

MOSHI CO-OPERATIVE UNIVERSITY

**EFFECTIVENESS OF TAXPAYER'S EDUCATION ON TAX COMPLIANCE
AMONG SMEs IN MOSHI MUNICIPALITY, TANZANIA**

MOSHI CO-OPERATIVE UNIVERSITY

**EFFECTIVENESS OF TAXPAYER'S EDUCATION ON TAX COMPLIANCE
AMONG SMES IN MOSHI MUNICIPALITY, TANZANIA**

**BY
GEORGE AKARO**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS
MANAGEMENT OF MOSHI CO-OPERATIVE UNIVERSITY**

NOVEMBER, 2023

DECLARATION

I, **George Akaro**, declare that this dissertation is my original work and that it has not been presented and will not be presented to any other learning institution for a similar or any other academic award.

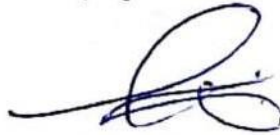
Signature _____ **Date** _____

This dissertation is a copyright material protected under the Berne Convention, the Copyright and Neighbouring Rights Act of 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means, in full or in part, except for short extracts in fair dealings, for research or private dissertation, critical scholarly review or discourse with an acknowledgement, without the written permission of the Moshi Co-operative University.

CERTIFICATION

The undersigned certifies that they have read and hereby recommends for acceptance by Moshi Co-operative University a dissertation entitled "**Taxpayer's Education on Tax Compliance among SMEs in Moshi Municipality, Tanzania**" in partial fulfillment of the requirements for the award of Master of Business Management of Moshi Co-Operative University.

Dr. Gratian Cronery Ruvetaza
(Supervisor's Name)



(Supervisor's Signature)

01/12/2023

Date: DR. N. N. TOWO
(Supervisor's Name)



(Supervisor's Signature)

Date: 1/12/2023

DEDICATION

This dissertation is dedicated to my wife and my children for their prayers, love, moral and material support during the preparation of this dissertation.

ACKNOWLEDGEMENTS

First and foremost, I extend my deepest gratitude to the Almighty for blessing me throughout this journey and bestowing upon me the strength and perseverance to complete this work. I cannot express enough thanks to my supervisors, Dr. Gratian Rwekaza and Dr. Nathaniel Towo. Their insightful feedback, persistent help, and unparalleled expertise were instrumental in shaping this research. The unwavering support and camaraderie of Dr. Rwekaza have not only benefitted me academically but have also enriched my personal growth. Dr. Towo, with his vast knowledge in my area of study, has consistently provided invaluable advice, for which I am profoundly grateful.

Moshi Co-operative University Management deserves special mention for granting me the opportunity to embark on this academic endeavor. I also owe immense gratitude to my lecturers, whose profound insights and knowledge have illuminated my understanding of business management. Lastly, I would like to extend my appreciation to my classmates. Their collaboration and encouragement throughout this dissertation process have been invaluable. While it is challenging to acknowledge everyone individually, please know that your contributions, in various capacities, have not gone unnoticed and are deeply valued.

Moreover, I would like to express my sincere appreciation to the TRA Tax Education Department. Their dedication to educating the public on taxation nuances has been a source of inspiration, and the knowledge they disseminate played a significant role in informing this research.

Lastly, my gratitude extends to my classmates. Their collaboration and unwavering encouragement throughout this dissertation process have been a cornerstone of my journey. While it's challenging to acknowledge every individual's contributions, please know that each gesture, no matter how small, has made a lasting impact and is deeply cherished.

TABLE OF CONTENTS

DECLARATION	i
CERTIFICATION.....	Error! Bookmark not defined.
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF FIGURE.....	x
LIST OF ABBREVIATION/ ACRONYMS.....	xi
ABSTRACT	xii
CHAPTER ONE	1
1.0 Introduction	1
1.1 Background to the study	1
1.2 Statement of the problem.....	3
1.3 Objectives of the study	4
1.3.1 General objective of the study	4
1.3.2 Specific Objectives	4
1.3.3 Research questions.....	5
1.4 Significant of the study.....	5
1.5 Organization of the study	5
1.6 Limitations of the Study	6
CHAPTER TWO.....	7
2.0 LITERATURE REVIEW	7
2.1 Definition of the key terms	7
2.1.1 Tax	7
2.1.2 SMEs for Taxation Purposes	7
2.1.3 Tax Compliance	8
2.1.4 Taxpayer Education	8

2.2 Theoretical literature Review	9
2.2.1 Economic Deterrence Theory	9
2.2.2 Prospect Theory	9
2.3 Empirical Literature Review	12
2.3.1 Taxpayers' Knowledge on Tax Compliance Behavior:.....	12
2.3.2 Methods Used by Taxpayers on Tax Compliance among SMEs Owners: .	13
2.3.3 Relationship between Taxpayer's Education and Voluntary Tax Compliance among SMEs Owners:	14
2.3.4 Attitudes of Taxpayers on Business Tax System.....	15
2.4 Research gap.....	15
2.5 Conceptual framework	16
CHAPTER THREE.....	19
3.0 RESEARCH METHODOLOGY	19
3.1 Research design	19
3.2 Description of the Study Area	19
3.3 Population, Sample and Sampling procedure.....	20
3.3.1 Population	20
3.3.2 Sample.....	20
3.3.3 Sampling procedure	21
3.4 Types of data and source	22
3.5 Data and data collection method	22
3.5.1 Questionnaire survey.....	22
3.5.2 Interview method	22
3.5.3 Documentary Reviews	23
3.6 Data analysis.....	23
3.7 Data validity and reliability	23
3.7.1 Data Validity	23
3.7.2 Data Reliability	24

3.8 Ethical Issues	24
CHAPTER FOUR	26
4.0 FINDINGS AND DISCUSSION	26
4.1 Socio-demographic characteristics of the respondents.....	26
4.1.1 Age of respondents.....	27
4.1.2 Number of years engaged in business.....	27
4.1.3 Distribution of respondents by education level.....	27
4.1.4 Marital status of the respondents	28
4.1.5 Sex of the respondents	28
4.2 Tax Knowledge and Compliance Behaviour among SMEs in Moshi Municipal	28
4.2.1 Knowledge on Tax registration among SMEs owners.	28
4.3 Determining Methods of Increasing Tax Awareness and voluntary Compliance behaviour	38
4.4 Examine the relationship between taxpayer’s education and tax compliance among the SMEs in Moshi Municipal.....	42
4.5 The Attitudes of SMEs owners on Business Tax System in Tanzania	45
4.5.1 Tax Compliance and Tax Non-Compliance Status.....	47
4.5.2 Repercussions of Tax Non-Compliance.....	50
4.5.3 The Relationship between the Taxpayers’ Attitudes and Tax Compliance in Moshi Municipal.....	51
CHAPTER FIVE.....	54
5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.	54
5.1 Overview	54
5.2 Summary of the major findings	54
5.3 Conclusions	56
5.4 Recommendations	57
5.5 Further Research Studies	59

