

By

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DECLARATION

I declare that the work I have presented in this dissertation entitled “Taxing the informal Sector: targeting music and Video Discs sellers at Lusaka City Market” is to the best of my knowledge my own work. The work contains no material submitted previously, in whole or in part, for the award of an academic degree at this University or any other University. I have however acknowledged all other works.

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ABSTRACT

The study was designed to explore the challenges and factors affecting government from taxing the informal sector.

A mixed methods study design was adopted and 60 traders were enrolled in the study. A short survey questionnaire and in-depth interviews were used to collect data for this study. Quantitative data was analysed using SPSS version 16 and qualitative data was analysed using content analysis.

It was not expected that the traders would not be aware of any tax. In this sample, all the traders were not aware of withholding and turnover taxes. They were however aware of Domestic VAT and Base Tax. The payment of domestic tax ($n = 35$; 58.7%) was higher than that of Base tax ($n = 14$; 23.3%). $N = 14$ (68%) paid Base tax leaving $n = 9$ (32%) who were not. Regarding domestic tax, only $n = 2$ (8.6%) were not paying this tax as compared to $n = 33$ (91.4%) who did. Compliance was associated with costs of punishment. Others paid tax because they saw it as a moral obligation while others were compelled to pay tax because they had trusted in the government in terms of its manifesto and the services it was offering. As for evasion, the level of knowledge played a significant role in paying tax among these traders. Some traders opted to pay some taxes whereas others paid both. They cited unfairness in the prescription of amounts to be paid as well as persons to pay. They found it justifying to evade paying taxes or under declare taxes as they fall due. Others did not see any need to trust the government as services were not top and there was a lot of corruption.

The study concludes that the high number of traders and the variability and mobility in their operations, is likely to make it difficult for even the most capable tax authorities to effectively administer these taxes. Education campaigns that raise awareness about the benefits that result from the taxes collected, and about the efforts made by tax authorities to reduce unfairness (such as introducing low but graduated tax rates according to turnover for instance), may also improve tax morale and ultimately revenue collection.

Keywords: Informal Sector, Music and Video Discs sellers, Tax, Lusaka City Market

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OPERATIONAL DEFINITIONS

Turnover Tax - ZRA (This is a tax that is charged on gross sales/turnover (i.e. earnings, income, revenue)).

Company Income Tax - A tax on all incorporated businesses on their profits from businesses. Company tax applies on companies whose turnover is above ZMW800, 000 per annum.

PAYE - PAYE is tax charged on income from employment. Income from Employment includes: Salaries and wages; Overtime and bonuses, Gratuities and allowances, cash benefits and commissions. All cash benefits paid in form of allowances are taxable under PAYE, such, as education, housing and utility. However, the following Benefits are not subjected to PAYE: Labour Day awards, Ex-Gratis Payments, Medical Expenses; and Funeral Expenses.

Self Employed - Individual (SEI) tax. Tax is paid for annual turnover above ZMW 800,000 and is charged under the PAYE rates. For annual turnover below ZMW 800,000, tax paid is at 3% of turnover. PAYE rates apply for annual turnover above ZMW 800,000. Tax paid is at 3% of turnover for turnover below ZMW 800,000.

Withholding Tax - Is tax collected at source from some payments like dividends, interest, rent, commissions, management and consultancy fees.

Mineral Royalty - Mineral royalty is the compensation to the government for extracting minerals from the earth. Mineral royalty on base metals and precious metals is based on norm value. Norm Value means the monthly average London Metal Exchange (LME) Cash price per metric ton multiplied by the quantity of the metal or recoverable metal sold. Mineral royalty rate of energy minerals, industrial minerals and gemstones is calculated on gross value. Gross value means the realized price for a sale free on board, at the point of export from Zambia or point of delivery within Zambia.

Property Transfer Tax - Tax levied on transfer of land and buildings and is paid by the seller. It is also paid on transfer of shares. Where a person transfers property to a member of his immediate family, the transfer will be treated as a gift and transfers will go at nil value. No property tax will be paid. Immediate family means a spouse, child adopted child or stepchild.

Presumptive Tax - A predetermined amount is paid by the individual public Transport operators. It applies to Individual Minibus and Taxi Operators

Advance Income Tax (AIT) - This is the tax charged on importers that are either not registered with ZRA or are registered but are not compliant.

Base Tax - Base Tax is a tax on small businesses and marketers that are difficult to assess. The current amount of base tax is ZMW 150.00 per annum

Customs Duty - This is a tax levied on all goods imported into the country. Duties are based on the CIF (cost, insurance and freight) value.

Excise Duty - Taxation on a range of selected products whether produced locally or imported, determined by government policy Product (some examples)

Export Duties - This is a duty charged on specific exported goods. This duty is meant to encourage further processing of locally produced goods and is charged on Copper concentrates, Scrap Metal and Cotton seed.

Carbon Emission - This is a tax charged on motor vehicles based on the engine capacity.

VAT - This is taxation on every value added to a taxable service or product. The tax is borne by the consumer. For VAT purposes, sale or disposal of goods or rendering of services is called supplies. Taxable supplies are taxed at either 16% (standard rate) or 0% (zero-rated). Zero-rated supplies include Exports, Energy Saving appliances, Equipment and machinery, medical supplies and schoolbooks. Exempt supplies are items specifically excluded by law from liability to VAT, (i.e., no VAT is charged) even if supplied by a registered business. For example, educational services from Nursery to secondary school are exempt, therefore, a primary school will not register for VAT and will not claim any input tax (JCTR Report on “Taxation System in Zambia”
by Wisdom Nhekairo)

CHAPTER ONE – INTRODUCTION

This chapter sets to highlight the renewed interest in the informal sector as the potential sector for resource mobilisation world over. The problem that the Zambian government has been facing in collecting taxes, the rationale to undertake a study in order to cure the problem. Further, the chapter reveals the theories incorporated in the study and some operational definitions.

1.1 Background

Today, there is renewed interest in the informal economy worldwide. This is because a large share of the global workforce and economy is informal and because the informal economy is growing in many contexts and appearing in new places and guise (Gberegbe, 2007). Governments have to raise revenue to finance public goods and services. Many developing countries including Zambia are faced with the problem of raising the necessary revenues to meet governments 'expenditures. Owing to the lack of liquidity on the international market due to the current financial crisis domestic revenue mobilization is seen as the most reliable source of revenue mobilization. Taxation is therefore seen as the most efficient and effective means of raising revenue domestically for the government.

One major sector in Zambia that should have contributed greatly to domestic revenue mobilization is the informal sector through taxation. The informal sector given its employment size it would contribute greatly to Gross National Product (GNP). But however, the tax inflow from the informal sector relative to its sheer size is just a drop in the national coffers due to factors that affect the Zambia Revenue Authority (ZRA). Informal sector taxation has recently generated interest among tax scholars. However, taxing informal enterprises is difficult. A number of reasons have been offered by informal enterprise owners for not complying with tax laws (Drine, 2009). In this regard, the study intends to explore optimal methods to enhance tax collection from the informal sector.

1.2 Introduction

Zambia, like most developing countries, has undertaken tax reforms in a bid to raise more revenue from its tax system. Though tax reforms in Zambia began in the early 1990s, tax revenue has grown only marginally from its sharp decline prior to the reforms. Measured by the Tax-to-GDP ratio, revenue performance has ranged between 15% and 20% of GDP. The informal sector is not entirely without taxation now. Informal sector taxation was introduced in 2004, beginning with the Presumptive Tax on taxis and minibuses and the Turnover Tax on small-scale enterprises. Later, a Base Tax on marketeers (2005) and an Advance Income Tax (AIT) (2007) for cross-border traders were introduced. To avoid excessive foreign financing which may in the long run lead to problem of debt sustainability and need to rely substantially on domestic revenue mobilization (Gupta, 2007).

Further, globalization necessitated the need to for the revenue authorities around the world to cooperate to help each country administer their revenue system (Gupta, 2007). An important issue for any government and revenue collecting authority is to obtain knowledge and understanding the reasons for taxpayer non-compliance in order to maximize voluntary compliance in a self-assessment environment. However, measurement of the magnitude of intentional and unintentional non-compliance can be difficult as it involves estimating levels of uncollected tax, which by its nature is not detected by the revenue authority (Everest-Phillips, 2010; Mulenga, 2011), because the so-called informal sector forms a large and some-times growing component of the economy, collecting sufficient revenues to fund expenditure requires tax authorities to seek ways to collect revenues from those earning their incomes in the informal sector.

1.3 Problem Statement

The tax base in Zambia is narrow and largely collected from the formal sector which is approximately about 15.4 percent of the economy (Central Statistics Office, 2012). The informal sector on the other hand accounts for about 84.6 percent of the economy and yet it contributes far less revenue to the national treasury. This state of affairs has led to the government not meeting

optimally the demands of providing Social, Education and Health services, servicing internal and external debt as well as setting up infrastructure for development. Perhaps a study which break the ground by targeting one of the informal sectors dealing with music and DVD sellers at Lusaka City Market could do by way of conducting a pragmatic study.

1.4 Purpose of the Study

Taxation is seen as the most efficient and effective means of raising revenue domestically for the government (Bird, 2007). This study sought to explore the challenges and factors affecting government from taxing the informal sector with a view to provide a framework that could be used to break the ground by capturing more tax payers among traders.

1.5 Objectives of the Research

- i. To describe proportions of traders who pay and do not pay taxes
- ii. To describe in terms of proportions the forms of taxes traders pay
- iii. To describe from the point of view of these traders their preferred forms of tax they pay or do not pay
- iv. To test the theory of compliance if it holds in explaining the prevailing situation regarding paying taxes by the traders
- v. To understand the motives of traders for paying or not paying taxes that are due
- vi. To develop a framework that could be used to increase the tax base i.e. to include the informal sector.

1.6 Research Questions

In order to achieve the set objectives of the study the researcher will seek to find answers to the following questions.

- i. What proportions of traders at City Market pay taxes?
- ii. Among the expected taxes, what forms do they pay?
- iii. Why do they pay or do not pay particular taxes?

- iv. How can such traders pay tax due from them?

1.7 Scope of the Study

This study was conducted among the section of the informal sector i.e. Music and Video discs sellers at Lusaka City Market. The study constituted an investigation on compliance of taxes applicable to these traders and their perception on the same taxes in view to create a framework that could help to improve tax collection from the informal sector.

1.8 Theoretical Framework

This study will incorporate the Deterrent (Economic) theory, Fiscal Exchange theory and Comparative treatment (equity) theory and the political legitimacy theory in an attempt to provide the theoretical framework of the study.

1.8.1 Deterrent (Economic) theory

According to Worledge (2012), tax rate impacts compliance as taxpayers evaluate the benefits of tax evasion with costs (penalties and fines) hence evade taxes if the benefit of tax evasion exceeds costs. Pommerehne and Weck-Hannmann (1996) state tax evasion increases with increases in the marginal tax rate. On the contrary, Allingham and Sandmo (1972), advocate that higher levels of income will be declared by taxpayers as the probability of detection increases. The economic definition of taxpayer compliance views taxpayers as ‘perfectly moral, risk-neutral or risk-averse individuals who seek to maximize their utility, and chose to evade tax whenever the expected gain exceeded the cost. Thus, a pure ‘cost-benefit’ approach is given for why or why not taxpayers may comply with the tax laws.

1.8.2 Fiscal Exchange theory

Fiscal theory of tax compliance was developed to assert the rigid enforcement (rigidity of assessment) by the tax authorities is likely to reduce taxpayers' level of compliance with the tax laws. The two main variables in the model include, the "rigidity of assessment" which measures the amount of tax fines, the assessment process and the level of "red tape" involved in dealing with the tax authorities and, secondly, the "willingness to co-operate" which relates to individuals' attitudes and perception of the tax system. Fiscal psychology models blend together aspects of economic deterrence models and social psychology models. The essential thrust of this approach is that individuals are not simply independent utility maximizers rather individuals are recognized to contain an array of attitudes and beliefs which interact and respond to social norms. The theory suggests that social, relational as well as psychological contracts between the government and taxpayers influence taxpayer behaviour. As the taxpayers assess the level of services and goods received from the government compared with government expenditures, there exists motivation for tax compliance. Alm (1992) states perceived availability of goods and services by taxpayers will positively influence tax compliance. Fjeldstad (2004) reveals a non-existent relationship between fiscal exchange and tax compliance.

1.8.3 Comparative treatment (equity) theory

According to Worledge & Zouhair (2012), fairness of the tax system for all businesses translates into increased tax compliance. The taxpayer deems the tax system unfair if their business has been subjected to higher tax burden than other business. As a consequence, taxpayers will evade paying taxes or under declare taxes as they fall due. Kircher et al (2007) affirm that perceived fairness of the tax system by the taxpayer, translates into increased voluntary compliance as there is mutual trust between the government and the taxpayer.

1.8.4 Political legitimacy

Taylor (2006) reveals there is a positive relationship between tax compliance and taxpayer perceptions of governments' trustworthiness. Torgler and Schneider (2007) postulate that group identification that arises from national pride transformed into willingness to pay taxes.

