

**AN INVESTIGATION INTO THE IMPACT OF TAXPAYERS
EDUCATION ON TAX-COMPLIANCE: A CASE STUDY OF SMEs IN
WINDHOEK**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
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ABSTRACT

The main objective of this study was to understand the impact of taxpayer education on tax-compliance among small and medium enterprises in Windhoek. This study employed both descriptive and analytical approaches whereby the quantitative approach which is concerned with either determining the frequency with which something occurs, or the relationship between variables was used. The questionnaire was the main instrument used to collect the primary data in this approach and the questionnaire design that was used included structured questions. Secondary data was collected from previous literature. The specific objectives included: to determine the nature and extent of the impact of taxpayer education programmes on sensitisation of tax-payers among small and medium enterprises; to evaluate the impact of the use of alternative media for tax-payer education on tax-compliance among small and medium enterprises; and to come up with appropriate strategies on taxpayers' education for better tax-compliance. The study used stratified random sampling for the selection of respondents and gathered information from various segments of the population. Data was collected through questionnaires.. Some of the findings made included: It is necessary for the taxpayer to acquire tax knowledge which will enable them to make the right compliance decisions. Tax is an important stream of revenue for government's development projects. However, taxpayer education and compliance by SMEs is poor in Namibia. Therefore, this study was conducted using SMEs in Windhoek, It was found that high tax-rates and complex filing procedures were the most crucial factors causing non-compliance of SMEs. Other factors like multiple taxation and lack of proper enlightenment affect tax-compliance among the SMEs surveyed only to a lesser extent. The government should therefore, consider increasing tax incentive.

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LIST OF ABBREVIATIONS

OECD: Organization for Economic Co-operation and Development Countries

SME: Small and Medium Enterprises

SBA: Small Business Administration

TRA: Tanzania Revenue Authority

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DEDICATION

It is with genuine gratefulness and warmest regards that I dedicate this project to God Almighty, my Creator, my Pillar and my Source of knowledge and understanding, He has been my strength throughout this program, and under His wings I have managed. I also dedicate this work to my family especially to my parents for they prayed for me and encouraged me to finish what I had started, God bless you all.

DECLARATIONS

I, Hilma Pombili Kankondi, hereby declares that this study is my own work, 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 of Higher education.

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Date

CHAPTER ONE

1. Introduction

Tax-payer education is a tool designed to enable taxpayers to understand tax laws and procedures. It involves training of special units within the revenue departments, for providing education, counselling and support to the taxpayers through different media which includes newspapers, television, radio programs, websites, seminars, and front help desks to disseminate key information to the taxpayers. The tax-payer program is needs driven and its focus, content, time, duration, delivery and medium is decided as per the requirements of the situation. Tax-payer education program is one of the strategies employed by the tax authorities to improve service delivery to the taxpayers. Improving service delivery is critical to enhance voluntary tax-compliance by tax-payers. Lack of voluntary tax-compliance compels revenue authorities to use costly and coercive methods for tax law enforcement (Kaplanoglou, Rapanos and Daskalakis, 2016).

In addition, raising more domestic revenue is a priority for most sub-Saharan African countries (Ministry of Finance Namibia 2016). Mobilizing revenue is a way for governments' to create fiscal space, provide essential public services, and reduce foreign aid and single resource dependence. However, the domestic tax bases in most African countries are undermined by widespread tax avoidance and evasion (IMF 2014). Although taxpayer non-compliance is a continual and growing global problem (McKerchar and Evans 2015), many indications suggest that developing countries, many of them in Sub-Saharan Africa, are the hardest hit (Ministry of Finance

Namibia 2016). Dealing with the problem of tax evasion requires at least some understanding of the factors underlying the individual taxpayer's decision.

The non-compliance may be unintentional, where the tax-payer is not aware of his/her tax obligations or fails to fulfil his/her tax obligations due to ignorance of tax laws and procedures or may be intentional due to the compliance attitudes in Namibia (Nghaamwa, 2011). It is expected that tax education will enable the taxpayer to understand tax laws and procedures as well as create positive tax-compliance attitude (Mukhlis, Utomo and Soesetio, 2015).

The education component is expected to deal with non-compliance practices among the Small and Medium Enterprises (SMEs) (Mukhlis, *et al.*, 2015). Generally tax authorities give special attention to SMEs, by simplification of the tax laws, procedures, associations, annual taxpayers appreciation day, and integrity enhancement among the strategies (Kaplanoglou, *et al.*, 2016; Mukhlis, *et al.*, 2015). Tax Education to the SMEs becomes necessary when the objective of raising tax revenue, under the changing environment, particularly from the official tax assessment is considered (Nghaamwa, 2011). Though achieving tax-compliance and improving revenue generation is not an easy task, this problem can be minimised through tax education.

The SMEs in Namibia are characterised by a variety of shops, bars, boutiques, food vending, transport, restaurants, tailoring, agricultural activities such as poultry farming and small-scale fishing, small-scale industries, hotels and guest houses, provision of social services such as health and educational facilities, livestock such as goats, sheep,

cattle, pigs; bars and recreational activities. In order to increase the voluntary tax-compliance among the entrepreneurs in the SME sector and at the same time maintaining the economy canon of taxation, tax education is continuously being provided to these entrepreneurs in Namibia. Other strategies such as use of the presumptive tax system, audit and enforcement are also being used. As a result there has been an increase in the revenue performance and the level of voluntary tax-compliance.

Although there has been an increase in voluntary tax-compliance in Namibia, this could also be due to other factors. This study singled out the effects of tax education on the level of voluntary tax-compliance, while holding constant other influencing factors. The knowledge gained from this study is expected to provide greater insight into the results of the program and help in decision-making on using tax education as a tool for enhancing voluntary tax-compliance, among the SMEs in Namibia. Most of the studies in the area of tax-compliance, as outlined in the empirical literature have concentrated on how to change the taxpayer behaviour towards more compliance using a mix of strategies, such as audit, deterrent measures of penalties and fines, as well as quality service delivery strategies. Only a few studies have concentrated on how tax-compliance behaviour is affected by one individual factor tax-payer education holding constant other influencing factors (Mukhlis, *et al.*, 2015). The present study focussed on the tax-payer only, holding constant other influencing factors.

1.1 Background of the problem

There is often a conflict of interest in taxation whereby taxpayers desire to minimise tax liability to maximise profit, while the government desires to maximise revenue

through enhanced tax-compliance (Mukhlis, *et al.*, 2015). A healthy tax culture can therefore, develop only when taxpayers and tax collectors discharge their mutual obligations equitably. Education of tax-payers including the SMEs thus becomes necessary, otherwise achieving tax-compliance and improving revenue generation are not easy tasks. Mukhlis, *et al.*, (2015) stated that for striking a balance between the objectives of taxpayers and tax collectors, the Internal Revenue Authority has to come up with strategies, methods and procedures with which both sides are comfortable and better compliance is achieved. On 14th June 2016 for example the Ministry of Finance released a press notification to inform taxpayers that on the 15th of June 2016, the Inland Revenue Department would carry out a national programme under the theme, “promoting a culture of tax-compliance in Namibia.

The Taxpayer Education Day in Namibia was aimed at reaching out to all current and future taxpayers across the country. The taxpayers’ services and education are key functions of Internal Revenue in order to educate taxpayers, including the small and medium enterprises (SMEs) on various tax laws, compliance procedures and related issues together with any changes that are made by the government in tax laws and related matters. Inland Revenue in Namibia conducts tax seminars, workshops and competitions periodically in all areas within the country, through different media like radio, television, magazines, mobile vans and tax clubs in secondary schools with this objective in mind.

Taxes are a central parameter defining the business climate and operate as a political accountability mechanism. One missing piece in the development of an effective tax system which promotes investment is the effective treatment of SME (Mukhlis, *et al.*,

2015). A few countries have an effective SME tax system which is integrated fully into the general taxation system and which encourages compliance. Fixing the SME tax issues is critical to fixing the business climate in general for a number of reasons. Firstly, formal and informal SMEs constitute about 80-90 percent of the workforce and contribute over 50 percent of GDP on average in developed countries. Thus, the key source of economic growth from within is the SME sector. Secondly, one foundation of SME tax design is that it is a subset of the general taxation system. So, if the SME tax system involves streamlining both policy and administration, it will require streamlining the general tax system as well. Otherwise, there is a risk of large companies breaking up into SMEs (Kaplanoglou, *et al.*, 2016).

Most large companies have their roots in small and medium enterprises, suggesting that the future large corporations are the SMEs of today that they must be nurtured to ensure growth. Thus, SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate many small investments, which would otherwise not have taken place (Mukhlis, *et al.*, 2015). Therefore, developing economies like Nigeria endeavoured to further the development of their private sector by creating an environment favourable to the growth of SMEs, strengthening the factors that lead to business success, and addressing the problems threatening the existence and advancement of small and medium enterprises (Chu, Kara and Benzing, 2008). This was so that they could adequately play the role expected of them in economic transformation. Such role includes mobilisation of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution towards poverty reduction efforts through sustainable livelihoods and enhancement in personal income,

technological development and export diversification (Faridy, 2012). Furthermore, the SMEs have the advantage of reaching the farthest corners of the country unlike the larger establishments. For this reason, an ideal tax policy needs to be adopted in order to ensure voluntary compliance, economic growth and proper utilisation of resources rather than suffocating the entrepreneurs' initiatives.

It is a well-known fact that the revenue generated from taxation of individuals and businesses is an important stream of income for government. In an economy that is struggling to remain afloat, like Namibia, it is even more important. Tax revenue is the source of funds used for development projects such as provision of infrastructure like good roads, stable power supply, stable water supply etc. All of which combine to create an enabling environment for businesses and in turn for the economy at large.

Fiscal policy is one of the main components of macroeconomic policy and its tasks have been considered in a dual context: firstly, as the core of fiscal policy, and secondly, as in consistency with the monetary policy (Faridy, 2012). In general terms, the choice of tax policy to be employed depends on the use of one or both groups of instruments: the first one being the use of special tax preferences and the other incentive to support start-up and the growth of small companies. The incentives include the lowering of corporate income tax rates, special tax exemptions and relief for small businesses.

The fundamental purpose of taxation is to raise revenue effectively, through measures that suit each country's circumstances and administrative capacity. In fulfilling the revenue function, a well-designed tax system should be efficient in minimising the

distortion impact on resource allocation, and be equitable in its impact on different groups in society (Kaplanoglou, *et al.*, 2016). It is important that the country's situation is properly analysed before employing any tax policy in order to establish a properly working tax system because many of the difficulties which the tax authorities face are the consequence of poorly conceived tax policies and lack of certainty regarding future policy changes.

1.1.2 The Namibian taxation system

The Namibian taxation system is guided by the Income Tax Act 24 of 1981 (which regulates personal and corporate taxes) and the Value Added Tax Act 10 of 2000. Tax administration is vested in the Department of Internal Revenue, Ministry of Finance of the Government of Republic of Namibia. Tax-compliance, including tax assessment and tax collection is ensured through the regional offices of the Department of Internal Revenue. Namibia has a source-based income tax regime. The Namibian tax system is therefore not concerned with where a taxpayer is resident, but rather looks at the place where the income has been earned.

1.1.3 Personal Income Tax

% on income over N\$40 000 going up to 37% on income exceeding N\$750 000. Capital Resident and non-resident (except when the non-residents are from a country that has concluded a tax treaty with Namibia) individuals are taxable in Namibia on all income (gross income, less exempt income and deductions) received or accrued from a Namibian source or deemed source that is not of a capital nature. Individuals may deduct contributions to approved pension funds, provident funds and retirement annuity funds, and premiums with respect to educational policies, subject to an

aggregate limit of NAD 40,000. No deductions are granted to individuals for medical expenses (employers liable for such expenses may deduct them, subject to certain limits). Namibia employs a self-assessment tax regime where spouses are taxed separately on their income. Tax rates in Namibia are progressive from 27 gains are not normally taxable in Namibia. The tax year runs from 1 March to 28 February.

Other taxes: Other taxes on individuals are stamp duty on various instruments, such as a transfer of shares, transfer deeds and partnership agreements, at scheduled rates. Both employers and employees are required to make social security contributions at a rate of 0.9% of the employees' basic salary income up to a maximum of N\$ 54 per month. Employers must make employees compensation contributions for employees whose pay is below a specified threshold.

Administration and compliance: Salaried individuals must file their returns by the end of June. Tax on employment income is withheld by the employer under the pay-as-you earn system and remitted on a monthly basis to the Receiver of Revenue. Individuals who derive income from business or farming activities must register as provisional taxpayers. For non-farmers, 2 provisional tax payments are due on 31 August and 28 February. Farmers must make 1 provisional tax payment on 28 February. Final tax returns must be filed by the end of September. Taxpayers who file their tax returns late or fail to file tax returns are subject to various penalties.

1.1.4 Namibia Corporate Tax

A corporation is resident if it is incorporated in Namibia. Resident and non-resident entities are subject to Namibian income tax only on taxable income arising in, or

deemed to arise from, a source within Namibia. Taxable income is calculated as gross income, less exempt income and deductions. Gross income is the total amount in cash or otherwise, received or accrued during the tax year from a source within or deemed to be within Namibia, excluding receipts or accruals of a capital nature. Certain amounts are specifically included in gross income regardless of their source or capital nature. General corporation tax rate in Namibia is 35%. Mining companies (including mining service companies), excluding those mining diamonds and petroleum, pay tax at a flat rate of 37.5%. The effective tax rate for diamond mining and diamond mining services companies is 55%. Tax rate for petroleum mining companies is 35%. Non-mining income earned by mining companies is taxed at 35%. Recoupment of mining assets is taxed at the mining tax rate. The tax rate for registered manufacturers is 18% for a 10-year period. Recoupment of manufacturing assets is taxed at the manufacturing tax rate.

Dividends received by residents are exempt from income tax, with the exception of certain Namibian building society dividends. Tax losses may be carried forward indefinitely for set off against future taxable income, provided the entity does not cease to trade. Losses may not be carried back. A foreign tax credit may be obtained only for tax paid to jurisdictions with which Namibia has concluded a tax treaty.

Some incentives are provided, such as manufacturing and export incentives and Export Processing Zones. These tax incentives are generally designed to assist manufacturers or exporters, encourage employment, bolster Namibian foreign reserves and promote Namibia as a trade centre for the region. Additionally, tax depreciation allowances are granted for the construction of buildings and the acquisition of capital equipment.

Dividends received by Namibian companies from outside Namibia are not subject to non-resident shareholders tax (NRST) upon redistribution to foreign shareholders.

Withholding tax: Dividends paid to non-residents and certain foreign held shares are subject to tax at 10%, unless the rate is reduced under an applicable tax treaty. Both residents and non-residents are taxable on Namibian interest income (subject to certain exemptions and tax treaty relief). As from 1 March 2009, Namibian registered banks and Namibian-registered unit trust management companies are required to withhold a final tax of 10% from interest accruing to an individual, trust, non-Namibian company and the estate of a deceased person., Namibian companies and entities that are normally exempt from tax (e.g. pension funds) are excluded from this requirement). Royalties paid to non-residents are subject to a withholding tax of 10.5%, unless the rate is reduced under an applicable tax treaty. Profit distributions by local branches are not subject to tax or other branch profits tax. However, tax is payable when Namibian branch profits are distributed as dividends by the non-resident head office.

Other taxes on corporations: Tax on employment income must be withheld by the employer under the pay-as-you earn system and remitted on a monthly basis to the Receiver of Revenue. Both employers and employees are required to make social security contributions at a rate of 0.9% of the employee's basic salary income up to a maximum of N\$ 54 per month. Employers must make employees compensation contributions for employees whose pay is below a specified threshold. Stamp duty is imposed on various instruments, such as the transfer of shares, transfer deeds and partnership agreements, at scheduled rates. Transfer duties are imposed on the sale of real property.

Anti-avoidance rules: Transfer pricing rules apply when transactions between related parties are not carried out on arm's length terms. The Minister of Finance has authority to predetermine a taxpayers' liability upon a determination that a transaction or scheme has not been entered into at arm's length, or otherwise has the effect of avoiding or postponing a tax liability.

Administration and compliance: Namibia tax year corresponds to a corporation financial year. There is no system of group taxation in Namibia. Taxable entities are taxed separately. Provisional tax returns are due 6 months after the beginning of a corporation financial year and at year end. Final tax returns, together with a computation of taxable income and the payment of any corporation tax owed for the relevant tax year are due within 7 months after the taxpayer year end. Reasonable extensions may be granted to submit tax returns.

1.1.5 Namibia Value Added Tax

Value Added Tax (VAT) is imposed on the supply and import of most goods and services. The standard rate of VAT is 15%, except for zero-rated goods and services such as direct exports of goods, international transport services, sales of businesses as going concerns, certain services rendered to non-resident persons and sales of some basic food items. Enterprises with turnover of N\$ 200,000 or more of taxable supplies in any 12-month period are required to register for VAT purposes. Filing of returns and payment of VAT is bimonthly. Taxpayers that file their tax returns late or fail to file are subject to various penalties.

1.2 Statement of the problem

Lower tax-compliance is a matter of serious concern in many developing countries, limiting the capacity of their governments to raise revenues. Taxes, the world over have complicated issues and many times people look for loopholes within in the system to evade their responsibility (Kaplanoglou, *et al.*, 2016). Although there are stringent laws that punish tax evaders, still people continue due to lack of sensitisation. This has an impact on country's development plans and progress. Tax-compliance is lower among SMEs as a result of several factors such as poor management and internal control practices, as many of these enterprises merely try to make ends meet. Another contributory factor to low tax-compliance among SMEs 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. Many tax-payers become defiant, de-motivated and disillusioned because of their lack of understanding of the tax obligations imposed on them. Such notions strike at the roots of a healthy tax culture. The Internal Revenue Department of the Ministry of Finance in Namibia has therefore, embarked on facilitating 'Taxpayer Education Days' to assist taxpayers in complying with the legislation applicable in Namibia.

From the research outlined above, the results confirm that there is a significantly positive relationship between the level of taxpayer education and knowledge and the level of voluntary tax-compliance. These studies were carried out in environments which were different from Namibia, the level of development, business activities were also different, and the samples used for data collection did not specifically target a specific category of taxpayers. Therefore it is important to carry out a similar study in the Namibian environment, with a particular case study of the small and medium

enterprises. The Taxpayer Education Day in Namibia was aimed at reaching out to all current and future taxpayers across the country. In this respect a question often asked was: "Is this truly an answer to enticing tax-compliance?" Tax and matters relating to tax usually create a lot of strong-worded discussions between members of public and there is a general resistance to tax from people when the topic is discussed. The present study will throw up specific needs and expectations of the target group in respect of tax-payer education and provide specific input to strengthen the existing program in all respects so that the Internal Revenue Authority may achieve its objective of better tax-compliance.

1.3 Objectives of the study

The main objective of this study was to determine the impact of taxpayer education on tax-compliance among small and medium enterprises in Windhoek. To achieve this main objective, the specific objectives were as below:

- To determine an extent of the impact of taxpayer education programmes on sensitisation of tax-payers among small and medium enterprises.
- To evaluate the impact of the use of any media for tax-payer education on tax-compliance among small and medium enterprises.
- To come up with appropriate strategies on taxpayers' education for better tax-compliance among the small and medium enterprises.

1.4 Hypothesis of the Study

H0: Taxpayer education has no positive impact on tax-compliance among small and medium enterprises in Windhoek.

H1: Taxpayer education has a positive impact on tax-compliance among small and medium enterprises in Windhoek.

H0: The taxpayer education programmes have no positive impacts on sensitisation of tax-payers among small and medium enterprises in Windhoek.

H1: The taxpayer education programmes have positive impacts on sensitisation of tax-payers among small and medium enterprises in Windhoek.

H0: The use of alternative media for tax-payer education has no positive impacts on tax-compliance among small and medium enterprises in Windhoek.

H1: The use of alternative media for tax-payer education has positive impacts on tax-compliance among small and medium enterprises in Windhoek.

1.5 Significance of the study

The findings of this research will be of great value for the tax authorities, business enterprises, tax-payers and researchers. Voluntary tax-compliance is essential as it minimises the administration costs, and ensures reliable revenue collection to finance government expenditure. The tax authorities form the basis of assessing, the efficiency of the tax-payer education programs, based on how they promote voluntary tax-compliance. The study is expected to reveal how the level of knowledge of tax among entrepreneurs in the SME sector affects tax-compliance attitudes. This will further provide useful input on concepts and practices on which the framework for enhancing tax-compliance among small and medium enterprises can be developed by taxation authorities. The study will be useful to business enterprises and tax-payers by providing them with knowledge on the framework of taxation and tax procedures, and the expectations from them with regards to tax-compliance. The entrepreneurs in the SME sector will understand from the study how the knowledge on tax matters is

essential for them as it helps them to minimise their compliance costs as well as smoothen the process of managing their businesses.

Scholars and academics can use the findings of this study as a base for more empirical research in the field of tax-compliance as well as for designing the academic curricula to transfer the young persons keen to learn the taxation subject. Finally this study will add to the existing knowledge on the subject, as to how taxpayer education affects tax-compliance and how this helps government in raising revenue from tax more smoothly and in achieving the long-term goals of the economy.

1.6 Limitation of the study

Due to the sensitivity of the topic some SMEs did not respond fully or truthfully for fear of victimisation. This could be because some of the SME owners could be of the opinion that their information might be used for various purposes as opposed to that of research purposes. In addition, due to the structure of SMEs, some did not have time to respond as they are sole traders. However, the issues pertaining to tax-payer education for the target group for better tax-compliance, the strategies and methodology used for achieving this objective by the Department of Internal Revenue, Government of Namibia have been intensively explored.

