STATISTICAL ASSESSMENT OF TAX COLLECTION PROBLEMS A CASE STUDY IN ZIMBABWE

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Abstract

Taxes act as a fundamentally important primary source of revenue for countries as far as developmental objectives of the public services are concerned. For an enhanced country's economic development, the need for a sound tax policy framework and the smoothen flowing of the revenue attained taking accountability and responsibility to the relevant Authorities is required. This study aims at assessing the major tax collection problems in Zimbawe , Harare. The study's main accession was on the Zimbabwe Revenue Authority(ZIMRA) which is the tax collector in Zimbabwe.The study made use of quantitative sample data on a selected group of individuals mainly the tax payers and the workers for the revenue authority(ZIMRA). The investigation discovered how tax payers lack knowledge on their obligation to pay taxes and how malpractices sometime from the main players have caused tax payers to shun the payment of taxes. The results birthed our the recommendations that ZIMRA should again regain trust of the tax payer, increase their workers' welfare and implement necessary measures to curb corruption.

Keywords: tax, collection problems, zimbabwe

INTRODUCTION

Typically taxes are the primary source of government revenues. Taxation policies depend of the socio-economic and political structure of a country.

The main purpose of generating revenue from various sources is to finance public expenditures. The governments generate are revenue from tax and other non sustainable sources. The collection of money from available sources of revenue by government needs the availability of democratic government, foreign and domestic creditors and donors, efficient tax system and awareness of the society regarding the use of tax payment for government and its contribution for the development of the country's economy.In Zimbabwe, revenue collection is the responsibility of the ZIMRA. (Foya, 2022)

In Zimbabwe, there has been the notion that tax is an initiative by the government for money laundering and looting by the government authorities. This has blackened the tax payers attitude towards (ZIMRA) as of late had become the breeding ground for corruption. Thus to avoid this and restore trust, a sound tax policing system has to be designed and reforms be effected, thus this study aims at assessing and minimizing thetax collection problem in general.

RESEARCH PROBLEM

The role of taxation in well functioning governmental operation is so high Development of infrastructures, basic social services institutions are apparently build by government. Moreover, the public servants, defense forces and police forces are employee of the state, to cover these and other developmental costs the states uses tax as principal source of revenue.

The need to build speedy economic progresses and overall developmental activities call for strong tax revenue. If no arguments in the above assertion therefore the Zimbabwe government ought to adopt sound taxation policy on collection system and in making awareness on tax payer societies. ZIMRA missed its annual tax collection targets by 6% each in 2013and 2014 and 7% in 2015

resulting in budget deficits of US$100 million, US$150 and US$250 respectively. (ZIMRA2013, 2014, 2015). According to Bonyongwe (2016), ZIMRA reported a huge tax gapamounting +/-$2.7bn as at December 2016.(Kaurayi Blessing Nhingwa).

No doubt that the existence of better tax collection system is decisive for the existence of well developed and economically strong provinces. If no complain that better tax collection system is decisive in one Country's overall capacity, that is the main reason motivate tshe researcher to study the constraint of tax collection system with title "assessment of problem related with tax collection in Zimbabwe."
 So this paper tried to assess the major tax issues with the following questions
[1]   What are the major bottlenecks affecting tax collection system?

[2] What are the problems and weaknesses on the side of government bodies (tax collectors) or the system in particular (ZIMRA)

General Objective

The general objective of this study is to find out the major constraints that affecting the tax collection system in Zimbabwe

Specific Objectives.

  Specific objective of this study focused on assessment of

1)Internal issues around tax collection.

2)External factors that influence tax collection system.

3)Suggest some recommendations such that further investigations are done as well as policy amendments

LITERATURE REVIEW

Meaning of Tax

Taxation is a term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents. Paying taxes to governments or officials has been a mainstay of civilization since ancient times.

The term "taxation" applies to all types of involuntary levies, from income to capital gains to estate taxes. Though taxation can be a noun or verb, it is usually referred to as an act; the resulting revenue is usually called "taxes."(Julia Kagan)

 Tax is fees levied on products and services by an individual, an organization, or a government to generate revenue. The amount accumulated through tax is used for executing public welfare programs. (LENDINGKART, 2021)

Purpose of Taxation

The role of taxation in fiscal policy and the development strategy has to be viewed in the back ground of the function which a taxation system performs, its main function in relation to economic development are as follows. The primary function of tax system is to raise revenue for the government for its public expenditure. So the first goal in the development strategy as regards taxation policy is to ensure that this function is discharged adequately. (S.Cox, 2022)

This to ensure economic goals through the ability of the taxation system to influence the allocation of resources. This includes.

