AN INVESTIGATION OF FACTORS INFLUENCING NON-COMPLIANCE WITH INCOME TAX BY SMALL AND MEDIUM ENTERPRISES IN WINDHOEK

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ABSTRACT

The main objective of the study was to identify the major causes of tax non-compliance among SMEs in Windhoek and examine the extent to which various factors affect tax non-compliance. Based on the problem that was investigated, the research design was multiple survey in nature, using mixed research methods. The target population of this study consisted of SMEs in Windhoek and included the SMEs from the construction, catering, transport, auto mechanics and crafts. The Chi-square test and binary logistic regression were used to test the significance of the relationship and the extent of factors associated with tax non-compliance among SMEs respectively. A 5% level of significance was adopted in making the decision on significance. A p-value of 0.05 or less was considered to be statistically significant. The results of this study revealed that 51.4 % (36) of the SME entrepreneurs did not have a certificate of good standing and 34.3 % (24) had a certificate of good standing with the Ministry of Finance while 14.3 % indicated that they do not know whether they have certificate of good standing. Specifically, majority of SMEs which fail to submit tax returns on time are close corporations. Only 57.1% sole traders did not submit their tax returns. The results also showed that SMEs which fail to submit tax on time had been awarded only one tender. The results further indicated that 41.7% of SMEs that did not submit tax returns on time had at least 15 years of experience. The study concluded that tax non-compliance of SMEs was influenced by business form, years of experience a company had as well as contracts awarded. Therefore, the business form, companies' years of experience and contracts awarded significantly influence income tax non-compliance. The researcher recommends that tax systems should be aimed at reducing the costs associated with complying with tax laws. This should encourage more SMEs to comply because when taxpayers spend little or no money to comply, compliance should come naturally. To enhance compliance, there is need to intensify taxpayer education in terms of increasing the number of sessions and broadening coverage to include tax consultants.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

DEDICATION

I dedicate this entire work to my lovely Husband, Mr Patrisius Hamunyela, and the two boys Simson Nakweenda and Immanuel Sheetekela Hamunyela. You are so delightfully. I also dedicate my study work to my late mother Ms. Viktorina Shiweva, you are dearly missed.

LIST OF ACRONYMS

BIPA - Business and Intellectual Property Authority

GDP – Gross Domestic Product

ITAS - Integrated Tax Administration System

MoF – Ministry of Finance

MSME – Micro, Small and Medium Enterprises

NBS – Namibia Business School

PAYE – Pay as You Earn

PHD - Doctor of Philosophy

SME – Small Medium and Enterprises

SPSS - Statistical Package for Social Sciences (SPSS)

UNAM – University of Namibia

UNIDO – United Nations Industrial Development Organisation

VAT – Value Added Tax

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DECLARATION

I, Theolida Hamunyela, hereby declares that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

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Name of Student	Signature	Date

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 Background of the Study

Tax compliance refers to the willingness of taxpayers to act in accordance with both the spirit and the letter of the tax law and administration. Alasfour (2016) defined tax compliance as filling all required tax returns in proper time and accurately reporting one's tax liabilities within the tax law and regulation. In terms of tax non-compliance, there are two categories which are tax avoidance and tax evasion. Tax avoidance is a legal activity because tax laws are used to reduce the tax amount payable which denotes the taxpayer's ingenuity to arrange his affairs in a proper manner and any attempt to minimize tax is acceptable. Tax evasion on the other hand is an illegal activity which involves a taxpayer's deliberate contravention of the tax law in order to eliminate tax liability. It entails not filing income tax returns altogether or misrepresenting the tax liability amount (Appah, 2016).

The problem of tax non-compliance is as old as taxes themselves. Tax administrations are challenged with finding ways to characterise and describe the perceived forms of non-compliance and eventually find ways to reduce it (Dalu, 2013). Getting taxpayers to comply with the necessary tax laws has been and is still a major concern for most tax administrators around the world since it is not easy to convince tax payers to comply with tax requirements. This has an undesirable impact on the economy (Erard, 2014).

The reports from the Namibia Ministry of Finance indicate that over 90% of the citizenry are engaged in economic activities. Even though data is not available for SMEs, it is believed that 92% of companies registered are micro, small and medium enterprises. This indicates that companies registered with Ministry of Trade and Industrialization included SMEs (Shivute, 2014). SMEs in Namibia have been noted to provide employment to most of the citizens and also contribute greatly to Namibia's GDP.

Globally, tax compliance among Small and Medium Enterprises (SMEs) is poor and a major problem as many countries fail to come up with ways to reduce non-compliance (Dlamini, 2017). Revenue collection in Namibia is crucial as it provides sustainable revenue flow for government by financing project priorities to strengthen infrastructure in the country. The Namibian taxation system regulated by the Income tax Act No.24 of 1981 and Value Added Tax Act No. 10 of 2000 has a source-based tax regime. There are 33700 estimated MSMEs as at 2015, of which 15000 are formal registered SMEs who are providing formal employment to 160,000 people in Namibia, Ngatjizeko (Ministry of Trade Annual report, 2016/2017). The MSMEs are defined according to the following criteria:

Category	No. of full-time employees	and/or Annual turnover (N$)
Micro-enterprise	1 to 10	and/or 0 to 300,000
Small enterprises	11 to 30	and/or 300,001 to 3,000,000
Medium enterprises	31 to 100	and/or 3,000,001 to 10,000,000

The above categories of SMEs are defined according to the two sets of criteria as follows: number of employees and annual turnover that comply with internationally acknowledged standards. This study aims to examine factors influencing tax non-compliance focusing specifically on SMEs operating within Windhoek. The study explores among others the behaviour exercised by SME owners and representatives towards tax non-compliance, and subsequently identifying possible reforms contributing to the improvement of tax compliance.

1.2 Statement of the Problem

The Ministry of Industrialisation, Trade and SME Development has registered about 15,000 MSMEs (Ngatjizeko, 2016). When individuals register a business with the registrar of companies, it is mandatory to register for income tax with the Ministry of Finance. However, when comparing the number of SMES paying tax through the Ministry of Finance, the difference is so significant. This is an indication that there could be some SMEs operating but not complying with the tax laws. It is also noted that the Ministry of Finance introduced the tax amnesty whereby taxpayers in arrears were given a respite for a write off of 100% of penalties and 80% of interest once a taxpayer settled 20% of the outstanding interest amount (Shivute, 2014).

A small audit conducted by the Department of Inland Revenue in the Ministry of Finance indicated that more than 1,500 SMEs are either under declaring or not declaring their income (Shivute, 2014). According to Kaapanda (2018), the Ministry of Finance has collected N$1.1billion in taxes when the government introduced the incentive program. This does not necessarily mean it was from SMEs only but it is a collective amount from individuals and businesses. However, the introduced incentive program has given many SMEs opportunities to settle the outstanding taxes. This is an indication that most SMEs were not in compliance with income tax fulfilment. With the above background in mind, this study sought to identify factors influencing non-compliance with the income tax requirements by Small and Medium Enterprises in Windhoek.

1.3 Objectives of the Research

The main objective of the study is to identify factors that influence non-compliance with the income tax requirements by SMEs in Windhoek. Specifically, the study sought:

- To identify the major causes of tax non-compliance among SMEs in Windhoek
- To examine the extent to which various factors affect tax non-compliance.

1.4 Hypothesis

The main hypothesis tested for this study is to establish whether or not there is relationship between income tax non-compliance among SMEs and years of business experience, company registration status, number of tenders awarded, company status of benefiting in tax incentive, company status of audit and types of business registration.

1.5 Significance of the Study

This study focuses on how socio-economic, cultural, operational and personal factors influence income tax non-compliance. The results of this study are anticipated to provide concepts and grounds on which to develop a framework for the MoF to understand tax non-compliance, assist in enlightening taxpayers to eliminate tax non - compliance. The knowledge accruing from this study is expected to benefit the Ministry of Finance in its efforts to design suitable tax policies and flexible procedures for SMEs. The results will also be useful to the business community on how the stipulated conditions can be improved or dealt with. Finally, the research will be of interest to scholars who may require advancing their knowledge in the field of tax compliance.

1.6 Limitation of the Study

The study was viewed as sensitive by some respondents and they were reluctant to provide their income tax status. This affected the response rate. Inadequacy of funds in facilitating the smooth collection of data was one of the challenges encountered in this study. There was a restriction on the part of the researcher in terms of having access to some audited reports which in a crucial way could have shed some light on the relevance of the non-compliance with income tax regulations. The researcher foresaw some of the respondents not answering openly or returning the completed questionnaires to the researcher for analysis. There was also some fear from most of the SME representatives who participated in answering questionnaires. This was overcome by explaining to them the intent of the study and issuing the authorization letter as well as the supervisors' contact for verification purposes.

1.7 Delimitation of the Study

The research study covered SMEs operating in Windhoek. Therefore, results may not be generalised but should be interpreted with caution. The study only assessed the non-compliance with regards to income tax, but not any other taxes. The study population focused on SMEs that engaged in the following business activities: construction, catering, transport, auto mechanics and crafts.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature review of the two key aspects of income tax non-compliance. The two aspects are tax avoidance, which is tax reduction by legal means, and tax evasion which is the criminal non-payment of tax liabilities. Tax non-compliance is widely acknowledged as a universal phenomenon that prevails in all economies and societies systems in developing and developed countries. This chapter identified the various theories put across by various scholars in relation to tax non-compliance.

2.2 Concept of Small and Medium Enterprise (SME)

The widespread use of the term SME in recent times has implied that it refers to the section of businesses occupying the space between micro enterprises and large firms. The SME sector is seen to be formless, thus defies a simple definition. There is no single and standard definition of small firms (Bitzenis, 2013). In addition, Bannock (2011), believes that there is no generally acceptable meaning for SMEs since the definition rests on who is giving that definition and where it is being defined. The level of capitalisation, employment and revenue distinguish these firms.

The definition of small and medium enterprise given by law differs from country to country and from industry to industry, but it is normally below 100 employees. They are often privately-owned companies, partnerships, or sole proprietorships (Bătrâncea, 2012). It is hence problematic to apply one definition to all the firms since when one definition which employs measures of size when applied to one area could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to diverse outcomes.

The SME sector in Namibia is seen to be formless. The level of capitalization, employment and revenue is seen as one way of defining SMEs in the context of Namibian context. The definition of small and medium enterprises given by law differs from country to country and from industry to industry, but in the context of this study SMEs are business entities with normally below 100 employees (Ngatjizeko, 2016). They are often privately-owned companies, partnerships, or sole proprietorships.

2.3 The Concept of Tax non-compliance

It refers to the degree to which a taxpayer fails to comply with the tax rules of his country, for example by under declaring income, not filing tax return, and not paying the tax due in a timely manner (Myburgh, 2016). Tax compliance is low among SMEs as a result of several factors such as poor management and internal control practices as many of the enterprises are merely trying to make ends meet (Erard, 2014). Another contributory factor to low tax compliance among SME's is the informal approach to establishment, operation and dissolution which creates an ease of mobility, consequently making it difficult for the tax administration to keep pace with them. Cash-based economies have also had inadequate accounting records and audit trails in practice. Tax compliance is low among SMEs also because compliance costs for the SMEs are much higher relative to larger business operations that they are competing against (Devos, 2014).

In addition, small businesses have limited resources and technical capacity. Often, the priority of a tax administration is to focus on large taxpayers because of the high delinquency rate and low revenue yields associated with small businesses, with very little enforcement action. This ultimately encourages non-compliance (Fauvelle-Aymar, 2011). From the perspective of tax administration, the major obstacle which hinders government in ensuring that the SME is incorporated in the taxation bracket is the nature of businesses. The small sizes of the businesses make it easier for them to remain outside the taxation bracket.

Mistrust and weak structural dialogue between the informal sector and government is another factor that hinders taxing of the informal sector. There is a general mistrust between tax agents and taxpayers, with agents perceiving that the SME as tax evaders, unwilling and unable to pay their taxes (Bitzenis, 2013). The operators too are wary of government agencies' high-handedness in collection of taxes. There is lack of structured dialogue between the SME and the government as well as other law enforcing authorities that lead to poor tax compliance.

2. 3. 1 Tax evasion

Tax evasion is an illegal and dishonest activity in which a person or entity deliberately avoids paying a true tax liability. Taxpayers who are caught evading taxes are generally subject to criminal charges and substantial penalties. Tax evasion applies to both the illegal non-payment as well as the illegal underpayment of taxes (Fischer, 2012). Tax evasion can be determined through whether or not tax returns were filed with the revenue agency (Bitzenis, 2013). To determine tax evasion, the agency must be able to show that the avoidance of taxes was wilful on the part of the taxpayer. While tax evasion is illegal, tax avoidance includes finding legal ways (within the law) to reduce taxpayer obligations (Erard, 2014).

2.3.2 Tax avoidance

Tax avoidance refers to an act of the taxpayer not paying income taxes due to the revenue agency, without breaching any tax law and not reducing a tax burden. Avoiding paying taxes is replicated in a chain of transactions the consequence of which a taxpayer gets a tax benefit. This type of behaviour wouldn't be chosen in natural business conditions (Cobham, 2011). Tax avoidance is the use of legal methods to modify an individual's financial situation to lower the amount of income tax owed. This is generally accomplished by claiming the permissible deductions and credits. This practice differs from tax-evasion which uses illegal methods, such as underreporting income, to avoid paying taxes (Briscoe, 2010). Tax avoidance is a legal way for people or other entities to minimise their tax liability. This can be in the form of deductions or credits used to their advantage to lower their tax bills (Collis, 2013).

