

**AN INVESTIGATION INTO THE CAUSES OF TAX NON-COMPLIANCE:
A CASE OF WALVIS BAY**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE MASTER OF BUSINESS ADMINISTRATION
DEGREE IN MANAGEMENT STRATEGY**

OF

THE UNIVERSITY OF NAMIBIA

BY

JOSEPH NANGHONGA

9524215

APRIL 2019

SUPERVISOR: PROF JOHANNES P S SHEEFENI (UNAM)

ABSTRACT

The study sought to investigate the tax non-compliance in Walvis Bay Namibia. The objectives of the study were: To assess the causes of tax non-compliance among different taxpayers in the area. To analyse the different mitigating measures that could be considered by the tax payers and the Walvis Bay IRD office to reduce the level of tax non-compliance. The study made use of secondary data gathered from the Walvis Bay IRD office. The theoretical and empirical literature review was used as a foundation for this research. The research designs for this study were causal comparative and cross sectional, with the research method being quantitative. Questionnaires were used as the research instrument. The results of the data gathered from the questionnaires assisted the researcher to reach certain conclusions on the formulated objectives. Through these results, the researcher discovered that: Level of education, Annual turnover, probability of audit and perceived punishment through fines, tax compliance cost and level, perceived opportunity for evasion, Age all have a bearing on tax non-compliance existence in Walvis Bay. The researcher was able to make recommendations to the government through its Walvis Bay Inland Revenue Department (IRD). The researcher recommends that the government should undertake a comprehensive tax reform that should include the following measures: it should monitor and curb tax evasion through increased auditing activities that is reinforcing specific units which will conduct in-depth audits (employing forensic accountants) and tax intelligence investigations, increased education of tax payers on a regular basis. The other tax reforms should be supported by a new and more efficient tax computer system whereby submissions could be made online. The establishment of the Revenue Agency to improve competency of the tax officials was also recommended, together with the universalisation of tax laws, making the laws more modest, as modest tax laws are easy to understand and comply with.

DECLARATION

I, Joseph Nanghonga hereby declare that the content of this thesis: AN INVESTIGATION INTO THE CAUSES OF TAX NON-COMPLIANCE: A CASE OF WALVIS BAY is my own work and all sources that I have used or quoted are indicated and acknowledged by means of complete references.

This work has not been submitted concurrently for any other degree elsewhere.

No part of this thesis may be reproduced, stored in any retrieval system, or transmitted in any form or by any means without prior permission of the author, or the University of Namibia in that behalf.

I, Joseph Nanghonga, hereby grant the University of Namibia the right to reproduce this thesis in whole or in part, in a manner or format which the University of Namibia may deem fit, for any person or institution requiring it for study and research, providing that the University of Namibia shall waive this right if the whole thesis has been or is being published in a manner satisfactory to the University.

J. Nanghonga

Date

CERTIFICATION

I Joseph Nanghonga, do hereby certify that this research work titled “AN INVESTIGATION INTO THE CAUSES OF TAX NON-COMPLIANCE: A CASE OF WALVIS BAY” under the supervision of Prof. Johannes P S Sheefeni and has not been previously submitted for the award of any degree in this or any other university, and that the material that has been used from other sources it has been properly acknowledged.

Student Number: 9524215

Signature..... Date.....

ACKNOWLEDGEMENTS

I dedicate this work to my family who encouraged me all the way and whose encouragement made sure that I gave it all it takes to finish what I had started. To my wife and son who were affected in every way possible by this quest, you are close to my heart my family. I also dedicate it to my supervisor Prof. Sheefeni for the support he showed me all the way.

Thank you all, my love for you can never be measured.

ACKNOWLEDGEMENTS

Firstly, my deepest gratitude goes to God who has provided all that was needed to complete this research project. There was never lack or want throughout this entire study, He took care of everything that would have stopped me in my tracks and strengthened me even through my most difficult times. I would like to express my gratitude to my supervisor Prof. Johannes P S Sheefeni for his continuous support and guidance he offered me all the time of writing this thesis. Finally, I would like to thank the staff my colleagues at the Ministry of Finance IRD Walvis Bay staff, Tax Practitioners in Walvis Bay and all the various Taxpayers for their time, cooperation and providing me with all the information I needed to complete my project. May God bless you all.

TABLE OF CONTENTS

CHAPTER ONE	12
INTRODUCTION	12
1.0 Orientation of the proposed study.....	12
1.1 Statement of the problem.....	17
1.2 Objectives of the study	18
1.3 Significance of the study	18
1.4 Limitation of the study	19
1.5 Structure of Dissertation.....	19
1.6 Summary	20
CHAPTER TWO.....	21
2.0 Introduction.....	23
2.1 Overview of Namibian Tax System; Income tax.....	23
2.2 Value Added Tax	35
2.3 Corporate Tax	41
2.4 Other Taxes.....	42
2.5 What Ministry of Finance are already doing to combat non compliance	43
CHAPTER THREE.....	48
LITERATURE REVIEW.....	48
3.1 Introduction	48
3.2 Theoretical Literature	48
3.3 Empirical Literature	70
3.4 Formulation of a Conceptual Framework	76
CHAPTER FOUR... ..	78
RESEARCH METHODS	78
4.0 Introduction	79
4.1 Research Design.....	75
4.2 Population.....	79
4.3 Sample.....	76
4.4 Research Instruments	76
4.5 Procedure.....	81
4.6 Data Analysis	81
4.7 Research Ethics	81

CHAPTER FIVE.....	82
DATA PRESENTATION, ANALYSIS AND DISCUSSION.....	82
5. Introduction	83
5.1 Discussion of Empirical Results.....	85
5.1.1 Questionnaire Response Rate.....	86
5.1.2 Status of the Respondents.....	88
5.1.3 Gender of Respondents.....	89
5.1.5 Work Period/ Years in Services for Tax Practitioners, Taxpayers and Tax Officials	92
5.1.9 Number of Respondents who have been Audited by the IRD.....	104
5.1.10 Responses on Late payments	120
5.1.11 Responses on the tax compliance cost.	124
5.1.12 Responses on fines and penalties.	127
5.1.13 Responses on the perceived opportunity for tax evasion.....	133
5.1.14 Response on tax knowledge and education.....	140
5.1.15 Overall Descriptive statistics Analysis.....	145
CHAPTER SIX.....	147
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	147
6.0 Introduction.....	147
6.1 Summary of the findings	147
6.2 Conclusions of the findings.....	149
6.3 Recommendations	149
REFERENCES	150

LIST OF FIGURES

Figure 1.1 Income Tax Summaries and Value Added Tax Summaries from IRD.....	17
Figure 2.1 Lewis` view on Tax Evasion	42
Figure 2.2 Expanded Model of Taxpayer compliance	48
Figure 2.3 Conceptual framework	57
Figure 5.1.1 Questionnaire Response Rate.....	62
Figure 5.1.2 Status of the Respondents.....	64
Figure 5.1.3 Gender of Respondents.....	65
Figure 5.1.5 Work Period/ Years in Services for Tax Practitioners, Taxpayers and Tax Officials.....	72
Figure 5.1.4 Number of Respondents who have been Audited by the IRD.....	83
Figure 5.1.5 Responses on over Claiming Deductions: Tax Practitioners.....	94
Figure 5.1.6 Responses on Late payments.....	98
Figure 5.1.7 Responses over Late Payments: Tax Payers.....	98
Figure 5.1.8 Responses over Late Payments: Tax Practitioners.....	99
Figure 5.1.33 Responses on Late Payments: Tax Officials.....	100
Figure 5.1.34 Responses on the tax compliance cost.....	101
Figure 5.1.35 Responses on the cost of filing a tax return: Tax Officials.....	102
Figure 5.1.36 Responses on the Cost of Filing a Tax return: Tax Practitioners.....	103
Figure 5.1.37 Responses on fines and penalties.....	104
Figure 5.1.38 Responses on fines and penalties: Tax Officials.....	104
Figure 5.1.39 Responses on fines and penalties: Tax Practitioner.....	106
Figure 5.1.40 Responses on fines and penalties: Taxpayers	107
Figure 5.1.41 Responses on the perceived opportunity for tax evasion.....	109
Figure 5.1.42 Responses on the perceived opportunity for tax evasion: Tax Practitioners.....	110
Figure 5.1.43 Responses on the perceived opportunity for tax evasion: Officials...	111
Figure 5.1.44 Responses on the perceived opportunity for tax evasion: Taxpayers.	113
Figure 5.1.45 Response on tax knowledge and education.....	115
Figure 5.1.46 Responses on the tax knowledge and education: Tax Officials.....	116
Figure 5.1.47 Responses on the tax knowledge and education: Tax Practitioners	117
Figure 5.1.49 Overall Descriptive statistics Analysis.....	120

LIST OF TABLES

Table 1.1: Difference in background variables	13
Table 1.2: Income Tax and VAT summaries.....	14
Table 1.3: Inland Revenue Department Debtors Summaries	16
Table 2.1: Tax Rates (for all assessments)	28
Table 2.2: Sample Tax Calculation	29
Table 2.3: Sample Taxable Calculation	30
Table 3.1: Determinants of Tax compliance in Botswana & South Africa.....	55
Table 5.1 Questionnaire Response Rate.....	62
Table 5.2 Status of the Respondents.....	63
Table 5.3 Gender of Respondents.....	64
Table 5.4 Years in Services for Tax Practitioners, Taxpayers and Tax Officials.....	71
Table 5.5 Number of Respondents who have been Audited by the IRD.....	82
Table 5.6 Responses on over Claiming Deductions: Tax Practitioners.....	95
Table 5.7 Responses on Late payments.....	97
Table 5.8 Responses over Late Payments: Tax Payers.....	97
Table 5.9 Responses over Late Payments: Tax Practitioners.....	98
Table 5.10 Responses on Late Payments: Tax Officials.....	99
Table 5.11 Responses on the tax compliance cost.....	100
Table 5.12 Responses on the cost of filing a tax return: Tax Officials.....	100
Table 5.13 Responses on the Cost of Filing a Tax return: Tax Practitioners.....	101
Table 5.14 Responses on fines and penalties.....	103
Table 5.15 Responses on fines and penalties: Tax Officials.....	103
Table 5.16 Responses on fines and penalties: Tax Practitioners.....	105
Table 5.17 Responses on fines and penalties: Taxpayers	106
Table 5.18 Responses on the perceived opportunity for tax evasion.....	108
Table 5.19 Responses on the perceived opportunity for tax evasion: Officials.....	111
Table 5.20 Responses on the perceived opportunity for tax evasion: Taxpayers.....	112
Table 5.21 Response on tax knowledge and education.....	114
Table 5.22 Responses on the tax knowledge and education: Tax Officials.....	114
Table 5.23 Responses on the tax knowledge and education: Tax Practitioners.....	116

LIST OF ABBREVIATIONS

DTA	Double Taxation Agreement
ICAN	Institute of Chartered Accountants in Namibia
IMF	International Monetary Fund
IRD	Inland Revenue Department
ITAS	Integrated Tax Administration System
ITX	Income Tax
MOF	Ministry of Finance
NIRA	National Institute for Research Advancement Academic & Science
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay-As-You-Earn
ROR	Receiver of Revenue
SARS	South African Revenue Service
SMS	Short message service
SWAPO	South West Africa People's Organisation
USA	United States of America
VAT	Value-added tax
www	World Wide Web

CHAPTER ONE

INTRODUCTION

1.0 Orientation of the proposed study

Tax non-compliance is well-defined as knowingly or unknowingly failure to fulfil and remit taxes of the land according to the tax laws of that country. It also involves the reporting of incorrect income, more so, claiming incorrect deductions, relief and rebates and/or paying the incorrect amount of tax beyond the specified legal time frame allowed by the tax law (Mohd, 2011). Kircher (2007), postulated that non-compliance highly involves failure of a taxpayer to correctly reporting the honest income figures, including claiming deductions, rebates and remit the actual amount of tax payable to the tax authority on the stipulated time frame. According to Cuccia (1994) tax non-compliance as an illegal tax evasion. Another scholar Singh (2003); defined tax non-compliance as failure to perform a timely filing or submission by taxpayers of all legally required tax returns, also when there is a non-payment or late payment on the tax amount due, or an understatement of income, and overstatement of expenses to the tax authorities.

There are also taxpayers who do not pay their fair share of taxes to the Department of Inland Revenue by manipulating the loopholes in the tax laws. This was noted by the former finance minister Saara Kuugongelwa-Amadhila when she said, "I would like to point out that tax evasion is illegal and hence a criminal act and tax avoidance is when taxpayers use loopholes in the tax laws to reduce their tax liabilities". Other scholars like Randlane, regularly make widespread research on tax compliance or non-compliance to establish the connection that exists between economic and non-

economic factors on tax non-compliance behaviour. The problem of tax non-compliance is as old as taxes themselves. It is generally accepted that tax non-compliance and tax evasion exist in every country and Namibia is no exception. According to Jackson and Jones (1985), Tax evasion and tax non-compliance is a serious delinquent to economic growth. In Namibia, the problem of unintentional and intentional tax non-compliance became even more significant that the IRD is now implementing the ITAS (integrated tax administration system) from the old tax live system to curb this glitch (Office of the Auditor General 2009).

A review of the tax compliance/non-compliance behaviour indicated by previous researchers and the Auditor General as reported in the 2003-2009 report, had studied extensively on the various factors influencing the tax non-compliance behaviours of sole-proprietors, close corporations and private limited companies alike. Though there were extensive studies on these factors, this research sought to examine whether there are factors influencing tax non-compliance.

The issue of tax non-compliance is intractable. Nurturing extra Inland Revenue is the main concern for most sub-Saharan African countries (Drummond, Srivastava & Oliveira 2012). Marshaling revenue is a way for governments to generate fiscal space, afford vital public services, and lessen foreign aid and reduce resource dependence. Nonetheless, the domestic tax bases in most African nations are undermined by widespread tax avoidance and evasion (IMF 2011). Taxpayer non-compliance is a frequent and increasing global problem the world over but McKerchar and Evans (2009), research advocates that, developing countries, mostly in Sub-Saharan Africa, are the hardest hit which also in line with the findings of Cobham (2005); Fuest and Riedel (2009). Table 1.1 below confirms these sentiments.

Table 1.1: Difference in background variables between respondents with compliant and non-compliant attitudes.

	South Africa		Kenya		Tanzania		Uganda	
	Non-compliant attitude	Compliant attitude	Non-compliant attitude	Compliant attitude	Non-compliant attitude	Compliant attitude	Non-compliant attitude	Compliant attitude
Total	43 %	57 %	46 %	54 %	54 %	47 %	68 %	32 %
Male	50 %	50 %	47 %	53 %	51 %	51 %	52 %	49 %
Employed	35 %	39 %	47 %	45 %	39 %	34 %	48 %	51 %
Self-employed	15 %	13 %	68 %	65 %	52 %	55 %	83 %	77 %
Urban	68 %	69 %	38 %	40 %	30 %	35 %	16 %	13 %
Age (mean)	37.7	40.5	35.4	36.2	38.1	39.1	35.4	34.4
Level of schooling (mean)	4.2	4.4	3.8	4.1	2.9	3.2	3.3	3.4
Wealth	0.58	0.65	0.49	0.54	0.39	0.41	0.21	0.20

Source: All numbers are from World Development Indicators 2012 (World Bank 2012).

Table 1.1 above, shows the share of respondents with compliant and non-compliant attitudes across different socioeconomic indicators. The first row indicates the share of respondents with a compliant and non-compliant tax attitude in the countries of investigation. In South Africa and in Kenya, more than 50% of the respondents have a tax compliant attitude. As shown in the above table 1.1, Tanzania and Uganda tend to have most respondents having a non-compliant attitude made up of 54% of the respondents in Tanzania, and as many as 68% of the Ugandans thinking that there is nothing wrong at all for not paying taxes and it is understandable.

With this background, coming back to Namibia, Walvis Bay to be specific, the area under study, non-compliance deprives the Walvis Bay Inland Revenue Department (IRD) and the Namibian government at large of tax receipts from domestic sources or deemed sources. This can be proved by the Income tax and Value added tax summaries gathered at the Walvis Bay Inland Revenue Department office for the period 2013 and 2014 as recorded in their annual reports.

1.1.1 Returns Totals for the Walvis Bay Office for 2013/2014 for

Table 1.2: Income Tax (ITX) And Value Added Tax (VAT) Summaries:

Recon Income Tax Summary 2013	Issued	Issued Not Received	Received	Assessed	Not Assessed
Received at Walvis Bay Office	63 070	21 667	41 403	37 865	3 538
Total	63 070	21 667	41 403	37 865	3 538
Recon Vat Summary 2013	Issued	Issued Not Received	Received	Assessed	Not Assessed
Received at Walvis Bay Office	23 068	2 794	20 274	19 796	3 272
Total	23 068	2 794	20 274	19 796	3 272
Recon Income Tax Summary 2014	Issued	Issued Not Received	Received	Assessed	Received Not Assessed
Received at Walvis Bay Office	66 348	26 090	40 258	27 263	12 995
Total	66 348	26 090	40 258	27 263	12 995
Recon Vat Summary 2014	Issued	Issued Not Received	Received	Assessed	Received Not Assessed
Received at Walvis Bay Office	25 976	4 675	21 603	20 603	5 373
Total	25 976	4 675	21 603	20 603	5 373

Source: Walvis Bay IRD department 2013-2015 reports

According to the table above 1.2, the figures indicate that there is indeed existence of tax non-compliance in Walvis Bay. The above table summaries, show that the IRD issued returns amounted to 63 070 but only 41 403 were returned and 21 667 issued and not returned, therefore this confirms that non-compliance does exist on Income Tax (ITX) (Inland Revenue Department Walvis Bay, Records, Period 2013-2014).

Furthermore, other taxes like Value Added Tax (VAT) also show that 23 068 were issued but only 20 274 was received meaning 2 794 was issued but not received thereof. In 2014 there was still prevalence of this non-compliance as the figures show that ITX issued was 66 348 and only 40 258 was received implying that 26 090 was not received. Of 40 258 received only 27 263 were assessed and 12 995 were received

but not assessed. More so, 2014 VAT records show that 25 976 was issued and only 21 603 was received showing that 4675 was issued but not received, and 20 603 was assessed and 5 373 was received but not assessed respectively (Inland Revenue Department Walvis Bay, Records, Period 2013-2014)

A review of the figures above shows that tax non-compliance behaviour is prevalent in Walvis Bay IRD. Non-compliance is in most types of tax forms which includes VAT and ITX as evidence from the ministry shows that not all the issued tax returns are received back. This points a need to investigate the causes of tax non-compliance in Walvis Bay so as to get to the root cause of the problem and to allow one to find ways to reduce non-compliance. This is depicted in the 2016 – 2017 IRD, internal data on IRD overall debtors table below:

Table 1.3: Inland Revenue Department Debtors Summary for period 01 April 2016 – 31 March 2017

Item	Head Office	Windhoek	Oshakati	Walvis Bay
Tax	15,309,347.00	2,035,869,202.00	619,264,309.00	359,865,259.00
Penalties	26,832,694.00	9,907,251,301.00	1,641,653,554.00	978,496,971.00
Interest	21,029,089.00	2,746,962,107.00	521,492,624.00	201,583,256.00
Total	63,171,130.00	14,690,082,610.00	2,782,410,487.00	1,539,945,486.00

Source: Walvis Bay IRD Offices Reports 2017.

Table 1.3 shows that actual tax owing at the IRD as at the 31st of March 2017, was N\$359 865 259 million dollars, whilst, penalties stood at N\$ 978 496 971 million and interest charged stood at N\$ 201 583 256 million Namibian dollars. These results show that more than 1.5 billion dollars is being owed to the IRD by taxpayers in Walvis Bay. This clearly shows the existence of tax non-compliance. For the year 2017/2018 tax period, this can be seen from the savings graph for the IRD Walvis Bay branch below.

The department has been able to make savings after they conducted audits on tax payers. All in all, an amount of N\$290 730.00 was saved after the audits were conducted. This shows that, tax payers are tax noncompliant as they may have understated taxable income or over stated allowable deductions.

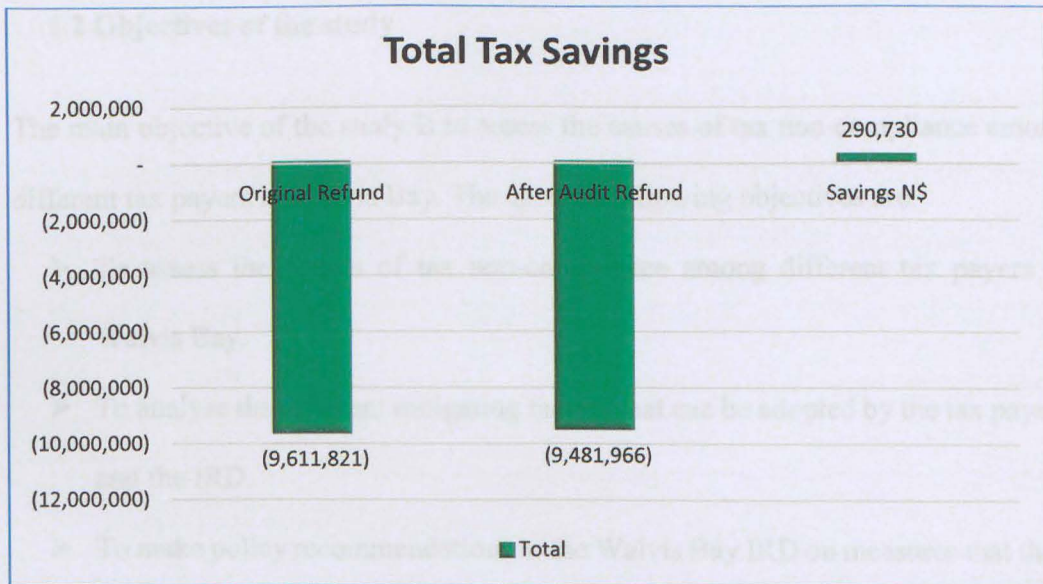


Figure 1.1: Income Tax (ITX) And Value Added Tax (VAT) Summaries

Source: Walvis Bay IRD Offices Reports 2018

1.1 Statement of the problem

When taxpayers do not focus on tax regulatory compliance, they will experience problems that will result in government fines, that may easily put the company out of business. In addition, many employees may lose their jobs, executives may receive fewer benefits; and a chain reaction would occur all the way to the shareholders. When individuals and companies comply with all the relevant tax laws, consumer and regulatory law enforcement agencies benefit as all will be in congruence. As evidenced by the figures collected at the Inland Revenue Department at Walvis Bay, Records for the period 2013-2018, most tax non-compliance has been in the form of evasion and

avoidance until now as evidenced in table 1.3 showing high penalty and interest charged figures. However up to now, no research has been undertaken to examine why there has been non-compliance, what causes it and how it can be prevented and remedied. The study draws its primary interest from this.

1.2 Objectives of the study

The main objective of the study is to assess the causes of tax non-compliance among different tax payers in Walvis Bay. The specific following objectives are:

- To assess the causes of tax non-compliance among different tax payers in Walvis Bay.
- To analyse the different mitigating factors that can be adopted by the tax payers and the IRD.
- To make policy recommendations to the Walvis Bay IRD on measures that they can be adopted to address the issue of Tax non-compliance in the area.

1.3 Significance of the study

To achieve economic prosperity and attain high economic growth and success, the objective of the IRD Walvis Bay is to contribute to the achievement of Government targets in the field of income redistribution and to generate revenue for the financing of public expenditure through effective collection of taxes. According to Trivedi, et al., (2003) assurance of tax compliance is the main goal for the government to finance public expenditure and development, to achieve the improved welfare of the community. High awareness of the society will encourage more people to fulfil their obligation to register as a taxpayer, reporting and paying taxes properly as a form of national responsibility. It becomes key to undertake this study to find out the causes of tax non-compliance and seek out ways to lessen it. Since there has not been a similar research undertaken at the IRD Walvis Bay, Namibia, this intervention could benefit

the IRD Walvis Bay Office and Namibia at large and ensure that revenue collection is maximised.

1.4 Limitation of the study

A lack of literature and current reports on taxpayer information from the IRD was identified as a major limitation in the review of the actual figures of the number non-tax payers. The time and the secrecy code of conduct required for the IRD members to follow might hinder them in completing the questionnaires and that could lead to incomplete questionnaires being returned. To make up the total sample quantity, some of the questionnaires were distributed to different offices, workshops and meetings. This posed a problem as the researcher could not ensure that all questionnaires were answered.

1.5 Structure of the Dissertation

Chapter one provides an introduction and background to the study and outlines the problem and purpose statements as well as the research objectives. The importance and benefits of the study, the delimitations that are inherent thereto and the assumptions made were also highlighted. The chapter concludes with the outline of the structure of the entire dissertation.

Chapter two provides an overview of the whole Namibian tax system. It also further gives a synopsis on what the Namibian government is currently doing to reduce tax

non-compliance in the country. Chapter three covers the literature review focusing on theoretical literature and empirical literature.

Chapter four covers methodology that was used to gather the information for this research study, mainly focusing on the research design, population, sample, research instruments, procedure, data analysis and research ethics.

Chapter five focusses on the data presentation, analysis and discussion of the questionnaire (refer to addendum one for taxpayers and two for tax officials/practitioners). Descriptive statistics such as tables, pie charts and bar charts were used to aid the analysis of data because they are effective illustrations of depicting relations and trends.

Chapter six concludes and make some necessary recommendations based on the study. This chapter concludes by pointing out some areas for further research. This Chapter concludes this study and provides a list of identified factors that influence the attitudes of taxpayers, from previous studies and makes recommendations on areas for future research on Namibian taxpayers.

CHAPTER TWO

AN OVERVIEW OF NAMIBIA'S TAX FRAMEWORK

2.0 Introduction

This chapter discusses Namibia's tax framework. The tax framework is divided into sections; income tax, value added tax, while a snapshot on Namibia's corporate tax structure is also presented in this section. This chapter will also look at what the Ministry of Finance IRD is already doing in Walvis Bay and the nation at large to encourage tax compliance among Namibian taxpayers.

Namibia's Taxation Overview

2.1 Income Tax

The Namibian Taxation system is largely structured around the Income Tax Act, which regulates personal and corporate taxes and the Value Added Tax Act. Namibia has a source-based income tax administration. Hence, Namibian tax system is only concerned where income has been earned and not where a taxpayer is resident. (KPMG; Namibia-income-tax; 2018-01).

Personal income tax is relevant to the allowable total taxable income of an Individual taxpayer. In Namibia, individuals are taxed at progressive marginal rates over a sequence of income brackets set by the authorities. (KPMG; 2018). The Namibian tax year runs from 1 March to 28 February. The income tax is characteristically withheld by the employer. Persons/Individuals are accountable for submitting a tax return form to the Receiver of Revenue once a year. Individual taxpayers are characterized into three groups each submitting a different tax return with a different colour. According to the country's taxation guide by KPMG (2018-01), individuals are taxed on a

progressive marginal scale over a series of income brackets with the highest marginal rate being 37% percent while income Tax is levied on companies at a rate of 32% percent. In the calculation of a taxpayer's liability, that taxpayer may subtract from their gross income any expenditure incurred in form of input tax in the production of taxable income (KPMG; Namibia-income-tax; 2018-01).

2.1.1 Source Provisions

Namibian tax legislation is source-based, source is determined with reference to case law, which founds the meaning to be 'originating cause'. Therefore, where a person which can be an ordinary resident of Namibia or a non-resident of Namibia would receive income where the 'originating cause' is services rendered within the country of Namibia, therefore income earned would be subjected to Namibian tax. In the case of a non-resident, the person may be relieved from being taxed in Namibia if a Double Taxation Agreement (DTA) is existing which offers for an exemption for tax (KPMG; Namibia-income-tax; 2018-01).

2.1.2 Ordinarily Resident

Ordinarily resident is omitted in the Income Tax Act hence it is commonly held from case law to be the country which an individual considers to be his/her real home where his permanent place of domicile is, and where his belongings are stored. If the taxpayer is regularly and typically resident in Namibia, apart from provisional or occasional absence of long or short period or if he chooses to reside permanently in Namibia then in such a case Namibia is recognised as his actual home and the individual will turn out to be a resident by virtue of normal dwelling/residency. (KPMG; Namibia-income-tax; 2018-01).

2.1.3 Types of Taxable Compensation

Remuneration and benefits for services rendered, received by any person from a Namibian or deemed to be Namibian by cause institutes taxable income, irrespective of whether the individual making the payment is an inhabitant of Namibia or.

Distinctive items of an emigrant compensation package are fully taxable such as basic salaries, wages, leave pay, and bonuses fees, commissions, contractual gratuities cash allowances which include travelling, entertainment, or any other allowances (KPMG; Namibia-income-tax; 2018-01).

2.1.4 Reimbursement of Foreign and/or Home Country Taxes

According to the Namibian tax law, in cases where the Namibian taxes are by purpose equalisation it is the employer's responsibility, to gross up the compensation for the tax liability. Hence, this gross-up must justify for the full tax-on-tax effect of the employer paying the taxes and, in the case, where the employer compensates taxes paid by the employee, these taxes are treated as a taxable benefit according to the law. (KPMG; Namibia-income-tax; 2018-01).

2.1.5 Home Leave Flights

All home leave flights in respect to the assignee's family, which is paid by the employer or where the employer compensates the assignee in respect of assignee's family flight cost, are taxable in the assignee's hands. Any transfer flight and/or flights provided for travel in conjunction with business travel paid by the employer on behalf of the assignee is not subject to tax. Where the flight cost paid by the employer relates to private purposes, the benefit is subject to be taxed. (KPMG; Namibia-income-tax; 2018-01).

2.1.6 Cost-of-Living Allowances

In Namibia all cost-of-living allowances are wholly taxable. (KPMG; Namibia-income-tax; 2018-01).

2.1.7 Accommodation

In Namibia, the accommodation provided to an employee by the employer is wholly taxable. Taxable benefit will be subject to whether the employer owns the inhabited accommodation or the employer is renting the residential lodging. In the case that the employer owns the inhabited accommodation, the taxable benefit is determined with reference to the table issued by the NIRA as set out in the below example in table 2.1, less any consideration paid by the assignee to the employer. If the company is renting the residential accommodation, the taxable value is the amount of rent paid by the employer less any consideration paid by the assignee for the residential accommodation then the taxable benefit can be reduced where the employer has a housing scheme registered with the Ministry of Finance. (KPMG; Namibia-income-tax; 2018-01).

2.1.8 Right of private use of a company car or rental car

Company vehicle's monthly taxable value is 1.5% that is 18% per year of the acquisition price of the vehicle, where all running, maintenance and fuel costs are born by the employer. More so, the monthly taxable value of a company vehicle is 1.4% meaning 16.8% per annum of the purchase price of the automobile, where the fuel cost is passed to the employee whereas, the monthly taxable value is NAD100, where the use of the vehicle is limited to trips solitary between the employee's private residence and the work place. On a rental car the taxable amount is passed to the to the assignee for both private and business use where the employer is accountable for the rental

payments is equal to the rent payments made by the company (KPMG; Namibia-income-tax; 2018-01).