According to Picur and Riahi-Belkaoui (2006), in their study of 30 developed and developing nations, tax compliance was greater for nations that had low levels of bureaucracy and corruption.

In order to broaden the tax base and improve the tax collection for the government from the informal sector the identified objectives as highlighted above were concise and adequate to enhance tax collection from the informal sector. This study was based on the theoretical framework. It incorporated theories of tax compliance from which some variables were extracted in the quest to understand the behaviour of traders with regards to paying of taxes that are due to them. Theories highlighted how some variables affect compliance of taxes, these included, intensity of tax penalties, burdensome (red tape) rigidity of the tax system, ability of the government to provide social services and legitimacy of the tax.

CHAPTER TWO - LITERATURE REVIEW

This chapter highlights a lot of studies on the informal sector, Types and categories of taxes in Zambia, tax compliance, capacity development for taxation, various case studies on taxes as well as strategies to enhance tax adherence in order to place each work in the context of contribution to understanding facets around taxation of the informal sector.

2.1 Informal Sector

In 2010, the Zambia business survey was conducted that looked at the nature of various businesses undertaken in the country. This study found that businesses were both formal and informal in kind, with the largest being informal. Of the informal businesses surveyed, the study found that a small number of the informal businesses of about three percent were businesses in the urban areas of Lusaka and Copperbelt, and formed the top tier of the sector and resembled the micro- and small-medium enterprises. These were composed of owners who are educated, with skills and access to public services and generate high revenues, in some cases, doing better than the formal sector. This is a clear indication that not everyone who is in the informal sector is poor. However, the study indicated that the majority of the informal businesses of about 70 percent reside in the rural areas and some in urban areas trading in unsecured places, mostly uneducated, without skills and earning low incomes (Clarke et al, 2010).

In Zambia, the informal sector is growing but its contribution to tax revenue has remained poor. Zambia has in place a presumptive tax regime for the informal sector that is simplified and aims to deal with factors hindering the participation of the informal sector in taxation. However, the performance of the informal tax regime has not been impressive although it has the potential to grow if several challenges are addressed. ZRA has started to address some of the challenges and the contribution of taxes from informal sector has been increasing, though slowly. Taxation of the informal sector is labor-intensive and potentially low yielding especially if undertaken solely by the tax authority. As such, any moves to broaden the tax base by reaching out to the informal sector will need a significant budgetary support for tax administration. Administering taxes in the informal sector has several challenges such as; a large cash-based informal economy that reduces

ability to audit transactions; improper record keeping and widespread political interference (Phiri, 2012).

The informal sector is the part of an economy that is neither taxed nor monitored by any form of government. Unlike the formal economy, activities of the informal economy are not included in a country's gross national product (GNP) or gross domestic product (GDP). The informal sector can be described as a grey market in labour. According to Emary & Cooper (1991), informal sector all currently unregistered economic activities that contribute to the officially calculated (or observed) Gross National Product. It is important to note that the informal sector as understood here does not include illegitimate activities but add little value to the society and the economy (Fambon, 2006). The informal sector acquired a proper definition based on production units, both in conceptual and statistical terms. Informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations-where they exist-are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

Although the informal sector makes up a significant portion of the economies in developing countries, it is often stigmatized as troublesome and unmanageable. However, the informal sector provides critical economic opportunities for the poor and has been expanding rapidly since the 1960s. As such, integrating the informal economy into the formal sector is an important policy challenge. There has been a growing interest in taxing the informal sector in most developing countries for a number of reasons which include revenue needs; the phenomenal size and growth of informal sector; the impact of tax compliance in the formal sector; state legitimacy; demands from the informal sector and tax-accountability (Aryee, 2007). Like any developing country, taxing the informal sector is a herculean task. One of the major challenges facing is how to broaden the tax net the fact that the vast majority of people in developing countries are in the informal private sector makes revenue generation a daunting task. To enhance revenue collection and bring a fairer distribution of the tax burden which is currently

borne by those employed in the formal sector, the government will develop and implement a system to assess and collect income tax using the value of vehicles registered because a significant percentage of vehicle registrations are from informal sector operators most of whom are not taxpayers.

Basically, there are major reasons why taxation of the informal sector has been almost universally unsuccessful. The first is capacity constraints. Informal sector operators are actively seeking to avoid taxation and even at the best of times have limited capacity to keep high quality financial records for tax purposes (Prichard, 2009). Tax administrations of many developing country governments do not have the resources or the personnel capacity to implement, monitor, and enforce tax laws (Stella, 2009). According to Joshi (2009), the characteristic of the informal sector exacerbates these problems. The informal economy is characterized by transience and uncertainty. Cash transactions dominate. There is indifference to formal accounting due to high levels of illiteracy and a shortage of affordable accountancy services. In some areas of the informal economy such as transportation or street vending the mobility of the operators makes it difficult to enforce compliance. The large number of people engaged in the sector and the relatively small amounts of tax payable pose an additional logistical problem for collection. Thus, taxation based on formal systems of income calculation, accounts, and payment options are not suited to the informal sector. The second challenge relates to notions of equity. The vast majority of informal sector operators have very low incomes, and this creates a strong argument for near total exemption from taxation. On the other hand, many informal sector operators have very substantial income and should rightly be asked to pay significant income taxes. In the absence of effective record keeping, the need for equity in the treatment of the low-income group almost certainly makes it more difficult to target those with higher incomes (Prichard, 2009).

The political a challenge. Several observers have suggested that taxing the informal sector is politically problematic because the informal sector forms a substantial vote bank for politicians (Cross, 2009). State officials and politicians turn a blind eye to activities in the informal sector in order to retain their support base; simultaneously, organized informal sector workers to pressurize government officials to reduce enforcement (Joshi, 2009). In fact, there are often

implicit contracts made by politicians that allow tax burdens to be low on informal activities in exchange for political support (Emery & Cooper, 1991).

Today, the informal economy is a field of study in its own right, drawing an increasing number of scholars from multiple disciplines ranging from economics, anthropology, and industrial relations to gender studies, political science, sociology, and urban planning. Research indicates a strong relation between basic skills and labor outcomes, particularly in the informal sector, despite the sector's lower average returns. Nevertheless differences in access to education and other basic services between formal and informal actors are huge and lead to difference in skills, productivity and earnings. As many studies have found, there is a large productivity and earnings gap between formal and informal firms in Africa as elsewhere. The informal sector relies on practices that hinder productivity growth, including lack of transparency or lack of knowledge of their own accounts, long-established traditions based on well-entrenched control of territory and rents, and sub-optimal allocation of productive factors including reliance on family sources for credit). Informality also prevents companies from acquiring modern management skills and worker training, limiting growth potential and access to the world market. Low productivity may also lead to informal sector status through self-selection of firms by quality of management.

2.2 Types and Categories of Taxes in Zambia

Table 1 Types and Categories of taxes in Zambia

Tax category	Tax Law	Type of tax
Income taxes	<ul style="list-style-type: none"> ▪ The Income Tax Act, Chapter 323 of the Laws of Zambia Subsidiary Legislation 	<ul style="list-style-type: none"> ▪ Company Income tax ▪ Personal Income Tax ▪ PAYE ▪ Withholding tax ▪ Mineral royalty ▪ Presumptive Tax ▪ Turnover Tax <p>□ Base Tax</p>
Value Added Tax	<ul style="list-style-type: none"> ▪ Value Added Tax Act, Chapter 331 of the Laws of Zambia Subsidiary Legislation ○ The VAT (General) Regulations ○ - The Commissioner 	<ul style="list-style-type: none"> ▪ Import Value Added Tax ▪ Domestic VAT

	General's Rules	
Property taxes	<ul style="list-style-type: none"> ▪ Property Transfer Tax, Cap 340 of the Laws of Zambia ▪ Subsidiary Legislation - Property Transfer Tax (Exemption) Order 	Property Transfer Tax
Customs, Excise and other duties	<ul style="list-style-type: none"> ▪ Customs and exercise Act ▪ Subsidiary Legislation □ <ul style="list-style-type: none"> - Customs and Excise (General) Regulations - Commissioner General Rules 	<ul style="list-style-type: none"> ▪ Customs duty ▪ Excise Duty ▪ Export duty ▪ Carbon Emission Surtax

Source ZRA:

Out of all the taxes highlighted above, turnover, base, withholding and VAT are the only taxes applicable to Music and video discs sellers.

2.3 Empirical Studies (Variables Tax Compliance)

Alm (1992), found that taxpayers are more sensitive to the magnitude of the penalty than to the probability of detection when the probability is very low. A particular study observed that there was a significant relationship between the severity of the criminal sanctions and compliance by one group of taxpayers - high-income, self-employed individuals. Within each of the groups this study covered, legal sanctions were most effective for the higher class and the better educated. This study did indicate however, that the threat of guilt feelings was a greater deterrent to tax evasion than the threats or stigma of legal sanctions. This finding has been supported by similar work on sanctions. However, the positive effect of increased sanction levels on taxpayer compliance has been found even where relatively low and realistic penalty levels are used. What is of major concern though has been that taxpayers' perceptions of the true penalty levels are higher than what the penalties actually are. This has tended to skew research findings. Other research evidence suggested that a tax system that combines both penalties and rewards is more effective in maximizing compliance than a system that focuses solely on sanctions. Consequently, positive inducements for compliance may also have a key role to play and should be subject to further investigation (Alm, 1992).

On the other hand, studies of criminal behaviour in general have found that the probability of apprehension is more important than the sanctions actually imposed (Fjeldstad, 2012). Alternatively, another influence may just be the precision of information regarding the probability that punishment will be imposed. Consequently, vague information about the relatively low probability of detection and punishment enhances a low deterrent value. Grande (2009), overall, the economic man model proposes that increasing punishment by expanding criminal sanctions decreases non-compliance. This principle supports sentencing theory and the Courts' right to consider the maximum penalty for an offence in order to achieve general deterrence. However, this model, in its purist form, falls short and has been criticized for failing to consider the analysis of attitudes, perceptions and moral judgments on tax behaviour. Consequently, while economic deterrence models are relevant in shaping compliance behaviour, other 'behavioral' factors have also been found to influence compliance decisions (Goldstein, 2004).

Burger (1996), education generally impact upon taxpayer compliance. From a tax administration viewpoint, other researchers have concluded that compliance could also be influenced by educating taxpayers of their social responsibility to pay and thus their intention would be to comply. Pommerehne and Wech-Hannemann (1996), suggests that as a behavioral problem, tax compliance depends on the cooperation of the public. Another studies also found that there are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of non-compliers. Assisting taxpayers by improving the flow and quality of information or educating them for instance TV campaigns into becoming more responsible citizens has the potential to yield greater revenue rather than if it were spent on enforcement activities. For instance, some researchers have found that carefully tailored persuasive communication strategies can, in the short-term, also have a positive effect on taxpayer reporting Undertaking these courses of action has had the desired effect of improving taxpayer relations and consequently voluntary compliance (Burger, 1996).

Saad (2014) examined taxpayers' views on their level of tax knowledge and perceived complexity of the income tax system. Further, the study attempts to delve in the underlying

reasons for non-compliance. Data was gathered through telephone interviews with thirty participants, and analysed using thematic analysis. Results suggest that taxpayers have inadequate technical knowledge and perceive tax system as complex. Tax knowledge and tax complexity were viewed as contributing factors towards non-compliance behaviour among taxpayers.

Lewis's (1982) model of tax evasion highlights that the characteristics of taxpayers, in terms of their individual, group and demographic differences, influence their attitudes and perceptions of fiscal policy and constitutional structure. This, in turn, influences tax compliance or evasion. Some of these variables identified in previous surveys, include age, sex, and educational factors. In addition, according to the Australian Cash Economy Task Force (1998), taxpayer compliance decisions can be affected by sociological factors (for example, age, gender, ethnic background and education level). Previous studies have also identified that age (Mueller, 1963; Webley et al., 1991), gender (Friedland, Maital, & Rutenberg, 1978) and educational background (Groenland and Van Veldhoven 1983, in Webley et al., 1991; Almond & Verba, 1963; Fallan, 1999; Vogel, 1974) are factors which influence tax evasion.

Goldstein (2004), noted that other social and psychology studies conducted overseas have found that the fairness and equity of a tax system also impacts upon compliance levels. In particular, the notion of 'exchange equity' where taxpayers believe they are not receiving the benefits from the government in exchange for taxes paid affects compliance. Although tax fairness is only one factor in achieving overall compliance. Consequently, fiscal psychologists maintain that a taxpayer's belief in the tax system rather than the penalty structure is more salient in generating compliance (Grande, 2009). A number of other overseas studies have also examined the link between perceptions of fairness with tax evasion. Studies have found that taxpayer attitudes (fairness) had a positive relationship with tax compliance. The treatment of taxpayers is found to be detrimental to their future compliance attitudes (*Worledge and Zouhair, 2012*). On the other hand, other overseas studies have found no association between tax fairness perceptions and tax compliance behaviour. A creditable reason for the inconsistency is the multi-dimensional nature of tax fairness as a tax compliance variable. However, despite the inconsistent findings of various researchers, it is widely acknowledged that demographic variables such as age, gender,

marital status, education, culture and occupation have an effect upon fairness perceptions which ultimately impacts upon compliance (Fjeldstad, 2012).