1.7 Delimitation of the study

The focus of this study was limited to the activities and work done by the Inland Revenue Department, Ministry of Finance, Namibia regarding taxpayers' education for the Small and Medium Enterprises in Windhoek and determining its impact on tax-compliance. Among all the Small and Medium Enterprises in Windhoek the study covered only those enterprises that were registered with the Inland Revenue

Department as taxpayers with tax obligations for VAT, Income Tax, Pay As You Earn and Withholding Tax.

LITERATURE REVIEW

2.1 Introduction

Namibia has witnessed a phenomenal growth in the number of business start-ups during the past two decades. This is especially true when it comes to the operations of Small and Medium Enterprises. In this respect Dabriel (2016) stated that almost 40,000 SMEs were registered in Namibia. The previous report mentioned that more than 11% among these however, did not register to pay tax. Taxpayers in general including the SMEs are known to not like paying taxes and take variety of actions to reduce their tax liability, misinterpreting tax rules to their advantage.

SME definition in Namibia: A formal business is usually regarded as an enterprise which is officially registered. This can be done with a Local Authority, a Ministry, the Registrar of Companies or the SMT database at the Ministry of Trade and Industry. Research institutes like the Labour Research and Research Institute (LaRRI) and the Namibia Economic Policy Research Unit (Nepeu) have adopted the number of employees as the single defining criterion. The Namibian Ministry of Trade and Industry (MTI) in its SMT policy from 1997 defines SMEs as "manufacturing enterprises employing less than 10 people, trading a turnover of less than N\$1 500 000 and having a capital base of less than N\$500 000." Non-manufacturing SMEs have "less than 5 employees, a turnover of less than N\$250 000 and a capital base of less than N\$100 000."

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

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History of taxation may be traced about six thousand years ago to the records in clay cones in Sumer with the inscription that there were the tax collectors (Faridy, 2012). This shows that there has always been reluctance to pay tax. Agyapong (2016) observed that small businesses bear a higher compliance burden due to the reason that they face inverse economies of scale caused by tedious compliance procedures required by tax authorities for most SMEs. Atawodi and Ojeka (2012) in their research concluded that due to the problem of high rates and complex tax administration the SMEs in Nigeria are disobedient on taxes. A developing country like Namibia therefore, has to encourage the SMEs in order to promote business performance and at the same time has to sensitize the taxpayers through a variety of promotional measures for better tax-compliance and raising revenue for development programs.

2.2 Tax-compliance

According to Musa, Saad and Ibrahim (2016) tax is the compulsory levy or charge by the state on its citizens and the non-alike citizens that is usually payable in monetary form, for which the government needs not offer equivalent direct compensatory services or render an individual account on how it utilized the revenue (Obert, Rodgers, Tendai and Desderio, 2018). Tax-compliance is said to occur when the taxpayer fulfils his/her broad obligations. The broad categories of the taxpayer obligations are registration in the tax system, timely filling accurately, lodgement / submission of the requisite taxation information of tax liability, and payment of taxes at the due date (Agyapong, 2016). This is reporting all income and paying all taxes, in accordance with applicable laws, regulations and court decisions. If a taxpayer fails to meet any of the above obligations then he or she may be considered to be non-compliant. However there are clearly different degrees of non-compliance. From the above definitions the non-compliance may be due to unintentional error, as well as

intentional fraud or might include overpayment of tax. A taxpayer may technically meet his/her obligations, but compliance may be in question due to the interpretational differences of the law. In such a case the law may pose risks for the non-compliance (Musa, *et al.*, 2016). In the light of such arguments, there are different ways of conceptualising tax-compliance.

Obert, *et al.*, (2018) defined tax-compliance as reporting of all income and paying all taxes, by fulfilling the provisions of laws, regulations, and court judgments. It is a person's act of filling the income tax form, declaring all income accurately, and disbursing all payable taxes within the given period without having to wait for the follow up actions from the relevant authorities (Slemrod, 2016). Tax-compliance is explained as an act of taxpayers to report all the relevant information in the income tax form within the given period, and reporting the accurate tax liability in accordance to the needs of the laws, regulations, and court judgments (Atawodi and Ojeka, 2012). Wagner, Van Phu, Azomahou and Wehrmeyer (2012) defined tax-compliance as complying with all reporting requirements, filling all required tax returns, at proper time, and that the returns accurately report the tax liability in accordance to the tax laws, regulations, and court decisions applicable at the time the return is filed.

According to these definitions, "non-compliance" can occur through a failure to file a return, misreporting income, misreporting subtractions from taxable income or taxes due, by unlawfully using of exemptions, deductions, adjustments, and tax credits. Slemrod (2016) emphasize on registration into the tax system, timely and accurate reporting of income, according to the legal basis, and payment of the resulting taxes accordingly. Pui Yee, Moorthy and Choo Keng Soon, (2017) put emphasis on

complying with the statutory legal requirements of reporting, filling and settlement of the resultant tax liability within the statutory period. Mukhlis and Yuli (2013), highlighted the interpretational difficulties of the law that may pose threat to the tax-compliance.

For the purpose of this dissertation, tax-compliance has been taken as reporting accurate taxable income, timely filing the tax returns reporting the tax liability accurately and payment of the resultant taxes, according to the applicable laws, taking into account the risk of the interpretational difficulties of the tax laws. Most of the SMEs in Namibia covered under the study are taxed at the presumptive rates basis, whereby filling of the returns is optional.

2.3 Tax-payer education

Taxpayer education is defined as a program which includes all sorts of communication and educational strategies to increase knowledge of citizens and rights and responsibilities regarding tax matters (Obert, *et al.*, 2018). Pui Yee, *et al.*, (2017) defines taxpayer education to include all programs aiming at promoting awareness of tax matters, obligations, and transparency, among the general public, as well as providing professional expertise, to the staff, to improve their capabilities, to achieve effectiveness and efficiency in revenue collection. It involves strategies of information dissemination such as seminars, workshops, tax clinics, websites, and live radio and television programs (Slemrod, 2016).

Taxpayer education is the tool to enable the taxpayer to understand the tax laws, making easy for them to comply with the obligations such as accurate preparations of returns, timely submission of the returns, and payment of taxes. It is a tool to enable

taxpayers to comply with the self-assessment system (Wagner, *et al.*, 2012). Mukhlis and Yuli (2013) in the survey to study the effectiveness of the taxpayer education programs provided by the Tanzania Revenue Authority (TRA), argue that taxpayer education includes all programs aiming at creating awareness to tax laws and taxpayer obligations, such as seminars, workshops, radio and television programs, and the websites.

This dissertation adopted the definition as used by the National Bureau of Statistics as it suits the environment in which the study is undertaken. The basic aim of the taxpayer education programs to the SMEs is to create awareness of tax laws, rights and obligations.

2.4 Small and medium enterprises (SMEs)

There is no clear definition of SMEs, and there is variation in the basis of their identification and classification from country to country and from sector to sector (Atawodi and Ojeka, 2012). However, size in terms of turnover, number of employees, or capital investment are important aspects taken into consideration depending on the need of the organization which conducts particular study on the SMEs. Numerous empirical as well as theoretical publications define SMEs by the number of employees. The Organization for Economic Co-operation and Development (OECD) and the US Chamber of Commerce designate a small business as any firm employing fewer than 100 people.

By European standards a small business is one with less than 50 employees, and the one employing between 50 and 100 people as medium size (Ayuba, Saad and Ariffin,

2016). In the USA, SMEs are considered as businesses with less than 10 million USD in annual sales, and having fewer than 1000 employees. An exception was created by the Small Business Administration (SBA) in the definition which was then used in evaluating loans to be provided to the small businesses, and defined SMEs as “firm with fewer than 100 workers, but with high speed production lines generating 50 million USD or more in sales.

In Japan SMEs are defined as a firms with fewer than 300 employees, and with capital of less than 100 million Yen (Wagner, *et al.*, 2012). In Tanzania, the SMEs are defined to include Micro, Small and Medium Enterprises, and must include the number of employees, the capital invested, as well as turnover. The categorizations of those enterprises are as shown in table 2. This categorization encompasses the meaning of such businesses in the Tanzanian context.

The above shows that the definitions of SMEs vary according to the context of the country concerned. The definitions of SMEs are according to various criteria, for example, number of employees, capital invested, number of shareholders, total sales turnover, market share, geographical coverage, organizational complexity, composition of management, and degree of formalization. Authorities in different countries defined SMEs according to the need of the organization conducting a particular study on the SMEs (Hassan, Nawawi, Salin and Azlin, 2016).

2.4.1 Unique features of small and medium enterprises

The number of SMEs in business is larger as compared to large enterprises, and these have unique features, which have negative impact on voluntary tax-compliance, hence there is a need for tax-payer education. As per Ayuba, *et al.*, (2016), Wagner, *et al.*,

(2012); Mukhlis and Yuli (2013) some of the unique features of SMEs from tax-compliance view are as follows:

- (i) High tax evasion levels it has been established that small and medium enterprises in industry have high tax evasion.
- (ii) Operating under the cash economy: Small and medium enterprises mainly operate on cash basis which makes it difficult for regulators to trace transactions which attract tax payments.
- (iii) Operating under the informal sector: Most of the SMEs operate under informal sector for instance most of the SMEs are not registered.
- (iv) Poor record keeping: Most of the SME do not keep records for their transactions.
- (v) High mobility rate:
- (vi) High collapse rate: Small and Medium Enterprises easily go bankrupt.
- (vii) Mainly are sole proprietors and simple partnerships:
- (viii) High level of illiteracy and problems in enumerations:
- (ix) High tax-compliance costs:
- (x) Expectation of gaining competitive advantage from non-compliance to the tax laws.

The non-compliance behaviour of the SMEs manifests in the following situations:

- (i) Underreporting: Some of the SMEs do not report their true financial position in order to avoid tax.
- (ii) Non-filing of returns: Some of the small and medium enterprises do not file their returns.
- (iii) Underpayment of the due taxes: Some of the small and medium enterprises under pay their tax dues.

- (iv) Non-payment of taxes: Some of the small and medium enterprises do not pay their tax dues at all.

Detecting all these features requires special investigative resources, time and the third party data for comparisons (Musa, *et al.*, 2016). At the same time, achieving tax-compliance and improving revenue generation, is not an easy task (Yee, *et al.*, 2017; Atawodi and Ojeka, 2012). However, this problem can be minimised through tax education.

2.5 Small and Medium Enterprises for the purpose of taxation

Many tax systems do not necessarily use the term SMEs. An explicit definition of what constitutes an SME is only required if the tax system uses that term (Azurite, 2009). For the purposes of the tax incentive regimes, targeted at the small and medium enterprises, the regulations may constitute what is termed as “SMEs” in the tax laws (Obert, *et al.*, 2018). The most common criteria to classify an SME for taxation purposes, relies on the level of business turnover. That level of turnover depends on size of the economy of that particular country. In Tanzania, business firms with annual turnover above 40 million Tanzanian shillings are registered for VAT purposes, while those with annual turnover below, 40 million Tanzanian shillings are taxed under presumptive tax system (Pui Yee, *et al.*, 2017).

For the purpose of this dissertation, the SMEs will be defined as those operating under the presumptive tax system. The presumptive tax system targets the micro and small tax-payers which are not required to file tax returns.

2.6 Small and medium enterprises elsewhere

According to Nyamwanza, Mavhiki, Mapetere and Nyamwanza (2014) the SMEs in Ilala Municipal in Tanzania were characterised by a variety of shops, bars, boutiques, food vending, transporting, restaurants, tailoring, agricultural activities such as poultry, farming and small scale fishing, small scale industries, hotels and guest houses. Also, provision of the social services, such as health and educational facilities, livestock, such as goats, cows, chicken, pigs; bars and recreational activities, etc. In Ilala Municipal, Tanzania the registered number of micro enterprises is 9395, small enterprises, 1040, medium enterprises, 954, large enterprises, 665 (Azurite, 2009).

Most of the SMEs in Ilala Municipal Tanzania are operating in the informal sector whereby they are not well captured by official statistics. These SMEs started as a result of the economic necessity, and to meet the family obligations as an alternative after failing to secure employment or termination from employment. More than 50% of the entrepreneurs who run those businesses in the sector lack education or have minimum primary school education (Atawodi and Ojeka, 2012).

The department of taxpayer education in Ilala Municipal, Tanzania since the financial year 2005 - 2006 conducted taxpayer sensitization programs through radio, newspapers, television, bulletin boards, roadside banners, street announcements using mobile car with speakers, leaflets with tax information, participations in the community activities and the organization of the taxpayer day. The Revenue Performance Report, for Ilala Municipal, Tanzania for 2007 - 2008, shows that 25% of the collected revenue, resulted from audit and enforcement activities such as fines and penalties, while 75%, was paid voluntarily. For the financial year 2006 - 2007, 29% of the revenue collected resulted from audit and enforcement activities, while

71% was paid voluntarily. For the financial year, 2005 - 2006, 36% of revenue collected, resulted from audit and enforcement activities, while the remaining 64%, was paid voluntarily (Nyamwanza, *et al.*, 2014).

2.7 Taxation compliance theories

There are various theories of tax-compliance. Among these are the Economic deterrence theory and Prospect theory. The researcher has only reviewed two theories because data on these theories were available, while the details available on other theories were scanty.

2.7.1 Economic deterrence theory

The theory suggests that taxpayers are amoral utility maximizers. They are influenced by economic motives such as profit maximization and probability of detection (Nyamwanza, *et al.*, 2014). As such they analyze alternative compliance paths for instance whether or not to evade tax, the likelihood of being detected and the resulting repercussions and then select the alternative that maximises their expected after tax returns after adjusting for risk. This theory assumes that the taxpayers rationally perform a cost-benefit analysis of non-compliance taking into consideration the marginal value of shilling and the risks of sanctions, as well as the probability of being detected through audit (Alabede, 2012). This process is also referred to as “playing the audit lottery” (Pui Yee, *et al.*, 2017).

This theory is also known as deterrence theory and it places emphasis on incentives. Therefore according to the theory, in order to improve compliance, audits and penalties for non-compliance should be increased. Decision making under risk is based on the expected outcome of choices. This is consistent with the classical expected utility and

rational choice theory which assumes that the taxpayers are expected to make compliance decisions that maximize their utility (Musa, *et al.*, 2016).

The basic rationale of the deterrence theory is that whenever a wrong was actually being committed, the wrong doer shall incur punishment, and this basically serves as the means to threaten the wrong doer, from doing wrong again, and to restrain others from doing wrong, hence compliance with the laws. The theory suggests improving tax-compliance by:

- (i) Charging penalties and fines from offenders.
- (ii) Increase the efficiency of the audit and investigation programs, to increase the possibility of detections.
- (iii) To remove the complexity of tax laws, so that there will be no excuse for unintentional non-compliance.
- (iv) Tax rates should reflect horizontal equity.

The theory assumes that;

- (i) Audit probability is fixed at random, and is exogenously, determined by the Taxing authority.
- (ii) Taxpayers will only face audit costs if audited, and, the taxpayers are fully knowledgeable of their income levels.

The theory has weakness on the reality of the assumptions, as it fails to consider behavioural factors that affect compliance decisions, for example age, gender, ethics, education, and perceptions of the taxpayers (Wagner, *et al.*, 2012).

The propositions of the theory forms one of the basics strategies of the revenue authorities for enforcing tax-compliance through coercive methods. This is currently challenged under tax reforms arrangement, on the grounds of the democratic

accountability of the governments in the collection of tax (Mukhlis and Yuli, 2013). Currently many revenue authorities are emphasizing the use of quality services, as it builds sustainable tax-compliance behaviour, rather than the use of force and coercive means which result into temporary tax-compliance (Alabede, 2012). As the theory suggests the use of deterrence and enforcement activities enhance tax-compliance, this study adopted the alternative theory explained below.

2.7.2 Prospect theory

The 'Prospect theory' was developed in 1979, by two German psychologists (Hassan, *et al.*, 2016). According to these scholars, the rational choice will not only be based on the expected outcome but also on the certainty of the expected outcome. The decisions making under risk can be viewed as choice, between prospects, and gambles (Hassan, *et al.*, 2016): It is based on the following assumptions:

- (i) Decision is made from reference point namely status quo,
- (ii) Decision maker prefers the outcome that is certain to uncertainty,
- (iii) The outcome that is loss hurts as twice more than the satisfaction from the gain,
- (iv) Preference will depend on how the decision maker frames the problem,
- (v) Decision maker will prefer insurance rather than gambling,
- (vi) The decision maker is risk averse (Hassan, *et al.*, 2016).

The application of the theory to tax-compliance decisions is that the taxpayer will choose the no-compliance decision if and only if he/she is certain that he/she will not be detected (Hassan, *et al.*, 2016). The decision maker would not like to incur losses which may result from the non-compliance, for example fines, penalties and sanctions.

The taxpayer will take a calculated risk, basing on the reference point which is the current situation. This explains why there may be low level of tax evasion despite the low level of audits conducted, contrary to what is suggested by deterrence theory and the classical expected utility theory (Alabede, 2012). The theory suggests that, tax-compliance decision is affected by how the decision maker, makes decisions. Individual decisions are also affected by the moral ethics of an individual, education, age, gender, and his/her perceptions (Imam, 2014). The study by Nyamwanza, *et al.*, (2014) adopted the prospect theory, which can be applied to the behaviour of the taxpayers in the SMEs sector in Ilala Municipal Tanzania.

Psychology theories on the other hand posit that taxpayers are influenced to comply with their tax obligations by psychological factors. They focus on the taxpayers' morals and ethics. The theories suggest that a taxpayer may comply even when the probability of detection is low as opposed to the economic theories that emphasize increased audits and penalties as solution.

The deterrence measures as suggested by the Economic deterrence model would be difficult to apply efficiently to most of the SMEs as they operate in cash economy and lack of the third party data for comparison purposes. The prospect theory considered the behavioural factors, for example gender, age, education and moral ethics influence tax-compliance decisions. It is the assumption of this study that the behaviour of an individual and perceptions can be influenced by the level of knowledge.

2.8 Factors affecting compliance behaviour

There are two broad approaches to the problem of tax-compliance. The first is developed from economic rationality using the economic analysis, while the second is concerned with wider behavioural issues and draws heavily on concepts and researches

from other disciplines, such as Psychology and Sociology (Faridy, 2012). Economic and behavioural approaches are sometimes regarded as competing explanations (Imam, 2014). The economic approach identifies economic factors that affect the tax-compliance behaviour as different studies. These are financial burden, costs of compliance, tax audit ,disincentives , tax rate and incentives as stated below.

- (i) Financial burden. There appears to be a relationship between the amount of tax owed and compliance behaviour. For example, if a business owner has a tax liability that can easily be paid he/she may be willing to comply. However if the liability is large, potentially threatening the viability of the business, the owner may avoid paying it or try to adjust the data reported so as to incur a smaller (but incorrect) tax liability (Lloyd-Reason, *et al.*, 2013).
- (ii) Costs of compliance. Costs of compliance are the common costs taxpayer has to incur in complying with tax obligations. For example, time taken to complete tax returns, costs of hiring tax accountant, psychological costs such as stress arising as a result of uncertainty that one is not sure that he/she has met all of the tax rules. The list is exhaustive. The higher the compliance costs, the higher the chance of non-compliance (Lloyd-Reason, *et al.*, 2013).
- (iii) Disincentives. Investigation into the impact of deterrents such as financial penalties and threats of prosecution, suggest that they may have a time limited 18 effects on the compliance behaviour of taxpayer. However those who are compliant want those who are non-compliant to be punished (Lloyd-Reason, *et al.*, 2013).

- (iv) Incentives: Giving taxpayer incentives may have a positive effect on tax-compliance (Lloyd-Reason, *et al.*, 2013).

Another study in [Tanzi,1980,p.12-21] used an economic approach explain the relationship between marginal tax rates and noncompliance by using aggregate data in the United States, demonstrated that tax rates were negatively correlated with tax compliance according to his data. Opposite to the view there are some researchers who found out there is positive relationship between tax compliance and tax rate. For instance, [Alm, 1995, p 577-593] find a positive relation between the tax compliance and high tax rate. In their experimental research find respondents to be more compliance when the tax rate was increased. Put differently, [Torgler, 2007] in their study find out there is no relationship between tax compliance and tax rate.

In additional According to [Mohani, 2001], tax audit could be an important stimulant to increase tax compliance. This indicates that tax audit influence tax compliance. Audits rates and the diligence 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 [Wondwossen,2016).

2.8.1 Behavioural factors affecting compliance behaviour

Behavioural scholars have identified many behavioural factors that affect the compliance behaviour (Tee, Boadi and Opoku, 2016) such as:

- (i) Individual differences. For example, gender, age, education level, moral compass, industry, personality, circumstances and personal assessment of risks (Tee, *et al.*, 2016), However, there have been significant number of studies which found no relationship between age and compliance [[Torgler, 2007], and [Mohani, 2001] also found that older people are more compliant

than young people. Concerning the gender of tax payers' study done [Hasseldine& Hite, 2003], and [Tittle, 1980] found that female taxpayers were more compliant than males.