2.1.9 Benefits-in-Kind

Benefits-in-kind form part of taxable compensation. Employer contributions to an approved Namibian medical aid, pension, provident, retirement annuity fund and policy of insurance for educational purposes are not taxable in the hands of the employee. Employee contributions to Namibian registered pension, provident, retirement annuity funds and policy of insurance for educational purposes are deductible to a maximum amount of NAD40 000 per annum (KPMG; Namibia-income-tax; 2018-01).

2.1.10 Tax-Exempt Income

The following items are not taxed in the hands of the employee: Reimbursement of costs to relocate an employee to Namibia at the beginning and end of an assignment and compensation payable to any person (other than an ordinary resident of Namibia) who holds office in Namibia as an official of another government, or any specialised agency of the United Nations. More so, any allowance or alimony received from the taxpayer's spouse or former spouse, provided that there is a divorce order or judicial order or written agreement of separation. Any dividend payment received by an ordinary resident of Namibia. There is, however, a 20% withholding tax charge where the shareholder is a person not ordinarily resident in Namibia, subject to DTA relief if available (KPMG; Namibia-income-tax; 2018-01).

Any lump-sum received as a result of relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment, excluding lump-sum payments

from any pension, retirement annuity or benefit fund. For the exemption to apply, the relinquishment, termination, loss, repudiation, cancellation or variation, must have been as a result of an employee having become redundant as a result of the employer having affected a reduction in personnel. Also, where the employer ceased or is intending to stop trading or the employee has attained the age of 55 years. In addition, where there is relinquishment, termination, loss, repudiation, cancellation or variation due to superannuation, ill-health or other infirmity. The amount exempted is however limited to NAD300,000 (KPMG; Namibia-income-tax; 2018-01).

2.1.11 Salary Earned from Working Abroad

To the extent that a non-resident individual renders services outside of Namibia, the remuneration attributable to the time worked offshore would not be taxable in Namibia, as it would not be sourced in Namibia. This apportionment will usually be done on the basis of days spent working inside and outside Namibia. It is however our recommendation that the requirement for the individual to render services offshore be detailed in a contract of employment (such as a split contract arrangement which could be entered into) (KPMG; Namibia-income-tax; 2018-01).

2.1.12 Expatriate Concessions

There are no special tax concessions for expatriates (KPMG; Namibia-income-tax; 2018-01).

2.1.13 Taxation of Investment Income

Non-residents are taxable on Namibian-sourced investment income (KPMG; Namibia-income-tax; 2018-01).

2.1.14 Interest income

A withholding tax at a rate of 10% is deducted by a Namibian registered financial institution; that is, registered banks and unit trust schemes, which is a final tax, therefore there is no filing obligation for the person to whom the interest accrues. (KPMG; Namibia-income-tax; 2018-01).

Interest received by an individual from the following sources is exempt from tax:

- Interest received from a Namibian Post Office Savings Bank
- Any interest credited as interest in respect of any subscription share in any building society in Namibia
- Interest income from stock or securities (including Treasury Bills) issued by the Government of Namibia.

2.1.15 Dividends

Dividends received by ordinary residents are exempt from tax. A person not ordinarily resident in Namibia is taxed on dividends from a Namibian source. A non-resident shareholders' tax at 20% is withheld from the dividends payable to a non-resident. Where the beneficiary of the dividend is a resident of a country with whom Namibia has a DTA, tax relief may be available. Dividends on special tax-free indefinite period shares in building societies in Namibia are however not taxable for both non-residents and ordinary residents, subject to certain limitations. (KPMG; Namibia-income-tax; 2018-01).

2.1.17 General deductions

The items, which are allowable as a deduction in the calculation of income tax payable by an individual, depend on the source of the income and the trade. Expenses of a

2.1.16 Taxation of lump-sum payments

Lump-sum payments from retirement/pension/preservation/provident funds are fully taxable unless otherwise indicated. (KPMG; Namibia-income-tax; 2018-01). The amount of the lump-sum payment is generally governed by the rules of the fund:

1. Retirement annuity fund

Lump-sum payments from retirement annuity funds are exempt from tax.

2. Pension fund

Lump-sum payments from pension funds are exempt from tax if the payment was as a result of:

- ✓ Death
- ✓ Superannuation, ill-health or other infirmity
- ✓ Retirement

3. Preservation and provident funds

Lump-sums from a provident and preservation fund paid out as a result of resignation or dismissal, termination or dissolution of the fund are fully taxable. One third of the lump-sum paid out by a provident and preservation fund is exempt, subject to certain conditions being met.

Payment of the entire lump-sum from a pension, provident and preservation fund into another approved pension, provident, retirement annuity and preservation fund, transferred for the benefit of the taxpayer during or within 3 months after the year of assessment, is not taxable (KPMG; Namibia-income-tax; 2018-01).

2.1.17 General deductions

The items, which are allowable as a deduction in the calculation of income tax payable by an individual, depend on the nature of the income and the trade. Expenses of a

revenue nature, which are wholly, exclusively, and necessarily incurred in the production of gross income, and which are not specifically disallowed, are deducted in the computation of taxable income. (KPMG; Namibia-income-tax; 2018-01). No deduction can be made in determining the taxable income, where the expenditure items include among others:

- Maintenance costs of the taxpayer, his family or establishment
- Domestic or private expenses
- Any loss or expense recoverable under any insurance contract, guarantee, security or indemnity
- Taxation levied on income
- Expenditures not laid out or expended for the purposes of trade.

Individuals are entitled to the following deductions:

- Contributions to Namibian registered provident, pension and retirement annuity funds as well as premiums paid to a policy of insurance for the education of a dependent, limited to an aggregated maximum amount of NAD40 000 per annum. (KPMG; Namibia-income-tax; 2018-01).

Table 2.1: Tax rates (for all years of assessment from 1 March 2013)

TAXABLE INCOME (N\$)	BASE RATE	0%
0 - 50 000	N\$0	0% (Exempt)
50 001 - 100 000	N\$0	18 % of the amount exceeding N\$50 000
100 001 - 300 000	N\$9 000+	25% of the amount exceeding N\$100 000
300 001 - 500 000	N\$59 000+	28% of the amount exceeding N\$300 000
500 001 - 800 000	N\$115 000+	30% of the amount exceeding N\$500 000
800 000 - 1 500 000	N\$205 000+	32% of the amount exceeding N\$800 000
EXCEEDS N\$1 500 000	N\$429 000+	37% of the amount exceeding N\$1500 000

Source: KPMG Website January 2018: Namibian Income Tax.

2.1.18 Return of income and compliance

The deadline for submission of individual returns of income, other than provisional taxpayers, is 30 June every year. The submission date for a provisional taxpayer is the last day of September every year. NIRA will assess the return of income and notify the taxpayer of any taxes outstanding or refunds due. Late payment of any final tax amounts outstanding will attract penalties of 10% per month or part of a month and interest charges of 20% per annum. (KPMG; Namibia-income-tax; 2018-01).

2.1.19 Relief from foreign tax liability

Subject to certain conditions, relief from Namibian tax will apply where the assignee is a resident of Namibia and on an assignment to a treaty country, where the individual is tax resident in a treaty country and not present in Namibia for more than 183 days in the period defined, the employer responsible for the remuneration is not a resident of Namibia, and the remuneration is not borne by a permanent establishment or fixed base of the foreign employer. (KPMG; Namibia-income-tax; 2018-01).

2.1.20 Double tax agreements

Namibia has double tax agreements with the following countries (KPMG Website January 2018: Namibian Income Tax):

✓ Botswana

✓ France

✓ Germany

✓ India

✓ Mauritius

✓ Romania

✓ Russian Federation

✓ South Africa

✓ Sweden

✓ United Kingdom

✓ Malaysia.

The NIRA does not adopt the economic employer approach to interpreting Article 15 of the OECD treaty. There is no indication that this approach will be adopted in the near future. (KPMG; Namibia-income-tax; 2018-01).

2.1.21 General Tax Credits

There are no general tax credits that can be claimed against a taxpayer's taxable income. (KPMG; Namibia-income-tax; 2018-01).

2.1.22 Sample Tax Calculation

This calculation assumes a married taxpayer resident in Namibia with two children whose three-year assignment begins on 1 March 2010 and ends 28 February 2013. The

taxpayer's basic salary is USD100 000 per annum and the calculation covers three years. (KPMG; Namibia-income-tax; 2018-01).

Table 2.2: Sample Tax Calculation

Year ended	2013	2014	2015
	USD	USD	USD
<i>Salary</i>	100 000	100 000	100 000
<i>Bonus</i>	20 000	20 000	20 000
<i>Cost-of-living allowance</i>	10 000	10 000	10 000
<i>Housing allowance</i>	12 000	12 000	12 000
<i>Company car</i>	9 000	9 000	9 000
<i>Relocation expense reimbursement</i>	20 000	NA	NA
<i>Home leave flight cost (only for the assignee and for business purpose)</i>	5 000	NA	10 000
<i>Pension premiums paid to a Namibian registered pension fund</i>	3 000	3 000	3 000
<i>Interest income from a Namibian registered bank</i>	6 000	6 000	6 000

Source: KPMG Website January 2018: Namibian Income Tax.

Other Assumptions

- All earned income is attributable to Namibian sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- The company car, with a cost of USD50 000 is used for both business and private and the employer is responsible for maintenance and petrol costs, i.e. the taxable benefit will be 18% of the cost of the car per annum.
- The employee is non-resident throughout the assignment.
- Tax treaty agreements are ignored for the purpose of this calculation.

- The employer has a housing scheme registered with the NIRA. (KPMG; Namibia-income-tax; 2018-01).

Table 2.3: Sample Calculation of Taxable Income

Year ended	2013	2014	2015
Days in Namibia during tax year	365	365	365
	NAD	NAD	NAD
Salary	800 000	800 000	800 000
Bonus	160 000	160 000	160 000
Cost-of-living allowance	80 000	80 000	80 000
Housing allowance (only 2/3 of USD96 000 is taxable)	64 000	64 000	64 000
Company car (18% *USD50 000* 8)	72 000	72 000	72 000
Relocation expense reimbursement (not taxable)	NA	NA	NA
Home leave	NA	NA	NA
Total gross income	1 176 000	1 176 000	1 176 000
Less: Pension fund contributions (limited to NAD40 000)	(24 000)	(24 000)	(24 000)
Taxable income	1 152 000	1 152 000	1 152 000
Calculation of Namibian tax liability	384 940	384 940	384 940
On an amount of USD750 000	236 200	236 200	236 200
37% on balance exceeding NAD750 000	148 740	148 740	148 740

Source: KPMG Website January 2018: Namibian Income Tax

2.2 Value Added Tax

A 15% Value added tax (VAT) is applicable to almost every commodity. Basic commodities like sugar, bread etc. are exempted from VAT. VAT is an 'indirect tax', this means that the person who carries the cost of the tax is assessed indirectly through the taxation of the transactions into which he or she enters and not by the Receiver of Revenue as is the case for income tax. (The Namibian; Economic news; 2007-12-04)

The essence of a VAT system is that all transactions engaged into by a person are subject to VAT. A seller in a transaction who is VAT registered, will charge and collect output tax. The purchaser, irrespective of his or her identity, will be charged and will have to pay VAT to a person who is registered for VAT. This is referred to as the purchaser's input tax. The difference between a VAT registered person's output tax and input tax is essentially the tax on the value added by the person as purchases are converted to sales. The net difference between the output tax and input tax is paid to the Receiver of Revenue or claimed back from the Receiver of Revenue at the end of each tax period. (The Namibian; Economic news; 2007-12-04)

The Receiver of Revenue gets the net tax from the penultimate seller that sells to customers who are not VAT registered. These customers cannot claim any input tax in respect of their purchases because they are not VAT registered. For those that are not VAT registered, it is straight forward. One cannot charge VAT to anyone when one sells something, but one still must pay VAT when purchasing things. VAT is essentially an inclusive tax. The Ministry of Finance in October 2016 through its reports warned that failing to pay and honour tax obligations undermines the country's development agenda, as tax revenue is the basis of financing state activities. The consequence of ignoring paying tax is twofold: One, the country is deprived of resources, which needs to implement social and economic developmental programmes. Two, one pays a heavy price for non-compliance. This heavy price comes in the form of penalties, interest, loss of assets, arrest, and prosecution, which might lead to sentencing, to fines and/or jail terms. Office of the Auditor General (2009).

According to the Commissioner of Inland Revenue in the Ministry of Finance, Justus Mwafongwe, it is better to comply with tax obligations than put the economy of the country at risk or face the horrendous heavy price. "Namibia's tax system is based on canons (principles) of taxation which include fairness, equity, etc., and thus all individuals and businesses are expected to pay the correct proportion of tax in relation to their income as prescribed by tax laws. Once this does not happen it creates unfairness in terms of equity distribution to those individuals who comply", said the commissioner.

Both the Inland Revenue Department (IRD) and Customs and Excise in the Ministry of Finance continue to offer regular tax advice to all taxpayers and engage them in understanding tax laws and procedures. Such initiatives include the hosting of an annual taxpayer education day every June. This is done to sensitize taxpayers on their obligations and rights, and more so to promote a culture of tax compliance in the country.

The main objectives of the taxpayer day are to create tax awareness and knowledge of taxes administered by the IRD, to encourage taxpayers to register and pay taxes voluntarily for the greater common national benefit and to remind taxpayers to fulfil their obligation of keeping tax records and filing tax returns on time. In the recent exercise done on 15 June 2017 all members of the IRD conducted public tax education for all, in all the regions, Walvis Bay included.

Some of the incentives underway allow a taxpayer who is in default and unable to settle the tax debt through a one-off payment to arrange to pay off the tax debt over a period.

Based on such an arrangement and provided that the taxpayer honours the instalment plan, a taxpayer may obtain a Good Standing Certificate that could help in securing new business opportunities, thereby increasing the capacity of the taxpayer not only to generate more revenue and expand the business but also to accelerate settlement of the tax debt and pay more taxes.

In a press release on the 27th of January 2017, the Minister of Finance announced an Incentive Program for the payment of outstanding taxes. All Namibian taxes are included in the reprieve provided by the program. The incentive required qualifying taxpayers to pay the full outstanding tax (capital) amount, plus 20% of accrued interest, thereafter the Inland Revenue would write off the remaining 80% interest and all additional tax (penalties).

The program commenced on the 1st of February 2017 and ended on the 31st of July 2017. To qualify, all outstanding returns had to be submitted (to determine the tax amount due), the application forms had to be submitted and the payment made. Taxpayers who had not previously registered as taxpayers and had not submitted returns or submitted incorrect returns (and did not declare income for tax), which were due prior to 1 February 2017, could utilize this once – off opportunity to regularize their tax affairs. No punitive measures would be taken by Inland Revenue against those who willfully failed to declare or under-declared their income.

After the end of this program, such taxpayers who did not utilize this opportunity to provide a full and frank disclosure of their income would receive no mercy from the Inland Revenue Department and could be regarded as having committed a criminal offence as in the provisions in the various Revenue Acts which would be utilised aggressively.

The introduction of payment of tax through electronic funds transfer and point of sale machines created convenience and flexibility to taxpayers and reduced compliance costs. Mwafongwe, noted that recently the ministry abolished the requirement of a Good Standing Certificate for payments. The intention of this step was to allow taxpayers, especially small businesses, to manage their cash flows and be able to sustain their operations. Taxpayers were expected to make use of incentives provided to settle their accounts and become compliant. The ministry consistently monitors the compliance behaviour of taxpayers and would continue to introduce measures to enforce tax compliance. If necessary, the ministry would not hesitate to introduce new strict measures. Individuals and companies that are in the tax net, but for reasons only known to them are not registered, were expected to come forth and register voluntarily to avoid heavy penalties when they are detected.

The IRD emphasizes that the revenue target is one of the key performance indicators for Inland Revenue and Customs and Excise. Through the performance management system, the revenue target is cascaded down throughout operational units within Inland Revenue and Customs and Excise. To ensure the desired level of revenue is not compromised, taxpayers are managed and controlled based on segment units in the form of large taxpayers, under the Large Taxpayer Office and small and medium taxpayers under the Small and Medium Taxpayers Directorate through its seven regional offices. This set-up enables dedicated monitoring and service of taxpayers within their respective categories.

Tax revenue comprises of individual income tax, corporate tax, value added tax, transfer duty, stamp duty and fees, environmental levy, exports levy as well as customs duty and excise taxes. Taxes from international trade also represents a significant portion of revenue streams. Like many countries, Namibia adopted a self-assessment taxation system. This system requires taxpayers to self-account for their tax obligations ranging from tax liability determination to timely filing and payment of taxes due. The self-assessment system is complimented by taxation at source through the withholding tax methodology. This means that paying institutions such as employers and pension/retirement administrators are obligated to deduct tax from remunerations of employees and pension/retirement benefits. Further, companies must also withhold taxes on directors' fees, sitting allowances, and payments to non-residents for services rendered.

Given the self-assessment system, the ministry through its revenue management programme, which comprises the IRD and Directorate of Customs and Excise, plays key roles of assisting taxpayers to comply through taxpayer education and services; facilitation of trade and movement of goods through managing border posts; and compliance enforcement through audits, investigations, and inspections. There are specialized units such as Transfer Pricing, Forensic Audits, Tax Intelligence, and Investigations as well as Risk Management. These units are established to deal with complex issues, including transfer pricing and illicit financial transactions by multinational companies.

Some effective enforcement tools include the use of a Good Standing Certificate as a requirement to participate in procurement processes, tax directives for certain

payments, arrear tax recovery through third parties and guarantees on tax and duty payment deferments. From time to time, the ministry also carries out special operations and field work to bring unregistered individuals and entities into the tax net.

To ensure tax equity, income equality distribution and additional revenue to the state, in line with previous announcements by the Minister of Finance, the ministry continues investigating the feasibility of introducing presumptive tax as well as capital gains tax. x and any price charged is deemed to be inclusive of VAT. Prices quoted on price tags, catalogues, contracts or advertisements must include tax and, if the seller is VAT registered, must be accompanied by a statement that the price is inclusive of tax unless the price is clearly broken down into net consideration, tax and the total consideration. (The Namibian; Economic news; 2007-12-04)

So, even if you are not VAT registered and you sell your old car, you will try and recover as much as possible of the original purchase price - effectively your selling price includes a VAT component as you endeavor to recover as much as possible in respect of the amount paid for your old car. On the basis that the purchaser of your old car is a VAT registered car dealer, he or she will be entitled to a deemed input tax credit. Even though you recovered no VAT when you sold your car, your selling price is deemed to include VAT and therefore the dealer can claim an amount in respect of the price paid to you to buy the car. This amount is calculated by applying the standard rated tax fraction to the consideration paid to you and claiming it in his or her VAT return. The standard-rated tax fraction is 15/115, since our standard rate of VAT is 15 per cent. (The Namibian; Economic news; 2007-12-04)

Only VAT registered people can claim VAT and therefore the deemed input VAT credit concept can only be used by VAT registered persons. VAT operates on a 'tax period' basis. All output tax charged and all input tax paid in a tax period comes into the same tax return. It is not necessary to 'match' inputs and outputs when completing a VAT return. The effect of a VAT system on the average business is that tax is first paid out to suppliers and then recovered as a refund or credit from the Receiver of Revenue. Payment of the tax poses a short-term cash flow problem and is not an absolute cost. Many people fail to grasp why this payment-and refund cycle must take place but it is essential to the proper working of the system. (The Namibian; Economic news; 2007-12-04)

2.3 Namibia Corporate Tax Rate 2011-2016

The Corporate Tax Rate in Namibia stands at 32 percent. The Corporate Tax Rate in Namibia averaged 33.40 percent from 2011 to 2015, reaching an all-time high of 34 percent in 2012 and a record low of 33 percent in 2013 (Trading Economics: Namibia Corporate Tax Rate; 2011-2018).

The Corporate Tax Rate in Namibia is reported by the Inland Revenue Department. In Namibia non-compliance may take several forms, which include failure to submit a tax return within the stipulated period or non-submission; understatement of income; overstatement of deductions; and failure to pay assessed taxes by the due date. The Income Tax Act (24), of 1981 outlines: 'make incorrect returns or gave incorrect information' as one of the tax offences on tax non-compliance issues. However, due to data limitation, this study cannot determine the forms of non-compliance. The study assumes that corporate tax non-compliance refers to the failure to pay taxes as required

by law resulting in additional taxes being imposed during tax audits, based on the findings of the tax audit by the IRD. (Trading Economics: Namibia Corporate Tax Rate; 2011-2018).

2.4 Other Taxes

Other taxes include:

- ❖ stamp duty on documents and marketable securities
- ❖ transfer duties payable on property transactions
- ❖ motor vehicle licenses
- ❖ royalty on minerals
- ❖ customs and excise duties
- ❖ withholding tax on royalties
- ❖ nonresident shareholders tax

(Trading Economics: Namibia Corporate Tax Rate; 2011-2018).

2.5 What the Ministry of Finance IRD is already doing in Walvis Bay and the nation at large to encourage compliance.

The Ministry of Finance in October 2016 through its reports warned that failing to pay and honour tax obligations undermines the country's development agenda, as tax revenue is the basis of financing state activities. The consequence of ignoring paying tax is twofold: One, the country is deprived of resources, which needs to implement social and economic developmental programmes. Two, one pays a heavy price for non-compliance. This heavy price comes in the form of penalties, interest, loss of

assets, arrest, and prosecution, which might lead to sentencing, to fines and/or jail terms.

According to the Commissioner of Inland Revenue in the Ministry of Finance, Justus Mwafongwe, it is better to comply with tax obligations than put the economy of the country at risk or face the horrendous heavy price. “Namibia’s tax system is based on canons (principles) of taxation which include fairness, equity, etc., and thus all individuals and businesses are expected to pay the correct proportion of tax in relation to their income as prescribed by tax laws. Once this does not happen it creates unfairness in terms of equity distribution to those individuals who comply”, said the commissioner.

Both the Inland Revenue Department (IRD) and Customs and Excise in the Ministry of Finance continue to offer regular tax advice to all taxpayers and engage them in understanding tax laws and procedures. Such initiatives include the hosting of an annual taxpayer education day every June. This is done to sensitize taxpayers on their obligations and rights, and more so to promote a culture of tax compliance in the country.

The main objectives of the taxpayer day are to create tax awareness and knowledge of taxes administered by the IRD, to encourage taxpayers to register and pay taxes voluntarily for the greater common national benefit and to remind taxpayers to fulfil their obligation of keeping tax records and filing tax returns on time. In the recent exercise done on 15 June 2017 all members of the IRD conducted public tax education for all, in all the regions, Walvis Bay included.

Some of the incentives underway allow a taxpayer who is in default and unable to settle the tax debt through a one-off payment to arrange to pay off the tax debt over a period. Based on such an arrangement and provided that the taxpayer honours the instalment plan, a taxpayer may obtain a Good Standing Certificate that could help in securing new business opportunities, thereby increasing the capacity of the taxpayer not only to generate more revenue and expand the business but also to accelerate settlement of the tax debt and pay more taxes.

In a press release on the 27th of January 2017, the Minister of Finance announced an Incentive Program for the payment of outstanding taxes. All Namibian taxes are included in the reprieve provided by the program. The incentive required qualifying taxpayers to pay the full outstanding tax (capital) amount, plus 20% of accrued interest, thereafter the Inland Revenue would write off the remaining 80% interest and all additional tax (penalties).

The program commenced on the 1st of February 2017 and ended on the 31st of July 2017. To qualify, all outstanding returns had to be submitted (to determine the tax amount due), the application forms had to be submitted and the payment made. Taxpayers who had not previously registered as taxpayers and had not submitted returns or submitted incorrect returns (and did not declare income for tax), which were due prior to 1 February 2017, could utilize this once – off opportunity to regularize their tax affairs. No punitive measures would be taken by Inland Revenue against those who willfully failed to declare or under-declared their income.

After the end of this program, such taxpayers who did not utilize this opportunity to provide a full and frank disclosure of their income would receive no mercy from the Inland Revenue Department and could be regarded as having committed a criminal offence as in the provisions in the various Revenue Acts which would be utilized aggressively.

The introduction of payment of tax through electronic funds transfer and point of sale machines created convenience and flexibility to taxpayers and reduced compliance costs. Mwafongwe noted that recently the ministry abolished the requirement of a Good Standing Certificate for payments. The intention of this step was to allow taxpayers, especially small businesses, to manage their cash flows and be able to sustain their operations. Taxpayers were expected to make use of incentives provided to settle their accounts and become compliant. The ministry consistently monitors the compliance behaviour of taxpayers and would continue to introduce measures to enforce tax compliance. If necessary the ministry would not hesitate to introduce new strict measures. Individuals and companies that are in the tax net, but for reasons only known to them are not registered, were expected to come forth and register voluntarily to avoid heavy penalties when they are detected.

The IRD emphasizes that the revenue target is one of the key performance indicators for Inland Revenue and Customs and Excise. Through the performance management system, the revenue target is cascaded down throughout operational units within Inland Revenue and Customs and Excise. To ensure the desired level of revenue is not compromised, taxpayers are managed and controlled based on segment units in the form of large taxpayers, under the Large Taxpayer Office and small and medium taxpayers under the Small and Medium Taxpayers Directorate through its seven

regional offices. This set-up enables dedicated monitoring and service of taxpayers within their respective categories.

Tax revenue comprises of individual income tax, corporate tax, value added tax, transfer duty, stamp duty and fees, environmental levy, exports levy as well as customs duty and excise taxes. Taxes from international trade also represents a significant portion of revenue streams. Like many countries, Namibia adopted a self-assessment taxation system. This system requires taxpayers to self-account for their tax obligations ranging from tax liability determination to timely filing and payment of taxes due. The self-assessment system is complimented by taxation at source through the withholding tax methodology. This means that paying institutions such as employers and pension/retirement administrators are obligated to deduct tax from remunerations of employees and pension/retirement benefits. Further, companies must also withhold taxes on directors' fees, sitting allowances, and payments to non-residents for services rendered.

Given the self-assessment system, the ministry through its revenue management programme, which comprises the IRD and Directorate of Customs and Excise, plays key roles of assisting taxpayers to comply through taxpayer education and services; facilitation of trade and movement of goods through managing border posts; and compliance enforcement through audits, investigations, and inspections. There are specialized units such as Transfer Pricing, Forensic Audits, Tax Intelligence, and Investigations as well as Risk Management. These units are established to deal with complex issues, including transfer pricing and illicit financial transactions by multinational companies.

Some effective enforcement tools include the use of a Good Standing Certificate as a requirement to participate in procurement processes, tax directives for certain payments, arrear tax recovery through third parties and guarantees on tax and duty payment deferments. From time to time, the ministry also carries out special operations and field work to bring unregistered individuals and entities into the tax net.

To ensure tax equity, income equality distribution and additional revenue to the state, in line with previous announcements by the Minister of Finance, the ministry continues investigating the feasibility of introducing presumptive tax as well as capital gains tax.

Saara Kuugonengelwa Amadhila (u.d).

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

The chapter sought to review existing literature on tax non-compliance. The main thrust of this chapter is to review findings made by other researchers and in the process highlight the relationships and finding the knowledge gap.

3.2 Theoretical Literature

3.2.1 Common Determinants of Tax Non-compliance

Based on the literature review, factors that are commonly used by researchers relating to tax non-compliance among the individual taxpayers and sole-proprietors are as follows:

Income:

Income from self-employment or business would be subject to lower compliance as compared to the income from salaries (Madeo, Schepanski and Uecker, 1987). Fledman and Slemrod (2005) found that non-compliance is significant and that it varies with source of income. Taxpayers who are in the high-income bracket tend to be tax non-compliant when compared to those in the lower-income bracket (Harwood, Larkins & Vazques, 1993). Different levels of distribution of income may also affect tax non-compliance among the individual taxpayers. This may be because taxpayers may feel that it is acceptable to under-report small amounts of income as it is to their advantage. This belief endorses the immoral mode where it is deemed that unethical business is good business and whatever is not remitted to government can be used to expand businesses or be made as savings. This is especially so in the Erongo Region where the cost of living and doing business is very high due to expensive

accommodation from the high tourism attraction of the region. This confirms the skepticism of the myths that one cannot run a financially successful business whilst adhering to ethical standards, “Nice guys come second and what matters is the bottom line”.

Tax rate and Tax complexity:

Most research supports the notion that high tax rates increase tax non-compliance. Tax payers who had been told that their tax rates were higher than the average tax rate paid by others have the highest percentage in terms of evading tax (Spicer & Becker, 1980). According to Christian and Gupta (1992), most taxpayers are sensitive to and respond to even the smallest changes in one’s tax bracket. It should also be noted here that taxpayers’ underreporting of income is positively correlated with the tax rates. Furthermore, the impact of tax complexity on tax compliance is a bit more complicated because of the interaction of two factors i.e. perception of fairness and opportunity for non-compliance which allows for unethical behavior attesting to the dual nature of human beings, the rationality concept where the humans will act rationally and any opportunity to gain is pursued (Milliron, 1985).

Under conditions of uncertainty (i.e. tax systems that are complex), taxpayers are more prone to tax non-compliance (Beck, Davies & Jung, 1991). Tax complexity also influences non-compliance by causing misinterpretation of rules, omissions, and unintentional errors besides deliberate under-reporting (Gupta, 2002). Drafting a less complicated tax system will lead to an increase in the perception of fairness on the tax system and subsequently a reduction of tax non-compliance.

Probability of audit:

Sour (2001) found that increasing the probability of audit will increase the tax compliance rate. Increase in the probability of audit was also found to have resulted in significantly higher levels of taxable income being reported (Beck *et al.*, 1991). On the other hand, when an audit detection rate decreases, tax non-compliance will increase. More so, Knowledge of Peer behavior: revealed that individual taxpayers do not live alone in this world and they must interact with others in their daily life. Thus, the influence of one person on another in their behavior is an important part of their continuous existence in society. Peer influence usually comes from friends, relatives, colleagues, and business acquaintances.

Perceived confidentiality:

Perceived confidentiality of another taxpayer's tax information may have a significant effect on tax non-compliance (Laury and Wallace, 2005). When a taxpayer (say. Mr A) found that another taxpayer does not report the true amount of tax, the taxpayer (i.e. Mr A) will in the future not report the true amount of tax to the tax authorities. Perception of peers not to comply with the tax laws results in the taxpayers' non-compliance action. In the region of this research, this can be confirmed as communities follow a norm and due to low population levels, people's behavior tends to be more affected by the next person's actions, hence confidentiality is low. (Laury and Wallace, 2005).