REFERENCES	60
APPENDICES	65
APPENDIX I: QUESTIONNAIRE FOR TAXPAYER	65
ABSTRACT	1
1.0 Introduction	2
1.1 Background to the study	2
1.2 Statement of the problem.....	3
1.3 Specific Objectives	4
1.3.1 Research questions	4
2.0 Theoretical foundation of the study	5
2.1 Theory of Planned Behaviour.....	5
3.0 Research methods	5
4.0 Finding and Discussion	6
4.1 Effects of taxpayers’ education on tax compliance among SMEs in Moshi Municipal.....	6
4.1.1 Examining Tax Knowledge and Compliance Behaviour.....	6
4.2 Determining Methods of Increasing Tax Awareness and Compliance	8
4.3 Examine the perception of SMEs owners on relationship between taxpayer’s education and tax compliance.....	9
5.0 Conclusions and Recommendations.....	10
5.1 Conclusions	10
5.2 Recommendations	10
REFERENCES	12

LIST OF TABLES

Table 1 : Categorical Definition of SMEs by Income Tax Act, no 11 of 2004	8
Table 2 : Socio-demographic characteristics of the respondents	26
Table 3 : Knowledge on Tax registration among SMEs owners.....	29
Table 4 : Reasons for non-tax compliance	29
Table 5 : Compliance Behavior	31
Table 6 : Distribution of SMEs owners on knowledge of tax	31
Table 7 : Respondents by lack of knowledge of SMEs owners	32
Table 8 : Respondents by Knowledge about presumptive tax	33
Table 9 : Effects of tax education on tax compliance	34
Table 10 : Tax knowledge and level of education.....	35
Table 11 : Exposure and tax education and e-filing knowledge	36
Table 12 : Effects of tax complexity on tax compliance	37
Table 13 : Distribution of respondents by abusing tax monies	38
Table 14 : Means of disseminating taxpayer's education	39
Table 15 : Techniques of increasing tax awareness and compliance	41
Table 16 : Correlation between taxpayer's education and tax compliance among the SMEs in Moshi Municipal	42
Table 17 : Factors Influence tax compliance	46
Table 18 : Reasons for Tax Compliance and Tax Non-Compliance.....	49
Table 19 : Mean for Attitudinal Factors and Compliance.....	51
Table 20 : Correlation between Attitude and Compliance	51
Table 21 : Test Statistics for Attitude and Compliance	52

LIST OF FIGURE

Figure 1 : Conceptual framework..... 17

LIST OF ABBREVIATION/ ACRONYMS

DRD	:	Domestic Revenue Department
PAYEE	:	Pay as You Earn
PIN	:	Personal Identification Number
PWE	:	Protestant Work Ethics
SMEs	:	Small and Medium Enterprises
TRA	:	Tanzania Revenue Authority

ABSTRACT

The overall objective of the study was to assess the effects of taxpayer's education on tax compliance among the SMEs in Moshi Municipality, Tanzania. The study specifically aimed to examine taxpayer's education level among the SMEs, determine the means of acquiring tax education, and examine the number of SMEs which comply to pay tax in Moshi Municipality. The study adopted descriptive research design and data was corrected once at a time. The sample size of the study was 121 respondents. Stratified sampling procedure was used to obtain the respondents. Data was collected using a questionnaire and were analysed using descriptive statistics of which frequency and percentage was computed and Pearson Correlation coefficient to determine the relationship between variables. The study found that SMEs owners lacks tax education which enhance low tax compliance behaviour, the study went further and found that methods used by Tanzania Revenue Authority (TRA) to increase tax compliance behaviour among SMEs is ineffective, lastly the study revealed that there is a positive relationship ($r = 0.725$) between taxpayers' education and compliance behaviour. Basing on the research findings the study concludes that Taxpayer education is essential in improving voluntary tax compliance behaviour. It's essential for the taxpayers to understand his/her rights, obligations, and the procedures of paying taxes. The study recommends that taxation education should be taught at all levels of education, with an emphasis of promoting voluntary tax compliance behaviour to individuals in the country.

CHAPTER ONE

1.0 Introduction

1.1 Background to the study

Widespread voluntary tax compliance plays a significant role in countries effort to raise the revenues necessary to achieve country's' mission in terms of service provision to the people (Monyo, 2013). Apart from this process government are increasingly reaching out to taxpayer's current and future to teach, communicate, and assist taxpayer education to foster a culture of compliance, based on right responsibilities, in which citizen see paying taxes as an integral aspect of their relationship with the government (Mochogu, 2013). The emphasis placed by government on social services education in particular which will helps bridge a gap between tax administrator and citizen, play a key role when properly implemented in transforming a tax culture though the use of taxpayer education initiatives (Lyimo, 2012).

Worldwide 140 initiatives were under implementation in 59 developed and developed countries offering a classification of different approaches to taxpayer education and identifying common challenges and solutions with over 80% of taxpayer initiatives which can play an active role in shaping country's culture, in which citizen understand the effects of paying tax or not paying taxes in their daily live (EOCD 2021). Taxpayer education can be a key tool to boost willingness of individual and business to voluntarily pay tax and play a vital role at the heart of mobilizing the tax revenues urgently needed to help achieve the sustainable development goals (OECD, 2021).

Globally, tax collection is very important for every government as it enables to acquire revenues and assets which are not liable to debt and which the government uses to develop its economy by promote efficiency in the service delivery and economic development at the countries (Balunywa, 2014). Government face serious challenges in their tax collection performance due to non-tax compliance which led into insufficient funds collection to cover their budget expectations (Ngotho and Kerongo, 2014). However, 75% worldwide governments face serious challenges in their tax collection performance due to non-tax compliance which led into insufficient

funds collection to cover their budget expectations and thus need a taxpayer education to increase government revenues (Ngotho and Kerongo, 2016).