- (ii) Perceived inequity: Tax-payers who believe that the system is unfair, or who have personal experiences of unfair treatment are less likely to comply (Tee, *et al.*, 2016).
- (iii) Perception of minimal risks: If a taxpayer has the opportunity not to comply, and perceives that there is only a minimal risk of being detected he/ she will take the opportunity (Tee, *et al.*, 2016).
- (iv) Risk taking: Some people view tax avoidance/ tax evasion as a game to be played and won, they like to test their skills in avoiding being caught (Tee, *et al.*, 2016).

2.9 Attitudes to tax-compliance

There is no easy answer as to what influences taxpayer behaviour either towards compliance or non-compliance. The factors that influence taxpayer behaviour combine to cause taxpayers (individuals and businesses) to adopt set of values, beliefs and attitudes towards tax, and the tax system (Azurite, 2009).

2.9.1 Indicators of voluntary tax-compliance

The tax-compliance level can be identified by looking on the compliance indicators, where one can examine the percentage of the tax revenue (Pui Yee, *et al.*, 2017). An increased percentage of tax revenue in relation to the GDP signifies an increase in the level of tax-compliance. The public opinion indicators are the perceptions of people towards the taxation system and taxes (Imam, 2014). Other compliance indicators are percentage of income that is reported for taxation purposes and the program impact

indicator where one may assess the impact of specific programs or initiatives on the compliance behaviour of the target taxpayer population (Mwandiambira, 2017). Another approach is to examine the trend, in the compliance aspects. For example registration, filing of return, correct reporting of income and expenses as well the payment of correct amount of tax.

The trends should be examined or compared on the basis of percentage, rather than additional revenue generated, by application of specific compliance strategy or comparing the percentage of tax revenue collected through enforcement activities, such as audit, penalties and fines to the total revenue collected, with that paid voluntarily (Lloyd-Reason, *et al.*, 2013). Tax-compliance level may be identified by looking on tax gap. Tax gap represents the difference between the actual revenue collected and the amount that would be collected if there were 100 percent compliance (Obert, *et al.*, 2018).

For the purposes of this study tax-compliance was measured by how the taxpayer fill tax returns, reporting the correct tax liability and payment of the taxes due within the statutory period. It was also examined how much the taxpayer is aware of his or her tax obligations according to the laws and regulations. How the taxpayer viewed the tax laws and taxation system also provided an indication of his or her potential tax-compliance.

2.10 Taxpayer education

Taxpayer education is considered an important factor in behavioural modification and creating motivation among taxpayers for voluntary compliance. The taxpayer

education is directed towards creating taxpaying culture. The basic assumption behind the taxpayer education programs is that the non – compliance to the tax laws can arise unintentionally, due to the lack of knowledge, the complexity of the tax laws, compliance costs or poorly define regulations (Imam, 2014). However this requires development of appropriate taxpayer education programs and their proper execution with positive attitude and with the cooperation of all concerned.

2.10.1 Education and change behaviour of individuals

Kalkuhl, Fernandez Milan, Schwerhoff, Jakob, Hahnen and Creutzig (2017) indicated that the basic goal of the mostly education programs is directed towards behavioural change. Being the case, behaviour analytical theories of change, and learning theories can best explain how education can change the behaviour of an individual. Change theory is used to predict behaviour change, which assumes that when the problem relating to behaviour exists, there should be modifiable factors that contribute to the problem. Some of these modifiable factors are knowledge, attitude, intentions, and interpersonal support, organizational and environmental conditions. The theory assumes that education is fundamental to bring about the change in the modifiable factors.

The factors that cause non-compliance behaviour among the SMEs are modifiable factors, and taxpayer education is expected to change this behaviour. Education changes the behaviour of an individual by affecting the way he or she makes decisions (Kalkuhl, *et al.*, 2017). It has significant positive impact on behavioural change of an individual.

2.10.2 Methods of disseminating taxpayer education

Taxpayer education comprised of all strategies to ensure that the taxpayer is aware of his/ her tax obligations, and persuade him/her to pay the tax liability voluntarily. The basic aim is to deliver the tax knowledge with the use of various forms of communications, such as television, radio, workshops, seminars and newspaper (Obert, *et al.*, 2018; The Tanzania National Bureau of Statistics, 2003). In Uganda, the Uganda Revenue Authority uses taxpayer education programs aiming at creating awareness to tax matters and increase the level of voluntary tax-compliance. Various strategies are adopted such as seminars, workshop, tax – clinic, live radio-talk show, tax literature and the Uganda Revenue Authority website. These strategies have gradually changed the taxpayer attitude, reducing the compliance cost and minimise the cost of tax administration (Mwandambira, 2017).

The characteristics of the attitudes pyramid suggests that taxpayers prefer to be persuaded first (at the bottom of the pyramid) rather than enforcement actions. Only a small percentage of the taxpayers would prefer enforcement actions to voluntary compliance and respond positively to the enforcement actions. This suggests that the tax-payer education and the taxpayer services are fundamental in improving the tax-compliance among businesses (Kalkuhl, *et al.*, 2017).

However the problem is not to offer taxpayer education, but to make it effective, so that it can help the small business owners to understand their tax responsibilities (Machogu and Amayi, 2016). To make it effective in its design, it has to focus on both capacity building on the part of staff who are supposed to deliver service as well as building tax knowledge on the part of taxpayers. This would facilitate coordination and a positive attitude of the taxpayers to the tax system (Mwandambira, 2017).

2.3 Emperical review

2.3.1 The relationship between taxpayer education and tax-compliance

There is positive relationship between taxpayer education and voluntary tax-compliance (Kalkuhl, *et al.*, 2017). Taxpayer education will provide the necessary tax knowledge to comply with the tax matters and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. This was also confirmed during the study carried out among the undergraduate students in the University of Malaysia (Mwandiambira, 2017). First using questionnaires administered to the students at the beginning of the semester to test their compliance attitude before studying taxation subjects their responses were recorded. At the end of the semester, another set of questionnaires were administered to the same set of students to test their compliance attitudes after acquiring tax knowledge. The statistical findings confirmed the prevalence of a significantly positive relationship between the level of taxpayer education and the level of voluntary tax-compliance. However the above study was conducted more than five years ago, using an environment which was different and the sample selected for the study was university students, who are not really in business operations. There is thus a need for conducting such a study in the current context for persons in business.

Machogu and Amayi (2016) conducted a study to determined how the enhanced tax knowledge and tax attitudes, affect the compliance behaviour among the tax-payers in New Zealand. Analyzing the statistics it was revealed that there was no significant improvement in the compliance behaviour of tax-payers and compliance to the tax laws after acquiring tax knowledge,. The findings suggest that mere intensification in the tax knowledge did not have significant relationship with tax-compliance behaviour. There is need to carry out similar study in other environments, because the

findings of the study were carried out in the environment which was different from 2018.

Faridy (2012) conducted a study to evaluate the influence of tax knowledge on tax-compliance behaviour, among the taxpayers in Malaysia. The objective of the study was to investigate the effect of the presence of tax knowledge and understanding on the level of tax-compliance behaviour. Analysing the data collected using questionnaires to compare the compliance behaviour of the taxpayers with significant level of tax knowledge with those without tax knowledge; the statistical findings confirmed that those with tax knowledge had higher level of compliance than those without knowledge. Though the results of the study indicated significant relationship between the level of the tax knowledge and the level of tax-compliance, nevertheless there is a need to carry out similar study now, because the environment in which the study was carried, was different and the study only compared the behaviour of taxpayers with significant level of tax knowledge to those without tax knowledge.

Agyapong (2016) conducted a study to examine the influence of tax education, as a proactive approach to enhance voluntary tax-compliance among the taxpayers, in Malaysia. There was a move from official assessment of taxes to self-assessment system in 2004. Under the self-assessment system, tax-payer has to assess his tax liability and pay taxes to the revenue authority, later on the revenue authority conducted audit to establish the accuracy of the declarations in returns and payment. This system required high voluntary tax-compliance.

Using questionnaires administered to the taxpayers and the tax officials, the responses confirmed that increase in the tax knowledge increased the level of voluntary tax-

compliance. The statistical findings, confirmed that there was significant relationship between level of tax education and the level of the voluntary tax-compliance (Pui Yee, *et al.*, 2017). Although the study was conducted recently, there remains a need to carry out similar study, because of the difference in environment in which the study was carried. The Malaysia Tax system is characterized by a single tax Act- the Income tax Act, which administers all tax collections.

2.3.2 Characteristic features of a good tax system for SMEs

The tax system has a major role in influencing the behaviour of taxpayers and motivating them for voluntary tax-compliance. However, for such a positive impact the tax system should be designed with appropriate characteristic features. Ngigi and Collins, (2015) indicated that the following characteristic features in designing an appropriate tax system for the SMEs:

- 1. Simplicity:** The tax system should be easy to administer and comply with;
- 2. Proportionality:** The tax-compliance burden should not be disproportionate to the businesses sizes, SMEs should have correspondingly small and medium compliance burden;
- 3. Certainty:** In tax liability it is important for SMEs that sometime is needed to make seat of the pants decision;
- 4. Trade-offs should favour compliance friendliness:** In designing any compliance-friendly tax environment, the decision paths invariably meet at the intersection of accuracy, tax base protectionism and simplicity. For SMEs the trade-offs need to favour simplicity.

5. Tax neutrality: Overall, the intention is not to change how much is paid. However, simplicity does not equal less tax. In some cases, more tax will be paid and in some cases less tax will be paid.

6. Fairness: Taxes and compliance burdens should always be seen to adhere to the principle of fairness, all other things being equal (Ngigi and Collins, 2015).

2.4 The examination of the impacts of taxpayer education on tax compliance:

Ngigi and Collins (2015) had conducted a study to determine the economic and behavioural factors affecting tax-compliance among the taxpayers in the United States of America. The objective of the study was to determine the economic and behavioural factors affecting the tax-compliance among the taxpayers, involved in the Arakas City tax penalty amnesty system. The Arakas City had announced an amnesty system, whereby the non-compliant traders were waived off the penalties and fines, provided that they were ready to pay the tax liability they were supposed to pay and they did not pay (Lloyd-Reason, *et al.*, 2013). Using questionnaires administered to the participants of this amnesty program, from response factors that cause them to not pay the taxes due within the statutory period and not declaring the correct taxable income, due to complexity of the tax laws, ability to pay, ignorance of the tax laws, the perceptions of high tax rates and unfairness of the tax system were identified. It brought out that a significant portion of the non-compliance was unintentional, caused by the complexity of the tax laws and ignorance, as most of the tax-payers did not understand their tax liabilities or their tax obligations.

The results confirmed that there is significant positive relationship between taxpayer knowledge of the tax matters, and voluntary tax-compliance. However, there remained

a need to carry out similar study, because the environment in which the study was carried out was different, the level of development in the United States of America is different from other countries, particularly the developing countries. Further the sample used for the study, the participants in the Ankas City penalty amnesty program, may create bias in the responses, as a defence for their offence of non-compliance (Machogu and Amayi, 2016).

The results of the studies reviewed above confirm a significantly positive relationship between taxpayer knowledge of the tax matters, and voluntary tax-compliance. However, there remains a need for a study to be conducted in Namibia to establish relationship between the level of tax education and the level of tax-compliance.

2.5 Gap in knowledge and this research

The review of literature based on studies done in different jurisdictions given above clearly brought out that the SME tax system needs to be designed to maximise accessibility for the taxpayers and minimise compliance costs commensurate with the capacity of the tax-payers. Thus, simplification of the tax system for SMEs in a more comprehensive manner is strongly supported.

These efforts should take into account past experiences in the country and lessons learnt from other tax regimes on the one hand and taxpayer views and specific suggestions on legislative details on the other hand. This should provide a sound basis for designing the taxation policy for the SMEs. Moreover, as most SMEs feel that the taxation system is not fair to them and that they are treated the same way as the large enterprises, the system should be simplified so that it suits the SMEs better.

For the development and implementation of an effective tax system for SMEs, there is a need for consensus among the governments and the SMEs through dialogue and compromise, creating and maintaining a harmonious environment and a positive attitude among all concerned and understanding the behaviour of taxpayers, taxpayer education and appropriate tax-payer education programs and their administration.

There have been some studies in other jurisdictions covering one or the other aspects of the problem highlighted above. However, no such study covering all aspects of the problem in Namibia has come to the knowledge of the researcher. The present study was undertaken to fill this gap in knowledge with a view to providing useful inputs, keeping in view the contemporary requirements under the Namibian environment.

The methodology for this study was geared towards determining the influence of taxpayer education on the level of voluntary tax-compliance among SMEs in Windhoek, Namibia. For this, besides a comprehensive review of existing research on the subject to develop an adequate understanding of the research problem, the techniques and methods of sampling, data requirements, methods of data collection, processing and analysis of data and other requirements were spelled out and provided (Kishari, 2014).

3.1 Research Design

A research design is the basic plan that guides the data collection and analysis phase of the research project (Kumar and Taylor, 2013). Zedner (2013) defines research design as a framework or plan for a study used as a guide for collecting and analysing data; it is the blueprint for what is followed in completing a study. This study employed

CHAPTER THREE

RESEARCH METHODOLOGY

3. Introduction

Research methodology is a procedure designed to ensure that the research moves systematically from stage to stage as per the targets and milestones and meets the objectives set for it. The research methodology helps the researcher in maintaining his focus clearly on the research problem and prevents him from going wayward. For this the researcher is required to take a comprehensive view of the requirements of the research problem, prepare a plan of action for each stage of research till conclusion, identify the requirements and provide for the same.

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both descriptive and analytical approaches whereby the quantitative approach was used, which is concerned with either determining the frequency with which something occurs, or the relationship between variables.

The study relied mainly on primary sources of data collection through personal interviews and mail survey. Besides secondary data available from publications, literature, databases and other records were also used. The study employed mixed method of research to develop a comprehensive understanding of the problem, analyse the alternatives and come up with specific solutions towards the resolution of this intricate and multi-dimensional problem. The research hypothesis have been tested using Chi square. Questionnaires were developed, tested for reliability and validity, and served to the selected respondents for completing. As a follow up on the above, semi-structured interviews were conducted with the selected officers in the Internal Revenue Authority, tax-payers and experts in taxation, to develop further insight into the problem and the alternatives. For analysis of quantitative data, the statistical package for social sciences, SPSS was used.

3.1.1 Qualitative Research

Naidoo (2013) describes qualitative research as a type of enquiry in which the qualities, the characteristics or the properties of a phenomenon are examined for better understanding and explanation. Saunders *et al.*, (2012) explained that the purpose of qualitative is to obtain an understanding of data with the help of a historical method or comparative method, which looks into the origins and the process of development of any culture or society and their parts. The level of education acquired by the taxpayer was measured through the knowledge acquired in the tax education and awareness

programs and the extent to which it improved his or her understanding of the tax matters, rights and obligations (Mukhlis and Yuli, 2013).

3.1.2 Quantitative Research

Saunders *et al.*, (2012) explained that quantitative research makes use of quantitative data, which uses numbers, which can be analysed by statistical techniques if drawn from a wide sample. Naidoo (2013) stated that quantitative research is achieved through the use of the questionnaire method, structured interviews, schedules, or any other structured method.

3.2 Population

Population is defined as the entire group of people or set of objects and events the researchers want to study (De Vos, 2011:28). The population of this study was 250 Small and Medium Enterprises who were registered with the Inland Revenue Department of the Ministry of Finance as taxpayers with tax obligations for Value Added Tax, Income Tax, Pay as You Earn and Withholding tax.

3.3 Sample

The study used stratified random sampling method for the selection of respondents and gathering information from various segments of the population. Stratified random sampling is a method of sampling that involves the division of the population into smaller groups known as strata. In stratified random sampling or stratification, the strata are formed based on members' shared attributes or characteristics. Stratified random sampling involves dividing the entire population into homogeneous groups,

which are called strata (Ammon, 2012). It ensured that all categories of SMEs in Windhoek were included in the sample, depending on the type of tax a certain enterprise was obligated to pay. The objective was to increase precision and representation in the data.

Ariola (2014) showed that Slovene's formula allows a researcher to sample the population within a desired degree of accuracy. For ensuring representativeness, therefore the Slovene's sampling formula was used as shown below:

Sample size using 95% Confidence Interval:

Formula: $n = N / (1 + N(e^2))$

$$n = \text{Sample size}; \quad e = (1 - 0.95)^2 = (0.05)^2$$

Input values:

Confidence level = 95%; Margin of error = 5%; $N = 250$; $e = 0.0025$

Sample Size (n) was 160 participants which were made up as follows:

- 154 Tax-payers
- 2 Tax executives
- 4 Tax officers

3.4 Research instruments

Data collection instruments refers to devices used to collect data such as questionnaires, tests, structured interview schedules and checklists (Naidoo, 2013).

Ariola (2014) defines a questionnaire as a method of gathering information from respondents regarding attitudes, knowledge, beliefs and feelings.

Considering the scope of the research, appropriate questionnaires were designed and used. Most questions were structured, which allowed the respondents to select a single option from among the alternatives, and some were in non-structured format to allow the respondents to voice their feelings and notions freely. Semi-structured interviews were used for the selected SMEs, the tax executives and tax officers.

3.5 Procedure

Both primary and secondary data was collected for the study. Field surveys using questionnaires with open and close-ended questions and semi-structured interviews were used for collecting qualitative and quantitative data, as they required less administration effort. Secondary data was collected from the Bank of Namibia, the Internal Revenue Department and through document surveys from the libraries and on the internet and electronic media. All categories of document reports, books, articles in journals, etc. were searched and reviewed for useful inputs.

3.6 Data Analysis

The completed questionnaires were edited for accuracy and completeness and frequency tables were produced using Microsoft Excel. Statistical Package for the Social Sciences (SPSS) was used to generate statistics such as central tendency; Chi Square, percentages etc. The chi-square test can be used to estimate how closely the distribution of a categorical variable matches an expected distribution (the goodness-of-fit test), or to estimate whether two categorical variables are independent of one

another (the test of independence). The chi square test of independence is a natural extension of what we did earlier with contingency tables to examine whether or not the two variables appeared to be independent of each other. The SPSS software package was used for data analysis because the capability of SPSS is well established and truly astounding. The package enables to obtain statistics ranging from simple descriptive numbers to complex analyses of multivariate matrices. One can plot the data in histograms, scatterplots, and in many other ways. One can combine files, split files, and sort files. The researcher can modify existing variables and create new ones. In short, the researcher can do just about anything one would ever want with a set of data using this software package. To summarise the quantitative data, the facts generated were presented using descriptive statistics: tables, graphs, charts etc. Interpretive technique was used to analyse the qualitative data collected through the semi-structured interviews.

3.7 Operational definition of variables

1. Compliance by tax payers:

Tax-compliance means reporting accurate taxable income, timely filing tax returns, reporting tax liability accurately and payment of the resultant taxes, according to the applicable laws, taking into account the risk of interpretational difficulties of tax laws.

2. Attitude of taxpayers towards tax payment:

Attitude of tax payers towards tax payment is tax payers' perception and understanding of tax obligation requirement as a measure by state for raising revenue for development needs and administration of essential services or coercive collection from private earnings and their behaviour towards tax compliance, set of values, beliefs and attitudes towards tax and tax system.

3. Factors affecting tax compliance by taxpayers:

Factors affecting tax compliance are determinants that influence the behaviour of tax payers towards tax compliance and increase, decrease or significantly affect tax compliance and include features such as financial burden, costs of compliance, lack of incentives and disincentives, perceived inequality, no reward or punishment, uncertainty of profit/income, lack of assistance in filling tax returns, difficulty in understanding tax laws, procedure of filling tax return and payment of tax, delay in settlement of tax liability, delay in refunds of tax, etc.

4. Measures to improve tax compliance:

Measures to improve tax compliance involve systematic education and training of tax payers and strategies of information dissemination such as seminars, workshops, tax clinics, websites, and live radio and television programs and incentives for timely filing of returns and payment of tax and disincentives for not filing tax returns in time and paying tax.

5. Tax payers Education and Training programme:

Tax-payer education is a needs driven programme with focus, content, time, duration, delivery and medium decided as per the requirements of the situation designed as a strategy employed by tax authorities to improve service delivery to the tax-payers, enable taxpayers to understand tax laws and procedures and ensure voluntary tax compliance. Taxpayer education is an important factor in behavioural modification and creating motivation among taxpayers for voluntary compliance and creating taxpaying culture.

6. Effectiveness of education and training imparted to tax payers:

The effectiveness of education and training imparted to tax payers is reflected in the level of knowledge and understanding of tax laws, regulations and procedures, their rights and Obligations, their ability and confidence in exercising the rights and obligations and improved voluntary compliance.

7. Effectiveness of modes of education and training imparted to tax payers

Effectiveness of modes of education and training imparted is contribution made by each of the modes of education and training in developing the knowledge and understanding of tax laws, regulations and procedures, their rights and obligations, their ability and confidence in exercising the rights and obligations and improved voluntary compliance among the tax payers.

8. Strategies with regard to improvement in tax-compliance

Strategies with regard to improvement in tax compliance include besides tax payers' education and training through different media, simplification of tax laws and tax regulations, simplification of tax records, tax returns and tax filing procedure, building and maintaining transparent historical record of tax-payers, provide for incentives in the form of recognition and reward for good year to year tax-compliance track record, provide for disincentives in the form of penalties, prosecution and punishment for year to year default in tax-compliance track record, adopt policies of transparent and visible action on good and bad tax-compliance to encourage voluntary tax compliance and avoid deliberate non-payment of taxes and buying goods and services from sources (dealers) not declaring and paying tax, etc.

