

**A COMPARATIVE ANALYSIS OF THE EFFECTS OF PUBLIC TAX  
EDUCATION AND TAX AMNESTY ON TAX COMPLIANCE IN WINDHOEK**

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## TABLE OF CONTENTS

### **Abstract**

This study was conducted with the aim of comparing the effects of public tax education and tax amnesty on tax compliance. The Ministry of Finance (MoF) as the custodian of the management and administration of state funds grapples with a widening budget deficit which is becoming untenable. The Revenue department has accumulated massive tax debts spanning over many decades. This has been aggravated by the imposition of compound interest on outstanding amounts. In most cases, the amount owing now exceeds the capital amount. The causal-comparative research design was adopted in this study as it identifies differences between dependent variables and independent variables. Quantitative research methods with a self-administered questionnaire were used to collect data from taxpayers. A probability sampling frame was then used to ensure that every taxpayer had an equal chance of being selected. Analysis of Variance (ANOVA) was used to test the research hypothesis because it requires fewer measurements to discover significant effects. Furthermore, descriptive statistics such as frequencies and percentages were used in order to explain the effects of public tax education and tax amnesty on tax compliance among Windhoek CBD taxpayers. Based on the outcomes, it comes out clearly that the Inland Revenue Department had no educational programs in place to provide training, teaching, and education to taxpayers. All that they do currently is to remind taxpayers about their tax obligations and compliance while the public lack basic skills and knowledge regarding tax. Whilst it seems that the tax amnesty is aimed at increasing tax revenues in the State Budget, only a handful of taxpayers came forward to participate in the program and the Inland Revenue Department did not collect as much debt owed as expected. The Inland Revenue Department needs to do more to come up with educational strategies to educate tax-payers and ensure that tax-payers gain basic knowledge, especially on filling tax-return forms. They also need to educate taxpayers and create awareness on the importance of tax amnesty programs by ensuring that the public understands the benefits and consequences of the program. Both tax amnesty and tax education programs if well implemented could help to enhance the level of compliance which would help taxpayers to comply voluntarily through all possible ways.

# TABLE OF CONTENTS

List of Abbreviations.....	vi
CHAPTER ONE .....	1
INTRODUCTION .....	1
1.1 Background of the study .....	1
1.2 Statement of the problem .....	4
1.3 Research Questions.....	4
1.4 Hypotheses of the study .....	5
1.5 Significance of the study.....	6
1.6 Limitation of the study.....	6
1.7 Delimitation of the study .....	6
1.8 Definitions of significant terms used in the study .....	7
1.9 Organisation of the study .....	8
CHAPTER TWO .....	10
LITERATURE REVIEW .....	10
2.1 Introduction.....	10
2.2 Theoretical Literature .....	11
2.3 Theory of Planned Behaviour .....	12
2.4 Motivation Theory.....	16
2.5 Taxpayer education.....	21
2.6 Attitudes of Taxpayer's towards compliance.....	24
2.7 Methods of educating taxpayers .....	24
2.8 Types of media for educating.....	27
2.9 Message being communicated .....	29
2.10 Tax Amnesty .....	29
2.11 Conceptual framework.....	31
2.12 Summary of literature review.....	34

CHAPTER THREE.....	35
RESEARCH METHODOLOGY.....	35
3.1 Research design.....	35
3.2 Target population .....	37
3.3 Sampling .....	37
3.4 Response Rate .....	39
3.5 Data collection methods.....	39
3.6 Data collection procedure .....	41
3.7 Data Analysis .....	42
3.8 Ethical Considerations .....	43
CHAPTER FOUR.....	45
RESULTS AND DISCUSSIONS.....	45
DISCUSSION.....	53
CHAPTER FIVE .....	59
CONCLUSIONS AND RECOMMENDATIONS.....	59
5.1 Conclusions.....	60
5.2 Recommendations .....	64
<b>5.3 Limitations of the study</b> .....	68
References.....	69
APPENDICES .....	79
A. Questionnaire .....	79

## List of Figures

FIGURE 2.1: THE MODEL OF TAX COMPLIANCE .....	14
FIGURE 2.2: MODEL OF TAX COMPLIANCE .....	14
FIGURE 2.3: THE MODEL EDUCATION IN MODERATING INDIVIDUAL BEHAVIOURS.....	14
FIGURE 2.4: MOTIVATES INDIVIDUAL BEHAVIOUR .....	17
FIGURE 2.5: CONCEPTUAL FRAME WORK FOR IN WORK FOR INDEPENDENT AND DEPENDENT VARIABLES.....	34

## List of Tables

TABLE 3.1: TARGET POPULATION IN WINDHOEK CITY CENTRAL BUSINESS DISTRICT .....	37
TABLE 3.2: SAMPLING FRAME AND SAMPLE SIZE .....	39
TABLE 4.1: TAX COMPLIANCE BY TAX EDUCATION.....	46
TABLE 4.2: TAX COMPLIANCE BY TAX AMNESTY .....	46
TABLE 4.3: THE METHODS USED TO EDUCATE TAXPAYERS HAS AN IMPACT ON TAXPAYER'S KNOWLEDGE ACQUISITION .....	47
TABLE: 4.4: THE MEDIA USED TO EDUCATE TAXPAYERS HAS AN EFFECT ON SKILLS ACQUISITIONS .....	48
TABLE 4.5: THE MESSAGE COMMUNICATED IS AFFECTING TAXPAYER'S VALUES ACQUISITION.....	49
TABLE 4.6: THE MESSAGE COMMUNICATED TO TAXPAYERS HAS EFFECT IN CHANGING FEELINGS ABOUT TAX COMPLIANCE .....	50
TABLE 4.7: THE MESSAGE COMMUNICATED HAS AN IMPACT ON CHANGING TAXPAYER'S BELIEFS ABOUT TAX COMPLIANCE.....	51
TABLE 4.8 THE MESSAGE COMMUNICATED HAS EFFECT ON CHANGING TAXPAYER'S BEHAVIOURS TOWARDS TAX COMPLIANCE.....	52

## **List of Abbreviations**

**MOF** – Ministry of Finance

**ANOVA** – Analysis of Variances

**VAT** – Value Added Tax

**IRD** – Inland Revenue

**TV** - Television

**SPSS** – Package for Social Sciences

**CBD** – Central Business District

**NAD** - Namibian Dollar

**ROR** – Receiver of Revenue

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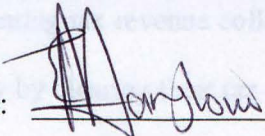
## Declaration

I, Elise Mwapopi - Hanghome, hereby declare that the work contained in the report presented for the Master of Business Administration (Finance) at the University of Namibia, entitled: **A comparative analysis of the effects of public tax education and tax amnesty on tax compliance in Windhoek** is my own original work.

All the sources I have quoted have been indicated and acknowledged by means of complete references and that I have not previously submitted, in its entirety or in part, this thesis to any university or institution of higher education for the award of any qualification.

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## **CHAPTER ONE**

### **INTRODUCTION**

This chapter gives an introduction to the study, it covered the background of the study, problem statement which is the main reason for undertaking the study, study research questions, the hypothesis of the study, study significance and limitation of the study.

#### **1.1 Background of the study**

The Ministry of Finance current tax system was initially inherited from the South African colonial rule. The State Finance act 31 of 1991 was passed by the National Assembly and signed by the President in 1991, approximately 30 amendments have been affected by the state finance act since then. (Government Gazzete, (1991).

The Ministry of Finance (MoF) as the custodian of the management and administration of state funds is grappling with the widening budget deficit, which is becoming unsustainable. It also faces a high rise in tax debt, which is becoming irrecoverable as a result of high non-compliance behaviors by taxpayers. The Ministry of Finance through its Inland Revenue department introduced a tax arrears recovery program (Tax Amnesty) as a means of augmenting tax revenue collections and providing relief to taxpayers who are willing to comply by clearing their tax debt. The programme was aimed at inducing payment of taxes owed by non-compliant taxpayers by primarily offering an abatement of all penalties and some of the interest associated with unpaid tax liabilities subject to a predetermined qualifying criterion.

Tax policy was introduced to pursue and collect this debt by enticing delinquent persons with discounted values of interest payable. As part of Namibia's ongoing efforts to improve tax collection, the Minister of Finance (MOF) announced the commencement of a temporary tax amnesty program on 26 January 2017. The amnesty was to commence on the 1<sup>st</sup> of February 2017 and would continue through to the 31<sup>st</sup> of July 2017 (Deloitte Report, 10 March 2017). The program was aimed at recovering the outstanding taxes of N\$ 4 Billion owed by tax-payers and it applied to all taxes administered by the Inland Revenue Department. The incentive programme aimed to waive all penalties and 80% of accrued interest on overdue tax liabilities that were settled and paid under the program guidelines (Deloitte Report, 10 March 2017).

The first amnesty programme which ended in July 2017, only recovered 6% or N\$ 242.7 million of the N\$4 Billion owed by tax-payers. The programme was then extended from the 31<sup>st</sup> of July to the 11<sup>th</sup> of March 2018 to accommodate more tax-payers. The second amnesty collected N\$ 229 Million of the N\$4 Billion outstanding, bringing the total collected for the entire amnesty programmes to N\$472 Million. Despite the outcry from the business community to have the first tax amnesty recovery incentive programme extended, the government expressed disappointment because only a handful of tax defaulters came forth to participate. This pattern was worrying, to the department of inland revenue, noting that tax arrears are money which is overdue to the receiver but not paid (Windhoek Observer, 23 March 2018).

On the 15<sup>th</sup> of June 2016, the Inland Revenue department carried out a national programme under the theme of promoting a culture of tax compliance in Namibia. The tax education day programme aimed at reaching out to all the current and future tax-payers across all 14

regions in Namibia (MoF Report, June 2016). The aim was to educate the tax-payers on the importance of paying taxes, encouraging voluntary compliance in terms of paying taxes, show tax-payers how to complete tax return forms and also to provide technical information relating to taxes that are administered in Namibia. However, despite these efforts from the government side to send out tax officials to all 14 regions, the ministry was very disappointed by the turn-out of the public on this very important programme as only a few tax-payers showed up (Report MoF, June 2016).

Tax is defined as an obligatory charge enforced by a government or a government-appointed body (Revenue Authority) on income, expenditure, or capital assets, for which the taxpayer receives nothing specific in return. Tax may also be seen as a cost to the taxpayer whether as an individual or a corporate body (Aksnes, 2014). However, there is a battle in taxation whereby the tax payer's desire is to minimise costs and maximise profit, while government's desire is to maximise revenue through enhanced tax compliance.

To strike a balance between the taxpayer and the tax collector, the latter needs to come up with policies and incentives to motivate desired behaviours by taxpayers. One such policy is the use of improved taxpayer education (Aksnes, 2014) and another is to provide a general amnesty for past non-compliance with tax obligations on the part of taxpayers, so as to regularise their payments from a specific point in time.

## **1.2 Statement of the problem**

The Inland Revenue Department in the Ministry of Finance is facing intractable huge and often old tax debt that has piled up and has accumulated massive tax debts which span over many decades. This has been mainly due to the imposition of compound interest on outstanding amounts, which in most cases has exceeded the capital amount by huge margins and also due to a high number of non-compliant tax-payers (K. Haludilu, personal communication, April 22, 2019)

Aim and Beck, (2006) conducted a study to look at the long-term effects of tax amnesty with regards to tax-compliance and they found that evidence regarding long-term effects on tax amnesty is largely lacking. Low tax compliance is a major anxiety for policymakers in many developing countries. This is because it limits the capacity of governments to increase income for developmental and recurrent expenditure purposes (Togler, 2009).

This research focuses on finding out the possible reasons for the low uptake on both programs (tax amnesty and tax education programme) that the Inland Revenue department undertook in order to encourage compliance behaviours amongst taxpayers and advise the Ministry of Finance - Inland Revenue department on the effective ways to encourage and motivate compliance by taxpayers.

## **1.3 Research Questions**

The main research question is: Does public tax education and tax amnesty have an effect on tax compliance?

The specific questions of the research are:

- How are the methods of tax education impacting on tax-payers' knowledge acquisition?
- How does the message being transmitted affect taxpayer's skills acquisition?
- How is the message being communicated to tax-payers affecting values acquisition?
- What effect will the message have on changing tax-payers' feelings about compliance?
- What is the impact of the message on changing beliefs about tax compliance?
- What is the effect does tax amnesty will have on changing behaviours towards tax compliance?

