

Tax Knowledge, Tax System Complexity Perceptions and Attitudes of the Commercial Sugarcane Farmers and Their Influence on Tax Compliance in the Lowveld Area, Zimbabwe

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Abstract:- Tax authorities around the world are much more concerned with the non-compliance of the informal sector as compared to that of the formal sector, yet there are some taxpayers in the formal sector whose compliance degree is significantly low. The tax knowledge, attitudes and perceptions of these tax payers play a significant role on their tax compliance. The cogency of taxpayer education and knowledge enhancement as a tool to induce voluntary tax compliance has been alluded to in research, yet research evaluating this connection remains weak. Interestingly, the argument on the importance on tax knowledge is twofold as the impact and risks are on both the wealth of the individuals and the economy at large. The major objectives of the paper were to assess and document the taxpayers' knowledge, attitudes, perceptions and how they influence tax compliance behaviour, a case study of the sugarcane farmers in the South- East Lowveld area. Tax compliance amongst this group of taxpayers has become an issue of concern for the Zimbabwe Revenue Authority and have forced it to garnish some of the farmers' accounts and give other farmers penalties. Therefore, this study attempted to find out the reasons why there is low tax compliance and the effects of tax knowledge, attitudes and perceptions on the farmers' tax compliance levels. An explanatory approach was used, and data analysis came from both primary (questionnaires and interviews) and secondary data sources (books, newspapers and the internet). Descriptive and qualitative methods were used for data analysis which was collected from the respondents. The interconnection linking tax knowledge, attitudes, perceptions and tax compliance was anatomised. The other considerations that explain the sugarcane farmers' tax compliance were also explored and strategies to curb non-compliance behaviour were recommended. The study revealed that tax knowledge, attitudes and perceptions all significantly affect tax compliance behaviour amongst the sugarcane farmers.

Keywords:- Tax Compliance, Attitudes, Perceptions, Tax Knowledge, Sugarcane Farmers.

I. INTRODUCTION

Tax authorities around the world are much more concerned with the non-compliance of the informal sector as compared to that of the formal sector, yet there are some taxpayers in the formal sector whose compliance degree is significantly low. The tax knowledge, attitudes and perceptions of these tax payers play a significant role on their tax compliance. Taxpayer education and awareness programs have been cited as a positive tool to stimulate tax compliance (Mukhlis, 2015; Saad, 2013), yet literature concerning "tax literacy" is unbelievably niggardly (Cvrlje, 2015). The researcher expostulates that probing the effect of tax knowledgeability on tax collections and compliance levels are comparatively scanty.

The Self-Assessment System (SAS) gained momentum and acceptance as tool for tax assessment, the world over, Zimbabwe included (Income Tax Act Chapter 23:06, section 37A, n.d.). This system requires that taxpayers be responsible for computing their tax payable and submit it to the tax authorities. It completely shifts all responsibilities with regards to tax computation to the taxpayer. However, to execute these duties and responsibilities, the taxpayers need to comprehend well the applicable tax legislation. This is very pertinent, yet tax legislation is often described as very complex and ambiguous. Voluntary compliance is an attribute of paramount importance in the Self-Assessment System, as tax payments are computed basing on the returns lodged by the taxpayer. Accordingly penalties, be they for incorrect assessments, late submission of returns or late payments will be charged placing reliance on the taxpayers' returns (Saad, 2014). Revenue authorities place primary obligations on tax payers which are: (1) to file timely returns; (2) to make accurate reports on those returns; and (3) to pay the required tax voluntarily and timely (Plumley, 2002). How else will taxpayers deliver on these three key obligations placed upon them if they cannot correctly interpret legislation or if they are not aware of tax laws?

Voluntary tax compliance is important for governments around the world as they are trying to finance public spending. Therefore, the aspects that shape tax compliance have been a subject of investigation by the

Zimbabwe Revenue Authority (ZIMRA) and other tax authorities around the world, hence the Zimbabwe Revenue Authority is on a spree of curbing all tax payers into being tax compliant. Tax compliance has been the Parastatal's focus during the past years after the dollarization era in 2009 and still is currently. The Parastatal is currently lobbying for heavier tax penalties in efforts of promoting compliance in the country (The Herald, 1 November 2017). One of the vast groups of taxpayers which have been clamped down by the Zimbabwe Revenue Authority (ZIMRA) regarding tax compliance is the one of the commercial sugarcane farmers in the Lowveld area of Triangle, Hippo Valley, Mkwazine and Mwenezana. The major drivers in terms of revenue collection are the Agricultural and Mining sectors. The main drive is to increase compliance (ZIMRA, 2017). These small scale and large scale commercial farmers are under the corporate governance of Tongaat Hullett.

