

THE INFLUENCE OF TAX PAYER EDUCATION ON VOLUNTARY TAX COMPLIANCE IN TANZANIA A CASE STUDY OF MONDULI DISTRICT OFFICE

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Abstract: Worth noting Tax payer education program has turned into one of the strategies of improving service delivery to the tax payers. However, improving service delivery is critical to enhance voluntary tax compliance. It is against this background, this study intends to uncover the influence of tax payer education on voluntary tax compliance in Tanzania a case study of Monduli district office. Specifically the study will be guided by the following research objectives; to assess the effect of print and electronic media taxpayer education programmes on tax compliance in Tanzania. To establish the influence of print media tax education programme on taxpayer compliance in Tanzania. To determine the influence of website-based taxpayer education programme on voluntary tax compliance in Tanzania. To explore the influence of tax stakeholder workshops on the level of voluntary tax compliance in Tanzania. The target population included the TRA employees at Monduli District as well as taxpayers at the District, all totalling to 1997. A sample of 60 respondents was used to collect data through the use of interview as well as questionnaires. Data collected were analysed by using frequency and percentages and findings are interpreted accordingly. On other hands the data analysis tools will depict how tax payer education influence voluntary tax compliance in Tanzania. The data analysis tools used were descriptive in nature. The study established that education through print media, website-based taxpayer education, and tax stakeholders' workshops had a significant effect on the level of voluntary tax compliance in Tanzania. Further, print and electronic media taxpayer education programmes greatly improved voluntary tax compliance.

Keywords: Taxpayer education, Print and electronic education, Stakeholder workshops, Voluntary tax compliance, Web-based taxpayer education.

1. INTRODUCTION

In reforming tax systems and designing tax policies around the world, there is a need to ensure that the differing perspectives and priorities of the various stakeholders are understood from business to its investors and its customers and from media to civil society and government (Dragojlovic, 2008). United Nations (2000) finds that the United States has authority and responsibility for taxpayer education between its taxpayer service, examination and collection functions. Taxpayer education is the core to voluntary compliance and there are many facets to taxpayer education including outreach programmes, post office and library programmes, small business education programmes, programmes at post and secondary educational institutes, practitioner education, pro bono tax clinics, emergency assistance, media information programmes, voluntary tax assistance and distribution of tax forms and publications. Professional educators and adult education techniques facilitate greater compliance by emphasizing education over enforcement.

Baer *et al.* (1997) contends that to facilitate voluntary compliance, the tax administration should provide taxpayers with consistent, impartial, courteous, and prompt service. In many developing countries and countries with economies in

transition, relatively simple measures, such as, providing taxpayers with tax return forms, eliminating fees for receipt of tax payments by the banks, a common practice in some Eastern European countries, and establishing taxpayer assistance counters in easily accessible locations in the tax administration would significantly improve taxpayer services.

The influence of knowledge on compliance behaviours has been assessed in various studies. Taxation knowledge is necessary to increase public awareness especially in areas concerning taxation laws, the role of tax in national development, and especially to explain how and where the money collected is spent by the government (Mohd, 2010). Kasipillai *et al.* (2003) argue that tax knowledge has impact on tax compliance. The study specifically evaluates the influence of education on tax compliance among undergraduate students in Malaysia. The statistical findings confirm the prevalence of a relationship between tax education and tax compliance, suggesting tax education positively contributes towards tax noncompliance.

In Tanzania, TRA has established a department responsible with provision of tax education, also undertaking various tax education projects such as The Tax Modernization Project that not only improved the country's tax infrastructure, but it also executed a comprehensive education program, teaching both tax administrators and taxpayers about the importance and obligations of the tax system. This holistic approach effectively helped the government of Tanzania make several structural reforms to improve services and collect more total tax revenue, while at the same time making the tax payment system more transparent. At the end of the project in fiscal year 2011, tax revenue was roughly US\$2.47 billion (TShs. 5,465 billion) almost three times what it was when the project began.

2. PURPOSE

The purpose of the study was to determine the influence of tax payer education on voluntarily tax compliance in Tanzania. Specifically, the study sought to establish the influence of print media tax education programme, the influence of website-based taxpayer education programme, tax stakeholder workshops, print and electronic media taxpayer education programmes on tax compliance in Tanzania.

3. METHODOLOGY

The study adopted a descriptive research design covering a population of 1997 respondents. The target population comprised employees of Tanzania Revenue Authority (TRA). However, due to certain limitations, a sample of 60 respondents was covered in the collection of data using interviews and questionnaires. Data collected were analysed by using frequencies and percentages.

4. RESULTS AND DISCUSSION

Demographics

Among the respondents covered in the study, 38(63.3%) were male while 22(36.7%) were female. However gender imbalance did not distort the collection and relevance of data. The respondent's education attainment reflects also the ability of the respondents to be knowledge based person. In relation thereof, 7(11.7%) of the respondents had attained secondary education, 13(21.7%) had attained diploma level of education, 34(66.7%) were degree holders. In terms of business ownership, most of the respondents (41.7%) were soleproprietor and limited company (21.7%). Of the respondents covered in the study, 36(60%) operated registered businesses, while 24(40%) of the respondents operated businesses were not officially registered though they were covered under the tax payment system.