#### 1.4 Hypotheses of the study

- $H_0$  Public Tax education and tax amnesty has no effect on compliance
- $H_1$  Public Tax education and tax amnesty has an effect on compliance
- $H_0$ : Methods of tax education have no positive impact on tax-payers' knowledge acquisition
- $H_1$ : Methods of tax education have a positive impact on tax-payers' knowledge acquisition
- $H_0$ : media education has no effect on tax-payers' skills acquisition
- $H_1$ : media education has an effect on tax-payers' skills acquisition
- $H_0$ : message communicated to tax-payers is not affecting values acquisition
- $H_1$ : message communicated to tax-payers is affecting values acquisition
- $H_0$ : the message will have no effect on tax-payers' feelings about compliance

- H<sub>1</sub>: the message will have an effect on tax-payers' feelings about compliance
- H<sub>0</sub>: the message will have no impact on beliefs regarding tax compliance
- H<sub>1</sub>: the message will have an impact on beliefs regarding tax compliance
- H<sub>0</sub>: the message will have no effect on behaviors towards tax compliance
- H<sub>1</sub>: the message will have an effect on behaviors towards tax compliance

### **1.5 Significance of the study**

The study will be of importance to the Inland Revenue Authority since they advise the government on administrative and operational strategies to be implemented to enhance compliance. It will enable them to understand the effects of public tax education and tax amnesty on tax compliance. The study will also be of benefit to the general public comprised of taxpayers to further enhance compliance. Findings will improve their attitudes and perceptions towards tax education and tax amnesty. Finally, the study may also be useful to those who want to expand their knowledge in this field by assisting them to have a better understanding of the effects of tax amnesty and tax education on tax compliance.

### **1.6 Limitation of the study**

Restrictions and procedures associated with centrally available secondary data from the Ministry of Finance is one possible limitation to this study. Unavailability of taxpayers and unwillingness to provide feedback on the questionnaire may also limit the study.

### **1.7 Delimitation of the study**

The study is delimited to the Khomas region, Windhoek City only focusing on one comparative analysis of the effects of public tax education and tax amnesty on tax compliance in Windhoek, therefore generalising results of one Region and the Windhoek setting to other regions may be questionable

### **1.8 Definitions of significant terms used in the study**

**Tax Education:** This refers to programs/ methods aimed at teaching taxpayers about their *tax* rights, responsibilities and legal requirements. Also refers to the method of educating the people about the whole process of *taxation* and why they should pay *tax*

**Tax Amnesty:** refers to the limited-time opportunity for a specified group of taxpayers to pay a defined amount, in exchange for forgiveness of tax liability (including interest and penalties) relating to a previous tax period or periods and without fear of criminal prosecution

**Tax:** An obligatory monetary contribution imposed by a government to raise revenue, levied on the income or property of persons or organisations, on the production costs or sales prices of goods and services, etc.

**Tax Compliance:** The Degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner.

**Tax Evasion:** It refers to the conscious or unconscious action and behaviour of a person who is liable to pay tax but who fails to fulfill this duty by either under-reporting his tax

liability or failing to account for his income-generating activities altogether. Tax evasion also refers to the reduction or minimisation of tax liability by illegal methods.

**Tax Rate:** The tax rate is the tax imposed by the federal government based on an individual's taxable income or a corporation's earnings.

**Tax Information:** The knowledge or facts provided about taxes.

**Tax Obligation:** Accountabilities pertaining to tax payment and declaring of tax returns which a person duly registered and having a Tax Number is required to observe.

**Tax Compliance cost:** It refers to the expenses of time or money in conforming to government requirements such as legislation or regulation.

**Tax Attitude:** The way of thinking or feeling about taxes

**Tax Administration:** It refers to the procedures attached to tax compliance including registration and filing of returns.

**The hypothesis** is a tentative statement about the relationship between two or more variables. It is a specific, testable prediction about what you expect to happen in a study.

**ANOVA:** Analysis of variance is a statistical test for detecting differences in group means when there are one parametric dependent variable and one or more independent variables.

## 1.9 Organisation of the study

This thesis is divided into five key sections: **Chapter one** provides a background on the introduction of a taxation system in Namibia in terms of tax amnesty, tax education and

general tax compliance. The chapter particularly highlights the background of the Inland Revenue department in terms of efforts to enforce compliance amongst taxpayers and just general tax background of the Namibian tax system. The Chapter further states the statement of the problem, research questions and research hypothesis that the study aims to answer. The significance of the study and definitions of terms as used in the study are indicated in the same chapter.

**Chapter Two** outlines the various schools of thought that have been brought forward with regards to tax compliance behaviour, public tax education and tax amnesty. The variables of the study are discussed with reference to studies conducted by other researchers as well as published material on the same.

**Chapter three** outlines the research design and methodology used for the purposes of completing the study. It also describes in detail, the research design, target population, the sample, sampling procedure to be adopted as well as the data collection instruments and data analysis tools that were used by the researcher.

**Chapter four** contains data analysis, presentation and interpretation of the findings while

**Chapter five** provides a summary of the findings, conclusions and recommendations.

This is followed by references and appendices sections.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter outlines the various schools of thought revolving around the effects of tax education on compliance and evasion. It further identifies the various theories put across by various scholars in relation to tax compliance.

According to Sabina (2011), taxes are mandatory financial contributions to the state's revenue, assessed and imposed by a government on the activities, income, occupation, enjoyment, expenditure, privilege and property of individuals and companies. Those monetary charges are meant to realise political, economic and social aims preconceived by the government. The state authority's activities funded by taxes tend to develop living conditions of citizens by providing public access to education, health services, culture as well as internal and external protection of a country (Sabina, 2011). However, at the same time, taxes limit an individual's freedom to make independent decisions about his or her income (Rile, 2011).

Therefore, several tax methods are perceived as more or less just and this may lead to different attitudes towards taxation and willingness to fulfil tax duties. Alma (2005) defined tax amnesties as government programs that allow citizens to willingly pay for their previously evaded taxes in a set period without being exposed to punishment. Alma (2005) further stated that amnesties may be lasting or temporary, most generally temporary and voluntary participation is inherent to them in which unanticipated evaders

are exposed to more intense penalties in case they are caught. Another important attribute of amnesties is that they may be applied for the principal payments or for penalties and interests or for both of them, Alley *et al.*, (2012).

## 2.2 Theoretical Literature

It is usually said that tax and death are inescapable in life. However, the past has shown that individuals do not like paying taxes, and they take a variety of actions to reduce their tax liabilities, for example, by interpreting tax rules to their own benefit (Alley *et al.*, 2012). A major worry that has been raised by taxpayers for not voluntarily complying with tax laws is that governments are not answerable to the taxes collected (Onuba, 2012). Low levels of tax compliance in developing countries to a great extent have been attributed to low levels of tax-payer education. Azubike (2013) argued that lack of information and explanation for taxpayers is a major problem as they are not adequately educated and enlightened on the provisions of the various tax laws, policies and regulations.

For one to be tax compliant, taxpayers need to be tax literate. Taxpayers need to possess some basic knowledge and skills in taxation (Choong *et al.*, 2011). According to Richardson (2015) in order to increase tax compliance, people should be equipped with tax education.

Governments facing budget shortfalls take action to close the deficiency through spending cuts and/or tax level increases (Agbeyegbe, Stotsky and Woldemariam, 2004). With the pressure to raise additional revenue, many states have begun to offer, and in many cases constantly offer, periods of state tax amnesty (Luitel and Sobel, 2010). Malik and Schwab (2008) argued that some evaders would like to re-join the tax system but are discouraged

by high fines and the possible humiliation they might face should they disclose their evasion. Given an amnesty, these taxpayers can re-join the tax system without facing fines and this embarrassment.

A previous study by Adimasu (2017) stated the simplicity of a tax system as one of the imperative factors that determine tax compliance behaviour of tax-payers. Specifically, under the SAS, tax-payers are required to complete their tax returns by themselves which requires at least a logical level of simplicity because taxpayers may have different tax knowledge and levels of education, with different income levels. Hence, to help tax-payers to fill their tax returns correctly, the tax revenue department has to provide simple and sufficient tax return forms.

The theories on tax compliance presume that psychological factors including morals and ethical concerns are also important to the taxpayers. There are several theories which have been expounded to explain tax compliance. The two theories explained here are the theory of planned behaviour and the motivation theory.

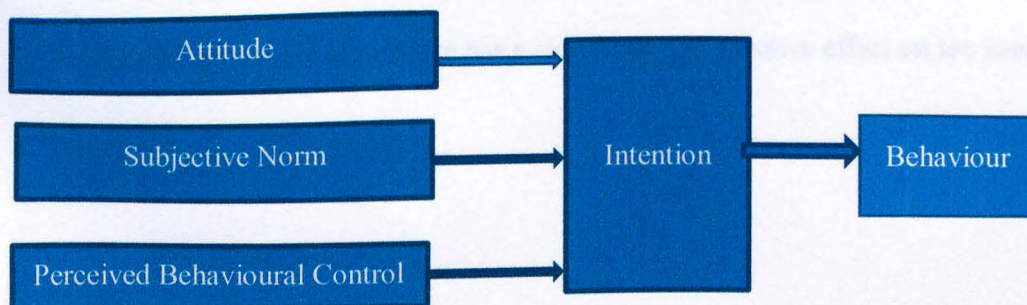
### **2.3 Theory of Planned Behaviour**

According to Ajzen (2011) the psychological theory that links beliefs and behaviour, tries to explain human behaviour. Ajzen (2011) proposed the concept to improve the predictive power of the theory of reasoned action by including perceived behavioral control. According to this theory, the conduct of individuals within the society is under the influence of definite factors which derive from certain reasons and emerge in a planned way.

The ability to perform a particular behaviour depends on the fact that the individual has a purpose towards that behaviour (behavioural intention). The behavioral intention, in turn, depends on three factors that are: Attitude towards the behavior; Subjective norms and Perceived behavioral control. These three factors are also under the influence of behavioural beliefs, normative beliefs and control beliefs. The focus of this theory is on the taxpayer's attitudes, beliefs and ethics towards tax compliance. The theory suggests that a taxpayer may comply even when the probability of discovery is low.

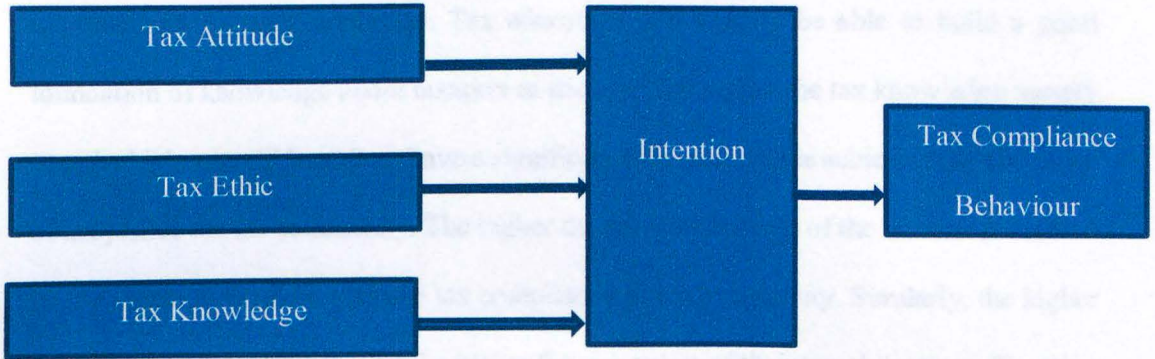
This theory further suggests that an individual's behaviour is determined by her/his intention; whereas the intention is determined by an individual's attitudes which includes the belief of the outcomes of a particular behaviour, subjective norm which includes perception of others' opinions of whether she/he should perform a particular behaviour and perceived behavioural control which includes perception of their ability to perform in a particular behaviour (Ajzen, 2011).

A study by Kirchler (2007), states that tax attitude refers to one's belief of the outcomes of tax compliance. Tax ethics/norm refers to one's perception of others opinions on tax compliance (Henderson and Kaplan 2005; Wenzel 2005), and tax knowledge refers to one's perception of the ability to comply with the tax laws, which includes technical tax knowledge and general tax knowledge about the tax system and tax compliance.



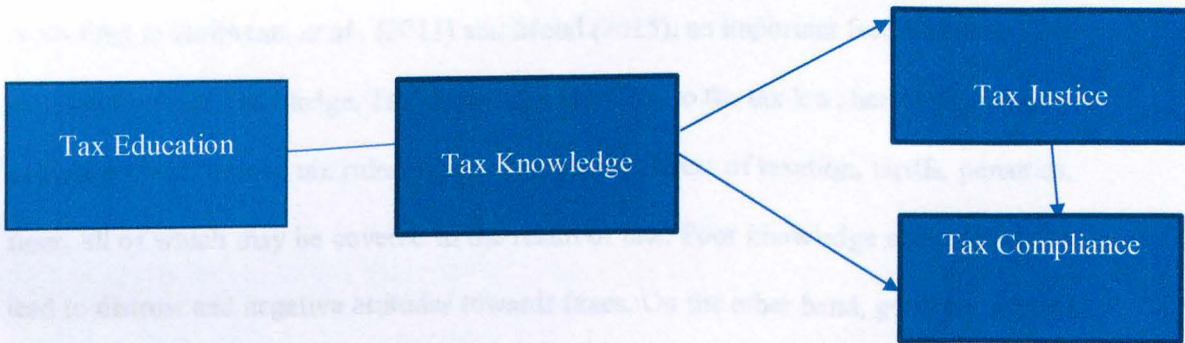
**Figure 2.1: the model of tax compliance**

**Source: (Ajzen, 2011).**



**Figure 2.2: Model of tax compliance**

**Source: Source: (Ajzen, 2011).**



**Figure 2.3: The model education in moderating individual behaviours**

**Source: Kirchler (2007)**

The above figure 2.3, covers tax education and how it moderates an individual's behaviour towards tax compliance. It indicates that there is a relationship between tax education and tax compliance. In this case, tax education has a positive and significant impact on tax knowledge and tax knowledge has a significant and positive effect on tax justice and tax

fairness. On the other hand, tax fairness has a positive and significant impact on tax compliance and tax knowledge also has a significant positive effect on tax compliance.

