some of them to evade tax (Soka,2019), (Ongeto,2021) and (Husin & Hamid, 2021).

## **Professionals' Perspective of Tax Evasion: Some Evidence from Nigeria by Tijani Oladipupo Muhrtala and Mathias Ogundeji (2018)**

An empirical study was carried out through a structured survey directed at tax professionals. This information was collected in order to explain the determinants of tax evasion. The results showed that tax evasion in Nigeria was largely influenced by complexity in the tax structure, perceived financial and economic benefits associated with tax evasion, and lack of trust in governance over financial resource utilization (Bello, 2022) and (Nimer, 2022). The outcome suggested that there should be adequate implementation of appropriate recommendations made in the study towards enhancing a better tax policy and improved tax administration in the country (Moore & Prichard, 2020).

### **2.9 Summary**

This chapter discussed the literature review (both theoretical and empirical), Conceptual framework and the relationship of variables in study. The next chapter dwells on research methodology, clearly outlining the research tools and instruments used in the study.

## CHAPTER III

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter highlights the method used in conducting the study; research design, research method, population and sampling, research instruments, data presentation, analysis and summary. The major focus of this chapter is to introduce the research design, location of the study, sample size, research techniques (quantitative or qualitative), population of inquiry, sampling techniques, data collection instruments, type of data collected (primary and secondary data) and data analysis techniques which were employed in this study.

#### 3.1 Research Philosophy

The philosophy taken for this research is a pragmatist research philosophy. This study uses a pragmatist research paradigm, focusing on objective data analysis and empirical observation to comprehend and explain the issue of tax evasion in Zimbabwe. The study's quantitative and qualitative data gathering techniques are in line with pragmatism, which allows for a thorough analysis of tax processes.

In addition, the pragmatic research philosophy could yield better research results with the opportunity to use a mix of different methods in the research. The alternative to the pragmatism philosophy is the use of the interpretivist philosophy or positivist philosophy which are major philosophies used in the conduct of research but these did not fit with the requirements of the research.



### **3.2 Research Approach**

A deductive approach is taken as these fits with pragmatism philosophy. The deductive research approach provides a comprehension of different understanding of tax evasion actions by means of empirical data. For this research, the deductive research approach will provide the observations that are needed in forming the views for the outcomes to address the research objectives. This is through the execution of primary research with the use of a structured questionnaire in order to build the understanding of the observations in addressing the research issues. The alternative research approach considered for the research is the inductive research approach. While it is possible to utilise an inductive research approach for the pragmatism philosophy, the decision was to utilise a deductive approach given the linkage to an approach that is based on objectivity in the assessment of the observation.

### **3.3 Research Method**

The research used a mixed method in this investigation. Kombo and Tromp (2018) state that in order to achieve methodological triangulation and optimize the quality of the data gathered, qualitative and quantitative research methodologies have frequently been used in the same study project. Mixed method is less tied to disciplines and established research paradigms. They offer more flexibility in designing your research, allowing you to combine aspects of different types of studies to distill the most informative results. Mixed method research can also combine theory generation and hypothesis testing within a single study, which is unusual for standalone qualitative or quantitative studies.

### **3.4 Research Design:**

Survey design was employed in this investigation. The survey method's adaptability in terms of question formulation and answer analysis led to its adoption. It enables a thorough analysis of people's opinions about particular topics. Likewise, as the study focused on the Masvingo tax district, Zimra officials and taxpayers were among the intended respondents. Top Zimra personnel were interviewed for the research, while tax payers and a few Zimra officials were given questionnaires.

### **3.5 Population:**

The research population comprises of all individuals and officially registered business entities trading in Zimbabwe and paying taxes. The population excludes illegal activities that are not taxable. The sample is then made up of all items that fit in the population hence tax revenues figures used in this study is a final product of the defined population as a whole. The study population consisted of 8640 taxpayers who are registered with Zimra from Masvingo Zimra (2022), 148 Zimra officials from Audit, Customer Care and Debt Management Sections.

### **3.6 Sample and sampling techniques**

Because it was difficult to include all 8,640 business tax payers in the study, a total sample of 297, or 287 tax payer respondents, as well as 55 Zimra officials, was projected to exist in the Masvingo tax zone. There are 8,640 corporate tax payers and 148 officials.

**Table 3.1: Respondents profile**

<b>Tax payers Strata</b>	<b>No of taxpayer on each stratum</b>	<b>Sampling</b>	<b>Target sample</b>
<b>Large</b>	<b>3640</b>	$\frac{3640}{8640 \times 864}$	<b>121</b>
<b>Medium</b>	<b>3280</b>	$\frac{3280}{8640 \times 864}$	<b>109</b>
<b>Small</b>	<b>1720</b>	$\frac{1720}{8640 \times 864}$	<b>57</b>
<b>ZIMRA Officers</b>	<b>148</b>		<b>55</b>
<b>Total</b>	<b>8640</b>	$\frac{8640}{8640 \times 864}$	<b>342</b>

While tax payers were gathered using a stratified sample approach to include all three main groups: large, medium, and small tax payers, all ZIMRA officials were purposefully selected.

Stratified sampling was used in this study to get ZIMRA tax payers. It is useful to sample each stratum (sub population) separately when sub populations within an overall population differ. There should be only one stratum for each element in the population, and these strata should be mutually exclusive. The strata should also be collectively comprehensive, meaning that no component of the population can be left out. Within each stratum, basic random sampling or systematic sampling is then used. Large, Medium, and Small taxpayers were the three strata into which the population was split for the purpose of stratified sampling sample fractions proportionate to the population as a whole have been employed in each stratum through the use of proportionate allocation.

### **3.7 Instrumentation Procedures:**

Data was collected from issuing of Questionnaires and Interviews from ZIMRA. Annual revenue collection from ZIMRA reports were also used as instrument for the research. The data is rendered free of errors since its publication is in accordance with the ZIMRA Revenues

publication guidelines. In addition, data was also gathered from newspapers articles, specialized international journals, the world-wide web, and relevant previous studies.

In this study, information on the consequences of tax evasion on revenue collections in the Masvingo was gathered through interviews with Zimra officers and supervisors. Telephone and online interviews were used for collecting data from ZIMRA officers and managers concerning effects of tax evasion on revenue collections in Masvingo. This method was thought to be appropriate for a thorough study and helpful for gathering data on preferences, attitudes, and dislikes that might be inferred from a respondent's non-verbal cues as well as their possible subtle body language (Gale, 2019).