9. Impact of tax payer education on tax compliance

Impact of tax payer education on tax compliance is reflected in improvement in knowledge and understanding of tax matters, good tax behaviour, cordiality and understanding among tax authorities and tax payers and voluntary tax-compliance by tax payers.

3.7.1 Statistical techniques used to address each of the objectives of research:

Variety of statistical measures such as percentages, proportions, Mode, Mean, Standard Deviation, statistical charts and figures, rating and ranking of features using scaling, measures for testing significance such as Z test and χ^2 test specific statistical measures and techniques used to address each of the objectives were as under:

- **To determine the extent of the impact of taxpayer education programmes on sensitisation of tax-payers among small and medium enterprises.**
1. Using χ^2 test testing the independence of factors affecting tax compliance by tax payers.
 2. Rating on five point Likert type scale by tax payers the effectiveness of training imparted on maintenance of tax records by tax payers.
 3. Rating on five point Likert type scale by tax executives and tax officers the impact of tax payers' education and training programmes on tax compliance.
 4. Rating on five point Likert type scale by tax executives and tax officers the factors affecting tax compliance.

- **To evaluate the impact of the use of any media for tax-payer education on tax-compliance among small and medium enterprises.**

1. Rating on five point Likert type scale by tax payers the effectiveness of measures to improve tax compliance.
2. Rating on five point Likert type scale by tax executives and tax officers the effectiveness of mode of education and training programmes for tax payers.
3. Testing significance using z test by tax executives and tax officers the effectiveness of mode of education and training programmes in achieving the objectives.

- **To come up with appropriate strategies on taxpayers' education for better tax-compliance among the small and medium enterprises.**

1. Rating on five point Likert type scale by the tax payers the assistance received on maintenance of tax records by the tax payers.
2. Rating on five point Likert type scale by tax executives and tax officers the assistance received on filing tax returns by the tax payers.
3. Rating on five point Likert type scale by tax executives and tax officers the strategies to improve tax compliance.
4. Using χ^2 test, testing the significance by tax executives and tax officers of strategies used to improve tax compliance.

3.8 Research ethics

Ethics refers to commonly accepted standards of right and wrong behaviour (Ammon, 2012). The study was carried out in compliance with the research ethics policy and guidelines of the University of Namibia. Ethical considerations were taken into

consideration throughout the research process. The researcher made prior appointments with all participants. Each participant was given an information sheet that clearly explained the purpose of the research. It was explained to every respondent that he/she was free to volunteer or not to volunteer for the study and furthermore to withdraw at any stage if he/she felt like. All the respondents voluntarily agreed to take part in the research. Names and information provided by respondents and enterprises were coded to maintain confidentiality. The data collected would only be used for the purpose of this study. Data will be kept in a lockable cabinet for a 5 year period and destroyed thereafter by shredding and burning. Thus the confidentiality of the information that was revealed by the respondents has been fully protected. Plagiarism has been avoided and the work of other scholars was acknowledged at all times.

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter focuses on analysis and discussion of data collected for ‘an investigation into the impact of taxpayer education on tax-compliance: a case study of SMEs in Windhoek’. In this respect, first the salient details of the Namibian taxation system were analysed to understand the framework of taxation. This was followed by a field survey covering 150 SME taxpayers, 2 tax executives and 4 tax officers in Windhoek. The independent variable taken in this study was tax-compliance. The critical dependent variable that causes and influences the tax-compliance was taxpayer education, which formed the main focus of the study. The main objective of the field investigation was to understand the impact of taxpayer education on tax-compliance among small and medium enterprises in Windhoek. Drawing from the above, the specific objectives were, to determine the nature and extent of the impact of taxpayer education programmes on sensitisation of tax-payers among small and medium enterprises, to evaluate the impact of the use of alternative media for tax-payer education on tax-compliance among small and medium enterprises, and to come up with appropriate strategies on taxpayers’ education for better tax-compliance among the small and medium enterprises.

4.3 Revenue from taxes

As per the Preliminary Annual National Accounts Report of 2017 taxes were the main source of general government (comprising of central and local government and statutory bodies) revenue in 2017, taxes on income and wealth with N\$20.7 billion were the highest contributor to general government revenue accounting for 57.5%, in

income generated for general government in 2017 was N\$58.4 billion in 2017, compared to N\$54.4 billion in 2016. The Southern African Customs Union (SACU) receipts with N\$19.8 billion were 31.2% and other sources of income, which included property income and other current transfers from rest of the world N\$18.2 billion, contributed 11.3% to government income. Household taxes contributed N\$11.4 billion of the general government revenues while the lowest contribution came from interest receivable of N\$514 million. The positive performance in 2017 over 2016 was attributed to an increase in the current transfers and taxes on income and wealth that recorded 10.4% and 7.3%, respectively. Taxes on production and imports, as well as property income receivable, recorded marginal increases of 4.3% and 5.5%, respectively.

4.4 Field Survey

The taxpayers' services and education are key functions of the Department of Internal Revenue in educating taxpayers on various tax laws, compliance procedures and related issues together with any changes that are made by the government in tax laws and related matters. This includes the small and medium enterprises (SMEs). With this objective in mind, Inland Revenue in Namibia also periodically conducts tax seminars, workshops and competitions in all areas within the country, through different media like radio, television, magazines, mobile vans and tax clubs in secondary schools. A field survey was conducted to understand, first hand from the SME taxpayers and the tax authorities the outcomes of these efforts on tax-compliance among small and medium enterprises. The survey was also conducted to come up with appropriate strategies on taxpayers' education for better tax-compliance among the small and medium enterprises.

A sample of 154 tax-payers, 2 tax executives and 4 tax officers was selected at random. Two separate questionnaires were prepared, one for the taxpayers and the other for tax authorities. They were tested on a small group of respondents consisting of 5 taxpayers 1 tax officer and 1 tax executive. The two questionnaires were revised in light of experience during the survey. The two questionnaires were then served to the selected respondents in the two groups. A cover letter accompanying the questionnaires assisted the respondents in knowing that the study was not only beneficial to the researcher for meeting the academic requirements of the degree of Master of Business Administration but also that the findings from the study would help the tax-payers and the tax authorities to reap the benefits associated with its implementation. The cover letter and the questionnaires provided to the respondents are attached as appendix 1 and 2.

4.4.1 Primary data collection and Analysis

After serving the questionnaires to the selected respondents every possible effort was made to maintain contact and get the questionnaires completed by the selected persons through repeated requests and reminders. This was made easier for the researcher as the respondents were from Windhoek, Namibia. With intensive effort, completed questionnaires could be obtained from 150 taxpayers, 2 tax executives and 4 tax officers. Besides information regarding the tax system, taxpayer education programmes and procedures were collected from the executives of internal revenue. The aim of collecting primary data was to establish the impact of taxpayer's education on tax-compliance.

The completed questionnaire was edited for accuracy and completeness and frequency tables were produced using Microsoft Excel. SPSS was used for generating descriptive statistics such as central tendency; standard deviation, correlation, regression, percentages, etc. For this, the information collected from the respondents was properly coded using Microsoft Excel and then the data from the file was transferred to SPSS for analysis. Frequency tables were generated and charts and graphs were prepared. The analysis was targeted to find answers to the research questions. In discussing the research findings, a comparison with the review of literature was also done with a view to identify similarities and departures from similar studies by other scholars.

4.4.2 Reliability and validity

If the issues of reliability, validity, trustworthiness, quality and rigour are meant to differentiate 'good' from 'bad' research: then testing and increasing the reliability, validity, trustworthiness, quality and rigour is important to the research in any paradigm (Golafshani, 2015). **Validity:** the data collected from the questionnaires provided a form of support for the conclusions drawn. The questionnaire was reviewed by the research supervisor and confirmed that the questions captured were valid. The questions were of good quality and precision. The researcher was cautious and critical with the primary data collected from the questionnaires. The researcher was also aware of the bias and unreliability of potential data due to the researcher's own employment position in the company.

The following were the research hypothesis:

H₀: Taxpayer education has no positive impact on tax-compliance among small and medium enterprises in Windhoek.

H₁: Taxpayer education has a positive impact on tax-compliance among small and medium enterprises in Windhoek.

H₀: The taxpayer education programmes have no positive impacts on sensitisation of tax-payers among small and medium enterprises in Windhoek.

H₁: The taxpayer education programmes have positive impacts on sensitisation of tax-payers among small and medium enterprises in Windhoek.

H₀: The use of alternative media for tax-payer education has no positive impacts on tax-compliance among small and medium enterprises in Windhoek.

H₁: The use of alternative media for tax-payer education has positive impacts on tax-compliance among small and medium enterprises in Windhoek.

Reliability: to ensure reliability in qualitative research, examination of trustworthiness is crucial, since its questionnaires that were completed, questions were to the point and precise for employees to understand and answer what was required from them and not making the questions complicated. Planning in advance of the questions was vital for a successful outcome in terms of valid and reliable information. Forms were provided with a request to gain access of confidentiality agreements and consent. The test was done on the association between factors and tax-compliance. The chi-square sample statistic χ^2_{Calc} 210 lies outside the area of acceptance (i.e. more than $\chi^2 = 39.335$). We Reject the null hypothesis at the 5% level of significance, and conclude that factors affecting tax-compliance are dependent of each other. The study also reveals that most of the taxpayers do not show up during tax education roads-shows as indicated by the results on tax executives and taxation officers. Moreover, The Z (obtained) for this test is 10.10842824 and at a 5% two-tailed level of significance, it is greater than the Z (critical) which is 1.96. These findings were on the association between factors and

tax-compliance. In addition, the p-value obtained is 0 hence, and this implies that the sample mean is not different from the hypothesized mean. Hence, the null hypothesis (H_0) will be rejected and the alternative hypothesis (H_1) will be accepted. Therefore, the more the mode is accessible to the taxpayers then it will be more effective of the mode on education and training programmes to achieve the objective of educating taxpayers in Namibia. The Z value obtained shows that the sample was taken from a population whose mean is 1 and 1 represents the option that mode on education and training programmes. Since the p-value obtained is less than the level of significance, it can be said that the probability of rejecting the hypothesis that the population and sample means are the same.

4.5 Analysis and discussion

Analysis and discussion of the data data collected through responses on questionnaires from the groups of respondents is presented here.

4.5.1 Socio-Demographic Characteristics of respondents

This section presents the socio-demographic characteristics of the participants of the study. It shows the gender, age bracket, level of education. The data relating to the participants as obtained from the primary source (questionnaires).

Table 4.5.1: Gender profile of respondents

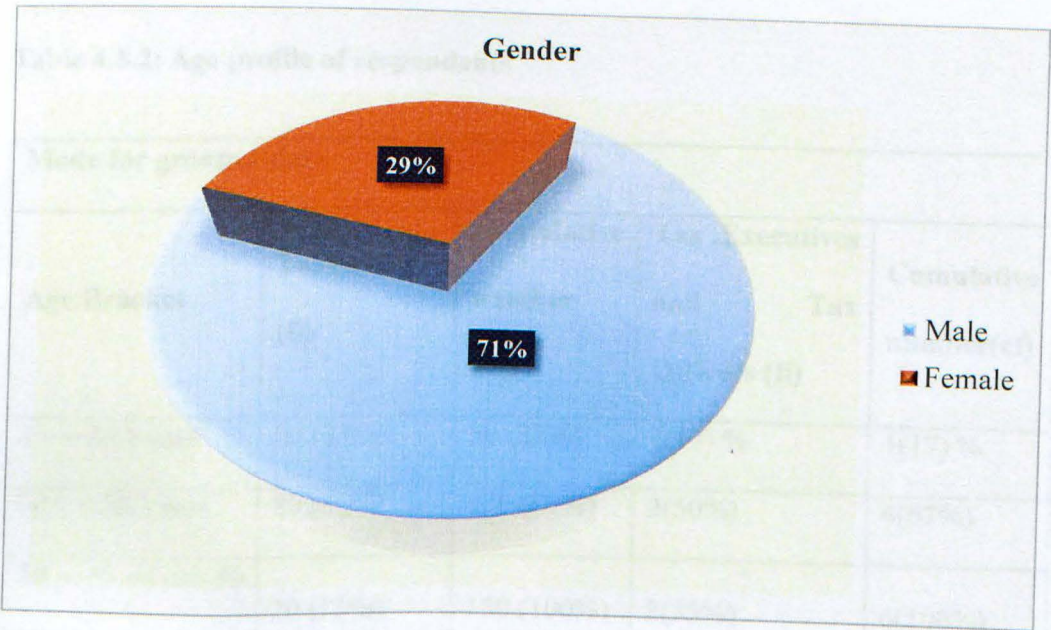


Figure 4.5.1: Gender profile of respondents

Table 4.5.1 and Figure 4.5.1 present the gender profile of respondents. From these it can be noted that among the tax-payers about two third (71%) of the respondents were male and about one third (29%) were female. Likewise among the tax authorities also about two third (67%) were male and about one third (33%) were female. This indicated that majority of the persons among SME entrepreneurs and personnel in taxation services in Namibia are male.

4.5.2 Age profile of respondents

Mode for grouped data: Tax Executives and Tax Officers

Table 4.5.2: Age profile of respondents

Mode for grouped data				
Age Bracket	Taxpayers (fi)	Cumulative number (cf)	Tax Executives and Tax Officers (fi)	Cumulative number(cf)
1 - < 30 Years	50 (33%)	50 (33%)	1(17) %	1(17) %
30 - < 50 Years	80 (53%)	130 (87%)	3(50%)	4(67%)
50 - < above 50 Years	20 (13%)	150 (100%)	2(33%)	6(100%)
Total	$\sum 1f_i = n = 150$		$\sum 1f_i = n = 6$	

Level of education

Mode for grouped data: Taxpayers

$$M_o = O_{mo} + \frac{c(f_m - f_{m-1})}{2f_m - f_{m-1} - f_{m+1}} = 30 + \frac{50(80 - 50)}{2(80) - 50 - 20} = 30 + 11.54$$

$$= 41.54 \text{ years}$$

Thus, the central (Mode) age of the respondents was 41.54 years or 42 years for the taxpayers. This was a clear indication that most of the participants on the study were in the middle age group.

1. Diploma 2. Bachelor Degree 3. Masters Degree 4. PhD Degree

Figure 4.5.2: Level of Education

Mode for grouped data: Tax Executives and Tax Officers

Figure 4.5.3 presents the educational profile of respondents. From this bar graph, it can

$$M_o = O_{mo} + \frac{c(f_m - f_{m-1})}{2f_m - f_{m-1} - f_{m+1}} = 30 + \frac{1(3 - 1)}{2(3) - 1 - 2} = 30 + 0.67$$
$$= 30.67 \text{ years}$$

be seen that the majority of the respondents have a secondary certificate.

Thus, the central (Mode) age of the respondents was 30.67 years or 31 years for the Tax Executives and Tax Officers. This was also a clear indication that most of the participants on the study were in the middle age group.

4.5.3 Educational profile of the respondents

Table 4.5.3: Educational profile of the respondents

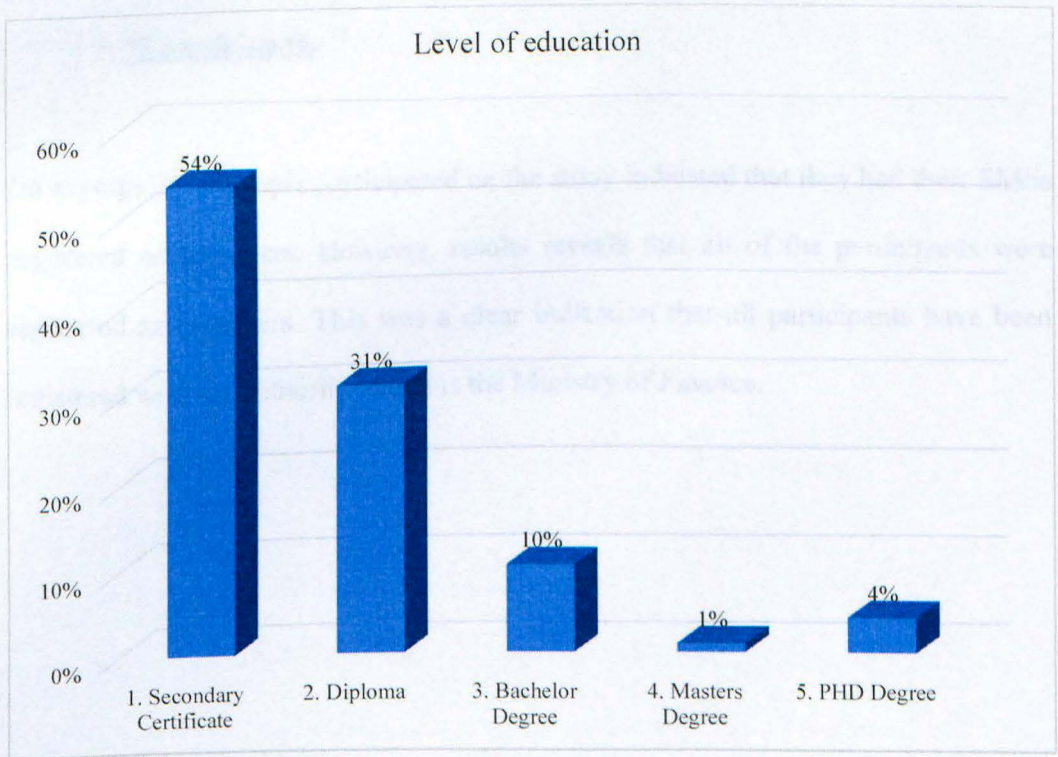


Figure 4.5.2: Level of Education

Figure 4.5.2 presents the education profile of respondents. From this line graph, it can be established that 54% of the participants had secondary level of education while 31%, 10%, 4% and 1% of the participants had a diploma, PHD, Bachelors and Masters as levels of education. This is clear indication that most of the participants did not further their studies up to the tertiary education level.

4.5.4 Tax registration status

Mean of whether or not the SME has been registered

$$\begin{aligned}\text{Mean} = \bar{x} &= \frac{\sum_{i=1}^n x_i}{n} \\ &= \frac{150}{2} \\ &= \underline{\underline{75 \text{ participants}}}\end{aligned}$$

On average 75 of people participated on the study indicated that they had their SMEs registered as taxpayers. However, results reveals that all of the participants were registered as taxpayers. This was a clear indication that all participants have been registered with tax authority which is the Ministry of Finance.

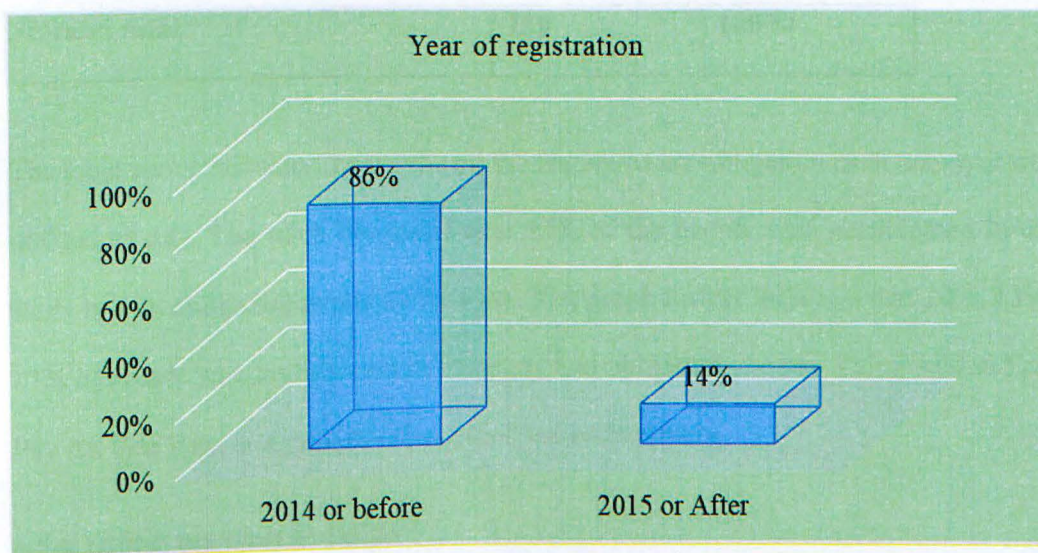


Figure 4.5.3: Year of registration for tax

The bar-graph under figure 4.5.3 presents results on the year of tax registration by Small and Medium Enterprises. The figure indicates that 86% of the participants of have been registered as taxpayers before the year 2014 while only 14% of the respondents have been registered after the year 2014. This was an indication that most of the participants have been registered as taxpayers for long period which is sufficient enough to acquaint themselves with rule and regulations governing the tax issues and compliance.

4.5.5 Nature of tax obligation of taxpayers

Table 4.5.3: Nature of tax obligation of tax-payers

Nature of tax obligation	Number	Percentage
Income Tax	80	53%
Value Added Tax	30	20%
Pay As You Earn	20	13%
Import Value Added Tax	20	13%

Grand total	150	100%
--------------------	------------	-------------

The table above indicates the results on the Nature of tax obligation each taxpayer was obliged to pay. The table illustrates that 53% of the people who participated in the study had an obligation to pay income tax. The graph further indicates that 20%, 13%, 13% of people who participated in the study had obligations to pay Value Added Tax; Pay As You Earn and import value added tax respectively.

