

**EVALUATION OF TAXATION EFFICIENCY: A CASE STUDY OF
TANZANIA LARGE SCALE MINING SECTOR**

By

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DECLARATION

I, Ngalla Amani Ngowi, hereby declare that this thesis entitled “*Evaluation of Taxation Efficiency: Case Study of Tanzania Large Scale Mining Sector*” is my original work. The work contained in this thesis has not been previously published for the award of any degree or diploma in any University. To the best of my knowledge, where this work comprises of any material previously published by any other person, due acknowledgement has been made. I proclaim that the views and opinions expressed in this thesis must only be used for the purpose of reading it. Hence, I declare that this thesis was carried out and submitted in satisfaction of the nature and standard required for the partial fulfilment of Master of Mineral Sciences Degree in Mineral Economics.

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CERTIFICATE OF APPROVAL

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ABSTRACT

Large Scale Mining Sector (LSMS) in Tanzania is owned by foreign investors who are operating under Mineral Development Agreements (MDAs) and in the guidance of Environmental Impact Assessments (EIAs). The study entails to assess taxation efficiency in LSMS. The main source of revenue for public expenditure is taxation. Government of Tanzania (GOT) has ventured into allowing foreign direct investments (FDIs) in the mining sector for the purpose of ensuring that they achieve significant collections of revenues as taxes to improve the delivery of services to the public. The main problem is the failure and in some cases blatant refusal of the LSMS to pay statutory taxes to the GOT.

The research is guided by three specific objectives, the first one being to determine the amounts and types of minerals mined and the amounts of taxes paid to GOT. Actual figures of taxes collected or paid were obtained from different sources of payments, including Tanzania Mineral Audit Agency (TMAA), Tanzania Revenue Authority (TRA), Ministry of Energy and Minerals (MEM), and Mines Head Offices. All data were secondary. The second specific objective was to determine statutory types and amounts of taxes to be paid by LSMS and the cause of failure or refusal to pay taxes to GOT. This was done by going through Mining Acts and Mineral Policies of the time in question, and listing all types and amounts of taxes the LSMS were statutorily required to pay to GOT. The data was also secondary. Primary data was collected through a questionnaire in five selected mines. The sample size is 100 respondents at a rate of 20 respondents for each mine.

The third specific objective was to propose or suggest what should be done to improve tax collection from LSMS. This was done by going through two scenarios, namely: literature review and referring to other countries with a success in mineral tax benefits. The significance of the study is to provide relevant information for LSMS taxpayers and GOT policy makers to merge on the understanding pertaining to tax compliance. Both

qualitative and quantitative data analysis (descriptive and inferential) methods were applied in analyzing the data for achieving the specific objectives one and two. From the research it has been found that the outcry is genuine. The LSMS was not paying out many, if not all, deeds they were supposed to pay. There are no genuine excuses for failure or refusal to pay their dues (taxes). Major conclusion from the research includes: LSMS in Tanzania has blatantly refused to pay Corporate/Income Tax, LSMS evaded and avoided paying taxes, Taxation Efficiency is on average (1.2 to 5 %) which is 3.10%. Operating cost was pegged at 70% of the sales value. GOT has no capability and capacity to collect mineral taxes and other mineral dues.

It is recommended that Tanzania should control and manage her mineral resources so as to realize economic and social development from tax revenues by: -Publicizing MDA's: This will enable the public to comment on them especially through the Parliament Abolishing ring fencing in all mines: This will make it easier to control costs of operating the mines. Making accounting currency to be a United States Dollar: To avoid or reduce inflation of the local currency. Implementing Mineral Resource Rent Tax Act (MRRTA): To manage production and sales of final products and hence a better taxation efficiency is achieved

The study further enhances the contribution of knowledge on the respective field study whereas it serves as the foundation of knowledge for further studies in the future. There is little control for achieving true figures, be it production, pricing, expenditure and profits before tax. This study may be for a bigger area like East and Central Africa, before looking at the African Continent at large.

DEDICATION

I dedicate this dissertation to my lovely wife Mirriam, to my lovely daughters: Natasha and Haika, and to my lovely son Weruwetsa. This family encouraged me a lot to go back to school after 32 years (1987 to 2018) of being out of academic circles. I urge them to study hard when they are young, before bad days come when they will badly recall what they did not do when they were young. Nevertheless, education has no end, but it has levels to be completed at a given age and time.

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List of Abbreviations

ABBREVIATIONS	DESCRIPTIONS
ASGM	Artisanal and Small scale Gold Mining
ASM	Artisanal Small (Scale) Mine s
BGM	Bulyanhulu Gold Mine
BoT	Bank of Tanzania
BZGM	Buzwagi Gold Mine
C/IT	Corporate/Income Tax
CIM	Chief Inspector of Mines
CM	Commissioner of Minerals
Cpht	Carats per hundred tones
DSE	Dar Es Salaam Stock Exchange
EIA	Environmental Impact Assessment
EMU	Environmental Management Unit
FDI	Foreign Direct Investment
GCLA	Government Chemist Laboratory Agency
GDP	Gross Domestic Product
GGM	Geita Gold Mine
GOT	Government of The United Republic of Tanzania
GST	Geological Survey of Tanzania
IPS	Investment Policy Statement
IRR	Internal Rate of Return
JV	Joint Venture
LSMS	Large Scale Mining Sector
M.O.F./MoF	Ministry of Finance
MDA	Mining Development Agreement
MEM	Ministry of Energy and Minerals of Tanzania
ML	Mining License
MoU	Memorandum of Understanding
MRRT	Mineral Resource Rent Tax
MRRTA	Mineral Resource Rent Tax Act

NEMC	National Environmental Management Council
NMGM	North Mara Gold Mine
NSSF	National Social Security Fund
NSSF	National Social Security Fund (Tanzania
PAYE	Pay As You Earn
PML	Primary Mining License
PPF	Parastatal Pension Fund (Tanzania)
SDL	Skills Development Levy
SEZ	Special Economic Zone
SMMRP	Sustainable Management of Mineral Resources Projects
SPSS	Statistical Package for Social Sciences
STAMICO	Sate Mining Corporation of Tanzania
TBS	Tanzania Bureau of Standards
TCME	Tanzania Chamber of Minerals and Energy
TEITI	Tanzania Extractive Industry Transparency Initiative
TGM	Tulawaka Gold Mine
TMAA	Tanzania Minerals Audit Agency
TPDC	Tanzania Petroleum Development Corporation
TRA	Tanzania Revenue Authority
TSH	Tanzanian Shilling
TZS	Tanzanian Shilling
USD	United States Dollar
VAT	Value Added Tax
WDL	Williamson Diamonds Limited
WHT	Withholding Tax

CHAPTER ONE

OVERVIEW OF THE STUDY

1.0 INTRODUCTION

The title of the study is “Evaluation of Taxation Efficiency: A Case Study of Tanzania Large Scale Mining Sector”. This chapter comprises of different sections including the background information, statistical observations, and statement of the problem, research objectives and research questions, significance of the study and the organization of the study.

1.1 BACKGROUND TO THE STUDY

Early 1990s the Government of the United Republic of Tanzania (GOT) opened doors to foreign investment in mining on the expectation that the investors would bring into Tanzania capital, technology and expertise; and the Government would benefit through taxes, foreign exchange earnings, employment and community development support. Mining Sector Fiscal Regime was created by the GOT to offer to investors a number of fiscal incentives in order to create an enabling environment.

The Mining Sector Fiscal Regime was provided in: -

- Road and Fuel Tolls Act, 1985;
- The Value Added Tax Act, 1997 amended in 2006 as the Value Added Tax Act, Cap. 148 incorporating all amendments up to 30th November, 2006;
- The Mining Act, 1998 which made provision for prospecting for minerals, mining, and dealing in minerals, and to provide for any other relevant matter; amended to form The Mining Act, 2010;
- The Income Tax Act, 2004; and
- The East African Community Customs Management Act, 2004 (Vision 2025).

This enabling environment coupled with fiscal incentives made a number of foreign investors rush into Tanzania to invest in the mining sector. In that rush, six gold Mining

Development Agreements (MDAs) were entered into between the GOT and foreign mining companies. After the first set of MDAs, large scale gold mining operations started in full swing in the late 1990's.

The MDAs had a negative impact on the fiscal regime of Tanzania in the fact that it was confidential between the signatories (Minister responsible and the Investors) where the shortfalls in the benefits (records of profits and losses) were from one side of the investor. There was no mandate for the GOT to know what was going on in the production and sales of the minerals in agreements. In this period, it was easy for the investor to report in favor of his benefit.

Tanzania Mineral Policy, 1997 was the first policy to state that there should be a balance in the interests between the GOT and investors by ensuring that the mining taxation regime is equitable (just and fair), suitable (fitting and convenient) and predictable (easy to foretell), non-distortionary (not easy to alter the true meaning) and internationally competitive (to ensure success against rivals). To make it internationally competitive, confidentiality was agreed on MDAs (MEM 2006).

In order to achieve the said balance, GOT, as a regulator, therefore, pursued two issues, namely: -

- Creating sound economic and fiscal policies that were conducive to private sector investment in mining; and
- Collecting taxes, duties, royalties, fees, rental payments and other payments arising from mining activities.
- As a result of these amendments, the mineral policy of 1997 achieved the following: -
 - Foreign Direct Investment (FDI) in the mineral sector increased from US \$ 1.3 billion to US \$ 2.5 billion;
 - Gold mines produced more than 45 tonnes of gold per annum; and one medium scale tanzanite mine produced an average of 1.4 million carats per annum;
 - Increase in the value of mineral exports from US\$26.66 million to US\$1,003.21 million; growth of the mineral sector from 7.7% to 10.7%;

- Employment increased from 1,700 to 13,000 workers;
- Government revenue from mining sector increased from US\$ 2 million to US\$ 78 million; and
- Gross Domestic Product (GDP) from the minerals sector increased from 1.4% to 2.7% (Samaje, 2011).

1.1.1 Statistical Observations

In order for the statement of the problem to be clear, statistical facts are hereunder presented in **Table 1.1**

Table 1.1: Important Statistics

FACTOR	TARGET	ACTUAL
GOT revenues from corporate tax (million USD) 2005 – 2010 [six years]	901.13	0.00
Employment levels (local numbers) 1997 – 2007 [ten years]	23,000	13,000
GDP (% contribution) 1997 – 2007 [ten years]	3.5	2.7
Minerals (gold) exported (million USD) 2005 – 2010 annually [six years]	**1,896.29	*1,707.87
Gold produced (kg) 2005 – 2010 annually [six years]	**50,000.00	50,000.00
FDI contribution from LSMS (billion USD) 1997 - 2007	3.5	2.5

Source: TMAA February, 2012

***Value of 45,000 kg of gold = 45,000*37,952.74 = million USD 1,707.87**

**** Value of 50,000 kg of gold = 45,000*37,952.74 = million USD 1,896.29**

1.2 STATEMENT OF THE PROBLEM

Tanzania Large Scale Mining Sector (LSMS) is mainly composed of foreign investors. This is due to the fact that locals cannot afford capital investments especially the mining equipment and processing equipment. This situation has left the LSMS investors almost 100% independent in decision making where taxes are concerned. This freedom has finally resulted into a problem of failure and in many cases a blatant refusal of the Large Scale Mining Companies to pay statutory taxes, especially corporate tax, to the GOT. There is no reason why fail or refuse to pay.

Between 1997 and 2006, many statutory taxes were not paid at all. Corporate tax from gold and diamond mines for six years (2005 to 2010) was zero USD. Local employment was extremely low. Mostly many of the employees were casual laborers.

Unemployment was around 70% of eligible employees. The aim of achieving 10% GDP contribution to the economy by the year 2025 will not be achieved going by the trend seen in the GDP growth today (from 1.4% to 2.7%) (Samaje, 2011). Export of gold is declared at 45,000 kilograms per annum, but the sources have it that more than 50,000 kilograms are exported annually. After investing in production equipment and erecting processing plants, there were no other foreign direct investments (FDI) from the LSMS.

1.3 STUDY OBJECTIVE

1.3.1 Main Objective

The main objective of the study is to evaluate the taxation efficiency for large scale mining sector in Tanzania in relation to the total gain from exploitation of minerals.

1.3.2 Specific Objectives

- To determine the amount and types of minerals mined and types and amount of taxes paid to GOT from inception of mine to year 2011

- To determine statutory types and amounts of taxes to be paid by LSMS based on taxation tools and the causes of failure/refusal to pay taxes to GOT
- To propose or suggest ways to improve tax collection from LSMS

1.4 RESEARCH QUESTIONS

- To what extent does tax avoidance affect tax compliance in large scale mining sector in Tanzania?
- To what extent does tax evasion affect tax compliance in large scale mining sector in Tanzania?
- To what extent does taxpayers' perception affect tax compliance in large scale mining sector in Tanzania?

1.5 METHODOLOGY

Explanatory design involving gathering of knowledge through relationships between study variables was undertaken to assess the taxation efficiency for large scale mining sector in Tanzania.

Quantitative data collection procedures were employed. The quantitative data provided empirical data through questionnaire.

Primary data acquisition in Tanzania involved questionnaire administration to employees from selected five mines. The study using a questionnaire survey involved 100 respondents comprising of 20 respondents from each of the five mines.

Secondary data was obtained from different sources and various institutions in Tanzania.

1.5.1 Mineral Types and Amounts of Taxes Paid

LSMS is divided into two groups based on types of minerals mined. Only one company is mining diamond. The rest are all mining and processing gold. Actual figures of taxes collected or paid were obtained from different sources of payments including Ministry of Energy and Minerals (MEM), Tanzania Mineral Audit Agency (TMAA), Tanzania

Revenue Authority (TRA), Head Offices of individual Mines, and from District Councils. Data was directly collected from Records Departments for a requested period. The figures were compared (actual from specific objective (i) and statutory from specific objective (ii)) and percentages were calculated to determine the taxation efficiency of this sector.

1.5.2 Statutory Types and Amounts of Taxes to Pay

By going through Mining Acts and Mineral Policies of the time in question, it was possible to list all types and amounts of taxes the LSMS were supposed to pay. The types of taxes included Corporate/Income tax, (C/IT), Value added tax (VAT), Local government contributions (LGC), Royalty (RYLT), and Other Taxes (Skills development levy, withholding tax, Sales duty, Import duty, and Excise duty). The statutory amounts were indicated in the Mineral Policy of that particular time.

1.5.3 What to do to improve tax collection.

The third objective is determined by use of the literature review and references to other successful countries conducting mining and mineral processing.

1.6 SIGNIFICANCE OF THE STUDY

The study is relevant on the ground since it shows the causes on the great concerns of low tax compliance among large scale mining companies in Tanzania. It may provide relevant information for taxpayers and policy makers to merge on the understanding pertaining to the whole issue of tax compliance on the large scale mining sector in line with the practices.

1.7 ORGANIZATION OF THE STUDY (THESIS STRUCTURE)

The study has six respective chapters. The first chapter constitutes the overview of the study. It includes the background information, statement of the problem, research objectives, research questions, significance of the study and organization of the study.

The second chapter presents the literature review. It looks at definitions and elaborations of important terminologies; types and quantities of minerals mined in Tanzania; mining taxation regime in Tanzania; factors dictating amounts of taxes on minerals; tax evasion and tax avoidance; and one way of improving tax collection.

The third chapter focuses on the methodology of the study. It describes how data was collected, type of data, and amount of data for each objective.

Chapter four focuses on data collection and data analysis. It highlights how data were collected and analyzed to achieve specific objectives.

The fifth chapter presents the results of the findings and discussion of the results of the study.

Chapter six gives the summary, conclusion and recommendations from the results of the study.

1.8 SUMMARY

This chapter dealt with background of the study, statement of the problem, study objectives, research questions, methodology, significance of the study, and organization of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter defines and elaborates key terms on tax and taxation. The chapter then looks at types and quantities of minerals mined in Tanzania, mining taxation regime in Tanzania, and factors dictating how a mine should be taxed. It also elaborates the difference between tax evasion and tax avoidance, and then it looks at means of improving tax collection by the state.

2.1 DEFINITIONS AND ELABORATION OF KEY TERMS

2.1.1 Tax

Tax is an imposed financial charge or other levy upon a taxpayer (an individual or legal entity) by a government such that failure to pay is punishable by law. A tax is not a voluntary payment or donation but an enforced contribution exacted pursuant to legislative authority. It is any contribution imposed by government, whether under the name of toll, tribute, tollage, gable, impost, duty, custom, excise, subsidy, aid, supply, or other name (Atkinson, 1977).

2.1.2 Taxation

Taxation is an act of demanding and collecting taxes. This act is conducted by the state (a social institution specialized in making possible attainments of the society's collective goals), the government (Atkinson, 1977).

2.1.3 Taxation Efficiency

This is the ratio of the actual taxes collected to the expected taxes to have been collected. The figure is normally stated as a percentage (Author). The implication to a taxpayer is to know if he/she is paying taxes as required statutorily.

2.1.4 Tax Compliance

Tax compliance refers to the voluntary practice among taxpayers in the country such as individuals, corporations, enterprises, companies and others to voluntarily pay their required taxes to the respective government through the established parameters and settings. This is the practice which is highly expected to be attained by the government in jurisdictions all over the world that people become willing and voluntarily pay taxes without being forced.

Since tax compliance is something that has been difficult to be attained in various countries all over the globe, it should be noted that tax compliance may be possible provided that it is reciprocal between the taxpayers and the government (Cobham, 2015). This is to say that the government must be willing to correspond with the needs and wants of the taxpayers prior to the tax paid such as provision of adequate services such as water supply, power supply, healthcare facilities, education facilities and services; and many others, effectively and efficiently (Bird & De Jantscher, 2012).

2.1.5 Mining Sector

This entails a sector in the economy which consists of the extraction of the valuable minerals from the earth (Ali, 2009). The minerals extracted are of great value and worth such that their extractions usually seem to be benefiting the actors involved including the government.

2.1.6 Profit (Income) Tax

A charge based on some measure of the net income, measured in cash flow, accrual, current, cumulative (NPV), or average (ROR) bases. For the mines, this tax is generally levied on a graduated scale, and it applies only to profits. It is neither a fixed nor a variable mining cost; hence it has less effect on the cutoff grade than the other types of taxes. It does, however, affect the annual cash flow from the ore body. If the tax rate is too high, it may lead to reducing the present value of the potential ore body to an unacceptable level (Baldry, 2010).

2.1.7 Ad valorem tax

This is a tax based on the assessed value of the plant to process minerals and the value of the ore reserves to be mined. This is a fixed cost of operation applied to the entire mine without regard to the level of production. As a cost of operation, the anticipated payment of high ad valorem tax affects the exploration target by raising the acceptable cutoff grade (the lowest grade that can be mined at a profit) (Otto ,2000). This kind of tax encourages high – grading thereby reducing recoverable tonnage in an ore body.

The advantage of this tax is on the side of the state where this tax is levied whether the mine is operational or not, and a steady, predictable revenue is assured. However, this advantage has a limit when the tax becomes unrealistically high forcing this source of revenue to be diverted.

2.1.8 Royalty

This is also called severance tax. It is a payment to the owner of the reserves in exchange for extracting and processing mineral reserves. Understanding the imposition of royalty as a commercial compensation for use of valuable mineral resources is not that easy. This is brought about by the constraints in evaluating the reserves in relation to how much can be processed to achieve final product to the market. Prior pricing is also another challenge. This tax is levied against each unit of mineral that has been mined and shipped. This is a variable cost of operation. Like the ad valorem, it raises the cutoff grade of a potential ore body, but unlike the ad valorem, it does not penalize the miner outlining or exploring future ore reserves and it does not apply when the mine is not operational (Tilton, 2006). Royalty is sometimes used to encourage local smelting and refining so as to discourage the shipping of ore and concentrates out of the native country.

2.1.9 Windfall tax

This is also known as “Excess” charge. It is a charge in addition to a Royalty and all generally applicable taxes. This charge depends on legislatively defined profits above the expected or budgeted ones.

2.2 TYPES AND QUANTITIES OF MINERALS MINED

Tanzania is blessed with a wide range of minerals which should translate into a big boost to the country's economy and its peoples' quality of life. Minerals mined in Tanzania include metallic, gemstone, industrial, energy minerals and building materials.

2.2.1 Minerals mined in Tanzania

- 1) Metals: These are gold, iron, silver, copper, platinum, nickel, and tin.
- 2) Gemstones: These include diamonds, tanzanite, ruby, garnet, emerald, Alexandria, and sapphire.
- 3) Industrial: These are kaolin, phosphate, lime, gypsum, diatomite, bentonite, vermiculite, salt, and beach sand.
- 4) Energy Minerals: Like coal, natural gas and uranium.
- 5) Building Materials: Such as stone aggregates and sand.

2.2.2 Large Scale Mining Sector (LSMS) Composition

LSMS is made up of the following companies: -

- 1) Williamson Diamonds Limited which mines diamonds.
- 2) Geita Gold Mine which mines gold, and
- 3) Barrick Africa Gold with three big gold mines.

2.2.3 Production levels variations

Two main minerals are mined by LSMS, namely diamonds and gold, thus: -

- 1) Diamonds: Tanzania being the 9th largest diamond producer in Africa, as shown in Figure 2.1 below.

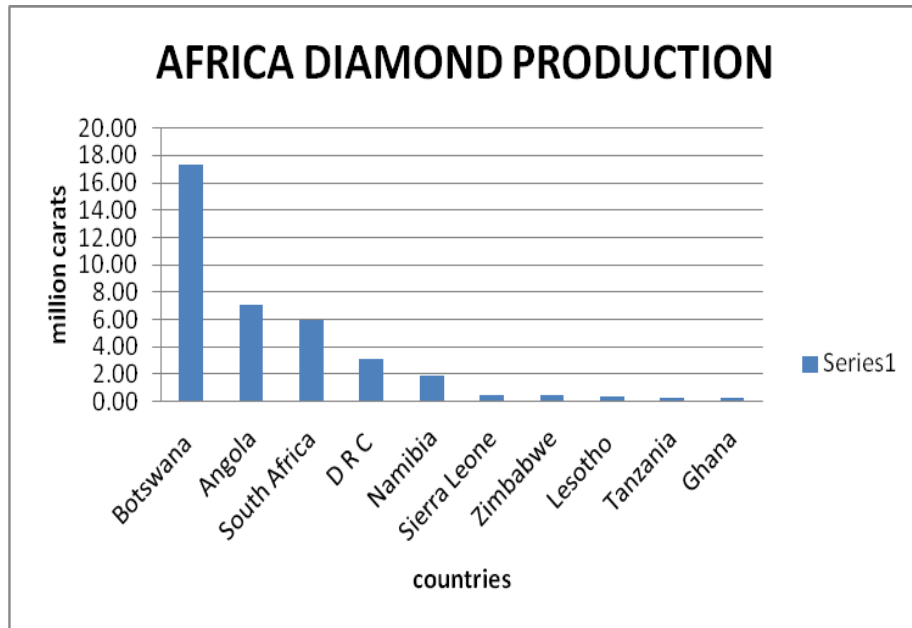


Figure 2.1: Annual Diamond Production in Africa. Source: (Klover, 2013)

- Botswana (17.3m ca),
 - Angola (7.1m ca),
 - South Africa (6m ca),
 - Democratic Republic of Congo (3.15m ca),
 - Namibia (1.92m ca),
 - Sierra Leone (0.5m ca),
 - Zimbabwe (0.5m ca),
 - Lesotho (0.35m ca),
 - Tanzania (0.30m ca) and
 - Ghana (0.24m ca)
- 2) Gold, on average, the two big gold companies, Barrick and Geita, mine and process to a tune of 50,000 kilograms of gold per annum. (Gold production in Tanzania stands at around 50,000 kilogrammes per year which makes it the 4th largest gold producer in Africa after South Africa, Ghana and Mali).

2.3 MINING TAXATION REGIME IN TANZANIA

Taxes reflect balances between goals and capacities. The goal on taxes is to obtain maximum and steady revenues to the state. The capacity to pay taxes may be on the lower limits depending on technology available and the geological potential of the mineral deposits. With favorable level of technology, right environment and economic stability and with clear tax incentives (reduced rates), exploration and industry can be availed into a mineral rich country. The question is, “how much incentive is enough?” The type as well as the amount of taxation levied on mines has a direct bearing on the kind of exploration target sought and the mining sector share in the economy. The fiscal regime for the mining sector in Tanzania is provided in the Road and Fuel Tolls Act, 1985; The Value Added Tax (VAT) Act, 1997; The Mining Act, 1998; The Mining Act, 2010; The Income Tax Act, 2004; and The East African Community Customs Management Act, 2004 (Vision 2025). (VAT Act 1997 was amended in 2006 as the Value Added Tax Act, Cap. 148 incorporating all amendments up to 30th November, 2006. The Mining Act, 1998, which made provision for prospecting for minerals, mining and dealing in minerals and to provide for any other relevant matter, was amended to form The Mining Act, 2010.

2.3.1 Types of Mine Taxes

There are three types of mine taxes, namely: -

- Ad valorem tax: As elaborated in section 2.1.7.
- Severance tax or royalty: As elaborated in section 2.1.8.

Royalties are easier for a state to assess and collect than most other kinds of taxes. This simplicity makes it possible for the state to increase royalty past the threshold of what mines can pay.

- Income tax: As elaborated in section 2.1.6.