2.4 Characteristics of Small and Medium Enterprises

The study conducted by Damayanti (2015), alluded that SMEs can be categorized into urban and rural enterprises. Urban enterprises can be subdivided into organised enterprises and unorganised enterprises. The organised ones tend to have paid employees with a registered office whereas the unorganised category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home and employ little or in some cases no salaried workers. They rely mostly on family members or apprentices. Rural enterprises on the other hand are largely made up of family groups, individual artisans or women engaged in food production from locally grown crops.

The major activities within this sector include soap making, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smiths, ceramics/pottery, timber and small-scale artisanal mining, local beverages production, food processing, bakeries, wood furniture, electronic assembly, agro-processing, chemical based products and mechanics (Alasfour, 2016).

It is generally a well-accepted argument among policy makers and scholars that small and medium enterprises (SMEs) play pivotal role in economic development of a country. SMEs are indispensable in all economies, can be described as a driving force of business, growth, innovation, competitiveness, and are also very important employer. Some of the benefits of SME growth include generating employment, alleviating poverty, and distributing wealth (Appah, 2016).

According to Bitzenis (2005), SMEs are considered to be of high importance in ensuring a friction-free adaption to economical, technological and social changes. Most leading economies in the world today depend on this class of companies as important contributors to the increase of living standards, productivity and competitiveness. SMEs play a significant role in the socio-economic development in both developed and under-developed countries (Cobham, 2011). Global experience demonstrates that a dynamic local SMEs sector is the basis for fast-growing economies. Promoting a sustained and strong growth of SMEs, however, has always been, and continues to be, a challenging task. SMEs are inherently constrained by their capacity to grow and they usually face much stronger business challenges relative to their large counterparts (Briscoe, 2010).

The contributions of SMEs to a nation's economy are vital. Contributions can be divided into two groups, namely internal and external ones. Internal contributions include survival, success and growth of SMEs. External contributions are mainly reducing unemployment and improving the health of an economy. SMEs are important for the wealth and stability of economy (Dalu, 2013) and also contribute to social wealth. SMEs improve the wealth of economy and society through the creation of new businesses and jobs (Collis, 2013). They have the greatest potential to reduce unemployment, and major source of innovation (Damayanti, 2015).

The importance of SMEs to social and economic development in Africa is undisputed. SMEs form a large part of private sector in many developed and developing countries. Small and medium-sized enterprises (SME) represent more than 70% of all enterprises in the industry and thus play an important role in the economy as well as in society (De Mello, 2010). Throughout the continent, SME promotion is a priority in the policy agenda of most African countries as it is widely recognized. There is no doubt that SMEs constitute the seed bed for the imminent generation of African entrepreneurs. SME's are advantageous as they are able to survive cyclical downturns due to their flexible nature and their adaptability to changing market conditions.

Although there is no uniform definition of an SME, the notion that SMEs play an important economic and social role seems to be well accepted (Fauvelle-Aymar, 2011). This is supported by surveys which state that 70 % of all labour relations and over 80% of apprenticeship training positions in the German non-public sector are provided by SMEs (Damayanti, 2015). The distribution of SMEs across the nation facilitates distribution of income and generates additional value in raw materials and products. According to the United Nations Industrial Development Organisation (UNIDO), SMEs account for more than 90% of all registered businesses in Africa. Furthermore, available data from some African countries shows that in 2003 SMEs in Kenya employed 3.2 million people and accounted for 18 percent of the Gross Domestic Product (GDP), (Bătrâncea, 2012). In Nigeria, SMEs account for 95 percent of formal manufacturing activity and 70 percent of industrial jobs. In South Africa micro and small firms provided more than 55 percent of total employment and 22 percent of GDP in 2003 (Damayanti, 2015).

The performance of SMEs in Namibia has not achieved its goal of playing a significant role in the growth of the Namibian economy. Governments have stepped up efforts to promote SMEs development through the increase of incentive schemes comprising of budgetary allocations for technical assistance. SMEs tend to utilise mainly local raw materials that would otherwise be neglected and have less foreign exchange. They mobilise and utilise financial resources that would otherwise be dormant like family savings. SMEs by their activities promote indigenous know-how (Dalu, 2013). The goals of the small and medium sized companies are often based on personal goals and preferences of the owners. Determined goals in such a way are logically very subjective, they are often not chosen correctly in comparison with the milieu where the companies create activities.

Small companies follow more quality and development, but medium sized companies follow mainly development and profit. Examined small and medium sized companies consider their strong pages mainly range and quality of labour and on the contrary as threat insolvency. Communication is usually face-to-face (Devos, 2014). SMEs apply a niche strategy with innovative new products, in other words they rely on low-risk strategy. With the help of the strategy, they think that they can easily control the market (Bannock, 2011).

Some of the major characteristics of SME are the number of employees, sales volume, unique product, innovation, better and more complete customer service, new job creation, flexibility, day- to-day operational activities, and limited resources financial, human, and time (Cobham, 2011). Some critical success factors of SMEs are centralized management, satisfactory government support, marketing factors, overseas exposure, owner/managers level of education and training, personal qualities and traits, prior experiences, and political affiliation (De Mello, 2010).

2.5 Taxation of Small and Medium enterprises

Growth of SMES is disturbed by high tax rates and tax complicity. Taxation can have important effects on many parts of the economy, including impacts on firm creation and on the development of (SMEs) (Bitzenis, 2013). Taxes increase the cost of production of goods and services which eventually cause prices of goods to surge thus affecting the final consumers. However, Devos (2014), noted that revenue mobilized from taxes represent major funding for government expenditure. Developing an environment conducive to SME growth whilst ensuring tax compliance is a challenge all countries face.

Corporate tax rates can influence investment and financing decisions, as well as the choice of organisational form. Corporate tax rates which are below top marginal personal income tax along with provisions for deferral of personal taxation through reinvestment of profits can provide incentives for the self-employed to incorporate their businesses (Dube, 2011). A decrease in the rate of corporate tax increases the

Tax systems may encourage debt financing and this discriminates against SMEs which depend on equity financing. In the absence of taxes and transaction costs, the firm will be indifferent to the method in which it finances investment, since the value of the firm is independent of its financing choice retaining profits, issuing new shares or borrowing (Inasius 2013). However, with the existence of taxes, the value of the firm is generally not independent of the choice of financing method.

2.6 Perspectives of tax compliance

Compliance in pure administrational terms includes registering or informing tax authorities of one's status as a taxpayer, submitting a tax return every year (if required) and following the required payment on time-frames (Erard, 2014). The reporting compliance measure tracks the percentage of true tax liability that is correctly reported. It involves reporting of complete and accurate information (incorporating good record keeping). The filing compliance measure tracks the percent of required returns that are timely filed. Paper returns are filed at the tax office accompanied by a pay-in slip. All tax returns are subjected to a 'desk audit'.

The last which is the payment compliance measure, tracks the percentage of reported tax that is paid timely. In Namibia, tax is paid in four instalments while an annual income tax return is submitted within four months of the end of the tax year. Tax can be paid through banks or the tax office. In contrast, the wider perspective of tax compliance requires a degree of honesty, adequate tax knowledge and capability to use this knowledge, timeliness, accuracy, and adequate records in order to complete the tax returns and associated tax documentation (Frey, 2012).

Dube (2011) defines tax compliance as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pay the right amount of taxes on time. It therefore includes registering or informing tax authorities of one's status as a tax payer, submitting a tax return every year (if required), and following the required payment time frames.

Heneghan (2007) defined tax compliance as the reporting of all income and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person's act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority.

In simple words, tax non-compliance refers to not fulfilling all tax obligations as specified by the law freely and completely.

Tax non-compliance has been hindered by the substantial changes to tax laws, which exhibited complexity to the extent that only tax experts can understand. The taxpayers' attitude on non-compliance may be influenced by many factors, which eventually influence taxpayer's behaviour (Frey, 2012). Those factors which influence tax non-compliance and/or non-compliance behaviour are differing from one country to another and also from one individual to another (Fauvelle-Aymar, 2011). They include taxpayers' perceptions of the tax system and revenue authority, peer attitude / subjective norms.

Taxpayers' understanding of the tax system / tax laws (Silvani, 1992); motivation such as rewards (Dube, 2011) and punishment such as penalties, cost of compliance, enforcement efforts such as audit; probability of detection; difference across - culture;

perceived behavioural control ethics / morality of the taxpayer and tax collector; equity of the tax systems; demographic factors such as sex, age, education and size of income and use of informants (Fjeldstad, 2010).

According to Bannock (2001), voluntary tax compliance is explained by dimensions like timely filing of any required return, accurate reporting of income and tax liability and timely payment of all tax obligations. However according to Bitzenis (2005), many small and medium taxpayers do not register voluntarily, while those who do register often fail to keep adequate records, file tax returns, and settle their tax liabilities promptly.

The problem of tax non-compliance is as old as taxes themselves. In developing countries, the income tax compliance has been constrained by the significant number of changes to the tax laws, that are now so complex and only a handful of tax experts can understand them. This creates additional problems for non-compliance by taxpayers who do not have access to sophisticated tax specialists (Fjeldstad, 2010). Moreover, enforcement of these laws cannot reduce non-compliance among taxpayers because some tax measures put Small and Medium Taxpayers under severe liquidity pressure, forcing many to fold in the informal sector (Gahramanov, 2009). Characterising and explaining the observed patterns of non-compliance and ultimately finding ways to reduce it are obvious importance to nations around the world. To date, the pervasiveness of tax noncompliance remains a serious concern to the majority of tax administrators around the world. Tax noncompliance not only poses a serious threat to effective tax and voluntary compliance; it also has a negative impact on the economy. Tax non-compliance is a major problem for many tax authorities and it is not easy to persuade taxpayers to comply with tax requirements (De Mello, 2010).

Non-compliance is greater when the individuals perceive some benefits from a public good funded by the tax payments while changes in fine rates appear to have little effect on tax non-compliance behaviour (Fischer, 2012). Tax administration should encourage voluntary compliance and address the obstacles that prevent voluntary compliance. Important obstacles to taxpayers' compliance are: the perceived inequity of the tax system; the complexity of the tax laws; the lack of fairness of the penalty system; weak taxpayer education programs; low levels of integrity and professionalism of the tax administration's staff the tax administration's inability to ensure impartiality in the appeal process; and weak audit programs (Damayanti, 2015).

In the Namibian business community, most owners of SMEs have a negative perception towards the taxes collected by the government. Although, they may be aware of the use of taxes as major source of government revenue as well as the funding of public expenditures, they also have a perception that taxes paid to the government are not used for their intended purposes (Devos, 2014).

The economy of Namibia had been performing bad in the last decade despite the numerous taxes paid by taxpayers. With respect to this issue, SMEs in Namibia see no reason to comply with income taxes because the government is not able to align the payment of taxes to the socioeconomic development of the country (Shivute, 2014). SMEs in Namibia may perceive tax obligations favourably when the government acts in a trust worthy manner. There may be existence of high levels of trust and tax morale if government makes good use of tax revenues (Shivute, 2014).

2.7 Theoretical Framework

The taxpayers' attitude on compliance may be influenced by many factors, which eventually influence taxpayer behaviour. Those factors, which influence tax non-compliance and/or non-compliance behaviour, differ from one country to another and also from one individual to another. According to Inasius (2015), taxpayer compliance has been primarily viewed from three theoretical perspectives: the general deterrence theory, economic deterrence models and fiscal psychology.

The deterrence theory is concerned with the effects of sanction threats on criminal and undesirable behaviour. However, there are problems of identifying sanctions, determining how much the effects and specifying the mechanism by which the effect occurs. On the other hand, the economic deterrence model smoothened out the problems of the deterrence theory for instance by the use of the utilitarian approach to measure sanction threats. From the personal consequence perspective, income tax compliance is viewed as an income maximising decision, balancing the net gain of underreporting income or over claiming against the added risk of detection and penalisation (Fjeldstad, 2010).

2.7.1 Psychology Theory - norms theory

Taxpayers are swayed to comply with their tax obligations by psychological factors. These factors focus on the taxpayers' knowledge level, attitude/ethics and the perceived equity or fairness of the tax system (Frey, 2012). This theory suggests that a taxpayer may comply even when the probability of detection is low hence changing individual attitudes towards tax systems is the key to increasing compliance levels.

2.7.2. Tax Knowledge

From the tax administration viewpoint, researchers have concluded that compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply (Frey, 2012). Gahramanov (2009) claimed that knowledge about tax law is assumed to be important for preferences and attitudes towards taxation. As a behaviour problem, tax compliance depends on the cooperation of the public. There are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of no-compliers. Frey (2012) study indicated that a successful means of reducing tax evasion is to provide more tax knowledge to as many taxpayers as possible in order to improve their tax ethics and perceptions of fairness and equity.

2.7.3 Attitude and Ethics towards tax

While taxpayers are influenced by the system of tax structure either to comply or not, evidence suggests that attitudes and ethics of the taxpayers also play an important role in their compliance decisions (Gahramanov, 2009). Fjeldstad (2010) reported that Hong Kong taxpayers have less favourable attitude towards tax system as a result lower level of compliance. It is assumed that ethics encourage individuals to act according to set standards (Fries, 2003).

Gahramanov (2009), validates that there was a consistently positive relationship between moral commitment and compliance behaviour. Inasius (2015) stated that knowledge about tax law is assumed to be important for preferences and attitudes towards taxation. As a behaviour problem, tax compliance depends on the cooperation of the public. There are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of no-compliers. The study conducted by Erard (2004), indicated that a successful means of reducing tax evasion is to provide more tax knowledge to as many taxpayers as possible in order to improve their tax ethics and perceptions of fairness and equity. It is very important to assist tax payers by improving the flow and quality of information through educating them.

