

**AN ASSESSMENT OF ZRA E-FILING ON TAX COMPLIANCE AMONG SMEs IN  
ZAMBIA: A CASE STUDY OF CHIRUNDU MARKET**

**BY**

**BARBARA CHISALA**

**717821096**

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**LUSAKA**

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### **Abstract**

This study sought to evaluate the Zambia Revenue Authority e-filing on tax compliance among SMES in Zambia: a case study of Chirundu Market. The specific objectives were as follows; to establish the challenges SMEs encounter when e-filing of returns on Tax online, to assess the extent to which e-filing is correlated with tax compliance among SMEs' and to determine the measures put in place to encourage e-filling and tax compliance among SMEs. The research applied a descriptive research design. 60 SMEs were interviewed from the four sets of respondents (SMEs). The researcher applied purposeful random sampling to give every member of the trading a chance to be interviewed and thus not produce biased or imbalanced data. A total of 60 questionnaires were distributed to small business owners registered with ZRA in Chirundu. Basing on the findings from the study, it was evident that the electronic tax filing system has not improved tax compliance as it is not easy for taxpayers to assess their tax obligation accurately and enable them to file their returns on time. The new system overwhelmed by the number of users consequently resulting into inconveniences. The study recommends that, ZRA should upgrade the e-tax servers to calm down the pressure on the current servers. In addition, ZRA should install user friendly features on the filing websites as to increase the taxpayers' interest of use of the system.

### **Declaration**

I, **BARBARA CHISALA**, do hereby declare that this dissertation represents a product of my work, and it has not been submitted at this or any other University, all scholarly work used in this dissertation has been duly acknowledged.

Sign:.....

Date:.....

### **Approval**

This research work was guided in accordance with the UNZA-ZOU ethics committee guidelines and was approved by my research supervisor DR. JOSEPH BATALA.

Sign:.....

Date:.....

### **Acknowledgement**

My utmost profound gratitude goes to the Lord Almighty for giving me the strength, wisdom and knowledge to come up with this project. I also owe a special thanks to my family, course mates more especially Mr. Edmund Sunkutu and Carol Mulenga for the support they rendered to me during the period of my study. Without their support and encouragement, this work would not have been successfully completed.

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Last but not the least, this report would not have been possible without the expertise, sound, and guidance of my esteemed supervisor (Dr. Joseph Batala) who responded to the drafts of each chapter of this work more often than I could have anticipated. I alone remain responsible for the content including any errors or omissions which may have been made unwillingly.

### **Dedication**

This dissertation is dedicated to my husband, my daughters Abigail and Simona, my son Muke and my late dad Mr. John Maxwell Chisala. It was not an easy path, but I managed to go this far because of the push I used to receive from these people. May God's name be glorified always.

## **List of acronyms**

ARD	Afghanistan Revenue Department
ASYCUDA	Automated System for Customs Data
CEEC	Citizens Economic Empowerment Commission
E-FILING	Electronic Filing
ICONIES	International Conference on Islamic Economics and Business
ICT	Information and Communication Technology
IS	Information System
IRB	Inland Revenue Board
SARS	South African Revenue Service
SME	Small and Medium Enterprise
SPSS	Statistical Package of Social Science
TRSs	Tax Return Preparer's
VAT	Value Added Tax
ZRA	Zambia Revenue Authority

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## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND OF THE STUDY**

#### **1.0 Introduction**

Chapter one presented the background to the study, Statement of the Problem, Purpose of the study, study objectives, Research hypothesis, Significance of the study, theoretical framework, scope of the study, Limitation of the study, operational definitions and a summary.

#### **1.1 Study Background**

Small Businesses are key players in the economy of developing countries such as Zambia, as they generate significant employment and output. Most large companies have their roots in small and medium enterprises suggesting that the future large corporations are the SMEs of today that must be nurtured to ensure their growth. Thus, SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004). That said tax has long been used by governments to fund their expenditure and provision of essential services to their population from roads, sanitation to care for the old. However, the complex Zambia taxation systems and other myriad of Government compliance requirements have arguably placed this sector at a disadvantage, in Zambia like most developing countries, tax noncompliance is a serious challenge facing income tax administration and hindering tax revenue performance. In a bid to broaden its tax base the Zambian government went on a drive to introduce new regulations to enable the revenue collection body to collect more tax. One of the things ZRA introduced was an electronic platform on which businesses could pay taxes from the comfort of their homes or business premises. Since its introduction in 2014 not much has been done to analyze e-filing's effect on compliance among SMEs which this study would try to do.

This paper was research that would provide an assessment of ZRA e-filing on tax compliance among SMEs on the Southern province of Zambia. The sample would be derived from Chirundu district, as a case study. The first is Tax compliance; According to the treasurer's wiki (2017) Tax compliance is the making of tax payments and producing and submitting information to the tax authorities on time and in the required formats in this instance the Zambia Revenue Authority. It is also the degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner. In this paper the taxpayer will refer to small to medium enterprises. The second operative phrase in our

research topic is Electronic Filing (e-filing). E-filing is the process of submitting tax returns over the Internet, using tax preparation software that has been pre-approved by the relevant tax authority (investopedia, 2017). In Zambia the tax collection authority is the Zambia Revenue Authority which introduced the electronic system on November 18<sup>th</sup> 2014, at the KKIA through the ASYCUDA world pilot (Watchdog, 2014). E-filing has manifold benefits; the taxpayer can file a tax return from the comfort of their home, at any convenient time once the tax agency begins accepting returns. Since e-filed returns can be processed much faster than paper returns, the taxpayer can generally expect a faster tax refund, if applicable. The benefits of e-filing have made it increasingly popular in recent years across the world. E-filing saves the tax agency time and money because the tax data is transmitted directly into its computers, significantly reducing the possibility of keying and input errors.

The third and final operative phrase is Small and Medium Enterprises or simply SME's. According to the Citizens Economic Empowerment Commission (CEEC) the SME as "any enterprise with a maximum asset base of k500, 000 (excluding land and working capital), and with no lower or upper limit of staff". However, for tax purposes, Section 40(6) of the Companies Income Tax Act Cap C21 LFN 2004 alludes to companies with a turnover of K1 million and below operating in the manufacturing, agricultural production, solid mineral mining, and export trade sectors as SMEs; While subsection 8 states that as from 1988 all companies engaged in trade or business with a turnover of k500, 000.00 and below qualify as small and medium enterprises.

In 2013 the Zambia Revenue Authority (ZRA), together with Finance Bank of Zambia Limited (FBZ) launched its first e-payment system for domestic taxes through web portals and ATM's. [www.zambianinvest.com](http://www.zambianinvest.com). Zambian taxes covered by the new payment system include: property Transfer Tax, Withholding Tax, Presumptive Tax, Mineral Royalty Tax, Pay as you earn as well as many other services related to domestic taxes. Speaking at the launch of the service in Lusaka, former ZRA Commissioner General Berlin Msiska said the launch marked a milestone in the Authority's modernization and added that all banks and mobile payment venders should accelerate the development of their e-payment for tax online and ASYCUDA world and contribute towards the transformation to tax service delivery in Zambia. The ZRA then introduced electronic payments in 2014 to help taxpayers pay their taxes electronically (Watchdog, 2014). These systems were aimed at reducing the cost of tax compliance on the part of taxpayers, provision of better services to taxpayers and increased tax compliance among taxpayers which would in turn

increase revenue collection. Despite all the efforts aimed at developing better and easier electronic tax filing system, the system remained unnoticed by the public, especially small business owners. This was demonstrated by the long queues observed at ZRA offices for return filing and payment during peak periods. The paper looks at the effects of e-filing on revenue collection and tax compliance among Small and Medium Enterprises (SMEs) in urban Zambia.

Tax can be defined as "a compulsory contribution to state revenue, levied by the government on personal income and business profits or added to the cost of some goods, services, and transactions. (Electronic Concise Oxford English Dictionary, 2010). Tax regimes vary from country to country but are an integral part of most governments in industrialized countries, (Carnell, 2010) the importance in developing countries is tenfold as it's the major source of income for these small economies. Small and medium enterprises (SMEs) are very instrumental for the development of an economy through for example creation of employment, increasing tax base for the country, improving incomes for the low earners among other benefits. (MCTI, 2007; MOF, 2002). Considering the 2006 baseline survey of SMEs in Zambia, about 97 percent of businesses are in the micro small and medium enterprises sector and the sector employs about 40 percent of the labour force and a lot of them are women accounting for 47 percent (Parker, 2006). Further the country has for a long time tried to capture more revenue from small business through value added tax and to encourage compliance from sector ZRA introduced e-filing as a way of raising convenience and efficiency. Thus, seeing how large and important this sector of the economy is, it felt necessary to carry out this research to see if e-filing has helped in any way to increase revenue collection and compliance level.

## **1.2 Statement of the Problem**

The income tax Act no. 321 of the Laws of Zambia enacted in 1993 mandates the Zambia Revenue Authority as the principle tax collection agency in the country to collect tax on behalf of the Zambian Government ([www.zra.org.zm](http://www.zra.org.zm)). In its quest to collect tax efficiently, Zambia Revenue Authority (ZRA) developed an electronic tax administration system called Tax-online in 2012 ([www.globaldeliveryinitiative.org](http://www.globaldeliveryinitiative.org))

In 2017, a total of 1,987,675 returns were filed electronically while only 49,977 returns were filed manually. By 2019, over 90 percent of registrations were processed electronically and around 70 percent of payments were submitted to ZRA electronically (Simiyu and Ambrose, 2017).

Currently, there has been a noticeable reduction in the total electronic returns filled from 1,987,675 to 1,354,000 by 2020 and this has been coupled with long queues of clients at the Zambia Revenue Authority. Despite, the interventions that were put in by ZRA in a bid to collect more revenue from e-filing facility, compliance levels by SMEs were still very low. It was against this backdrop that the study sought to assess the compliance levels of SMEs in Chirundu District.

### **1.3 Purpose of the study**

The purpose of the study was to investigate the effects of electronic filing (e-filing) on revenue collection and compliance. Despite all the success of the e-filing there has been a noticeable underutilization and reluctance to use electronic filing system among small and medium enterprises as well as some parts of the informal sector, hence the basis of the study.

### **1.4 Study objectives**

The study was guided by the following research objectives:

#### **1.4.1 General Objective**

To evaluate ZRA E-filing system on tax compliance among SMEs in Zambia

#### **1.4.2 Specific Objectives**

- (i) To establish the challenges SMEs encounter when e-filing of returns on Tax online
- (ii) To assess the extent to which e-filing was correlated with tax compliance among SMEs'
- (iii) To determine the measures put in place to encourage e-filing and tax compliance among SMEs

### **1.5 Research Hypothesis**

H<sub>0</sub>: The challenges SMEs encounter when e-filing of returns were high at ZRA

H<sub>1</sub>: The challenges SMEs encounter when e-filing of returns were low at ZRA

H<sub>0</sub>: E-filing had not increased tax compliance among SME's in Chirundu.