In developed nations like the United States and the United Kingdom, the maximization of tax compliance is achieved through a variety of strategies, with education standing out as a particularly effective approach. These countries have demonstrated that fostering a comprehensive understanding of tax systems and obligations among taxpayers is instrumental in enhancing compliance. According to research by Sandmo (2018) and Jayapalan (2017), achieving consistent tax compliance and boosting revenue collection is a challenging endeavor. However, these challenges can be significantly mitigated through targeted and effective taxpayer education programs. Such programs not only clarify the responsibilities and processes associated with tax compliance but also help in building a culture of voluntary compliance, contributing to the overall efficiency and effectiveness of the tax system.

In Sub Saharan African countries, Republic of South Africa in particular the contribution of taxpayer's education on tax compliance is so far from the most important tool in revenue collection, causing high government revenue collection to enhance implementation of her budgets for domestic services (Storm *et al.*, 2017). In Uganda, the Uganda Revenue Authority (URA) uses taxpayer education programs aiming at creating awareness to increase the level of voluntary tax compliance. Strategies have been adopted such as Seminars, Workshop, tax-clinic, live radio talk show, tax literature and the URA website. These strategies have gradually changed the taxpayer attitude, reduced the compliance cost, and minimized the cost of tax administration (Onditi, 2017). With the challenge of non-tax compliance, revenue authorities establish taxpayers' education programs to enhance on tax compliance (TRA, 2019). Taxpayers' education refers is defined as a program which includes all sorts of communication and educational strategies to increase knowledge of citizens, rights, and responsibilities regarding tax matters (Carro, 2016; Akatuhurira, 2017). In this study, taxpayers' education includes as seminars, workshops, tax clinics, websites, and live radio and television programs while Tax compliance refers as taxpayers' willingness to obey tax laws to obtain the economic equilibrium of a country (Feinstein. *et al.*, 2011; Storm *et al.*, 2017).

In Tanzania, revenue authority adopted stakeholder sensitization programme namely public announcement, seminar, and live radio as one of the most significant techniques for tax compliance followed by print media education program to implement tax laws by SMEs owners (Mwampeta, 2018). Despite the implementation of tax laws and the mentioned programmes nontax compliance still exists. Moshi Municipal in Kilimanjaro Region is the second after Kinondoni Municipal in Dar es Salaam Region to have large number of SMEs. And the government through Tanzania Revenue Authority (TRA) attempted to give tax education to enhance tax compliance. Therefore, with this background, the researcher convinced to undertake the study to assess the effects of taxpayers' education on tax compliance among SMEs in Moshi Municipality.

1.2 Statement of the problem

Taxation is a cornerstone of a nation's economic framework, underpinning critical government operations from infrastructure development, like road construction, to indispensable services in defense, healthcare, and education. The role of taxation in bolstering these sectors is indisputable. Nevertheless, the issue of tax compliance emerges as a substantial obstacle, with Tanzania facing this challenge prominently. As highlighted by Lyimo (2012), a notable report from the Dar es Salaam Stock Exchange revealed that tax non-compliance was a widespread issue, with about 30% of taxpayers not adhering to regulations. In response, the government took a proactive step by reducing the tax rate by 25%. Despite this considerable reduction, the anticipated increase in tax compliance was not realized, particularly in the Moshi Municipality. Here, the level of tax compliance among Small and Medium-sized Enterprises (SMEs) is alarmingly low, with non-compliance rates hovering around 35%, as reported by Moshi Municipal (2022). This statistic not only underscores a regional issue but also signals a broader national challenge.

The inherent value of tax compliance is universally recognized, yet a persistent reluctance to comply is evident across individual and corporate entities. This phenomenon is particularly pronounced in Tanzania. The sixth-phase government of Tanzania has implemented various measures to ensure comprehensive tax compliance, but these efforts have encountered substantial resistance. In light of these challenges, the Tanzania Association of Accountants underscored the criticality of understanding income tax obligations. Consequently, the Income Tax Act was

introduced in 2019, with a strong emphasis on taxpayer education. However, the efficacy of this initiative remains a subject of debate. Kirchler (2016) observed that while a higher general educational level correlates positively with tax compliance, targeted tax education, specifically tailored for small business owners, is imperative for enhancing both their compliance and their willingness to contribute to the tax system.

Recognizing this, the Tanzanian government has launched various taxpayer education initiatives, ranging from public announcements and seminars to engaging live radio broadcasts. These efforts aim to transition the nation from traditional business practices to a more contemporary informal sector, which is expected to significantly increase the sector's contributions to the national tax revenue. Despite these endeavors, the persistently low levels of tax compliance, especially among SMEs in Moshi Municipal, highlight a profound disconnect. This research, therefore, seeks to investigate this gap by assessing the impact of taxpayer education on the non-compliance behaviors of SMEs in Moshi Municipality, Tanzania. The study is focused on uncovering the root causes of the ongoing non-compliance, despite substantial educational efforts, and aims to develop strategies to address these issues effectively.

1.3 Objectives of the study

1.3.1 General objective of the study

The overall purpose of this study is to assess the effects of taxpayers' education on tax compliance among SMEs in Moshi Municipality.

1.3.2 Specific Objectives

The study specifically aimed to:

- (i) Examine taxpayers' level of knowledge on tax compliance behaviour
- (ii) Examine methods used by taxpayers on tax compliance behaviour among SMEs owners; and
- (iii) Determine the relationship between taxpayer's education towards voluntary tax compliance among SMEs owners.
- (iv) Examine the Attitudes of taxpayers on Business Tax System in Moshi Municipality.

1.3.3 Research questions

- (i) To what extent do taxpayers' have knowledge towards Compliance Behaviour?
- (ii) What are the methods used by TRA to increase taxpayer's education towards compliance behaviour among SMEs owners?
- (iii) Is there any relationship between taxpayers' education and voluntary tax compliance among SMEs owners?
- (iv) What are the Attitudes of taxpayers (SMEs owners) on Business Tax System in in Moshi Municipality?

1.4 Significant of the study

The study will help to reveal how the level of the tax knowledge among entrepreneurs in the SMEs sector, affects tax compliance attitudes in the study area and may arouse the morale of voluntary tax compliance to SMEs as it is essential in minimizing the administration costs, and ensures reliable revenue collection to finance government expenditures. The study will help tax authorities to form the basis of assessing, the efficiency of the taxpayer education programs, based on the how it promotes voluntary tax compliance. The entrepreneurs in the SMEs sectors will understand that knowledge on tax matters is very essential for them as it will help them to minimize the compliance costs as well as smooth running of their business. To Scholars and academicians will enable them to use the findings of this study as the base for more empirical research on the field of tax compliance as well as designing the academic curricula to incorporate taxation subjects. Finally, this study will be adding knowledge on the existing ones, as to how the taxpayer education affects tax compliance. To researcher; the study will enable him finalize his masters study, and provide him with clear understanding on status of tax education and compliancy and if possible, to come up with solutions which can help solve the problems found from the study.