Perception of fairness of the tax system:

The perception of fairness of the tax system generally affects the taxpayers' compliance performance. When taxpayers perceive the exchange of tax payments for services received as unequal to the services received and in the tax authorities' favour, the taxpayers tend to be tax non-compliant. Spicer and Becker (1980) found that taxpayers significantly increase their tax non-compliance when they perceive themselves to be victims of tax inequity. Taxpayers' morale increases when tax officials treat them with respect and dignity. If tax officials solely rely on deterrence, taxpayers tend to avoid tax (Frey & Feld, 2002). Public service announcements are effective in improving taxpayers' perception of the fairness of the tax system (Roberts, 1994). Any increases in perception of fairness can lead to lower tax non-compliance (Forest & Sheffrin, 2002). In the Erongo Region, the following quoted statement was taken from a letter from residents to the authorities: "We also hereby express our distrust in the Electricity Control Board to have allowed such unreasonable, unfair and thus questionable price adjustments and feel that the ECB levy, charged on our electricity bill, is totally unjustified and customers' money is being wasted". This goes to show that when such unfairness and distrust is prevalent, a high level of tax non-compliance will be rife.

Gender:

Gender is a sociological factor that influences the non-compliance behavior of sole-proprietors (Schuetze, 2002). There is evidence that there is a significant relationship between tax non-compliance and gender. Most of studies attested that the compliance level of male and females is different. Spicer and Becker (1980) found that gender appears to have a significant impact on tax non-compliance and noted that males had

a greater percentage of default than females in terms of tax non-compliance. This was further supported by Young (1994) who found that males are less tax compliant than females. Mottiakavandar, Haron and Kasipillai (2004) also found that gender had a significant impact on tax non-compliance.

Age:

Age is another sociological factor that influences the tax non-compliance behaviour of sole proprietors. Most of the studies in the USA indicate that age is an important factor in explaining the level of tax non-compliance. For example, Clotfelter (1983) found that there is a close relationship between age and tax non-compliance. Christian and Gupta (1992) found that older taxpayers are less likely to be at the top of the tax table brackets, less knowledgeable about tax or may be more conservative and hence less likely to search for additional deductions to lower their taxable income i.e. older people are less likely to be tax non-compliant as compared to younger taxpayers. Old people in my region are more tax compliant and have a good attitude towards the tax system. Mottiakavandar *et al.*, (2004) found that among the small business entrepreneurs, sociological factors such as gender and age have a significant effect on taxpayers' stance towards tax non-compliance.

The tax compliance of sole-proprietors is also different when compared to the tax non-compliance of wage earners (Clotfelter, 1983). Feinstein (1991) found that sole-proprietors are less likely to be tax compliant when compared to other taxpayers. Erard (1993) stated that it is easier for sole proprietors to manipulate their source of business income and as such, they are less likely to be tax compliant. Giles (2000) found that relatively small businesses are more likely to evade taxes than large businesses.

Tax preparers:

Tax preparers have an important role to play on taxpayers' non-compliance decisions. Prior studies have indicated that the role of tax preparers (e.g. Certified Public Accountants [CPA]) is related with either tax non-compliance (aggressive approach) or tax compliance (conservative approach). Tax preparers are not entirely at the mercy of taxpayers' demands. Being members of an elite profession, tax preparers are able to set standards (Gordon, 1988). However, it should be noted that not all tax preparers are willing to compromise their personal ethics to be successful (Marshall, Armstrong and Smith, 1998).

Tax preparers can exert influence on taxpayers. The role of tax preparers can create an impact on taxpayers' non-compliance decision. Tax preparers can manipulate the taxpayers into a non-compliance decision. Tax preparers play a critical role in how small business owners approach tax planning opportunities (Plamondon, 1996). Most of the previous studies on tax preparers have centered on approved tax preparers.

The objective of using an approved tax preparer and an unapproved tax preparer are the same i.e. assisting and advising the taxpayers to fulfill their tax obligations. The only difference is the level of education, tax knowledge and training. Approved tax preparers are better educated than unapproved tax preparers because of professional certification requirements (Ayers, Jackson & Hite, 1989). As such, unapproved tax preparers may not be able to provide sound advice, thus, resulting in sole proprietors being more tax non-compliant.

Other known Factors:

There are many other factors besides those mentioned above; factors that also affect tax non-compliance. These factors include the levels of tax penalties (Davis *et al.*, 2002), the opportunity to evade tax (Collins, Milliron and Toy, 1992), social responsibility (Fortin, Lacroix & Villeval, 2007), ethics (Bobek & Radkte, 2007), enforcement (Frey & Fled, 2002), moral reasoning (Singh, 2003), tax deduction (Singh, 2003) and sanctions (Tittle, 1977).

3.2.2 Why do people evade taxes? – An Economist’s Viewpoint

According to Webley *et al.*, (1991:8), if one was to stop a person in the street and ask him or her why people evade tax, the answer would almost certainly be “greed”. The assumption is that people will commit an offence, any offence, if by doing so they maximise their utility. Becker (1968:207) argues that people become criminals not because their motivations are different from others, but rather because their evaluations of cost and benefits differ. Applied to the tax situation, people are treated as rational, amoral decision makers whose aim, in this as in all other areas, is simply to maximise utility (Becker, 1968:207).

Allingham and Sandmo’s (1972:338) classical model of tax evasion assumes that behaviour is influenced by factors such as the tax rate (which determines the benefits of evasion), the penalties for fraud, as well as the probability of detection (which determine the cost). For example, in Great Britain only 400 serious tax fraud investigations take place a year compared with 30 million taxpayers, resulting in only

60 successful prosecutions a year (Accountancy, 2004:103). Taxpayers contemplating tax fraud may well calculate that the chance of being caught is very remote.

Allingham and Sandmo (1972:324) mention that given the low probability of being audited in many countries and the comparatively low penalties for those being caught evading, rational and selfish taxpayers would decide to evade or underreport taxable income. The classical model, therefore, predicts that both the probability of detection as well as the severity of penalties will affect evasion. It would be logical to infer that if detection is likely and penalties severe, then people will be more compliant. Over the years several extensions have been made to the classical model. One of these extensions defined the interactive (game-playing) models (Benjamin & Maital, 1985:245-264; 17 Corchon (1984, in Webley *et al.*, 1991:10)).

Further models incorporate the idea of limited rationality (Jackson & Milliron, 1986:125-165; Kahneman & Tversky, 1979:263-291; Kahneman & Tversky, 1984:341-350; Schadewald, 1989:68-84). The interactive models stem from the recognition that a taxpayer is not taking decisions in isolation and that there are other “players” in the “game”. The revenue authorities can clearly alter the probability of detection and the penalty rate. The behaviour of other taxpayers may also be relevant. A taxpayer’s reputation may suffer if he is caught evading in a population largely comprised of non-evaders.

On the other hand, a taxpayer’s reputation may be unaffected or even rise if most people evade taxes (Webley *et al.*, 1991:10). In the Corchon model (described by Cowell 1990:122), the tax situation is treated as a two-person game involving the

taxpayer and the authorities. The taxpayer has two choices - either to comply or not to comply. The authorities also have two choices - they can investigate the taxpayer or not. Clearly there is no simple equilibrium in this model. If the taxpayer is complying, it is best for the authorities not to waste money investigating. On the other hand, if taxpayers are aware that the authorities are not investigating, it is best for the taxpayer not to comply.

Equilibrium exists if both parties use mixed strategies. In this situation, the probability of evasion increases with the marginal cost of investigation and decreases with the size of the penalty for evasion. An extension to the Corchon model considers the behaviour of other taxpayers, including certain social psychological variables such as stigma, reputation and social norms. The details of this model developed by Benjamin and Maital (1985:245-264) are somewhat technical but it is sufficient to say that it has multiple stable equilibria. In a homogeneous population, everybody either evades or is completely honest. More realistically, in a heterogeneous population, members of certain groups will generally evade whilst members of other groups will generally be honest. Vogel (1974:512) also confirms that group support appears to be important in the formation of attitudes towards tax evasion. Taking this into account, Cowell (1990:113) suggests that this implies that the decision about evasion is a process where a person first decides whether to be honest or not, and then proceeds to the finer calculations of how much to evade. Treating decisions as a two-stage process is also found in approaches that hypothesize limitations to rationality.

The best known of these approaches is Kahneman and Tversky's (1979:263-291; 1984:341-350) prospect theory. People who observe that the tax rate is lower than their

reference tax rate derive utility from this. Kahneman and Tversky (1979:263; 1984:343) argue that people make choices in two stages. In the first stage, the problem-editing phase, the individual reformulates options so that the subsequent choice is simplified. This editing consists of operations that transform the probabilities and outcomes, such as simplification (for example, rounding a probability of 0,49 to 0,50) and segregation (decomposing a choice into a more or less risky option).

An important part of this process is the framing of outcomes (prospects) as gains or losses relative to some reference point, rather than as final states of wealth or utility. In the second phase, the evaluation phase, the individual evaluates each of the edited prospects and chooses the prospect with the highest value. In this stage the individual will use a utility function that is convex for losses, concave for gains, and steeper for losses than for gains. This implies that when sure gains are involved individuals will tend to avoid risks, whereas they will be willing to take risks to avoid sure losses. It also implies that individuals will take different decisions depending on how problems are framed. Tversky and Kahneman (1981:453) provide a common example of prospect theory. In this example subjects are asked to imagine that the United States is threatened with an unusual disease that is expected to kill 600 people. A choice must be made between two interventions. The first of these gives a certain outcome - 200 people will live and 400 will die.

The second is risky - there is a one in three chances that 600 people will live (no people will die) and a two in three chances that no people will live (that is, 600 will die). The option that most people choose depends on how the problem is framed. If the situation is presented as a gain (for example, 200 people will be saved versus a one in three

chances of 600 being saved) most respondents chose the certain option. Conversely, if it is presented as a loss (that is, 400 people will die) the risky choice is more popular. The relevance of this to tax evasion has been noted by several researchers (Jackson & Milliron, 1986:152; Schadeewald, 1989:69) and is discussed in greater depth by Smith and Kinsey (1987:648).

There are several factors that implicate framing in tax decisions. For instance, tax that must be paid has greater utility than tax that is already withheld. It is also noted that most taxpayers in the United States seem to prefer having more withheld than is strictly necessary. This implies that in a system where tax is withheld by the authorities, individuals who expect a refund and perceive this as a gain would avoid the risks associated with evasion. On the other hand, those expecting to pay yet more tax (a certain loss) would be more likely to take the risky alternative and evade tax.

3.2.3 Why do people evade taxes? – A social psychology viewpoint

Two kinds of theories exist to explain why people evade paying tax. The first of the two groups are integrative models of the taxpaying process, based on a wide knowledge of the literature and designed to introduce some new ideas. These are sometimes referred to as theories but are rather regarded as frameworks (and are sometimes so named by their authors) within which data about taxpaying and evasion can be organised. Some of the best examples would include the models of Lewis (1982:160,226), Groenland and Van Veldhoven (1983, in Webley *et al.*, 1991:13) and Smith and Kinsey (1987:651-657). At best these models give one a feel for the crucial variables involved in evasion and how they might be interrelated. At the very least,

these models are reminiscent of the information processing models of consumer behaviour found in marketing texts, with a multitude of little boxes connected by arrows that are solid and dotted.

The second kind is a rather straightforward application of a social psychological theory to tax evasion (Kaplan, Reckers & Reynolds, 1986:461-467). In his book, "The psychology of taxation", Lewis (1982: vii) reviewed the entire scope of research into taxation and drew insights from a variety of disciplines. He was particularly concerned to fuse psychology and economics. Lewis (1982:160,226) suggests two models - one which brings together the concerns of the individual and the concerns of the authorities, and the other which focuses on the relationship between tax attitudes and tax behaviour. Webley *et al.*, (1991:14) summarizes Lewis's two models, the first as a conceptual map.

As far as the authorities are concerned, three factors are regarded as important in this model:

- ❖ Government's fiscal policy;
- ❖ Tax enforcement policy; and
- ❖ Policy makers' assumptions about taxpayers.

The tax enforcement structure partly determines the level of evasion, which itself affects fiscal policy makers' assumptions. On the individual side, another three factors are described. These are fiscal attitudes and perceptions (which include the individual's support for government policies, perceptions of the tax system and

burden, feelings of alienation and inequity), perceptions of enforcement and opportunity, and characteristics of the taxpayers (demographics and personality traits).

These all interact to affect the decision as to whether to evade tax or not. The two sides (governmental and individual) also affect each other. Fiscal attitudes and perceptions are partly a result of actual government policy, and actual enforcement structure also affects perceived opportunities for evasion. Conversely, the attitudes and perceptions of taxpayers feed into fiscal and enforcement policy. Tax enforcement structures will, therefore, be linked in some way with people's views as to whether they can evade taxes and get away with it. Vogel (1974:501) mentions that taxpayers' attitudes are no doubt closely connected with perceptions about the degree of distributive justice codified in a tax system.

Lewis's second model, concerning the relationship between tax attitudes and tax behaviour, provides more detail on how decisions (whether governmental or individual) are reached. Lewis (1982:172) suggests that demographic variables, attitudes towards the government and tax inspectors, as well as personality traits, influence a person's attitude to tax behaviour. Lewis does, however, point out the difficulty of testing this model as it relates to a behaviour that is private and illegal. Figure below is a diagrammatic representation of Lewis's view on tax evasion.

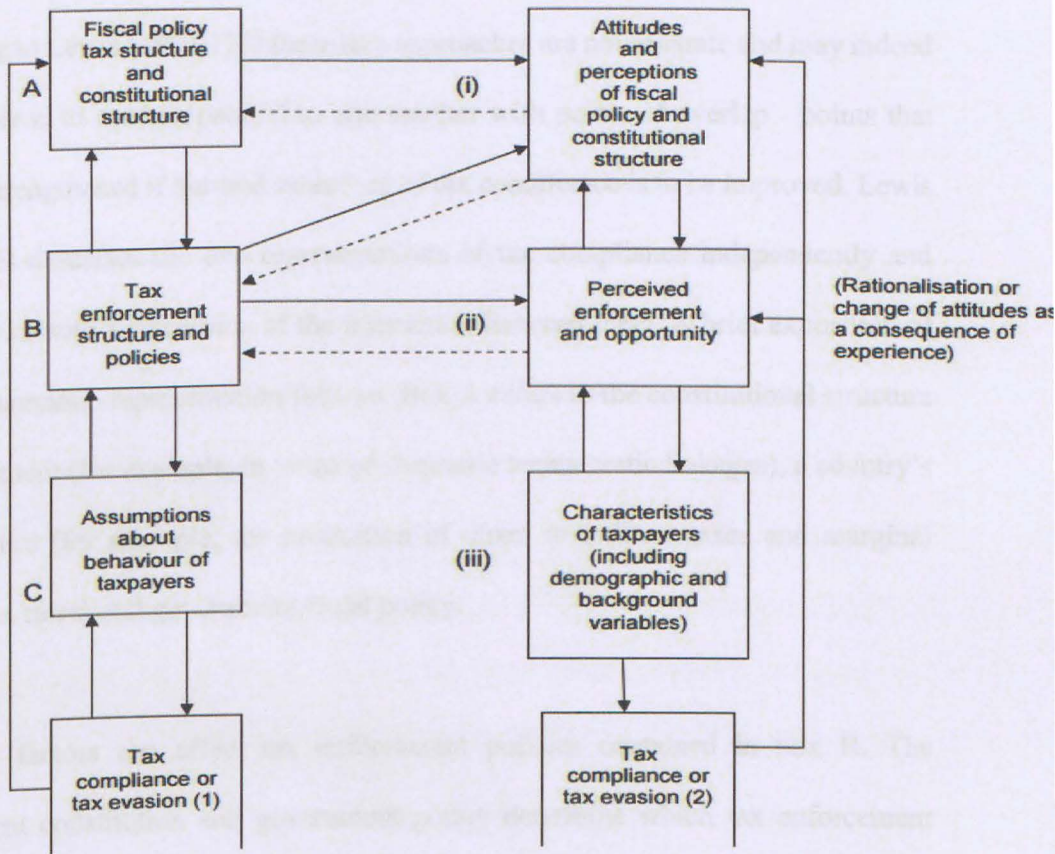


Figure 3.1; Lewis's view on tax evasion

Source: Lewis, A. (1982)

This diagrammatic representation can be divided down the center to give two descriptions of tax compliance. The first (1) describes a structure that incorporates elements of the Fiscal policy tax structure and constitutional structure Attitudes and perceptions of fiscal policy and constitutional structure Tax enforcement structure and policies Perceived enforcement and opportunity Assumptions about behaviour of taxpayers Characteristics of taxpayers (including demographic and background variables) Tax compliance or tax evasion (1) (Rationalisation or change of attitudes as a consequence of experience) Tax compliance or tax evasion (2) theoretical approaches of economists and political economists, and the second (2), psychological and sociological perspectives.

According to Lewis (1982:172) these two approaches are not separate and may indeed be considered to exist in parallel to one another with points of overlap - points that must be strengthened if our understanding of tax compliance is to be improved. Lewis (1982:156) describes the two representations of tax compliance independently and then follows with a discussion of the interaction between them. A brief exposition of this diagrammatic representation follows. Box A refers to the constitutional structure of government (for example, in terms of corporate technocratic linkages), a country's tax structure (for example, the proportion of direct to indirect taxes and marginal income tax rates) and government fiscal policy.

All these factors can affect tax enforcement policies contained in box B. The government constitution and government policy determine which tax enforcement procedures are legal and desirable and, in turn, different tax structures may make one type or style of tax enforcement more appropriate than another. Continuing down to box C, assumptions about the behaviour of taxpayers as optimising and risk averse come next. This is followed by box D and the dependent measure of tax evasion or tax compliance.

Arrows linking boxes flow in both directions. Not only does fiscal policy determine tax enforcement policies - fiscal policies themselves may also be amended by the success or failures of tax enforcement procedures. Fiscal policy and tax enforcement may, in turn, be affected by changing assumptions about taxpayers and the degree of tax evasion. However, as the diagram reveals, a more direct feedback loop is far more common in that increases in tax evasion may have effects on fiscal policy and tax

enforcement procedures, while the tax policymaker's view of taxpayers and their motivations remains unedited and of little or no interest. The second half of the model (labelled 2) comprises boxes (i), (ii), (iii).

This approach to tax evasion and tax compliance places emphasis on the attitudes and perceptions of taxpayers and thus constitutes an analysis of tax evasion behaviour "with a human face". Box (i) contains a host of considerations raised in social surveys under the heading of attitudes towards and perceptions about constitutional structure, as well as government and fiscal policy. More specifically, it includes taxpayers' support for government and fiscal policy, feelings of coercion, impotence, alienation and the perceived accountability of the relevant fiscal authorities. Taxpayers' perceptions of the uses, purposes and fairness of taxation (perhaps in terms of equity); perceptions of tax burdens and exchange; moral and normative (in the social psychological sense) as well as other rationalizations incorporated in tax ethics, are also included. Interacting with this bundle of factors (hence the arrows indicating a two-way flow) are taxpayers' perceptions of the probability of detection and the size of the fine.

Questions concerning the perceived equity of opportunity for tax evasion are also considered here. There is the perception that the tax system may appear unfair, in the sense that people with higher incomes are perceived as having greater opportunities in the legal sense to avoid paying tax. Boxes (i) and (ii) interact, as some taxpayers may have a better understanding of the working of fiscal policy than others, and, in the reverse direction, tax authorities perceived as rigorous invaders of personal liberty may, in turn, engender more antipathetic tax attitudes. Interacting with boxes (i) and

(ii) are the characteristics of taxpayers in terms of their individual, group and demographic differences. Surveys have identified a host of these variables. Principal amongst these are education factors and fiscal knowledge, social class, socioeconomic groupings, occupational role relationships and union membership, age, income (including perceived economic well-being and anticipated future economic well-being), sex and marital status, political preferences, risk aversion and familiarity with evasion and evaders. Also included in this are considerations of compliance costs. It has been shown that different groups in society have varying tax attitudes and different perceptions of tax enforcement.

3.2.4 Models put forward to curb non-compliance

Traditional Deterrence Approach

In the traditional deterrence approach, taxpayers were considered as purely self-interested rational agents (Allingham & Sandmo 1972), and consequently, compliance was enforced through measures such as audits and sanctions. In the late nineties, a new method of regulation was proposed. The responsive regulation according to Ayres & Braithwaite (1992), integrated the various measures to ensure compliance (i.e., education, persuasion, and sanctions). It required tax authorities to adjust their regulatory efforts to the behavior of taxpayers by choosing when to punish and when to persuade (Braithwaite, Murphy & Reinhart 2007, Murphy 2004). It was recommended to use a cooperative and persuasive approach as the default option. Only in cases of continuous non-compliance should the fiscal authority use more constraining enforcement strategies (Ayres & Braithwaite 1992). Punishment is expensive and may even be counterproductive. Therefore, it was suggested that this

approach may be more effective in ensuring the long-term sustainability of the tax system by increasing the self-regulation of taxpayers (Braithwaite, Murphy & Reinhart 2007, Murphy 2004).

Responsive Regulation Approach

In accordance with the introduced responsive regulation approach, the model of tax compliance was developed. This model takes the attitudes of taxpayers (i.e., motivational postures) such as commitment, resistance, disengagement, capitulation, or game playing into account (cf., Braithwaite, Schneider, Reinhart & Murphy 2003) and also considers the environment in which tax (non-) compliance occurs, such as business profile (e.g. business age), industry-specific factors (e.g., cost structures), sociological (e.g., reciprocity), macroeconomic (e.g., interest rates), and psychological (e.g., fairness) factors (Murphy 2004).

In taking a psychological perspective, the authors focused on aspects of fairness or justice influencing tax compliance. People's behavior is strongly connected to their views about justice (Tyler, Boeckmann, Smith & Huo 1997). Although the influence of fairness perceptions on tax compliance has often been mentioned in the tax literature (e.g., Andreoni, Erard & Feinstein 1998, Bordignon 1993, Spicer & Becker 1980, for a review see Kirchler 2007), the majority of tax compliance literature incorporating fairness issues focuses on aspects of distributive justice. However, recently attention has been drawn to procedural justice in the tax context (Fuji, Kitamura & Suda 2004, Murphy 2005, Pearce 2007, Wenzel 2002).

Murphy (2003) demonstrated that sanctions or punishments used as strategy of first choice to obtain tax compliance can undermine the regulators' legitimacy when perceived as being procedurally unfair. In a further study, he showed that those

taxpayers, who were less satisfied with their tax authority's treatment, were more likely to question its legitimacy and hold resistant views towards the authority. However, in line with the model of responsive regulation she does not recommend the total abandonment of sanctions and penalties, since some people would take advantage of a regulatory strategy based purely on cooperation. Her proposition is to use a regulatory strategy based on mutual respect and cooperation in the first instance, but concurrently, ensure that the threat of punishment is still in the background for those who resist initial appeals for cooperation. Considering these results, the current article aims to further investigate the link between taxpayers' perceptions of procedural justice and their motivations to comply or not to comply with taxation policies as well as their consequent influence on tax compliance.

The Norms Model

The norms model maintains that a substantial number of taxpayers comply with their tax obligations through adherence to social or personal norms. The model positions itself as a complement to the deterrence model: it accepts that the deterrence model accounts for some taxpayer compliance, but it argues that the compliance left unexplained by the deterrence model can be attributed to standards of conduct imposed on taxpayers by others or by themselves. Consider social norms first. The argument here is not that a taxpayer complies with her tax obligations because she fears formal sanctions (such as tax penalties) potentially imposed by the government; rather, she complies because she follows social norms, and she wants to avoid informal sanctions potentially imposed by other taxpayers. The model points to social norms of reciprocal cooperation and trust as drivers of tax compliance. For example, taxpayers may comply as a way of inducing or reciprocating the compliance of other taxpayers. The argument is similar as to personal norms (Onu & Oats 2012).

A taxpayer who values integrity, honesty, and the benefits of citizenship may feel guilt, shame, or similar emotions if she does not meet her tax obligations. These personal norms may depend on whether she regards her tax obligations as legitimate. That, in turn, may depend on whether she sees legal actors, such as government tax officials, satisfying basic concerns of procedural justice such as “neutrality, lack of bias, honesty, efforts to be fair, politeness, and respect for citizens’ rights”. The norms model implies that government should supplement tax penalties with other mechanisms aimed at inducing and reinforcing norms-based compliance. Tax penalties remain necessary under the model for two reasons (Onu et al., 2012):

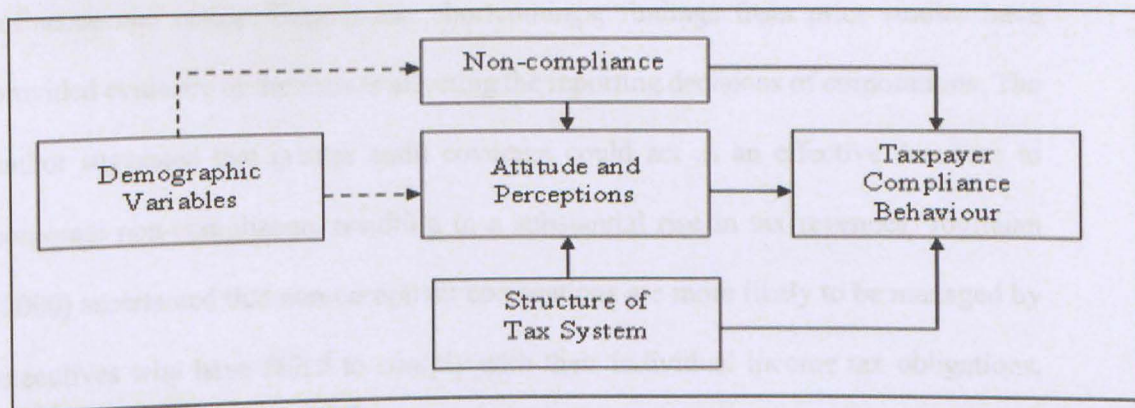
First, the norms model assumes that certain taxpayers will not follow tax-compliance norms, and those taxpayers must be deterred by the threat of legal sanctions. Second, taxpayers who do follow such norms must be assured that non-compliant taxpayers will be sanctioned; otherwise, the tax compliance norms may be weakened. However, government must find a delicate balance because heavy reliance on penalties may crowd-out norms. This implies that government must somehow devise “appropriately tailored” penalties “aimed specifically” at taxpayers who ignore tax-compliance norms (Onu *et al.*, 2012).

Penalty reforms under the norms model, then, would make tax penalties both narrower and stronger: narrower because they must target only recalcitrant, norm-defying taxpayers and stronger because, under the deterrence model, existing penalties are too low to provide an effective deterrent. With respect to taxpayers who follow tax-compliance norms, the objective of government should be different. Government should aim, for example, to cultivate trust among taxpayers that their compliance will not be exploited by other taxpayers. This may include publicising the fact that most

taxpayers comply with their tax obligations and not publicising criminal tax prosecutions (Onu *et al.*, 2012).

Fiscal Psychology (Behavioral) Model

In contrast, the behavioral approach assumes that individuals are not simply independent, selfish, utility maximizers but that they interact according to differing attitudes, beliefs, norms, and roles (Elffers, 1991). The behavioral perspective incorporates sociological and psychological factors, such as age, gender, ethnicity, education, culture, institutional influence, peer influence, ethics, and tax morale, as factors that may affect taxpayer compliance behaviour in Figure 2.2 below:



Source: Fischer et al. (1992)

Figure 3.2: Expanded Model of Taxpayer Compliance

Source: Fischer et al., (1992)

This model is significant as it predicts that demographic variables indirectly influence tax compliance behaviour through their effects on non-compliance opportunities and attitudes. Both the economic and behavioural approaches have contributed to the understanding of tax compliance behaviour. A study designed on a blend of both approaches seems most appropriate as a single approach is not likely to be effective in

explaining the compliance behaviour of taxpayers (Hasseldine and Bebbington 1991). In addition, examining taxpayer behaviour is complex and challenging as the relevant literature emanates from a variety of disciplines including economics, psychology, and sociology. A review of the extensive literature on factors affecting individual tax compliance behaviour uncovered three main categories of determinants of such behaviour. These categories include demographic, economic and behavioural determinants (Richardson, 2006).

Demographic determinants include age, gender, education, and occupation, while economic determinants include income level, income source, tax rates and sanctions. Behavioural determinants include complexity, fairness, revenue authority contact, peer influence and ethics. Despite any shortcomings, findings from prior studies have provided evidence of the factors affecting the reporting decisions of corporations. The author suggested that greater audit coverage could act as an effective deterrent to corporate non-compliance, resulting in a substantial rise in tax revenues. Joulfaian (2000) ascertained that non-compliant corporations are more likely to be managed by executives who have failed to comply with their individual income tax obligations, and vice-versa. The author proposed future studies to include managerial preferences as one of the tax compliance determinants. Moreover, marginal tax rates, audit rate, firm size and income level were all found to influence non-compliance. A review of the literature found that limited empirical research was utilized to evaluate the compliance behaviour of corporate taxpayers. Most tax compliance literature focuses on the determinants of tax compliance behaviour of individual taxpayers. Findings from limited studies using the compliance data of large corporate taxpayers have provided some evidence of the determinants of the compliance behaviour of corporate taxpayers.

3.3 Empirical Literature

3.3.1 The Malaysian Experience

Raihana Mohdalia, Khadijah Isab, Salwa Hana Yusoff (2012) concluded that the highest mean score perceived by individual taxpayers in Malaysia between two tax compliance components was voluntary tax compliance. This may indicate a high tendency of individual taxpayers in Malaysia to comply voluntarily with tax laws which lends support to the prior research (Loo, McKerchar, & Hansford, 2010). One of the potential explanations for this strong positive attitude may be because most of the respondents were salaried taxpayers. Being salaried taxpayers, a portion of taxpayers' salaries was deducted automatically by their employers for payment of income taxes based on the scheduler tax deduction set up by the IRBM. Further, the employment of the e-filing system in Malaysia probably offers an easy and economical transaction for taxpayers who have straight-forward tax affairs such as salaried taxpayers who were most of the respondents in this study. The provision of convenient and inexpensive ways to deal with the tax authority is stressed by McKerchar and Evans (2009) as an important strategy in fostering voluntary tax compliance. Thus, high levels of voluntary tax compliance were evident among the individuals in their study.

The influence of threat of punishment on tax compliance components in their study was found to be positively statistically significant only on tax avoidance attitude. The threat of punishment has encouraged taxpayers to be more inclined towards the tax avoidance attitude. Since they were already willing to comply, the use of threat of

punishment may only encourage them to be less compliant which might indicate their rebellious attitude against the government. This is probably because compliers are less likely to be affected by the threat of punishment as compared to non-compliers (Hanno & Violette, 1996) but the threat of punishment might trigger rather than discourage negative intentions or attitudes. This lends strong support to prior Malaysian studies, even though the term used is different (Loo; 2009). Tax structure (tax audits and penalties) appeared to have an indirect influence on tax compliance which led some taxpayers to over-comply. However, their main reason for complying was to get a tax refund.