H<sub>1</sub>: E-filing had increased tax compliance among SME's in Chirundu.

H(0) The measures put in place have encouraged e-filing and tax compliance among SMEs

H (1) The measures put in place have not encouraged e-filing and tax compliance among SMEs

### **1.6 Significance of the study**

The study findings and recommendation would be beneficial to Zambia. The County government would benefit by gaining information on how to ensure effective e-payment that would enrich the revenue collection by the government hence achieve the objectives of the county and propel socio-economic development through effective revenue collection performance. The potential success story of the Zambian County would also motivate other peer Counties to emulate the trend. The findings of the study would enable the National Government to recognize the role of County Governments in creating effective strategies to enhance revenue generation. The National government and its agencies might gain by obtaining information to enable them to put in place policies to support the achievement and sustainability of devolved funds for socio-economic benefit through effective revenue collection mechanisms. The study would add knowledge in the public-private devolution and revenue allocation in a devolved government, making it useful to academicians and scholars. The findings from the study would contribute to the body of scholarly knowledge in e-filing as a tool to optimal revenue collection. The study would be a window opener for more research in effective e-filing systems that would enhance high revenue collection performance, making it useful to researchers and scientists

### **1.7 Theoretical Framework**

The theoretical framework was used to assess the effect of electronic filing system on tax compliance among SMEs in Zambia. In this study, a taxpayer was an independent variable. In contrast, compliance levels, willingness to adopt electronic filing system and taxpayers' attitudes were the dependent variables. Taxpayer education would lead to change in taxpayers' attitudes, willingness to adopt electronic filing system which would lead to compliance. The influence of the independent variable on the dependent variables would be measured by evaluating taxpayers' attitudes, willingness to adopt electronic filing system and compliance levels.

The theory that underpins this research study is the benefit theory. The benefit approach was initially developed by Knut Wicksell (1896) and Erik Lindahl (1919).

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. This principle had been subjected to severe criticism on the following grounds:

The state maintains a certain connection between the benefits conferred and the benefits derived. It would be against the basic principle of the tax. A tax, as we know, is compulsory contribution made to the public authorities to meet the expenses of the government and the provisions of general benefit. There is no direct *quid pro quo* in the case of a tax. Most of the expenditure incurred by the state is for the general benefit of its citizens and it is not possible to estimate the benefits enjoyed by an individual every year. If we apply this principle in practice, then the poor would have to pay the heaviest taxes, because they benefit more from the services of the state. If the government had gotten more from the poor by way of taxes, it would be against the principle of justice? The implication of this theory was that small business holders may have to pay more taxes than medium and large taxpayers. (Wasao 2014)

### **1.8 Scope of the study**

The study focused on a sample of SMEs in Chirundu district specifically Chirundu Main Market as it was cost effective for the research to cover the entire country.

### **1.9 Limitations of the study**

There was time and manpower constraint on this research, and by extension the method chosen was to make use of questionnaires and interviews. This meant the research was limited to interviewing a specific number of respondents given the finances and availability of time. The study was on e-filing which was limited to attitudes and motivations of respondents involved.

### **1.10 Operational definitions**

#### **1.10.1 Definition of SMEs**

The definition of a small business enterprise in Zambia, as defined by the Small Enterprises Development Act of 1996 is as follows: any business enterprise –

- a. whose amount of total investment, excluding land and buildings, does not exceed
  - i. in the case of manufacturing and processing enterprises, fifty million Kwacha (K50 000) or (US\$ 25,000) in plant and machinery; and
  - ii. in the case of trading and service providing enterprises, ten million Kwacha (K10,000) or (US\$ 5,000)
- b. whose annual turnover does not exceed eighty million Kwacha (K80 million) or (US\$ 40,000); and



- c. Employing up to thirty (30) persons; provided that the values in (a) and (b) may be varied by the Minister, by statutory instrument.").

### **1.10.2 Taxes**

Taxes are involuntary fees levied on individuals or corporations and enforced by a government entity whether local, regional or global to finance government activities. In economics, taxes fall on whomever pays the burden of the tax, whether this is the entity being taxed, such as a business, or the end consumers of the business's goods.

This is a revenue stream for the government like that of Zambia and this may be channelled in most cases to funding of public works and services and to build and maintain infrastructure development used in a country. The government usually taxes individual and corporate residents. A percentage of the taxpayer's earnings or money is taken and remitted to the government. Payment of taxes at rates levied by the state is compulsory, and tax evasion the deliberate failure to pay one's full tax liabilities is punishable by law (KAGAN, 2019).

### **1.10.3 Tax compliance**

This refers to the degree to which a taxpayer complies (or does not comply) with the tax rules of their country, for example by declaring income, filing a tax return, and paying the tax due in a timely manner (ACCAGlobal, 2017). Tax compliance will either relate to corporate tax or personal tax. In the case of this study all references to tax is in respect to corporate tax.

Tax compliance analysts are responsible for ensuring that the financial information a company or individual submits to the Zambia Revenue Authority is accurate, complete and adheres to the tax compliance obligations and the law. If they identify discrepancies in the financial information, it's their responsibility to carry out further investigations to identify the extent and cause of the issue, propose remedies and to escalate as appropriate (KAGAN, 2019).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Overview**

This chapter highlighted the views of different academicians, researchers and scholars that have been advanced in the field of e-filing, tax compliance, taxpayer's attitudes, and willingness to adopt the electronic filing tax system.

#### **2.1 Global Perspective**

The global perspective on customer perceptions looks on how customers perceive the brands, products on the global level.

##### **2.1.1 Electronic Filing System**

Electronic filing is the process of submitting tax returns via the internet, it requires tax preparation software that has been preapproved by the Internal Revenue Service (IRS). It allows taxpayers to file taxes from home at their leisure and returns refunds much faster than by filing paper tax forms. <https://www.investopedia.com>. Electronic filing relies on technology. The technology utilized in electronic filing includes software applications and the internet. Electronic filing is used to ensure that the desired results are achieved. According to Muwonge (2011), some of the electronic filing measures include minimizing errors during tax processing, reducing the life of tax, and ensuring tax efficiency and allowing tax officers to ensure that taxpayers comply with the tax regulations.

##### **2.1.2 SMEs Perception on E-filing service**

In a study conducted by Widyari and Ariyanto (2021) on understanding the impact of E-filing system performance on Tax Compliance using the DeLone and McLean Model. This study aimed at investigating the impact of e-filing system performance on tax compliance. The study implored the Delone and Mclean Model IS Success model. The sample size used was 128 SMEs. The results showed that information quality and service quality have a positive effect on system use. In addition, information quality and system quality positively affect user satisfaction. By contrast, there was no impact of trust in e-government to either system use and user satisfaction. System use and user satisfaction positively influence taxpayers' compliance. Meanwhile, gender does not moderate the effect of system use and user satisfaction on tax compliance. Furthermore, studies that were conducted interchanged relationships between 1992 and 2019. However, in all of these review studies focus on investigating the IS success model in the context of e-learning, none of

them provide answers to the current study's research. This study endeavors to fill this identified gap similarly to that of Chirundu district.

In a similar study of Thakar et al (2021) on Taxpayers' perception towards e-filing in India. The study aimed at gaining an in depth understanding of the income tax filing. The study employed a descriptive research design. This study concluded that some users are less satisfied with the electronic filing facilities and electronic payment procedures so enough steps are required to create more awareness in the taxpayers regarding electronic/ online filing of returns. Taxpayers must be encouraged by using e-filing, as there are many advantages of this system. The number of Tax Return Preparer's (TRPs) should be increased in not only in lack now but in all over India, so that they serve the individual at ground level with expert view. The methodology of both Widyari and Ariyanto (2021) and Thaker et al (2021) were different despite both studies being conducted in 2021. Furthermore, the gaps identified from this were that the study did not underline the factors affecting the smooth implementation of e-filing system in India and the returns were challenged towards improving the facility.

The study from the island nation of Indonesia set its main objective to determine the effect of E-Filing on compliance among small businesses and individual taxpayer, moderated by Socialization Taxation. The study used primary data, through the questionnaire research. Respondents of this study were small business owners and individual taxpayer, the tax report, on KPP Pratama Jakarta Sunter. Hypothesis testing was done by using the bootstrap resampling method, using Smart Software Partial Least Square (Hutami Rienda Putrie, 2013). Data validity was tested with the outer loadings, and goodness of fit tested with composite reliability and cross loadings. Test the hypothesis views of statistics, the resulting inner weight. Research findings showed that e-filing significantly influence individual taxpayer compliance. Then, socialization taxation significant effect on compliance of individual taxpayers. However, the socialization of taxation, are not able to significantly moderate the effect of e-filing on tax compliance. This helps to answer in part the second objective which would assess how E-filing influences compliance among SMEs. This study says that e-filing improves compliance among this demography. The gaps in this study mainly lies in the number of respondents that were considered in the study, being low compared to the existing population. Another gap was that the respondents only came from one KPP who are the taxpayers registered in KPP Pratama Jakarta Sunter, North Jakarta.

### 2.1.3 Tax Compliance

According to Indian Stock tax (<https://m.moneycontrol.com>) Compliance is the degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner. It had also been defined by the Harvard law school (2015) as paying taxes on time and timely reporting of correct tax information. Therefore, tax compliance means seeking to pay the right amount of tax (but no more) in the right place at the right time. Where right means that the economic substance of the transaction undertaken coincides with the place and form in which they are reported for tax purposes. Holtzman (2007) states that tax compliance is the value of the taxpayer's own time and resources along with any out-of-pocket costs paid to the tax preparers and other advisors, invested to ensure compliance with the laws.

Yilmaz, Fatih and Coolidge, Jacqueline (2014) conducted a study to investigate the association between electronic filing (e-filing) and the total tax compliance costs incurred by small and medium size businesses. The survey data was collected from Nepal and Ukraine. A priori, most observers expect that use of e-filing should reduce tax compliance costs, but this analysis suggested that the assumption should be more nuanced. Policies that require business taxpayers to submit paper-based information in relation to their e-filing roughly negate savings that would otherwise be realized (Bett, 2015). Furthermore, the adoption of e-filing requires an up-front investment by the business not only in capital assets, but also in the time, effort, and resources required to learn how to use e-filing properly and efficiently. In this regard small businesses are likely to face a steep "learning curve" and should probably not be forced to use e-filing before most of them have access to computers (with reliable electricity service) and a chance to become familiar with both computers and the Internet uses. This statement simply tells that when e- tax returns are low compliance reduces. The gap identified from the study conducted by Yilmaz, Faith and Coolidge (2014) was that, since the study was conducted across three different (3) countries the possibility of data being replicated in one or two ways could be higher and exposure to fluctuations and errors could be higher too. Therefore, the study would only be conducted in Chirundu and not be replicated to other towns.