1.5 Organization of the study

This research report is organised into five chapters. The first chapter provides the background to the study, problem statement, research objectives, research questions and the significance of the study. Chapter two discusses the research concepts, theories, empirical reviews and conceptual framework of the study. Chapter three comprises of the research methodology that covers the research design, description

of the study area, population, sample and sampling techniques, data and data collection methods, validity and reliability of instrument and data analysis techniques. Chapter four presents the research findings and discussions in relation to research objectives. Chapter five provides summary, conclusion, and recommendations of the entire study.

1.6 Limitations of the Study

Since the method used to collect data was questionnaires, people may read differently into each question and therefore reply based on their own interpretation of the question –thus, what is 'good' to someone may be 'poor' to someone else, therefore there is a level of subjectivity that is not acknowledged, there is a level of researcher imposition, meaning that when developing the questionnaire, the researcher is making their own decisions and assumptions as to what is and is not important, thus, there are questions which could be of great importance in the research but were not included in the questionnaire. This could seriously bias the results, as there could be systematic differences between those who do and do not reply.

Also, there was some difficulties in accessing respondents due to their busy schedules; however, the researcher tried to use multiple skills like call backs, and re - arranging appointments, where necessary. Additional to that, the researcher faced several problems including some respondents not returning back the questionnaires; however, this was solved by the researcher administering more questionnaires that exceed the minimum sample size which used to help to cover the gaps of the missing questionnaires. Finally, some respondents had personal biases. To minimize this threat, the researcher used appealing and friendly communication means to request respondents to avoid being subjective while answering the questionnaires which they adhered to.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Definition of the key terms

2.1.1 Tax

Tax is the compulsory levy or charge by the state on its citizens and the non -alike citizens that is usually payable in monetary form, for which the government needs not offer equivalent direct compensatory services or render an individual account on how it utilized the revenue, (Monyo, 2013; Machogu, 2013) According to Mpongoliana (2000) tax was viewed as the amount of payment that is supposed to be paid by individuals or organization from the sells or service offered by such institution, the tax governing systems are the one designated to set the tax charges which are the obligation of the tax payers. . In this study tax mean the amount of money paid by business owners to the government to increase government revenue to assist other sectors meet their development expenditure.

2.1.2 SMEs for Taxation Purposes

SMEs, or Small and Medium Enterprises, vary in definition across countries, especially for taxation purposes (OECD, 2014). The criteria often depend on business turnover, with thresholds determined by the economic size of each country. In Tanzania, for instance, businesses with annual turnovers above 40 million are registered for VAT, while those below this threshold are under the presumptive tax system (URT, Income Tax Act, no 11 of 2004). Within this study's scope, SMEs are businesses operating under the presumptive tax system, typically targeting micro and small taxpayers exempted from filing tax returns.

Tax incentive regimes, targeted at small and medium enterprises, this may constitute what is to be termed as “SMEs” in the tax laws (OECD, 2014). Various definitions for tax purposes vary among the different countries, for example, the definition adopted by the European Commission is reflected in table 1. In Malaysia for instance in the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million (26.8Million TZS) OR number of full-time employees not exceeding 200

Table 1 : Categorical Definition of SMEs by Income Tax Act, no 11 of 2004

Category	Employees	Turnover
Micro	10 or more	More than TZS 2,000,000
Small	50 or more	More than TZS 10,000,000
Medium	250 or more	More than TZS 50,000,000

Source: IFC (2019)

The common criteria to classify an SME for taxation purposes, relies on the level of business turnover. That level of turnover depends on size of the economy of that country. In Tanzania, business firms with annual turnover above 40 million are registered for VAT purposes, while those with annual turnover below, 40 million are taxed under presumptive tax system (URT, Income Tax Act, no 11 of 2004). To this study, SMEs are defined as those operating under the presumptive tax system. These presumptive tax systems target the micro and small taxpayers which are not required to file tax returns.

2.1.3 Tax Compliance

Tax compliance refers to the voluntary act of adhering to tax laws and regulations by timely and accurately paying due taxes. A rise in tax revenue relative to a country's GDP often indicates higher tax compliance levels (Roak and Stephen, 2014). As defined by McLinden (2005), it involves paying the tax amount determined by the relevant structures based on factual assessments. This study considers tax compliance as the reported income percentage for tax purposes and the program's impact on compliance.

2.1.4 Taxpayer Education

The basic goal of most education programs is directed towards behavioral change. Being the case, behavior analytical theories of change, and learning theories can best explain how education can change the behavior of an individual (Svetna and Taumo, 2017). Tax education is the knowledge and skills given to tax payers on the required product and service which are supposed to be paid tax, the amount to be paid, the systems that are supposed to be followed and the payment process. According to Messerlin and Zarrouk (2000) the taxpayer education is required to be inculcated in the school curriculum. Similarly Grainger (2008) contend that, tax education is supposed to be provided by the government using tax organ and other delegated authority that are basd on tax administration and management. In this study tax

education is a tool for supporting tax compliance by providing practical and direct assistance to taxpayers to facilitate the use of modern e-administration tools and to support taxpayers, especially vulnerable taxpayers, in their tax obligations, including reporting requirements

2.2 Theoretical literature Review

This study will be guided by two theories namely economic deterrence and prospect theory of tax compliance. The researcher thought that these two theories will suit better to the study as it will help to answer the research question on tax compliance. The first theory defines the decisions to pay tax among the two alternatively risk status quo to pay tax for economic determinations.

2.2.1 Economic Deterrence Theory

The Economic Deterrence Theory presupposes that taxpayers make a rational cost-benefit analysis when deciding to comply or not. This analysis factors in the risks associated with non-compliance, the probability of detection through audits, and the perceived marginal value of money (Carroll, 1992). At its core, this theory resonates with classical expected utility and rational choice perspectives.

Economic Deterrence suggests a direct approach to enhance tax compliance: imposing fines and penalties, streamlining audits, simplifying tax laws, and ensuring tax rates exhibit horizontal equity. It operates under the principle that the fear of punitive measures will deter wrongdoing and promote law compliance.

Despite its merits, the theory's assumptions sometimes distance it from reality. It often overlooks behavioral factors, such as age, gender, ethics, education, and taxpayer perceptions, which are crucial in compliance decisions (Devos, 2015). Additionally, relying heavily on punitive methods is being questioned in the modern era, with many authorities preferring quality service to build long-term tax compliance instead of using coercive methods (IRS, 2017). While the theory emphasizes deterrence and enforcement activities to bolster tax compliance, this study explores an alternative theory discussed below.