Pakistani: Mazhar Waseem (2018) examined firm behavior to taxation in a low enforcement and large informality setting. Using quasi experimental variation created by a tax reform, which increased taxation of partnerships substantially relative to firms of other legal form, and the population of income tax returns filed in Pakistan in 2006–11. He found that treated firms report significantly lower earnings, migrate into informality, and switch business form in response to the increase in tax rate. The revenue loss caused by these behavioral responses is so large that by the third year after the reform the government was collecting less revenue than it would have without the tax increase.

Mexico: Based on an original survey experiment focusing on the provision of public safety in Mexico, Gustavo et al (2017) examined how certain design features of taxes—such as allowing for civil society oversight, earmark mechanisms that direct tax revenue for a specific purpose, and sunset provisions that make the duration of taxes finite—affect political support for tax reforms, increase political support for taxation, especially among those with low trust in government and low income. This study also evaluated how three important aspects of the fiscal exchange—trust in government, perceptions of the public good, and level of income—shape the effect of these design features. The study found that Earmarking as a way to increase political support behind taxation may be appropriate in some settings, but sunset provisions may be appropriate for others. In particular, the adoption of these features can introduce issues of representation (oversight), rigidities in the budget (earmarking), and uncertainty for economic actors (sunset). Second, while the findings suggest that design features might increase support behind greater taxation, this does not mean that governments will necessarily be constrained by them. Changes in support respond to the promise of reducing uncertainty through these mechanisms. Whether oversight, earmark, or sunset provisions indeed constrain governments will depend on how each of these mechanisms is set up in practice.

Ghana: A study in Nkoranza South Municipal and Nkoranza North District in Ghana examined the relationship between registration of business and tax payment among micro-business owners.

Interview schedule was used to collect information from 720 microbusiness owners who qualify for tax stamps. This study used correspondence analysis as the analytical tool. It was found that a significant association between registration of business and tax payment. The biplot also indicated that unregistered businesses and businesses registered with District Assembly only are more likely to evade tax than those registered with Ghana Revenue Authority (Kofi and Amponsah, 2016).

2.4 Taxing the Informal Sector

The informal sector consists of firms and individuals who are not fully registered and regulated, and therefore not in the standard tax net. Taxing the informal sector can be through registration and formalisation to push these firms and individuals into the tax net, or it can be through taxing them indirectly. In most countries there are several types of business registration and varying degrees of formalisation.

Formalisation can encourage business growth, create a better business environment, and help build a culture of tax compliance (Joshi, Prichard & Heady, 2014). An economic modelling study suggests that full enforcement of taxation on the informal sector would increase labour productivity and output through reducing economic distortions (Leal Ordóñez, 2014). However, it is unlikely that taxing the informal sector through formalisation of all firms would bring in significant tax revenues at least in the short- and medium-term (de Mel, McKenzie & Woodruff, 2013; Bruhn & McKenzie, 2014; Joshi et al., 2014). In general, a firm's decision about whether to formalise is based on an analysis of the costs (which can include higher taxes) and benefits (such as growing the business through official advertising and access to credit markets) (de Mel et al., 2013). For some firms, especially small firms and micro-enterprises, formalisation would not be beneficial (McKenzie & Sakho, 2010), even if it were cheap and straightforward. Simplifying and lowering the cost of registration has little or no effect on getting small firms to formalise, according to a review of econometric evidence (Bruhn & McKenzie, 2014).

To tax firms while they remain informal, the guidance literature, based on econometric analyses and literature reviews, suggests taxing the goods and services that they buy and sell (through

sales or value-added taxes) or through ‘presumptive’ or withholding taxes (Joshi et al., 2014). Another approach is to delegate the role of collecting tax to trade unions, and to business or other associations (Joshi & Ayee, 2008). Tax administrations may need to reorganise, as the informal sector can be difficult to reach through large bureaucracies (Joshi & Ayee, 2008).

Joshi, Prichard, & Heady (2014). Taxing the Informal Economy: The Current State of Knowledge and Agendas for Future Research. *The Journal of Development Studies*. Advance online publication. This literature review provides an overview of the benefits and challenges of informal sector taxation through formalisation, taxing goods and services, withholding taxes and presumptive taxes. A ‘growing body of research’ suggests that formalisation of firms, which allows them to be taxed, may have ‘significant benefits for growth, or, at the very least, may not hinder growth’ (p. 5). Formalisation can enable access to credit, offer opportunities to engage with larger firms and the government, reduce harassment by police and government officials, and improve access to training and support programmes. Taxing the goods and services informal sector firms trade, for example through import and export taxes, may undermine country comparative advantage but would not impose compliance costs on informal sector firms. Neither would there be difficulties imposed by limited education on tax matters and limited capacity to deal with tax issues. While some countries gain significant revenue from withholding taxes, these can be administratively burdensome, create incoherence in the tax system and discourage tax reform. A presumptive tax regime can mean firms pay substantially lower tax rates than under the standard regime. This can reduce revenue and discourage firms from moving onto the standard regime.

This literature review outlines the associational taxation approach – delegating tax collection to unions, business or other associations – and identifies ways to improve informal sector taxation. Using this approach depends on the type of tax, the extent of revenue pressure on the government, the degree and nature of associationalism within the informal sector, and the channels of interaction with state institutions. To improve compliance it may help to shift away from organising tax administrations by locality and type of tax (sales, property and income taxes), towards organisation by type of taxpayer (e.g. large, middle and small taxpayers). Compliance can also be improved by reducing rates or offering rewards to firms that maintain

effective

records.

This randomised controlled field trial in Sri Lanka looked at incentives for companies to register formally and the impacts of formalisation. The study found that providing informal firms with information about the registration process and reimbursement of direct costs did not increase registration. On the other hand, larger payments to informal firms in return for formalisation (equivalent to one-half to two months of profits) did lead to increased registration. The authors concluded that formalisation is attributable to rational cost-benefit calculations. Land ownership issues were the most common reason for not registering. Follow-up surveys found that the firms that formalised only showed modest profit increase (except for a few rapidly growing firms which profited more), but their owners had a more favourable attitude towards government as a result of formalisation (de Mel et al., 2013).

Using a quantitative analysis, this paper estimates the impact of tax registration on firms in Bolivia, the country with the highest levels of informality in Latin America. The study finds that tax registration can increase mid-sized firms' profits, but lowers profits for smaller and larger firms. The mechanism seems to be that registration allows firms to issue tax receipts, which attracts customers who can claim tax refunds. Very small microenterprises often benefit least from tax registration, as registration costs often outweigh potential profits (McKenzie and Sakho, 2010).

2.5 Capacity development for taxation

International guidance on capacity development for taxation broadly parallels the wider literature on capacity development (e.g. UN, 2013a). There are also a number of country case studies on capacity development for taxation (Holmes, Ndiokubwayo, & Ruvakubusa, 2013; Bennet, 2012; Danida & Bhutan Department of Revenue and Customs, 2011; UNDP, 2008).

A joint report by the IMF, OECD, UN and the World Bank recommends deepening international co-operation, improving the transparency and tax compliance of multinational enterprises, and strengthening efforts to measure progress (International Monetary Fund et al., 2011). Draft

proposals for strengthening tax administration capacity from the Effective Institutions Platform (EIP, n.d.) include: basing efforts on comprehensive analysis; adapting to context; supporting national priorities, ownership and leadership; addressing international, national and sub-national levels; engaging with a broad range of stakeholders both inside and outside government; and supporting principles of accountability, transparency, and participation. The EIP highlights training, South-South cooperation, and natural resource taxation as being particularly relevant for developing countries.

Interest in South-South cooperation for capacity building in tax administration has been growing. A recent OECD report describes South-South cooperation as a ‘low-cost, high-value channel’ and recommends ‘strong support from the international community’, but notes potential limits to partners’ absorptive capacity (OECD, 2013, p. 15). The UN’s South-South Sharing of Successful Tax Practices for Development (S4TP) initiative aims to identify and disseminate successful Southern practices in tax policy and administration, identify opportunities for cooperation, and build awareness of the value of South-South exchange, particularly in working on illicit financial flows, tax training, transfer pricing, and taxation and climate change. The Capacity Development Programme on International Tax Cooperation is another UN programme, overseen by the Financing for Development Office, for strengthening the capacity of ministries of finance and national tax authorities in developing countries (UN, 2013b). It organises training and guidance material on international double taxation agreements, broadening the tax base and transfer pricing (UN, 2014). Many other bilateral and multilateral agencies and other organisations also provide capacity development assistance for tax reform: reports commissioned by GIZ and the UN have each identified more than 40 such agencies (Köhnen, Kundt, and Schuppert, 2010; Michielse & Thuronyi, 2010).

Holmes, Ndiokubwayo, & Ruvakubusa (2013). *For State and Citizen: Reforming Revenue Administration in Burundi* (Policy Voices Series). London: Africa Research Institute.

This case study was produced by current and former senior officials of the semi-autonomous tax collection institution of Burundi (Office Burundais des Recettes, OBR), which was set up in 2009. The paper describes how tax collection and administration was reformed in Burundi to reduce corruption, improve services, implement legislative reforms and widen the tax base.

Recommendations for the OBR are: work more closely with local authorities to widen the tax base in the regions; collate and re-examine provisions for offering revenue exemptions; improve communications; support a comprehensive transparency and anti-corruption campaign, with government agencies; diversify its external funding to help in pursuing multiple objectives simultaneously; and deny access to public services and tenders to anyone who is not tax compliant.

This case study examines the reform of the Nigerian Federal Inland Revenue Service in 2004. A new executive chairperson was appointed and tasked with reforming the agency and diversifying tax collection to reduce dependence on oil revenue. The case study describes how the chairperson overcame opposition from private consultants who benefited from the existing system, defeated institutional inertia, and reduced corruption. Steps toward capacity development included establishing control over staff recruitment independently from the Federal Civil Service Commission, improving training using a mix of domestic and international consultants, reorganising and integrating departments and offices, simplifying interactions with taxpayers, increasing automation, working with banks to process payments, upgrading computer equipment, and setting up a new internal unit to fight corruption (Bennet, 2012).

This short case study covers Bhutan's attempts to broaden the tax base by introducing personal income tax and improving collection of other direct taxes. The Bhutan Department of Revenue and Customs achieved efficiencies through decentralisation to regional offices, training, upgrading IT systems, and public education on compliance. Intensive in-country training and professional development in revenue administration, and the introduction of a new IT system for tax and customs have improved tax administration. Capacity development efforts have been supported by strong and stable leadership within the Department, by Danish financial support which was aligned with the national-driven strategy, and by technical assistance to support the drafting of legislation and the introduction of new IT systems (Danida et al., 2011).

This publication includes a meeting report and case studies presented at a 2008 conference on 'South-South Sharing of Successful Tax Practices' by experts and administrators from different countries, international organisations and campaigning organisations. The meeting report

highlights a number of focus areas for capacity building including: developing a database of recognised tax experts in particular fields; promoting practical case-study-driven training sessions; disseminating successful practices effective in developing skills and keeping expertise within tax administrations; promoting the need to fully understand the impact of tax incentives designed to attract investment; and promoting ongoing beneficial exchange of experiences, both what has worked and what has not. The meeting highlighted a need to improve developing country capacity on issues such as transfer pricing, comparative tax law, and countering cross border tax evasion. An international tax appeal tribunal was suggested in place of arbitration clauses in Tax Treaties (UNDP, 2008).

2.6 Monitoring and evaluation

Tax reform monitoring and evaluation (M&E), both for project evaluation and for benchmarking tax agencies, has tended to use ad hoc mixtures of resources and indicators, as there is little specific guidance on M&E for tax reform. Past capacity development efforts have lacked rigorous benchmarking components (Oxford Policy Management, 2006) and a key challenge is the lack of accurate and comparable data (Murray et al., 2014). Literature on M&E in tax reform emphasises the need to look at the ‘soft’ elements of organisational culture (e.g. management philosophy, behaviours and style; degree of empowerment and ownership) as well as the ‘hard’, quantifiable indicators (e.g. changes in revenue levels) (Vázquez-Caro & Bird, 2011). Progress in tax reform has been judged by improvements in processes (clear reform objectives, reasonable expectations, evidence base, high-quality taxation advice, good donor-partner relations) (Murray et al., 2014), or changes in revenue agency performance (Kariuki, 2012a; 2012b). Tools used for M&E include literature reviews, (semi-) structured interviews and questionnaires, and other data collection and analysis (Murray, Oliver, & Wyatt, 2014; Kariuki, 2012a; 2012b). Performance indicators have been chosen in collaboration with stakeholders so that they are in line with tax agency priorities and likely to be implemented (Kariuki, 2012a; 2012b). The likelihood of implementation can be affected by practical issues (e.g. data availability, processing capacity) as well as political economy issues.