A study conducted by the World Bank in the central Asian nation of Afghanistan and the Afghanistan Revenue Department (ARD) had implemented the move to electronic filing (World Bank, 2021) system. The entire process to file tax returns then often took several days, with taxes

of only 40 to 50 people processed daily. In January 2020, this tedious process was abolished when ARD rolled out an e-filing system for processing taxes in the five provinces of Balkh, Herat, Jalalabad, Kabul, and Kandahar, enabling clients to file their taxes online (World Bank, 2021). The new system allows taxpayers to access their tax documents online and see the amount they should pay. The survey found that the new system had increased the number of small traders complying to tax authorities with a 60 percent increase in the number of small traders captured in Kabul, the capital (World Bank, 2021). This shows that there is a very big relationship between e-filing and tax compliance because the system does not require taxpayers to visit offices to file returns, and because of that e-filing increases compliance levels. E-filing has shortened the tax filing system reducing the number of supporting documentations from twenty-one to five. The e-filing system has also reduced the chances of corruption according to the finding of the study (World Bank, 2021). E-filing has reduced human errors and lowered instances of corruption because of the lack of personal contact as everything is processed electronically (Durrani, 2020). The electronic filing helped re-enforce the tax law equally on every taxpayer and restricted the processors from favouring one taxpayer over another. The gaps identified from this study was that the study was only restricted to Kabul, the capital and most advanced city in an otherwise underdeveloped and illiterate country. The study also did not take into consideration the difficulties faced in the provinces that do not have power and telecommunication services. ARD had not rolled out E-filing to the rest of Afghanistan, therefore, the results cannot be fully representative of the facts on the ground especially in peri urban setting like the one we will be dealing with in Chirundu district.

Another study conducted in Malaysia by Razak (2009) on the pragmatic nature of e-filing says that e-tax filing is convenient, easy, flexible and available to use any time, the innovation came with problems to consumers (Razak, 2009). At present there is very little literature that focused on the compliance of e-filing system. In Malaysia, the Inland Revenue Board (IRB) introduced the electronic filing of the returns (Razak Najib, 2009). The E filing in Malaysia involved four basic steps that was enrollment and verification of the digital signature, the entering of the gross earnings, relief and deductions before the system automatically calculates the tax amount due. The IRB receives the submission electronically and the verified tax form returned emailed back to the taxpayer (Razak, 2009). Razak (2009) further noted the challenges encountered in the use of electronic filing in Malaysia which included technological challenges such as standards, data

integration, legacy maintenance, privacy and security. These challenges were like those faced by SMEs in Chirundu and the study carried out could be useful in finding solutions to problems being encountered.

A study done by (Gallkiew (1985) in relation to compliance and challenges both small businesses face was a study called Gallkiew's Problems and Propositions to Improve Direct Tax Administration in Thailand: Income Tax from Personal Service that was done since 1985. Gallkiew (1985) used questionnaires (230 people in Bangkok and metropolitan area), interviews (8 people with different levels of education), and observation including documentary analysis (the Revenue Code, statistical documents, and local news). He found four problems for personal income taxes in Thailand: 1) low standard of education of taxpayers, 2) negative attitude of taxpayers toward the government and the Revenue department, 3) ambiguity of the Revenue Code, and 4) inefficiency in tax administration of the Revenue Department. Gallkiew's study could be considered so far, the most comprehensive study in Thailand on personal income taxes.

Though burden by the problem of being done over three decades ago and not covering, this study is still relevant to our study because in 2017 (3 years after e-filing was introduced) a study carried by JCTR called Tax Justice and Poverty found similar problems facing plaguing Zambia's tax system hence compliance being influenced. It is also essential to the study because in respect to this study it helps in some part to answer the question posed in the first objective which seeks to establish challenges faced by taxpayers in Zambia, in particular SMEs. The JCTR report found that similar to Gallkiew's study the tax administration system faces several challenges, among them are: a large informal cash economy; inefficiency at ZRA, a negative perception; complexities associated with taxation of international transactions; poor traceability of taxpayers; smuggling; and inadequate funding to Zambia Revenue Authority all these lead to low taxpayer compliance (JCTR, 2017). The gaps identified from these two studies are that the studies did not cover e-filing as a component and possible influence on compliance. Further the studies were general and covered the entire spectrum of taxation and compliance. It did not take into consideration challenges specifically to SMEs and e-filing. This is the gap that this study will investigate and hopefully answer the questions not asked.

Isnalita Isnalita and Noorlailie Soewarno - Proceedings of the 2018 International Conference on Islamic Economics and Business (ICONIES 2018) conducted a study on the purpose of

determining the effect of E-filing implementation, level of tax comprehension, and tax sanction on formal compliance. Multiple linear regression analysis was used to test statistically hypothesized models. The sample size used was 178 individual taxpayers. Data on this research is obtained by questionnaire. The method of this sampling was using convenience sampling method. The result of the research showed the variable of E-filing implementation, tax sanction and level of tax comprehension had a significant effect on formal compliance. So through the understanding of the tax regulation, the taxpayer could pay their tax with the applicable regulations. The research about taxes comprehension done found that taxation knowledge has a significant effects on formal compliance. The same result was also obtained of the research and found that the level of tax comprehension had a significant effects on formal compliance.

The regulations and tax procedure which had been regulated by the constitution including for the tax sanction. The tax sanction is required to give the punishment for tax breakers. The research done showed that the tax sanction had a significant effects on annual SPT reporting for taxpayer. This regulations might show the taxpayer being obedient if they think they would get the strict sanction for their illegal acts in tax smuggling. Different results obtained in the research conducted in the threat of punishment has no significant effect on taxpayer compliance. One of the efforts to increasing taxpayer compliance, the government conducted a policy that aimed to improve the tax administration system, to facilitate taxpayers, and to improve the tax compliance, by developing an administration system based IT such as e-filing. E-filing is one of the modernizations of taxation program based on the e-government that aims to provide convenience of annual SPT for personal income tax (PPh), to increase the compliance of individual taxpayers (ICONIES 2018). For the tax officials, e-filing could facilitate them in the management of databases the storage of taxpayer documents already computerized. E-filing offers many convenient features to taxpayers for example time to file, place of filing, ease-of-use, information searching and online transactions that are not quite available in the traditional channels. Based on the research it showed that the implementation of e-filing has the significant effect on taxpayer compliance. This research's results showed that the implementation of e-filing has a significant effect on tax compliance. Based on the above explanation, the researchers suggest that e-filing system must be constantly updated based on

information technological (IT) developments, so it can be accessed by taxpayer's mobile phone (ICONIES 2018). The suggestion for further research was a welcome move especially that the researchers ignored technologically challenges faced by tax authorities to improve the system like high exchange rates, interest rates manpower constraints and many other things. Variables that influence formal tax compliance can be added too. The gap identified from this study is that, the study did not state the outlayers that were at odds in the implementation of e-filing. Hence, this study would endeavour to assess the outlayers of e-filing on tax compliance among the SMEs.

According to Hyung Chul Lee (2016) World Bank Report “Can Electronic Tax Invoicing Improve Tax Compliance?”

reviews the Republic of Korea's experience with electronic tax invoices for its value-added tax regime from the perspectives of tax policy makers and administrators. The paper evaluates Korea's implementation of electronic tax invoicing and analyzes its effect on tax compliance through enhanced transparency of business transactions and taxpayer services. First implemented in 2011, mandatory electronic tax invoicing had been credited with lowering tax compliance costs and raising the transparency of business transactions. Effective policy design and implementation contributed to the country's success with electronic tax invoicing. Measured in transaction value, the electronic tax invoice adoption rate reached 99.8 percent in the first year and rose to 99.9 percent by 2013, compared with 15 percent before electronic tax invoicing became mandatory. According to a survey of taxpayers and tax practitioners in Korea that was conducted as part of their research study, 69.4 percent of the respondents agreed or strongly agreed that mandatory electronic tax invoicing had contributed to curbing value-added tax evasion by raising transaction transparency, and 72.9 percent agreed or strongly agreed that it had improved taxpayer service by facilitating the convenience of tax filing or automating the issuance of invoices. Hyung Chul Lee (2016). The review of Korea's experiences gives credence to the contention that well-planned and well-executed compulsory electronic tax invoices could materially enhance tax compliance through significant institutional and perceptual changes in tax administration. Although it was difficult to analyse the effectiveness of mandatory electronic tax invoicing from the study because the research did not mention the sample size from the total population used. This gives the researcher an opportunity to carry out the research.



While there are various studies on the relationship between law enforcement and tax compliance, Rosid Arifin and Romadhaniah (2021) edited version on assessing the effectiveness of law enforcement in improving tax compliance in Indonesia: an Empirical Investigation

was set out to examine an identified knowledge gap about whether, and precisely how effective, law enforcement may impact on tax compliance in Indonesia. Investigating administrative data from all 352 tax offices across Indonesia, revealed two principal findings. First, law enforcement appears to have a discernible impact on tax compliance. Second, the findings suggested that, while Audit Coverage Ratio (ACR) had played a vital role in improving tax compliance, criminal investigation appears to be an influential factor in determining the effectiveness of law enforcement. The study concluded that law enforcement is an important aspect of tax administration and better law enforcement would help the Indonesian tax authority improve tax compliance and raise revenue. However, a study that empirically examined the relationship between them within an actual tax administration's strategy map was lacking in the literature hence the basis for the study.

## **2.2 Regional perspective**

### **2.1 Electronic Filing**

Bird (2018) conducted a study on the Effect of e-tax filing on tax compliance: A case of clients in Harare, Zimbabwe 2018. The study reviewed that, there was underutilisation of electronic tax filing systems in tax agencies despite presence of electronic tax administration systems. The objective of this study was to find how e-tax filing had influenced tax compliance. Data collection was mainly through a questionnaire. Analysis of data was done through SPSS Version 20 and Excel. The study concluded that electronic filing system actually influences tax compliance. The study also established that there was a positive attitude by clients towards electronic filing and electronic filing had also significantly increased the ease of doing business. Correlation analysis revealed a positive correlation between assessing tax obligations accurately and the ease of doing business. The study was mainly directed at large clients and to one component of compliance which was filing, with less focus on other components of compliance, hence, the study recommends more research on the impact of e-filing on tax compliance among SMEs in Zambia.

Lunani, George Wamocha (2019) whose main objective was to determine the effect of iTAX system on value added tax compliance of small and medium enterprises in Eldoret town, Kenya. The specific objectives were, to establish the effect of online tax filling on value added tax compliance of small and medium enterprises in Eldoret town and to determine the effect of tax remittance on value added tax compliance of small and medium enterprises in Eldoret town, to find out the effect of compliance cost on value added tax compliance of small and medium enterprises in Eldoret town, to determine the effect of online tax registration on value added tax compliance of SMEs in Eldoret town. An explanatory research design was adopted and the target population was 2670 SME taxpayers in Eldoret Town, North Rift Region. The sample size was 347 SMEs taxpayers. Stratified and simple random sampling technique was used to identify the respondents. Construct validity was tested using factor analysis and reliability using cronbachs' alpha technique. The data was analyzed using SPSS version 20 software using descriptive statistics and inferential statistics. The study will be of great benefit to Kenya revenue authority in policy formulation on how to custom design the iTAX system for ease of use and to theoretical development and literature review on iTAX system and value added tax compliance. The study concluded that online tax filing, tax remittance, compliance costs and online tax registration have a significant effect on tax compliance. The study recommends that small and medium enterprises should keep detailed records of all input tax and output tax to facilitate the completion of VAT returns. The gap identified fro this study was that it ignored the educational levels of taxpayers, gender and income. The study should have applied a mixed study and a random sampling method.