Previous studies have lamented the insufficient and inept tax knowledge amongst taxpayers especially in developing countries, yet tax frameworks are complicated. Therefore, tax knowledge and complexity of tax legislation are observed to be interrelated and as essential elements impelling non-compliance behaviour among tax payers (Saad, 2014). Loo and McKerchar (2008) pointed to taxpayer knowledge augmentation as paramount to improving tax compliance levels. In a similar vein, reducing the complexity in taxation policies and laws would potentially boost tax compliance (Cox, 2006). In the case of Zimbabwe, the Revenue Authority (ZIMRA) attempted to promote compliance by instituting the Tax Amnesty in 2014. The Government, through the Finance Act (No 2) of 2014 published on 17 October 2014, declared an amnesty on penalties, interest, and prosecution for the non-payment and other misconducts relating to all tax heads under the control of ZIMRA (ZIMRA, 2014). The tax amnesty was in respect of any non-compliance which occurred during the period beginning 1st February 2009 to 30th September 2014 (the amnesty period). Taxpayers were encouraged to fully exploit the uncommon chance and regularise their tax matters (ZIMRA, 2014). However, this opportunity was not fully utilised by the taxpayers including commercial sugarcane farmers mainly due to lack of knowledge and understanding and perhaps their attitudes and mistrust towards government. This led to an extension of the deadline to the 31st of March 2015 due to poor responses by the taxpayers (Daily News, 2015). According to The Herald (2014) the farmers argued that they do not owe ZIMRA since all deductions are made by Tongaat Hulletts, before they receive their payments whereas events take place the other way around.

➤ *Statement of the Problem*

Developing countries persistently continue to grapple with the challenges of creating a tax compliance culture as well as nations with tax literate citizens. This paper mainly focuses on the relationship between tax perceptions, attitudes and knowledge and their influence on tax compliance amongst the commercial sugarcane farmers in Zimbabwe. The validity of taxpayer education has always

been advocated for, as an avenue to reinforce tax compliance (Abrie, 2006; Olowookere, 2013). Evidence exists in Zimbabwe that non-compliance is abounding as the Zimbabwe Revenue Authority (ZIMRA) has clamped down taxpayers, even those in the formal sector such as the sugarcane farming industry. There are reports that the sugarcane farmers' accounts are being garnished to deter non-compliance (ZIMRA, 2014). These events mentioned above, signify that there is a gap in knowledge which has not been addressed practically and theoretically. Therefore, the paper seeks to minimise that gap. Moreover, literature specifically pertaining to the commercial sugarcane farmers in Zimbabwe, how they perceive taxation, their compliance levels and factors that affect their compliance does not exist and there is a need to bridge that gap to open a leeway for further research concerning this issue. There is a deficiency in current literature pertaining to knowledge, for example in regard to tax obligations, deductions, exemptions and tax credits. There is no clarity on what exactly they know currently and precisely what they need to know pertaining to tax paying and compliance. It is imperative that the known and unknown is established, if meaningful roads are to be made in addressing non-compliance. Therefore, this research seeks to identify the different attitudes, tax complexity perceptions and current tax knowledge and to what extent they influence the taxpayers' decisions to be compliant.

II. LITERATURE REVIEW

Taxation can be explained as economic obligations imposed by the governments on natural and legal persons. The tax literature indicates that not only knowledge, but an understanding of the tax system may influence taxpayers' perceptions of fairness and attitudes towards compliance. This section explains in depth the relationship between those variables, other factors which might influence tax compliance, strategies which can be implemented to enhance tax compliance and the types of taxes which sugarcane farmers are obliged to pay.

A. *Tax Compliance, Tax Knowledge and Tax Attitude*

Tax compliance has been an issue of concern in countries globally and it has been defined in several ways in literature. According to Devano (2006) refers to tax compliance as a situation where the taxpayer meets all taxation liabilities. Also, Franzoni (2008) defined it as: (a) true reporting of the tax base, (b) correct computation of the liability, (c) timely filing of the return and, (d) timely payments of the amounts due. Additionally, Kirchler (2008) defined it in simpler terms in which it is described as the taxpayer's willingness to pay their taxes.

➤ *Tax Knowledge*

Tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. It also refers to the processes, by which taxpayers become aware of tax legislation and other tax-related information (Hasseldine & Holland, 2009). Kamil (2015) also describes knowledge of taxation as the reasoning and meaning of arrest on tax laws. Cvrilje (2015) describes tax knowledge (tax literacy) as a

mixture of an understanding of tax policy, tax legislation and financial ability to compute tax obligations independently. The people should have a knowledge and understanding of tax regulations, due to meet tax obligations, taxpayers need to know about taxes in advance.