The above figure provides confirmation of the importance of tax education on the improvement of tax compliance. Tax education will equally be able to build a good foundation of knowledge about taxation in society. The higher the tax knowledge society has, the higher it will be able to have a significant influence on the achievement of a sense of tax justice for the community. The higher the sense of fairness of the taxes as perceived by the community, the higher the tax compliance in the community. Similarly, the higher the level of knowledge of taxes, the higher the awareness of their tax obligations. Taxation knowledge can be built from the tax education received by the community.

According to Hofmann, *et al.*, (2011) and Mohd (2015), an important factor affecting tax compliance is tax knowledge. Tax knowledge is related to the tax law; hence tax is highly associated with various tax rules, types of taxes, the object of taxation, tariffs, penalties, fines, all of which may be covered in the realm of law. Poor knowledge about taxes can lead to distrust and negative attitudes towards taxes. On the other hand, good knowledge about taxes is associated with a positive attitude towards tax (Niemirowski, *et al.*, 2012).

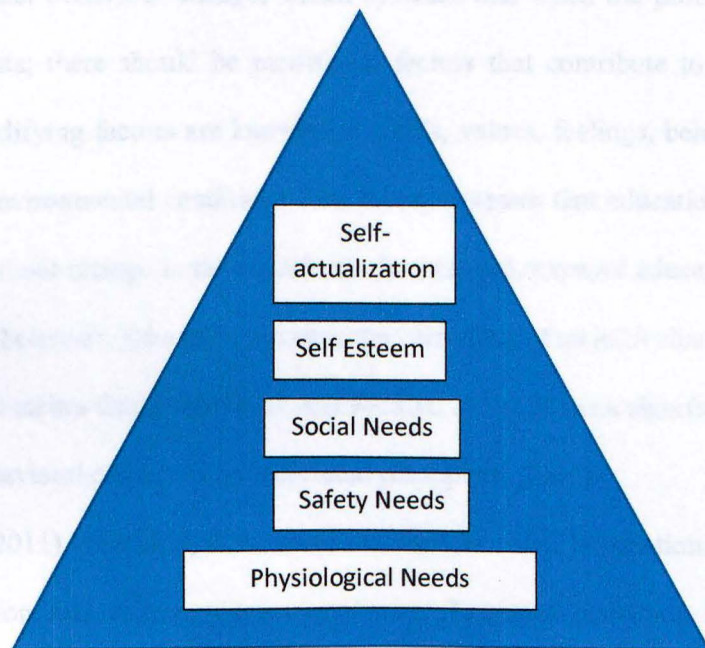
A study by Eriksen and Fallan (2010), also highlighted that when the level of knowledge about tax increases, the rate of tax evasion decreases and tax compliance levels increase. Also, tax compliance is affected by tax justice perceived by the public and justice related to the perceived balance of taxes paid and received public goods, and the perceived fairness of the procedure and the consequences of violation of norms, (Hofmann, *et al.*, (2011).

## 2.4 Motivation Theory

According to the Avnet (2013), individuals are motivated to satisfy their needs ranked in a hierarchy according to their level of importance. Avnet (2013), emphasized that these needs are the most important factor determining the behaviour of an individual by the thought that each behaviour originates from the efforts to resolve their specific needs.

Similarly, Kast and Rosenzweig (2011: 244) defined motivation as “*what perhaps prompts a person to act in a certain way or at least develop a propensity for specific behaviour*”. Luthans (2010), pointed out that the key to understanding the process of motivation lies in the meaning of, and the relationship between, needs, drives, and incentives. Therefore, motivation, according to his point of view is a “*process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive*” (2011: 244).

This theory is related to this study in the context that the government expenditures can actually inspire and enhance compliance if they provide basic necessities to the public such as shelter to those who need it, health care, good schools, roads and even food to the most fortunate communities. The existence of positive benefits may increase the chances that taxpayers will comply voluntarily, without direct coercion. Although most taxpayers might not assess the exact value of what they receive from the government in return for taxes paid, it can be argued that they have general impressions and attitudes concerning their own returns and others’.



**Figure 2.4: Motivates Individual Behaviour**

**Source: Avnet (2013)**

Figure 2.4 above is explaining how Maslow's motivation theory motivates individual behaviour, given that physiological needs refer to the need for water, food and other basics needs; to say if an individual is in need of those basic needs it motivates a person to behave in a certain way until finding the needs, once physiological needs are satisfied then they become concerned about their safety and all other basic needs. The theory can be applied to how individuals feel about the government in addressing the needs of society.

### **2.5 Empirical literature review**

A study by (Svetna and Taumo, 2013) articulated how education changes the behaviour of an individual (taxpayer), the basic goal of most tax education programs is directed towards behavioural change. Being the Case, Theory of Planned Behaviour can best

explain how education can change the behaviour of an individual. Theory of Planned Behaviour is used to predict behaviour change, which assumes that when the problem relating to behaviour exists; there should be modifiable factors that contribute to the problem. Some of the modifying factors are knowledge, skills, values, feelings, beliefs, attitudes, intentions and environmental conditions. The theory assumes that education is fundamental, in bringing about change in the modifiable factors, and taxpayer education is expected to change this behavior. Education changes the behaviour of an individual by affecting the way he or she makes decisions (Denis and Mehila, 2015). It has a significant positive impact on the behavioral change of an individual (Campbell, 2008). Furthermore (Kassipillai, 2011) in his study discovered that there is a positive relationship between taxpayer education and voluntary tax compliance. Taxpayer education will provide the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. This was confirmed in a study carried out among the undergraduate students at the University of Malaysia. Using the questionnaires administered to the students, at the beginning of the semester, to test the compliance attitudes, before studying taxation subjects, and their responses were all recorded. At the end of the semester, another set of questionnaires were administered to test the compliance attitudes, after acquiring the tax knowledge. The statistical findings confirmed the prevalence of the significant positive relationship between the level of taxpayer education and the level of voluntary tax compliance. However there is a need to conduct a similar study currently, because the above study was conducted more than 3 years ago, using an environment different from Namibia and the Sample selected for the study was university students, who were not really in business operations.

Lin and Carrol (2010), conducted a study to determine how enhanced tax knowledge and tax attitudes, affects the compliance behavior among the taxpayers in New Zealand. Analyzing the compliance behavior of the taxpayers after acquiring the tax knowledge did not have a significant relationship with tax compliance behavior. There is a need to carry out a similar study in the Namibia environment because the findings of the study were carried out in an environment most likely different from Namibia in the year 2006.

Rasshid and Noor (2004), conducted a study to evaluate the influence of tax knowledge on tax compliance behavior among the taxpayers in Malaysia. The objective of the study was to investigate the effect of the presence of tax knowledge and understanding, on the level of tax compliance behaviour. Analyzing the data collected using questionnaires, to compare the compliance behavior of taxpayers with a significant level of tax knowledge with those without tax knowledge. Statistical findings confirmed that those with tax knowledge had a higher level of compliance than those without. The results indicated a significant relationship between the level of tax knowledge and the level of tax compliance. Though there is need to carry out similar study presently, for the reason that the environment, in which the study was carried out is different, and the study only matched the behavior of those taxpayers with a substantial level of tax knowledge to those without tax knowledge. The study to be conducted need to establish and incorporate the relationship between the levels of tax compliance.

Normala (2007), conducted a study to examine the influence of tax education, as a procreative approach to enhance voluntary tax compliance, among the taxpayers, in Malaysia. There as a move from the official assessment of taxes, to self-assessment system, in 2004. Under the self-assessment system, a taxpayer has to his tax liability, pay

taxes to revenue authority, later on, the revenue authority conducts an audit to establish the accuracy of the declarations in returns and payment. This system requires high voluntary tax compliance. Using questionnaires administered to the taxpayers and the tax officials, the respondents confirm the increase in the tax knowledge increase the level of voluntary tax compliance. The statistical findings, confirm that there is a significant relationship between the level of Tax education and voluntary tax compliance. There is a need to carry out a similar study in Namibia, because of the different environment in which the study was conducted. The Malaysia tax system is characterized by the single tax act- the income tax act which administers all tax collections.

Christina, Deborah and Gray (2009), Conducted a study to determine the economic and behavioural factors affecting tax compliance among taxpayers in the United States of America. The objective of the study was to determine the economic and behavioral factors, affecting the tax compliance among taxpayers, in the Arkansas City tax penalty amnesty system. Arkansas City had announced an amnesty system, whereby the non-compliant traders were waived of the penalties and fines provided that they were ready to pay their tax liability supposed to be paid and they did not pay. Using questionnaires administered to the participants of this amnesty program, the respondents identified factors that made them not to pay their taxes due, within the statutory period and not declaring the correct taxable income, as the complexity of the tax laws, ability to pay, ignorance of the tax laws, and the perceptions of

High tax rates and unfairness of the tax system.

A significant portion of noncompliance was unintentional, caused by the complexity of tax laws and ignorance, as most of the taxpayers did not understand their tax liabilities or their tax obligations. The results confirmed that there was a significant positive

relationship between taxpayers' knowledge of the tax matters and voluntary tax compliance. However, there is a need to carry out a similar study, because the environment in which the study was carried out is different. Added to this, the level of development in the United States of America is different from that of Namibia.

## **2.5 Taxpayer education**

Taxpayers' education can be described as a method of educating the people about the whole process of taxation and why they should pay tax (Stephen, 2011). Taxpayer education assists taxpayers in meeting their tax obligations to the government (Misra, 2004). The primary purpose of taxpayer education is to encourage voluntary compliance amongst taxpayers, but the theory needs to be developed further to establish whether taxpayer education in isolation can impact on compliance (Kolodziejski, 2014). Most taxpayers want to do the right thing and pay their fair share of tax. They do not, however, want to pay more than is necessary. Voluntary compliance amongst taxpayers is heightened when taxpayer education and enforcement functions are balanced to achieve the desired output in tax compliance Misra, (2004). Tax administration is a key public sector responsibility that touches the lives of citizens and their businesses on a daily basis, Palil (2012). Failure to understand the taxation system leads to less compliance since most people will avoid it because they do not know what they should pay and why they should pay tax (Mukhlis *et al.*, 2015).

Tax education is found to have a positive impact on tax knowledge, which in turn has a positive impact on the observance of tax fairness and compliance. When individuals become aware through education, their knowledge increases and this knowledge leads to an improvement in their positive attitude towards tax compliance (Mukhlis *et al.*, 2015).

A study by McKercher (2013) confirmed that an informed person will more likely want to comply whilst someone who is not informed will unintentionally be non-compliant. It's also found that tax skill acquisitions are an essential component of voluntarily tax compliance (Saad, 2013). Furthermore, value acquisitions are also found to be a factor in preventing tax evasion, one value of education is increased seriousness regarding evasion (Buhari and Ling, 2007).

According to the study conducted by Saad (2013) increasing tax knowledge through education will reduce non-compliance. Hence, improving tax literacy as compared to applying enforcement strategies has a more long-term impact on compliance, especially when people are educated from a young age before they enter into the labour market environment (Nichita, 2015).

A study by Wong and Lo (2015), stated that the Hong Kong government requires all non-accounting students to take an introductory technical tax course during their undergraduate study for them to gain technical aspects of taxation and important tax principles. A study by Morgan and Morgan (2010) stated that lack of basic tax education can be attributed to millions of taxpayer citizens failing to take advantage of various credits, deductions and legal loopholes. The advantages of basic tax education and tax knowledge are real and plentiful, both direct and indirect.

Misra (2014), stated that voluntary compliance amongst taxpayers is heightened when taxpayers' education and enforcement functions are balanced to achieve the desired output in tax compliance. Hence there is a substantial amount of literature which confirms that through tax education, voluntary tax compliance is improved. Furthermore, the benefits of educating taxpayers are found to also limit tax evasion and significantly enhance tax

literacy. It also has a long-term result as compared to a short-term impact. Kolodziejski (2011) in his study also concluded that tax education is an important factor that can influence the behaviour of taxpayers. In this case, tax education can be affected by how much knowledge the public has about taxes (tax knowledge).

According to the Report by the Inland Revenue Department (2018) promoting a culture of tax compliance in Namibia is a strong fundamental as it does not only make taxation easier but accelerates the economy at large. Moreover, tax compliance can increase national revenue. It is from this background that the Revenue Department decided to come up with a tax education day which was held for the first time on the 21<sup>st</sup> of May 2018, under the theme Strengthening Knowledge of Tax Laws and Procedures. This strategy, aimed at reaching out to taxpayers across all 14 regions with the objective to, educate taxpayers on the importance of voluntary tax compliance; improve taxpayers' knowledge of the tax and procedures.

However, it was observed that the day had not attracted as many taxpayers as was expected by the Revenue Department because most taxpayers were at their duty stations and businesses. This was as this education day took place on a normal working day. Those taxpayers who got a chance to go suggested that the revenue department should declare the tax education day a national holiday and ensure they have educative training materials and do proper basic tax training and not just to inform taxpayers on the importance of compliance but rather provide formal basic training in which they teach the basics of taxation, policy and regulations. It was observed that in Namibia, little has been done is educating taxpayers to be able to gain knowledge and rather much emphasis has been put on creating awareness on the importance of tax compliance.