Nigeria like most other African countries is facing a lot of challenges in terms dwindling revenue base. To capture entities that hitherto not filing their tax returns whether deliberately or because of bottlenecks. (Federal Ministry of Finance, 2012) assets that the government agencies adopted the e-governance platform by means of e-payment to encourage citizens to pay their taxes and to eradicate tensions generated in payment process. However, whether this initiative has led to an increase in tax returns or not is subject to empirical review. That study therefore examined the reactions of taxpayers to the e-payment system, the challenges it had posed and to find out if there was any provision for taxpayers to make input into the tax system in the country with a view to improving on the revenue base of the government through enhanced tax collection system, particularly in suggestions from the citizens. To achieve these objectives, the study analyzed the primary and secondary data obtained from the websites of the Inland Revenue Service at both the

federal and state levels of the Nigerian federation and from respondents through the administration of questionnaire to see how the citizens are encouraged or not to pay their taxes and the extent to which the government at the different levels have benefited from the e-payment initiative compared to the usual face to face manual tax collection system that has been in existence before now. Therefore, using data gathered from relevant agencies within and outside Nigeria, this study focused on examining issues of promoting awareness of the tax e-filing platform to taxpayers, propose policy contents that could instigate compliance to tax systems, and identify strategic areas that enhance the role of e-governance on tax compliance. Recommendations were made about the effective implementation of e-governance and tax compliance in Nigeria. However, the study was not clear as it did not show the total population and sample size of taxpayers who needed tax awareness on e-governance. Therefore, descriptive study should have been applied to collect the correct data from the respondents.

International Journal of Economics, Commerce and Management (volume 3, issue 12 December 2015) done by Mwangi Harrison Muturu and Kiarie Nahashon whose objective was to establish the effects of online tax system on tax compliance among small taxpayers in Meru, Kenya. The objective was answered using three research hypotheses which revolved around online tax registration, online tax filing and online tax remittances. The review of the past research studies was carried out. The study adopted a descriptive research design. Data was collected using structured questionnaire, which covered all the variables of the study from 60 sampled taxpayers from Meru County tax district. Data obtained were subjected to quantitative methods of data analysis using SPSS (version 20). In addition to descriptive statistics, both correlation and regression analyses were done, and summaries presented. The findings of the study were that online tax system does affect tax compliance level among small taxpayers on Meru County. However, the study conducted in Chirundu would establish other factors that affect tax compliance among small taxpayers.

### **2.2.1Taxpayers Attitudes towards electronic filing system**

Wenzel (2004) states that the interaction between the tax authority and the taxpayers creates a good relationship that impacts on the taxpayers' attitude. Alm et al (2006) asserts that the trust the taxpayers have in the state creates a positive attitude and commitment to paying taxes. The positive effect would be reflected through by the willingness to adopt the system that would lead to

voluntary compliance that is reporting and filling tax returns as well as paying the tax obligations when they fall due.

Mongwaketse P.B (2015) whose objective was to examine the perception and attitude of taxpayers in the Dr Ruth Segomotsi Mompati District towards the introduction of e-filing by the South African Revenue Service, and whether the system has any effects on tax compliance. In the quantitative approach of research, a questionnaire was administered among 202 individual taxpayers in the district. The adoption of this tax system has been received differently, in some instances met with taxpayers' resistance and ignorance, but overall, a positive picture has emerged from this study. The results and perceptions of taxpayers are said to be influenced by various factors such as cost-benefits analysis, attitude, perceived usefulness and ease of use, system's credibility and security. Research has also reported that many tax authorities that have leveraged on e-filing have experienced a reduction in handling costs of returns, shorter turnaround for processing and assessment of tax returns, and improved tax compliance. The growth in the number of tax compliant taxpayers means there is a decrease in the tax evasion and eventually in the tax gap. In this study, most respondents acknowledge the e-filing benefits such as paying of tax refunds quicker, ease of submission of tax returns, ease of payment of tax liability. Despite these results, Ruth Segomotsi Mompati District Municipality focusing only on individual taxpayers. It would also be of great interest to find out how other taxpayers such as companies, trust, small businesses, partnerships among others perceive the impact of e-filing in their operations and tax compliance as well as to confirm whether benefits such as tax refunds can be processed quicker in an environment with unstable economy like Zambia.

E-filing of personal income tax returns is regarded as one of the South African Revenue Service (SARS)'s success stories based on its growth since its inception in 2006. Given the importance of tax revenue as a major source of revenue to government, this study explores the effects of personal income tax e-filing on tax compliance and tax revenues. The study was carried out with three objectives, and one of them was to determine the relationship between personal income tax e-filing and tax compliance. Descriptive statistics and the pooled ordinary least square were employed to analyse the data having found the absence of unit root at levels in the data. The study covered 6-year period prior to e-filing (2000-2005) and 10-year period of e-filing implementation from 2006 to 2015, with data collected from publicly available SARS database on registered taxpayers and

revenues collected nationally and across South Africa's nine provinces and metropolitan areas. The results indicated that e-filing had a positive contribution to increase personal income tax revenue collection as well as tax compliance over the study period.

In 2019 the eighth edition of the OECD's Tax Administration Series was published. The publication showed how tax administrations are increasingly moving to e-administration and using a range of technological tools, data sources and analytics. The conclusion of the report or indeed survey suggested that this also increasing compliance in developed nations as well as emerging nations like Zambia among its informal economy. The report unfortunately doesn't take into consideration the challenges as outlined by the report conducted in Zimbabwe by Ming-Ling Lai and Kwai-Fatt Choong like low computer literacy, lack of electronic devices, trust issues with the platforms and many other things. The report was too verge to represent Africa as a block and therefore, challenges and opportunities in a country like Zambia weren't taken into consideration. The case study and personalized nature of the interviews of this research would deal with these short comings.

### **2.2.2 Willingness to adopt e-filing**

The mediating role of adoption of an electronic tax system in the relationship between attitude towards electronic tax system and tax compliance a study conducted in Botswana. Sadress Night-and Juma Bananuka (2020) aimed at investigating the mediating effect of adoption of an electronic tax system in the relationship between attitude towards electronic tax system and tax compliance of SBEs in a developing country in a single study. Results suggested that adoption of electronic tax system mediates the relationship between attitude towards electronic tax system and tax compliance. It was also found that there was lack of information on e-filing. That study was cross-sectional, monitoring changes in behaviour over time was not possible. The study used a quantitative research approach, and that limits respondents from expressing their feelings fully (Nawawi, 2018). Future studies may also use a mixed-method design or qualitative research design. The study was conducted in Uganda, and it was possible that the results of that study can be generalized to developing countries with environments like that of Uganda. Further studies may be conducted in other national settings. That research work was further criticized in the sense that the researcher would have used a descriptive kind of approach to collect data hence gives the researcher an opportunity to conduct similar research in Chirundu.

The lack of computer literacy in general was another thing that could influence the willingness to adopt e-filing system and the lack of confidence around the online filing system may lead to psychological tendencies that might influence the adoption of electronic filing (Muhangi, 2012). For example, Mandola (2013) argues that a feeling of increased anxiety and stress due to lack of experience or comfort with using technology or feeling threatened by technology could prevent a customer being inclined to adopt the e filing system. Concerns over security issues or perceived risks on the usage of online filing services inhibit its adoption. Ramoo (2006) argues that perceived risk influences the adoption and usage of the online filing. (Ramoo 2006). In that context, taxpayers using online system could be concerned on whether third parties could access their personal tax information without their knowledge or permission (Geetha & Sekar, 2012).

Further, the online tax filing system stability on tax compliance must be stable to handle the high traffic during the peak times. In that context, Kamarulzaman & Azmi (2010) argue that the online system must run smoothly and efficient during the times especially closer to the deadlines.

The inability of the system to handle huge information during the peak hours might change the perception of the users that the system was unreliable (Nakiwala, 2013). Taxpayers might opt to utilize the manual filing due to the perception that the system was always unreliable (Mugo, 2013). Improvement on the e filing systems that would enhance the taxpayer's perceived ease of use, usefulness and reduced riskiness of the system are essential in the adoption of the e filing system (Mugo, 2013). Reducing taxpayer's perception of risk in electronic filing not only increases their perception on the usefulness of the electronic filing but also leads them to adoption of the system.

The overall picture deduced from questions directly relating to compliance activities in Mbabane the capital city of Eswatini among its SMEs was that respondents have a perception that e-filing plays a role in their compliance behaviour. Most taxpayers are more compliant in their tax matters due to e-filing. The respondent taxpayers could submit their returns and pay their tax liability on time. The SMEs interviewed said the previous manual tax system at ETAX was using very long and intricate tax forms even for simple salary employee with medical aid, pension and travel allowance (Akuku, 2016) as such, ordinary taxpayers (not tax professionals) were prone to make errors when completing them. With the introduction of e-filing that had fewer complex forms that are as easy to follow as the majority could declare accurately. Overall majority believe that e-filing was the best system introduced by ETAX as it has enhanced their tax compliance patterns among

SMEs. However, the study was conducted 5 years ago, and it was important to conduct a similar study to see whether awareness programmes have been introduced to new tax e-filers. Due to technological advancements, not everyone was willing to adopt e-filing. The survey also noted that people who disagree with that facility are not necessarily saying e-filing has not had an impact on them, but they could be people who were tax compliant even before e-filing was introduced.

### **2.3 Local perspective**

Mukuwa V. and Phiri J. in an Open Journal for Social Sciences (volume 18 - 2020) done in Zambia postulated to investigate the effects of electronic services on revenue collection and tax compliance among Small and Medium Enterprises in urban Zambia. The study also sought to identify factors that influence the acceptance and use of electronic services among SMEs by applying the Unified Theory of Acceptance and Use of Technology (UTAUT) Model. The study employed a descriptive research design where 400 questionnaires were administered to purposively sampled SMEs in the Copperbelt and Lusaka provinces. The data collected was analyzed using the social package for statistical sciences software (SPSS) descriptive and correlation analysis. The descriptive analysis revealed that there has been a significant increase in revenue collection and tax compliance among SMEs since the introduction of these e-services. Further ZRA's compliance has increased, and tax filed through e-filing has been increased since its introduction. For example, it revealed that e-payments accounted for less than 1% of the total tax revenue in 2014 but this significantly changed by 2017 where e-payments accounted for 73% of the total tax revenue helped to increase ZRA tax collection (Brown & Mazur, 2020). On contrast the researcher should have applied simple random sampling when collecting data. The major taxpayers the institution concentrated on are big companies which made it impossible to account for revenue generated from SMEs and other informal sectors. The theory applied in the study does not consider challenges Less Developed Nations go through for them to consider the use of technology.