➤ *Tax Attitudes*

Attitude represents the positive or negative evaluation that an individual holds of objects and it may also be described as the favourable or unfavourable perspectives of an "attitude object"; for example of a policy or event (Nicoleta, 2011). Relating to taxation, the attitude of taxpayers can either hold constructive or purely gloomy views on taxes. The two comparable views foster tax compliance and tax non-compliance respectively

In general, according to the Merriam-Webster Dictionary (2018) a farmer is defined as a person who cultivates land or crops or raises animals. Thus, in that context, a sugarcane farmer is a person who cultivates sugarcane as a crop for commercial purposes.

B. Theoretical Framework: Fischer Tax Compliance Model

The Fischer tax compliance model provides a framework for understanding the influence of socio-economic and psychological components on taxpayers' compliance decision. Fisher (1992) outlines 4 groups of factors which drive tax compliance and these are which are: (1) demographic (2) economic or opportunity factors and these include levels of income as well as the sources of income, (3) attitudes and perceptions regarding fairness, affordability and equity (4) tax structure, which borders complexity of tax legislation and frameworks, the heaviness of tax rates and penalties as well as chances of detection.

Researchers attest to the fact that tax knowledge is a critical determinant of voluntary tax compliance especially with regards to the self- assessment system. The complexity of taxation frameworks from the actual tax legislation, which is often ambiguous, procedures of filing returns as well as the actual tax computations, make tax knowledge an indispensable vector (Saad, 2013). Misra (2004) suggests that the degree of voluntary tax compliance can only be improved amongst taxpayers when revenue authorities work towards increased tax education more effectively focusing on the tax technical language and skills.

C. The Relationship between Tax Knowledge, Attitudes, Perceptions and Tax Compliance

The level of formal general education received by taxpayers is an important factor that contributes to the understanding of tax requirements. Researchers allude to an interrelation between the complexity in tax systems, the amount of tax revenues mobilised, tax compliance levels and tax literacy (Cvrlje, 2015; Klrcher, 2008; Lewis, 1982). One of the fundamental ways to increase public awareness is for taxpayers to have knowledge about taxation (Hasseldine & Holland, 2009; Berhan, 2011).

Eriksen and Fallan (2013) acknowledged that tax legislation knowledge is also paramount in shaping taxpayer's preference and attitudes towards tax compliance. The researchers allude to a dearth in literature on research that explored how attitude towards taxation is influenced by specific knowledge of tax regulation. Lewis (1982), while investigating the influence of tax knowledge on taxpayers' attitudes as well as their tax compliance behaviour, noted the negative correlation between minimal tax knowledge and taxpayer attitudes towards compliance. The information gap is argued to cause negative perceptions towards tax system hence low compliance levels. Accordingly, Eriksen and Fallan (2013) point to intensification of tax education as a notable tool for the betterment of tax attitudes and reduction in tax evasion. A study conducted by Kirchner (2008) observed a positive relationship between taxpayer's tax knowledge and tax compliance.

Previous studies have shown that general tax knowledge has a very close relationship with taxpayers' ability to understand the taxation laws and regulations and their ability to comply with them (Singh, 2016). Research conducted by Eriksen and Fallan (2013), reports significant changes in respondents' attitudes towards tax and tax behaviour due to the increased level of tax knowledge and Palil (2010) found that tax knowledge is positively correlated to tax compliance. The above arguments point to a positive influence of increased tax knowledge on compliance, suggesting that if taxpayers are aware of their tax obligations, how they can go about computing them and eventually settling them then they have no reason to evade these obligations. Providing evidence in support of the argument, Marti, Wanjohi, Peterson and Makoro (2010), pronounced that in Kenya, the misapprehension of fiscal legislation especially in the areas of tax heads and their accompanying tax rates and due dates was the most influential factor explaining poor compliance levels. Tax knowledge allows taxpayers to do tax planning and to be able to reduce the tax liability within the confines of legislation through tax avoidance. As they are better informed, they are more equipped to take advantage of loopholes in legislations, exemptions, deductions and tax credits.

