

How Successful is Presumptive Tax in Bringing Informal Operators into the Tax Net in Zimbabwe? A Study of Transport Operators in Bulawayo

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Abstract:- A large and growing informal economy which is characterised by many small taxpayers have been a thorn in the flesh for many developing countries in as far as taxes are concerned. Public transport in Zimbabwe makes a significant part of the informal sector and is provided by private operators. The study probe the efficacy of presumptive tax in collecting revenue from commuter omnibus operators in Bulawayo, Zimbabwe. The paramount object of this paper was to explore the presumptive taxation system and assess its appropriateness in the informal sector by identifying the merits and demerits. It went on to identify the possible causes of nontax compliance in informal sector and examine the effectiveness of delegating tax collection on certain tax heads to other local authorities or private enterprises. The study employed a purely qualitative data collection approach using questionnaires and interviews in a descriptive survey. A sample of 60 respondents and simple random sampling was drawn from transport operators for questionnaires. Purposive sampling was adopted for 10 interviews made up of participants from the Zimbabwe Revenue Authority (ZIMRA) and officials from transport associations. The vital outcomes of the research revealed that most taxpayers are ignorant of their presumptive tax obligations and ZIMRA needs to do more on tax workshops and campaigns to increase awareness and compliance. Major recommendations include the need for strengthening taxpayer education and awareness with regards to presumptive tax through aggressive informative and awareness promotions by ZIMRA at all levels. Collaborations with Informal sector associations in Zimbabwe and transport operators in setting up an effective presumptive tax system that reflects interests of all stakeholders is recommended. In addition the Revenue Authority is urged to take advantage of the advanced technology in tracking tax defaulters.

Keywords:- Presumptive Tax, Informal Sector, Compliance, Transport Operators, Bulawayo.

I. INTRODUCTION

Revenue authorities in most developing economies are facing challenges in coming up with an appropriate, efficient and effective tax system that raise enough revenue to meet government expenditure (Utaumire et al, 2013). Zimbabwe is no different, with taxes being a prime provenance of national expenditure since independence, as it contributed 88.1% between 1980-1989, 89% between

1990-1999 , 95.6% in 2002 and peaked to 98% in 2005 (Ndedzu, Macheke, Mavesere and Zinwigwa, 2013).

Broadening the tax revenue base have been perceived as a vital solution to the above problem, but in developing countries were a large share of economic activities exist within the informal sector which is complex to tax has formed another challenge (Tendler, 2002). Revenue authorities often give it minimal focus, because of cost benefit analysis which is unpleasant (Fjeldstad and Moore, 2008). Fjeldstad and Moore, 2008 also argued that, including informal sector in the tax net is not good enough, but anatomising auxiliary ways of extending the capacity to tackle the informal sector more successfully in the long term. Moreover, there is a need to close loopholes and reduce the tax gap that exist within the current tax systems to increase revenue.

In response to the need of government expenditure and underperforming fiscal revenue in Zimbabwe, Zimbabwe took a stride introducing presumptive tax in 2005, and further to reinforcing in 2011 to broaden the revenue base in response to the booming informal business activities (ZIMRA, 2016). Informal traders are not mandated and does not keep proper financial records, and it makes ZIMRA have challenges to systematically collect revenue from them, hence the introduction of presumptive tax system, which enable them to pay a predetermined tax (Maseko and Manyani, 2011). Fruitful application of presumptive tax legislation has the possibility to magnify tax collections (Utaumire, et al, 2013).

Despite numerous tax reforms that were intended to improve the economy and reduce the tax gap of uncollected revenue, Zimbabwe Revenue Authority failed to meet its yearly revenue target of 2016 (ZIMRA, 2016). Shaky and incapacitated tax administration is often expostulated as one of the main constraint on the potency of states to collect tax revenues (Fjeldstad and Semboja, 2001). Hadler (2000:10) contends that if administration of current tax legislation was overhauled, there are prospects of widen the current tax collections by 30%. It is against this background that the research aims to dissect the potency of the presumptive tax framework employed by ZIMRA to target the informal sector.