### **Questionnaires**

Kothari (2018) maintains that questionnaires in research are instruments for gathering data beyond the physical reach of the observer. Questionnaires involve a set of questions to be used to collect information from the respondents on their attitudes, feelings or reactions to the problem under study. This method of data collection ensures that all respondents answer questions almost at the same time. Kothari (2018) adds that in general, the questionnaire is an economical method of data collection in terms of time and coverage as well as being free of researcher bias. The questionnaire method was used to collect information from tax payers, considering the large number of tax payers needed for the study and the limited time available. The questionnaire consisted of both closed and open-ended questions. Kothari (2018) believes that both open and closed types are cost effective and efficient and can elicit a lot of different types of information.

### **3.8 Validity and Reliability**

The reliability of the research is based on the execution of the test instrument which is the survey questionnaire. This was piloted across several potential respondents to ensure that the understanding of the questionnaire was consistent across different respondents. The questionnaire was revised in order to address the issues in the questions that were not easily understood or not similarly understood by the respondents in the pilot of the questionnaire. As the revised questionnaire was consistently understood by the potential respondents, this was deemed to provide a reliable response across the set of questions included in the questionnaire.

The questionnaire was also considered for validity. In order to minimize the issues in relation to the test validity, the questionnaire was designed to as a close-ended questionnaire thereby limiting the responses of the respondents to a positive response, a negative response, or no response to the question posed. Given that the questions were close-ended questions, the validity of the questionnaire as accepted as a result of as the basis as the basis of the responses is the perspectives of the respondents.

### **3.9 Data Collection procedure:**

The researcher used both primary and secondary data sources to collect data. Primary data was used from the returned questionnaires, responses from focus interviews and secondary data from published revenue collection reports from ZIMRA official sites and Revenues report as well as newspaper publications and previous research findings journals.

### **3.10 Ethical Considerations:**

The researcher-maintained confidentiality and consent of the respondents. This was done by relaying all the necessary important details of the study, including study and therefore not being forced to participate in the research. The names of the participants were not disclosed including any other personal information in the research and the researcher ensured that only those details that help in answering the research questions were included in the questionnaire.

### **3.11 Data analysis and presentations**

Data that was obtained through questionnaires were coded and total scores by major sections or items representing cluster was computed. Frequencies and descriptive were analysed through Statistical Package for the Social Sciences (SPSS). The study adopted the Classical Linear Regression Model in data analysis. The study performed diagnostic tests such as multicollinearity, heteroscedasticity, autocorrelation, unit root and stability tests with the main view of avoiding spurious results.

### **3.12 Summary**

The objective of this chapter was on highlighting the techniques in which the study was carried out. This chapter described the research methodology with the designs employed, as well as identifying research area and estimation techniques. The chapter illustrates how the data was gathered and data analysis technique which includes model specifications and the test on the data. Chapter three hence leads to the next chapter that present the research findings.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS, AND DISCUSSION

#### 4.0 Introduction

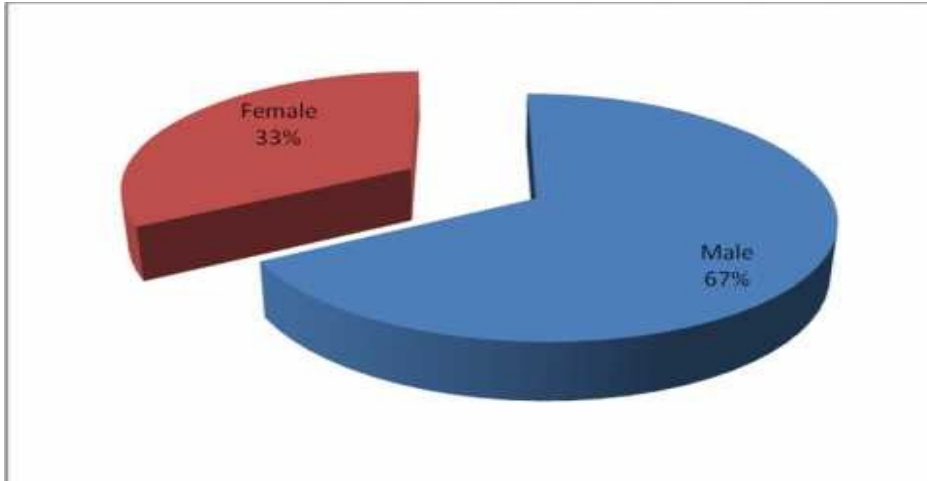
This chapter presents data and findings of the study on effects tax evasion in revenue collection. The chapter explains more on research findings, analysis of data gathered, and presentation techniques, interpretations and discussions developed under this study. The research objectives given in the previous chapters were used as an aid in concluding evaluations and discussions of the chapter. The chapter presents summary statistics, results of relevant tests undertaken and final results used to conclude the study. The study findings were presented according to the research objectives as stated in chapter one.

#### 4.1 Profile of the Respondents

The respondents' demographic distribution is shown here, broken down by age, sex, and educational attainment. The majority of the responders are Zimra officials from the Masvingo tax district and business tax payers.

##### 4.1.1 Sex

The sex distribution of the respondents of the study may be depicted in the figure 4.1



It is evident that men made up a larger portion of the population overall. This shows that men outnumber women respondents in terms of tax payment (67% versus 33%). As a result, men predominate in the corporate world, which supports the notion that tax collecting is challenging. This could also be an indication of the similar tendency in Zimbabwe's other tax-paying areas.

#### 4.1.2 Distribution of respondents by Age

The age distribution of the respondents is shown in table 4.1. The demands of various age groups are often diverse.