➤ *Tax Knowledge on Compliance*

According to Cvrlje (2015), the capacity of the taxpayers to honour tax obligations timely, accurately complete tax returns, compute tax liabilities, allow appropriate deductions and claim correct entitlements has a twofold impact. The first being on the individual's disposable income and the second on tax revenues mobilised in the economy (Brackin, 2007). Non-compliance imposes risks for both, on the former, risk of penalties and loss of wealth and on the latter lost tax revenues. Equipping taxpayers with tax knowledge is of paramount importance in tax compliance. Enhancement of tax education is argued to increase tax compliance levels (Machogu, 2013; Mukhlis, 2013). Berhan (2011), while investigating tax compliance in Africa alludes to insufficient education levels as the major contributor to low

compliance levels. Brainyiah (2013) affirms that tax fairness perceptions, taxpayer knowledge as well as the complexity of the tax system has a great impact on tax compliance choices made by SME tax payers in Malang. In Uganda, Kampala, while studying the relationship between tax knowledge, tax perceptions and tax compliance, Mukasa (2011) concluded that there was indeed a positive relationship among the three variables. The researcher cites a causal relationship, tax knowledge and fairness perceptions drive compliance levels of taxpayers. Santi (2012) argues that compliance could be enhanced through the tax authorities publicly addressing taxpayers on tax issues to iron out technical complexity, procedural complexity and computational complexity.

Ahmed (2015) also concurred that by the enhancement and improving general tax knowledge, views of the taxpayers are impacted upon, and this results in the building of a favourable attitude towards tax which results in better tax compliance. Making the taxpayers aware of the ways in which they can manipulate tax legislation will have an adverse effect on tax compliance because it helps in increasing the level of non-compliance. Mohammed (2013) established in situations where taxpayers are more knowledgeable on tax compliance issues compliance levels are admirably high as tax complexity concerns are minimal. Mariziana (2013) emphasises the need to increase tax education and awareness levels as they are major tools that must be adopted in improving tax compliance levels.

➤ *Taxpayers' Attitudes and Perceptions' Effect on Compliance*

Tax literature suggests that taxpayers' views about whether a tax system is just and fair also play a pivotal part in explaining tax compliance patterns amongst tax payers. Tax must raise revenue in an effective, efficient and fair manner (Adam Smith, 1776). If taxpayers view the system as unfair or somehow perpetuating unfair treatment certain citizens, their compliance levels will be equally lower, they have a higher motivation to evade tax. To attract compliance, a tax system has to be just. Kirchler (2008), conceptualises tax justice in three avenues (1) distributive justice (2) procedural justice and (3) retributive justice. The first one focusing on the fairness on the allocation and use of tax revenues, the second one dealing with procedures especially whether the tax collection and distribution routes used are viewed as fair and the third one centres on the fairness of penalties or punitive measures used on non-compliance.

Richardson (2008) observed a strong negative correlation between tax system fairness and evasion of tax. Revenue authorities the world over have to work towards enhancing their image and taxpayer perception through accountability and transparency on the amount of tax revenues collected and how they are spent. Taxpayers need to be informed on tax laws, why they are implemented in the manner they are being implemented and why it is important for them to pay tax, how they benefit from tax compliance. It is undoubtedly true that government spending influences tax payers' perceptions and tax

compliance (Endida & Baisa, 2014). Expenditures on infrastructure, health and safety that benefits the citizens of the country will be viewed as beneficial and foster tax compliance whereas corruption and mismanagement of public revenues creates ambivalent views towards tax hence fuelling non-compliance. Therefore, this suggests that a positive perception of government spending is positively correlated with tax compliance. Kirchler (2008) affirms this by "the tax attitude in general also depends on the perceived use of the money collected and therefore are connected to tax knowledge". Saad (2011) examined taxpayers in New Zealand and Malaysia and found that attitude towards tax compliance is regarded as an important factor in tax compliance. In a study in Malaysia, Mohd (2010) concurs outlining that high compliance levels are associated with taxpayers who viewed tax systems in a positive light. Ali et al (2014), during their study in Africa (Tanzania, South Africa, Uganda and Kenya), found that individuals who are more satisfied with public service provision are likely to have a tax compliant attitude.

H1: Tax knowledge and complexity perceptions have an influence on tax compliance levels

D. Other Factors that Influence Tax Compliance

➤ *Economic Factors*

Economic factors in relation to tax compliance refer to actions which are associated with the costs and benefits of performing the actions (Loo, 2006). In the following subsections, the tax compliance determinants associated with economic factors which are tax rates, tax audits and perceptions of government spending are explored in more detail.

• *Tax Rates*

Raising marginal tax rates will be likely to encourage taxpayers to evade tax more, Torgler (2007) while lowering tax rates does not necessarily increase tax compliance (Kirchler, 2008). Ahmed & Kedir (2015) state that the influence of tax rates on tax compliance is complex and diverse.