➤ Statement of the Problem

The current magnification of the informal sector in Zimbabwe has curtailed the government's capability to mobilise enough revenue to cater for the growing public expenditure (Ndedzu, Macheke, Masere and Zivengwa,

2013). This imbalance has resulted in persistent fiscal deficient. ZIMRA once lamented that informal taxpayers are neglecting the need to fulfil their statutory obligations regarding tax payments, there by negatively affecting revenue performance. Despite the efforts of implementing presumptive tax system, Zimbabwe revenue Authority missed its annual tax collection by 6% and 7% in 2014 and 2015 respectively, against Ministry of Finance targets It is in that, this research scrutinises and sifts through key concepts and challenges in taxing the Omnibuses Operators in Bulawayo, as well as coming up with recommendations of improving tax compliance and effective tax administration.

II. LITERATURE REVIEW

Literature review is a general outline of what has been researched on, explored and concluded about a subject and it is often organised systematically from analysing journals, articles, books and other sources relevant to a particular study (Hart, 2011). The main intent of this section is to give an evaluative assessment of past studies found on the same subject of this study to avoid duplication of work and effort. It will explore the concepts of presumptive tax system by giving definitions, implementation methods, the mechanism of the tax framework and its effect on the profitability of the informal sector. The section also looks at compliance issues and the appropriateness of the presumptive tax system taxing the informal sector particularly transport operators.

A. The Purpose of Presumptive Taxation

➤ *Encourage Formality*

Bird and Wallace (2005) suggested that, a well-designed presumptive tax system should encourage steady and cautious movement of economic activities from informal sector to formal sector, without prompting firms to slip from the normal tax into presumptive taxation, seeking advantages. Presumptive tax should be higher and tougher than normal tax so that SMEs will be willing to move the cheaper and easier normal tax regime (Araujo-Bonjean and Chambas, 2004).

➤ *Horizontal Distributional Equity*

The principle of horizontal equity is there to make sure that individuals of equal net income and asset contribute equally to the tax basket (Yitzhaki, 2007). The use of an assumed flat rate is alleged to ensure equal treatment among taxpayers. Logue and Vettori (2010) pointed out that, if there are types of activities or organisations that easily slip from national income taxation, people and resources tend to drawn into those areas of the economy and forms of organisations where tax avoidance and evasion is easiest. This will result in unfairness inherent in the post-tax difference in return between those sectors that are not in the tax net and the non-tax-favoured sectors.

➤ *To Simplify and Reduce the Cost of Tax Administration*

Under Presumptive tax regime, tax authorities won't have to monitor the accuracy taxpayer's self-assessments, audit books of accounts and filing of returns. The taxpayer is required to pay a flat rate on quarterly basis and this lowers administrative and enforcement costs with the elimination of the mentioned activities (Yitzhaki, 2007).

➤ *To Broaden the Tax Base and Raise Revenue*

In the advent of limited revenue collections from the formal sector failing to cope with expenditure requirements of the government, the enlargement of the tax net has arguably become crucial. According to ZIMRA (2016), presumptive taxation was introduced in 2005 to expand the tax revenue base and alleviate the tax burden on formal sector.

B. The Concept and Characteristics of Informal Sector

In trying to generalise the definition and characteristics of the informal sector, Joshi, Prichard and Heady (2013), gave three distinct groups in their study which are liable to pay tax. These groups included, Subsistence Enterprises, Microenterprises and Small to Medium business (SMEs) who are large enough to be included in the standard tax net but are excluded in some countries. These are explained in the table below.

Features	Informal Sector		
	Subsistence Enterprises	Microenterprises	SMEs
Degree of informality	Most of the parts are informal	High portion of sales are undeclared and workers not registered	Some proportion of sales are undeclared and workers not registered
Type of activities	Street vendors, cottage	Small manufactures and service providers	Small to medium manufacturers and service providers
Owner profile	Poor, low education, low level of skill	Poor and non-poor, high level of skills and educated	Non-poor, skilled and likely educated
Tax-implications	Earnings are below minimum tax threshold. No accounts records	Liable for tax, difficult to identify and assess, no accounts records	Liable for tax, underreport earnings, use loopholes, escape formal tax assessments
Tax design desired features	No tax liabilities	Low rates to encourage registration, minimal compliance costs and low administration costs	High rates to encourage graduation into formal sector.

Table 1:- Characteristics of the informal sector [Adapted from Zinnes' (2008)]

Although the commuter transport operation business fits in all the above definitions and characters of SMEs, this study explained them as enterprises composed of less than twenty-five employees and whose assets are valued at less than USD 200 thousand, who operate outside the established control structures of the government.

