UNIVERSITY OF ZAMBIA AND ZIMBABWE OPEN UNIVERSITY

AN EMPIRICAL CORRELATIONAL STUDY ON ZAMBIA REVENUE AUTHORITY (ZRA) ELECTRONIC-TAX SYSTEM AND ADOPTION LEVELS AMONG SMALL SCALE ENTERPRISES IN KALINGALINGA TOWNSHIP OF LUSAKA DISTRICT, ZAMBIA.

BY

HENRY KAFUSHA

A RESEARCH PROPOSAL SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR AWARD OF MASTERS DEGREE IN BUSINESS ADMINISTRATION OF THE UNIVERSITY OF ZAMBIA

LUSAKA, ZAMBIA

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Declaration

I Henry Kafusha, declare that this report is my original work and has not been presented for the award of a master's degree in Business Administration of The University of Zambia or any other institution of higher learning for examination.

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Henry Kafusha Date

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This research report has been submitted for examination with my approval as the university supervisor.

………………………………… …………………………………

Signature Date

Professor. William Phiri - PhD

Dedication

This dissertation is dedicated to my late parents Mr. and Mrs. Kafusha, and my wife Gloria Lesa. The dedication equally extends to my children Francis, Eric, Henry, Andrew, Faith and Abraham for their inspiration. Indeed, their constant support and encouragement brought me this far. My children's sacrifice meant that their much-needed social needs were at times denied but for a good cause. To them all I dedicate this work.

Acknowledgement

For this study work, I owe much to the various authors that have tried to bridge the knowledge gap on the tax adaptation levels of SMEs trough use of electronic systems of SMEs in Zambia and beyond. My special thanks also go to my thesis supervisor Prof. William Phiri-PhD for his tireless effort, ideas, patience and suggestions which smoothly guided this project to its completion.

Additional thanks go to the Faculty of Business Studies at the University of Zambia for their academic guidance and also Above all, this acknowledgement would be incomplete if I do not recognize the Almighty God as the source of my strength in all that I do.

List of Abbreviations

BoZ:	Bank of Zambia
CSO:	Central Statistical Office
E-Tax:	Electronic Tax
MDGs:	Millennium Development Goals
MFI:	Micro Financial Institutions
MSE:	Micro Small enterprises
SIDO:	Small Enterprise Development Organization
SME:	Small to Medium Enterprise
SMEs:	Small, Medium and Enterprises
ZDA:	Zambia Development Agency
ZRA:	Zambia Revenue Authority

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Abstract

Taxation is essential for sustainable economic development, and tax administration is a basic function of a successful state. Taxation also helps make a government accountable to its citizens. The Zambia Revenue Authority and the banking sector launched the e-payment system for domestic taxes through web portals and ATM's in order to improve efficiency and increase revenue collection. The electronic tax system was introduced by ZRA to increase tax collection, administration, avail services to the tax payers all the time from anywhere, reduce costs of transaction and improve tax compliance. However, tax compliance levels in Zambia remain low and tax collections are below the targets set by ZRA. The main aim of this study was to assess the impact of ZRA e- payment tax system on adoption levels among Small to Medium Enterprises in the informal sector in Lusaka with a main focus on Kalinga-Linga Township based SMEs. The target population for the study comprised of Small and Medium Scale Enterprises in the in the informal sector in Lusaka's Kalinga-Linga Township. A simple random sampling technique was used to select a total of 50 SMEs in the informal sector which constituted the sample size for this study. The study employed the use of self-administered questionnaires and data was collected from the questionnaires and analysed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage. A review of the results showed that the majority of the metal fabricator entrepreneurs (80%) in Kalinga-Linga Township did not have the knowledge (Know-How) of how to incorporate internet into their business activities. The technical skills of the filing tax returns can also be identified as a challenge facing taxpayers as many of them fear the notion and consequences of errors from online filing such as keying-in incorrect information. The study further brought to light that the technical skill of filing tax returns is still a factor that influences the tax compliance. Based on the research findings, the inquiry recommended that more awareness campaigns and marketing of the tax online system should be done by ZRA in order to secure an increase in the informal sector taxpayers on the system.

CHAPTER ONE: INTRODUCTION

1.0 Overview

This chapter presents an introduction to the study, back ground of the study, statement of the problem, general objectives, specific objectives, research questions, scope of the study and concludes with the significance of the study.

1.1 Background to the Study

Taxation is essential for sustainable economic development, and tax administration is a basic function of a successful state. Taxation equally helps make a government accountable to its citizens. When governments spend taxpayers' money, they are more accountable to make budget decisions transparent and accessible (Joan, 2013)

Moyo (2009), postulates that "taxation is a mechanism used by nations and states world-wide, to raise revenue for provision of public goods and services''. Tax collection is beneficial as it reduces dependence on foreign aid. Moyo (2009) equally observed that most developing countries in Africa need the support of self-motivated taxpayers with an economically responsible and accountable government The tax laws stipulate that both the formal and informal sectors are eligible to taxpaying.

In the recent years, technology has influenced the way we work, play, and interact with others. The use of technology to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance has come to attract increasing attention in developed and developing countries (Dowe, 2008).

In order to improve efficiency and increase revenue collection, the last few years have seen various measures undertaken by both the government and the ZRA to improve capacity and reduce tax compliance and administration costs for taxpayers and the ZRA alike. In addition to introducing an electronic tax filing and payment system, there has been significant investment in building knowledge and capacity by the ZRA (Pwc, 2015).

This study is designed to assess the effects of the Zambia Revenue Authority (ZRA) the electronic-tax system on the adoption levels among Small Scale Enterprises in township areas- a case of Kalingalinga in Lusaka district. Tax systems in developing economies, like those in more developed ones, face both new challenges and new possibilities as a result of technological change. Zambia's ongoing reform of its electronic tax filing and payment system shows how and under what conditions technology can benefit both tax authorities and taxpayers.

Wasao (2014) describes the electronic tax (E-Tax) system as an online platform whereby the taxpayer is able to access through internet all the services offered by a revenue or financial authority such as the registration for a personal identification number, filing of returns and application for compliance certificate. A perfect example of such system is the Electronic taxation system that was rolled out in October 2013 by the Zambia Revenue Authority (ZRA), in which the authority made progress on its commitment to address the high tax compliance costs for taxpayers with the introduction of 'Tax Online', which is an electronic tax filing and tax payment system.

On Wednesday August 27th 2014, the Zambia Revenue Authority, together with the Finance Bank of Zambia Limited (FBZ), launched its first the electronic-tax system for domestic taxes through web portals and ATM's. The electronic-taxplatform allows taxpayers to register for a Taxpayer Identification Number (TPIN), and execute online real time payments 24/7 from anywhere. Zambian taxes covered by the new payment system include: Property Transfer Tax, Withholding Tax, Presumptive Tax, Mineral Royalty Tax, Pay as You Earn as well as many other services related to domestic taxes (ZRA, 2019).

Getting citizens and institutions to pay their taxes painlessly without hissing has been the dream of all governments. From a macroeconomic perspective, tax policy in Zambia has been comparably effective at raising revenues, as measured by tax/GDP ratios. Tax revenue in Zambia is the biggest source of budget financing and accounts for about 70% of the total budget. The 18 percent tax/GDP ratio, which had been maintained throughout the first decade of the new millennium, had since declined to 15%. Currently, the ratio is showing an increasing trend again (Lab of Tomorrow, 2015).

According to the ZRA the informal sector consists of businesses not registered with government authorities, businesses operating at subsistence level, suppliers to the final consumers, and small and medium-sized enterprises (SME). Further characteristics include the predominant reliance on cash as the medium of exchange and a lack of accounting records and poor bookkeeping (Lab of Tomorrow, 2015).

According to NCR, (2011) small land medium enterprises (SMEs) find Zambia's informal trading sector attractive as the capital requirements are relatively small and in most cases generated from the traders' own personal savings. The sector is also not homogenous and can come in almost any form. For example, it can cover the (i) sale of cooked and uncooked foods which reflects the dominance of agriculture in the economy; (ii) service sector which includes hair salons and barber shops, general stores (or kiosks or tuntemba's) and sale of used clothing (salaula); and (iii) the manufacturing of wood and metal products (welder's) notably furniture and related household metal-based goods.

In Zambia, MSME Development Policy (2008) gives a re-definition of the different categories of enterprises in the sector. Proper classification of enterprises is a prerequisite for successful targeting of support programs and incentives provision. In this regard, MSMEs in Zambia shall be defined based on the following business variables:-

- Total fixed Investments
- Sales Turnover
- Number of employees.
- Legal status

Below is the official Zambian definition of Enterprises in the MSME sector.

1.1.1 Micro Enterprises

A micro enterprise shall be any business enterprise registered with the Registrar of Companies;

i. Whose total investment excluding land and buildings shall be up to Eighty Thousand Kwacha (K80, 000).
ii. Whose annual turnover shall be up to One hundred and Fifty Thousand Kwacha (K150, 000).
iii. Employing up to ten (10) persons.

1.1.2 Small Enterprises

A small enterprise shall be any business enterprise registered with the Registrar of Companies;

i. Whose total investment, excluding land and building. In the case of manufacturing and processing enterprises, shall be between Eighty Thousand and Two Hundred Thousand Kwacha (K80,000– K200, 000) in plant and machinery;

   In the case of trading and service providing enterprises shall be up to One Hundred and Fifty Thousand (K150, 000) Kwacha.

ii. Whose annual turnover shall be between One Hundred and fifty one Thousand and Three Hundred Thousand (K151, 000- K300, 000) Kwacha.

iii. Employing between eleven and forty nine (11- 50) persons.

1.1.3 Medium Enterprises

A medium enterprise shall be any business enterprise larger than a small enterprise registered with the Registrar of companies;

i. Whose total investment, excluding land and building;

   In the case of manufacturing and processing enterprises, shall be between Two Hundred and one Thousand and Five Hundred Thousand (K201, 000 –K500, 000) Kwacha in plant and machinery,

   In the case of trading and service providing shall be between One Hundred and Fifty One Thousand and three Hundred Thousand (K151, 000 –K300, 000) Kwacha.

ii. Whose annual turnover shall be between Three Hundred Thousand and Eight Hundred Thousand) (K300, 000 - K800, 000).

iii. Employing between Fifty One and One Hundred (51 -100) persons.

1.1.4 Informal Enterprise

An informal enterprise shall be any business enterprise not registered with the Registrar of Companies;

i. Whose total investments excluding Land and Building shall be up to Fifty Thousand (K50, 000) Kwacha.
ii. Employing less than Ten (10) persons.

To qualify as micro, small or medium enterprise under the above mentioned categories, the legal status and total investment criteria must be met together with at least one other criterion.
This Research looks at Small Scale Enterprises in the Micro Enterprises category as defined by the Policy Document referred to above.

It is a well-known fact that the revenue generated from the taxation of individuals and businesses is an important stream of income for government. In an economy like Zambia's that is struggling to remain afloat, it is even more important that individuals and firms remain tax compliant. Small and Medium Enterprises being profit generating establishments are also expected to pay their dues because tax revenue is the source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply etc.

1.2 Statement of the Problem

Governments in developing countries face great challenges in collecting tax revenues, which result in a gap between what they could collect and what they actually collect. One of these challenges according to Muita (2011), is the embracing of emerging technologies and tax payment methods that are more efficient so as they can reduce wastage. The electronic tax system was introduced by ZRA to increase tax collection, administration, avail services to the tax payers all the time from anywhere, reduce costs of transaction and improve tax compliance (Wedson K, 2019). In 2016, ZRA recovered taxes revenues amounting to a total of K23.4billion against a target of K23.8 billion through its electronic tax system alone (ZRA, 2019).

A report done by the Jesuit Centre for Theological Reflection (JCTR), (2011), indicated that the informal sector in Zambia is growing rapidly but its contribution to tax revenue has remained poor. JCTR further indicated that in order to meet the ever-growing demand for social services and development there is need to extend taxation to the informal sector. Their report recommended that ZRA needed to continue developing innovative approaches that can provide less costly taxpayer services, such as e-payment and e-filling and improve taxpayer education to the informal sector in order to maximize on the tax revenue for government to meet its national budget deficits.

Therefore, if left unchecked, government may not realize the full potential that can be tapped into from the collection of tax revenue from the informal sector only through use of innovative means. To this effect the researcher was prompted to undertake a study of this nature in order to assess the impact of ZRA electronic-tax system on the adoption levels among the informal Small-Scale Enterprises.

1.3 Purpose of the study

The purpose of the study was on Zambia Revenue Authority (ZRA) Electronic-Tax system and adoption levels among Small Scale Enterprises in Kalingalinga Township of Lusaka district Zambia

1.4 Objectives of the Study

The following constituted the objectives of the study;

1.4.1 General Objectives

This study aimed to conduct an empirical correlational study on Zambia Revenue Authority (ZRA) Electronic-Tax system and adoption levels among Small Scale Enterprises in Kalingalinga Township of Lusaka district Zambia.

1.4.2 Specific Objectives

1. To establish the relationship between the levels of education and understandability of the electronic-tax system to the levels of Tax compliance.
2. To identify the challenges that Small Scale Enterprises face in using the electronic-tax system as a means of filing the tax returns.
3. To determine the effect of Electronic-Tax system by ZRA on the levels of tax compliance by Small Scale Enterprises in Kalingalinga area

1.5 Research Questions

1. What is the relationship between the levels of education and understandability of the electronic-tax system to the levels of Tax compliance?
2. What challenges do small scale enterprises face in using the electronic-tax system as a means of filing the tax returns?
3. What are the effects of Electronic-Tax system by ZRA on the levels of tax compliance by Small Scale Enterprises in Kalingalinga Area?

1.6 Hypothesis of the study

Below were the hypotheses that this study will test

Hypothesis Test One

H_0: There is no significant relationship between the levels of education and understandability of the Electronic-Tax system to the levels of Tax compliance

H_1: There exists a significant relationship between the levels of education and understandability of the Electronic-Tax system to the levels of Tax compliance

Hypothesis Test Two

H_0: The introduction of the electronic-tax system by ZRA has not significantly improved the levels of tax compliance by Small Scale Enterprises in Kalingalinga area

H_1: The introduction of the electronic-tax system by ZRA has significantly improved the levels of tax compliance by Small Scale Enterprises in Kalingalinga area

1.7 Significance of the Study

It is worth mentioning that most researchers have found this area of study very important to the development of the socio-economic activities in developing countries like Zambia. This study is centered on the activities of Small Scale Enterprises and their compliance to e-tax systems. A study of this nature is very imperative as it would provide the government with the needed information in designing a policy frame work to enhance the revenue collection systems. It would also enlighten the Small Scale Enterprises proprietors on the importance of tax compliance and its merits (Nuwagaba, 2015).

1.8 Scope of the study

They information obtained is between 2020 and 2021. Due to financial and resource constraints, the study was limited to among small scale enterprises in Kalingalinga Township of Lusaka District, Zambia.

1.9 Conceptual Framework

The conceptual framework outlines the independent and dependent variables which the researcher has conceptualized in relation to the role that MFIs play in the development of Small Scale Enterprises in the hair dressing industry.

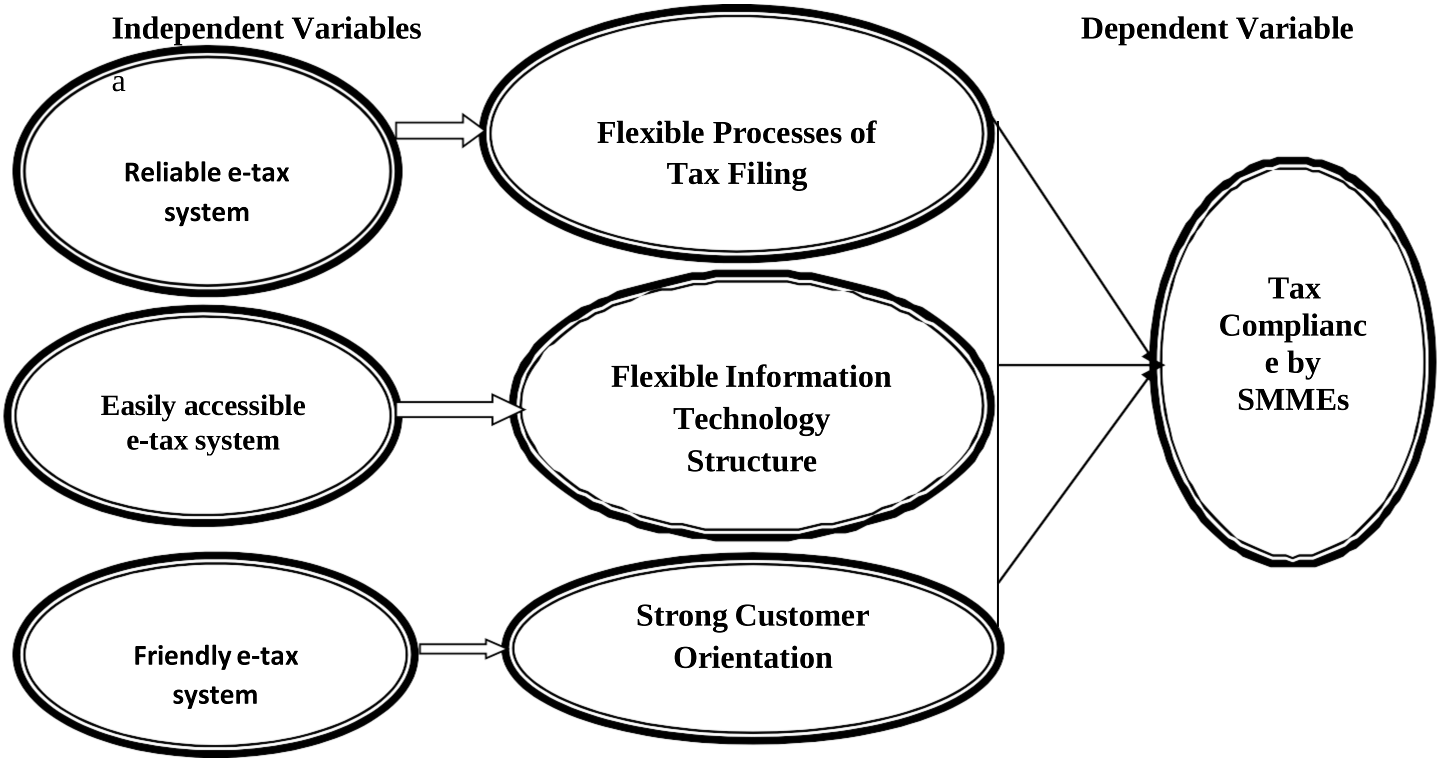


Figure 1: Conceptual Framework
(Source: Hassen L, et al., 2015)

1.10 Limitation of the Study

The researcher anticipates to be faced with time constraints in completion of this research study. Another limiting factor that the researcher faced is that of Small Scale Enterprises proprietors having the fear to fully participate in this research study due to various reasons such as those to do with politics interference in operations of the Small Scale Enterprises in Kalingalinga Township. However, the researcher counter-acted these limitations by properly planning and managing of the scarce resource of time as well as fully explained the intentions of this study to the respondents.

1.11 Theoretical review

1.11.1 Neoclassical Economic Theory

According to the neoclassical economic theory which makes use of the Smithian concept of homo economic us, taxpayers are selfish rational utility maximizes who, following the optimal strategy, try to evade taxes as a means of obtaining the best outcome (Guala and Mittone, 2005). The phenomenon was coined “bomb-crater” effect and refers to the following situation: “a taxpayer who has recently been audited seems to believe that the likelihood of a subsequent audit is very remote; therefore, the risk of evasion appears to be low. After several periods, however, the assumed likelihood of audits increases again, and compliance increases” Some studies report a negative relationship between tax rate and compliance behavior.

1.11.2 Theories of Tax Compliance

Various opinions exist about the best ways to improve tax compliance. Given the chance, a lot of businesses will not pay taxes unless there is a motivation to do so. Some believe that the best way is to increase incentives (Feld & Frey, 2007) others believe the best way is to increase penalties. Tax compliance theories can be broadly classified into two. They are; economics based theories and psychology based theories.

1.11.3 Psychology Theories

Psychology theories on the other hand posit that taxpayers are influenced to comply with their tax obligations by psychological factors. They focus on the taxpayers’ morals and ethics. The theories suggest that a taxpayer may comply even when the probability of detection is low. As opposed to the economic theories that emphasize increased audits and penalties as solutions to compliance issues, psychology theories lay emphasis on changing individual attitudes towards tax systems (Trivedi and Shehata 2005).

1.12 Definition of Key Terms

Electronic Tax system: Is an electronic tax system is an online platform that enables the taxpayer access tax services through the internet (Wasao, 2014). Such services include registration for a tax identification number, filing of returns and registration of a payment and compliance certificate application.

Small and medium-sized enterprises (SMEs): are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries.

Tax compliance: Is the timely filling and reporting of required tax information, the correct self-assessment of taxes owed, and the timely payment of those taxes without enforcement action **(**JCTR, 2011). From this definition, there are three dimensions of tax compliance: filing, reporting, and payment compliance.

Tax Payer Education: This refers to programs aimed at teaching taxpayers about their tax rights, responsibilities and legal requirements. Also refers to the method of educating the people about the whole process of taxation and why they should pay tax.

Tax: Tax is defined as 'a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return' (Lymer and Oats, 2009)

Voluntary Tax Compliance: Voluntary tax compliance refers to the principle that taxpayers will cooperate with the tax system by filing honest and accurate annual returns

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

The chapter reviews the literature related on small scale enterprises and their levels of taxation compliance as well as the impact of low tax compliance levels on the development of a country. The chapter equally uncovered some studies that have been done pertaining to compliance of e tax systems in other countries. Kumar, (2005) explained the importance of doing a literature review that brings clarity and focuses on the research problem, as it helps the researcher to understand the subject area better, thus helps to conceptualize the research problem clearly and precisely. It also helps to understand the relationship between the research problem and the body of knowledge in the area. Literature review improves the methodology, as it tells the researcher if others have used procedures and methods similar to the ones being proposed, meaning which procedures and methods have worked well for them, and what problems they have faced.

The literature review also improves the methodology, as it tells the researcher if others have used procedures and methods similar to the ones being proposed, meaning which procedures and methods have worked well for them, and what problems they have faced. The sources of information in the literature review include journal articles both open and closed access, reports from education, books, and recommended readings from the supervisor among others. Therefore, this literature review was guided from the global perspective, regional perspective and local perspectives

2.1 Electronic Tax System from a Global Perspective

Araki (2013) narrated that tax administration bodies in Asia and the Pacific, including those in developing economies are generally equipped with basic foundations for ICT-based tax administration operations. A majority of economies have an in-house ICT system for tax administration, while all economies surveyed are now providing, to a certain degree, tax information to taxpayers through their internet websites. With respect to electronic tax filing systems, the picture varies from one economy to another (Araki, 2013). He further explained that while penetration rates have reached quite high levels in developed economies, even where electronic tax filing is available, its penetration rates are still low in some developing economies.

On the other hand, the trend in tax payment appears to have shifted from in-person payment at tax offices to electronic tax payment such as internet banking and direct debit based on bank systems, which will help reduce corruption risk and resource costs at tax offices. Experience in social media platforms is still new for tax administration bodies. As these social media platforms have potential as effective communication tools, future developments in developing economies can be expected. Implications for tax administration bodies in developing economies and international and donor organizations providing assistance to developing economies are as follows. First, a tax administration ICT system should be developed with a dual purpose, i.e., serving for tax administration bodies' operations including enforcement activities, and for the convenience of taxpayers. Second, electronic taxpayer services should be mixed with good policies that enhance taxpayers' use of these services. Third, for economies where small and medium taxpayers' access to ICT and financial services are still limited, measures such as tax payment by mobile phones will facilitate taxpayers' access to tax administration. (Araki S, 2013).

An analysis of the conclusion made by Araki (2013) on electronic tax administration, it can be noted that the journal made emphasis on strides that the Asian and Pacific administration of ICT tax system should be developed with a dual purpose, i.e., serving for tax administration bodies and for the convenience of taxpayers. However, the journal did not have adequate literature that highlights factors that attribute to compliance by small and medium tax payers. In addition to the factors, It is equally of grave importance that the relationship between the compliance levels and the electronic tax systems is established in order to understand the significance of ICT tax systems in the Asian and Pacific economies.

Nerre (2002) observes that the concept of tax could best be understood from the synthesis of 'tax' with 'culture'. Furthermore, that in defining a country's tax culture, not only tax system and the actual tax practice will be under consideration, but also the relationship between the tax authorities and the taxpayers. Culture, which however is dynamic, should be taken to mean the collective programming of the mind through an ongoing modification process that will be influenced by both the external and internal environment. Ultimately, the combined synthesis of tax culture specifies to a particular country's tradition of taxation on one hand, and the interaction of the taxpayers and the cultural values such as honesty, justice and sense of duty.