2.2.2 Prospect Theory

This was developed in 1979, by two German psychologists, Konheman and Amos Tversky. According to these scholars, the rational choice will not only be based on the expected outcome, but on the certainty of the expected outcome. It is based on

the following assumptions: The Decision is made from reference point namely status quo then decision maker is risk averse.

The application of the theory to the tax compliance decisions is that the taxpayer will choose the no-compliance decisions if and only if he/she is certain that he/she will not be detected. The decision maker would not like to incur losses which may result from the non-compliance, for example fines, penalties, and sanctions. The taxpayer will make a calculated risk, basing on the reference point which is the current situation. This explains why there be may low level of tax evasion despite a low level of audits conducted, contrary to what is suggested by deterrence theory and the classical expected utility theory (Dhami and Nowaih, 2015). The theory suggests that, tax compliance decision is affected by how the decision maker, makes decisions. Individual decisions are affected by the moral ethics of an individual, education, age, gender, and his/her perceptions (Roak and Stephen, 2014).

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

This study leans towards the Prospect Theory when exploring tax behavior within SMEs in Moshi Municipal. Implementing deterrence measures from the Economic Deterrence model might not be feasible for many SMEs, especially those rooted in cash economies and lacking third-party data. By emphasizing behavioral elements, like age, gender, education, and ethics, the Prospect Theory offers a more nuanced understanding, assuming that knowledge levels can indeed influence perceptions and behaviors.

To further elucidate the rationale behind the choice of Economic Deterrence Theory and Prospect Theory for this study, it is essential to understand their complementary nature in analyzing taxpayer behavior, particularly among SMEs in Moshi Municipal. The Economic Deterrence Theory provides a foundational understanding of tax

compliance through the lens of rational decision-making, emphasizing the role of penalties and audits in shaping taxpayer behavior. This perspective is vital for understanding the traditional mechanisms employed by tax authorities and their impact on compliance decisions. However, this theory's focus on punitive measures and rational calculations may not fully encapsulate the complexity of taxpayer behavior, especially in the context of SMEs operating within informal or cash-based economies.

In contrast, the Prospect Theory introduces a behavioral dimension to the understanding of tax compliance. It acknowledges that taxpayer decisions are not solely based on rational calculations of gains and losses but are also significantly influenced by individual perceptions, moral ethics, and the certainty of outcomes. This theory provides a more holistic view of taxpayer behavior, considering the psychological and behavioral factors that influence decision-making. This is particularly relevant in understanding why SMEs might choose to comply or not, beyond the straightforward calculations of risk and reward.

By integrating these two theories, the study aims to provide a comprehensive understanding of tax compliance behavior among SMEs in Moshi Municipal. While the Economic Deterrence Theory offers insights into the effectiveness of traditional compliance mechanisms, the Prospect Theory allows for an exploration of the more nuanced, behavioral aspects of taxpayer decisions. This combined theoretical framework is crucial for examining the unique challenges faced by SMEs in this region and for proposing effective strategies to enhance tax compliance in a way that is sensitive to both the rational and behavioral dimensions of taxpayer decision-making.

2.3 Empirical Literature Review

2.3.1 Taxpayers' Knowledge on Tax Compliance Behavior:

Garcia and Roberts (2021) embarked on a study titled "Understanding Tax Knowledge and Its Implications on Compliance". Employing a mixed-method approach comprising both interviews and questionnaires, they targeted a sample of 500 taxpayers across different economic backgrounds in the UK. The findings indicated that over 60% of the respondents had basic to moderate understanding of tax regulations, often leading to inadvertent mistakes in their filings. The study concluded that there's a pressing need for comprehensive tax education programs. Garcia and Roberts recommended tax education initiatives by governments, especially in the digital space, for better outreach. However, a gap remains in understanding how different educational methods influence tax knowledge retention.

Hughes and Anderson (2021) conducted a study titled "Decoding the Taxpayer's Mind: Assessing Tax Knowledge and its Direct Impact on Compliance". They employed a quantitative approach using online surveys and targeted a diverse group of 600 taxpayers in Canada. Their findings illustrated that 55% of the respondents had only a rudimentary understanding of tax laws, leading to unintentional compliance errors. The study emphasized the urgent need for more accessible tax education tools. Hughes and Anderson recommended the development of online tax courses and tutorials to bridge the knowledge gap. However, they acknowledged the need for further research to evaluate the effectiveness of various tax education delivery methods.

Lin and Carroll (2019) sought to explore the relationship between augmented tax knowledge, taxpayer attitudes, and their subsequent compliance behaviors. Using a methodology that gauged the knowledge levels of taxpayers before and after they were provided with enhanced tax information, it was discerned that there wasn't a marked improvement in their adherence to tax regulations post-acquisition of this knowledge. Conclusively, the study emphasized that simply augmenting tax knowledge might not guarantee enhanced compliance with tax laws.

Rashid and Noor (2014) embarked on a research journey in Malaysia to delve into the impact of tax knowledge on taxpayer compliance. With an objective centered around discerning how in-depth tax knowledge affected compliance behaviors, the

researchers employed questionnaires to gather data. The results, based on a comparison between taxpayers possessing significant tax knowledge and those devoid of it, revealed that the former group demonstrated higher compliance levels. Nonetheless, given that the study juxtaposed only two distinct groups, it recommends further expansive research to unearth the intricate relationship between different gradations of tax education and compliance.

2.3.2 Methods Used by Taxpayers on Tax Compliance among SMEs Owners:

Thompson and Lee (2022) researched the "Strategies Adopted by SMEs for Tax Compliance in Southeast Asia". Using a qualitative methodology, they conducted in-depth interviews with 100 SME owners. The study revealed that the majority of SMEs relied on external tax consultants, largely due to the complexities involved in the tax filing process. The researchers concluded that while external help was beneficial, SMEs must also internally understand tax obligations to minimize risks. They recommended tax authorities to simplify documentation and provide tailored guidelines for SMEs. A notable gap in this research was the limited geographical focus, hinting at the need for similar studies in other regions.

Martinez and Fernandez (2022) embarked on a research titled "Tactical Approaches to Tax Compliance by SMEs in Latin America". Utilizing a qualitative approach, they conducted face-to-face interviews with 120 SME owners. Their results revealed that most SMEs preferred using in-house accountants for tax matters, viewing it as a more reliable and confidential approach. The conclusion highlighted the importance of trust in tax matters for SMEs. Martinez and Fernandez suggested tax authorities develop stronger partnerships with professional accounting bodies to enhance trust. A potential limitation of this research was its exclusive focus on Latin America, suggesting a need for broader geographical investigations.