C. Nature of Public Transport in Zimbabwe

Commuter omnibus operators are expected to carry a tax clearance certificate in the respective vehicle. A 100%

fine is charge on amount due to a person who fail to produce a tax clearance. Alternatively, if defaulted to pay, imprisonment for a period not exceeding six months. Failure to pay taxes in time will attract an interest charge ZIMRA (2016).

D. The Structure of Presumptive Tax for Transport Operators in Zimbabwe

Operators	Description	Presumptive Tax (US\$ per quarter for each vehicle)
Omnibuses	8-14 passengers	150
	15-24 passengers	175
	25-36 passengers	300
	From 37 passengers and above	450
Taxi-Cabs	All	100
Diving Schools	Class 4 vehicles	500
	Class 1 and 2 vehicles	600
Goods Vehicles	More than 10 tonnes but less than 20 tonnes	1000
	More than 20 tonnes	2500
	10 tonnes or less but with combination of truck and trailers of more than 15 but less than 20 tonnes	2500

Table 2:- An outline of Presumptive tax rates [Adapted from: ZIMRA website (2016): <http://www.zimra.co.zw>]

E. Possible Causes of Non-Tax Compliance

Failure to comply with tax obligations can be due to different reasons and for tax authorities to reduce non-compliance, they must be aware of the causes of the behaviour (Musarirambi, 2013). The following are some of the factors explaining non-compliance.

➤ *Inequity between Input and Out*

If the taxpayer perceive that the government is failing to provide basic goods and services, tax evasion and avoidance will be the result (Brautigam et al, 2008). According to Guevara (2008), in his Equities and exchange theory on compliance, he proposed that, compliance is an exchange transaction on which two parties seek to benefit from it. Based on his theory, the taxpayer is complaint if equity is perceived.

➤ *Perceived Fairness of the Tax System*

Kirchler (2008), suggested that the tax rates and the overall design of the tax system has effect on tax compliance. Exorbitant tax rates widen the tax burden and decrease after-tax income of taxpayers which may be perceived as unfair. Taxpayers will take advantages of loopholes and avoid tax when unfairness of tax system is perceived (Maseko, 2014).

➤ *Perceived Transparency and Trust in Tax Authorities*

According to Kirchler (2007), in his study on slippery slope model, he suggested that, lack of openness and answerability in the use of government funds contributes to public distrust to both the government and tax system. The taxpayer will ultimately increase the motivation to avoid and evade tax.

➤ *Corruption*

If huge levels of corruption are perceived in the country, the tax payer is unwilling to pay tax because funds will not be used by the government as intended. In addition, taxpayer will evade tax if bribing tax auditors is possible and lower than compliance (Fjeldstad and Moore, 2009).

➤ *Compliance Costs*

According to Musarirambi (2013), high administrative costs of preparing tax returns, gathering necessary information and time involved are significant factors to tax compliance. Compliance costs may be perceived to be another burden on actual tax burden. In such a situation, taxpayers are less compliant.

➤ *Weak Compliance and Enforcement of Tax Laws*

Weak tax collection procedures and capacity of tax administration to detect and punish nontax compliers incentivise taxpayers to avoid and evade tax whenever possible (World Bank, 2008).

F. *Challenges of Presumptive Taxation*

Presumptive tax is an ambiguous and unreliable tax system, but an easy way to tax the difficult-to-tax groups (Kayaga, 2007). According to his study, presumptive tax system has a weakness of excluding a defined plan that facilitate taxpayers to formalise their business processes and graduate into formal tax system. According to Thuronyi (2004), as cited in Utaumire et al (2013), some of the challenges of presumptive tax emanate in designing procedures for estimating the relevant parameters to implement special tax regime. He added that, such special tax regime result in administration problems which may cause inconsistencies in effective tax administration. A clear presumptive tax structure may be in place but its proper enforcement may be lacking. According to Gicheru et al (2011), if corruption is high in the country, enforcement process may be hampered.

Udoh (2015) listed challenges of informal sector on tax assessment and revenue collections as below.

- Lack of accounting record keeping of business transaction.
- Mobility of the tax payer
- Lack of trust in governments and cost of tax compliance
- Costs of collection outweighing revenues collections from informal sector
- Erratic nature of activities undertaken in informal sector making it complex to establish a tax base.