Two new tools have been designed recently specifically for M&E of tax reform and tax systems. The World Bank's Integrated Assessment Model for Tax Administration (IAMTAX) is a web-based tool to identify and assess tax administration performance over time (World Bank, 2011). Performance is assessed by analysing the legal and regulatory framework, the institutional set-up, and core business processes. The IMF's Tax Administration Diagnostic Assessment Tool (TADAT) is designed to identify administrative strengths and weaknesses, to construct a shared assessment among all stakeholders, to set the reform agenda, to facilitate the management and coordination of external support for reforms, and to provide a basis for monitoring and evaluating progress (IMF, 2013). It has nine performance outcome areas with corresponding indicators. TADAT was modelled on the Public Expenditure and Financial Accountability (PEFA) framework and is designed to be the revenue counterpart to PEFA's public financial management assessments. As both of these are relatively new tools (TADAT will launch the final version of the assessment tool in mid-2015), there is as yet a lack of literature which critiques them and their indicators.

Other sources of indicators to monitor tax systems in developing countries include the OECD Tax Administration (formerly the Comparative Information Series), the PEFA Framework, the European Commission's Fiscal Blueprints, USAID's Collecting Taxes Database, and the World Bank's Diagnostic Framework for Revenue Administration.

Relevant Value-for-money (VFM) literature is focused on governance programming generally, rather than specifically on tax reform. Key recommendations include: noting that VFM can be measured without quantification of all variables; thinking early about VFM during programming; breaking down the Theory of Change and Results Chain into constituent parts (inputs, outputs, outcomes, impacts and assumptions) and considering all parts in VFM analysis; and not treating VFM analysis as separate from project design (DFID, 2011; 2013).

2.7 Key Case studies

This literature review provides an overview of the benefits and challenges of informal sector taxation through formalisation, taxing goods and services, withholding taxes and presumptive taxes. A 'growing body of research' suggests that formalisation of firms, which allows them to

be taxed, may have ‘significant benefits for growth, or, at the very least, may not hinder growth’ (Driner, 2006: 5). Formalisation can enable access to credit, offer opportunities to engage with larger firms and the government, reduce harassment by police and government officials, and improve access to training and support programmes. Taxing the goods and services informal sector firms trade, for example through import and export taxes, may undermine country comparative advantage but would not impose compliance costs on informal sector firms. Neither would there be difficulties imposed by limited education on tax matters and limited capacity to deal with tax issues. While some countries gain significant revenue from withholding taxes, these can be administratively burdensome, create incoherence in the tax system, and discourage tax reform. A presumptive tax regime can mean firms pay substantially lower tax rates than under the standard regime. This can reduce revenue and discourage firms from moving onto the standard regime (Joshi et al., 2014).

This literature review outlines the associational taxation approach – delegating tax collection to unions, business, or other associations – and identifies ways to improve informal sector taxation. Using this approach depends on the type of tax, the extent of revenue pressure on the government, the degree and nature of associationalism within the informal sector, and the channels of interaction with state institutions. To improve compliance it may help to shift away from organising tax administrations by locality and type of tax (sales, property and income taxes), towards organisation by type of taxpayer (e.g. large, middle and small taxpayers). Compliance can also be improved by reducing rates or offering rewards to firms that maintain effective records.

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which profited more), but their owners had a more favourable attitude towards government as a result of formalisation.

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2.8 Strategies to Enhance tax Adherence

The informal sector consists of firms and individuals who are not fully registered and regulated, and therefore not in the standard tax net. Taxing the informal sector can be through registration and formalisation to push these firms and individuals into the tax net, or it can be through taxing them indirectly. In most countries there are several types of business registration and varying degrees of formalisation.

Formalisation can encourage business growth, create a better business environment, and help build a culture of tax compliance (Joshi, Prichard & Heady, 2014). An economic modelling study suggests that full enforcement of taxation on the informal sector would increase labour productivity and output through reducing economic distortions (Ordóñez, 2014). However, it is unlikely that taxing the informal sector through formalisation of all firms would bring in significant tax revenues at least in the short- and medium-term (de Mel, McKenzie & Woodruff, 2013; Bruhn & McKenzie, 2014; Joshi et al., 2014). In general, a firm's decision about whether to formalise is based on an analysis of the costs (which can include higher taxes) and benefits (such as growing the business through official advertising and access to credit markets) (de Mel et al., 2013). For some firms, especially small firms and micro-enterprises, formalisation would not be beneficial (McKenzie & Sakho, 2010), even if it were cheap and straightforward. Simplifying and lowering the cost of registration has little or no effect on getting small firms to formalise, according to a review of econometric evidence (Bruhn & McKenzie, 2014).

To tax firms while they remain informal, the guidance literature, based on econometric analyses and literature reviews, suggests taxing the goods and services that they buy and sell (through sales or value-added taxes) or through ‘presumptive’ or withholding taxes (Joshi et al., 2014). Another approach is to delegate the role of collecting tax to trade unions, and to business or other associations (Joshi & Ayee, 2008). Tax administrations may need to reorganise, as the informal sector can be difficult to reach through large bureaucracies (Joshi & Ayee, 2008).

From various studies it is evident that the informal sector is very complex and the sector is largely comprised of businesses which are not formalised hence making it difficult for revenue authorities to collect tax worldwide. Studies have also shown that a lot of factors affect tax compliance in this sector. This study adopted some of the factors as its variables in interrogating the music and video disc sellers at Lusaka City Market. These variables include the level of education, demographic factors such as age and sex, the level of punishment associated with non-compliance with taxes, the feeling of guiltiness, and the easiness of being discovered with non-compliance with taxes as well as the feeling of guiltiness with regards to non-compliance with taxes.

CHAPTER THREE - RESEARCH METHODOLOGY

Basically this chapter deals with the research design, the population, sample and sampling techniques, data collection procedure, the procedure for analysing the data collected and the ethical considerations.

3.1 Research Design

In order to demonstrate the methods or techniques that will be used in this study and to weave the methodology the researcher intends to outline the overall frame which is depicted below as a research design matrix. This is a tool to think with. The tool is arranged in rows and columns informed by the philosophical research assumptions based on the type of reality sought (Harding, 1987: Methodology, 2015) - intertwined with the philosophical considerations of ontology (the nature of reality), and epistemology (Guba & Lincoln, 1994; Greene, 2006; Lincoln & Guba, 2011). In terms of mirroring the research questions and objectives, the matrix does not conform to this rule of thumb as it is not philosophical. This is because research methodology is a philosophical stance linked to the nature of being or reality that underlies and informs the style of research (Sapsford & Jupp, 2006). Several authors have argued that because philosophy and methodology are intertwined, it is not possible to explicate methodology without philosophical clarity (Collis and Hussey, 2003; Creswell, 2003; Alise & Teddlie, 2010; Hesse-Biber, 2010). It is for this reason that the research design matrix is being used in this study (see table 2).

Table 2 Research Design matrix

Research Question	Research Objective	Population and Sampling	Data Collection Tool	Data Analysis
What proportions of traders at City Market pay taxes? Inductive (outward) or abductive (inner world)	To describe proportions of traders who pay and do not pay taxes	Population of Music and DVD traders by random sampling	Survey questionnaire	Univariate and bivariate analysis
Among the expected taxes, what forms do they pay? Inductive (outward or abductive (inner world)	To describe in terms of proportions the forms of taxes traders pay	Population of Music and DVD traders by random sampling	Survey questionnaire	Univariate and bivariate analysis
	To describe from the point of view of these traders their preferred forms of tax they pay or do not pay	Population of Music and DVD traders by MVS sampling	One to one interviews	Content analysis
Why do they pay or do not pay particular taxes? (Realist ontology and deduction; nominalist ontology and abduction)	To test the theory of compliance if it holds in explaining the prevailing situation regarding paying taxes by the traders	Population of Music and DVD traders by random sampling	Survey questionnaire	Univariate and bivariate analysis
	To understand the motives of traders for paying or not paying taxes that are due	From the population of Music and DVD traders, respondents by expert sampling	Key informant interviews	Qualitative content analysis
How can such traders pay? Pragmatic approach	To develop a framework that could be used to increase the tax base i.e. to include the informal sector.	From the population of Music and DVD traders, respondents by maximum variation sampling	This shall be a research outcome	This shall be a research outcome

It could be deduced from the above matrix that this is a study driven by participatory action research (PAR) methodology. It is a triangulatory mixed methods. A mixed methods type of research design therefore is appropriate to answer the research questions. This mixed methods design will be sequential. This study is a departure from traditional basic research, where the researcher is an external observer and who proposes theories. In PAR, the “objects of research”, or the community, are integral parts of the research as they generate their own living theory of practice. Participatory action research claims that this methodology “researches with, rather than on, people.” PAR has been chosen to provide the opportunity for full community involvement in the development of projects, by allowing for clarifications and reflections that might improve the researchers’ understanding of situations and problems to shape their strategies rather than prematurely introducing external ideas which builds the knowledge and skills for participants to act in their community as leaders or agents for creating change.

3.2 Population

This study enlisted potential respondents from traders at Lusaka City Market. This case study was about Music and video discs sellers at the City Centre Market. Since there is no existing sampling frame of the population. As such, a rapid appraisal visit in the form of a transect walk was undertaken to explore infrastructure features, distribution of traders and to observe the economic activities in the shops and the alleys. These visits are deemed to be necessary to formulate a logistical plan and to estimate the sample size of the music and video discs traders. The site visits will enable the researcher to gain a perspective of the physical scale of the site at ground level, the nature of the trading area in terms of possible logistic challenges and the diversity of informal activities the researcher would encounter. Following the determination of the population, the researcher then estimate the sample size. Systematic random sampling of the traders was considered the method of choice. In order to determine an ideal sample size, Yamane formula is applied (Yamane, 1967:886). This is the formula which is used to determine the sample when the population size or estimate is known. This transect walk allowed the researcher to map out the position of the stalls when doing systematic sampling. Once the stalls were mapped, the researcher set to enlist traders. There were 90 traders who were in this trade and using Yamane formula (Yamane, 1967:886).

3.3 Sample

Yamane formula was used to determine the sample when the population size or estimate is known.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision that was set at 0.01. This sampling process will form phase I of sampling and phase I of data collection - administration of the survey questionnaire. Fifty six traders were deemed adequate for this study.

Phase II sampling and data collection followed phase I of sampling and phase I of data collection. This entailed employing maximum variation sampling to enlist traders for an in-depth interview. This was done after a preliminary exploratory analysis of quantitative data from the questionnaire to create categories of traders for in-depth interviews. This sampling technique “documents diverse variations and identifies central themes which cut across cases/informants.” (Miles & Huberman, 1994: 28). It is a technique that allowed the researcher to determine (a) the motives for trading in music and video discs.

However, before embarking on an in-depth face-to-face interview, an ethnographical attempt was made to make an appraisal of the research setting. Observations during a morning, afternoon and an evening transect walk with traders was conducted to allow the researcher experience the business life of these traders. A similar activity has been done by several leading scholars to immerse themselves for several days in the lives and business activities of informal traders (Pryor and Grossbart, 2005; Bali et al., 2012; Fisher, 2015).

3.4 Data Collection and Analysis Techniques

Data was first collected using a survey questionnaire and followed by in-depth interviews. Data was collected as the traders were doing their business.

Association tests and correlation tests like Pearson chi square tests of significance were done first before regression analysis to identify independent variables that would be significant for further causal analysis. A p value $\leq .05$ ¹ was used as the cut-off point to determine the presence of statistical significance on all statistical tests.

Qualitative data was analysed using qualitative content analysis. Content analysis was chosen because the researcher was going to analyse textual data by way of reduction to make replicable or valid inferences (Shapiro and Markoff, 1997; Graneheim and Lundman, 2003; Hsieh and Shannon, 2005) into units. Content analysis was chosen to allow the researcher to be objective, systematic in the process of analysis (Weber, 1990; Kirchhoff, et al., 2003; Krippendorff, 2013).

Following each interview the researcher completed a 'cover sheet', allowing the interview data to be organised under headings that related to the key research questions. The researcher then listened again to the audio recording, adding further detail into the cover sheet as well as quotations. The data was then reviewed in detail, drawing out the range of experiences or views, identifying similarities and differences, developing and testing hypotheses, and interrogating data to seek to explain emergent patterns and findings. This method allowed the researcher to identify and explain differences between individual participants. In this dissertation, the researcher uses quotes in a descriptive way as proposed by Husserl (1976). As this is the edict of qualitative research, the prevalence of particular views and experiences cannot and should not be estimated. Rather, the value of qualitative research is in revealing the breadth and nature of the phenomena under study (Lewis et al., 2013). It is for this reason that verbatim interview quotations are used throughout this report to illustrate themes and findings where appropriate.

¹ The p -value: in ANOVA is a term used in hypothesis testing to indicate how likely it is that the items being compared are the same. A low p -value – often anything below 0.05 – indicates that it is very unlikely the items are the same.

3.5 Ethical Considerations

Research ethics involves requirements on daily work, the protection of dignity of subjects and the publication of the information in the research. This study adhered to ethical codes and considerations as it focused on voluntary informed consent, avoiding causing harm to the clients, and avoiding biasness, respect for anonymity and confidentiality, respect for privacy, liberty of withdrawal from research, protection from physical and mental harm, or suffering and death. It also emphasizes the risk- benefit balance. These ethical considerations protected all the participants in this research. The research population was informed about the research in question and its purpose, were assured for anonymity preservation and the relevant data confidentiality.