## **2.6 Attitudes of Taxpayer's towards compliance**

Chau & Leung (2011) defined attitudes and perception as influenced by the fairness of the tax system and peer influence. Tax attitude refers to one's belief of the outcomes of tax compliance (Forest and Sheffrin 2010; Kirchler, 2012), Research has found that where tax systems are considered to be fair, tax compliance is found to be higher. Similarly, where the tax systems are found to be unfair, tax compliance is found to be lower.

The same sentiments were echoed by Cummings *et al.*, (2014) where it was noted that when individuals view paying taxes as a fair fiscal exchange, tax compliance is enhanced. Peer influence refers to taxpayers' associates and includes friends, relatives and colleagues. It is reflected in the individual's expectations in relation to the group's tax behaviour.

Taxpayers with peers that do not comply are more likely not to comply and vice versa. Chau & Leung (2011), Schmolders (2013), defines tax morale as the attitude of a group or the whole population of taxpayers regarding the question of accomplishment or neglect of their tax duties. Tax ethics/norms refer to one's perception of others' opinions on tax compliance (Henderson and Kaplan 2010).

## **2.7 Methods of educating taxpayers**

Education can be defined as a process of bringing desirable changes into the behaviour of human beings. It can also be defined as the "Process of imparting or acquiring knowledge or habits through instruction or study" (Kolodziejewski, 2014). The behavioural changes must be directed towards a desirable end and they should be acceptable socially, culturally and comically and result in a change in knowledge, skill, attitude and understanding.

There are three types or methods of education: namely informal education, formal education and non-formal education. Informal education is a lifelong process in which an individual learns from daily experiences. Individuals also learn from exposure to the surroundings like at home, at work, at businesses, and at play.

Formal education, on the other hand, is based on institutional activities with a chronologically graded structure. It's also subject oriented and is based on full-time and formal education can lead one to obtain certificates, diplomas and degrees.

Non-formal education is a flexible one, it's also life, environment, and learner-oriented, is diversified in content and method. It's built on learner participation and it mobilizes local resources as well as enriching human and environmental potential. An example is Open University courses.

Based on the above types of education, on understanding tax education in which taxpayers are educated through informing, teaching, training, discussion and storytelling; it gives a clear signal that informing and storytelling are part of informal education and this is general education outside a standard school setting. The methods are considered to be the wise, respectful and spontaneous process of cultivating learning and work through conversation, the assessment and enlargement of experience because taxpayers are informed through various ways.

On the other hand, teaching and training are part of formal education because they are organized, guided by a formal curriculum/ topic, lead to a formally recognized credential such as, certificate of attendance, a high school completion diploma or a degree, and is

often guided and recognized by the government at some level. Teachers and trainers are usually trained as professionals in different specialisations.

Discussion is part of non-formal education because it is any organized educational activity that takes place outside the formal educational system. Usually, it is flexible, learner-centered, contextualized and uses a participatory approach. There is no specific target group for discussions neither is there an age limit. It could be kids, youth or adults. Also, the purpose of discussions is mostly to increase one's knowledge and skills and is based on the needs of knowledge to be given. If the tax authority is educating taxpayers through discussion, the main message is to enhance the taxpayer's knowledge and skills on taxation.

A study by Mathieu *et al.*, (2010) and Muehlbacher *et al.*, (2011) found that voluntary tax compliance is positively associated with types of education individual taxpayers have. These two studies use taxpayers' overall educational level to measure the effects of education on tax compliance. However, proper tax compliance may require specific tax knowledge that general education may not provide.

For example, income tax compliance may depend on a comprehensive understanding of relevant tax laws and the taxability of different types of income. Therefore, a more direct measure of tax knowledge is necessary for scrutinizing the impact of tax education on tax compliance decisions. However, previous evidence on the association between tax knowledge and tax compliance decisions are limited and inadequate (Collins *et al.*, 2011; Eriksen and Fallan 2012). The researcher argues that different types of tax education may have varying impacts on taxpayers' compliance decisions.

## 2.8 Types of media for educating

A study by Angus Young, *et al.*, (2016) sought to review research about Kenya's individual tax compliance. While empirical research in this jurisdiction is still in its infancy, the scale of the problem might be under-estimated, or at least overlooked. The effectiveness of media campaigns in the TV, Radio, and use of tax information magazines, business customers/prospects, storytelling, electronic media (internet), mobile media (SMSs) and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the tax-payers. A clear scope of work-periods and records to be covered have been clearly defined under tax laws which are advertised under print media channels and returning of confiscated tax-payer records.

The law requires KRA to return such records within 6 months. Reports are now standardized containing relevant and key information. Reports shall now be digitally and centrally filed with all concerned departments having access. This will help in compliance follow-ups and avoiding a repeat of audits (<http://www.kenyaflowercouncil.org> retrieved on 30<sup>th</sup> May 2019).

Research has demonstrated that if young people and adults are encouraged to read newspapers, leaflets and magazines, it often leads to a life-long habit of reading all sorts of other printed material too. Newspapers and magazines are relatively inexpensive and are therefore particularly useful in sparking off a passion for reading. On the other handprint media such as leaflets are often given out for free to people by businesses to educate, create awareness and encourage people to have a culture of reading. ([www. http://pmg-assets.s3-website-eu-west-1.amazonaws.com/docs/PrintMedia.htm](http://pmg-assets.s3-website-eu-west-1.amazonaws.com/docs/PrintMedia.htm) retrieved on 16 April 2019).

Zafar *et al.*, (2013, defined Electronic Media as communication mediums which are based on electronic or electromechanical means of production and are most often distinguished from print media. The primary electronic media sources familiar to the general public worldwide include “*streaming internet content*”. It denotes, “*the main means of communicating with a large number of people, especially internet and satellite*” (Fallan, 2010, P. 387-402). The electronic media has four basic functions; to inform, entertain, educate and influence the public opinion. Media is everywhere; it has become a part of our daily life. The media plays a dominant role in the learning process. Media has the potential to shape personalities, change the way we perceive and understand the world and our immediate reality.

On the other hand, electronic media in education such as TV has been given considerable importance in many countries as a source and a tool of teaching. The success stories of using television in many countries have negated the concept that television is basically an entertainment-oriented medium and it is hostile to thoughts. However, television is adaptable and can follow different approaches when used in different educational situations (<https://www.slideshare.net/muncera1994/the-role-of-media-in-education>).

There are Positive Impacts of Electronic Media which are a direct social change and values. The electronic media may be successful in stimulating the change in the tightly held ideas and rigid attitudes to bring the desired change. The media can give direction to social change, and positively guide the society towards the desired goals (Zafar *et al.*, 2013).

The effect of media is immense on the life of each and every individual. With the ongoing development of information and communication technology in the society, media has

given particular attention to the need for education and cultural diversity and promoted media awareness among individuals. Hence media has opened a new dimension and gave a new meaning to education and made education more entertaining like never before and it just needs to be implemented properly and ensure the use of the type of media that is fit to attract certain groups of taxpayers in a certain area (<https://www.slideshare.net/muneera1994/the-role-of-media-in-education>).

## **2.9 Message being communicated**

Knowledge about taxation is critical in educating taxpayers and the manner in which the message is communicated will have an impact on taxpayers either to comply or not to comply. It requires one to give the basics of taxation, by really communicating the fundamentals of tax for one to have a better understanding of James, *et al*, (2014). Tax knowledge refers to one's perception of the ability to comply with the tax laws, which includes technical tax knowledge and general tax knowledge about the tax system and tax compliance Normala (2007).

On the other hand, taxpayers should be equipped with the skills to fill in their return forms in a competent manner. The message must be communicated in a manner in which people really get confidence and gain competence to be able to fill in their returns. Christina, Deborah and Gray (2009).

## **2.10 Tax Amnesty**

A tax amnesty can be defined as a limited-time offer by the government to a specified group of taxpayers to pay a defined amount, in exchange for forgiveness of a tax liability

(including interest and penalties), relating to a previous tax period (s), as well as freedom from legal prosecution Muttaqin, and Zainal, (2011). Amnesties generally fall in two categories: financial and legal (International Monetary Fund). A study by Suyanto (2016) described the purpose of the policy at that of increasing government revenue and economic growth as well as to increase tax awareness and compliance of communities as a whole. Research on the relationship between tax-payers following tax amnesty and tax compliance shows a positive effect of tax amnesty on tax-payer compliance (Ngadiman and Huslin, 2015). The policy is an effort made by a country's tax authorities to provide an opportunity for the tax evaders to report the income and pay taxes voluntarily through incentives (Mukarromah, 2016).

According to the report provided by the MoF Revenue Department, the Ministry of Finance Revenue Department Introduced the Tax Arrears Recovery Incentive Programme (**tax amnesty**) for the first time in Namibia, to provide one-time infusion of cash into the state revenue fund and a once-off relief to delinquent taxpayers who appeared unable to settle their outstanding balances.

This program provided a set time-period during which taxpayers needed to remit all outstanding taxes in return for abatement of 80% and 70% interest balances for the two phases of the incentive program. According to the report, Taxpayers would only benefit from the incentive programme once they settled the principal tax amount in full and 20% or 30% of the interest within the duration of the tax incentive programme. Taxpayers were given a leeway to choose which tax account balance to settle and was not restricted to the total due on all active tax accounts held under the taxpayer's name.

At the end of the incentive programme, the IRD recorded a total collection of NAD1.3 billion as received by all IRD offices from 40,154 taxpayers who partook in the tax incentive programmes and duly recognized as at April 2018. The total amount was inclusive of the part payments as well as full settlements of the tax account balances. In cases where taxpayers did not pay the full qualifying amount by the closing date of the programme, such taxpayers forfeited the benefits of the incentive programme.

The tax education system in Namibia is not enough to equip taxpayers with the needed skills and knowledge about tax and the importance of compliance. Tax non-compliance is on the rise currently as a result of insufficient training on tax education because the revenue authority has no educational system/framework to ensure proper teaching and training on taxation is given to taxpayers, (Ministry of Finance [MOF], 2018).

There is a big gap in terms of tax education delivered by the ROR in achieving tax compliance on the taxpayers. The ROR needs to relook into the education programs/activities and come up with an education system in which they can train people based on their level of education and make sure they teach and train them to understand the basics and importance of taxation (MOH, 2018).

## **2.11 Conceptual framework**

This study assumes that the factors under discussion have a direct influence on tax compliance among taxpayers in Windhoek. The relationship between the dependent and the independent variables is illustrated in the conceptual framework presented in figure A study by (Miles *et al.*, 2015) highlighted that a conceptual framework is a written or visual presentation that “explains either graphically, or in narrative form, the key items to be studied, the key factors, concepts or variables and the presumed relationship among

them. Furthermore, Wong and Wai-Yee (2015) stated that it can also be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation

The figure below shows the conceptual model depicting the nature of the relationship between the independent variables and the dependent variable. As shown in figure 3 below, the Independent variables of the study are methods of education, measured in terms of informing, teaching, training, discussions, and storytelling; types of media for educating measured in terms of electronic media of access to internet, mobile media (SMSs and WhatsApp), personal selling by tax officials, print media publications such as (newspapers, banners, leaflets or books), access to the publications, and quantity of educative information in the publication, usability of the published information and complexity of the printed educational material, messages being communicated measured in terms of knowledge about taxation, skills of filing tax return forms and change tax-payers habits.

The dependent variable, which is education, is heavily dependent on the methods of education that are put in place by the revenue authority to ensure teaching, informing and training is really happening. This, in turn, is to equip tax-payers to acquire knowledge, skills, and value on the importance of tax. The types of media being used in transferring the knowledge to tax-payers whether it is through radios, internet, mobile media, personal selling by officials and through print media are important to ensure that each of this is being used to reach out to the people of different backgrounds and will add value.

The message sent out to the tax-payers must really help tax-payers to gain knowledge on the importance of compliance. Education is a key enabler for tax compliance because for

one to be able to understand tax laws, policies, regulations and the taxation basics, it has to be through education. How this education is reaching out to the tax-payers will also greatly contribute hence the three independent variables are very crucial in ensuring that education has been really given and tax-payers show understanding of what is being taught.