Nerre (2002) reveals that tax culture was synonymous to tax mentality which was represented by two components of tax moral and tax discipline.

These were brought in not by default, but were aimed at harmonizing the relationship of the taxpayer to the government tax office administrators. Accordingly, the term tax moral was connected with certain willingness to tax- compliance. Whereas tax discipline reflected the tax payers' attitude towards compliance or non- compliance to paying tax as shown by their behaviours. 'A country's specific tax culture is the entirety of all relevant formal and informal organisations connected with the national tax system and its practical execution, historically embedded within a country's culture including the dependences and ties caused by their own going interactions' (Nerre, 2002).

Espousing on Nerre's conceptualization of tax, both Lipsey (1963) and Namangala (2004) share the same idea that the general concept of tax is widely acknowledged as a tool of revenue collection by the governing bodies; and based on the taxpayers' ability to pay their fair share of the required public money without undue hardship or a unacceptable degree of interference with their businesses. Simbyakula (1990) wrote on taxation and economic development in Zambia, conceptualised tax on the 'cost-benefit principle'. This was embedded in the rationale that since a nation incurs costs in providing governmental services which are in fact, financed out of taxes; a government is entitled to levy tax on those who may be presumed to benefit from the services. Moreover, those taxes were levied because it was necessary to compel people to relinquish their claims on resources and thus, allow the government to use it.

2.3 Electronic Tax System from a Regional Perspective

Night and Bananuka (2018) conducted a study which was aimed at investigating the mediating effect of adoption of an electronic tax system in the relationship between attitude towards electronic tax system and tax compliance of Small Business Enterprises (SBEs) in Uganda. The study was achieved through a questionnaire survey of 214 owner managed SBEs through managers of these businesses. Results suggest that adoption of electronic tax system mediates the relationship between attitude towards electronic tax system and tax compliance. Overall, the findings of their study made important insinuations for academics as well as practitioners and regulators.

The study recommended the Ugandan Government through tax authorities to improve tax compliance by sensitizing taxpayers about the benefits of electronic tax systems which may positively change taxpayers' attitude towards electronic tax system and embrace the system and thus tax compliance (Night and Bananuka J, (2018). The study explained that Tax authorities need to focus on increasing electronic tax system usage and ensure that there is further training of taxpayers on the importance of tax compliance as well. SBEs' owners and managers may need to ensure that they comply with tax laws, and this is possible if the necessary infrastructures such as computers and qualified personnel are in place (Night and Bananuka, 2018)

On the contrary, Wasao (2014) conducted a study in order to establish the effects of online filing system on tax compliance among small taxpayers in East of Nairobi tax District. The objective of the study was answered using three research questions which revolved around online tax registration, online tax filing and online tax remittances, and how each is affected by online system in order to enhance compliance. The study sampled 160 taxpayers based in East of Nairobi tax District. Data obtained was subjected to quantitative methods of data analysis using SPSS (version 20). The findings of the study were that online system do affect tax compliance level among small taxpayers in East of Nairobi as far as registration, filing and payments were concerned, From the regression analysis, it was revealed that holding online tax registration, filing and payment to a constant zero, tax compliance would stand at 3.663 (Wasao, 2014).

A unit increase in online tax registration would lead to increase in tax compliance among small tax payers in east of Nairobi by factor of 0.051 and a unit increase in tax filing would lead to an increase in tax compliance by factors of 0.161 while a unit increase of online tax payment would result to increase in tax compliance by factor of 0.086.Though the degree of compliance would differ from one sector of the population to another. Mining and mines sector seemed not to have embraced online filing as it recorded the least of the findings. The study recommended that a further study should be done to establish how online system not only affect compliance in mines and minerals sector but also other tax districts of small taxpayers which are considered more/less advanced than East of Nairobi tax District.

An analysis of the study conducted by (Night and Bananuka, 2018), revealed that the study recommended the Ugandan Government through tax authorities to improve tax compliance by sensitizing taxpayers about the benefits of electronic tax systems which may positively change taxpayers' attitude towards electronic tax system and embrace the system and thus tax compliance. This recommendation is key owing to the fact that ICT have not been fully embraced on the African continent. However, (Night and Bananuka, 2018) did not highlight much on the factors that attributed to a negative attitude towards electronic tax system in Uganda.

The study conducted by Wasao (2014) established that there was no significant relationship between electronic tax system and compliance by firms in the mining industry. Therefore this presents an opportunity for further research on the existing relationship between electronic tax systems and compliance levels in other sectors of the economy such as manufacturing which have a huge number of SMEs as compared to the mining sector in most countries.

2.4 A Review of the Launch of Tax Online in Zambia

Historically, Namangala (2004) in his study on perceptions of tax laws in Zambia reveals that taxation, in Europe, dates back to the Roman Empire under Augustus Caesar who introduced customs import duties called portoria. This was done in order to provide retirement funds for the military.

Perceptions on tax before colonial Africa are also better explained by Rodney (1988) who says that old and eminent cultures such as Egypt behaved in a coercive or oppressive manner when collecting tax from people. Here, the traditional rulers asked tax collectors to perform the miracle of taking from the peasants even that which they did not have and when the demands of tax collectors were not met, the peasants were brutalized.

Rodney (1988), in his book entitled how Europe under developed Africa says most of the colonial administrators of African countries as early as the 19th century created conditions where Europeans owned most of the fertile land. Consequently, the landless Africans were made to work for the Europeans in order to raise money for tax on numerous items such as cattle, land, houses and the people themselves. In Zambia, the activities of the informal sector can be traced back to pre-independence era when the local African natives were manufacturing handcrafts for sale to the white European settlers as a means of raising money to pay their hut-tax (Mulwila and Mushota, 1981).

Simbyakula (1990) revealed that before the advent of colonial domination, a type of taxation in form of tribute was paid in kind by the inhabitants to the chiefs of particular chiefdoms. It meant each head of a household had to voluntarily contribute a portion of his/her harvest to the chief who in turn kept it in an open-access silo or bin. Thereafter, the surplus accrued by the chief would be distributed amongst the subjects in times of shortages, war, festivals and to cater for needs of particular people as a gesture of social welfare scheme.

By contrast, after Zambia's independence, the GRZ, Ministry of Finance and National Planning (2008) reveals that various individuals and organisations contributed to the formulation of the Zambian tax policy. Langmead et. al. (2006: 35-56) who wrote on tax policy issues in Zambia agrees that 'different types of taxes were adopted and applied at varied rates across the industries of agriculture, tourism, manufacturing, financial institutions, mining and various small businesses'. Langmead and his colleagues give a breakdown of tax types as follows:

2.4.1 Direct Tax

This type of tax which is regulated under the Income Tax Act 1993 applied to both small businesses and companies or bigger undertakings. This type of tax was to be paid in proportionate to the money raised from within Zambia. The items payable under direct (income) tax were such as business profits and Pay As You Earn (PAYE)

2.4.2 Indirect Tax

This type of tax was introduced as a Value Added Tax (VAT) in 1995 and replaced the defunct sales tax. VAT is also known as a consumption tax chargeable at anytime goods or services changed hands between individuals and companies. At the time when this study was being conducted, the chargeable VAT rate against the purchase price of the product or service was 16%. However, the incentive given by the ZRA to VAT payers was a refund or reclaim on any money previously paid at importation of any raw materials used by the concerned individuals or companies engaged in manufacturing.

2.4.3 Tax Education

The term tax education is, but a pattern or form of civic education as one of the various concepts used to refer to adult education. UNESCO (1976) quoted by Nafukho, Amutabi and Otunga (2005: 6) provided a broad definition of adult education as: The term adult education denotes the entire body of organized educational processes, whatever the content, level, method, whether formal or otherwise, whether they prolong or replace initial education in schools, college and universities as well as in apprenticeship, whereby persons regarded as adults by society to which they belong develop their abilities, enrich their knowledge improve their technical or professional qualifications or turn in a new direction and bring about changes in their attitudes or behavior in a twofold perspective of full personal development and participation in a balanced and independent social, economic and cultural development.

The above definition is grounded on Freire's (1989) view of conscientisation, which is one of the recommended tools for adult education processes aiming at engaging people in a prior stage of reflection and subsequent stage of action. For this reason, knowledge gains, as perceivedfrom the Freirean approaches, was known as conscientisation and sensitisation of societies (Freire, 1989). Conscientisation was viewed as a type of problem-solving education, which stimulated self-reflection and critical awareness in people of their social reality and of their ability to transform that reality by their conscious collective action (Burkey, 1993). Selfreflected critical awareness is achieved by 'looking into one self' and using what one hears, sees and experiences to understand what is happening in one's own life. A further argument was that 'understanding what is happening arose from an inner conviction that you yourself, together with other like-minded others, can do something to change your lives; to transform reality' (Burkey, 1993: 55).

Therefore, it was important to realize that conscientisation means something which occurs within a person. The implication of conscientisation for the study of tax education is aimed at discovering if positive attitude such as tax-compliance could be learnt and adopted by society in Zambia, and starting with the artisan marketeers. The conscientisation for the study of tax education adopted from Nanavatty (1960) reveals that education for citizens was a continuous process of relating an individual or groups to their social and civic responsibilities.

In agreement with Nanavatty's view, Simbyakula (1990) advises the ZRA to build a good public relations image to an extent where they would be willing to assist taxpayers in preparing and maintaining their tax records if necessary. 'Whenever, there is a change in tax laws, ZRA should widely publicize them and their effects explained because often people do not pay tax or fail to take advantage of incentives because of lack of knowledge or information'(Simbyakula,1990: 167). To this effect, Simbyakula suggests more co-coordination between ZRA and tax payers.

This is linked to principles of accommodation or dialogue, so as to embrace different problems and different people with divergent views rather than relying on persuasion and influence of one's mighty position. However, Hesburgh, Miller and Wharton (1973: 50) say 'education for citizenship in civic policies cannot occur without reference to almost every agency and institution, both private and public.'

Other writers such as Burkey (1993: 50) advocate more participatory approaches to education and say 'people must feel and believe it is their own efforts that are driving the development processes'. People must have confidence in their ability or knowledge to identify problems which may lead them to finding solutions towards improved livelihood. Rwantabagu (1994) contributes by arguing that institutional patterns in society were vital in adult education as such approaches would consider structures to be adopted, the pattern of administration and finances, the content to be taught and how it will be delivered, facilitators or teachers to be used, the language of instruction and the times and frequency of the learning sessions. These are but, some of the institutional program delivery framework needed.

The ZRA advice centre brochure (2009) states that the self-employed in Zambia are compelled to register as taxpayers by notifying the ZRA Commissioner General within thirty days of their existence in business. This enabled them to be given a reference number called Taxpayers' Index Number (TPIN) which they were to use whenever they were dealing with the ZRA on tax issues. Therefore, those that do not apply or do not have the TPIN are technically excluded from paying tax as they do not appear on the ZRA tax registers. The brochure also states that any person doing business with an ability of maintaining financial records and earning an income of ZMK200 000 000 or less per year, must pay government tax applicable to smaller businesses. At the time of conducting this study, a small business was a firm that claimed an income of up to or less than ZMK200 000 000 in each year.

The GRZ, National Authorizing Officer of the European Development Fund (NAOEDF) report (1996) particularly mentions that marketeers are required to pay tax just like any other self-employed individuals in Zambia. However, it is reckoned that it is difficult to track down self-employed people or marketeers as they are spread all over urban and rural areas of Zambia.

The NAOEDF report reveals that taxpayers in the markets who were unable to maintain records are charged only ZMK10 000 each year as an incentive to motivate them. Similarly, Langmead (2006) says the ZRA also introduced a scheme whereby, the smaller businesses or the self-employed were asked to pay only 3% of their total income earned in each year as tax. This was done by ZRA in order to mitigate the costs of compliance on a sector that always finds it difficult to understand and comply with more complicated tax laws

Both Gluckman (1963) and Mainga (1973) indicate that the Lozi monarchy of pre-colonial Zambia claimed a less repressive type of tax, which required certain tribes to annually send to the King a fixed tribute of canoes, wild honey, fish, skins, iron spearheads and axes. The tax was actually a tribute and locally referred to as ng'amba in Silozi of Western Zambia (translated as 'Kingly things'). It was mainly levied on the subject tribes. Though it was reported by the same writers that failure to bring tribute was punishable, the type of punishment was not explained.

Gluckman (1963) and Namangala (2004) recognize this type of taxation revealed by Mainga (1973) to be grounded on the Afro-centric approach, commonly practiced in Luapula in pre-colonial Zambia. Afro-centrism suggests that 'the Africans had a perception and conception of reality that was peculiarly theirs and; that they themselves were best equipped to articulate this reality' (Chilisa and Preece, 2005: 61). According to Namangala (2004), taxation in Luapula and elsewhere in pre-colonial Zambia was done as a way of showing respect to the traditional rulers through especially, material contribution. Namangala's (2004) study on perceptions of Zambian tax laws says colonization of the then Northern Rhodesia by Britain took away the effectiveness of the traditional taxation system.

This was because the traditional tax gave way to the conventional modern taxes which were, however, differently named by the Africans such as: chibalo in Tongaland, musonko for the Easterners, mutelo in Barotseland and umosonko for the Luapula people and so on. Namangala also found that after the colonization of Northern Rhodesia (Zambia) in 1911 by Britain, a taxation policy that proved to be more forceful and regular was introduced. By contrast, Namangala shows that the African traditional taxation bore no sanctions or enforcement procedures; rather moral impulsion would force one to comply. Snelson (1974: 123) states that the rate of tax charged throughout the territory in 1914 stood at 10/- for each adult male and for an extra wife except the first one.

According to Allport (1935: 798), attitude is defined as ‘a mental and neural state of readiness organized through experience exerting a directive and dynamic influence upon the individual’s response to all objects and situations with which it is related’. In short, attitude is one’s thoughts and views regarding anything. Therefore, attitude is essentially one’s outlook, thoughts and feelings. However, related to attitude is behavior, which is what one does as a result of the held attitude? Kiesler, Collins and Miller (1979) agree with Allport (1935) and say that attitude was influenced by behavior, as it generated and determined the way an individual reacted towards varied stimuli. Thus, attitude was infected from modes of behavior by a specific individual over a time span that will yield character, consistency and selectivity.

Historically, the tax that existed during Zambia’s colonial era, which was called either ‘hut-tax’ or ‘house-tax’ or forced labor, was reportedly disliked by the Africans (Snelson, 1974). According to Namangala (2004), the forced labor tax was nicknamed chibalo (meaning ‘labor’ in English) by the Tonga speaking people of current Southern province in Zambia. The naming of this tax chibalo which meant ‘labor’ reveals a dislike of it by the locals. Similarly, Gluckman (1963) who was considered an accomplice to the tax collection errands by the colonial administration was nicknamed makapweka by the Lozis, meaning in vernacular, ‘one who brings terror or misery’. This, among others showed the dislike people had over colonial taxes. In fact, Rodney (1988) says the Africans were so suspicious about taxes in the colonial era that they never wanted to be counted and hid even their chickens.

Simbyakula (1990) defends the taxpayers and says most people in developing countries were engaged in subsistence production and the issue of whether or not they should pay income tax is debatable. For example, the current controversy is that if the aim of paying income tax in a country was to produce as much revenue as possible, then it was essential to cast a wide tax net. Goode (1951) quoted by Simbyakula (1990) recommends that the existence of a predominantly monetised economy, a high level of literacy, prevalence of reliable accounting records to determine income and a large degree of voluntary compliance were among others, prerequisites to an effective tax system in Zambia. Langmead (2006) states that in modern Zambia, tax has been introduced to the smaller business sector or the self-employed who are involved in a range of economic activities such as: traded goods, restaurants, bars, guest houses, guest houses and so on. Others include small scale manufacturing of wood and metal products, leather products, small scale consultants and providers of services.

Despite the increased activities of the smaller businesses in Zambia, it has been widely observed that the people involved in these trades have a negative attitude about tax-compliance. This observation was also noted by Zambia's 4th Republican President, Rupiah Banda, who bemoaned such negative attitudes by some members of society and said 'if some taxpayers on account of bribes or any other vices did not pay fair taxes, then all the other taxpayers would not be willing to pay fair taxes' (Times of Zambia, 2009: 1). Furthermore, 'many people who mint money in most of Zambian urban markets never gets to pay tax, if they ever pay at all' (Times of Zambia Reporter, 2009: 1).

Such concerns are also held by Berenson (2007) who reveals that non-compliance to tax may create erratic revenue collections and make the government not to function properly in providing for the welfare and security of the nation. Moyo (2009) says that compliance with taxmay increase the chances of maximizing on local revenue collections and thereby, reduce our dependence on donor aid which is usually given with conditions.

To the Namangala (2004) who conducted a study on perceptions of the Zambia's tax laws blames the negative attitudes on the people themselves. He says people are reluctant in getting information from the tax office even on the most basic tax laws. However, Simbyakula's (1990) views were different as he blames the tax office whom he says do not educate or explain to the people the effects or incentives whenever changes in tax were made. Simbyakula (1990) summed up his views by revealing that often people do not pay tax and even fail to take advantage of incentives because of the unexplained circumstances posed by the subject of tax.

Other writers such as Fjeldstad (1996) took a more diversified view, and identify factors that influence decisions on whether to comply or not such as how the tax laws were administered, the perceptions about tax enforcement and the probability of being detected and/or punished for non-compliance.

The Economist (17 July 1996: 38) quoted by Fjelstad (1996: 1) indicates that 'mitigating non-compliance with tax laws can take different ways. In Uganda, people are urged to whistle-blow on their erring colleagues for a reward of 10 per cent of the tax recovered by the tax office'. Connected with this study, Namangala (2004: 7) gives a comparative statement on the evolution of tax in the African traditional system in pre-colonial Zambia. He says there were no sanctions and enforcement procedures for non-compliance, rather moral impulsion would force people to comply. To the contrary, modern taxation had enforcement procedures, if one does not meet one's tax obligations; he/she is visited by the law (Namangala, 2004).

Small-scale entrepreneurs play an important role in the production sector of many developed countries. They higher the share of small and medium businesses in the economy, the higher productivity can be potentially realized with the SME Sector. The level of taxation, its administration and compliance heavily influences development of small and medium enterprises. Therefore, maintaining the ideal balance between tax rate, compliance costs and economic development should be a main goal of every tax policy in Zambia.

This study looked at the knowledge on the subject of Zambia's taxation compliance that affect the small-scale entrepreneurs in the central business center of Lusaka along Cairo road. Taxation is a mechanism used by governments worldwide, including Zambia to raise revenue for provision of public goods and services. Tax collection is beneficial as it reduces dependence on foreign aid; Moyo (2009) observed that most developing countries in Africa including Zambia need the support of self-motivated taxpayers with an economically responsible and accountable government.

This study is premised on the argument that knowledge on taxation issues gained through adult education processes is aimed at enhancing improved attitude towards tax-compliance amongst the small scale entrepreneurs'. The individuals or groups involved in this sector have established localities, pay levies to local authorities, have their businesses registered with the local authorities through their respective market committees and have specified opening and closing time of business.

At the time of the study, the Government in ensuring that both people and institutions were given new and updated information on the subject of taxation mandated the Zambia Revenue Authority

(ZRA). The giving of information by ZRA forms is part of training of the taxpayers on tax-compliance. The Zambia revenue authority was established in 01st, April 1994, as a semi-autonomous agency under the Zambia revenue authority act, now chapter 321 of the laws of Zambia. That culminated in the former departments of income tax and customs and excise of the ministry of finance being brought together under the revenue authority. The mission statement is to optimize and sustain revenue collection through integrated, efficient, cost effective and transparent systems, professionally managed to meet the expectations of all stakeholders. The initiatives to modernize revenue administration will result in the following: improved compliance with tax, customs, and trade laws, increased revenue, provision of better services to taxpayers and traders to reduce their compliance burden, improved staff skills, productivity, and integrity, improving the effectiveness of facilitating legitimate trade, improved usage of information technology in tax administration and reducing the overall costs of revenue administration.

The Zambian tax system broadly comprises income taxes (which include Company Income Tax (CIT) and Personal Income Tax (PIT)), Value Added Tax (VAT), Property transfer tax, Customs, and Excise taxes. These taxes are collected by the Zambia Revenue Authority (ZRA) which is the corporate body mandated to collect all taxes. The tax laws stipulate that both the formal and informal sectors are eligible to taxpaying. According to Langmead et. al. (2006), the formal sector business is engaged in larger activity levels; whereas the informal sector activity levels are smaller and constitutes of small scale entrepreneurs among others.

A study done by Tolosi and Nawiko (1997) observed how population and rural-urban migration, decline in formal employment and earnings, poverty and certain government policies have led an increase of the informal sector activities over the years in Zambia. Imboela (1997), further states that the informal sector became a wide spread economic activity in African economies, including Zambia. However, the informal sector has given a broad range of definitions that has made it conceptually unclear. The term 'informal' was problematic because the activities and the individuals conducting them are part of the formally recognized institutions. The individuals or groups involved in this sector have established localities, pay levies to local authorities, have their businesses registered with the local authorities through their respective market committees and have specified opening and closing times of business. At the time of the study, the government in ensuring that both people and institutions were given new and updated information on the subject of taxation mandated the Zambia Revenue Authority (ZRA). The giving of information by ZRA forms part of training of the taxpayers on tax- compliance.

In October 2013, the Zambia Revenue Authority (ZRA) made progress on its commitment to address the high tax compliance costs for taxpayers with the introduction of 'Tax Online', an electronic tax filing and tax payment system. With the launch of Tax Online, it is no longer necessary to physically go to the ZRA offices to register for taxes, file tax returns or make tax payments. Following the introduction of the web-based tax filing and payment system, the time taken to comply with tax obligations dropped by 3% in 2013, and by a further 11% in 2014. While these reductions in time are encouraging, there may be room for further improvements as not all teething problems have been fully ironed out and the ZRA may need to make a concerted effort to resolve any remaining issues before the benefit of the online system can be fully realized (President Lungu, 2019).

It is also worth mentioning that in addition to rolling out an electronic tax filing and payment system for the key taxes, namely corporate income tax, VAT, withholding tax and personal income tax and social security contributions, the ZRA in 2014 also launched ASYCUDA World which automates the whole import and export customs declarations and payment process, thereby expediting customs clearance at the border post. The modernization of the tax administration and compliance system is to continue. (Wedson, 2019).

The Minister of Finance in his 2016 budget speech announced that VAT registered suppliers will be required to use electronic fiscal registers which will be interfaced with the Tax Online system. Whilst the primary aim of this measure may be to widen the tax base and minimize tax fraud, it should also provide the government and the ZRA with up to date information on the levels of business activity in the retail and wholesale sectors (Wedson, 2019). In order to improve efficiency and increase revenue collection, the last few years have seen various measures undertaken by both the government and the ZRA to improve capacity and reduce tax compliance and administration costs for taxpayers and the ZRA alike. In addition to introducing an electronic tax filing and payment system, there has been significant investment in building knowledge and capacity by the ZRA. (Pwc, 2015).

NjinaSoneka and Phiri (2019) conducted a research study whose main objective was to assess the factors that influence the level of e-tax systems adoption in Zambia. The study focused on Tax-Online system used by domestic taxes division in Zambia. The study was conducted in rural Zambia. In their study, the researchers used Technology Acceptance Model (TAM). The sample size was purposively selected from various taxpayers who were coming through to Zambia Revenue Authority Solwezi internet bureau. 100 semi structured survey questionnaires were distributed with 100% response. The results showed that, E-tax system in Zambia is useful, easy to use and also secure.

Generally, tax just like tribute is aimed at providing a basic operation of collecting money or material wealth from society by formalized and institutionalized processes in order to mobilize resources for providing welfare and security as a public policy. Dye (1978) quoted by Sapru (2004: 5) gives the meaning of public policy as ‘whatever governments chose to do or not to do’. Public policy presupposes there is a domain of life that is not private or purely individual, but held in common such as tax. The Lozi pre-colonial taxpayers who used to pay tribute or material contribution had their things systematically given back to them in great quantities by the king; on the whole, kingly things remained with the royal family and very important councillors (Gluckman, 1963).

Mainga, (1973) agreed with Gluckman that the tribute or material contribution or tax was systematically redistributed by the traditional rulers to be used within the territory. Generally, tax was a system of compulsory contributions levied by a government or any other qualified public body on people, corporations and property in order to fund public expenditure (Djokotoe and Chama, 2007). For this reason, the Zambian constitution provided a legal framework for taxation as a revenue collection requirement of the government.

Both Berenson (2007) and Langmead (2006) says that in order for the government to function properly and provide for the welfare as well as security of the state, it must undertake to raise revenue from its citizens through tax. Simbyakula (1990) agrees and adds that the function of tax was applied on the basis that since a nation incurs cost in providing services, it is entitled to levy tax on those who benefited from it.