The income tax is by far the most appropriate form of tax for conservation of mineral resources. The other forms of taxation may cause lower, economical grades of ore to be left in the ground and they may delay capital improvements for mining and processing.

2.3.2 Input Taxes

- Import Duty exemption for mining equipment and supplies directly related to the mining operations are granted up to one year after the start of production. A cap limit of 5% customs duties on imports of capital equipment and supplies applies thereafter.
- Value Added Tax (VAT) on domestic sales is 18% and exports are zero-rated.
- VAT paid is fully recoverable and there is full relief from VAT for services or goods exclusively for mining activities.
- Holders of mineral rights are exempted from domestic Withholding Tax on goods and services supplied by them. However, they shall be obliged to withholding tax on domestic goods or services purchased by them.
- Withholding tax on technical service payments to subcontractors shall be 5% to residents and 15% to non-residents.
- Fuel Taxes (Fuel Levy and Excise duty on fuel): US\$200,000 per annum.
- Local Levy is charged at 0.3% of annual turnover and is paid to Local Government authority where the mine is located.

2.3.3 Profit Taxes

- 1) Corporate tax on income from mining activities is 30% of the net income of the corporation, which is standard for all corporate bodies in Tanzania.
- 2) There is ring fencing around the mining sector.
- 3) Depreciation is allowable on all mining capital expenditure and on exploration and production rights.
- 4) Losses may be carried forward for recovery without limit.
- 5) Withholding tax on paid out dividends and tax on distribution of branch profits to non-residents is 10%.
- 6) Withholding tax rates on loan interest or interest paid to related parties will be 10%, but shall not apply to interest paid to resident financial institutions.

2.3.4 Methods of Tax Collection

The method of tax collection has to be made easy. The easiness has to have some means of rooting out tax payers who always look for ways to hide assessable income tax. Formulas applied must be simple and easy to administer. This means that undesirable operations should be discouraged and even penalized, environmental protection fund to be clearly shown as a necessary insurance for future generations, and each operation should be ring fenced.

2.3.5 Factors Dictating Amount to be Taxed

The following factors should be considered in deciding the net tax returns from the mining industry: -

- 1) The Nature of Ownership: Unless the purpose is to increase foreign ownership, low tax levels, as currently practiced, will only benefit the external economies.
- 2) The Quality and Nature of Mineral Resources: High grade deposits enable collection of high tax returns while small marginal deposits produce little or none. The variability of grade and thus ability to provide economic rent also affects the ability to supply. If prices fall to low levels, the rich deposits, which are cheaper to work, would continue to produce when marginal deposits become unprofitable.
- 3) The Structure and Level of Taxation: This involves the taxation system and other fiscal measures used for collection of revenues. Attraction of foreign capital investment is caused by lack of capital, expertise, market power, high consumption, methods and efficiency of collecting revenues.
- 4) Total Mineral Output: Tax collected is closely tied to the quantity produced or planned to be produced. This output is variable. It fluctuates with perceived world demand and prices that would make profitable operations possible. When world demand and prices decline, mines are forced to alter their development plans and the government fiscal policy is adversely affected. Output to be produced is also uncertain due to lack of information about grades to be mined,

capacity of plants, operating efficiencies and commodity inventories over changing world market

- 5) **Prices of the Mineral Output:** There is uncertainty in mineral output, but also the price at which the output will be sold is uncertain. This is so because the producers do not have measurable powers in determining the prices on auction markets of the world. This uncertainty calls for unstable revenue generation to the government.

Therefore, to simplify mineral taxation administration, taxes on the mining sector should consist of taxes based on volumes and prices. The mining industry should not be protected or favored and should pay all other taxes as any other business: VAT, local, property, and utilities like power and toll gates.

2.3.6 Major components of mining taxes

Major components of mining taxes include: -

- 1) Royalties (based on taxable capacity)
- 2) Windfall taxes (to capture boom incomes and “easy money”)
- 3) Export taxes (to induce local industrialization. Ring fencing to apply to all).
- 4) Penalties for inefficient operations to be imposed.

2.3.7 Tax Evasion and Tax Avoidance from Income Tax Profits

Tax administration requires a very high degree of efficiency so as to achieve acceptable standards of equity and justice to all taxpayers and the public.

If a person can escape paying tax either by legal or illegal means, then tax cannot conform to the accepted standards of equity and justice (Allingham et al 1972).

Income tax is generally considered as a tax on honesty. It expects a large number of the assessors to declare their income. It is possible for many to escape the tax either by not declaring their income (tax avoidance) or to escape lightly by hiding part of their incomes (tax evasion).

- 1) **Tax Evasion:** The chief limitation of income tax is that it can be easily evaded. The incomes of certain groups of people and the allowances and deductions claimed can be checked with a high degree of accuracy. Certain incomes are paid from sources which can be easily checked – examples are wages and salaries, interests and dividends and the chances of evasion are slight, but when incomes are received through sale of goods or through personal services, accurate checking is impossible (Brown et al, 2013). For example, farmers, small businessmen and professional men generally escape with considerable *under-statement of income* and *over statement of business expenses*. The difficulty of accurate checking enables these people to evade tax.

Different means of tax evasion are: -

- A. Under-statement of receipts.
- B. Under-reporting of adjustment gross income.
- C. Diversion of essentially personal expenditure to business expenses.
- D. Failing to report miscellaneous casual income from irregular sources.**

Tax evasion takes place commonly in all countries but more notably in developing countries. It is, however, difficult to assess its magnitude. This tax evasion causes poor collection of taxes for the state and low contributions to the development of the community (poor corporate social responsibility package)

- 2) **Tax Avoidance:** The income tax system contains so many loopholes or avenues of tax avoidance. The taxpayer is able to avoid paying tax by being under the general scope to the tax.

Causes of tax avoidance are: -

- A. Poverty and low standard of living.
- B. Existence of non-monetized sector.
- C. Small commercial sector.
- D. Dominance of the small scale sector in all economic sectors.**

Tax avoidance is more commonly prominent in LSMS through refusal to pay tax.

2.3.8 Methods of Enhancing Mineral Tax Revenues

There are two simple approaches for a mineral rich country to control and to manage mineral resources so as to realize economic and social development from mineral tax revenues. These include putting in place a Mineral Resource Rent Tax Act (MRRTA) and monitoring mineral production quantities together with pricing of the mineral products for the purposes of economic rent and hence mineral resource rent tax (MMRT) calculations. MRRTA enables the government to have an upper hand in controlling and managing mineral resources from exploration to depletion. The Act works out a miner's mineral resource rent tax liability on mining profits made from extracting taxable resources for a mining project annually (MRRTA 2012). Mining profits consist of mining revenue less mining expenditure. Provisions relating to the administration of the MRRT and to collection and recovery of amounts of MRRT or instalments of MRRT must be contained in a Legislated Schedule.

- 1) Mineral Resource Rent Tax (MRRT): This is a tax on the economic rents which a miner makes from a taxable mineral resource after it is extracted from the ground but before it undergoes any significant processing or value-addition.

Mineral resource rent is the difference between the value or price of the minerals produced for a stock of minerals at world prices and the total cost of producing the same stock or mining expenditure. In other words, mineral resource rent is the same as “economic rent” (the return in excess of what is needed to attract and retain factors of production in the production process.) (Peter et al, 2012).

The MRRT is a project-based tax. The liability is worked out separately for each project at the end of each MRRT year. The miner's liability for that year is the sum of those projects liabilities. In this aspect, there must be ring fencing in every project. The tax is imposed on a miner's mining profits, less its MRRT allowances, at a specified rate (less one quarter extraction allowance to recognize the miner's employment of specialist skills).

- 2) Mining Allowances: Mining allowances reduce each project's profits. There are three main types of allowances; namely: -
 - A. Royalty: The most important allowance is the mining **royalty** paid to the state. The royalty is first deducted from the **gross** profits before MRRT is calculated to avoid double taxation.
 - B. Starting Base Allowance: This is the amount spent to facilitate the value of investment before the first MRRT.
 - C. Other Allowances: These include **losses** the project made in the **previous years** and losses transferred from other projects (or from projects of associated entities).

Therefore, a mining project's profit is its mining revenue less its mining expenditure. Mining expenditure is the cost of bringing the taxable resources to valuation point. If expenditure exceeds revenue, the project has a mining loss. Mining revenue includes recoupment of some amounts that have previously been allowed as mining expenditure.

2.3.9 Merits of Mineral Resource Rent Tax (MRRT)

The following are, but, few of many benefits of application of MRRT in a society: -

- 1) The more the taxation can be concentrated on "economic rent" rather than on transaction, income consumption, and other tax bases which in varying degrees introduce distortions, the less the economic burden of taxation.
- 2) Mineral taxation is an area in which the identification of rent has a clear and practical meaning (Ross Garnaut, 2010). Other sources of economic rent may include land ownership, license to conduct business, monopolistic control of some technology or market, but mineral rent is distinguished from these resources in two ways, namely: -
 - A. Mineral resources are immobile between countries.
 - B. Minerals are owned by the state (government) and their extraction is depended on exclusive licenses provided by the state (government).

Three reasons which support extraction of mineral resource on economic rent: -

- It has lower economic cost than other forms of taxation.
- It represents the value of public property that is being transferred to private ownership.
- It is a basis for measures to promote distribution equity in the public.

2.3.10 Monitoring Production (Q) and Pricing (P) of Minerals

Formation or enactment of Mineral Resource Rent Tax Act can be a very right approach where the legislation may include formation of teams to do the following: -

- 1) Mineral Audit Agency: To audit operational activities in the mining activities from the exploration to the valuation of minerals. This team will be responsible for monitoring the true production quantities (Q) for each mineral product to the point of assessment. This same team will be responsible for the environmental auditing and advice the government on the improvement requirements for environment and education.
- 2) National Marketing Agency: To monitor prices (P) in the commodity markets, and to effect standard prices before the products go to the market. The team will prepare market contracts which have to be approved by the state.

Combination of these two teams, Mineral Audit Agency and National Marketing Agency, working effectively and efficiently, will make it possible to bench mark acceptable pricing of mineral products for economic mineral tax rent.

2.4 TAX COMPLIANCE IN GENERAL

2.4.1 Theory of Planned Behavior

This is a theory on psychology and human behavior which has been developed and propagated by Porcano (2011) stating that human behavior is not something which occurs by accident but rather a systematic generation leading the behavior and action to form several factors. These factors generate a pattern of behavior among individuals influenced by concerns which are within the individuals such as naturally born abilities

and practices, as well as external influences which consist of larger influences, shaping the inner behavior. This is an actual reality on the theory since it has been useful in describing the rationale for the occurrences of different patterns of behavior among individuals. The theory is relevant to the study in the sense that it addresses the concern on tax compliance among large scale mining companies that the outcome has been attributed to the facts generated by the theory which has prompted the behavior under study as being tax evasion, tax avoidance and perception of the taxpayers on one hand and tax compliance on the other hand.

2.4.2 Theory of Crime

This is a theory on human behavior that emphasizes that individuals as people are rational actors in facilitating affairs and issues which tend to enhance their direct needs and wants. The theory provides that people get involved in criminal activities while they are aware of the actual practice as it is wrong and the consequences for that matter. This in turn produces rational decision-making process since the practice is illegal and the consequences are known such that they tend to perform the activity while they are aware of all the undertakings (Tanzi, 2012).

The theory is relevant to the study since it is certain that noncompliance on tax payment is a criminal offense in almost all jurisdictions all over the globe through tax evasion such that the practice is kept on, performed by the enterprises and other actors as taxpayers. This is vivid that it is performed with clear conscious and knowledge which is typical of a criminal practice such that it has created the need to undertake the study in large scale mining sector of Tanzania.

2.4.3 Empirical Reviews

Spicer and Rundstedt (2016) carried out a study assessing the influence of tax payments among participants in the formal and informal sectors. The study was conducted in the Asian context specifically in Sri-Lanka and Bangladesh on the vendors, large companies and other enterprises in the informal economy. The study used comparative approach as the study methodology in achieving a successful knowledge gap filling.

Findings of the study revealed that it has been difficult for participants in the informal economy to be enthusiastic with tax payment since most of them have limited understanding on its relevance and also are far from being tracked and captured in the system than those residing in the formal sector. On top of that, those in the informal economy are not within the circles of paying tax in most situations such that they are used with business and several activities without tax payment. This has been affecting compliance pattern among taxpayers especially to the participants in the informal sector and economy. This brings about the need to conduct the study in large scale mining sector of Tanzania on tax compliance on formal sectors especially in large scale mining companies since compliance to tax payment has been highly limited and less for that matter.

Baldry (2010) conducted a study assessing the non-compliance practices in places pertaining to tax payments in enterprises and entities both in the formal and informal sectors. The study was performed in the United States through cross sectional survey design whereas the findings indicated that tax avoidance and tax evasion are the key practices to foster non-compliance in tax payments. Tax avoidance is considered as the legal means to reduce taxes since it comprises of loop holes in the law to allow the practice. Tax evasion on the other hand is an illegal means to avoid taxes which is a criminal practice once one is caught. This signifies a gap to be filled in Tanzania since similar issues of concern as tax evasion and tax avoidance are studied on tax compliance to the large scale mining sector in Tanzania.

Fishlow and Friedman (2014) carried a study assessing the compliance pattern on tax payment between the high income earners and low income earners in the economy among enterprises and individuals. The study was carried out in South America specifically in Argentina, Chile and Peru through comparative approach. Findings showed that compliance on tax payments is upon the individuals regardless of the income earning levels since the higher the income the higher the taxes to be paid by entities and individuals for that matter. This makes the situation to be similar among both groups prior to tax compliance. This signifies a gap to be filled in Tanzania since

tax compliance on large scale mining companies has been an issue of great concern relevant to be studied to fill the gap.

2.5 HOW GOVERNMENT OF TANZANIA RECEIVES TAXES

The recent past has seen a series of fundamental tax reforms in Tanzania by introduction of VAT (1 July 1998), a new Income Tax Act (1 July 2004) and new Customs legislation for East Africa (1 January 2005).

2.5.1 Highlights of the Tanzania taxation regime

- 1) Corporate income tax rate of 30 per cent,
- 2) Withholding tax on dividends at 10 per cent;
- 3) Top marginal personal income tax rate of 30 per cent; in addition, employers account for a 6 per cent skills and development levy on payroll, and 20 per cent social security contributions (half of it is recovered from the employee);
- 4) VAT rate of 18 per cent (reduced to 18% in the 2009 Budget from 20 %);
- 5) Customs duty at rates of 0 per cent, 10 per cent, 25 per cent. (The 0 % rate applies to raw materials, capital goods, agricultural inputs, pure-bred animals, medicines; and the 10 % rate to semi-finished goods and the 25 % rate to finished final consumer goods);
- 6) Taxes on petroleum products in terms of Road Toll (at a calculated rate per liter) and Excise Duty (at a given rate/rates per liter);
- 7) Stamp duty (typically at a rate of 1 per cent) on certain legal instruments, for example conveyances, leases, and share transfers; and
- 8) Local taxes including property tax based on the value of premises, and a service levy typically at a rate of 0.3 per cent of turnover. (Tarimo, 2010)

2.5.2 Incentives for Large Scale Mining Sector

Mining companies are entitled to a 100 per cent capital deduction in respect of prospecting and development capital expenditure, and can file income tax returns and accounts denominated in US dollars. No customs duty is payable on imports by mining companies up to the first anniversary of the commencement of production, with duties

thereafter capped at a rate of 5 per cent. The standard royalty rate on most minerals is 3 per cent; however, a new Mining Bill (Tanzania Mining Act, 2010) increased the standard rate to 4 per cent. The 2009 Budget removed fuel tax exemptions for the mining sector as well as certain VAT reliefs.

The MDAs and incentives: The MDAs entered into before 1st July, 2009 are still guaranteed to enjoy the incentives in the Fiscal regime prepared for the investors. This is a losing battle. GOT is not in a position to correct any losses incurred for failure to monitor the mining, processing and sales of the mineral products, neither can it justify any claims. There is no clause for re-visiting the MDAs.

To encourage companies to list on the Dar Es Salaam Stock Exchange (DSE), the 2006 Budget introduced a reduced corporate/income tax rate of 25 per cent for the three years following listing, subject to meeting a threshold in terms of proportion of shares listed. Originally, this threshold was set at 35 per cent; however, it has more recently been reduced to 30 per cent. Other incentives to list include a reduced dividend withholding tax rate of 5 per cent compared to the standard 10 per cent. The East African Community already has a Customs Union (in place since 1 January 2005). With the imminent coming into force of the East Africa Common Market Protocol, it is expected that there will be a number of measures introduced in the future to achieve greater East African tax harmonization.

2.5.3 Key features of Tanzania Mining Fiscal Regime

Key features of Tanzania mining fiscal regime is summarized in Table 2.1 and different institutions receive different types of taxes on behalf of the government as shown in Table 2.2 below.

Table 2.1: Key features of Tanzania Mining Fiscal Regime

Types of tax	Previous Rate (%)		Present Rate (%)
Royalty	Precious and base metals	3	4
	Diamonds and gemstones	5	6
	Uranium	-	7
Corporate (Income) Tax	Standard Income Tax	30	30
	WHT on dividends	10	10
	Capital deductions on exploration/development	100	100
	Accounting	USD 1998 to 2005	TZS 2006 to date
	Carry forward losses	Indefinite	Indefinite
	Provision for future environmental cost	OK	OK
Value Added Tax (VAT)	Goods and Services for the mining sector are exempted		
Custom Duty	Exemptions on supplies to the mining operations up to the 1 st anniversary of commencement of production, thereafter a charge of 5% applies.		
Fiscal Stability	Mining Development Agreements before 1 st July 2009 include guarantees.		

Source: Tanzania Mining Act, 2010.

Government and Stakeholders Consultative Meeting held on 1 July 2006 summarized some of the recommendations relevant to taxation as follows: -

- Windfall tax based on price of gold to be paid to the government;
- Royalty to be calculated on “gross value” instead of “netback value”;
- East Africa Community Common External Tariff to apply to mining in Tanzania;
- Ring-fencing of mining losses to specific projects.

Table 2.2: Taxes and other payments

SOURCE	TYPE OF PAYMENT	RECEPIENT
INVESTING COMPANY	Corporate Income Tax	TRA: Large Taxpayers Department
	Skills Development Levy	
	Withholding Taxes	
	Pay As You Earn (PAYE)	
	Import Duty	TRA: Customs and Excise
	Excise Duty	
	Fuel Levy	
	VAT on gas revenues (locally sold)	
	Royalties	Ministry of Energy and Minerals (MEM)
	Licenses and permits fees	
	Annual rental fees	
	Other charges	
	Local Government Levies	Local District Councils
	Dividends on Government shares	Treasury Registrar
	NSSF/PPF Payments	NSSF/PPF

Source: TEITI, 2011

Although these incentives help to attract foreign direct investment (FDI), in some countries they are being misused. As a result, there is a decline, not only in taxes payable by investors, but also to other sectors of the economy. Misuse of incentives in developing countries has led into some investors changing names of investments so that taxes are not paid. The case of Tanzania is a good example. It is extremely difficult to know how much tax is evaded without ring fencing. Most companies, if not all, will declare losses so as to avoid paying profit (income) tax, and this is because of allowing ring fencing. See Table 2.3: Ring Fencing Policy in Selected Countries

Table 2.3: Ring Fencing Policy in Selected Countries

COUNTRY	Ring fenced?	Comment
Argentina	No	
Bolivia	No	
Burkina Faso	Yes	
Chile	No	
China	Yes	
Ghana	No	
Greenland	No	
Indonesia	Yes	
Ivory Coast	No	
Kazakhstan	Yes	
Mexico	No	
Papua New Guinea	No, Yes	Mines operating under negotiated Special Mining Lease are ring fenced, other mines are not.
Peru	No, Yes	There is no ring fencing unless the tax entity has entered into differing tax stabilization agreements for different mines.
Philippines	No	
Poland	No	
South Africa	Yes	
Tanzania	No	
Uzbekistan	No	
Zimbabwe	No	May consolidated books if mines are not registered as Limited.

Source: Otto, 2000

2.6 SUMMARY

This chapter dealt with literature review introduction, definitions and elaborations of terms, types and quantities of minerals mined, mining taxation regime in Tanzania, tax compliance in general and how GOT receives mineral tax and other mineral dues.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter elaborates the procedures taken to collect data and the procedures used to evaluate the collected data in order to achieve the specific objectives of the study. The main objective of the study is to evaluate taxation efficiency for Tanzania Large Scale Mining Sector (LSMS). This main objective is realized by solving the specific objectives which are stated hereunder.

- (i) To determine types of minerals, their amounts (quantities) and amounts of final products sold to the market, then to determine types and amounts of taxes paid from those sales. This specific objective dealt only with LSMS.
- (ii) To determine statutory taxes and the tax regime applied to the types of minerals mined by LSMS. This specific objective is important in the fact that it reflects what was paid as taxes in specific objective (i) above in relation to the statutory requirements to tax payers where mineral exploitation of that kind and magnitude is concerned.
- (iii) To determine ways and means which will improve growth of tax revenues to the Government of Tanzania (GOT). This specific objective is important in the sense that by going through the first two specific objectives it can be pre-empted that GOT may need to improve upon the mineral taxation regime at hand so as to gain more from the revenues collected from LSMS, or there may be a need to re-visit the negotiation table to review the agreements.

A. Why and How Possible that LSMS does not Pay Statutory Taxes?

Tax compliance entails the practice of taxpayers voluntarily paying taxes (Marti, 2010). The research design employed explanatory design with knowledge being gathered through relationship between study variables: tax avoidance, tax evasion, and taxpayers' perception. Research questions were prepared in a

questionnaire (see Appendix 1) and delivered to candidates who were requested to answer them. The study consisted of 100 respondents as employees from the five selected mines comprising of 20 respondents in each mine

Data were analyzed for each sub-objective using both descriptive and inferential analyses. For descriptive, frequencies and percentages were computed by describing the profile of the respondents. Inferential analysis, correlation and multiple regression analyses were used to show the existing relationship between study variables. This has been facilitated by the gathered data being computed in Statistical Package for Social Sciences (SPSS) data sheet whereas the statistical measurements were drawn from the software based on the field data.

B. Causes of failure on the part of GOT in collecting taxes

The researcher had to find out if there are tax policies which define and set the parameters in the mining investments and practices which guarantee adequate tax collection which portrays a win-win situation (equitability, suitability and practicability, non-distortionary, and internationally competitiveness) between investors (as LSMS) and the government (as the owners of the resources) (Bird et al. 2012).

3.1 CONCEPTUAL FRAMEWORK

The main objective as stated before is to undertake evaluation of taxation efficiency in the taxation regime which had a focus on a balanced interest between the investor (LSMS) and GOT. This approach is possible only when the following five evaluation criteria for the taxation regime will be successfully achieved. The regime should be: -

- (i) Equitable: Meaning that it is to be just and fair
- (ii) Suitable: Meaning to be fitting and convenient
- (iii) Predictable: Meaning to be easy to foretell
- (iv) Non-distortionary: Meaning that it is not easy to alter, and
- (v) Internationally competitive: Meaning that it ensures success against rivals.

The last criterion (v) made most of the agreements between LSMS and GOT strictly confidential. Agreements were open between only two signatories, one from LSMS and another from GOT. Even the Parliament of Tanzania has no access to agreements. Conceptual framework is then defined as an analytical model which describes the study variables and the way they influence each other. A research variable is again defined as a factor or a characteristic of interest that a researcher would like to handle, observe, investigate, or manipulate in order to establish relationship between variables (Ghauri et al, 2002).

A variable can be age, sex, business performance, interest rate, or even culture. A variable is therefore a component of the research problem.

3.1.1 Types of Research Variables

There are three common types of research variables, namely: -

- 1) Independent variables
- 2) Dependent variables, and
- 3) Extraneous variables

A. Independent Variables

An independent variable is a variable whose effect has to be established in the study. This is a variable that a researcher can handle or manipulate in order to ascertain whether or not the result obtained is due to that variable (Ghauri et al, 2002). In this study (Evaluation of Taxation Efficiency) tax is an independent variable. In the context of being independent it means that the variable (tax) does not depend on other variables.

B. Dependent Variables

Dependent variables are variables that a researcher measures in order to establish the changes or effects created by them. A dependent variable waits for the effect of the independent variable upon it.

In this study (Evaluation of Taxation Efficiency) the second specific objective (Taxation Regime) looks at the reasons as to why LSMS does not pay all statutory taxes

in the regime by using independent variables, namely ‘tax avoidance’, ‘tax evasion’ and ‘taxpayers’ perception’ sending effects to the dependent variable, ‘tax compliance’.

C. Extraneous Variables

Extraneous variables are independent variables which are likely to have effects on dependent variables, but for some reasons they are not to be measured by the researcher (Kothari, 2003). These are not required in this study.

3.1.2 Variable Operationalism

In order to use variables in the research, there is a need to establish how the variables will be measured. While some variables may look simple to measure, the researcher needs to be clear in which scale of measurement a selected variable falls.

There are several scales of measurements such as nominal, ordinal, interval and ratio which will determine the extent to which a researcher can manipulate the variable and interpret the results (Kothari, 2003).