• *Tax Audits*

Tax audits are one of the most effective policies to protect the behaviour of tax evasion (Nicoleta, 2011). Self-Assessment System is built upon the ability of taxpayers to do their own computations and submission of returns. Tax audits are the made by tax authorities on these returns. Tax audits also pursue tax education, whereby the administration shows to the taxpayer the articles of the law violated leading to re-assessment of additional tax. In its report, the tax administration advises the taxpayer on the way forward to avoid future mistakes in his books of accounts. Using this background, Kirchler (2007) postulated that the likelihood of a tax audit often compels taxpayers to comply with their tax obligations. On the contrary, Mohd (2010) found that tax audits were not significant to influence the compliance behaviour. Therefore, tax audits might have an influence on

compliance or non-compliance depending on how they are applied (Marti, 2010).

➤ *Institutional Factors*

Notwithstanding the fact that the decisions to evade or comply with taxes are often purely economic, institutional factors also play a pivotal role in shaping tax compliance behaviour of taxpayers.

➤ *Administration Efficiency*

The role of Revenue Authorities in fostering compliance and reducing the tax gap cannot be ignored. Hasseldine & Holland (2009), emphasise the need for tax systems to exhibit three kinds of efficiency that is economic efficiency, administrative efficiency and equity-efficiency. The tax system must not leave the citizens of the country worse off and neither should it be difficult to comply with nor should it treat its citizens in an equal manner (Smith, 1776). If the tax system is inefficient or perceived to be inefficient in any the three angles, taxpayers will be tempted to find ways of circumventing it.

➤ *Probability Of Detection*

Kirchler (2007) is of the view that the possibility of an audit does not exhibit a high impact on tax compliance. However, Mohd (2010), in his study suggests that

taxpayers are likely to correctly account for their income transactions if there is a high chance of detection. During his investigation in Malaysia of the tax compliance determinants, the researcher postulated that the potentiality of being audited or detected was significant and positively related to compliance. Bergman (2010), observed that the probability of detection and tax compliance are positively related, on a study probing the tax compliance behaviour in Argentina.

E. Strategies Being Adopted by Other Countries in Enhancing Tax Compliance

➤ *Malawi*

Malawi Revenue Authority conducts tax education meetings with the sugarcane growers as illustrated below. The main purpose of the meetings is to clarify and explain various taxation issues that affect the farmers. The farmers believe that the Revenue Authority can best address their tax issues. Additionally, the Malawi Revenue Authority has intensified their tax education to fill the knowledge and knowledge gaps which people have. Continual visitations and interactions with various business people and groups are being carried out to share tax information and skills to increase tax compliance (Otomani, 2016).



Fig 1:- Dwangwa sugarcane farmers get tax education (Adapted from Malawi Revenue Authority)

➤ *Rwanda*

The Rwanda Revenue Authority (RRA) has made tremendous progress in tweaking its image and improving taxpayers' attitudes. This has been done through massive taxpayer education and awareness as well various pragmatic stakeholder engagements with taxpayers, NGOs, donors and politicians. The reforms were aimed at building a tax compliance culture where citizens view the tax authorities in a positive manner, appreciating their role in collecting revenues for government expenditure. On the other hand the Revenue Authority acknowledging that a well informed and tax literate taxpayer will be more willing to pay taxes. They have introduced taxpayer incentives such as awarding of certificates and prizes in relation compliance levels. (GIZ Sector Programme Public Finance, 2010). Cvrlje (2015) asserts that RRA has also attached importance to the use of Tax Friend clubs, Tax Advisory

councils and cartoon books as well as incorporating tax aspects into high school and university curriculums. Waris (2013) points out the efforts have gone a long way in making the tax system more user-friendly to the public.

➤ *Peru*

In also trying to improve taxpayer knowledge and compliance levels, the Peruvian Revenue Authority works towards empowering taxpayers with knowledge on realm of taxes. This has been done through a wide range of initiatives such as E-learning, videos, publications and virtual library among other efforts. The target is to appeal to both current and prospective taxpayers as well as those with low education levels through comics and videos lectures. (GIZ Sector Programme Public Finance, 2010).

➤ *Kenya*

The Kenya Revenue Authority launched a taxpayers' month roadshow to boost awareness and compliance (Musau, 2016).