Legum (1966) further says that the importance of the function of tax was to help those people who were out of employment and looking after a large number of dependents. Therefore, it was the view of the state that the few Zambians who had jobs be taxed to provide for those who did not have. Chomba (2005) quoted by Langmead (2006) reveals that 'the view from the informal sector or the self-employed was that it already pays too many taxes, levies and charges to too many institutions without receiving any value in return'. Although the ZRA tried to capture tax revenues from the informal sector, including the artisan marketers, there has been poor co-operation from them.

Based on the findings, majority of the taxpayers are filing their returns and paying taxes online. However, there are few taxpayers who still feel E-tax is not useful, easy to use and secure. Therefore, more awareness and taxpayer education must continue to bring everyone on board. E-Tax involves E-Filing and E-Payment which is the process of submitting returns over the internet using an approved E-Tax system. Adoption is the action or fact of choosing to take up or follow something. Technology Acceptance Model is an information system theory that models how users come to accept and use a technology. Tax-Online is a system used in Zambia to file returns and pay taxes online.

Review of the study conducted by NjinaSoneka and Phiri (2019) indicated that, based on the findings, the majority of the taxpayers are filing their returns and paying taxes online. Although, there were a few taxpayers who still felt that E-tax is not useful, easy to use and secure. The study by NjinaSoneka and Phiri (2019) did not highlight the motivating factors that encouraged some tax payers to adopt electronic tax systems as well as the challenges that those that could not adopt the system faced. This study will therefore address both the motivating as well as the challenging factors that tax payers encounter with the online system.

In an experimental study, (Feld, 2002) found that tax compliance is higher on average in an endogenous fine treatment in which subjects are allowed to approve or reject the proposal of a fine as compared to an exogenous fine treatment where the fine is imposed by the experimenter. The main explanation why people show higher tax morale if they are allowed to vote on a fine is legitimacy. Compliance rates are higher if the fine is accepted than in the case the fine is rejected. Subjects who reject the proposal of the fine show a higher compliance rate than subjects in the exogenous fine treatment even if they know that the dominant strategy under the existence of the low fine is non-compliance. Combining econometrics and surveys methods, (Spicer, 2015) sought to investigate impact of attitude and social norms in the evasion decision; the data were collected from a 1974 survey in USA.

Econometric results revealed that the propensity to evade taxation was reduced by increased probability of detection. Surprisingly, an increase in income reduced the propensity to comply. With respect to attitude variables, an increase in both inequity of taxation and the number of taxpayers who evade taxes known to a taxpayer made evasion more likely. This study also revealed that the experience of taxpayer of previous audits by the income department influences the compliance rates. According to Feldstein (2002) Tax avoidance and evasion are pervasive in all countries, and tax structures are undoubtedly skewed by this reality. Standard models of taxation and their conclusions must reflect these realities.

This study first presents theoretical models that integrate avoidance and evasion into the overall decision problem faced by individuals. If the cost of evasion and avoidance depends on other aspects of behaviour, the choice of consumption basket and avoidance become intertwined. The study then relates the behaviour predicted by the model to what is known empirically about the extent of evasion and avoidance, and how it responds to tax enforcement policy. There are a variety of policy instruments that can affect the magnitude and nature of avoidance and evasion response, the elasticity of behavioural response is itself a policy instrument, to be chosen optimally. The study reviews that is known about these issues, and introduces a general theory of optimal tax systems, in which tax rates and bases are chosen simultaneously with the administrative and enforcement regimes. To summarize, most empirical studies on the impact of tax rates support the assumption that high tax burdens have a negative impact on compliance.

There is growing recognition of the important role small and medium enterprises (SMEs) play in economic development. The SMEs constitute about 90% of total business units in Ghana and account of 60% of Ghana’s employed labour force (KDI, 2008). They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, it is the SME sector rather than the multinationals that is the largest employer of workers (Mullineux, 1997). This is also supported by a research done on small businesses in the United States by Dr. Charles Ou in June 2006, which indicated that U.S. small businesses numbered 23 million in 2003, and it employed about half of the private sector work force, and also produces about half of the nation's private sector output.

The Korean Development Institute (KDI) in its study, "Building the Foundations for the Development of SME in Ghana" (September 2008) noted rather grimly, the obstacles these SMEs face daily in Ghana. The study enumerated these as smaller sizes of the SMEs; they are few in number and lack competitiveness internationally. These factors affect the SMEs in many ways. For instance, over 80% of SMEs in Ghana are reportedly having employees numbering less ten. The smaller size of these SMEs means less value addition as fewer processes are possibly involved in the production. A 1992 study by the Ghana Statistical Service revealed that nearly 93 percent of all registered businesses in Ghana are of the SME category.

The National Board of Small Scale Industries (NBSSI) defines SMEs as enterprises that employ no more than 29 workers, with investment in plant and machinery (excluding land and building) not exceeding the equivalent of $100,000. Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Steel and Webster, 1991; Aryeetey, 2001). SMEs are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana. 2 Again, from an economic perspective, however, enterprises are not just suppliers, but also consumers; this plays an important role if they are to position themselves in a market with purchasing power: their demand for industrial or consumer goods will stimulate the activity of their suppliers, just as their own activity is stimulated by the demand of their clients.

Demand in the form of investment plays a dual role, both from a demand-side (with regard to the suppliers of industrial goods) and on the supply-side (through the potential for new production arising from upgraded equipment) (Berry et al., 2002). In order for the Ghanaian SME's to continue to fulfil the above and much more, they need access to finance to carry out their business operation and expansion. The seeming lack of finance for SMEs is not only retarding their expansion but also the growth of the nation's economy. Macroeconomic conditions in

Ghana in 2000 severely constrained private sector access to credit. High levels of government borrowing pushed interest rates up and crowded the private sector out of the financial markets.

With government treasuries paying real interest of 16.8 percent, banks had little incentive to take on what they perceived as riskier private sector debt. (USAID's DCA Ghana Impact Brief, 2009) In view of the perennial financing challenge faced by these SMEs, many interventions have been made by the government through its recent monetary policy and financial sector reforms. These have substantially increased banks' lending to the private sector but limited access to credit, high interest rates and prohibitive collateral requirements still pose significant constraints to the growth of many SME's. Access to medium to long- term financing necessary for capital investment is still tight.

Another area of constraint, which tends to block the flow of credit to SMEs, is lack of information. Small business owners most often possess more information about the potential of their own businesses but in some situations it can be difficult for business owners to articulate and give detailed information about the business as the financiers want. Additionally, some small business managers tend to be restrictive when it comes to providing external financiers with detailed information about the core of the business, since they believe in one way or the other, information about their business may leak through to competitors (Winborg and Landstrom, 2000).

According to Ward (2005) there is no universal definition for SMEs since the definition depends on who is defining it and where it is being defined. For example, in Canada SME is defined as an enterprise that has fewer than 500 employees and small enterprise as one that 8 has less than 100 employees. On the other hand, the World Bank defines SMEs as having no more than 500 employees. SMEs can be defined in two ways: based on the number of employees in an enterprise and/or the enterprises fixed assets. According to Boon (1989), the size of the enterprises employment is the most important criterion used in Ghana. But one must be cautious when defining SMEs based on fixed assets because of the continuous depreciation in the exchange rates, which often makes such definition out-dated.

UNIDO defines SMEs in developing countries based on the number of employees in an enterprise. A small enterprise has between 5 and 19 workers and takes the example of the ubiquitous small shops in the cities such as hair dressing saloons and chop bars. A medium enterprise has 20 to 99 workers and these include manufacturing firm and exporting companies. The Ghana Statistical Service, in their 1987 Ghana Industrial Consensus, considers firms employing between 5 and 29 employees and with fixed assets not exceeding $100,000 as small scale, while those employing between 30 and 99 employees medium scale category.

The National Board of Small Scale Industries (NBSSI) defines SMEs as enterprises that employ no more than 29 workers, with investment in plant and machinery (excluding land and buildings) not exceeding the equivalent of $100,000. For the purpose of this research, the Venture Capital Trust Fund (VCTF) Act 2004 (Act 680 section 28) definition of SMEs will be used since it's a more recent definition. SMEs are defined by the VCTF as "an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of US$1 million in value".

A distinguishing feature of SMEs from larger firms is that the latter have direct access to international and local capital markets whereas the former are excluded because of the higher intermediation costs of smaller projects. In addition, SMEs face the same fixed cost as Large 9 Scale Enterprises in complying with regulations but have limited capacity to market product abroad (Kayanula & Quartey, 2000). SMEs in Ghana can be categorised into urban and rural enterprises. The former can be subdivided into 'organised' and 'unorganised' enterprises. Organised ones tend to have employees with a registered office and are mostly solely owned by an individual whereas the unorganized ones are mainly made up of artisans who work in open spaces, temporary wooden structures or at home and employ little or in some case no salaried workers.

They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include: soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, timber and mining, bricks and cement, beverages, food processing, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Liedholm & Mead, 1987; Osei et al., 1993) as cited by (Kayanula & Quartey, 2000) This sector is characterised by low levels of education and training of the self-employed. They are mostly family owned businesses and there is little separation of the business finances from that of the owners even to the point that the owners or operators personal account is the same as that of the business. SMEs in Ghana are heterogeneous group- ranging from small workshops making furniture, metal parts and clothing to medium-sized manufactures of machinery as well as service providers such as restaurants, consulting and computer software firms. Some are traditional 'livelihood' enterprises that are satisfied to remain small; others are growth-oriented and innovative.

The private sector is the engine of growth of the economy therefore they must be given the necessary tools to increase their growth". (Anyima-Ackah, 2006) Economic development is a process of economic transition involving the structural transformation of an economy through industrialization, rising GNP, and income per head. Economic growth on the other hand, contributes to the prosperity of the economy and is 10 desirable because it enables the economy to consume and contribute to more goods and services by increasing investment, increase in labour force, efficient use of inputs to expand output, and technological progressiveness. Any nation that experiences economic development and growth will benefit from improvement in the living standards especially if the Government can assist in growth by implementing complementary and growth-enhancing monetary and fiscal policies (Pass et al. 1993) The SME sector is considered very important in many economies because they provide job, pay taxes, are innovative and very instrumental in countries participations in the global market.

Beck and Kunt (2004) state that SME activity and economic growth are important because of the relatively large share of the SME sector in most developing nations and the substantial international resources from sources like the World Bank group, that have been channeled into the SME sector of these nations. SMEs account for nearly 93% of the registered businesses in Ghana and therefore play an important role in economic development by providing employment opportunities, opening up new business opportunities, enhancing entrepreneurship, and fostering creativity among many other things. Kayanula and Quartey (2000) recognize them as the engines through which the growth objectives of developing countries can be achieved and are potential sources of employment and income in many developing countries.

Mensah (2005) makes the analogy that SMEs act like sponges by soaking up surplus labour to provide a large share of employment and income in Ghana. Many researchers have observed that SMEs enhances competition and entrepreneurship therefore they suggest that direct government support can boost economic growth and development. Also SMEs growth boost employment more than large firm because they are labour intensive and make better use of scarce resources with very small amount of capital. Hellberg (2000) also states that developing countries should be interested in SMEs because they account for large share of firms and development in these countries.

Cuevas et al. (1993) indicates that access to bank credit by SMEs has been an issue repeatedly raised by numerous studies as a major constraint to industrial growth. A common explanation for the alleged lack of access to bank loan by SMEs is their inability to pledge acceptable collateral. In their view the current system of land ownership and transfer regulations clearly retards and to some extend limits access to formal credit. First, due to lack of clear title to much usable land in Ghana, there is a limited amount of real property that can be put up as collateral. Second, a Government embargo on transfer of stool and family land has further restricted land availability for collateral. Finally, where title or lease is clear and alienable, transfer regulation needlessly delay the finalization of mortgages and consequently access to borrowed capital (p 24).

Aryeetey et al. (1993) supported the view of Cuevas et al. (1993) that from the view point of private sector, problems related to finance dominate all other constraint to expansion (p 50). They claimed that the available of collateral plays a significant role in the readiness of banks to meet the demand of the private sector. Collateral provides an incentive to repay and offset losses in case of default. Thus collateral was required of nearly 75 percent of sample firms that need loans under a study, which they conducted on the demand supply of finance for small enterprises in Ghana (p 19). The study also indicated that 65 percent of the total sample firm had at various times applied for bank loans for their business. Nevertheless a large proportion of the firm had their application rejected by banks. For firms that put in loans applications there was almost 2:1 probability that the application would be rejected. Firms receive loans for much less than they requested for. Among firms that had their applications rejected, lack of adequate collateral (usually in the form of landed property) was the main reason given by banks. Aryeetey et al.

(1994) suggest that banks can offer alternative to property as collateral such as guarantors, sales contract and liens on equipment financed.

SMEs face more challenges in doing business than large enterprises because of the difficulties in financing start-up and expansion. Schiffer and Weder (1991) found that small firms tend to experience more difficulties than medium-sized firms, which also experience more difficulties than large firms. In most countries, especially developing nations, lending to small businesses and entrepreneurs remain limited because financial intermediaries are apprehensive about supplying credit to businesses due to their high risk, small portfolios, and high transaction cost. According to Cuevas et al. (1993) cost of transaction contributes to the inability of the SMEs to access finance. They are of the opinion that "if transaction cost of lending are high the net margin banks expect from loans operation do not compare favourably against safe investment represented by treasury bonds" (p 30).

Aryeetey et al. (1993) also shares the same view that if a lender face information asymmetry, the issue often becomes somewhat persuasive authority he or she holds in ensuring repayment. These push up transaction cost as the probability of default is assumed to be high and has to be contained. Thus lenders may avoid lending to smaller or lesser known clients or impose strict collateral requirements when they do. They may perceive clients in ways that would overcome the latter own perception of the difficulty in obtaining formal finance. In investigating "whether lending to SMEs in Ghana was more expensive that lending to larger enterprise in terms of loan screening, loan monitoring and contract enforcement, banks estimate that screening to gather information about the applicant and project, review the 13 feasibility study, do the credit analysis and make a decision, an average of 16 man days for large scale applicant and that of small scale applicants takes 24 man days.

Similar results obtained for loan monitoring and contract enforcement suggest that the transaction cost of SME lending were higher than those for large enterprise per loan though a similar study undertaken in 1992 by Aryeetey and Seini on the transaction cost of lending covering sixty bank branches in Ghana suggested that there was no statistically significant difference in the cost of administering loans to smaller and larger enterprises". They further state that the internal organization of most banks is such that SMEs applying for loans deal with branch staffs that have little say in the decision, whereas major decisions are taken at the head office of official who know little about the enterprise. This arrangement ensures that many potential SME borrowers do not have the chance to interact with the few trained project personnel before applications are made. There is a high probability that many potential good project are turned down because distant credit officers lack enough undocumented information to form an opinion on the projects and especially on entrepreneurs.

Despite SMEs strong interest in credit, commercial banks' profits orientation may deter them from supplying credit to SMEs because of the higher transaction cost and risk involved. First, SMEs loan requirement are small so the cost of processing the loan tend to be high relative to the loan amounts. Second, it is difficult for financial institutions to obtain the information necessary to assess the risk of new unproven ventures especially because of the success of small firms often depends heavily on the ability of the entrepreneur. Third, the probability of failure for new small ventures is considered to be high (Ibid) Cuevas et al (1993) however indicates that other alternatives to loans secured by real and movable property have practical constraints. For example, it is possible to take security interest in liquid assets, the foreclosure upon which is much quicker than that for real and movable property. However many debtors especially traders are not in the habit of saving money in liquid accounts, rather they turn to either move it into the informal economy or reinvest in their business. Another alternative would be for the banks to accept the assignment of contractual benefits from borrowers. Though this arrangement is known in Ghana, it is not chosen by banks as they prefer to stay out of other contracts Cuevas et al (1993).

2.5 Electronic Tax Filing and Compliance

Governments today are under an increasing pressure to improve the delivery of public services in cost-effective ways. To meet this challenge for example tax authorities are turning to e-government led solutions like electronic tax filing (e-filing) (Amitabh et al., 2008). To date, the use of ICT is prominent in business and tax settings. Notably, tax authorities around the world are using electronic tax administration systems to interact with taxpaying public in tax collection, administration and compliance settings. Technology has influenced the way we work, play, and interact with others. The use of technology to improve the effectiveness of tax administration, expand taxpayer services, and enhance tax compliance has come to attract increasing attention in developed and developing countries (Dowe, 2008).

The rapidly increasing pace of technological change will have a significant impact, positive and negative, direct and indirect, on tax compliance. Information technology, which includes telecommunications and computerized systems, looks set to increase tax processes substantially, with savings in time as well as money, while at the same time affording customers a better service. On the other hand, the human element is affected by technological changes in different ways, by making jobs more important for some, while posing a threat to others (Lee et al., 2005).

All the tax information systems and data bases should be integrated and have available the tools required to combat tax non-compliance; facilitate tax compliance and satisfy information requirements at the operational and internal control levels for the effective management of a modern Tax Administration (CIAT Handbook for Tax Administrations - July 2000). There are a number of methods employed today by tax agencies to capture tax return and payment data electronically. Additionally, electronic methods are increasingly being used for administrative functions, such as business tax registration, and name and address changes for both businesses and individuals.

The main aim of electronic filing is to enable taxpayers to meet their normal tax obligations in a convenient manner without visiting tax office. Tax compliance has always been an area of concern to policy makers, tax administrators and society in general. This is mainly because tax compliance affects revenue collection and the ability of the government to achieve its fiscal and social goals (Tan and Sawyer, 2003). Measures to improve compliance include providing excellent taxpayer services that generate better long-term outcomes such as higher tax collection and reduction in the tax gap. The aim of tax reforms in many countries is therefore, to achieve higher voluntary compliance and one way to do this is by introducing electronic filing system. (Tan and Sawyer, 2003).

Electronic tax filing or e-filing is a process where tax documents or tax returns are submitted through the internet, usually without the need to submit any paper return. The e-filing system encompasses the use of internet technology, the Worldwide Web and Software for a wide range of tax administration and compliance purposes. Electronic taxation differs among countries hence the name of the system differs from country to country. According to Gellis (1991), electronic declaration is named electronic tax filing. It has also been called online taxation payment by UN, (2007) or e-tax lodgement by Turner and Apelt (2004).

Electronic tax filing was first coined in United States, where the Internal Revenue Services (IRS) began offering tax return e-filing for tax refunds only (Muita, 2011). This has now grown to the level that currently approximately one out of every five individual taxpayers is now filing electronically. This however, has been as a result of numerous enhancements and features being added to the program over the years. Today, electronic filing has been extended to other developed countries like Australia, Canada, Italy United Kingdom, Chile, Ireland, Germany, France, Netherlands, Finland, Sweden, Switzerland, Norway, Singapore, Brazil, Mexico, India, China, Thailand, Malaysia and Turkey (Ramayah et al., 2006). Equally developing countries have also been embracing electronic filing of tax returns. Some of the countries which are embracing the electronic filing include Uganda, Nigeria, Rwanda and Kenya (Muita, 2011).

Globally, the tax environment is changing rapidly. The advancement of Information and Communication Technology (ICT) is challenging the operation of tax revenue systems (Muita, 2011). Tax authorities are being challenged to maintain a modernized and responsive tax administration system. Since 1990s, several tax authorities, particularly those from developed countries have progressively harnessed the power of ICT by embracing an electronic tax filing (Lai et al., 2005). Electronic filing is the modern way of tax authorities interacting with tax payers.

According to Andarias (2006), electronic filing is dependent on the use of technology. Technology used in e-filing comprise of computer, internet and software applications. Electronic filing can be measured when the desired outputs are realized. According to Fu et al. (2006), some of the measures of electronic filing should include, reducing life of tax, improving efficiency and reducing errors in procedures, increasing multi-tasking levels of tax officers and facilitating taxpayers in complying with tax regulations. One of the pillars of e-filing is to have a single database which covers all proceedings in relation to taxable activities of the taxpayer, that is, valuation, billing, collection and enforcement. Taking cognizance of the existence and impact of tax operating cost is not a recent phenomenon. It was started in 1776 by Adam Smith's four well-known maxims of good tax practice (equity, certainty, convenience and economy).

2.6 Tax-Compliance and the Attitude towards it.

Tax compliance is defined as the full payment of all taxes due (Braithwaite, 2009). Tax non-compliance is referred to as any difference between the actual amount of taxes paid and the amount of taxes due. This difference occurs because of overstating and understating income, expenses, and deductions. Non-compliance comprises both intentional evasion and unintentional non-compliance, which is due to calculation errors and an inadequate understanding of tax laws (Robben et al., 1990 and Webley, 2004). According to Robben and Antonides (1995), taxpayer's mistakes can be unintended and thus, do not necessarily represent attempts to evade or may even lead to tax over reporting.

According to Jones (2009) tax compliance is the timely filling and reporting of required tax information, the correct self-assessment of taxes owed, and the timely payment of those taxes without enforcement action. From this definition, there are three dimensions of tax compliance: filing, reporting, and payment compliance. Filing compliance refers to whether the taxpayer submitted the correct forms to the revenue authority. Reporting compliance refers to whether the return was accurate, while payment compliance refers to whether the taxpayer paid his/her reported tax liability in a timely manner. Therefore, a taxpayer would be called non-compliant if the three dimensions are not properly accomplished.

Getting citizens to pay their taxes painlessly without hissing has been the dream of all governments. The task has however, never been simple, until the introduction of the modern information technology. Since the early 1980s the world has experienced an unprecedented pace of advancement in the field of information technology. These technological innovations are having a profound impact on the administration of fiscal systems and the way in which taxation is administered (Teltscher, 2002). Tax compliance is mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement. However, if the voluntary compliance is low, then enforcement measures like audit and collection are resorted to.

Tax compliance has been extensively reviewed (Andreoni et al., 1998; Cuccia, 1994; Kinsey, 1996). Three theoretical perspectives have been used to explain and measure the degree of tax compliance, namely economic models, uncertainty models, norms of compliance models and inertia models (Picur et al., 2006). Economic models explain that taxpayers' main goal is to maximise their financial taxes whenever the benefits from tax delinquency outweigh the risk of detection and punishment. On the other hand, uncertainty models extend the work of economic models. While retaining the assumption that rational taxpayers seek to maximize their financial interests, adherents to this model point out that in the real world information about penalty provisions and the risk of audit is imperfect. Finally, norms of Compliance models explain that standards of taxpayer behaviour are influenced by the tax culture.

Tax Compliance can be defined as the degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner. While Tax evasion can be defined as the failure by a person or business to comply with the tax obligations. It is a serious challenge to tax authorities in both the developed and developing countries. It diminishes the mobilization of resources that governments need to invest in critical areas of social and personal development including health, education and infrastructure development (Cummings, 2007). In 2011, it cost governments worldwide about 5.1 % of their Gross domestic Product (GDP). In Europe tax evasion constitutes about 8% of the GDP of economies in the region. In North and South America, tax evasion costs economies 2% and 10% of their GDP respectively.

Even in the most advanced economies in the world, tax evasion undermines revenue collection substantially (Rile, 2011). Countries like Italy and Greece have vowed to crack down on tax evasion and cash transactions for goods and services that fall below the authorities' radar. Germany and Britain signed an agreement with Switzerland about recovering some tax revenue from accounts held by their citizens in Swiss banks. South America has the world's largest shadow economy compared with its G.D.P. followed by Africa and Europe, where income hidden from the tax authorities amounts to about 20.5 percent of G.D.P. That compares with 10.8 per cent in North America. Of the three South African countries of Zambia, Zimbabwe, and South Africa, tax evasion as a function of GDP is high. South Africa loses the least amount in tax evasion: In 2011, it lost 768 million USD, followed by Zimbabwe at 1.9 billion USD, and Zambia loses slightly over 2 billion USD.

In 2014, the informal economy constituted 33% of the GDP in Zambia and represented 7% of total government expenditure. The tax burden in Zambia would thus be high, standing at about 30.9%. If the Zambian government is to increase its social expenditure, then it needs to reduce tax evasion in the informal economy (Bwalya, 2015). Taxpayers' behaviour towards tax system has evoked great attention among many Revenue Authorities in the World especially in Developed Countries. However, it is debatable on what has been done towards the study of taxpayers behaviour towards tax system in developing countries as they concentrate more in studies which would increase their budgets bottom-line in terms of huge revenue collection and enforcement efforts at the expense of studies on taxpayers behaviour which would make increase in this tax revenue to be realized and enforcement efforts work.

Perhaps the less developed countries are not to blame as they run on budget deficits hence, scarce resources to see through such studies which are perceived as adding no direct value to revenue collection. Empirical evidence on the ground shows there has been hostility between the taxpayers and tax collectors on issue relating to tax compliance (Porcano, 2016). However, in Zambia measures have been introduced to expand the tax base; rationalize the tax structure to make it more equitable; reduce and rationalize tax rates and tariffs; reduce trade taxes and increase them on consumption to support investment; and seal leakage loopholes (Moyi and Ronge, 2006). Government launched the VAT in 1990 to increase revenue through the expansion of the tax base. Tax policies introduced during the Patriotic Front Government are internet taxes, sales tax and many more.