During data collection the researcher was considerate to respondents who could not fill or complete the questionnaire form for instance the four respondents who did not fill questionnaire because they were not concerned as they concentrated in meeting their daily targets, the researcher respected their view and couldn't take them to task. Ethics were also applied to the nine respondents who did not complete the questionnaire form. Further, the researcher could not ask questions which respondents were not comfortable to answer during interviews.

3.4 Limitations and strengths of this study

This study has a number of notable limitations. The research encountered a number of limitations related to the design.

- 1) The research was conducted during a period of extensive crack down of tax evasion in Lusaka an amnesty to tax evasion. Therefore, the extent to which traders cooperated and individual section leaders in the market were able to assist with the research was, in some cases, understandably limited. However, there was some level of corporation with the researcher.
- 2) An usual number of eligible participants especially women opted out of taking part in the research, citing diverse reasons such as experiencing a particularly challenging period in their business and wanting to be free to do the trading to meet their daily targets.

- 3) While every effort was made to achieve a rich and diverse sample, certain perspectives will be missing from this research due to the number of interviews carried out. Therefore findings cannot be generalised to the wider population of traders. Another challenge relates to reporting findings while protecting participants' anonymity. The nature and details of their cases would make some participants easily identifiable. As such, case specific details were not used in the report, which has limited the extent of discussion and examples given at various points.

However, in spite of this limitations, the study has scored a first in bringing out what could be happening with traders and City Market and the lessons could be handy to conduct a much wider study. Studies could be extended to cover all types of traders.

CHAPTER FOUR – RESEARCH FINDINGS

4.1 Introduction

In this study, I present the research findings using themes. These are matched with the research questions. The decision to present the findings according to themes are based on de Vaus's (2001) advice to researchers doing cross sectional research. As such, the results chapter is divided into four sections as follows: section one deals with a descriptive analysis of the respondent's demographic profile; section two is related to the business profile of the respondents, section three is about the reasons for engaging in particular type of informal business, section four covers livelihood strategies and section five is related to assets which informal traders have.

This study was conducted from July 2018 to September 2018. The study sample was drawn from a pool of marketers who had permanent stores at Lusaka City market. The market had 90 music and DVD sellers in fixed shops. Based on Yamane formula using sampling error 0.005, the ideal sample size was 73 N= declined to participate in the study where n = 4 had not completed the Questions despite three visit. This gave the response value of 82.1 this response rate was higher than the ideal of 70% Aday and Cornelius (2011). This chapter presents descriptively the answers to the three research questions. The answers are presented thematically under each research question. In the first place, before presenting the answers to the three research questions, a brief outline from an ontological perspective is profound. Research question number 1 "What proportions of traders at City Market pay taxes?" is presented in this chapter based on the nominalist ontology and verbal accounts of the traders are appropriate to elicit the findings according Blaikie (2010) and Crotty (2013). Research question number 2 among the expected taxes, what forms do they pay?" is presented in this Chapter based on the realist and nominalist ontology. As such, quantitative descriptions and verbal accounts are appropriate to elicit the findings. The findings are in this case juxtaposed in order to amplify or clarify the quantitative data, which may not depict the real life of the traders. Research question number 3 "Why do they pay or do not pay particular taxes?

”The sample consisted largely of youths mean age 34 (± 1 SD). The traders were in the business ranging from 1 year to about 16 years. The mean business years was 5 (± 2 SD). Only n = 16 females as compared to n = 44 males were enlisted into the study (see figure 1).

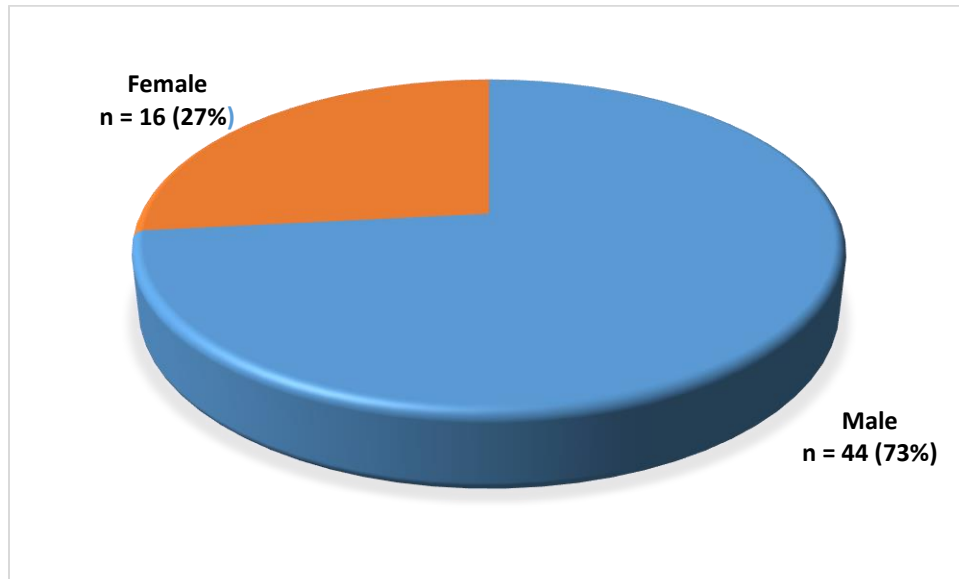


Figure 1: Distribution by gender

Nearly every trader was literate except for n = 4 (6.7%) About half n = 27 (45%) of the repondents had gone up to seconndary school, a third n = 20 (33.3%) had been to primary school and only n= 9 (15%) had tertiary education (see figure 2).

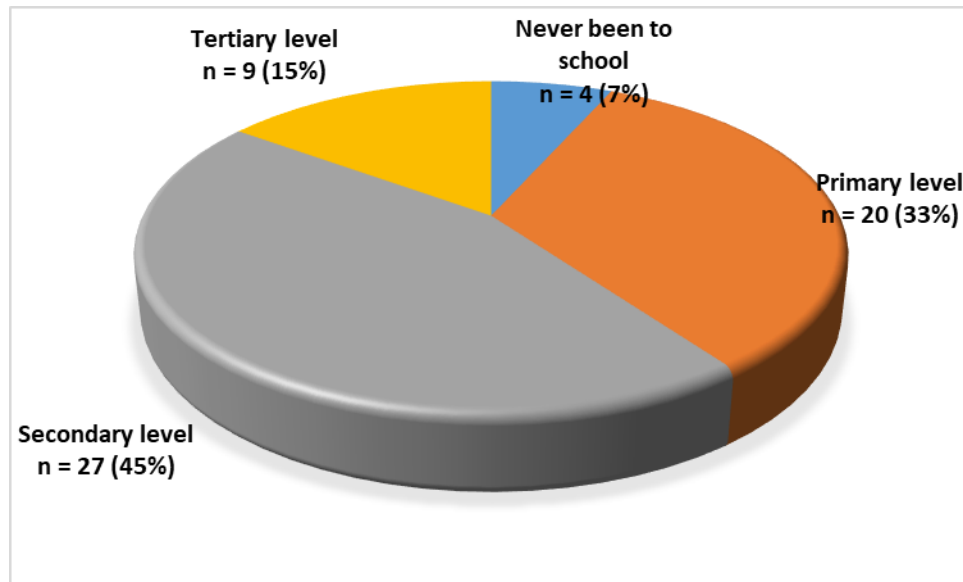


Figure 2: Distribution by education

4.1 Awareness of Types of Tax

It was not expected that the traders would not be aware of any tax. In this sample, all the traders were not aware of withholding tax and turnover tax. They were however aware of Domestic VAT than Base Tax. The knowledge of domestic tax (n = 37; 61.7%) was higher than that of Base tax (n = 23; 38.3% (see Table 3).

Table 3: Awareness of Tax

Awareness of taxes	Frequency			
	Yes		No	
	n	%	n	%
I am aware of Withholding Tax	0	0	0	0
I am aware of Turnover Tax	0	0	0	0
I am aware of Base tax	23	38.3	37	61.7
I am aware of Domestic VAT	37	61.7	23	38.3

Pearson chi-square test showed that there was no association between gender and knowledge of base tax. (obs value = 0.271; df= 1 and p = 0.603) as well as between gender and domestic VAT (obs value = 6.160 df=1 and p = 0.073).

The traders could not pay tax for the two types of taxes they were not aware of and these are Withholding Tax and Turnover Tax. The payment of domestic tax ($n = 35$; 58.7%) was higher than that of Base tax ($n = 14$; 23.3% (see Table 4). Out of the 23 who were aware of $n = 14$ (68%) paid taxes leaving $n = 9$ (32%) not paying this tax. Regarding domestic tax, out of 35 who were aware, only $n = 2$ (8.6%) were not paying this tax as compared to $n = 33$ (91.4%) who did (see table 4).

Table 4: Payment of Tax

<i>Payment of taxes</i>	<i>Frequency</i>			
	<i>Yes</i>		<i>No</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
I have been paying Withholding Tax	0	0	0	0
I have been paying Turn over Tax	0	0	0	0
I have been paying Base tax	14	23.3	46	76.7
I have been paying Domestic Tax	35	58.7	25	41.7

Pearson chi-square test showed that there was no association between gender and knowledge of base tax. (obs value = 0.256; $df = 1$ and $p = 0.653$) as well as between gender and domestic VAT (obs value = 7.63 $df = 1$ and $p = 0.081$).

4.2 Reasons for payment or non-payment of taxes

The reasons for non-payment of turnover tax and withholding tax are not included in this section because traders were not aware of them. Below, the researcher provides only the profile for base tax and domestic VAT. The numbers stand for the following labels 0 for Not applicable 1 for strongly disagree 2 for Disagree, 3 for somewhat agree 4 for Agree and 5 for Strongly agree.

For VAT, only the punishment for non-payment which was perceived to be high was a factor for payment as more respondents agreed and strongly disagreed. The other factors had low scores (see Table 5).

Table 5: VAT influencing factors

<i>Agreement with Payment of VAT</i>	<i>Frequency</i>					
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
For VAT, the punishment for non-payment is high	37	6	2	4	8	3
For VAT, the chance of being discovered as not paying is low.	37	6	0	4	10	3
For VAT, I pay because of the feeling of guilt	37	10	2	6	5	0
For VAT, I pay because of the fear of being called names by colleagues (like a criminal).	37	11	0	1	3	8

When the individual scores of the influences were aggregated and categorised, n = 20 were generally uninfluenced by tax theories to pay VAT and n = 40 had low influence (see Figure 3).

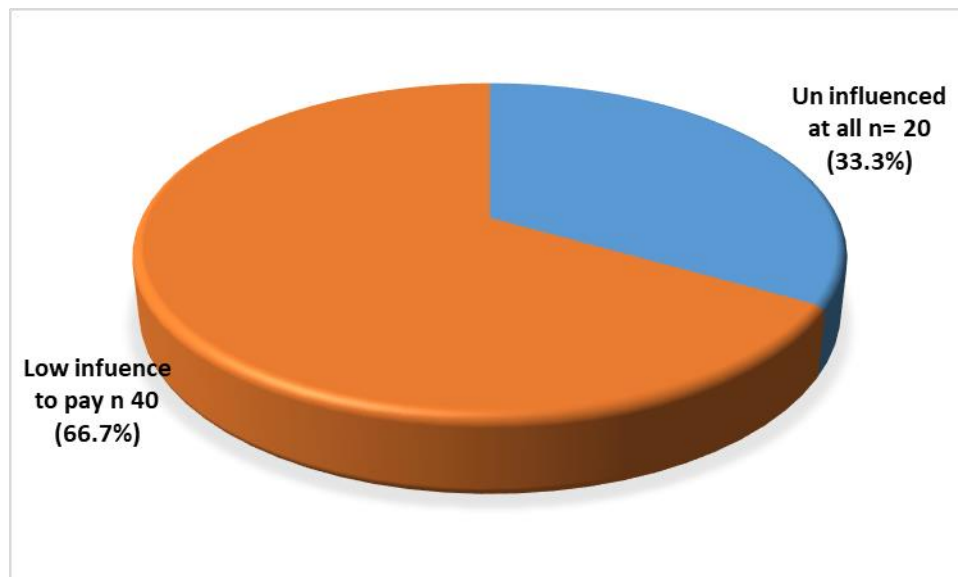


Figure 3: Level of influence to pay VAT

For Base tax, only the chance of being discovered as not paying being high was the reason for obeying. This was a factor for payment as more respondents $n = 27$ agreed and strongly disagreed out of 34. The other factors had low scores (see Table 6).

Table 6: Base tax influencing factors

<i>Agreement with Payment of Base tax</i>	<i>Frequency</i>					
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
For Base tax, I pay because the punishment for non-payment is high	15	23	15	6	0	0
For Base tax, I pay because the chance of being discovered as not paying is low.	15	7	10	20	7	1
For Base tax, I pay because of the feeling of guilt	15	26	11	6	1	1
For Base tax, I pay because of the fear of being called names by colleagues (like a criminal).	15	23	20	1	0	1

When the individual scores of the influences were aggregated and categorised, $n = 16$ (26.7%) were generally uninfluenced by tax theories to pay Base tax, $n = 16$ (26.7%) had low influence and $n = 15$ (25%) were uninfluenced because they were not aware of base (see Figure 4).