Age group	Frequency	Cumulative percent
18-25	18	5.5
26-35	122	35.8
36-45	96	28.2
46-55	83	24.4
>55	19	5.8
Total	342	100.0

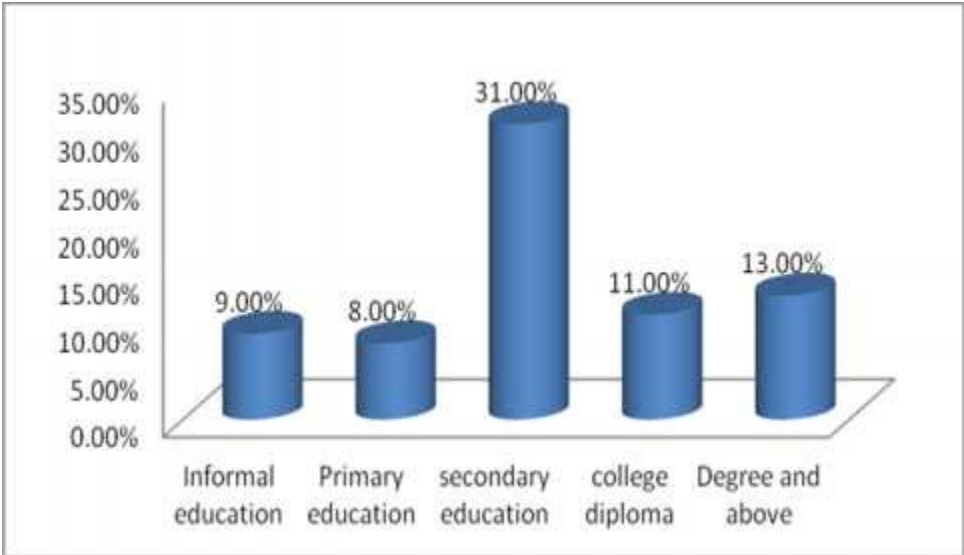


The results indicate that the majority of respondents are young people, with 35.8% of all respondents being between the ages of 26 and 35. The next age group is 36–45 years old, which accounts for 28.2% of the group, and the group 46–55 years old, which accounts for 24.4%. The high proportion of young people in the 26–35-year-old group may be due to their high level of education and willingness to pay taxes.

### 4.1.3 Educational Level

The distribution of respondents according to education level is presented on the figure 4.2.

**Figure 4.2: Distribution of respondents by education level**



The responders with the highest percentage were those with at least a secondary education. It is evident that the percentage of taxpayers rises along with educational attainment. These results might have two causes. First, the vast majority of taxpayers are educated; second, a sizeable portion of secondary school drop-outs may be in the corporate world.

## 4.2. Research Findings

### 4.2.1 What is the effect of tax evasion on revenue collection performance in Masvingo?

The linear regression approach was applied to determine the association between tax evasion and revenue collection performance.

Correlations		Tax evasion	Revenue collection
Tax Evasion	Person correlation	1.00	0.84
Revenue collection	Person correlation	0.84	1.00

Tax evasion and revenue collection performance have a very significant positive relationship, as seen by the value in the table. This suggests that tax evasion accounts for 84% of the law levels of revenue collection as stated in the problem statement, with the remaining variables contributing just little (16%). An examination of the documentation showed that the Masvingo tax region's domestic revenue collection grew from 63.7% in 2010 to 80.4% in 2021. The study findings are summarized in Table 4.2.

**Table 4.2: Domestic revenue department**

	Targeted	Actual	Percent	Evaded	percent
2010	24,254,300,000	15,462,342,557	63.7	8,791,957,443	36.3
2019	25,603,300,000	18,153,171,482	70.9	7,450,128,518	29.1
2020	34,860,600,000	24,447,073,207	70.1	10,413,526,793	29.9
2021	37,542,800,000	30,217,871,324	80.4	7,324,928,676	19.6

The data in the preceding table makes it abundantly evident that the area's tax collection objective has not been met by the local income generated in the Masvingo tax region. For

instance, in 2010 the goal was to raise \$24,254,300,000 in income; however, only \$15,462,342,557 (63.7%) were raised in the end. In 2019 and 2020, out of 57,533,300,000 and 70,746,400,000 planned incomes, respectively, only 51,522,338,934 (89.5%) and 47,259,876,373 (66.8%) were collected.

**Table 4.3. Customs and exercise department**

	Targeted	Actual	Percent	Evaded	percent
2010	66,224,900,000	40,142,059,516	60.6	26,082,840,484	39.4
2019	57,533,300,000	51,522,338,934	89.5	6,010,961,066	10.5
2020	70,746,400,000	47,259,876,373	66.8	23,486,523,627	33.2
2021	54,537,463,037	35,087,741,740	64.3	19,449,721,297	35.7

According to information in table 4.3 above, the Masvingo tax region's Zimra was expected to collect 66,224,900,000 in revenue in 2010; however, the actual revenue collected was 40,142,059,516 (60.6%). In 2010, 57,533,300,000 was expected, so approximately 51,522,338,934 (89.5%) was collected. In 2020, of the 70,746,400,000 expected revenue, only 47,259,876,373 (66.8%) was collected. Finally, revenue in 2021 fell to 35,087,741,740 (64.3%).

#### **4.2.2 To what extent is tax evasion prevalent in Masvingo?**

The researcher's goal in this paragraph was to determine whether or not the anticipated taxpayers had registered as predicted. According to the study's findings, only 26009 (45.5%) and 34848 (45.5%) of the 57119 and 76563 taxpayers who were anticipated to join in 2020 and 2021 were actually registered to pay taxes (see table 4.4)