2.8 Economic Based theory: Deterrence theory

According to the theory, in order to improve compliance, audits and penalties for non-compliance should be increased. It places emphasis on incentives. Deterrence can be achieved through a number of approaches, punitive and persuasive. That is, deterrence may take on the form of increasing the probability of detection, reducing the tax rate or by the imposition of tougher penalties (Frey, 2012). The economic definition of taxpayer compliance views taxpayers as 'perfectly moral, risk-neutral or risk-averse individuals who seek to maximize their utility, and chose to evade tax whenever the expected gain exceeded the cost (Heneghan, 2017).

2.8.1 Tax Audits

Audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability. In contrast, taxpayers who have never been audited might be tempted to under report their actual income and claim false deductions. Tax audits can change compliance behaviour from negative to positive (Frey, 2012). The economic definition of taxpayer compliance views taxpayers as 'perfectly moral, risk-neutral or risk-averse individuals who seek to exploit their utility, and chose to evade tax when the expected gain exceeded the cost (Frey, 2012).

2.8.2 Tax Rates

High tax rates tend to discourage effort and entrepreneurship, while encouraging all manner of activities to avoid them. Raising marginal tax rates will be likely to encourage taxpayers to evade tax more while lowering tax rates does not necessarily increase tax compliance (Gahramanov, 2009). Fauvelle-Aymar (2009) concluded that taxpayers may choose either to fully report income or report less, regardless of tax rates.

Since the impact of tax rates was debatable positive, negative or no impact on evasion, Erard (2004) suggested that the degree of trust between taxpayers and the government has a major role in ascertaining the impact of tax rates on compliance. When trust is low, a high tax rate could be perceived as an unfair treatment of taxpayers and when trust is high, the same level of tax rate could be interpreted as contribution to the community (Frey, 2012).

2.8.3 Penalties

Taxpayers when made to pay higher fines for evading taxes has the effect of deterring them from future evasion. Empirically, the deterrent effect of fines could not always be supported. The observed effects were weaker than expected and some studies even suggest that an increase of penalties can have undesirable effect and result in more tax avoidance (Gahramanov, 2009).

2.8.4 Tax Compliance costs

The costs of complying with tax obligations have generated widespread interest among academics, government policy makers and business organisations. Frey (2012) identified compliance costs as one of the three components of the social costs of taxation. These social costs can be paraphrased as costs incurred by society in the process of transferring purchasing power from the taxpayers to the government. Compliance costs can be divided into three parts: time spent, cash expenses and psychological costs. The total time spent contains employee costs in-house staff and external costs fees paid to outside accountants and other advisors (Gordon, 2009). These compliance costs include costs that are incurred by a company, but are beyond the control of its management (Inasius 2013). Tax compliance costs must therefore be taken into consideration by various government to ensure that the tax legislation is obeyed.

2.8.5 Tax Benefits

Rewards could be more effective than punishment for eliminating undesired behaviour or for motivating acceptable behaviour (Fauvelle-Aymar, 2011). The study conducted by Fjeldstad (2010), indicated that positive inducements have a significant and positive impact on compliance. Benefits commonly take the form of access to credit and capital markets, government procurement contracts, other external markets, state-provided services and facilities.

2.9 Tax non-compliance models

2.9.1 The A-S model

The A-S model is a formal economic analysis of tax evasion also known as the Deterrence model or Classical Approach; it was pioneered by Allingham and Sandro (1972). In this model taxpayers are assumed to be rational and moral, therefore, making reasonable economical real decisions. Evading tax is grounded on perceived gains or losses (Gahramanov, 2009). If the gain expected in evading taxes is higher than the cost involved, they evade taxes (Devos, 2014). The taxpayers are assumed to have real knowledge of tax, penalty and detection rates as utility maximisers (Devos, 2014). The model states that at the moment of computing tax returns, the taxpayer is inclined to evade tax to maximise profits (Gahramanov, 2009). The questions they have are: how much income should I report and how much tax should I evade? If the tax authority has a sound system and the likelihood of being caught is high and the penalties are inevitable, a rational economic decision-maker will correctly remit taxes (Bătrâncea, 2012).

When there are no tax audits performed and poor collection systems, taxpayers can remit less tax than what is expected. This implies that a few taxpayers will evade taxes if detection is certain and penalties are severe (Alasfour, 2016). The model has been subject to harsh criticism, as it assumes that taxpayers are fully rational utility maximisers. It suggested solutions to the shortcomings of the A-S model of tax evasion by setting a penalty on the amount of tax evaded, and not on the undeclared income (Bătrâncea, 2012) suggesting the use of the slippery slope model.

2.9.2 Slippery Slope model

The slippery slope approach assumes two major views to tax non-compliance, which is a hindrance of tax evasion by the performance of tax audits and severe fines, and on the other hand cultivating a trusting relationship between the taxpayers and tax authorities (Frey, 2012). The model suggests that the trust in the tax authorities and power of tax authorities is both key dimensions in tax compliance both enforced a voluntary compliance. Power is related strongly to antagonistic climate and trust relates strongly to synergistic climate. Power is characterised by the view where taxpayers are perceived as "robbers" looking for an opportunity to evade tax. This is the scenario in the informal sector in Zimbabwe (Dube, 2011). Trust causes, voluntary tax compliance as taxpayers willingly file tax returns as they perceive the authorities as a philanthropist in the society (Fischer, 2012).

According to the framework, the maximum level of tax compliance is achieved in the conditions of high power and or high trust, though the derived compliance, quality will differ whilst distrust and resistance is a result of a 'cops and robbers' climate which breeds cheating behaviour (Fjeldstad, 2010). According to Frey (2012), the extent of trust the citizens have with their government influences their tax compliance; if they do not trust the government, they will evade taxes.

2.10 Empirical Evidence on Tax non-compliance

2.10.1 Business Form

The sector in which a small business operates is not a significant determinant of external tax non-compliance (Dalu, 2013). In a study conducted by Appah (2016), in Ethiopia revealed that some sectors such as manufacturing, services and dealing in the goods sectors had lower value-added tax (VAT) and income compliance expenses than others. Another study carried out by Cobham (2011), in Nigeria found that the service sectors maintained higher tax compliance costs including the time burden than the building sector. The results of a study done in United States of America found that the transport, postal and warehousing sectors, followed by the mining and electricity, gas, water supply and waste removal sectors, were the sectors which paid the most for outsourcing their tax functions in this study (Cobham, 2011).

2.10.2 Economic factors

(Briscoe, 2010) found that income level has a mixed and unclear impact on compliance, and some later research agrees with that statement. The study conducted by Cobham (2011), found that in Columbia, it presumed that endogenous tax regulations might contribute to inconsistent findings. For example, progressive tax rates might encourage the higher income group to evade rather than the lower income group because their (higher income group) tax rates and taxable income are high, thus, making the tax liabilities much higher than lower income group. In a country such as South Africa where income redistribution is not satisfying, the higher income group tends to evade more because the high-income earner might feel betrayed and unfairly treated, (Adams, 2019). According to the study conducted by Appah (2016), found that high income earners in Malaysia are prone to evading tax, while reported that lower income earners in Germany were less compliant.

It is generally believed that a high tax rate is the main cause of tax evasion for SMEs. Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the sum evaded One major tax evasion is the high personal income tax rates which tend to lead tax payers to evade tax, (Bitzenis, 2013). Too many and complicated rules and regulations imposed by the government tend to lead to tax evasion by SMEs. The heavy taxation is also a subject of worry not only in developed countries like USA but also in Kenya and other less industrialized countries in Africa and Latin America. For instance, taxes in Kenya confront the large manufacturing sector in different shapes and shades example: import duties, export & excise duties, sales and VAT, withholdings and income taxes, and PAYE etc. (KRA, 2011).

The high levels of taxation of SMEs in Africa and Kenya in particular, warrants attention on accelerated research areas aimed at addressing the overall effects of taxation on SMEs (De Mello, 2010).

However, in contrast, the use of tax audits, fines and penalties have not been able to address the issue of tax compliance in Nigeria due to various penalties specified for non-compliance are not strictly pursued (Okoye, Akenbor & Obara, 2012). The findings by Badara (2012), also showed that though tax audit may be used to ensure compliance, it is not effective as a result of the insufficient number and experience of tax personnel used, the negative attitude of tax payers to tax officials, poor sanctions for non-compliant taxpayers and the poor tax knowledge of taxpayers (Alabede, 2012).

2.10.3 Social Factors

The studies carried out by Andreoni (2014), revealed that males are more compliant though other studies revealed contradictory results or no significant difference at all. As agreements on the findings still maintain, the need to explore current results is relevant. Alasfour (2016), found that female taxpayers were more compliant than males in study done in South Africa. However, another study reported that males were more compliant compared to females when a negatively framed message was used, and females were more compliant than males when a positively framed message was used.

The influence of tax knowledge on compliance behaviour has been described in a study in Kenya. The level of education received by taxpayers is an important factor that contributes to the understanding about taxation especially regarding the laws and regulations of taxation (Dalu, 2013). Previous studies done Nigeria, Ghana and Kenya have evidenced that tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply (Dalu, 2013).

The results of the study show that although Turkish scores are significantly different from the Australian scores, but both Turkish and Australian respondents believe that tax evasion can be ethically justifiable in certain situations, although some arguments are stronger than others (Dalu, 2013). Therefore, the study providing an insight that culture plays in determining the ethical attitudes towards tax evasion.

2.10.4 Political Factor

Political stability and the ruling party in a country might play a significant role in determining tax evasion behaviour. For instance, if an individual favour the ruling party, he might choose to be compliant because he believes that the government is trusted, efficient and equitable. Conversely, a taxpayer from the opposition party might be more non-compliant because he perceives that the government is not on his side. The studies conducted by many African countries such as Zimbabwe, Mozambique, Zambia (M A. E., 2015), have disclosed that the government decisions and changes to policies in accordance with the economic and political situation have a significant impact on tax non-compliance by SMEs.

2.11 Summary

Tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. Tax knowledge is also an element in a voluntary compliance tax system, particularly in determining an accurate tax liability. Tax non-compliance is a serious challenge for many tax authorities because it is not an easy responsibility to convince tax payers to comply with tax requirements. SMEs in Namibia are mostly found in the informal sector of the economy. One of the main points was that few SMEs that are tax non-compliant are also overly taxed to the detriment of the growth of the business. It emerged from the literature review that SMEs remain in the informal sector because the cost of compliance is perceived to be high and a considerable number of those who pay tax only do so due to the pressure by the authority. Tax compliance requirements are also said to be a stumbling block and place a heavy administrative burden on SMEs.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The current chapter focuses on the methodology utilised in the present study. It gives an outline of the research design, the procedure that was followed and the process of data collection and analysis. The ethical issues taken into consideration during the data collection process are also discussed.

3.2. Research design

According to Bryman (2012) research design is the conceptual structure within which research will be conducted. Based on the problem that was investigated, the research design was multiple survey in nature, using mixed research methods. Survey research is the most widely employed method in the social sciences (Best and Khan, 2012). The major advantage of survey research is the feasibility of obtaining a wide range of standardised information from a large population, which is beneficial from a cost perspective (Strydom, 2014). However, survey research does have some key limitations, which include the lack of in-depth information.

A descriptive survey design was best for this study as it describes characteristics associated with the subject population, and in particular factors that make them behave the way they do. According to Saunders (2016) descriptive design discovers and measures the cause and effect of relationships between variables. Strydom (2014) stated that a descriptive research determines and reports the way things are and attempts to describe possible behaviour, attitude, values and characteristics of such things. The study used a descriptive design because it enabled the researcher to collect a large quantity of in-depth information about the population being studied. A survey design was appropriate as the data required for analysis needed to be collected from a large population, that is SMEs in Windhoek.

3.3 Research approach

The mixed methods design was employed in this study with the intent to get a complete and comprehensive picture of the topic under study. The quantitative descriptive approach was used to generate data from the survey conducted on factors that influence income tax non-compliance by SMEs. Despite the adoption of the quantitative method, data may not enable deeper explanations, therefore, the study also adopted a qualitative research approach.

The qualitative approach was employed to capture the different dimensions of the respondents' perspectives on tax compliance practices (Yin, 2009). The qualitative approach is based on the view that the phenomenon being investigated should be addressed in such a way as to make sense of the tax compliance practices that are being implemented by SMEs. The quantitative approach was used for statistical analysis and the qualitative was used to elaborate aspects, reasoning and interpretation. In the mixed approach, results are integrated to provide a comprehensive picture of the findings and allow a holistic interpretation (Saunders, 2016).

3.4 Population of the study

Creswell (2018) stated that the target population refers to all people who possess the characteristics of interest. The target population of this study consisted of SMEs in Windhoek. The unit of analysis for this study was for categorised registered SMEs. The target population included the SMEs from the construction, catering, transport, auto mechanics, crafts and Information technology consultancy. The total number of SMEs registered by the Ministry of Finance was 1234 as at the 30th of October 2019.

3.5 Sample and Sampling

According to Strydom (2014), sampling involves the examination of a carefully selected proportion of the units of a phenomenon in order to help extend knowledge gained from the study of that part to the whole from which the part was selected. Stratified sampling was utilised to secure respondents for the study. With stratified sampling, the researcher divides the population into separate groups, called strata. Then, a probability sample (often a simple random sample) is drawn from each group. Stratified sampling was used to reduce the sample size required to achieve a given precision.

The total population of SMEs was divided according to the type of business they were involved in. The categories included construction, catering, transport, auto mechanics crafts and Information technology consultancy. Each category sample random sampling was used to select the respondents. The purposive sampling technique was also employed to select the key participants who were perceived as possessing the information needed to contribute to the phenomenon under study. Consequently, 5 participants were selected for participation in the interviews.