G. *Advantages of Presumptive Taxation*

➤ *To the Tax Authorities*

According to Yitzhaki (2007), presumptive taxation reduces the burden of administration costs to the tax authorities. It minimise tax evasion and avoidance and increase the tax base which consequently increase the revenue for the government ZIMRA (2016).

➤ *To the Informal Sector*

Small business is able to avoid the complicated accounting system since presumptive tax is presumed tax, (Yitzhaki, 2007). Policies are announced in advance hence tax simplification. Guevara (2008) stated that, presumptive taxation minimises the adverse effects of progressive taxation and makes tax less complex.

H. *Disadvantages of Presumptive Taxation*

➤ *To the Tax Authorities and the Informal Sector*

Presumptive taxation is less meticulous than the progressive taxation based on books of accounts. Yitzhaki (2007), argued that presumptive taxation violates the concept of equity because tax is just imposed based on the attributes of the business on a one size fits all manner, rather

than income and this imply that, equally well-off taxpayers may pay different tax.

I. *Theoretical Framework*

The Authorities struggle to raise enough funds for government expenditure through taxes. However, the tax payers observe taxes as a burden and have negative attitude towards compliance (Hofmann et al., 2008). The following theories will briefly give the attitude of taxpayers towards compliance and the reaction of authorities to encourage compliance. The main theoretical approaches to individual tax compliance include the deterrence and slippery models.

The deterrence model as given by Allingham and Sandro (1972) views a taxpayer as a rational and risk averse individual who choose to be non-compliance whenever the expected benefit exceeded the cost. The deterrence model follows two approaches which are, the punitive and persuasive approach. The punitive approach takes in form of imposing tough penalties for noncompliance. The penalty composition forms part of the punishment and it is considerable to an individual's option of evading tax. Alternatively, the deterrence model use the persuasive approach where educational facilities are used to make individuals aware of tax obligations and compliance benefits as a tool to discourage non-compliance. Advertising and incentives are also used to encourage tax compliance. Falkinger and Walther (1991: 68-79), suggested that, the combination of both the retributions and incentives is more productive in enhancing compliance than a taxation system that centres on punitive measures only. ZIMRA follows both approaches by hosting a taxpayer appreciation day, advertising policies in the press and on its website to encourage compliance. They also penalise and levy interest to discourage non-compliance.

Unlike the deterrence model, the slippery model as cited by Kirchler (2008) assumes that compliance is affected by the relationship that exist between the tax payer and the authorities. The power of the authorities and the trust in them gives what was suggested by Kirchler (2008) as the antagonistic and synergistic climate respectively. In an antagonistic environment, taxpayers and tax authorities operate as opponents against each other. The prevailing attitude is that of the "police and robbers", where the "police" (authorities) try to detect as many noncompliance taxpayers as possible and the "robbers" (taxpayers) try to evade tax whenever possible (Wenzel, 2002). In Zimbabwe, ZIMRA has the compliance and enforcement department to enforce compliance and on the other hand, the informal sector try to avoid them as much as possible.

Contrary to the deterrence and slippery slope models, Guevara (2008) proposed the Equities and Exchange theory, which is based on the assumptions that taxpayers are astute and reasonable and that they measure justice in terms of proportionality of output to inputs between the parties to an exchange transaction. Based on this theory, the taxpayer is non-compliant and avoids tax if he/she is convinced of inequity in taxation and is compliant if they believe equity exist. The taxpayer for example; commuter operators

expects improved road conditions, parking services and related benefits that they perceive as a product of their taxes. Absence of these perceived benefits will cause the taxpayer to evade tax whenever possible

J. Empirical Reviews

Utaumire, Mashiri and Mazhindu (2013) examined the how effectual presumptive tax was in Zimbabwe and their conclusion was that, presumptive tax had not been fully implemented and administered by the tax authority. Dube (2014) concurred with Utaumire et al (2013) in his research on the informal sector administration in Zimbabwe, as he concluded that, the informal sector in Zimbabwe is being taxed but clearly not according to the presumptive tax schedule based on the Finance Act (23:04). He also observed that presumptive taxes were generally very poorly administered in Zimbabwe with potential revenues remaining untapped.