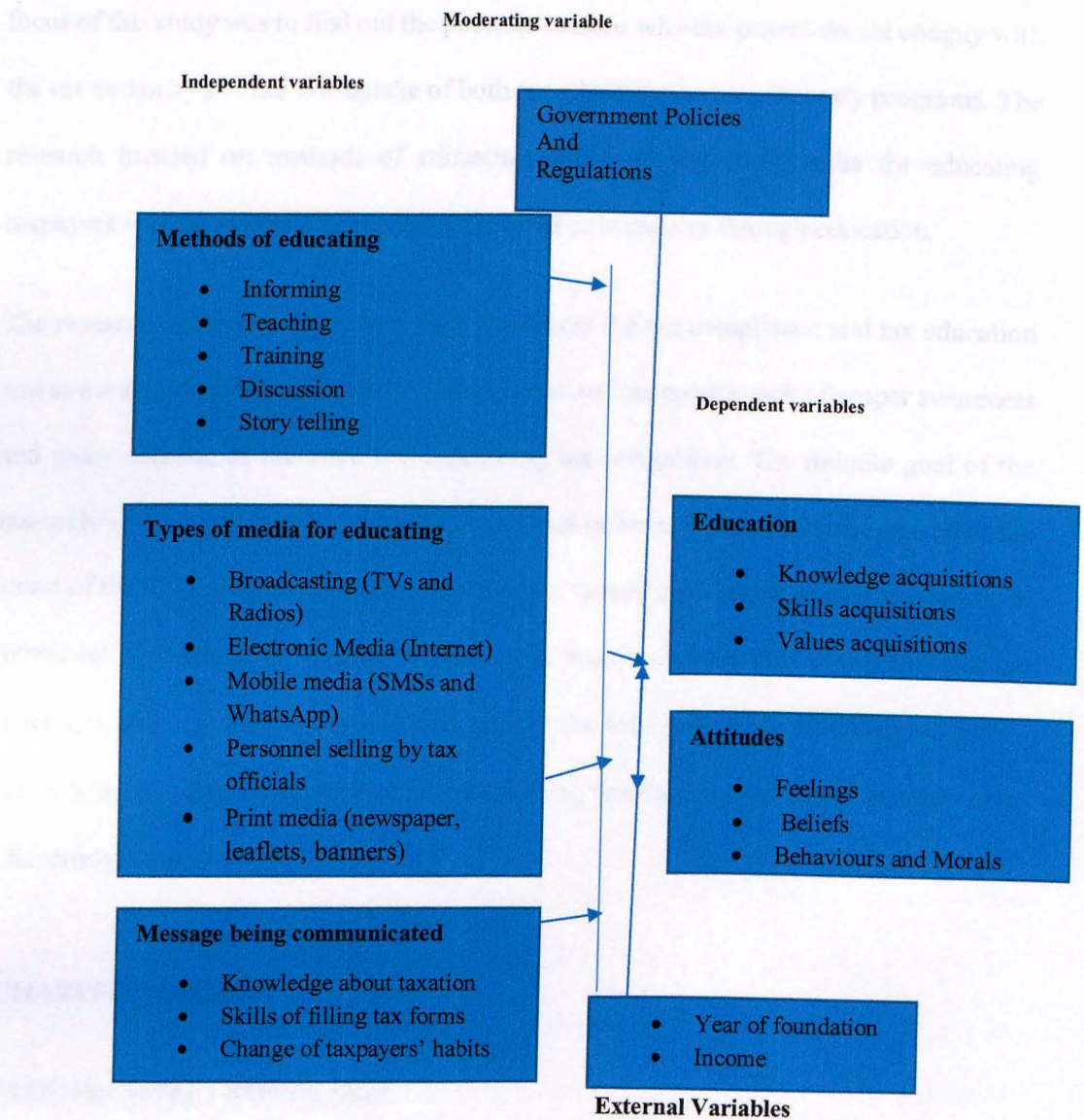
The three independent variables are really related to the gap in the study because it clearly shows that the Inland Revenue Department is informing tax-payers through personal selling and newspapers, leaflets but not really providing training and teaching to tax-payers and ensuring they understand. Also, on the message that is sent out to tax-payers currently, it is just reminders on submitting returns when the tax due date is approaching and not really emphasising on the importance of understanding tax and gaining knowledge on how to do their own returns to ensure the compliance

Figure 2.5: Conceptual framework for the work for independent and dependent variables

Source: Researcher's own construct

### 2.1.3 Summary of literature review

From the review of literature, it is clear to date there has been research exploring tax education and tax awareness and the influence it has on compliance to taxpayers. The main



**Figure 2.5: Conceptual framework for in work for independent and dependent variables**

*Source: Researcher's own construct*

## 2.12 Summary of literature review

From the review of literature, it is clear to date, there has been researching exploring tax education and tax amnesty and the influence it has on compliance on tax-payers. The main

focus of this study was to find out the possible reasons why tax-payers do not comply with the tax authority and the low uptake of both tax education and tax amnesty programs. The research focused on methods of educating taxpayers, types of media for educating taxpayers and the message being communicated to taxpayers through education.

The research outlined in this paper aims to address the tax compliance and tax education gap as a result of inadequate training and education of tax-payers, lack of proper awareness and understanding of the importance fulfilling tax obligations. The definite goal of the research was to gain insight into the dynamics that influence tax compliance as well as the cause of the low uptake on tax education and tax amnesty programs among tax-payers in Windhoek by concentrating on all tax-payers in Windhoek City. It is anticipated that the outcomes will aid decision-makers and mainly the Inland Revenue Authority to gain a better understanding of tax-payers and empowering them to plan and design services more effectively.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter outlines how the research was conducted. It contains the research design, hypotheses of the study, target population, sampling design and procedures, data collection instruments and data analysis tools that were used.

#### **3.1 Research design**

This study used a causal-comparative research design in which the researcher sought to identify if there is a difference between dependent variables and independent variables. A causal-comparative design is a research design that seeks to find relationships between

independent and dependent variables after an action or event has already occurred, Salkind (2012). The researcher's goal is to determine whether the independent variable affected the outcome, or dependent variable, by comparing two or more groups of individual's Salkind (2012).

The independent variables are defined as the Methods of educating, types of media for educating and message communicated. "methods of educating refers to the types of methods or ways used by Inland Revenue department when education tax-payers such as informing, teaching, training, discussion and storytelling" "types of media for educating refers to the media that the Inland Revenue is making use of when conveying education to taxpayers and this includes broadcasting (TVs and Radios), Electronic media (Internet), Mobile media (SMSs and WhatsApp), personal selling by tax officials, and print media (newspapers, leaflets, banners), "Message being communicated refers to the communicate itself that is passed to the taxpayers and this includes knowledge about taxation, skills of filing tax forms and change of tax-payers habits". The dependent variable is defined as the Education and Attitudes of taxpayers. "Education refers to the education delivered by the Inland Revenue department in ensuring that taxpayers are equipped with knowledge acquisition, skills acquisitions and values acquisitions" attitudes refer to the way the taxpayer's views on tax compliance with the Inland Revenue in terms of their feelings, beliefs and behaviours and morals".

Causal-comparative research is a type of experimental investigation in which the researcher seeks to identify cause and effect relationships by forming groups of individuals in whom the independent variable is present or absent... and then determining whether the groups differ on the dependent variable Gall and Borg (2017). The dependent variable is continuous in nature and the independent variable is a 53 dichotomous

nominal-level discrete variable which is appropriate when analysing the data using an independent samples t-test (Ritchey, 2008).

### 3.2 Target population

The research targeted taxpayers within Windhoek City Central Business District which includes business and individual taxpayers. The unit of analysis for the study was any taxpayers registered with the Inland Revenue Department. The researcher was interested in comparing the effects of public tax education and tax amnesty on the tax compliance behaviour of taxpayers shown in table 3.5.1. Below.

**Table 3.1: Target Population in Windhoek City Central Business District**

Population description	Target population
Tax-payers	146 752
<b>Total</b>	<b>146 752</b>

*Source: Department of Inland Revenue Authority – Namibia*

### 3.3 Sampling

A probability sampling frame was used in this research to ensure that every item in the population had an equal chance of being included in the sample. Probability or random sampling has the greatest freedom from bias but may represent the costliest sample in terms of time and costs, (Zikmund, 2012). This research made use of the systematic sampling technique because this technique ensures that every  $n^{\text{th}}$  case after a random start is selected.

The researcher handed out questionnaires to every 2<sup>nd</sup> taxpayer who came at the customer care centre at the Ministry of Finance Inland Revenue, some taxpayers provided their

email addresses and contact numbers so that the researcher could email soft copies and visit their offices to hand in the questionnaires and also explain the purpose of the questionnaire to those tax-payers who opted not to take the hard copies at the customer care centre. The researcher chose this sampling technique because of its simplicity.

During the process of handing and filling of questionnaires, the researcher encountered some difficulties because some taxpayers were not willing to participate, thinking the process was going to take much of their time, so the researcher had to really convince the taxpayers and explain the importance of the questionnaires. It was therefore not an easy task to carry out as people always needed to be convinced.

The researcher ensured a high level of correspondence between the sampling frame and the sample population as the accuracy of the sample depended mostly on the sampling frame. The sample size is an important element of any observed study in which the goal is to make inferences about a population from a sample.

The sample size is important primarily because of its effect on statistical power. Statistical power is the prospect that a statistical test will indicate a significant difference when there truly is one (John Eng., M.D. (2011). The John Eng., M.D (2011), the table was initially used to determine the ideal sample size for this study. For the population of 146 752 taxpayers, would not be an ideal sample size given the time and resources available and also considering the large population. So, the researcher used Slovine's sampling formula using a 95% interval of taxpayers <https://sciencing.com/slovins-formula-sampling-techniques-5475547.html> retrieved on 20th February 2019.

$$n = N/(1+N(e^2)) \quad 146\,752/(1+N(e^2)) = 399$$

**Table 3.2: Sampling Frame and Sample Size**

<b>Population description</b>	<b>Target population</b>	<b>Sample size 95%</b>
Windhoek City CBD tax-payers	146 752	399
<b>Total</b>	<b>146 752</b>	<b>399</b>

*Source: Researcher own construct*

### **3.4 Response Rate**

A total of 399 questionnaires were distributed and only a total of 41.35% (165) questionnaires were completed and collected.

### **3.5 Data collection methods**

The instrument used in this study was a questionnaire and it was distributed to 399 taxpayers in Windhoek City Central Business District. Data was collected through questionnaires of which carefully constructed questions with Likert Scale, Ranking, scoring open-ended and closed-ended questions were used.

The self-administered questionnaire adopted structured as well as non-structured, scoring and ranking. The responses in the questionnaires helped in gaining an in-depth understanding of the effects of public tax education and tax amnesty on tax compliance amongst Windhoek tax-payers. A questionnaire gathered statistically meaningful data on the perspectives of respondents on an issue of interest based on a set of predetermined questions. The questionnaire had three major sections.

The first dealt with the effects of awareness on tax amnesty and the revenue authority, the second dealt with the effect of public tax education on tax compliance and the third dealt with biographic information. The researcher administered the questionnaires assisted by one research assistant. The researcher oversaw the assistants and trained them. The researcher endeavoured to win the trust of the respondents and allowed the respondents to tell their stories generously to maximise their self-disclosure as it was a sensitive topic to most of them in Namibia. During the interview section, the researcher targeted selected taxpayers who were business owners, chief executive officers, finance managers, accountants and individual income taxpayers with and without experience in taxation matters.

The researcher allowed the respondents to tell their stories freely to maximise their self-disclosure. Below is a summary of the data collection techniques and procedures that the researcher made use of:

**Table 3.3: data collection technique used**

Method	Procedure	Techniques
Literature Search	Retrieve articles and books from the web and library	Compilations of all articles, references and abstract guides, content analysis, recording of notes.
Questionnaires / Survey	Hand out questionnaires to taxpayers	constructed questions with ranking, scoring, open-ended and closed-ended questions

*Source: Research own construct*

### 3.7.1 Validity of Research Instrument

Validity is the degree to which an instrument measures what it is supposed to measure. (Kothari, 2011) Therefore, the term refers to the extent to which an instrument asks the right questions in terms of accuracy. The content validity of the research instrument for this study was determined through piloting, where the responses of the subjects were checked against the research objectives. For a research instrument to be considered valid, the content selected and included in the questionnaire must be relevant to the variable being investigated.

The researcher performed a pilot test with a randomly selected sample of fifty taxpayers in Windhoek Central Business District. Content validity of the instrument was also tested using a research expert's opinion, who was the research supervisor. The research expert independently judged the validity of the items in the questionnaire in relation to the research objectives.

### **3.7.2 Reliability of the Research Instrument**

Reliability of an instrument is the measure of the degree to which a research instrument yields dependable results or data after repeated trials (Cooper, 2010). To test the reliability of the questionnaire as a research instrument, a test-retest technique was employed in which questionnaires were administered to a group of tax-payers with similar characteristics as the actual sample size but not included in the final study. The test was repeated after three weeks. This was to establish the extent to which the questionnaire elicited the same responses every time it was administered. The findings were found to be consistent and therefore the questionnaire proved to be a reliable research instrument.

### **3.6 Data collection procedure**

Data collection procedures began upon approval of the proposal. An introductory letter was issued to the sampled entities for consent to collect data from the respondents and this was accompanied by the authorisation letter from the Executive Director of the Ministry of Finance. The questionnaires were administered to the respondents directly by the researcher with the help of one research assistant in order to save on time. For those respondents who were not available for a sit-in filling of the questionnaire, they provided their email addresses and questionnaires were emailed to them. The questionnaires were handed out at a time and place convenient to the respondents to provide an environment in which the respondents would feel free to participate based on their availability.

### **3.7 Data Analysis**

The filled-in questionnaires were edited for consistency and the data generated was quantitative. The researcher used analysis of variance (ANOVA) to test the hypothesis because it requires fewer measurements to discover significant effects (the tests are said to have more power), this is one of the reasons the researcher chose ANOVA to analyze the data. Also, because the analysis of variance (ANOVA) is a statistical tool used to detect differences between experimental group means (Robust, 2013).