The researcher ensured a high degree of correspondence between the sampling frame and the sample population as the accuracy of the sample depends mostly on the sampling frame. The sample size is an important feature for this study in which the goal is to make inferences about a population from a sample. In practice, the sample size used in this study was determined by using, the Slovene's formula: where n = N/(1+N(e^2))

Table 3.1 Category of Targeted sampled SMEs

Category of SMEs	Total population (N)	Targeted sample	Sample size (n)
Construction	335	25	17
Catering	407	18	12
Transport	103	18	10
Auto mechanics	263	21	19
Crafts	28	16	12
Total	1136	100	70

3.6 Methods of data collection

Data collection instruments are tools used to gather data and these include questionnaires, interviews, observations and focus group discussions (Kumar 2011). In order to achieve the objectives of this study and also to ensure reliability and credibility of data, this study used a questionnaire and an interview schedule/guide. The two data collection instruments were employed with the intention to collect data on tax compliance.

3.6.1 Structured questionnaire

According to Kumar (2011) a questionnaire consists of a set of questions presented to a respondent for answers. This study adopted a structured form of a questionnaire and the questionnaire consisted of both structured and non-structured questions. The researcher drew on the research questions of the study and the findings discussed in the detailed literature review in the designing the questionnaire.

The questionnaire consisted of structured questions based on dichotomous questions and Likert-type format questions. Structured questions were utilised to enhance the comparability of answers and could be easily completed by respondents. The respondents had to select the most appropriate answer from a number of predetermined alternatives. The questions were divided into different sections. The first part of the questionnaire was to collect basic information of the respondents. The second part of the questionnaire captured data on business and work information and the third section was divided into different categories which captured factors that affect tax non-compliance by SMEs. The questionnaire was the main data collection tool as it collected quantities of data. The questionnaire was divided into five sections. The first section comprises of demographic data, followed by a section covering business and work information of SMEs. In addition, the third section covers socio economic factors that affect income tax non-compliance while the fourth section consisted the knowledge on tax rules. Lastly the fifth section focused on cultural factors and tax morale.

3.6.2 In-depth interviews

An interview is a procedure designed to obtain information from a person orally (Yin, 2009). The in-depth interviews were used to collect data from the Ministry of Finance officials. The interviews had non-structured questions to seek in-depth knowledge on the factors that influence income tax non-compliance by SMEs. Open directive questions focused on clarifying the factors that affect tax compliance and the researcher used empathic statements as a way to help the participants to express their information.

The interview guide was constructed using principles of plain language so that participants would understand the words and meaning of the questions. The interview was conversational in nature to allow the participants to partake in the interview. The interviewer asked questions in the interview protocol/guide to ensure that all issues were addressed and probed.

3.7 Data quality

3.7.1 Validation of the instruments

Validity and reliability of thc instruments were used to ensure quality of the collected data and the trustfulness of the findings of this study. Validity refers to the extent to which results generated by an instrument measure the characteristic or variable it is intended to measure (Bryman, 2012). Triangulation enables confirmation or corroboration or correspondence of results from different methods, while complementarity seeks elaboration, enhancement and clarification of results using different methods. This study mixed two methods of data collection to provide the opportunity for a synthesis of findings.

3.8 Data collection procedure

The researcher got a clearance letter and research permit from the research committee to carry out the study. The letter was used to get the permission to carry out the study at the Ministry of Finance and SMEs in Windhoek. Through the assistance of the staff, the researcher administered the questionnaires to the SME owners and representatives and collected the questionnaires once they had been filled. The researcher also booked appointments with key informants to conduct in-depth interviews from the Ministry of Finance.

Before the interview meeting with the key informants, the researcher practiced and familiarised with the script and questions to ensure biasness and confusion during the interview was minimised. Face to face in-depth interviews were conducted and the researcher recorded on the cell phone and noted the responses in a notebook. All the key informants were interviewed and the interviews took thirty minutes on average. Data management was crucial in this study, as a result of the sheer volume of field notes and transcripts generated. Each interview was saved in a separate file and a backup was saved on the personal computer. All notes were marked and dated, using the code of the interviewee for easy identification.

3.9. Data analysis and interpretation

3.9.1 Operationalisation of Variables

The thematic approach as described by Best (2012) as a way of analysing an interview was used and involved reading the interview transcripts and coding the descriptive concepts that emerged from the interviews that were conducted. The researcher organised individual ideas into categories that shared similar concepts. This was accomplished by reading through the different interviews and identifying individual ideas that share the same meaning. These ideas were grouped together into themes that were then formulated on the basis of concepts that emerged from the interviews.

In this study, the data collected through questionnaires was coded, entered, cleaned and analysed using Microsoft Excel computer software. The raw data was then assembled and tabulated in the form of statistical tables to allow for further analysis.

The Statistical Package for Social Sciences (SPSS) was used to aid in the statistical analysis of the data. The quantitative data was analysed using descriptive statistics such as percentages and frequencies. Analysis of quantitative data was displayed first and then corroborated by qualitative data analysis in the form of texts and quotes.

Information from qualitative interviews was transcribed and organised according to themes. The findings were reported verbatim and used to supplement the findings from the survey. The Chi-square test was used to test the significance of the relationship between tax non-compliance and social and economic variables of interest. A 5% level of significance was used to a make decision on significance of variable. A binary logistic regression analysis was explored to examine the extent of factors associated with tax non-compliance among SMEs. A p-value of 0.05 or less was considered to be statistically significant. A backward Wald method was used to select a significant model. The General model is of the following form:

$y = \beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 \ldots\ldots$

Tax non-compliance = $\beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \ldots\ldots$ +error

where βs are coefficients of entered variables and Xs are variables entered in the model.

Table 3.2 Measurement of Variables

Concept	Indicator	Measurement
Independent variables	Number of tenders awarded to the business	The variable was measured in terms of the numbers of tenders and contracts awarded to a company per years. This is a categorical variable. The first category was none represented by 1, second category was 1 – 2 represented by 2, third category was 3 – 4 represented by 3, fourth category was 4 – 5 represented by 4, the fifth category was above 5 represented by 5 and the category of no idea was represented by 6.

	Number of years in business	The variable measured by the number of years the business has been operating. The variable is categorical. The first category was 0 – 4 years represented by 1, category two was 5 – 9 years represented by 2, the third category was 10 – 14 years represented by 3, fourth category was 15 – 19 years represented by 4 and fifth category was 20 and above represented by 5.
	Business form	The variable measured the type of ownership of the business for examples sole trader, closed corporations and private limited. This is a categorical variable.
	Size of business	A categorical variable is measured in terms of number of employees
	Business registration status	A dichotomous variable indicating whether the company has registered with MoF
	Auditing status of company	A dichotomous variable indicating whether the company has ever been audited
	Position	Position of respondent 0= Owner 1= Representative
	Age	Age of respondent
	Education level	Education level of respondent
	Region	Whether the company operates in other regions
Dependent variable	Tax non-compliance	A dichotomous variable indicating whether the company has ever failed to submit tax returns to receiver of revenue in the past 3years

3.10 Ethical Considerations

The researcher adhered to particular research ethics while conducting the study. Adams (2019), referred ethical consideration to the deliberations that researchers who designated and conducting studies, should consider the values principles of ethical conduct. He further explained that emphasis need to be given on how decisions are made based on ethical data. The following ethical issues were, therefore, considered in this study.

3.10.1 Voluntary Participation

Ferreira and van Antwerpen (2012), informed that any participation in a study should be strictly voluntary. In this study, respondents were given the freedom to decide on whether to participate or not, as a result, the participants were not forced to participate. The researcher also informed participants that participation in the study was voluntary and that they can withdraw from the study at any time without any sanctions. Finally, the researcher provided informed disclosure by availing her contact information, and the subject of the investigation.

3.10.2 Informed Consent

Schilling and Klamma (2010), specified that researchers must provide potential participants with clear, detailed and factual information about the study. For this purpose, the researcher attached a cover page on the questionnaire that detailed the purpose of this study for participants.

3.10.3 Confidentiality/Anonymity

Schilling and Klamma (2010) maintain that a research report should not be presented in a way that allows readers to discern how a particular participant would have responded to questions in any given study. For this study, the researcher assured respondents of their anonymity by desisting from collecting information, such as their names, residential location and contact details, which could expose their personal identities. Saunders (2016) affirms that confidentiality is maintained when anything that is learned about the participant is held in the strictest of confidence. For this reason, the data collected from respondents was analysed and reported in aggregate form to protect the individual identities of respondents.

3.10.4 Privacy

Saunders, (2016) asserts that researchers should not invade the private space of respondents in their data collecting process. As a result, respondents were asked, during the data collection process, to avail themselves at their convenience to avoid invading their privacy. In addition, the researcher ensured that respondents' privacy was not invaded and that no physical harm was caused on respondents.

3.11 Summary

In this chapter, the researcher discussed the methodology that was utilised in conducting the study. Both the qualitative and quantitative approaches were used to explore the phenomenon that was investigated. The rationale for the use of triangulation of methods in the present study was to allow for the exploration of the phenomenon in detail. The next chapter focuses on the results and discussions.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

This chapter presented the data analysis, presentation and interpretation of findings on the data collected from registered SMEs in Windhoek. The main objective of this study is to identify factors that influence the tax noncompliance among SMEs in Windhoek. The study sampled 70 registered taxpayers operating within Windhoek. The data was interpreted as per the research objectives.

4.2 Response Rate

The study targeted 100 respondents in collecting data with regard to the factors that influence tax non-compliance among Small and Medium Enterprises in Windhoek. Out of the 100 questionnaires issued, 70 were returned, giving a 70% response rate. According to Saunders (2016), 50% response rate is adequate, 60% good and above 70% is rated very good. These results also concur with the outcome of the study conducted by De Mello (2010), that specified that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on these assertions; the response rate for this study, 70% is very good.

Table 4.1 - Response Rate Respondents Questionnaires

Respondents	**Questionnaire administered**	**Questionnaire filled and returned**	**Percentage (%)**
Total	100	70	70%

4.3 Demographic Information

This section presents demographic data which include gender, age group and educational level. The section further presented the data on years of experience position of the respondents and response rate.

Table 4.2 - Number and percentage distribution of respondents by background characteristics

Characteristics	Number of participants (n)	Percentage (%)
Gender		
Male	36	51.4
Female	34	48.6
Age group		
Less than 20	2	2.9
20 – 24 years	8	11.4
25 – 29 years	22	31.4
30 – 34 years	9	12.9
35 – 39 years	9	12.9
40 – 44 years	13	17.1
45 - 49 years	3	5.7
50 + years	4	5.7
Educational level		
No Education / Qualification	8	11.4
Grade 10	18	25.7
Grade 12	32	45.7
Diploma	5	7.1
Bachelor degree	3	4.3
Master's Degree	2	2.9
PHD	2	2.9
Years of experience		
0 - 4	18	25.7
5 - 6	32	45.7
7- 14	2	2.9
15 – 19	10	14.3
20 +	8	11.4
Position of the respondents		
Owner	50	71.4
Representative	20	28.6

The results of this study indicated that 51.4 percent of the SME entrepreneurs were men while female entrepreneurs were 48.6 percent. The results further revealed that 11.4 % (4) of respondents were more than 50 years old, and between 45 and 49 years old. The majority of the respondents (17.1%) were aged between 40 and 44 years. The results indicated that 31.4 %, 11.4 % and 2.9 % of the respondents are aged between 25 and 29 years old, 20 and 24 years old and less than 20 years old respectively.

The findings of the study indicated that 45. 7 % (32) of the entrepreneurs have grade 12, 25.7 % (18) of the entrepreneurs have grade 10 and only 2.9 % (2) of the respondents have PHDs and master's degrees each. The study also revealed that 11.4 % (8) of the SMEs entrepreneurs have no education, 7.1 % (5) have diplomas and 4.3 % (3) have bachelor degrees. The findings also revealed that 45.7 % (32) of the business owners have 5 to 6 years of experience followed by 25.7 % (18) having 0 to 4 years of experience. The study further revealed that 14.3% (10) of the respondents have the experience of 15 -19 years while 2.9 % (2) have the experience of 17 to 14 years. It can therefore be observed that the majority of the SME entrepreneurs have experience in running their business. The results gathered indicated that 71.4 % of the respondents were owners while 28.6 % were representatives or workers. This confirmed the reliability of the data sources as they emanated from key and responsible people in the organisations.

The study interviewed five key informants from the Ministry of Finance. The interviewees refused to indicate their position for the sake of confidentiality and privacy. In terms of gender, three females and two males were interviewed respectively. The results indicated that 2 of the participants had 27 years of work experience and other three had work experience of 13, 19 and 25 years each.

4.4 Business and work information

4.4.1 Type of Business

From the results gathered, it showed that 27.10 % of the SMEs engaged in auto mechanics businesses and 14.30 % were engaged in transport. The results also indicated that 17.10 % engage in catering and crafts, while 24.30 % of the SMEs engage in construction activities. The findings of this study concur with the sentiments made by Dube (2011), that most SMEs in developing countries are involved in the construction industry because most developing countries are still at the stage of costruction. In the same vein the findings agreed with the study conducted by Erard (2014), which indicated that majority of the SMEs were involved in costruction as well as auto mechanics in Nigerian cities of Lagos and Abuja.