Kirchler (2007) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. In contrast to tax compliance, tax non-compliance is defined as taxpayer's failure to remit a proper amount of tax, perhaps on account of the complexity or even contradictions in the tax legislation or tax administration procedure (Palil & Mustapha, 2011). Non-compliance is also perceived as the failure of a taxpayer to report (correctly) the actual income, claim deductions and rebates and remit the actual amount of tax payable to the tax authority on time (Kirchler, 2007).

Taxation is the primary source of revenue for governments throughout the world to implement their social and political agendas and to deliver services to the citizens (Thananga et al, 2013). Primarily a country's tax system must provide sufficient funds for government expenditure Programs (Nhekairo, 2014). However, the means of attaining this basic requirement to get a sufficient level of taxation matters a lot. The Zambian tax system broadly comprises income taxes, consumption taxes and trade taxes (Zambia Revenue Authority (ZRA), 2017). These taxes are collected by the Zambia Revenue Authority (ZRA) which is the corporate body mandated to collect all taxes (Nhekairo, 2014).

According to Drummond et al (2012), the process of raising more domestic revenue is a salient priority for most sub-Saharan African countries, as the mobilisation of revenue is a platform which enables governments' to create fiscal space, as well as provide essential public services and reduce the reliance on foreign aid coupled with single resource dependence. However, the domestic tax bases in most sub-Saharan African countries are undermined by widespread tax avoidance and evasion (International Monetary Fund (IMF), 2011).

Becker (1968) refers to tax evasion as a form of white collar crime. Later, Allingham and Sandmo (1972) hypothesised that it is a gambling decision on the part of the taxpayer whether to declare income or not. Hence, if the cost of detection, audit and penalty appears to outweigh the benefit of evading tax, then taxpayer would not be encouraged to go for evasion and vice versa.

As alluded to earlier, through taxation a country can raise enough revenue to implement the aforementioned agendas, however, raising of revenue through taxation in many developing as well as developed countries has proved to be a big challenge for most in a bid to spearhead their national developmental aspirations (Masango, 2019). Additionally, this has also been further constrained by most developing countries such as Zambia having weak tax administrations and poor governance to enforce tax compliance, which has resulted in high levels of tax evasion and tax avoidance.

There is no doubt that tax compliance is a major problem confronting almost each and every revenue authority, whether in developed or developing countries (IMF, 2017). According to Nhekairo (2014), questions and debates pertaining to tax compliance are as old as taxes themselves, and will remain an area of discovery as long as taxes exist. Tax compliance can be defined as the degree to which a taxpayer complies or fails to comply with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner (Masango, 2019). Although taxpayer non- compliance is a continual and growing global problem, many indications suggest that developing countries, many of them in Sub- Saharan Africa, are the hardest hit (Nhekairo, 2014). Economists and financials experts both agree that the salient instrument which countries can use to generate resources is an effective tax policy or system, which has been implemented.

According to Ongwamuhana (2011), a country's tax system which is heavily reliant or dependent on tax enforcement needs to have a large team of tax auditors and tax investigators who must all be well equipped to undertake their respective duties. In addition, the tax system also needs to involve court bailiffs and property auctioneers, as well as the police for protection, or to give police powers to tax administrators (Ongwamuhana, 2011). All this increases the cost of tax collection and eats into tax revenues.

The aforementioned costs and procedures will have to be followed by a tax system which is heavily reliant on tax enforcement leads to the argument for tax education which encompasses training and sensitisation on tax payments and compliance. A bad image of the government is painted because of its failure to discharge functions due to a flawed tax system or policy and heavy reliance on tax enforcement with different penalties or fines for non-compliance which serves as a great disincentive for some businesses paying taxes, as most people feel that tax is a burden and should be avoided (Masango, 2019).

Nevertheless, an argument that has gained a lot of attention in academic research is tax education or tax knowledge and how it affects compliance levels with respect to taxation by taxpayers, mostly notably Small and Medium Enterprises (SMEs). The accumulation of tax arrears due to non-compliance by taxpayers means less revenue to government (Zambia Institute of Policy Analysis and Research (ZIPAR), 2015).

Unless taxpayer compliance is achieved at sufficient levels, the performance of the tax system will be significantly impaired (ZIPAR), 2015). In 2017, the former Minister of Finance Felix Mutati attributed the low level of tax compliance in Zambia to the poor quality of tax education in the country (Zambia Daily Mail, 2017). Since the Zambian government's decision to privatize most national companies beginning in 1993, there has been an appreciable increase in the self-employed activities or informal sector businesses. It has however been widely observed that a larger portion of the self-employed or informal businesses have a poor record of non-compliance with taxation rules (Langmead et. al, 2006).

Policy makers and researchers have argued that measuring tax compliance and evaluating its determinants is challenging in any context, moreover, when it comes to examining tax compliance in developing countries it is particularly difficult, due to the large size of the informal sector (Ahmed et al, 2012).There are a number of promising options to increase tax revenue in a sustainable and equitable way, although they are often difficult to implement due to lack of administrative capacity or political constraints (Moore and Prichard 2017).

Tax compliance literature has often focused on two sets of factors that can help to increase compliance and tax revenue; these are deterrence and tax morale (Mascagni and Santoro, 2018). A third and related factor is knowledge and education, which can help taxpayers navigate complex tax systems (Mascagni and Santoro, 2018). According to Mascagni and Santoro (2018), although there is little research on tax education, recent studies have shown that taxpayers often have little understanding of how tax systems work (Kira 2017; Feldman et al. 2016; Tanui 2016). According to Isbell (2017) as cited by Mascagni and Santoro (2018) report on thirty-six (36) African countries based on Afrobarometer data, showed that the majority of respondents had difficulty figuring out what taxes they owe to the government. While small taxpayers are likely to suffer more from lack of tax knowledge, large taxpayers and business associations are also not immune to this issue (Nalishebo and Halwampa, 2014).

According to Djawadi and Fahr (2013), evidence through research has suggested that educating tax payers about the tax system, tax laws and informing them about negative effects of tax evasion, sanctions and fines is a useful policy in order to increase trust in authorities, and resulting in more tax compliance. When a tax system is flawed with regards to non-compliance as is the case with most developing countries, Zambia inclusive, the cost of tax enforcement increases (ZIPAR, 2014).

Financial experts have for years advocated for an increase in taxation education in countries or jurisdictions which have poor or low levels of compliance. According to Miller (2015), tax education has a positive and direct bearing on the compliance as well as onward enforcement of tax. ZIPAR (2014) stated that the country can increase tax compliance through embarking on taxpayer education to improve tax literacy. The aforementioned can be achieved through establishing call centres in each provincial centre for the purpose of taking tax literacy closer to the people (ZIPAR, 2014).

Since the individual SMEs pay a very small amount of tax compared what the larger establishment would pay, tax authorities tend give the larger corporations more attention. However, taxes from SMEs are also viewed as important in the overall revenue collections for various developmental projects, as research has shown that the amount of tax that SMEs avoid to pay can be used to fund a number of government project's which have stalled especially in developing countries which are synonymous with huge government borrowing aimed at sustaining a number of public services (Wasao, 2014).

Therefore, this entails that the government through its Taxation Authority has to take an active role in enabling the capacity with respect to financial education and accounting skills pertaining to taxation education in order for SMEs along with other larger enterprises to be fully equipped and knowledge when it comes to tax compliance. Lumumba (2010) found that SMEs did not pay their tax obligation because of their inability to understand tax law requirements.

Small and Medium Enterprises (SMEs) role and contribution to society cannot be overemphasized. These businesses make significant strides and contribution to the socio-economic as well as political infrastructure of both developed and developing countries. In developing economies, the growth of the economy could be fostered and enhanced by the expansion of the private sector which encompasses SMEs, as this sector is the engine of economic growth (Rungani & Potgieter, 2018). Consequently, it is necessary to accelerate the success of small, medium and micro enterprises (SMMEs) to achieve sustainability in this sector of the economy (Rungani & Potgieter, 2018).

Many financial scholars and experts have for years asserted that a vibrant and expanding SME sector is cardinal for competitive advantage along with economic growth for nations (Berger and Udell 2006.) Small business owners are responsible for collecting as well as for remitting taxes (Christensen et al., 2001). They are, hence, important players in a country's tax system.

Though the evidence is not unequivocal most research suggests that small business owner-managers are more likely to cheat than other groups of taxpayers (Schuetze, 2002). Even the Organisation for Economic Co-operation and Development (2004) considers small business owners a high-risk group in terms of tax compliance. SMEs have for years acted as a conduit for government in terms of employment creation and revenue generation, with developed countries paying particular attention to their wellbeing and activities due to the significant contributions that they have in a country (Sibanda, 2018).

In Zambia, issues of non-payment of taxes have been on the rise for a number of years, which prompted the Zambia Revenue Authority to issue an amnesty which included the waiving of all interest and penalties to tax defaulters in the Country in April 2017. Small and Medium enterprises (SMEs) make up the majority of businesses in the world, this is also the case for Zambia. Since the individual SMEs pay a very small amount of tax compared what the larger establishment would pay, tax authorities tend give the larger corporations more attention. However, taxes from SMEs are also important in the overall revenue collections for various developmental projects. Clough et al (2014) reported that uncollected revenues from non-compliant taxpayers which were mainly SMEs deprived the government from much required finance in provision of infrastructures for enabling business growth. This challenge has also been observed in Zambia, as can be seen from the measures which were undertaken by the Zambia revenue Authority.

According to Allport (1935), attitude is defined as ‘a mental and neural state of readiness organized through experience exerting a directive and dynamic influence upon the individual’s response to all objects and situations with which it is related’. In short, attitude is one’s thoughts and views regarding anything. Therefore, attitude is essentially one’s outlook, thoughts and feelings. However, related to attitude is behavior, which is what one does as a result of the held attitude? For example, if one’s attitude towards taxpaying is one of negativity, then one’s behavior will reflect this. Kiesler, Collins and Miller (1979) agree with Allport (1935) and say that attitude was influenced by behaviour, as it generated and determined the way an individual reacted towards varied stimuli. Thus, attitude was infected from modes of behaviour by a specific individual over a time span that will yield character, consistency and selectivity.

Goode (1951) quoted by Simbyakula (1990) recommends that the existence of a predominantly monetized economy, a high level of literacy, prevalence of reliable accounting records to determine income and a large degree of voluntary compliance were among others, prerequisites to an effective tax system in Zambia. Langmeadet. al., (2006) states that in modern Zambia, tax has been introduced to the smaller business sector or the self-employed who are involved in a range of economic activities such as: traded goods, restaurants, bars, guest houses, guest houses and so on. Others include small scale manufacturing of wood and metal products, leather products, small scale consultants and providers of services. Despite the increased activities of the smaller businesses in Zambia, it has been widely observed that the people involved in these trades have a negative attitude about tax-compliance.

Such concerns are also held by Berenson (2007) who reveals that non-compliance to tax may create erratic revenue collections and make the government not to function properly in providing for the welfare and security of the nation. Moyo (2009) says that compliance with tax may increase the chances of maximizing on local revenue collections and thereby, reduce our dependence on donor aid which is usually given with conditions.

To the Namangala (2004) who conducted a study on perceptions of the Zambia's tax laws blames the negative attitudes on the people themselves. He says people are reluctant in getting information from the tax office even on the most basic tax laws. However, Simbyakula's (1990) views were different as he blames the tax office whom he says do not educate or explain to the people the effects or incentives whenever changes in tax were made. Simbyakula (1990) summed up his views by revealing that often people do not pay tax and even fail to take advantage of incentives because of the unexplained circumstances posed by the subject of tax.

In India, Fauziati et al (2016) paper examined the impact that tax knowledge has on tax compliance. The survey research design was used in the study, with primary data collected from three hundred (300) self- administered questionnaire which were distributed. The number of questionnaire completed and returned was two hundred and thirty-seven (237), constituting 79% response rate. The simple linear regression models were used to estimate the relationship between tax knowledge and tax compliance. The t-statistics were used to test the significance of the study variables. The main findings of the study revealed that tax knowledge had impact on tax compliance.

In Indonesia, Asrinanda (2018), examined the influence that tax knowledge, self-assessment system and tax awareness had on taxpayer compliance in Banda Aceh City. The sampling technique used was simple random sampling, in selecting a sample of 100 respondents. Results showed that knowledge on taxation, self-assessment system (SAS) and tax awareness had a semi-strong significant effect on taxpayer compliance in Banda Aceh City.Another study in Indonesia by Setyorin (2016) was aimed at identifying the factors that affecting taxpayer's willingness to pay SMEs Tax obligations. The population of this study comprised of one hundred and fifteen (115) "Kelom Geulies" SME owners that had registered their businesses in 2012. A judgemental sampling method was used in study.

The sample size consisted of 47 SME's owners. Results based on the multivariate regression analysis showed that tax knowledge, managerial benefit of tax, SME's tax socialization, had a positive effect towards the willingness of SMEs to pay tax. The results clearly showed that apart from tax knowledge and managerial benefit, tax socialization had a salient role in increasing the willingness of SMEs to pay taxes.

Another paper in Indonesia by Mukhlis et al (2015), analyzed the role that taxation education plays and its impact on tax fairness and tax compliance of handicraft SME sector in Indonesia. The researchers focussed on handicraft SMEs businessman located in the district/city in the province of East Java, Indonesia. The primary data used in the study was obtained through a questionnaire, which was the research instrument adopted. The data analysis method used was the analysis of Structural Equation Modelling based on Partial Least Square Regression. The study findings concluded that tax education had a positive and significant impact on tax knowledge, tax knowledge in turn had a significant and positive effect on tax fairness, while tax fairness had a significant positive effect on tax compliance. Hence, tax education had a significant and positive effect on tax compliance. Based on these results, the strengthening of the tax education was viewed to be very important when it comes to shaping the tax knowledge, so that it can increase tax compliance.

In Yemen, Helhel & Ahmed (2014) study was aimed at bringing insights on the influence of attitudes and considerations of individual taxpayers on tax compliance in Yemen, while taking into account internal and external factors. The study was conducted in Sana'a, the capital city of Yemen to evaluate and rank the factors that reduce taxpayer compliance. A questionnaire was used for data collection based on a five point Likert scale and distributed to tax payers in order to learn their opinions. The results indicated that, high tax rates and unfair tax system are the two most crucial factors associated with low compliance. Furthermore, insufficient tax auditing, little deterrent effects of tax penalties and tax amnesties enacted frequently have impact on taxpayers' compliance decision. The factors like insufficient tax office staff number and frequent tax code changes affect tax compliance to a lesser extent. Moreover, it was also revealed that collected taxes did not return as public goods and services in Yemen.

In Malaysia, 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 30 participants, and analysed using thematic analysis. Results showed that taxpayers had inadequate technical knowledge and perceived complex. Tax knowledge and tax complexity were found to be contributing factors towards non-compliance behaviour among taxpayers.

Niemirowski et al. (2012) in Australia targeted taxpayers with historical tax compliance behaviour, in order to better understand community attitudes to tax. The researchers used compliant and non-compliant taxpayer survey responses that included wider environmental factors were matched to each individual's tax return data, but not for tax staff, tax agents or youth. Results of the analysis identified relationships between tax-based values, beliefs, attitudes, knowledge and actual tax compliance behaviour. Noncompliance "intent" and "tolerance" of some tax avoidance were two key determinants of taxpaying behaviour. Furthermore, the researchers reported that Poor tax knowledge has the effect of evoking distrust and negative sentiments towards tax, whereas good tax knowledge correlated positively with attitudes towards taxation.

In Malaysia, Palil (2010) study focused on the level of individual Malaysian taxpayers' knowledge and explored how tax knowledge levels influence tax compliance behaviour in a new SAS. Data was collected through a large scale national postal survey resulting in 1,073 responses. Five stages were used to facilitate the analysis. Stage 1, using the t-test and ANOVA, focuses on the characteristics of taxpayers' knowledge including gender, ethnicity, educational level and income level. Stage 2 attempts to describe the relationship between tax knowledge and tax compliance using multiple regressions. Stage 4 examines taxpayers' compliance determinants more widely than tax knowledge. Nine variables were tested in Stage 4. Control variables were added in both Stage 3 and Stage 5 in order to assess whether the inclusion of control variables significantly affects tax compliance behaviour. The results suggested that tax knowledge has a significant impact on tax compliance even though the level of tax knowledge varies significantly among respondents. The results also indicate that tax compliance is influenced specifically by probability of being audited, perceptions of government spending, penalties, personal financial constraints, and the influence of referent groups.

In Ghana, Okpeyo et al (2019) study examined the factors that influence tax compliance by SMEs, as well as the differences in levels of tax compliance between SMEs and strategies that would improve tax compliance in the country. The study applied stratified sampling procedures in selecting 100 SMEs in Accra, and other Ghana Revenue Authority (GRA) officials for the study. Data was analyzed qualitatively and quantitatively. The results of the study showed that tax compliance cost, tax rates, tax audits and morals of taxpayers significantly influenced tax compliance. The study findings provided evidence that there was a significant difference in the levels of tax compliance level between SMEs. These difference were largely attributed to the inability of most SMEs to file their tax returns on due dates and also to keep proper books of records of their business transactions.

Another paper in Ghana by Trawule (2017), investigated the relationship between tax education and tax compliance among the self-employed in the Cape Coast metropolis. The study applied the quantitative approach by designing closed–ended questionnaires to collect the appropriate numerical data necessary to address the study objectives. A total of four hundred (400) respondents were selected from the estimated self-employed population of 28,355. The key findings from the study indicated that tax education affects tax compliance among the self-employed, however, the nature of the relationship depended on the type of the content of tax education and the type of compliance to be achieved. An earlier study in Ghana by Wahabu (2016) examined compliance with tax laws by SMEs in Tamale Metropolis. The researcher adopted the descriptive survey and cross-sectional research designs. Sampling procedures used were the Stratified sampling and simple random sampling to select a sample size of two hundred and sixty-five (265) from a total population of eight hundred and fifty-one (851) SMEs. A close-ended questionnaire was employed in gathering primary data for the study. The study was analysed using descriptive statistics and multiple regression. Findings from the study revealed that the tax knowledge of owners of SMEs was low and that major factors contributing to tax compliance among SMEs in the Tamale Metropolis of Ghana include complexity of the tax laws, perception of government spending, profit level of businesses and the rate of tax. The study concluded that there was a significant relationship between tax knowledge and tax compliance.

Masango (2019) paper in Zimbabwe investigated the tax compliance practices with the current tax regime and their effects on the overall performance of Zimbabwe Revenue Authority (ZIMRA). A descriptive research design was adopted and the population of interest comprised of 185,795 taxpayers in Harare. A sample of 65 taxpayers was selected through a simple random stratified sampling method was used for the study. Regressions Analysis was used establish the relationship between higher tax penalties & tax compliance, effective communication (sensitisation) & tax compliance, managerial discretion in managing tax payers' resistance & tax compliance and use of authoritarian power by tax collectors & tax compliance. The study established that higher penalties reduce the propensity to comply with tax laws and vice versa, whereas effective communication (sensitisation) with stakeholders (taxpayers) does increase compliance levels among tax payers. Increasing managerial discretion increases compliance levels among taxpayers whilst draconian laws discourage tax compliance.

Another paper in Zimbabwe by Newman and Nokhu (2018), aimed at evaluating if lack of tax knowledge contributed to high levels of tax non-compliance amongst Small and Medium Enterprise (SMEs) in Zimbabwe. A descriptive research design was adopted by the research with the qualitative data collected by means of questionnaires and interviews. The responses were analysed using narrative description method. For purposes of computing the sample size a quantitative research approach was used involving a sample of 35 SMEs and 40 tax officials. The findings of the paper reviewed that SMEs in Zimbabwe possess basic tax knowledge about taxation but lack a deeper understanding like the difference between presumptive taxation and income based taxation. However, this insignificantly influenced their non-compliance behaviour.

It emerged that in order for tax knowledge to influence tax compliance positively, the tax rates and corruption needed to be addressed too.

An earlier study by Mwandiambira (2017) evaluated if lack of tax knowledge was contributing to the high levels of tax non-compliance amongst SMEs in Zimbabwe. In order to achieve the aforesaid, a qualitative research approach was used involving a sample of thirty-five (35) SMEs and forty (40) tax officials. The findings were that SMEs in Zimbabwe possess basic tax knowledge about taxation but lack a deeper understanding like the difference between presumptive taxation and income based taxation, however, this insignificantly influenced SMEs non-compliance behaviour.

Similarly, Sigauke (2017) investigated the influence of tax knowledge on tax compliance using Zimtile (Pvt) Ltd, an SME in Zimbabwe as a case study. The researcher used a descriptive case study based on a mixed methods research design. Data was collected through interviews from 4interviewees and through questionnaires from 32 respondents. Data analysed from the research showed that tax knowledge had a strong and significant positive impact on tax compliance of Zimtile (Pvt) Ltd. The researcher also concluded that there are other factors such as complexity of the tax system and awareness of tax offences and penalties that affect tax compliance of Zimtile (Pvt) Ltd.

Nyamwananza et al (2014) on SMEs' Attitudes and Practices towards tax compliance in Zimbabwe focussed on 50 SMEs in the retail sector in Gweru. The findings of the study showed that minimal efforts were being put in place to enforce compliance, and corruption levels are high among the tax collection officials. Small and medium enterprises (SMEs) evade compliance by paying bribes, keeping two sets of records, relocating to new premises without notifying authorities, and temporarily closing businesses during compliance blitz. Penalties were found to be the most effective when it came to enforcing taxation compliance.

Maseko (2014) investigated the impact of personal tax knowledge and compliance costs on tax compliance behaviour of SMEs in Zimbabwe. The study adopted a qualitative research design. Primary data was collected through face to face interviews from SME operators and tax consultants in Harare, Chitungwiza and Bindura. The results indicated that SMEs face different business conditions from large companies which cause them to bear high tax compliance burdens. The results also indicated that the perceptions of SME operators about tax fairness, tax service quality and government spending priorities greatly affect their tax compliance decisions.

Kirchler (2014) observed that general education on taxation was significantly related to tax compliance. The aforementioned is in line with Muchani (2010), who argued that one of the fundamental ways to increase public awareness is for the taxpayer to have knowledge about taxation.Small and Medium enterprises (SMEs) are common culprits when it comes to avoiding tax or compiling with regards to taxations returns submissions, this has been attributed to the fact that most revenue authorities around the world tend to focus on larger corporations which make huge profits compared to the SMEs(Wasao, 2014).

In Kenya, Omondi and Theuri (2019), investigated the effect of tax awareness and cost of compliance on tax compliance in the small scale traders within Nakuru town. The study was guided by the economic deterrent and psychological theories of tax compliance. The study used descriptive research design. A sample size of three hundred and two (302) was drawn from the target population of 1416 licensed small scale traders by the County government of Nakuru. Data was collected using structured questionnaire. The data was also coded, analysis was done quantitatively using both inferential and descriptive statistics. The data was then summarized in form of tables and charts. The findings revealed that tax awareness and education has a positive and significant effect on the tax compliance, and the cost of compliance has a significant effect on the level of tax compliance.

Prior to the above the study, Gitonga and Memba (2018) sought to establish the determinants of tax compliance by public transport savings and credit cooperative societies in Kenya. The study adopted a descriptive research design, and a population of this study was made of 40 public transport Saccos in Kiambu County. The collected data was summarized using descriptive statistics such as mean and frequencies, which helped in meaningfully describing the distribution of responses. A Binary logit regression model was used to establish the relationship between the tax compliance determinants and tax compliance by public transport Sacco's in Kiambu County. The findings revealed tax deterrence sanction, tax compliance costs and tax knowledge levels had a statistically significant relationship with tax compliance levels by public transport SACCOs in Kenya. The study, however, did not find a significant relationship between the tax system and tax compliance levels by public transport SACCOs in Kenya.

Prior to Gitonga and Memba (2018) study, a paper by Gitaru (2017) assessed the effect of taxpayer education on tax compliance in Kenya, the case of SMEs in Nairobi CBD. The study established the effect of electronic taxpayer education, print media tax payer education, and stakeholder engagement on tax compliance. The target population was SMEs in Nairobi CBD Tax area. The study targeted SMEs conducting business within Nairobi CBD. Data was collected by administration of pretested questionnaires to the owners of SMEs business. Data was analyzed using both descriptive and inferential statistics. The nominal and ordinal data was collected using questionnaires and later subjected to quantitative analysis using Statistical Package for Social Sciences (SPSS). Data was presented in the form of frequency distribution tables & graphs. The study results showed that indeed; electronic taxpayer education, print media tax payer education, and stakeholder engagement, influences tax compliance among SMEs in Nairobi's CBD area. Correlation Matrix was done to determine the correlation between the independent variables. The results showed that stakeholder's sensitization is positively related to the taxpayers' education to correctly calculate the tax compliance.