**Table 4.4: Taxpayers' enrolment in 2020 and 2021 in Masvingo tax region**

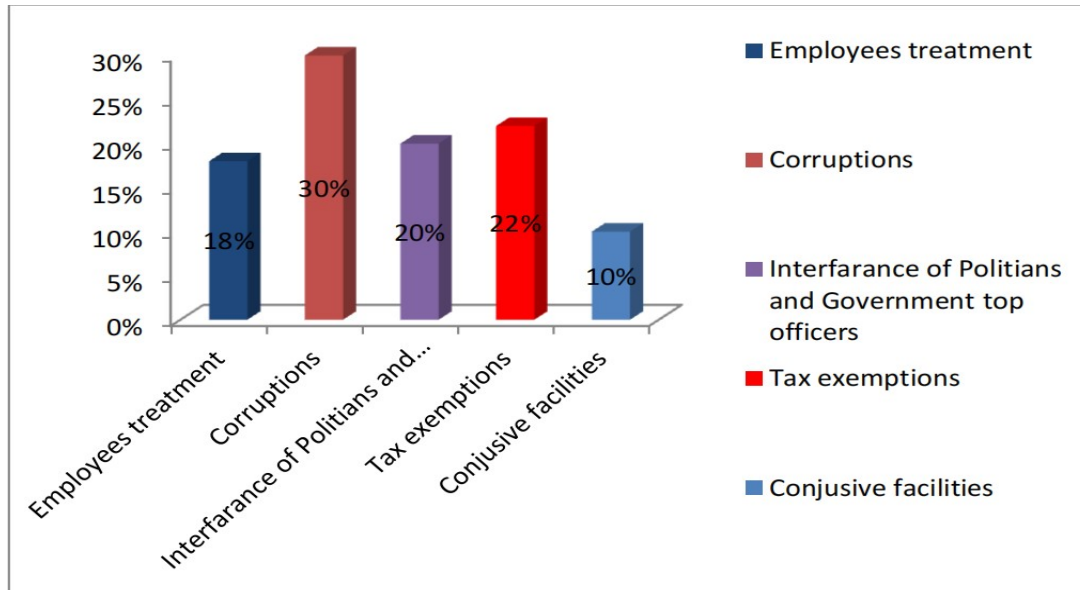
Business type	Targeted Number		Registered			
	2020	2021	2020	%	2021	%
PARTNERSHIP	140	215	56	40	108	<b>50.2</b>
COOPERATIVE SOCIETIES	30	35	5	16.6	13	<b>37.1</b>
LIMITED COMPANY	120	134	39	32.5	47	<b>35</b>
NGO	20	28	12	60	19	<b>67.8</b>
SOLE PROPRIETOR	56791	76131	25890	45.5	34651	<b>45.5</b>
GOVERNMENT	7	8	4	57.1	5	<b>62.5</b>
ASSOCIATION/CLUBS	8	12	3	37.5	5	<b>41.6</b>
Total	<b>57119</b>	<b>76563</b>	<b>26009</b>	<b>45.5</b>	<b>34848</b>	<b>45.5</b>

**Source: Research data, 2023**

According to data in table 4.4 above, only 56 (40%) and 108 (50.2%) of the 215 cooperative societies that were anticipated to join in 2020 and 2021, respectively, were registered for tax payment; the remaining societies were not. About 140 and 215 partnership taxpayers were anticipated in 2020 and 2021, respectively, but only 56 (40%) and 108 (50.2%) of them enrolled. Additionally, only 39 (32.5%) and 47 (35%) of the approximately 120 and 134 limited enterprises that were scheduled to register for tax payment in 2020 and 2021 actually did. About 20 and 28 NGOs were predicted to be able to register in 2020 and 2021, however only 12 (or 60%) and 19 (or 67.8%) of them did. Since just a small percentage of taxpayers registered to pay taxes, it is implied that the tax registration rate was below expectations.

### 4.2.3 What are the major problems that hinders performance of revenue collection process?

**Figure 4.3 Factors Hindering Effective Tax Collection in Masvingo**



**Source: Field data collection**

The researcher asked the respondents on factors affecting the revenue collection in their areas, the respondents' results were as shown in figure 4.5. The corruption acquired 30% out of 100% followed by tax exemption with 22% followed by politicians and government top officers with 20% followed by negative employee treatment as well as conducive environment and facilities holding 10%.

### 4.2.4 What are the strategies used by ZIMRA to combat tax evasion in Masvingo?

The tactics used by Masvingo to reduce tax evasion are covered in this section. According to the survey, the most common tactic employed to prevent tax evasion was highlighted by all 55 (100%) respondents: the implementation of fines. For instance, Zimra authorities said that during the most recent fiscal year, 2020–2021, over 50 people were either penalized or brought to court

for tax evasion. The results above seem to indicate that tax payers wouldn't look for ways to evade taxes if regulations against missing payments are widely known about and strictly enforced. Thus, it appears that Shome (2018) was correct when he said that an actual audit, inspection, inquiry, penalty, or punishment for a non-compliant taxpayer must be carried out in the event of a true threat. The next tactic that (90%) respondents indicated was also employed to prevent tax evasion in the Masvingo tax district was door-to-door.

**Table 4.5: Strategies employed by Zimra officials in reducing tax evasion problem in Masvingo**

<b>Strategies</b>	<b>Frequency</b>	<b>Percent</b>
Enforcement of Penalties	342	100
Door to Door visit in all area	308	90
Priority on Tax education	274	80
Introduction of taxpayer identification number (BPN)	239	70
Computerization of tax administration	171	50
Prosecution and penalty	137	40
Strengthen Taxpayer recruitment	103	30
Enhance Taxpayer Registration and De-registration	68	20
Providing relevant information to new taxpayers	34	10

Furthermore, around 50% of respondents stated that since all Masvingo authorities and political leaders at all levels addressed community sensitization to tax collection, it was a permanent agenda item in the region. "Taxpayers in this area are lucky to have tax officials who are committed to education," stated a tax region officer from Masvingo. A lot of effort has been made to encourage business owners to pay taxes related to their operations.

Furthermore, 30% reported that they strengthened taxpayer recruitment through the introduction of taxpayer service and education departments, among other techniques. The agency consistently promotes voluntary taxpayer registration. This is accomplished by holding seminars and regularly placing advertisements in newspapers, radio, and television. While there has been a determined effort to register every individual doing business.

The final (20%) respondents stated that another measure used was the enhancement of taxpayer registration and de registration. Without knowing the precise number of taxpayers in the

### **4.3 Interview Results**

#### **4.3.1 What are the effects of tax evasion on revenue collection performance in Masvingo?**

The study looked at how poor revenue collection in the Masvingo tax zone was driven by tax evasion. This is significant since inadequate revenue collection is linked to tax evasion. We asked the tax area officials in Masvingo to clarify the degree to which low revenue collection was a result of tax evasion. The majority said that Masvingo low revenue collection was caused by tax evasion. Nonetheless, the minority said that insufficient revenue collection was not caused by tax evasion. The study's findings demonstrate that tax evasion practices contributed to a decrease in revenue collection. This suggested that tax evasion had a detrimental effect on the amount of money collected in the Masvingo. Respondent A argued that:

“Taxpayers are declaring fictitious figures with little taxable income they are hiding accurate figures”.

Responded B also noted that:

“Majority tax payers are not registered for VAT; they are not paying tax and they are using creative accounting to validate that they are operating under VAT registration limits.”

Respondents were asked if higher tax rates for taxpayers in the Masvingo lead to higher rates of tax evasion. Of the tax authorities surveyed, the majority reported that an increase in tax rates leads to an increase in tax evasion, whereas minority said that an increase in tax rates did not produce an increase in tax evasion. This suggests that as tax rates rise, tax evasion rises as well, increasing the tax burden on voluntarily complying taxpayers.

