

**THE EFFECT OF INTRODUCTION OF ELECTRONIC FISCAL DEVICE
ON REVENUE COLLECTION IN TANZANIA: A CASE OF KINONDONI
MUNICIPAL COUNCIL**

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**DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE MASTERS OF BUSINESS ADMINISTRATION
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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Open University, a dissertation The Effect of Introduction of Electronic Fiscal Device in Revenue Collection in partial fulfilment of the requirements for award of the Masters of Degree in Business Administration (MBA) of Open University.

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Dr. K. P. F. MTEY

Supervisor

.....

Date

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DECLARATION

I, **Salehe Mohamed** do hereby declare that, this dissertation is my own original work and that it has not been presented to any other university for a similar or any other degree award.

.....

Signature

.....

Date

DEDICATION

I dedicate this work and the effort that went into it to the most understanding and caring people I know: My precious Lord and savior Prophet Muhammad and Allah at large, my Parents, Mr. and Mrs. Salehe, my wife and my kids . When times are good, they make me laugh uncontrollably. When times are tough, the smile doesn't leave my face because of the unconditional love and joy they bring to my heart.

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ABSTRACT

This research intended to establish the effect of introduction of electronic fiscal device on revenue collection in Kinondoni municipality council. The general objective was to explore on the effect of electronic fiscal devices in revenue collection in Tanzania with some specific objectives of the study were to explore on businessmen perception regarding the effect of EFDs to their business, To examine on the significance of Electronic Fiscal Devices in Revenue Collection in Tanzania, To determine on the challenges facing the introduction of electronic fiscal device as a tool for revenue collection ,and to determine the means of improving the adoption of EFDs as tools for Revenue collection in Kinondoni Municipality council in Dar-es-salaam, to explore on businessmen perception regarding the effect of EFDs to their businesses, to examine the significance of electronic fiscal devices in revenue collection in Tanzania. The research findings indicated that there was an increase in revenue collection associated with the introduction of Electronic Fiscal Device in Kinondoni Municipality Council. EFD machines can then be deemed to enhance Revenue collection resulting from more accurate Revenue reporting. It can be concluded that the classified Taxpayers have adopted and complied with the requirements of EFD machines. The study recommends that the tax office should therefore strive to ensure full adoption of the EFDs machines since they increase the revenue collection.

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ACRONYMS AND ABBREVIATION

| | |
|------|--|
| ECR | Electronic Cash Register |
| EFD | Electronic Fiscal Device |
| SME | Small and Medium Enterprises |
| ESD | Electronic Signature Device |
| KMC | Kinondoni municipality council |
| EDA | international development association |
| PECD | Organization of Electronic Cooperation and Development |
| TIN | Tax Payer Identification Number |
| TRA | Tanzania Revenue Authority |
| VAT | Value Added Tax |
| ETR | Electronic Tax Register |
| KRA | Kenya Revenue Authority |

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

Over the years the main challenge of tax administration has mainly been through tax evasion by non- issuance of tax invoices especially by small to medium tax payers, and since taxation is a very important source of income of any government for its development and provision of social services. So it is compulsory for every business person and the society in large to pay a right tax on the right time so as to enable the government to meet the cost of providing social services .In Tanzania the body responsible for tax collection is Tanzania Revenue Authority (TRA) which was established in 1996. It was hoped that the introduction of EFDS (electronic fiscal device) would help to curb which situation as sales transaction would now be monitored electronically. The buyer will be encouraged to demand a tax invoice that will be generated by the EFDs as this is the only way a taxable transaction will be captured (TRA, 2010).

Electronic Fiscal Devices (EFDs) are machines used in business for effective management and control in areas of sales analysis and also stock control system. These machines were firstly introduced in Italy by Italian Ministry of economics in 1980, to keep key financial data such as VAT, totals, total turnover and owners details for the tax authorities, then other countries in Europe and Asia adopted the system which include Russia, Poland, Bulgaria and Serbia, Albania and Georgia (Dickroman, 2011). The use of Electronic Fiscal device was also adopted in African countries like Kenya, Zimbabwe, Ethiopia, Uganda. Tanzania Government introduced

EFD system on 1st July 2010 aiming at enhancement of tax compliance. The system is being implemented in two phases with the first phase planned to cover Revenue registered tax payers country wide. The second phase is intended to cover non-VAT registered traders with turnover ranging from TShs 14 million and above per year. So EFDs machines aims at allowing TRA to get correct sales information from business people, reduce tax collection costs and helping businessmen to comply with value Added tax (VAT) regulation (Tanzania Revenue Authority, 2010). Businessmen records are also monitored directly from the Tanzania Revenue Authority headquarters, a step that eliminates the need for issuance of true reports to customers (Tanzania Revenue Authority, 2010). Although the consequences of EFD machines on tax payers compliance are not documented, EFD machines have great effect on the revenue collection.

The question of EFD is considered very instrumental as without good revenue collection the rate of development of the country that is done by the government is reported by several studies to tend to be low. As such the researcher intended to document the consequences of EFD machines on revenue collection. This is based on the fact that the Electronic fiscal device has a great impact on revenue collection. Tanzania Revenue Authority (TRA) has recorded an Increase in value Added tax (VAT) under the use of Electronic fiscal devices (EFDs). It has been observed that TRA collected a total of Tsh. 785,882.4 million in the 2009 /2010 financial year. Before the EFDs were introduced. Comparatively the Authority collected Tsh.791, 462. 9 million in 2010 / 11 financial year, immediately following introduction of the devices (TRA, 2010). Despite the fact that the Revenue collection has increased following the introduction of the electronic fiscal devices the system is lacking

support from business operators in the country this is due to the high cost of purchasing the device. Therefore this may hinder voluntary tax compliance and may result in to a decrease of tax collection percentage.

1.2 Statement of the Problem

There were problem mainly associated with the collection of taxes like; Tax evasion, filing of wrong tax returns and claiming of undeserved tax refunds. As much as it was initially looked from such a perspective, a clear analysis has to be made to establish if it also benefits the traders as well. Earlier indications are that it assists traders in such ways as; Saves time initially wasted in per suing of records, Reduction in tax preparation costs for example those paid to tax agencies, Reduction in labour costs e.g. overtime cost. Good record keeping – increases profits. Increases efficiency in businesses, reduces costs of tax refund claims (TRA, 2010).

The adoption of Electronic Fiscal Device by traders as a means of processing Revenue returns has been a court battle for a long time. Traders claim that there were punitive operating expenses that the TRA is unwilling to bear besides the actual cost of the machine. On the contrary TRA is of the view that the EFD machines will help increase efficiencies in operations as well as in Revenue processing. It is therefore important to assess the impact of EFD by taxpayers in processing of Revenue returns and if their use has also assisted the Tanzania Revenue Authority to collect as much Revenue as possible. EFD are expected to help taxpayers process their Revenue returns efficiently without major problems that were associated with the earlier paperwork system. The costs of installing and operating the machines will be

expected to be correlated with the benefits accruing to their use and comparatively lower than those incurred earlier.

1.3 Research Objectives

The general objective is to explore on the effect of introduction of electronic fiscal devices in revenue collection in Tanzania.

1.3.1 Specific Objectives of the Study

In order to achieve the general objective described above the following specific objectives shall be examined.

- (i) To explore on businesspeople perception regarding the effect of EFDs to their business.
- (ii) To examine the significance of Electronic Fiscal Device in revenue collection in Tanzania.
- (iii) To determine challenges facing introduction of EFDs as a tool for revenue collection in Tanzania
- (iv) To determine means for improving the adoption of EFDs as tools for Revenue collection.

1.4. Research Questions

The study will address the following questions that will enable the researcher to come up with the situation basing on the specific objectives described above.

- (i) What does businessmen perceive the effect of EFDs to their business
- (ii) To what extent the use of electronic fiscal devices has been significance in tax collection in Tanzania?

- (iii) What are the challenges facing taxpayers on the use of electronic fiscal device in Tanzania?
- (iv) What are the means that should be taken to improve the adoption of EFDs on Revenue collection.

1.5 Justification/Rationale/Significance

The study is intended to be significant in view of the following;

Through this study the public will have knowledge on the effect of electronic fiscal device on revenue collection. The study will highlight the best way of collecting revenue. The study will enable the revenue payers to be aware of the use of electronic fiscal device machines. The study will be as a secondary source of data to other researches on the same or related problem. The study will enable to avoid the conflict between business owner and the government

1.6 Study Limitations

In conducting this study, the following limitations were encountered; The researcher was faced with financial constraints during the study, that is the cost of conducting the study and purchase of the study materials and since the amount of finance was not sufficient to meet the cost of budget of the study. Time constraints was another limitation that researcher faced, time that is going was allotted for this study was very limited due to the fact that researcher is a full time employee so this hindered a reasonable sample so as to be able to draw a meaningful conclusions of the case under study. The researcher needed to make interviews so close and thus sometimes researcher suffered from having multiple appointment or very short time to communicate from one point to another during the normal working hours. Poor

reactions from other respondents was another obstacles to the researcher, some respondents were not willing to co-operate and some could not fill the questionnaires as appropriate and return them on time.