3.2 RESEARCH HYPOTHESES

In research, the problem is transformed into variables and the variables are transformed into hypotheses. A hypothesis is defined as a tentative production of results. In other words, a hypothesis is a statement of expected results. A hypothesis is a proposition or a set of propositions put forward as an explanation for the occurrence of some specific group of phenomena, either ascertained merely as a provisional guess to guide some investigation or acceptable as highly probable in the light of establishing facts. Saunders et al (2004) defines hypothesis as a testable proposition between two or more events or concepts.

3.2.1 Some Characteristics of Hypotheses

- 1) Should be clear and precise. If not, the influence drawn on its basis cannot be taken as reliable;
- 2) Should be capable of being tested;
- 3) Should state relationship between variables if it happens to be a relationship hypothesis;
- 4) Should be limited to scope and must be specific. The narrower hypotheses are, the more testable, for that matter;
- 5) Should be stated as far as possible in most simple terms so that the same is easily understood by all concerned;
- 6) Must be consistent with most known facts;
- 7) Should be amenable to testing within a reasonable time. It should be the one that can be tested within a given time frame;

3.2.2 Sources of Hypotheses

There are different sources of hypotheses which include theory, observations, analogies/comparisons, intuition/perception, personal experiences, findings of previous studies, state of knowledge, and continuity of research through field research. According to Aaker et al (2002), a researcher can use three main sources of information to develop hypothesis. These sources include theory, management experience, and exploratory research.

3.2.3 Importance of Research Hypotheses

The role of a hypothesis is to guide the researcher by delimiting the area of research and keep the researcher on the right track (Marti, 2010)

Uses of research hypothesis include: -

- 1) Hypothesis suggests study variables;
- 2) Hypothesis indicates the type of data required;
- 3) Hypothesis defines which facts are relevant and which ones are not;
- 4) Hypothesis indicates the scope of the research or the research boundaries;

- 5) Hypothesis determines the most appropriate techniques of analysis;
- 6) Hypothesis contributes to theory development;

3.2.4 How to State Research Hypotheses

There are two ways of stating research hypotheses, namely: -

- 1) Ho: as null hypothesis. This is in a negative formation. An example will be more meaningful: Ho: “Decline in direct foreign investment (FDI) is not as a result of increase in tax”;
- 2) Ha: as alternative hypothesis. This is in an actual expectation or relationship. The same example will clarify it better: Ha: “Decline in FDI is a result of increase in tax”.

In this study, specific objective two (Tax Compliance) applies three alternative hypotheses (Ha).

3.2.5 Formulation of Conceptual Framework

This is an analytical model which describes the study variables and the way they influence each other. The model shows the independent and dependent variables of the study which are illustrated in Figure 3.1 below.

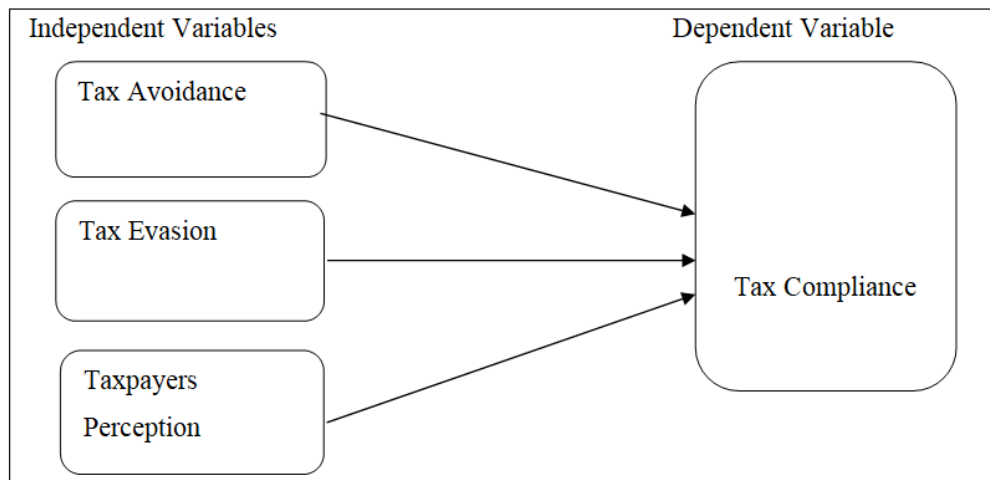


Figure 0.1: Conceptual Framework.
Source: Researcher (2019)

3.2.6 Study Hypotheses

The framework highlights the study on assessment in tax compliance among large scale mining companies in Tanzania. The main assumption of the study is that tax compliance in large scale mining companies is affected by some practices in Tanzania whereas three hypotheses have been developed which are tax avoidance, tax evasion and taxpayers' perception stated as follows: -

- 1) H1. Tax avoidance affects tax compliance among large scale mining companies in Tanzania.
- 2) H2. Tax evasion affects tax compliance among large scale mining companies in Tanzania.
- 3) H3. Taxpayers' perception affects tax compliance among large scale mining companies in Tanzania.

3.3 RESEARCH QUESTIONS

Let it be noted that not all researches have or contain hypotheses. Depending on the nature of the research, particularly qualitative research, research questions replace research hypotheses as means of interrogating a research problem/issue. This means that hypotheses are used in quantitatively based research and research questions are used in qualitatively based research. Depending on the nature of the research, one researcher can combine both questions and hypotheses in order to get answers to the research problem/issue. In this study (Evaluation of Taxation Efficiency) both questions and hypotheses are used to get answers for specific objectives (i) and (ii).

For the first specific objective (minerals mined, types, quantities, and taxes paid by LSMS to GOT), data was purely obtained by questions to all possible sources of information including Ministry of Energy and Minerals (MEM) (Records Offices), Tanzania Revenue Authority (TRA), Tanzania Mineral Audit Agency (TMAA), Mines Head Offices, District Councils where Mines were operating. For the second objective (Tax compliance) hypotheses were formulated and a questionnaire was prepared where all the five selected mines were used as a source of data to solve the problem in this specific objective. For the third objective (The Way Forward), both specific objectives

(i) and (ii) were used as references together with literature review to achieve the answer for this specific objective.

3.4 DATA COLLECTION

Research is carried out to discover facts which enable researchers make appropriate decisions. These facts are derived from the so-called data. In research there are two types of data, namely, primary data and secondary data.

3.4.1 Secondary Data

Secondary data are data obtained from literature sources or data collected by other people for use in some purposes. Therefore, secondary data provides second-hand information and include both raw data published once (Saunders et al, 2004). Some of the data collected and stored by organizations include detailed payrolls, income statements, copies of letters, minutes of meetings, etc. newspapers, Journals and textbooks are also sources of secondary data. Therefore, for the first specific objective (Mined minerals and taxes paid), data collected is secondary because the recorded and kept information concerning the type of minerals mined and taxes paid after sales were all available in the respective offices as secondary or second-hand data.

- 4) Advantages of Using Secondary Data: -
 - A. Few resources particularly time and money are required. In general, it is much less expensive to use secondary data than to collect them as primary data by a researcher;
 - B. The use of secondary data broadens the data base from which specific generalization can be made. This is especially so when data from several environmental and cultural settings are required for study;
 - C. Secondary data are permanent. Unlike the data collected by oneself, secondary data provide a source of data which is both permanent and available in a form that may be checked relatively easily by other people;

- D. In some cases secondary data can be more accurate than primary data (Aaker et al, 2002).

Example: The interest of this study is to assess/evaluate taxation efficiency in a sector, a researcher can get more information from various sources of the government including Revenue Authority, Ministry responsible, Investors' Head offices, Central Bank bulletins, etc., better than collecting data from a primary source without comparison.

5) Disadvantages of Using Secondary Data: -

- A. Time lag from the time of data collection up to the time data is published cause the data not to be up-to-date, and the data could also be obsolete;
- B. Not all data are correct; hence care must be taken when using them. Therefore, more than one point can be visited for a particular data if one wants to be sure of the accuracy on the data;
- C. Access to secondary data maybe a problem. Some data may be kept in the city while a researcher is in the rural areas. Again some data may be kept as secret or confidential hence not released;
- D. Similarly, some organizations processing secondary data may sell them at very high prices, or may demand very expensive subscription fees before one can access the data.

3.4.2 Primary Data

Primary data are data that are collected by the researcher himself/herself or by research assistant from the field for the purpose of answering research question/issue. Methods applied in collecting primary data include interviews, questionnaires, and observations.

1) Interviews

In interviews there is a direct contact between a researcher and respondents. The researcher (interviewer) and the respondent (interviewee) engage in oral questioning or discussion. This does not mean only face to face, but it can include telephone conversations, video conferences, etc. entities involved in personal interviews exercise

are researchers, interviewers, interviewees, and interview environment. These are variables to be considered to make data collection enjoyable. Sample respondents must have access to the information asked, and a motivation as to why they should answer the questions accurately (Aaker et al, 2002). In this study, this approach was never applied due to financial constraints to provide incentives.

2) Questionnaires

A questionnaire is a series of questions, each question providing a number of alternative answers from which a respondent can choose (White, 2002). Saunders et al (2000) states that a questionnaire is considered to include all techniques of data collection in which each person is asked to respond to the same set of questions in a pre-determined order.

A. Types of questionnaires

There are two types of questionnaires, namely, “Mailed” and “Self-administered”. Both types have advantages and disadvantages, but the “Self-administered” type was preferred to the “Mailed” type in this study because of time constraint and more number of respondents in the “Self-administered” to the “Mailed” type.

B. Designing a Questionnaire

To make appropriate decision, a researcher needs accurate and appropriate data obtained through valid and reliable tools. Reliability and validity are to be given first priority in research design. Validity refers to the quality which requires that the procedure or instrument used in the research is accurate, true, meaningful and right. On the other hand, the reliability of the measuring instrument is defined as the ability of the instrument to measure consistently the phenomenon it is designed to measure (Saunders et al, 2004).

In this study (Evaluation of Taxation Efficiency) specific objective (ii) (Tax Compliance) a questionnaire is applied to source data from the five selected mines. The construction format of the questionnaire is through closed-end questions. This means

that the respondents had no flexibility as they were restricted to choose from a given set of answers. The reason for choosing this approach is to save time and to avoid low turnout of respondents if they were given a questionnaire of open-ended questions.

3.4.3 Observations

Observations method of data collection demands that a researcher to be physically present at the field, at a particular time when the event is taking place. Data, in observations, are obtained by the help of sense organs, namely, seeing, hearing, smelling, tasting, and touching.

In this study (Evaluation of Taxation Efficiency) no data was collected through observation method, though there are advantages and disadvantages of the same.

3.5 DATA SAMPLING

Sampling of data is a process which involves selection of study elements from a population. In research, it is quite impossible to analyse the entire population in a single sitting because of time and financial limiting constraints. A sample is usually selected from a population through a process of sampling. However special care must be taken or exercised in the process because the sample that is selected must very closely act as a representative of the entire population. Sampling methods are classified into two, namely, “probability” and “non-probability” ones.

3.5.1 Probability Methods of Sampling

Probability method is one where each element in the population has a chance of being selected. The following list briefly highlights the probability sampling methods: -
(Adam et al, 2008).)

1) Simple Random Sampling

This is also referred to as “Equal Probability Sampling” (EPS) design because every element in the population has an equal chance of being selected. This sampling technique is usually applied to populations that are small and homogeneous.

2) Systematic Sampling

This method involves arranging population elements in a certain order or pattern with an aim of selecting elements at interval.

3) Stratified Sampling

This involves dividing the population into sub-populations known as strata (strata). Population elements within these strata are then selected through the process of random selection.

4) Multi-phase Sampling

This involves generating successive samples through the use of additional information.

5) Multi-stage Sampling

This is done in stages with smaller and smaller units being employed at each stage.

6) Clustered Sampling

This is also known as two-stage sampling method. The first stage involves the selection of elements within the selected clusters using a cluster technique.

7) Panel Sampling

This involves selecting a sample using the random sampling method and then asks repeated questions to the subject of the sample several times and within a period of time.

3.5.2 Non-probability Sampling Methods

Non-probability sampling method, on the other hand, is where some elements in the population have zero (0) chance of being selected ((Adam et al, 2008).). There are three methods, namely: -

1) Quotas Sampling

This is closely linked to stratified sampling method. The only difference being the second step; instead of using random sampling, the techniques selects the elements based on some already defined measures.

2) Purposive Sampling

This is also known as Judgement Sampling. It involves selecting a sample based on personal judgement of the researcher.

3) Convenient Sampling

The researcher selects a sample based on what is available and convenient. Out of the ten described sampling methods above, this study (Evaluation of Taxation Efficiency) employed the “Convenient Sampling Method” for all the five selected mines. This is because information related to tax issues were only available from one source due to high confidentiality held by all other sources (including all GOT offices, institutions like Revenue Authority, and Mines Head Offices). This led into formulation of non-probabilistic formula for calculating taxation efficiency for specific objective (i) by using available data and estimated sales volumes.

$$\dot{\eta} = \left[\frac{T}{(Q*P) - R - E} \right] * 100\% \dots\dots\dots (3.1)$$

Where $\dot{\eta}$ = taxation efficiency (%)

Q = quantity of mineral product sold (kg)

P = unit price of mineral product Q sold at the market at a given time (USD/kg)

R = royalty paid to the product Q prior to going to the market (USD)

E = expenditure on production, sales and marketing for that product Q (USD)

T= Other taxes which include Skills and Development Levy (SDL), Withholding Tax (WHT), Value Added Tax (VAT), Sales Duty Tax (SDT), Import Duty Tax (IDT), Excise Duty (EDT), and Corporate/Income Tax (C/IT).

3.6 DATA PROCESSING AND DATA ANALYSIS

Raw data obtained from the field must be prepared before analysis takes place. Key activities in data processing include editing, coding, classification, and tabulation. Data entry is also part of data preparation before data analysis is attempted. Data entry aims at converting gathered data to a medium of viewing and manipulating (Bhattacharyya, 2003). All gathered data in a questionnaire or interview guide are to be entered in a computer to facilitate tabulation and analysis. This is already done.

3.6.1 Data Processing

- 1) **Editing:** The same way a newspaper editor edits the news before publishing, the same applies to a researcher. A researcher is required to examine the collected raw data so as to identify errors and any omissions so as to make any necessary corrections. The basic purpose of data editing is therefore to secure quality standard on the data. Editing involves inspection, and if necessary correction of the questionnaire or observation forms (Ghauri and Kjell, 2000). Depending on the data collection method, editing can either be in the field (field editing) or later at office (central editing). This study (Evaluation of Taxation Efficiency) demanded editing right at the field (field editing) so as to avoid going back for correction or additions;
- 2) **Coding:** Coding refers to the process of assigning numerals or other symbols to classes (Kothari, 2003). This coding can be seen as some sort of classification because the first step in coding is to specify the categories or classes into which the responses are to be placed (Ghauri and Kjell, 2002). Coding facilitates data entry because instead of entering the whole response, be it a sentence, just a number or a symbol represents the whole. Therefore coding reduces bulkiness of responses and time spent in data entry. In this case, the possibility of making mistakes or recording errors during data entry is minimized.

Rules of Coding: There are many rules of coding, but here are only few listed: -

- A. The classes should be appropriate to the research problem under consideration. See example in Table 3.1 below.

Table 0.1: Student identified by range of their ages

S/No.	Range of Ages (years)	Code/Symbol
1	20 – 24	1
2	25 – 29	2
3	30 – 34	3
4	Etc	etc

- B. The classes should be mutually exclusive, meaning that each response or member must belong to one and only one category. The above example tells that there no crossing of age groups; e.g. 20 – 24 the 24 – 29 or 29 – 34. There is a need to define each category purely on its own, and no overlapping is to be entertained.
- 3) Classification: This is a process of putting responses of the same character into the same group or class. Data having common traits are grouped together. The major role of classification is to reduce hugeness of collected raw data to facilitate easy tabulation, e.g. Table 3.2 below.

Table 0.2: Student examination results classified in a table

S/No.	No. of Students	Classification on Intervals (%)	Classification on Attributes
1	20	90 – 100	A
2	75	70 – 89	B+
3	28	60 – 69	B
4	17	50 – 59	C
5	13	40 - 49	D

- 4) Tabulation: This is a process of summarizing collected raw data in a table to facilitate computation of various measures during data analysis. Data are arranged in the form of rows and columns by presenting the number of frequencies falling in each of several classes. Apart from facilitating statistical computations, tabulation saves space, making comparison possible and identification of errors easy.

When drawing a table, the following principles to be observe (Adam et al, 2008): -

- A. Insert a title telling what the table is talking about;
- B. The tables are numbered for easy references;
- C. Source of data presented in the table is indicated just below the table;
- D. Avoid unnecessary details in the table;
- E. Avoid abbreviations in the table;
- F. Indicate units of measurements under each heading;
- G. Footnotes be placed directly beneath the table.

In this study (Evaluation of Taxation Efficiency) all have been observed.

3.6.2 Data Analysis

Data analysis refers to the computation of certain measures along with searching for pattern of relationships that exist among data groups (Kothari, 2003). Therefore, the process of data analysis aims at determining whether observations support hypotheses formulated before going into the field to collect the information or reject them. The ultimate goal of data analysis is the formulation of conclusions that can be used in decision making in future situations. There are two techniques for data analysis, namely, “Qualitative” and “Quantitative” techniques for data analysis.

1) Quantitative Data Analysis Technique

These quantitative data analysis techniques are statistical tests in nature, and these are divided into “Descriptive” and “Inferential” statistics;

- 2) Descriptive Statistics: these are used with development of certain indices from the raw data. This provides profiles of companies, work groups, personal and other subjects with size, composition, efficiency, etc.;
- 3) Inferential Statistics: These are concerned with processes of generalization by running various tests of significance for testing hypotheses in order to draw inferences.

Data analysis has been simplified by the use of software such as STATA, SPSS, MINITAB, and Microsoft Excel. In this study (Evaluation of Taxation Efficiency), with reference to specific objective (i) (Minerals mined, processed and sold, and taxes paid); descriptive statistical approach is applied to evaluate Taxation Efficiency for LSMS in Tanzania by formulating statistical relationship, formula 3.1

This approach has taken quantitative data for other taxes for a period of six years (2005 to 2010). Prior to this period few mines were developed and production was quite low.

With reference to specific objective (ii) (Tax Compliance) of this study (Evaluation of Taxation Efficiency), both descriptive and inferential analyses are applied. For descriptive analysis, frequencies and percentages were computed particularly on describing the profile of the respondents. Inferential analysis, on the other hand, correlation and multiple regression analyses were used to show the existing relationships between study variables. This was facilitated by the gathered data being compounded in standard package for social sciences (SPSS) data sheet whereas the statistical measurements were drawn from the software based on the field data.

3.7 SUMMARY

This chapter dealt with research methodology in detail, looking at introduction of objectives, conceptual framework, research hypotheses, research questions, data collection, data sampling, data processing and data analysis.

CHAPTER FOUR

DATA COLLECTION AND DATA ANALYSIS

4.0 INTRODUCTION

This chapter provides the actual data collected and analysis of the data collected for the purpose of ensuring realization of the study specific objectives. The first specific objective is to determine the types and amounts of minerals mined and types and amounts of taxes paid to GOT by LSMS. The second specific objective is to determine statutory types and amounts of taxes LSMS pay to GOT, the types and amounts of minerals mined and processed; and the causes of failure or refusal to pay taxes. The third specific objective is to propose what should be done to improve tax collection by GOT from LSMS.

4.1 DATA COLLECTION AND INTERPRETATION

The case study was conducted on five out of six Tanzanian large scale mines which were Bulyanhulu Gold Mine (BGM), North Mara Gold Mine (NMGM), Tulawaka Gold Mine (TGM), Geita Gold Mine (GGM), and Williamson Diamonds Limited (WDL). The selected mines served as useful areas to ensure generation of reliable data to complete the study. Out of the selected five large scale mines, there are four large scale mines engaged in mining and processing gold, whereas only one large scale mine deals with production of diamonds. Taxation period was taken as from 1998 to 2011, a period of 13 good years. In specific objective (i) (Minerals Mined and Taxes collected), data collected is secondary because the recorded and kept information concerning the type of minerals mined and taxes paid after sales were all available in the respective offices as secondary or second-hand data. Secondary data were obtained from Ministry of Energy and Minerals (MEM), Tanzania Mineral Audit Agency (TMAA), Tanzania Revenue Authority (TRA) and from Head Offices of respective mining companies. The types of minerals were gold and diamond. The amounts were not available in quantities sent to the market after mining and processing. Available information was only types and amounts of taxes paid for each mining company.

4.1.1 Data Collection for Specific Objective One

Specific objective (i) demanded to determine the types and amounts of minerals mined and taxes paid by LSMS to GOT. Only taxes paid were available as shown in the following Tables 4.1 and 4.2, and illustration Figures 4.1 to 4.8 below: -

1) Bulyanhulu Gold Mine (BGM)

The official production started in 2001, earlier years were for commissioning. Taxes paid are shown in table 4.1 below for a period of 1998 to 2005 in USD and Table 4.2 below for a period of 2006 to 2011 in TZS.

Table 4.1: Taxes Paid in US Dollars 1998 – 2005 BGM

Year	1998 (USD)	1999 (USD)	2000 (USD)	2001 (USD)	2002 (USD)	2003 (USD)	2004 (USD)	Error! Not a valid link.(USD)
PAYE	0	0	2,971,584.04	4,865,674.52	6,239,540.66	5,885,527.66	1,677,464.69	8,667,455.35
SDL	0	93,035.32	582,318.18	685,733.00	991,374.01	651,750.83	588,405.24	2,025,002.26
WHT	0	180,571.15	3,244,207.72	2,977,319.79	2,681,159.04	756,110.84	0.00	635,000.00
VAT	0	0	0	0	0	0.00	0.00	0.00
S/DUTY	0	0	0	0	0	0.00	0.00	0.00
IMPORT DUTY	0	0	0	0	476,075.85	0.00	0.00	2,521,000.00
EXCISE DUTY	0	0	0	0	0	0.00	0.00	0.00
CORP/ INCOME TAX	0	0	0	0	0	0.00	0.00	0.00
OTHER	0	0	0	0	0	0.00	0.00	0.00
BGM TOTAL	0	273,606.47	6,798,109.94	8,528,727.31	10,388,149.56	7,293,389.33	2,265,869.93	13,848,457.61

Source: TMAA, 2012

By using histograms, taxes are better illustrated for easy references.

Figure 4.1 below shows Pay as You Earn (PAYE) in USD from 1998 to 2005 by LSMS.

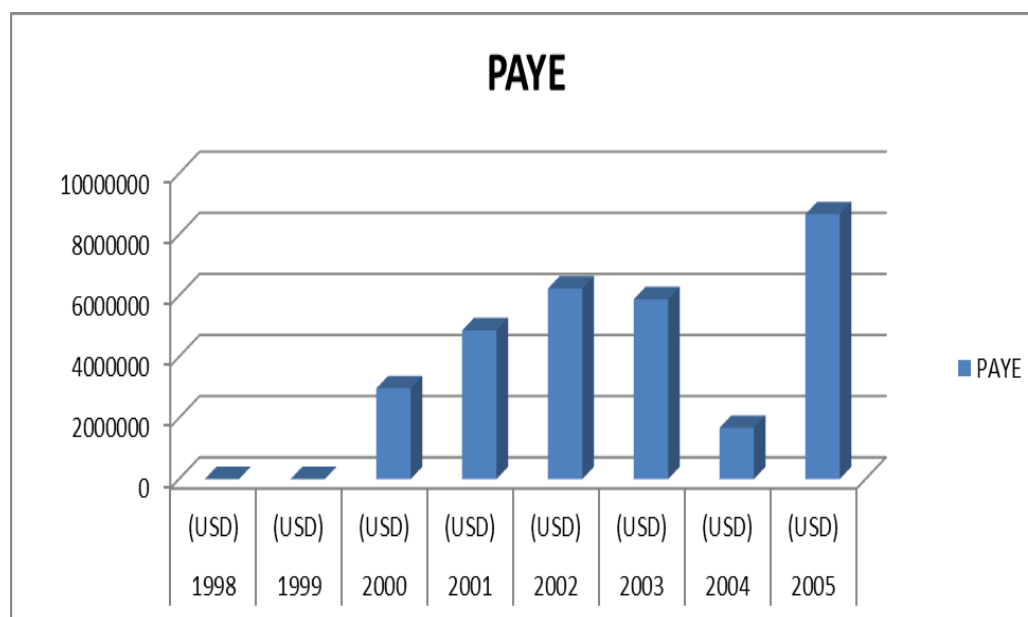


Figure 4.1: Pay As You Earn in US Dollars: year 2000 to 2005 BGM

In years 1998 and 1999 LSMS may have used daily pay workers, but for 2004 no explanation for not paying fully collected Pay as You Earn (PAYE) to the GOT.