Normala (2017) research pivoted around evaluating the effect of tax education on voluntary tax compliance in Malaysia. This research was particularly significant considering Malaysia's transition to a self-assessment system in 2014. Adopting a methodology involving questionnaires distributed to both taxpayers and tax officials, the findings underscored that a surge in tax knowledge invariably leads to a positive uptick in voluntary tax compliance. However, the distinctiveness of the Malaysian tax mechanism, which is governed by a solitary tax act, necessitates analogous studies in varied environments, for instance, in Tanzania.

Christina, et al., (2018) steered a study in the USA with an aim to decode the economic and behavioral determinants of tax compliance. Focusing on participants enveloped within the Ankas City tax penalty amnesty framework, the study identified several inhibitors to compliance such as the intricacies of tax laws, financial constraints, lack of awareness regarding tax statutes, and perceptions surrounding exorbitant tax rates and systemic unfairness. Interestingly, a notable chunk of the observed non-compliance was inadvertent, often attributed to the convoluted nature of tax laws and taxpayers' lack of clarity regarding their obligations. The study culminated in affirming the robust relationship between taxpayers' awareness of tax matters and their voluntary compliance tendencies. However, the distinct socio-economic landscape of the USA compared to Tanzania, coupled with the potential biases stemming from the selected sample, accentuates the need for analogous studies in different global contexts.

2.3.3 Relationship between Taxpayer's Education and Voluntary Tax Compliance among SMEs Owners:

In a comprehensive study by Matthews and Khan (2020) titled "The Impact of Tax Education on SMEs' Voluntary Compliance in South Africa", a quantitative methodology was adopted, surveying 300 SME owners. Findings pointed towards a strong positive correlation between tax education and voluntary compliance. The more educated the SME owners were, the higher was the voluntary compliance. Matthews and Khan concluded that tax education played a pivotal role in enhancing compliance, especially in the SME sector. They strongly recommended the introduction of mandatory tax workshops for new SME owners. One identified research gap was understanding the long-term impacts of such educational initiatives on compliance rates.

Singh and Patel (2020) led an exploration titled "Educational Initiatives and their Role in SMEs' Tax Compliance in India". Using a quantitative survey method, they analyzed responses from 250 SME owners. The results showcased a noticeable trend: SMEs owners who had attended tax seminars were 40% more likely to exhibit voluntary compliance. The study underscored the instrumental role that targeted tax education plays in compliance enhancement. Singh and Patel's (2020) recommendations revolved around encouraging tax bodies to regularly host seminars

and workshops for SMEs. However, they pointed out the unexplored area of digital tax education's impact, hinting at an avenue for future research.

2.3.4 Attitudes of Taxpayers on Business Tax System

Williams and Ortiz (2021) carried out a study titled "Taxpayer Attitudes and Perceptions: A Case Study in Moshi Municipality". Utilizing a qualitative approach, they interviewed 150 local business owners. The results showed a general sentiment of dissatisfaction, primarily due to perceived complexities and lack of transparency in the business tax system. The study concluded that while the tax system's structure might be sound, its execution and communication left room for improvement. Williams and Ortiz recommended periodic feedback sessions between tax authorities and business owners to ensure clearer communication and understanding. A potential gap is understanding how these attitudes change over time with shifts in economic and political landscapes.

Smith and O'Brien (2021) tackled a study titled "Unraveling Tax Attitudes: Insights from Dublin's Business District". Adopting a mixed-method approach, they collated views from 200 local business owners through surveys and focused group discussions. Their findings painted a picture of mixed feelings; while businesses appreciated the structured tax framework, they lamented its executional challenges. Smith and O'Brien concluded that a more collaborative approach between tax authorities and businesses might mitigate such concerns. They championed the idea of setting up local tax committees to foster dialogue. Yet, they conceded that understanding how such committees might influence long-term taxpayer attitudes remains a gap in their research.

2.4 Research gap

Kassipillai (2013) conducted a study on the relationship between taxpayer education and voluntary tax compliance in Malaysia; Lin and Carroll (2019), conducted a study to determine how the enhanced tax knowledge and tax attitudes, affects the compliance behaviour among the taxpayers in New Zealand; Rashid and Noor (2014) conducted a study to evaluate the influence of the tax knowledge on the tax compliance behaviour, among the taxpayers in Malaysia; Normala (2017), conducted a study to examine the influence of the tax education, as a proactive approach to enhance the voluntary tax compliance, among the taxpayers, in Malaysia; Christina,

Deborah and Gray (2018) conducted the study to determine the economic and behavioural factors affecting tax compliance among the taxpayers in the United States of America. The above-mentioned studies was conducted outside Tanzania probably in developed countries. This study which is current for that case was conducted to evaluate the effects of taxpayer's education on tax compliance among small and medium enterprises in Moshi Municipal Tanzania.

2.5 Conceptual framework

The dependent variable of this study will be the voluntary tax compliance, while the independent variable was taxpayer education, which affects the voluntary tax compliance through affecting the characteristics, of a taxpayer, such as knowledge, perception, methods of education taxpayers and level of knowledge SMEs owners had. This conceptual framework has been developed from the existing literatures, after extensive reviewing of the tax education and tax ethics and the voluntary tax compliance. This conceptualization was also supported by scholars such as Kasipillai, Norhani and Noor, 2003, in their study to evaluate the influence of tax education on the compliance attitudes among the undergraduate students in Malaysia. They concluded that education, affects the characteristics of taxpayer such as perception tax ethics, which in turn affects the tax compliance attitudes.