Respondent C stated that:

“The increase in tax rate has seen many tax payers declaring accounts below tax threshold.”

In addition, the respondents were questioned if tax evasion has an impact on the availability of public services in the Masvingo. The reason this matter was raised was because Masvingo development programs depended heavily on tax money. The delivery of services has been impacted by this circumstance as well. According to the majority respondents, tax evasion results in sub-par development progress. This implies that poor development in the sample area was caused by tax avoidance. Additionally, the Central Government has declared that due to poor tax revenue, the Masvingo, which now holds the rank of city, will be downgraded to a regular area.

Respondent D asserts that:

“Non-payment of taxes hinders progress to public goods and services”.

Respondent E further said that:

“Tax evading is a serious offence and crime as it deprived adequacy to supply of public services.”

Another inquiry posed to tax officials inquires as to whether tax evasion causes tax revenue to fall short of the desired level. The responses are tallied down below. The majority respondents said that tax evasion was the reason why tax collection fell short of the desired amount. In



agreement with the aforementioned conclusions, the regional coordinator for Masvingo taxes stated that the region has fallen short of its revenue collection objective for six years running as a result of tax evasion.

Respondent F pointed that:

“We are failing to meet the required target of revenue because a lot of tax payers are absconding payment of taxes.”

In support respondent G said that:

“A lot of tax payers are not registered for VAT and as a country we are losing a lot of revenue.”

The majority of respondents who were asked to complete the surveys said that tax evasion forced Zimra to find additional sources of funding to make up the difference. Relatively few respondents, claimed that tax evasion had no effect on generating money from other sources.

Respondent H confirmed that:

“As a revenue authority we are forced to initiative and use creative measures raise revenue for the country.”

#### **4.3.2 To what extent is tax evasion prevalent in Masvingo?**

According to the report, the Masvingo tax region's Zimra collected employment taxes at a rate of 40%, followed by corporate taxes at 32% and withholding taxes at just 28%. This suggests that there is a 12% disparity because company taxes were not adequately collected to reach the stated goal of 100%. In terms of indirect tax, the analysis showed that VAT (67%), other charges (48%), local excise duty (45%), and departures costs (39%) accounted for the largest payment (see

figure 4.5). The anticipated goal to collect 100% or more of the tax revenue was not met by the amount of tax collected.

The majority respondents argued that taxes were invaded across all the tax heads. VAT and Income tax were the top invaded tax heads and a few registered and compliant tax payers are paying their taxes. Responded I further noted that:

“Medium clients are evading taxes and we are designing a mechanism to curb evasion totally.”

Responded J in support of I said that:

“SMEs are not compliant, and the majority of them are fleeing from paying taxes.”

### **4.3.3 What are the major problems hinders performance of revenue collection process?**

The researcher asked the respondents on factors affecting the revenue collection in their areas. The corruption acquired majority response followed by tax exemption with minority response followed by politicians and government top officers with minority response followed by negative employee treatment as well as conducive environment and facilities holding lowest minority response. ZIMRA senior management team and other employees differ extensively with the taxpayer arguments and they have an perceptions/opinions that law provisions that exempts business communities and environments are the stimulant variables that motivates the taxpayers to fulfill their obligations and enjoy the benefits accrued from the tax exemptions, hence the tax collection performances gained by ZIMRA were typically related to effectiveness of the Authority evasions and exemption policies and employees’ perceptions of the rights and benefits of tax laws.

Other questionnaires were asked to directors, senior managers, middle managers, supervisors and employees as well as taxpayer to indicate whether the current tax laws and provisions are well

understood, are they hindrance in tax collections, who sets and monitors tax goals, objectives, and collection performances, are all employees respect their customers (taxpayers) with due care, dignity, honest and do they impose cohesion and entertain corruptions loopholes. Also, they were asked if politicians and senior managers overrule tax provisions for their personal benefits. The respondents were also given the overall assessment on the availability and competences of ZIMRA staff and ICT facilities, problems caused by tax exemptions and tax evasions. Respondent K stated that:

“Many politicians are using their political mileage to abscond paying tax and they think they are invincible.”

#### **4.3.4 What are the strategies used by ZIMRA to combat tax evasion in Masvingo?**

This section discusses strategies employed by Masvingo in curbing tax evasion. The study revealed the majority respondents mentioned enforcement of penalties as the most strategy used to control tax evasion. For example, ZIMRA officials revealed for the last financial year 2020/21 more than 50 taxpayers were taken to court or given penalty for tax evasion. The findings above seem to suggest that when laws on defaulting in tax obligations are well publicized and enforced to the letter, tax payers would not find means of evasion. Therefore, this seem to confirm Shome (2018) as stated that, there has to be a genuine threat and actual carrying out of audit, scrutiny, investigation, penalty and punishment for an errant taxpayer. Door to door was the next strategy mentioned by the majority respondents as also used in control tax evasion in Masvingo. Moreover, the majority respondents said tax education was another strategy employed to control tax evasion. The findings seem to imply that more emphasis should be put into education and the provision of information on tax. Further analysis revealed that, the majority of respondents mentioned a BP number as a measure taken to curb tax evasion. It was found that an effort to

promote compliance and ensure that each taxpayer is unique, ZIMRA embarked on an initiative to strengthen the use of the BPN system and database. Thus, BPN is an automated taxpayer registration system, which issues a unique number to each taxpayer on first registration.

Respondent L argued that:

“We are resorting to heavy penalties and interest for tax non-compliant, otherwise we are losing a lot of revenue.”

#### **4.3.5 Are strategies employed by ZIMRA in curbing tax evasion effective?**

The majority ZIMRA officials indicated that they had made effort to curb tax evasion in Masvingo. However, they said only few strategies were effective. The majority of ZIMRA officials ranked most of the strategies used in Masvingo to curb tax evasion as not effective. For examples the majority viewed enforcement of Penalties and providing relevant information to new taxpayers were not effective in curbing tax evasion while the minority regarding them effective. Those who viewed them as not effective argued that only penalty was not enough because some of the tax collectors and court officials were bribe by taxpayers and let them free. With regard to the introduction of BP numbers majority ranked BPN as not effective in curbing tax evasion behaviours. It was argued that some taxpayers despite that own BPN for paying tax, this did not mean that they did not evade tax. It was found that sometimes taxpayers hid some of other business. However, the minority of ZIMRA officials said BPN was effective. The researcher asked ZIMRA officials on whether door to door visit in all area and tax education was effective in reducing tax evasion. Ninety percent of respondents indicated two strategies as were effective. Respondent M asserts that:

“We embarked on intensive tax payer education and help desks but all seemed weak in enforcing compliance, and we have come to a conclusion that tax payers are not willing to pay tax.”