Findings from Utaumire et al study indicated that some of the taxpayers were against the flat rates, arguing that non-compliance could be reduced if presumptive tax is charge on income earned. However, Kimaru and Jagongo (2014) in their study of Presumptive tax on revenue collection in Kenya pointed that, since presumptive tax was introduced in 2008 as Turnover tax which was meant to tax small businesses at 3% of the presumed gross receipts, the revenue yield of Turnover tax from small businesses remained low in Kenya. The above studies concentrated on using revenue as a yardstick of effectiveness of a tax system. However, Joshi and Aye (2008) in their study in South Ghana argued that efficient of a tax system in developing country is not only about increase in revenue but to promote a conducive environment for investment, long-term growth and to create trust between nations and its citizens

Abiola (2012) did a study on the impression of tax administration on Government revenue in Nigeria. He found that, Nigeria lack enforcement mechanisms which include manpower, communication technology and computers. He also concluded that ineffective collection of revenue is a function of ineffective enforcement strategy which is purely the responsibility of tax administration.

Mutase (2008) stressed that, a good tax administration is key to compliance as he focused on the effects of knowledge and tax awareness on compliance in Uganda. His study revealed that presumptive tax knowledge and awareness had a positive influence on SMEs tax compliance. He also recommended that, the government should engage on a massive exercise to appraise the informal sector on presumptive tax using, for example; media to reach out to the informal sector.

Moreover, Mukhlis, Utomo and Soesetyo (2014) conducted a study on tax compliance and SMEs using a case study of Indonesia. Their study had an objective of

establishing the effects of tax education for exporting SMEs towards tax compliance. They found that, taxpayers were able to understand their tax obligations but they were willing to fulfil them when they believe the tax policy is fair meaningful and tax benefits that can be envisaged from the presumptive tax system.

In addition to the above arguments, Morton (2011) found that, presumptive taxation broadens the tax base in his study on formalising the informal sector in Tanzania, but does not necessarily encourage informal sector to register for normal tax regime. He then recommended that, tax authorities should develop a long-term plan to broaden public awareness of the SMEs taxation regime and provide technical training, financial and management support to help enterprises register and comply with the system.

III. METHODOLOGY

Descriptive survey design was adopted for the research because, the researcher as it allowed focus on the current state of affairs on the subject without any form of manipulation. It also allows the researcher to gather, summarize, present and interpret the information for any explanations. The study was mainly focused on the quantitative aspects, but to give meaningful interpretations of the results on the quantitative analysis, a qualitative approach was also used

A. Sampling Method and Techniques

Non-probability method and purposive technique were employed in selecting respondents that would give a general picture and relevant information on the aspects under investigation. The researcher selected participants in through random sampling to have a sample that represents transport operators from the register obtained from transport associations.

B. Data Sources

Primary data was collected from the respondents that were selected from ZIMRA and Commuter omnibus operators (owners and drivers) from Bulawayo City. In this study, desk reviews and internet were the main sources of secondary data.

C. Targeted Population and Sampling

The targeted groups were the owners and employees of commuter omnibus operations and ZIMRA. The study did not limit views from different groups who happened to have an understanding of the industry and tax compliance.

D. Data Collection Methods

The survey questionnaire method was used to get respondents involved in the issues under investigation. Questionnaires with structured and open-ended questions were used to collect data from primary data sources without disturbing or controlling the normal routines of respondents and their operations

IV. DATA PRESENTATION, ANALYSIS OF FINDINGS AND DISCUSSIONS

A. Effects of Presumptive Tax on Profits

A sample of Revenue and costs for a 15-24 seater assuming no breakdown in a given year.

Details	Daily (average) \$
Estimated Gross income	90.00
Daily expenses breakdown:	
Estimated fuel costs	35.00
Wages: Driver	10.00
: Conductor	5.00
Miscellaneous expenses	20.00
Total daily expense	70.00
Gross income before monthly expenses: projected monthly (30 days)	600.00
Less other expenses:	
Insurance premium (monthly)	50.00
Repairs and maintenance	200.00
Net income	350.00

Table 3:- Effect of presumptive tax of profitability of commuter omnibus operators.

Effect of presumptive tax on profit.