III. RESEARCH METHODOLOGY

In an attempt to investigate knowledge levels amongst sugarcane farmers and ultimately their compliance levels, questionnaires and semi-structured interviews were used. The target population was the Sugarcane farmers in the Lowveld area in Zimbabwe. 60 questionnaires were hand delivered and collected to minimise the risk of being

lost. The fact that these were hand delivered and personally collected offered respondents a chance to seek clarity on issues they found ambiguous and while the fact that they were given time and privacy to complete them eliminated interviewer bias. Semi-structured interviews were also used as a follow up method with selected taxpayers in order to probe further on tax compliance challenges. Interviews were also scheduled with ZIMRA officers to get the Revenue Authority's perspective on compliance levels and factors affecting compliance amongst sugarcane farmers. Borrowing from Saad (2009) and Pui Yee, Moorthy and Keng Soon (2017), the following conceptual framework was employed to guide the study:

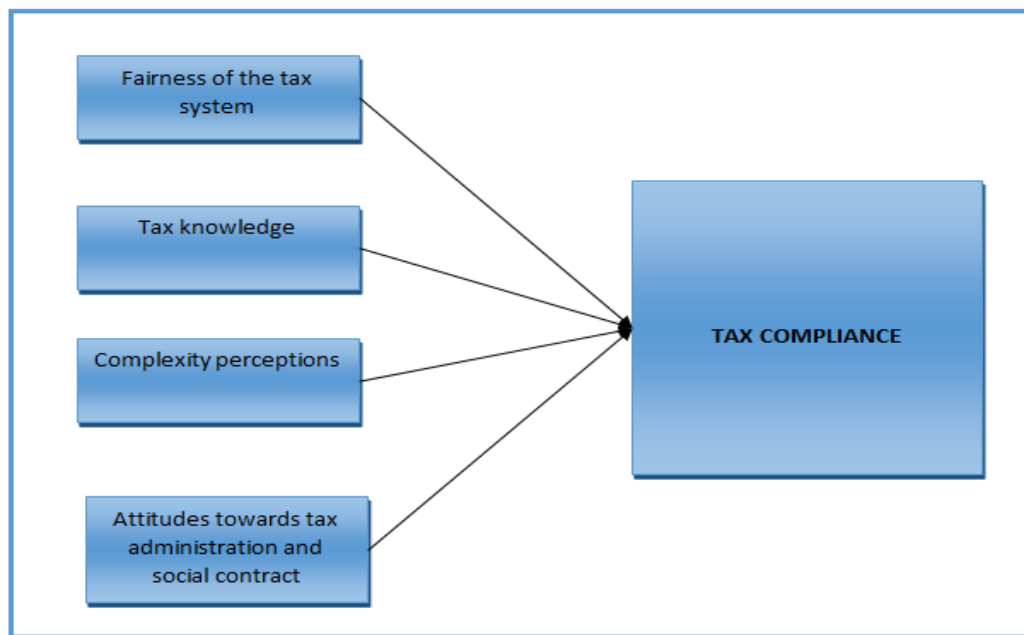


Fig 2:- Conceptual framework

Source: Author's compilation from various literature review sources

IV. FINDINGS

A. Factors Affecting the Sugarcane Farmers' Tax Compliance

➤ *Lack of Tax Knowledge*

The most highlighted factor hindering tax compliance at all times was that of lack of adequate tax knowledge. Some of the respondents disclosed that they do not fully understand the tax legislation and what exactly is supposed to be done as concluded by Berhan (2011) who explicated on poor tax compliance rate as an outcome of insufficient tax education. One of them actually said, "I was not aware that we are now supposed to pay taxes individually and by the time I realized, ZIMRA had already garnished my account therefore all my money goes to ZIMRA penalties and loan repayments." Another respondent from Mwenezana highlighted further, that they lack understanding of what is required of them and that Mwenezana is far from Chiredzi where ZIMRA can be found even if they want to inquire. This implies that the level of engagement and consultation with ZIMRA is very low and that heavily affects the taxpayers' compliance

levels. They lack basic knowledge and understanding thus they fail to comprehend and be fully tax compliant. Some of them also do not understand why taxes are paid and how they benefit the taxpayer too therefore, they do not find much reason to comply. This concludes that there is a significant relationship between inadequate tax knowledge and non-compliance in tax payment. The same view derives support from Mariziana (2013) who asserted that tax knowledge has a positive effect on tax compliance and vice versa.

➤ *Use of Outsourced Accountants*

Reliance on outsourced accountants causes farmers to be non-compliant sometimes because the accountants do not always do their work diligently and appropriately or are overwhelmed with work. However, ZIMRA does not go after the accountant but the farmer instead because ultimately it is the farmer's responsibility to check if their records are in order and are responsible and answerable to the Revenue Authority. One respondent indicated and said, "My accountant (outsourced) is not always submitting tax returns on time therefore, that is the main cause of my non-compliance sometimes." Thus, in conclusion, there is

relatively a negative relationship between the use of outsourced accountants and tax compliance.