Taxes paid in TZS are shown in Table 4.2 below for a period of 2006 to 2011

Table 4.2: Taxes Paid in Tanzania Shillings 2006 – 2011 BGM

Year '000	2006 (TZS)	2007 (TZS)	2008 (TZS)	2009 (TZS)	2010 (TZS)	2011 (TZS)
PAYE	6,404,985.0	8,941,794.00	15,842,633.0	18,528,185.0	15,180,337.00	32,253,718.0
SDL	1,051,092.0	1,775,601.00	3,331,892.00	4,101,397.00	3,625,472.00	5,852,615.00
WHT	218,174.00	702,641.00	1,250,261.00	3,052,577.00	285,807.00	1,623,180.00
VAT	272,288.00	318,780.00	90,917.00	2,543,655.00	3,593,483.00	3,024,231.00
S/DUTY	3,758.00	10,263.00	20,028.00	16,638.00	36,906.00	4,179.00
IMP DUTY	0.00	0.00	0.00	0.00	0.00	0.00
EX DUTY	3,586.00	3,586.00	616,766.00	616,766.00	0.00	0.00
CORP/ INCO TAX	685,140.00	0.00	500,000.00	500,000.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	20,630.00
BGM TOTAL	8,639,021.0	11,752,664.0	21,652,497.0	29,359,217.0	22,722,004.00	42,778,553.0

Source: TMAA, 2012

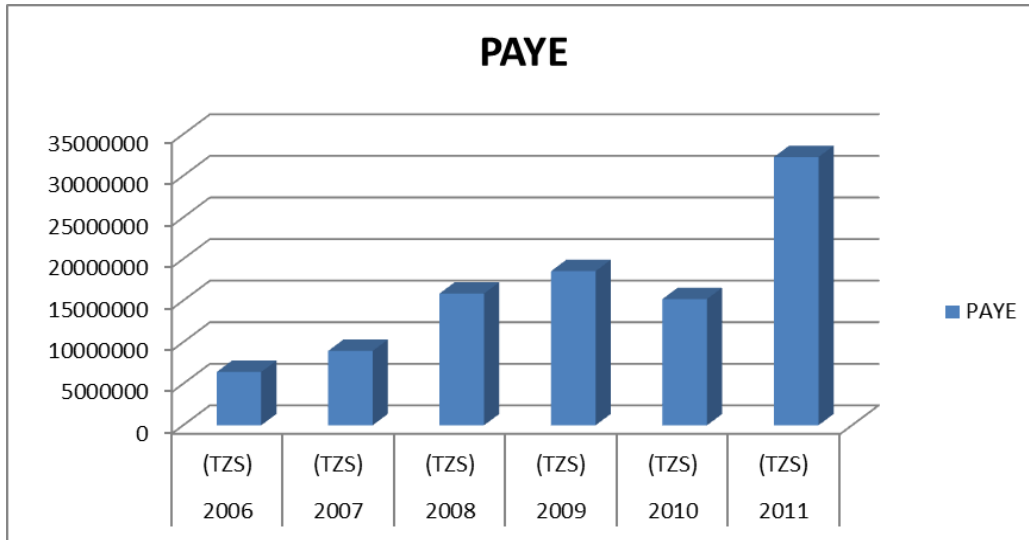


Figure 4.2: Pay As You Earn in TZS ('000): year 2006 TO 2011 BGM

There was no stability in returning the collections of Pay as You Earn (PAYE) to GOT. The year 2011 compensated for the shortfalls in the previous years. See Figure 4.2 above.

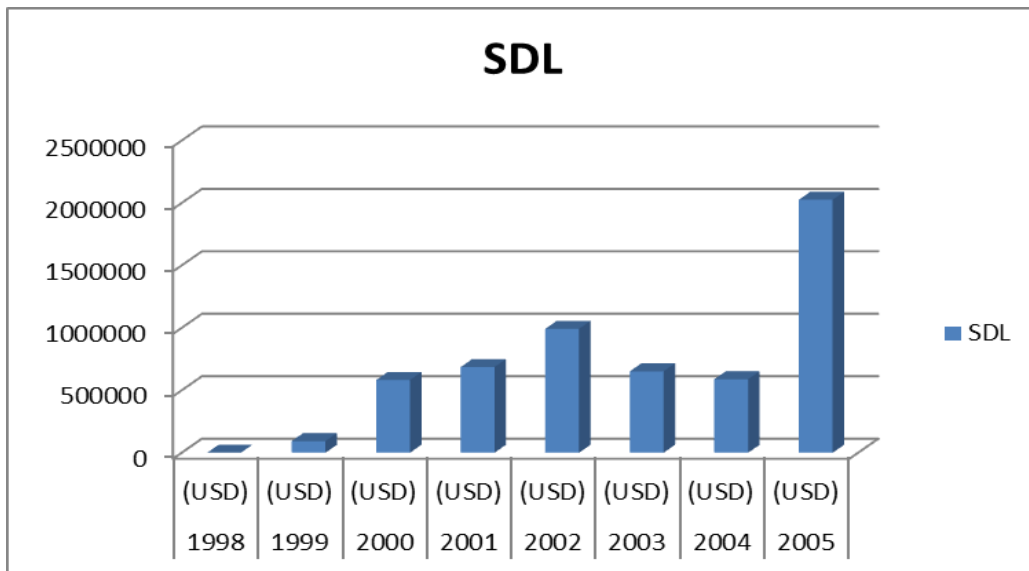


Figure 4.3: Skills Development Levy in US Dollars: year 1998 to 2005 BGM

Skills Development Levy was not paid in 1998. Compensation was done at the year 2005 to balance the shortfalls in the years 1999 to 2004, may be. See Figure 4.3 above.

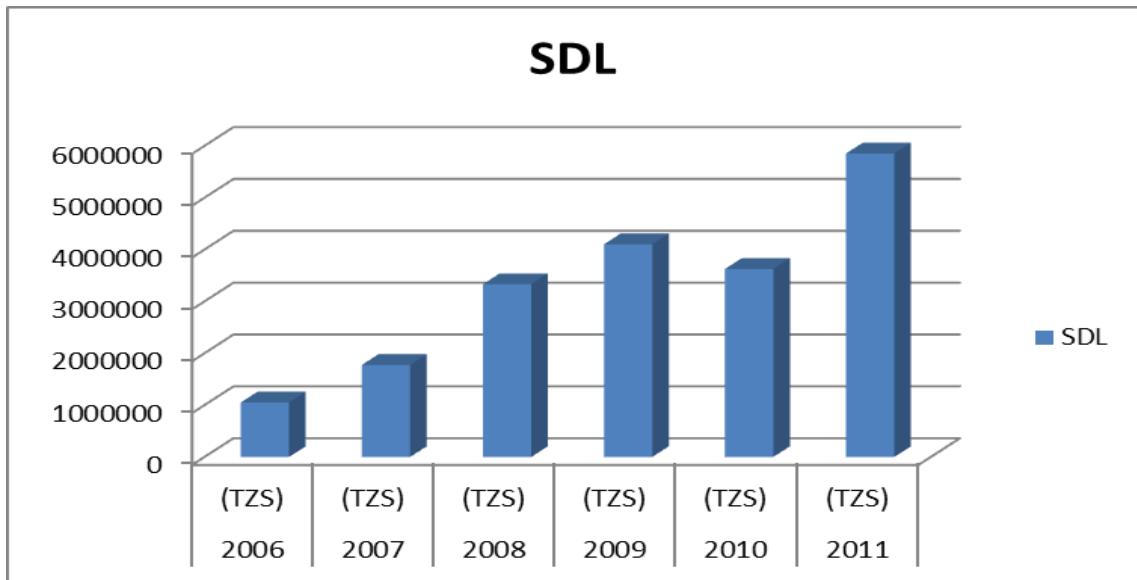


Figure 4.4: Skills Development Levy in TZS (‘000): year 2006 to 2011 BGM

Skills Development Levy in TZS was more stable. This was due to change of currency from USD to TZS. It was cheaper to pay in local currency. See Figure 4.4 above.

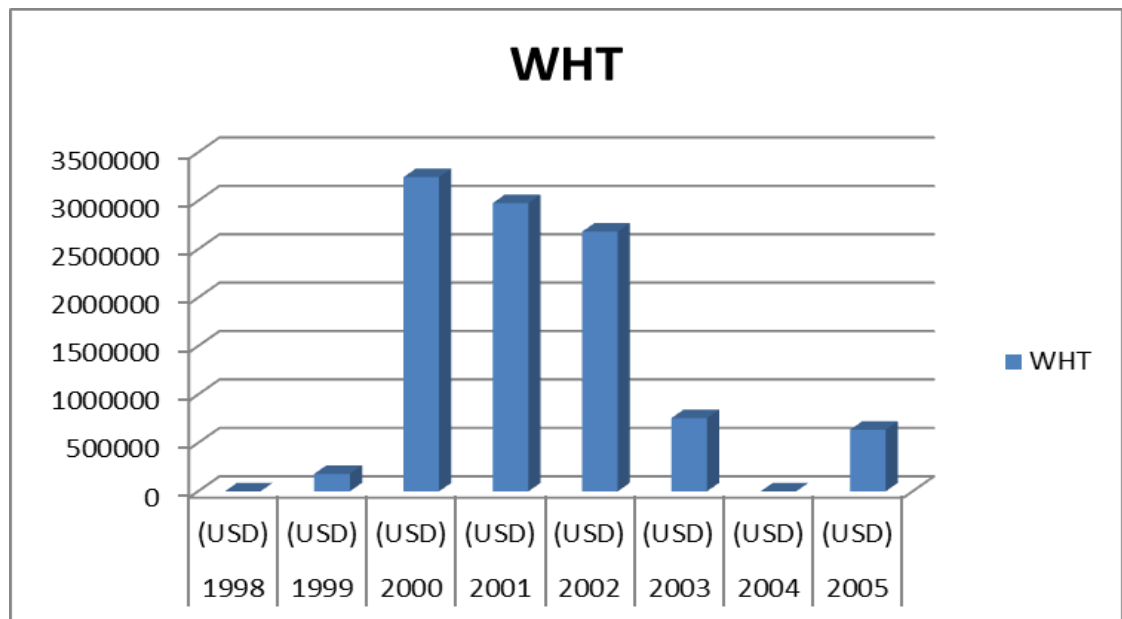


Figure 4.5: Withholding Tax in US Dollars: year 2000 to 2005 BGM

Withholding Tax in US Dollars was favorably paid in 2000 to 2002. The other four years had a puzzle. This was due to tax evasion and refusal to pay taxes. See Figure 4.5.

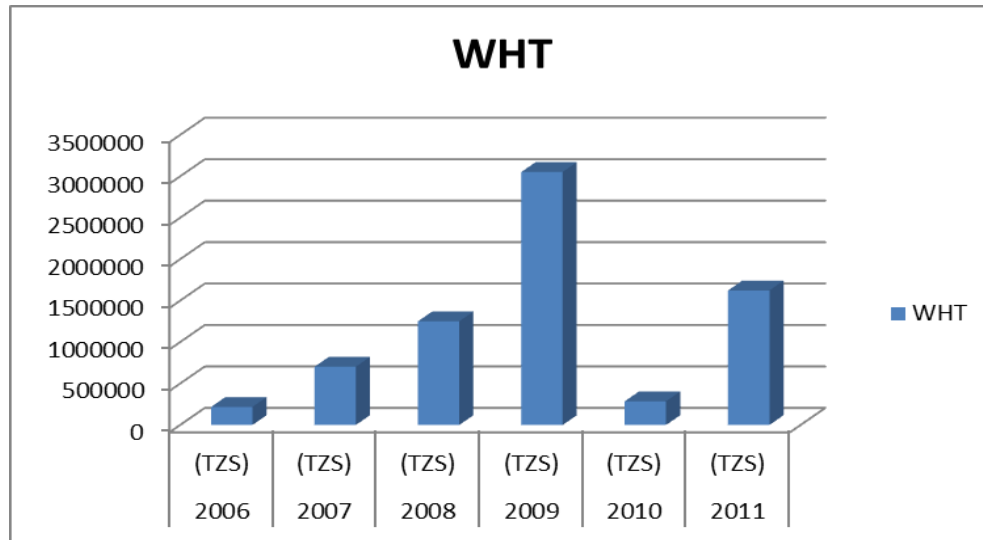


Figure 4.6: Withholding Tax in TZS ('000): year 2006 to 2011 BGM

Even by changing currency, Withholding Tax in TZS was only reasonable in 2009. See Figure 4.6 above.

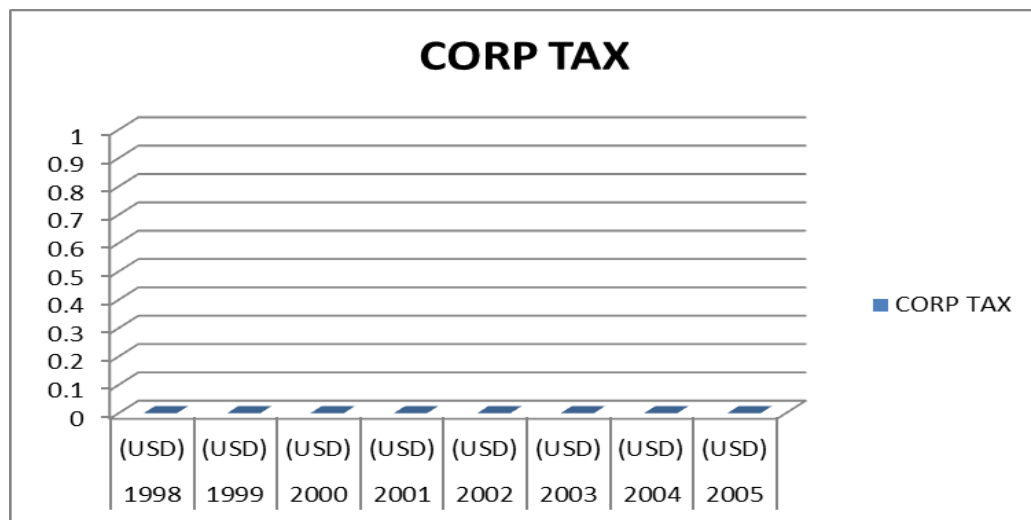


Figure 4.7: Corporate/Income Tax in USD: year 1998 TO 2005 BGM

For the entire period of eight (8) years no single dollar was paid as Corporate/Income Tax. The granted incentives if losses carry – forward could have a bearing on corporate tax. Refer to Figure 4.7 above.

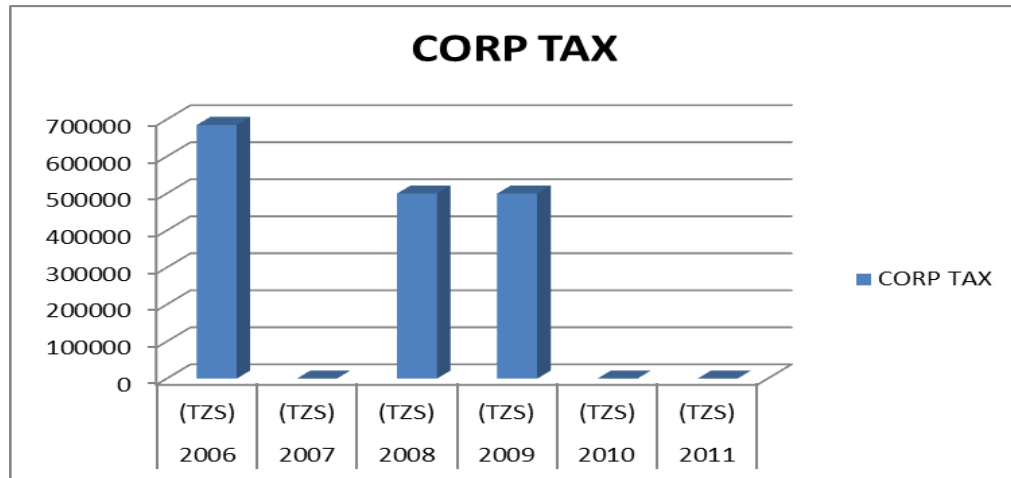


Figure 4.8: Corporate/Income Tax in TZS ('000): year 2006 TO 2011 BGM

Changing currency to TZS, Corporate/Income Tax was not paid in 2007, 2010 and 2011. Why? Tax avoidance and tax evasion could be the main causes. See Figure 4.8 above.

2) North Mara Gold Mine (NMGM)

The official production started in 2002, earlier years were for commissioning.

Table 4.3 below shows taxes paid in USD from 1999 to 2005.

Table 4.3: Taxes Paid in US Dollars 1998 – 2005 NMGM

Year	1998 (USD)	1999 (USD)	2000 (USD)	2001 (USD)	2002 (USD)	2003 (USD)	2004 (USD)	2005 (USD)
PAYE	0.00	103,631.00	213,684.00	301,231.00	824,371.00	2,683,126.49	2,092,719.85	0.00
SDL	0.00	31,524.00	65,673.00	87,669.00	216,568.00	350,609.51	570,655.12	0.00
WHT	0.00	73,097.00	42,759.00	147,733.00	408,993.00	1,426,685.89	1,278,788.21	0.00
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S/DUTY	0.00	2,237.00	2,273.00	9,674.00	35,136.00	8,490.40	25,497.45	0.00
IMPDUTY	0.00	0.00	0.00	0.00	0.00	93,955.18	352,725.07	0.00
EX DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CORP/ INC TAX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NMGM TOTAL	0.00	210,489.00	324,389.00	546,307.00	1,485,068.00	4,562,867.47	4,320,385.70	0.00

Source: TMAA, 2012

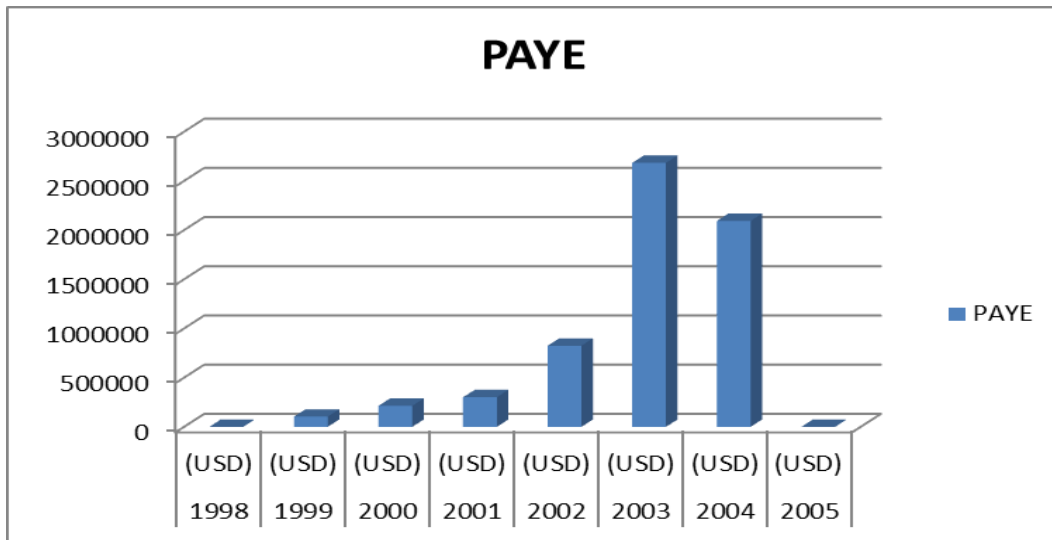


Figure 4.9: Pay as You Earn in US Dollars: year 2000 to 2005 NMGM

There were few salaried employees in 1999, the number increased in 2000 till 2003 Pay as You Earn collections were growing (Figure 4.9 above). What happened in 2004 is not as seriously questioned as the case in 2005 where nothing was delivered to the GOT as PAYE.

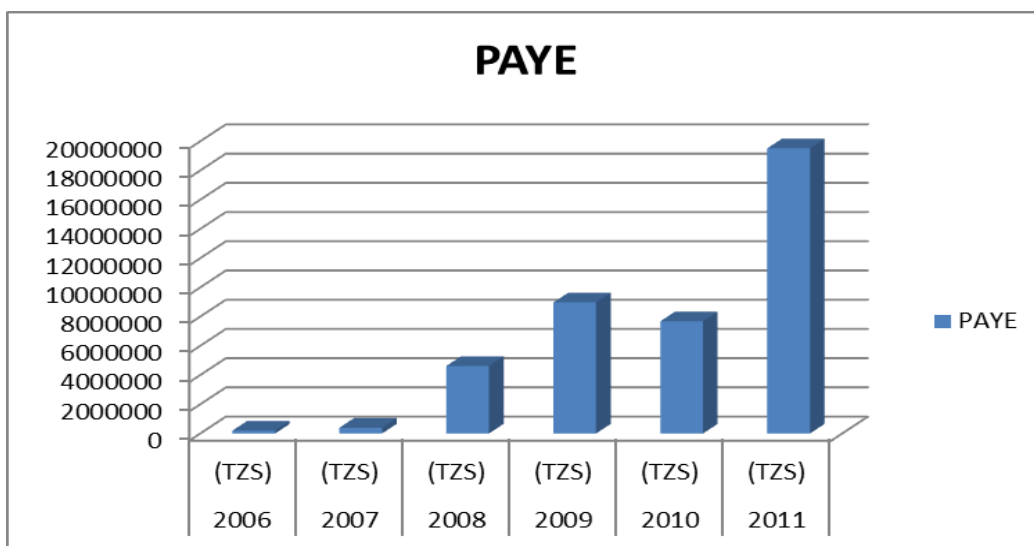


Figure 4.10: Pay as You Earn in TZS ('000): year 2006 TO 2011 NMGM

By changing from paying in USD to TZS the puzzle of not delivering the PAYE to the GOT continued in 2006 and 2007. Whatever happened in 2011 had something to do with the new enforcement of the 2010 Mining Act. See Figure 4.10 above.

Table 4.4 below shows taxes paid in TZS for a period of 2006 to 2011 in North Mara Gold Mine.

Table 4.4: Taxes Paid in Tanzania Shillings 2006 – 2011 NMGM

Year '000	2006 (TZS)	2007 (TZS)	2008 (TZS)	2009 (TZS)	2010 (TZS)	2011 (TZS)
PAYE	195,841.00	391,937.00	4,621,960.00	8,967,742.00	7,678,352.00	19,515,759.00
SDL	45,372.00	90,493.00	700,508.00	1,100,132.00	1,383,704.00	4,537,800.00
WHT	178,696.00	174,719.00	362,441.00	311,033.00	921,088.00	2,241,572.00
VAT	4,258.00	4,258.00	40,331.00	40,331.00	0.00	3,628,306.00
S/DUTY	55.00	0.00	0.00	0.00	0.00	0.00
IMPORT DUTY	0.00	0.00	0.00	0.00	0.00	0.00
EXCISE DUTY	51,814.00	51,814.00	415,712.00	415,712.00	0.00	0.00
CORP/ INCOME TAX	27.00	26,823.00	153.00	153.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	7,720.00
NMGM TOTAL	502,860.00	740,045.00	6,141,104.00	10,835,103.00	9,983,144.00	29,931,157.00

Source: TMAA, 2012

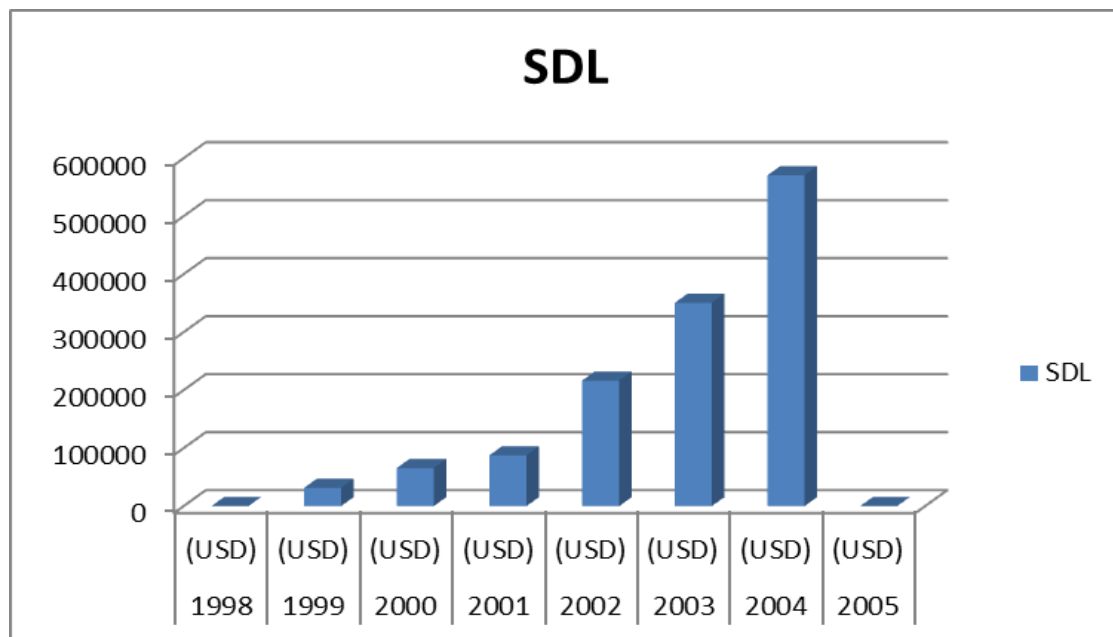


Figure 4.11: Skills Development Levy in USD: year 2000 TO 2005 NMGM

Skills Development Levy was stably growing as more skilled employees were imported.

May be by 2005 there was no more foreign skilled labor. See Figure 4.11 above.