Presumptive tax per quarter/ net income per quarter

= \$175.00/ \$1,050.00

=16.7%

The drivers interviewed earn around \$10-\$15 per day and the conductors \$5-\$7 per day on average. The crew submit daily income to the owner after deducting their wages and fuel for the next day. Daily operation costs apart from wages include; fuel, tollgates, parking fee, miscellaneous payments such as bribes to traffic police and touts at termini. Maintenance and repairs cost are normally incurred on monthly basis including insurance premium and road licences.

The average projected of presumptive tax is 16.7%. Despite it, being less than corporate tax rate of 25% plus Aids levy of 3%, 66.7% (table 4.3) of the respondents perceived that the presumptive tax rates are high. They are opposing any tax increasing and do not understand why they pay presumptive tax. They consider the payment for route licences from ZINARA, city council, Radio licences and tollgates as forms of taxes. A study by Maina (2016) on public transport presumptive tax in Kenya indicated that most of the taxpayers were aware that they should pay presumptive tax but they feel overburdened by tax and this reduce their willingness to comply.

Presumptive tax is treated as an additional expense by commuter operators which they try to avoid whenever possible. Some owners claimed that they end up making loses and this discourages growth. As argued by Balaam (2011), he pointed out that, government should strike a balance between its revenue requirements against the development of SMEs. Were, (2011) agreed with this

argument in his study in Uganda by stating that, presumptive tax has been detrimental to the growth of SMEs. He deduced that, presumptive tax negatively impacts on the profitability and liquidity of SMEs

Yitzhaki (2007) concluded that, presumptive tax violates horizontal equity, since equally well- off taxpayers may pay different amount of tax. Instead of concentration on equity basing on the same economic levels, presumptive tax is being taxed on taxpayers basing the characteristics of the businesses. Maini (2016), in his study in Kenya on presumptive tax, he stated that the more government rely on tax revenue the more inequitable the system becomes. With almost 87% of the parastatals collapsing since 2002, Zimbabwe is not an exception of Maini (2016)'s argument (ZIMSTATS, 2015).

B. Education and Awareness of Presumptive Taxation

ZIMRA is still making strides towards building awareness of presumptive taxes through a newspaper column and a radio programme, but clearly, this approach has not to have been effective to date as indistinguishably established by Dube (2014). There were several factors affecting tax compliance in this sector and the most prominent ones being:

- Major factor associated with tax evasion include the following:
- Financial problems.
- Absence of trust in the administration of tax and the government actions.
- High tax rate.
- Lack of information relating to presumptive tax.
- Corruption in the way tax is administered.
- No visible benefits in return of tax paid

C. *Involvement in the Presumptive Tax Policy Making*

There is similarly little interaction between informal sector operators and ZIMRA. Informal sector associations in Zimbabwe, for example; ZCIEA, ZINCOO and ICOAZ as pointed by Dube (2014) clearly indicated that, they are not averse to taxation per se, but do not understand why they are not consulted on presumptive taxation policies and they do not even play any role in these awareness programmes which are conducted by ZIMRA. This is in contrast to the consultations that occur between treasury, ZIMRA and formal sector business associations on taxation for example; CZI and ZNCC.

Corruption was perceived as win-win situation between tax auditors and taxpayers by many respondents despite all ZIMRA campaigns on corruption, hence they prefer to bribe the tax officers so that they avoid paying high rates of presumptive taxes. Only a few were of the opinion that tax revenue is being used for social welfare of the society, hence fully committed on paying taxes.

D. *Effectiveness and Efficiency of Presumptive Tax*

Although Ministry of Finance revenue targets of presumptive tax are being achieved, findings on the efficiency of presumptive tax system showed that, it affects liquidity position of small business. The government is not striking a balance between its required revenue for government expenditure against the development of SMEs.

From the findings, ZIMRA does not have enough capacity of tax administration to detect and punish informal sector non-compliance taxpayers. They do not have enough resources to fund enforcement mechanisms which include tax officers, communication technology and offices across the country.

Despite all massive campaigns and efforts to minimise corruption, Presumptive tax system have been hampered by corruption which is generally high in the country and this have been the main cause of its ineffectiveness.

Also from inspection of ZIMRA annual reports by the researcher, he observed that Presumptive tax use one common account for all segments within informal sector and is grouped and included in "other taxes" on analysis. This was in line with Dube (2014)'s view that, although the presumptive tax schedule outlines the various informal sector taxes, it is not possible to determine the amount of tax that was collected from each informal sector activity class.