4.5.6 Filling tax returns status

4.5.5.1 Status of maintenance of business records

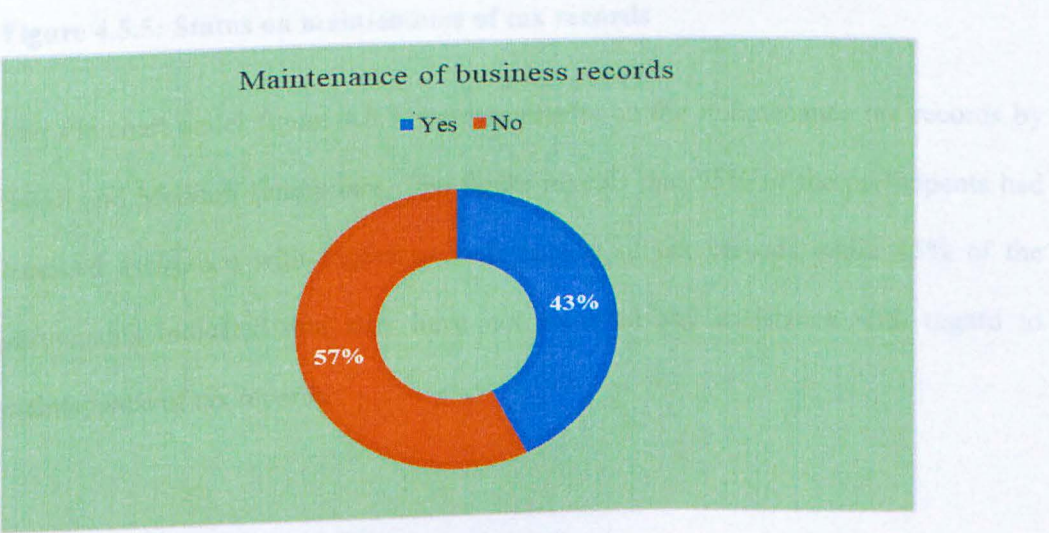


Figure 4.5.4 Maintenance of business records

The Pie chart under figure 4.5.4 indicates results on the maintenance of business records. The Pie Chart indicates that 57% of the participants do not maintain business records while on 43% of the participants indicated that they do maintain business records.

4.5.7 Maintenance tax records

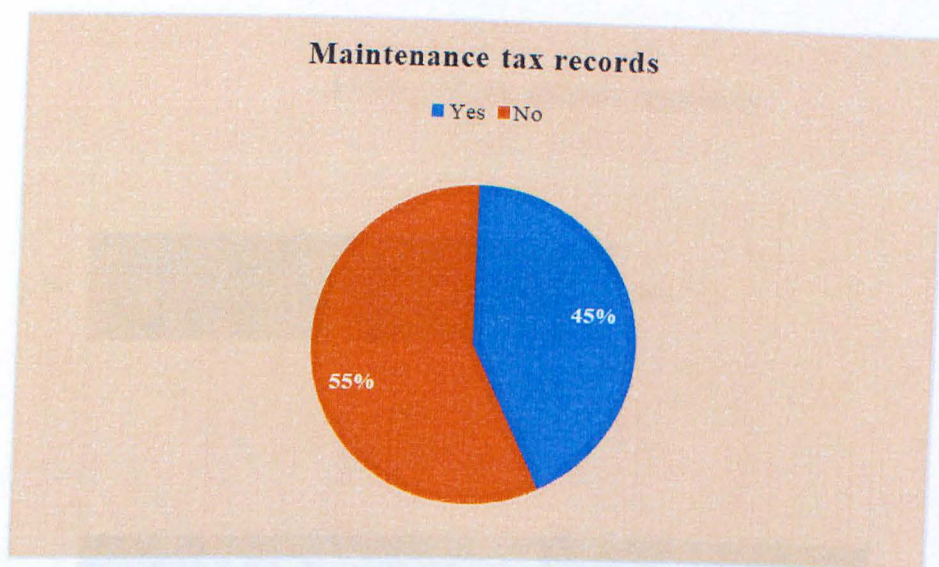


Figure 4.5.5: Status on maintenance of tax records

The Pie chart under figure 4.5.5 presents results on the maintenance tax records by Small and Medium Enterprises. The figure reveals that 55% of the participants had received assistance with regard to maintenance of tax records while 45% of the participants indicated that they have not received any assistance with regard to maintenance of tax records.

4.5.8 Filling of tax returns regularly

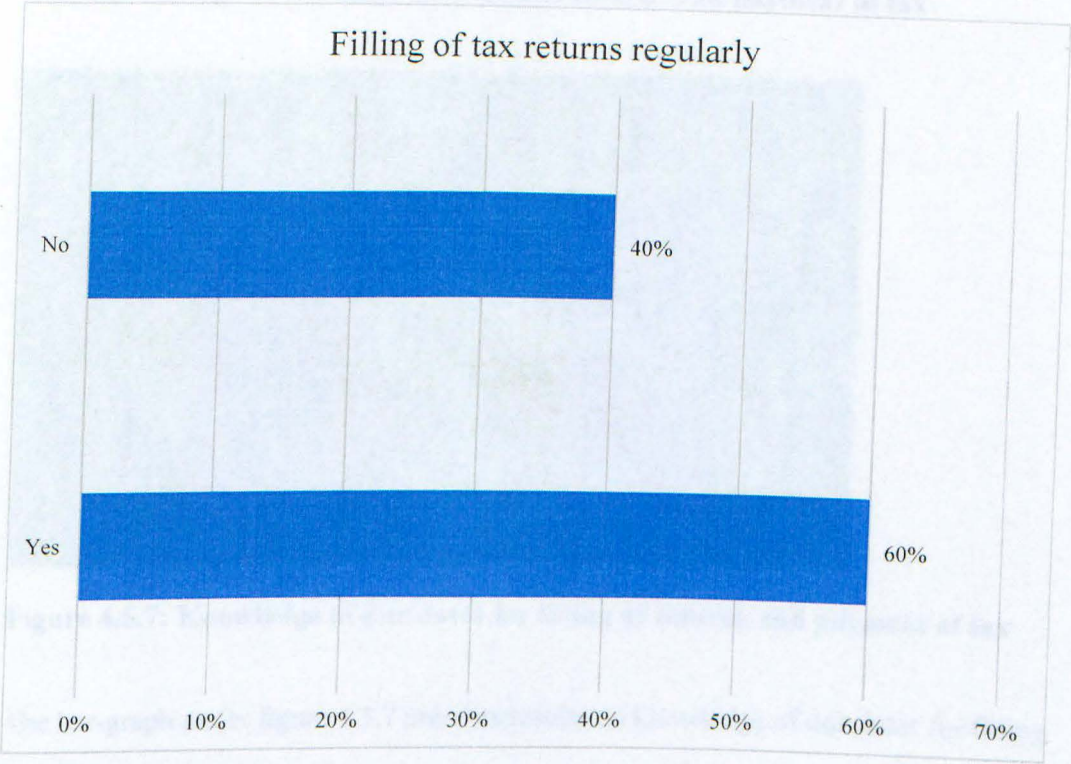


Figure 4.5.6: Filling of tax returns regularly

The bar-graph under figure 4.5.6 indicates results on filling of tax returns regularly. The graph illustrates that 60% of participants have indicated that they do file tax returns regularly while the rest of the participants have indicated opposite.

4.5.9 Knowledge of due dates for filling of returns and payment of tax

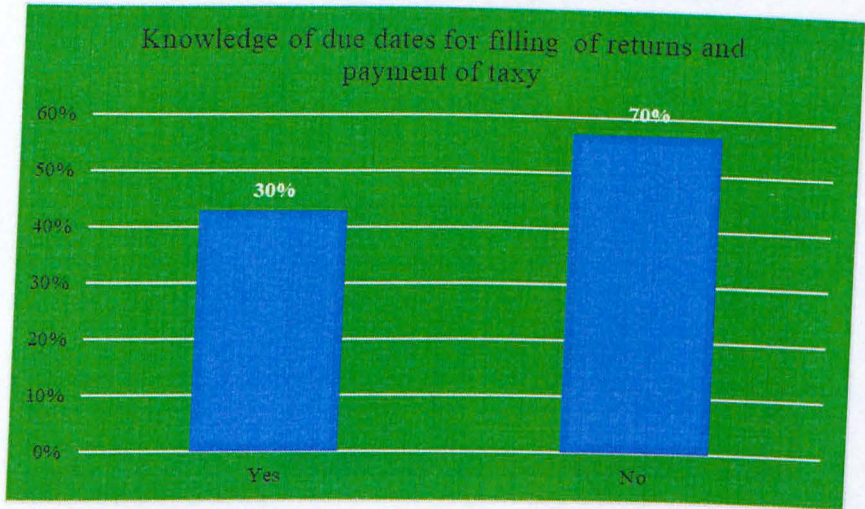


Figure 4.5.7: Knowledge of due dates for filling of returns and payment of tax

The bar-graph under figure 4.5.7 presents results on knowledge of due dates for filling of returns and payment of tax by SMEs. The graph reveals that 70% of participants have indicated that they did not have any knowledge of due dates for filling of returns and payment of tax while only 30% of participants have indicated that they knew the due dates for filling of returns and payment of tax. This was a clear indication that the Ministry of Finance still has to do a lot in order to educate people on respective due dates with regard to taxation.

Table 4.5.9: Mode of education on tax payment will be

Mode of education on tax payment will be	Frequency	Percentage
Radio	20	40
Television	25	50
Newspaper	5	10
Workshop/Workshop	4	8

4.5.10 Taxpayer education and training

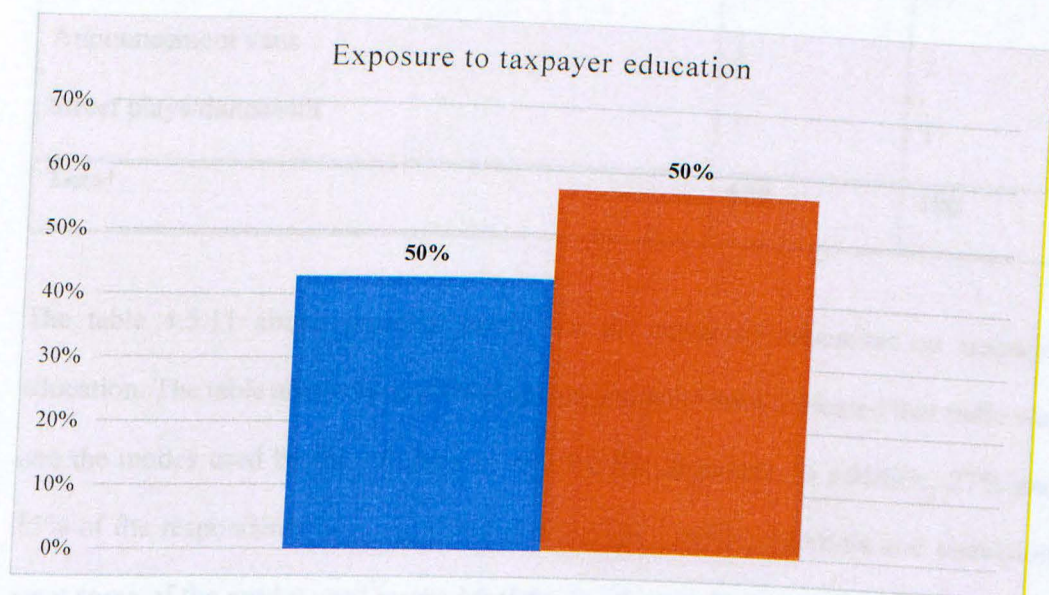


Figure 4.5.8: Exposure to taxpayer education

The bar graph under figure 4.5.8 presents results on exposure to taxpayer education by Small and Medium Enterprises. The bar graph illustrates that half of the participants had no exposure to taxpayer education and half have indicated they had exposure to taxpayer education.

4.5.11 Mode of education on taxpayer education

Table 4.5.4: Mode of education on taxpayer education

Mode of education on taxpayer education	Frequency	Percentage
Radio	59	39
Television	23	15
Newspaper	15	10
Seminar/Workshop	6	4

Banners/posters	5	3
Leaflets/publicity material	40	27
Announcement vans	1	1
Street plays/dance/skit	1	1
Total	150	100

The table 4.5.11 above presents results on the mode of education on taxpayer education. The table alluded that 39% of the respondents have indicated that radio was one the modes used by the Ministry to educate the taxpayers. In addition, 27% and 15% of the respondents have indicated that leaflets / public materials and television were some of the modes used by the Ministry to educate the taxpayers. While the rest of the respondents have indicated that the Ministry uses other modes to educate the taxpayers.

4.5.12 The rate at which types of training is used by ministry of finance effective in achieving the objectives of educating the taxpayer

Table 4.5.5: The rate at which types of training is used by ministry of finance effective in achieving the objectives of educating the taxpayer.

Item	(1) Strongly Agree	(2) Mildly Agree	(3) Neither Agree nor Disagree	(4) Mildly Disagree	(5) Strongly Disagree	Grand total
Radio	50%	36%	7%	4%	4%	100%
Television	39%	32%	18%	4%	6%	100%
Newspaper	43%	18%	14%	14%	11%	100%

Seminar/Workshop	18%	4%	39%	32%	6%	100%
Banners/posters	60%	32%	2%	1%	5%	100%
Leaflets/Publicity material	68%	18%	9%	3%	2%	100%
Announcement vans	4%	6%	39%	32%	18%	100%
Street plays/dance/skit	18%	6%	22%	32%	22%	100%
Average response	38%	19%	19%	15%	9%	100%

The table 4.5.5 herein illustrates results on the rate at which types of training is used by Ministry of Finance effective in achieving the objectives of educating the taxpayer. The table reveals that on average 38% of participants have strongly agreed that the above-mentioned rate at which types of training is used by Ministry of Finance effective in achieving the objectives of educating the taxpayer. The table further established that 19%, 19%, 15% and 9% of participants have mildly agreed, neutral, mildly disagreed, and strongly disagreed that the rate at which types of training is used by Ministry of Finance effective in achieving the objectives of educating the taxpayer respectively.

4.5.13 Whether or not SMEs have received assistance in maintaining business records

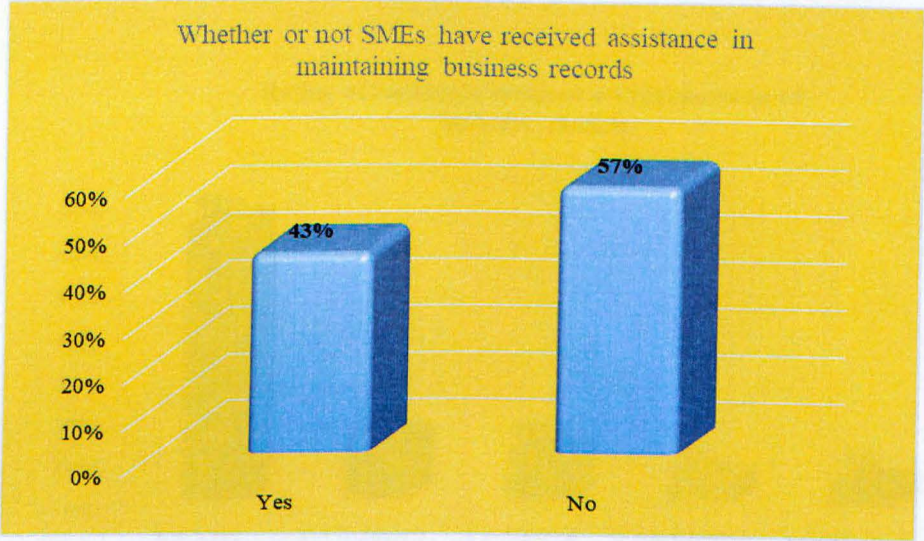


Figure 4.5.9: Whether or not SMEs have received assistance in maintaining business records

The bar graph above under figure 4.5.9 illustrates results on whether or not SMEs have received assistance in maintaining business records. The results reveal that 57% of participants did not receive assistance in maintaining business records and only 43% had received assistance in maintaining business records.

4.5.14 Rating of assistance received on maintaining business records

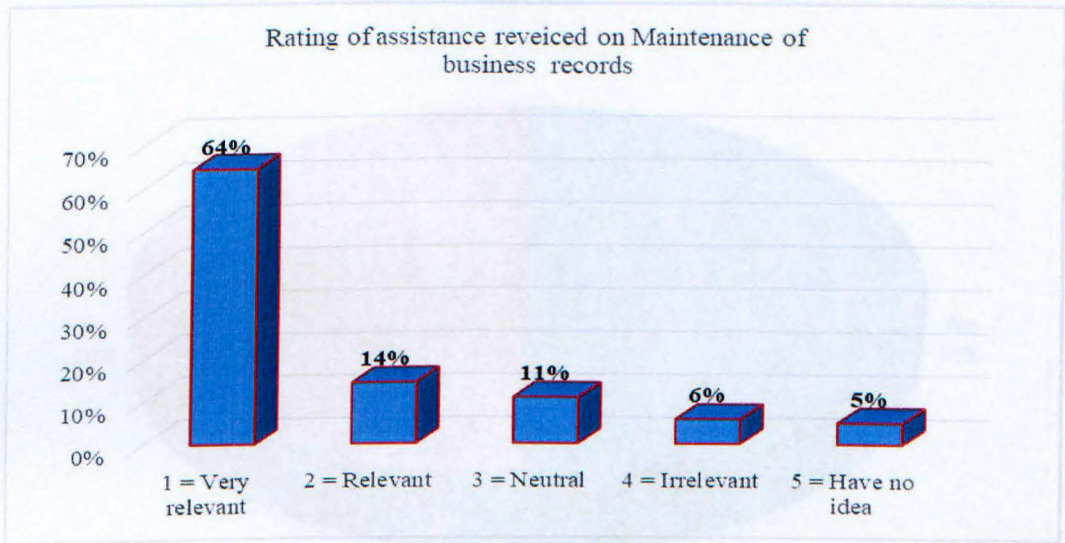


Figure 4.5.10: Rating of assistance received on maintaining business records

The bar graph under figure 4.5.10 presents results on the rating of assistance received on maintaining business records. Sixty four percent of people participated on the study have alluded that assistance received on maintaining business records was very relevant to their line of businesses. While 14%, 11%, 6%, and 5% of the participants indicated that assistance received on maintaining business records was only relevant, neutral, and irrelevant and have no idea in respect to line of their businesses respectively.

4.5.15: Whether or not SMEs received assistance on filling tax returns

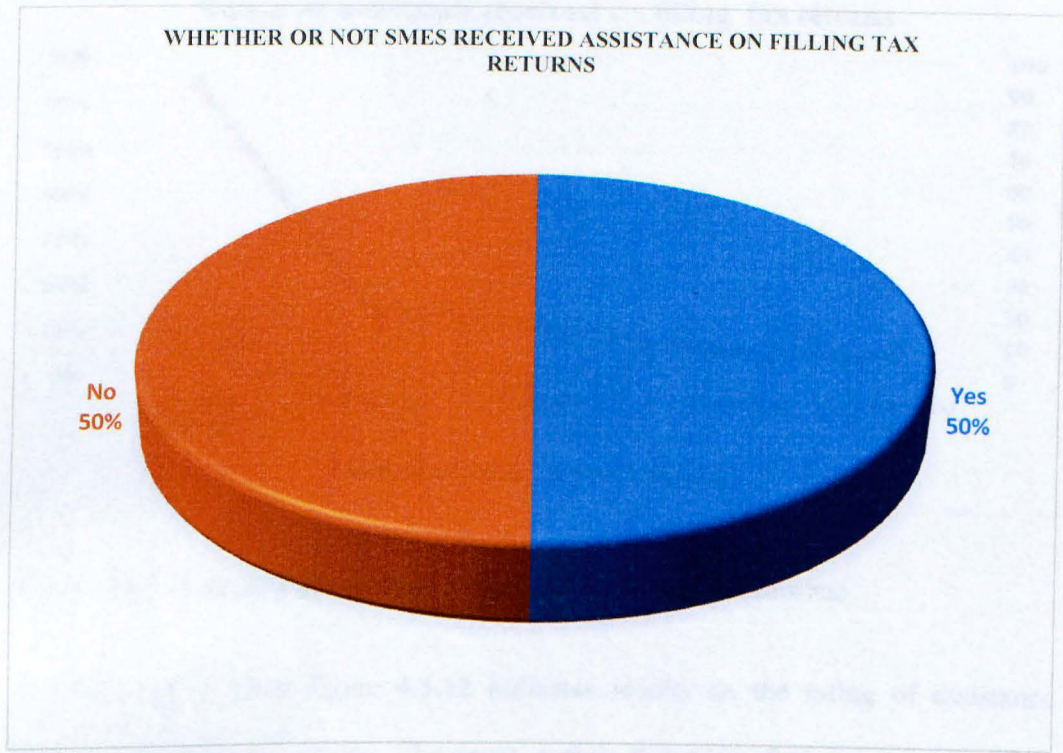


Figure 4.5.11: Whether or not SMEs received assistance on filling tax returns

The Pie Chart under figure 4.5.11 presents results on the whether or not SMEs received assistance on filling tax returns. The Pie Chart illustrates that half of the participants have received assistance on filling tax returns while half have indicated that they have not received assistance on filling tax returns.