A.   Transferring resource from the private sector to the government to finance the public investment program.

B.   To distribute the direction of private investment in to desired channels through such measures as regulation or tax rates and the grant of tax incentives etc. this insides in investment incentive to attract foreign direct investment (FDI) into the country.

C.   Influencing relative factor prices for enhanced use of labor and economic use of the capital and foreign exchange.

The fifth function of tax action on is to increase saving and capital formation in private sector party for borrowing by the government and partially for enhancing investment resources within the private sector for economic development. (B.P herber,1999)

Major Types of Taxes in Zimbabwe

1.   **Collect revenue –** The following are some of the revenue heads which are administered by ZIMRA:

•   *Customs Duty* – levied on imported goods in terms the Customs and Excise Act [Chapter 23:02]

•   *Value Added Tax (VAT)* – levied on consumption of goods and services

•   *Excise Duty* – levied on specified locally manufactured goods

•   *Income Tax* – levied on income earned from trade

•   *Pay As You Earn (PAYE)-* levied on income earned from employment

•   *Presumptive Taxes*– it's a concept of taxation according to which Income Tax is based on average income instead of actual income

•   *Mining Royalties* – charged in terms of the Mines and Minerals Act (Chapter 21:05)

•   *Capital Gains Tax (CGT)* – levied on sale of immovable properties and marketable securities

•   *Surtax* – levied on imported vehicles older than five years

2.   Facilitate trade and travel **–** This is achieved by ensuring smooth movement of goods and people through inland and border posts of entry/exit.

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3.	Advise Government on fiscal and economic matters **–** This includes revenue forecasting, participation in national budget process and revision of Acts.

4.	Protect civil society **–** ZIMRA's operations also include curbing smuggling and any forms of international trade crime as well as to enforce import, export and exchange controls. Most of these controls are meant to protect the consumer against dangerous and harmful drugs, hazardous substances, expired drugs, pornographic, objectionable or undesirable materials, and harmful substances.

(BANK, 2022) (Zimra, 2022)

METHODOLOGY

The study focuses on the problem associated with the tax evasion problem in Harare. Research has been done, using both qualitative and quantitative research methods.
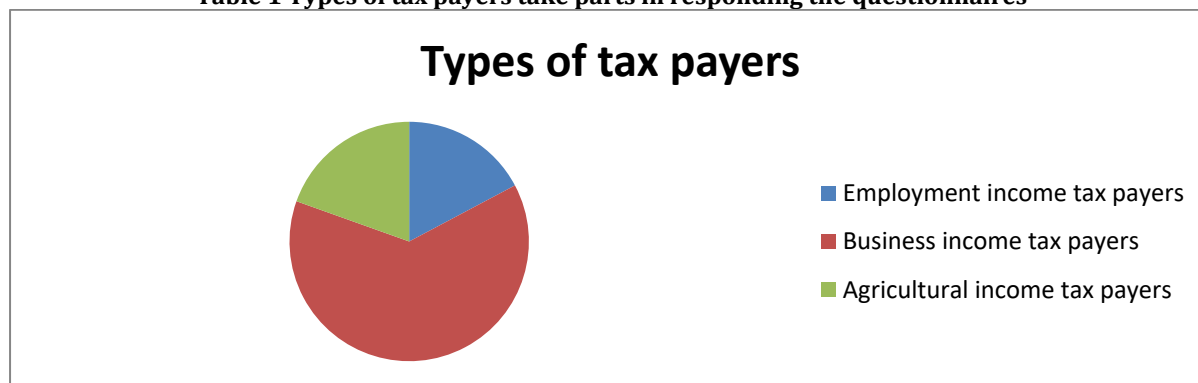
To conduct this study the primary and secondary data were collected. Key data is collected using a questionnaire from taxpayers, income earners. Of the registered taxpayers in the City a survey was conducted,and a sample of 100 registered taxpayers of all categories. Among the different sampling techniques the researcher chooses a simple random sampling method.

After collecting all the required information and data analysis is done and presented with table, percentage bar graphs and pie charts. The data was then analyzed using a descriptive analysis method.

## ANALYSIS AND FINDINGS

Analysis of Data Gathered From Tax payers

Table 1 Types of tax payers take parts in responding the questionnaires

Types of tax payers

- ■ Employment income tax payers
- ■ Business income tax payers
- ■ Agricultural income tax payers

From the whole respondents 63.2% are engaged in different types business, 19.6% engaged on agricultural activity and 17.2% are public servants.

Response of tax payers

Do you face any problem when you pay your tax liability?