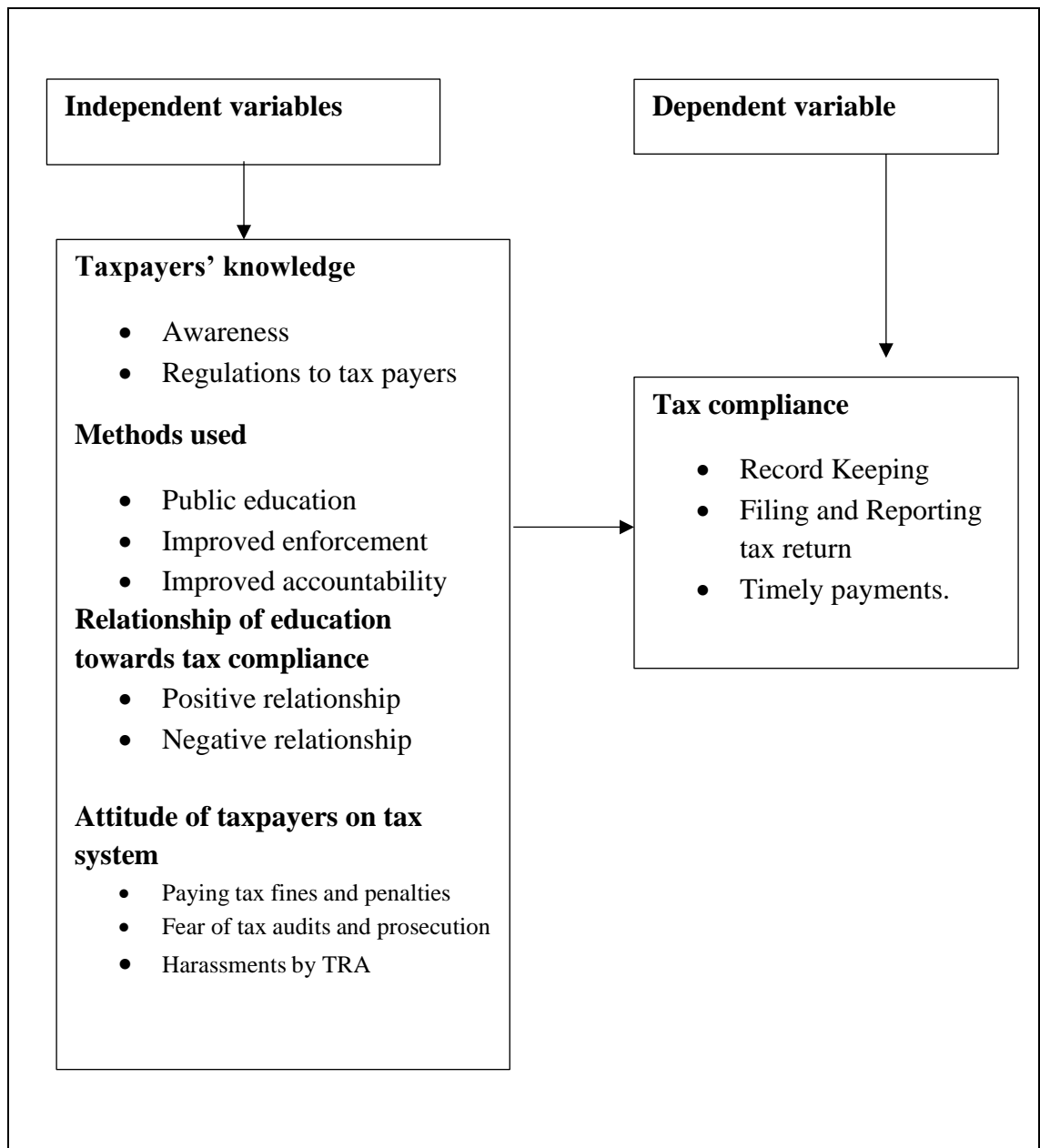


Figure 1 : Conceptual framework on assessing the effects of taxpayers' education on tax compliance among SMEs in Moshi Municipality

Source: Researchers' construct (2023).

The conceptual framework is built of dependent and independent variable. for having tax compliance it depends on taxpayers' knowledge, methods of increasing taxpayer's education, relationship of education towards tax compliance and attitude of taxpayers on tax system. On the same, each variables on the independent variables, has been made based on indicators. In taxpayers' knowledge it is measure through the indicators such as awareness and regulations to tax payers. Also, on the methods of

increasing taxpayer's education, it was measured based on public education, improved enforcement and improved accountability. Similarly, on the relationship of education towards tax compliance two items of whether there is a positive relationship or negative relationship. lasly, the attitude of taxpayers on tax system was measured on paying tax fines and penalties, fear of tax audits and prosecution and harassments by TRA. If the above performed well, we can have tax compliance based on proper record keeping, filing and reporting tax return and timely payments

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Research design

The study adopted descriptive research design complemented by a cross-sectional research design that allows collection of data on multiple variables from a representative sample at a single point in time. A cross-sectional research design that allows since it suits the investigation of phenomena placed in their actual context where the researcher cannot control the events. It is undertaken as part of the social sciences, as the statements of case study research cannot be detached from the context from which data are drawn; it thus distinguishes itself from natural sciences, as it cannot control the context (Lund, 2014). The study adopted a mixed-method approach to analyse the data, combining both qualitative and quantitative techniques to provide a more comprehensive understanding of the research problem (Cresswell, 2014). Lund further argued that the "case" of the case study is built from a mental and analytical construct, which organizes knowledge about reality in a manageable way. The "case" itself is thus a piece of empirical reality that has been edited to point out certain features, emphasizing some and de-emphasizing others. Far from being self-evident, case studies are developed constantly through the effort and interpretation of the researcher.

3.2 Description of the Study Area

Moshi Municipality, situated in Tanzania's Kilimanjaro region, is a vibrant urban center hosting over 200,000 residents, and it serves as a crucial hub for Small and Medium Enterprises (SMEs), with 11,979 recorded in the 2022 National Census of Tanzania. However, this figure likely underrepresents the actual number of SMEs, as a significant portion operate informally and remain unregistered with government entities. This phenomenon not only showcases the robust entrepreneurial spirit permeating the area but also highlights a critical challenge in terms of tax compliance and regulation. The study conducted in this bustling municipality aims to unravel the intricacies of taxpayer education and its impact on tax compliance among SMEs, delving into the complexities of both formal and informal sectors. By doing so, the study aspires to provide comprehensive insights and practical recommendations that can aid policymakers, tax authorities, and business support organizations in fostering a more transparent, inclusive, and compliant business environment, ultimately

contributing to the sustainable economic development of Moshi Municipality and similar urban centers across Tanzania and beyond.

3.3 Population, Sample and Sampling procedure

3.3.1 Population

The target population of the study was 11979 SMEs owners in Moshi Municipality. The choice of SMEs owner's is because they might be reluctant to tax compliance compared to large business owners. SMEs were included to examine their level in terms of tax education and the means of acquiring taxpayer's education.

3.3.2 Sample

The sample selection process for this study is guided by a robust and scientifically grounded methodology, ensuring the collection of relevant and reliable data from SME owners. The use of the Yamane formula for determining the sample size is a critical component of this approach, chosen for its precision and suitability in addressing the research problem.