4.5.16 Rating of assistance received on filling tax returns

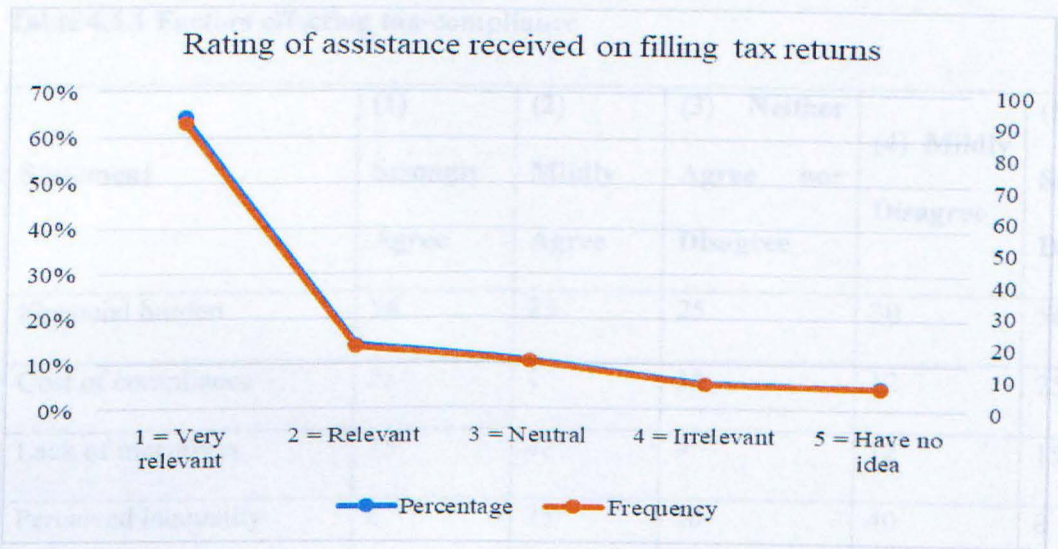


Figure 4.5.12: Rating of assistance received on filling tax returns

The Line-graph under figure 4.5.12 indicates results on the rating of assistance received on filling tax returns. The graph reveals that 63% of participants that have received assistance received on filling tax returns were of the opinion that the training was very relevant to their businesses while the rest of the respondents have indicated either relevant, neutral, irrelevant or have no idea respectively.

4.5.17 Tax-compliance

Table 4.5.1 Factors effecting tax-compliance

Statement	(1) Strongly Agree	(2) Mildly Agree	(3) Neither Agree nor Disagree	(4) Mildly Disagree	(5) Strongly Disagree
Financial burden	56	23	25	30	56
Cost of compliance	25	1	15	12	25
Lack of incentives	15	42	9	12	15
Perceived inequality	8	25	20	40	8
No reward or punishment	3	15	25	25	3
Uncertainty of profit/income	13	8	15	10	5
Lack of assistance in filling tax returns	5	3	8	8	4
Difficulty in understanding tax laws	7	13	3	3	8
Difficulty in filling return and payment of tax	6	5	13	5	6
Delay I settlement of tax liability	3	12	5	2	9
Delay in refunds of tax	9	3	12	3	11
Total	150	150	150	150	150

Chi-Square testing

The chi-square sample statistic χ^2_{Calc} 210 lies outside the area of acceptance (i.e. more than $\chi^2 = 39.335$).

We Reject the null hypothesis at the 5% level of significance, and conclude that factors affecting tax-compliance are dependent of each other. The study also reveals that most of the taxpayers do not show up during tax education roads as indicated by the results on tax executives and taxation officers.

4.5.18 Proposal to improve Tax-compliance

Table 4.5.9: Proposal to improve Tax-compliance

Statement	(1) Strongly Agree	(2) Mildly Agree	(3) Neither Agree nor Disagree	(4) Mildly Disagree	(5) Strongly Disagree
The early background on tax affairs	50%	36%	7%	4%	4%
Adopt visible actions against bad behaviours	39%	32%	18%	4%	6%
Tax incentives on good behaviours	43%	18%	14%	14%	11%
Buid, keep and make transparency historical record	60%	32%	2%	1%	5%
Average response	48%	29%	10%	6%	6%

The table 4.3 above presents results on proposal to improve Tax-compliance. The table indicates that on average 48% of participants have strongly agreed that the above-mentioned proposals should enable to improve Tax-compliance by SMEs. In addition, 29%, 10%, 6% and 6% of the respondents have mildly agreed, neutral, mildly disagreed and strongly disagreed that the above-mentioned proposals may enable to improve Tax-compliance respectively.

4.5.19 Extent to which the impacts on taxpayers education has on tax compliance

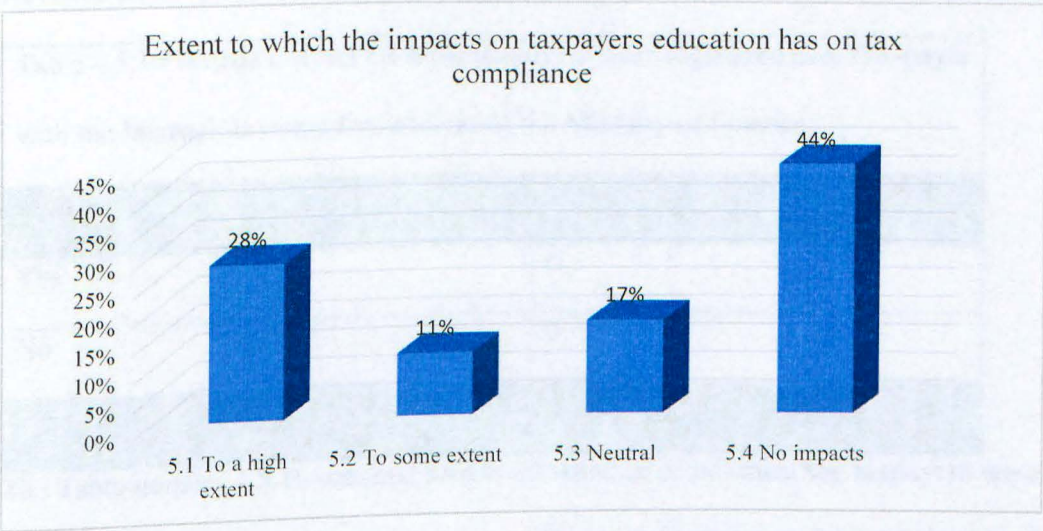


Figure 4.5.12: Extent to which the impacts on taxpayers education has on tax compliance

The bar graph under figure 4.5.12 presents results on an extent to which the impacts on taxpayers education has on tax compliance. The figure indicates that 44% of the participants were of the opinion that tax education has on impacts on the compliance while 28%, 17% and 11 of the respondents were of the opinion that tax education has impacts on the compliance to a high extent, neutral and to some extenet respectively.

4.5.6 Results from tax executives and taxation officers

4.5.6.1 Whether or not most the taxpayers were registered as a Tax-payer with Internal Revenue Department of Ministry of Finance

Table 4.5.10 Whether or not most the taxpayers were registered as a Tax-payer with the Internal Revenue Department of the Ministry of Finance		
Options	Frequency	Percentage
Yes	6	100
No	0	0
Total	6	100

The Table number 4.5.10 presents results on whether or not most the taxpayers were registered as a Tax-payer with the Internal Revenue Department of the Ministry of Finance. It clearly indicates that all respondents have indicated that most the taxpayers were registered as a Tax-payer with the Internal Revenue Department of the Ministry of Finance

4.5.6.2 The nature of tax collectors responsible for collecting in present assignment

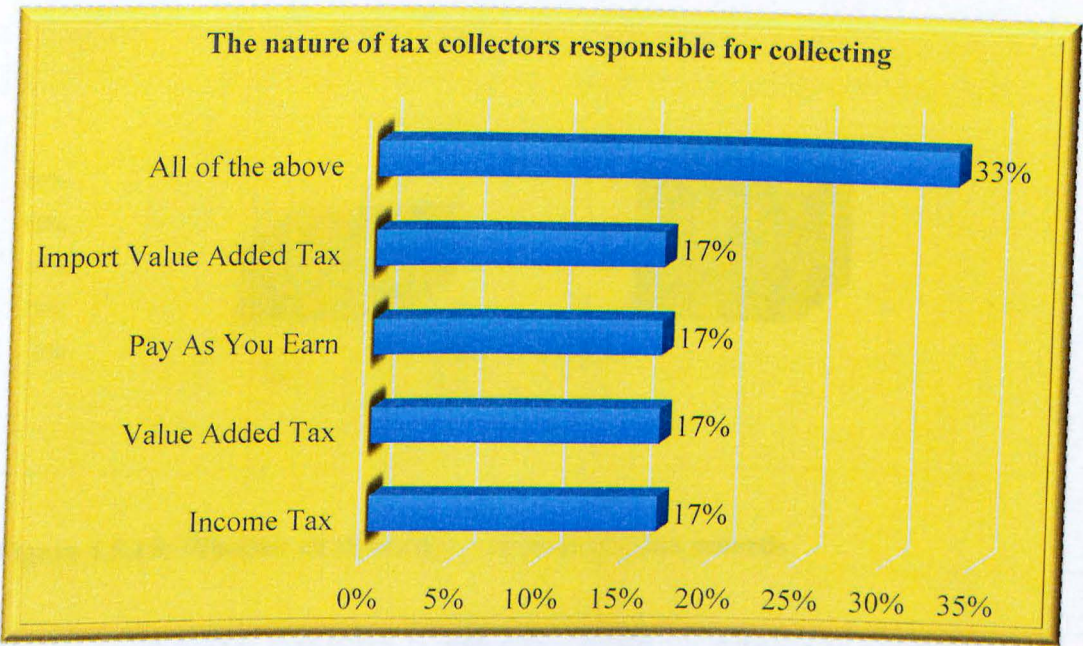


Figure 4.5.14: The nature of tax collectors responsible for collecting

The bar graph under Figure 4.5.14 and the Table under Table 4.5.22 present results of the nature of tax collectors responsible for collecting within the Ministry of Finance. The table indicates that both executives which represent 33% of the respondents were responsible for all type of taxes while the rest of the participants which were taxation officers were responsible for each type of taxes under review which represent 17% each.

4.5.6..3 Whether or not taxpayers maintain tax records

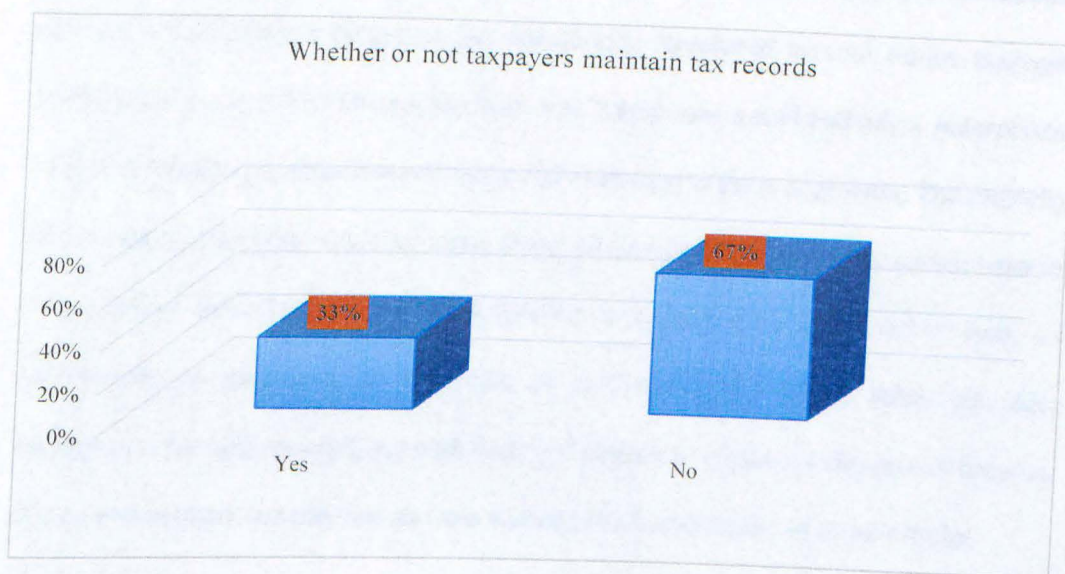


Figure 4.5.15: Whether or not taxpayers maintain tax records

The bar graph under Figure 4.5.15 highlights results on whether or not taxpayers maintain tax records. The study indicates that 67% of the participants were of opinion that taxpayers do not maintain tax records while only 33% of the respondents have indicated that taxpayers do maintain tax records. This was consistent with the results obtained from taxpayer participants which have indicated that 57% of the participants do not maintain business records while 43% of the participants indicated that they do maintain business records. Hence, the researcher may easily conclude that most of the taxpayers do not maintain business records.

4.5.6.4 Suggested possible strategies to sensitize the taxpayers to register voluntarily and maintain proper tax records

A taxpayer compliance program is a high level plan which brings together in a single document a description of the most significant compliance risks identified in the tax system and sets out the broad detail of how the revenue agency intends to respond to

those risks. It does not attempt to cover every aspect of a revenue agency's operational activities. Compliance programs are commonly structured around major taxpayer segments (e.g., large businesses, medium-size enterprises, small and micro enterprises, and individuals) and address compliance risks relevant to these segments. The majority of revenue agencies have moved away from administrative assessment systems under which all or most tax returns are subjected to examination prior to the issue of assessments to taxpayers, to a system of self-assessment which relies on most taxpayers voluntarily complying with their obligations to register, keep proper records, file correct returns and pay tax on time without the intervention of a tax official.

Successful self-assessment systems are underpinned by an administrative approach which recognizes that voluntary compliance will be optimized through an appropriate balance of taxpayer education and assistance, simple laws and procedures, and risk-based verification programs: Taxpayer education and assistance programs—help taxpayers and their advisors understand their obligations and entitlements (taxpayers cannot comply if they do not understand the tax laws and procedures). Simple laws and procedures—make it easier and less expensive for taxpayers to comply with their obligations and access their entitlements (taxpayers may not voluntarily comply if the tax system itself makes it too difficult or too expensive for them to meet their obligations). Risk-based verification programs—create a downside to poor compliance behaviour by detecting and deterring noncompliance through use of risk management approaches (taxpayers are more likely to comply if they perceive a strong chance of detection and see blatant noncompliers being brought to account).

4.5.6.5 Whether or not taxpayers do file tax returns regularly by due dates and pay the taxes by due dates

Table 4.5.11: Filing tax returns regularly by due dates and pay the taxes by due dates

Options	Filing Return		Total Frequen cy	Scores in %	Payment of Tax		Total Frequen cy	Scores in %
	Executi ves	Taxati on Office rs			Executi ves	Taxati on Office rs		
Yes	1	2	3	50.00%	1	2	3	50.00%
No	1	2	3	50.00%	1	2	3	50.00%
Grand total	2	4	6	100.00 %	2	4	6	100.00 %

The table under Table 4.5.11 presents results on whether or not taxpayers do file tax returns regularly by due dates and pay the taxes by due dates. The study reveals that half of participants were of the opinion that taxpayers do filing and pay taxes by due dates respectively while the other half were of the opposite idea that taxpayers do not do filing and pay taxes by due dates respectively. However, the results from taxpayers indicates that 60% of participants have indicated that they do file tax returns regularly while the rest of the participants have indicated opposite. Thus, this urguably that half of the taxpayers do comply with tax regulations by doing proper filing and pay tax due on time.

4.5.6.6 The rating of taxpayer's attitude towards tax payments

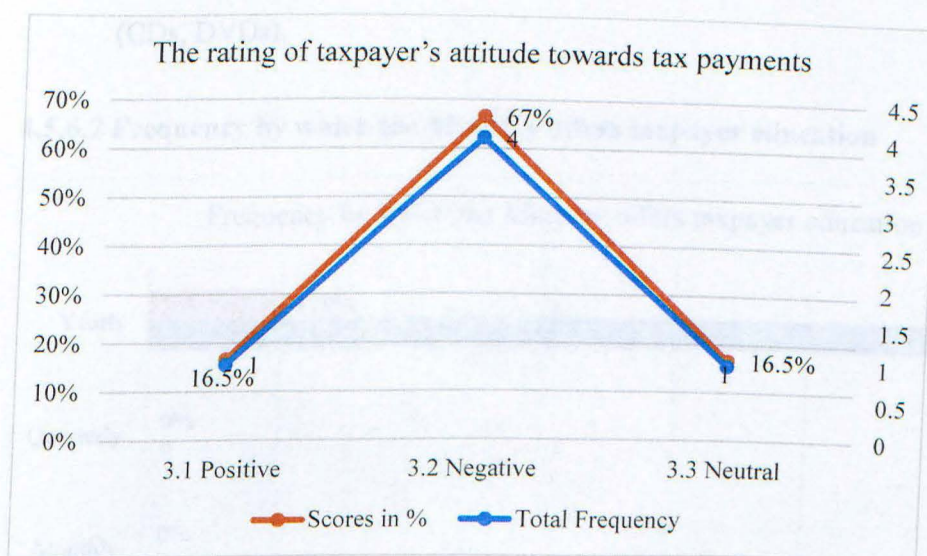


Figure 4.5.16: The rating of taxpayer's attitude towards tax payments

The table under Table 4.5.25 and the Linegraph under Figure 4.5.16 illustrate the results on the rating of taxpayer's attitude towards tax payments. The table indicates that four of the respondents which represent 67% of the participants as indicated by linegraph under figure 4.5.16 participants were of the idea that taxpayers had negative attitude while the rest of interviewees have indicated that were of the idea that taxpayers had positive and neutral attitude respectively. Therefore, based on the above outcome one may easily concludes that taxpayer have negative attitude towards tax payments.

Suggested measures to build positive attitude among taxpayers towards tax payments:

- Introduce tax incentives for taxpayers that pay on time.
- Avoid deliberate none tax payments the taxes you are supposed to pay.
- Avoid buying services knowing that the income from them will not have been declared to the tax authorities.
- Avoid buying stolen goods.

- Avoid buy counterfeit goods (e.g. clothing, handbags) and buying pirate goods (CDs, DVDs).

4.5.6.7 Frequency by which the Ministry offers taxpayer education

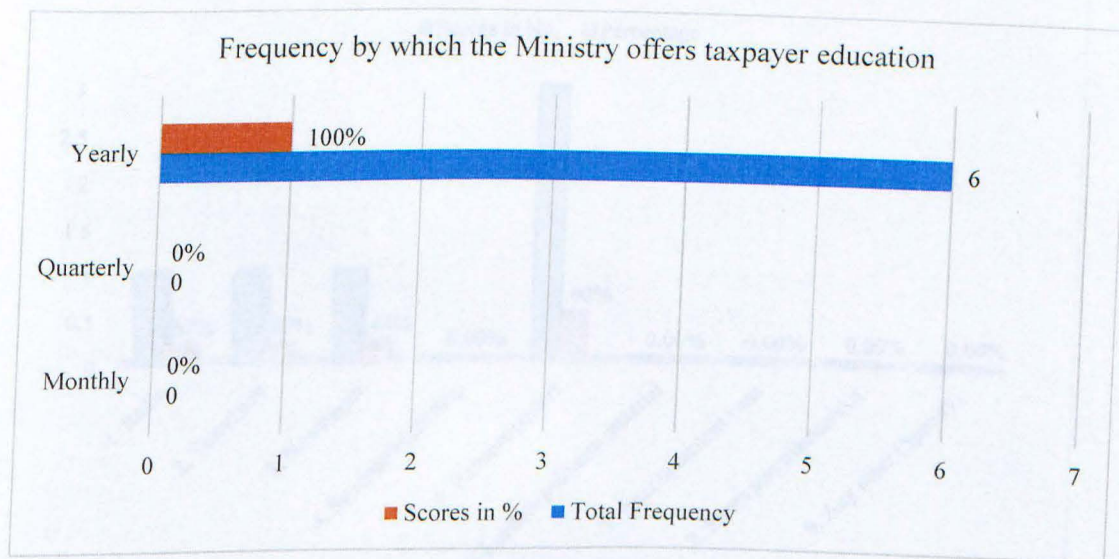


Figure 4.5.17: Frequency by which the Ministry offers taxpayer education

The bargraph under figure 4.5.17 presents results on frequency by which the Ministry offers taxpayer education in a year. The study indicates that all of the participants have indicated that the Ministry of Finance only offers taxpayer education once in a year.