Tax payer response

NO 2
32.2%

32.2%

Yes 1
67.8%

67.8%
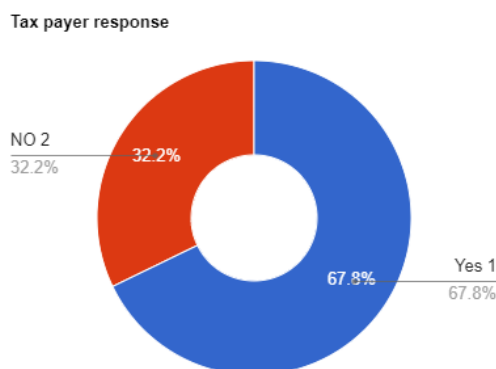
For the above question 67.8% of the tax payer tell us that a problems when they pay their tax liability. As the data gathered from questionnaires indicate major problems mentioned by tax payers are in efficiency of tax collectors (by 60%), the existence of over taxation (22.8%) and problem of procedure of tax collection with 17.2% of respondents.

DO feel the desire to pay your tax on time

Desire to pay tax
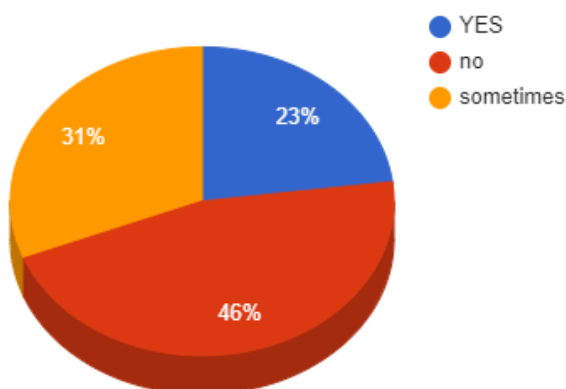
The data gathered shows that 23% have the desire to pay taxes on time, 46% do not feel the paying desire while 31% are stuck in the midst.

Among the respondents 88.5 of the tax payer's answers indicate that the payment period is enough. The remaining 11.5% say the payment period is not   enough. This realizes that range of time that given for payment is enough.
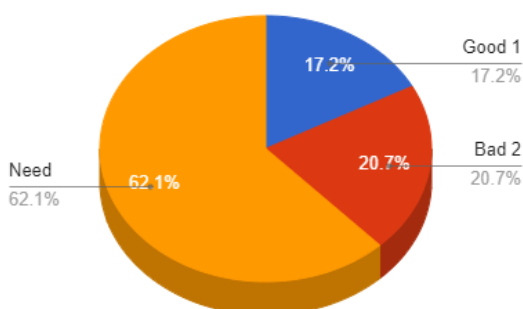
Do you know why tax is compulsory?
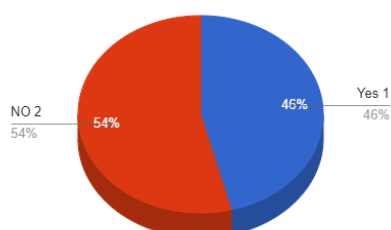
Knowledge of tax payers about taxation is still not adequate about 54.1% of tax payers have no idea why they pay tax. Some tax payers when ask why they pay tax they reply that only they pay tax because it is obligatory.
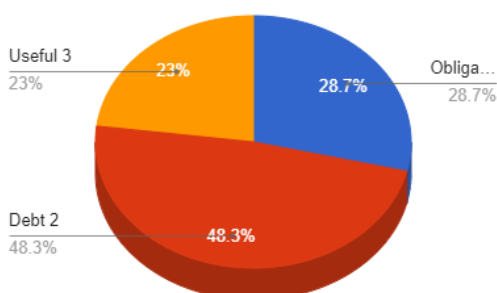
How do you see present taxation system?

From table above shows all respondents, 62,1% suggests for the restatement of the present tax policy while 37,9% have a relatively positive accession of the present tax system.

Table 10 How do you feel about taxation?

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How do you feel about taxation

As depicted above 23% of taxpayer see taxation as useful, about 48.3% the tax payer considered tax as debt and 28.7% view it as an obligation this implies that the knowledge of tax payer is poor.

Table Are you satisfied with the method of assessment and collection of taxes

Response	Total No of respondent	Percentage
Yes	30	34%
No	57	66%
Total	87	100%

 From the above data, it shows that 34% of the tax payers are content with the collection of taxes while 66% are grieved on the collection of taxes. .

Tax payers cried foul on corrupt activities taking refugee in the archives of the revenue authority (ZIMRA).More so the inefficiencies within the system and ineffectiveness as far as ploughing back in general development are a huge foul which they complain of.