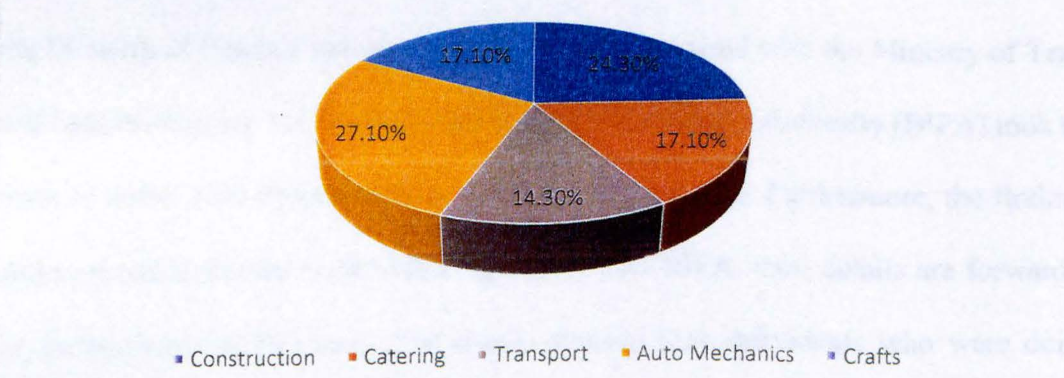

Figure 4.1 - Type of business

4.4.2 Number of Employees

The findings indicate that 82.9 % of the SMEs who responded had between 1 and 10 members of staff. This was followed by organisations with 31 to 100 employees representing 10%. The findings indicate that 7.1% of the respondents had 11 to 30 employees. This is in line with the findings of Dalu (2013) who alluded that classification of SMEs in Botswana is determined by the number of employees, therefore SMEs are considered to be businesses that employ more that 250 employees. In studies done in Nairobi, Kenya (Alasfour, 2016) and Chile (Bannock, 2011), 67% and 45% of SMEs had less than 20 employees respectively.

Table 4.3 - Number of employees

Number of employees	Number of respondents (n)	Percentage (%)
1 to 10	58	82.9 %
11 to 30	5	7.1 %
31 to 100	7	10 %
Total	**70**	**100**

4.4.3 Business Registration

The results revealed that 70 % were registered as closed cooperation while only 2.9 % are registered as partnership. Twenty percent of the SMEs are registered as sole traders and 7. 1 % private limited companies. The results from the interviews conducted in the Ministry of Finance indicated that the SMEs registered with the Ministry of Trade and Industrialisation via Business and Intellectual Property Authority (BIPA) took the form of either Sole Proprietorships or Close Corporations. Furthermore, the findings gathered indicated that with SMEs registered with BIPA, their details are forwarded to the Receiver of Revenue. The results showed that individuals who were doing business must as well register with the Receiver of Revenue, but it should be voluntary. The following are the sentiments emanated from the key informants' interview:

"When they registered with BIPA, their details are forwarded to the Receiver of Revenue by BIPA for tax registration purposes". Participant 1

"The individuals who are doing business are required to register on a voluntary basis with the Receiver of Revenue but it is assumed that they are not all have registered since they are compelled to register". Participant 2

According to Alasfour (2016), the common forms of business were closed corporation and sole proprietorship. The reason being that it is easy to offer complete control by the owner. The results of this study are slightly different from a study conducted in Accra Ghana which indicated that 57 % of the of the businesses were registered as sole proprietorship while 20 % were closed corporation (Damayanti, 2015). However, the results are similar with the findings of De Mello (2010), which showed that 10 % of the SMEs in Nairobi were registered as private limited companies.

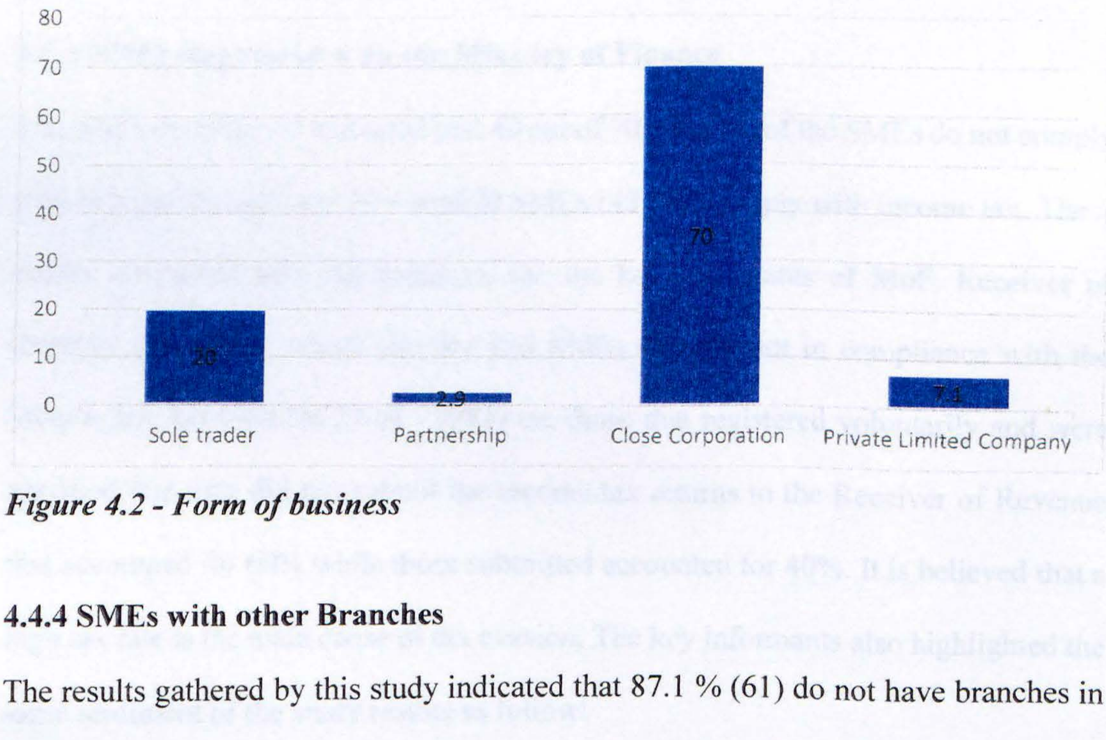

Figure 4.2 - Form of business

4.4.4 SMEs with other Branches

The results gathered by this study indicated that 87.1 % (61) do not have branches in other regions and 10.9 % (7) had branches in other regions. These results showed that there is lack of expansion in terms of business since most had only one branch. The above results are corresponded with the study conducted by Gordon (2009), which indicated that SMEs are territorial and operate only in towns in which they were established. These results also concurred with the outcome of Mahangila (2014), which showed that the majority of the SMEs in Nairobi only have branches in that city.

Table 4.4 - SMEs with other branches

Branches in other regions	Number of respondents (n)	Percentage (%)
Yes	7	10.9
No	61	87.1
No idea	2	2
Total	**70**	**100**

4.5 Socio Economic Factors

4.5.1 SMEs Registered with the Ministry of Finance

The results in table 4.5 indicated that 40 out of 70 (57.1 %) of the SMEs do not comply with income tax and only 30 out of 70 SMEs (42.9%) comply with income tax. These results concurred with the outcomes for the key informants of MoF, Receiver of Revenue interviews, which showed that SMEs that are not in compliance with the Income tax Act (Act No.24 of 1981) are those that registered voluntarily and were assumed that they did not submit the income tax returns to the Receiver of Revenue that accounted for 60% while those submitted accounted for 40%. It is believed that a high tax rate is the main cause of tax evasion. The key informants also highlighted the same sentiment of the study results as follow:

"*For those who registered voluntarily, it is seen as few. Subsequently, it is assumed that about 40% are submitting tax returns while 60% are not submitting returns, and 65% are paying tax while 35% are not paying tax on time. For the late payment, tax payers are ending up making arrangement with Receiver of Revenue for settling outstanding tax*". Participant 2

Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the sum evaded (Heneghan, 2017).

There are high percentage of taxpayers being late in paying tax owed to tax authority (Briscoe, 2010). This result is supported by the above outcome for the Receiver of revenue interview. Over the years, in spite of the increase in tax revenues, the tax non–compliance also increases where the amount of tax non-compliance increases from million in 2015. It is estimated that the income tax non-compliance represents about 71% of the total tax non-compliance in many African countries (Dube, 2011).

Table 4.5 – SMEs Registered with the Ministry of Finance

Compliance with income tax	**Number of respondents (n)**	**Percentage (%)**
Yes	40	57.1
No	30	42.9
Total	**70**	**100**

4.5.2 Good Standing Certificate from the Ministry of Finance

From the table 4.6 it is indicated that 51.70 % (36) of the SME entrepreneurs do not have a certificate of good standing and 34.30 % (24) have a certificate of good standing with the Ministry of Finance. Furthermore, the results indicated that 14 % of the respondents did not know whether the certificate of good standing was in place. The results of this study are in line with the study conducted by Erard (2014), who pointed out that obtaining a tax clearance certificate is the highest motivation to comply with tax laws and regulations for most SME businesses. Tax non-compliance is and has been a major problem for tax authorities all over the world. In China the majority of the SMEs do not have tax clearance certificates, while in South Africa more than 50 % of the SMEs did not have tax clearance certificates (De Mello, 2010).

Table 4.6 - Good standing certificate from the Ministry of Finance

Certificate of good standing	Number of respondents (n)	Percentage (%)
Yes	24	34.30
No	36	51.70
Don't know	10	14. 00
Total	**70**	**100**

4.5.3 Type of Tax Registered by the Ministry of Finance

The findings showed that all the SMEs responded for this study are registered for income tax while 3 out of 70 SMEs are registered for VAT. The results also indicated that 47 of 70 of the SMEs were registered for employee tax and 9 out of 70 of the SME are registered for VAT import. The findings indicated that 7 out of 70, 3 out of 70, 5 out of 70 and 3 out of 70 of the SMEs are registered for transfer duty tax, provisional tax, stamp duty and withholding tax respectively.

A study carried out in Brazil and Jordan communicated similar results with this study, where more than 80 % were registered for income tax followed by value added tax. However, the results of this study differ with the results obtained in South Africa by Damayanti, (2015) who overwhelmingly indicated that 60.9% and 40.7% of SMEs were registered for employee tax and VAT.

Table 4.7 - Type of Tax Registered by the Ministry of Finance

Type of tax	Number of respondents (n)	Percentage (%)
Income tax	70	100
Employees tax	47	67.1
Transfer duty tax	7	10
VAT import	9	12.9
VAT	3	4.2
Stamp duty	5	7.1
Provisional tax	3	4.2
Withholding tax	4	5.7

4.5.4 Business Operations

The results revealed that 68 out of 70 (97.1%) SMEs are still operating while 2 out of 70 (2.9%) are no longer operating. According to Bătrâncea (2012), he indicated that SMEs have one subisidiary and they tend to be territorial. This implies that the city in which they started, tend to expand in the other city with establishing other branches. A study conducted in Australia, the results revealed inconsistency with the results of this study, which showed that 55 % of the SMEs had branches in other cities (Appah, 2016). However these results concurred with the outcome obtained in Ghana, which revealed that 80 % of the SMEs in Accra of Ghana have only one branch (Appah, 2016).

Table 4.8 - Business Operations

	Number of respondents (n)	Percentage (%)
Yes	68	97.1
No	2	2.9
Total	**70**	**100**

4.5.5 Submission of Tax returns for the last three years

The findings of this study showed that 90 % (63) had not submitted tax returns for the last three years and 7.2 % (5). It was also furthermore established that 2.8% (2) do not know whether they submitted tax returns for the last three years. The results showed that it was difficult to comply with income tax for three consecutive years.

Table 4.9 - Submission of tax returns for the last three years

Submission of tax returns	Number of respondents (n)	Percentage (%)
Yes	5	7.2
No	63	90
Do not know	2	2.8
Total	70	100

4.5.6 Submission of Tax returns on time

The results of this study revealed that 17% of the SMEs submitted their tax returns on time while 83 % of the SMEs do not submit their tax returns on time. The results show that majority of the SMEs do not comply with tax regulations in Namibia. The results from the interviews revealed that 40% were submitting tax returns while 60% were not, and 75% were paying tax while 35% were not paying tax on time.

Table 4. 10 - Submission of Tax returns on time

	Number of respondents	Percentage
Yes	12	17
No	58	83
Total	**70**	**100**

4.5.7 Reasons for late submission of Tax returns

From the results obtained of this study showed that 25% of the SMEs do not submit tax returns on time because of difficulty in completing the tax return. Only 8% of the respondents alluded that they failed to submit tax returns on time because of insufficient funds. The findings also revealed that 43% of the SMEs failed to submit tax returns on time while 16% failed to collect the tax return on time.

Table 4.11 - Reasons for late submission of Tax return

	Number of respondents (n)	Percentage (%)
Difficult in completing the form	3	25%
Insufficient funds	1	8%
Too busy and forgetful to submit	5	43%
Failure to resubmit after the MOF lost the forms	1	8%
Failure to collect forms on time	2	16%
Total	**12**	**100**

4.5.8 Contracts or Tenders received per annum

The results in the table below revealed that 62.8 % (44) of the SMEs did not get any contract or tenders on average per annum, while 25.7 % (18) got 1 to 3 contracts or tenders. Furthermore, 8.6 % of the respondents got tenders or contract between 4 to 6 per annum and only 2. 9 % of the respondents got more than 7 contracts or tenders awarded to successful winning SMEs who competed for the business. The results of this study are supported by the report of Ngatjizeko (2016), which informed that lack of skills by entrepreneurs such as those pertaining to management, accounting and creativity, is in tandem with limited personal commitment among entrepreneurs, which can lead to poor business proposals and a lack of viable projects. This leads to SMEs failing to win tenders due to insufficient skills for completing tender applications.

Table 4. 12 - Contracts or Tenders received per annum

Number of tenders or contracts	Number of Respondents	Percent (%)
None	44	62.8
1 -2	6	8.6
3-4	18	25.7
7 +	2	2.9
Total	**70**	**100**

4.5.9 Major challenges affect compliance to Income Tax

The study revealed that 93% of the respondents have pointed out that tax non-compliance is affected by higher taxes, while 76% of the respondents agreed that lack of knowledge and lack of understanding of tax law are some of the challenges that affect non-compliance to income tax. The results further revealed that 73% of respondents indicated that income tax non-compliance is affected by higher cost to prepare tax return, while 66% stated that SMEs generate insufficient income which affect non-compliance to income tax negatively.