➤ *Fear of the Revenue Authority*

The respondents indicated that they fear ZIMRA. The interviewees also indicated the same and also explained that the level of communication, engagement and consultation is low because the farmers fear that they might be wrongly exposed and garnished while in efforts to set their records straight. One of the respondents said, “We fear ZIMRA and they are always out to garnish us.” This is the perception the respondent has, and an attitude is the result leading to the conclusion and affirmation that perceptions and attitudes of the taxpayer are negatively related with tax compliance. They aid non-compliance instead. So, because of fear, they rarely visit or engage the Revenue Authority thus enhancing non-compliance. Similarly, IBDF (2018), elucidates on the fact that taxpayers are not at liberty to seek redress, object to or put forward aspects they don’t understand to tax officials in fear of reprisal or victimisation. One farmer said “objecting to tax officials is tantamount to inviting them for a tax audit so we are forced to let our concerns die a natural death”.

➤ *Complexity of the Tax System*

Taxpayers who try to keep their records on their own without the help of outsourced accountants, because of

their age, find it difficult to keep up with the continuously upgrading technologies such as the e-filing system introduced by ZIMRA. Because they lack adequate skills, they delay submitting returns and other required documents and end up being non-compliant. A respondent mentioned that e-filing is difficult to understand and fathom especially for the aged and illiterate and accountants are not always reliable. Therefore, if the tax system is complex and difficult to operate, it enhances tax non-compliance especially by the aged who have the perception that change brings complications.

➤ *Excessive Interest Rates and Penalties*

The interests and penalties charged are excessive and heavy on the taxpayer. Thus, inasmuch they would want to pay off the penalties and be tax compliant, it only makes it more difficult for them to do that. Comparing the farmers’ incomes and the tax penalties, interest and actual tax, the latter often outweigh their income by far and corrode most of it thus taxation has become a very heavy burden for them. Therefore, with this perception in mind, only tax non-compliance is enhanced.

B. Influence of Other Determinants of Tax Compliance

The taxpayers alluded to other determinants of tax compliance that have an impact on their tax compliance levels as shown below.

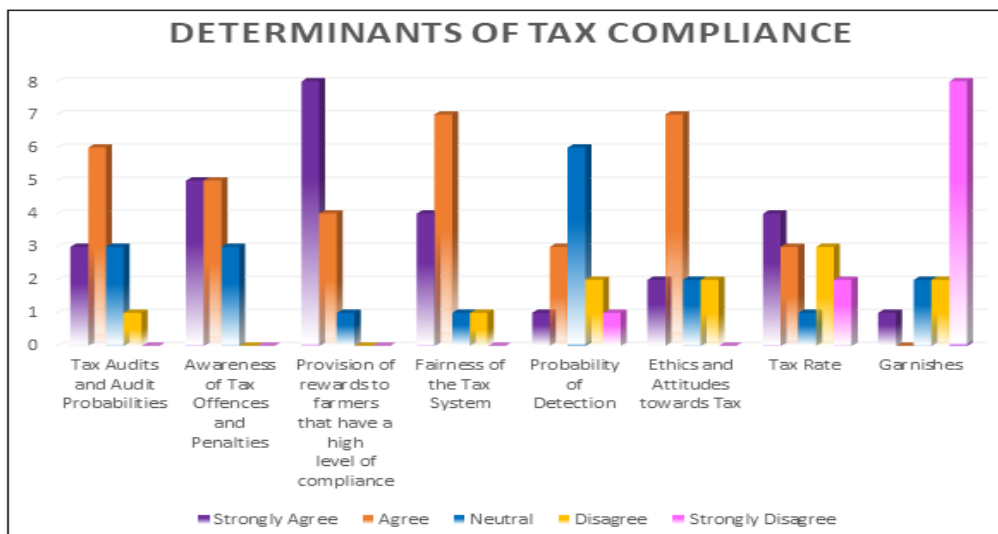


Fig 3:- Tax compliance determinants

V. RECOMMENDATIONS ON STRATEGIES THAT CAN BE ADOPTED TO ENHANCE TAX COMPLIANCE

Murphy (2014) laments the difficulties in design of a tax collection system which is operationally effective on both the collection and monitoring angles to ensure tax compliance without driving the wedge between taxpayers and revenue authorities even further. This a challenge for governments throughout the world as some measures aimed at enhancing tax compliance of further alienating taxpayers resulting in negative results. The recommendations of this

paper were discussed with the farmers and their view are incorporated.

A. Tax Amnesties

Tax leniency through amnesties could be extended to taxpayers with huge tax liabilities on condition that they regularise their activities (Khloe, 2014). Additionally, it would be of paramount importance if ZIMRA could educate and alert the taxpayers about the tax amnesty and how it works, to make sure that the taxpayers fully maximise the opportunity.