Analysis of data gathered from employees

In this section information gathered from the workers within the revenue authorities who were given questionnaires' is analysed A set of 15 workers where chosen for the analysis.

Table General profile of the employees

Gender	No of employees	Percentage	Educational qualification	
			EDUCATION	Percentage
Male	9	65%	Primary	.1%
Female	6	35%	Secondary	13.6%
Total	15	100%	Diploma	24%
			Degree	31%
			Post graduate Other	26.5% 4,7%

Destribution of employees by gender
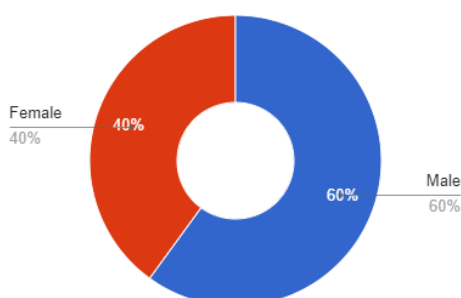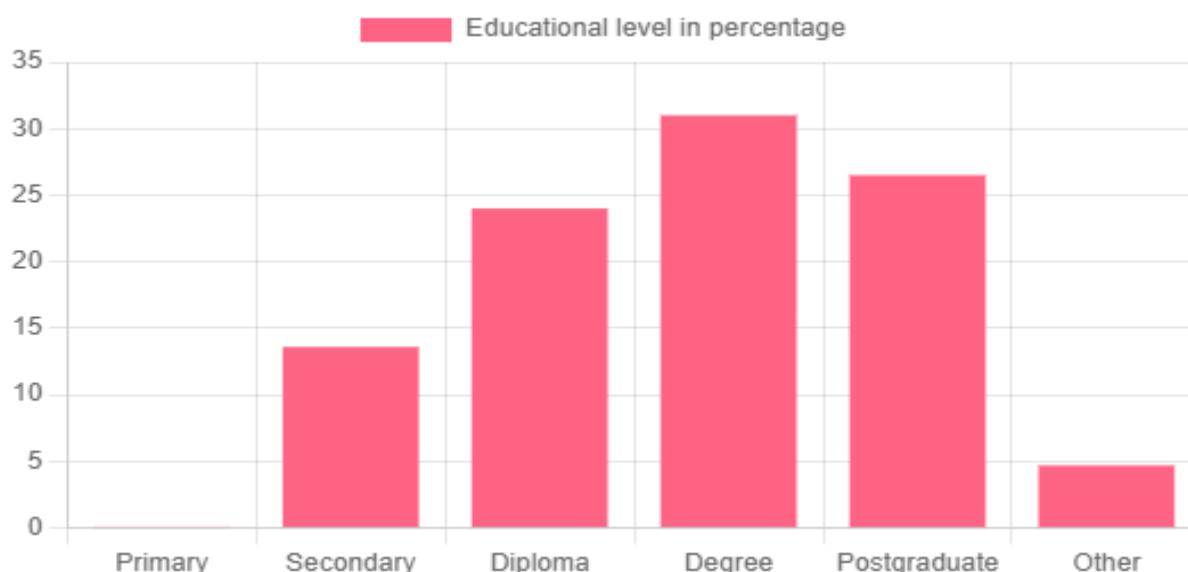
As it is shown in the above chart the total of employees are only 15. 9 are males and the remaining 6 are females. Educational backgrounds context shows that 24% have a diploma, 31 % degree and 26,5% have post graduate degrees and other.

Only 60% of the respondents answered that tax collection and assessment is the responsibility of all the remaining 40% answered different answer.

How do you evaluate the coordination of your office with others in particular the tax payer
About 13% of the workers answered that the co ordination is excellent, 27% said it is just good and 33 % totally said the coordination very weak

Table 16 how do you evaluate the knowledge of tax payer about taxation.