ANOVA is warranted in casual experimental designs with one or two dependent variables. It is a continuous parametric numerical outcome measure, and multiple experimental groups within one or more independent (categorical) variables, Tabachnick and Fidell (2017). In ANOVA terminology, independent variables are called factors, and groups within each factor are referred to as levels (Holm, 2011).

Analysis of variance compares the means between the groups the researcher is interested in and determines whether any of those means are statistically significantly different from each other. Specifically, it tests the null hypothesis: where  $\mu$  = group mean and  $k$  = number of groups, Cabral (2015). To find the effect of Tax Education and Tax Amnesty on Tax compliance, the Analysis of variance (ANOVA) was carried out and yielded an answer to the study's main research question.

The researcher also used descriptive statistics in which frequency tables were produced consistent with the research design and questions, using the Statistical Package for Social Sciences (SPSS version 21), in order to explain the effects of public tax education and tax amnesty on tax compliance among Windhoek CBD taxpayers. Descriptive statistics such as frequencies and percentages were adopted to summarize the data. A correction analysis was performed to determine the effects of the independent variables on the dependent variables.

### **3.8 Ethical Considerations**

The researcher adhered to the principles of research ethics, the opinions and judgments of all research participants were respected and the identity of the participants was protected at all times. All the participants in this research were free to participate without being forced into doing it. Participants were informed about what participation entails and assured that declining will not affect any services they received from the researcher.

The objectives of the research were explained and made known to the respondents so as to solicit their informed consent. A high level of confidentiality on the information provided by respondents through questionnaires was maintained. The researcher obtained

permission and support from the Ministry of Finance management. Most importantly the researcher adhered to the following ethical principles:

### 3.9.1 Honesty

The research was based on factual or derivations based on facts. The researcher avoided fabricated and misrepresented data.

### 3.9.2 Integrity

The researcher kept to the initial agreement of the research, which is that the research is for academic purposes and wouldn't divert from that agreement and any other agreements agreed upon between the researcher and the participant.

### Summary

From this chapter, it is clearly indicated how the research methodology was carried out. With a casual comparative study that was adopted for the study, hypothesis tests that were done based on the testable hypothesis that was formulated, also the population of taxpayers and sampling frame that was chosen. Data collection procedures were followed and data collected were analyzed by the use of ANOVA and frequency tables and ethical issues were also considered in terms of honesty and integrity.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

This chapter gives an overview of the data collected from the research respondents, analysis, interpretation and findings. The findings are organized and presented in line with the research questions and hypotheses.

#### Test of Hypotheses: Analysis of variance (ANOVA)

The major null hypothesis “Public Tax education and tax amnesty have no effect on compliance” was tested using the analysis of variance. There were also other specific hypotheses that were constructed in order to achieve the objective of the study.

#### Main research question:

Do public tax education and tax amnesty have an effect on tax compliance?

#### Hypothesis 1

H<sub>0</sub>: Public Tax education and tax amnesty have no significant effect on tax compliance.

The ANOVA test result of hypothesis1 presented in Table 4.1 and Table 4.2. The results revealed that at a 95% confidence level, public tax education has a significant effect on Tax compliance: Sig. = 0.024 < 0.05. The result further revealed that at a 95% confidence level, tax amnesty has a significant impact on tax compliance as the Sig. = 0.0001 < 0.05. Given that there is evidence to prove that Public Tax education and Tax amnesty indeed has a significant effect on tax compliance.

**Table 4.1: Tax compliance by Tax education**

ANOVA					
Tax. Compliance					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.608	16	.350	1.909	.024
Within Groups	27.168	148	.184		
Total	32.776	164			

*Source: researcher's findings*

**Table 4.2: Tax compliance by the Tax amnesty**

ANOVA					
Tax. Compliance					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.761	11	.796	5.074	.000
Within Groups	24.015	153	.157		
Total	32.776	164			

*Source: researcher's findings*

**Specific Research Question 1:** How are the methods of tax education impacting tax payers' knowledge acquisition?

There is no difference in tax-payers' knowledge acquisition based on the type of tax education methods used

- $H_0$ : Methods of tax education has no positive impact on tax-payers' knowledge acquisition

- H: Methods of tax education has a positive impact on tax-payers' knowledge acquisition

**Table 4.3: the methods used to educate taxpayers has an impact on the taxpayer's knowledge acquisition**

<b>Table 4.3: The methods used to educate taxpayers has an impact on the taxpayer's knowledge acquisition</b>		
	Frequency	Percent
Strongly Disagree	1	.6
Disagree	7	4.2
Neither Agree nor Disagree	17	10.3
Agree	131	79.4
Strongly Agree	9	5.5
Total	165	100.0

*Source: researcher's findings*

From **Table 4.3** above, it can be deduced that a majority of 79.4% (131) agreed with the statement “**The methods used to educate taxpayers to have an impact on knowledge acquisition**”, 10.3% (17) neither agreed nor disagreed, 5.5% (9) Strongly Agreed, 4.2% (7) disagreed, and the least number of respondents 0.6% (1) Strongly Disagreed . Overall, it was observed that the majority agreed (Agree plus Strongly Agree) that the methods used have an impact on taxpayers' knowledge acquisition.

From the results obtained from the study as observed in **Table 4.3**, there is evidence that the methods used to educate taxpayers have an impact on taxpayers' knowledge acquisition. Hence, we reject the null hypothesis and accept the alternative hypothesis.

**Specific Research question 2:** How does the media being used to transmit education is affecting tax payer’s skills acquisition?

- H<sub>0</sub>: Media education has no effect on tax-payers’ skills acquisition
- H<sub>1</sub>: Media education has an effect on tax-payers’ skills acquisition

**Table: 4.4: The media used to educate taxpayers has an effect on skills acquisitions**

Table 4.4: The media used to educate taxpayers has an effect on skills acquisitions		
	Frequency	Percent
Strongly Disagree	1	.6
Disagree	7	4.2
Neither Agree nor Disagree	17	10.3
Agree	131	79.4
Strongly Agree	9	5.5
Total	165	100.0

*Source: researcher’s findings*

From **Table 4.4** above, it is can be deduced that a majority of 79.4% (131) agree with the statement “**The media used to educate taxpayers has an effect on skills acquisitions**”, 10.3% (17) neither agree nor disagree, 5.5% (9) Strongly Agree, 4.2% (7) disagrees, and the least number of respondents 0.6% (1) Strongly Disagrees . Overall, it is observed that the majority agrees (Agree plus Strongly Agree) that the message communicated affects the taxpayers’ skills acquisition.

From the results obtained from the study as observed in **Table 4.4**, there is evidence that the media used to educate taxpayers has an effect on tax-payers’ skills acquisition. Hence, we reject the null hypothesis and accept the alternative hypothesis.

**Specific Research question 3:** How does the message being communicated to tax-payers is affecting values acquisition?

- H<sub>0</sub>: message communicated to tax-payers is not affecting values acquisition
- H<sub>1</sub>: message communicated to tax-payers is affecting values acquisition

**Table 4.5: the message communicated is affecting the taxpayer’s values acquisition**

Table 4.5: The message communicated is affecting taxpayers’ values acquisition		
	Frequency	Percent
Strongly Disagree	2	1.2
Disagree	8	4.8
Neither Agree nor Disagree	14	8.5
Agree	133	80.6
Strongly Agree	8	4.8
Total	165	100.0

*Source: researcher’s findings*

From **Table 4.5** above, it can be deduced that a majority of 80.6% (133) agree with the statement “**The message communicated is affecting taxpayers values acquisition**”, 8.5% (14) neither agree nor disagree, 4.8% (8) Strongly Agree, 4.8% (8) disagrees, and the least number of respondents 1.2% (2) Strongly Disagrees . Overall, it is observed that the majority agrees (Agree plus Strongly Agree) that the message communicated affects the taxpayers’ values acquisition.

From the results obtained from the study as observed in **Table 4.5**, there is evidence that the message communicated has an effect on taxpayers’ value acquisition. Hence, we reject H<sub>0</sub> and accept H<sub>1</sub>.

**Specific Research question 4:** What is the effect the message will have on changing taxpayers’ feelings about compliance?

- $H_0$ : the message will have no effect on tax-payers' feelings about compliance
- $H_1$ : the message will have an effect on tax-payers' feelings about compliance

**Table 4.6: the message communicated to taxpayers has effect in changing feelings about tax compliance**

Table 4.6: The message communicated to taxpayers has effect in changing feelings about tax compliance		
	Frequency	Percent
Disagree	8	4.8
Neither Agree nor Disagree	23	13.9
Agree	113	68.5
Strongly Agree	21	12.7
Total	165	100.0

**Source: researcher's findings**

From **Table 4.6** above, it can be deduced that a majority of 68.5% (113) agree with the statement “**The message communicated to taxpayers has effect in changing feelings about tax compliance**”, 13.9% (23) neither agree nor disagree, 12.7% (21) Strongly Agree, whilst 4.8% (8) disagrees. Overall, it is observed that the majority agree (Agree plus Strongly Agree) that the message communicated impacts the taxpayers' feelings about tax compliance.

From the results obtained from the study as observed in **Table 4.6**, there is evidence that the message communicated has an effect on taxpayers' feelings about compliance. Hence, we reject  $H_0$  and accept  $H_1$ .

**Specific Research question 5:** What is the impact of the message on changing beliefs about tax compliance?

- $H_0$ : the message will have no impact on beliefs regarding tax compliance

- $H_1$ : the message will have an impact on beliefs regarding tax compliance

**Table 4.7: the message communicated has an impact on changing taxpayer's beliefs about tax compliance**

<b>Table 7: The message communicated has an impact on changing taxpayers' beliefs about tax compliance</b>		
	Frequency	Percent
Disagree	10	6.1
Neither Agree nor Disagree	40	24.2
Agree	89	53.9
Strongly Agree	26	15.8
Total	165	100.0

*Source: researcher's findings*

From **Table 4.7** above, it can be deduced that a majority of 53.9% (89) agree with the statement “**The message communicated has an impact on changing taxpayers' beliefs about tax compliance**”, 24.2% (40) neither agree nor disagree, 15.8% (26) Strongly Agree, whilst 6.1% (10) disagrees. Overall, it is observed that the majority agree (Agree plus Strongly Agree) that the message communicated impacts the taxpayers' beliefs about tax compliance.

From the results obtained from the study as observed in **Table 4.7**, there is evidence that the message communicated has an impact on the beliefs of taxpayers regarding tax compliance. Hence, we reject  $H_0$  and accept  $H_1$ .

**Specific Research question 6:** What is the effect the message will have on changing behaviors towards tax compliance?

- $H_0$ : the message will have no effect on behaviors towards tax compliance
- $H_1$ : the message will have an effect on behaviors towards tax compliance

**Table 4.8 the message communicated has an effect on changing taxpayer's behaviors towards tax compliance**

<b>Table 8: The message communicated has an effect on changing taxpayers' behaviors towards tax compliance</b>			
		Frequency	Percent
	Disagree	14	8.5
	Neither Agree nor Disagree	34	20.6
	Agree	92	55.8
	Strongly Agree	25	15.2
	Total	165	100.0

*Source: researcher's findings*

From **Table 4.8** above, it can be deduced that a majority of 55.8% (92) agree with the statement **“The message communicated has effect on changing taxpayers' behaviors towards tax compliance”**, 20.6% (34) neither agree nor disagree, 15.2% (25) Strongly Agree, whilst 8.5% (14) disagrees. Overall, it is observed that the majority agrees (Agree plus Strongly Agree) that the message communicated impacts the taxpayers' behavior towards tax compliance.

From the results obtained from the study as observed in **Table 4.8**, there is evidence that the message communicated has an effect on changing taxpayers' behaviors towards tax compliance. Hence, we reject  $H_0$  and accept  $H_1$ .

## **DISCUSSION**

The study's views were that education and knowledge to be gained through the taxpayer's education and tax amnesty would improve good attitudes toward tax-compliance and, thereby increase tax collections by the Government from the taxpayers. Whereas the Ministry of Finance Revenue department has not designed nor maintained programs for taxpayers' education, and these have impacted the high level of non-compliance.

The study observed that it was not by default that the taxpayers lacked the information, understanding, and skills required to enable them to develop good attitudes toward tax compliance, and it was because taxpayers are not exposed to basic education on the importance of tax amnesty and tax education. Based on the result of the main research question, results revealed that indeed public tax education and tax amnesty have a significant effect on tax compliance. In general, a program that is used for the sole purpose of allowing taxpayers to voluntarily correct tax reporting information would not seem to carry significant risks. However, international experience demonstrates that tax amnesties may become short term palliatives at the expense of much larger long-term revenues, and they severely damage democracy, creating a sense that there is one rule for the rich and powerful, and another rule for everyone else (Tax Justice Network, 2016).

On the same vein, Torgler and Schaltegger (2013) focused on what happens when the participants can vote for the introduction of a tax amnesty. They found that their participants refused the implementation of tax amnesty and afterward they raised their compliance rate. Furthermore, Torgler and Schaltegger (2013) noticed that religious

people evaded less than other and politically right-oriented people evaded more than others.

On the other evidence on tax-compliance was witnessed by Torgler and Scheneider (2006) whose study looked at what shapes attitude towards paying taxes on three European countries of Switzerland, Belgium, and Spain. The major revelation of the study was that enforcement efforts by the tax officials cannot fully explain the high degree of tax compliance. Additionally, Torgler and Schneider argue that to resolve the puzzle of tax-compliance was seen as inbuilt conduct of motivation found in the individuals themselves who pay tax. Moreover, most studies treated tax-compliance as a black box without discussing which factors shape it.