B. Tax Compliance Rewards

ZIMRA could consider awarding compliance incentives or motivators such maybe giving certificates for compliant firms or maybe reducing one month’s tax by a small percentage. Ahmed (2012), states that tax compliance rewards can be operational instruments to constructively motivate taxpayers to comply with tax obligations. This could have ancillary effects of compelling other taxpayers to put their tax issues in order with hope of enjoying the limelight, reputation and recognition that comes with compliance. In the case of such can farmers, such rewards could enhance the farmers’ reputation and image. This might entice other sugarcane farmers to respond in a fruitful way to tax compliance.

C. Tax Education and Awareness Programs

A key factor to strengthen voluntary tax compliance is sound education of (future) taxpayers in focal areas of taxation. Taxpayers need to understand the importance of contributing to the tax system. Further, they need to develop a deeper understanding of the tax system and the taxpaying procedures. It is suggested the use of extensive tax education, clearer explanations of the legislation for better understanding, training, frequent tax awareness campaigns and regular breakfast meetings by Revenue Authorities to help farmers understand the tax system and enhance compliance. The complexity of the tax system challenges can be minimised by engaging the taxpayers and unpacking the legislative provisions affecting them.

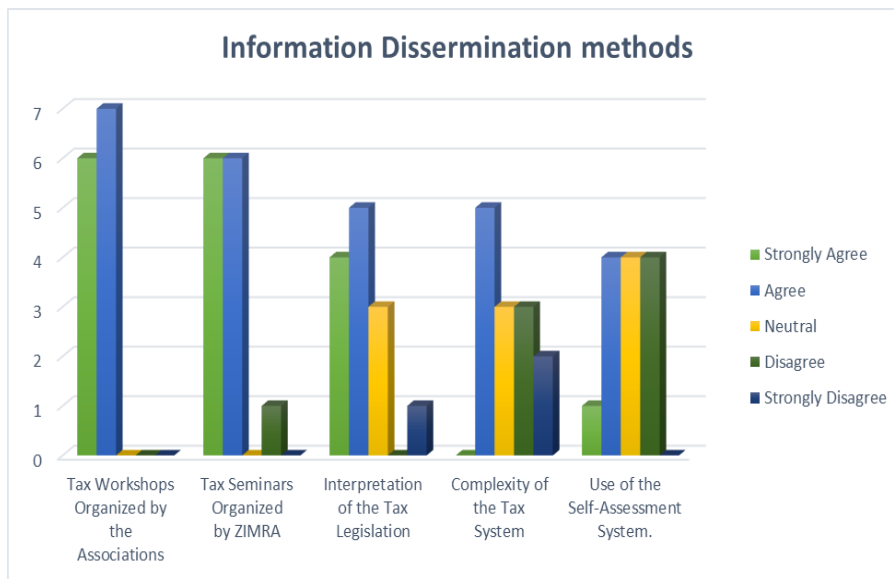


Fig 4:- Ways of improving tax compliance

D. Lower Tax Rates, Interest Rates and Penalties

The farmers also suggested that lower tax rates, interest rates as well as penalties could enhance tax compliance.

➤ *Flat Rate*

Two respondents suggested that a flat rate be agreed on between the government and the farmers which should be deducted at source (THZ) will increase tax compliance. For example, \$10 per hectare per farmer which will render irrelevant the issue of submitting tax returns which are currently compromising tax compliance. This would appear to be unfair also because income to be taxed is defined as amount received by or accrued to the taxpayer (Section 8 of the Income Tax, Chapter 23:06, Zimbabwe).

➤ *Taxation at Source*

Another farmer suggested that taxes should be collected at source (THZ) at rateable amounts. Then the farmer would pay any shortfalls after balancing the books at the year-end.

VI. CONCLUSION

This paper discussed the challenges faced by sugarcane farmers when it comes to complying with their tax obligations, which often results in them being garnished and penalised by ZIMRA. The paper concluded that tax education and tax knowledge are very influential factors when it comes to tax compliance. Tax law is often very complex and ambiguous hence taxpayers often grapple with adhering to their obligation due to lack of understanding or misinterpretations. This therefore calls for an urgent need for stakeholder engagement and extensive tax education and awareness programmes to improve compliance levels among sugarcane farmers and other taxpayers in general. Borrowing from countries like Rwanda, Peru and Croatia, tax education could be incorporated into high school and University curriculums without just focusing on the Faculties of Commerce but others as well as tax touches all areas employees, businesses, SMEs and consultants, just to mention but a few. Tax education campaigns are undoubtedly an ideal way of addressing tax complexities, low compliance and are an effective route of increasing trust and public dialogue. “Sticks” (fines and penalties) alone without

“carrots” (incentives and investments in tax education) are not enough to foster compliance amongst taxpayers.

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