From the results gathered from the key informants' interviews, the participants firmly indicated that SMEs do not have time to leave their business to follow up tax issues. Furthermore, the results indicated that lack of knowledge about tax could be a main challenge by some business people and the administration fee and cost charged by a bookkeeper and accounting firms has become so high. The following sentiments were made during the interviews:

"It is assumed that there is unwillingness to contribute to the revenue, not having time to leave their business". Participant 4

"lack of knowledge about tax could be a main challenge by some business people, the administration fee and cost charged by bookkeeper as well as accounting firms has become so high". Participant 5

The outcome of this study is in agreement with the study conducted by Briscoe (2010), who found that lower tax knowledge is leading to tax non-compliance. In addition, the findings of this study are also in line with the study by Fischer (2012), which stated that the taxpayers with greater tax knowledge would comply with the tax law more efficiently compared to those with lower levels of tax knowledge. It can be concluded that a higher level of education exposed taxpayers more to tax matters and made them more knowledgeable about tax system in their countries.

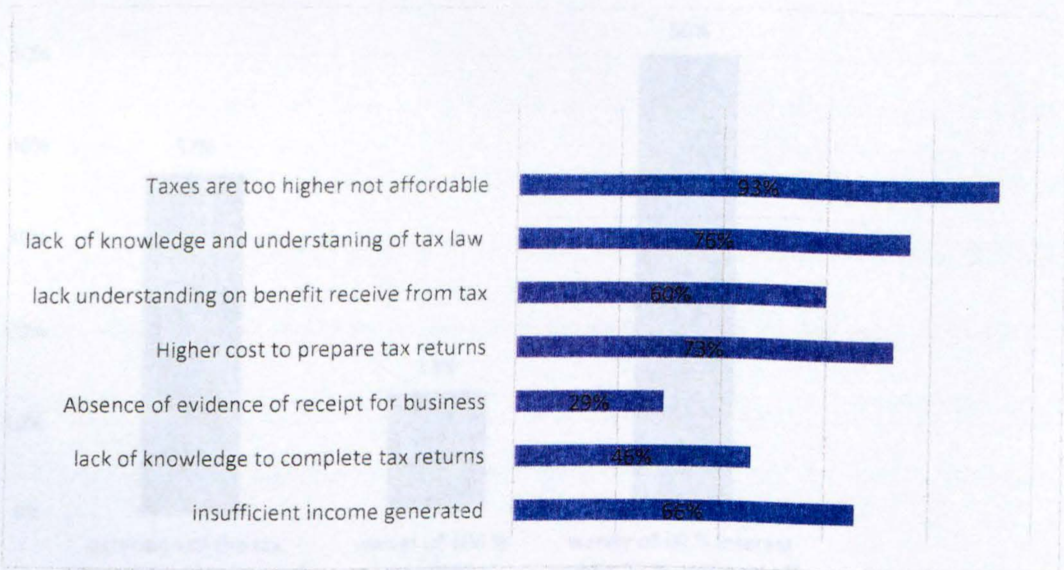

Figure 4.3 - Major challenges affect compliance to income tax

4.5.10 Benefits of Tax Incentives

From the findings of the questionnaire, it has been gathered that 37% of the SMEs benefited from the extension of the tax return submission period, while 13% of the

SMEs benefited from a waiver of 100% penalties as well as 50% of the SMEs benefited from a waiver of 80% interest when 20% was paid off. Making taxpayers pay higher fines for evading taxes has the effect of deterring them from future evasion. Rewards could be more effective than punishments for eliminating undesired behaviour or for motivating acceptable behaviour. The findings from the key informants' interview confirmed that, SMEs that have late payment end up arranging with the Receiver of Revenue for settling outstanding payments.

"The businesses are benefiting by obtaining Good standing Certificate upon request once their tax account with the Receiver of revenue is not in arrear, then they benefit by operating smoothly to win business tender with whoever is looking for the service".

Participant 1

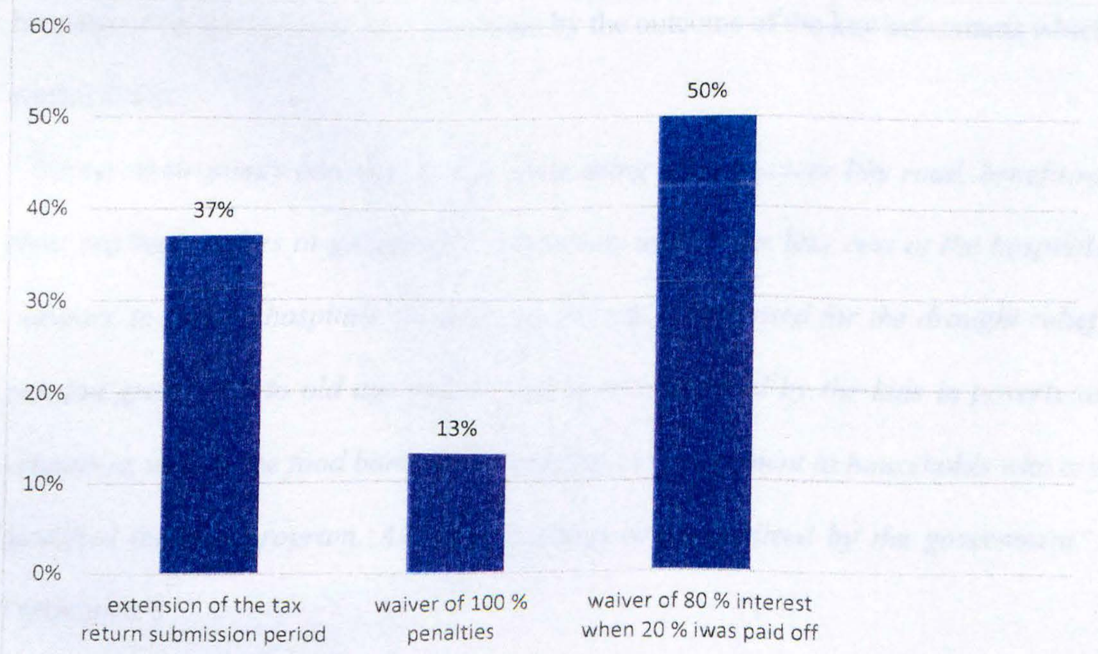

Figure 4. 4 - Benefits of tax incentives

4.6 Understanding of Tax Rules

4.6.1 Benefits of paying Tax

The study indicated that the majority of the respondents are aware of the benefits of paying tax. About 67 out of 70, 70 out of 70 and 70 out of 70 indicated that tax can be used to provide for electricity, water and education respectively. Furthermore, the results revealed that 63 out 70 and 55 out 70 of the SMEs know that taxes are used for the provision of health care and provision of infrastructure. The findings from the interviews showed that SMEs whose account are not in arrear are provided with the Good Standing certificate by Receiver of Revenue for tendering purpose. Additionally, some of the benefits of paying tax noted by the MoF officials was utilized in the development and use of infrastructure like roads, benefiting from paying less fees at government schools as well as the lower cost at the hospitals compared to private hospitals. The above results are supported by the outcome of the key informants which narrated that:

"They or their family can also benefit from using infrastructure like road, benefiting from paying less fees at government schools as well as the less cost at the hospitals compare to private hospitals. In addition, the tax is also used for the draught relief, pension grant paid to old age people and money received by the kids in poverty at schools as well as the food bank distributed by the government to households who are qualified for that program. All these services are subsidized by the government". Participant 1

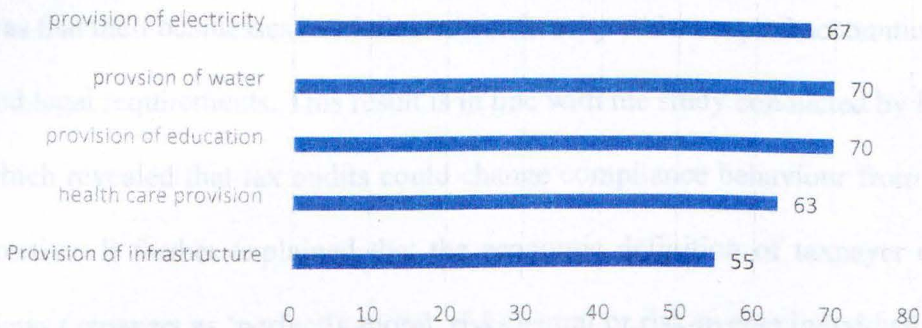

Figure 4. 5 - Benefits of paying tax

4.6.2 SME that has been Audited

The study showed that 14 % of the SMEs have been audited before, but 79 % confirmed that their business has never been audited. Seven percent of the SMEs confirmed that they don't know whether their firms had been audited. The outcome of this study reflected that 79% of SMEs are not audited. This might be due to the fact that they might have been avoiding paying tax as their business grows. These outcomes are supported by the Fischer model of tax compliance Leung (2009), which indicated that non-compliance opportunity affects taxpayers' compliance directly through income levels.

Table 4. 13 - SMEs that had been Audited

Audit	Number of respondents (n)	Percent (%)
Yes	10	14
No	55	79
Do not know	5	7
Total	70	100

4.6.3 Outcome of the Audit

The results presented below revealed that 20 % of audited SMEs had qualified audit outcome, while 20 % of the results had undecided audit outcome. The results further confirmed that 60 % revealed that the audit outcome was unqualified. The result displayed that 60% of the SMEs audited received an audit opinion and the assumptions was that their businesses has followed conformity with accepted accounting principles and legal requirements. This result is in line with the study conducted by Frey (2012), which revealed that tax audits could change compliance behaviour from negative to positive. It further explained that the economic definition of taxpayer compliance, views taxpayers as 'perfectly moral, risk-neutral or risk-averse individuals' who seek to maximise their utility, and chose to evade tax whenever the expected gain exceeded the cost.

Table 4. 14 - Outcome of the audit

Variable	**Number of respondents (n)**	**Percentage (%)**
Unqualified	6	60
Qualified	2	20
Undecided	2	20
Total	**10**	**100**

4.6.4 Conditions of penalties

The findings of this study showed that 65 out of 70 SMEs received a penalty for late payments and none of them have received a penalty for over reporting income. The study further indicated that 55 out of 70 SMEs were fined for under reporting income while 62 out 70 were fined for non-submission of tax returns while 20 were fined for not filling a tax return. When taxpayers are made to pay higher fines for evading taxes, it has the effect of deterring them from future evasion. The outcome from the interview of key informants has supported the results of this study that, "*For the late payment, tax payers end up being making arrangement with the Receiver of Revenue for settling outstanding tax*". Participant 4

Empirically, the deterrent effect of fines could not always be supported. The observed effects were weaker than expected as stated by (Gahramanov, 2009) who specified that an increase of penalties can have undesirable effects and result in more tax avoidance.

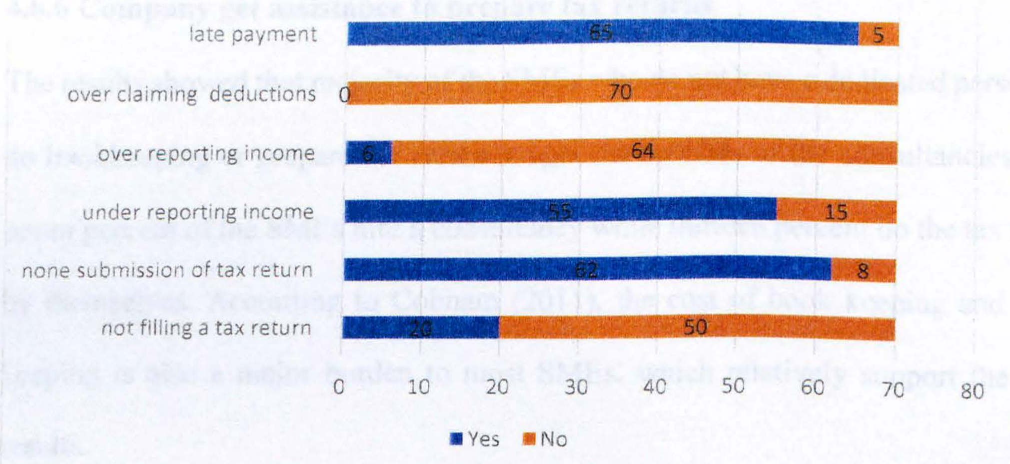

Figure 4. 6 – Reasons for penalty

4.6.5 Dedicated person who prepares tax returns

The findings of this study indicated that the 78.5 % of the SME have no persons who is dedicated to prepare tax returns while only 21.5%of the SMEs have dedicated person who can prepares tax returns. Because of the perceived technical nature of return filing, most taxpayers were forced to employ professional tax consultants in most developing countries including Namibia. This result is in accordance with the study conducted by Group (2010), which explained that hiring tax professionals is an added cost to the SMEs and they therefore resort to prepare their own tax returns, even though they may not be well versed with taxation and the concept of filing returns.

Table 4. 15 - Dedicated person who prepares tax returns

Response	Number of respondents (n)	Percentage (%)
Yes	15	21.5
No	55	78.5
Total	**70**	**100**

4.6.6 Company get assistance to prepare tax returns

The results showed that majority of the SMEs who do not have a dedicated person who do bookkeeping or prepare tax return sought the services of the consultancies. Eight seven percent of the SMEs hire a consultancy while thirteen percent do the tax returns by themselves. According to Cobham (2011), the cost of book keeping and record keeping is also a major burden to most SMEs, which relatively support the above results.