1.7 Organization of Research Report

This is a map on how a researcher organized the remaining part of the research report after going across the above part then this part was discussing about part two, three, four and final page whereby in part two the researcher was discussing about literature review and on this researcher covered an overview of literature, conceptual definition, Theoretical literature review, empirical literature review, Research gap as well as Conceptual and Theoretical framework also on this part three of research report the researcher was discussing about Research Methodology and on this researcher covered an overview, Research time line or approach, survey population/area of research, sampling design and Procedures, methods of data collection ,Data processing and analysis ,on chapter four researcher covered on presentation and interpretation of the findings where by it included age of respondent ,characteristics of the respondents ,gender of respondents as well as the effect of EFD on revenue collection also on the final page the following are shown on References, work plan/Schedule of activities, financial provisions/research budget, as well as appendices.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview

Literature review means writings and a body of literature that refers to all the published writings in a particular style on a particular subject (Kothari, 2004). Literature reviewed typically includes academic journals, conference proceedings, government reports, scholarly books authoritative database and primary sources sometimes it includes newspaper, magazine other books, films and audio and video tapes, and other secondary source it also relates the proposed study to larger ongoing dialogue in the literature about a topic filling a gap and extending prior studies. In this study the review of literature is divided into six parts. Conceptual definitions, Theoretical literature review, empirical literature review, Policy review ,Research gap, Conceptual framework and Theoretical framework.

2.2 Conceptual Definitions

2.2.1 Electronic Fiscal Device (EFD)

The device is called fiscal due to the fact that it is intended to trace the economic activities of every business organization for tax purposes and report to TRA, thus ensuring accurate approximation of tax returns. Many countries in the world today including Tanzania have special laws in place that make it obligatory for everyone who is selling goods or services to consumers to use cash registers (approved by tax authorities) that have special security features that enable the authorities to check in the reliable way of tax that the retailer has to pay as cited from (Ikasu, 2014), So the introduction of EFDs was due to the problems that mainly associated with the

collection of taxes like; Tax evasion, filling of wrong tax returns and claiming of underserved tax refunds also problems like wasting of time in pursuing of records, also in problems like high tax preparation costs for example tax paid to tax agencies also reduction in labour cost e.g. overtime cost ,Good record keeping since this increases profits, increases efficiency in businesses ,reduce costs of tax refund claims(TRA,2010).

2.2.2 Revenue

For a company this is the total amount of money received by the company for goods sold or services provided during a certain period. It is also include all the net sales, exchange of asset, interest and any other increase in owners equity and is calculated before expenses are subtracted also from government perspective it can be defined as the increase in assets of government funds that do not increase liability recovery of expenditure this is obtained from taxes, licenses and fees as cited from (Mulyalya, 2014).

2.3 Theoretical Literature Review

The theory that is going to guide the study of effect of introduction of EFDs is benefit theory developed by Erick Lindai. The theory states that Tax levels are automatically determined where taxpayers pay Tax according to the benefit provided by the government (Dickroman, 2011).Introduction of EFDs machines is an important part to consider on how traders will behave towards the understanding tax payers compliance. Taxpayer behavior in response to tax compliance also can be described through five theoretical views referred to as (1) economic deterrence; (2) fiscal

exchange; (3) social influence; (4) comparative treatment; (5) political legitimacy (Fjeldstad, Schulz-herzenberg and Sjurson, 2012) as cited from (Ikasu, 2014).

(1) Economic Deterrence

This theory explains that taxpayers behavior is influenced by factors such as tax rate, the probability of being detected and penalties imposed by the state (Barker, 1968) as cited by (Ikasu, 2014), the analyst concluded that since compliance decisions are based on an assessment of cost and benefits, high probabilities of detection for non compliance and large penalties for discovered violators would encourage greater compliance hence maximizing tax revenue streams.

Also in this theory people carefully assess opportunity and risks and disobey the law when the anticipated fine and probability of being caught are small in relationship to the profit to be made through non compliance (Murphy, 2004) but many researchers have argued this theory framework as the most appropriate model for explaining tax behavior the study in the Australia context suggested that taxpayer attitude towards the tax system and the ways taxpayers feel treated by a tax authority are important in explaining taxpayer non compliance (Graham et al, 2001). The rest of the theories will be discussed later.

(2) Fiscal Exchange

This theory tells that the presence of government expenditure may motivate tax compliance from the tax payers (Moore, 1998) so according to him tax compliance among society increases with perception of availability of public goods and services being developed in relation to the tax paid this is due to the fact that taxpayers are concerned with what they get in return for their tax payments in the form of public

services so taxation and provision of public goods becomes a catalyst to taxpayer in compliant to the tax paid(Ekasu,2014).

(3) Social Influences

It is said that, human behavior in the area of taxation is influenced by social interaction in much the same way as other forms of behavior (Snavey,1990). Compliance behavior and attitudes towards the tax systems may therefore be affected by the behavior of an individual reference group such as relatives, neighbors, and friends. If a taxpayer knows many people in his group who evade taxes, his commitments to comply will decline. On the other hand, social relationships may also help motivate individuals to comply and shy away tax evasion behavior in fear of social sanctions imposed once discovered (Grasmick,1982). This theory to a large extent, support the fiscal exchange theory and negate the economic deterrence theory. The society with government advocating good governance has better chances to comply with laws and orders including tax laws and vice versa.

(4) Comparative Treatment

This theory suggest that, individuals are more likely to comply with rules if they perceive that the system determining those rules is impartial. Citizens may not consider their relationship with the state in a vacuum where both parties are actors. Likewise they may not think about fellow citizen without considering their own relationship with the state. If the state treats certain groups preferentially this may distort the citizens relationship with the state and the group receiving favors. This theory is more related with the exchange theory as well because, it addresses inequities in the exchange relationship between the government and taxpayers that results in improved compliance behavior.

(5) Political Legitimacy

Legitimacy is described as belief or trust in the authorities, institutions, and social arrangements to be appropriate, for the common good. According to the political legitimacy theory tax compliance is positively related to perceptions about the government's trustworthiness. Researchers have suggested that, the group identification deriving from national pride fosters cooperative behavior and willingness to pay taxes. Political legitimacy theory is also related to social influence theory and comparative treatment theory and, all support fiscal exchange while negate the economic deterrence theory. With exception of the first theory, the remaining four theories work towards enhancing individual's freedom and willingness to pay taxes voluntarily

Background History of EFDs

These machines were firstly introduced in Italy in 1980 by Ministry of economics for the purpose of keeping key financial data such as VAT totals, total turnover and owners details for the tax authorities then other countries in Europe and Asia adopted the system which include Russia, Poland, Bulgaria and Serbia, Albania and Georgia. EFD is a device that is designed to control sales and stock volumes; it enables traders to establish sales within a specified period of time. The VAT regulation of 2010 requires traders or business people who have been registered for VAT to remit returns to TRA, TRA decided to introduce their machines in order to facilitate the Authority to enforce a culture of issuing receipts for every sale in Tanzania. As this has been a long time problem because buyers do not usually ask for receipts when they have purchased items with the use EFDs. traders are able to establish the volumes of goods

and services sold easily and TRA knows how much VAT is supposed to be remitted at the end of the period TRA , (2013)

Benefits and demerits of using EFDs

To the user of EFD / taxpayer Provides business security for traders as all information entered in to the machine stored into a fiscal memory cannot be erased or altered. Hence the trades can keep of all business transaction. Enhance fairness in tax assessment as all tax information transmitted to TRA system automatically and service objective or disputes. Minimize pilferages commonly practiced by unfaith shop attendants. Easy to retrieve sales and stock reports weekly, monthly,(Karongo,2014). Easy to operate by users or user can opt to use either Kiswahili or English language. Security of the business information once stored in a fiscal memory cannot be erased Karongo,(2014).Modern way of keeping records as compared to manual records. Access to genuine receipts every time a purchase is made. This enables the buyer who is a businessman to properly account for any particular item especially during termination of the taxable income or deductible expenditure Karongo,(2014).

Reasons for Introducing EFDs in Tanzania

Generally the EFDs were brought into use to enable TRA realize its ultimate goal of tax revenue enhancement and collection to capacity levels this is due to the fact that registered taxpayers in Tanzania despite its success still had many challenges including management of repayment claims was a difficult issue. Some of registered taxpayers were not issuing tax invoices. It was therefore expected that the effective use of EFDs would revolutionize and modernize our taxpayers and income Tax

administration systems and ultimately attain increased government revenue collection Karonga, (2014).

EFDs Success

Revenue collection has been growing year after year due to increased sensitization and enforcement on the use of EFDs in recording sales transactions. Just four years after the introduction of EFDs regime as a tool for revenue enhancement we have witnessed a growth of about 73% revenue collection in our country Kongoro,(2014).

Table 2.1 shows the Vat collection performance before and after the introduction of EFDs.