Initially the size of capital one was to invest has an implication for the one's capability of tax compliance due to financial capability. The study revealed that 17(28.3%) of the respondents had the capital of 50 million Tanzania shillings as initial size of their early investment, 23(38.3%) had the capital of 51 to 200 million as initial size of their early investment, while 20(33.3%) had the capital of 2001 to 800 million as initial size of their early investment. The results show that initial investment of the taxpayer business begins from 50 million and above.

The study also established that all the businesses covered in the study were officially registered with value-added tax system of the Government. However, on voluntary tax payment, 36(60%) of the respondents indicated that they often prepare tax account, while 24(40%) do not prepare tax accounts for voluntary tax compliance payment. The result indicates that majority (60%) of the respondents prepare tax accounts and this has an indication that taxpayer are voluntary.

Further, 36(60%) of the respondents indicated that their tax payment is usually under presumptive system, while 24(40%) of the respondents do not pay taxes under presumptive system. The findings show that most (60%) of the taxpayer pay tax under presumptive system.

Effect of Print and Electronic Media Taxpayer Education on Tax Compliance in Tanzania

According to Sass (2007), a holistic view of taxpayers through use of electronic means would facilitate compliance by use of dynamic comprehensive approaches. Study supports that this approach would enable an organization gain a single view of the tax payer; increase auditor efficiency; enhance policy analysis ability and improve performance management. Also, Fjeldstad and Ranker (2003) contend that tax payer education program is one of the strategies of improving service delivery to the tax payers. Improving service delivery is critical to enhance voluntary tax compliance. Lack of voluntary tax compliance compels revenue authorities to use costly and coercive methods for tax enforcement.

Since the inception of e-government in Tanzania, there have been multiple means of disseminating the information to various areas, where else tax authorities have yet lagged behind on dissemination of tax education to the customers so as it enhances voluntary tax payment compliance. It is from this light the study examined the effects of of print and electronic media taxpayer education programmes on voluntary tax compliance in Tanzania (Table 1).

Table 1: Influence of Categories of Print and Electronic Media Taxpayer Education Programmes on voluntary Tax compliance in Tanzania

	Very High	High	average	Somehow low	Very low
News paper	21(35%)	34(56.7%)	5(8.3%)	0	0
News Letter	9(15%)	12(20%)	5(8.3%)	34(56.7%)	0
Magazines	0	6(10%)	13(21.7%)	37(61.7)	4(6.7%)
Leaflets	35(58.3%)	21(35%)	4(6.7%)	0	0
Brochures	42(70%)	16(26.7%)	2(3.3%)	0	0
Videotaped programme	58(96.7%)	2(3.3%)	0	0	0
Twitter	0	4(6.7%)	8(13.3)	38(63.3%)	10(16.7%)
You tube	0	11(18.3%)	18(30%)	31(51.7%)	0
Face book	0	5(8.3%)	14(23.3%)	41(68.3%)	0
On line filling	53(88.3%)	7(11.7%)	0	0	0
TV	60(100%)		0	0	0
Radio	46(76.7)	14(23.3%)	0	0	0

The results in Table 1 show that all the print and electronic media education programmes had great influence on voluntary tax compliance in Tanzania as shown by ratings that range between high and very high. The findings are consistent with Young *et al.* (2016) who argue that the effectiveness of media campaigns in the TV, use of tax information magazines, business customers/prospects and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the tax payers. The findings also agree with those of Amir (2010) in which he found that taxpayers in Tanzania were influenced by Taxpayers Education Program, hence there is positive relationship between Taxpayer Education program and tax compliance.

According to Normala (2007); Roak and Stephen (1994, it is expected that tax education will enable the taxpayer to understand tax laws and procedures as well as creating positive tax compliance attitude The research objective two of the study was purposely intended to address. On the effects of print and electronic media on voluntary tax payment, the study revealed that it created payment awareness, reduction in tax evasion, loyalty and understanding. Other effects were organic obligation to pay, increase in revenue collection and smooth business operations among others (Table 2).

Table 2: Effect of Print and Electronic Media Taxpayer Education Programmes on Voluntary Tax Compliance in Tanzania.