Another paper in Kenya, Thananga et al (2013) sought to establish how landlords in Nakuru Municipality of Kenya had responded to the new taxation measures, and the factors that influenced their taxation compliance. A sample of ninety-four (94) respondents was selected to take part in the study using convenience sampling technique. Primary data for the study was collected by way of seeking opinion from selected landlords through the use of semi-structured questionnaires. Results of the research show that, the level of full compliance to the provisions of the rental income tax policy was low.

Additionally, the study revealed that generally the perception of landlords on rental income taxation and the taxman was negative and this highly influenced their noncompliance. Taxpayers do not consider the implementation of this taxation in good faith and also feel that taxes are not put into good use. Therefore, the landlords only pay tax only when they deem it as necessary, and are ready to use any alternative to evade or underpay taxes; this was found to highly influence their tax compliance. The knowledge on the rental income tax policy was found to be relatively low especially when it came to the provisions of the taxation policy itself. This was found to highly influence the levels of non-compliance to taxation on rental income. However, most of the landlords had basic understanding on tax calculations and procedures for filing returns. The cost of compliance also played a key role in determining the level of compliance. The costs include both direct taxes and indirect tax costs such as auditing costs, costs of hiring personnel and experts for the purposes of compliance. Perception, knowledge and cost were found to be the major components in compliance to rental income tax policy by landlords in Nakuru Municipality of Kenya.

Obongo (2018) examine the influence of tax knowledge & awareness on tax compliance among Export Processing Zones investors in Kenya. This research used a cross sectional survey research design. The study population comprised of one hundred and fifty (152) duly registered and licensed firms by the Export Processing Zones Authority. Since all the registered investors in the three Kenyan Cities were considered for the study, a census sampling technique was employed. Primary data was gathered using structured questionnaires and captured through a 5-point type Likert Scale questionnaire. Statistical Package for Social Sciences (SPSS) was used in the analysis of data.

Data was analyzed use of descriptive and inferential statistics. Analysis of Variance (ANOVA), multiple regression and correlation analysis was carried out to test the hypothesis. The study findings revealed that tax knowledge and awareness had a strong significant relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply with them. Hence, firms with well-trained employees on taxation issues had a higher probability of complying voluntarily with tax laws and regulations. The study concluded that tax knowledge and awareness had a positive and significant relationship with tax compliance.

Another paper in Kenya by Magiya (2016) sought to explore the different factors that determine SMEs compliance in Nairobi East Tax District. The researcher used the linear regression probit model for data analysis. Results obtained revealed some similarities and differences with regards to factors that were correlated to tax compliance in the locality under study. The study found that when there is an increase in the tax payers understanding of the tax laws and the tax system coupled with an increase in government accountability with respect to provision of public good and services, this resulted into higher taxation compliance levels by taxpayers, thus more of funds through revenue collection.

In Nigeria, Aladejebi (2018) study examined the level of tax compliance among owners of small and medium enterprises (SMEs) in Nigeria. Small business is vital to the economy of Nigeria. The sample size for the research was 250 and 223 SME owners responded through the questionnaire distributed. The quantitative method was used in analysing the data collected. SPSS was used to analyse the data. Findings showed that female SMEs in Nigeria showed a higher level of compliance with government regulations than male SME. These findings were also confirmed by the test of association which showed a statistically significant relationship between the level of compliance with tax regulations and gender of SMEs. Results further revealed that the lack of compliance in filing annual returns and payment of Withholding Tax (WHT) was evident among male entrepreneurs. The study revealed that there was need for tax education among SMEs running limited companies with respect to the filing annual returns, a ttaxation amnesty was found to increase the level of tax compliance by the surveyed SMEs.

Oladipupo and Obazee (2016) paper in Nigeria investigated the impact of tax payers’ knowledge and penalties on tax compliance amongst SMEs in that country by using a survey research design. The data obtained from questionnaire was analyzed using the Ordinary Least Square (OLS) regression method. The results showed that tax knowledge had a positive significant impact on tax compliance. Thus, the study shows that tax knowledge has a higher tendency to promote tax compliance Small and medium scale business owners should also seek to advance their tax knowledge and awareness for the mutual benefits of the governments and taxpayers.

Another study in Nigeria by Atawodi & Ojeka (2012) using SMEs in Zaria, North-Central Nigeria aimed at evaluating and ranking the factors that encourage non-compliance with tax obligation by SMEs. The study found that high tax rates and complex filing procedures were the most crucial factors causing non-compliance of SMEs. Furthermore, other contributing factors such as multiple taxation as well as lack of proper taxation education affect tax compliance among the SMEs which were surveyed, though these were only to a minimal extent.

In Zambia, Resnick (2018) study titled “Tax Compliance and Representation in Zambia’s Informal Economy”, examined tax compliance and implications for citizen representation among informal workers, this study involved a survey of over 800 market workers in Lusaka. The researcher also conducted interviews with the Lusaka City Council (LCC), the Ministry of Local Government (MLG), the Zambian Revenue Authority (ZRA), and the Zambian National

Marketeers Credit Association (ZANAMACA), which represents approximately 400,000 informal traders in Zambia. The findings revealed that higher compliance with taxes is strongly associated with respondents who have greater access to services within the market, which supports the fiscal exchange hypothesis that citizens are more likely to pay taxes when they personally experience direct benefits in return. Among those who pay those taxes, norms of tax compliance are much higher, as is a desire to rely on mobile technology for tax collection rather than deal with a physical collector.

Resnick (2018) reported that among a relatively poor segment of the population in Zambia, tax revenue can be mobilized if the benefits of those taxes are directly experienced and that just the process of paying taxes can affect an individual's demand for representation by policymakers. Policy Monitoring and Research (PMRC) (2014) undertook a study on the role that tax morale plays in increasing domestic revenue collection and tax compliance in Zambia. The study the study was based on a desktop research design with literature from countries in the SADC region (i.e. Botswana and South Africa) used in comparing tax morale and tax compliance levels. The study revealed that tax morale is an important determinant of tax compliance in Zambia, however, tax morale has remained relatively low in Zambia and this in run has affected the levels of tax compliance in the country.

Nyambe (2013) study was aimed at identifying adult education processes that can be used to enhance the self-employed artisans' understanding of Zambia's taxation issues in selected markets of Lusaka. Six artisan markets out of the targeted fifteen were purposively selected after a conducted mapping exercise during the months of October to November, 2009. The selection was done on account of the market's business viability. These markets where the study took place are: Alick Nkhata in Kalingalinga, Buseko in Matero, Chifundo in Chaisa, Katima-mulilo in Garden, Kwacha in Chilulu and Tiyeseko in Marrapodi.

The descriptive research design was used in this study to systematically describe the facts and characteristics held by artisan Marketeers over taxation issues affecting them. The population for this study was 168 artisan Marketeers. Out of this population, 138 artisan Marketeers were selected using proportionate random sampling procedure. Four key informants, namely: one from the Zambia Revenue Authority (ZRA) Head Office and three from the Market Management Committee (MMCs) members were also purposively selected.

The study revealed that there was a dearth of knowledge on a number of issues with regard to taxation as the majority of artisan Marketers lacked adequate information on how to register as eligible taxpayers with ZRA. For instance, on knowledge of registration procedures for new taxpayers, the study revealed that out of 138 artisan Marketeers, the majority 134 or 97% lacked knowledge about the registration procedure. This was because they did not know that they needed to notify the Commissioner-General (CG) at ZRA within thirty days of business commencement in order to be allocated a Tax Payer's Index Number (TPIN). On knowledge of the main type of tax applicable to them, the study showed that out of 138 artisan Marketeers, the majority 136 or 99% were unable to identify income tax as the main one applicable to them. Finally, on knowledge of the recommended minimum amount for tax exclusion, the study revealed that out of 138 respondents, the majority 136 or 99% lacked knowledge regarding the threshold for eligibility to paying income tax per annum.

The main aim of electronic filing is to enable taxpayers to meet their normal tax obligations in a convenient manner without visiting tax office. Tax compliance has always been an area of concern to policy makers, tax administrators and society in general. This is mainly because tax compliance affects revenue collection and the ability of the government to achieve its fiscal and social goals (Tan and Sawyer, 2003). Measures to improve compliance include providing excellent taxpayer services that generate better long-term outcomes such as higher tax collection and reduction in the tax gap.

2.7 Taxation of Small Scale Enterprises

In general, Medium taxpayers are in the formal sector, are structured and have the capacity to keep records that conform to the accounting standards and corporate or tax laws. In contrast, Small Taxpayers mostly fall in the informal entities. They are not well structured and they may have genuine difficulty in keeping adequate records, more so using electronic filing of tax returns (Picur et al., 2006). In Kenya for example, Ouko (2010), asserts that any person who has registered for and obtains a Personal Identification Number (PIN), technically qualifies as a small taxpayer. This wider classification includes but not limited to employees and even students who mandatorily register for PIN to obtain loan facilities for their higher educational needs.

Small taxpayers in Kenya were brought to tax bracket in the year 2006 through the Finance Bill of 2006 which introduced Turn over Tax (TOT), before then small taxpayers would voluntarily register as tax payers. According to the speech read by KRA's Commissioner-General during the Kenya Institute of Management annual dinner in 2010, KRA collects 95% of the total Government revenue and over the last ten years of its existence, KRA has increased revenue collection from Kshs. 122 billion in the Financial Year 1995/1996 up to Kshs. 937.8 billion in Financial Year 2013/2014. One way of meeting its objective is to improve tax compliance by enhancing tax collection, compliance with filing of tax returns and bringing more taxpayers into the tax bracket through recruitment and registration of taxpayers. In order to enhance tax compliance, KRA has heavily invested in technology since 2003. To achieve this KRA has categorized its taxpayers as small, medium and large and has created separate tax department for each category (KRA, 2009).

Electronic filing in Kenya was introduced in the year 2007, initially on a voluntary usage basis for all categories of income tax payers, through an online system called KRA Online. But in the year 2013, a new online system called iTax was introduced with improved qualities and features to make it simpler for taxpayers to e-file their tax returns and remit taxes as they fall due. Most of small taxpayers in East of Nairobi are found in the informal (Jua kali) sector. According to (Kamleitner et al., 2010), this group of taxpayers are characterised by low business turnover, small capital, unspecialized merchandize, sole employee structure (in most cases the proprietor runs the business with assistance of one or two assistance), poor records keeping and generally non-compliance with tax matters.

Kenya Revenue Authority has introduced e-filing system known as iTax. Through this system, a taxpayer is able to register as a taxpayer, file tax returns, make payments (through tax e-slip), view ones ledger record, apply for and receive tax refunds, apply for and obtain through e-mail Tax Compliance Certificate (TCC), and even make follow-up on KRA audit queries. Majority of taxpayers who have embraced this online system are either in Medium or Large category of taxpayers, yet majority of taxpayers in Kenya are categorised as small taxpayers (KRA, 2010).

KRA has divided taxpayers into tax districts for ease of tax Administration and efficient service delivery to taxpayers (KRA, 2010). The current Domestic Taxes Districts are three: Large Tax

Payers Office (DTD - LTO), Medium Taxpayers Office (DTD –MTO) and Small Taxpayers Office (DTD – STO). Under the last categories there are other several tax districts. Nairobi County alone is divided into four tax districts which are East of Nairobi (EON) covering Eastlands, west of Nairobi tax district (WON) covering Westlands, North of Nairobi (NON) tax district and South of Nairobi Tax District (SON) covering Southlands.

Out of the four tax districts in Nairobi, EON is considered to have majority of taxpayers (Approximately 800,000) majority of whom are small taxpayers who comprise of employees, few industries and small businesses. Since majority of taxpayers in EON are considered to belong to the low income generating bracket, the ones operating small businesses and kiosks have poor structures and a number have no knowledge of computers. It might therefore be a challenge to embrace online filing should it be made mandatory by KRA that all registered taxpayers to only use e-filing in order to enhance tax compliance in Kenya.

Fiscal policy is one of the main components of macroeconomic policy and its tasks have been considered in a double context: first, the core of fiscal policy, and second, the consistency with the monetary policy (Holban, 2007). In general terms, the choice of tax policy to employ depends on the use of one or both two groups of instruments; the first one being the use of special tax preferences and the other incentives to support start-up and growth of small companies. The incentives include the lowering of corporate income tax rates, special tax exemptions and relieves for small businesses. The fundamental purpose of taxation is to raise revenue effectively, through measures that suit each country's circumstances and administrative capacity. In fulfilling the revenue function, a well-designed tax system should be efficient in minimizing the distortionary impact on resource allocation, and equitable in its impact on different groups in society (Bolnick, 2004).

Many of the difficulties with the tax authorities are the consequence of poorly conceived tax policies and a lack of certainty regarding future policy changes. The objective of a tax policy should be to achieve collection cost savings while minimizing the revenue loss, disruption to the economy, and the inequity and capriciousness of the tax burden. For a developing economy such as Zambia, the tax regime must be versatile enough to encourage savings, stimulate investment and reward social responsibility and research funding. To widen the tax net, policy makers must never forget the urgency to provide infrastructure; create jobs and reduce unemployment; expand the productive sectors of the economy; stimulate exports, and substantially raise public revenues from non-oil sources (Punch, 2010). Hence, tax policies should aim at bringing all taxable adults into the tax net with a graduated rate that should ensure that the well-off pay their own share while the low income earners are given savings-enhancing incentives.

An effective and efficient tax administration system is integral to any country's wellbeing; it is as a result of this that Baurer (2005) believes that the tax administration must provide an even playing field for business by ensuring that all taxpayers meet their tax filing and paying requirements The tax administration must balance its educational and assistance role with its enforcement role.

The rationale behind the whole system of tax is consistent with two of the three major theories of tax namely; the Ability-to-Pay Principle and the Equal Distribution Principle. These two principles stress equality and fairness. While the Ability-to-Pay talks pushes that individuals should be levied taxes based on their ability to pay, the Equal distribution Principle suggests that income, wealth, and transaction should be taxed at a fixed percentage; that is, people who earn more and buy more should pay more taxes, but will not pay a higher rate of taxes.(Baurer, 2005)

2.8 Tax Policy and Level of Voluntary Compliance among Small Scale Enterprises

Tax plays an important role in the growth of Small and Medium Enterprises (SMEs) in low income countries like Zambia. The role of SMEs is critical in pushing the socio-economic development agenda of the country further. Therefore, alignment of the tax system to the environment specific SME growth needs can be considered an important agenda for the policy makers. In the 1970s, SMEs in Zambia were perceived as marginal to mainstream activity. They were typically cast as habitual avoiders and evaders however the 1980s the service sector took off and represented a higher and growing proportion of GDP in the country. SMEs are an important force for economic development and industrialization in poor countries. It is increasingly recognized that these enterprises contribute substantially to job creation, economic growth and poverty alleviation.

The 2015 World Development Report suggests that creating "sustainable jobs and opportunities for micro entrepreneurs are the key pathways out of poverty for poor people" (World Bank, 2015). Like any other developing countries, Zambia has taken a number of measures to promote the growth of private sector and Small and Medium Enterprises (SMEs). SMEs were estimated to account for a significant share of Gross Domestic Product (GDP). The government formulates and implements various policies aimed at increasing job opportunities, development of infrastructure as well as income generation through the creation of new SMEs and improving the performance and competitiveness of existing one, the revenue collected from taxes represents the major funding source for governmental expenditures (Baurer, 2005). If the tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifter ability of tax. SMEs in developing countries often face difficulties when dealing with tax matters. It would be rare indeed not to hear complaints about the complexity and or ambiguity of the tax laws, high tax rates, and the lack of an integrated fiscal strategy that takes social taxes, and local taxes and fees into account when determining the overall tax burden placed on the business community (Baurer, 2005).

This implies that as a policy maker and regulator, Government must consider the factors that could affect the competitiveness of the enterprises. Assessing the impact of tax systems on SMEs is not simply a matter of looking at tax rates. Tax systems play an important role in encouraging growth, investment and innovation and facilitating international trade and mobility. For SMEs key considerations are to minimize administrative burden while ensuring compliance, including considering the drivers and impacts of operating in the informal economy (Kolstad, 2006) indicated that taxes are perceived to be a major problem for both young and old firms. Therefore, taxation has showing a way towards impacting small and medium enterprise. There are four broad categories of obligations identified as registration in the system, timely filling or lodging of the required information, reporting of complete and accurate information and payment of taxes in time.

The definitions of SMEs differ from country to country, region to region and there is no universal definition. Small and Medium Enterprises (SMEs) play an important economic role in many countries. In Zambia, for example the SME sector contributed over 50 percent of new jobs created in 2010 but despite their significance, most SMEs evade tax. Nevertheless, the factors that attribute to the tax evasion among SMEs are not well understood. Hostility towards tax compliance dates back to history of taxation. Taxes are considered a problem by everyone, not surprising, taxation problem date back to the earliest recorded history. Zambia is ranked among low income countries and low compliance countries and is further faced with the difficult task of ensuring efficient and effective tax administration. According to a research conducted in Zambia by other scholars, the problem of tax non-compliance among business firms constrains the realization of revenue collection targets by Zambia Revenue Authority (ZRA).

The research aimed at investigating the relationship between the size of taxpayer's income, inspection by the tax authorities, use of tax registers and VAT compliance. A sample of 233 registered firms was selected and data collected using selfadministered questionnaires to personnel in finance department of the selected firms. The data was analysed both descriptive and correlation analysis. The study revealed that VAT noncompliance is high among the middle-income business firms and that Inspection of business firms by tax authorities had a slight positive relationship with VAT compliance ($r = 0.15$, p sized private firms. Tax authorities should also encourage effective use of tax registers through regular but impromptu inspections (Naibei, 2012) Tax compliance is low among SMEs as a result of several factors such as poor management and internal control practices as many of the enterprises are merely trying to make ends meet. Another contributory factor to low tax compliance among SME's is the informal approach to establishment, operation and dissolution which creates an ease of mobility, consequently making it difficult for the tax administration to keep pace with them.

Cash-based economies have also had inadequate accounting records and audit trails in practice. Tax compliance is low among SMEs also because compliance costs for the SMEs are much higher relative to larger business operations that they are competing against. In addition, small businesses have limited resources and technical capacity. Often, the priority of a tax administration is to focus on large taxpayers because of the high delinquency rate and low revenue yields associated with small businesses, with very little enforcement action. This ultimately encourages non-compliance (Masinde, 2010). From the perspective of tax administration, the major obstacle which hinders government in ensuring that the SME is incorporated in the taxation bracket is the nature of businesses. The small sizes of the businesses make it easier for them to remain outside the taxation bracket. Mistrust and weak structural dialogue between informal sector and government is another factor that hinders taxing of the informal sector. There is a general mistrust between tax agents and taxpayers, with agents perceiving the SME as tax evaders, unwilling and unable to pay their taxes. The operators too are wary of government agencies' high-handedness in collection of taxes.

There is lack of structured dialogue between the SME and the government as well as other law enforcing authorities. This has led to mistrust and prevents the sector from engaging constructively with the government in reform processes. Other bottlenecks according to a publication of the IEA budget information program include the lack of opportunity to grow and adapt good culture of corporate governance. The informal sector has limited access to training and professional services that would enable them adapt to a sound culture of corporate governance. (Osambo, 2009) Complicated tax systems and numerous processes (licensing etc.) make it difficult and expensive for start-up firms to act in good faith. Policies regarding the informal sector are poorly coordinated and disseminated across five different but related government ministries namely finance, trade, industrialization, local government and labour.

This confusion often places sector operators at a disadvantaged position more so in terms of accessing policy updates. The current policy reforms regarding business regulations and taxation laws and systems have been formulated with little participation of the informal sector. As a result, many workers and business entrepreneurs in the informal sector feel left out (Chipeta, 2012) In addition, most prospective entrepreneurs are not aware of business start-up regulations and taxation procedures, mainly due to lack of effective information dissemination strategies on government policies. This prevents the sector operators from entering into formal economy and tax evasion and corruption as normal way of doing business. The informal sector operators who opt not to pay taxes and do business without licenses operate incognito in back alleys and roadsides. They are often mobile and, in most cases, engage in running battles with law enforcement and council authorities.

In the process of evading taxes, they end up paying more money in the form of bribes, to the law enforcers. Spicer and Lundstedt (2013) pointed out that SMEs have more possibilities to avoid taxes than larger taxpayers. They also have more opportunities for tax evasion and opportunities might further increase with the number of different income sources. Hence, in compliance decisions the level of income might interact with its source. The importance of how one’s economic status is perceived was demonstrated by (Vogel, 2015) taxpayers who reported improvements of their economic status were less compliant than others who reported deterioration of their financial well-being. A positive relation of SMEs income and tax compliance also found empirical support. Other studies found no relation of income level and tax compliance. Self-reported compliance behaviour was not related to income among Swedish taxpayers.

It is generally believed that a high tax rate is the main cause of tax evasion. Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the sum evaded (Kaldor, 2011) One major tax evasion is the high personal income tax rates which tend to lead tax payers to evade tax. Too many and complicated rules and regulations imposed by the government tend to lead to tax evasion. Businesses find it generally difficult often not profitable to do business legally. The heavy taxation is also a subject of worry not only in developed countries like USA but also in Zambia and other less industrialized countries in Africa and Latin America. For instance, taxes in Zambia confront the large manufacturing sector in different shapes and shades example: import duties, export and excise duties, sales and VAT, withholdings and income taxes, and PAYE (ZRA 2014).

The high levels of taxation of SMEs in Africa and in Zambia in particular, warrants attention on accelerated research areas aimed at addressing the overall effects of taxation on SMEs (Osambo, 2013). By studying taxation behaviour in five different countries (USA, Gambia, Nigeria, South Africa and Zambia), Derwent (2000) concluded that increased tax burden is a major threat. The results show that the increase in tax rates leads to higher production, distribution and selling costs which lead to higher prices and as a result consumer change their buying behaviour. People react to the higher prices by buying less of the product. When sales fall, some manufacturers cut back on production and some workers may lose their jobs. The productive resource that is land, capital, labour and entrepreneurship are allocated to other industries or go unused. For instance, when the government increase taxes on items such as beer and cigarettes for the purpose of realizing revenue and discouraging their consumption people tend to buy local brews. Whenever prices increase due to increase in tax rates; prices of goods and service increase and there is a drop in the consumption rate and a decrease in sales volumes which leads to retarded growth of SMEs.

Tax payment is among the outflows of cash from the business which reduce the purchasing power of an enterprise. This is due to the fact that a large amount of cash collected is used to pay taxes rather than to expand the business. Some studies suggest that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer (Chipeta, 2002). However, the level of the tax rate may not be the only factor influencing people's decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. If, for example, the tax rate on corporate profits is relatively low, but individuals are facing a high tax rate on their personal income, they may perceive their personal tax burden as unfair and choose to declare only a part of their income. Similarly, large companies can often more easily take advantage of tax loopholes, thereby contributing to the perceived unfairness of the system. Tax rates and the overall structure of the tax system, therefore, have a significant effect on the disposition to evade and avoid taxes.

Standard models assume that tax payers are fully informed of all the aspects that cover the tax reporting processes. However, this is a strong assumption and not the case (Andreoni Jerald, 2009). Tax research has shown that the degree of information is an important factor on the behaviour of tax payers and how it influences tax evasion. Less educated tax payers are less exposed to tax compliance information and are less informed about relevant tax compliance information and thus are more prone to tax evasion. Some tax payers find the complexity of tax information more difficult to understand than others. This complexity may lead to unintentional non-compliance if tax payers have problems maybe in filling of tax returns.

In Zambia ZRA adopted the self-assessment system of paying taxes. The responsibility of declaring and paying the correct taxes is vested on the tax payer. A tax payer is required by law to file a self-assessment return by the end of the six months after year end. After filing the returns, Zambia Revenue Authority (ZRA) reviews them and if it has reason to believe that a tax payer did not disclose the correct taxes, it is empowered under the law to carry out an in-depth tax audit to verify the information disclosed by the tax payer. This is where problems start. The tax payer then goes through the rigorous process that is both time consuming and costly for errors or omissions that would have been avoided had advance tax rulings been in place (Muiru, 2012). Further, businesses contemplating significant transactions are often faced with the problem of not knowing, with some degree of certainty, what the tax outcome of those transactions would be.

This uncertainty could sometimes mean a deal is aborted because an adverse tax treatment could make it commercially non-viable. The situation is further complicated by the complexity of our tax laws and the fact that they are subject to change from time to time. The way business is conducted has also become more sophisticated due to the geographical spread of enterprises. We have recently witnessed many multinational companies set up operations in Zambia in keeping pace with the wave of globalization. The world has become a global village but it is unfortunate that our tax laws have not kept pace with this trend. For instance, it is not a wonder to find a company producing goods in one country and selling in another country to benefit from tax advantages in low tax jurisdictions.