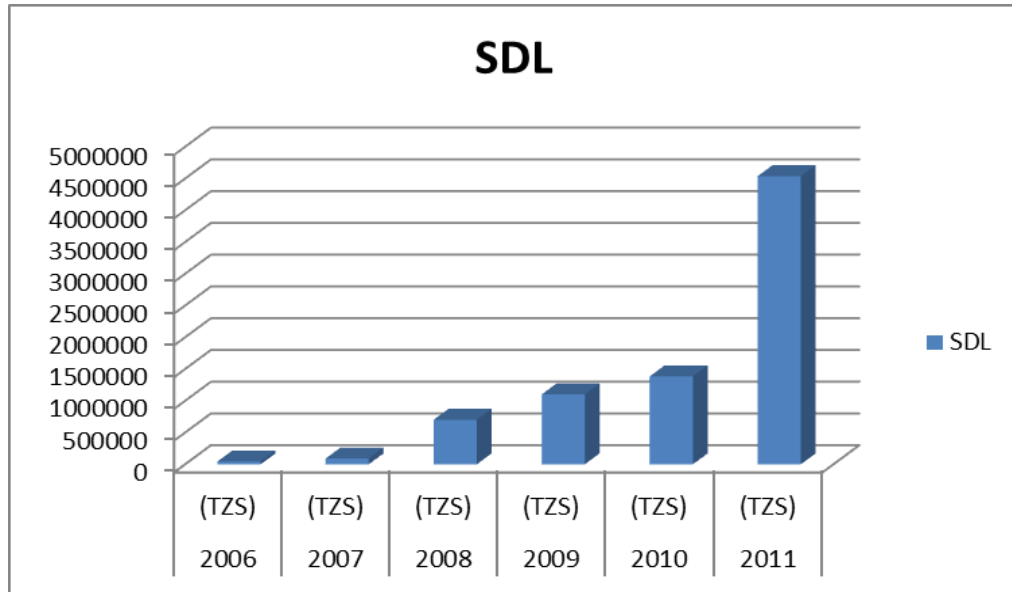


Figure 4.12: Skills Development Levy in TZS ('000): 2006 to 2011 NMGM

In 2008 skilled labor started coming in if needed. Possibly in 2011 there were outstanding payments to skilled labor from the previous years. See Figure 4.12 above.

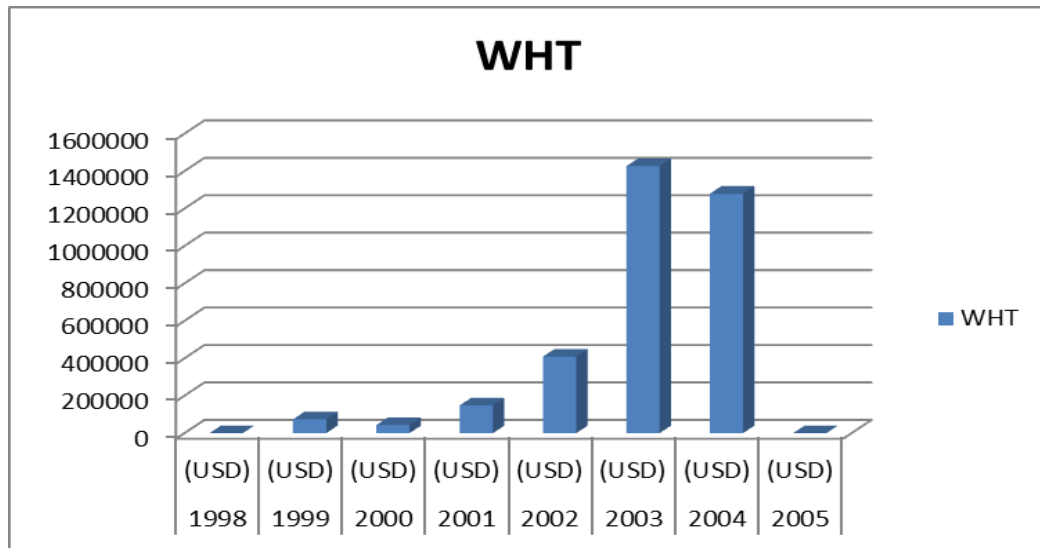


Figure 4.13: Withholding Tax in USD: year 1999 to 2005 NMGM

Withholding Tax in USD was highest in 2003, one year after commissioning the mine (Figure 4.13 above). No one was able to give the reason for the fluctuations. The same applied to the change from USD to TZS Withholding Tax. See Figure 4.14 below.

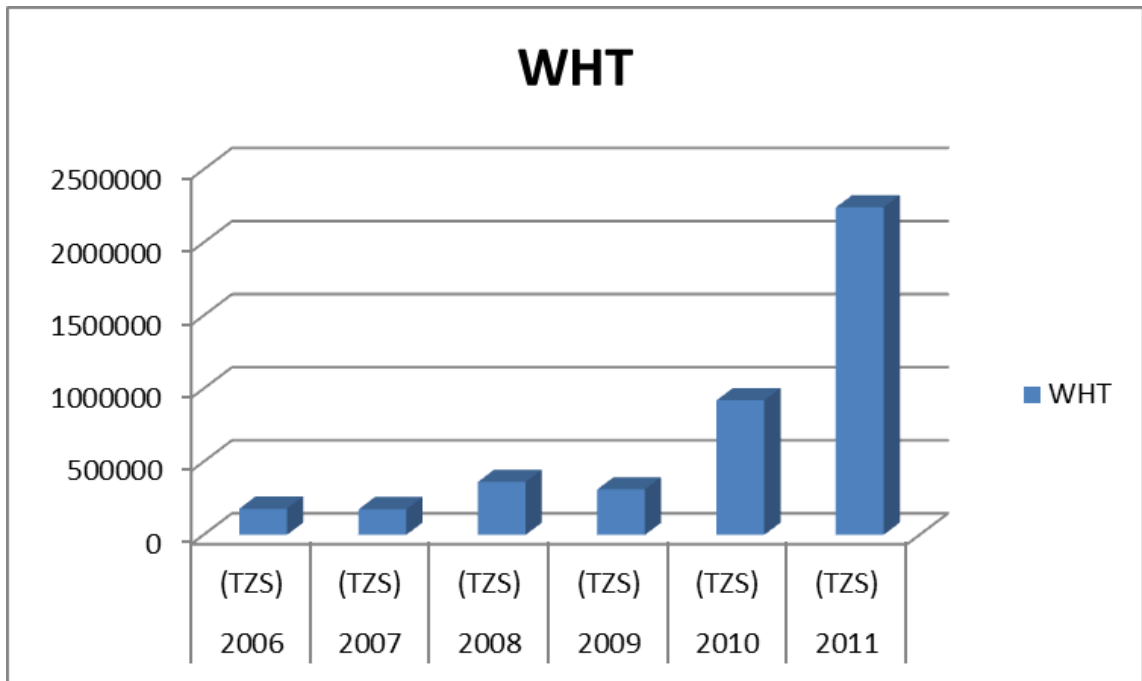


Figure 4.14: Withholding Tax in TZS ('000): year 2006 to 2011 NMGM

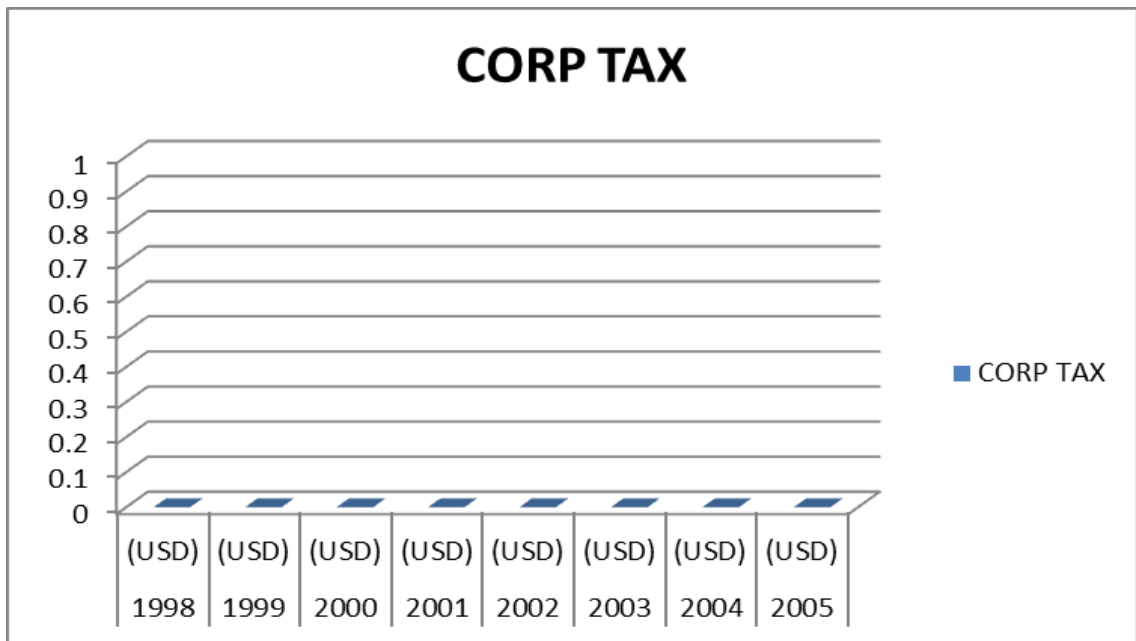


Figure 4.15: Corporate Income Tax in USD: year 1999 to 2005 NMGM

For the entire period of eight (8) years no single dollar was paid as Corporate/Income Tax. There was no reason given by the Investors. See figure 4.15 above.

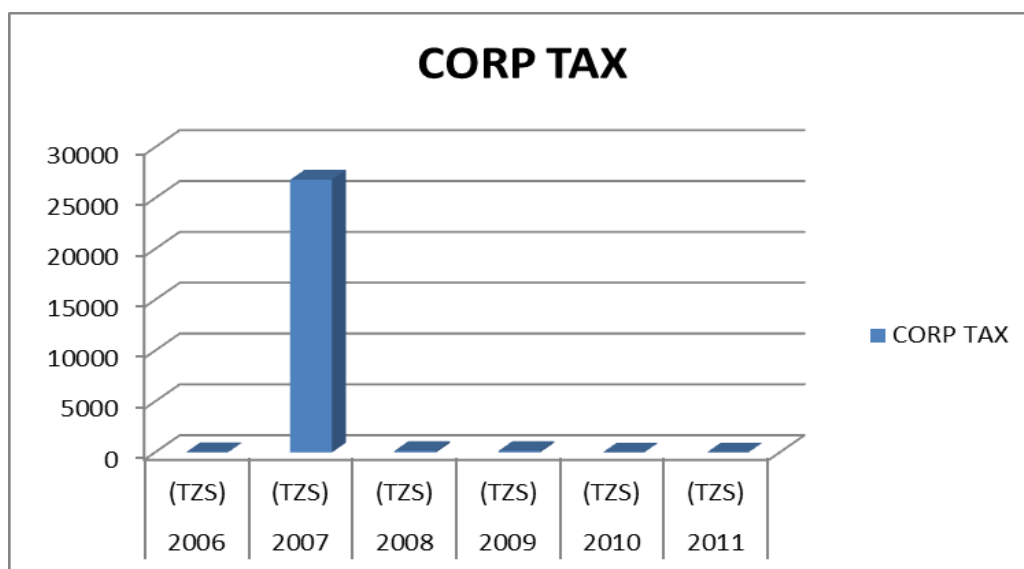


Figure 4.16: Corporate Income Tax in TZS ('000): 2006 TO 2011 NMGM

Corporate Income Tax in TZS funny figures are observed. See figure 4.16 above. Only in 2007 the sum of 27,000,000.00 TZS was paid. No more. Why?? Refusal to pay.

3) Tulawaka Gold Mine (TGM)

The official production started in 2005. Table 4.5 shows taxes paid in USD.

Table 4.5: Taxes Paid in US Dollars 1998 – 2005 TGM

Year	1998 (USD)	1999 (USD)	2000 (USD)	2001 (USD)	2002 (USD)	2003 (USD)	2004 (USD)	2005 (USD)
PAYE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,165,870.01
SDL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	264,284.28
WHT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,695,935.21
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S/DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IMPORT DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXCISE DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CORP/ INCOME TAX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TGM TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,126,089.50

Source: TMAA, 2012

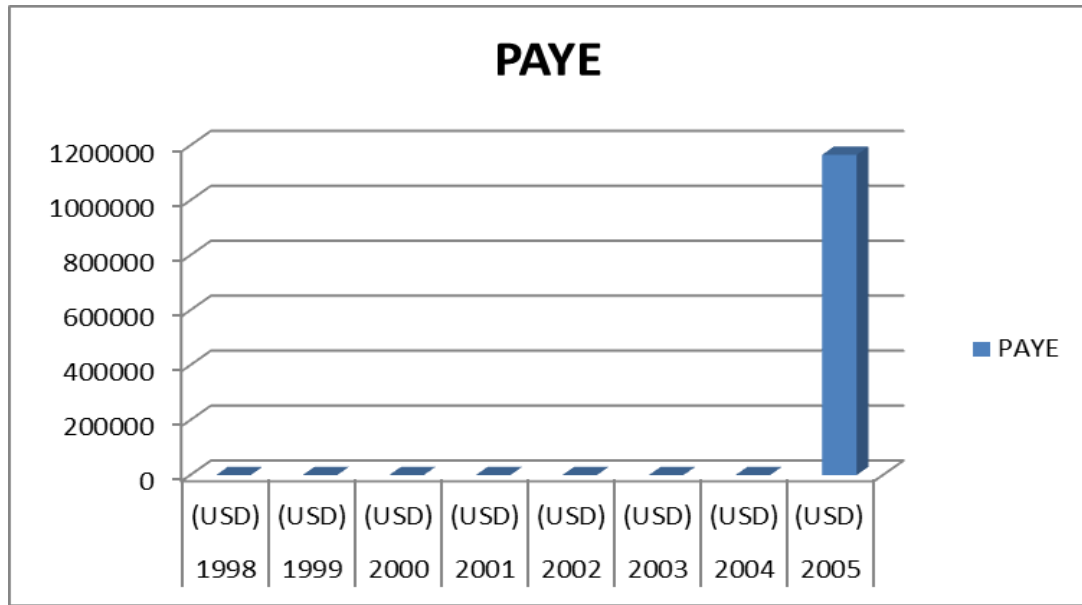


Figure 4.17: Pay as You Earn in US Dollars: year 2005 only. TGM

Here were employees salaried as and when the mine was commissioned in 2005. This is the only time the investor could collect and deliver PAYE to the GOT. Figure 4.17 above illustrates the puzzle.

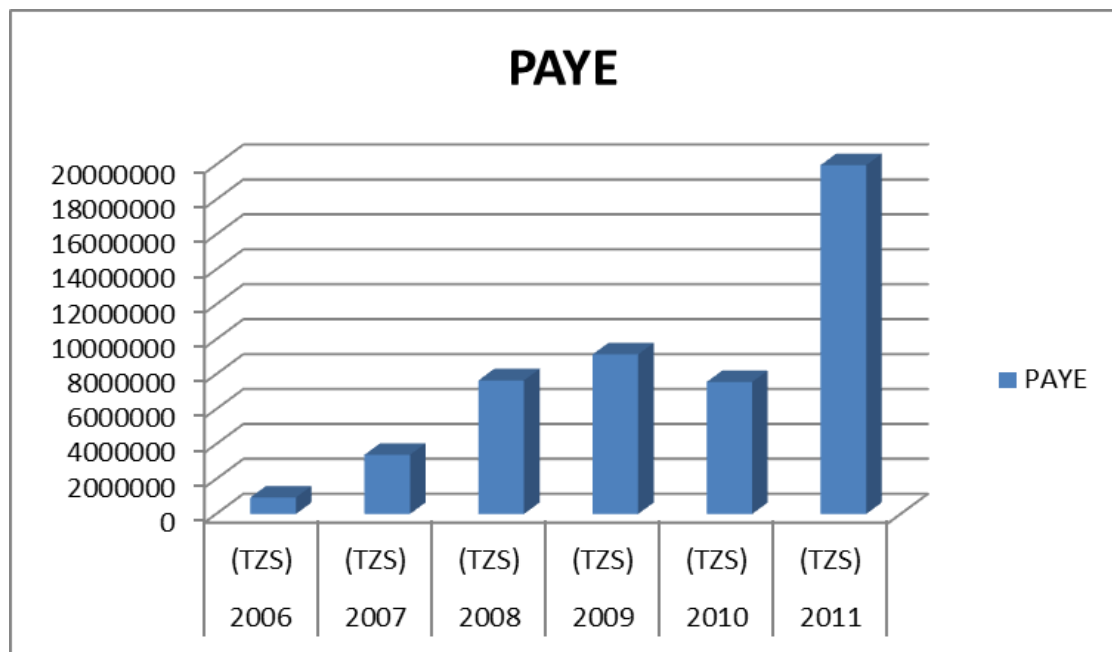


Figure 4.18: Pay as You Earn in TZS ('000): year 2006 TO 2011 TGM

Fluctuations of PAYE were a puzzle as can be observed in Figure 4.18 above.

Taxes paid in TZS are shown in Table 4.6 below.

Table 4.6: Taxes Paid in Tanzania Shillings 2006 – 2011 TGM

Year '000	2006 (TZS)	2007 (TZS)	2008 (TZS)	2009 (TZS)	2010 (TZS)	2011 (TZS)
PAYE	945,135.00	3,386,101.00	7,648,153.00	9,134,656.00	7,555,279.00	19,978,195.00
SDL	137,270.00	32,000.00	464,850.00	995,468.00	1,967,118.00	3,971,945.00
WHT	1,034,848.	266,579.00	693,322.00	958,046.00	1,803,993.00	2,657,778.00
VAT	115,044.00	185,532.00	234,776.00	140,633.00	0.00	8,538,176.00
S/DUTY	0.00	0.00	0.00	0.00	0.00	0.00
IMPORT DUTY	0.00	0.00	0.00	0.00	0.00	0.00
EXCISE DUTY	0.00	0.00	508,315.00	508,315.00	0.00	0.00
CORP/ INCOME TAX	4,856.00	4,856.00	0.00	1,000,000.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	1,500.00
TGM TOTAL	2,237,153.	3,875,067.00	9,549,415.00	12,737,118.00	11,326,390.00	35,147,594.0

Source: TMAA, 2012

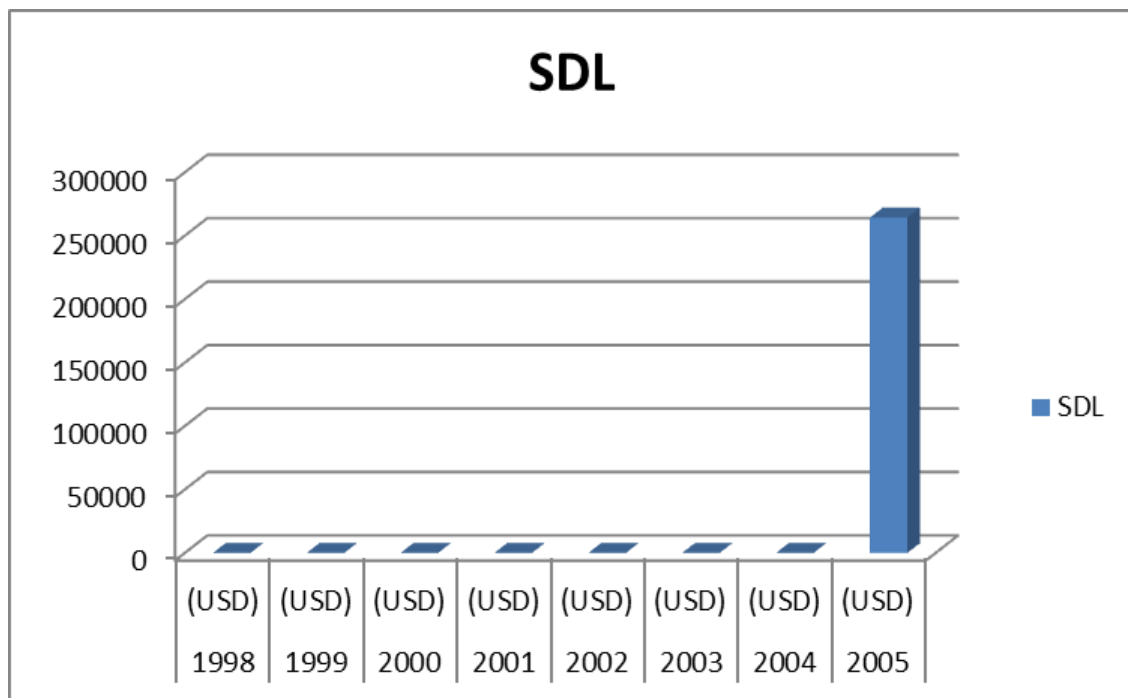


Figure 4.19: Skills Development Levy in US Dollars: year 2005 only. TGM

Skills Development Levy in US Dollars was paid as from 2005 when the mine was commissioned. See Figure 4.19 above.

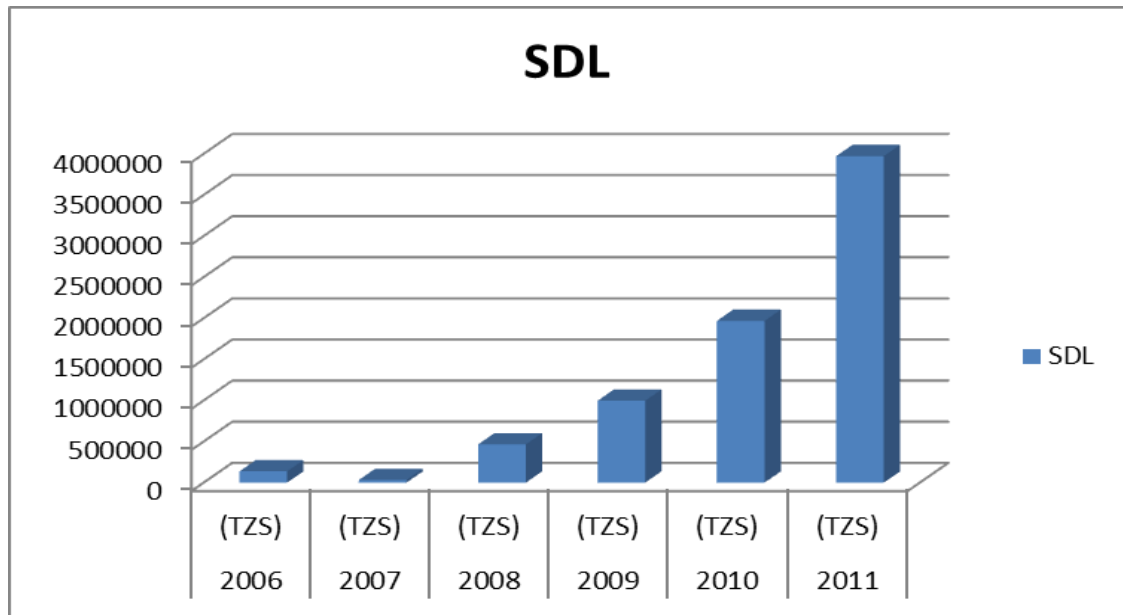


Figure 4.20: Skills Development Levy in TZS (‘000): 2006 to 2011 TGM

Skills Development Levy in TZS was not paid in 2006 and 2007. 2011 compensated for the outstanding unpaid Skills Development Levy in TZS. See Figure 4.20 above.

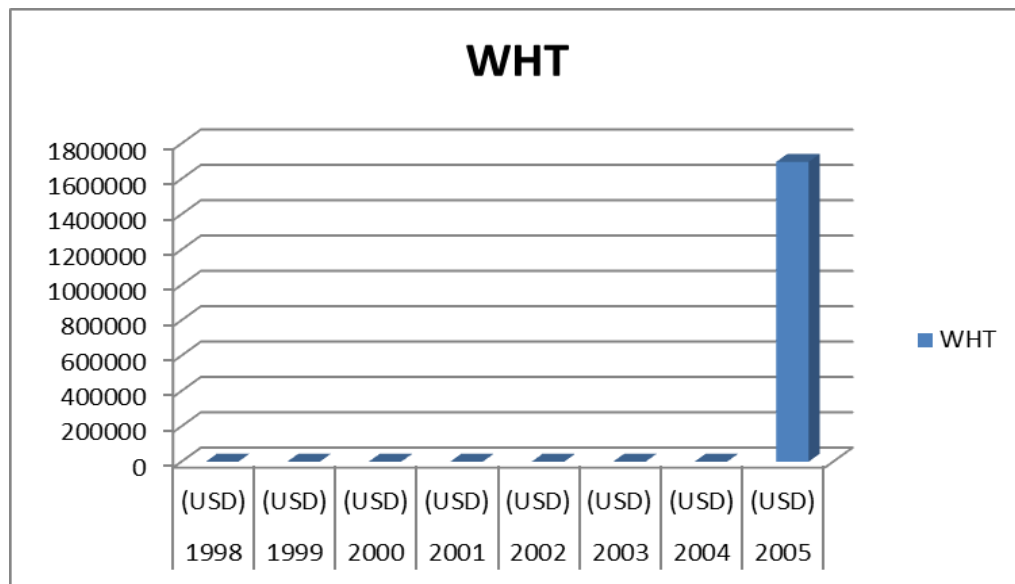


Figure 4.21: Withholding Tax in US Dollars: year 2005 only. TGM

Withholding Tax in US Dollars was paid as from 2005 when the mine was commissioned. See figure 4.21 above.