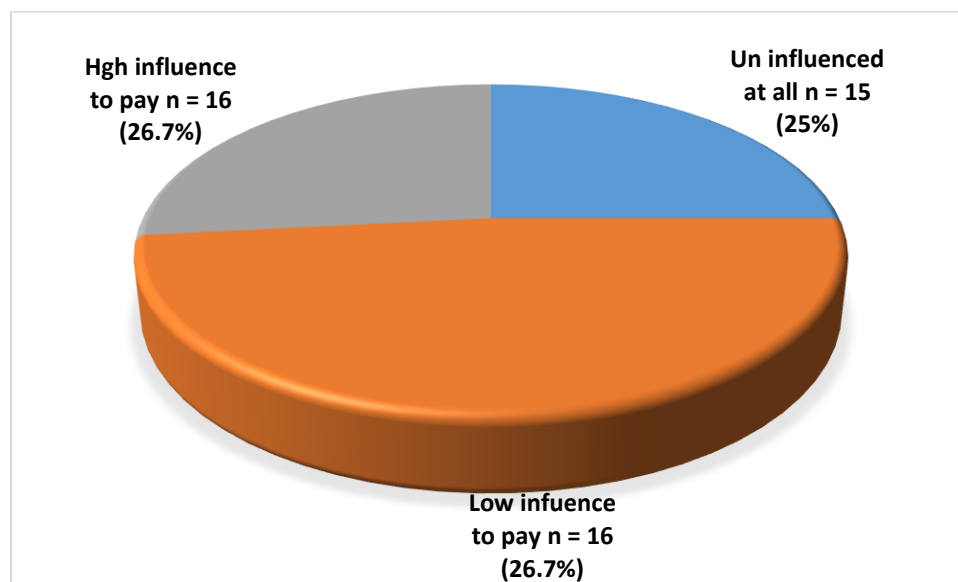


Figure 4: Level of influence to pay Base tax

When interviews were conducted with selected traders among those who were paying or not paying the two taxes, it was found that there were various reasons for adherence and non-adherence. In order to demonstrate what the happenings among traders, below are two themes that were constructed. Theme I is about those who compliant and theme II is related to those who were not compliant.

Theme I: Compliance

For those who were compliant, they rendered various reasons for adhering to paying tax. Some pointed out that they paid taxes because of costs of punishment if they evaded. They said that detection as a deviant was rather easy and this was a key fact. Others paid tax because they saw it as a moral obligation which made them to be “willing to co-operate” with the tax man. Others were compelled to pay tax because they had trust in the government in terms of its manifesto and the services it was offering. The following are some of the testimonies.

Moral reasons for payment

Moral reasons were not expected as drivers of tax payment. One had this to say.

If we don't pay taxes it is stealing from the government

Punishment

Most of those who paid taxes cited punishment.

One may be arrested and lose his business if found not paying. I have seen a number of men and women in this market getting arrested...I do not want my money to go into the drain...I have suffered to bring up this shop...

Support to the Government

A few paid taxes to ensure that they paid tax in order to add to the treasury.

I know that the money I pay is meant for the availability of goods and services...I need to pay taxes to support government programmes of development such as building of roads, schools and hospitals.

Citizenry Responsibility

There were some traders who argued that they had a responsibility to pay tax as citizens.

Yes we need to pay taxes as seen paying as Zambian citizens. It's our responsibility to pay taxes. Well I didn't know there are all those types of taxes but I think I have been paying VAT and that other one for Kk150 per year, in fact it amounts to more than K 370 a year because if you add every week aa K 7.00 times 52 weeks....I don't think I qualify for the Turnover tax because I am a small businessman. For that one withholding tax, I don't think applies to us because this is not a renting business and I don't own any houses Rent.

Non Compliance

There were a number of reasons for not paying taxes. Level of knowledge played a significant role in paying tax among these traders. Some traders opted to pay some taxes whereas other paid both. They cited unfairness in the prescription of amounts to be paid as well as persons to pay. They found it justifying to evade paying taxes or under declare taxes as they fall due. Others did not see any need to trust the government as services were not top and there was a lot of corruption.

Selective payment of taxes

For those who had selected some taxes had this to say

For me I pay taxes, maybe those other ones you have mentioned, I did not know about them and they don't apply to me otherwise I pay.

Inequity

Yes I think we need to pay tax, but it should not be a lot of money as you know we are small businesses we don't own companies but tax we need to pay. From that list you've told me, I think the one who sell DVDs can pay is the one for the whole year, the K150 per year. At least it gives one time gather and keeps money to be paid at the end of the year. Those other taxes are not good for a small business like mine....I have not seen any fairness of the tax system. I have to pay just like a shop owner. There is a lot of unfairness way know. As a consequence, I will find a way not to pay...I do not see myself volunteering.

Lack of education

On my side I think I don't pay tax because I have not been educated on which ones I need to pay. I didn't know about all those types of taxes until today.

Lack of trust or political legitimacy

Of course yes, the government needs money but again people misuse the moneys they collect from us. No wonder you see people complaining that there are no medications in hospitals and clinics but you tell us to pay taxes, we don't trust people who collect the money...I think for me I don't see any benefit of paying taxes even if I pay, that's what I can say.

Bureaucracy

There is a lot of red tape in the payment of tax. It takes rather long to file tax returns. This tends to “eat” business time and as such, traders tend to delay in filling tax returns. The fact too that the authority (ZRA) does not have grounds men and women to collect tax and depends of voluntarism, a number of traders who could have filed returns delay or do not do so. The following excerpts affirm this position.

One had this to say about bureaucracy.

You must be prepared to wait the whole day to file your papers...Sometimes two or three whole days. This affects our businesses. I can say the morale to pay tax becomes lower and lower each time you have this encounter with the tax system.

4.3 Summary of findings

It was not expected that the traders would not be aware of any tax. In this ample, all the traders were not aware of withholding tax and turnover tax. They were however aware of Domestic

VAT than Base Tax. The traders could not pay tax for the two types of taxes they were not aware of and these are Withholding Tax and Turnover Tax. The payment of domestic tax (n = 35; 58.7%) was higher than that of Base tax (n = 14; 23.3%). Out of the 23 who were aware of n = 14 (68%) paid taxes leaving n = 9 (32%) not paying this tax. Regarding domestic tax, out of 35 who were aware, only n = 2 (8.6%) were not paying this tax as compared to n = 33 (91.4%) who did. Compliance was associated with costs of punishment if one evaded and was discovered.. Others paid tax because they saw it as a moral obligation while others were compelled to pay tax because they had trusted in the government in terms of its manifesto and the services it was offering. As for evasion, the level of knowledge played a significant role in paying tax among these traders. Some traders opted to pay some taxes whereas others paid both. They cited unfairness in the prescription of amounts to be paid as well as persons to pay. They found it justifying to evade paying taxes or under declare taxes as they fall due. Others did not see any need to trust the government as services were not top and there was a lot of corruption as well as bureaucracy.

CHAPTER FIVE – DISCUSSION AND CONCLUSION

5.1 Introduction

In this study, there is evidence to show that tax compliance among DVD traders at the Town centre Market is very low. While the evidence indicates a considerable number of traders not being aware of the taxes due to them are high, the level of compliance among those who are aware is rather very low. This further shows that the informal sector's revenue potential has not been fully tapped, with many traders escaping the tax net, however, the challenges experienced suggest that this is unlikely to be easily remedied. The character or nature of the informal sector (markets) makes it difficult to implement an informal sector taxation policy. The market makes it hard to tax as the people on the stands are not the real owners in most instances. It is difficult to identify potential taxpayers, particularly when informal operators do not always have a fixed addresses and locations, and many informal businesses in the market have highly variable incomes and weak accounting systems.

5.2 Discussions

The collection of tax from these traders was constrained by low labour force or mobile tax payers and poor record keeping. Discussion on how to improve informal sector tax administration in the tax literature elsewhere has included the setting up of STOs, tax farming (using agents to collect taxes) and fiscal decentralisation (using local authorities to collect tax revenues) (Kiser & Baker, 1994; Loeprick, 2009; Terkper, 2003). According to this literature, an STO can improve enforcement and offer targeted taxpayer services (for example, education, feedback, and a channel for handling complaints and appeals). However, an STO on its own is unlikely to have a significant impact on administrative effectiveness. Tax authorities in most developing countries do not have the resources and manpower to effectively monitor and enforce compliance in the large informal sectors on their own (Araujo-Bonjean and Chambas, 2004; Mwila et al., 2011). As the case studies show, staff shortages were cited by tax authorities as a major constraint even in our country.

Researcher in Ghana for instance show that the effectiveness of tax farming depends on the capacity of the agents tasked with this collection and the ability to eliminate corruption.

Although there is growing literature on the importance of empowering local governments to collect taxes as they are closer to the informal sector (Bodin & Koukpaizan, 2008; Teobaldelli, 2011), this approach is likely to face the same challenges as those of tax farming if there are capacity constraints within local authorities, many of which are viewed as ‘highly corrupt’ (Fjeldstad, 2004: 10).

A possible way of improving informal sector tax administration is through the use of information technology. The Zambia Revenue Authority (ZRA) could do well in this area since they have a website. Internet-enabled phones for instance, which are proving popular for such things as e-banking and e-payments in developing countries, could be used to allow taxpayers to pay their liabilities online, thus not only reducing the administrative burden but also reducing opportunities for rent-seeking behaviour among tax officials (Loeprick, 2009; Mwila et al., 2011). Investigating the ways in which information technology can be used in administering presumptive taxes is potentially an important area of further research.

There are indications that improvements in the administration of presumptive taxes, especially the encouragement of quasi-voluntary compliance, are likely to depend on the state engaging those in the informal sector (Joshi et al., 2014). The evidence suggests that involving informal sector associations (there are such associations in the markets in Lusaka) may not only facilitate the acceptance of these taxes (a possible explanation for the relatively higher revenues from presumptive taxes in Ghana) but also reduce administrative costs and improve state-citizen relations.

However, more research is needed on what Bräutigam et al. (2008: 3) refer to as the ‘governance dividend’ from informal sector taxation and, from the review of the literature, two main threads are suggested. First, while the few examples in the literature suggest that informal sector associations are important (Joshi & Ayee, 2002; Meagher, 2013; Prichard, 2015), very little has been written on the contextual factors that would result in fruitful negotiations and improved state-citizen relations. The specific ways in which these associations can be used (for example, involvement in tax design, tax collection or education campaigns) are likely to vary depending on the informal activity and various country-specific factors. Secondly, there are many informal sector operators who cannot be expected to pay presumptive taxes to central government on equity grounds (and who may not belong to associations). However, these operators are likely to

pay various user and license fees to local authorities. There is therefore a need by ZRA to investigate the type of (probably non-associational) bargaining that could occur at the local level, possibly through street committees (Mkhize et al., 2013), so as to allow operators who are not organised into associations to have a legitimate voice in negotiations.

While it appears logical to target the informal sector to broaden the tax base, there is also a moral issue on this subject. Understandably, there are many concerns around whether it is equitable to tax the informal sector, especially given perceptions that informal sector operators like traders at markets who are mostly survivalist in nature should pay tax and be subject to actions in the event of evasion. Presumptive taxes can result in inequities between informal and formal sector firms at comparable incomes, but also within the informal sector itself because of uneven coverage and differential rates by activity. In addition, because of their simple structure (often lump sum taxes, with no minimum thresholds), presumptive taxes tend to be regressive, taxing those with lower incomes proportionately more. Also, when based on (presumed) turnover or capacity, these taxes do not take into account losses in a particular month. Progressive presumptive taxes that are based on actual turnover, such as those implemented in Tanzania, go some way in addressing equity issues, but they require operators to keep basic records of sales. Even with good recordkeeping however, there could be inequities resulting from differences in profit margins among informal traders.

Having this in mind, Joshi et al. (2014) point out that arguments in favour of an expanded informal sector taxation often rely more strongly on the *indirect* benefits of the latter. From a long-term perspective, formalisation might contribute to the overall productivity of informal firms and, thus, ultimately lead to growth and a higher revenue potential (Gasper et al., 2016; Joshi et al., 2014)⁵. This argument is also linked to broader governance implications, namely that informal sector taxation in Zambia will contribute to building a social norm of voluntary tax compliance as the informal sector expands over time. The emergence of a “taxpaying culture” is likely to come hand-in-hand with good governance in terms of meeting the people’s aspirations and strong governmental institutions, which eventually gives rise to economic growth and development through various channels. These effects can be even mutually reinforcing, causing a “virtuous circle” of good governance, voluntary compliance with filing of tax returns and growth.

Leaving the informal sector out of the tax net can be justified from a purely economic perspective (cost-benefit-analysis), but might have some important implications in terms of perceived horizontal equity (Joshi et al., 2014).