The insignificant impact of the threat of punishment on taxpayers' positive attitudes probably reflects the salaried taxpayers being the majority in their current study. This was probably because they had less opportunity to avoid or even to evade paying taxes because their tax affairs were direct and simple. Self-employed taxpayers were considered to have more complicated tax affairs that enable them to make use of the various loopholes in the income tax rules. This strongly supports the prior international - Witte & Woodbury (1985) and Malaysian - Loo *et. al.*, (2009) studies that showed the prospect of a tax audit was ineffective for salaried taxpayers. However, the threat of punishment still appeared to be effective if they had the intention to avoid taxes, regardless of their employment status.

One important policy implication for the IRBM from their study was probably to communicate the positive and negative information to taxpayers as practiced by the Australian Tax Office (2012). For example, the Australian Tax Office plan for compliance activities for 2012 to 2013 were released to the public in July 2012 as a

means of communicating relevant information to taxpayers and the compliance information is also conveyed through the media and tax practitioner community. It is probable that such a targeted policy could be practiced in Malaysia. For example, positive information is probably effective for salaried taxpayers in Malaysia because they have strong intentions to voluntarily comply so that they can easily respond to positive appeals from the tax authority and negative information most probably is more appropriate to threaten taxpayers who have the intention to evade taxes. Interestingly, both types of information are found to be effective on “high opportunity” taxpayers such as the self-employed (Hasseldine, Hite, & Toumi, 2007, p. 189).

The most apparent limitation of their research was that it relied on a self-reported method to collect data and that may have led to inaccuracies in the data. This is because respondents may interpret the questions differently according to their understanding and may misunderstand the questions because of certain terminologies even though reasonable efforts were made to ensure the wording was simple and precise. The second obvious limitation was the selection of taxpayers involved in this study. Even though several attempts were made to include more self-employed taxpayers in the surveys, the salaried taxpayers remain as most of the total respondents.

Furthermore, the opportunities to avoid or evade paying taxes between these two types of taxpayers are different because salaried taxpayers have fewer opportunities to evade compared to self-employed taxpayers (Braithwaite, 2003). Thus, they might have different perspectives and attitudes towards tax compliance issues.

3.3.2 South Africa and Botswana's Experiences

According to Cummings (2005), Botswana and South Africa have experienced strikingly different social histories, despite being neighbors. Thus, these countries offer a natural experiment for the investigation of the effects of tax morale stemming from perceptions of government. Analyses of data from surveys of public attitudes toward government show that perceptions of government fairness and efficacy are considerably higher in Botswana and self-reported tax compliance appears to be higher as well. Using controlled laboratory experiments researchers were able to confirm that these reported differences in tax attitudes can be explained by social norms.

In their experiments they impose the same tax reporting and enforcement regimes in sessions conducted in both countries. Given their experimental control, they argue that observed differences in compliance behavior are the result of differences in social norms. Similarities in the tax systems allowed them to employ the same jargon in each country and since English is widely used in both countries they were able to conduct the experiments in a common language. These facilitate their comparison of tax compliance behavior across these otherwise widely divergent countries. Their laboratory experiments were conducted in the fall of 1999 and the survey data were collected during 1999 – 2000 (Cummings; 2005)

The following results were established as shown in Table 3.1. below:

Table 3.1: Determinants of Tax Compliance in Botswana (1999) and South Africa (2000)

Ordered Probit	EQ1			EQ2			EQ3		
	Coeff.	t-ratio	Marg.	Coeff.	t-ratio	Marg.	Coeff.	t-ratio	Marg.
a) Socio-Demogr. Factors									
FEMALE	0.092*	1.79	0.023	0.084	1.523	0.022	0.029	0.478	0.007
AGE	0.010***	3.265	0.003	0.012***	4.593	0.003	0.012***	4.348	0.003
EDUCATION	0.004	-0.746	0.001	0.009	0.484	0.002	0.016	0.832	0.004
b) Employment Status									
OCCUPATION				-0.140**	-2.039	-0.036	0.136	0.999	0.034
EMPLOYER							0.73	1.405	0.184
MINER							-0.022	-0.163	-0.005
FARMER							0.351***	3.452	0.089
DOMESTIC ARMED SERVICES/POLICE/SEC							-0.052	-0.269	-0.013
STUDENT							0.363***	3.235	0.092
DISABLED							0.384	0.932	0.097
NEVER HAD A JOB							0.105	1.296	0.027
c) Culture									
BOTSWANA	0.238***	5.711	0.06	0.215***	3.256	0.055	0.236***	3.540	0.06
Observations	3059			2752			2752		
Prob(F-statistic)	0.000			0.000			0.000		

Source: Afro barometer by Cummings (2005)

The estimation results are reported in table 3.1 above. Examining these results, shows that individuals in Botswana are more compliant than those in South Africa. The marginal effects indicate that, being a resident of Botswana rather than of South Africa increases the probability of reporting the highest tax honesty by around 6 percentage points and this result is robust across various specifications. (Cummings; 2005)

However, it has changed in the recent years as depicted by the growth in the individual tax register from 1.7 million in 1994 to 6 million in 2010 (the register has since doubled again following a policy change in 2011 to register all individuals in formal employment) (SARS 2013). During the latest Tax Season, a record 5 million returns were filed on time – raising on-time filing by individual taxpayers to over 83%. This rise in compliance, coupled with our country's economic growth, saw total revenue climb from R114 billion in 1994/95 to over R730 billion in the year 2016 – an overall increase of almost 550% with an average increase of 11.6% per year (SARS 2016). Importantly what did South Africa do to improve their tax compliance, as stated in their 5-year plan in the published SARS compliance programme 2012/13 – 2016/17 publication was as follows: Over the five years they are focusing on the following seven broad areas: Wealthy South Africans and their associated trusts: These can expect substantially more compliance checks and integrated audits – but also more opportunities for upfront engagement and pre-filing agreements. (Cummings; 2005)

According to the Afro barometer, research shows there are some wealthy individuals not registered for tax and we will use third party data including information from financial institutions, credit bureaux and other sources of data (such as residential and holiday homes, aircraft, vehicle and boat sales) to identify such individuals for registration. Offshore accounts in tax havens that are used by individuals to avoid tax will be given priority attention using international cooperation agreements. (Cummings; 2005)

CHAPTER FOUR

RESEARCH METHODS

4. Introduction

Chapter four investigated the methodology that was used to gather the information for this research study, mainly focusing on research design, population, sample, research instruments, procedure and data analysis.

4.1 Research Design

The research method for this study was the quantitative method. The research design used for this research method, was the cross-sectional study, where the researcher was able to compare or triangulate views of three different groups, that is the tax officials, tax practitioners and the taxpayers within the same parameters (Leedy and Ormrod, 2001). A causal comparative research design, was also used to examine how the independent variables were affected by the dependent variables and involved cause and effect relationships between the variables. A quantitative study ensured that the facts were presented in an objective manner and focused on the variables (Neumann, 2006).

Quantitative studies collect standardised data by means of asking the same questions to every individual and then organising and coding this data into quantifiable response categories which could be easily analysed and related. Since every question has a

limited set of answers, the results could be easily compared and analysed statistically. This also made it easy in generalising the data to a larger population (Creswell, 2014).

4.2 Population

Walvis Bay is one of the biggest towns in Namibia, with a general population of over 80 000 people. This research targeted the +/- 66 000 registered taxpayers in the area. This was made up of companies and individuals. The study also gathered data from other taxation stakeholders like the tax practitioners and IRD officials.

4.3 Sample

Slovene's Formula was used to calculate the sample size (n) given the population size (N) and a margin of error (e). -It is computed as $n = N / (1 + Ne^2)$. A sample was taken from a population, and the formula was used to consider confidence levels and margins of error hence the suitable method for this quantitative study was 0.01% of the study population; thus, the sample size was 100 participants. The subjects constituted 70 tax payers and 30 stakeholders made up of IRD officials and independent tax practitioners. They were selected from the population using the simple random sampling method. This method allowed each participant an equal opportunity to contribute and take part in the research.

4.4 Research Instruments

The data collection instruments consisted of questionnaires. Secondary data from the Walvis Bay Inland Revenue Department was also used. For the collection of the quantitative data, questionnaires were distributed to 70 taxpayers across different

locations in Walvis Bay and 30 closely related stakeholders made up of tax practitioners and IRD officials.

4.5 Procedure

A total of 100 questionnaires were distributed to different tax payers and stakeholders in different locations like Kuisebmond and town areas. The taxpayers were also selected in various industries like fishing, tourism, motoring, SMEs, and others. Some of the questionnaires were distributed physically door to door for the targeted taxpayers gathered from the IRD register; while some of the questionnaires were sent via email especially to the tax practitioners. For the IRD officials, the questionnaires were distributed physically. Secondary data which was used for this research was gathered from the IRD offices, where the researcher works. Mainly the data was pulled from the system which is the live tax system and was compiled for analysis.

4.6 Data Analysis

Descriptive statistical techniques were used to summarize and tabulate the information gathered. The Statistical Package for Social Sciences (SPSS) was used in capturing and analysing the data and to provide descriptive and graphical analyses that would help show the main causes of tax non-compliance. Descriptive statistics, with the use of tables and calculation of statistics for central tendency, variability, and distribution were used. Results were also presented graphically, including line graphs, bar graphs, histograms, and frequency polygons. The SPSS was run to produce frequencies that explained areas where tax non-compliance was frequent. The researcher also conducted cross-tabulations, recoded data, and ran various types of regressions. Regression analysis is broadly used tool in financial econometrics. They are used to define and estimate the relationship between financial variables, perform forecasting tasks the tests include T- Test, Durbin Watson. (Greene; 2000). The most common

diagnostic statistics for presence of autocorrelation based on the estimated residuals u_i is the Durbin-Watson statistic DW. Values of DW around 2 indicate no serial correlation in the error terms, values less than 2 suggest positive serial correlation, and values greater than 2 suggest negative serial correlation. F-Test and the Jacque Bera Statistics (Greene; 2000). In this research, tax non-compliance was the dependent variable and factors like tax complexity, probability of audit, tax rate, age and so forth were the independent variables, hence SPSS helped the researcher to find out the causes and the mitigating factors to derive quantifiable facts and make firm policy recommendations to the Walvis Bay IRD.

4.7 Research Ethics

Ethical rights are suited to protect or benefit both the participant and the researcher. Various authors identified the following issues to be considered as important during any research: The researcher may not bribe, force or coerce any individual into participating. Participation should be voluntarily and by free will. Informed consent was sought from all participants. The researcher was committed to respecting and preserving every participant's identity by means of anonymity and confidentiality. The researcher was truthful, and reported exactly what the findings stated, and did not take away or added anything to polish the research. The questionnaires used for this research are being kept in a locked cabinet for a period of five years and will be destroyed by shredding thereafter.

Figure 4.1 Researcher's conceptual framework

Journal Researcher's Comments

This framework has been drawn up by this researcher as the conceptual framework that will guide this research. The above diagram shows the dependent variable & their

4.8 Formulation of a Conceptual Framework

Conceptual Framework

Independent variables

Determinants influencing tax compliance

Dependent variable

Level of tax compliance

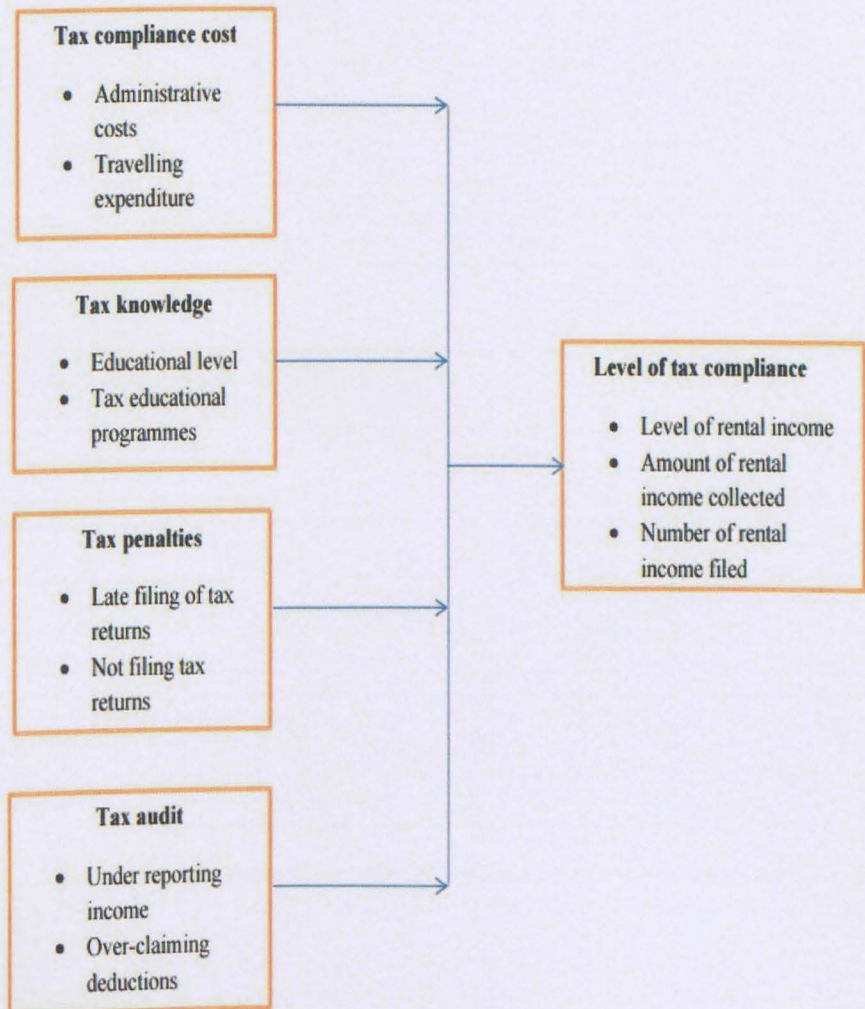


Figure 4.1 Researcher's conceptual framework

Source: Researcher's Construct

This framework has been drawn up by this researcher as the conceptual framework that will guide this research. The above diagram shows the dependent variable which

is the area under study: Tax non-compliance or in other words level of tax compliance against the independent variable that has been suggested as the main cause of tax non-compliance from the desk research. These variables have been used to draw up the questionnaires that will be used in this research. The results of the study will either validate the independent variables or outright show any link with the dependent variable.

CHAPTER FIVE

DATA PRESENTATION, ANALYSIS AND DISCUSSION

5. Introduction

This chapter focused on the data presentation, analysis and discussion of the questionnaire (refer to addendum one for taxpayers and two for tax officials/practitioners). The researcher used descriptive statistics such as tables, pie charts and bar charts to aid in the presentation of the outcomes. The researcher preferred the use of descriptive statistics because they are effective illustrations of depicting relations and trends. With this form of data presentation, one can see pictorially how the different variables relate to each other in terms of size of contribution.

5.1 Discussion of Empirical Results

This section dealt with the analysis and interpretation of data obtained from the respondents in the study area. As mentioned earlier, the data was obtained through self-administered questionnaires issued to three target groups: Tax Practitioners, Tax Officials and Tax Payers. The answers were analysed and displayed using a table, a figure or both. Finally, the results obtained from each question were compared with empirical studies to confirm if they were consistent or inconsistent with previous literature reviewed.

5.1.1 Questionnaire Response Rate

Figure 5.1.1, below shows the questionnaire response rate. The response rate was 90%, and 10% of the questionnaires were either spoiled or not returned. The response rate was high because of the personal effort made by the researcher in terms of follow-

ups and that the questions were made simpler to the respondents to answer. The higher the response rates the more representative, reliable and valid the data was.

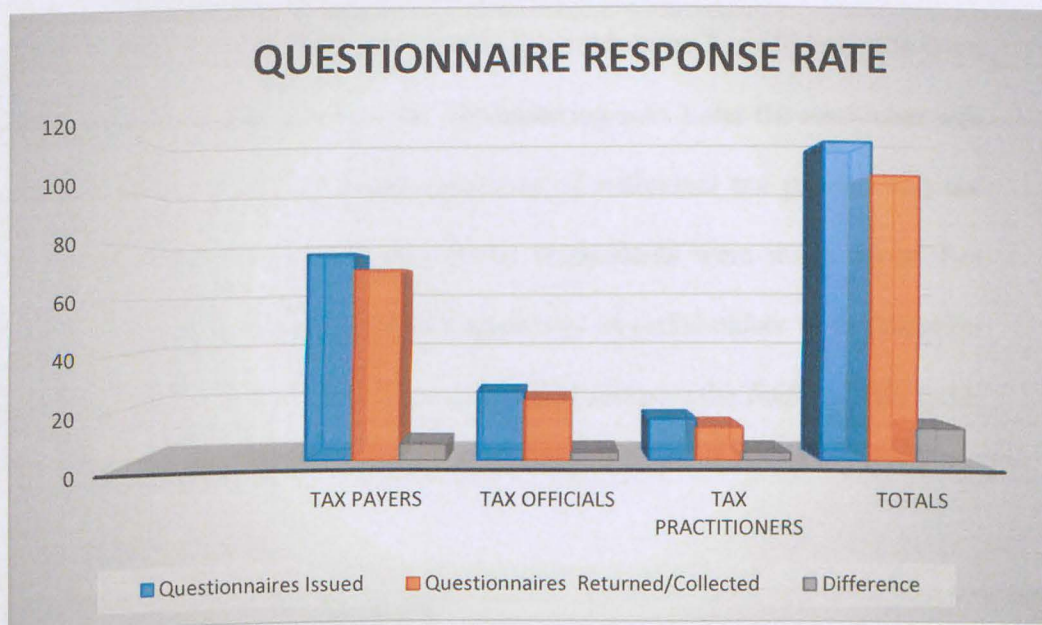


Figure 5.1.1 Questionnaire Response Rate

Source: Research Findings

5.1.2 Status of the Respondents

Table 5.2: Status of respondents

QUESTIONNAIRE RESPONSE RATE	QUESTIONNAIRES ISSUED	QUESTIONNAIRES RETURNED/COLLECTED	NOT RETURNED/SPOILED
TAXPAYERS	75	69	6
TAX OFFICIALS	25	22	3
TAX PRACTITIONERS	15	12	3
TOTALS	115	103	12
PERCENTAGE RESPONSE RATE %	100%	90%	10%

Source: Research Findings

Tax Payers: Sixty-seven percent (67%) of the respondents were individual tax payers who work in different places and in different industries. This result agrees with the notion that many tax payers are individuals who mainly pay Income Tax. However, twenty-one percent (21%) of the respondents in this study were Tax officials who were asked almost similar questions on the tax administering side. Later the researcher will compare the results of the tax payers (made up of individual tax payers) and tax officials. Lastly, twelve percent (12%) of the respondents were made up of Tax Practitioners who were also asked similar questions as stakeholders to the taxation administration. This was to get their view-points and compare the findings with those of the other two groups.

5.1.3 Gender of Respondents

Table 5.1.3 below depicts Information on the gender of the respondents.

Table 5.3: Responses on the gender of the respondents from Taxpayers

Frequency Table

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	32	45.7	46.4	46.4
	female	37	52.9	53.6	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Source: Research Findings



Figure 5.1.3: Gender of Respondents

Source: Author's construct using primary data

According to table 5.3 above, forty-five-point seven percent (45.7%) of the tax-payer respondents in this study were male, while fifty-two-point nine percent (52.9%) were female. This result indicates that the women were more than men showing that the research was balanced as generally women are more than men in the country. This could be attributed to the fact gender equality is balanced in Namibia.

Table 5.4: Responses on the gender of the respondents from Tax Practitioners

Frequency Table

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	6	50.0	50.0	50.0
	female	6	50.0	50.0	100.0
Total		12	100.0	100.0	

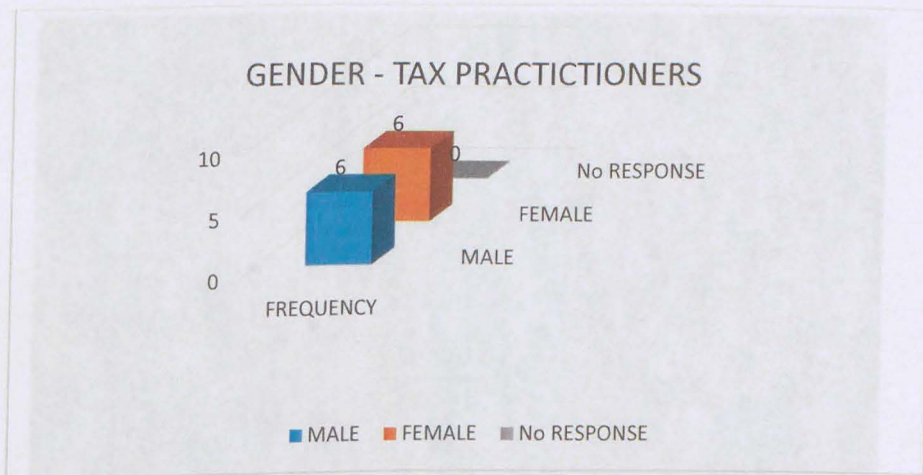


Figure 5.1.4 Gender of Tax Practitioners

Source: Primary data

According to table 5.4 above, fifty percent (50%) of the respondents in this study were female, while fifty percent (50%) were male. This result indicates that the women and men employed as Tax Practitioners is balanced. This could be attributed to the fact that most accounting firms' recruitment policies are balanced. In addition, it can also be attributed to the government's targeted support which focuses on women, that is; the gender dimension, aimed at encouraging women to get into powerful positions.

Table 5.5 Responses on the gender of the respondents from Tax Officials

GENDER	FREQUENCY	PERCENTAGES
MALE	2	9
FEMALE	17	77
NO RESPONSE	3	14
TOTAL	22	100

Source: Research Findings

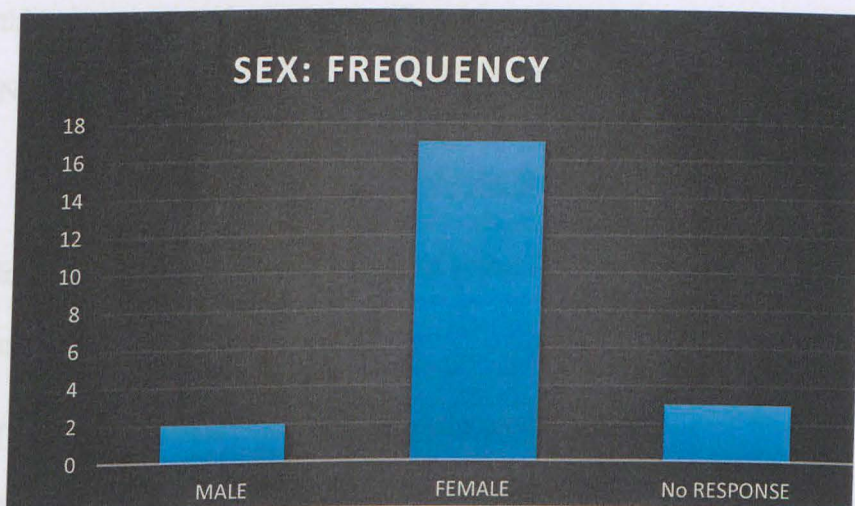


Figure 5.1.5 Responses on the gender of the respondents from Tax Officials

Source: Primary data

According to table 5.5 above, nine percent (9%) of the respondents in this study were male, while seventy-seven percent (77%) were female and three percent (3%) did not respond to the question. This result indicates that more women were employed at the Inland Revenue Department (IRD) than men. This could mean that IRD recruitment policy favors women over men.

Overall, the results show that all the respondent tax payers, tax practitioners and tax officials were balanced, that is, both men and women were represented. This could be interpreted to show that Namibia is moving in line with global standards on the upliftment of women. According to Schuetze (2002) Gender is a sociological factor that influences the non-compliance behavior of sole-proprietors. There is evidence that there is a significant relationship between tax non-compliance and gender. Spicer and Becker (1980) also found that gender appears to have a significant impact on tax non-compliance and noted that males had a greater percentage of default than females in terms of tax non-compliance. According to the above results this researcher supports

this view that gender has a significant impact on tax non-compliance in Walvis Bay Namibia.

5.1.6 Educational Qualifications of the Respondents

Information on the educational qualifications of the respondents is shown in Table 5.6 and Figure 5.1.6 below.

Table 5.6 Responses on the educational qualifications of the respondents: Tax Practitioners

		Education Level			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School Certificate	2	16.7	16.7	16.7
	Certificate/Diplome	1	8.3	8.3	25.0
	Degree/Professional	9	75.0	75.0	100.0
Total		12	100.0	100.0	

Source: Research Findings

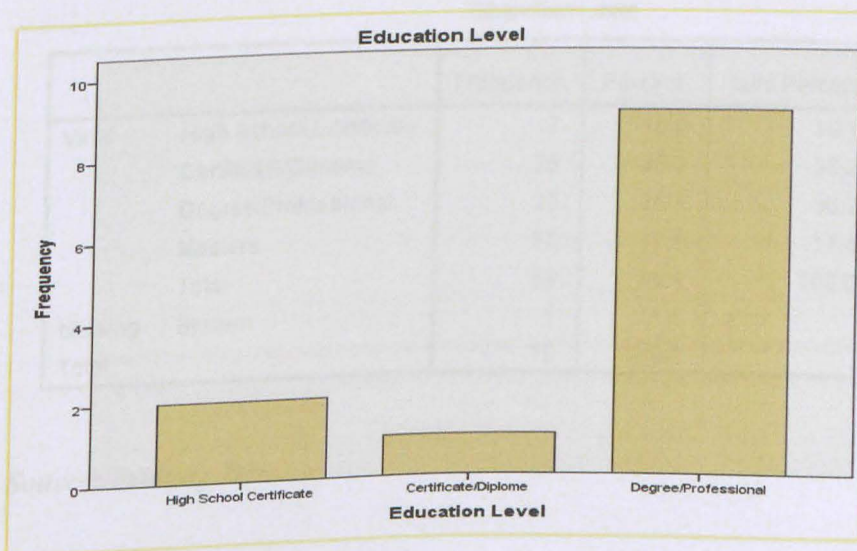


Figure 5.1.6 Responses on the educational qualifications of the respondents: Tax Practitioners

Source: Primary data

According to table 5.6 above, sixteen-point seven percent (16.7%) of the tax practitioners' respondents in this study had attained high school and had a high school certificate, whilst, eight-point three percent (8.3%) had attained either a certificate or were holders of a diploma. Seventy-five percent (75%) were professionals in their field and had a bachelor's degree in their area of expertise and there were none with masters or PHD. This result indicates that more people in the accounting field or accounting practitioners were very educated as shown by the high rate 75%. This could be attributed to the fact that Namibia's accounting practitioners are educated due to the growth of the education sector in the country through various Government programs helping Namibians attain higher education and other Accounting firms' training and education policies like Deloitte, PWC, Earnest and Young and KPMG etc.

Table 5.7 Responses on the educational qualifications of the respondents: Tax Payers

		Education Level			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School Certificate	7	10.0	10.1	10.1
	Certificate/Diplome	25	35.7	36.2	46.4
	Degree/Professional	25	35.7	36.2	82.6
	Masters	12	17.1	17.4	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Source: Primary Data

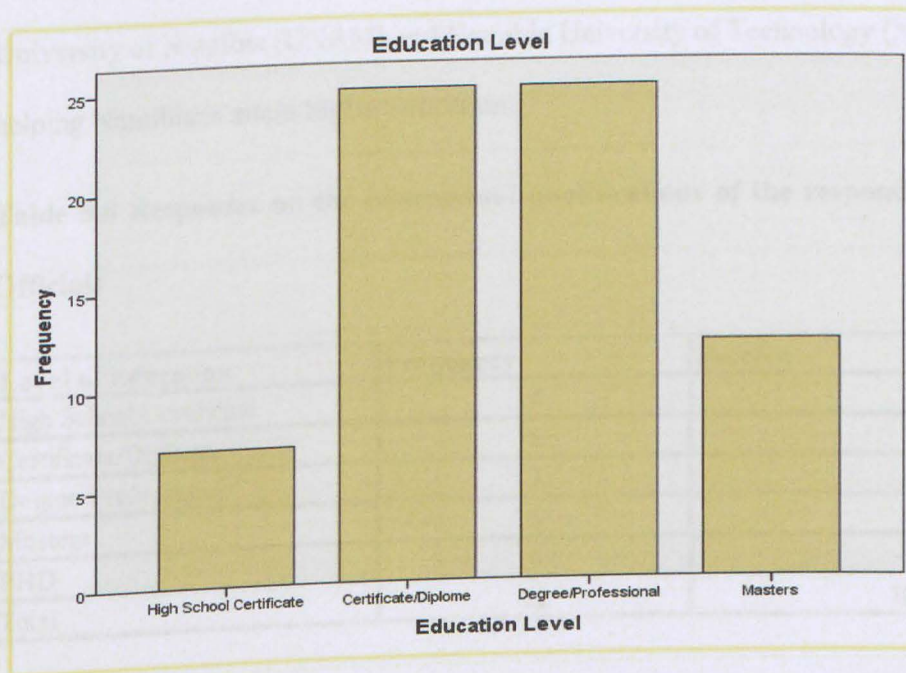


Figure 5.1.7 Responses on the educational qualifications of the respondents: Tax Payers

Source: Primary data

According to table 5.7 above, ten percent (10%) of the tax payers' respondents in this study had attained high school and had a high school certificate, whilst, thirty-five-point seven percent (35.7%) had attained either a certificate or were holders of a diploma. Thirty-five-point seven percent (35.7%) were professionals in their field of work and had a bachelor's degree in their area of expertise and seventeen-point one percent (17.1%) had a masters and there were none with PhD. This result indicates that more tax payers in Namibia had attained basic education and were educated as shown by the high rate shared between holders of a certificate/diploma and those with a degree/professional totaling seventy-one-point four percent (71.4%). This could be attributed to the fact that Namibia's tax payers are educated due to the growth of the education sector in the country through various Government programs like the

Financial Literacy Initiative and the recent growth in the two big education institutions University of Namibia (UNAM) and Namibia University of Technology (NUST) etc. helping Namibians attain higher education.