Effect	Strongly agree	Agree	Somehow agree	Disagree
Creates payment awareness	39(65%)	21(35%)	0	0
Reduces Tax evasion	60(100%)		0	0
Advocates Loyalty in tax payment	43(71.7%)	17(28.3%)	0	0
Provision of wider understanding of Tax	60(100%)	0	0	0

collection				
Easy understanding of legal tax requirements	33(55%)	27(45%)	0	0
Simplification of tax payment	60(100%)	0	0	0
Turning tax payment as organic obligation	37(61.7%)	23(38.3%)	0	0
Increase in the revenue performance and the level of Voluntary tax compliance.	45(75%)	15(25%)	0	0
Increase in ethical voluntary tax compliance,	60(100%)	0	0	0
Smooth running of customer business	43(71.7%)	17(28.3%)	0	0

Print Media Education and Voluntary Taxpayer Compliance in Tanzania

The findings in Table 3 show that 48(80%) of the respondents rated very highly that print media education programmes influence taxpayer compliance in Tanzania through changing the ethical attitudes on the taxpayer compliance (80%) while 20% rated it as high. Awareness creation through print media was highly rated at 100% while democratic accountability was rated as very high with 60% of the respondents and high with 40% of the respondents. Its influence on culture was rated as very high with 81.7% while 18.3% rated it as high. In general, 73.3% rated print media as influencing voluntary tax payment very highly.

Table 3: Print media tax education programme influence on taxpayer compliance in Tanzania

<i>Influence</i>	<i>Very High (1)</i>	<i>High (2)</i>	<i>Medium (3)</i>	<i>Low (4)</i>	<i>Very Low (5)</i>
Influence of ethical attitudes on the tax compliance	48(80%)	12(20%)	0	0	0
Increases public awareness especially concerning taxation laws.	60(100%)	0	0	0	0
Democratic accountability of the governments in collection of the tax.	36(60%)	24(40%)	0	0	0
Influencing taxpaying culture	49(81.7%)	11(18.3)	0	0	0
Creating awareness to the tax matters and increases the level of voluntary tax compliance.	44(73.3%)	16(26.7%)	0	0	0

Website-based or taxpayer education programme on voluntary tax compliance in Tanzania

The web-based information dissemination has recently turned out to be of paramount importance in the manner that many organizations are zeroing on it in communicating with their clients. Tax authorities have also not remained behind on using web-based alternative as means to disseminate information to taxpayers. In the light of this importance the study solicited website-based education programme on voluntary tax compliance in Tanzania. As presented in Table 4, website-based education created simplification of tax laws and procedures with all respondents positively rating it; 80% as very high and 20% as high. Its role in influencing payment of fair share of tax was rated as very high with all the respondents; all having immense influence on voluntary tax compliance.

Table 4: Website-based education programme and voluntary tax compliance in Tanzania

<i>Influence</i>	<i>Very High (1)</i>	<i>High (2)</i>	<i>Medium (3)</i>	<i>Low (4)</i>	<i>Very Low (5)</i>
Simplification of the tax laws and procedures,	48(80%)	12(20%)	0	0	0
Has helped in influencing paying a fair share of tax	60(100%)	0	0	0	0
Influences tax rights and obligations					

Influence of Tax Stakeholder Workshops on Voluntary Tax Compliance in Tanzania

Stakeholder workshops have been used by many organizations in disseminating information about their role and obligations. According to the study findings (Table 5), stakeholder workshops provide room for discussion of tax matters with a combined 60% in support, discussions on how tax is an obligation (combined 100%), providing understanding on tax (100%) and reduction in tax penalties (combined 100%). All the respondents were of the view that stakeholder

workshops have greatly influenced their decision to pay tax voluntarily. It follows therefore, that stakeholder workshops play a key role in improved voluntary tax compliance since they provide one-on-one interactions and clarification of tax issues and obligations.

Table 5: Stakeholder workshops' influence on voluntary tax compliance in Tanzania

<i>Stakeholder Workshops</i>	<i>Strongly agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
Provides room for discussion over tax audits and prosecution	11(18.3)	25(41.7)	17(28.3%)	7(11.7%)	0
Provides discussions on how tax is an obligation	43(71.7%)	17(28.3%)	0	0	0
Stakeholders meeting has helped in providing understanding that tax is an obligation and believing in no corruption	60(100%)	0	0	0	0
Reduction of penalty after acquiring tax knowledge	58(96.7%)	2(3.3%)	0	0	0
Influencing decision to pay tax	54(90%)	6(10%)	0	0	0

5. CONCLUSIONS AND RECOMMENDATIONS

Form the study findings; it is clear that all the factors covered had significant influence on voluntary tax compliance in Tanzania as demonstrated through high ratings. The need for taxpayer education through establishment of print media tax education programme on taxpayer compliance in Tanzania, website-based taxpayer education programme on voluntary tax compliance in Tanzania, tax stakeholder workshops; all have a significant effect on the level of voluntary tax compliance in Tanzania. Further, print and electronic media taxpayer education programmes greatly improved voluntary tax compliance. It is also the view of the study that stakeholders' workshops were very influential in tax payment and compliance as through the workshops they felt recognized and part of the tax system.

TRA should champion its literacy campaigns to improve the taxpayers' ability to understand tax laws i.e. rates of tax, filing and paying dates among others. TRA should also make taxpayers feel part of the tax system and understand that they are not paying unfair share of taxes. They should work to improve peer attitude i.e. a belief that neighbors are reporting and paying tax honestly, and rewarding taxpayers for compliance by giving trophies for outstanding tax payment.

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