Empirical evidence on the indirect effects of informal sector taxation is scarce, however. As noted by Joshi et al. (2014), there is no evidence on the long-term effects of informal sector taxation channelled through an emerging social norm of voluntary compliance. Regarding the relationship between informality and tax morale, some studies suggest that there is a negative impact of tax morale on the informal economy. In a cross-country study, Torgler & Schneider (2007) find a positive and significant correlation between the size of the shadow economy (as measured through the MIMIC6 approach) and tax morale. Gërxhani & van de Werfhorst (2011) report a similar result for Albania. The authors find that individuals with a low level of (self-reported) tax morale are more likely to participate in the informal economy. However, as noted by Joshi et al. (2014), these studies are only able to demonstrate a correlation between the two variables rather than causal effects, which might be more interesting from a policy perspective. In this sense, it is not possible to judge whether low tax morale causes informality, or whether informality leads to low tax morale (or if there might be even a circular relationship). Finally, the few studies available do not allow to draw any general conclusions regarding the positive or negative effects in terms of predictability and equal treatment of informal sector participation with equity by the state authorities (Joshi et al., 2014).

This study desires to bring out some governance implications based on the results. A number of governance implications of informal sector taxation have already been mentioned in the previous sections. The line of reasoning is related to an implicit “fiscal contract” between taxpayers and the state, which is based on the principles of accountability, legitimacy, and mutual trust, and encompasses a social norm of paying taxes.

Taxation of the informal sector allows informal firms to hold the state accountable for the use their payments, and can thus contribute to an emerging sense of democratic participation and ownership over governmental actions. The state, in turn, has an incentive to demonstrate accountability and responsiveness to taxpayers in order to foster voluntary tax compliance based on a social norm of paying taxes (Bird, 2007; Cross, 2009). As outlined earlier, the informal

sector is inherently hard to tax, and improved voluntary compliance might be a cost-efficient way of raising additional taxes when compared to pure enforcement through tax authorities. State legitimacy also depends on the existence of strong governmental institutions and state capacities, of which the capacity to tax is a particular important one (Gaspar et al., 2016). In addition, the contractual relationship between taxpayers and the state implies that informal sector taxation might help to strengthen collective action and political participation among business associations in the informal sector (Joshi et al., 2014).

As noted by Bird, (2007) and Cross (2009) some studies find a positive relationship between informal sector taxation, accountability and collective action, but evidence is limited. The effects described in the literature relate to different channels of good governance and include bargaining between the state and informal business associations, stronger public engagement, as well as higher levels of trust resulting from formalisation. At the same time, Bird, (2007), Cross (2009), Drine (2009) and Joshi et al. (2014) point out that the success of bargaining between informal associations and the state authorities can be crucially affected by the organisational structure and political power of the former. Informal sector taxation might even emphasise the weaknesses of informal sector associations and lead to a marginalisation of certain groups, as well as to a stronger fragmentation of political voice.

There are theoretical relationships worth mentioning in this study. This study has shown a link with the four theories. According to Worledge (2012), tax rate impacts compliance as taxpayers evaluate the benefits of tax evasion with costs (penalties and fines) hence evade taxes if the benefit of tax evasion exceeds costs. The fiscal theory has been met in that there is evidence of “rigidity of assessment” in Zambia’s tax system which measures the amount of tax fines, the assessment process and the level of “red tape” in dealing with the tax authorities and, secondly, the “willingness to co-operate” which relates to individuals’ attitudes and perception of the tax system. Fiscal psychology models blend together aspects of economic deterrence models and social psychology models. The theory has shown that social, relational, as well as psychological contracts between the government and taxpayers could influence taxpayer behaviour. As the taxpayers assess the level of services and goods received from the government compared with government expenditures, there exists motivation or lack of motivation for tax compliance which this study has shown. Regarding the comparative treatment (equity) theory, there has been no

fairness of the tax system for all businesses translates into increased tax compliance. The traders deem the tax system unfair if their business has been subjected to higher tax burden than other business. In the domain of political legitimacy this study has shown mixed results. Tax compliance was influenced by levels of bureaucracy and benefits from tax payments.

5.3 Conclusions

The study seems to point to the fact that people in the informal sector may not be paying tax as expected. Though we studied DVD and CD sellers who were operating in the same business subculture, we could extend these findings to include other informal traders. There are a number of viable ways to break ground as far as reaching out to informal traders. Some of the notable strategies could include sensitization campaigns on tax. There is justification for this strategy if we need to raise awareness and increase response. There is need for designing user friendly payment systems. There is also need for tax collection and administration reforms that are customer oriented and user friendly systems. Noting that this study was limited to DVD and CD sellers at one market, conducting a much wider study to get a broader informal picture.

5.4 Recommendations

While there has been this desire to broaden the tax base, the focus for the Zambian government should not only be on recouping tax but be to also offer incentives to the informal traders that encourage business registration and improve record keeping of businesses. The government should also facilitate compliance with simplified record keeping requirements and also provide other opportunities like trainings and business counselling. The government should furthermore strengthen voluntary compliance by creating a strong enforcement presence that sends a signal to all informal operators that remaining non-compliance can be detected and is punishable.

Finally, the other important focus should be need by the Zambian government to enlarge its toolbox of instruments to use to enhance revenue collections from the informal sector by way of information technology expansion. Hence, the focus should be on the need to increase the coverage of these taxes to capture many more informal traders.

Based on this case study, the researcher has shown that relying only on reforms has not resulted in effective tax administration or necessarily strengthened state-citizen relations. The high number of traders and the variability and mobility in their operations, is likely to make it difficult for even the most capable tax authorities to effectively administer these taxes. Education campaigns that raise awareness about the benefits that result from the taxes collected, and about the efforts made by tax authorities to reduce unfairness (such as introducing low but graduated

tax rates according to turnover for instance), may also improve tax morale and ultimately revenue collection.

Nonetheless, our this highlights the need for much more research in this area, particularly of a policy-oriented and context-specific nature, where the focus is on practical solutions to overcoming the challenges in implementing informal sector taxation in specific countries. Given the legitimate need for the government to raise revenue in the face of (growing) informality, how to design and implement informal sector tax systems without further disadvantaging or alienating those who can least afford it, is paramount.

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APPENDICES

Appendix I- Survey Questionnaire

Age.....
Sex Male.....Female.....
Number of years in this business
Level of education Never been to school Primary Secondary Tertiary
I am aware of Withholding Tax
I am aware of Turnover Tax
I am aware of Base tax
I am aware of Domestic VAT Yes..... No.....
I have been paying withholding Tax Yes..... No.....
I have been paying Turnover Tax - ZRA (This is a tax that is charged on gross sales/turnover (i.e. earnings, income, revenue). Yes..... No.....
I have been paying Base tax Yes..... No.....
I have been paying Domestic VAT Yes..... No.....
For turn over tax, the punishment for non-payment is high Strongly agree Agree Somewhat agree Disagree Strongly agree
For turn over tax, the chance of being discovered as not paying is low. Strongly agree Agree Somewhat agree Disagree Strongly agree
For turn over tax, I pay because of the feeling of guilt Strongly agree Agree

<p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For turn over tax, I pay because of the fear of being called names by colleagues (like a criminal).</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>

<p>For turn over tax, I have not received some education the responsibility that I have to pay taxes.</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For withholding tax, the punishment for non-payment is high</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For withholding tax, the chance of being discovered as not paying is low.</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For withholding tax, I pay because of the feeling of guilt</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For withholding tax, I pay because of the fear of being called names by colleagues (like a criminal).</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For VAT, I pay because the punishment for non-payment is high</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>

<p>For VAT, I pay because the chance of being discovered as not paying is low.</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For VAT, I pay because of the feeling of guilt</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For VAT, I pay because of the fear of being called names by colleagues (like a criminal).</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For Base Tax, I pay because the punishment for non-payment is high</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For Base Tax, I pay because the chance of being discovered as not paying is low.</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For Base Tax, I pay because of the feeling of guilt</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>
<p>For Base Tax, I pay because of the fear of being called names by colleagues (like a criminal).</p> <p>Strongly agree</p> <p>Agree</p> <p>Somewhat agree</p> <p>Disagree</p> <p>Strongly agree</p>

Appendix II_ In-depth Interviews

Please tell me about yourself

Let us see what we can discuss.

For how long have you been selling DVDs?

To the best of your knowledge, do you think sellers of DVDs ought to pay tax?

Probe for the types of tax if not mentioned spontaneously

Withholding tax.

Turnover Tax - ZRA (This is a tax that is charged on gross sales/turnover (i.e. earnings, income, revenue)).

VAT

There are a number of reasons why you be paying taxes. Please describe for me the reasons.

Probe for the following if not mentioned spontaneously.

To fund social welfare packages- building health services and other institutions beneficial to humanity,

Paying the salaries of government workers

Ensure the roads you travel on are safe and well-maintained.

Funding public libraries and parks.

Funding many types of government programs that help the poor and less fortunate, as well as many schools.

There are a number of reasons why you be paying taxes. Please describe for me the reasons.

Probe for the following if not mentioned spontaneously.

I do not know that I should.

I do not know which taxes I should pay.

I do not see any benefits of doing so.

I do not have the time to.

It takes long to make payments.

How could you pay taxes?



Appendix III_ HSSREC FORM 1a

THE UNIVERSITY OF ZAMBIA

DIRECTORATE OF RESEARCH AND GRADUATE STUDIES

HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

Telephone: +260-211-290258/293937

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Lusaka,

Zambia

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**APPLICATION FOR ETHICAL APPROVAL FOR PROPOSED RESEARCH
INVOLVING HUMAN PARTICIPANTS**

1. TITLE OF STUDY: Taxing the informal Sector: Breaking the ground targeting music and DVD sellers at Lusaka City Market

2. Principal Investigator:

Name: Gabriel M. Mwamba

Qualifications: BA

Present Appointment/Affiliations: Post Graduate Student

3a. OTHER INVESTIGATORS:

Name:

Qualifications:

Present Appointment/Affiliations:

Name:

Qualifications

Present Appointment/Affiliations:

(Other names to be included on a separate page)

3b. **SUPERVISORS: FOR STUDENTS ONLY**

Name: **Jason Mwanza**

Qualifications **BA; MSoc Sc.**

Present Appointment/Affiliations: **Lecturer**

Name:

Qualifications:

Present Appointment/Affiliations:

3c. **Co-Supervisor/Mentor in Zambia (This section is for all researchers outside Zambia)**

Name:

Qualifications:

Present Appointments/Affiliations:

Name:

Qualifications:

Present Appointments/Affiliations:

4. **SUMMARY OF PROPOSED RESEARCH**

A summary of the project proposal should include background to the study, aims and objectives, participants to be studied and research methods to be used. Technical terminology should be avoided as much as possible.

(Use not more than one additional A4 sheet if necessary)

5. **ARE THE PARTICIPANTS DEPENDENT ON ANY OF THE INVESTIGATORS**

As students: Yes ☐

No ☐

As employees: Yes ☐

No ☐

As patients: Yes ☐

No ☐

In other ways: Yes ☐

☐ No

If 'Yes' to any of the above, give details

6. **POSSIBLE BENEFITS TO PARTICIPANTS:** These are extracted from the information sheet and presented as a summary

7. **POSSIBLE RISKS TO PARTICIPANTS:** These are extracted from the information sheet and presented as a summary and the investigator specifies steps to minimize them

8. **POSSIBLE BENEFITS TO THE COMMUNITY:** These are extracted from the information sheet and presented as a summary

9. **BUDGET**

- (a) Financial support (requested or granted): Yes ☐ No ☐
SPONSOR
- (b) Are there costs which will be carried by other institutions Yes ☐ No ☐
- (c) Are there costs which will be carried by the participants involved (e.g. travel, accommodation, meals, treatment)? Yes ☐ No ☐

If 'Yes' to any of the above, give details:

10. **SUBMISSION** (Please take note of UNZAREC Forms 1a and 1b)

A. **For Normal Review** at regular monthly meetings, attachments should include:

- (i) 5 copies of Full Protocol Yes ☐ No ☐
- (ii) 15 copies of Summary of Protocol. Yes ☐ No ☐
- (iii) 15 copies of Questionnaire and/or interview schedules Yes ☐ No ☐
- (iv) 15 copies of Information Sheet Yes ☐ No ☐
- ☐ ☐

- | | | | |
|--------|--|------------------------------|-----------------------------|
| (v) | 15 copies of Consent Form | Yes | No |
| (vi) | 15 copies of letter approving of or giving ethical clearance to the project proposal if it is a sponsored research related to another University | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (vii) | 15 copies of Budget | | |
| (viii) | 15 copies of Time Line | | |

B. For Expedited Review, attachments should include:

- | | | | |
|--------|---|------------------------------|-----------------------------|
| (i) | 5 copies of Full Protocol (to include the following): | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (ii) | 8 Summary of Protocol | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (ii) | 8 Questionnaire and/or interview schedules | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (iii) | 8 Information Sheet | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (iv) | 8 Consent Form | Yes <input type="checkbox"/> | N <input type="checkbox"/> |
| (v) | 8 Letter approving the project proposal if it is a sponsored research related to another University | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (vi) | 8 Budget | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (viii) | 8 Time Line | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
-

11 DECLARATION

I Gabriel Mwale Mwamba Apply to the Humanities and Social Sciences Research Ethics Committee of the University of Zambia apply for ethical approval of the above research proposal involving human participants, as conforming with recognized ethical standards and as not impinging on the rights of the individuals.