Table 5.8 Responses on the educational qualifications of the respondents: Tax Officials

Level of Education	Frequency	Percent
High School Certificate	4	18
Certificate/Diploma	8	36
Degree/Professional	7	32
Masters	3	14
PHD	0	-
Total	22	100

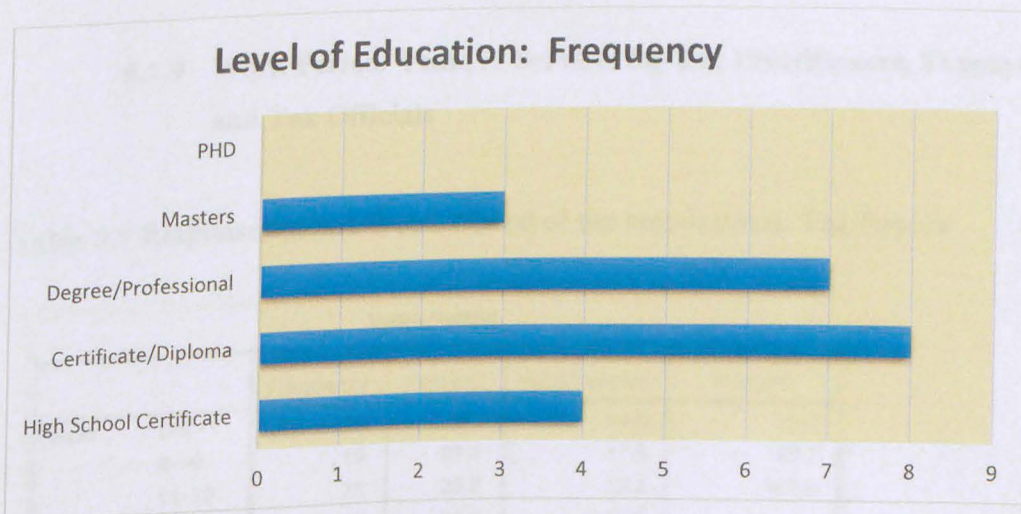


Figure 5.1.8 Responses on the educational qualifications of the respondents: Tax Officials

Source: Primary data

According to table 5.8 above, eighteen percent (18%) of the tax officials' respondents had a high school certificate and thirty-six percent (36%) had diplomas, thirty two

percent (32%) had at least a degree, more so, those who had masters amounted to fourteen percent (14%) and there were none with PhD. The result indicates that most people employed by the IRD had degrees and diplomas meaning they should be competent to deal with taxation issues and could also be able to teach and educate taxpayers.

Overall, it shows that generally Namibian are educated, hence these results concur to what Elffers, (1991) postulated that, the behavioral perspective incorporates sociological and psychological factors, such as education, culture, institutional influence, peer influence, ethics, and tax morale, and does affect taxpayer compliance behavior.

5.1.9 Work Period/ Years in Services for Tax Practitioners, Taxpayers and Tax Officials

Table 5.9 Responses on the Work Period of the respondents: Tax Payers

		Work Period			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5	25	35.7	36.2	36.2
	6-10	19	27.1	27.5	63.8
	11-20	25	35.7	36.2	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

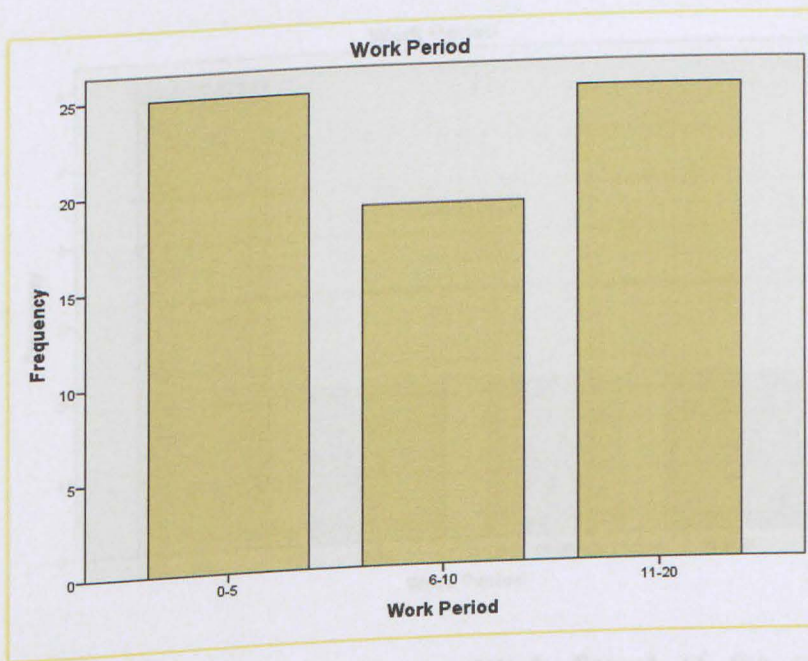


Figure 5.1.9 Responses on the Work Period of the respondents: Tax Payers

Source: Primary data

According to table 5.9 above thirty-five-point seven percent (35.7%) of the respondents had below five years in their respective business. Respondents with six to ten years in business/working were twenty-seven-point one percent (27.1%) and respondents with between eleven to twenty years in business/working amounted to thirty-five-point seven percent (35.7%). This reflected a balanced number of years in service among tax payers.

Table 5.10 Responses on the Work Period of the respondents: Tax Practitioners

		Work Period			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5	6	50.0	50.0	50.0
	6-10	2	16.7	16.7	66.7
	11-20	2	16.7	16.7	83.3
	Over 21	2	16.7	16.7	100.0
	Total	12	100.0	100.0	

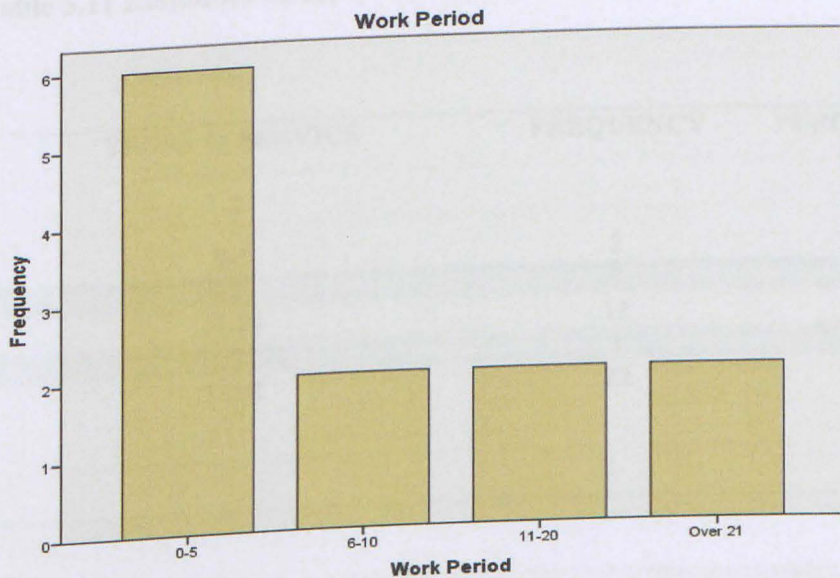


Figure 5.1.10 Responses on the Work Period of the respondents: Tax Practitioners

Source: Primary data

According to table 5.10 above, fifty percent (50%) of the respondents had below five years' work experience as a tax practitioner. Respondents with six to ten years working experience are sixteen-point-seven percent (16.7%) and respondents with between eleven to twenty years and over twenty-one years working as a tax practitioner amounted to sixteen-point-seven percent (16.7%) percent respectively. This shows that Namibia is still growing with regards to tax practice as many tax practitioners that help or assist tax payers by offering taxation services have a low number of years in the industry (low experience) marked by the 50% stake.

Table 5.11 Responses on the Work Period of the respondents: Tax Officials

YEARS IN SERVICE	FREQUENCY	PERCENTAGE
0-5	2	9%
6-10	7	32%
11-20	11	50%
OVER 21	2	9%
Total	22	100%

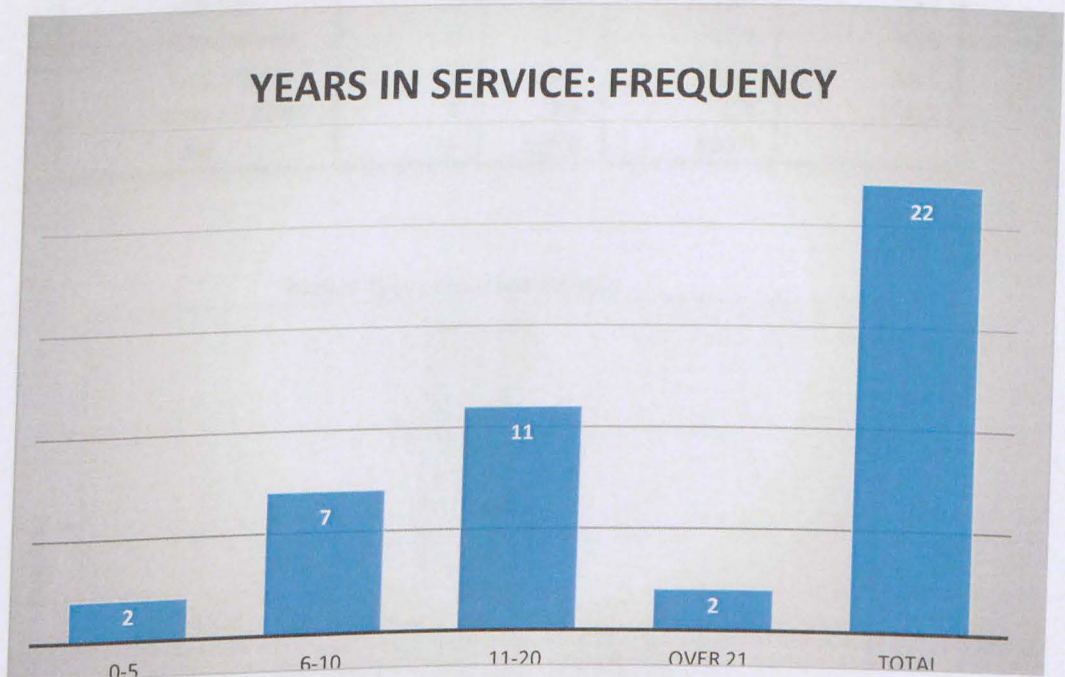


Figure 5.1.11 Responses on the Work Period of the respondents: Tax Officials

Source: Primary data

According to table 5.11; nine percent (9%) of the respondents have below five years' work experience as tax an official. Respondents with six to ten years working are thirty-two percent (32%) and respondents with between eleven to twenty years and over twenty-one in working as a tax official amount to fifty percent (50%) respectively and those with over twenty-one years is nine percent (9%). This shows that Tax

Officials at Walvis Bay have the much-needed experience to ensure tax compliance as they have a lot of experience as shown by 50% having between eleven and twenty years.

5.1.12 Annual Turnover of all the Respondents

Table 5.12 Responses on the Annual Turnover of the respondents: Tax Practitioners

		Annual Turnover/Gross Income			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 100	2	16.7	16.7	16.7
	100-500	2	16.7	16.7	33.3
	600-2 Million	5	41.7	41.7	75.0
	3-10 Million	2	16.7	16.7	91.7
	Over 10 Million	1	8.3	8.3	100.0
	Total	12	100.0	100.0	

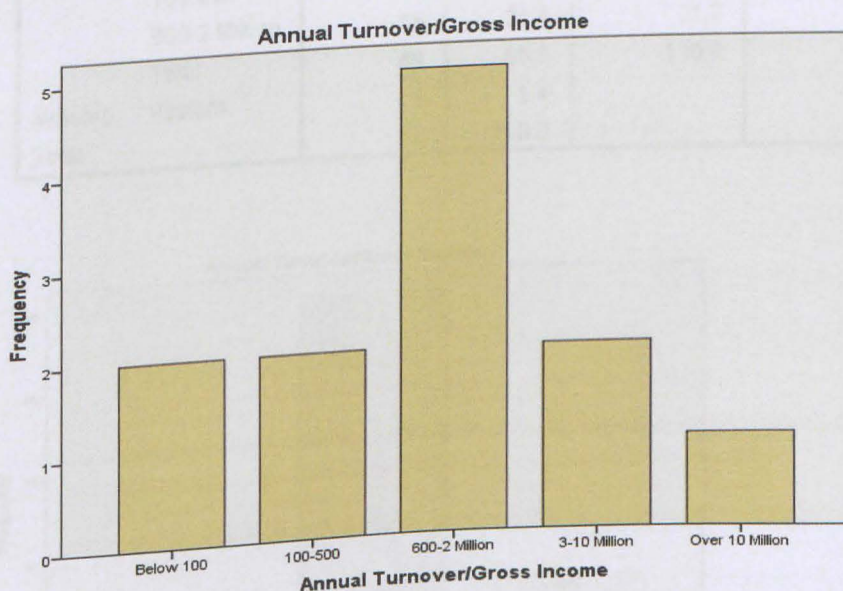


Figure 5.1.12 Responses on the Annual Turnover of the respondents: Tax Practitioners

Source: Primary data

According to table 5.12 above, three groups of the tax practitioner respondents accounted for sixteen-point seven percent (16.7%) of respondents for this category. Those that earn below 100 thousand, between 100 and 500 thousand and between three and ten million all accounted for 16.7%. Those that net a gross income of between 600 and 2 million are forty-one-point seven percent (41.7%). Lastly those who earn over 10 million are eight-point three percent. This result indicates tax practitioners' earnings are very favorable and should be an encouragement for the young ones to aspire and enter the tax business. This should help increase the level of compliance.

Table 5.13 Responses on the Annual Turnover of the respondents: Tax Payers

		Annual Turnover/Gross Income			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 100	4	5.7	5.8	5.8
	100-500	50	71.4	72.5	78.3
	600-2 Million	15	21.4	21.7	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

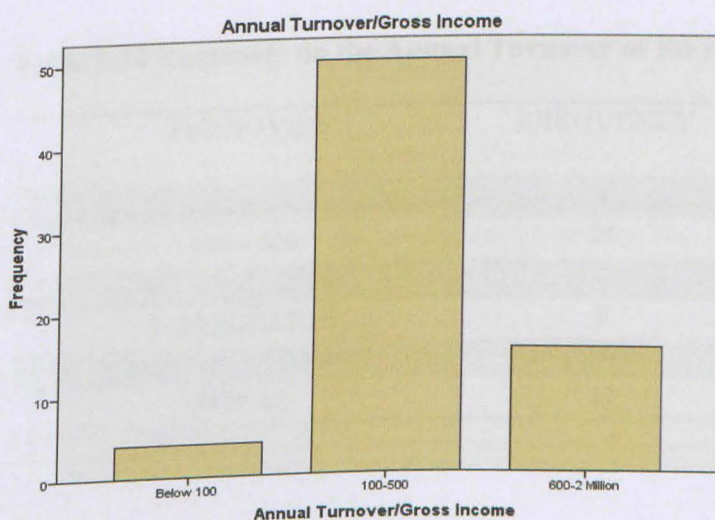


Figure 5.1.13 Responses on the Annual Turnover of the respondents: Tax Payers

Source: Primary data

According to table 5.13 above, five-point-seven percent (5.7%) of the respondents of the tax payers earn below 100 thousand. Those who earn between 100-500 thousand dollars are seventy-one-point four percent (71.4%) and those who earn between 600 thousand and 2 million are twenty-one-point four (21.4%). There are none for 3-10 million and over 10 million. These results show that more taxpayers earn between 100-500 thousand corroborating that taxpayers who are in the high-income bracket tend to be tax non-compliant when compared to those in the lower-income bracket (Harwood, Larkins & Vazques, 1993). Different levels of distribution of income may also affect tax non-compliance among the individual taxpayers. This may be because taxpayers may feel that it is acceptable to under-report small amounts of income as it is to their advantage. This belief endorses the immoral mode where it is deemed that unethical business is good business and whatever is not remitted to government can be used to expand businesses or be made as savings. This is especially so in the Erongo Region where the cost of living and doing business is very high due to expensive accommodation from the high tourism attraction of the region.

Table 5.14 Responses on the Annual Turnover of the respondents: Tax Officials

TURNOVER	FREQUENCY	PERCENTAGES
Below 100	1	5%
100 – 500	21	95%
600 -2 MILLION	0	0
3 -10 MILLION	0	0
OVER 10 MILLION	0	0
TOTAL	22	100%

Figure 5.1.14 Responses on the Annual Turnover of the respondents: Tax Officials

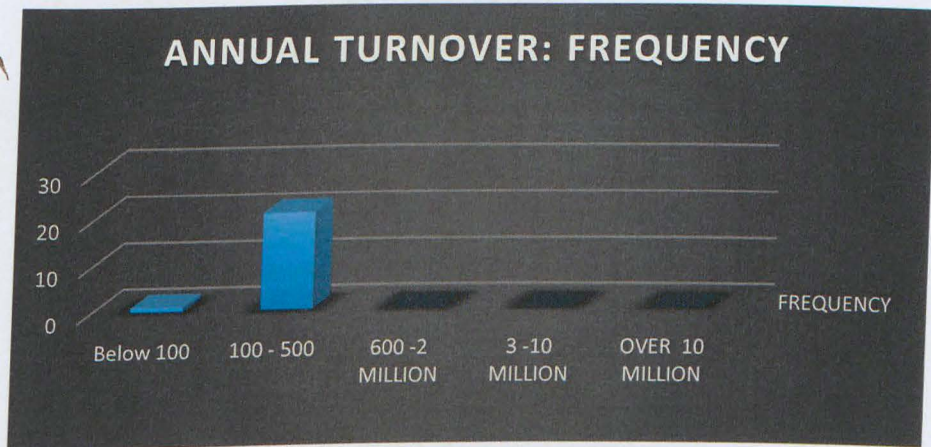


Figure 4.1.6 (c)

Source: Primary data

According to table 5.14 above, five percent (5%) of the respondents have been working for the IRD as tax officials and earn below 100 thousand Namibian dollars and Ninety-five percent (95%) earn between 100 and 500 thousand dollars and none earn above that margin. This result indicates that the majority of IRD workers / Tax officials earn the government gazetted salary rates which are also not too bad as they fall between 100-500 hence, these tax officials can be satisfied with their salaries and execute their duties to the utmost of their capabilities as it is in the range where ordinary Namibians earn and ensures that they can live a normal life.

5.1.15 Response on the Use of Electronic Filing in Taxation

Table 5.15 Responses on the Uses of Electronic Filing of the respondents: Tax Payers

Use of Electronic Filing					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	4	5.7	5.8	5.8
	No	65	92.9	94.2	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

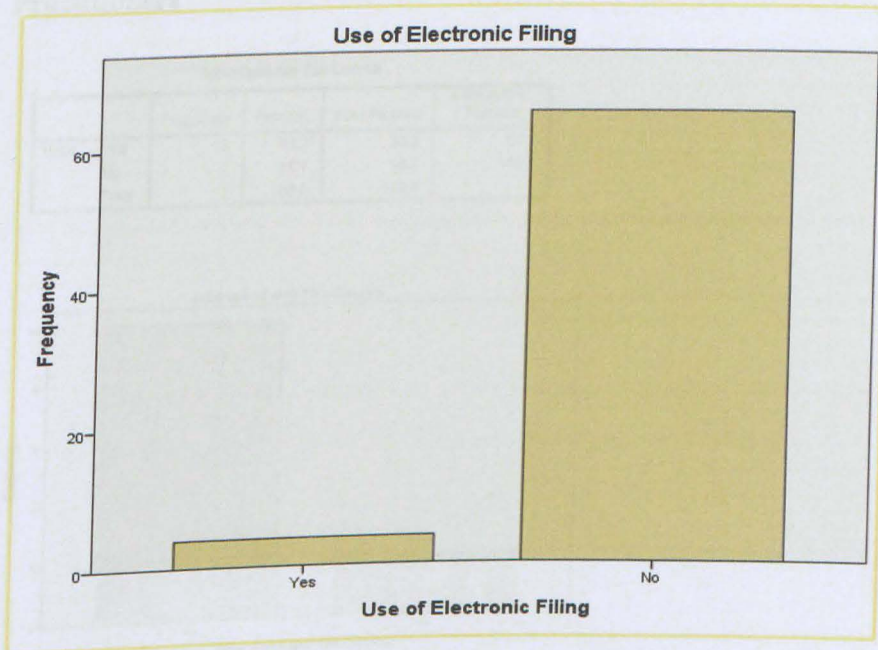


Figure 5.1.15 Responses on the Uses of Electronic Filing of the respondents: Tax Payers

Table Source: Primary data

According to table 5.15 above, five-point-seven percent (5.7%) of the respondents claim to have once or more than once used electronic filing. The rest that is ninety-two-point nine percent (92.9%) have no idea or have never used electronic filing system. These results show us that tax education is needed as not many tax payers know about such platforms. This should as well be an indicator to the IRD to fast track

the new tax online system that is web based and move away from the tax live system. As the advantages of electronic filing are clear, this introduces benefits that were not possible through manual filing of the tax returns. These benefits include the element of convenience to the taxpayer, reduced costs on the revenue authority, and quality data on tax returns due to elimination of data entry errors associated with manual filing.

5.1.16 Responses from Tax Practitioners who have/have not attended any taxation Course

Table 5.16 Responses on the respondents who have attended any Tax Course: Tax Practitioners

Attend any Tax Course					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	83.3	83.3	83.3
	No	2	16.7	16.7	100.0
Total		12	100.0	100.0	



Figure 5.1.16 Responses on the respondents who have attended any Tax Course: Tax Practitioners

Source: Primary data

According to table 5.1.16 above, eighty-three-point three percent (83.3%) of the tax practitioners said Yes, they have attended some form of tax workshop or education whilst the remaining sixteen-point seven percent (16.7%) claim to have not received

any tax education classes. This shows that high numbers of Tax practitioners are well conversant with tax administration, hence they can impart their skills also to the tax payers who are their clients, and act diligently on their behalf in terms of properly adhering to the tax laws of Namibia.

Table 5.17 Responses on the respondents who have attended any Tax Course: Tax Payers

		Attend any Tax Course			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	15.7	15.9	15.9
	No	40	57.1	58.0	73.9
	No Answer	18	25.7	26.1	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

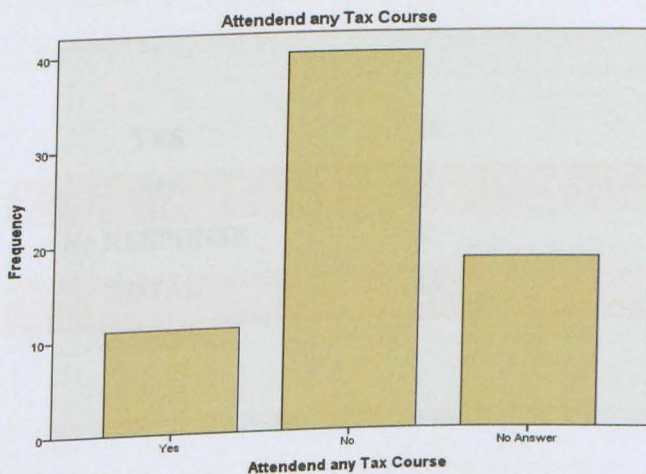


Figure 5.1.17 Responses on the respondents who have attended any Tax Course: Tax Payers

Source: Primary data

According to table 5.17 above, only fifteen-point seven percent (15.7%) of Taxpayers have attended some form of tax education or workshop or have received some tax informative literature from the IRD whilst the remainder, eighty-four-point three percent (84.3%) have either never received any tax education or were reluctant to

answer the question due to lack of knowledge on the subject. This shows that many tax payers have limited knowledge of the taxation system and tax procedures. This could be due to lack of understanding caused by lack of tax education. This is supported by previous researches done in Hong Kong on tax compliance that generally found that education levels are positively associated with tax compliance. Mathieu and Muehlbacher (2011) found that voluntary tax compliance is positively associated with education. These studies use taxpayers' overall education level to measure the influence of education on tax compliance.

Table 5.18 Responses on the respondents who have attended any Tax Course: Tax Officials

Attended any formal taxation course	FREQUENCY	PERCENTAGES
YES	18	82%
NO	2	9%
No RESPONSE	2	9%
TOTAL	22	100%

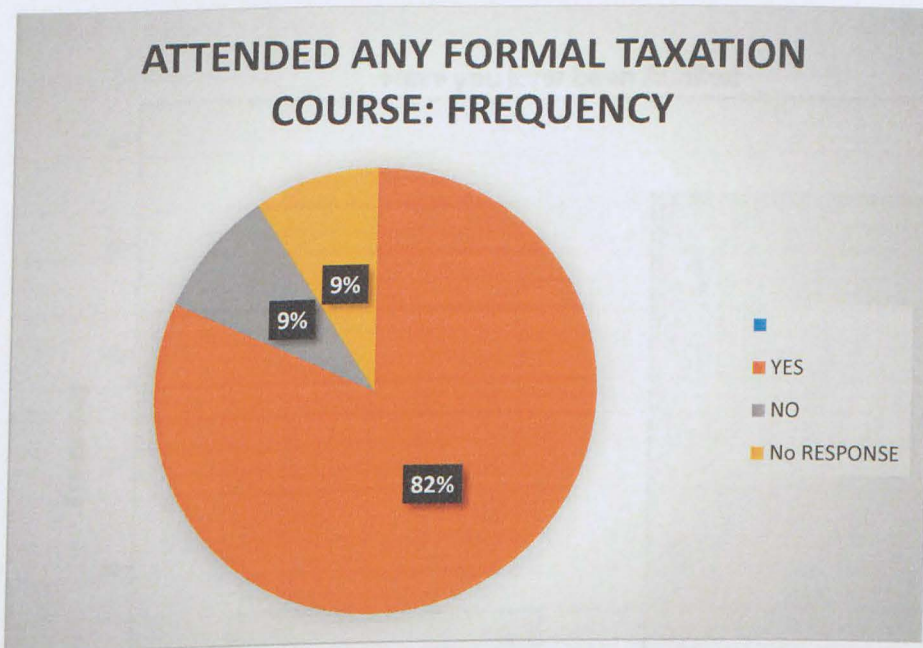


Figure 5.1.18 Responses on the respondents who have attended any Tax Course: Tax Officials

Source: Primary data

According to table 5.18 above eighty-two percent (82%) of the tax officials' respondents had received some form of tax education and the rest eighteen percent (18%) had not received any tax education or did not respond to the question. This result indicates that most of the IRD tax officials have adequate tax education.

5.1.19 Number of Respondents who have been Audited by the IRD

The figure 5.1.19 shows the respondents (tax payers) who have been audited by IRD.

Table 5.19 Responses on the respondents who have been Audited by the IRD: Tax Payers

		Have you Ever been Audited			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	21.4	21.7	21.7
	No	54	77.1	78.3	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

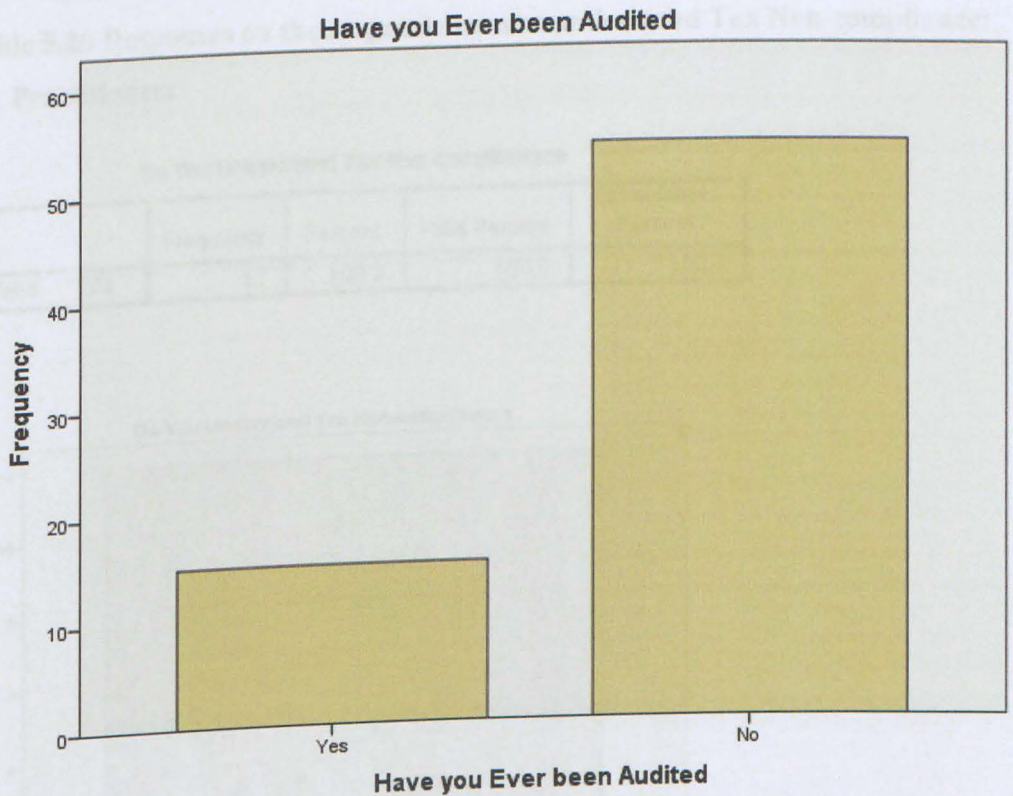


Figure 5.1.19 Responses on the respondents who have been Audited by the IRD: Tax Payers

Source: Primary data

According to table 5.19 above, only twenty-one-point four percent (21.4%) claim to have been audited by the Erongo IRD office and seventy-seven-point one (77.1%) have not been audited by the IRD. These results show that most people have not been audited by the IRD. These results concur with what Loo (2009) found that the tax structure (tax audits and penalties) appeared to have an indirect influence on tax compliance.

5.1.20 Number of Respondents who understood tax non-compliance

Table 5.20 Responses on the respondents who understand Tax Non-compliance: Tax Practitioners

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	100.0	100.0	100.0

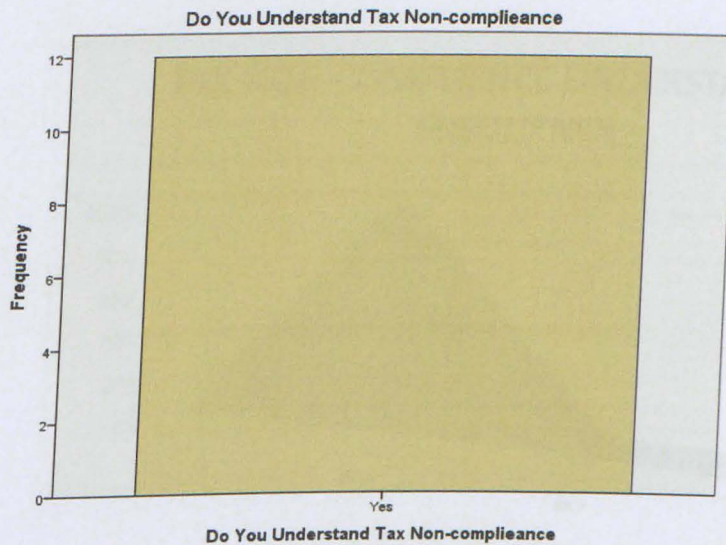


Figure 5.1.20 Responses on the respondents who understand Tax Non-compliance: Tax Practitioners

Source: Primary data

According to table 5.20 above, the results show that one hundred percent (100%) of tax practitioners all understand tax non-compliance and were all able to define it clearly. This shows that the tax practitioners are aware of this ill practice and hence know ways to avoid it. How? They can do this by educating their clients on the importance of filling true accounting information and other ways to be tax compliant. Hence it can be concluded that the level of tax non-compliance can be dealt with or reduced by imparting knowledge to tax payers through their tax practitioners.