A similar study conducted by Njina Soneka P and Phiri J. in an Open Journal (volume 17 of 2019) on the objective to assess the factors that influence the level of e-tax systems adoption in Zambia. The study focused on TaxOnline system used by domestic taxes division in Zambia. The study was conducted in rural Zambia. In that study, the researcher used Technology Acceptance Model (TAM) which was an information system theory that models how users come to accept and use a technology. The sample size was purposively selected from various taxpayers who were coming

through to Zambia Revenue Authority Solwezi internet bureau. 100 semi structured survey questionnaires were distributed with 100% response. The data collected was analyzed using descriptive statistics. The results showed that, E-tax system in Zambia is useful, easy to use and secure. E-Tax involves E-Filing and E-Payment which is the process of submitting returns over the internet using an approved E-Tax system. Based on the findings, majority of the taxpayers are filing their returns and paying taxes online.

In line with the first objective of the research which was to find out the challenges faced by SMEs Ming-Ling Lai and Kwai-Fatt Choong conducted a survey in Zambia's Eastern province. The study looked on non-E-filers: Reasons for not using e-filing: Out of 456 respondents, 343 respondents represent (75.2%) preferred to use manual filing system instead of e-filing, and because of that they are termed as non-e-filers. To probe the issue further, why forced them to use traditional tax filing systems as opposed to e-filing. More than 25% of non-e-filers indicated that they were concerned about the security of e-filing system. About 20.8% did not have the electronic devices required to use the systems, some 11.8% of the non-e-filers indicated that they had no experience and knowledge to e-file. The plausible explanation was that they were not technology savvy or lacked internet self-efficacy to use e-filing (Awadhi, 2019). Another 5.7% indicated that there have been experiencing network problems which made it difficult to use that service. About 4.8% had attempted to use e-filing but were unable to e-file successfully, consequentially, they had to opt for paper filing at the end. Overall, the survey found gaps for not using e-filing system to be many. The limitations of that study are firstly, it was a cross-sectional study and secondly, only those professional accountants who attended the "Budget 2008" tax seminar were surveyed hence, limits the generalizability of the findings. Therefore, the study does not fit the description sample in Chirundu district. This study would also use a case study strategy to ensure a more accurate reading. In addition, the study would also carry out a survey among rural SME to give a clearer representation of the group.

A study conducted by Ugandan researchers in Northern Zambia found that there was widespread use of third parties in the remittance of taxes. The reasons included illiteracy, inefficiency and lack of access to electronic devices among SMEs in the country. The dependency on third parties to assist a taxpayer undertake online tax returns has the effect on the taxpayer losing data and information and the findings in Nakonde were repeated in Nigeria (Babajide, 2015). In addition,



this reduces compliance level because the use of another person to assist in filling personal financial information about his or her business possess a threat to their businesses for instance leaking income data derived from the businesses (Lukwata, 2011). Most of the taxpayers may not be comfortable divulging such information to third parties who are not connected to their business. This was because it exposes them to security risk of being robbed, and in that context the taxpayer may opt to fill in the manual tax returns in a bid to protect the privacy of his/her data (Ssetuba, 2012).

However, the major challenge of that study was it did not provide solution to the problem that the Uganda Revenue was using to make the system safer. Furthermore, misconceptions were not addressed, and incidents of theft were not highlighted. In this paper the researcher would strive to find out exactly what ZRA should do to ensure security of the taxpayers was not threatened, not only that but also provide an outline of misconception and how this affects compliance among SMEs.

A study conducted by Nayaho, Andrew Saratiyeri (2020) on the present study was aimed at assessing the effect of Taxpayer Education on Voluntary Tax Compliance by SMEs in Zambia, with the main focus being on SMEs operating in Lusaka's CBD. An exploratory research design was employed that was both quantitative and qualitative data was used which provided a better understanding of the research problem than either type by itself. The purposive sampling procedure used in selecting and identifying the respondents who were Small and Medium Enterprises (SMEs) in Lusaka's CBD. A sample of 50 SMEs was drawn from the population of 500 SMEs, with only 40 answering the research questionnaires out of the targeted 50. Furthermore, two (2) assistant inspectors from the Zambia revenue Authority (ZRA) also participated in the study and data was collected from them by way of an interview. The researcher used Pearson's chi-square test and correlation for purposes of data analysis, and then using Statistical Package for Social Sciences (SPSS) to establish the relationships and associations between the dependent and independent variables proposed in the conceptual framework of that study. With respect to the main objective, findings revealed that tax education had a significant positive impact on voluntary tax compliance by Small and Medium Enterprises (SMEs), the above findings were based on the asymptotic or probability values derived from Pearson's chi-square test for significance which were all below 0.1. Additionally, the study also found that the tax inspectors at the Zambia Revenue Authority

(ZRA) stated that Tax education has an effective role to play when it comes to compliance levels by SMEs, as evidenced by improvements in terms of voluntary tax compliance by SMEs in Zambia. Most SMEs found the process of tax filing and payment procedures to be complex. It is for this reason why the researcher decided to carry out this research to find ways and means of improving taxation education to SMEs in Zambia to improve the levels of voluntary tax compliance by SMEs. Furthermore, ZRA must ensure that they cover all taxation loopholes to enhance or increase tax compliance levels by SMEs and other taxpayers in the country, as taxation has a fundamental role to play in economic activity and the overall development of a country.

Njina Patience Soneka and Jackson Phiri (2019) on Open Journal of Business and Management volume 7 No. 2 a model for Improving E-Tax Systems Adoption in Rural Zambia Based on the TAM Model. The objective of that study was to assess the factors that influence the level of e-tax systems adoption in Zambia. The study focused on TaxOnline system used by domestic taxes division in Zambia. The study was conducted in rural Zambia. In this study, the researcher used Technology Acceptance Model (TAM). The sample size was purposively selected from various taxpayers who were coming through to Zambia Revenue Authority Solwezi internet bureau. 100 semi structured survey questionnaires were distributed with 100% response. The data collected was analyzed using descriptive statistics. The results showed that, E-tax system in Zambia is useful, easy to use and secure. Based on the findings, majority of the taxpayers are filing their returns and paying taxes online. However, there are few taxpayers who still feel E-tax is not useful, easy to use and secure. Therefore, the research being conducted in Chirundu would identify the gap and give answers through the questionnaires which would act as guide in providing solutions.

### **2.3.1 E-filing, Compliance and Policy**

This is in line with the third objective in this regard policy and laws that ZRA uses to implement measures in relation to E-filing to collect taxes and enforce compliance among SMEs in Zambia. To this end we explore Machamnean's study on AntiAvoidance Tax Measure (1999) recommends the introduction of statutory general anti-avoidance measures instead of using interpretation from the Supreme Court's decisions. Machamnean's suggestions make sense as it is usually better to prevent than to correct problems after they happened (Sugiyono, 2017). The remaining problems will be what should be stated in those measures. Machamnean recommended looking at taxpayers'

evasion actions, which resulted in the shift of tax burden. He also suggested the Revenue Department to announce regulations, explanations, and discussion about anti-avoidance tax measures to the public and allow disputes from related occupational organizations.

Chanarong's study on Anti-Tax Evasion Measures Related with Establishment of an Ordinary Partnership or a Non-Juristic Body of Persons (2009) proposed the amendment of the Revenue Code and related regulations to prevent the abuse of tax units in minimizing tax burden by filing personal income taxes as an ordinary partnership or a no juristic body of persons instead of individuals. Although these two studies are useful in legal perspectives, it was not designed to be comprehensive and was less relevant to the study.

There are two international studies that explore tax compliance related issues nations in Asia. McGee (2006) conducted a survey of Thai accounting students on opinions regarding tax evasion. There are four hypotheses: 1) the average respondent would believe that tax evasion was sometimes ethical; 2) tax evasion would be more acceptable when the statement refers to government corruption; 3) opposition to tax evasion would be strongest in cases where it appears that taxpayers are getting something in return for their money, or where there is a perception that there was a duty to other taxpayers to pay taxes, even if there may not be a duty to government; 24 and 4) females would be more strongly opposed to tax evasion than males.

The results support all four hypotheses. The interesting finding was that the respondents thought tax evasion was more acceptable in the case of governmental corruption and unfair tax system. McGee claims that results of surveys from other countries namely Guatemala, Romania, and international business professors are also similar, which lead him to believe that the attitude toward tax evasion was similar across cultural and geographical differences. However, McGee's later work in 2008 on Opinion on Tax Evasion in Asia reports variation in oppositional level and attitudes toward tax evasion among countries but still suggest strong opposition to tax evasion across countries (McGee, 2008).

These two international studies, however, tell only a small part of tax compliance story. McGee's study reflects only opinion on tax evasion from a small group of accounting students, which could not represent the attitudes of a larger Thai taxpayers' population. The study of James et al. focuses only on the attitudes of excise tax officials not the behaviour of general citizen taxpayers. Overall,

these studies of both Thai and international scholars are tax compliance-related but not exactly tax compliance studies. So far, there is no study that attempts to approach tax has covered the problem of the challenges of e-filing from tax compliance perspectives i.e., exploring citizens' perception and finding determinants of tax compliance behaviors. Therefore, a more systematic study and analysis on taxpayer's perceptions and factors that affect Zambian SMEs and citizens' tax compliance behaviour are needed.

In conclusion, the introduction of e-filing among SMEs in Chirundu presents an important opportunity to improve service delivery, reduce tax compliance costs of SMEs and disrupt avenues for unofficial behaviour. However, an important determinant of the benefits to be realized is the adoption decision by SMEs. In addition, from the government's perspective, we detect no significant average on tax revenue although any revenue impact would be a transfer from firms to the government. E-filing adoption remain quite low in Zambia as many users are hesitant to use e-services due to challenges such as failure to understand the electronic filing system, lack of access to gadgets to use when e-filing of returns. Other technological challenges include; standards, data integration, legacy maintenance, privacy and security. In addition to security e-filing involves the transmission of highly sensitive personal information and there is a risk that users' information will fall to the hands of third parties. The risk affected user's decision to disclose personal information on the internet. Therefore, if taxpayers perceive e- tax filing as extremely unsecured, it is very likely that they will not file their income tax return electronically.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Overview**

Chapter three presented the research paradigms and methods. The research designs, study area, study population, study sample, sampling techniques, data collection instruments, data collection procedures and data analysis instruments and end with a summary.

#### **3.1 Research design**

##### **3.1.1 Description research design**

The research applied a descriptive research design. Descriptive research refers to the methods that describe the characteristics of the variables under study. Descriptive research is a part of quantitative market research or social research study which involves conducting survey research using quantitative variables on a market research tool or social research tool (Moses, 2017). It was well situated for studies in which SME's, Chirundu Chambers of Commerce and ZRA officials will be used as a unit of analysis to measure generalizations.