Table 4. 16 - Company gets assistance in preparing tax returns

Variable	Number of respondents (n)	Percentage (%)
Consultancy	48	87
Self	7	13
Total	55	100

4.6.7 Training participated by SMEs

The results obtained from the questionnaire showed that 22.85% of the SMEs have participated in tax registration training, 10 % participated in substituting tax return training, 38.57 % participated in payment of income training and 37.14 % participated in completing tax return training. The results furthermore revealed that 12.85 % had a training for payment of other taxes training and 7.14% of the SMEs have not participated in any training. The results gathered from the interviews indicated that the majority of the participants agree that Taxpayer education plays a positive role in enhancing tax compliance.

The outcome of the key informants' interview from Receiver of Revenue also supported the results of this study which reiterated the same sentiment as follow:

"The updates about registered SMEs is only provided to the taxpayers upon enquiring with the front office at the Receiver of Receiver. It was acknowledged that there is no tax information provided to tax payers from registration onset at the registrar of companies therefore, compliance becomes an issue. It is noticed that the two systems for Receiver of Revenue and BIPA need to be linked in order to improve the process. There is an on-going discussion between the Receiver of Revenue and Registrar of companies' office, about tax payer's education from the beginning once registered".

Participant 3

It is also noticed that there is no sufficient tax information provided to tax payers from registration onset therefore, compliance becomes an issue.

The result of this study is in line with the study conducted by Dayamanti (2015), which informed that tax payer education is one of the powerful tools of enhancing compliance. In addition, he specified that knowledge is passed to taxpayers exhaustively and this enhances future compliance and through this knowledge, the taxpayer is able to know the various rights and obligations accruing from services offered by the Ministry of Finance. These results are correlated with the outcome of the key informants from the Receiver of Revenue that highlighted that:

"The Receiver of revenue also informs tax payers via telephone SMS notification about submitting tax return, paying outstanding tax before the due date. Tax information can also be provided upon special request by employer for a group of employees".

Participant 4

Table 4. 17 - Training participated by SMEs

Trainings participated	Number of respondents (n)	Percentage (%)
Tax registration	16	22.85
Substituting tax return	7	10
Payment of income	27	38.57
Completing tax return	26	37.14
Payment of other taxes	9	12.85
None of the above	5	7.14
Total	**70**	**100**

4.6.8 Perception on tax charged on income

The findings of this study showed that SMEs strongly disagreed (17.14 %) that income tax is high and 4.28 % of the respondents strongly agreed that income tax is fair and reasonable. Only 18.57 % of the respondents fairly believe that income tax is fairly and reasonably charged. The results further revealed that 45.71 % of the respondents disagree that income tax is fairly and reasonably charged, and 18. 57 % agree that income tax is fairly and reasonable charged.

The results of this study are supported by Erard (2014), who informed that one of the canons of a good tax system is equality. This is viewed along with two dimensions: horizontal equity (people with the same income or wealth brackets should pay the same amount of taxes) and vertical equity (taxes paid increase with the amount of the tax base). Fauvelle-Aymar (2011), noted that the driving principle behind vertical equity is the notion that those who are more able to pay taxes should contribute more than those who are not. If people perceive that tax is high, they will have a notion that tax should not be paid which ultimately leads to non-compliance.

Table 4. 18 - Perception on tax charged on income

	Number of respondents (n)	Percentage (%)
Strongly agree	3	4.28
Agree	10	14.28
Fair	13	18.57
Disagree	32	45.71
Strongly disagree	12	17.14
Total	70	100

4.7 Cultural factors that affect tax compliance

The findings of this study discovered that (17.1%) of the respondents agree that the business is accountable for their liability and 31.4 % of the SMEs have a fair view that the business is accountable for its liability. In the same vein results of the study showed that 17.1 % strongly disagreed that business return is submitted on yearly basis. 34.1 % of the SMEs have a disagreed that business records are documented timely. 69.1 % of the SMEs disagreed that SMEs have adopted a culture of paying tax. Lastly, the results indicated that 28.6 % of SMEs disagreed that the business records are made on a working daily basis.

The results gathered from the key informants' interview showed that all the participants concurred that the Receiver of Revenue raise awareness on a yearly basis, to the general public regarding the compliance with income tax regulations. The findings of this study indicated that the Receiver of Revenue should carry out public awareness campaigns as well as take advantage of the trade fairs. From the tax administration viewpoint, the results concurred with the study conducted by De Mello (2010), who specified that compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply. These results are also in agreement with the study conducted by Cobham (2011), who alluded that knowledge about tax law is assumed to be important for preferences and attitudes towards taxation.

Table 4. 19 - Cultural factors that affect tax compliance

	Strongly agree	Agree	Fair	Disagree	Strongly agree
paying tax is becoming our culture	4 5.7 %	4 5.7%	5 7.1%	44 62.9%	13 18.5%
The business records are made on a working daily basis	4 5.7%	12 17.1%	22 31.4 %	20 28.6%	12 17.1%
The business records are documented in a timely manner and accurately	4 5.7 %	18 25.7%	12 17.1%	24 34.2%	12 17.1%
The business records can be accessed by revenue authority when requested	4 5.7 %	12 17.1%	22 31.4 %	20 28.6%	12 17.1%
The business return is submitted on a yearly basis	4 5.7 %	12 17.1%	22 31.4 %	20 28.6%	12 17.1%
The business is accountable for its liability	4 5.7 %	12 17.1%	22 31.4 %	20 28.6%	12 17.1%

4.8 Tax morale on tax compliance

The results of this study showed that majority of the SMEs are aware of tax morale around income tax compliance. The findings of this study revealed that (60%) of the respondents agree that the company can avoid paying tax if got a chance to do it. In the same vein results of the study showed that 60 % agree that the company can avoid paying tax if got a chance to do it. 57.1 % of the SMEs have disagreed that companies do not comply with taxes payment, a company cannot be blamed for doing it. Forty eight percent of the SMEs disagreed that SMEs have adopted a culture of paying tax. The outcome from the key informants' interview showed that ITAS is assisting SMEs to access tax information online, as well as doing online self-registration on the portal, submitting tax returns on-line and self-assessment and viewing the status of their tax account.

All the participants confirmed that ITAS has improved communication and reduced work load with registered tax payers. Results of this study indicated that Ministry of Finance does not rely on ITAS but it also offers person to person services to tax payers. According to Bitzenis (2013), when a taxpayer feels that there is unfairness in a tax system, the voluntary tax compliance becomes replaced with intentional tax evasion. As a behaviour problem, tax compliance depends on the cooperation of the public. This is in accordance with Dayamanti (2015), who stated that greater gains are achieved in assisting compliant taxpayers to meet their fiscal obligations rather than spending more resources pursuing the minority of non-compliers.

Table 4. 20 - Tax morale on tax compliance

Tax morals	Strongly agree	Agree	Fair	Disagree	Strongly disagree
It is wrong if a company does not report all of its income generated to pay less income	13 18.6 %	42 60%	6 8.6%	6 8.6%	3 4.2%
while most of the companies do not comply with taxes payment, a company cannot be blamed for doing it	7 10%	40 57.1%	11 15.7%	8 11.4%	4 5.7%
The company can avoid paying tax if got a chance to do it	7 10%	42 60%	11 15.7%	6 8.6%	4 5.7%
the company is aware of the services the state provides from the imposed taxes	8 11.4%	39 55.7%	11 15.7%	8 11.4%	4 5.7%

4.9 Analysis of factors influencing tax non-compliance

4.9.1 Logistic Regression and Chi-square

This section presents results from the bivariate analysis which examined the relationship between tax non-compliance and variables of interest using a Chi-squared test. It also further present results from a binary logistic regression analysis which was performed to examine the extent of influence of each independent variable on income tax non-compliance. Logistic regression is the statistical technique used to predict the relationship between predictors (our independent variables) and a predicted variable (the dependent variable).

4.9.2 Tax non-compliance by background characteristics

The Cross tabulations were run to determine whether the SMEs have ever failed to submit tax evaluation returns on time. This relationship of variables was tested using a Chi-square at 5% level of significance. Other variables like company registration status, status of benefiting on tax incentive, educational level, company status of audit, status of tax registration, number of tenders or contracts awarded, types of business registration and years of business experience tested did not show significant relationship with income tax non-compliance. The results showed that the business form, companies' years of experience and contracts awarded significantly influence income tax non-compliance. Specifically, majority of SMEs which fail to submit tax returns on time are close corporations. Only 57.1% sole traders did not submit their tax returns. This is in contrary with a study conducted by Heneghan (2017), who indicated that the sole traders are non-compliant with income tax laws. He further elaborated that, sole traders lack proper internal control, better accounting systems and greater tax knowledge as compared to private limited companies.

This might be influenced by the fact that most of the businesses are managed in a one-man business show form. The results also show that SMEs which fail to submit tax on time had been awarded only one tender. The results moreover indicated that of those who did not submit their tax returns on time majority had been in business for five years or more. The findings of this study concurred with the results of the study conducted by Fauvelle Aymar (2011), which revealed that 64% of the SMEs with more than 10 years old were more likely not to comply with income tax laws.

Table 4. 21 - Tax non-compliance by background characteristics

Characteristics	Percentage	Chi-square value (p-value)
Tenders per annum		18.44 (p=0.000)
None	97.7	
At least one	57.2	
Business Form		
Sole	57.1	8.218 (p=0.016)
CC	89.8	
Others	85.7	
Years of business experience		
0-4	77.8	11.356 (p=0.023)
5-14	91.2	
15+	72.2	

4.9.3 Binary logistic regression analysis

A binary logistic regression analysis was then performed to examine the extent of influence of each independent variable on tax non-compliance. Logistic regression is the statistical technique used to predict the relationship between predictors (our independent variables) and a predicted variable (the dependent variable) where the dependent variable is binary. A p-value of 0.05 or less was considered to be statistically significant.

Similar to the bivariate analysis, years of business experience, tenders awarded and business form were found to have significant influence on tax non-compliance. In this study income tax non-compliance was the dependant variable while years of business experience, tenders awarded and business form were independent variables. The results indicate that businesses that had been operating for 10 or more years were more likely not to submit tax on time compared to those with less than 10 years' experience (OR=11.577). There is evidence from this study that SMEs awarded more tenders and contracts were non-compliant with income tax. The results were supported by the sentiments made by Gahramanov (2009), which indicated that SMEs awarded with tenders and contracts, adopted ways and means of tax avoidance and tax evasion strategies. Such strategies include under-reporting of their taxable income and manipulation of their accounting reports. The above results are backed up by the study conducted by Erard (2014), which specified that SMEs that have been operated for longer periods of time find it difficult to comply with income tax due to high cost which hinders their growth and survival.

In addition, SMEs that have been awarded at least one contract in a year are 78.5 times more likely not to submit tax on time than those who are not awarded a contract. It is assumed that less income generated by business can lead to non-compliance to submit income tax returns because SMEs may think it is not relevant to declare to the Receiver of Revenue. Furthermore, sole trader enterprises are more likely not to submit their tax evaluation on time (OR=12.8), while CC are more likely not to comply with tax laws (OR=0.362).

The results of this study are in line with those of the study done by Devos (2014), which revealed that closed corporations and private limited companies have access to resources and adequate expertise to comply with diverse and complicated income tax regulations as compared to sole-traders. On the other hand, this result differs with the findings made by De Mello (2010), who discovered that sole traders comply with income than other taxes such as value added tax or Pay As You Earn.

Table 4. 22 - Binary logistic regression analysis

Characteristics	**Estimated coefficient**	**p-value**	**Odds ratio (OR)**
Constant	-5.10		
Years of Business experience			
0-9 years	-		1.000
10+ years	2.45	0.042	11.577
Tenders awarded per annum			
None	-		1.000
At least one	4.36	0.001	78.511
Business Form			
Others	-		1.000
CC	-1.02	0.478	0.362
Sole	2.55	0.128	12.835

4.10 Summary

The aim of the analysis was to establish the factors that influence non-compliance with income tax regulations. This chapter presented the results and discussions of this study starting with a summary of the survey, response rates and respondents' background. The main finding from the analysis of factors has indicated that 41.7% of SMEs did not submit tax returns on time had at least 15 years of experience. Furthermore, the results revealed that SMEs that have been awarded at least one contract in a year are 78.5 times more likely not to submit tax returns on time than those who are not awarded a contract or tender. The results further indicated that businesses that had been operating for 10 or more years were more likely not to submit tax on time compared to those with less than 10 years' experience which eventually contributed to tax evasion and tax avoidance. The findings of this study also revealed that the availability of tax information and tax non-compliance is still a long way to be achieved by SMEs in Windhoek.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the research findings are summarised, then conclusions and recommendations of the study are drawn. The research gaps are also identified for future studies as the study aimed at determining factors influencing tax compliance among SMEs in Windhoek.

5.2 Main findings

The conclusions of the study revealed that tax non-compliance of SMEs was influenced by business form, years of experience of an SME and contracts or tenders awarded. The study concluded that the business form, years of experience a company has, as well as contracts or tenders awarded significantly influence tax non-compliance. In addition, the study concluded that SMEs with many years of operation and those registered as sole traders contributed to tax non-compliance in Windhoek. The study also led to the conclusion that the tax payer's tax morale influenced the taxpayer's poor compliance. Most SMEs were found not to comply with income tax as most of them do not believe in the tax system and viewed income tax is higher; thus, it greatly affects their businesses. Income tax is considered burdensome as the process of complying is viewed as unnecessarily time consuming and is costly as most businesses do not employ accountants, therefore, owners depend heavily on consultants who charge high fees.

Based on the findings, this study concluded that when it comes to income tax non-compliance of SMEs, high tax rates are the primary challenge of entrepreneurs. The study reached a conclusion that lack of knowledge and lack of understanding of tax law is one of the challenges that affect compliance to income tax and higher cost to prepare tax returns.

5.3 Implications of the results

The government is not able to collect the required taxes from the targeted tax payers. From the SME point of view, tax evasion is driven generally by a perception that the tax burden is too high. This poses a number of problems to tax systems, raising difficult questions over how tax policies and tax administration may influence tax compliance incentives and behaviour. The compliance tax burden on the SME sector may be high relative to that of large companies (higher unit cost in relation to turnover). Furthermore, the cost of complying with a given set of tax rules and regulations is generally high.