Table 5.21 Responses on the respondents who understand Tax Non-compliance: Tax Officials

UNDERSTAND TAX NON-COMPLIANCE	FREQUENCY	PERCENTAGE
YES	22	100%
NO	0	0
No RESPONSE	0	0
TOTAL	22	100%

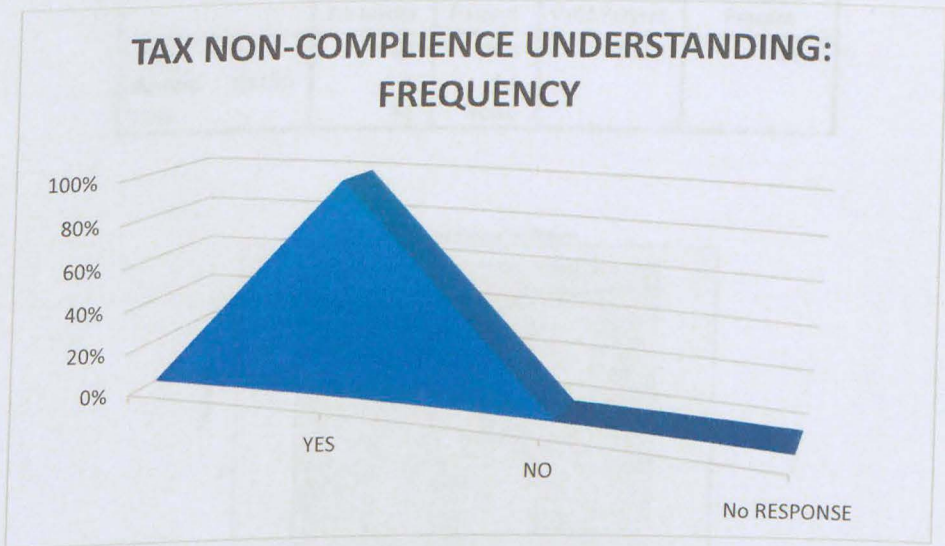


Figure 5.1.21 Responses on the respondents who understand Tax Non-compliance: Tax Officials

Source: Primary data

According to table 5.21 or figure 5.1.21 the results show that one hundred percent (100%) of tax officials all understand tax non-compliance and were all able to define clearly. This shows that the tax officials are aware of this ill and hence know ways to avoid it. How? They can do this by educating the tax payers like the previous exercise - the IRD initiative that it took on the 15th of June 2017 in Walvis Bay to provide free tax education to the tax payers. This exercise was carried out because many taxpayers become defiant, demotivated and disillusioned because of their lack of understanding

of the tax obligations imposed on them. Such educational programs strike at the roots of a healthy tax culture as more tax payers will be aware of their obligations.

5.1.22 Number of Respondents who have been penalised for not filing a tax return

Table 5.22 Responses on the respondents who have been penalised for not filing a Tax return: Tax Payers

Penalized for Not Filing a Tax Return

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	69	98.6	100.0	100.0
Missing	System	1	1.4		
Total		70	100.0		

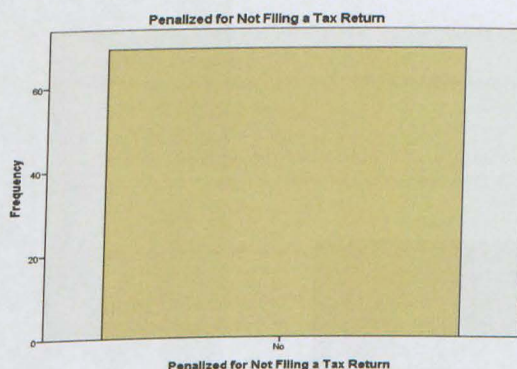


Figure 5.1.22 Responses on the respondents who have been penalised for not filing a Tax return: Tax Payers

Source: Primary data

According to table 5.22 above, ninety-nine percent (99%) of the tax payers claimed to have never been penalised for not filing a tax return. This could be attributed to the fact that they do not understand fully the tax laws, because when one does not file a tax return, interest accrues on his account at a cost of N\$100.00 per day that the return is outstanding or till the return is filed. More so, this could be attributed to the fact that tax payers can get a waiver of such interest by just writing a letter. This shows some

loopholes in the system, perhaps on the strictness of the IRD, and lack of adequate information on the part of the tax payer.

Table 5.23 Responses on the respondents who have been penalised for not filing a Tax return: Tax Practitioners

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	66.7	66.7	66.7
	No	4	33.3	33.3	100.0
Total		12	100.0	100.0	

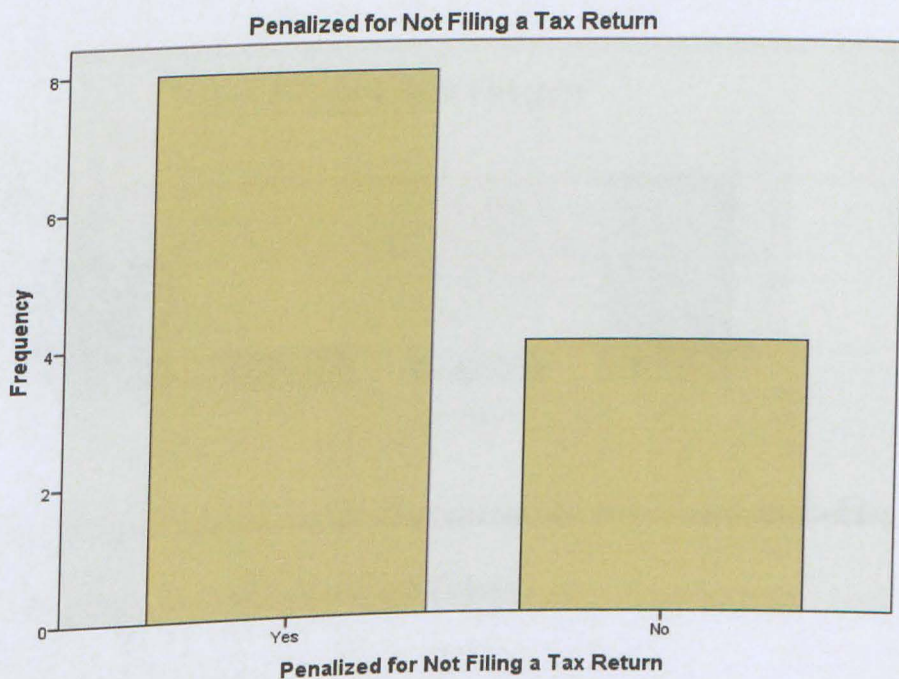


Figure 5.1.23 Responses on the respondents who have been penalised for not filing a Tax return: Tax Practitioners

Source: Primary data

According to table 5.23 above, sixty-six-point seven percent (66.7%) of the tax practitioners when they were asked if they thought tax payers be penalised for not filing a tax return they said YES. Whilst the rest, thirty-three-point three percent did not think tax payers are adequately penalised.

Table 5.24 Responses on the respondents who have been penalised for not filing a Tax return: Tax Officials on Tax Payers.

	Yes	No	No response	Total
Not filing a tax return	15	4	3	22
Percentage	68%	18%	14%	100%

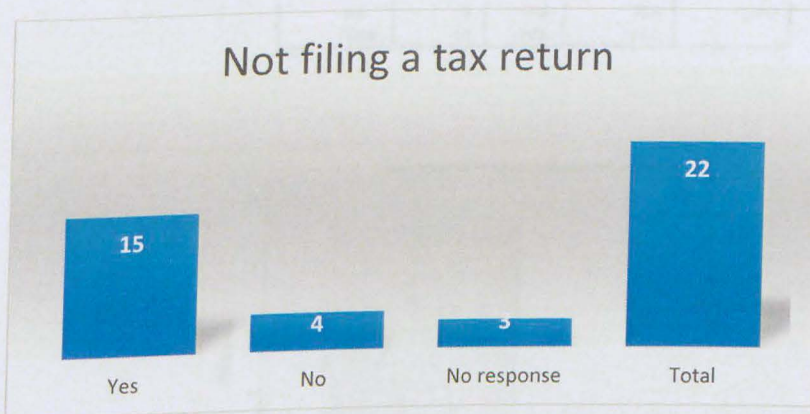


Figure 5.1.24 Responses on the respondents who have been penalised for not filing a Tax return: Tax Officials on Tax Payers

Source: Primary data

According to table 5.24 above, sixty-eight percent (68%) of the tax officials, when they were asked if they think tax payers are penalised for not filing a tax return said YES. Whilst the rest, thirty-two percent did not think tax payers are adequately penalised. The above results on both the tax practitioners and tax officials share the same view that when tax payers do not file their returns, they are penalised for it. However, these views are opposite to what the tax payers themselves think, as they

claim to have never been penalised for late filing, almost all of them could confirm this. This again falls under the tax education drive that the Walvis Bay IRD office had to expand and carry out more frequently so that tax payers are aware of their tax obligations as well as penalties that will arise when, and should they default.

5.1.25 Number of Respondents who have under reported income.

Table 5.25 Responses on the respondents who have under reported income: Tax Practitioners.

Have you ever Under Reported Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	75.0	75.0	75.0
	No	3	25.0	25.0	100.0
Total		12	100.0	100.0	

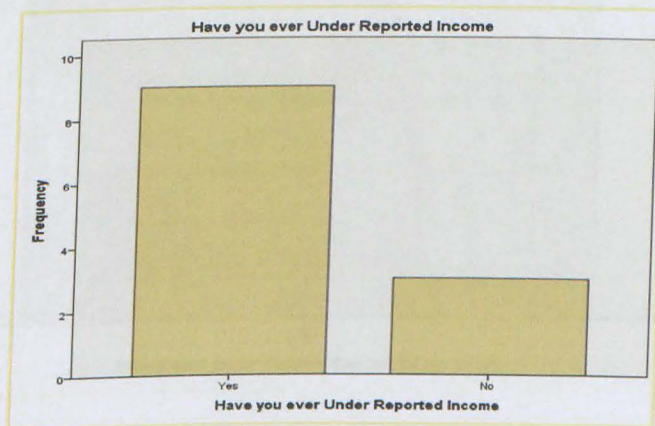


Figure 5.1.25 Responses on the respondents who have under reported income: Tax Practitioners

Source: Primary data

When asked if tax payers under reported income, seventy-five percent (75%) of the tax practitioners believed many taxpayers underreport income, whilst only twenty five percent (25%) did not think taxpayers under reported income according to table 5.25 above.

Table 5.26 Responses on the respondents who have under reported income: Tax Payers.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	69	98.6	100.0	100.0
Missing	System	1	1.4		
Total		70	100.0		

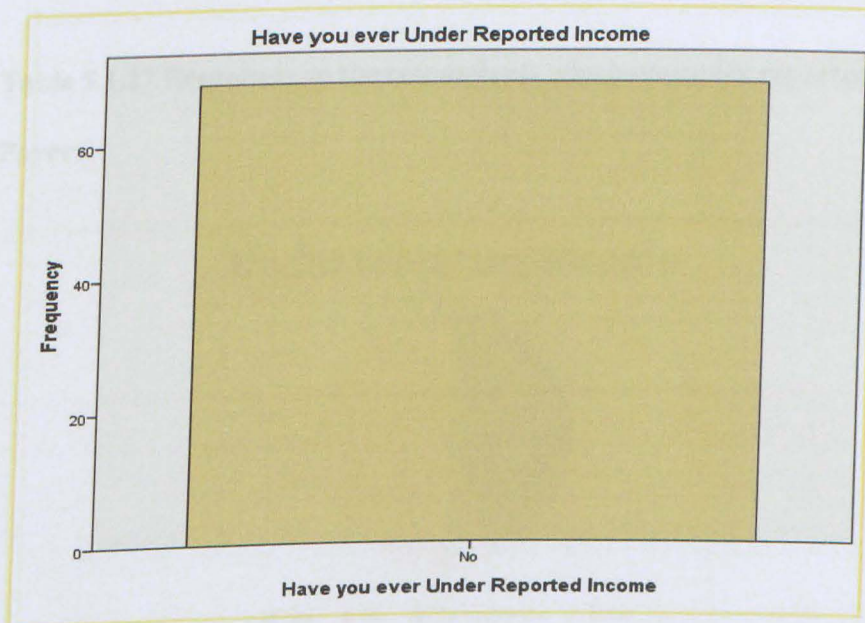


Figure 5.1.26 Responses on the respondents who have under reported income: Tax Payers

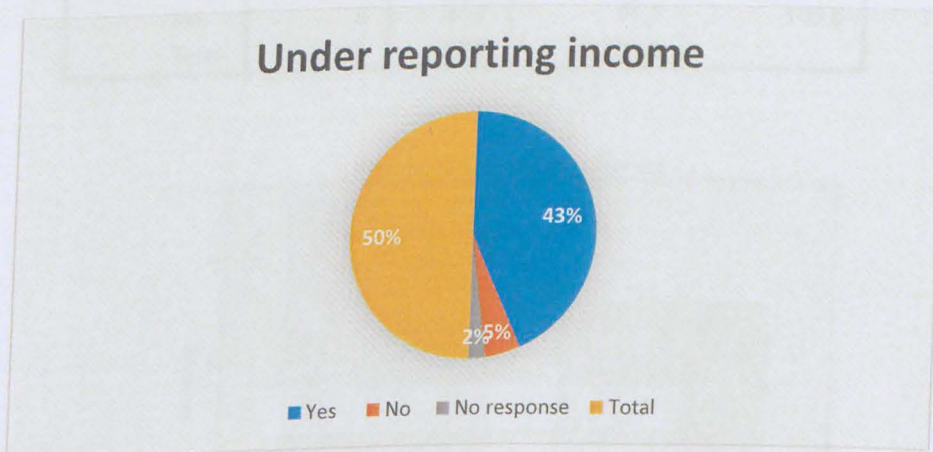
Source: Primary data

According to table 5.26 above, the tax payers where asked if they had ever under reported income, and all one hundred percent (100%) of them claim that they have never underreported income.

Table 5.27 Responses on the respondents who have under reported income: Tax Payers.

	YES	NO	NO RESPONSE	TOTAL
UNDER REPORTING INCOME	19	2	1	22
PERCENTAGE	86%	9%	5%	100%

Table 5.1.27 Responses on the respondents who have under reported income: Tax Payers.



Source: Primary data

According to table 5.27 above, when asked the same question, if tax payers under reported income eighty-six percent (86%) of the tax officials believed many taxpayers underreport income, whilst only fourteen percent (14%) did not think taxpayers under reported income. The results from the three respondents show again that tax officials and tax practitioners to a larger extent believe tax payers under report income. Whilst themselves the tax payers claiming they do not underreport income. Again, this could

be attributed the dishonest nature of tax payers as they look to avoid reporting true taxation income. The same reasons Allingham and Sandmo (1972:324) mentioned when answering a question on why people evade taxes, they pointed out that given the low probability of being audited in many countries and the comparatively low penalties for those being caught evading, rational and selfish taxpayers would decide to evade or underreport taxable income.

5.1.28 Late filing of a tax return

Table 5.28 Responses on Late Filing of a Tax Return: Tax Practitioners

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	7	58.3	58.3	58.3
	No	5	41.7	41.7	100.0
Total		12	100.0	100.0	

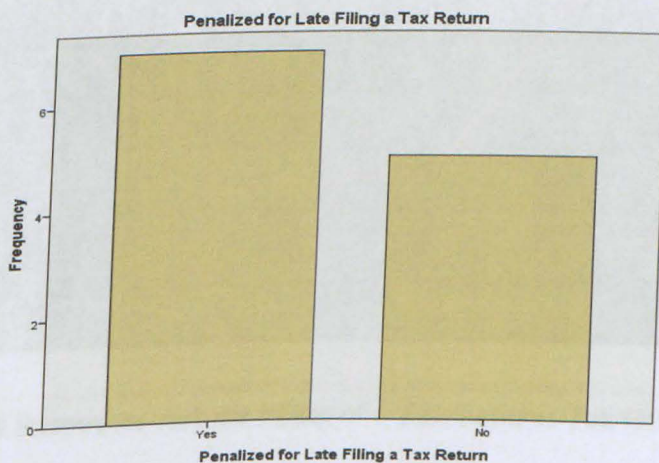


Figure 5.1.28 Responses on Late Filing of a Tax Return: Tax Practitioners

Source: Primary data

According to table 5.28 above, fifty-eight-point three percent (58.3%) of the Tax practitioner respondents think tax payers are penalised for late filing and forty-one-

point seven percent (41.7%) think tax payers are not penalised for late filing of a tax return.

Table 5.29 Responses on Late Filing of a Tax Return: Tax Officials.

	Yes	No	No response	Total
Late filing of tax return	17	2	3	22
Percentages	77%	9%	14%	100%

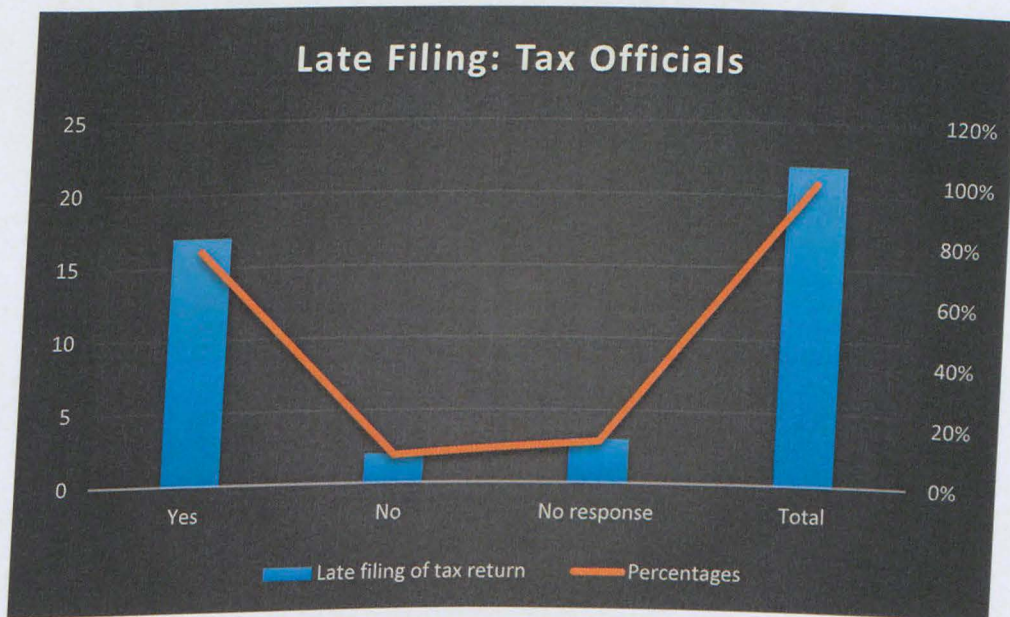


Figure 5.1.29 Responses on Late Filing of a Tax Return: Tax Officials

Source: Primary data

According to table 5.29 above, seventy-seven percent (77%) of the Tax official respondents think tax payers are penalised for late filing whilst, nine percent (9%) think tax payers are not penalised for late filing of a tax return and the remainder choose not to answer that question.

Table 5.30 Responses on Late Filing of a Tax Return: Tax Payers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	21.4	21.7	21.7
	No	54	77.1	78.3	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

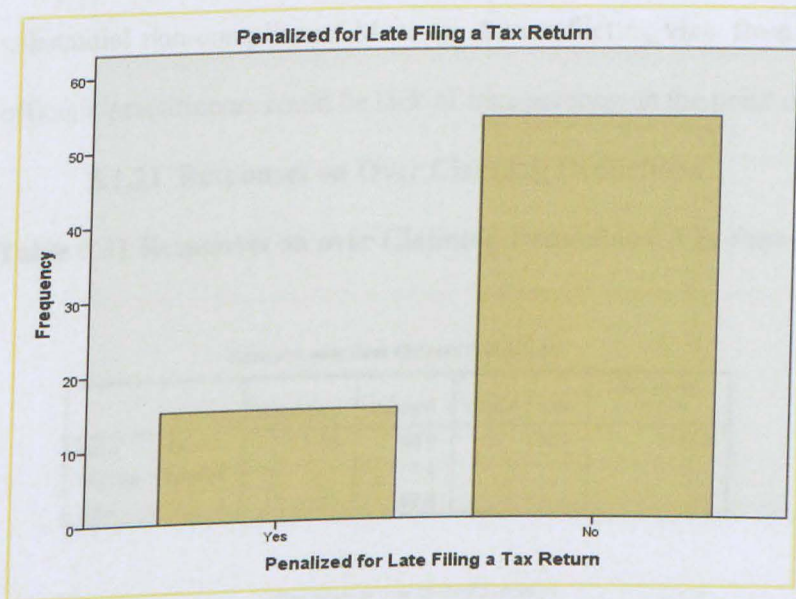


Figure 5.1.30 Responses on Late Filing of a Tax Return: Tax Payers

Source: Primary data

According to table 5.30 above, only twenty-one-point four percent (21.4%) of the taxpayer respondents claim that they have once or more than once been penalised for late filing of a tax return. Whilst, seventy-seven-point one percent (77.1%) of tax payers claim that they have never been penalised for late filing of a tax return.

The results from the three groups of respondents again show that tax authorities and tax practitioners believe, many tax payers have been penalised for late filing of a tax return, whilst the taxpayers do not agree with these views, as 77% of them claim that

they have never been penalised for late filing. These views are aligned with our literature on the economic deterrence theory which states that, taxpayer's behaviour is influenced by factors such as the tax rate determining the benefits of evasion, and the probability of detection and penalties for fraud which determine the costs (Allingham and Sandmo 1972; Becker 1968). This implies that if detection is likely and penalties are severe, few people will evade taxes. In contrast, under low audit probabilities and low penalties, the expected return to evasion is high. The model then predicts substantial non-compliance. More so, the conflicting view from both taxpayers and officials/practitioners could be lack of transparency on the point of taxpayers.

5.1.31 Responses on Over Claiming Deductions

Table 5.31 Responses on over Claiming Deductions: Tax Payers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	69	98.6	100.0	100.0
Missing	System	1	1.4		
Total		70	100.0		

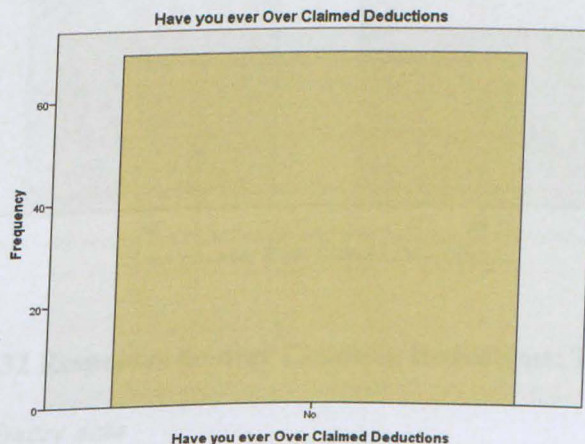


Figure 5.1.31 Responses on over Claiming Deductions: Tax Payers

Source: Primary data

The tax payers we asked if they had ever over-claimed deductions, and all one hundred percent (100%) of them claim that they had never over-claimed deductions according to table 5.31 above.

Table 5.32 Responses on over-Claiming Deductions: Tax Practitioners

		Have you ever Over Claimed Deductions			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	5	41.7	41.7	41.7
	No	7	58.3	58.3	100.0
Total		12	100.0	100.0	

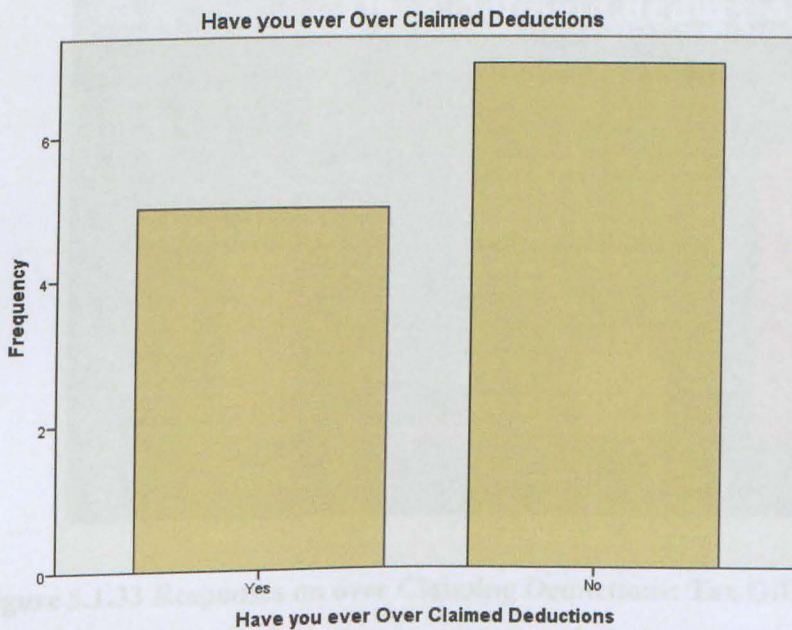


Figure 5.1.32 Responses on over Claiming Deductions: Tax Practitioners

Source: Primary data

According to table 5.32 above, forty-one-point seven percent (41.7%) of the Tax practitioner respondents think that tax payers have at least once claimed on allowable

deductions whilst, fifty-eight-point three percent (58.3%) think tax payers do not over claim on deductions.

Table 5.33 Responses on over Claiming Deductions: Tax Officials

	Yes	No	No response	Total
Over claiming deductions	14	1	7	22
Percentage	64%	5%	32%	100%

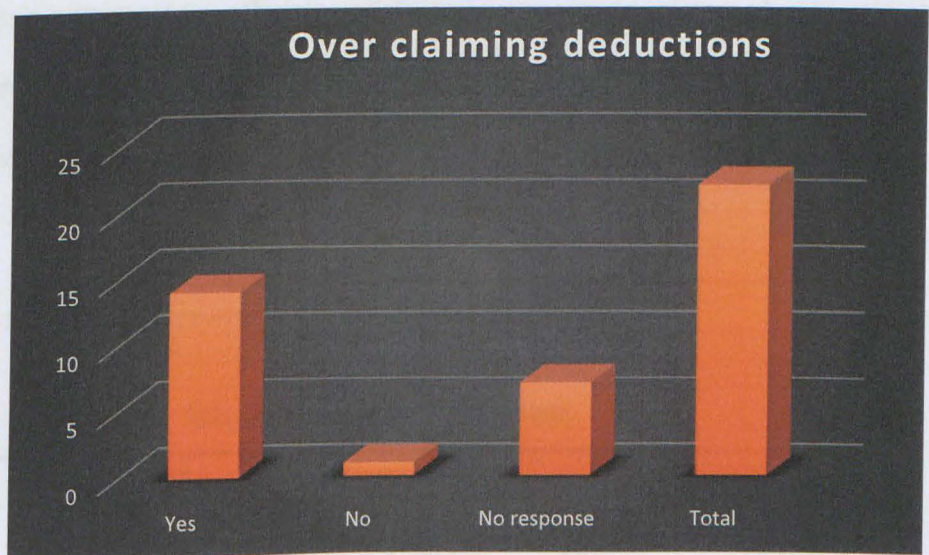


Figure 5.1.33 Responses on over Claiming Deductions: Tax Officials

Source: Primary data

According to table 5.33 above, sixty-four percent (64%) of the Tax official respondents think that tax payers have at least once over claimed on allowable deductions whilst, only five percent (58.3%) think tax payers do not over claim on deductions and thirty two percent (32%) decided not to answer that question.

The data shows different views from the three groups of respondents, from the taxpayer side, they all (100%) do not over claim on allowable deductions whilst the tax officials and tax practitioners claim that there is a significant number of tax payers that over-claim on the allowable deductions. This could be attributed again to the fact that taxpayers are either not honest and they see loopholes in the tax system or the lack sufficient knowledge to compute what is regarded as allowable deductions.

More so, this could be ascribed by the norms of the taxpayers in general, values like integrity, honesty. These personal norms may depend on whether one regards their tax obligations as legitimate. That, in turn, may depend on whether one sees legal actors, such as government tax officials, satisfying basic concerns of procedural justice such as “neutrality, lack of bias, honesty, efforts to be fair, politeness, and respect for citizens’ rights”.

5.1.34 Responses on Late payments

Table 5.34 Responses over Late Payments: Tax Payers

		Have you ever make Late Payments			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	15.7	15.9	15.9
	No	58	82.9	84.1	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Source: Primary data

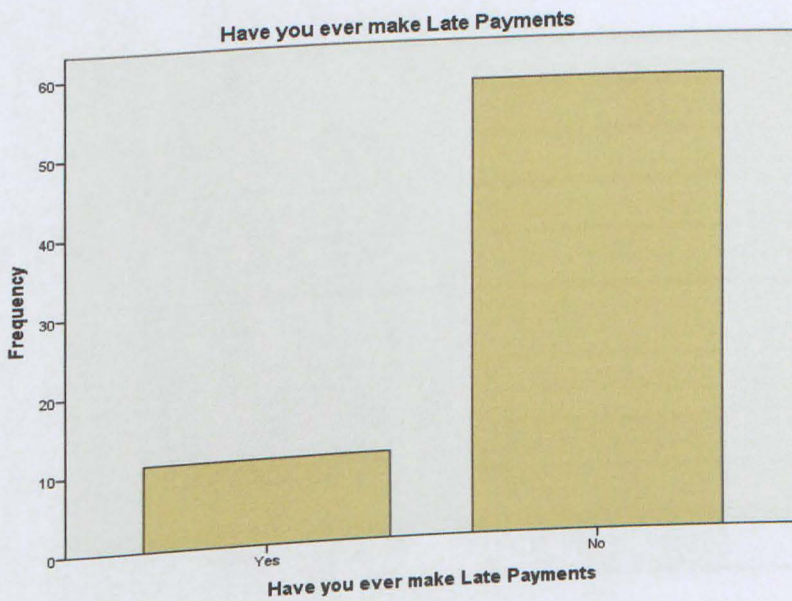


Figure 5.1.34 Responses over Late Payments: Tax Payers

Source: Primary data

According to table 5.34 above, fifteen-point seven percent (15.7%) of the taxpayer respondents claim that they have at one point made late payments to the IRD office. Whereas, eighty-two-point nine percent (82.9%) claim that they have never made late payments to the receiver of revenue.