Table 2.1: EFD Comparative Analysis

| Year | Vat collection |
|----------------------|----------------|
| 2002/ 03 – 2005 / 06 | 2, 190, 592.8 |
| 2006/ 07 – 2009 / 10 | 4,537,021.7 |
| 2010 /11 – 2013 /14 | 7,860,843.3 |

With enough sensitizations and enforcement on EFDs it is my belief that we will realize our ultimate goal of tax revenue collections at its capacity levels.

EFD Challenges

Despite the success, the regime is still faced with the following challenges; Little or no culture, among Tanzania of demanding fiscal receipts for every purchase made from their resellers; Resistances by phase II traders to acquire and use EFDs. Reluctance by some traders to issue corrects fiscal receipts and sometimes not issuing receipts for some sales creating potential for revenue losses to the government.

Claiming of underserved VAT in put Tax by dishonest trader using ghost fiscal receipts contrary to the law; Some EFD user's delays in reporting the EFDs problems to EFDs suppliers contrary to EFDs regulations. Some EFDs suppliers delays in servicing of non working EFDs on time contrary to EFDs regulations. Telecommunication infrastructure constraints especially in remote areas Karongo,(2014) .EFD success challenges and the way forward Karongo,(2014).

2.4 Empirical Literature Review

Ikasu,(2014) made an assessment of Challenges Facing the Implementation of Electronic Fiscal Device (EFD) in Revenue Collection in Tanzania. The study used Quantitative research approach in order to test the theories and hypothesis of the study and the data was collected through structural questionnaires in testing the quality of services provided by TRA to the registered taxpayers in the course of implementation on the use of EFD machines. This was due to the fact that the study was designed mainly to be conducted to all traders who registered for taxpayers and using EFD machines in Tanzania. The study revealed that it is possible to achieve higher degree of citizen adoption of e-Government in Tanzania.

However the government needs appropriate strategies to overcome challenges posed by the issues identified in their study. Also another study conducted by Mmanda,(2010) on the study about Introduction of Electronic Fiscal Device, he said that, Introduction of Electronic Fiscal Device machines is good in that once you enter information TRA gets information after 24hours and if one tampers with the information the machine reports everything. In addition the machines keep the information for not less than five years. After all it is the government that pays for the

machines, however VAT registered business have to buy them first but when they install them the costs are deducted from the VAT the businesses are supposed to pay to TRA. It is only when the amount is paid that the businesses start paying VAT Mmanda (2010). Also in the study of the Effectiveness of Electronic Tax Registers in Processing Value Added Tax Returns perspectives from Registered VAT Taxpayers in Kisii Town in Kenya conducted by Magutu, (2010) as cited by Ikasu, (2014) the study aimed to measure the effectiveness of Electronic Tax Registers (ETRs) in the processing of Value Added Tax Returns and to determine the extent at which the Electronic Tax Registers are used by Taxpayers and also to know what difficulties are there on using those machines as well as to provide possible solutions to the problems.

Also the study intended to know that the machines has increased the speedy and accuracy on processing the Taxpayers VAT returns so on this study the population under study comprised of 98 VAT Registered taxpayers in Kisii town according to the regional KRA offices records which was stratified into, service providers, wholesalers and large scale retailers and supermarkets so the study revealed that Kenya has witnessed significant changes in many aspects of its economy over the last four decades but like most developing countries it has to fight with common problems that plaque tax system of developing countries also the timely billing of the monthly VAT returns is attributed to many factors. Another study conducted by (Nyasa et al ,2012) as cited by Ekasu ,(2014) in the study attitudes of employees towards the use of fiscalised electronic devices in calculating value added tax (VAT) this was A case of motor industry in Zimbabwe where by the researcher sought to find the attitude of motor industry employees in Zimbabwe towards the use of fiscalised electronic

device machines and the findings of the study revealed that the machines had positively impacted on the motor industry through improvements in tax collection ,saves time in tax collection, reduces direct contact between tax collectors and hence minimizes corruption. Also the study found out that employees with low educational level find it difficult to use fiscalised electronic devices since they lack know how on how best to use the machines also employees negatively perceived the use of fiscalised electronic devices because they are not aware of the method and just resistant to change.

2.5 Research Gap

Other scholars who have done similar studies include Ekasu, (2014), Weru at el, (2013), Duke,(2013) ,Clive, (2011), Mmanda,(2010) and Horn,(2003), their studies have tried to describe the challenges, principles, benefits, advantages and disadvantages as well as strategies of implementing the use of EFDs machines. But this study under investigation is not going to discuss only challenges, principles, benefits, advantages and disadvantages, as well as strategies, but is going to discuss the effects of introduction of EFDs in the revenue collections.

2.6 Theoretical and Conceptual Framework

2.6.1 Theoretical Framework

The understanding of taxpayer's compliance towards the effect of introduction of EFD machines in revenue collection is an important stage to consider in describing how traders behave toward the institution and implementation of EFD machines as researcher has explained that taxpayer behavior in respond to tax compliance can be described through the said five theoretical foundations.

2.6.2 Conceptual framework

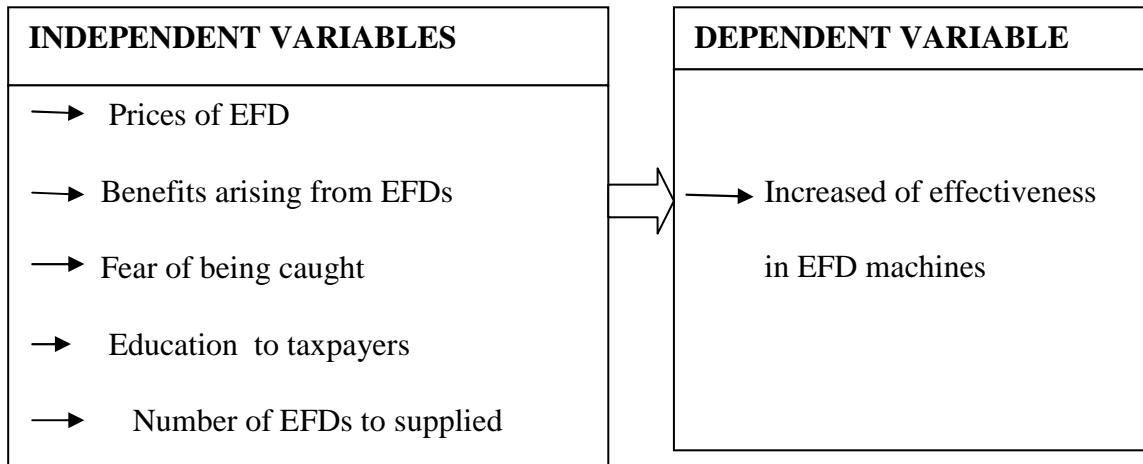


Figure 2.1: Conceptual Framework

Source: Compiled from the Research 2015

The increased effectiveness in the EFD machines to the tax payers was due to the the following factors; affordable price of EFD machines this made many taxpayers to buy the machines hence effectiveness increased. Also many taxpayers were provided with education on the use of EFD machines hence many taxpayers are now aware on the use of the use of EFD machines hence effectiveness increased. Also the increased number of suppliers of EFD machines this had an effect to the increased effectiveness of EFD machines since many taxpayers were supplied with the machines.

CHAPTER THREE

3.0 RESEARCH DESIGN AND METHODOLOGY

3.1 Overview

This study research adopted a survey research design, the research design was preferred for the study since it allowed the researcher to collect a large amount of data from a sizeable population in a highly economic ways ,so according to (Sounders et al, 2010) this research strategy allowed collection of data through questionnaire administered to a sample and data that collected by this design has been used to suggest possible reasons for a particular relationships between variables and produced modals for these relationships.

This research design therefore is relevant for the study as it enabled the researcher to take control over the research process, The target population of this study was the medium and large scale Taxpayers operating in Kinondoni municipality council and registered for Taxpayer purpose. This chapter also discussed research paradigm ,research strategy, qualitative and quantitative research approaches, time frame, sampling design, research area, population sampling units ,sampling frame, as well as sampling techniques and data analysis techniques that was employed. The research methods were included in the collection of data both from primary and secondary sources. The secondary sources basically included the review of literature from textbooks, other reference materials documents, and internet and lecture literatures. Interviews, questionnaires and content analysis was used in primary data collection, the data so collected was analyzed using tables and percentages and SPSS version 16 was used to aid the process based as the outcomes of the analysis, conclusion was made and recommendation given.

3.2 Research Paradigm/Approach/Strategies/Time Line

Paradigm is a way of examining social phenomena from which particular understandings of these phenomena can be gained and explanation attempted. source: (Sounder et al, pg 119 2004),in this study quantitative research approaches was used where interview administered questionnaires of structured interview type was highly used as quantitative method of data collection also interview was used in data collection, also in this approach researcher was used a deductive approach in which a researcher developed a theory and hypotheses and tested them using data source:(Sounder et al ,2010) Also researcher used Survey strategy, according to (Sounder et al ,2010) as this is an ex post facto research that investigates current status relationship between variable or cause and effect relationship based on existing data and this strategy was based on descriptive survey research as this is, also researcher used the cross sectional design as this involved the collection of data at one point in time Sounder et al,(pg 61 2004).

3.3 Survey Population/ Area of the Study

This study was carried in Dar es salaam city in Kinondoni Municipality council. Kinondoni is one of the three Municipality in Dar es salaam others are Ilala to North and Temeke to South. it has three division and 11 Wards it is has an area of 273km sq with population 634,924, Source: Kinondoni District home page for the 2012 Tanzania national census. The Kinondoni district was researchers area of study, in Kinondoni there are wards like Ubungo, Kawe, Kibamba, Saranga, Kijitonyama, researcher was dealing with Ubungo ward due few numbers of its mitaa which are about five of them which are NHC, Kisiwani, Kibo, Chuo kikuu and Msewe also researcher was dealing with two of them due to the geographical presentation of those

wards compared to other wards and these are NHC and Chuo kikuu and those was the sources of data which was registered taxpayers operating in those wards from Kinondoni Municipality council. In particular, primary data was collected by structured questionnaire and interview from owner of various taxpayers located in Dar es salaam and operates in the Kinondoni Municipality, secondary data will be collected from Tanzania Revenue Authority, Open University of Dar es salaam library, institute of tax administration library, the study was carried out in a period of not exceeding 5 months.

3.4 Sampling Design and Procedure

Researcher used Non Probability sampling where by the items for the sample were deliberately selected by the researcher .Here researcher purposively chose the particular units of the universe for constituting a sample on the basis that the small mass that is selected out of a huge one is a representative of the whole. regarding sample design the target population included all taxpayers based in Kinondoni, sampling frame are all taxpayers based in Kinondoni who are also operating in Kinondoni district the samples of at least sixty taxpayers were selected so the population here were homogeneous so that the procedure did not give biased results.

3.5 Variable and Measurement Procedure

Dependent variable from this study was an increased effectiveness in EFD While the Independent variable were the prices of EFD , education to taxpayers and number of the EFDs and also fear of being caught.

3.6 Methods of Data Collection

In this study, researcher employed tools like questionnaire and interviews to collect data from the field of study. The data collected was registered taxpayers from Kinondoni municipality council.

3.6.1 Questionnaires

This instrument was used in this study due to the following merits; there is low cost even when the universe is large and is widely spread geographically, it is free from the bias of the interviewer answers are in respondents' own words. Respondents have adequate time to give well thought answers respondents who are not easily approachable can also be reached conveniently and large samples can be made use of and thus the results can be made more dependable and reliable.

3.6.2. Interview

According to Kothari,(2004), interview is a method of collecting data which involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. This method can be used through personal interviews, and if possible through telephone interviews, in this study both formal and informal semi structured interviews were included to those with limited time to fill questionnaires i.e managers being guided by pre-determined questions, this method will be adopted by researcher due to the fact that the researcher was able to explore more information on the issue under the study as researcher could ask and adjust questions hence gave rooms for the respondents to give more explanations. The researcher selected the respondents who have access to the information needed.

3.7 Data Processing and Analysis

Processing

Data were collected and entered into SPSS version 16 software programme in order to meet the computations of study variables of independent variables of electronic fiscal devices against dependent variables of revenue collection.

Analysis

Data for this study were analysed using summarized descriptive statistics of regression technique. The study used data of sixty registered taxpayers to measure the relationship between the price of EFD machines, provision of education to taxpayers and number of EFD machines supplied were independent variables of the study while the increased effectiveness in EFD machines was dependent variable of the study. The same variables used by Ikasu (2014) who used simple linear regression in order to test for the effect of EFD machines in Revenue collection.

The whole process of data collection was verified accurately and most of useful data was selected, coded, edited and recorded for analysis, which place information of statements in order to meet the objectives of the study of report simple and understandable, further the researcher expects to adopt descriptive and both quantitative and qualitative method of data analysis. On the other hand to enhance this study the qualitative data analysis was adopted to examine the collected data, hence the responses from the questionnaires are qualitatively and quantitatively analyzed rather than hypothetically tested.

3.8 Reliability and Validity of Data

3.8.1 Reliability

The researcher was ensuring the reliability of the measurable data by reviewing information only from reliable authoritative source documents.

3.8.2 Validity

In this study the researcher made sure that data were collected from personnel who understood better the phenomenon, that is, working capital management and were cross-checked in different collection method.

CHAPTER FOUR

4.0 PRESENTATION AND INTERPRETATION OF THE FINDINGS

4.1 Introduction

The data were analysed both qualitatively and quantitatively such that presentation of the findings used description or narrations and tables and figures, respectively. The socio-demographic characteristics of the respondents were analysed in terms of their personal characteristics which include sex, education level, occupation, and as shown below.

The findings on the effect of introduction of Electronic fiscal device on revenue collection in kinondoni municipality council have been presented, analysed and explained. The results included quantitative information that is mainly from respondents, also the qualitative information were taken from the key informants and unstructured interviews. The researchers after gathering opinions from different informants who are taxpayers, the data were sorted for a thorough analysis. These data are presented under various headings which constitute the different areas of the researcher. An appropriate interpretation has been then carried out coupled with supporting arguments; other views from other researchers were used to support or discuss the findings.

It was done in accordance with the four objectives and research questions that guided the study which intended to explore on the Effect of Introduction of Electronic Fiscal Device on revenue collection among classified taxpayers, to explore on businessmen perception regarding the effect of EFDs to their business, to examine the significance of electronic fiscal device in revenue collection in Tanzania, to determine challenges

facing introduction of EFDs as a tool for revenue collection in Tanzania and to determine means for improving the adoption of EFDs as tool for revenue collection among classified taxpayers in Kinondoni municipality, The investigation was done and findings are shown below with their respective questions.

4.2 Respondents Characteristics

The respondents to this study were made up of 100 classified taxpayers in Dar es Salaam to whom questionnaires were distributed and interview made to the respective businesspeople. However, only 60 were completed and returned, representing a 60% response rate.

4.2.1 Demographics Characteristics of the Respondents

Table 4.1: Demographic Characteristics of Respondents

| Socio-demographic characteristics of respondents Variable | | Percentage | |
|---|-----------------|------------|------|
| Gender | Male | 50 | 83.3 |
| | Female | 10 | 16.7 |
| Age | Less than 30yrs | 10 | 16.7 |
| | 30yrs- 40 years | 20 | 33.3 |
| | Above 40year | 30 | 50 |
| Marital status | Single | 10 | 16.7 |
| | Married | 50 | 83.3 |
| Duration of service | short service | 15 | 25 |
| | long service | 45 | 75 |
| Level of education | Secondary | 30 | 50 |
| | Certificate | 15 | 25 |
| | Diploma | 9 | 15 |
| | Degree | 6 | 10 |
| Economical level | Low | 18 | 30 |
| | Middle | 42 | 70 |
| | High | - | 00 |
| | To high | - | 00 |

Source: Compiled from the Research 2015

A total of 60 respondents participated in the study; table 4.1 indicated that the majority of the participants were males 50 (83.3%) while 10(16.7%) were females. The minimum age of respondents were 30 years and the maximum age 60 years. Most respondents were above the ages of 30 (50%). More than half (75%) of the respondents were marriage. The study showed that three-quarters of the respondents (75%) indicated a long duration of business at the taxpayers in Kinondoni Municipality Council. With regard to level of education, 50% of the participants were possessing certificate of secondary while 12.5% had a certificate level and only 10% of respondent were graduate from university. Concerning the economic background 30% of all respondents indicated low economic background while only 70% of majority indicated middle economic background.

4.3 Effect of Electronic Fiscal Device on Revenue Collection

The other objective of the study was to examine the significance of electronic fiscal device in revenue collection in Tanzania among classified taxpayers in Dar-es-Salaam.

4.3.1 Electronic Fiscal Device

The study sought to find out the types of electronic fiscal devices that were used in the organizations. It captured the types of electronic fiscal devices and the results are shown in table 4.2.

Table 4.2: Electronic Fiscal Device

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| ETR | 45 | 75 |
| EFP | 15 | 25 |
| ESD | 00 | 100 |

Source: Compiled from the Research 2015

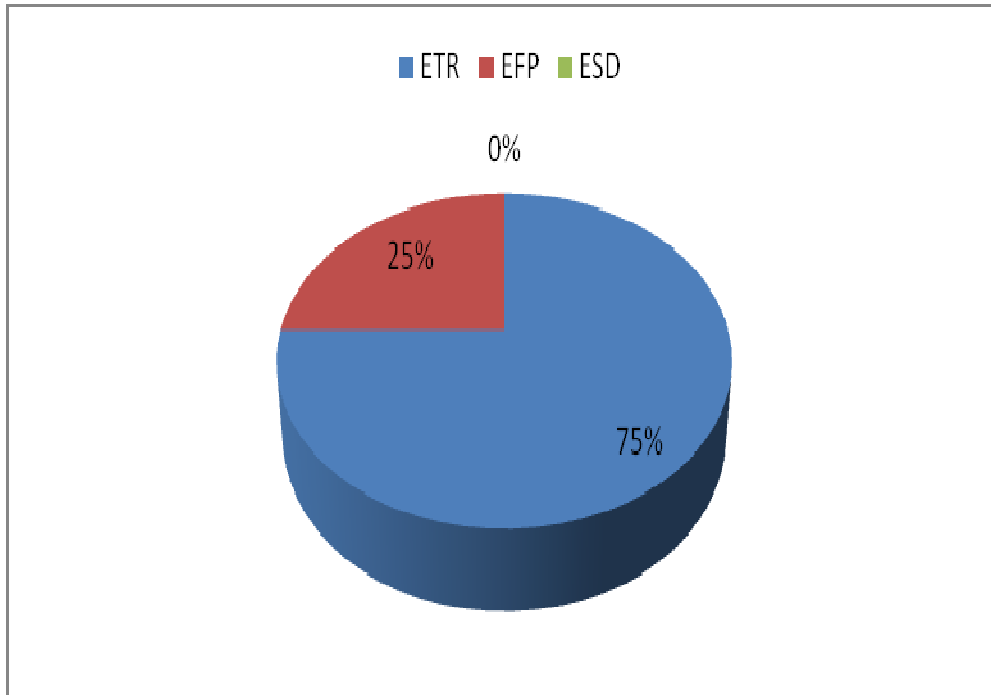


Figure 4.1: Electronic Fiscal Device

Source: Compiled from the Research 2015

During the survey the respondents were asked which type of Electronic Fiscal Device used, it is shown in table above, that the majority (75%) of the respondents indicated that their firm used the EFD while 25% indicated that their firm used the EFP but no one who use the ESD in their firms where invoicing is computerized. Therefore in this study it entails that most of respondents used EFDs in the business because this device is commonly used by retail businesses that issue receipts manually, but EFD device is commonly used by computerized retail outlets. It is suitable for business groups such as Supermarkets, Petrol Stations, Ticketing agents etc.

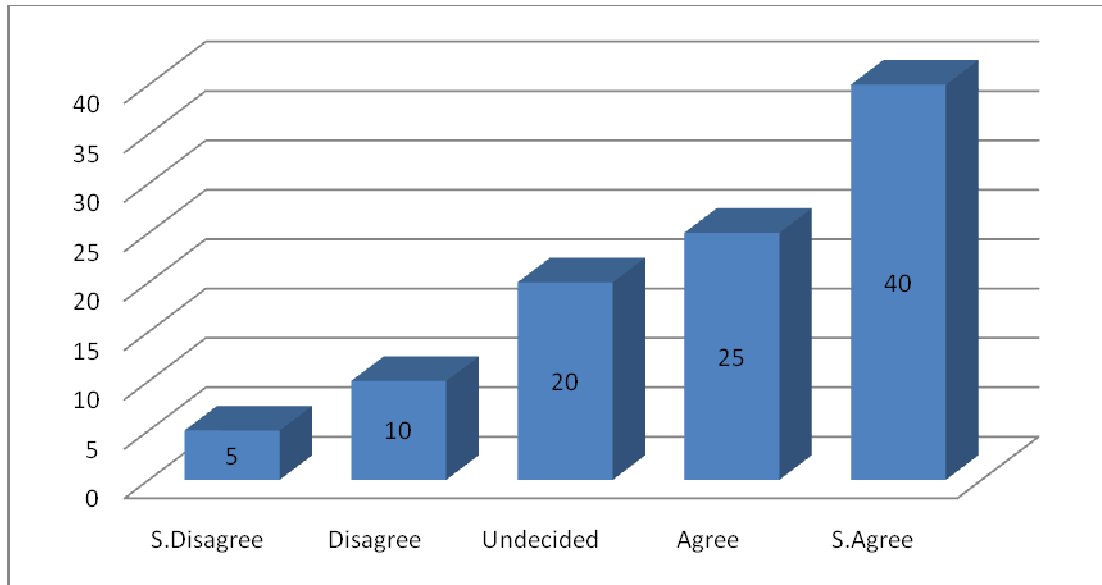


Figure 4.2: EFD has reduced the Time it takes to Prepare Revenue Returns at end Month

Source: Compiled from the Research 2015

During the survey the respondents were asked if EFDs have reduced the time it takes to prepare Revenue collection return at the end of month, majority of the respondents(65%) agreed that EFDs reduce time to prepare Revenue while (15%) of respondents disagreed and only 20% of respondents were undecided. Therefore in this study it implies that EFDs reduce time during revenue collection. The system ensures issuance of homogeneous fiscal receipts and fiscal invoices, efficient time management and it also enables access of online tax information and quick response to deviation over the machine.

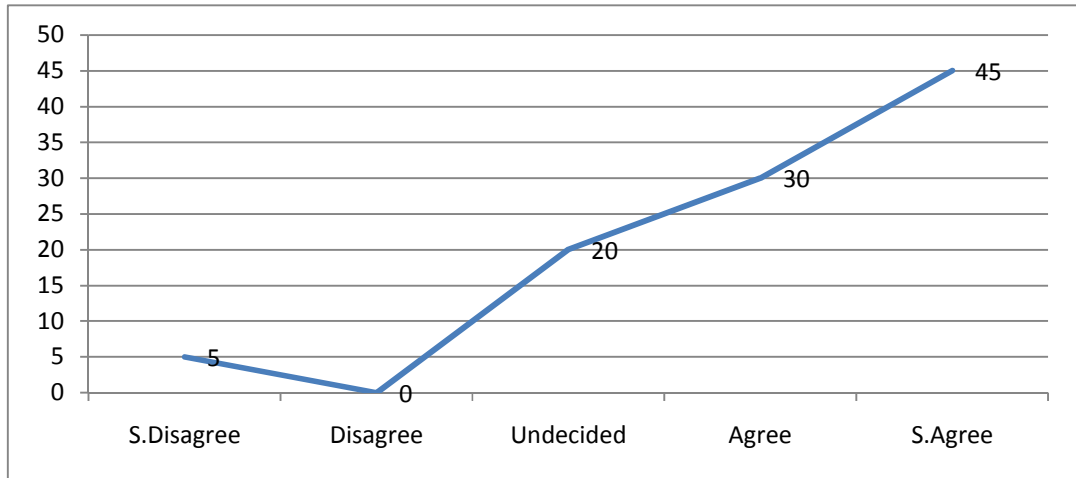


Figure 4.3: EFD Ensures Timely Filing of Monthly Revenue Returns

Source: Compiled from the Research 2015

During the survey the respondents were asked if EFDs ensures timely filing of monthly Revenue returns, majority of respondents agreed (75%) while 20% of the respondents knew nothing and 5% of the remaining of respondents indicated to disagree, therefore in this study it implies that EFDs ensures timely filing of monthly Revenue returns.

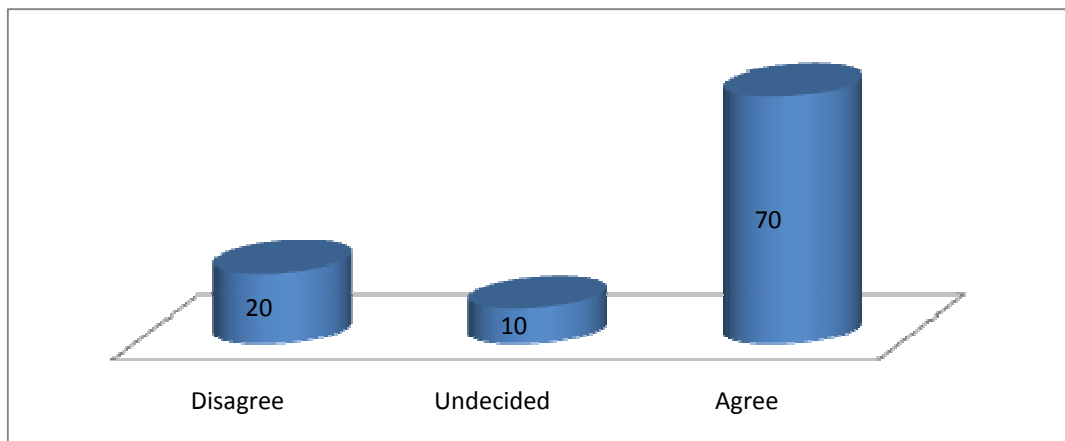


Figure 4.4: The Monthly Revenue Returns have Increased Since uou Started using the EFD

Source: Compiled from the Research 2015

During the survey the respondents were asked if monthly Revenue returns have increased since they started using the EFDs, 70% of all respondents agreed that Revenue returns have increased since they started using the EFD while 20% of respondents disagreed and 10% were undecided. Therefore in this study it implies that monthly returns have been increasing since the respondents started using the EFDs, This is supported by TRA during introduction of robust EFDs (with a focus of increasing revenue collection) that is simple to administer, cost effective, that enhances voluntary tax compliance and ultimately increases revenue collection to the government.

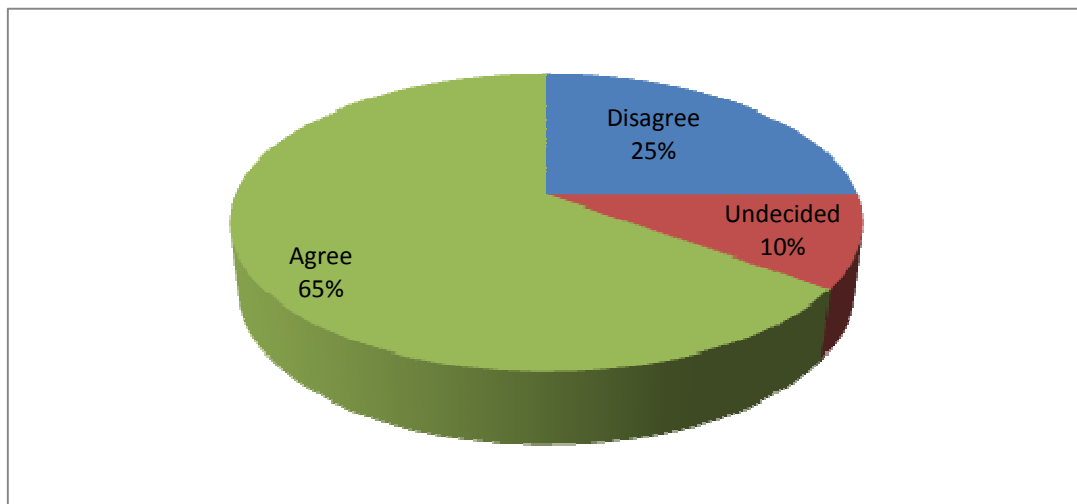


Figure 4.5: There any Training that has done on use of EFD

Source: Compiled from the Research 2015

During the study the respondents were asked if there was any training done on use of EFDs, 65% of all respondents agreed while 25% of respondents disagreed and 10% of respondents were undecided if there was any training done on uses of EFDs machine. Therefore, in this study it implies that most of respondents are trained how to use ETR during purchasing the machine. This data is supported by information from TRA

when addressing issue how to use the features of the EFDs, all users shall be trained by the suppliers soon after they have acquired the machine. TRA will provide a general class in Dar es Salaam with sessions every after two hours to educate taxpayers and interested parties on how to handle the EFDs. Further information will be provided through Help Desks available in all TRA offices.

4.4 Factors Affecting Revenue Collection

The objectives of this study were to explore on the Effect of introduction of electronic fiscal devices in Revenue collection in Tanzania in among classified Taxpayers in Kinondoni Municipality Council and to examine the significance of electronic fiscal device in revenue collection in Tanzania, to determine means for improving the adoption of EFDs as tools for Revenue collection among classified taxpayers in Kinondoni Municipality in Dar-es-salaam.

4.4.1 Registration for Taxpayers

The respondents were asked to indicate whether their taxpayers were registered for Revenue payment and they all concurred indicating that they were registered. It is a requirement that any business setup with a point of sale has to issue a fiscal receipt generated from an electronic tax device hence the need to register for Revenue Payment.

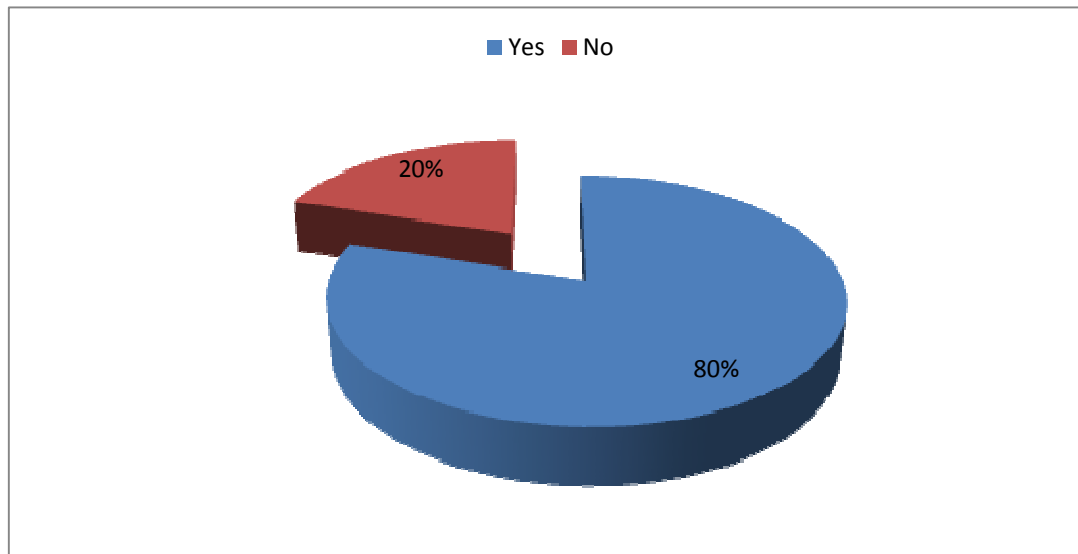
4.4.2 Advantages of Registration for Taxpayer

The respondents were asked to indicate whether they perceived if there was any advantage of being registered as Taxpayers. The results are as indicated in the table 4.3.

Table 4.3: Advantages of Registration for Taxpayers

| Respondents | Frequency | Percentage |
|-------------|-----------|------------|
| Yes | 48 | 80 |
| No | 12 | 20 |
| Total | 60 | 100 |

Source: Compiled from the Research 2015

**Figure 4.6: Advantages of Registration for Taxpayers**

Source: Compiled from the Research 2015

It is shown in results above, that majority (80%) of the respondents indicated that there were advantages of being registered for Taxpayers while 20% indicated that there were no advantages of being registered for Taxpayers. Once Registered for Taxpayers the input Revenue incurred on purchases can be offset against Taxpayers charged on sales thus reducing the cost of goods and services to the trader.

4.4.3 Complexity of the Taxpayers System

The respondents were asked to indicate whether the Taxpayers system in business is complex or not. The results are as indicated in the table 4.4.

Table 4.4: Complexity of the Tax Payers System

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 24 | 40 |
| No | 36 | 60 |
| Total | 60 | 100 |

Source: Compiled from the Research 2015

As shown in the table, majority of the respondents (60.0%) indicated that the Taxpayers system in the business is not complex. The rest (40%) indicated that the Taxpayers system in the business was complex. Therefore in this study it entails that the Taxpayers system in the business was complex.

4.4.4 Acquisition of the EFDs Machine

The respondents were asked to give their opinion on what influenced the acquisition of the EFDs machine in their business. The results are as indicated in the table 4.5

Table 4.5: Acquisition of the EFDs Machine

| Respondents | Frequency | Percentage |
|--------------------------|------------------|-------------------|
| Benefits arise from EFDs | 36 | 60 |
| Own willingness | 21 | 35 |
| Fear of being caught | 3 | 5 |

Source: Compiled from the Research 2015

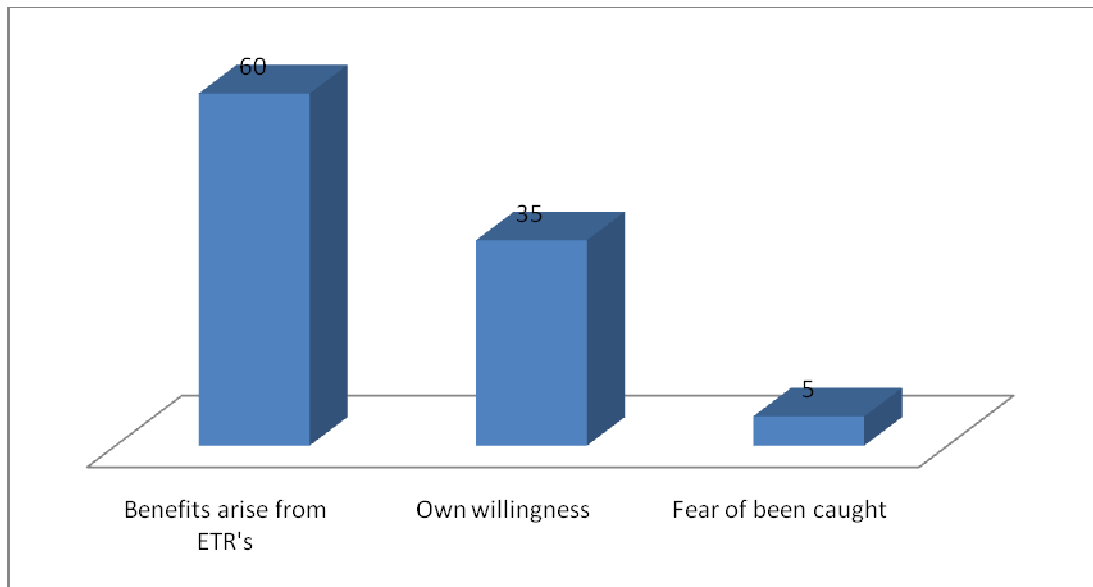


Figure 4.7: Acquisition of the EFDs Machine

Source: Compiled from the Research 2015

During the survey the respondents indicated that acquisition of the EFD machines was through benefits arising from EFDs as indicated by majority (60.0%) of the respondents. Acquisition of the EFD machines through own willingness was cited by 35% of the respondents with rest, 5% of the respondents indicating that the EFDs machine was acquired through fear of being caught. According to the deterrence theorists, the perceived probability of getting caught is a factor for complying with the law.

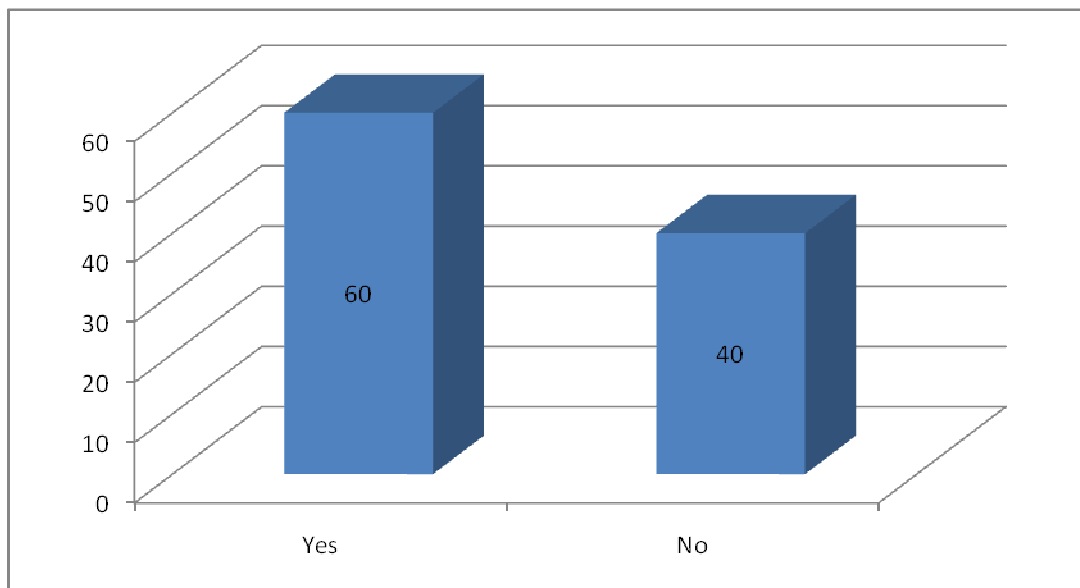
4.4.5 Honesty when it comes to Tax payment

The respondents were asked whether people in the industry were generally honest when it came to Tax payment. The results are as indicated in the table 4.6.

Table 4.6: Honesty when it comes to Tax payment

| Respondents | Frequency | Percentage |
|-------------|-----------|------------|
| Yes | 36 | 60 |
| No | 24 | 40 |
| Total | 100 | 100 |

Source: Compiled from the Research 2015

**Figure 4.8: Honesty when it comes to Tax Payment**

Source: Compiled from the Research 2015

During the survey the respondents were asked about honesty when it comes to Tax Payment, the outcome was that people were generally honest when it came to Tax Payment 60% of respondents indicates that the people in the industry were generally honest while 40% of the respondents not honest if it came to Tax Payment. Therefore in this study it entails that taxpayers are committed towards the tax system which means that the taxpayer feels a sense of moral obligation to pay their taxes and will pay their taxes with good will because they believe paying tax ultimately benefit everyone.

4.4.6 Inspection by the Tax Authorities

The respondents were asked whether their firm's establishment had ever been inspected by the tax authorities. The results are as indicated in the table 4.7.

Table 4.7: Inspection by the Tax Authorities

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 36 | 60 |
| No | 24 | 40 |
| Total | 100 | 100 |

Source: Compiled from the Research 2015

Majority of the respondents (60%) indicated that their establishment had been inspected by the tax authorities and 40% indicated that their establishment had not been inspected by the tax authorities. This may be due to resistance towards the tax system which makes the taxpayer adopt a stand against the tax office thus forcing the tax authorities to inspect them. It may also be as a result of ensuring compliance with the laid down regulations that makes the tax authority inspect the establishments.

4.4.7 Taxpayer Enforcement Mechanism

The respondents were asked whether the Taxpayers enforcement mechanism by Tanzania Revenue Authority was effective. The results are as indicated in the table 4.8.

Table 4.8: Taxpayers Enforcement Mechanism

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 36 | 60 |
| No | 24 | 40 |
| Total | 100 | 100 |

Source: Compiled from the Research 2015

Majority of the respondents (60%) indicated that the Taxpayers enforcement mechanism by Tanzania Revenue Authority was effective and 40% indicated that the Taxpayers enforcement mechanism by Tanzania Revenue Authority was not effective. This may be due to the tax office increased effort in auditing the organizations which are already filing returns.

4.4.8 High Taxes as Incentives for Tax Evasion

The respondents were asked whether the high tax rates create incentives for tax evasion by taxable persons and customers. The results are as indicated in the table 4.9.

Table 4.9: High Taxes as Incentives for Tax Evasion

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 48 | 80 |
| No | 12 | 20 |
| Total | 100 | 100 |

Source: Compiled from the Research 2015

During the survey the respondents were asked high Taxes as Incentive for Tax Evasion it is shown in Table 4.9 above, that majority (80%) of the respondents indicated that high tax rates created incentives for tax evasion by taxable persons and customers while 20% indicated that high tax rates did not create incentives for tax evasion by taxable persons and customers. This can be attributed to a game playing posture like the game of finding grey areas of the tax law and enjoy the challenge of minimizing the tax they have to pay.

4.4.9 Awareness of Obligations and Rights under the Taxpayer Laws

The respondents were asked whether they were aware of all obligations and rights under the Taxpayer laws. The results are as indicated in the table 4.10.

Table 4.10: High Taxes as Incentives for Tax Evasion

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 45 | 75 |
| No | 15 | 25 |
| Total | 100 | 100 |

Source: Compiled from the Research 2015

It is shown in Table 4.10 above; that majority (75%) of the respondents are aware of the obligations and rights under the Taxpayer laws which are a result of the trainings sessions conducted by the tax authority office on tax administration. 25% indicated they were not aware of the obligations and rights under the Taxpayer laws. Therefore in this study it indicates that most of tax payers are aware of the obligations and rights under the Taxpayer laws.

4.4.10 Happiness with the Tax System or Tax Office

Respondents were required to rate the statement that the taxpayer is not happy with the tax system or tax office but tax is part of life and needs to be paid. The results are as indicated in the table 4.11.

Table 4.11: Happiness with the Tax System or Tax Office

| Respondents | Frequency | Percentage |
|---------------------------|------------------|-------------------|
| Strongly agree | 24 | 40 |
| Agree | 24 | 40 |
| Neither agree or disagree | 12 | 20 |

Source: Compiled from the Research 2015

Majority of the respondents (80%) stated that they agreed with the statement that the taxpayer is not happy with the tax system or tax office but tax is part of life and needs to be paid. The remaining 20% indicated that they neither agreed nor disagreed with

the statement that the taxpayer is not happy with the tax system or tax office but tax is part of life and needs to be paid. This can be attributed to capitulation which means that, a taxpayer may not be happy with the tax system or tax office, but they acknowledge that it is a part of life and that taxes need to be paid. They also believe that they should cooperate with the tax office; even if they feel the tax office is treating them poorly.

4.5 Relationship Between the uses of EFDs and Taxpayers Compliance Rate

The objective of the study was to to explore the relationship between the averages uses of Electronic Fiscal Device and the average Taxpayer compliance levels.

Table 4.12: Relationship of Electronic Fiscal Device and the average Taxpayer Compliance Levels

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 42 | 70 |
| No | 18 | 30 |
| Total | 60 | 100 |

Source: Compiled from the Research 2015

During the survey the respondents were asked whether there is any relationship between the average uses of Electronic Fiscal Device and the average Taxpayer compliance levels, 70% of respondents said yes and only 30% indicates no that there is no relationship between EFDs and Taxpayers compliance level. Therefore in this study it implies that there is a relationship between Electronic Fiscal Device and the average Taxpayers compliance levels.

4.5.1 Relationship between Increase in Taxpayer's income and Revenue Compliance

Table 4.13: Is Increase in the Taxpayers Income Leads to Low Compliance by the Respondents

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Yes | 36 | 60 |
| No | 6 | 10 |
| Not know | 18 | 30 |

Source: Compiled from the Research 2015

During the survey the respondents were asked whether increase in Taxpayers income leads to low compliance by the respondents, the majority of the respondents (36 respondents representing 60% of all respondents) agreed on the scale) that increase in sales volume leads to poor tax compliance. Eighteen respondents (30%) were unsure whether changes in income had any effect on their compliance decision. Only 10% of the respondents disagreed on the scale that increase in sales would reduce tax compliance. Therefore in this study it entails increase in sales implies increase in Revenue payable by the businessmen.

4.5.2 Inspection by Tax Authorities of the Respondent's Businesses in the Firm and the Average Compliance Levels Will Increase Sale?

Table 4.14: Inspection by Tax Authorities of the Respondent's Businesses in Taxpayers and the Average Compliance Levels will Increase Sale?