#### **3.2 Study Area**

The study was carried out in Chirundu District of Zambia. Chirundu is a Southern border post for Zambia, located 136 km from the capital Lusaka. It was established in July 1912 by the colonial government originally as an out station for administration, along the northern banks of the Zambezi River. The township falls within the jurisdiction of Siavonga District.

#### **3.3 Study population**

The population of the trading place of Chirundu market was 150 traders. These SMEs were involved in various operations at the trading area.

### 3.4 Study Sample

In this study a sample size of 60 SMEs were interviewed from the four sets of respondents (SMEs) were used for the study. Less people were interviewed from the hospitality sector as there was a smaller presence of SMEs in this sector as compared to the others.

### 3.5 Simplified sample size formula

The sample size for this study was calculated using a simplified formula for Proportion that Yamane (1967:886) used to calculate sample sizes. A 90% confidence level and a margin of error (confidence interval) of +/-10% sample size.

$$\begin{aligned} n &= \text{total population} \\ 1 + (e)^2 \\ &= 150 \\ 1 + 150 (0.1)^2 \\ &= 60 \text{ Participants.} \end{aligned}$$

### 3.6 Sampling technique

The researcher applied purposeful random sampling to give every member of the trading a chance to be interviewed and thus not produce biased or imbalanced data.

#### 3.6.1 Purposeful random sampling

Cooper (2003) asserts that, purpose sampling (also known as judgement, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgement when choosing members of population to participate in the study. In addition, purposive sampling is a non-probability sampling method, and it occurs when “elements selected for the sample are chosen by the judgement of the researcher.

### 3.7 Research instrument

#### 3.7.1 Data Collection instrument

A total of 60 questionnaires were distributed to small business owners registered with ZRA in Chirundu. The questionnaires provided us with basic information on the households, their perceptions of tax compliance and their financials. The selection of the respondents was done with the help from local chamber of commerce officers and ZRA officials. This was done randomly.

### **3.7.2 Semi-Structured Interviews**

This involved interviewing key informants in the study. This would include officers, from ZRA and Chirundu Chamber of Commerce in the district.

### **3.7.3 Participatory observations**

Participatory observations would be done on all the firms visited. In this research, the method used was an intrinsic part of the research process as observations and participatory actions would take place during the visits to the business premises. The observations would provide us with valuable information on the local business practices and how these affect their tax compliance that we otherwise would not have been able to find out.

## **3.8 Primary Data**

This involved the use of data that was collected from the source. Primary sources of data were one on one interviews and questionnaires of which 2 were from Chirundu Chamber of Commerce, 3 from ZRA officials and 55 from individual SMEs.

## **3.9 Secondary Data**

This involved a use of previously collected and analyzed data. Secondary sources of data were Government achieved information, journals, ZRA web site and private reports from financial firms from local and international.

### **3.10 Data collection procedure and timelines**

Data collection procedures began upon approval of the proposal after its defense. An introduction letter was issued to the sampled entities for consent to collection data from the respondents. The questionnaires were administered to the respondents directly by the researcher with the help of two research assistants to save time. For those respondents who were not available for a sit-in filling of the questionnaire, it was e-mailed or sent via watsu. The interviews were conducted at a time and place convenient to the respondents to provide an environment in which the respondents felt free to participate. Data collection was conducted for two months subject for further guidance from the supervisor.

### **3.11 Data analysis instruments and procedures**

A careful analysis of the completed questionnaires was done to ensure the collected data was accurate and consistent with the information that was gathered. Pre-processing of collected data

was done through editing to detect errors and omissions and making of corrections where necessary. Data was analyzed by coding according to variables in the study for efficiency to reduce the replies given by respondents to a small number of classes. After completion of coding, the data was classified based on common characteristics and attributes. The raw data was then assessable and tabulated in form of tables to allow for further analysis. The tools of mean, frequency and percentages was generated using SPSS version 20.0. In short, the Statistical Package for Social Sciences (SPSS) was used to aid in the statistical analysis of the data. The benefits of SPSS are that SPSS is a user-friendly, has enough space for a long range of numbers and it has the most suitable instrument for analysis of quantitative data.

### **3.12 Validity of Research Instrument**

Validity is the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). Therefore, the term refers to the extent to which an instrument asks the right questions in terms of accuracy. The content validity of the research instrument for this study was determined through piloting, where the responses of the subjects were checked against the research objectives. For a research instrument to be considered valid, the content selected and included in the questionnaire must be relevant to the variable being investigated. The researcher performed the pilot test with randomly selected sample of 60 in Chirundu Central Business District. Content validity of the instrument was also tested using a research expert's opinion, who is the researcher supervisor. The research expert independently judged the validity of the items in the questionnaire in relation to research objectives.

### **3.13 Reliability of Research Instrument**

Reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data repeated trials (Cooper, 2003). To test the reliability of the questionnaire as a research instrument, a test-retest technique was employed in which questionnaires were administered to a groups SMEs within similar characteristics as the actual sample size but was not included in the final study. The test was repeated after three weeks. This was establishing the extent to which the questionnaire would elicit the same responses every time it was administered. The findings were consistent and therefore the questionnaire proved to be a reliable research instrument.



### **3.14 Ethical Consideration.**

Soliciting data was only collected with the consent of the respondents, the identity or personal information was protected and not shared. The researcher ensured that the protection of the integrity of the data by presenting only data collected from the source. Treating respondents with respect and courtesy. Research sought approval from UNZA-ZOU ethics committee through my research supervisor.

### **3.15 Summary**

This chapter has looked at how the study was conducted. The chapter was sub-divided into research design, study population, study sample, sampling technique, research instrument, data collection and procedure, data collection instruments, validity and reliability and ethical consideration.

## CHAPTER FOUR

### PRESENTATION OF FINDINGS

#### 4.0 Overview

Chapter four presents research findings. The findings are presented according to themes and subthemes derived from research objectives. The themes that emerged from the study were firstly grouped and coded in readiness for data analysis.

#### 4.1 Biographical information of the respondents

##### 4.1.1 Gender

The study found it of paramount importance to establish the gender status of respondents in ascertaining the number of males and females involved in SMEs in Chirundu District.

**Table 4.1: Gender of respondents**

	Frequency	Percent
Male	37	61.7
Valid Female	23	38.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field data, 2021.

Table 4.1 shows gender of respondents. The finding reviewed that most respondents were males 37(61%) while the females were 23 (38.3%).

**Table 4.2: Age distribution of respondents**

	Frequency	Percent
18-25	10	16.7
26-35	16	26.7
36-45	13	21.7
Valid 46-55	9	15.0
56-65	7	11.7
Above 65	5	8.2
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field data, 2021.

In terms of age, table 4.2 showed that most respondents were in the age range of 26 to 35, making up 26.7% of the sample. There was lesser representation of the other age groups as: 36 to 45, (21.7%); 18 to 25, (16.7%); 46 to 55, (15.0 %); 56 to 65, (11.7%) and above 65 at (8.2%).

**Table 4.3: Marital Status of Respondents**

	Frequency	Percent
Single	14	23.3
Married	29	48.3
Valid Divorced	11	18.3
Widowed	6	10.1
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field data, 2021.

By marital status, table 4.3 shows that the majority of 29 (48.3%) were married. Respondents in the singles category were 14 (23.3), while divorcees and widows were 11(18.3%) and 6 (10.1%) respectively.

**Table 4.4: Respondents distribution by Level of Education**

	Frequency	Percent
Below grade 12	18	30.0
Grade 12	31	51.7
Certificate	8	13.3
Valid Bachelor's degree	3	5.0
Master's degree	0	0
PhD	0	0
Total	60	100.0

Source: Field data, 2021.

The above table and figure 4.4 the education levels varied with majority secondary (grade 12) at 31 (51.7%), certificate at 8 (13.3%); while those with bachelor's degrees represented 3 (5.0%) and no percentage obtained for master's degree and PhD.

#### 4.5: Challenges of e-filing

		Understand E-filing	E- filing is Fast and convenient	Easy and simple to file returns	Accurate and faster to access tax obligations	E-devices are available for use when e-filing	Tax online system does not share my information	Flexibility of electronic filing
valid	Agree	1	2	3	10	12	25	6
	strongly agree	0	12	10	3	0	2	1
	Disagree	19	27	38	37	35	22	34
	strongly disagree	39	19	8	5	11	3	18
	Neutral	1	0	1	5	2	8	1
	<b>Frequency</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
	<b>Percentage</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Field data, 2021

Table 4.5 shows respondent's level of understanding on the electronic tax filing system. The finding shows that, 1 (1.7%) respondents strongly agreed that they understood the electronic tax filing system, 19(31.6%) disagreed that they did not understand the electronic tax filing system, 39(65%) strongly disagreed that they did not understand the electronic tax filing system and 1(1.7%) were neutral on the issue.

Respondent's experience on whether the electronic tax filing system was fast and convenient compared to the old manual system. The finding shows that, 2 (3.3%) respondents agreed that the electronic tax system was fast and convenient compared to the manual one, 12 (20%) strongly agreed that the electronic tax system was fast and convenient compared to the manual one, 27(45%) disagreed that the electronic tax system was not fast and convenient compared to the manual one and 19 (31.7%) disagreed that the electronic tax system was not fast and convenient compared to the manual one.

Respondents on tax returns using electronic tax filing system. The finding shows that, 3 (5.0%) respondents agreed that it was easy and simple for them to file tax returns using electronic tax filing system, 10 (16.7%) strongly agreed that that it was easy and simple for them to file tax returns using electronic tax filing system 38(63.3%) disagreed that it was not easy and simple for them to file tax returns using electronic tax filing system and 8 (13.3%) disagreed that it was not

easy and simple for them to file tax returns using electronic tax filing system and 1(1.7%) were neutral on the issue.

The same table 4.5 shows respondent's opinions on whether they were able to access tax obligations accurately and faster using the electronic tax filing system compared to the manual filing system. The findings show that, 10 (16.7%) respondents agreed that, they were able to access tax obligations accurately and faster using the electronic tax filing system, 3(5.0%) strongly agreed they were able to access tax obligations accurately and faster using the electronic tax filing system, 37(61.7%) disagreed that, they were not able to access tax obligations accurately and faster using the electronic tax filing system and 5(8.3%) strongly disagreed that they were not able to access tax obligations accurately and faster using the electronic tax filing system and 5(8.3%) were neutral on the issue.

Respondent's responses on the availability of e-devices (cell phones, computers, and laptops) used when e-filing of tax returns. The findings show that, 12 (20.1%) respondents agreed that the devices were available, 35 (58.3%) disagreed that the devices were available for e-filing, 11(18.3%) strongly disagreed that the devices were available and 2 (3.3) were neutral.

Also shows respondent's responses on whether the tax online system does or does not share information with other websites. 25(41.7%) agreed that the tax online system does not share information with other websites, 2(3.3%) strongly agreed that the tax online system does not share information with other websites, 22(36.7%) disagreed that the tax online system does not share information with other websites, 3(5.0%) strongly disagreed that the tax online system does not share information with other websites and 8(13.3%) were neutral.

The flexibility of electronic filing shows that 6(10%) agreed that electronic filing was easy to use and negate, 1(1.7%) strongly agreed that electronic filing was easy to use and negate, 34(56.6%) disagreed that electronic filing was easy to use and negate, 18(30.0%) strongly disagreed that electronic filing was easy to use and negate and 1(1.7%) were neutral.

**Table 4.6: Major Challenges of e-tax System**

	Frequency	Percent
System always slows at the filing date	12	20
Serve is ever busy	32	53
It is expensive	4	7
Not user friendly for computer illiterates	10	17
Fails to use Firefox/Mozilla browser while filing	2	3
Total	60	100

**Source: Field data, 2021.**

Results in Table 4.6 show that majority of the respondents signaled a challenge of servers as being the major weakness of the electronic tax filing system. This is depicted by majority of the respondents 32(53%). The poor cyber infrastructure in the country can further be seen coming into play again as a major weakness in the e-tax system as 10(17%) observed the same.

#### **4.6: E-filing and tax compliance**

**Table 4.7: Change in Tax Assessment since its implementation**

	Frequency	Percent
Yes	23	38.3
NO	37	61.7
Valid		
Total	60	100.0

**Source: Filed data, 2021.**

Table 4.7 show the change in tax assessment since the time it was implemented. The finding review that, 23(38.3%) said that they noticed a change in tax assessment since the time it was implemented and 37(61.7%) said that they did not notice any change in tax assessment since the time it was implemented.

**Table 4.8: Determination of Tax obligations and returns using tax e-system**

	Frequency	Percent
Yes	13	21.7
Valid NO	47	78.3
Total	60	100.0

Source: Field data, 2021.

Table 4.8 show the responses on how respondents determine their tax obligation and returns using the tax electronic system. The finding review that, 13(21.7%) said that they were able to accurately determine their tax obligations and returns using the electronic system whereas 47(78.3%) were not able to determine their tax obligations and returns using the electronic system.

**Table 4.9: Timely filing and accurate assessment of tax obligation**

	Frequency	Percent
Yes	24	40.0
Valid NO	36	60.0
Total	60	100.0

Source: Field data, 2021.

Table 4.9 show the responses on whether the timely filing and accurate assessment of tax obligation were as a result of electronic system. The finding review that, 24(40%) said that the timely filing and accurate assessment of tax obligation were as a result of effective electronic system whereas 36 (60%) said the timely filing and accurate assessment of tax obligation were not because of effective electronic system. This implies that taxpayer's accurate determination and timely filing is a challenge as majority 36(60%) answered 'No'.



**Table 4.10: Increased amount of money spent on fulfilling tax obligations**

	Frequency	Percent
Yes	13	21.7
NO	47	78.3
Valid Total	60	100.0

Source: Field data, 2021.

Table 4.10 show the responses on whether electronic filing has increased the amount of money spend on fulfilling tax obligations. The finding review that, 13(21.7%) electronic filing had increased the amount of money spend on fulfilling tax obligations whereas 47 (78.3%) said that electronic filing had increased the amount of money spend on fulfilling tax obligations.

**Table 4.11: Introduction of electronic filing and Compliance**

	Frequency	Percent
Agree	9	15.1
Disagree	32	53.3
Valid Strongly Disagree	11	18.3
Neutral	8	13.3
Total	60	100.0

Source: Field data, 2021.

Table 4.11 shows how the introduction of electronic filing has improved tax compliance. The finding review that, 9(15.1%) agreed that the introduction of electronic filing has improved tax compliance 32(53.3%) strongly agreed that the introduction of electronic filing has improved tax compliance and 11(18.3%) strongly disagreed and 8 (13.3%) were neutral to the question.

**Table 4.12: Availability of information to SMEs on electronic filing and taxation**

	Frequency	Percent
Yes	23	38.3
Valid No	37	61.7
Total	60	100.0

Source: Filed data, 2021.

Table 4.12 show responses on the availability of information to SMEs regarding electronic filing and taxation. The finding review that, 23(38.3%) said the information regarding electronic filing and taxation was available whereas 37(61.7%) said that the information regarding electronic filing and taxation was not available.

**Table 4.13: Opinion on electronic filing**

	Frequency	Percent
Excellent	1	1.7
Very good	4	6.6
Valid Good	19	31.7
Poor	36	60.0
Total	60	100.0

Source: Field data, 2021.

Table 4.13 shows various opinion of respondents on electronic filing. 1(1.7%) alluded that, electronic filing was excellent, 4(6.6%) said that electronic filing was very good, 19(31.7%) said that electronic filing was good and 36(60%) said that the electronic filing was poor.

#### 4.7: Measures put in place to overcome non-compliance

**Table 4.14: Measures put in place to overcome non-compliance**

	Frequency	Percent
Continued education of taxpayers	20	47
Setting up various ZRA service centers across the nation	4	7
Using it as an alternative to the manual one	2	3
Installation of a user-friendly system	2	3
Provision of e-tax clinics	3	3
<b>Total</b>	<b>60</b>	<b>100</b>

Table 4.14 indicates that majority of the SMEs advocate for continued education about the use of the e-system whereas a considerable number of advocates for the upgrading of the current servers. Setting up various ZRA customer service centers across the country is also suggested and a few also suggest installation of a user-friendly system and provision of e-tax clinics around the country. In their view, Belanger, et al (2006) argue that they are several success criteria for a web site depending on the variety of goals such as selling, informing and advertising. The authors further argue that web site success is audience specific, and it should take account of diverse perspectives of users and owners. Installation of user-friendly systems is very vital given the state of the cyber infrastructure in the country and the literacy levels. Presenting to taxpayers a system that can easily be used in fulfilling their tax obligations gains the country and the ZRA as an organization in the achievement of its goals and targets.

#### 4.8 Correlation between electronic filing and Tax compliance

**Table 4.15: Relationship between electronic filing and tax compliance**  
**Correlations**

		Electronic filing	Tax Compliance
Electronic Filing	Pearson Correlation	1	.288
	Sig. (2-tailed)		.026
	N	60	60
Tax Compliance	Pearson Correlation	.288	1
	Sig. (2-tailed)	.026	
	N	60	60

**\*\*** *Correlation is significant at 0.01 level (2 tailed)*

The Pearson correlation shows the relationship of taxpayers and their compliance to electronic filing. This correlation of .288 shows that there is a positive correlation even though there is no strong compliance. The N stands for the total number of samples that were used in the electronic research to arrive at the conclusion of having the correlation of .288. The two tailed relationship also shows that there is a positive correlation.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS**

#### **5.0 Introduction**

This chapter interprets and discusses the finding of the study. The purpose of the study was to evaluate ZRA E-filing system on tax compliance among SMEs in Zambia. The findings are discussed in line with the study objectives which were: to establish the challenges SMEs encounter when e-filing of returns on Tax online, to assess the extent to which e-filing is correlated with tax compliance among SMEs' and to determine the measures put in place to encourage e-filing and tax compliance among SMEs.

#### **5.1 Challenges SMEs encounter when e-filing of returns on Tax online**

The research established several reasons why most of the participants were encountering challenges when e-filing of returns online. The challenges were categorized into external and internal.

##### **5.1.1 External challenges**

###### **5.3.1.1 Lack of ICT framework**

It was reviewed that although the ZRA has got a good policy on the integration electronic payment system from manual to digital, its implementation and monitoring is still lagging more especially in rural urban area like Chirundu District this is so because there has not fully funded for its operation. Hence, funding has been inadequate for the full implementation of the e-tax system. Previously, projects of this nature have been donor funded and this strongly threatens the sustainability in the aftermath of project sponsorship from cooperating partners. According to Lumpkin and Dess, (2018) the growth and management of organizations are affected by its business climate. Clement et al., (2017) noted that an unfavorable business climate has a negative effect on the growth of any organization. Davidsson (2018) noted that an unfavorable monitoring, complicated rules and regulations could heavily hamper organizational management of electronic systems. Likewise, St-Jean et al. (2008) noted that unfair funding and ineffective ICT framework are the main obstacles on the growth of many organizations.

###### **5.3.1.2 Unqualified Human Resource in ICT**

It was reviewed that, unqualified human resource in ICT has been one of the challenges SMEs encounters when e-filing of returns on Tax online. It is sufficient to mention that human resource

capacities form one of the most significant factors for the development of SMEs. According to Hewitt and Wield (2018), firms like SMEs with a skilled and well-educated workforce are probably to be more efficient in tax compliance. As noted by Lee (2017), human resource capacities form one of the most significant areas for the success of SMEs. Chandler and McEvoy (2019), indicate that human resource capacities have a positive effect on the management of firms, which increase employee skills and motivation, and eventually result in improving the productivity and long-term sustainability of SMEs. Similarly, Batra and Tan (2003) note that a well-educated and skilled ICT workforce has more learning and innovative abilities in electronic initiatives. However, various studies recognize low human resource capabilities ICT as a major challenge for businesses not complying in electronic payment system (Batra and Tan, 2018). Hence, the SMEs have not been spared out from this vice in Chirundu District.

### **5.3.2 Internal factors**

#### **5.3.2.1 Lack of management support for on-line filing**

It was reviewed that SMEs have no clear management support for on-line filing system. This was evident by non-availability of tax return certificates in the premises. According to El-Rufai Na (2018), management support constitutes the basic or overall vision of an organization like SMEs.

#### **5.3.2.2 Inadequate Capacity Building of SMEs in ICT**

SMEs were found incapacitated in ICT which affected their response to electronic filing and tax obligations. SMEs had little technical knowhow in ICT, and this affected their compliance on tax returns. Dess (2012) posits that, the growth and management of organizations are affected by its business climate. Clement et al., (2004) noted that an unfavorable business climate has a negative effect on the growth of any organization.

#### **5.3.1.2 Unqualified Human Resource in ICT**

It was reviewed that, unqualified human resource in ICT has been one of the challenges in the implementation of e-government in most institutions. It is suffice to mention that, human resource capacities form one of the most significant factors for the development of organizations. According to Hewitt and Wield (1992), firms with a skilled and well-educated workforce are probably to be more efficient. As noted by Lee (2001), human resource capacities form one of the

most significant areas for the success of companies. Chandler and McEvoy (2000), indicate that human resource capacities have a positive effect on the management of firms, which increase employee skills and motivation, and eventually result in improving the productivity and long-term sustainability of small firms. Similarly, Batra and Tan (2003) note that a well-educated and skilled workforce has more learning and innovative abilities. However, various studies recognize low human resource capabilities as a major challenge for the development of any organization in developing countries (Lee, 2018). Hence, institutions like UTH have not been spared out from this vice.