#### **4.4 Discussion of findings**

##### **4.4.1 What is the effect of tax evasion in revenue collection performance in Masvingo?**

The study revealed that there is a very strong positive relationship between tax evasion and revenue collection performance. It was found that there was high tax evasion in Masvingo and tax compliance attitude was very low. High rate of tax evasion was associated with several factors including lack of education on tax, corruption, distance and high tax rate (Amoh, 2019). Tax evasion had negative impact of revenue collection performance as it caused low revenue collection, lack of social service, budget deficit and failure to meet revenue target. In curbing tax evasion problem, it was found that ZIMRA officials from Masvingo employed several measures ranging from imposing penalty, door to door visit, education, using BPN to computerization of tax system but none of aforementioned measure was effective (Almgrash, 2021)

This implies that the low levels of revenue collection as indicated in the statement of the problem is largely a result of tax evasion with the rest of the factors contributing insignificantly. As Gemmell and Morrissey (2023) found that tax evasion affects the ability of those legally liable for various taxes to shift these as traditionally assumed. Tax evasion does affect incidence but is difficult to incorporate. Russo, (2019) found that tax evasion has negative impact on the level of tax collection performance.

#### **4.4.2 To what extent is tax evasion prevalent in Masvingo?**

The study revealed that Survey finding revealed ZIMRA in Masvingo the amount of tax collected was below the set target level. The study revealed that from 2018 to 20122 tax collection was on decline and had never reached the annual target. This concurs with Bayer, and Sutter, (2019) and Nicholas, (2023) who found that was common that half or more of the taxes that should be collected cannot be traced by the Treasury in most of developing countries.

The study finding confirms the customer requirement of Samieie, (2019) assertion on dissatisfaction, satisfaction and delighters. In this study, majority of the respondents do not assume the present tax laws to be effective factors for the efficiency of the tax system. Even if there is most proper and appropriate laws, the efficiency would not be possible to achieve if these laws and regulations are not carried out properly. The studies reveal that simple, explicit, clear, and integrated laws can result in the promotion of the efficiency and satisfaction of the taxpayers (Johnson, 2021). Respondents did not also consider the bureaucratic formalities as an efficient factor in the efficiency of the tax system.

#### **4.4.3 What are the major problems which hinders performance of revenue collection process?**

The study reveals that ZIMRA is facing complaints and hindrances in collecting taxes due to tax evasion, tax avoidance, and tax complexities another challenge facing ZIMRA today is misuse of tax exemptions extended to business communities and excessively used by tax officials as well as corruption. Tax evasion affects the capacity of those legally obligated for certain taxes to transfer these as previously anticipated, as discovered by Gemmell and Morrissey (2018). Tax evasion influences incidence, however it is challenging to account for. Tax evasion has a

detrimental effect on the effectiveness of tax collection, according to Russo's (2020) research. According to his argument, nations with high rates of tax evasion also tend to have low rates of revenue collection. According to Russo (2020), one consequence of tax evasion in Italy is a decrease in government revenue.

#### **4.4.4 What are the strategies used by Zimra to combat tax evasion in Masvingo?**

The study revealed that the most common tactic employed to prevent tax evasion was highlighted by every respondent: the imposition of fines. For instance, Zimra authorities disclosed that over 200 taxpayers were prosecuted or fined for tax evasion during the most recent fiscal year, 2020–21. The results above seem to indicate that tax payers wouldn't look for ways to evade taxes if regulations against missing payments are widely known about and strictly enforced. Thus, it appears that Shome (2017) was correct when he said that an actual audit, inspection, inquiry, penalty, or punishment for a non-compliant taxpayer must be carried out in the event of a true threat. Therefore, it was discovered that educational initiatives run by Zimra officials in the Masvingo tax region were necessary to improve taxpayers' comprehension of the significance of taxes for the nation's economic growth and to boost their self-assurance in carrying out their tax-related obligations, which in turn reduced tax evasion. It is evident that a key component of running a good tax system is helping taxpayers become more knowledgeable about taxes (Chinoda, 2019). Correct completion of tax returns and timely payment of taxes by taxpayers may lead to the attainment of a suitable voluntary compliance level.

#### **4.4.5 Are strategies employed by ZIMRA in curbing tax evasion effective?**

The study revealed all respondents mentioned enforcement of penalties as the most strategy used to control tax evasion. For example, ZIMRA officials revealed for the last financial year 2020/21

more than 200 taxpayers were taken to court or given penalty for tax evasion. The study revealed that some of the strategies employed by ZIMRA officials in Masvingo were not effective since tax evasion behavior was increasing despite of all measures taken. As Chiumya (2018) has therefore stated that, counteracting tax evasion is one of the most complex activities in tax Administration. Thus, taking into consideration the emphasis by Vogel (2019) cited in Oberholzer, (2017), on the importance of education and information in the process of opinion formation. The findings above seem to suggest that when laws on defaulting in tax obligations are well publicized and enforced to the letter, tax payers would not find means of evasion.

#### **4.5 Summary**

The main aim of the chapter was to present the findings of the research. It commenced by illustrating the response rates, reliability test and the demographic information of the participants. Survey data was then presented and analysed via the application of statistical means and the SPSS software package version 20. Findings on all objectives were presented in the form of descriptive statistics frequencies with variables in the same group being tested using Person correlation. The next chapter will concentrate on outlining the major research conclusions and suggested recommendations as well as the limitations and the direction for future research.

## **CHAPTER FIVE**



## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.0 Introduction**

The presentation, analysis, and discussion of data were covered in the preceding chapter. Because of this, this section offers a comprehensive examination of the impact that tax evasion has had on revenue performance in the Masvingo tax region from 2019 to 2022. The last chapter included the main results, conclusions drawn from the research, recommendations, ideas for more research, and a summary of the chapter. The debate touches on both the goals and inquiries of the research as well as its conclusions.

### **5.1 Summary of chapters**

In chapter one the researcher introduced the topic under study giving a detailed background of the subject matter under study as well as presenting the research problem which is the main goal for conducting the research.