4.5.6.8 The modes the Ministry uses to offer tax education

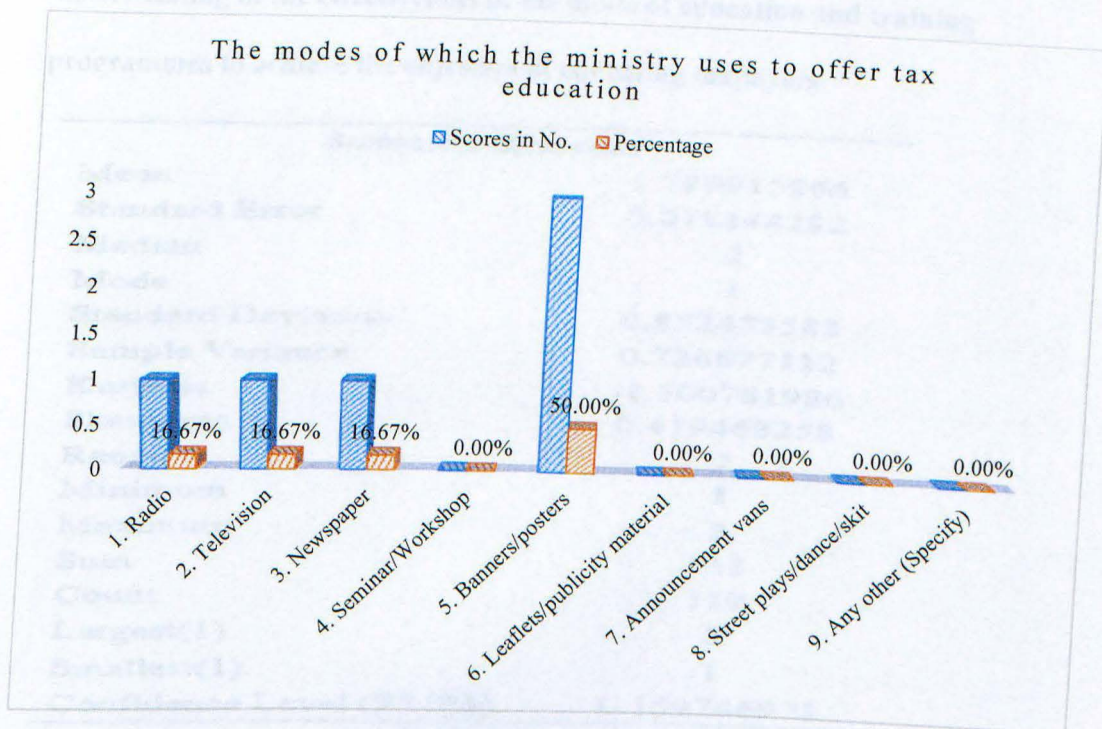


Figure 4.5.18: The modes on which the Ministry uses to offer tax education

The bar graph under Figure 4.5.18 illustrates the modes on which the Ministry uses to offer tax education. The research reveals that half of the respondents have indicated that the Ministry uses Banners/posters to offer tax education while Radio, newspaper and television scored 16.67% respectively as a mode used by the Ministry to educate taxpayers on tax related topics. However, results from taxpayers alluded that 39% of the respondents have indicated that radio was one of the modes used by the Ministry to educate the taxpayers. In addition, 29% and 16% of the respondents have indicated that leaflets / public materials and television were some of the modes used by the Ministry to educate the taxpayers. This is clearly an indication that the Ministry of Finance mostly uses either Banners/posters or Radio to offer tax education.

4.5.6.9 Rating of the effectiveness of the mode of education and training programmes to achieve the objective of educating taxpayers

<i>Summary Statistics</i>	
Mean	1.789915966
Standard Error	0.078144292
Median	2
Mode	1
Standard Deviation	0.852453583
Sample Variance	0.726677112
Kurtosis	-1.500781986
Skewness	0.419468258
Range	2
Minimum	1
Maximum	3
Sum	213
Count	119
Largest(1)	3
Smallest(1)	1
Confidence Level (95.0%)	0.154746971
<i>Z-Test</i>	
z-value	10.10842824
p-value	0

Table 4.5.12: Rating of the effectiveness of the mode of education and training programmes to achieve the objective of educating taxpayers

Item	(1) Strongly Agree	(2) Mildly Agree	(3) Neither Agree nor Disagree	(4) Mildly Disagree	(5) Strongly Disagree
Radio	50%	36%	7%	4%	4%
Television	39%	32%	18%	4%	6%
Newspaper	43%	18%	14%	14%	11%
Seminar/Workshop	18%	4%	39%	32%	6%

Banners/posters	60%	32%	2%	1%	5%
Leaflets/Publicity material	68%	18%	9%	3%	2%
Announcement vans	4%	6%	39%	32%	18%
Street plays/dance/skit	18%	6%	22%	32%	22%
Average response	38%	19%	19%	15%	9%

The table under Table 4.5.28 reflects results on the rating of the effectiveness of the mode of education and training programmes to achieve the objective of educating taxpayers. The study indicates that on average respondents have strongly agreed that the provided mode of offering tax education were effective with radio being the most effective one followed by the newspaper. In addition, on average 19% and 19% of participants have indicated mildly agreed and neither agree nor disagree respectively. The rest of the respondents have either mildly disagreed or strongly disagreed.

Moreover, The Z (obtained) for this test is 10.10842824 and at a 5% two-tailed level of significance, it is greater than the Z (critical) which is 1.96. In addition, the p-value obtained is 0 hence, and this implies that the sample mean is not different from the hypothesized mean. Hence, the null hypothesis (H_0) will be rejected and the alternative hypothesis (H_1) will be accepted. Therefore, the more the mode is accessible to the taxpayers then it will be more effective of the mode on education and training programmes to achieve the objective of educating taxpayers in Namibia.

The Z value obtained shows that the sample was taken from a population whose mean is 1 and 1 represents the option that mode on education and training programmes. Since the p-value obtained is less than the level of significance, it can be said that the probability of rejecting the hypothesis that the population and sample means are the

same. This can be supported by the works of Ačevska (2014), who from a study of Macedonian SMEs found out that the most serious institutional barriers for Macedonian SMEs are the effectiveness. In agreement also is the work of Lavinia & Alexandrina (2015) carried in Romania which reports that taxation is the most significant difficulty faced by entrepreneurs?

4.5.6.10 Whether or not tax collectors have ever assisted taxpayers in completing their tax returns and tax payments

Table 4.5.13: Whether or not tax collectors have ever assisted taxpayers on completing their tax returns and tax payments

Options	Filing Return		Total Frequency	Score in %	Payment of Tax		Total Frequency	Score in %
	Executives	Taxation Officers			Executives	Taxation Officers		
Yes	2	4	6	100.00%	1	2	3	100.00%
No	0	0	0	0.00%	1	2	3	0.00%
Grand total	2	4	6	100.00%	2	4	6	100.00%

The table under Table 4.5.13 illustrates results on whether or not tax collectors have ever assisted taxpayers on completing their tax returns and tax payments. The study highlighted that 100% of the tax executive and taxation officers have assisted taxpayer

with taxpayers on completing their tax returns while half of the tax executive and taxation officers have indicated that they have assisted taxpayers on tax payments.

4.5.6.11 Factors affecting tax-compliance on taxpayers

Table 4.5.14: Factors affecting tax-compliance on taxpayers

Statement	(1) Strongly Agree	(2) Mildly Agree	(3) Neither Agree nor Disagree	(4) Mildly Disagree	(5) Strongly Disagree
Financial burden	43%	18%	14%	14%	11%
Cost of compliance	39%	32%	18%	4%	6%
Lack of incentives	43%	18%	14%	14%	11%
Perceived inequality	18%	4%	39%	32%	6%
No reward or punishment	60%	32%	2%	1%	5%
Uncertainty of profit/income	4%	39%	32%	6%	18%
Lack of assistance in filling tax returns	4%	6%	39%	32%	18%
Difficulty in understanding tax laws	18%	6%	22%	32%	22%

Difficulty in filling return and payment of tax	60%	32%	2%	1%	5%
Delay I settlement of tax liability	4%	39%	32%	6%	18%
Delay in refunds of tax	39%	32%	18%	4%	6%
Average response	30%	24%	21%	13%	12%

The table under table Table 4.5.14 presents results on factors affecting tax-compliance on taxpayers. The study reveals that on average 30% of participants have strongly agreed that factors listed on the table number 4.12 were some of the Factors affecting tax-compliance on taxpayers with no reward or punishment being the most contributing factor which has 60%.

Further, the study revealed that 24% of the participants have mildly agreed that factors listed on the table number 4.5.14 were some of the Factors affecting tax-compliance on taxpayers. The rest of the respondents have indicated opposite. Moreover, this in line with results obtained from taxpayers that indicated that the abovementioned factors were independent of each other.

Suggested measures for removing the factors affecting tax-compliance and ensuring better compliance

- Tax collectors should be motivated accordingly because this is a tempting job, good work incentives and welfare can reduce the level of corruption to tax collectors.
- The council should make sure that all collected tax revenues are remitted to the head office within the month it has been collected in order to facilitate trend analysis between months in the year.
- The existing chances for tax evasion and tax avoidance should be clearly addressed by the council by the use of laws at its disposal to prevent it and enhance its local revenue collection, bearing in mind that a lot of revenue is lost through tax evasion and tax avoidance.

4.5.6.12 Rating of strategies with regard to suggested measures for improvement in tax-compliance

Table 4.5.15: Rating of strategies with regard to suggested measures for improvement in tax-compliance

Statement	(1) Strongly Agree	(2) Mildly Agree	(3) Neither Agree nor Disagree	(4) Mildly Disagree	(5) Strongly Disagree	Total
The early background on tax affairs	50%	36%	7%	4%	4%	100%
Adopt visible actions against bad behaviours	39%	32%	18%	4%	6%	100%

Tax incentives on good behaviours	43%	18%	14%	14%	11%	100%
Build, keep and make transparency historical record	60%	32%	2%	1%	5%	100%
Average response	48%	29%	10%	6%	6%	100%

The table under table 4.5.15 presents results on the rating of strategies with regard to suggested measures for improvement in tax-compliance. The study reveals that 48% of the participants have strongly agreed that strategies listed on the foresaid table were some of the strategies that may be used to improvement tax-compliance. In addition, 29%, 10% and 6% of the respondents have mildly agreed, neither agree nor disagree and mildly disagree that that strategies listed on the foresaid table were some of the strategies that may be used to improvement tax-compliance. Respectively.

4.5.6.13 Ranking of strategies for improvement in tax-compliance with regard to different taxes

Table 4.5.15: Ranking of strategies for improvement in tax-compliance with regard to different taxes

Frequency Table on: Ranking of strategies for improvement in tax compliance with regard to different taxes in Number					
Statement	VAT	Income Tax	PAYE	Withholding Tax	Frequency Total
1. Simplification of Tax laws and Tax regulations	4	2	0	0	6
2. Simplification of Tax records, Tax Returns and Tax filing Procedure	3	3	0	0	6
3. Building and maintaining transparent historical record of tax payers	3	3	0	0	6
4. Provide for incentives in the form of recognition and rewards for good year to year Tax compliance track record	2	4	0	0	6
5. Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax Compliance track record	3	3	0	0	6
6. Adopt a policy of transparent and visible action on good and bad Tax Compliance	4	2	0	0	6
Average number of frequency	3	3	0	0	6

Frequency Table on: Ranking of strategies for improvement in tax compliance with regard to different taxes in Percentage					
Statement	VAT	Income Tax	PAYE	Withholding Tax	Total %
1. Simplification of Tax laws and Tax regulations	67%	33%	0%	0%	100%
2. Simplification of Tax records, Tax Returns and Tax filing Procedure	50%	50%	0%	0%	100%
3. Building and maintaining transparent historical record of tax payers	50%	50%	0%	0%	100%
4. Provide for incentives in the form of recognition and rewards for good year to year Tax compliance track record	33%	67%	0%	0%	100%
5. Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax Compliance track record	50%	50%	0%	0%	100%
6. Adopt a policy of transparent and visible action on good and bad Tax Compliance	67%	33%	0%	0%	100%
Average percentage	53%	47%	0%	0%	100%

The table under Table 4.5.15 illustrates results of the ranking of strategies for improvement in tax-compliance with regard to different taxes. The study reveals that on average 53% and 47% of the participants were of the opinion that VAT and Income Tax were the tax types with whom the listed strategies may be used to improve tax-compliance with regard to different taxes. However, none of participants have indicated PAYE and withholding tax that the above-mentioned strategies will enable

to improve the collection of these taxes. In addition, seeing that PAYE is collected by employers while the withholding is collected by banks, this does not make it difficult for the Ministry to collect these types of taxes.

Suggested strategies needed to ensure better tax-compliance:

- Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax-compliance track record.
- Provide for incentives in the form of recognition and rewards for good year to year Tax-compliance track record.
- Simplification of Tax records, Tax Returns and Tax filing Procedure.
- Adopt a policy of transparent and visible action on good and bad Tax-compliance.

4.6.14 Other strategies that were considered to be effective in educating and sensitising tax-payers and ensuring better compliance and timely payment of tax

The following strategies have been provided by the respondents as any other strategies the Ministry of Finance with specific reference to Inland Revenue may consider in order to address the issues of tax-compliance and education:

For effective taxpayer education

- The Ministry of Finance should provide tax incentives to tax-payers in order to encourage them to pay their dues on time.
- The Ministry of Finance should offer tax education more than once in a year.
- The Ministry should provide quarterly tax-payer education program: this is one of the strategies for improving service delivery to the tax-payers.

- Improving service delivery is critical to enhance voluntary tax-compliance by tax-payers.
- Partnering with the states to identify best practice Electronic Commerce initiatives.
- Assessing the applicability of activities to compliance and taxpayer education.

For sensitising tax-payers and ensuring better tax-compliance

- Addressing targeted compliance issues continuously.
- Identifying burden reduction opportunities.
- Developing and implementing an Electronic Commerce strategy to promote compliance and target non-compliance.
- Lack of voluntary tax-compliance compels revenue authorities to use costly and coercive methods for tax law enforcement.
- Increasing partnerships with local stakeholders to market Electronic Files / Electronic Payment.

4.5.7 Research findings in the light of objectives

4.5.7.1 The impacts of taxpayer education programmes on sensitization of tax-payers among small and medium enterprises

The study reveals that taxpayer education is considered an important factor in behavioural modification and creating motivation among taxpayers for voluntary compliance. The taxpayer education is directed towards creating taxpaying culture. The basic assumption behind the taxpayer education programs is that the non – compliance to the tax laws can arise unintentionally, due to the lack of knowledge, the complexity of the tax laws, compliance costs or poorly define regulations (Imam, 2014). However this requires development of appropriate taxpayer education

programs and their proper execution with positive attitude and with the cooperation of all concerned. Tax-payer education program is one of the strategies for improving service delivery to the tax-payers. Improving service delivery is critical to enhance voluntary tax-compliance by tax-payers. Lack of voluntary tax-compliance compels revenue authorities to use costly and coercive methods for tax law enforcement (Kaplanoglou, Rapanos and Daskalakis, 2016). The non-compliance may be unintentional, where the taxpayer is not aware of his/her tax obligations or fails to fulfil his/her tax obligation due to ignorance of tax laws and procedures or may be intentional due to the compliance attitudes (Nghaamwa, 2011). It is expected that tax education will enable the taxpayer to understand tax laws and procedures as well as create positive tax-compliance attitude (Mukhlis, *et al.*, 2015).

4.5.7.2 The evaluation on the impact of use of other media for tax-payer education on tax-compliance among small and medium enterprises

Taxpayer education comprises of all strategies to ensure that the taxpayer is aware of his/ her tax obligations, and to persuade him/her to pay the tax liability voluntarily. The basic aim is to deliver the tax knowledge with the use of various forms of communications, such as television, radio, workshops, seminars and newspapers (Obert, *et al.*, 2018; The Tanzania National Bureau of Statistics, 2003). In Uganda, the Uganda Revenue Authority uses taxpayer education programs aiming at creating awareness to tax matters and increase the level of voluntary tax-compliance. Various strategies are adopted such as seminars, workshop, tax – clinic, live radio-talk show, tax literature and the Uganda Revenue Authority website. These strategies have gradually changed the taxpayer attitude, reducing the compliance cost and minimising the cost of tax administration (Mwandiambira, 2017).

The characteristics of the attitudes pyramid suggest that taxpayers prefer to be persuaded first (at the bottom of the pyramid) rather than enforcement actions. Only small percentage of the taxpayers would prefer enforcement actions to voluntary compliance and responds positively to the enforcement actions. This suggests that the tax-payer educations and the taxpayer services are fundamental in improving the tax-compliance among business (Kalkuhl, *et al.*, 2017). However the problem is not to offer taxpayer education, but to make it effective, so that can help the small business owners to understand their tax responsibilities (Machogu and Amayi, 2016). To make it effective in its design has to focus on both capacity building on the part of staff who are supposed to deliver service as well as building tax knowledge on the part of taxpayers. This will facilitate coordination and positive attitude of the taxpayers to tax system (Mwandiambira, 2017).

4.5.7.3 Appropriate strategies on taxpayers' education for better tax-compliance among the small and medium enterprises

Findings of this study were compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply. 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 non-compliers. SMEs entrepreneurs are able to understand their tax obligations when there is an aspect of fairness and tax benefits that can be received in real terms. There is a positive relationship between the level of tax knowledge and tax-compliance. The non-compliance may be unintentional, where the taxpayer is not aware of his/her tax

obligations or fails to fulfil his/her tax obligations due to ignorance of tax laws and procedures or may be intentional due to the compliance attitudes.

4.8 Summary

Taxpayer education is considered an important factor in behavioural modification and creating motivation among taxpayers for voluntary compliance. Taxpayer education is directed towards creating a taxpaying culture. The basic assumption behind the taxpayer education programs is that the non – compliance to the tax laws can arise unintentionally, due to the lack of knowledge, the complexity of the tax laws, compliance costs or poorly defined regulations (Imam, 2014). However this requires development of appropriate taxpayer education programs and their proper execution with positive attitude and with the cooperation of all concerned.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5. Introduction

This chapter provides the conclusions and recommendations of the study. The conclusions and recommendations were made in accordance with the research objectives. This chapter is divided into four sections, section 5.1 which confers the conclusions correlated to the results and analysis and section 5.2 which presents the recommendations to the Ministry of Finance and any other relevant stakeholders, section 5.3 presents the limitations of the findings and section 5.4 highlights areas for further study.

5.1 Field survey

The study revealed significant findings which were: there is a positive relationship between taxpayer education and voluntary tax-compliance. Taxpayer education will provide the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. First using questionnaires administered to the SME owners to test their compliance attitude before studying taxation subjects their responses were recorded. The statistical findings confirmed the prevalence of significant positive relationship between the level of taxpayer education and the level of voluntary tax-compliance.

This study further indicates that enhanced tax knowledge and tax attitudes, affect the compliance behaviour among the tax-payers in Namibia. Analyzing the statistics it was revealed that there was no significant improvement in the compliance behaviour of taxpayers and compliance to the tax laws after acquiring tax knowledge,. The findings

suggest that mere intensification in the tax knowledge did not have significant relationship with tax-compliance behaviour. There is need to carry out similar study in other environments, because the findings of the study were carried out in the environment which was different from 2018.

5.1.1 Summary of research findings

5.1.1.1 The extent of the impact of taxpayer education programmes on sensitisation of tax-payers among small and medium enterprises

Taxpayer education comprised of all strategies to ensure that the taxpayer is aware of his/ her tax obligations, and persuade him/her to pay the tax liability voluntarily. The basic aim is to deliver the tax knowledge with the use of various forms of communications, such as television, radio, workshops, seminars and newspaper. The Revenue Authority uses taxpayer education programs aiming at creating awareness to tax matters and increase the level of voluntary tax-compliance. Various strategies are adopted such as seminars, workshop, tax – clinic, live radio-talk show, tax literature and the Ministry of finance website. These strategies have gradually changed the taxpayer attitude, reducing the compliance cost and minimise the cost of tax administration.

The characteristics of the attitudes pyramid suggests that taxpayers prefer to be persuaded first (at the bottom of the pyramid) rather than enforcement actions. Only a small percentage of the taxpayers would prefer enforcement actions to voluntary compliance and respond positively to the enforcement actions. This suggests that the tax-payer education and the taxpayer services are fundamental in improving the tax-compliance among businesses. However the problem is not to offer taxpayer

education, but to make it effective, so that it can help the small business owners to understand their tax responsibilities. To make it effective in its design, it has to focus on both capacity building on the part of staff who are supposed to deliver service as well as building tax knowledge on the part of taxpayers. This would facilitate coordination and a positive attitude of the taxpayers to the tax system.

5.1.1.2 The impact of the use of other media for tax-payer education on tax compliance among small and medium enterprises

The study reveals that taxpayer education is the tool to enable the taxpayer to understand the tax laws, making easy for them to comply with the obligations such as accurate preparations of returns, timely submission of the returns, and payment of taxes. It is a tool to enable taxpayers to comply with the self-assessment system in the survey to study the effectiveness of the taxpayer education programs provided by the Ministry of Finance. The study further indicated that taxpayer education includes all programs aiming at creating awareness to tax laws and taxpayer obligations, such as seminars, workshops, radio and television programs, and the websites. This dissertation adopted the definition as used by the National Bureau of Statistics as it suits the environment in which the study is undertaken. The basic aim of the taxpayer education programs to the SMEs is to create awareness of tax laws, rights and obligations. The level of education acquired by the taxpayer was measured through the knowledge acquired in the tax education and awareness programs and the extent to which it improved his or her understanding of the tax matters, rights and obligations

5.1.1.3 Strategies on taxpayers' education for better tax-compliance among the small and medium enterprises

Findings of this study were compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply. 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 non-compliers. SMEs entrepreneurs are able to understand their tax obligations when there is an aspect of fairness and tax benefits that can be received in real terms. There is a positive relationship between the level of tax knowledge and tax-compliance. The non-compliance may be unintentional, where the taxpayer is not aware of his/her tax obligations or fails to fulfil his/her tax obligations due to ignorance of tax laws and procedures or may be intentional due to the compliance attitudes.

In addition, the statistical findings confirmed that those with tax knowledge had higher level of compliance than those without knowledge. Though the results of the study indicated a significant relationship between the level of the tax knowledge and the level of tax-compliance, there is a need to carry out similar studies now, because the environment in which the study was carried, was different and the study only compared the behaviour of taxpayers with significant level of tax knowledge to those without tax knowledge.