Table 5.35 Responses over Late Payments: Tax Practitioners

		Have you ever make Late Payments			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	9	75.0	75.0	75.0
	No	3	25.0	25.0	100.0
Total		12	100.0	100.0	

Source: Primary data

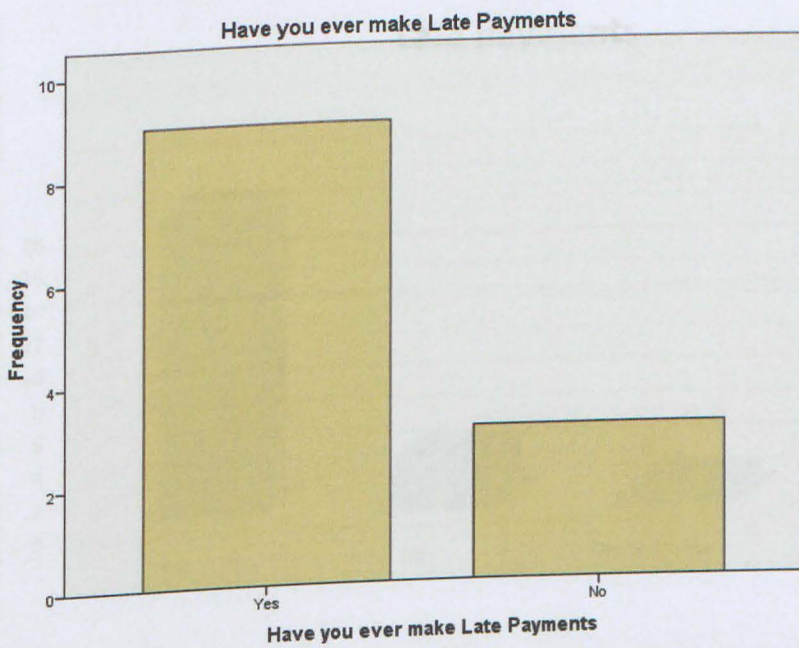


Figure 5.1.35 Responses over Late Payments: Tax Practitioners

Source: Primary data

According to table 5.35 above, seventy-five percent (75%) of the tax practitioners when asked if they think tax payers in Walvis Bay make late payments the said YES. Whereas, only twenty-five percent (25%) of respondents claim that taxpayers do not make any late payments to the IRD office.

Table 5.36 Responses on Late Payments: Tax Officials

	Yes	No	No response	Total
Late payments	18	3	1	22
Percentage	82%	14%	5%	100%

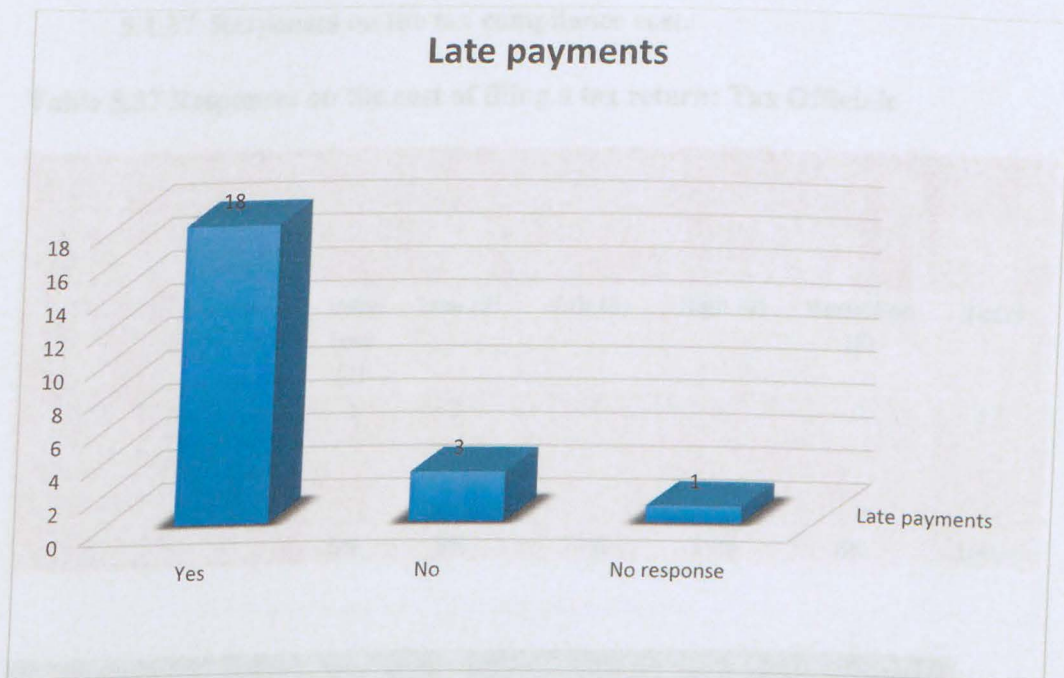


Figure 5.1.36 Responses on Late Payments: Tax Officials

Source: Primary data

According to table 5.36 above, the data shows that eighty-two percent (82%) of the tax officials when asked if they think that tax payers in Walvis bay make late payments they said YES, and only fourteen percent (14%) said NO. Whilst five percent (5%) chose not to answer that question. This could be caused by the insignificant impact of the threat of real punishment on taxpayer if they file or make late payments. Current information suggests that many tax payers make late payments. This even prompted the IRD to enforce a tax incentive program to encourage taxpayers to pay on time, since there were huge figures showing outstanding amounts owed by the taxpayers.

5.1.37 Responses on the tax compliance cost.

Table 5.37 Responses on the cost of filing a tax return: Tax Officials

TAX COMPLIANCE COST						
	Very Low (1)	Low (2)	fair (3)	High (4)	Very High (5)	Total
How do you rate the cost of filing a tax return in the Walvis Bay area?	1	1	17	3	0	22
Percentage	5%	5%	77%	14%	0%	100%

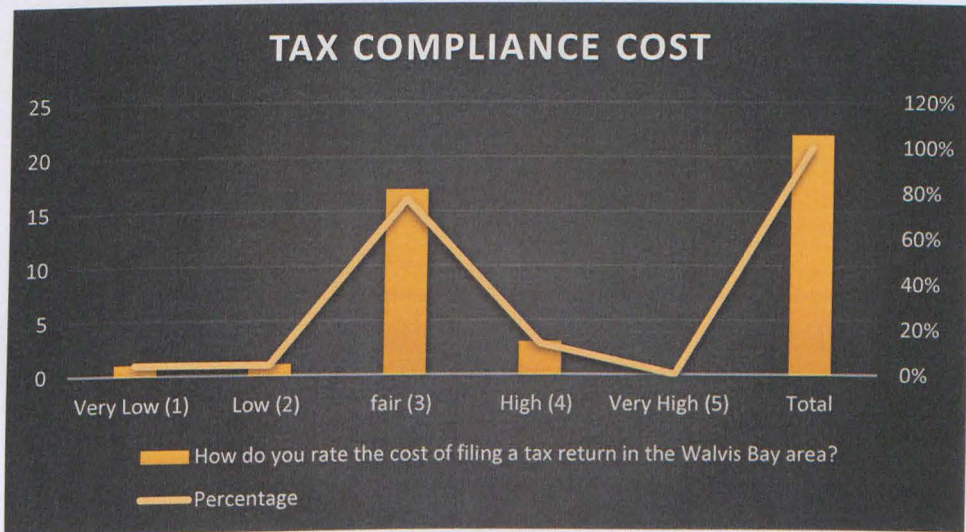


Figure 5.1.37 Responses on the cost of filing a tax return: Tax Officials

Source: Primary data

According to table 5.37 above, seventy-seven percent (77%) of the tax officials regard the cost of filing a tax return as fair, whilst, fourteen percent (14%) view that the cost of filing a tax return in Walvis Bay are high, the rest are in spread in between.

Table 5.38 Responses on the Cost of Filing a Tax return: Tax Practitioners

How do you rate Cost of Filing a tax return					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very High	1	8.3	8.3	8.3
	High	3	25.0	25.0	33.3
	Fair	6	50.0	50.0	83.3
	Low	2	16.7	16.7	100.0
	Total	12	100.0	100.0	

Source: Primary data

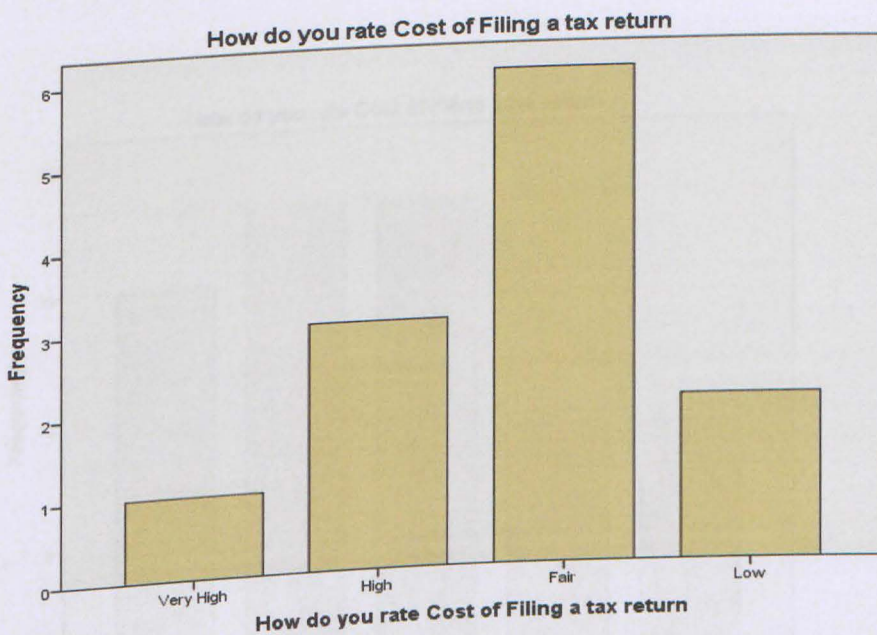


Figure 5.1.38 Responses on the Cost of Filing a Tax return: Tax Practitioners

Source: Primary data

According to table 5.38 above, fifty percent (50%) of the tax practitioners regard the cost of filing a tax return to be fair at the same time, twenty-five percent (25%) regard it as very high and sixteen-point seven percent (16.7%) regard as low.

Table 5.39 Responses on cost of filing a tax return: Taxpayers

How do you rate Cost of Filing a tax return					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very High	15	21.4	21.7	21.7
	High	18	25.7	26.1	47.8
	Fair	18	25.7	26.1	73.9
	Low	9	12.9	13.0	87.0
	Very Low	9	12.9	13.0	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

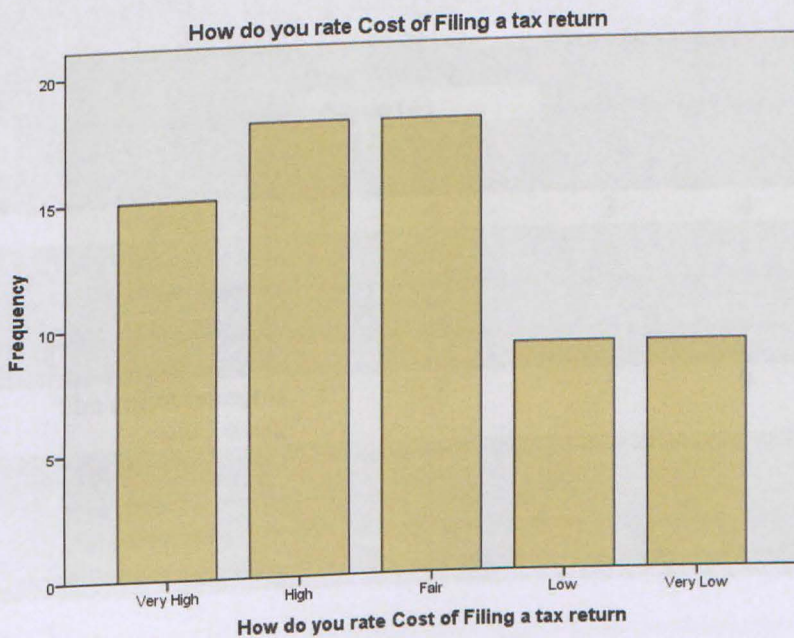


Figure 5.1.39 Responses on cost of filing a tax return: Taxpayers

Source: Primary data

According to table 5.39 above, the cost of filing a tax return according to the taxpayers is relatively high with a combined forty-seven percent (47%) regarding it either very high or high. Twenty-five-point seven percent (25.7%) regard it as fair, while, another

25% say that it is low. These results from all three respondents conclude that the cost of filing a tax return is fair as the all the results are balanced and are in the fair zone. Hence for the purpose of this research it is clear that the cost of filing a tax return has very little to do with the existent of tax non-compliance in Walvis Bay.

5.1.40 Responses on fines and penalties.

Table 5.40 Responses on fines and penalties: Tax Officials

FINES AND PENALTIES	RATINGS					Total
	Strongly disagree (1)	Disagree (2)	Not Certain (3)	Agree (4)	Strongly agree (5)	
The penalty rates are very low and tax payers can afford to pay the penalty	7	8	5	2	0	22
The enforcement is very weak	3	3	5	9	2	22
Serious enforcement and penalty by the IRD may result if tax payer does not comply	1	9	3	3	6	22

Source: Primary Data

FINES & PENALTIES

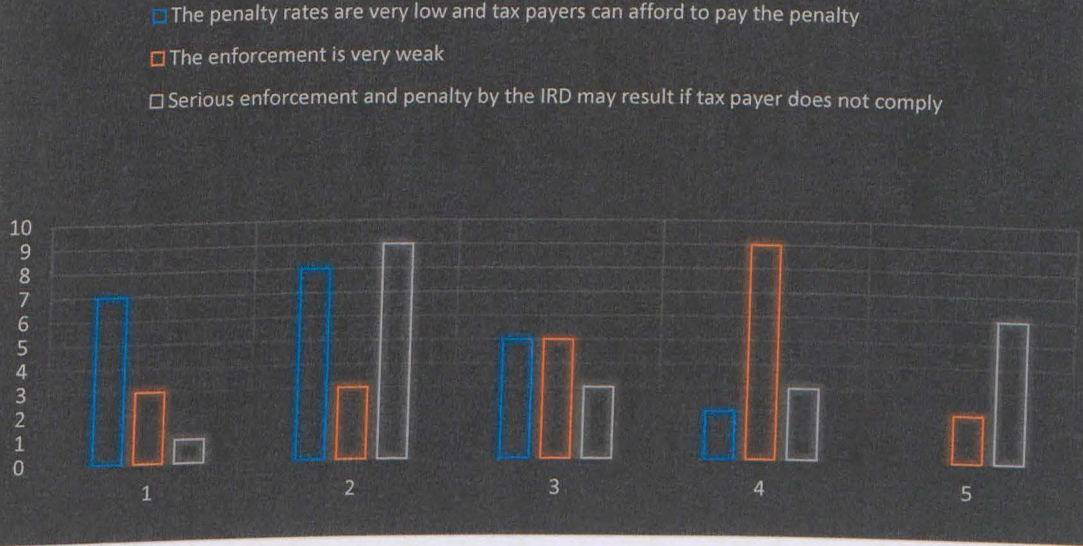


Figure 5.1.40 Responses on fines and penalties: Tax Officials

Source: Primary data

According to table 5.40 above, firstly, when asked, the tax officials if the penalty rates are very low and tax payers can afford to pay the penalty in any case, more than sixty eight percent (68%) of them disagree or strongly disagree, hence this shows that tax officials understand that the penalty charged of N\$ 100.00 per day for any late submission is relatively high, whilst 32% of the respondents are spread between fair and agree, showing that the amount charged might not be sufficient to act as a deterrent for tax payers, or as an encouragement to pay submit their returns on time.

Secondly, when asked if the tax officials feel that the enforcement is very weak, fifty percent agree (50%) agree that the enforcement is weak hence people default, whilst the rest are spread between fair and the extremes of agree and disagree.

Thirdly, when asked if they believed that serious enforcement and penalty by the IRD may result if tax payer does not comply, also more than 50% view disagree with this

view, only showing that the level of fines and penalties are weak, according to tax officials.

Table 4.41 Responses on fines and penalties: Tax Practitioners

FINES AND PENALTIES	Strongly disagree (1)		3	4	5	Total
	Disagree (2)					
	Not Certain (3)					
	Agree (4)					
	Strongly agree (5)					
	1	2				
The penalty rates are very low and tax payers can afford to pay the penalty	1	2	3	6	0	12
The enforcement is very weak	3	6	0	3	0	12
Serious enforcement and penalty by the IRD may result if tax payer does not comply	5	3	1	2	1	12

Source: Primary data

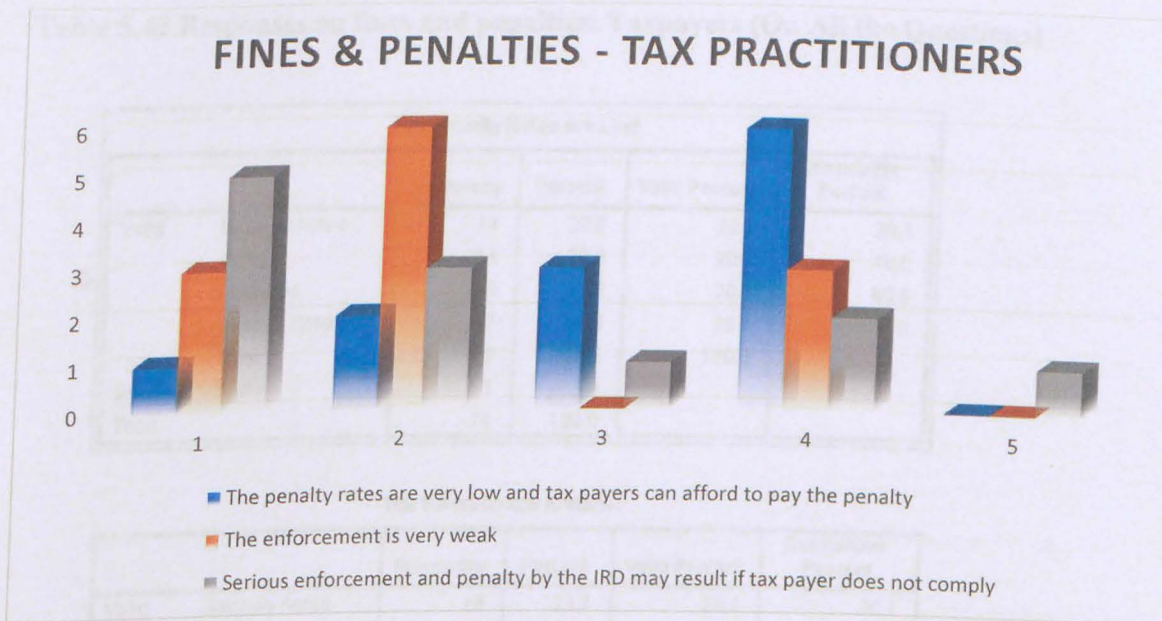


Figure 4.1.41 Responses on fines and penalties: Tax Practitioners

Source: Primary data

According to table 5.41 above, tax practitioners were asked the same questions as the tax officials, regarding penalty rates being very low and that tax payers could afford to pay the penalty. More than 50% agreed with this view that the penalty rate was very low. When asked whether they regarded the enforcement as very weak, about 60% disagreed, meaning that they are of the view that enforcement is not almost fair. However, when the practitioners were asked whether any serious enforcement and penalty by the IRD may result if a tax payer does not comply, 65% were of the view that nothing serious would befall the tax payers. These results are similar to the views of the tax officials who also generally view the fines and penalties to be weak and could be one of the causes of tax non-compliance in the Walvis Bay area.

Table 5.42 Responses on fines and penalties: Taxpayers (On All the Questions)

The Penalty Rates are Low

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	14	20.0	20.3	20.3
	Agree	14	20.0	20.3	40.6
	Disagree	14	20.0	20.3	60.9
	Strongly Disagree	27	38.6	39.1	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

The Enforcement is Weak

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	18	25.7	26.1	26.1
	Agree	14	20.0	20.3	46.4
	Not Certain	22	31.4	31.9	78.3
	Disagree	5	7.1	7.2	85.5
	Strongly Disagree	10	14.3	14.5	100.0
Total	69	98.6	100.0		
Missing	System	1	1.4		
Total		70	100.0		

The Penalty is Low than my Tax Savings due to not complying

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	11	15.7	15.9	15.9
	Agree	26	37.1	37.7	53.6
	Not Certain	16	22.9	23.2	76.8
	Disagree	5	7.1	7.2	84.1
	Strongly Disagree	11	15.7	15.9	100.0
Total	69	98.6	100.0		
Missing	System	1	1.4		
Total		70	100.0		

Serious enforcement and Penalty by IRD may result if i donot comply

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	26	37.1	37.7	37.7
	Agree	26	37.1	37.7	75.4
	Disagree	4	5.7	5.8	81.2
	Strongly Disagree	13	18.6	18.8	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Source: Primary data

According to tables 5.42 above, when posed with similar questions, taxpayers regarded penalties as weak. They also considered enforcement as weak. The results show that the majority are indifferent; hence it can be concluded that they regarded the system as overall fair. However, when queried on whether they think serious enforcement and penalties would result if one does not comply, seventy-five percent (75%) either agreed or strongly agreed that some form of serious consequences will arise if one does not comply.

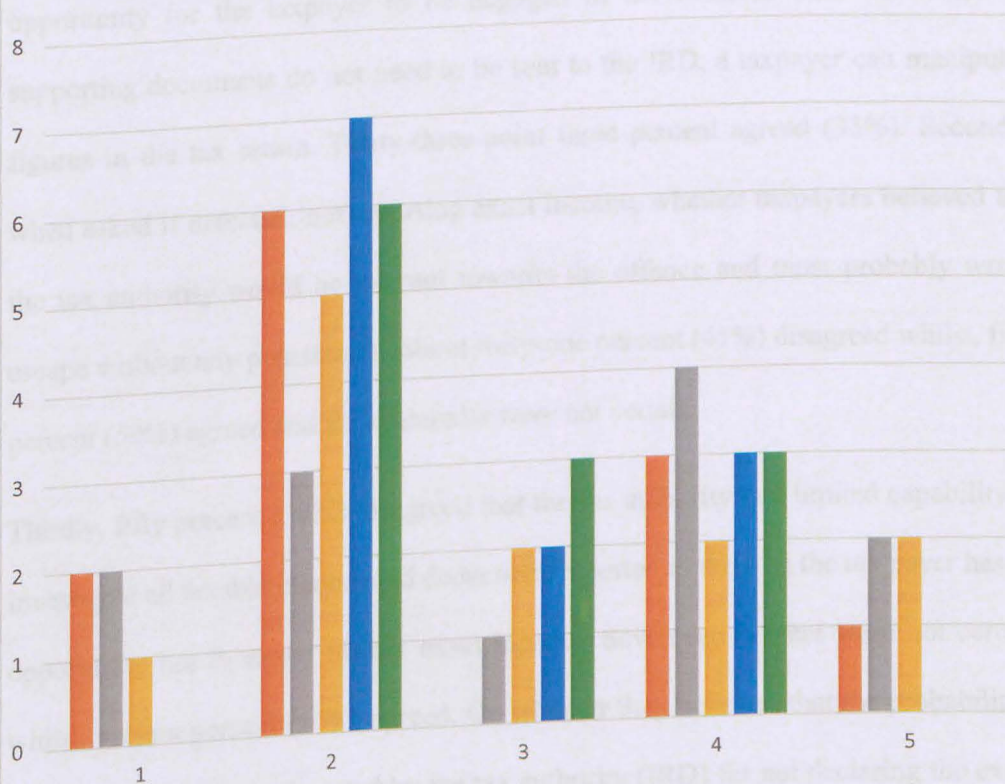
In this regard, the Walvis Bay IRD office can investigate the wise word of Hanno & Violette, (1996), who found out that the influence of threat of punishment on tax compliance components in their study was positively statistically significant on tax avoidance attitude. Meaning, the threat of punishment would encourage taxpayers to be more inclined towards the tax avoidance attitude. Since they were already willing to comply, the use of threat of punishment may only encourage them to be less compliant which might indicate their rebellious attitude against the government. This is probably because those who comply are less likely to be affected by the threat of punishment as compared to those who do not comply. However, the threat of punishment might trigger rather than discourage negative intentions or attitudes.

Table 5.43 Responses on the perceived opportunity for tax evasion

	Strongly disagree (1)		Not Certain (3)	Agree (4)	Strongly agree (5)	Total
	Disagree (2)					
	1	2	3	4	5	
Since the supporting documents do not need to be sent to the IRD, a Tax payer can manipulate figures in the tax return.	2	6	0	3	1	12
If detected not reporting exact income, tax payer believe that the tax authority is tolerant towards the offence and most probably will escape without any punishment.	2	3	1	4	2	12
Tax authority has limited capability to investigate all taxable income and deductions reported to them so tax payer has an opportunity not to report his/her exact income	1	5	2	2	2	12
I believe that the probabilities of tax payer being detected by the tax authority (IRD) for not declaring the exact income that they receive are low.	0	7	2	3	0	12
I believe that the probability of a tax payer being detected by the tax authority (IRD) for claiming non-allowable deduction or inputs is low.	0	6	3	3	0	12

Source: Primary data

PERCEIVED OPPORTUNITY FOR TAX EVASION - TAX PRACTITIONERS



- Since the supporting documents do not need to be sent to the IRD, a Tax payer can manipulate figures in the tax return.
- If detected not reporting exact income, tax payer believe that the tax authority is tolerant towards the offence and most probably will escape without any punishment.
- Tax authority has limited capability to investigate all taxable income and deductions reported to them so tax payer has an opportunity not to report his/her exact income
- I believe that the probabilities of tax payer being detected by the tax authority (IRD) for not declaring the exact income that they receive are low.
- I believe that the probability of a tax payer being detected by the tax authority (IRD) for claiming non-allowable deduction or inputs is low.

Figure 5.1.43 Responses on the perceived opportunity for tax evasion

Source: Primary data

According to table 5.43 above, firstly, sixty-seven percent (67%) of the tax practitioners disagreed when they were asked on how they view the perceived opportunity for the taxpayer to be engaged in tax evasion. This was since the supporting documents do not need to be sent to the IRD, a taxpayer can manipulate figures in the tax return. Thirty-three-point three percent agreed (33%). Secondly, when asked if detected, not reporting exact income, whether taxpayers believed that the tax authority would be tolerant towards the offence and most probably would escape without any punishment, about forty-one percent (41%) disagreed whilst, fifty percent (50%) agreed and the remainder were not certain.

Thirdly, fifty percent (50%) disagreed that the tax authority had limited capability to investigate all taxable income and deductions reported to them so the tax payer has an opportunity not to report his/her exact income. Seventeen percent were not certain whilst, sixteen percent (16%) agreed. On whether they believed that the probabilities of the tax payer being detected by the tax authority (IRD) for not declaring the exact income that they receive were low, fifty-eight percent (58%) disagreed, whilst, seventeen percent were not certain and the remainder agreed.

Lastly when tax practitioners were asked whether they believed, that the probability of a tax payer being detected by the tax authority (IRD) for claiming non-allowable deduction or inputs was low, fifty percent (50%) disagreed, whilst twenty-five percent (25%) were not certain and the remainder, 25% agreed with this notion.

Table 5.44 Responses on the perceived opportunity for tax evasion: Tax

Officials

PERCEIVED OPPORTUNITY FOR TAX EVASION	Strongly disagree (1) Disagree (2) Not Certain (3) Agree (4) Strongly agree (5)					Total
	1	2	3	4	5	
Since the supporting documents do not need to be sent to the IRD, a Tax payer can manipulate figures in the tax return.	4	3	3	6	6	22
If detected not reporting exact income, tax payer believe that the tax authority is tolerant towards the offence and most probably will escape without any punishment.	3	4	4	6	5	22
Tax authority has limited capability to investigate all taxable income and deductions reported to them so tax payer has an opportunity not to report his/her exact income	2	6	1	7	6	22
I believe that the probabilities of tax payer being detected by the tax authority (IRD) for not declaring the exact income that they receive are low.	2	7	2	6	5	22
I believe that the probability of a tax payer being detected by the tax authority (IRD) for claiming non-allowable deduction or inputs is low.	4	7	5	4	2	22

Source: Primary data

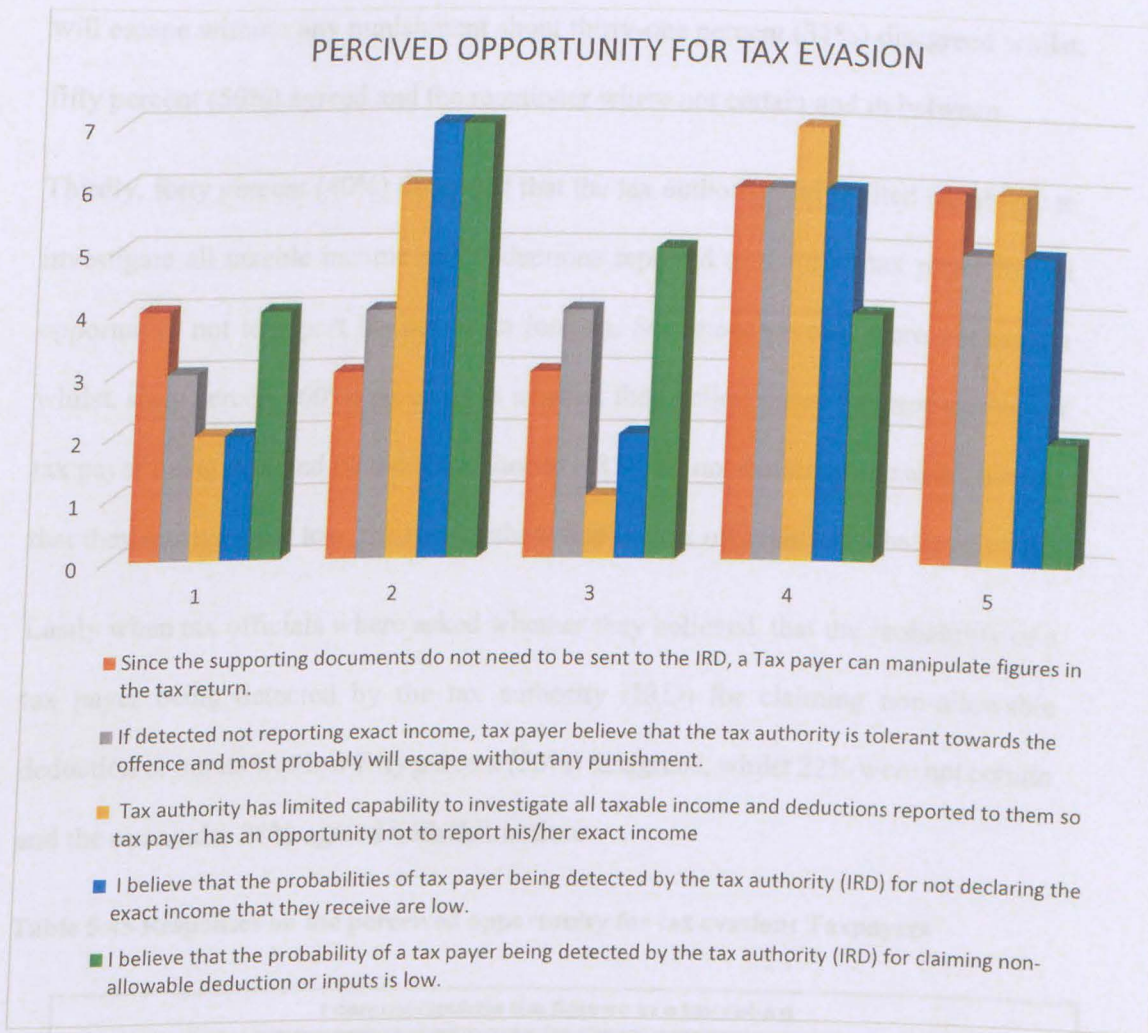


Figure 5.144 Responses on the perceived opportunity for tax evasion: Tax Officials

Source: Primary data

According to table 5.44 above, firstly, fifty-five percent (55%) of the tax officials agreed when they were asked on how they view taxpayer perceived opportunity for tax evasion since the supporting documents do not need to be sent to the IRD, a taxpayer can manipulate figures in the tax return. Thirty-one percent disagreed (31%). Secondly, when asked if detected not reporting exact income, whether taxpayers believed that the tax authority would be tolerant towards the offence and most probably

will escape without any punishment about thirty-one percent (31%) disagreed whilst, fifty percent (50%) agreed and the remainder were not certain and in between.