E. *Delegation of Presumptive Tax Collection*

There has be no improvement in revenue collection since ZINARA took over presumptive tax on commuter operators. This process is promoted by other initiatives to improve administrative capacities and monitoring, in particular incentives for tax collectors and sensitization of tax-payers.

V. CONCLUSIONS

The study concluded that ZIMRA lacked adequate resources such as; manpower, information and communication systems and infrastructure to monitor activities of many players in the informal sector which are hard to tax considering these are heterogeneous, spread far and wide. It also concluded that there is high level of corruption within the management of taxes and as a result, all systems which are put in place to improve compliance are being hampered. Moreover, stakeholders like police officers are also engaging in these activities by accepting bribes and these exacerbate the situation. There is minimal if not no collaboration between informal sector operators or even their associations and ZIMRA. Informal sector associations in Zimbabwe, for example; ZCIEA, ZINCOO, ZUDAC and ICOAZ clearly indicated that, consulted on presumptive taxation policies and awareness programs which are conducted by ZIMRA. In addition, ZIMRA reports presumptive tax collection as "other taxes". There is no segmental reports on presumptive tax before it is consolidated. Presumptive tax affects profitability of commuter operators and they are not able to pass it to their clients because of competition from private cars that are piloting without paying presumptive tax

RECOMMENDATIONS

A. *Taxpayer Education and Awareness Programs*

ZIMRA should allocate a budget for these programs and should be intensified to make SMEs aware of their presumptive tax obligations. ZIMRA should use text messages, radios, social media platform, newspapers and television to constantly remind both potential and taxpayer about tax obligations. Seminars and workshops should be conducted at zonal, district, provincial and national level so that the information about tax will be widely spread. Forums such as tax appreciation day which is hosted by ZIMRA on formal sector should be organised to reward most compliant commuter operators to enhance compliance.

B. *Include Other Stakeholders*

ZIMRA should work hand in hand with other stakeholders like ZRP police and ZINARA in that, every vehicle without a tax clearance will not pass tollgates and police roadblocks. Moreover, informal sector associations should be included in policy making and tax campaigns programs so that they can transfer this knowledge to their members. Banks, the government and other associations should be conducted to encourage development, growth and formalisation of informal sector.

C. *Harsh Punishment for Corruption Involvement*

ZIMRA should make its awards for whistle blowing known across the nation. Those who are involved in corruption activities should be heavily punished to set examples for others. The regulatory authorities such as Tax officials and Traffic Police need to be empowered and motivated to conduct their assignments with integrity.

D. Government Efforts

Good governance is the key to encourage formality, improving tax morale and thus increasing tax compliance in an economy. This can be achieved through transparency, good management of public funds, provision of essential public goods and services, and job creation for a vibrant economy (Cummings, et al. 2006; Fjeldstad & Heggstad, 2011), both at the central government and the county level. Accordingly the Zimbabwe government must be more open and answerable on the magnitude and use of tax revenues mobilised. Simplification of registration procedures before commencement of business supports compliance efforts.

E. Accounting, Evaluating and Monitoring of Presumptive Tax Collected

ZIMRA should do a segmental accounting of different informal groups that pay Presumptive before it is consolidated to be a single tax head. This will help to monitor groups of informal sector which need improvement in terms of enforcement activities, administration and to make informed decisions about a certain group.

From the interviews conducted with ZIMRA staff, tax officials were not sure about the trend of revenue collected from a certain class of presumptive taxpayers over the past years. This implies that not only the absence of a system that can categorise informal sub-sector performance but also the degree of monitoring total tax collections from the informal sector as a whole seems to be ineffective.

F. Use of Technology

ZIMRA must take advantage of the technology to reduce loopholes in the collection of tax revenue from commuter omnibus operators. Fiscalized machines that can record distance travelled without an option of being reset by the taxpayer must be utilised so that presumptive tax must be charge on total distance travelled per period. Some taxpayers were complaining that presumptive tax is charged even if they were not operating. This measure will also work towards equity among taxpayers and a fair charge of tax to be paid. In addition, operators without a valid presumptive tax certificate must not able to pass the tollgate, the same as unlicensed vehicles by ZINARA.

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