5.2 Conclusion

The findings of this study showed that tax knowledge is essential in promoting voluntary tax-compliance. It is necessary for the taxpayer to acquire the tax knowledge which will enable them to make right compliance decisions. The knowledge will also

facilitate record-keeping in business, minimise the compliance costs, as well as create a good business environment and marketing strategies, as the compliant trader may operate his/her business freely. This study revealed that taxpayer education has an effect on voluntary tax-compliance. In the study the unit of analysis was the taxpayer, showing how one characteristic of the taxpayer, may affect his/her compliance behaviour, as well as other variables, which were outside the taxpayer. Examples were the level of tax rates, the perception of fairness of the taxes, proper management and utilisation of government revenue, all which may affect the tax-compliance behaviour. Thus, further studies on the subject in question will bring new insight and enrich common understanding. There is need to research more on tax-compliance as most of the empirical findings in this area are from developed countries.

The findings further revealed that the level of taxpayer education affects the tax-compliance. These findings were similar to the findings obtained by Tee, *et al.*, (2016), Atawodi and Ojeka (2012), Normalla (2012), Mukhlis, *et al.*, (2015). In their studies, they concluded that there was a significant positive relationship between the level of tax knowledge and tax-compliance.

Theories of Tax-compliance: various opinions exist about the best ways to improve tax-compliance. Given the chance, a lot of businesses will not pay taxes unless there is a motivation to do so. Some believe that the best way is to increase incentives. Feld and Frey (2011) among others believes the best way is to increase penalties. Tax-compliance theories can be broadly classified into two: They are: economics based theories and psychology based theories.

- **Psychology Theories:** Psychology theories on the other hand posit that taxpayers are influenced to comply with their tax obligations by psychological

factors. They focus on the taxpayers' morals and ethics. The theories suggest that a taxpayer may comply even when the probability of detection is low. As opposed to the economic theories that emphasize increased audits and penalties as solutions to compliance issues, psychology theories lay emphasis on changing individual attitudes towards tax systems.

However, findings of this study oppose the findings obtained by Kaplanoglou, *et al.*, (2016), which concluded that there was no significant positive relationship between the level of tax knowledge and tax-compliance. The findings also confirm the change theory which assumes that when the problem exists, relating to behaviour, there must be modifiable factors that contribute to the problem, one of them being knowledge. The provision of tax education has affected the way the taxpayer makes tax-compliance decision. Through taxpayer education, the taxpayer is aware of the rights, obligations and the procedures of paying taxes, as well as the consequences of noncompliance. The taxpayer can make rational decisions of complying with the tax laws, as he/she is certain of the outcome. Therefore these findings support the application of prospect theory to the tax-compliance decisions.

5.2 Recommendations

Based on the findings of the study, the following recommendations were offered to assist in improving the impact of taxpayer education on tax-compliance:

5.2.1 The impact of taxpayer education programmes on sensitization of taxpayers among small and medium enterprises

The study recommends that the Ministry should ensure that Tax knowledge is essential in improving tax-compliance, hence more revenue to finance the recurrent and development expenditure of the government should be considered. It also implies less administrative costs for the collection of revenue. Being the case, the government is advised to impart tax knowledge to individuals not only to the current business community, more importantly to the potential business community. Taxation should be taught at all levels of education, starting from primary schools to secondary schools, up to university level, with an emphasis of promoting voluntary tax-compliance. Currently, taxation is taught at the university level, ignoring the other levels below.

5.2.2 The evaluation on the impact of the use of alternative media for tax-payer education on tax-compliance among small and medium enterprises

The study recommends that the Ministry should mainly use Radio and Banners to conduct taxpayers education on tax-compliance and tax payments. Taxpayer education is the tool to enable the taxpayer to understand the tax laws, making easy for them to comply with the obligations such as accurate preparations of returns, timely submission of the returns, and payment of taxes. It is a tool to enable taxpayers to comply with the self-assessment system (Wagner, *et al.*, 2012). Mukhlis and Yuli (2013) in the survey to study the effectiveness of taxpayer education programs provided by the Tanzania Revenue Authority (TRA), argued that taxpayer education includes all programs aiming at creating awareness to tax laws and taxpayer obligations, such as seminars, workshops, radio and television programs, and websites. This dissertation adopted the definition as used by the National Bureau of Statistics as

it suits the environment in which the study is undertaken. The basic aim of the taxpayer education programs to the SMEs is to create awareness of tax laws, rights and obligations. The level of education acquired by the taxpayer was measured through the knowledge acquired in the tax education and awareness programs and the extent to which it improved his or her understanding of the tax matters, rights and obligations (Mukhlis and Yuli, 2013).

5.2.3 Appropriate strategies on taxpayers' education for better tax-compliance among the small and medium enterprises

The researcher recommends that a focus should be on the younger taxpayers and strategies to build tax knowledge across various groups of the business community. This is the key issue in building a future tax compliant society. In addition, the study suggests that taxpayer education should be regarded as an essential in improving voluntary tax-compliance. It is essential for the taxpayer to understand his/her rights, obligations, and the procedures of paying taxes. Efforts to improve tax-compliance to the taxpayer, who doesn't understand their rights and obligations will not yield positive results. This means in the design of strategies to improve tax-compliance, efforts should be made to first focus on educating taxpayers.

5.2.4 General recommendations

The study further recommends that the ministry should consider the following: The tax system has a major role in influencing the behaviour of taxpayers and motivating them for voluntary tax-compliance. However, for such a positive impact, the tax system should be designed with appropriate characteristic features. Ngigi and Collins,

(2015) have suggested the following characteristic features in designing an appropriate tax system for the SMEs:

- **Simplicity:** The tax system should be easy to administer and comply with;
- **Proportionality:** The tax-compliance burden should not be disproportionate to the business sizes, SMEs should have correspondingly small and medium compliance burden;
- **Trade-offs should favour compliance friendliness:** In designing any compliance-friendly tax environment, the decision paths invariably meet at the intersection of accuracy, tax base protectionism and simplicity. For SMEs, the trade-off needs to favour simplicity.
- **Tax neutrality:** Overall, the intention is not to change how much is paid. However, simplicity does not equal less tax. In some cases, more tax will be paid and in some cases less tax will be paid.
- **Fairness:** Taxes and compliance burdens should always be seen to adhere to the principle of fairness, all other things being equal

5.3 Limitation of the study

Lack of openness was one of the limiting factors. The other limiting factors were lack of accuracy as well as the flow of information for the study. This was because some of the respondents were of the opinion that their information might be used for various purposes as opposed to the research purposes. Competition among Small and Medium Enterprises was one of main reason that lead to information being withheld by these respondents. However, the researcher ensured that respondents were made to understanding that the research was solely for academic purposes which made respondents to provide relevant information.

5.4 Areas for further Research

The review of literature based on studies done in different jurisdictions given above clearly brought out that the SME tax system needs to be designed to maximise accessibility for the taxpayers and minimise compliance costs commensurate with the capacity of the tax-payers. Thus, simplification of the tax system for SMEs in a more comprehensive manner is strongly supported. These efforts should take into account past experiences in the country and lessons learnt from other tax regimes on the one hand and taxpayer views and specific suggestions on legislative details on the other hand. This should provide a sound basis for designing the taxation policy for the SMEs. Moreover, as most SMEs feel that the taxation system is not fair to them and that they are treated the same way as the large enterprises, the system should be simplified so that it suits the SMEs better. For the development and implementation of an effective tax system for SMEs, there is a need for consensus among the governments and the SMEs through dialogue and compromise, creating and maintaining a harmonious environment and a positive attitude among all concerned and understanding the behaviour of taxpayers, taxpayer education and appropriate tax-payer education programs and their administration. There have been some studies in other jurisdictions covering one or the other aspects of the problem highlighted above. However, no such study covering all aspects of the problem in Namibia has come to the knowledge of the researcher. The present study was undertaken to fill this gap in knowledge with a view to providing useful inputs, keeping in view the contemporary requirements under the Namibian environment. Future research should be done to investigate the impact of taxpayers' education on tax-compliance in other parts of the country in order to get the full view of all Small and Medium Enterprises in the entire country.

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APPENDIX 2: QUESTIONNAIRE

Please cross x or tick the most appropriate number in the box.

QUESTIONNAIRE FOR TAX-PAYERS

Appeal for Cooperation

Dear Respondent,

I **Pombili Hilma Kankondi** Student number: 200717731 am undertaking this research in fulfillment of the requirements of the Degree of Masters in Business Administration – Finance of the University of Namibia Windhoek.

I thank you for your consent to cooperate and participate in this field survey. I am enclosing a questionnaire to be filled in by you for this purpose.

Please spare some time from your busy schedule and fill in the responses in the space provided and return the completed questionnaire on my email id given below within a week.

I may assure you that complete confidentiality will be maintained about the information provided by you and the information will be used for the purpose of the research only. The information will be maintained on my personal laptop which will be password protected and destroyed after the submission of the report to the University.

Please feel free to write me if any further information is needed from my end.

Pombili Hilma Kankondi; Student number: 200717731

pombixabc@gmail.com

QUESTIONNAIRE FOR TAX-PAYERS

SECTION A: SOCIO-DEMOGRAPHIC INFORMATION

1. Your Gender

Please tick mark (X) in the appropriate column

Male	
Female	

2. Your Age

Please tick mark (X) in the appropriate column

Up to 30 Years	
30 to 50 Years	
Above 50 Years	

3. Your highest educational qualification.

Please tick mark (X) in the appropriate column

1. Secondary Certificate	
2. Diploma	

3. Bachelor Degree	
4. Masters Degree	
5. Ph D Degree	

SECTION B: TAX REGISTRATION

1. Are you registered as a Tax-payer with Internal Revenue Department of Ministry of Finance?

Please tick mark (X) in the appropriate column

Yes	
No	

2. If yes, give the year of registration as Tax-payer

Please tick mark (X) in the appropriate column

2014 or before	
2015 or After	

3. What is the nature of your tax obligation?

Please tick mark (X) in the appropriate column

1. Income Tax	
2. Value Added Tax	
3. Pay As You Earn	
4. Import Value Added Tax	

SECTION C: Filling tax returns

1. Do you maintain business records?

Please tick mark (X) in the appropriate column

Yes	
No	

2. Do you maintain tax records?

Please tick mark (X) in the appropriate column

Yes	
No	

3. Do you know the due dates for filling tax returns and payment of tax?

Please tick mark (X) in the appropriate column

	Filing Return	Payment of Tax
Yes		
No		

4. Do you file tax returns regularly by due dates and pay the tax by due dates?

Please tick mark (X) in the appropriate column

	Filing Returns	Payment of Tax
Yes		
No		

SECTION D: TAXAPAYER EDUCATION AND TRAINING

1. Have you been exposed to taxpayer education?

Please tick mark (X) in the appropriate column

Yes	
No	

2. If yes, through which mode of education?

Please tick mark (X) in the appropriate column

1. Radio	
2. Television	
3. Newspaper	
4. Seminar/Workshop	
5. Banners/posters	
6. Leaflets/publicity material	
7. Announcement vans	
8. Street plays/dance/skit	
9. Any other (Specify) -----	

3. How effective is the mode of education and training programmes of the Ministry of Finance in achieving the objective of educating taxpayers?

Where;

(1) Strongly Agree

(2) Agree

(3) Neither Agree nor Disagree

(4) Disagree

(5) Strongly Disagree

Please tick mark (X) in the appropriate column

Item	1	2	3	4	5
------	---	---	---	---	---

1. Radio					
2. Television					
3. Newspaper					
4. Seminar/Workshop					
5. Banners/posters					
6. Leaflets/Publicity material					
7. Announcement vans					
8. Street plays/dance/skit					
9. Any other (Specify) -----					

4. Have you received assistance in maintaining business records and tax record from the Internal Revenue Department of the Ministry of Finance?

Please tick mark (X) in the appropriate column

	Assistance in Business Records	Assistance in Tax Records
Yes		
No		

5. If yes, rate the effectiveness of assistance provided in maintaining business records by the Internal Revenue Department of Ministry of Finance on 5 point like scale

Where

1 = Very Relevant;

2 = Relevant;

3 = Neutral;

4 = Irrelevant;

5 = Very Irrelevant

Please tick mark (X) in the appropriate column

Item	1	2	3	4	5
Assistance in maintaining business records					
Assistance in maintaining tax records					

6. Have you received assistance on filling tax returns and payment of tax by the Internal Revenue Department of Ministry of Finance?

Please tick mark (X) in the appropriate column

	Filing Tax Return	Payment of Tax
Yes		
No		

7. If yes, rate the effectiveness of assistance provided in filing tax returns and timely payment of tax by the Internal Revenue Department of the Ministry of Finance on 5 point scale.

Where

1 = Very Relevant; 2 = Relevant; 3 = Neutral; 4 = Not Relevant; 5 = Not Relevant at all

Please tick mark (X) in the appropriate column

Item	1	2	3	4	5
Assistance in filling tax returns					
Assistance in timely payment of tax					

SECTION E: SUGGESTIONS FOR ENSURING BETTER TAX-COMPLIANCE

1. What are the factors affecting tax-compliance?

Where

- (1) Strongly Agree (2) Agree (3) Neither Agree nor Disagree
(4) Disagree (5) Strongly Disagree

Please tick mark (X) in the appropriate column

Item	1	2	3	4	5
1. Financial burden					
2. Cost of compliance					
3. Lack of incentives					
4. Perceived inequality					
5. No reward or punishment					
6. Uncertainty of profit/income					
7. Lack of assistance in filling tax returns					
8. Difficulty in understanding tax laws					
9. Difficulty in filling return and payment of tax					
10. Delay I settlement of tax liability					
11. Delay in refunds of tax					
12. Any other (Specify)					

2. What are the strategies with regard to suggested measures for improvement in tax-compliance? on 5 point scale as given below:

Where

- (1) Strongly Agree (2) Agree (3) Neither Agree nor Disagree
(4) Disagree (5) Strongly Disagree

Please tick mark (X) in the appropriate column

item	1	2	3	4	5
1. Simplification of Tax laws and Tax regulations					
2. Simplification of Tax records, Tax Returns and Tax filing Procedure					
3. Building and maintaining transparent historical record of tax-payers					
4. Provide for incentives in the form of recognition and rewards for good year to year Tax-compliance track record					
5. Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax-compliance track record					
6. Adopt a policy of transparent and visible action on good and bad Tax-compliance					

3. Rank from 1 to 6 the following strategies for improvement in tax-compliance with regard to different taxes:

Please tick mark (X) in the appropriate column

item	VAT	Income Tax	PAYE	With holding Tax
1. Simplification of Tax laws and Tax regulations				
2. Simplification of Tax records, Tax Returns and Tax filing Procedure				
3. Building and maintaining transparent historical record of tax-payers				
4. Provide for incentives in the form of recognition and rewards for good year to year Tax-compliance track record				
5. Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax-compliance track record				
6. Adopt a policy of transparent and visible action on good and bad Tax-compliance				

4. Please suggest some other strategies that you consider can be effective in educating and sensitising tax-payers and ensuring better compliance and timely payment of tax.

- 1.....
- 2.....
- 3.....
4.

**5 To what extent the impact of taxpayer education education programmes on
senitisation of taxpayer among SMEs?**

5.1 To a high extent

5.2 To sotme extent

5.3 Neutral

5.4 No impacts

THANK YOU FOR YOUR TIME AND COOPERATION

APPENDIX: 3 QUESTIONNAIRE FOR TAX EXECUTIVES AND OFFICERS

Appeal for Cooperation

Dear Respondent,

I **Pombili Hilma Kankondi** Student number: 200717731 am undertaking this research in fulfilment of the requirements of the Degree of Masters in Business Administration – Finance of the University of Namibia Windhoek. I thank you for your consent to cooperate and participate in this field survey. I am enclosing a questionnaire to be filled in by you for this purpose.

Please spare some time from your busy schedule and fill in the responses in the space provided and return the completed questionnaire on my email id given below within a week. I may assure you that complete confidentiality will be maintained about the information provided by you and the information will be used for the purpose of the research only. The information will be maintained on my personal laptop which will be password protected and destroyed after the submission of the report to the University.

Please feel free to write me if any further information is needed from my end.

Pombili Hilma Kankondi

Student number: 200717731

pombixabc@gmail.com

SECTION A: SOCIO-DEMOGRAPHIC INFORMATION

1. Your Gender

Please tick mark (X) in the appropriate column

Male	
Female	

2. Your Age

Please tick mark (X) in the appropriate column

Up to 30 Years		
30 to 50 Years		
Above 50 Years		

3. Your highest educational qualification.

Please tick mark (X) in the appropriate column

1. Secondary Certificate	
2. Diploma	
3. Bachelor Degree	
4. Master's Degree	
5. PHD Degree	

4. What is the nature of tax you are responsible for collecting in present assignment?

Please tick mark (X) in the appropriate column

1. Income Tax	
2. Value Added Tax	
3. Pay As You Earn	
4. Import Value Added Tax	
5 All of the above	

SECTION B: TAX REGISTRATION

1. Are taxpayers in the group you deal with register as a Taxpayer voluntarily with Internal Revenue Department of Ministry of Finance?

Please mark (X) in the appropriate column

Yes	
No	

2. Do all taxpayers you have dealt with maintain tax records?

Please tick mark (X) in the appropriate column

Yes	
No	

3. Suggest what should be done to sensitize the taxpayers to register voluntarily and maintain proper tax records?

1.

2.

4. Do all taxpayers you have dealt with file tax returns regularly by due dates and pay the taxes by due dates?

Please tick mark (X) in the appropriate column

	Filing Return	Payment of Tax
Yes		
No		

5. Suggest what measures should be taken to sensitize the taxpayers to file tax returns in time.

1.

2.

6. How would you rate the taxpayer's attitude towards tax payments?

Please mark with an (X) in the appropriate column

3.1 Positive	
3.2 Negative	
3.3 Neutral	

6. Suggest measures to build positive attitude among taxpayers towards tax payments

1.

2.

SECTION C: TAXAPAYER EDUCATION AND TRAINING

1. How often does the Ministry offer taxpayer education?

Please tick mark (X) in the appropriate column

Monthly	
Quarterly	
Yearly	

2. Place the following modes of communication in order of use for tax education by the Ministry of Finance.

Please tick mark 1, 2, 3 in order of usage in appropriate column

1. Radio	
2. Television	
3. Newspaper	
4. Seminar/Workshop	
5. Banners/posters	
6. Leaflets/publicity material	

7. Announcement vans	
8. Street plays/dance/skit	
9. Any other (Specify) -----	

3. Rate on a 5-point scale the effectiveness of the mode of education and training programmes of the Ministry of Finance in achieving the objective of educating taxpayers?

Where;

- (1) Strongly Agree (2) Agree (3) Neither Agree nor Disagree
 (4) Disagree (5) Strongly Disagree

Please tick mark (X) in the appropriate column

Item	1	2	3	4	5
1. Radio					
2. Television					
3. Newspaper					
4. Seminar/Workshop					
5. Banners/posters					
6. Leaflets/Publicity material					
7. Announcement vans					
8. Street plays/dance/skit					
9. Any other (Specify) ----- -----					

4. As a tax collector do you have to assisted taxpayers on completing their tax returns and tax payments?

Please tick mark (X) in the appropriate column

	Filing Tax Return	Payment of Tax
Yes		
No		

SECTION D: SUGGESTIONS FOR ENSURING BETTER TAX-COMPLIANCE

1. What are the factors affecting tax-compliance on taxpayers?

Where

(1) Strongly Agree

(2) Agree

(3) Neither Agree nor Disagree

(4) Disagree

(5) Strongly Disagree

Please tick mark (X) in the appropriate column

Item	1	2	3	4	5
1. Financial burden					
2. Cost of compliance					
3. Lack of incentives					
4. Perceived inequality					
5. No reward or punishment					
6. Uncertainty of profit/income					
7. Lack of assistance in filling tax returns					
8. Difficulty in understanding tax laws					

9. Difficulty in filling return and payment of tax					
10. Delay I settlement of tax liability					
11. Delay in refunds of tax					
12. Any other (Specify)					

2. What are the measures for removing the factors affecting tax-compliance and ensuring better compliance?

1.

2.

3.

4.

3. Kindly indicate the rate the following strategies with regard to suggested measures for improvement in tax-compliance on 5-point scale as given below:

Where

(1) Strongly Agree

(2) Agree

(3) Neither Agree nor Disagree

(4) Disagree

(5) Strongly Disagree

Please tick mark (X) in the appropriate column

item	1	2	3	4	5
1. Simplification of Tax laws and Tax regulations					

2. Simplification of Tax records, Tax Returns and Tax filing Procedure					
3. Building and maintaining transparent historical records of tax-payers					
4. Provide for incentives in the form of recognition and rewards for good year to year Tax-compliance track record					
5. Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax-compliance track record					
6. Adopt a policy of transparent and visible action on good and bad Tax-compliance					
7. Simplifying the tax system for the common person to understand					

4. What are the strategies are needed to ensure better tax-compliance?

1.....

2.....

3.....

5. What are the strategies for improvement in tax-compliance with regard to different taxes?

Please tick mark (X) in the appropriate column

item	VAT	Income Tax	PAYE	Withholding Tax

1. Simplification of Tax laws and Tax regulations				
2. Simplification of Tax records, Tax Returns and Tax filing Procedure				
3. Building and maintaining transparent historical record of tax-payers				
4. Provide for incentives in the form of recognition and rewards for good year to year Tax-compliance track record				
5. Provide for disincentives in the form of penalties, prosecution and punishment for year to year Default in Tax-compliance track record				
6. Adopt a policy of transparent and visible action on good and bad Tax-compliance				

6. Please suggest some strategies other than above that you consider can be effective in educating and sensitising tax-payers and ensuring better compliance and timely payment of tax.

For effective taxpayer education

1.....

2.....

3.....

For sensitizing tax-payers and ensuring better tax-compliance

1.
.....

2.
.....