| Response	Total No of respondents	Percentage
High	1	7
medium	3	20
Low	11	73
Total	15	100%
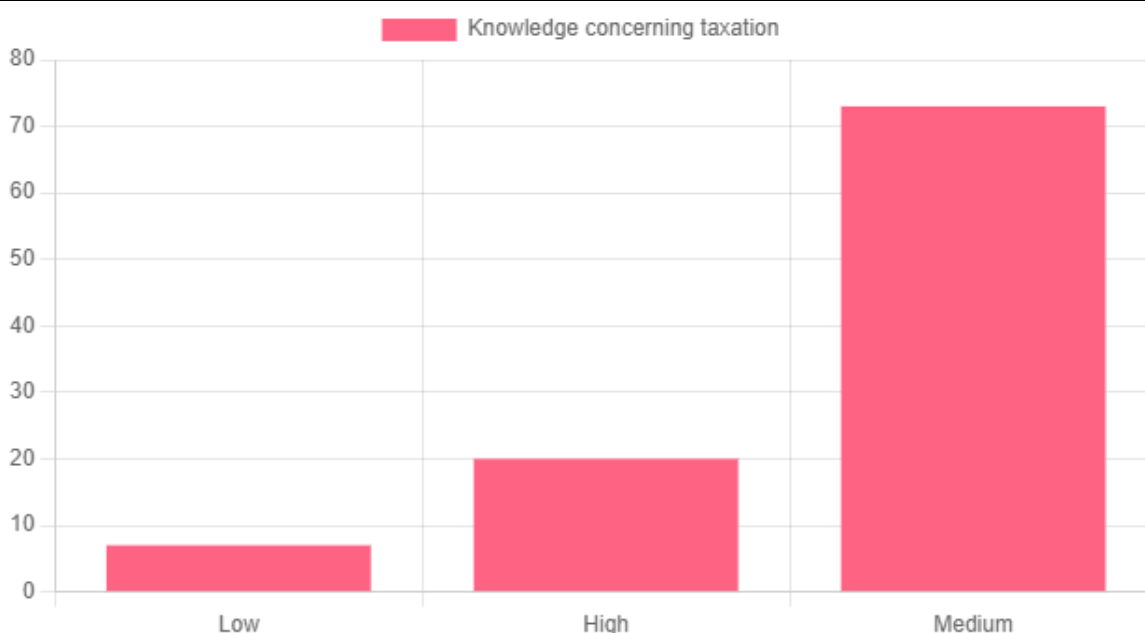
The response of employees concerning knowledge of tax payers describe that 73% of the respondents come out with the knowledge of tax payer is low, and the remaining respond that their knowledge is high and medium.

Table 18 what is your idea about present tax collection and assessment system?

Response	Total No of respondents	Percentage
Is effective	4	27%
Is not effective	11	73%
Total	15	100%

Idea about present tax collection
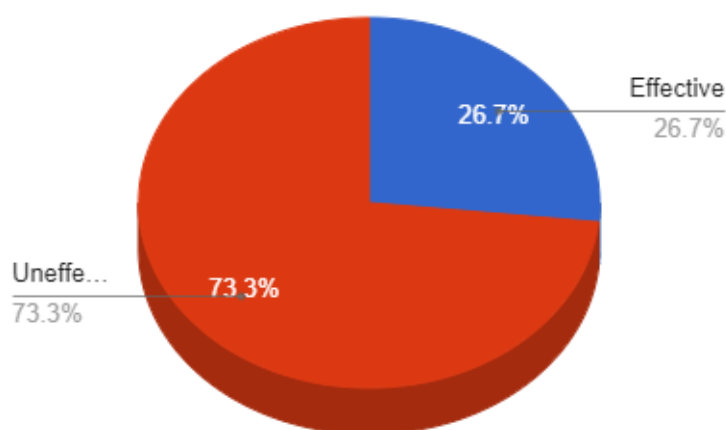
Among the respondent 27% of the tax payers approve that the present tax collection and assessment system is effective while the majority 73% says its not effective

CONCLUSION AND RECOMMENDATIONS

To conduct this study questionnaire were distributed for 100 tax payers and 15 questionnaires were distributed for employees of revenues .Different results from the tax payers were found. As the result of the study indicate that the prominent problems of tax collection in Zimbabwe are the following.
- Poor knowledge from the tax payers perspective
- The Annual rates of taxes imposed are not fair and are irrelevant
- Lack of toungable returns to the tax payer as far as development and pubic service are concerned
- Rampant corruption jeopardizing tax payers' money
- Lack of coordination between tax payers and ZIMRA authorities.

RECOMMENDATION

To reduce and alleviate the outlined tax collection problems and create awereness, I suggest the following
- The Zimbabwe Revenue Authorities must improve educational campaigns as far as tax is concerned
- ZIMRA must take into adjustment the effect the instabilities within the economical context thus make adjustable tax policies which have to carefully considerate the tax payer's position.
- The creation of adequate training campeigns in the tax authorities is essential.
- ZIMRA accountable of all the tax payer's money and try by all means to shun corruption by so doing the motivation of tax payers to pay their levies in due course is enhanced.
- To curb malpractices the authorities must give their workers a decent salary package such that they wont be forced by the situation to engage in illegal activities is a quest to sustain themselves.
- Published accounts of Zimra must be accessible and every dollar received in revenue to be traceable as far as indigenization, development and empowerment of the ZIMBABWEANS well being are concerned.

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