In chapter two the study examined the literature on the effect of tax evasion on revenue collection performance. The conceptual framework, which defined key words utilized in the study, including taxes, tax evasion, and tax revenue, was the first section of the chapter.

In Chapter three the research methodology was covered, where the data collecting instruments utilized in the study were described along with the rationale for their selection. Because of the mixed research methodologies utilized in this study, the pragmatic research philosophy was applied. Survey design was employed in this investigation.

In chapter four the results of diagnostic tests, including multicollinearity, autocorrelation, and stability tests, among others, were displayed as graphs and tables. Regression results for every model were provided in this chapter in a tabular format for simple analysis.

## **5.2 Summary of major findings**

### **5.2.1 To examine effects of tax evasion on revenue collection performance in Masvingo**

Based on the analysis, it was indicated that the study was centered on three factors such level of tax evasion, measures of controlling evasion and its effectiveness. High rate of tax evasion was associated with several factors including lack of education on tax, corruption, distance and high tax rate (Amoh, 2019). Tax evasion had negative impact of revenue collection performance as it caused low revenue collection, lack of social service, budget deficit and failure to meet revenue target. In curbing tax evasion, it was found that ZIMRA officials from Masvingo employed several measures ranging from imposing penalty, door to door visit, education, using BPN to computerization of tax system but none of aforementioned measure was effective (Almgrash, 2021).

### **5.2.2 To examine the extent to which taxes are evaded in Masvingo**

The study's findings support Samieie's (2019) claim about customers' requirements for contentment, delighters, and discontent. The majority of respondents in this poll do not believe that the current tax rules have a significant role in the effectiveness of the tax system. Even with the most suitable and acceptable rules in place, their proper implementation would be necessary to achieve efficiency. According to the studies, the efficiency and happiness of taxpayers may be

promoted by simple, precise, unambiguous, and integrated legislation. The bureaucratic procedures were not seen by the respondents as an effective component of the tax system's efficiency. Inadequate tax effort and the inelasticity of the revenue structures are two reasons why there is insufficient tax income (Gillman, 2021).

### **5.2.3 To investigate the major problems hinders performance of revenue collection process**

The study found a very substantial positive correlation between revenue collection performance and tax evasion. This suggests that tax evasion is the main cause of the poor levels of revenue collection as stated in the problem statement, with the remaining reasons having a little impact. Tax evasion affects the capacity of those legally obligated for certain taxes to transfer these as previously anticipated, as discovered by Gemmell and Morrissey (2018). Tax evasion has a detrimental effect on the effectiveness of tax collection, according to Russo's (2020) research. According to his argument, nations with high rates of tax evasion also tend to have low rates of revenue collection. According to Russo (2020), one consequence of tax evasion in Italy is a decrease in government revenue.

### **5.2.4 To determine the strategies used by ZIMRA to combat tax evasion in Masvingo.**

According to the survey, the most common tactic employed to prevent tax evasion was highlighted by every respondent: the imposition of fines. For instance, Zimra authorities disclosed that over 200 taxpayers were prosecuted or fined for tax evasion during the most recent fiscal year, 2020–21. Thus, it appears that Shome (2017) was correct when he said that an actual audit, inspection, inquiry, penalty, or punishment for a non-compliant taxpayer must be carried out in the event of a true threat. Therefore, it was discovered that educational initiatives run by

Zimra officials in the Masvingo tax region were necessary to improve taxpayers' comprehension of the significance of taxes for the nation's economic growth and which in turn reduced tax evasion (Sebhat, 2019). It is evident that a key component of running a good tax system is helping taxpayers become more knowledgeable about taxes. Correct completion of tax returns and timely payment of taxes by taxpayers may lead to the attainment of a suitable voluntary compliance level (Musah, 2019).

### **5.2.5 Effectiveness of Strategies employed by ZIMRA officials in reducing tax evasion problem in Masvingo**

The study revealed that some of the strategies employed by ZIMRA officials in Masvingo were not effective since tax evasion behavior was increasing despite of all measures taken. As Chiumya (2018) has therefore stated that, counteracting tax evasion is one of the most complex activities in tax Administration. Thus, taking into consideration the emphasis by Vogel (2019) cited in Oberholzer, (2017), on the importance of education and information in the process of opinion formation. A deeper understanding of the benefits provided for by taxes, as well as the technical reasons for tax laws and regulations are necessary preconditions to both positive attitudes about the tax system and appropriate fiscal behavior.

## **5.3 Conclusion**

The government's utilization of tax income, public awareness campaigns, and public education about tax obligations and their consequences on the economy, as well as the penalties for non-compliance, all contribute to the striking variations in compliance rates.

### **5.3.1 To examine effects of tax evasion on revenue collection performance in Masvingo**

The study concludes that tax evasion negatively but significantly affects tax revenue in Masvingo. Tax evasion have adverse effect on government revenue. It was found that there was high tax evasion in Masvingo and tax compliance attitude was very low. High rate of tax evasion was associated with several factors including lack of education on tax, corruption, distance and high tax rate. Tax evasion had negative impact of revenue collection performance as it caused low revenue collection

### **5.3.2 To examine the extent to which taxes are evaded in Masvingo**

The study concluded that taxes were invaded due to VAT fraud where false claims of business transactions liable to VAT are made and that has gained more attention as goods and services taxes. Misrepresentation of goods subject to varying VAT rates in an effort to lower tax obligations or maximize claims for tax refunds. Bribery of tax officials was done to evade tax. Goods were smuggled to and investments were done in tax shelters.

### **5.3.3 To investigate the major problems hinders performance of revenue collection process**

The study concluded that major problems hindered performance of revenue collection process and these problems can be summarized as follows:

1. Challenges in Tax Revenue Collection from the Informal Sector: A study conducted on ZIMRA's tax revenue collection from street vendors in the informal business sector in Zimbabwe highlighted challenges faced in this area. The study adopted a descriptive research design and collected both quantitative and qualitative data.
2. Lack of Information on Specific Challenges: The search results do not provide specific details on the challenges faced by ZIMRA in revenue collection. Further research or access to additional sources may be required to obtain more comprehensive information on this topic.
3. Trade Regulation and Smuggling: ZIMRA is responsible for monitoring trade and traffic through border crossings, airports, and seaports. One of its tasks is to reduce smuggling and illegal trade. However, the search results do not provide specific information on the challenges faced by ZIMRA in this regard.
4. Collection of Revenue from the Informal Sector: The search results mention the need to register informal sector operators through mobile units and set up tax rates for the cottage industry. However, the specific challenges faced by ZIMRA in collecting revenue from the informal sector are not provided in the search results.
5. Lack of Detailed Information: The search results do not provide detailed information on the major problems hindering the performance of ZIMRA's revenue collection process. It is recommended to consult additional sources or conduct further research to obtain a more comprehensive understanding of the challenges faced by ZIMRA.