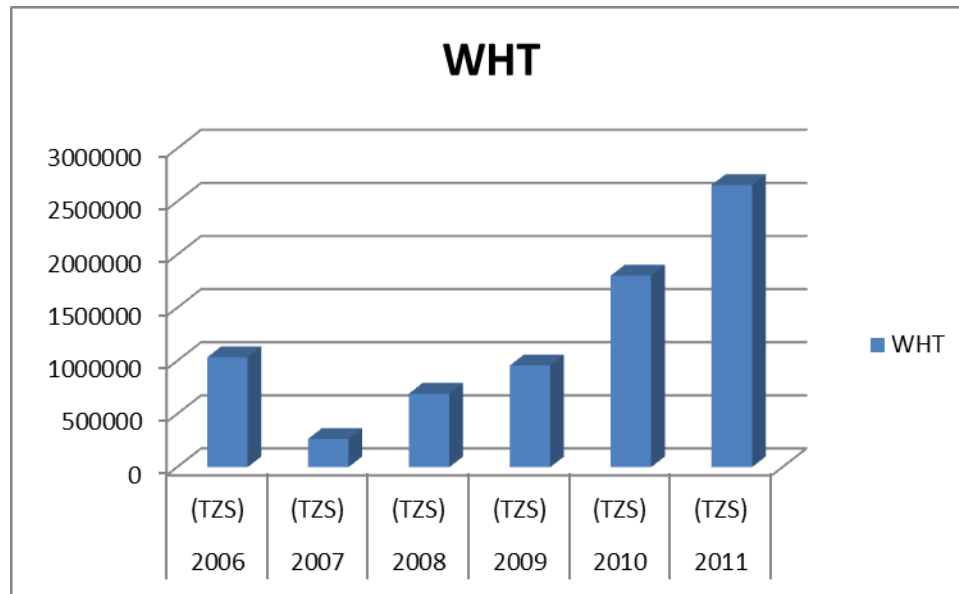


Figure 4.22: Withholding Tax in TZS ('000): year 2006 TO 2011 TGM

Withholding Tax in TZS was more stable than other mines. See Figure 4.22 above.

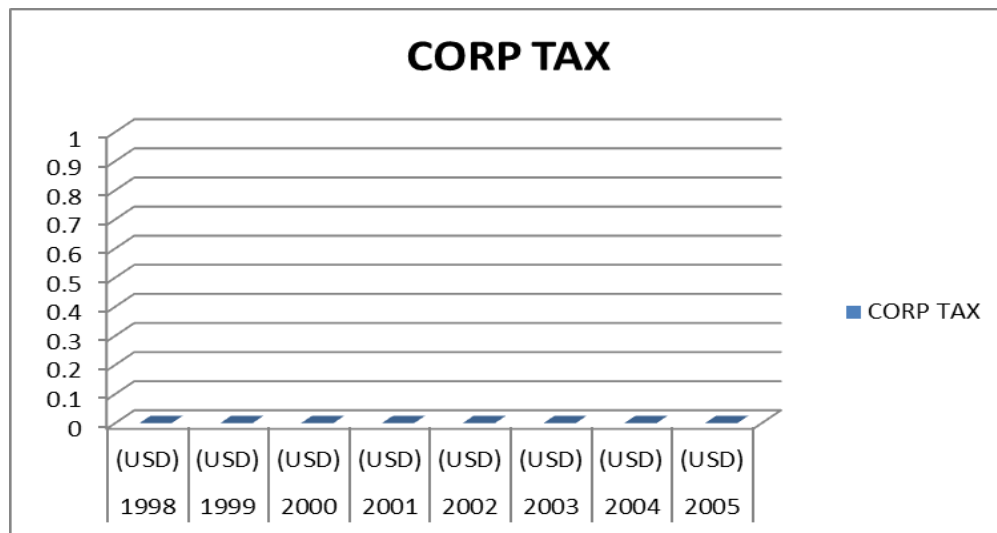


Figure 4.23: Corporate/Income Tax in US Dollars: year 2005: zero: TGM

For the year 2005 no Corporate/Income Tax was paid. There was no reason given by the Investors. If other mines were not paying when they were in business earlier than TGM, why should the TGM pay? See Figure 4.23 above.

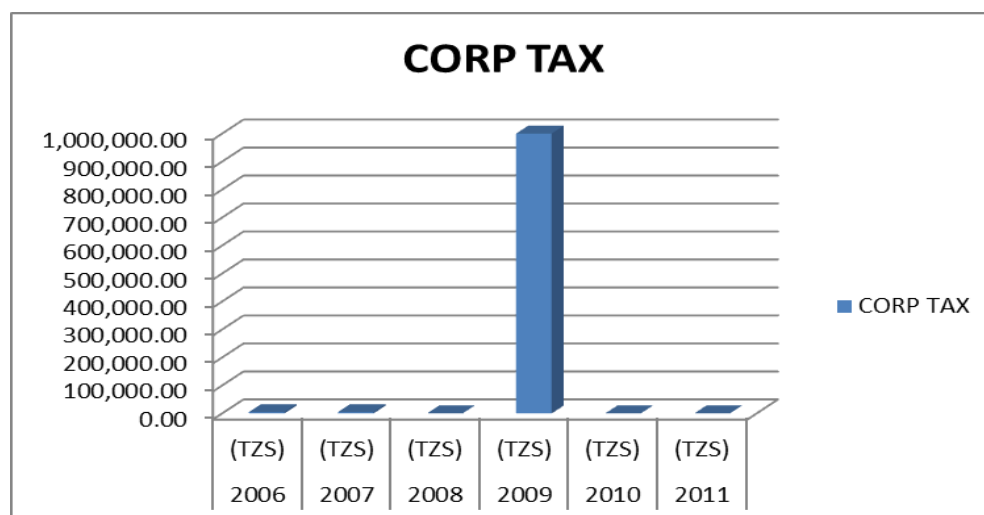


Figure 4.24: Corporate/Income Tax in TZS ('000): year 2006 TO 2011 TGM

Corporate/Income Tax in TZS, only in 2009 TGM paid one million TZS (1,000,000/=) only. Other taxes are not significant at all. See Figure 4.24 above.

4) Geita Gold Mine (GGM)

The official production started in 2000.

Table 4.7 below shows the types and amount of taxes paid in USD.

Table 4.7: Taxes Paid in US Dollars 1998 – 2005 GGM

Year	1998 (USD)	1999 (USD)	2000 (USD)	2001 (USD)	2002 (USD)	2003 (USD)	2004 (USD)	2005 (USD)
PAYE	0.00	0.00	547,860.42	1,462,753.29	1,684,101.93	2,022,066.97	2,107,026.78	0.00
SDL	0.00	0.00	136,821.84	259,315.17	333,837.81	364,323.49	596,599.85	5,115,409.98
WHT	0.00	0.00	1,278,582.41	1,503,708.83	1,597,115.91	1,936,406.93	2,036,485.35	2,497,718.69
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S/DUTY	0.00	0.00	105,129.65	143,271.16	15,558.90	12,070.59	15,888.47	130,293.10
IMPORT DUTY	0.00	0.00	0.00	148,415.46	547,719.43	0.00	1,722,257.48	1,448,793.06
EXCISE DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CORP/INC TAX	0.00	0.00	0.00	0.00	0.00	1,112,331.59	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GGM TOTAL	0.00	0.00	2,068,394.32	3,517,463.91	4,178,333.98	5,447,199.57	6,478,257.93	9,192,214.83

Source: TMAA, 2012

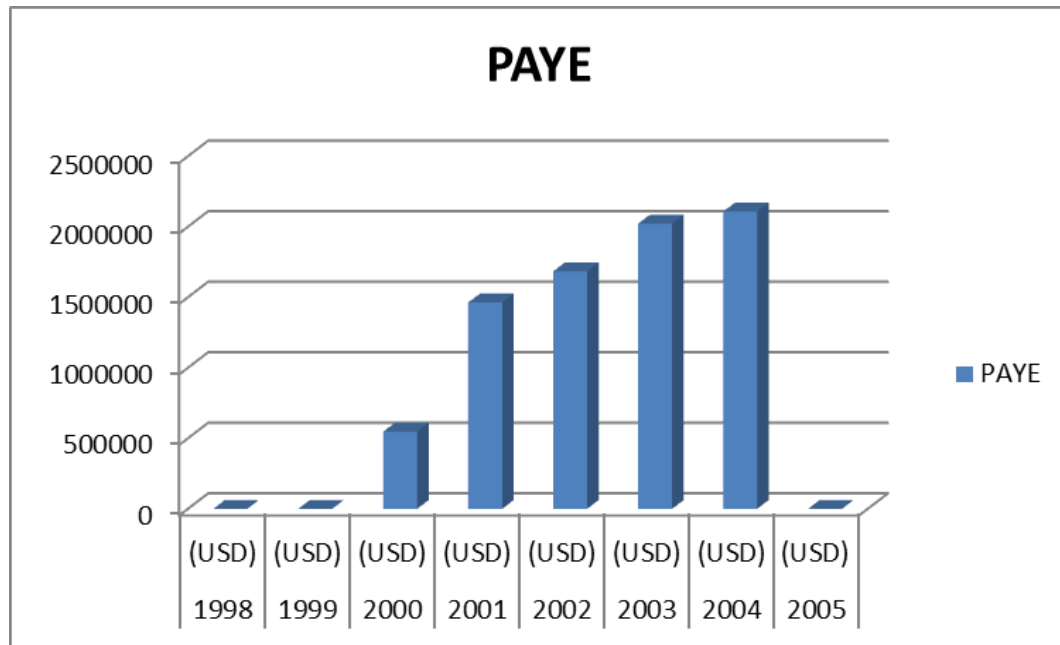


Figure 4.25: Pay as You Earn in US Dollars: year 2000 TO 2005 GGM

Right from the inception, the GGM was stably remitting PAYE to the GOT. In 2005 (nothing was paid) is a puzzle. They were silent on that. See Figure 4.25 above.

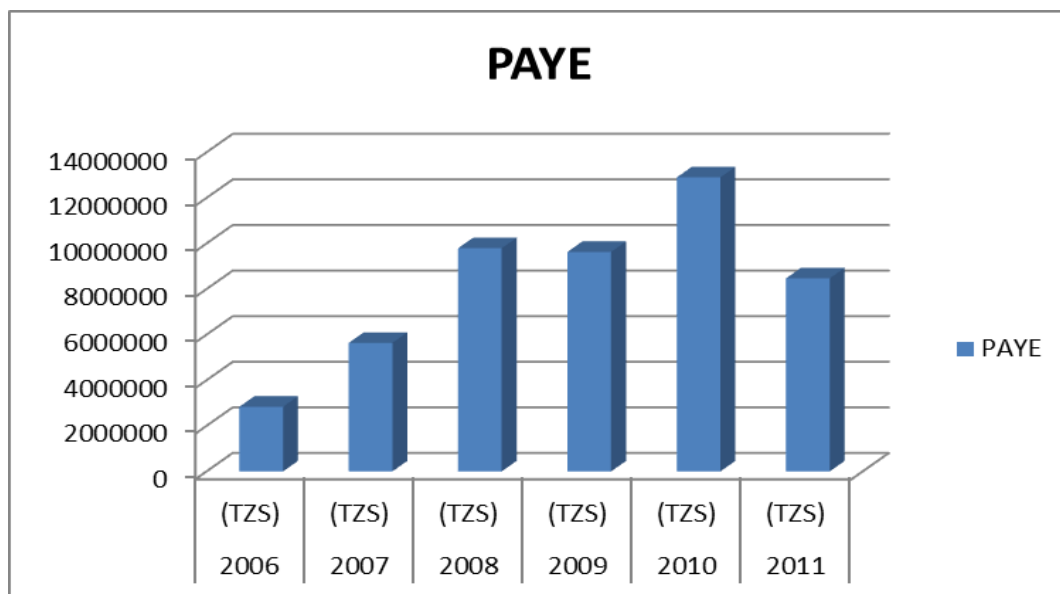


Figure 4.26: Pay as You Earn in TZS ('000): year 2006 to 2011 GGM

In local currency GGM was stable in remitting Pay as You Earn in TZS. See figure 4.26 above

Table 4.8 below shows the types and amount of taxes paid in TZS

Table 4.8: Taxes Paid in Tanzanian Shillings 2006 – 2011 GGM

Year'000	2006 (TZS)	2007 (TZS)	2008 (TZS)	2009 (TZS)	2010 (TZS)	2011 (TZS)
PAYE	2,835,822.00	5,637,419.00	9,788,190.00	9,627,608.00	12,895,660.00	8,466,508.00
SDL	848,876.00	1,219,795.00	1,869,246.00	2,144,418.00	2,883,822.00	2,494,446.00
WHT	799,570.00	828,939.00	1,587,365.00	1,628,326.00	3,292,952.00	3,044,671.00
VAT	138,769.00	1,873,717.00	2,122,226.00	960,470.00	0.00	2,188,450.00
S/DUTY	128,001.00	11,659.00	13,834.00	2,175.00	49.00	0.00
IMPORT DUTY	0.00	0.00	0.00	0.00	0.00	0.00
EXCISE DUTY	915,501.00	915,501.00	363,970.00	363,970.00	0.00	0.00
CORP/ INCOME TAX	915,138.00	69,138.00	2,459,109.00	2,638,659.00	0.00	9,491,508.00
OTHER	0.00	0.00	0.00	0.00	0.00	637,500.00
GGM TOTAL	6,235,677.00	10,556,168.00	18,203,940.00	17,365,626.00	19,072,483.00	26,323,083.00

Source: TMAA, 2012

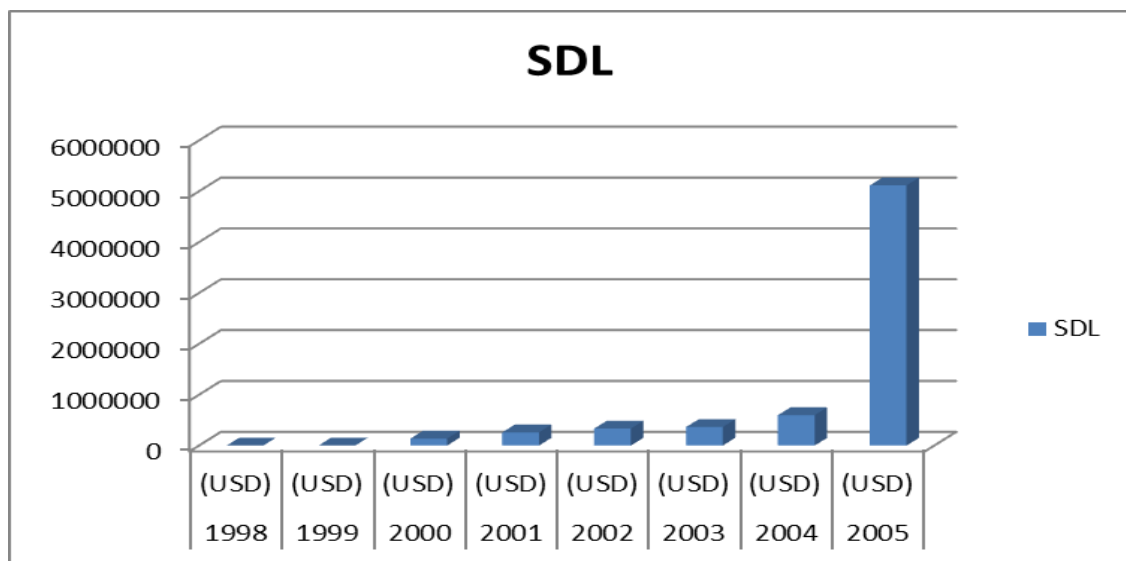


Figure 4.27: Skills Development Levy in USD: 2000 to 2005 GGM

GGM had a growing demand in foreign skills as from 2002 to a peak in 2005. See Figure 4.27 above.

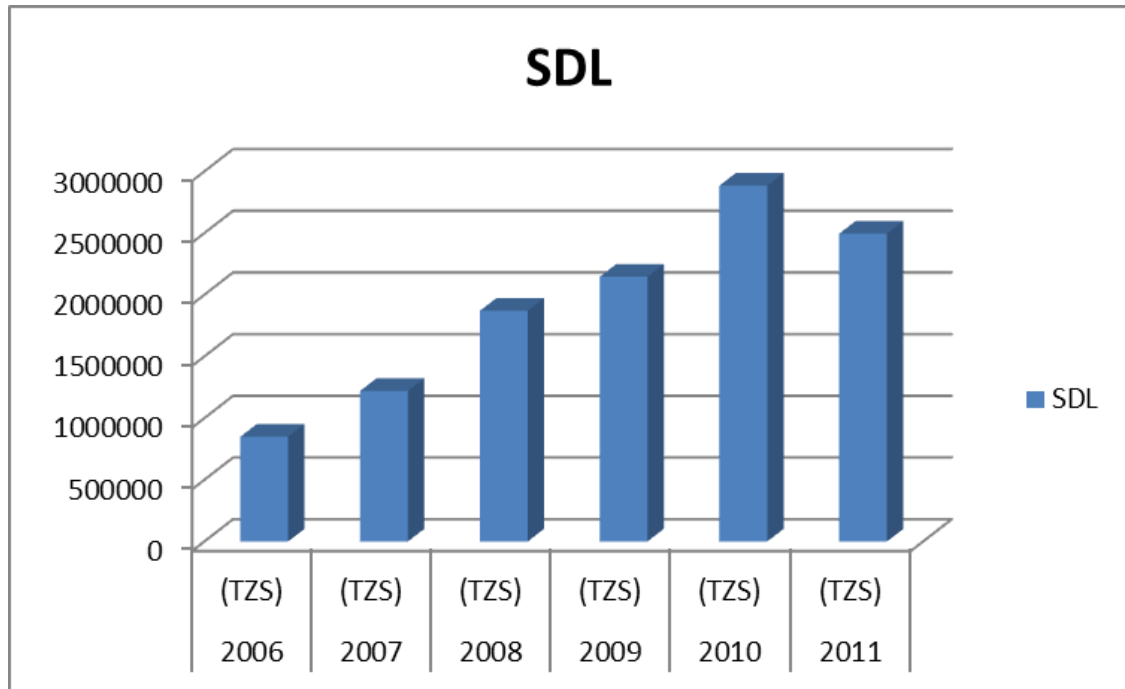


Figure 4.28: Skills Development Levy in TZS ('000): 2006 TO 2011 GGM

Skills Development Levy in TZS, GGM had a growing demand in foreign skills as from 2006 to a peak in 2010, then dropped in 2011. See Figure 4.28 above.

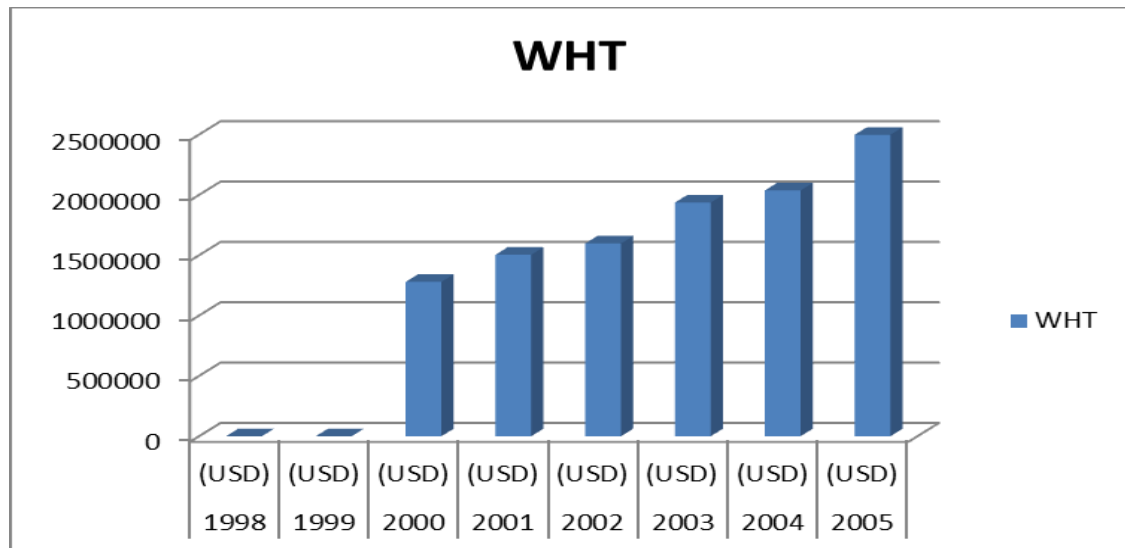


Figure 4.29: Withholding Tax in US Dollars: year 1999 TO 2005 GGM

Withholding Tax in US Dollars for GGM was very stably growing annually. See Figure 4.29 above.

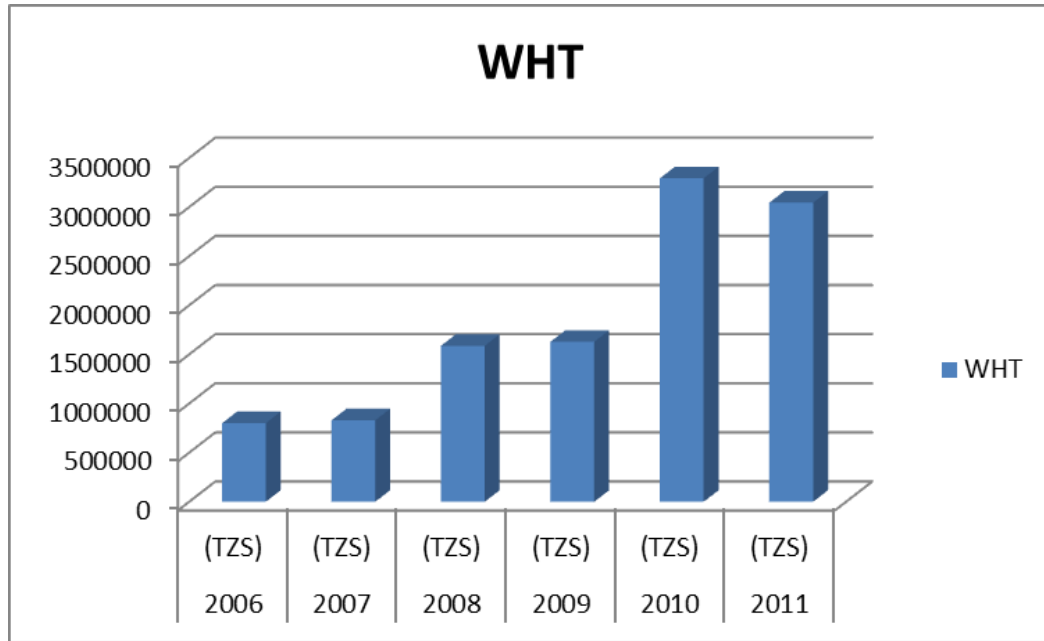


Figure 4.30: Withholding Tax in TZS ('000): year 2006 TO 2011 GGM

Withholding Tax in TZS was stable in 2006 and 2007, and then grew stably to highest levels in 2010. It started slumping in 2011. See figure 4.30 above

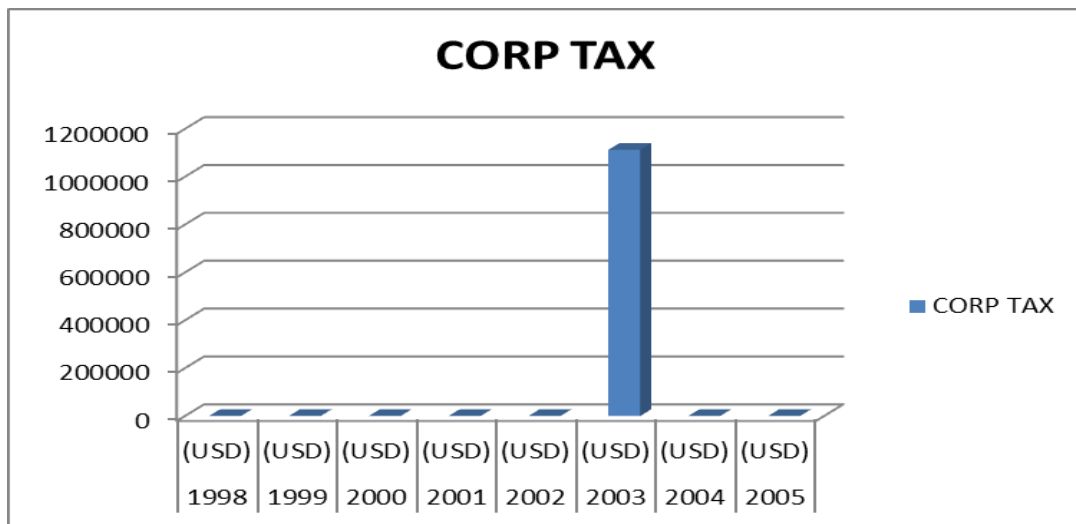


Figure 4.31: Corporate/Income Tax in US Dollars: year 2002 TO 2005 GGM

Corporate/Income Tax in US Dollars was not paid in year 2002 when the mine was commissioned. Only in 2003 it was paid, then 2004 and 2005 nothing was paid. This could be from the habit of refusing to pay taxes. See Figure 4.31 above.