This study focused on how social, cultural and personal factors influence tax non-compliance. It is anticipated that the results of this study will provide concepts and grounds on which to develop a framework. The knowledge accruing from this study could benefit the Government of Namibia and its revenue collection body the Receiver of Revenue in its efforts to design suitable tax policies for SMEs. This study has provided concepts which should help to develop a framework to explore tax compliance behaviour among SMEs. It has explored the underlying factors that promote tax compliance. The research is useful to the business community and organisations' management teams for purpose of understanding the tax non-compliance environmental factors and how the conditions can be improved or dealt with.

5.4 Recommendations

The study finds strong support for the argument that tax compliance costs highly impact the levels of tax non-compliance. For this reason, policy developers should endeavour to make the process of complying with tax requirements less complex and less costly. Tax systems should be aimed at reducing the costs associated with complying with the tax laws so that more SMEs will be motivated to comply. In addition, when taxpayers spend little or no income to be able to comply, they will be motivated to comply with the tax laws.

The MoF Receiver of Revenue should consider lowering the tax rates to enhance revenue collection. Lower tax rates make it less attractive not to evade taxes as opposed to high tax rates. High penalty rates will increase compliance but only marginally. The penalty rates should be kept at an optimum level to discourage taxpayers from defaulting. the Receiver of Revenue should also consider uniform penalty rates for all tax heads.

There is need to continuously train technical staff to keep abreast with the tax law and any other changes therein. This way, the officers will impart proper and correct advice to taxpayers during the time of audits. Customer care lessons should form an integral part of this training. Recruitment of new taxpayers by the authority should be intensified and enhanced. This would broaden the tax base and reduce pressure on the complying taxpayers.

To enhance tax compliance, there is need to intensify taxpayer education in terms of increasing the number of sessions and broadening coverage to include tax consultants. This would enlighten the taxpayers on existing tax law and any other tax liability. This would also provide a forum for taxpayers to air their complaints and or compliments.

5.5 Recommendations for future studies

In future, researchers should consider using a qualitative approach to determine the factors that account for the tax non-compliance of SMEs in Namibia. A study can also be carried out to determine the behaviour of the small taxpaying units in Namibia since they seem to have some unique characteristics.

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Appendices

Appendix 1: Questionnaire

TITLE OF THE STUDY: AN INVESTIGATION OF FACTORS INFLUENCING NON-COMPLIANCE OF INCOME TAX BY SMALL AND MEDIUM ENTERPRISES IN WINDHOEK

I, Theolida Hamunyela, pursuing a Master of Business Administration at the University of Namibia (UNAM), student number 200100807, is currently working on my research project for study purposes entitled "Factors Influencing Non-Compliance to income tax in Windhoek, Namibia. This study was approved by the UNAM research committee.

I am conducting the above-mentioned study and would like to request your participation by answering a questionnaire. This will enable me to gather the necessary information to response to my research question. Once again, this study is conducted for the purpose of fulfilling my study requirements. Participation is voluntary. You can withdraw from participating at any point during this process. Your information will be kept confidential. The findings of this study will be anonymous.

For additional information or questions about this study, please call Dr. Greenfield Mwakipesile, Head of Research, Namibia Business School, University of Namibia at 061 – 413 501

Thank you

____

Theolida Hamunyela

The purpose of this study was explained to me and I agree to participate in this study

Signature: ____________________

Date: _________________________

Witness Sign: ________________

Part I: Demographic Information

1.1 A Sex of respondent. Tick appropriate box

Gender	Tick Applicable
Male	
Female	

1.2 Age group of respondents. Please tick by marking on appropriate box

Age groups	Tick Applicable
< 20	
20 – 24	
25 – 29	
30 – 34	
35 – 39	
40 – 44	
45 – 49	
50 +	

1.3 Education Level

Indicate highest education attained	Tick Applicable
1.3.1 No education / Qualification	
1.3.2 Grade 10	
1.3.3 Grade 12 and/or Certificate	
1.3.4 Diploma	

1.3.5 Honours /Bachelor Degree	
1.3.6 Master Degree	
1.3.7 PH Degree	

1.4 Years of Work Experience

	Tick 1
0 – 4	
5 – 9	
10 – 14	
15 – 19	
20+	

1.5 Position of the respondent

	Tick applicable
Owner	
Representative	

Part II: Business and work information

2.1 Type of business involved (tick all that apply)

	Tick
2.1.1 Construction	
2.1.2 Catering	
2.1.3 Transport	
2.1.4 Auto Mechanics	
2.1.5 Crafts	
2.1.6 Others	
2.1.7 Specify	

2.2 Number of employees. Tick on appropriate box.

	Tick
1 to 10	
11 to 30	
31 to 100	

2.3 Indicate form of Business registration

	Tick
2.3.1 Sole Proprietor	
2.3.2 Partnership	
2.2.3 Close Corporation	
2.3.4 Other, Specify	

2.4 Do you have other branches in the regions

	Tick
Yes	
No	
No idea	

Part III: Socio-economic factors

3.1 Does the company have registered with Ministry of Finance?

Yes	
No	
No idea	

3.2 Does the company have good standing certificate from Ministry of Finance?

Yes	
No	
No idea	

3.3 What type of tax has your company registered for?

	Tick all that apply
3.3.1 Income Tax	
3.3.2 Employees Tax	
3.3.3 Transfer Duty Tax	
3.3.4 VAT	
3.3.5 VAT Import	
3.3.6 Stamp Duty	
3.3.7 Provisional Tax	
3.3.8 Withholding	
3.3.9 No idea	

3.4 Is the business still operating?

	Tick
Yes	
No	
No idea	

3.5 In the past three years, have you been submitting a tax return for your company every year?

	Tick
Yes	
No	
No idea	

3.6 Is there a year that your company did not submit a tax return on time?

	Tick
Yes	
No	
No idea	

3.7 If yes, what was the reason for submitting the tax return late?

____

____

____

____

3.8 How many contracts / tenders does your company receive per annum?

	Tick
None	
1 - 2	
3 - 4	
4 - 5	
>5	
No idea	

3.9 What are the major challenges that cause your company not submitting tax return?

	Tick all that apply
3.9.1 Insufficient income generated	
3.9.2 Lack of knowledge in completing the tax return	
3.9.3 Absence of evidence of receipts for business	
3.9.4 Higher cost to prepare tax returns	
3.9.5 Lack of understanding on benefit received from income tax	
3.9.6 Lack of knowledge and understanding of tax law	
3.9.7 Taxes are too higher not affordable	

3.10 Has your company benefitted on any of the following tax incentives?

	Tick
3.10.1 Extension of tax return submission period	
3.10.2 Waiver of 100% penalties	
3.10.3 Waiver of 80% interest when 20% is paid off	
3.10.4 Others, specify	

Part IV: Understanding of Tax rules

4.1 In your opinion, what are the benefits of paying tax?

	Tick
4.1.1 Provision of infrastructure	
4.1.2 Health Care provision	
4.1.3 Provision of Education	
4.1.4 Provision of water	
4.1.5 Provision of Electricity	
4.1.6 Other (specify)	

4.2 Has your company ever been audited?

	Tick
Yes	
No	
No idea	

4.3 If Yes, what was the outcome of the audit?

	Tick applicable
4.3.1 Unqualified	
4.3.2 Qualified	
4.3.3 Undecided	
4.3.4 No idea	

4.4 Has your company being penalised due to the following conditions?

Conditions	Yes	No
4.4.1 Not filling a tax return		
4.1.2 None submission of tax return (s)		
4.1.3 Under reporting income		
4.1.4 Over reporting income		
4.1.5 Over claiming deductions		
4.1.6 Late tax payment		

4.5 Is there a dedicated person who prepares the company tax return?

	Tick
Yes	
No	

4.6 If no, where does the company get assistance to prepare the tax return?

____

Part V: Cultural factor

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
5.1 Paying tax is becoming our culture					
5.2 The business records are made on a working daily basis					
5.3 The business records are documented in a timely manner and accurately					
5.4 The business records can be accessed by revenue authority when requested.					
5.5 The business return is submitted on a yearly basis					
5.6 The business is accountable for its liability.					

Part VI: Tax Education

6.1 Has any one in your company been trained on:

	Tick
6.1(a)Tax registration	
6.1(b) Submitting tax return	
6.1(c) Payment of income tax	
6.1(d) Completing Tax return	
6.1(e) Payment of other taxes	
6.1(f) None of the above	

6.2 The tax charged on income generated is fair and reasonable?

	Tick
6.2(a) Strongly Agree	
6.2(b) Agree	
6.2(c) Somewhat Agree	
6.2(d) Disagree	
6.2(e) Strongly Disagree	

Part VII: Tax morale

	Strongly Agree	**Agree**	**Somewhat Agree**	**Disagree**	**Strongly disagree**
7.1 It is wrong if a company does not report all of its income generated to pay less income tax.					
7.2 While most of the companies do not comply with taxes payment, a company cannot be blamed for doing it					
7.3 The company can avoid paying tax if got a chance to do it					
7.4 The company is aware of the services the state provides from the imposed taxes.					

Appendix 2: Interview Guide

An investigation of Factors influencing Non-compliance of Income Tax by Small and Medium Enterprises in Windhoek, Namibia

Questions for the Receiver of Revenue key informers – group interview

1. a) How many SMEs are registered currently with the Ministry of Finance, Directorate of Receiver of Revenue?

   b) In your opinion, do you think all SMEs have registered with the Ministry of Finance, Receiver of Revenue?

   c) If not, what do you think are the hindrances or challenges that make them not to register?

2. a) How many MSMEs are in compliance with the Income tax Act (Act No.24 of 1981)?

   b) Are there some MSMEs not in compliance with Income Tax Act?

   What are the benefits of MSME to be in compliance with Income Tax Act? What are the reasons for non-compliance with the Income Tax Act?

3. To what extent does the Ministry of Finance, Receiver of Revenue liaise with the Registrar of companies, with regard to update registered MSMEs?
4. What type of information does the Ministry of Finance provide to the tax payers concerning the registration of MSMEs?
5. Does the Ministry of Finance have an awareness / training program for the registered tax payers?
6. The Ministry of Finance recently introduced ITAS. How do you foresee /anticipate this assisting SMEs?
7. How will ITAS improve compliance among MSMEs?

Appendix 3: Letter for authorisation from UNAM - NBS to conduct research in the Ministry of Finance, Receiver of Revenue.

NAMIBIA BUSINESS SCHOOL
UNIVERSITY OF NAMIBIA

19 February 2019

TO WHOM IT MAY CONCERN

Re: MBA Student – Ms Theolida Hamunyela, Student No: 200100807

As part of our MBA Programme, students are expected to submit a research report after completion of their course-work. They need to explore in detail, some concepts and issues pertaining management strategies. To do that effectively, they need to conduct interviews and obtain practical examples.

Ms Hamunyela has chosen your organization to approach for information. It is against this background that I wish to kindly request you to assist Ms Hamunyela with the information she requires. Accept our assurance that the data will be used for academic purposes only. A copy of the completed document will be available at the Namibia Business School for perusal. Her research synopsis indicates that her topic touches on *"An investigation of factors influencing non-compliance of income tax by Micro, Small and Medium Enterprises in Khomas Region, Namibia"*

Your kind assistance is highly appreciated

Yours sincerely

2019 -02- 19

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Mwakipesile. Dr
Research Co-Ordinator
Namibia Business School
University of Namibia
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Email:

8.

Appendix 4: Letter of authorisation from Ministry of Finance to conducted research in the Directorate for Receiver of Revenue.

REPUBLIC OF NAMIBIA

MINISTRY OF FINANCE

OFFICE OF THE EXECUTIVE DIRECTOR

Tel.: (00 264 61) 2099111/2928
Fax: (00 264 61) 227702
Enquiries: .... *Office of the ED.*
Our Ref.: .... Your Ref.: ....

Head Office,
Moltke Street,
Private Bag 13295,
Windhoek

24 September 2019

Ms Theolida Hamutenya
Student
UNAM
Windhoek

Dear Ms Hamutenya,

RE: Request for authorization to conduct a research in the Ministry of Finance, Receiver of Revenue

I acknowledge with appreciation, receipt of your letter dated 10 September 2019, on the above subject.

Kindly be informed that the Ministry of Finance is in support of your request, and hereby, authorises you to conduct the research study.

You are advised to act in accordance with the Ministry of Finance policies and procedures, and all information obtained remains the property of this Ministry, and should be used for study purposes only. Further, you are required to submit to this office, a copy of the final report which will enable us to work on the findings and recommendations.

Finally, I would like to wish you all the best in your studies.

Yours sincerely

25/09/2019

ERICAH B. SHAFUDAH
EXECUTIVE DIRECTOR

Cc: Commissioner: IRD

All official correspondence must be addressed to the Executive Director

Appendix 5: Language Editing Certificate

Dr.GM

The Rev. Dr. Greenfield Mwakipesile

ThD. MBA. HBS | mwakipg@outlook.com

CONTACT

PO Box 99539,
UNAM,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

10th December 2019

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF THEOLIDA HAMUNYELA's THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

This certificate serves to confirm that I copyedited and proofread THEOLIDA HAMUNYELA's Thesis for the MASTER OF BUSINESS ADMINISTRATION DEGREE entitled: AN INVESTIGATION INTO FACTORS INFLUENCING NON-COMPLIANCE WITH INCOME TAX BY MICRO, SMALL AND MEDIUM ENTERPRISES IN THE KHOMAS REGION OF NAMIBIA

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Swaziland, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile

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Dr. Greenfield Mwakipesile