The complexity of business transactions makes the application of intricate tax laws that have generally not kept pace particularly problematic. Tax payers often find themselves in difficult situations while making important business decisions as tax laws may not be clear as to the treatment of complex business transactions. Our tax legislation does not provide for advance tax rulings though in practice, tax payers seek the Commissioner's interpretation of various tax laws or tax implications of certain business transactions. Sometimes this is done on a no-name basis in order to retain confidentiality (Muiru, 2012).

Zambia has a complex tax system that makes it expensive for taxpayers to comply with an increased cost of doing. It is costly to implement occasioning losses in Zambia's economy. The more complex a tax system is the more costly is its administration and the more expensive it is for people to comply with it. Taxes administered in Zambia include corporate income tax, personal income tax, Value Added Tax (VAT) and withholding tax. Corporate income tax rate is 30 per cent, personal income tax rate ranges between 10 per cent and 30 per cent, VAT rate is 15 per cent and while withholding tax rates begin from 3 per cent and depend on income source and whether one is a Zambian or not (Government of Republic of Zambia, 2014).

A compliance cost is expenditure of time or money in conforming to government requirements such as legislation or regulation. For example, people or organizations registered for value added tax have the extra burden of having to keep detailed records of all input tax and output tax to facilitate the completion of VAT returns. This may necessitate them having to employ someone skilled in this field, which would be regarded a compliance cost. Compliance costs normally include all costs associated with obeying the law, including planning and administration, in addition to the direct time and money spent filing paperwork. Businesses especially small ones often face heavy costs in the process of preparing, filing, and paying taxes in addition to the burden of tax payments. These compliance costs, added to fines, penalties, and the risks of inspections and demands for bribes, often deter business creation and growth in developing and transition countries.

A tax compliance cost survey can provide useful information for the design of reforms to reduce compliance costs and risks for small businesses. This note highlights key findings of tax compliance cost surveys conducted in South Africa, the Republic of Yemen, Ukraine, and Peru that measured the burdens on business. These surveys helped fine-tune the design of reforms to lower costs for businesses and improve their competitiveness (Coolidge, 2010). High compliance costs can result in tax avoidance, tax fraud, and inhibit investment by way of diminishing competitiveness of the country in terms of taxation attractiveness (Ojeka, 2012).

The full cost of a tax system is more than simply the amount of tax paid. It also includes the cost of tax planning and paperwork. Economists call these "tax compliance" costs, and the IRS estimates Americans spend 6.6 billion hours per year filling out tax forms—including 1.6 billion hours on the 1040 form alone. In a study carried out on tax compliance and simplifications (OECD, 2004) established that compliance costs tend to increase with the number of taxes that an entrepreneur is subject to, the complexity of the tax rules, the frequency of submitting tax returns and the number of levels of government involved in levying and collecting taxes. Taxes introduce complexities and costs not relevant to SMEs and the complexities may increase where more than one level of government is involved for example the devolved government in Zambia. This results to SMEs avoiding the paying of taxes as it affects the business.

Tax payer’s attitude maybe influenced by many factors which eventually influence taxpayer’s behaviour (Ambrecht, 2012). Some of these factors which influence tax compliance behaviour and tax compliance behaviour are many and are different from one country to another and from one individual to another. They include taxpayers perception of the tax system and revenue authority; peer attitude; tax payers understanding of tax system and tax laws; Motivation such as rewards and penalties; Cost of compliance; enforcement efforts such as audit; probability of detection; difference across culture; Equity of the tax systems and demographic factors such as sex, age and size of income. There is a very strong relationship between the taxpayers' attitudes and tax compliance in Zambia, in that taxpayer's attitudes encourages tax compliance in and all that influence the taxpayers' attitudes equally affect the taxpayers' compliance with the tax requirements.

In a research conducted in Zambia (Zulu, 2015) the following conclusions were arrived at: First, most taxpayers view the Zambian tax system as unfair. This was because most respondents differed that they are paying a fair share of tax; that their neighbours or friends, the tax laws are not easy to understand such as calculation of tax filing and paying dates. Secondly, some of the factors for tax noncompliance were found to be: the inability to understand tax laws, for example, rates of tax, filing and paying dates, a feeling that they are not paying a fair share of tax, negative peer attitude, and a belief that their neighbours are not reporting and paying tax honestly, and non-rewarding taxpayers. The attitude issues from the various studies rotate around the tax fairness; improper use of revenue collected by government and pure intent to evade payment of tax for the collective good vis-à-vis the individual interest. Attitudes represent the positive and negative evaluations that an individual hold of objects. It is assumed that attitudes encourage individuals to act according to them.

Thus, a taxpayer with positive attitudes towards tax evasion is expected to be less compliant than a taxpayer with negative attitudes. Attitudes towards tax evasion are often found to be quite positive (Kirchler, 2001). Many studies on tax evasion found significant, but weak relationships between attitudes and self- reported tax evasion (Trivedi, 2005). A model of tax evasion behaviour developed by Weigel, Hessing considers social and psychological conditions, including attitudes and moral beliefs about tax evasion’s propriety, as antecedents of tax compliance. Data collected from fined tax evaders and honest taxpayers showed that attitudes explain in part self- reported tax evasion, but are insignificant predictors of actual behaviour. However, the correlations between self- reported tax non- compliance and attitudes are significantbut fairly weak.

These findings suggest a rather complicated relationship between tax evasion and attitudes; nevertheless, we can be confident in our general prediction that if tax attitudes become worse, tax evasion will increase (Lewis, 2005). The attitudes are important for both the power and the trust dimension. On the one hand, favourable attitudes will contribute to trust in authorities and consequently will enhance voluntary tax compliance. On the other hand, attitudes towards the authorities will be relevant for the interpretation of the use of power as benevolent or malicious. Tax attitudes in general also depend on the perceived use of the money collected and therefore are connected to knowledge (Kirchler, 2001).

Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for small and medium enterprises reduce the size of the informal economy and the number of non-complying registered taxpayers (Vasak, 2008)**.** Furthermore, Small Scale Enterprises usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations.

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of Small Scale Enterprises as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009), and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of Small Scale Enterprises are higher than for large businesses.

Tax compliance is of paramount importance for the government to provide public goods and reallocate wealth (Jayawardane, 2016). For government to be able to provide public goods and reallocate wealth, there is a need for taxpayers to comply and pay the correct amount of taxes due and on time (Musimenta et al., 2017; Nkundabanyanga et al., 2017; Jayawardane, 2016). Because of the economic crises in several countries, for example, the Asian financial crisis in the late 1990s, there has been a marked increase in the importance of tax compliance in the global economic environment (Ritsatos, 2014). Tax revenue sustains economic development and finances both social programmes and infrastructure investment (Ibrahim et al., 2015). Osundina and Olanrewaju (2013) state that taxation (a process of levying and administering taxes) is a key player in every society of the world because it is a chance for the government to collect revenue needed in satisfying its pressing obligations.

Tax revenues provide governments with the funds needed to invest in development, dismiss poverty, deliver public services and build the physical and social infrastructure for long-term growth (OECD, 2010). Therefore, mobilization of tax revenues through taxation of all the economic agents is the most important way through which the government can raise funds to provide public services (Ndekwa, 2014). Small business enterprises (SBEs) are one of such economic agents the government can raise revenue through taxation. In Uganda, small and medium enterprises employ approximately 2.5million; constitute approximately 90 per cent of the private sector generating over 80 per cent of the manufactured output that contributes 20 per cent of Uganda’s gross domestic product (Ojiambo, 2016; Hatega, 2007). With all their significance, studies have shown that the problem of non-tax compliance is still widespread among small businesses (Yusof et al., 2014; Kasipillai and Abdul-Jabbar, 2006). Most SBEs fall under the presumptive tax system yet during the financial year 2014/2015, a large number of businesses that fell under the presumptive tax bracket did not pay taxes to Uganda revenue authority (URA) (Auditor General report, 2015).

All government authorities need sufficient income to run their operations. The collected government income is necessary for supporting governmental activities such as development projects, the provision of public services and administrative expenditures (Lojanica, 2015; Adenyi & Adesunloro, 2017). According to Hoffman and Gibson (2009) and Alade (2015), the income structure of the government is made up of two parts; income that originates from inside sources and that which is financed externally. Examples of inside sources include; taxation, fines, fees, interest and dividends from investments, while the donations and gifts received from donors represents income originating from outside sources (Al-Khulaifi, 2012; Muriithi, 2013). Arguably, a large part of the income generated by many governments all over the world comes from taxation (Afuberoh & Okoye, 2014; Okwori & Sule, 2016). For example, in the 2019/2020 financial year, Tanzanian tax revenue was projected to contribute 85.7 % of the national income by (Government of Tanzania, 2019). Because of the importance of taxation, several efforts are in place to improve the collection of government revenues under the custodian of the Tanzania Revenue Authority (Tanzania Revenue Authority, 2017).

First, the Tanzania Revenue Authority redefined its administrative blocks to cover small administrative geographical areas, down to the smallest unit called a “block” (Malima, 2013; Lubua, 2014). This smallest unit of administrative organisation helps the revenue authority to reach out to taxpayers in their localities (Kagoro, 2011; Chege, Kiragu, Lagat, & Muthoni, 2015). Moreover, the Tanzania Revenue Authority uses online information systems to enable citizens who are located in various places to have access to tax services (Hoffman & Gibson, 2009). Some of online systems which the Tanzania Revenue Authority uses in performing its tasks are: the Income Tax System (ITAX), Tanzania Customs Integrated System (TANCIS), Central Motor Vehicle Registration System (CMVRS), the Electronic Fiscal Devices (EFDs), and others which are accessed through the website (Enahoro & Jayeola, 2012; Ministry of Finance Tanzania, 2015).

The use of EFDs is important because it provides a mechanism to link most taxpayers with the revenue authority (Hurjui, 2017). The relevance of EFDs is evident in studies by Muthoni (2016), who attributed the increase of Value Added Tax (VAT) after the roll-out of EFDs in Tanzania. Regardless of the success in revenue collection due to different administrative controls and the use of EFDs (and related information systems), it is undisputable that Tanzania needs more income to detach itself from its dependency on donors, as about 14.3% of government income originates from non-tax sources, including foreign aid and loans (Muriithi, 2013; Price-waters Coopers, 2019).

In order to increase revenue collection, there is a need to increase the compliance among small business owners who form above 80% of all entrepreneurs and who contribute up to 35% of the total Gross Domestic Product (GDP) of Tanzania (Machogu & Amayi, 2013; Tanzania Chamber of Commerce, Industry and Agriculture, 2009). Currently, the government encourages citizens to report (whistle-blow) incidences of misconduct by taxpayers to increase compliance (Lubua, 2014; Chege, Kiragu, Lagat, & Muthoni, 2015). In addition, the government emphasises the imposition of punitive measures on noncompliant taxpayers. Nevertheless, it is unfortunate that many eligible taxpayers still avoid paying tax voluntarily (Aumeerun, Jugurnath, & Soondrum, 2016; Innocenti & Rablen, 2017).

With this background, the question as to whether whistle-blowers and punishment enhance compliance through the use of EFDs remains unanswered; the current study addresses this question. Furthermore, although studies conducted in Tanzania acknowledge the role of EFDs in raising revenue among VAT traders (Chege, Kiragu, Lagat, & Muthoni, 2015; Gberegbe & Umoren, 2017). However, it is understood that non-VAT traders represent a complicated segment of revenue collection (Ikasu, 2014). The category of non-VAT traders is mostly comprised of small businesses, which make up 95 percent of all business activities in Tanzania (Tanzania Revenue Authority, 2018).

The failure to address this category of traders means that the government to miss out on collection of eligible tax. Additionally, none of these studies integrates the impact of Electronic Fiscal Devices with the determinants of tax compliance. Such determinants include the audit effectiveness, fairness in tax procedures, and the level of transparency in tax processes (Muhrtala & Ogundeji, 2013; Ade, Akanbi, & Tubosun, 2017). The current study addresses these knowledge gaps together with the impact of EFDs on tax compliance. Consequently, the study is more focused on small business owners, because they are the largest group of business owners, 3 and their compliance would significantly enhance income revenue (Tanzania Revenue Authority, 2018).

Schmolders (1960) argues that every evaluation of the taxpayers' tax compliance behaviours should start from the answer to the question "How is the state mirrored in taxpayers' minds?" He further argues that "Consciousness about the state leads to citizens' civic and tax 'sentiments' and to a fundamental attitude with regard to problems of 'their' state". In other words, the way people express their attitudes, act, interact, react, and generally behave is grounded on the way they think rather than on reality. What happens in citizens' minds when dealing with issues like tax policy, public goods, tax regulations, etc., constitutes the social psychological determinants of tax compliance behaviour.

Attitudes are generally assumed to influence compliance behaviour because they represent taxpayer's propensity to respond positively or negatively to a particular situation (Eagly and Chaiken, 1993). There is a manifold of ways to operationalize and measure attitudes towards tax compliance starting from general judgments of the tax authorities, subjective assessments of tax evasion and ending with moral attitudes towards tax evasion (Orviska and Hudson, 2002). According to Kirchler (2007), norms are behavioural standards set at personal, social reference group, and collective level. Personal norms refer to internalized standards of behaviour such as altruism, norm-dependency, or religious beliefs which usually correlate with high tax ethics and willingness to comply. Social norms represent patterns of behaviour similarly judged by others. Generally, if a taxpayer receives from the reference group the signal that non-compliance behaviour is acceptable; the level of compliance will decrease.

Last but not least, societal norms represent cultural standards integrated in the relationship between taxpayers and authorities as well as in the tax legislation. At this level, compliance can be achieved by reducing the social distance between taxpayers and authorities as well as through cooperation and mutual trust. Porschke and Witte (2011), established that majority of taxpayers will always mention fairness as one of the most important issues that influence tax compliance. Where taxpayers perceive that there is fairness in taxation, they comply voluntarily, and the reverse is also true. Irrespectively of the aspects taxpayers assess (tax code, tax burden, tax rate, efficiency of government expenditures), a high perception of fairness yields to a high level of compliance.

There are three political determinants of tax compliance (Rahman and Nathan, 2014). These are the complexity of tax law, the complexity of tax system, and the fiscal policy. Before taking the decision to comply, one of the first elements taxpayers are confronted with is the tax law. Its level of complexity can turn a well- intentioned taxpayer into an avoider or evader. The structure of tax system can also hinder taxpayers' willingness to comply, if they perceive the system as being too bureaucratic, with a high tax burden, and a high number of taxes. In the same vein, an inefficient fiscal policy mirrored in squandering of public funds and low quality of public goods make taxpayers think twice before paying the entire share of their tax liabilities.

People's understanding of tax law is an important factor which shapes their disposition to comply. As the law is intricate, taxpayers become reluctant in trying to understand the provisions contained by the tax law. They often find tax law a burden due to its byzantine wording and perceive it rather as a foreign language. Plenty of studies have shown that higher-educated people understand better the meaning of tax liabilities and the aim of governmental policies and, as a consequence, they comply more, for example, Schmolders (1960), Song and Yarbrough (1978), and Spicer and Lundstedt (1976).

The lack of tax law comprehension engenders distrust and non-compliance. Knowing that, different countries both developed and developing for example Australia, France, New Zealand, USA, Uganda, Kenya and Chile have undertaken long and complex endeavours to simplify the tax law, i.e., to rewrite the tax regulations into plain language by using logical structures. Despite the huge number of attempts to simplify the relevant tax laws Rahman and Nathan (2014), found that little effect on the improvement of the tax law grasped by ordinary citizens, business owners, or even by tax authorities, and almost no impact on the increase of tax compliance. Some studies show that the complexity of tax law creates uncertainty in taxpayers 'minds, thus raising tax compliance levels. Beck et al. (1991) report that compliance increases along with income uncertainty. Moreover, Snow and Warren (2005) conclude that compliance levels increase when taxpayers are uncertain about how many non-compliance acts an audit can detect. Ironically, tax law is difficult to understand and gives birth to uncertainty not only for ordinary citizens but also for tax authorities.

In 1959, Schmolders inquired different German politicians and finance representatives on their level of comprehension of fiscal policy issues. The results came much to the surprise of the researcher as respondents revealed a low level of knowledge and understanding of fiscal policy (Kirchler, 2007). Poor tax knowledge and the uncertainty of the tax law offer authorities improper conditions in deciding to which extent taxpayers' behaviour is legal and where exactly is the boundary between right and wrong in the application of tax law provisions. By the same token, different studies support the idea that it is extremely difficult to delineate exactly a behaviour that is in line with "the letter of the law" for example Marshall et al. (1998) and Owens and Hamilton (2004).

According to the neoclassical economic theory which makes use of the Smithian concept of homo economicus, taxpayers are selfish rational utility maximizers who, following the optimal strategy, try to evade taxes as a means of obtaining the best outcome. Starting with Becker's seminal work (1968), evading taxes is no longer seen as a criminal activity per se but a rational utility maximizing strategy used by taxpayers when the benefits of the successful evasion value more than the costs of being audited, detected, and fined. Allingham and Sandmo (1972) and Srinivasan (1973) created separately a model of tax evasion, based on Becker's theory, where the taxpayer is endowed with two strategies: to pay the tax according to the real income or to declare a smaller amount of income and consequently to pay less tax. Choosing between these two strategies depends on the probability of being audited.

As rational maximizers conforming to the von Neumann-Morgenstern axioms, individuals are assumed to opt for the strategy that yields the highest expected utility under uncertainty conditions, therefore evade taxes if it pays. One can notice that if the taxpayer is not audited, the second strategy generates the higher profit, while in case of audit, detection, and fine, the first strategy would be preferred by the rational taxpayer. The classical economic model of tax evasion assumes there are four different determinants that shape taxpayers' behaviour: audit probability, fines, tax rates, and income. According to the model, tax evasion decreases when audit probability and fines increase, because the expected utility of evasion mitigates as well. As for the other two parameters, their increase leads to ambiguous results concerning compliance. Even if the authors recognize the existence of other variables which might influence compliance (e.g., taxpayers' reputation gained from compliance behaviour); their model focuses only on the four parameters previously mentioned.

Based on the results predicted by the model, one could state that compliance would be easily increased all over the world if governments simply imposed more severe fines or increased audit probability. Nevertheless, the majority of theoretical and empirical studies departed from this standard economic model have shown inconsistencies relative to the theoretical assumptions of the model, i.e. compliance cannot be increased easily. The identified inconsistencies called for refinements of the model and inclusion of other variables. By making the fine proportional to the evaded tax rather than to the undeclared income, Yitzhaki (1974) solves the inconclusive findings of Allingham and Sandmo (1972) but reports a counterintuitive result: an increase in income tax must boost the declared income.

Other researchers including, e.g., Clotfelter (1983), report a negative relationship between income tax rate and compliance. Gordon (1989) shows that, if taxpayers differ according to their honesty, an increase in the tax rate will abate compliance even for the most honest taxpayers. Refining the proposal from Yitzhaki (1974), Lin and Yang (2001) also predict a negative influence of tax rate on compliance provided the taxpayers are able to determine their desired level of compliance. In a field experiment on 1724 American taxpayers notified about being audited after filing the tax returns, Slemrod et al. (2010) found a higher level of compliance among low and middle-income taxpayers and a higher propensity to avoid taxes in the high-income group. Alm et al. (1995) vary audit rates from 5% to 30% and 60% and report a significant increase in tax compliance. In the same vein, Trivedi et al. (2009) shift from an audit probability of 0% to 25% and observe higher tax compliance in the latter case.

Other studies report that compliance diminishes in the first rounds after an audit and then increases again (Guala and Mittone, 2005). The phenomenon was coined "bomb-crater" effect and refers to the following situation: "a taxpayer who has recently been audited seems to believe that the likelihood of a subsequent audit is very remote; therefore, the risk of evasion appears to be low. After several periods, however, the assumed likelihood of audits increases again, and compliance increases" (Kirchler, 2007). Some studies report a negative relationship between tax rate and compliance behaviour. Anderhub et al. (2001) for example, showed that an increased tax rate discouraged tax evasion. In a 25-round experiment, Alm et al. (1992) report that compliance level lessens when the tax rate is boosted from 10%, 30% to 50%. By the same token, Friedland et al. (1978) and Collins and Plumlee (1991) observe lower compliance at higher tax rates.

A number of studies both locally and internationally have been done on the role Information Technology plays in Tax compliance. For instance a study of South Korea and Turkey on User evaluation of tax filing web sites was done by Lee et al. (2008), to compare the design and the complexity of the web sites and the ease with taxpayers are able to file tax returns and queries on their tax status. While Turkey had a complex online system, to the contrary Turkish users did not find tax filing system difficult to use and that was attributable to the fact that they relied on accounting professionals to do their tax returns online. On the other hand, South Korean system was considered less complex but few taxpayers were using it as expected. Having in place an electronic tax filing system is one thing, but being able to be used by taxpayers is another thing. This has influence on the current study in a way that the tax website ease of usage must be considered before such a system is rolled out to taxpayers. Other factors to be considered should also be the capacity of the system and the efficiency (Lee et al., 2005).

Amitabh et al. (2009) did a study on the antecedents of paperless income tax filing by young professionals in India. The objective of this study was to study how young Indian professionals will adopt or behave towards paperless or online filing of tax returns with the aim of enhancing compliance. The regression analysis carried out found that the antecedents of young Indian professionals depended on the perceived ease of the tax system, personal innovativeness in information technology, relative advantage, performance of filing service, and compatibility. The implication of the findings to the current study is that for any online system to succeed whether for small, medium or large taxpayers' category there must be the ease of use, innovativeness and accessibility.

In Malaysia, Ling and Nawawi (2010) carried out a survey on Integrating ICT Skills and tax software in tax education. The respondents were the tax practitioners and the study aimed at establishing the necessary skills required by taxpayers to fully utilize a tax online system. The study found that three skills are needed by a taxpayer to interact well with technology based tax system namely, spread sheet software, word-processing software and e-mail. The findings of this study has got implications on the current study in that in analysing the effectiveness of electronic filing system, one must not ignore the mandatory skills that would be users of the system need to have. Failure to consider such skills may make the intention of the system not to be realized as confirmed by Maede (2002). He confirmed that despite the heavy investment that the Malaysian tax authority put in new online system, only 20% of the targeted taxpayers were able to use it after three years of implementation. This was mainly attributed to lack of necessary user skills like computer literacy; however, taxpayer's behaviour also played a role.

In Kenya, especially in Kenya Revenue Authority, different studies have been done on the subject of technology and tax compliance with specific reference to tax filing. Muita (2010). Makanga (2010) did a study on the adoption of technology as a strategic tool for enhancing tax compliance in Kenya. The case study was based on Large Taxpayers which included companies with a turn over Kshs. 750 million and above, or government ministries and corporations. The objective of the study was to evaluate the role Technology would play in Kenya to enhance tax compliance among large taxpayers. The study found that in the fast changing business world, technology has become part and parcel of any business growth.

Either KRA or Large Taxpayers must embrace modern technology to enhance efficiency in tax compliance. Muita (2010) in her MBA thesis has also done a related study on the factors that influence adoption and use of e-filing system among Large Taxpayers in Kenya. The study examined the skills required by the users of e-filing, the technology required and the tax authority's preparedness in enhancing the adoption of tax compliance based technology. The study found that for e-filing to effectively take off in Kenya skills, infrastructure and a conducive business environment are needed.

2.9 Summary of Literature Review

Small Scale Enterprises constitute untapped revenue potential and an uneven playing field in many countries (International Tax Dialogue, 2007) as such they need to be captured by the tax net. However, though legislations are necessary regulator for protection of the business environment and security of the economic agents, for establishment of the necessary social security regulations, they may also hamper compliance and the growth of business through additional expenditures and administrative obstacles.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the various techniques and methods to be deployed in this study. The types of data, the target population and target sample as well as techniques for data collection and analysis are outlined. The various ethics to be employed by the investigator are also be detailed.

3.1 Research Design

A research design is a systematic procedure in which a study is carried out which is the blueprint for data collection and analysis (Gray & Malins, 2016). The researcher adopted a survey method. Kelly et al. (2003) notes that survey research methods can be used for both large and small populations. This is done by selecting and studying samples chosen from a population to discover the relative incidence, distributions and interrelations of sociological and psychological variables. Also Babbie and Mouton (2001) asserts that survey methods might be used for descriptive and exploratory purposes. One other notable advantage of the survey research design as stated by Babbie and Mouton (2001) is its flexibility. By using this method the researcher was able to ask questions in detail and also observed and collected information which helped her to answer the research questions.

3.2 Study Area

This research was conducted in Lusaka's Kalingalinga Township. Kalingalinga Township is located approximately 13Km East of Lusaka central business district. (Zambia's population 2017).This study area has been purposefully selected because the researcher is very familiar with the study area and there exists a wide range of hairdressing businesses in the study are. To this effect, the researcher avoided extra costs such as transportation costs and follow-up costs which may be incurred during the research.