Signed: Date:

PRINCIPAL INVESTIGATOR

Contact Address: C/O Business Regulatory Review Agency
P.O Box 50593
LUSAKA

Local Contact Address:
.....
.....

Telephone No: Fax No:

Cell phone No: 0979535915
E-mail address: mwambagabrielm@yahoo.co.uk

.

Full name and address of Local Co-Supervisor/Member (if applicable):
.....
.....
.....

Signed: Date:

Full name and address of Head of Department or Head of relevant Organization:

Dr. Lubinda Haabazoka

Signed: Date:

.....

Full name of Assistant Dean Postgraduate²

.....

.....

Signed: Date:

.....

12. Checklist for Documentation:

For a thorough and complete review, all research proposals should be submitted with the following documents:

- 1) Name of the applicant with designation
- 2) Name of the institution, field area where research will be conducted.
- 3) Approval of the Head of the Department / Institution/Supervisor superintending the study.
- 4) CV of supervisor for students and of PI if the study does not involve a student.
- 5) Protocol of the proposed research with sufficient detail (see form)
- 6) Ethical issues in the study and plans to address these issues.
- 7) Proposal should be submitted with all relevant enclosures like case questionnaires, interview, and Focus group discussion guides, follow - up cards, etc. (Questionnaires interview schedules and focus group discussion guides should be in English and in the study site local language(s).
- 8) Informed consent process, including information sheet and informed consent form in local language(s).

² The Assistant dean should provide a confirmatory letter that the candidate made a proposal presentation to the school/department.

- 9) Curriculum vitae of all the investigators with relevant publications in last five years or supervisors for students.
- 10) Any regulatory clearances or authority to do a study in a particular site is required.
- 11) Source of funding and financial requirements for the project.
- 12) Other financial issues including those related to insurance
- 13) Statement of conflicts of interest, if any.
- 14) A statement describing any compensation for study participation (including expenses) to be given to research participants; a description of the arrangements for indemnity, if applicable (in study-related injuries); a description of the arrangements for insurance coverage for research participants, if applicable; all significant previous decisions(e.g., those leading to a negative decision or modified protocol) by other IRBs or regulatory authorities for the proposed study (whether in the same location or elsewhere) and an indication of the modification(s) to the protocol made on that account. The reasons for negative decisions should be provided.
- 15) Plans for publication of results – positive or negative- while maintaining the privacy and confidentiality of the study participants.
- 16) Any other information relevant to the study.



APPENDIX IV- HSSREC FORM 1b

THE UNIVERSITY OF ZAMBIA
DIRECTORATE OF RESEARCH AND GRADUATE STUDIES
HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

Telephone: +260-211-290258/293937
Fax: +260-211-290258/293937
Zambia
E-mail drgs@unza.zm

P O Box 32379
Lusaka,

HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

PARTICIPANT INFORMATION SHEET

(This template is for research interventions that use questionnaires, in-depth interviews or focus group discussions)

(language used throughout form should be at the level of a Grade 8 student)

Notes to Researchers:

1. Please note that this is a template developed by HSSREC to assist the Principal Investigator in the design of their informed consent forms (ICF). It is important that Principal Investigators adapt their own ICFs to the outline and requirements of their particular study.
2. The informed consent form consists of two parts: the information sheet and the consent certificate.
3. Do not be concerned by the length of this template. It is long only because it contains guidance and explanations which are for you and which you will not include in the informed consent forms that you develop and provide to participants in your research.
4. This template includes examples of key questions that may be asked at the end of each section that could ensure the understanding of the information being provided, especially if the research study is complex. These are just examples, and suggestions, and the investigators will have to modify the questions depending upon their study.

5. In this template:

- square brackets indicate where specific information is to be inserted
- bold lettering indicates sections or wording which should be included
- standard lettering is used for explanations to researchers only and must not be included in your consent forms. The explanation is provided in black, and examples are provided in red in italics. Suggested questions to elucidate understanding are given in black in italics.

[Informed Consent Form for Trader]

This informed consent form is for Music and DVD traders at Lusaka City Market and who we are inviting to participate in research, titled " **Taxing the informal Sector: Breaking the ground targeting music and DVD sellers at Lusaka City Market**".

[Name of Principle Investigator]

Gabriel Mwamba

[Name of Organization]

University of Zambia

[Name of Sponsor]

Self-Sponsored

[Name of Project and Version]

Thesis

This Informed Consent Form has two parts:

- **Information Sheet (to share information about the study with you)**
- **Certificate of Consent (for signatures if you choose to participate)**

You will be given a copy of the full Informed Consent Form

Part I: Information Sheet

Introduction

I am Gabriel M. Mwamba, a student at the University of Zambia. I am doing research on taxing the informal sector. I am going to give you information and invite you to be part of this research. You do not have to decide today whether or not you will participate in the research. Before you decide, you can talk to anyone you feel comfortable with about the research.

This consent form may contain words that you do not understand. Please ask me to stop as we go through the information and I will take time to explain. If you have questions later, you can ask them of me or of another researcher.

Purpose of the research

The informal sector contributes less to the national treasury whilst it constitutes the largest sector of

the Zambian economy. We specifically want focus on music and DVD traders and find out challenges they face with regards to paying taxes. We want to know what type of taxes they pay and challenges they are facing with respect to paying taxes because this knowledge might help us to learn how to improve collection of taxes from the informal thereby enhancing resource mobilization for government.

Type of Research Intervention

This research will involve your participation by completing the questionnaire form and a ten minutes interview for each participant.

Participant Selection

You are being invited to take part in this research because we feel that your experience as a trader (music and CD sellers) can contribute much to our understanding and knowledge to increase tax collection from the informal sector.

Voluntary Participation

The choice that you make will have no bearing on your on the operation of of your business. You may change your mind later and stop participating even if you agreed earlier.

Procedures

We are asking you to help us learn more about the taxes you pay or not pay and challenges thereof if any. We are inviting you to take part in this research project. If you accept, you will be asked to complete the questionnaire forms and interview you:

You will also be required to complete the questionnaire form and Take part in a one to one. Interview will be guided by myself.

I will guide you to complete the questionnaire and the interview, making sure that you are comfortable. I can also answer questions about the research that you might have. Then we will ask you questions about taxes you are subjected to as the music and DVD seller. If you don't pay taxes kindly highlight the challenges you face. This will give us a chance to understand more about taxes business are subjected to in a different way.

These are the types of questions we will ask: what type of tax do you pay or not pay? If you do not pay tax kindly indicate the reason why as guided by the questionnaire. **We will not ask you to share personal beliefs, practices or stories and you do not have to share any knowledge that you are not comfortable sharing.**

The interview will take place at your stand (trading place) located in Lusaka City Market. If you do not wish to answer any of the questions during the interview, you may say so and the interviewer will move on to the next question. No one else but the interviewer will be present unless you would like someone else to be there. The entire interview will be recorded, but no-one will be identified by name on the tape. The tape will be kept safely. The information recorded is confidential, and no one else except my supervisors and I will have access to the tapes. The tapes will be destroyed after three (3) weeks.

Example 3 (for questionnaire surveys) fill out a survey which will be provided by Gabriel Mwamba and collected by Gabriel Mwamba OR You may answer the questionnaire yourself, or it can be read to you and you can say out loud the answer you want me to write down.

If you do not wish to answer any of the questions included in the survey, you may skip them and move on to the next question. The survey will be distributed to each music and DVD seller at Lusaka City Market and will be collected after two (2) days. The information recorded is confidential, your name is not being included on the forms, only a number will identify you, and no one else except My Supervisors and I will have access to your survey.

Duration

The research takes place over 90 days/ or Three (3) months in total. During that time, we will visit you once and each interview will last for Ten (10) mins for each respondent.

Risks

"There is a risk that you may share some personal or confidential information by chance, or that you may feel uncomfortable talking about some of the topics. However, we do not wish for this to happen. You do not have to answer any question or take part in the discussion/interview/survey if you feel the question(s) are too personal or if talking about them makes you uncomfortable.

Benefits

There will be no direct benefit to you, but your participation is likely to help us find out more about how to structure the taxes in such a way that compliance is enhanced.

Reimbursements

You will not be provided any incentive to take part in the research. However, we will give you [provide a figure, if money is involved] for your time, and travel expense (if applicable).

Confidentiality

The research being done in the community may draw attention and if you participate you may be asked questions by other people in the community. We will not be sharing information about you to anyone outside of the research team. The information that we collect from this research project will be kept private. Any information about you will have a number on it instead of your name. Only the researchers will know what your number is and we will lock that information up with a lock and key. It will not be shared with or given to anyone except [name who will have access to the information, such as research the responsible Lectures and Supervisors from the University of Zambia.

Sharing the Results

Nothing that you tell us today will be shared with anybody outside the research team, and nothing will be attributed to you by name. The knowledge that we get from this research will be shared with you and your community before it is made widely available to the public. Each participant will receive a summary of the results. Then later publish the results so that other interested people may learn from the research.

Right to Refuse or Withdraw

You do not have to take part in this research if you do not wish to do so, and choosing to participate will not affect the operation of your business in any way. You may stop participating in the interview at any time that you wish without your job being affected. I will give you an opportunity at the end of the interview to review your remarks, and you can ask to modify or remove portions of those, if you do not agree with my notes or if I did not understand you correctly.

Question to elucidate understanding: This question must be posed to the participant.

Do you know that you do not have to take part in this study if you do not wish to? You can say No if you wish to? Do you know that you can ask me questions later, if you wish to? Do you know that I have given the contact details of the person who can give you more information about the study? You can ask me any more questions about any part of the research study, if you wish to. Do you have any questions?

Who to Contact

If you have any questions, you can ask them now or later. If you wish to ask questions later, you may contact any of the following: [name, address/telephone number/e-mail]

This proposal has been reviewed and approved by the Ethical Committee from the University of Zambia, which is a committee whose task it is to make sure that research participants are protected from harm. If you wish to find out more about the IRB, contact Dr. Jason Mwanza on 0977945790.

This proposal or protocol has been reviewed and approved by HSSREC which is a committee whose task it is to make sure that research participants are protected from harm. If you wish to find out more about the IRB, contact:

Dr. Jason Mwanza Chairperson, Humanities and Social Sciences, Research Ethics Committee,
University of Zambia
P O Box 32379
LUSAKA

OR

Professor. Henry M. Sichingabula Director, Directorate of Research and Graduate Studies
University of Zambia
P O Box 32379
LUSAKA

State if also it has been reviewed by a primary ethics committee by indicating an organization which may have reviewed the proposal. This primary ethics committee may be another university's ethics committee or a REC or IRB in another country) or an organization which is funding/sponsoring/supporting the study. Having granted ethical approval by a primary ethics committee in another country does not preclude obtaining ethics approval in a study country.

"Approval to conduct this research has been provided by the University of Zambia, in accordance with its ethics review and approval procedures. Any person considering participation in this research project, or agreeing to participate, may raise any questions or issues with the researchers at any time.

In addition, if you are/ or any person is not satisfied with the response of researchers may raise ethics issues or concerns, and may make any complaints about this research project by contacting the HSSREC on the address sated above.

All research participants are entitled to retain a copy of any Participant Information Form and/or Participant Consent Form relating to this research project."

Part II: Certificate of Informed Consent

I have been invited to participate in research about taxing the informal sector breaking the ground to music and DVD sellers at Lusaka City Market.

(This section is mandatory)

I have read the foregoing information, or it has been read to me. I have had the opportunity to ask questions about it and any questions I have been asked have been answered to my satisfaction. I consent voluntarily to be a participant in this study.

Print Name of Participant _____

Signature of Participant _____

Date _____

Day/month/year

*If illiterate*³

I have witnessed the accurate reading of the consent form to the potential participant, and the individual has had the opportunity to ask questions. I confirm that the individual has given consent freely.

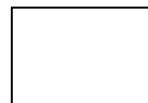
Print name of witness _____

Thumb print of participant

Signature of witness _____

Date _____

Day/month/year



If vulnerable or incapacitated like pregnant women, children, people with mental illness, people with disabilities, prisoners and minority groups for instance, the investigator must ensure that there is a well-educated and motivated surrogate or proxy decision maker. When comprehension is an issue the research plan should include means of testing the participants' understanding of the important information prior to enrollment.

Statement by the researcher/person taking consent

I have accurately read out the information sheet to the potential participant, and to the best of my ability made sure that the participant understands.

I confirm that the participant was given an opportunity to ask questions about the study, and all the questions asked by the participant have been answered correctly and to the best of my ability. I confirm that the individual has not been coerced into giving consent, and the consent has been given freely and voluntarily.

³ A literate witness must sign (if possible, this person should be selected by the participant and should have no connection to the research team). Participants who are illiterate should include their thumb print as well.

A copy of this ICF has been provided to the participant.

Print Name of Researcher/person taking the consent_____

Signature of Researcher /person taking the consent_____

Date _____
Day/month/year

CONTACTS FOR QUESTIONS (Names, addresses and phone numbers of the following):

1. Principal Investigator (Must be a local person and a Zambian).

Names:

Phone:

E mail:

Physical address:

