AN ASSESSMENT OF FACTORS HINDERING THE SME’S VOLUNTARY TAX COMPLIANCE IN ZANZIBAR

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ABSTRACT

The Small and Medium Enterprises (SME’s) play a crucial role in employment creation and income generation worldwide. In Tanzania, the full potential of the SME’s sector has yet to be tapped. This study attempted to revisit the situation, the outcome is expected to assist the efforts to stimulate and promote this important sector. The study does so by assessing factors hindering SME’s voluntary tax compliance, and recommends measures that promotes transparency in tax administration, minimize compliance cost and inculcate culture of voluntary tax compliance.

Stratified sampling method from five tax regions in Zanzibar was used during the conduct of this study, the survey involved 50 traders. The findings reveal that, about 68 percent of respondents never attended any tax seminars or workshops. Tax assessment procedures were not clear and not understood by most of the SME’s (60 percent). Among the factors found hindering voluntary tax compliance for SME’s were: - (i) The practice of estimating tax to be paid rather than basing on actual results. (ii) Demanding for payment of estimated tax amount upfront on all small business before setting up.

To improve voluntary tax compliance the study recommended the following measures: - to increase the number of seminars and workshops on tax issues, to issue more guide books written in Kiswahili, to enhance transparency on tax assessment, to balance education, assistance and enforcement role. TRA should advise the government on the feasibility of consolidating tax collection activities under single agency.