3.3 Population, Sample Size and Sampling Techniques

The target population for the study comprised Small and Medium Scale Enterprises in the in the informal sector in Lusaka's Kalingalinga Township. The township is found within Lusaka city which has over 24,000 Small Scale Enterprises operating and registered with Patents and

Companies Registration Authority (PACRA) .(Companies registered,2019). The sample size for the study comprised 50 small scale entrepreneurs in the welding and/or metal fabrication within Kalingalinga Township. A simple random sampling technique was used to select a total of 50 Small Scale Enterprises in the informal sector which constituted the sample size for this study. Simple random sampling was used because it gives all the respondents equal chance of being selected.

3.4 Data Collection Procedure

Both secondary and primary data were obtained for the study. The primary data comprised data collected from the field by the researcher from Small and Medium Scale Enterprises (SMEs) in the informal sector in Kalingalinga Township in Lusaka. While secondary data was obtained from journals as well as all other relevant documents in relation to the study.

3.5 Research Instruments

The study employed the use of self-administered questionnaires. The questionnaires were mainly used to gather information from SME proprietors. The use of questionnaire allows the researcher to collect large amount of data in a relatively short time. The availability of a number of respondents in one place makes possible an economy of time and provides a high proportion of usable responses (Kaln and Best, 2006). The self-administered questionnaires were designed by the researcher.

3.6 Data Analysis

Data collected from the questionnaire were analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage. Qualitative as well as quantitative methods will be used in the analysis of the primary data collected. The quantitative data was analyzed using Statistical Package for Social Scientists (SPSS), for correlational model, frequency models and to calculate the averages as well as Microsoft Excel for other tabular analysis. The findings of this study were therefore presented in the form of tables, and percentage figures.

3.7 Ethical Considerations

At the heart of every research conducted within the area of social science are the ethical considerations made by the researcher (Saunders *et. al*, 2009). According to Saunders (2009), ethics are the moral choice that affects decisions and behaviour in connection to those who form the subject of a study. In the study, the ethical considerations adopted are those of Rubbin and Babbie (1997) which states that participation in research should be voluntary and based on informed consent to ensure there is no harm to the participant as well as being anonymous, and confidential.

To ensure voluntary participation and informed consent by participants, the researcher shared a consent form that included information on the purpose of the study. To safeguard the participant and ensure that no harm can affect the participant, the researcher observed the physical and psychological comfort of the participant. To ensure the autonomy of the participants, the researcher ensured no names were included anywhere in the questionnaires.

Ethical consideration made by Rubbin and Babbie (1997) on participants' behaviour is the way data is analysed and reported to the research community. Part of the researcher's core values was to ensure that the report was an honest and open account of the research process including the problems faced during the field study phase; and by doing this the researcher promoted transparency and accountability. Additionally, ethical clearance was obtained from UNZA Humanities Research Ethics Committee, and information was collected thereafter.

CHAPTER FOUR: PRESENTATION OF FINDINGS AND ANALYSIS

4.0 Overview

Chapter four discusses the results in relation to the aim and objectives as well as relevant literature reported from different studies. The data collected in this study were obtained from both primary and secondary data sources. Primary sources data included the self-administered questionnaires which comprised of open and closed-end questions while secondary data sources included government policy, documented on the impact of e-payment systems on tax compliance levels among Small to Medium and Micro Enterprises (SMEs) in Zambia.

4.1 Characteristics of the Sample and Questionnaire return rate

The sample size for this study was 50 (N=50) and all the responses were secured. This constituted a 100% response rate of the completed questionnaires, therefore this implied that the study was relevant and could be beneficial to provide insight on the objective of the study. This response rate conforms to Mugenda and Mugenda (1999), stipulation that a response rate of 50% is adequate for analysis and reporting. A response rate of 70% and over is excellent.

4.1.1 Demographic characteristics of the sample

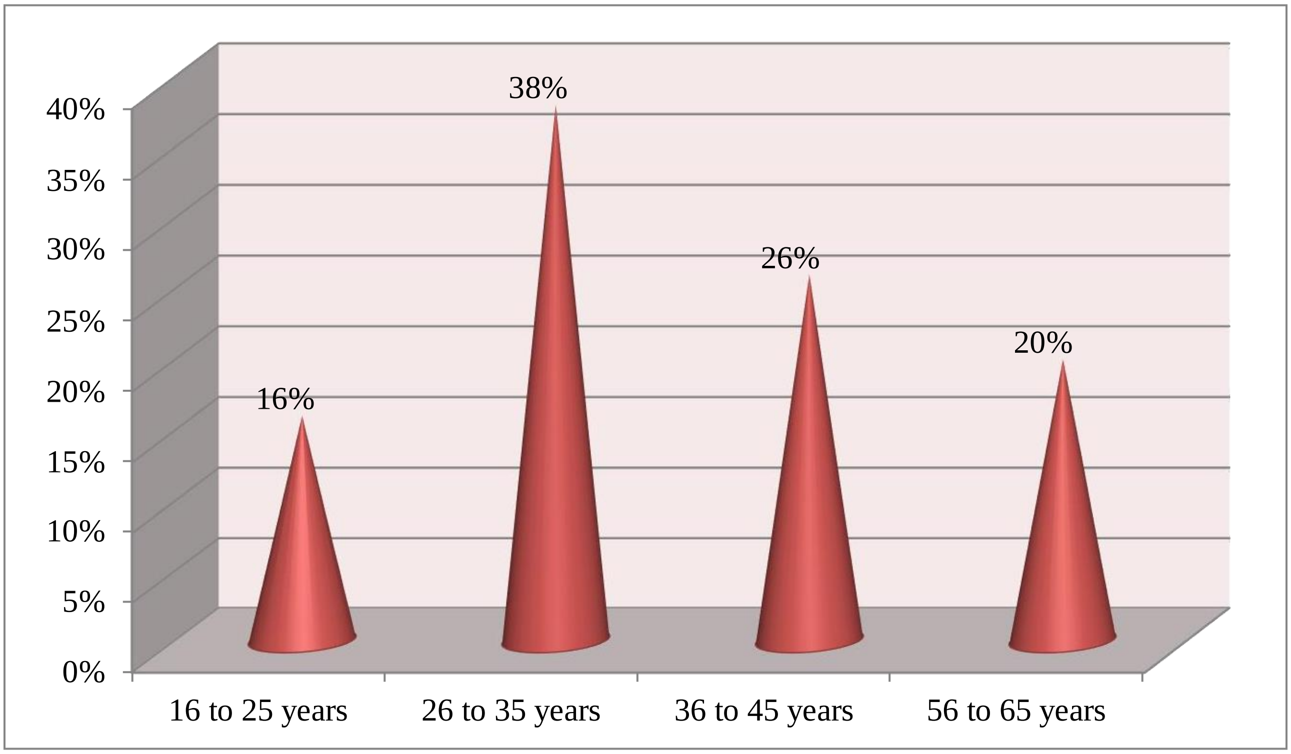
Table 1 and Figure 2 below displays the age group of the entire sample (N=50).

Table 1: Age group of the sample

Age Group	Frequency N=50	Percentage
16 to 25 years	8	16%
26 to 35 years	19	38%
36 to 45 years	13	26%
56 to 65 years	10	20%
Total	**50**	**100%**

Source: Field data-2021

Figure 2: Age group of the sample



Source: Field data-2021

Results in Table 1 and figure 2 above revealed that the majority of the respondents were in the age group 26 to 35 years at 38% with a mean age of 35.5 years. This age group was followed by those in the age groups 36 to 45 years at 26% while those in the range 56 to 65 years made up 20% of the respondents. The least age group was 16 to 25 years which made 16% of the sample. This age group pattern gave the researcher the assumption that most of respondents had high levels of maturity in both their age and responses.

4.1.2 Gender Status of the Sample

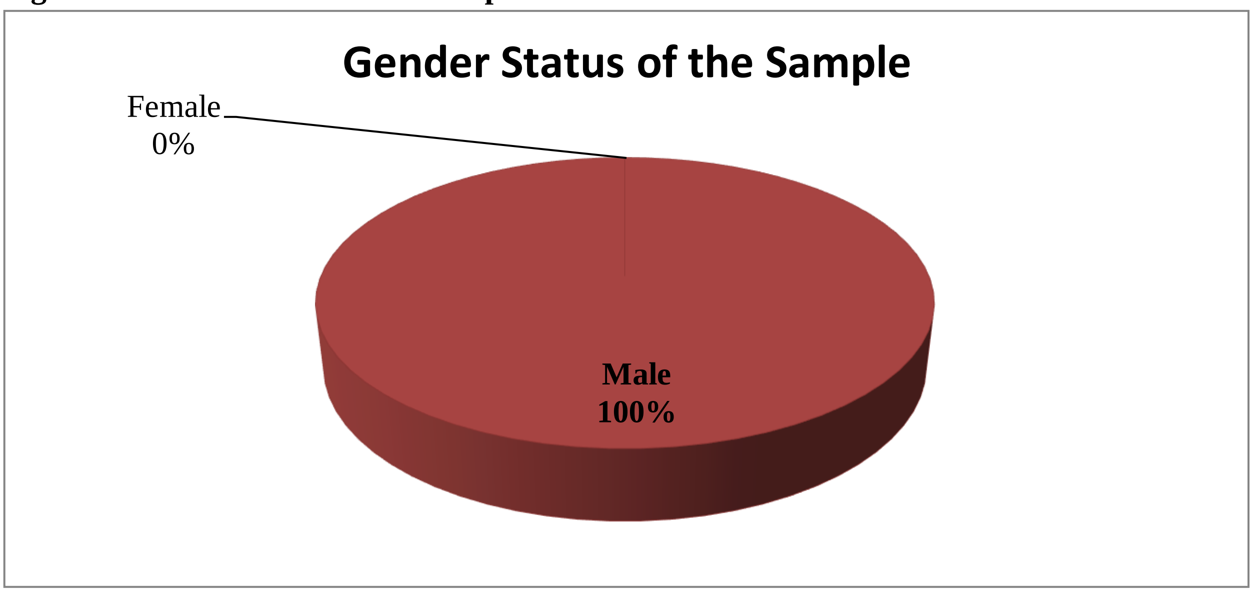
Table 2 and Figure 3 below displays the gender status of the sample (N=50).

Table 2: Gender Status of the Sample

Sex	**Frequency N=50**	**Percentage**
Male	50	100%
Female	0	0%
Total	**50**	**100%**

Source: Field data-2021

Figure 3: Gender Status of the Sample



Source: Field data-2021

A close look at the results in Table 2 and Figure 3 above reveals that the entire sample (100%) was made up of males. The gender status results from of the sample made the researcher conclude that the welding and/or metal fabrication industry in Kalinga-Linga Township is largely dominated by Men.

4.1.3 Education Characteristics of the sample

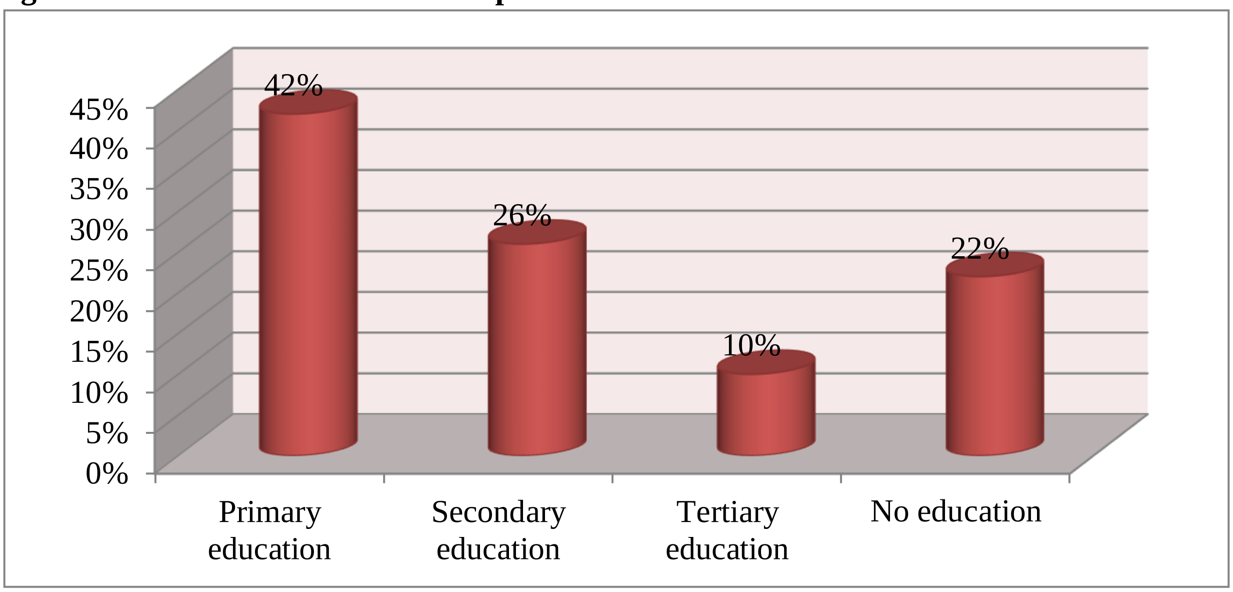
Table 3 and Figure 4 show the education levels of the sample.

Table 3: Education levels

Level of Education	Frequency N=50	Percentage 100%
Primary education	21	42%
Secondary education	13	26%
Tertiary education	5	10%
No education	11	22%
Total	**50**	**100%**

Source: Field data

Figure 4: Education levels of the sample



Source: Field data-2021

From the above Table 3 and Figure 4 it can be seen that the majority of the respondents had attained primary education level at 42% while only 10% of the respondents tertiary level of education as shown in Table 2 and figure 2. It can also be seen that 26% had attained secondary level of education while 22% had not attained any form of education in their life. From the above results, the researcher concluded that the low levels of education attained by the entrepreneurs implied that there were corresponding low levels of awareness and understanding on issues regarding the ZRA online tax payment system.

4.1.4 Work experience of the sample

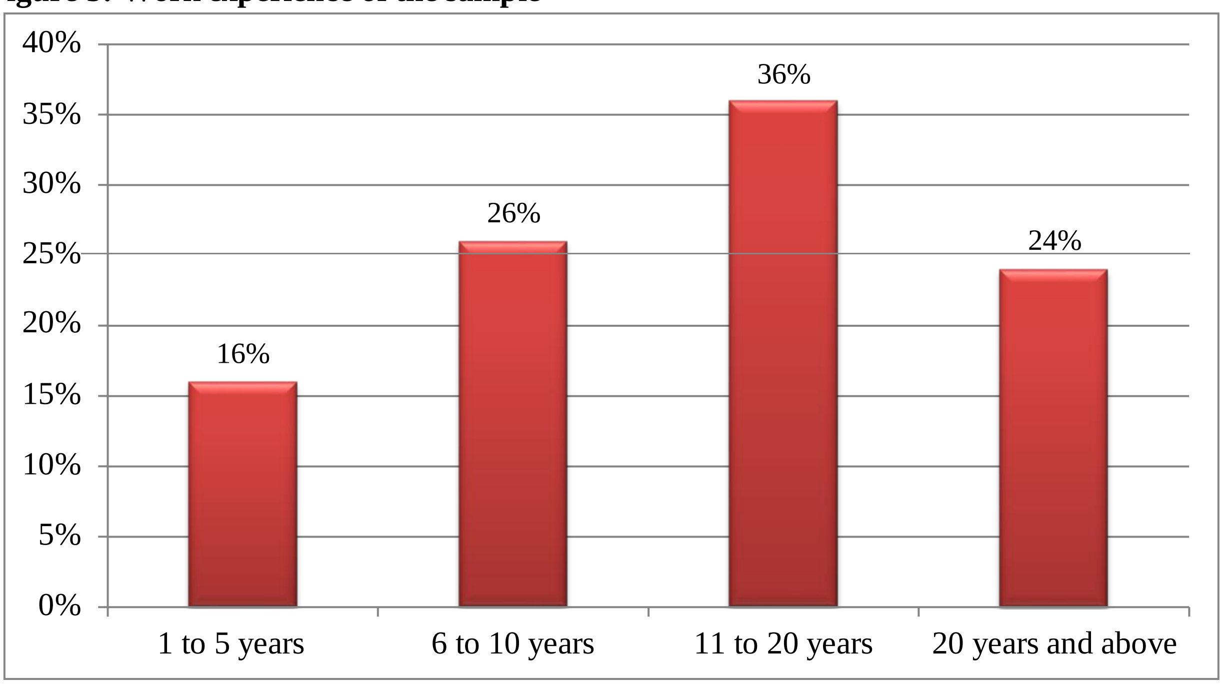
Table 1 and figure 1 below displays the work experience attained by the sample (N=50).

Table 4: Work experience of the sample

Number of years in current business	Frequency N=50	Percentage
1 to 5 years	7	16%
6 to 10 years	13	26%
11 to 20 years	18	36%
20 years and above	12	24%
Total	**50**	**100%**

Source: Field data-2021

Figure 5: Work experience of the sample



Source: Field data-2021

Results from Table 4 and figure 5 indicate that the majority of the respondents (36%) had attained 11 to 20 years work experience in the metal fabrication industry. 26% of the respondents had 6 to 10 years of experience while 24% had attained 20 years and above working experience in the industry. 16% of the respondents had 1 to 5 years' experience in the industry. These results made the researcher conclude that a large number of entrepreneurs in the metal fabrication industry had vast working experience as they have been in the industry for a considerable period of time.

4.2 Business access to Internet

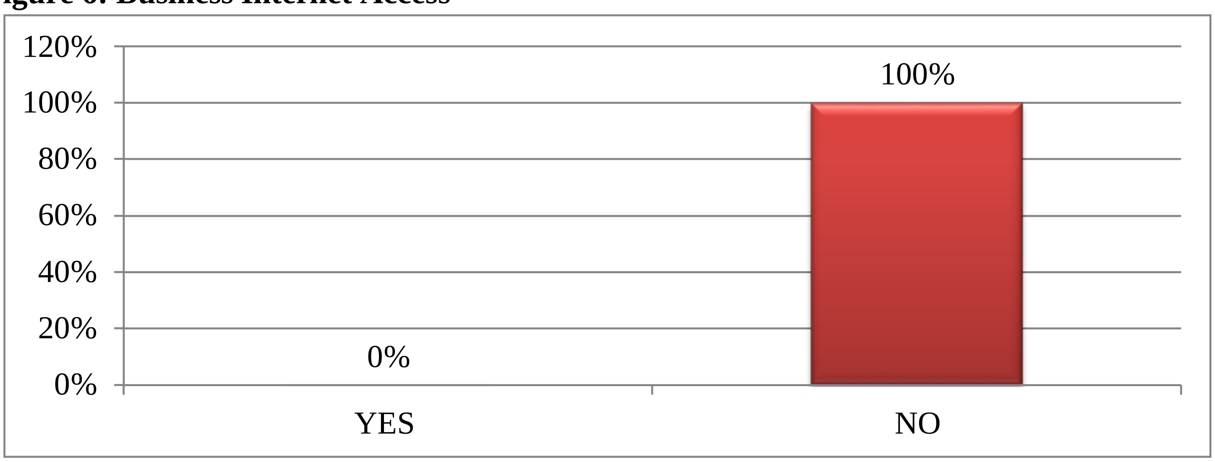
Table 5 and figure 6 below displays the business' status of accessibility to the internet.

Table 5: Business Internet Access

Does your Business have access to the internet	Frequency N=50	Percentage
Yes	0	0%
No	50	100%
Total	**50**	**100%**

Source: Field data-2021

Figure 6: Business Internet Access



Source: Field data-2021

As can be seen from Table 5 and Figure 6, the entire sample (100%) of metal fabricators and welders does not have any access to the internet for their businesses. This lead to the researcher to draw a conclusion that lack of internet access for the businesses was the major contributing factor to low compliance of ZRA online tax payment by metal fabricators and welders in Kalingalinga Township.

4.3 Reasons for not incorporating internet into business

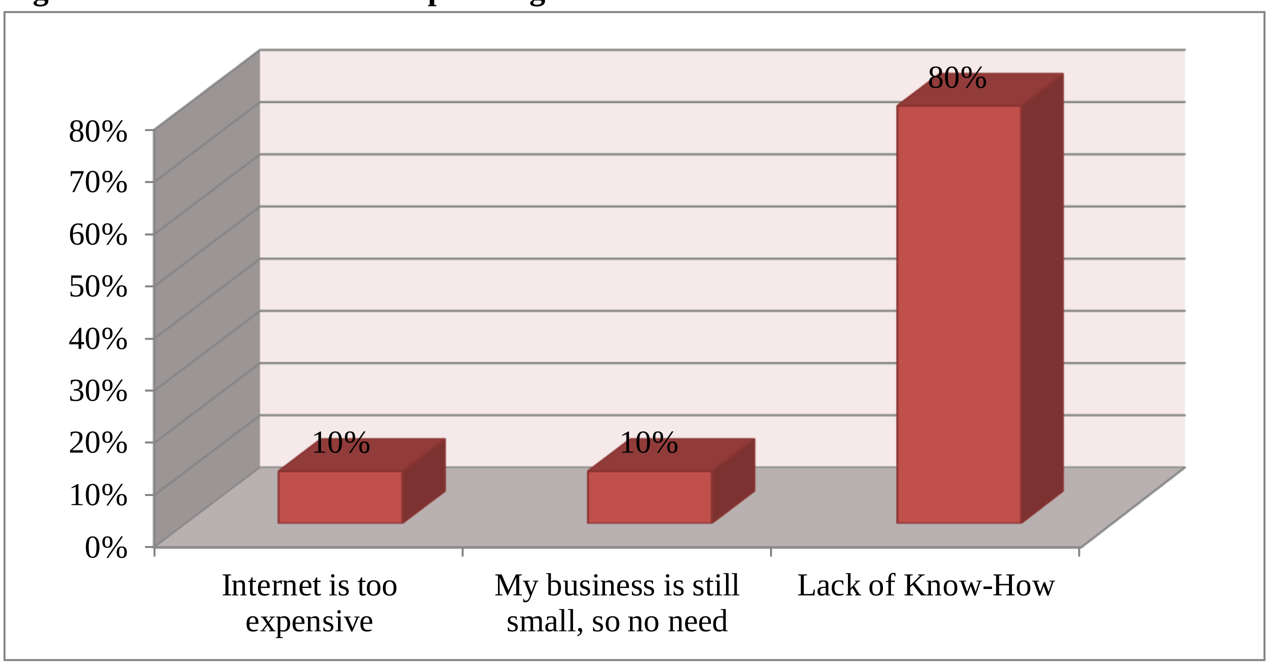
Table 6 and figure 7 below displays the status of accessibility to the internet.

Table 6: Reasons for not incorporating internet into business

Does your Business have Access to the Internet	Frequency N=50	Percentage
Internet is too expensive	5	10%
My business is still small, so no need	5	10%
Lack of Know-How	40	80%
Total	**50**	**100%**

Source: Field data- 2021

Figure 7: Reasons for not incorporating internet into business



Source: Field data-2021

A review of the results in Table 6 and Figure 7 showed that the majority of the metal fabricator entrepreneurs (80%) in Kalingalinga Township did not have the knowledge (Know-How) of how to incorporate internet into their business activities. 10% of the respondents were of the idea that internet is too expensive while the other 10% of the respondents stated that their businesses while still in infancy stage hence there was no need to incorporate internet as part of their trading activity. These low levels of knowledge exhibited by the respondents may be attributed to low education levels attained by the entrepreneurs as well as low awareness campaign levels of the ZRA online tax system.