#### **5.3.4 To determine the strategies used by ZIMRA to combat tax evasion in Masvingo**

The study concluded that Zimbabwe Revenue Authority (ZIMRA) employs various strategies to combat tax evasion in Masvingo. While specific information about the strategies used in Masvingo is limited, we can draw on general strategies employed by tax authorities to combat tax evasion. These strategies may include:

1. **Enhanced Compliance Measures:** ZIMRA may implement measures to enhance compliance among taxpayers, such as conducting regular tax audits, reviewing tax returns for accuracy, and ensuring proper documentation and record-keeping.
2. **Information Sharing and Collaboration:** ZIMRA may collaborate with other government agencies, financial institutions, and international tax authorities to share information and identify potential cases of tax evasion.
3. **Education and Awareness:** ZIMRA may engage in public outreach and educational campaigns to raise awareness about tax obligations and the consequences of tax evasion. This can help foster a culture of compliance and deter tax evasion.
4. **Use of Technology:** ZIMRA may leverage technology to improve tax administration and enforcement. This can include implementing sophisticated tax administration systems, data analytics, and risk assessment tools to identify potential cases of tax evasion.
5. **Strengthening Legal Framework:** ZIMRA may advocate for and support the development of legislation and regulations that enhance the legal framework for combating tax evasion. This can include measures to close loopholes, strengthen penalties for tax evasion, and improve cooperation with international tax authorities.

### **5.3.5 Effectiveness of Strategies employed by ZIMRA officials in reducing tax evasion problem in Masvingo**

The study concluded by highlighting the significance of making tax default penalties public and implementing punishment, since this would encourage tax defaulters to complete their commitments in order to avoid penalty and humiliation.

## **5.4 Recommendations**

- i. Following the findings, the research aims to suggest that the Zimra guarantee the imposition of tax default penalties and that these fines be made more transparent and easily observable. This will really result in the prospect of audits, inspections, inquiries, penalties, and punishments for non-compliant taxpayers.
- ii. Zimra ought to employ amnesties. Amnesty is a tax policy that aims to incentivize taxpayers to fulfill their past-due responsibilities and can also be utilized to include new taxpayers in the tax system.
- iii. The present tax procedural legislation has to be changed to allow for the creation of an impartial, professional tax tribunal that would be able to hear factual and legal arguments about the assessment that is the subject of an appeal.

## **5.5 Recommendations for further study**

This study covers a limited area because it was carried out in the Masvingo tax zone. Thus, it is advised to do a second study in a different field for comparison analysis.

1. How tax education affects Zimbabwean local governments' income collections.
2. What elements affect Zimbabwean taxpayer compliance behavior?



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## APPENDICES

### Appendix I: Permission Letter



**Dear respondent**

My name is Keith Mupambi, a Master of Commerce in Professional Accounting and Corporate Governance Degree student with Great Zimbabwe University. I am conducting research entitled **“Tax Evasion on Revenue Collection Performance in Zimbabwe. A Case Study of Masvingo”**

In line with this, you have been randomly selected to take part and you are kindly requested to contribute to the study by answering the following questions in utmost good faith. I strongly assure that all information availed will strictly be confidential and dealt with for the purpose of this research and there is no intention of doing otherwise. Your responses will be used only for scholarly purposes. I am very grateful for devoting yourself to completing this questionnaire.

Thank you for your cooperation

K. Mupambi

**Questionnaire**

**SECTION A: DEMOGRAPHIC DATA**

**Please read the instructions carefully and answer all of the following questions.**

**Tick the appropriate box or fill in the space provided.**

1. Indicate your gender

(i) Male ( )

(ii) Female ( )

2. Indicate your age group

18 - 25 years	
26-35 years	
36-45 years	
46-55 years	
> 55 years	

3. Level of formal education

(i) Primary ( )

(ii) Secondary ( )

(iii) Certificate ( )

4. Indicate the category which you falls under

i. Large Clients ( )

ii. Medium Level Clients ( )

iii. Small clients ( )

iv. Other ..... Specify.....

5. Are you aware with the term taxation

(i) Yes ( )

(ii) No ( )

(iii) I don't know taxation ( )

6. Have you ever paid tax?

(i) No ( )

(ii) Yes ( )

7. Were you forced to pay tax

(i) Yes ( )

(ii) No ( )

8. How frequent are the Tax officer's visits your business premises?

(i) Regularly ( )

(ii) Sometimes ( )

## **SECTION B**

**Using the scale below, please indicate your responses to each of the item that follows,**

**1: Strongly Disagree; 2: Disagree; 3: Not sure; 4: Agree; 5: Strongly Agree**

**Put a tick (√) on your choice of answer**

1. The following are effects that has an impact on tax evasion in revenue collection performance in Masvingo.

	SD	D	NS	A	SA
Low tax morale					
Low quality of the service in					
Tax system and perception of fairness					
Low transparency & accountability of public funds					
High compliance costs					
Increase tax rates					

2. The following are tax evasion elements that are prevalent in Masvingo.

	SD	D	NS	A	SA
Vat fraud					
Misclassification of commodities					
Bribery of tax officials					
Tax shelters					
Smuggling					

3. The following are major problems that hinders performance of revenue collection process.

	SD	D	NS	A	SA
Corruption practices in revenue administration					
Evasion					
Cash transactions					
Tax exemptions					

5. The following are strategies that are used by ZIMRA to combat tax evasion in Masvingo

	SD	D	NS	A	SA
Addressing weak enforcement at national level					
Provision of tax education to tax payers					
Addressing tax compliance costs & administrative costs					



## **APPENDIX II: Interview questions**

- 1) What is the effect of tax evasion in revenue collection performance in Masvingo?
- 2) To what extent is tax evasion prevalent in Masvingo?
- 3) What are the major problems which hinders performance of revenue collection process?
- 4) What are the strategies used by ZIMRA to combat tax evasion in Masvingo?
- 5) Are strategies employed by ZIMRA in curbing tax evasion effective?