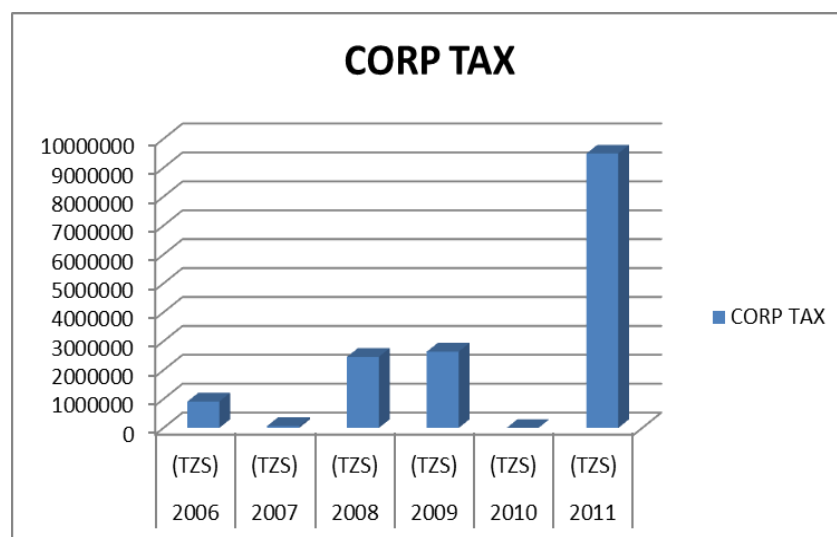


Figure 4.32: Corporate/Income Tax in TZS ('000): year 2006 to 2011 GGM

Corporate/Income Tax in TZS, 915mil TZS was paid up in 2006 and then dropped to 69mil TZS in 2007. It sharply raised to 2.4tr TZS in 2008 and 2.6tr TZS in 2009. Zero or nothing was paid up in 2010 but compensated by paying in 9.5tr TZS in 2011. See Figure 4.32 above.

5) Williamson Diamonds Limited (WDL)

The official production started in 1940. Table 4.9 below shows taxes collected in USD.

Table 4.9: Taxes Paid in US Dollars 1998 – 2005 WDL

Year	1998 (USD)	1999 (USD)	2000 (USD)	2001 (USD)	2002 (USD)	2003 (USD)	2004 (USD)	2005 (USD)
PAYE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SDL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WHT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
S/DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IMPORT DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXCISE DUTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CORP/ INCOME TAX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WDL TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: TMAA, 2012

Table 4.10 below shows taxes paid in TZS.

Table 4.10: Taxes Paid in Tanzanian Shillings 2006 – 2011 WDL

Year	2006 (TZS)	2007 (TZS)	2008 (TZS)	2009 (TZS)	2010 (TZS)	2011 (TZS)
PAYE	0.00	0.00	0.00	0.00	0.00	2,490,431,115.00
SDL	0.00	0.00	0.00	0.00	0.00	1,249,482,379.00
WHT	0.00	0.00	0.00	0.00	0.00	1,133,629,357.00
VAT	0.00	0.00	0.00	0.00	0.00	5,760,042,842.00
S/DUTY	0.00	0.00	0.00	0.00	0.00	0.00
IMPORT DUTY	0.00	0.00	0.00	0.00	0.00	0.00
EXCISE DUTY	0.00	0.00	0.00	0.00	0.00	0.00
CORP/ INCOME TAX	0.00	0.00	0.00	0.00	0.00	92,754,478.00
OTHER	0.00	0.00	0.00	0.00	0.00	312,421,127.00
WDL TOTAL	0.00	0.00	0.00	0.00	0.00	11,038,761,298.00

Source: TMAA, 2012

Observations: The production of diamonds started in 1940. The period of 1998 to 2011 is a short one for WDL. No tax was paid from 1998 to 2010. Only on local currency WDL started paying other taxes other than Sales Duty, Import duty, and Excise duty.

PAYE = 0, SDL = 0, WHT = 0, and C/IT = 0.

Nothing is available for assessing taxation payments.

Tables 4.11 and 4.12 below show salaries paid to local employees only from 2005 to 2010 (converted to USD).

Table 4.11: Salaries for Local employees (in USD): 2005 to 2007

Nationals salaries	2005	2006	2007	Total
BGM	5,407,255	11,851,455	18,405,955	35,664,665
GGM	999,755	1,314,262	1,928,769	4,242,786
TGM	4,124,936	4,145,157	4,164,178	12,434,271
NMGM	11,064,716	11,279,356	11,494,056	33,838,128
Total	21,596,662	28,590,230	35,992,958	

Source: African Barrik Gold (ABG), Tanzania, November 2011

Table 4.12: Salaries for Local employees (in USD): 2008 to 2010

Nationals salaries	2008	2009	2010	Total
BGM	24,960,536	31,515,117	37,523,704	93,999,358
GGM	3,543,276	5,944,180	7,558,687	13,502,866
TGM	4,184,399	4,614,237	4,633,258	13,431,894
NMGM	11,708,695	11,407,150	11,923,334	35,039,179
Total	32,688,211	42,073,534	49,715,649	

Source: African Barrik Gold (ABG), Tanzania, November 2011

Table 4.13 shows the exchange rate between a TZS and a USD from 1998 to 2009

Table 4.13: Exchange rates of Tanzanian shilling to US Dollar (TZS/USD)

year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
rate	664.70	744.9	800.40	876.40	966.60	1,038.6	1,089.30	1,122.70	1,251.90	1,232.80	1,196.30	1,320.30

Source: TMAA, 2012

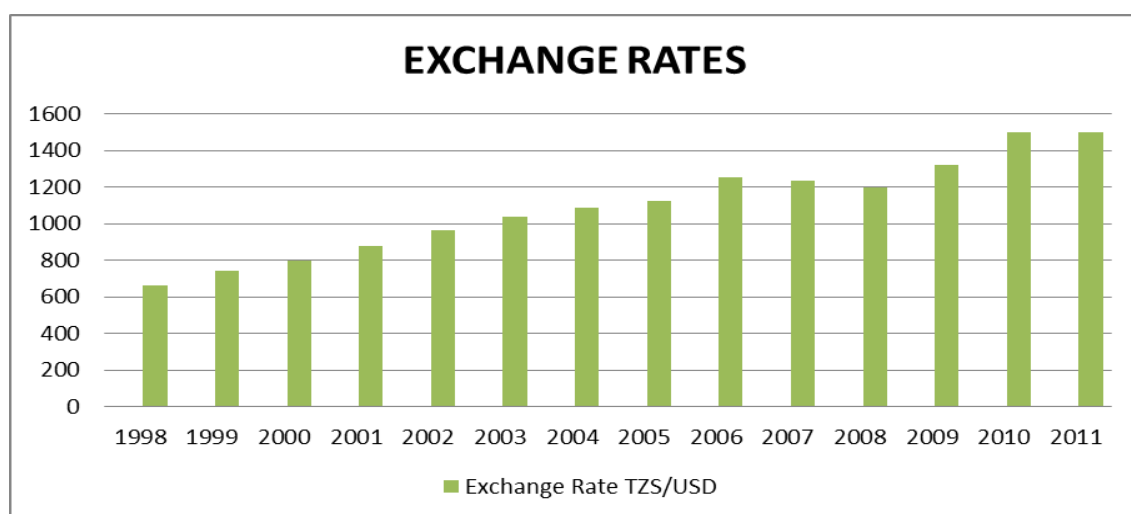


Figure 4.33: Exchange rates of Tanzanian shillings to US Dollar (TZS/USD)

Figure 4.33 above is created from Table 4.13 above showing the steady drop of a TZS to a USD in histogram.

Table 4.14 below is a sample for all other taxes for the year 2005 for 5 selected mines.

Table 4.14: Other Taxes for Year 2005 in USD

2005 USD	TGM	GGM	NMGM	BGM	WDL	TOTAL
SDL	5,115,409.98	264,284.28	0.00	2,025,002.26	0.00	7,404,696.52
WHT	2,497,718.69	1,695,935.21	0.00	635,000.00	0.00	4,828,653.90
VAT	0.00	0.00	0.00	0.00	0.00	0.00
S/DUTY	130,293.10	0.00	0.00	0.00	0.00	130,293.10
IMP DUT	1,448,793.06	0.00	0.00	2,521,000.00	0.00	3,969,793.06
EXC DUTY	0.00	0.00	0.00	0.00	0.00	0.00
INC / CORP TAX	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	9,192,215	1,960,219.5	0.00	5,181,002.3	0.00	16,333,436.58

Source: TMAA, 2012

Table 4.15 below summarizes other taxes for the 5 selected mines from 2006 to 2010.

Table 4.15: Summary Table: Other Taxes Converted to USD

YEAR	2006	2007	2008	2009	2010
TOTAL	6,188,972/=	7,266,897/=	18,614,045/=	24,999,330.46	19,623,390/

Source: TMAA, 2012

Table 4.16 is a combination of Tables 4.14 and 4.15 with addition of Royalty and contributions to Local Government (Corporate Social Responsibilities) to beef up total financial contributions to the GOT from LSMS.

Table 4.16: Total financial contribution to GOT and to Society in USD

YEAR	ROYALTY	OTHER TAXES	LOCAL SALARIES	LOCAL GOVERNMENT	TOTAL (USD)
2005	25,700,432.00	16,333,436.58	21,596,662	1,000,000	64,632,535.58
2006	28,219,147.32	6,188,971.96	28,590,230	1,000,000	64,000,355.28
2007	52,061,506.66	7,266,897.31	35,992,958	1,000,000	96,321,361.97
2008	28,312,927.30	18,614,044.97	32,688,211	1,000,000	80,615,183.27
2009	45,157,328.20	24,999,330.46	42,073,534	1,000,000	113,230,192.66
2010	55,277,385.03	19,623,390.00	49,715,649	1,000,000	125,616,424.03

Source: TMAA, 2012

It should however be noted that Tanzania has a tax regime that is extremely generous to mining companies. Besides that generosity, the rapid growth of the mining sector has not led to comparable revenue increases on the government side (Bevan, 2009).

4.1.2 Data Collection for Specific Objective Two

The second specific objective demanded to determine the key features of Tanzania mining fiscal regime guiding the LSMS in tax payments.

1) Key features of Tanzania Mining Fiscal Regime (Table 2.1 in Chapter 2)

This is formed by rates determined for different payments as follows: -

- A. Royalties: Include new increase from 3% to 4% for precious and base metals, 5% to 6% for diamonds and gemstones, and 7% for uranium as per the Mining Act 2010;
- B. Corporate tax: With applicable rate of 30% of the profits after deduction of mining and processing expenditure, 15% additional capital allowance, Ring Fencing, and deductions allowed for Environmental Damage Rectification;
- C. Withholding Taxes: On dividends;
- D. Indirect Taxes: Value Added Tax, Import Duty, Excise Duty, Fuel Levy, Local Government Taxes, and Stamp Duty; and
- E. Corporate Social Responsibilities (CSRs): The CSRs were to mirror State Responsibilities on local communities and affected Districts for the society surrounding the mining areas.

Different institutions receive different types of taxes on behalf of the government as shown in table 2.2 in Chapter 2.

2) Statutory Taxes from LSMS to GOT

Statutory taxes were not paid to the GOT by LSMS due to tax evasion and tax avoidance. In many cases the investors blatantly refused to pay corporate tax and other statutory contributions. Why? The Researcher had to do an extra research on tax compliance.

A. Conceptual Framework

This is an analytical model which describes the study variables and the way they influence each other. The model shows the independent and dependent variables of the study which are illustrated in Figure 3.1 in Chapter 3

B. Study Hypotheses

The framework highlights the study on assessment of tax compliance among large scale mining companies in Tanzania. The main assumption of the study is that tax compliance in large scale mining companies is affected by some practices in Tanzania whereas three hypotheses have been developed: tax avoidance, tax evasion and taxpayers' perception, stating as follows: -

H1: Tax avoidance affects tax compliance among large scale mining companies;

H2: Tax evasion affects tax compliance among large scale mining companies;

H3. Taxpayers' perception affects tax compliance among large scale mining companies.

C. Research questions

Research questions were prepared and delivered to candidates who were requested to answer them. The study employed purposive sampling technique because the selected individuals as respondents were only the skilled and knowledgeable personnel on the study to assist in generation of adequate and reliable data. The study consisted of 100 respondents as employees from the five selected mines comprising of 20 respondents in each mine. See Questionnaire in Appendix 1.

D. Sampling Technique

The study employed purposive sampling technique because the selected individuals as the respondents were only the skilled and knowledgeable employees of the selected mines.

E. Data Collection

The study employed structured instrument as the questionnaires since the study was performed using causal relationship approach. Therefore, it required data which was quantified by the structured questionnaire for generation of primary data.

3) Ages

Respondents were to provide facts on their ages, as described in Table 4.17

Table 4.17: Ages

Range	Frequency	Percent
21-30	18	18.0
31-40	42	42.0
41-50	32	32.0
Above 50	12	12.0
Total	100	100.0

Source: Field Data

Table 4.17 shows findings on ages of the respondents whereas 18% were 21-30 years; 42% were 31-40 years; 32% were 41-50 years; and 12% were above 50 years.

4) Gender

The study required respondents to provide information on the gender of the respondents which is described in Table 4.18 below.

Table 4.18: Gender

Gender	Frequency	Percent
Male	94	94.0
Female	6	6.0
Total	100	100.0

Source: Field Data

Table 4.18 above highlights results on the gender of the respondents which are certain that 94% respondents were male; and 6% respondents were female.

5) Education Level

The study also requires the respondents to provide facts on the level of education which are stated in Table 4.19

Table 4.19: Level of Education

Education	Frequency	Percent
Bachelor	52	52.0
Masters	40	40.0
Certificate	8	8.0
Total	100	100.0

Source: Field Data

Table 4.19 above shows findings on education level of the respondents that 52% were first degree holders; 40% were masters' degree holders; and 8 were certificate holders.

The issues on gender, age and education levels comprise of data on profile of the respondents. The information serves as facts to provide the overview of the respondents as participants in the mining sector based on their age, gender and level of education in their respective practices.

6) Sample Size

The study consisted of 100 respondents as employees from the five selected mines because they were the actual reliable participants required. The selection of the sample size was derived from Webb (1991) that with the population between 100 and 1000, 10% serves as the sample size. Also, with the population between 1000 and 2000, 5% is the sample size. Moreover, for the population above 2000, 1% is the sample size.

4.2 DATA ANALYSIS

For the five large scale mines on the first specific objective, there was no data analysis due to the fact that no tangible tax was paid and there was very little response over

release of data from all sources. Refer to data collected in Tables 4.1 to 4.10. Nevertheless, taxation efficiency has to be determined by use of available data.

4.2.1 Data Analysis for Specific Objective One

Given a brief account in relation to what was given in section 3.5.2 formula 3.1, a sample calculation gives an account of the data analysis for the objective.

1) Sample Calculation

Total contribution of the large scale mines to the GOT and to the society is formed by the sum of the following payments (Example: year 2005 Table 4.14): -

A.	Local labor salaries	=	USD 21,596,662.00 (Table 4.11 column 1)
B.	Skills development levy (SD)		
C.	Withholding tax (WHT)		
D.	Value added tax (VAT)		
E.	Sales duty, (SDT)		
F.	Import duty (IDT)		
G.	Excise duty, (EDT)		
H.	Corporate/Income tax, (C/IT)		
I.	Local government contributions (LGC)	=	USD 1,000,000.00 (for 5 Mines assuming that each mine donated USD 200,000/= per annum)
J.	Royalty (RYLT)	=	USD 25,700,432.00 [MEM, 2005/2006]

Other

Taxes = USD 16,333,436.58 (Table 4.14)

TOTAL CONTRIBUTION = USD 64,632,535.58 (Table 4.16 row number 1)

Sales of gold was determined by using the annual average production minus the royalty amount then the balance multiplied by the unit price to get the value of gross sales. It is estimated that 70% of the gross sales covered all costs of production and marketing. Then 30% was the net profit before tax. Therefore: assuming that gold price has been stable from 2005 to 2015, then: -

- Gold price as on 11th June 2015 was USD 37,952.74 per kg.
- Annual production = 45 tons (= 45,000kg)
- Annual Royalty in 2005 was USD 25,700,432.00 (Table 4.16, row 1)

- Price of 45,000 kg of gold = $45,000 \times 37,952.74 = \text{USD } 1,707,873,300.00$
- $1,707,873,300.00 - 25,700,432.00 = \text{USD } 1,682,172,868.00$ as value
- $70\% \times 1,682,172,868.00 = \text{USD } 1,177,521,007.60$ (as cost of marketing, sales and production).
- Thus, Profit before tax = $1,682,172,868.00 - 1,177,521,007.60$
= $\text{USD } 504,651,860.40$

If only true taxes (Other taxes) are applied: -

Taxation Efficiency = $(16,333,436.58 / 504,651,860.40) \times 100\% = 3.24\%$

Corporate/Income tax contribution is 0% (Table 4.14).

(Using formula (3.1), Table 4.20 is calculated)

Table 4.20: Summary of Taxation Efficiency

YEAR	TAXES ONLY (USD)	NET PROFIT (USD)	CONTRIBUTION (Taxation Efficiency) (%)
2005	16,333,436.58	504,651,860.40	3.24
2006	6,188,971.96	503,896,245.80	1.23
2007	7,266,897.31	496,743,538.00	1.46
2008	18,614,044.97	503,868,111.81	3.69
2009	24,999,330.46	498,814,791.54	5.01
2010	19,623,390.00	495,778,774.49	3.96
Average taxation efficiency			3.10

Source: Calculated and using Table 4.16

The average of 3.10% as taxation efficiency is not what was expected by the GOT from the LSMS contributions to the state as taxation from all the six years of exploiting the mineral resources. The investor has gone away with almost all the profits made from the mineral exploitation; and this was purposeful. This is explained by the erratic and more or less the same low figures of taxation efficiency for all the six years.

4.2.2 Data Analysis for Specific Objective Two

1) Tax Compliance Analysis

As for specific objective (ii) (Tax Compliance), data were analyzed using both descriptive and inferential analyses. For descriptive analysis, frequencies and percentages were computed particularly on describing the profile of the respondents. Inferential analysis, on the other hand, correlation and multiple regression analyses were used to show the existing relationship between study variables. This has been facilitated by the gathered data being computed in SPSS data sheet whereas the statistical measurements were drawn from the software based on the field data.

A. Data Consistence Measurement

This test was performed to ensure consistence of the study variables for the purpose of attaining data quality management. Therefore, it was realized using Cronbach Alpha test which is described in Table 4.21.

Table 4.21: Data Reliability by Cronbach Alpha Test

Study Variables	Cronbach Alpha
Tax Avoidance	0.896
Tax Evasion	0.943
Taxpayers' Perception	0.922
Tax Compliance	0.851

Source: Field Data

What is the benchmark/ threshold value? Implications of values obtained!!!

This is performed specifically to show the level of consistence on study variables. This is verified using the value of Cronbach Alpha test whereas as the coefficients reach 0.7 and above the implication is that the variables are reliable and consistent with vice versa being certain. This is important because as variables generated through the test as reliable, analysis is allowed to be preceded on the variables. Once the variables are not reliable the analysis is not allowed to be preceded.

B. Data Validity and Reliability

Validity was performed as a way to facilitate data quality attainment on the study variables which aimed to generate accuracy on the study variables through validating the questionnaire as the data collection instrument. Therefore, it was conducted through pilot testing approach of the questionnaire as the data collection tool whereas prior to the approval of the supervisor, the tool was administered for data collection to ensure sufficient information gathering.

How did the researcher remove researcher and respondents' biasness?

This was removed through adhering towards ethical conduct in undertaking the inquiry. This was certain because the respondents consented to participate in the study on their own free will without being forced.

C. Mean and Standard Deviation

The two analyses were performed with facts as described and illustrated in Table 4.22 below.

Table 4.22: Mean and Standard Deviation

	Mean	Standard Deviation	N
Tax Compliance	2.172	0.1024	100
Tax Avoidance	2.428	0.1202	100
Tax Evasion	2.609	0.1425	100
Taxpayers' Perception	2.517	0.1372	100

Source: Field Data

Why mean and standard deviation checked when they are dependent variables?

The analysis was performed to show the predicting variable with stronger influence than others on the dependent variable using the values of the mean. However, with standard deviation, the focus was to show the minimum level of dispersion on whether respondents' opinions differ much or did not differ much. Since the values of standard deviation were less than 3, the implication is that respondents' opinions did not differ much.

D. Correlation Analysis

Correlation analysis is performed on all study variables to determine the variable among the predicting ones which correlate best on tax compliance in large scale mining companies as the dependent variable with results shown in Table 4.23 below.

Table 4.23: Correlation Analysis

		Tax Compliance	Tax Avoidance	Tax Evasion	Taxpayers' Perception
Person corr.	Tax Compliance	1	0.428	0.513	0.392
	Tax Avoidance	0.428	1	0.06	0.053
	Tax Evasion	0.513	0.06	1	0.107
	Taxpayers' Perception	0.392	0.103	0.107	1
Sig. (1-tailed)	Tax Compliance	1	0	0	0
	Tax Avoidance	0	1	0.009	0.05
	Tax Evasion	0.606	0.003	1	0.006
	Taxpayers' Perception	0	0.05	0.006	1
N	Tax Compliance	100	100	100	100
	Tax Avoidance	100	100	100	100
	Tax Evasion	100	100	100	100
	Taxpayers' Perception	100	100	100	100

****p<0.001, ***p<0.05, *p<0.1

Source: Field Data

E. Multiple Regression Analysis

The analysis is well performed to correct the multicollinearity error through the dissemination of the contribution of each and every independent variable on the dependent variable. Therefore, the analysis is described and illustrated in Table 4.24 below.

Table 4.24: Multiple Regression Analysis

Model	Unstandardized coefficients		Standardized Coefficients	T	Sig.
	B	Std. error	Beta		
(constant)	-20.462	4.736		-1.231	.219
Tax Avoidance	3.462	0.352	0.569	12.836	.000
Tax Evasion	3.836	0.334	0.590	13.362	.000
Taxpayers' Perception	3.210	0.421	0.537	12.271	.000

Source: Field Data

F. Correlation and Multiple Regressions Analysis

The analysis is performed to show the existing relationship between study variables both the independent and the dependent variables. However, the analysis is first preceded by model summary test which aims to show the overall influence of all study predicting variables on the dependent variable which are shown in Table 4.25 below.

Table 4.25: Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of Estimate	Change Statistics			Durbin-Watson
1	0.768	0.620	0.615	51.836	0.514	73.726	0.000	1.625

Source: Field Data

Independent Variables: Tax avoidance, Tax evasion and Taxpayers' Perception

Dependent Variable: Tax Compliance

4.3 SUMMARY

This chapter dealt with data collection and data analysis introduction. Data analysis on types and amounts of mineral taxes paid, statutory taxes to pay, and determining tax compliance in LSMS.

CHAPTER FIVE

DISCUSSIONS OF THE STUDY FINDINGS

5.0 INTRODUCTION

This chapter discusses the findings. The discussion is again based on the findings of the data analysis for the three specific objectives of the study.

5.1 TYPES AND AMOUNTS OF MINERALS AND TAXES PAID

With reference to Tables 4.1 to 4.10 and the illustrative histograms, assessment has been conducted for each mine, and results of the findings were, thus: -

5.1.1 Bulyanhulu Underground Gold Mine (BGM)

CORPORATE /INCOME TAX: For Bulyanhulu Gold Mine, nothing was paid up from 1998 to 2005 when payments were being made in USD (Table 4.1, Fig 4.7). Only 685mil TZS was paid up in 2006, and zero or nothing in 2007 then 500mil TZS was paid up twice in 2008 and 2009. From that year nothing has been paid up to date 2012 (Table 4.2, Fig 4.8) due to refusal of paying taxes. **THE OTHER PAYMENTS:** These include VAT, which was not paid at all between 1998 and 2005, and only a token between 2006 and 2011. The other taxes which were either not paid up or scantily and minimally paid up are import duty and excise duty.

5.1.2 North Mara Gold Mine (NMGM).

CORPORATE /INCOME TAX: For North Mara no single dollar was paid up for the entire period of 1999 to 2005 (Table 4.3, Fig 4.15). Incomprehensible figures are observed in the local currency (TZS) payment starting with 27,000.00TZS equivalent to 18.00 USD in 2006, rising up slowly to 26.1mil TZS in 2007, and then dropping sharply to 153,000 TZS paid up twice in 2008 and 2009. (See Table 4.4, Fig 4.16), erratic figures were due to investors evading and avoiding tax payments.

5.1.3 Tulawaka Gold Mine (TGM)

CORPORATE /INCOME TAX: For Tulawaka Mine nothing was paid in USD in the year 2005 because the mine was opened in March, 2005 (Table 4.5, Fig 4.23). With local currency, it was negligible. See Table 4.6, figure 4.24. Only in 2009 TGM paid one million TZS (1,000,000/=) only. Other taxes are not significant at all.