Thirdly, forty percent (40%) disagreed that the tax authority had limited capability to investigate all taxable income and deductions reported to them so tax payer has an opportunity not to report his/her exact income. Seventeen percent were not certain whilst, sixty percent (60%) agreed. On whether they believed that the probabilities of tax payer being detected by the tax authority (IRD) for not declaring the exact income that they receive were low, the results show that the tax officials had a balance view.

Lastly when tax officials were asked whether they believed, that the probability of a tax payer being detected by the tax authority (IRD) for claiming non-allowable deduction or inputs was low fifty percent (50%) disagreed, whilst 22% were not certain and the remainder 28% agreed with this notion.

Table 5.45 Responses on the perceived opportunity for tax evasion: Taxpayers

I can manipulate the figures in a tax return					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	15	21.4	21.7	21.7
	Not Certain	4	5.7	5.8	27.5
	Disagree	42	60.0	60.9	88.4
	Strongly Disagree	8	11.4	11.6	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Tax Authority is tolerant towards my offence and will escape					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	12	17.1	17.4	17.4
	Agree	4	5.7	5.8	23.2
	Not Certain	4	5.7	5.8	29.0
	Disagree	19	27.1	27.5	56.5
	Strongly Disagree	30	42.9	43.5	100.0
Total		69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Probability of me being detected is low for claiming non-allowable deduction or input

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	13	18.6	18.8	18.8
	Agree	4	5.7	5.8	24.6
	Disagree	30	42.9	43.5	68.1
	Strongly Disagree	22	31.4	31.9	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

I believe IRD has limited capability to investigate all income and deductions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	15	21.4	21.7	21.7
	Agree	8	11.4	11.6	33.3
	Not Certain	8	11.4	11.6	44.9
	Disagree	30	42.9	43.5	88.4
	Strongly Disagree	8	11.4	11.6	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

Probability is low for detected by IRD for not declaring thr exact income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	27	38.6	39.1	39.1
	Agree	4	5.7	5.8	44.9
	Not Certain	12	17.1	17.4	62.3
	Disagree	18	25.7	26.1	88.4
	Strongly Disagree	8	11.4	11.6	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

According to table 5.45 above, according to these results taxpayers are required to self-assess and self-report their income and pay taxes out of their conscience. Due to the self-reporting and limited control of the tax authority, they have the opportunity for non-compliance. Their chances to elude taxes are high.

5.1.46 Response on tax knowledge and education

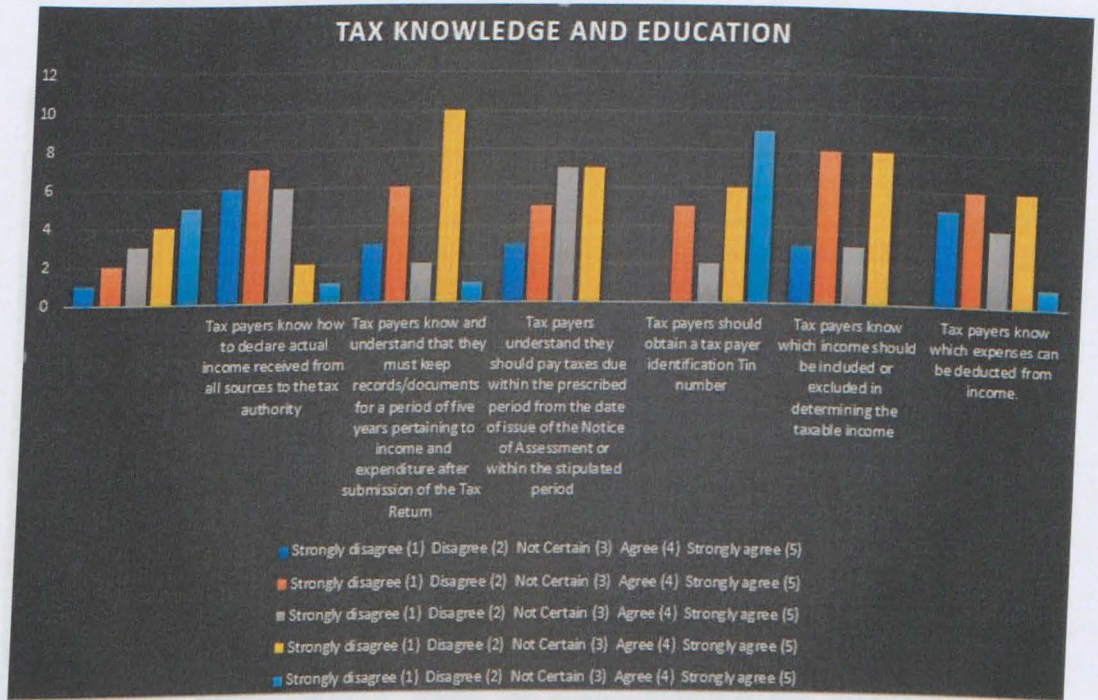


Figure 5.1.46 Responses on the tax knowledge and education: Tax Officials

Source: Primary data

According to figure 5.1.46 above, as can be seen from the information gathered from the tax official on whether taxpayers know how to declare actual income received and whether they understood that they must keep tax records. The results also show that tax payers do not understand the prescribed period of the issue of assessment and that they are required to obtain a Tin number all this show that, the influence of knowledge on compliance behaviours has been proven in by the above results categorise knowledge into two aspects, namely tax knowledge through common or formal education usually received by people and knowledge towards the opportunity to evade tax. It can also be seen that the level of education received by taxpayers is an important

factor that contributes to the understanding about taxation especially regarding the laws and regulations of taxation (Eriksen & Fallan, 1996).

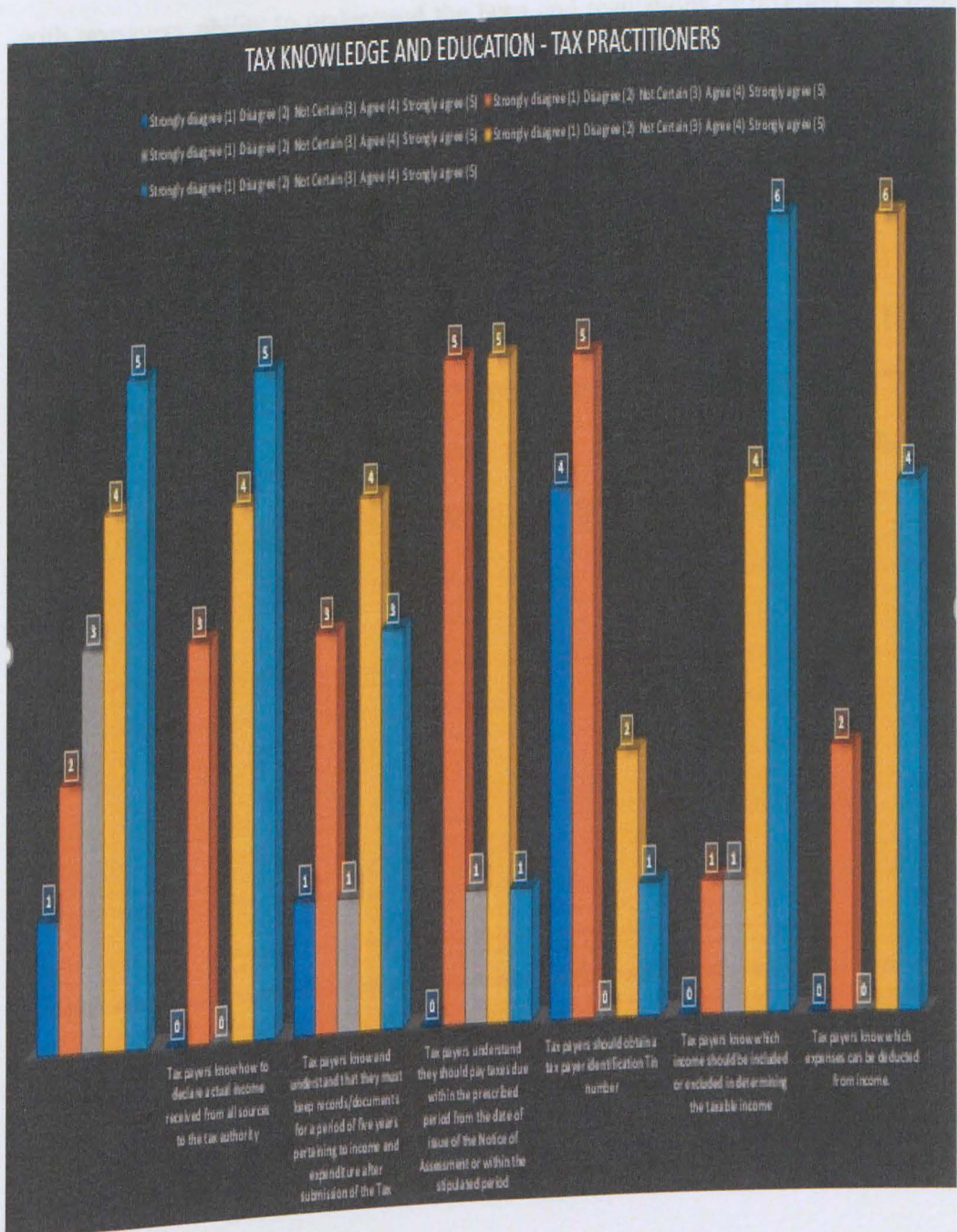


Figure 4.1.47 Responses on the tax knowledge and education: Tax Practitioners

Source: Primary data

According to figure 4.1.47 above, as shown from the tax practitioners results that are like the tax officials' views on the level of tax knowledge and understanding that tax payers. One of the factors in tax compliance, knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply (Singh, 2003). Knowledge as one of the factors in compliance is related to the taxpayers' ability to understand taxation laws, and their willingness to comply (Viswanathan, 1992). The aspect of knowledge that relates to compliance is the general understanding about taxation regulations and information pertaining to the opportunity to evade tax (Tan & Chin-Fatt. 2000; Eriksen & Fallan. 1996; Harris. 1989). A question that has been raised by previous researchers (Singh. 2003; Tan & Chin-Fatt. 2000; Eriksen & Fallan. 1996; Harris, 1989; Groenland & Veldhoven. 1983) is whether enhancement in the knowledge will propel tax evasion.

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	11	22.0	22.0	22.0
Disagree	28	56.0	78.0	78.0
Agree	21	42.0	100.0	100.0
Strongly Agree	0	0.0		
Total	60	100.0		

Overall Results for the 2016-2017 Income Tax Return for the year ended

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Male	34	56.7	56.7	56.7
Female	26	43.3	100.0	100.0
Age Group				
18-24	3	5.0	5.0	5.0
25-34	17	28.3	33.3	38.3
35-44	21	35.0	68.3	73.3
45-54	19	31.7	100.0	100.0
Total	60	100.0		

Table 5.48 Responses on the tax knowledge and education: Taxpayers

I know which income should be excluded when determining taxable income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	15	21.4	21.7	21.7
	Agree	16	22.9	23.2	44.9
	Not Certain	15	21.4	21.7	66.7
	Disagree	9	12.9	13.0	79.7
	Strongly Disagree	14	20.0	20.3	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

I know how to declare actual income recieved from all sources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	19	27.1	27.5	27.5
	Agree	8	11.4	11.6	39.1
	Not Certain	23	32.9	33.3	72.5
	Disagree	8	11.4	11.6	84.1
	Strongly Disagree	11	15.7	15.9	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

I know how to keep records income and expenditure for five year period

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	16	22.9	23.2	23.2
	Agree	31	44.3	44.9	68.1
	Not Certain	9	12.9	13.0	81.2
	Disagree	3	4.3	4.3	85.5
	Strongly Disagree	10	14.3	14.5	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

I Know i must pay taxes due within prescribed period of Notice of Assessment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	22	31.4	31.9	31.9
	Agree	31	44.3	44.9	76.8
	Not Certain	4	5.7	5.8	82.6
	Disagree	8	11.4	11.6	94.2
	Strongly Disagree	4	5.7	5.8	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

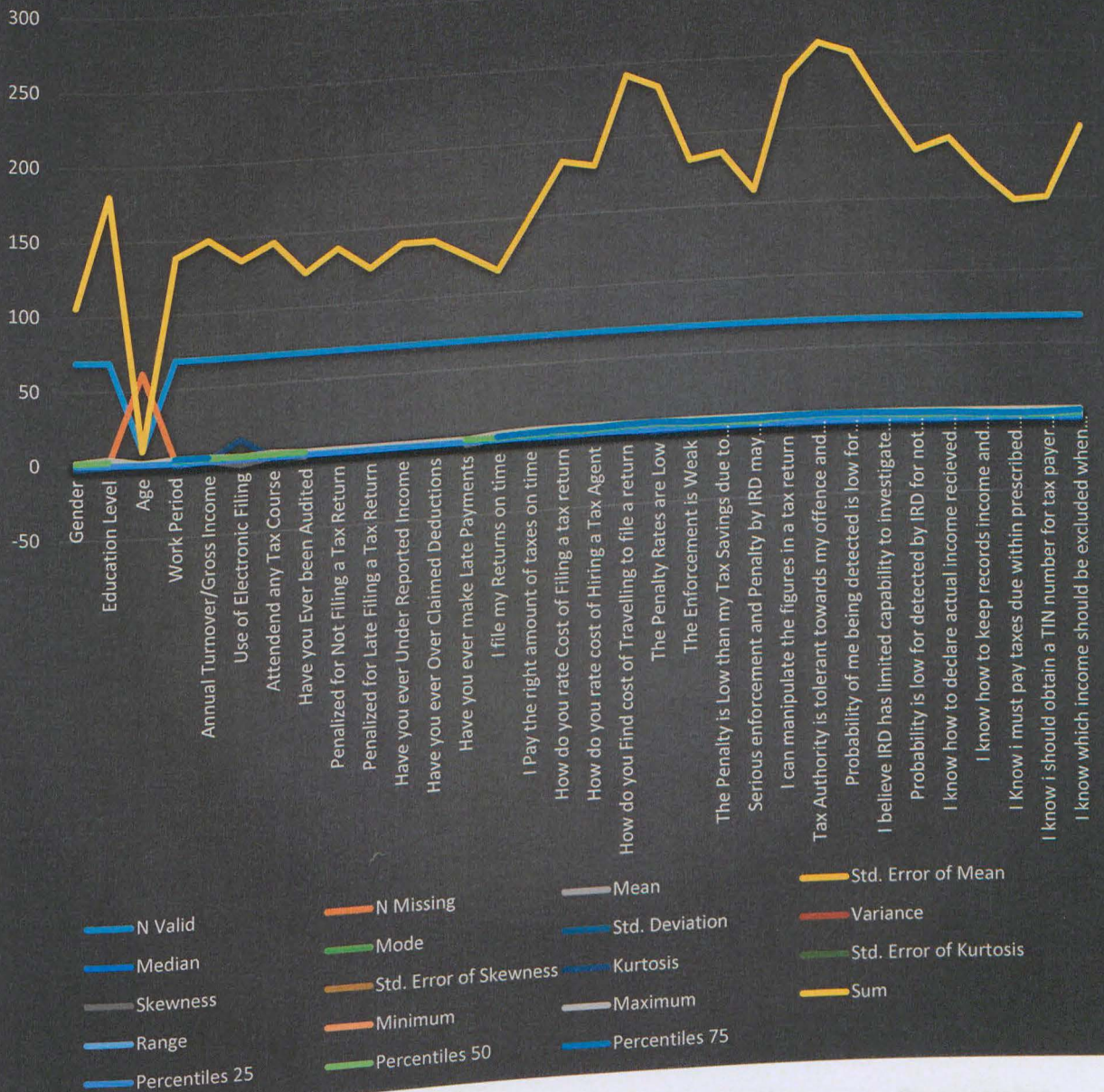
I know i should obtain a TIN number for tax payer identification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	31	44.3	44.9	44.9
	Agree	19	27.1	27.5	72.5
	Not Certain	3	4.3	4.3	76.8
	Disagree	8	11.4	11.6	88.4
	Strongly Disagree	8	11.4	11.6	100.0
	Total	69	98.6	100.0	
Missing	System	1	1.4		
Total		70	100.0		

According to table 5.48 above, in this case, the results show that, an important factor affecting tax compliance in the Walvis Bay area is tax knowledge and lack of tax education. However, tax knowledge is related to the tax law which can be clearly seen by the results that most tax payers do not understand it. Tax law includes knowledge on various tax rules and regulations, all the types of taxes under the Namibian law, and the other factors the researcher previously looked at individually like, the object of taxation, tariffs, penalties, fines, all of which may be enforced in the dominion of the Namibian law. Hence, the tax law can set numerous things into an official lawful basis in Namibian taxation. Lack of knowledge or poor knowledge about taxes can lead to cynicism and adverse attitudes towards the taxation system. However, people who have adequate tax education and knowledge have a positive attitude towards tax, meaning that when the level of knowledge of the tax rises, it is followed by a subsequent decline of tax evasion and tax compliance levels grow.

5.1.49 Overall Descriptive statistics Analysis

DESCRIPTIVE STATISTICS



SOURCE: RESEARCHER

According to figure 5.49 above, the descriptive statistics depicted the main research variables under the study, namely; tax non-compliance, tax education and knowledge, and tax penalty and fines, cost of filing, probability of being caught, perceived opportunity. The high values of Jacque-Bera statistics with their probability values of

< 0.05 revealed that all the variables are normally distributed. The results show significant positive relationships between tax non-compliance and tax knowledge and education and between tax non-compliance and tax penalties and fines. Also, a strong significant relationship between tax knowledge and tax non-compliance exists.

The results also show that, a unit increase in tax knowledge would lead to 0.65 increase in tax compliance while a unit increase in the tax penalty would lead to 0.15 increase in tax compliance. Thus, tax knowledge and education have a higher tendency to promote tax compliance than tax penalties. In terms of significance, only the tax knowledge has a significant effect on tax compliance at 5% level of significance. Tax penalty does not have a significant effect on tax compliance at 5% level of significance. However, both the tax knowledge and tax penalty could only explain about 29% of the systematic variations in tax compliance while about 71% of the systematic variations in tax compliance could not be accounted for by the regression model. However, the model passes the test of goodness of fit given the value of F-statistics of 60.35467 with its associated probability (prob. < 0.05). The Durbin-Watson statistic of 1.666661 shows an absence of auto-correlation, which is not a serious issue in a cross-sectional study like this one.

5.2 Summary

The results of the data gathered from the questionnaires assisted the researcher to reach certain conclusions on the formulated objectives. Through these results, the researcher discovered that; Age, Level of education, Annual turnover, probability of audit and perceived punishment through fines, tax compliance cost and level, perceived opportunity for evasion all have a bearing on tax non-compliance existence at the Walvis Bay office in Namibia. The next chapter will focus on the conclusions and recommendations of the study and will suggest areas for further research.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6 Introduction

This chapter seeks to summarise, conclude and make some necessary recommendations based on the study. This chapter will conclude by pointing out some areas for further research.

6.1 Summary of the findings

The following objectives were set out for the study:

The main objective of the study was: To assess the causes of tax non-compliance among different tax payers in Walvis Bay.

The specific objectives of the study were:

- To assess the causes of tax non-compliance among different tax payers in Walvis Bay.
- To analyse the different mitigating factors that could be adopted by both parties i.e. the taxpayers and the IRD.

Reflecting on the results presented in the previous chapter with regards to answering the first objective, the results show that across all the respondents, that is; the taxpayers, tax officials and tax practitioners; more than 68% of the respondents indicated that issues to do with; age, level of education, annual turnover, probability of audit and perceived punishment through fines, tax compliance cost and level, perceived opportunity for evasion all have a bearing on tax non-compliance existence

in Namibia and are the main culprits in causing this ill.

With regards to the second objective, the research findings showed that programs such as education and training on how to fill in a tax return, and education on the designated date stipulated by tax law, all this can be used to mitigate tax non-compliance. More so, increase in audits to detect under reporting and or / over claiming which is prevalent as confirmed by both tax payers and tax officials would help improve on compliance. The ministry can also mitigate tax non-compliance by lowering the cost of compliance by having their own tax officials help out with tax calculation for the tax payers so they are not charged exorbitant prices by tax agents. IRD can create a synergy so that IRD as a whole becomes greater than the sum of its units. IRD has officials who are genetically encoded to conduct audits and can effortlessly discover omission and errors in submitted accounting records.

IRD auditors need to complete tax audits, requiring the pursuit of taxpayers to get the money into treasury. This action of ensuring that each assessment raised results in an aggressive trace to recover the money is a critical way of reducing the IRD's current debt stock and increasing compliance in terms of tax payments. Perhaps the audits should contain a component on how to get the money and from whom to get the money and by when to get the money.

As a precise and attainable recommendation, management or supervisors should be involved in setting completion timelines of audit cases for their auditors and ensure adherence to such dates. Supervisors should discuss impact cases and share the acquired knowledge with the rest of the Department, managers should utilize the devised tools (spreadsheets) to measure the effectiveness of audits and ask hard questions in the event that officials lag behind. As per the canon of economy, 'the cost of collecting tax should be kept at a minimum so that a major part of collections may

contribute to the Government treasury', thus the efforts to collect money as a result of raised assessments should intensify.

6.2 Conclusions

The factors that need to be addressed by tax authorities to curb tax non-compliance lie in addressing Age, Sex gender, Level of education, Annual turnover, Probability of audit and Perceived punishment through fines, tax compliance cost and level, and perceived opportunity for evasion. These all have a bearing on the existence of tax non-compliance in Namibia. The recommendations put forward by this researcher on these variables are discussed in more detail below.

6.3 Recommendations

- ❖ The Government through the Ministry of Finance's (Inland Revenue Department), should undertake comprehensive tax reforms that should include the following: Intensive taxpayer education giving priority, and targeting specific non-compliant taxpayers i.e. SMEs like Construction, Shebeens, Gambling, and micro lenders.
- ❖ The Government through the Ministry of Finance's Inland Revenue Department should monitor and curb tax evasion through increased auditing activities, increase taxpayers' education outreach programs and other compliance measures.
- ❖ The Inland Revenue Department at Walvis Bay, should reinforce specific units that would conduct in-depth forensic audits and tax intelligence investigations and should also employ specialists in these areas like Auditors, Forensic Accountants etc.
- ❖ Tax reforms like development of a new and more efficient tax computer system whereby submissions can be done online, like SARS were all the process can

- be done online and refund period is very short like 2 days whereas, here in Namibia it takes up to 2 weeks and above.
- ❖ Fast tracking of the review of business processes, legislation review and the establishment of a stand-alone Revenue Agency to expand competence.
 - ❖ Lowering the interest charged for defaulters. Currently the IRD is charging 20% per annum whilst the financial sector like banks and other lending institutions are at 11.75%, hence, taxpayers are likely to regard this 20% rate as less fair and equitable hence might be non-compliant.
 - ❖ Universalisation of tax laws. Modest tax laws are easy to understand and comply with, that is further breakdown of the tax law for easy understanding for all.
 - ❖ Firmer penalties, strengthening enforcement on jail sentences and creation of tax courts to deal with tax offenders, attachment of assets, revocation of operating licenses and blacklisting the directors of companies involved in tax evasion.
 - ❖ Rationalise tax incentives. Tax incentives should be reviewed continuously to ensure those which no longer serve or have served their purpose are phased out. Maintaining incentives which appear to be disproportionately favouring a sector of the economy at the expense of tax revenue, deters tax morality in the rest of the sectors and therefore encourages tax evasion. Tax incentives should only be awarded to firms or sectors that add value in terms of employment creation, skills transfer and foreign exchange earnings.

6.4 Areas for Further Research

The research work brings out some lines of enquiry for further research. Firstly, further research could determine if the findings of this research are consistent across all parts

of Namibia and can be done according to the different sectors. In addition, there is the need to do the research in other parts of Namibia as largely this information was gathered in Walvis Bay. This would help to confirm if the results of this research can be generalised across the whole country. The researcher only looked on the above-mentioned factors; other research can focus on political and technological factors as well.

- Allen, J. (1994). *Theory of Planned Behaviour: Organisational Behaviour and Human Decision Processes*, 25, 179-211.
- Althoff, M.G. & Squires, A. (1975). Teams in action: A theoretical analysis. *Journal of Public Economics* 11(4), 321-38.
- Alto, J., Jackson, B., & McKee, M. (1992). Institutional uncertainty and managerial behaviour. *American Economic Review*, 82(4), 1016-40.
- Andrews, J. Diaz, S., and Pellmar, J. (1991). Tax compliance. *Journal of Economic Literature*, 29, 813-66.
- Aronson, C. & Rubin, H.S.J. (1965). The pros and cons of the detection of tax evasion. *Journal of Economic Psychology*, 10, 4, p. 617-40.
- Aspin, I. & Parson, M. (1988). *Introduction: Culture and Psychology*. *Journal of Business Psychology*, 9(1), 1-10.
- Bartlett, C.F. (1953). Crime and Punishment: An Economic Approach. *Journal of Political Economy*, 61, 269-277.
- Blumenthal, M. & Shepard, J.B. (1996). The income tax compliance costs of big business. *Tax Policy and Priority*, 24(4), p. 411-27.

REFERENCES

- Ahmed, E. & Braithwaite, V. (2005), Understanding small business taxpayers - issues of deterrence, tax morale, fairness and work practice, *International Small Business Journal*, 23, 5, p. 539-58.
- Ajzen, I. (1991). *Theory of planned behavior*. Organizational Behavior and Human Decision Processes, 50, 179-211.
- Allingham, M.G. & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1(3-4), 323-38.
- Alm, J., Jackson, B., & McKee, M. (1992). Institutional uncertainty and taxpayer compliance. *American Economic Review*, 82(4), 1018-26
- Andreoni, J, Erard, B., &and Feinstein, J. (1998). Tax compliance. *Journal of Economic Literature*, 36, 818-60.
- Antonides, G. & Robben, H.S.J. (1995), True positives and false alarms in the detection of tax evasion, *Journal of Economic Psychology*, 16, 4, p. 617-40.
- Azjen, I. & Fishbein, M. (1980), *Understanding Attitudes and Predicting Social Behaviour*, Prentice Hall Englewood Cliffs, NJ.
- Becker, Gary S. (1968). Crime and Punishment: An Economic Approach. *Journal of Political Economy*, 78, 169-217.
- Blumenthal, M. & Slemrod, J. B., (1996), The income tax compliance costs of big businesses, *Public finance quarterly*, 24 (4), p. 411-38

- Christensen, K; Cline R; & Neubig T. (2009) Total Corporate Taxation: Hidden, Above-the-Line, Non-Income Taxes. | *National Tax Journal*, Vol. 54:3: 495-506.
- Creswell, J.W. Research Design, Qualitative, Quantitative and Mixed Methods Approaches. International Student Edition. (Fourth edition). London, U K: SAGE Publications.
- Cuccia, A. D. (1994). The Effects of Increased Sanctions on Paid Tax Preparers: Integrating Economic & Psychological Factors. *The Journal of the American Taxation Association*, 16,1, 41-66.
- Drummond, P., Daal, W., Srivastava, N., & Oliveira, L.E., (2012). Mobilizing Revenue in Sub-Saharan Africa: Empirical Norms and Key Determinants. *IMF Working Paper*
- Fishbein, M., & Ajzen, I. (1975). *Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research*. Massachusetts: Addison-Wesley.
- Inland Revenue Department Walvis Bay Offices (Reports 2013-2015)
- James, S., & Alley, C. (2004). Tax Compliance, self-assessment and tax administration. *Journal of Finance and Management in Public Services*, 2(2), 27-42.

- Kasipillai, J Norhani, A. & Noor Afza, A. (2003). The influence of education on tax avoidance and evasion', *eJournal of tax research*. Retrieved from: <http://www.atax.unsw.edu.au/ejtr.html>.
- Kirchler, E. (2007), *The Economic Psychology of Tax Behaviour*, Cambridge University Press, Cambridge.
- Mansor, M., Tayib, M., and Yusof, R.N. (2005). Tax administration system: a study on the efficiency of Malaysian indirect taxes. *International Journal of Accounting, Auditing and Performance Evaluation*, 2(3), 321-43.
- McKerchar & M Walpole (eds), (2006) Further Global Challenges in tax Administration 415, 416.
- Mohd, R. (2010), *Tax knowledge and tax compliance determinants in self-assessment system*, a thesis submitted to the University of Birmingham for the degree of Doctor of Philosophy. Retrieved from: <http://www.acta.uob.edu.au/asfc.html>.
- Neuman. W. L. (2006). *Social Research Methods Qualitative and Quantitative Approaches*. (Sixth edition). Boston, United States of America.
- <https://weekend.newera.com.na/2016/10/24/citizens-warned-of-heavy-price-for->
- Robben, H.S.J., Webley, P., Elffers, H. & Hessing, D.J. (1990a), Decision frames, opportunity Tax compliance and tax evasion: an experimental approach, *Journal of Economic Behavior and Organization*, 14, 3, p. 353-61.

Singh, P. (2003), Behavioral intention of tax non-compliance among sole proprietors, School of Business, Monash University Malaysia, *journal of Asian academy of management*, 2. 6, 47-56,

Welman, C., Kruger, F., & Mitchel, B. (2005). Research Methodology. Cape Town, South Retrieved from:
www.ijbssnet.com/journals/Vol. 2 No. 6; April 2003/15.pdf.