#### **5.3.2.3 Fear of security breaches**

It was found that, SMEs expressed concerns on online security. Fear of security breaches as some SMEs were in fear of their accounts been hacked. Brian (2017) asserts that, internet has been marred with hackers who encourage in unscrupulous activities. In line with this, SMEs preferred Manual System as opposed to electronic filing system.

#### **5.3.2.4 System breakdown of ZRA sever**

The study reviewed that, they have had experience of system breakdown on several occasion and for this system to rectified took a long time. Further, it was found that, the rate at which these SMEs were fulfilling their tax obligations was discouraging as they could wait for days for the system to be worked on.

#### **5.3.2.4.5 Summary of challenges**

In addition, as dictated in Table 4.6 above, majority of the respondents signaled a challenge of servers as being the major challenge of the electronic tax filing system. This was depicted by majority of the respondents 32(53%). The poor cyber infrastructure in the country can further be seen coming into play again as a major weakness in the e-tax system as 10 (17%) observed the same. One important aspect to be observed is that on some days of filing, the system is down and too slow. This implies that the system in place is not good enough to handle all the users at the same time. This greatly undermines compliance levels as taxpayers become disgruntled with the system hence leading to non-compliant behaviors. This goes ahead to further show that the system is overwhelmed by the number of users.

## **5.2 E-filing and tax compliance among SMEs'**

The study examined the correlation between e-filing and tax compliance among Small Medium Enterprises in Chirundu Market. The study finding established that, 9(15%) agreed that the introduction of electronic filing had improved tax compliance, 32(53.3%) strongly disagreed that, the introduction of electronic filing had improved tax compliance and 11(18.3%) were neutral to the question. Hence, the study finding also established that some of the SMEs do not completely pay taxes thus they do not incur filling expenses. The study findings also established that there was a weak correlation between tax filing and tax compliance. In addition, the study established that fines and penalties could have positive significant relationship with tax compliance. This indicates that there is direct relationship between fines and penalties. These findings concur with those of Mararia (2018) who established that tax compliance cost and tax fines and penalties are contributory factors in tax compliance. A study by OECD (2019) also established that compliance costs in addition to the tax payable, which may discourage SMEs from complying with income taxes. Weichenrieder (2017) also observed that small and medium sized businesses are affected disproportionately by compliance costs when scaled by sales or assets since the compliance costs of SMEs are higher than for large businesses. Atawodi and Ojeka (2018) also posited that the problem of high tax rate promotes non-compliance and pushes most SMEs to remain in the informal sector.

## **5.3 Measures to encourage e-filling and tax compliance among SMEs**

The study reviewed that; most of the SMEs advocated for continued education about the use of the e-system whereas a considerable number of them advocates for the upgrading of the current servers. Setting up various ZRA centers across the country was also suggested and a few also suggest installation of a user-friendly system and provision of e-tax clinics around the country. In their view, Belanger, et al (2006) argue that they are several success criteria for a web site depending on the variety of goals such as selling, informing and advertising. Belanger, et al (2006) further argue that web site success is audience specific, and it should take account of diverse perspectives of users and owners. Installation of user-friendly systems is very vital given the state of the cyber infrastructure in the country and the literacy levels. Presenting to taxpayers a system that can easily be used in fulfilling their tax obligations gains the country and the ZRA as an



organization in the achievement of its goals and targets. In line with this, Engstom et al., (2019) postulates that, there is a whole universe of measures that may be used to boost tax compliance such as presumptive taxation, less onerous tax obligations, including reduced frequency of filing and tax payments, use of third-party information, Information Technology solutions and open communication with taxpayers.

## **CHAPTER SIX**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.1 Introduction**

The study sought to evaluate Zambia Revenue Authority of e-filing on tax compliance among SMES in Zambia: a case study of Chirundu Market. The specific objectives were as follows; to establish the challenges SMEs encounter when e-filing of returns on Tax online, to assess the extent to which e-filing is correlated with tax compliance among SMEs' and to determine the measures put in place to encourage e-filing and tax compliance among SMEs.

#### **6.2 Conclusion**

Basing on the findings from the study, it is evident that the electronic tax filing system has not improved tax compliance as it is easy not for taxpayers to assess their tax obligation accurately and enable them to file their returns on time. On other hand, the new system has helped ease the work of the ZRA staff and to an extent led to an increase in tax collection in ZRA.

Basing on the findings from the study, it is evident that the attitude of SMEs and that of ZRA staff or agents is not positive as a considerable number viewed the use of the system as being poor. Therefore, a lot must be done by ZRA to make these people like the system more.

More so, findings from the study indicate that the new system has not increased the costs of complying with ZRA on the SMEs side but however, taking it in mind that the system is in its genesis, improvements may be done to avert the same.

Findings from the study do show that the new system is poor and overwhelmed by the number of users consequently resulting into inconveniences like loss of taxpayers' considerable working time.

The study reviewed that one important aspect to be observed was that on some days of filing, the system was down and too slow. This implies that the system in place is not good enough to handle high volumes of traffic among users at the same time. This greatly undermines compliance levels as taxpayers become disgruntled with the system hence leading to non-compliant behaviors. This goes ahead to further show that the system is overwhelmed by the number of users. Basing on the findings, electronic tax filing system has the potential of increasing tax compliance and revenue collection in ZRA, but a lot must be done to avert the obstacles that may not make it possible.

### **6.3 Recommendations**

- ZRA should at the onset upgrade the e-tax servers to calm down the pressure on the current servers.
- ZRA should install user friendly features on the filing websites as to increase the taxpayers' interest of use of the system.
- ZRA should embark on a country wide sensitization of the system and increase on both print and electronic adverts about the use of the system so that the best can be got from it.
- ZRA should also provide e-tax clinics around the country. This can help reduce on the time a busy taxpayer can spend in a conference or seminar.
- ZRA should intensify enforcement patrols, tax fines and penalties implementation so that SMEs can comply.

### **6.4 Areas of Further Research**

The researcher suggests the following as areas of further research.

- The influence of e-tax on tax administration
- The impact of e-tax on tax evasion and avoidance.
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**Appendix one: BUDGET**

Items	Amount
Stationary	K200
Travel for project team	K2,000
Consultation	K 1,000
Talk Time and data	K 500
Total	K 3,700

**Appendix two: RESEARCH SCHEDULE**

Activity	April	May	Jun	July	August	Sept	Oct	Nov
Preparing project proposal	X							
Submission of proposal		X	X					
Data Collection				X	X	X		
Data Analysis						X	X	
Submission of final research							X	X

## Appendix Three: Questionnaire

**QID Number.....**

**THE UNIVERSITY OF ZAMBIA  
SCHOOL OF BUSINESS**

**TITLE**

**AN ASSESSMENT OF ZAMBIA REVENUE AUTHORITY (ZRA) ELECTRONIC  
FILING ON TAX COMPLIANCE AMONG SMEs IN ZAMBIA: A CASE STUDY OF  
CHIRUNDU MARKET**

**Dear respondent,**

I am a master's student of Business Administration at University of Zambia and am carrying out an ASSESSMENT OF ZAMBIA REVENUE AUTHORITY (ZRA) ELECTRONIC FILING ON TAX COMPLIANCE AMONG SMEs IN ZAMBIA: A CASE STUDY OF CHIRUNDU MARKET.

In partial fulfillment for the master's degree in Business Administration, I am required to present a dissertation (thesis). You have therefore been selected to take part in the on-going research whose purpose is to assess the ZRA E-filing on Tax Compliance among SMEs in Zambia, a case of Chirundu Market.

Your responses will be treated with absolute confidentiality strictly for academic purposes.

**INSTRUCTIONS**

1. Do not write your name, or phone number on the questionnaire.
2. Answer all questions except those not applicable to you if any.
3. Tick out your answer in the boxes provided and write in your own words the answers in the spaces provided.

**Thank you for your cooperation**



## **SECTION A. BACKGROUND INFORMATION OF RESPONDENTS**

### **1. GENDER**

**Gender**

[✓]

- i. Female
- ii. Male

### **2. AGE DISTRIBUTION**

**Age group**

[✓]

- i. 18-25 years
- ii. 26-35 years
- iii. 36-45 years
- iv. 46-55 years
- v. 56-65 years
- vi. Above 65 years

### **3. MARITAL STATUS**

**Marital status**

[✓]

- i. Single
- ii. Married
- iii. Divorced
- iv. Widowed

### 3. LEVEL OF EDUCATION

#### Level of Education

[✓]

- i. Below Grade 12
- ii. Grade 12
- iii. Certificate
- iv. Bachelor's degree
- v. Master's degree
- vi. PhD
- vii. Other (Specify).....

## SECTION B: CHALLENGES ENCOUNTERED WHEN E-FILING OF RETURNS ON TAX ONLINE

### 5. I understand the electronic tax filing system better.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

### 6. Electronic tax filing system is fast and convenient compared to the old manual system

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

**7. It is easy and simple for me to file my tax returns using electronic tax filing system**

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

**8. I can access my tax obligations accurately and faster using the electronic tax filing system as compared to the manual system.**

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

**9. The e-devices (cell phones, computers, laptops) are available for use when e-filing of tax returns**

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

**10. Tax online system does not share my information with other websites**

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

**11. It is easier to negate and file my returns electronically**

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree

**12. Please state the other challenges of electronic tax filing system that you encounter.**

.....

.....

**SECTION C: E-FILING AND TAX COMPLIANCE**

**12. I have noticed a change in tax assessment since the time it was implemented**

- |    |     |                      |
|----|-----|----------------------|
| 1. | Yes | <input type="text"/> |
| 2. | No  | <input type="text"/> |

**13. I can accurately determine my tax obligations and file my returns monthly using the electronic tax system**

- |    |     |                      |
|----|-----|----------------------|
| 1. | Yes | <input type="text"/> |
| 2. | No  | <input type="text"/> |

**14. If my answer is yes, timely filing and accurate assessment of tax obligation are a result of the electronic tax filing system**

- |    |     |                      |
|----|-----|----------------------|
| 1. | Yes | <input type="text"/> |
| 2. | No  | <input type="text"/> |

**15. Has this increased the amount of money you spend on fulfilling your tax obligations with ZRA?**

- |    |     |                      |
|----|-----|----------------------|
| 1. | Yes | <input type="text"/> |
| 2. | No  | <input type="text"/> |

**16. The introduction of E-filing has improved compliance**

<b>Tax Filing</b>	<b>[✓]</b>
Strongly agree	
Agree	
Neutral	
Strongly Disagree	
Disagree	
Other (Specify)	

**17. Enough information is readily available to SMEs regarding e-filing and taxation in general**

**[✓]**

- i. Yes
- ii. No

**18. State your opinion of E-Filing**

<b>Tax Filing</b>	<b>[✓]</b>
Excellent	
Very Good	
Good	
Poor	
Others (specify)	

**19. State other measures put in place to encourage e-filing and non-compliance**

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**Thank you for your cooperation**