5.1.4 Geita Gold Mine (GGM)

CORPORATE /INCOME TAX: For Geita Gold Mine, nothing was paid up from 1998 to 2002. Only 1,112,331.59 USD was paid up in 2003. **Nothing** was paid in 2004 and 2005 (Table 4.7, Figure 4.31). in 2006 only 915mil TZS was paid up and then dropped to 69mil TZS in 2007. It sharply raised to 2.4tr TZS in 2008 and 2.6tr TZS in 2009. Zero or nothing was paid up in 2010 but compensated by paying in 9.5tr TZS in 2011 (Table 4.8, Figure 4.32). THE OTHER PAYMENTS: These include VAT, which was not paid at all between 1998 and 2005, and only a token between 2006 and 2011. The other taxes which were either not paid up or scantily and minimally paid up are import duty and excise duty

5.1.5 Williamson Diamonds Limited (WDL)

Observations: The production of diamonds started in 1940. The period of 1998 to 2011 is a short one for WDL. No tax was paid from 1998 to 2010 (Tables 4.9 and 4.10). Only on local currency WDL started paying other taxes other than Sales Duty, Import duty, and Excise duty.

- 1) PAYE = 0, SDL = 0, WHT = 0, and C/IT = 0.
- 2) Nothing is available for assessing taxation payments.

5.1.6 Taxation efficiency

With reference to the findings in statistical data collected, Table 4.20 shows that average taxation efficiency for all other taxes is 3.10% instead of over 30% envisaged by the Mining fiscal regime.

5.2 STATUTORY TAXES TO PAY AND WHY NOT PAID

5.2.1 Key features of Tanzania Mining Fiscal Regime

Table 4.17 describes all statutory taxes to be paid by Large Scale Mining Sector. There is no discussion or negotiation over the figures.

5.2.2 Statutory taxes were not paid

1) Respondent Characteristics

A. Ages

Employees in large scale mining companies are composed of different age categories from the young age all the way to those heading towards retirement. The statement corresponds with Ali (2003) stating that employees in the mining industry in large corporations are individuals in several age categories from the minimum required age all the way to those approaching retirement all over the globe. See Table 4.19 on ages;

B. Gender

Table 4.18 on gender gave findings that large scale mining companies especially in the mines most employees in the area who are most men, though the industry is open to both men and women. The view is supported by Ali (2009) that most employees in the mining companies all over the globe including Tanzania men due to the nature of the tasks and assignments though the industry is open to women willing to work and correspond with the environment.

C. Education Level

The implication of the results is that employees in large scale mining companies in most cases are skilled individuals since they are hired with a purpose of possessing the knowledge to ensure productivity. The statement is in line with Baldry (2010) suggesting that most mining operations in large scale companies are highly technical which require skilled practitioners in various positions to be filled such that employees hired are usually well skilled in tasks they perform;

D. Sample Size

The selected areas comprised of the population between 1000 and 2000 whereas with 1% requirement for the selection of respondents is adequate. That was 20 respondents for each mine;

2) Data Reliability

Findings in Table 4.21 depict the reliability analysis of all study variables which state that they are all reliable and consistent. This is evident with the fact that Cobham (2015) suggests that reliability analysis using Cronbach Alpha is measured and determined using Cronbach Alpha values being 0.7 and above. The findings show that the values of the Cronbach Alpha on all variables are 0.7 and above which is certain that they are all reliable and consistent;

A. Mean and Standard Deviation

Table 4.22 shows findings on mean and standard deviation on all study variables such that the facts on the analysis using mean and certain that tax evasion as the predicting variable has the highest influence of all variables on the tax compliance as the dependent variable since the variable has the highest mean value of 2.609. This implies that tax compliance in large scale mining companies in Tanzania is strongly affected by tax evasion than other variables which are independent ones. Variables between mean and standard deviation are not high. This means that respondents did not differ much on their views;

B. Correlation Analysis

Table 4.23 shows results on correlation analysis which is clear that tax evasion as an independent variable correlates best on tax compliance among large scale mining companies in Tanzania. This implies that tax compliance on large scale mining companies in Tanzania is mostly affected by tax evasion than other variables. Since that is the case, the correlation is positive and significant though the coefficient is small with the fact that there is no multicollinearity. This is a problem which needs to be cleared and sorted out using multiple regression analysis;

C. Multiple Regression Analysis

Table 4.24 shows the findings on multiple regression analysis which are certain and clear that all three independent variables such as tax avoidance, tax evasion and taxpayers' perception are all positive and significant statistically on tax compliance among large scale mining companies in Tanzania. The implication of the findings is that tax compliance among large scale mining companies in Tanzania is affected by tax avoidance, tax evasion and taxpayers' perception;

D. Correlation and Multiple Regressions Analyses

The study, in Table 4.25 shows the whole influence of all independent variables (tax avoidance, tax evasion and taxpayers' perception) on the dependent variable (tax compliance) using the value of R^2 . In that case, the study provides that tax compliance among large scale mining companies in Tanzania is affected by tax avoidance, tax evasion and taxpayers' perception by 62%. The remaining influence is attributed by other factors apart from the predicting variables. This entails the fact that assumptions of the study are all positive and have all been sufficiently realized;

3) Findings and Discussion as per Hypotheses

The findings of the study and the discussion of the hypotheses are presented using mean and standard deviation as measures of central tendency to show the variable with the highest influence among all other predicting variables on the dependent variable, as well as the level of opinion among respondents. Despite that, correlation and multiple regressions analysis is performed also to show the variables relationships;

5.2.3 Discussion of the Study Findings

1) Tax Avoidance and Tax Compliance

The study as stated in Table 4.23 shows that tax avoidance as the study predicting variable is being found positive and statistically significant on tax compliance as a dependent variable with $p < 0.05$. This implies that tax compliance among large scale mining companies is affected by tax avoidance. The view corresponds with Simiyu

(2013) which suggests that tax avoidance is embedded within the tax act whereas the companies as registered entities are liable to respond to it such that they have been using loop holes which are found in the tax laws and tax act which is not an offence, but the government loses revenues to a great scale due to such weaknesses;

5.2.4 Tax Evasion and Tax Compliance

The study also indicates that tax evasion as an independent variable has been found positive and significant statistically on tax compliance as the dependent variable with $p < 0.05$. This implies that tax compliance in large scale mining companies is affected by tax evasion. This is a problem since it is voluntarily done.

This is highly prohibited by the governments to make sure that all entities including large scale companies as multinational corporations and others comply with the tax requirements;

2) Taxpayers' Perception and Tax Compliance

The study indicated that taxpayers' perception, as the independent variable, is positive and statistically significant on the tax compliance as the dependent variable, both variables having $p < 0.05$. This implies that tax compliance by large scale mining companies in Tanzania is affected by taxpayers' perception. This view is supported by Brautigam (2008) suggesting that taxpayer's perception, especially in most developing countries where: -

- A. Level of understanding on the relevance of taxes is limited
- B. Poor government performance in delivering goodies to the people
has made many people in the population to be very hostile on taxes.

This has been influencing persisting negative perception among taxpayers on tax payment system since they are not certain and assured of the usage of the taxes. Despite that, Simiyu (2013) further indicates that taxpayers in Tanzania especially by corporate entities have had perception towards evading and avoiding taxes since the conditions have been favoring such practices such as weaknesses in the legal system prior to tax policies, as well as the several on-going corrupt practices by the government officials

and practitioners. Therefore, the study is elaborated using the model which is depicted in a manner that is as follows: -

$$TC = \beta_0 + \beta_1TA + \beta_2TE + \beta_3TP + e \quad (5-1)$$

Where: -

TC = Tax Compliance

Bo = Constant factor

β_1TA = Tax Avoidance

β_2TE = Tax Evasion

β_3TP = Taxpayers' Perception

e = Random variable

5.3 SUMMARY

This Chapter dealt with discussion of the findings introduction, types and amounts of mineral taxes paid, and statutory taxes to pay.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.0 INTRODUCTION

This Chapter presents the summary of the study as a brief provision and description of the study, forming the conclusions and recommendations. In totality, there has been a very strong resistance on the part of the investors in large scale mining sector to pay taxes. This went on from inception of the large scale mining sector (late 1990's) to 2009 when the government of Tanzania put in place new Mineral Policy, 2009, and enactment of new Tanzania Mining Act, 2010. Mining Act, 2010 amended the method by which GOT royalties are calculated so that they are now levied on the gross value of minerals, rather than the old method of calculation which referred to the net value (Tanzania Mining Act, 2010).

6.1 CONCLUSIONS

The conclusion of the study is laid down in three main areas of the specific objectives. This entails what has been achieved from data collection, data analysis and literature review about the general characteristics of Tanzania Large Scale Mining Sector.

6.1.1 Amount and Types Taxes paid to GOT by LSMS

With reference to results in Table 4.22, average taxation efficiency for a period of six years (2005 to 2010) for the five selected large scale mines was 3.10%. The consideration of years before 2005 (1998 to 2004) was useless, since many of the large scale mines were either in infant stages or investment period, and a question of taxation was put aside by both the GOT and the investor. The 3.10% as taxation efficiency was achieved after combining Skills, development levy (SDL), Withholding tax (WHT), Value added tax (VAT), Sales duty (SDT), Import duty (IDT), Excise duty (EDT), and Corporate/Income tax, (C/IT). If only Corporate/Income tax, (C/IT) were used to determine taxation efficiency, then a zero figure would be achieved. This is because the corporate tax was not paid for the entire period under consideration. This is due to refusal to pay taxes in full.

6.1.2 Statutory Types and Taxes to Pay and Why not Paid

Table 2.1 describes all statutory taxes to be paid by Large Scale Mining Sector. There is no discussion or negotiation over the figures. Failure and/or refusal to pay statutory taxes raised three sub-specific objectives with the following conclusions: -

1) Tax Avoidance and Tax Compliance

Tax compliance is a dependent variable, whereas tax avoidance is an independent variable. With $p < 0.05$ implies that tax compliance among large scale mining companies is affected by tax avoidance.

2) Tax Evasion and Tax Compliance

The study also indicates that tax evasion as an independent variable has been found positive and significant statistically on tax compliance as the dependent variable with $p < 0.05$. This implies that tax compliance in large scale mining companies is affected by tax evasion. This is a problem since it is voluntarily done, and it is a criminal offense.

3) Taxpayers' Perception and Tax Compliance

The study indicated tax compliance by large scale mining companies in Tanzania is affected by taxpayers' perception.

The study certainly asserts that tax compliance among large scale mining companies in Tanzania is largely affected by tax avoidance, tax evasion and taxpayers' perception since all the three variables as predictors to the study have all been found positive and significant statistically on tax compliance in the respective large scale mining companies. Despite that, the situation is being hostile and negative to the government since it denies the government revenues and it becomes a major setback in carrying out several tasks and activities. However, significant measures must be undertaken to rescue to the situation so as to enforce tax compliance among large scale mining companies on tax payments.

6.2 RECOMMENDATIONS

Tanzania should control and manage mineral resources so as to realize economic and social development from mineral tax revenues, the following steps or actions are recommended based on the study: -

6.2.1 Recommendations from Data Analysis

1) Improvement of Taxation Efficiency

Tax must remain as tax as per definition. Royalty, Local salaries, and Corporate Social Responsibility are contributions to the society but are not taxes. Taxation efficiency must therefore be calculated as a percentage of the total profit after all expenses are deducted from the sales.

2) Recommendations from Data Analysis on Institutional Capacities

Nothing can be done with the figures collected or to be collected due to the fact that data is a result of capability and capacity to collect mining and mineral taxes and other mineral dues. Only when capability and capacity to collect taxes is improved, then data collection will improve.

3) Recommendations on Tax Compliance

Since the situation pertaining to compliance on tax payment among large scale mining companies in Tanzania has been hostile, the study, therefore, recommends that the government must first formulate relevant tax policies which are distinct and separate from each other on all mining operations and extractions taking place to ensure that all companies as multinational entities and others are forced to comply with the requirements pertaining to tax payments. This is the major setback since the absence of relevant and clear tax policies automatically opens a room to foster tax avoidance, tax evasion and negative tax perception affecting collection of revenues to the government.

The view is supported by Smatrakalev (2016) suggesting that in United States specifically once a tax provision policy or law is formulated, in the design of the

provision stage before taken to the public it is taken to the qualified professionals and practitioners to look for possible loop holes and eradicate them completely before it is released to ensure that the government is on the safe side. This is important because it is a strategy to avoid loop holes to foster tax avoidance since tax avoidance has no legal implication and charge.

The study also recommends that the government must execute strict measures as punishments to those caught evading tax since it is voluntary and is subject to legal charges and several other serious actions which are a message to the public that the practice should never be embraced in any way. The view is supported by Hendy (2013) also suggesting that in Australia, tax evasion is illegal and once one is caught as an individual or business entity, first the entity is being bankrupted completely with all assets being sold and severe fine for that is liable to be paid by the subject being caught. After that, the subject is being confined to the criminal charges which may be required to face a jail sentence for the crime. This assures compliance of tax among individuals and the entities since the implication of the evasion is very bad not to be thought for anyone to be subjected into it.

6.2.2 Recommendations from Situation Analysis

1) Mineral Development Agreements (MDAs)

More effort should be taken to look into the MDAs afresh for all mines irrespective of the early comers in the mining sector. All clauses in relation to exemptions of taxes, especially corporate tax, must be looked into afresh for the benefit of the investors and the state. Modifying tax stabilization clauses in MDAs is necessary. Stabilization clauses are believed to be part of the existing confidentiality in mining development agreements (MDAs) between the investor and GOT. It will be easier to modify tax stabilization clauses if the MDAs are reviewed and publicly exposed.

Stabilization should be neither one-sided nor unbounded. Any stabilization provision should provide stabilization for both parties. One-sided stabilization is a situation, in which an investor is protected from tax increases, however defined, but may opt to

switch regimes if taxes are lowered. Such a practice should be abandoned (Conrad, 2011).

2) Government Coordination to take a Central Responsibility

MEM remains a sole coordinator of the mining activities with the GOT. It has to form a center for, if not all, the majority of the institutions that are going to take responsibility of monitoring the large scale mining activities, particularly for the purpose of determining taxable income. TRA being one of the institutions, remains in the MoF whereas the rest are centered under one management for easy government control.

3) Ring Fencing

Lack of ring fencing is not good for Tanzania. There must be ring fencing in all large scale mines irrespective of majority of them being under one owner. Due to the absence of ring fencing in Tanzania large scale mining sector, the government finds it extremely difficult to know the exact gross income for the private operators. Some gold mining companies transport concentrates abroad for refining, whereas others refine to some level of purity before exporting. If there were ring fencing it would be easy to monitor transfer prices in order to determine the value of gross revenue for profit tax purposes. Ring fencing to be put in place for all mines in the conglomerate.

Mining companies are entitled to a 100 per cent capital deduction in respect of prospecting and development capital expenditure, and can file income tax returns and accounts denominated in US dollars. Therefore, there is no need of offering a 15% additional capital allowance over and above the 100% capital deduction in place.

4) Mineral Resource Rent Tax Act (MRRTA)

There are two simple approaches for a mineral-rich country like Tanzania to control and to manage mineral resources so as to realize economic and social development from mineral tax revenues. These include putting in place a Mineral Resource Rent Tax Act (MRRTA) and monitoring mineral production quantities together with pricing of the mineral products for the purposes of economic rent and hence mineral resource rent tax

calculations. Lessons can be obtained from successful countries like Australia, Canada and South Africa

5) The Accounting Currency

The Accounting currency is recommended to be in United States Dollar (USD) to match with the international accounting currency and to avoid inflation effects of the local currency.

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APPENDIX 1

This is a questionnaire on the study titled “*Assessment of Tax Compliance among Large Scale Mining Companies in Tanzania*”.

Dear Respondent;

Thank you in advance for devoting your time to participate in this study. Basically, the study is for academic purposes and for fulfillment of the award of a Masters Degree program at the University of Zambia. I request that you participate in this study with free will and high degree of honest and openness. This is key towards achieving the intended goal of the study. No names of individuals or entities are required and strict confidentiality will be maintained in handling your responses. Individual responses will not be identified in the analysis and report of the study.

Part I: General Information

1) Gender

Male

Female

2) Age (years)

21-30

31-40

41-50

Above 50

3) Education Level

A. Bachelor Degree

B. Masters and Above

C. Diploma

- D. Certificate
- E. Secondary Education
- F. Primary Education
- G. No Formal Education
- H. Other (specify)

The First Sub-objective: Tax Avoidance and Tax Compliance

The following are the attributes of tax avoidance on tax compliance which are rated in Likert scale format seeking your response. Kindly respond on the appropriate answer by ticking (✓) the appropriate box on the scale expressed in numbers within boxes.

Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1	2	3	4	5

S/N	STATEMENTS	1	2	3	4	5
1.	Forgeries on business to avoid taxes affect tax compliance among large scale companies.					
2.	Deliberate moves to avoid taxes affect tax compliance among large scale mining companies.					
3.	Reluctance to comply with the tax authority to avoid taxes affects large scale mining companies' tax compliance.					

The Second Sub-objective: Tax Evasion and Tax Compliance

The following are the attributes of tax evasion on tax compliance which are rated in Likert scale format seeking your response. Kindly respond on the appropriate answer by ticking (✓) the appropriate box on the scale expressed in numbers within boxes.

Strongly Agree **Agree** **Disagree** **Strongly Disagree** **Don't Know**
1 **2** **3** **4** **5**

S/N	STATEMENTS	1	2	3	4	5
1.	Deliberate tax evasion on false facts affects large scale mining companies' tax compliance pattern.					
2.	Tax evasion is sometimes abused by owners of the large scale mining companies to avoid compliance to tax payments.					
3.	Tax evasion system is an initiative to get away from tax compliance on business including large scale mining companies.					

The Third Sub-objective: Taxpayers Perception and Tax Compliance

The following are the attributes of taxpayers' perception on tax compliance which are rated in Likert scale format seeking your response. Kindly respond on the appropriate answer by ticking (✓) the appropriate box on the scale expressed in numbers within boxes.

Strongly Agree Agree Disagree Strongly Disagree Don't Know
1 2 3 4 5

S/N	STATEMENTS	1	2	3	4	5
1.	Taxpayers have negative perception on tax payments which affect tax compliance among large scale mining companies.					
2.	Tax authority practitioners operate with less efficiency which affects the taxpayers' perception affecting compliance in large scale mining companies.					
3.	The perception of taxpayers is still low on its relevance affecting compliance in large scale mining companies.					

Dependent Variable: Tax Compliance

The following are the attributes of Tax Compliance which are rated in Likert scale format seeking your response. Kindly respond on the appropriate answer by ticking (✓) the appropriate box on the scale expressed in numbers within boxes.

Strongly Agree **Agree** **Disagree** **Strongly Disagree** **Don't Know**
1 **2** **3** **4** **5**

S/N	STATEMENTS	1	2	3	4	5
1.	Tax compliance on large scale mining companies is affected by tax avoidance.					
2.	Tax compliance on large scale mining companies is affected by tax evasion.					
3.	Tax compliance on large scale mining companies is affected by taxpayers' perception.					

End of the Questionnaire

APPENDIX 2

ROYALTY PAID TO THE MINISTRY OF ENERGY AND MINERALS

Table 1AP1: Total Royalty paid in USD by the five selected mines

year	1998	1999	2000	2001	2002	2003	2004	2005
Total Royalty Paid (USD)	5,281.83	742,386.67	3,489,213.82	7,482,233.19	10,568,680.95	14,409,532.93	17,327,376.70	19,007,404.94

Source: TMAA January, 2012

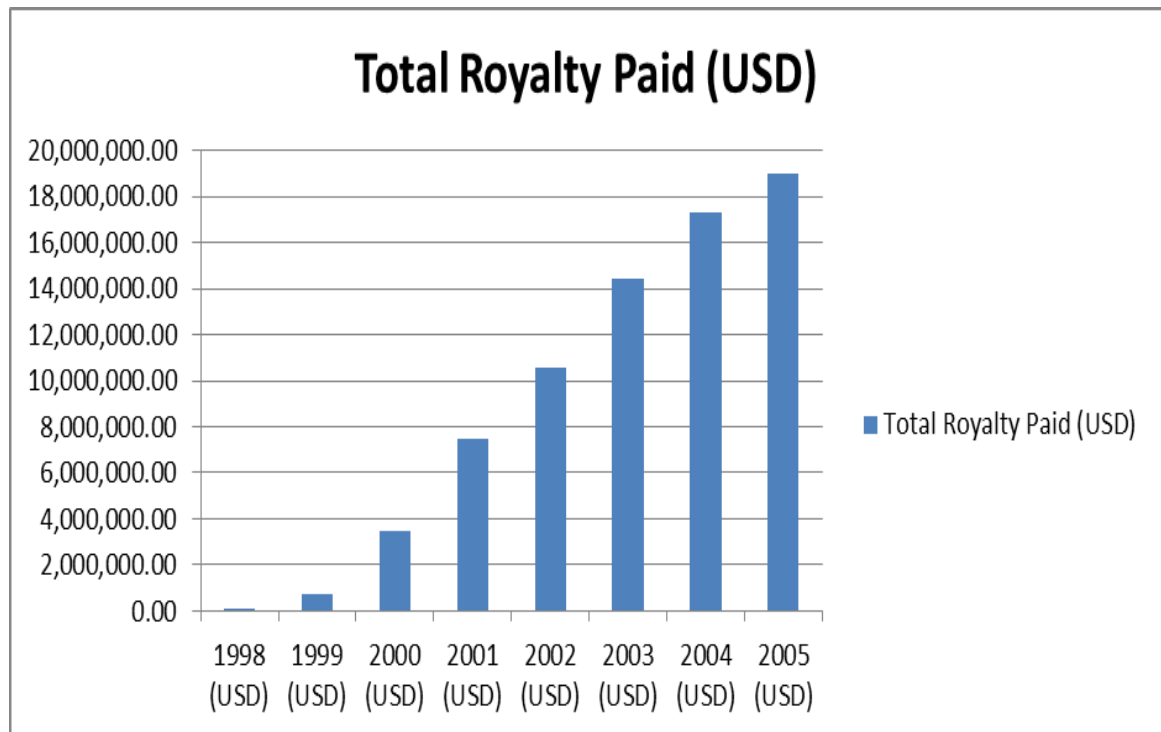


Figure 1AP1: Total Royalty paid in United State Dollar (USD)

Table 2AP1: Total Royalty paid in TZS by the five selected mines

year	2006	2007	2008	2009	2010	2011
Total Royalty Paid (TZS)'000	5,281.83	742,386.67	3,489,213.82	7,482,233.19	10,568,680.95	14,409,532.93

Source: TMAA January, 2012

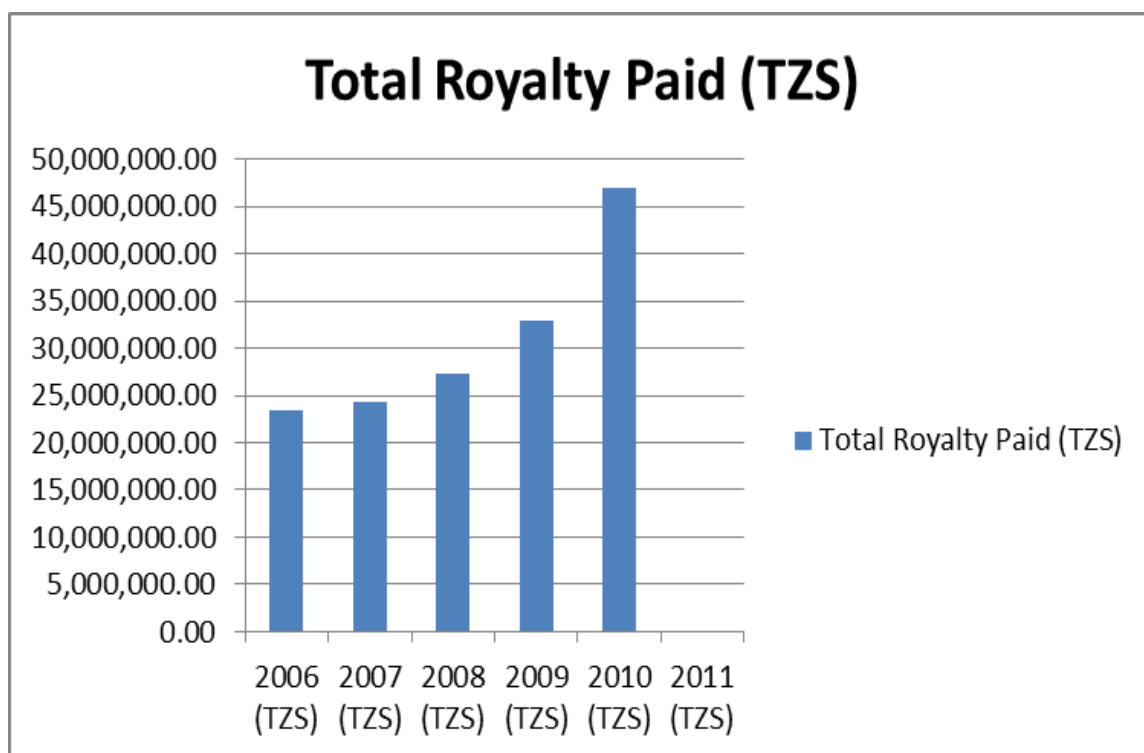


Figure 2AP1: Total Royalty paid in TZS ('000) year 2006 to 2011

Source: Table 2AP1

APPENDIX 3

SPOT GOLD PRICE



Figure A2-1: Spot Gold Price as on 11th June, 2015



Figure AP1(33): THE REAL SCENARIO IN TANAZANIAN MINING SECTOR

Source: Tanzania Newspapers: Business Times of 9th January 2004; and The Citizen of 17th June 2005