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| YES | 39 | 65 |
| NO | 21 | 35 |
| YES | 60 | 100 |

Source: Compiled from the Research 2015

During the survey the respondents were asked whether inspection by tax authorities of the respondent's businesses in the firm and the average compliance levels will

increase sale, more than half of respondents 65% indicated yes and 35% of the remaining indicated no inspection done by tax authorities of the respondent's businesses in the firm and the average compliance levels will increase sale. Therefore in this study it implies that any inspection done by authorities will increase sale.

4.5.3 Relationship between Frequency of Inspection and Taxpayers Compliance

Table 4.15 is there any Frequency of Inspection and Taxpayers Compliance

| Respondents | Frequency | Percentage |
|--------------------|------------------|-------------------|
| >p.a | 12 | 20 |
| Once p.a | 24 | 40 |
| Semi-annually | 12 | 20 |
| Quarterly | 9 | 15 |
| Monthly | 3 | 5 |

Source: Compiled from the Research 2015

Table 4.15 shows the frequencies of inspection by tax authorities of the respondent's businesses in the last four years and the average compliance levels. Table 4.15 shows that, 15% of respondents' businesses were inspected by TRA at most quarterly per annum. The majority of the businesses (40%) said they were inspected once per annum, (20%) of the respondents said they their businesses were inspected twice per year, 20% of the respondents said they have been inspected over the past two years, their businesses have been audited less than once per annum on average. The remaining 5% said their premises were inspected by the TRA officials at least three times per year, in the last four years. Therefore in this study it implies that most respondents whose businesses reported more frequent inspection were drawn from medium and large scale retail outlets, generally consented that frequency of inspection have little effect on Revenue collection .

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the results gathered from the analysis of the data, as well as the conclusion reached. The chapter incorporates the various suggestions and comments given by the respondents in the interview. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given.

5.2 Summary of the Findings

The respondents to this study were made up of 100 classified taxpayers in Dar es salaam to whom questionnaires were distributed to the respective businessmen, with 60 questionnaires being completed and returned, representing a 60% response rate. Majority of the respondents were male and they indicated that most of their organizations used the EFD machines. They all indicated that they were registered since it is a requirement that all business setups now register as Taxpayers.

All the respondents indicated that there were advantages of being registered for Taxpayers, and the Taxpayer system in the business is not complex. Majority of the respondents indicated that they acquired the EFDs machine due to benefits arising from it, though some of them indicated that they acquired the EFDs machine through own willingness or due to fear of being caught. According to the deterrence theorists, the perceived probability of getting caught is a factor for complying with the law. The respondents further indicated that the people in the business were generally honest when it came to Revenue collection.

This may be due to the commitment posture towards the tax system which means that the taxpayer feels a sense of moral obligation to pay their taxes and will pay their taxes with good will because they believe paying taxes ultimately advantages everyone. Majority indicated that their establishment had been inspected by the tax authorities. This could be attributed to the resistance towards the tax system which makes the taxpayer adopt a stand against the tax office thus forcing the tax authorities to inspect them and ensure compliance.

The respondents indicated that the revenue collection enforcement mechanism by Tanzania Revenue Authority was not effective and may be due to the tax office not being able to administer the tax laws effectively. The respondents indicate that the high tax rates created incentives for tax evasion by taxable persons and customers. This can be attributed to a game playing posture like the game of finding the grey areas of the tax law and enjoyed the challenge of minimizing the tax they have to pay. They were aware of all obligations and rights under the taxpayer laws which can be a result of the training offered by the tax office on tax administration.

They however indicated that they were not happy with the tax system or tax office but tax is part of life and needs to be paid. This can be likened to capitulation that a taxpayer may not be happy with the tax system or tax office, but they acknowledge that it is a part of life and that taxes need to be paid. They also believe that they should cooperate with the tax office; even if they feel the tax office is treating them poorly. The respondents indicated that the tax payers establishments followed the requirements of printing of monthly reports, printing of daily reports, regular maintenance of the EFD machines and printing of yearly reports. The respondents

agreed that EFDs machines ensures timely filing of monthly revenue returns, it has reduced the time it takes to prepare revenue returns at end month and EFDs machines ensures accurate filing of monthly revenue returns. They also agreed with the statement that the monthly revenue returns have increased since you started using the EFDs machines. They neither agreed nor disagreed with the statement that with EFDs tax payers do not under declare revenue and they further indicated that the EFDs machines did not suit their kind of businesses and they had previous systems/ software's which did all the computations.

The findings of the test showed that this difference was statically significant. This indicated that the introduction of electronic fiscal device on revenue collection among classified taxpayers was positive as an increase in revenue was observed through the significant results. Therefore, an increase in revenue declared with the introduction of Electronic fiscal device in revenue collection among Registers taxpayers has been achieved. EFDs machines can then be deemed to enhance revenue collection resulting from more accurate revenue reporting.

5.3 Conclusion

Based on the results from data analysis and findings of the research, one can conclude that Tanzania has witnessed significant changes in many aspects of its economy over the last four decades, but like most developing countries, it has had to contend with the common problems that plague tax systems of developing countries. EFD have been introduced to get the country out of the problems that plague tax systems of developing countries. From the research data, all the taxpayers establishments had acquired an EFDs machine though some taxpayers previously had software's which

did all the computations. It can be concluded that the taxpayers had adopted and complied with the requirements of revenue collection and that the use of EFDs machine ensures timely filing of monthly Revenue returns, reduced time taken to prepare revenue returns at end month and ensures accurate filing of monthly revenue returns. The EFD has increased monthly revenue returns since its inception. There has also been an increase in revenue declared with the introduction of Electronic fiscal device on revenue collection among registered taxpayers. It can thus be concluded that EFDs machines can enhance revenue collection resulting from accurate sales and revenue reporting.

5.4 Recommendations

- (i) The taxpayer will be less likely to comply with a tax system they consider to be unfair. The enforcement approach adopted by the regulatory authorities should be fair and should create a good relationship between an individual and the authority so as to enhance compliance.
- (ii) The tax payers will always have a game playing posture where they perceive grey areas of the tax law and will then try to minimize the tax they have to pay. As such the tax office should develop an effective strategy that aims to enhance compliance.
- (iii) The tax office should build a bridge between themselves and the taxpayer. The tax office should also work with other agencies so as to increase the taxpayer's commitment to the tax system and seal loopholes so that one will not have an avenue for not declaring sales made.

- (iv) The tax office should also strive to ensure full adoption of the EFDs machines since they increase the revenue declared. The tax authority should also seek to develop systems that can be integrated with previously acquired software's. They should also embrace technology and come up with an internet based that is easier to use.

5.5 Recommendations for Further Studies

Further research could be undertaken to evaluate the effect of introduction of electronic fiscal device on revenue collection in another industry. The classified taxpayers represent the more organized level in the industry. Similar research should be done on small and medium enterprises in the taxpayers and other industries. A study on the level of EFDs machines adoption and compliance among rural and urban companies could also be undertaken to establish if there is a difference in compliance between the two locations. A research should also be undertaken on how to improve the tax reporting system such that all sales are declared.

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APPENDICES

APPENDIX I: QUESTIONNAIRES

The aim of this study was to explore on the effect of introduction of the EFD machines on Tax payers in Tanzania, so to accomplish the study the researcher was greatly on your hand with this regards I request for your kind and exhaustive response to the available set of questions. I strongly assure that all information was strictly confidential and dealt with for the purpose of this research and there is no intention of doing otherwise.

PLEASE FILL IN THE FOLLOWING BLANKS IN APPROPRIATE MANNER

Gender of respondent: Male ()

:Female ()

Age of respondent: Less than 30 years

: 30 years -40 years

Above 40 years

Marital status :Single ()

:Married ()

Duration of Service: Short service ()

:Long service ()

Level of education: Secondary ()

:Diploma ()

:Degree ()

Economic Level: Low ()

: Middle ()

: High ()

1. Do you think EFD is effective as far as revenue collection is concerned

(i) Yes..... ()

(ii) No.....()

2. In your personal perspectives what do you think are the advantages of using EFD machines in business

(i) Good record keeping ()

(ii) Good in transaction presentation ()

(iii) Easy in tax collection by TRA ()

(iv) It wastes time for business owners ()

3. Does your company use the EFD machine from TRA

(i) Yes ()

(ii) No ()

If No please explain why

.....
.....
.....
.....

4. Tick the most appropriate answer from the below scale

1=strongly disagree,

2=Disagree,

3=Undecided,

4=Agree

5=strongly agree.

| S/n | Particulars | 1 | 2 | 3 | 4 | 5 |
|------------|--|----------|----------|----------|----------|----------|
| 1 | EFD has reduced the time it takes to prepare Revenue returns at end month | | | | | |
| 2 | EFD ensures timely filing of monthly Revenue returns | | | | | |
| 3 | EFD ensures accurate filing of monthly VAT returns | | | | | |
| 4 | The monthly Revenue returns have increased since you started using the EFD | | | | | |
| 5 | EFD has helped increase sales declared for Revenue | | | | | |
| 6 | With EFD tax payers do not under declare Returns | | | | | |
| 7 | There any training done on use of EFD | | | | | |