4.4 ZRA Online Tax registration and filing awareness

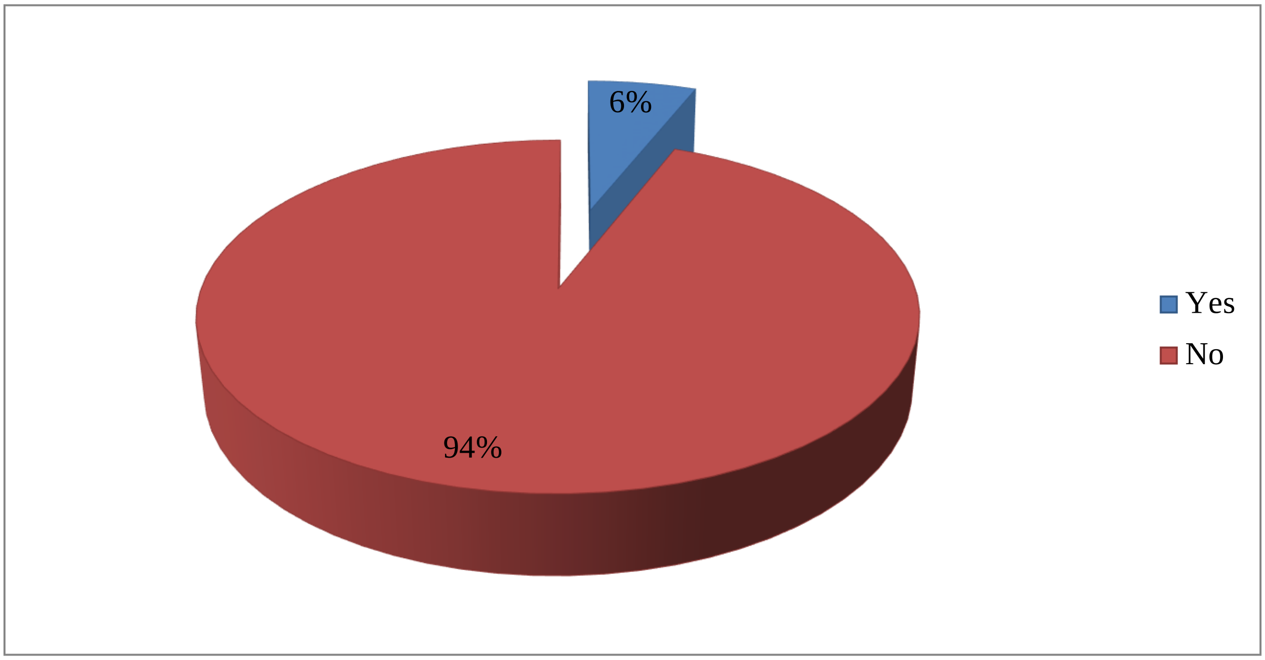
Table 7 and figure 8 below displays the awareness levels of the respondents to the ZRA Online Tax registration and filing (N=50)

Table 7: ZRA Online Tax System awareness levels

Why Doesn't your Business have Access to the Internet	**Frequency N=50**	**Percentage**
Yes	3	6%
No	47	94%
Total	**50**	**100%**

Source: Field data-2021

Figure 7: ZRA Online Tax System awareness levels



Source: Field data-2021

Results from Table 7 and Figure 8 have displayed that the majority of the respondents in the study (94%) where not aware of the ZRA Online Tax registration and filling. However, only 6% of the respondents stated that they were aware of the ZRA Online Tax System.

4.5 Preferred mode of Tax filing

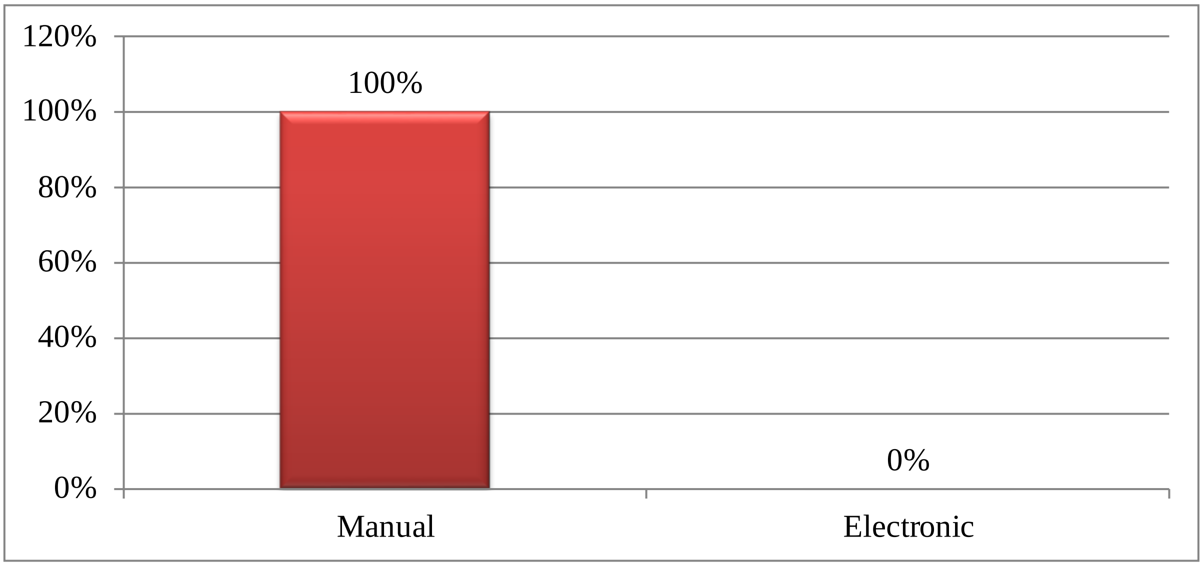
Table 8 and figure 9 below display the preferred mode of tax filing by respondents in the sample (n=50).

Table 8: Preferred mode of Tax filing

Preferred mode of tax filing	**Frequency N=50**	**Percentage**
Manual	50	100%
Electronic	0	0%
Total	**50**	**100%**

Source: Field data-2021

Figure 9: Preferred mode of Tax filing



Source: Field data-2021

Table 8 and Figure 9 above indicate that all the respondents (100%) preferred filing their tax returns using the Manual system.

4.6 Registration of ZRA Online Tax System

Table 8 below displays the registration status of the respondents who are aware of the ZRA Online tax system (n=3).

Table 9: Registration and Filing of ZRA Online Tax

Compliance and understanding of the ZRA Online Tax System		Frequency n=3	Percentage
Have you registered for ZRA Online Tax system	Yes	0	0%
	No	3	100%
Are you able to file ZRA online tax returns without anybody's help?	Yes	0	0%
	No	3	100%
How many times in the last twelve months have you used the electronic filing system?	0 times	3	100%
	1 to 10 times	0	0%
	11 to20 times	0	0%
	21 and times	0	0%

Source: Field data-2021

The above results in Table 8 show that, of the respondents that were aware of the ZRA Online Tax System (n=3), none (100%) of the respondents had either registered for the system or were able to file the ZRA online tax returns without anybody's help. When asked how many times in the last twelve months the respondents (n=3) had used the electronic filing system, none of the respondents in the sample had used the ZRA e filing system.

4.7 Attendance of ZRA organized workshop

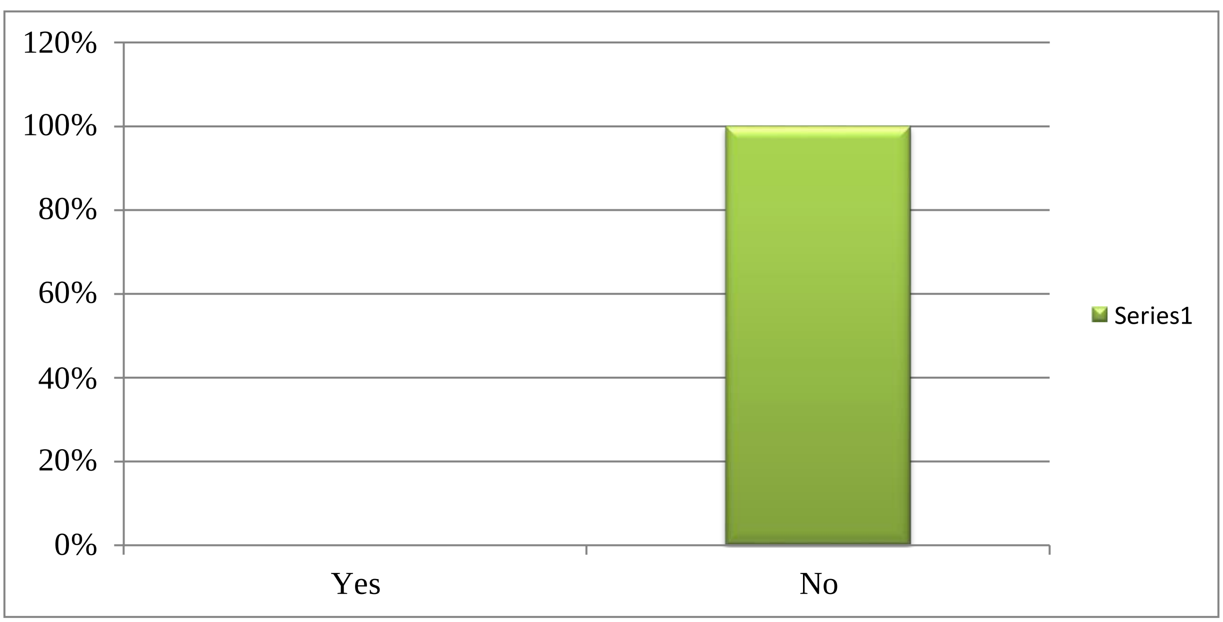
Table 9 and figure 10 below displays the business' status of accessibility to the internet.

Table 10: Attendance of ZRA organized workshop

Attendance of ZRA workshop	**Frequency N=50**	**Percentage**
Yes	0	0%
No	50	100%
Total	**50**	**100%**

Source: Field data-2021

Figure 8: Attendance of ZRA organized workshop



Source: Field data-2021

4.8 Summary of Findings

Results in Table 1 and figure 2 revealed that the majority of the respondents were in the age group 26 to 35 years at 38% with a mean age of 35.5 years. This age group was followed by those in the age groups 36 to 45 years at 26% while those in the range 56 to 65 years made up 20% of the respondents. The least age group was 16 to 25 years which made 16% of the sample. This age group pattern gave the researcher the assumption that most of respondents had high levels of maturity in both their age and responses. A close look at the results in Table 2 and Figure 3 revealed that the entire sample (100%) was made up of males. The gender status results from of the sample made the researcher conclude that the welding and/or metal fabrication industry in Kalingalinga Township is largely dominated by Men.

From the Table 3 and Figure 4 it can be seen that the majority of the respondents had attained primary education level at 42% while only 10% of the respondents tertiary level of education as shown in Table 2 and figure 2. It can also be noted that 26% had attained secondary level of education while 22% had not attained any form of education in their life. From the above results, the researcher concluded that the low levels of education attained by the entrepreneurs implied that there were corresponding low levels of awareness and understanding on issues regarding the ZRA online tax payment system

Results from Table 4 and figure 5 indicate that the majority of the respondents (36%) had attained 11 to 20 years work experience in the metal fabrication industry. 26% of the respondents had 6 to 10 years of experience while 24% had attained 20 years and above working experience in the industry. 16% of the respondents had 1 to 5 years' experience in the industry. These results made the researcher conclude that a large number of entrepreneurs in the metal fabrication industry had vast working experience as they have been in the industry for a considerable period of time.

As can be seen from Table 5 and Figure 6, the entire sample (100%) of metal fabricators and welders does not have any access to the internet for their businesses. This lead to the researcher to draw a conclusion that lack of internet access for the businesses was the major contributing factor to low compliance of ZRA online tax payment by metal fabricators and welders in Kalingalinga Township.

A review of the results in Table 6 and Figure 7 showed that the majority of the metal fabricator entrepreneurs (80%) in Kalingalinga Township did not have the knowledge (Know-How) of how to incorporate internet into their business activities. 10% of the respondents were of the idea that internet is too expensive while the other 10% of the respondents stated that their businesses while still in infancy stage hence there was no need to incorporate internet as part of their trading activity. These low levels of knowledge exhibited by the respondents may be attributed to low education levels attained by the entrepreneurs as well as low awareness campaign levels of the ZRA online tax system.

Results from Table 7 and Figure 8 have equally displayed that the majority of the respondents in the study (94%) where not aware of the ZRA Online Tax registration and filling. However, only 6% of the respondents stated that they were aware of the ZRA Online Tax System. The results in Table 8 show that, of the respondents that were aware of the ZRA Online Tax System (n=3), none (100%) of the respondents had either registered for the system or were able to file the ZRA online tax returns without anybody's help.

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Overview

The final chapter looked at the lessons drawn and way forward for this study. The aim of this study was aims to assess the impact of e-payment systems on tax compliance levels among Small to Medium and Micro Enterprises (SMEs) in Lusaka with a main focus on Kalingalinga Township based SMEs. This chapter also draws a conclusion and provides recommendations to that effect.

5.1 Discussion

Objective one: To determine the impact of e-payment system on tax compliance by SMEs in Kalingalinga area. Table 8 and Figure 9 above indicate that all the respondents (100%) preferred filing their tax returns using the Manual system, which is in line with the findings by Marti (2010) tax compliance, is complex issue to comprehend for SMEs in the informal sector. The study established that the majority of respondents had minimal levels of education and still preferred walking many miles to get to the Tax office than to file in their returns using the confines and convenience of their offices or houses. This has been due to the lack awareness programs by the Zambia Revenue Authority (ZRA) to the beneficiaries who are part of the respondents. The lack of awareness on tax online system among SMEs in the Country is alarming. ZRA has shown little or no effort to get to this group of business organizations with their awareness campaign effort. The studies done by Karingi and Wanjala (2005) came up with similar results and found that, a positive correlation will exist between online systems and tax compliance if parameters are properly in place.

Namangala (2004) conducted a study which revealed that lack of knowledge even on the most basic tax laws among taxpayers was evident. Namangala’s study also discovered that tax resentment did not discriminate between the lower or higher socio-economic classes. Rather, both these classes in society equally indicated their resentment to tax laws and practice. The study also confirmed that tax resentment and the impulse to beat the tax system cuts across all social groups alike.

Objective two: To establish the relationship between the levels of education and understandability of e-payment system to the levels of Tax compliance. From the Table 3 and Figure 4 it has been seen that the majority of the respondents had attained primary education level at 42% while only 10% of the respondents tertiary level of education as shown in Table 2 and figure 2. It can also be seen that 26% had attained secondary level of education while 22% had not attained any form of education in their life. From the above results, the researcher concluded that the low levels of education attained by the entrepreneurs implied that there were corresponding low levels of awareness and understanding on issues regarding the ZRA online tax payment system.

Further, the majority of the respondents did not own computers but are able to use their phones for internet connectivity. Most feel the online filing system is complicated for them. The challenge of lack of knowledge on the impact of online tax filing on tax Compliance is serious. The lack of Knowledge due to inadequate awareness campaigns of the Online Tax System has proven to be one of the major challenges facing the entrepreneurs in the metal fabrication and welding industry in Zambia. This has led to low online tax compliance by many.

Knowles (1984) quoted by Smith (2002: 8) supplements the notion of motivation in adult education that 'as a person matures his time perspective changes from one of postponed application of knowledge to immediacy application, and accordingly his orientation toward learning shifts from one of subject-centeredness to problem centeredness'. The authors in this statement reminded us of how we can take opportunity to nurture a learning culture in our country. Ball (1994) quoted by Nafukho, (2005) defined the learning society as 'one in which everyone participates in education and training throughout their life time'. The study revealed that the majority of entrepreneurs were motivated into finding out more information about tax. World renowned Adult educators such as Freire (1989) recommend the use of dialogue in learning as it leads to community transformation.

Nanavatty (1960) in his civic education book suggested that an informed or educated community is more valuable to both society and the nation at large. Therefore, the need for the government tax administrators to work out something which would make the self-employed in Zambia gain adequate knowledge about tax and how it affects them. Thirsk (1991) non-compliance with the tax law occurred in varied ways such as failure to file a tax return, the use of fraudulent or non-tax invoices and resorting to transfer pricing practices involving exempted taxed activities. Fjelstad (1996: 2) argues that 'imperfect information and uncertainty lied at the core of non-compliance problems'. Equally, the uncertainty or lack of tax information amongst communities or society opened up the door to strategic attitude of non-compliance with the country's tax laws.

A tax-compliance survey which was done by Berenson (2007: 1-5) across the states of Poland, Russia and Ukraine, revealed varied answers which showed that the Polish had a more positive attitude towards tax-compliance but, the majority of the Russians reacted to tax-compliance out of fear to state punishment. In the same study, the Ukrainians preferred to avoid interacting with the government tax agents and neither fearing nor trusting it.

Other evidence on tax-compliance was witnessed by Torgler and 2006) whose study looked at what shapes attitude towards paying taxes on three European countries of Switzerland, Belgium and Spain. The major revelation of the study was that enforcement efforts by the tax officials cannot fully explain the high degree of tax-compliance. Additionally, Torgler and Scheneider argue that to resolve the puzzle of tax-compliance was seen as an inbuilt conduct of motivation found in the individuals themselves who pay tax. Moreover, most studies treated tax- compliance as a black box without discussing which factors shape it. On the same debate Simbyakula (1990) says that when taxes are not fully paid, civil penalties of fines or forfeitures or criminal penalties such as incarceration may be imposed on the erring individuals or institutions by government.

Additionally, Thirsk said non-compliance attitudes also prevailed in Zimbabwe amongst the entrepreneur doctors who were not paying sales tax as required by law. It was clear from this study that other writers on this topic of discussion view non-compliance to tax laws as one that cuts across the whole fibre of society. This meant the act of non-compliance to tax did not choose whether one was highly educated or not. In the study's view, the difficulties in explaining the attitudinal shifts to tax-compliance was not new to us, and has been identified mentioned in many other reviewed literatures from books and internet.

Others who have written on tax-compliance have chosen to relate the complexities of non-compliance with corruption taking the centre stage. According to United Nations Development Programme / UNDP – Report (2007) the term corruption was linked to human rights because it limited an individuals or groups or society access to public goods and services from public money raised from tax.

Both Djokotoe & Chama (2007) and Moyo (2009) considered the problem of non-compliance with tax in developing countries like Zambia as a consequence of not providing transparency and accountability by the respective governments. Transparency and accountability can be done through a process of telling the people about good spending. For instance, Ghana uses a tracking model called Public Expenditure Tracking Survey (PETS) which is used to show how public money is spent over a given period.

Objective three: To identify the challenges that SMEs face in using the e-payment system as a means of filing the tax returns

The common challenges faced by the respondents were falling under the following main categories:

i. There haven't been any awareness programs by ZRA to acquaint this group of SMEs on the electronic filing system.
ii. Most of them seem to be computer illiterate.
iii. The few that used the electronic system complained that the system was down most of the times
iv. Most of the respondents do not have the capacity to engage consultants to do the returns for them.
v. Leaving their workplaces for most of the respondents was costly as they had to suspend production and resulting in loss of business and revenue during the time there are away.

Most of the scenarios on lack of tax education generated through the findings of the study concurred with Nanavatty (1960), who suggests that dissemination of information to citizens be a continuous process of relating an individual to her/his social and civic responsibilities. This would encourage the taxpayers to participate more effectively in taxation issues. The Zambian tax administrator's approach on taxpayers' education covers only the objectives based on Customer-care. The package of Customer-care as explained from the study's interview with the ZRA tax officials was based on enabling the people to develop an in-depth knowledge on tax, especially payment levels. The self-employed entrepreneur lack knowledge on how to register as taxpayers and maintain adequate record keeping for the same purpose.

Zambia's 4th Republican Mr. President Rupiah Banda was quoted to have said 'I can confirm that my government works closely with the Zambia Revenue Authority on matters of tax reforms to be simplified, fair, equitable and transparent' (Zinyama, 2010: 2). This statement by the president was an indication of the need to redress the mismatch that this study has discovered between what the self-employed entrepreneurship communities were required to know and what type of tax education they were currently exposed to.

The findings of the study showed that entrepreneurs were not familiar with several issues regarding tax such as the different applicable taxes, at what stage one qualified to become a taxpayer, how to register as a taxpayer, when these taxes were due, and so on. This was because effective interactions (if ever they existed) aimed at disseminating information about tax has not been prioritized by the relevant government agents. Namangala (2004) conducted a study which revealed that lack of knowledge even on the most basic tax laws among taxpayers was evident. Namangala's study also discovered that tax resentment did not discriminate between the lower or higher socio-economic classes. Rather, both these classes in society equally indicated their resentment to tax laws and practice. The study also confirmed that tax resentment and the impulse to beat the tax system cuts across all social groups alike.

For instance, Namangala (2004: 26) mentions that 'a Russian billionaire Holokosky who is an owner of an oil company was taken to court for non-compliance to paying tax'. Other views on this matter came from Simbyakula (1990) who blames the Zambia Revenue Authority and that they had failed to motivate people into voluntary tax-compliance; since a large number of 'well-off' self-employed easily escaped from paying tax. Whilst acknowledging weak administration as being the cause, Simbyakula has been cautious of it and warns that there relevant pamphlets on tax should be continuously updated and written in simple language; so as to get the message across. The study concurred with this because during its conducted survey, the majority of the respondents were interested to hear more about tax.

5.2 Conclusion

In conclusion, this study has revealed that all the identified variables (such as level awareness, technical skills/ Know-How and education levels) have a direct influence on the e-tax compliance. The perceptions of taxpayers towards the online filing as well as its perceived ease of use and perceived usefulness greatly determine the use of online tax filing. Majority of the interviewed entrepreneurs did not consider it is easy for them to file tax return online. However, they feel ZRA has not put in place enough measures to ensure that taxpayers have technical skills to file tax returns online. This could also be a reason as to why most entrepreneurs who feel the online tax filing is inefficient are yet to appreciate it and use it. The technical skills of the filing tax returns can also be identified as a challenge facing taxpayers as many of them fear the notion and consequences of errors from online filing such as keying-in incorrect information in tax returns that could lead to the wrong calculation of tax payable. The study therefore deduces that the technical skill of filing tax returns is a factor that influences the tax compliance. In addition, the knowledge and skill of using internet also remains limited to a few individuals who have access to internet.

5.3 Recommendations

Based on the findings and the analysis of the research done, the following are the recommendations;

- More awareness training and or marketing of the online system should be done by ZRA to ensure that taxpayers who embrace the system increase. Internet is key for effective implementation and administration of online tax system, despite this fact all (100%) of the respondents in this study did not have access to internet for their businesses. The government should therefore improve connectivity to enhance compliance among small tax payers. The more taxpayers are brought on board to use the system, the more efficiency will be achieved in terms of tax administration and more taxes paid to the government.
- More emphasis should be put on making the cost of accessing internet for the informal sector more affordable. Some of the entrepreneurs have attributed their low compliance

levels to ZRA Online tax systems to high cost of acquiring data bundles for internet connectivity for their business.

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APPENDIX ONE: RESEARCH QUESTIONNAIRE

Dear Respondent,

My name is Mr. Henry Kafusha and I am a researcher student pursuing my Master's Degree in Business Administration at the University of Zambia. My topic of research is titled - "An Empirical Correlational Study on Zambia Revenue Authority (ZRA) Electronic Tax System and Adoption Levels among Small-Scale Enterprises in Kalingalinga Township of Lusaka District, Zambia".

The objective of this study is to understand whether the introduction of the electronic-tax system by ZRA improved the levels of tax compliance by Small Scale Enterprises in Kalingalinga area or not.

Please be assured that your confidentiality will be maintained throughout the study and your participation in this study will be highly appreciated.

Mr. Henry Kafusha

Email: henrykafusha@gmail.com

Cell: **+260977411476**

QUESTIONNAIRE

(PLEASE TICK IN THE APPROPRIATE BOX NEXT TO THE RESPONSE)

SECTION A: DEMOGRAPHICS

1. What is your age group?

a. 16 to 25 years |_| b. 26 to 35years |_| c. 36 to 46 years |_| d. 46 to 56 years |_| e. 56 to 65 years|_| f. other.. |_| Specify………………..

2. What is your gender? a. Male |_| b. Female |_|

3. What is your level of education?

a. Secondary education level |_| b. Certificate/Diploma education level |_| c. First degree education level |_| d. Post graduate education level |_|

4. How many years have you been in your current business?

a. 1 to 5 years|_| b. 6 to 10 years |_| c.5 years and 10 years|_| d. Above 10 years |_|

5. Line of business

a) Manufacturing b) Agriculture c) Retailing

SECTION B: ONLINE TAX REGISTRATION AND KNOWLEDGE

5. Does your Business have Internet connectivity? a) Yes |_| b) No|_|

6. Has your company incorporated Internet connectivity as a way of doing business?

a) Yes |_| b) No|_|

7. If No in the 6 above, kindly state why

Internet is too expensive |_|

My Business is still small, so no need |_|

Lack of no-how |_|

Others

(Please specify)……………………………………………………………………….

8. Are you able to use your Smart phone for online internet connectivity?

a) Yes |_| b) No|_|

9. Have you heard about ZRA Online Tax registration and filling? a) Yes |_| b) No|_| ***(if No, End of interview)***

10. If Yes in 8 above, have you registered as an online user with ZRA Online Tax system?

a) Yes |_| b) No|_|

11. Can you accurately determine your ZRA tax obligations and file returns on time using the ZRA online tax system?

12. Can you file ZRA online tax returns without anybody's help?

a) Yes |_| b) No|_|

13. Have you ever attended any awareness Training workshop on e-payment system organized by ZRA? a) Yes |_| b) No|_|. If Yes, Answer the next question

14. How has this assisted in filling your returns electronically?..

15. In your opinion, is the information on ZRA online tax declaration easy to understand? a) Yes |_| b) No|_|

16. Does your Business solicit help from others (consultants) in filing your returns?

a) Yes |_| b) No|_|

17. What is the your most convenient and preferred mode of Tax Return Filing?

a) Manual |_|
b) Electronically |_|

SECTION A: CHALLENGES

17. What the three (3) main challenges, if any, that your business faces with regard to ZRA Online tax adoption?

i)…………………………………………………………………………………

ii)…………………………………………………………………………………

iii)…………………………………………………………………………………

THANK YOUR VERY MUCH FOR YOUR TIME