Most of the scenarios on lack of tax education generated through the findings of the study concurred with Nanavatty (2010), who suggests that dissemination of information to citizens be a continuous process of relating an individual to her/his social and civic responsibilities. This would reassure the taxpayers to partake more effectively in taxation issues.

Respondents on whether the education of the method in impacting knowledge acquisition was that the Ministry of Finance Revenue department approach on taxpayers' education covers only informing sessions such as creating awareness to taxpayers on annual tax returns due dates and mostly informing them of their tax obligations. Hence evidence from the findings revealed that it's important to make use of all types of methods such as teaching, training, informing, discussions, story-telling by tax officials and not just one or two methods that may not cover all the taxpayers.

Currently based on the results from the study, the Inland Revenue Department is using mostly storytelling by tax officials as the main method for educating taxpayers, but this is not sufficient because not all taxpayers are covered or would want to acquire knowledge and information through storytelling, as the results indicated that indeed the methods used to educate taxpayers have a positive impact on knowledge acquisition.

The findings of the study also showed that taxpayers were not familiar with several issues regarding tax such as the different applicable taxes, how to file tax returns, how to register as a taxpayer, when these taxes were due, and so on. This was because Effective interactions (if ever they existed) aimed at disseminating information about tax have not been prioritized by the revenue department.

Namangala (2009) conducted a study that revealed that lack of knowledge even on the most basic tax laws among taxpayers was evident. Namangala's study also discovered that tax resentment did not discriminate between the lower or higher socio-economic classes. Rather, both these classes in society equally indicated their resentment to tax laws and practice.

The study perceived the answers given by taxpayers during the conducted survey showed that they were motivated and ready to start learning about tax because they have a strong belief that the message communicated has an effect on their ' value acquisition, furthermore, these results also show that the direct and indirect effect of communication on voluntary compliance is insignificant. Communication involves two groups, the sender and the receiver, and each has unique responsibilities to ensure effective communication. If either or both parties fail to fulfill their responsibilities, there will be a communication breakdown. Sometimes the sender is to blame. The message may not be clear and accurate

or simple enough to be understood by the receiver. It may be so badly presented, or so boring, or so complicated, that it fails to hold the receiver's attention. Receivers can also cause problems. They may be unwilling to take in the message because they are too busy, or because they have made up their mind already, or because they are too prejudiced to hear the message clearly.

According to Duke (2010), motivation was vital to participation in learning new knowledge, skills and attitudes; that may break the tension built into all education for modern societies. Knowles (1984) quoted by Smith (2002: 8) supplements the notion of motivation in adult education that 'as a person matures his time perspective changes from one of postponed application of knowledge to immediacy application, and accordingly his orientation toward learning shifts from one of subject-centeredness to problem centeredness'. The authors in this statement reminded us of how we can take opportunity to nurture a learning culture in our country.

Ball (1994) quoted by Nafukho, Amutabi, and Otunga (2015: 153) defined the learning society as 'one in which everyone participates in education and training throughout their lifetime'. The study revealed that the majority of taxpayers based their answers were inspired into finding out more information about tax as they believe the message that will be given will have an effect that will lead them to compliance. World-renowned Adult educators such as Freire (1989) recommend the use of dialogue in learning as it leads to community transformation.

Nanavatty (2011) in his civic education book suggested that an informed or educated community is more valuable to both society and the nation at large. Therefore, the need

for government tax administrators to work out something which would make the taxpayers in Namibia gain adequate knowledge about tax and how it affects them.

Tax education and tax amnesty as a phenomenon should be tackled with due consideration to a myriad of complex attitudes that relate to compliance or non-compliance with tax laws. The type of attitudes being considered by the study occurs not only in Namibia but has been reported in other parts of the world. This concurred with the views of Fjeldstad (2012) who says non-compliance with tax laws seemed to take place in practically every country in the world and should be considered a potential problem everywhere. Fjeldstad further (2012: 2) argues that ‘imperfect information and uncertainty lied at the core of non-compliance problems’. Equally, the uncertainty or lack of tax information amongst communities or society opened up the door to a Strategic attitude of non-compliance with the country’s tax laws.

Respondents were asked about the effects the message will have on changing their compliance feelings and the result indicated that the majority feels that this will help them to understand the importance and value of being a compliance citizen. A question was also raised to find out whether the message will have an effect on changing taxpayer’s behaviors towards tax compliance, from the results obtained from the study as observed in **Table 4.8**, there is evidence that the message communicated has an effect on changing taxpayers’ behaviors towards tax compliance.

According to the study by (Valeria, 2014), behavioral issues draw heavily on concepts and researches from other disciplines, such as psychology and sociology. Economic and behavioral approaches are sometimes regarded as competing explanations (Valeria, 2014)

the economic approach identifies economic factors that affect the tax compliance behavior as follows: Financial burden: There appears to be a relationship between the amount of tax owed and compliance behavior. For example, if a business owner has a tax liability that can easily be paid, he/she may be willing to comply. However, if the liability is large, potentially threatening the viability of the business, the owner may avoid paying it or trying to adjust the data reported so as to incur a smaller (but incorrect) tax liability (ATO, 2010/2011).

The negative attitudes toward tax-compliance highlighted by this study are no worse than those reported in other parts of Africa. For instance, Thirsk (2009) who conducted a taxpayer compliance attitudinal survey on the informal sector in Tanzania reports that only about one out of ten amongst the self-employed bothered to voluntarily pay their tax dues. Additionally, Thirsk said non-compliance attitudes also prevailed in Zimbabwe amongst the Entrepreneur doctors who were not paying sales tax as required by law. It was clear from this study that other writers on this topic of discussion view non-compliance to tax laws as one that cuts across the whole fiber of society. This meant the act of non-compliance to tax did not choose whether one was highly educated or not. In the study's view, the difficulties in explaining the attitudinal shifts to tax-compliance were not new to us and have been identified mentioned in many other reviewed pieces of literature from books and the internet.

The study observed that difficulties in explaining the attitudinal shifts shown by the respondents

Seem to be bordering on the free-rider phenomenon. The free-riders are those who consume more than their fair share of a public resource or shoulder less than a fair share of the costs of its production. A common example of a free-rider problem is on garbage collection and sanitation services whereupon, no one person resident in a compound can be excluded from being provided with these services from the council; whether they paid tax or not. The free-rider phenomenon was also explored by Brenson (2007: 11) who conducted a taxpayer compliance attitudinal survey which reveals that 'tax-compliance was based on a combination of trust that the state would continue to provide public goods and services; and that reference groups such as friends, relatives, and neighbors pay their fair share in taxes'.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

In this chapter the research findings were summarised, then the conclusions and recommendations to the study were drawn, ending with areas for future studies. The study aimed at analyzing the effects of public tax Education and tax amnesty on tax compliance amongst taxpayers in Windhoek City central business district.

#### **Summary of Results**

From the results as based on the ANOVA test that was performed on the hypothesis, it is clear that indeed public tax education and tax amnesty have a significant effect on tax compliance. Also based on the results as presented using descriptive statistics for all specific questions, the majority of respondents agreed with the statements and in all cases,

the null hypothesis was rejected and the alternative hypothesis accepted. Clearly, the results showed that tax compliance will be enhanced if the public has at least some basic education, knowledge and as well as there being a tax amnesty.

## **5.1 Conclusions**

The aim of this study was to examine the extent to which two specific variables of tax education and tax amnesty can contribute to higher tax compliance levels in Namibia. The goal of the study was to provide evidence-backed advice to the Inland Revenue Department on how taxpayers have been influenced by these interventions and how they can be made more effective in order to achieve the ultimate goal of autonomous compliance on the part of tax-payers. Towards this end, the study generated several research questions and hypotheses to be tested that were as follows:

In answer to the research questions posed, the study found out that public tax education is very important to ensure taxpayer compliance. Also, the tax amnesty indicated that taxpayers do comply when there is some sort of relief offered with them. Secondly, the Inland Revenue Department has not been educating taxpayers to gain skills, they need. They need to do much more to come up with educational strategies and methods to educate tax-payers and ensure that taxpayers gain basic knowledge, especially on filling return forms. The results showed that the revenue department is focussing on informing the taxpayers about the importance of tax compliance and not putting much effort into ensuring that education and teaching the public is more effective for gaining knowledge about tax compliance.

It can also be concluded based on the results that the revenue department is mostly using print media to educate taxpayers and not considering all other media that can be used to ensure all the taxpayers are covered. They need to consider other media even based on the age groups of taxpayers so that they get whatever information they provide. In the researcher's opinion, not all people read newspapers or have access to tax offices to get hold of leaflets and banners which are currently in use. It is also concluded based on the results that mostly the message that is sent out to taxpayers is more on the tax obligation and compliance, which is not a bad thing, however they do not put much effort on giving technical knowledge to tax-payers to acquire skills that will give them a better understanding of the importance of being compliant taxpayers.

This is an indication as the majority of respondents suggested that they would want to be taught to gain skills to be able to fill in their return forms and to be educated. It's concluded that the message communicated to taxpayers has a positive impact on ensuring that taxpayers will either gain skills and knowledge or will not gain, and also has a positive effect on them to gain values. Also, for them to change their feelings and beliefs on compliance if it's done in the right manner. This is because based on the results, the majority of respondents indicated that those factors matter most to them in having a better understanding of compliance. They also indicated that currently the message that is sent across is mostly on obligation and compliance but one needs to keep in mind that before that happens, education is needed for one to acquire skills so as to start doing the right thing, which is compliance with the tax laws.

Again, it is concluded that the message communicated to taxpayers has a positive effect on changing taxpayers' behaviors towards tax compliance because the majority of

respondents felt that it's very important to deliver the message that can really make taxpayers believe and have an understanding of why tax compliance is so important. Hence, the revenue department needs to do more in making sure that the message that they send across is mostly on helping the public to have the knowledge, to have an education and to have the skills that can shape them to be compliant citizens.

Also, tax compliance could be influenced by educating taxpayers of their social responsibilities to pay and thus their intention would be to comply. Taxpayers are able to understand their tax obligations when there is an aspect of fairness and tax benefits that can be received in real terms. The overall picture that has been portrayed by the evidence is that compliance can be better achieved through education by ensuring that tax-payers have basic tax education and also by offering tax relief to tax-payers through tax amnesty. Given these results, the aim of the study that sought to examine how tax education and tax amnesty can contribute to higher tax compliance levels has been addressed in that the relationship between these variables has been verified in this study. From a practical perspective, the evidence from this study has shown why tax compliance behavior has been unsatisfactory in Namibia in spite of the desire of the Namibian Government through the Inland Revenue department to motivate taxpayers to fulfill their tax obligations voluntarily.

It would appear that the Inland Revenue department approach has been defective or deficient in achieving its desired goals because they do not have strategies in place on how to carry out educational programs and tax amnesty. Corrective measures should be instituted that involve an effective education program that will provide taxpayers with basic knowledge for a better understanding of the importance of tax compliance and also

the tax amnesty relief program to ensure that those tax payers that have not complied are brought on board.

The evidence of this study also shows how the theoretical underpinnings of the Theory of Reasoned Action which has been the main theory on which this study has been based, have been violated in the context of the Inland Revenue department approach to motivating taxpayers resulting in taxpayers exhibiting tax evasion behaviors. Therefore, what has been learned from this study is that individuals are better motivated by rewards for compliance behaviors and this reinforces compliance behaviors in the future and generates new values and word-of-mouth dissemination of information that leads to new socially accepted behavioral norms concerning tax compliance.

These findings are of importance and communicating them is in the national interests in that it will assist the management of Inland Revenue Department to implement measures and policies that can help them to come up with better solutions in terms of making sure that taxpayers receive education and acquire knowledge and skills to be able to understand the importance of compliance. Therefore, the results of this study will be presented to the Inland Revenue Department in a summarised non-technical booklet that will be entitled:

**Findings for taxpayers' non-compliance in Windhoek City.**

In addition, a training program directed at different groups of taxpayers [Corporate, SME, and individual employees] in Windhoek will be developed. A roadshow involving some street actors will be proposed to the Inland Revenue Department with the aim of educating taxpayers on achieving compliance.

## 5.2 Recommendations

This study forwarded the following recommendations:

This research focused on finding out the effects of public tax education and tax amnesty on tax compliance and possible reasons for the low uptake on both programs (tax amnesty and tax education program) that the Inland Revenue Department undertook in order to encourage compliance behavior amongst tax-payers but to no success.

### **Main research question:**

*Do public tax education and tax amnesty have an effect on tax compliance?*

This study found that public tax education and tax amnesty has a significant effect on taxpayers' compliance. These were the results revealed when the hypothesis was tested. It's a clear indication that when the public is educated and is equipped with all the information on tax, compliance will take place. Also, on tax amnesty, it showed that taxpayers also comply with tax laws when there is a threat of punishment with some sort of relief.

Furthermore, this study aimed at exploring the six (6) questions:

*Q1: How are the methods of tax education affecting the taxpayers' knowledge acquisition?*

The role of tax education and knowledge of taxpayers towards tax compliance is very crucial, hence the Revenue department of the Ministry of Finance should come up with educational strategies to implement different educational programs to teach, educate and train taxpayers in order for them to acquire adequate knowledge.

After implementing these programs they need to provide continuous problem solving and practical training to taxpayers by making sure that they make use of all types of methods such as teaching, training, informing, discussions, story-telling by tax officials and not just one or two methods that may not cover all the taxpayers. Currently based on the results from the study, the Inland Revenue Department is using mostly storytelling by tax officials as the main method for educating taxpayers, but this is not sufficient because not all taxpayers are covered or would want to acquire knowledge and information through storytelling, hence the Revenue department should consider making use of all media to ensure that all taxpayers are covered.

*Q2: How does the media use to transmit education affect taxpayers' skills acquisition?*

This study found that the media used to transmit tax education to taxpayers has a positive effect on improving the acquisition of taxpayers' skills, as the majority of the respondents agreed with the statement *"The message communicated is affecting taxpayers' values acquisition"*. Currently, the media used to educate taxpayers is print media and this is not sufficient to ensure knowledge is acquired by taxpayers because not all taxpayers are able or willing to read tax information in print media, hence it is very important for Inland Revenue to make use of all available media.

The MOF should figure out the frequently used form of media and focus on maximizing the tax compliance amongst the taxpayers. This should include making the message transmitted via the media interesting in a sense that there should be quizzes whereby taxpayers are entered in monthly draws and be able to win prizes once they have completed and are selected through a draw.

Q3: How does the message being communicated to taxpayers affect their value acquisition?

It is evident from the study that the message being communicated has a positive effect on the taxpayers' value acquisition, as the majority of the respondents agreed with the statement *"The message communicated is affecting taxpayers' values acquisition"*.

The MOF should make sure they put out well-structured information that is simplified and should be translated in all languages to cater for all taxpayers (this information should include but not be limited to, the benefits of paying tax, the laws put in place to make sure that the public funds are not misused). Moreover, the revenue department must put emphasis on the messages they put across all Medias to ensure that the message is based on building skills and knowledge for taxpayers to acquire value and later realize the importance of being a voluntary compliance taxpayer.

Q4: What is the impact of the message on changing beliefs about tax compliance?

A positive impact of the message on changing beliefs about tax compliance amongst taxpayers was observed through this study, as the majority of the respondents agreed with the statement *"The message communicated has an impact on changing taxpayers' beliefs about tax compliance"*.

After they put out the information as recommended in Q3, the MOF should consider disseminating the budget and annual report to all taxpayers in the different language translations. This makes people feel and believe that there is the accountability of those entrusted with public funds. This recommendation also caters to question Q5 which asks for the effect the message will have on changing behaviors towards tax compliance.

In addition it's important for the Ministry to come up with the strategies for informing the public on how the government spends tax revenue by disclosing the government budget and expenditures as well as the total money collected from tax to the taxpayers on an annual basis as a matter of transparency, this will aid the public to have trust that the tax they are paying is put to good use.

*Q5: What is the effect the message will have on changing behaviors towards tax compliance?*

This study found that there is a positive effect of the message communicated to taxpayers on changing the behaviors of taxpayers towards tax compliance, as the majority of the respondents agreed (either agreed or strongly agreed).

The main question of the study was: *Is there any significant effect of Tax education and Tax Amnesty on tax compliance?*

The study yielded statistical evidence that there is a positive relationship between tax education and tax compliance, this means that as the tax education increases (which could mean that as the platforms used to educate taxpayers, and/or as the quality of tax education increases), tax compliance among the taxpayer's increases. The study also found that as tax amnesty increases, tax compliance amongst taxpayers increases as well.

In general, the researcher recommends the revenue department to be offering training sessions through integration with universities or incorporating a tax course in the educational curriculum from the junior secondary school level that is compulsory, to ensure the tax education foundation is built from the school level. The researcher further recommends that the revenue department should consider revising the tax system to ensure

it's as simple as possible for calculating and filing tax return forms by introducing a simple tax return form and revising the complexity of the tax laws and regulations.

### **5.3 Limitations of the study**

The method used in the collection of data was self-administered questionnaires. Many at times the researchers did not end up receiving/retrieving all the questionnaires they handed out. Out of three hundred and ninety-nine questionnaires administered, only one hundred and sixty-five were returned. This kind of limitation could seriously generate biased results as the opinions of those who did not reply could systematically be different from those that replied.

Another limitation is the fact that most of these questionnaires were answered in the absence of the researcher. Different people may read the same statement and generate different meanings, so the respondents may answer based on how they understand the questions and not based on what the researcher meant.

### **5.4 Areas for future research**

The study focused on a composite topic by comparing the effects of tax education and tax amnesty on tax compliance. Taxpayers' attitudes and perceptions as a result of lack of education and tax amnesty are the influencing factors regarding compliance in the selected City of Windhoek. The study demonstrates that proper training and education of taxpayers will improve compliance. The study was confined within a single city, only Windhoek. Hence, it may not be reflective of the entire Namibian system. Consequently, future researchers should consider carrying out studies spread out geographically in order to address the issue of representativeness.

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(3)	(1)	(2)	(3)	(4)	(5)	
Strongly disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly agree		
No	Item Description	(1)	(2)	(3)	(4)	(5)
1	Tax amnesty program would reduce compliance among usually compliant taxpayers	(1)	(2)	(3)	(4)	(5)
2	Tax amnesty is seen as a medium of exchange between taxpayers and the government to enter into a new higher engagement on contract	(1)	(2)	(3)	(4)	(5)
3	The rationale and motivation to offer tax relief was more able to fulfil the purpose of tax laws by collecting tax amount that remain owing to the receiver of revenue	(1)	(2)	(3)	(4)	(5)

## APPENDICES

### A. Questionnaire

#### Instructions

This questionnaire is designed to collect information for research entitled: **A comparative analysis of the effect of public tax education and tax amnesty on tax compliance in Windhoek City**. The information obtained will only be used for academic purposes and shall be treated in the utmost confidence. You are requested to complete this questionnaire as openly and impartially as possible. Please tick in the appropriate box and also fill in the blank spaces provided for those questions where elaborate answers are required. Use the space at the back of this questionnaire if you need more space for your responses.

**SECTION A: EFFECTIVENESS OF THE TAX AMNESTY ON MOTIVATING TAX COMPLIANCE** Notice: Please use the following scales for responding Questions in the tables:

(1)	(2)	(3)	(4)	(5)		
Strongly disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly agree		
No	Item/ Description	(1)	(2)	(3)	(4)	(5)
	<b>Tax amnesty</b>					
1	The tax amnesty program would reduce compliance amongst usually compliant tax-payers	(1)	(2)	(3)	(4)	(5)
2	Tax amnesty is seen as a medium of exchange between taxpayers and the government to enter into a new higher enforcement environment	(1)	(2)	(3)	(4)	(5)
3	The rationale and motivation to offer tax relief were inter alia to fulfill the provision of tax laws by collecting tax arrears that remain owing to the receiver of revenue	(1)	(2)	(3)	(4)	(5)

	<b>efficiency and effectiveness of tax authority</b>					
4	Creating awareness	(1)	(2)	(3)	(4)	(5)
5	Enforcing the tax law	(1)	(2)	(3)	(4)	(5)
6	Giving feedback on issues	(1)	(2)	(3)	(4)	(5)
7	Customer handling	(1)	(2)	(3)	(4)	(5)
8	Detecting tax evasions	(1)	(2)	(3)	(4)	(5)
9	Encouraging tax-payers	(1)	(2)	(3)	(4)	(5)
10	The current tax rate is high	(1)	(2)	(3)	(4)	(5)
	<b>Tax-payers attitude and perception</b>					
11	The current tax laws and regulations are complex	(1)	(2)	(3)	(4)	(5)
12	If the tax laws and regulations are simple to understand, I will comply with the tax law	(1)	(2)	(3)	(4)	(5)
13	The current tax system is fair	(1)	(2)	(3)	(4)	(5)
14	Fair tax system encourages voluntary compliance	(1)	(2)	(3)	(4)	(5)
15	The current penalty rate is high	(1)	(2)	(3)	(4)	(5)
16	If the penalty is high everyone will comply voluntarily with the tax law	(1)	(2)	(3)	(4)	(5)
17	If the government spends money on basic needs wisely, I will voluntarily comply with tax law	(1)	(2)	(3)	(4)	(5)
18	Lack of tax information affects tax compliance	(1)	(2)	(3)	(4)	(5)
19	Information about taxes in Namibia is readily available	(1)	(2)	(3)	(4)	(5)
20	Accessibility of tax information at all time	(1)	(2)	(3)	(4)	(5)

**SECTION B: EFFECT OF PUBLIC TAX EDUCATION ON TAX COMPLIANCE  
IN WINDHOEK CITY**

1. Do you think the Namibian Tax education system is sufficient? Yes [ ] No [ ]
2. Have you ever attended formal education and tax training about taxation? Yes [ ] No [ ]
3. The training arranged and given by Inland Revenue was it relevant and practical to know about tax? Yes [ ] No [ ]

4. Will you comply with the tax law if you have adequate tax knowledge? Yes [ ] No [ ]

5. (A) what methods/ ways of education does the MoF Revenue Department use to educate you as tax-payers?

- Informing
- Teaching
- Training
- Discussion
- Storytelling

(B) What types of media does the MoF Revenue Department use to educate tax-payers?

- Broadcasting (TVs and Radios)
- Electronic Media (Internet)
- Mobile media (SMSs and WhatsApp)
- Personnel selling by tax officials
- Print media (newspaper, leaflets, banners)

(C) What messages are being communicated to tax-payers by the Namibian Revenue Authority?

- Knowledge about taxation
- Skills of filling tax forms
- Change of taxpayers' habits
- Tax policy and Regulations
- Tax obligation and Compliance

6. Please circle/tick the correct answer

		(1)	(2)	(3)	(4)	(5)
		Strongly disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly agree
No	Item	(1)	(2)	(3)	(4)	(5)

Education has an effect on attitudes towards complying with a tax authority	(1)	(2)	(3)	(4)	(5)
How are the methods of tax education impacting on tax-payers' knowledge acquisition?	(1)	(2)	(3)	(4)	(5)
The media used to educate taxpayers has an effect on skills acquisitions	(1)	(2)	(3)	(4)	(5)
The message communicated is affecting taxpayers' values acquisition	(1)	(2)	(3)	(4)	(5)
The message communicated to taxpayers has effect in changing feelings about tax compliance	(1)	(2)	(3)	(4)	(5)
The message communicated has an impact on changing taxpayers' beliefs about tax compliance	(1)	(2)	(3)	(4)	(5)
The message communicated has an effect on changing taxpayers' behaviors towards tax compliance	(1)	(2)	(3)	(4)	(5)

7. What you as a taxpayer, want to be taught about, by the tax authority that may increase the likelihood of tax compliance?

.....

8. Are there strategies that can improve the tax compliance by taxpayers in Namibia? If so kindly list them down

.....

9. What other challenges do you view affect the tax compliance among taxpayers?

.....

10. Please give recommendations on how these challenges can be addressed.

.....

### SECTION C: GENERAL INFORMATION

1. To which age group does you belong?

- 20 - 30 years
- 31- 45 years

- 46- 55 years
- Above 56

2. Gender

- Female
- Male
- Other (please specify)
- Prefer not to say

3. Educational Level

- Primary school
- Secondary school
- Certificate/Diploma
- Undergraduate degree
- Postgraduate degree

4. Marital status

- Single
- Married
- Divorced
- Separated
- Widowed

5. Position of the respondent in the organization

- Business Owners
- Chief Executive Officers
- Financial Managers
- Accountants
- Individual Income Tax-payers
- Others (Specify).....

6. How long has the organization/ business been in existence?

- Less than One year
- 1-5 Years
- 6-10 Years
- More than 10 Years

7. What is the nature of your Business?

- Manufacturing
- Service
- Commercial
- Imports /exports
- Others (Specify) .....

8. On average, what is your business's monthly turnover?

- Below NAD 100, 000
- Between NAD 100,001 and NAD 500 000 thousand
- Between NAD 500 001thousand and NAD 1 Million
- Between NAD 2,000,001 and NAD 3 Million
- Over NAD 3 million

9. On average, what is your monthly personal income?

- Below NAD 10000
- Between NAD 10000 and NAD 50000 thousand
- Between NAD 50000 and NAD 100000 thousand
- Between NAD 100000 and NAD 150000 thousand
- Over NAD 150000

10. Number of employees in the organization

- Below 50
- Between 50 and 100
- Between 101 and 150
- Between 150 and 200
- Over 200



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## LANGUAGE & COPY-EDITING CERTIFICATE

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6<sup>th</sup> July 2019

**RE: LANGUAGE, COPYEDITING AND PROOFREADING OF ELISE HANGHOME'S THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA**

This certificate serves to confirm that I copyedited and proofread **ELISE HANGHOME'S** Thesis for the **MASTER OF BUSINESS ADMINISTRATION DEGREE** entitled: **A COMPARATIVE ANALYSIS OF THE EFFECTS OF PUBLIC TAX EDUCATION AND TAX AMNESTY ON TAX COMPLIANCE IN WINDHOEK**

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

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

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile



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