The Yamane formula, as developed by Yamane in 1967, is an efficient tool for sample size determination in social science research. It provides a systematic and statistically valid method for deciding how many individuals to include in a study, which is crucial for achieving representative and generalizable results. The formula is given as:

$$n = \frac{N}{1+N(e)^2}$$

Whereby:

n = sample size,

N = total number of SMEs owners within the study area is 175

e = standard error, for example 9% (0.09) were used to obtain manageable respondents (Yamane, 1967).

$$n = \frac{11979}{1+11979*0.09^2}$$

$$1+11979*0.09^2$$

$$\frac{11979}{1+11979*0.0081}$$

$$n = 11979*0.0081$$

n = 121 respondents

This method is particularly effective for this research due to several reasons: Precision and Accuracy: The Yamane formula allows for a calculated and precise determination of sample size, ensuring that the sample is neither too large (which could be resource-intensive) nor too small (which could compromise the validity of the results). Representativeness: With a total population of 175 SME owners, a sample size of 121 ensures a high degree of representativeness.

This means that the findings can be confidently extrapolated to the entire population of SME owners in the study area. Manageability: By applying a standard error of 9%, the formula balances the need for a comprehensive sample while maintaining manageability in terms of data collection and analysis. This size is substantial enough to capture a wide range of perspectives yet manageable for in-depth analysis, Statistical Validity: The use of a recognized statistical method for sample size determination adds rigor and credibility to the study, enhancing the reliability of its findings. Appropriateness for SME Context: Considering the diversity and dynamics of SMEs, this sample size is aptly suited to capture varied experiences and insights, which is crucial for a nuanced understanding of tax compliance behaviors in this sector.

3.3.3 Sampling procedure

This study used stratified sampling procedure in obtaining respondents. The advantage of stratified sampling is that it ensures that each stratum is adequately represented in the sample and reduces the sampling error and variability within each group. This can improve the accuracy and precision of your estimates and allow you to compare the differences between the strata. Stratified sampling technique ensured that all categories of SMEs in Moshi Municipal were included in the sample. Thereafter simple random sampling technique used to sample individual taxpayers within the stratum as it eliminates bias since each member on the sample had an equal chance of being selected. Lottery approach was used to aid in obtaining respondents through simple random sampling where among the SMEs folding of papers and select them randomly was done to reduce biasness in selecting the SMEs. The advantage of simple random sampling is that it is easy to implement and understand and does not require any prior knowledge of the population characteristics. It also avoids any potential bias or confounding factors that might arise from stratifying the population

3.4 Types of data and source

This study collected both primary and secondary data. Primary data was collected from SMEs through questionnaire survey; also the use of key informants provides the triangulation of the results of the questionnaire survey. Secondary data was derived from TRA reports that itemized the status of tax compliancy and tax education.

3.5 Data and data collection method

3.5.1 Questionnaire survey

The questionnaire served as the principal instrument for data collection in this study, with the researcher successfully administering 121 meticulously filled-out questionnaires to participants. This tool was thoughtfully designed to encompass both open-ended and closed-ended questions, catering to a comprehensive exploration of the participants' perspectives and experiences. The respondents were approached at their respective business locations, ensuring that they were in a comfortable and familiar setting when participating in the study. Prior to administration of the questionnaire, each participant was briefed about the purpose and significance of the study, and their informed consent was obtained. Only those who voluntarily agreed to partake in the study were included, ensuring the ethical integrity of the data collection process. These participants were then asked to provide detailed and honest responses regarding the impact of taxpayer education on their tax compliance behaviors, specifically focusing on the context of SME owners in Moshi Municipality. This approach was employed with the aim of garnering rich, nuanced insights that could significantly contribute to the understanding of the study's core objectives.

3.5.2 Interview method

On the other hand, qualitative data were collected from key informants' interview with Tanzania Revenue Authority Kilimanjaro Office. Check list was prepared on each aspect to measure the effects of taxpayers' education towards tax compliance among SMEs owners in Moshi Municipal. Secondary data was collected to analyse respondent's' behavior towards tax compliance for those who receive direct taxpayer education.as compared to those who paying tax before receiving education. Additionally, both quantitative and qualitative data complimented with secondary data from relevant literatures such as TRA progress report on revenues collection.

3.5.3 Documentary Reviews

This is another method which was used for the purpose of collecting secondary data to supplement the primary data. The information collected by other researchers and may/ or may not be necessarily analyzed or published. The researcher consulted various documents which included reports by and/or for the World Bank, Tanzania Revenue Authority. Additionally, the study consulted other studies and publications that contain the relevant information about the study. For example files, circulars, journals, manuals, websites and pamphlets.

3.6 Data analysis

Data from socio-demographic characteristics of the respondents was analysed using descriptive statistics of which frequency and percentage were computed. On the other hand, specific objective one which about to examine taxpayers' level of knowledge on tax compliance behaviour was analysed using Pearson Product-Moment correlation coefficient model under the aid of Statistical Packages for Social Sciences version 21 to check whether there is relationship between taxpayers' education and voluntary tax compliance among SMEs owners. The second specific objective which is about examining methods used to taxpayers on tax compliance behaviour among SMEs owners was analysed using multiple response whereby modes of delivering education to taxpayers towards tax compliance were determined and computed using percentage and the third specific objective which is about determining the association of taxpayer's education towards voluntary tax compliance among SMEs owners was analysed using Chi Square to check the association between taxpayers education and voluntary tax compliance among SMEs owners and the last specific objective was about to examine the attitude of taxpayers on Business Tax System in Moshi Municipality, Five point Likert scale was used to determine the attitude of the respondents to come up with general attitude of the enterprises owners.

3.7 Data validity and reliability

3.7.1 Data Validity

To ensure the validity of sample surveys, a rigorous validation process of the research instrument was necessary, and this was conducted via a pilot study. In preparation for the main study, a pilot test with a representative subset of the target population was undertaken to assess the validity of the measures. Participants involved in the pilot phase were systematically excluded from the final study to maintain data integrity.

Attention was given to refining the wording of survey items, guided by outcomes and insights from the pilot test, supplemented by expert reviews. The pre-testing phase of the questionnaire was crucial, aiming to eliminate any potential ambiguity, confusion, or offensive content that could bias the responses. This process contributed significantly to enhancing the validity of the research instruments, ensuring accurate and reliable data capture.

3.7.2 Data Reliability

Testing the consistency of research tools was integral to verifying their reliability and identifying any errors that required correction. The internal consistency of the study was measured to ensure reliability, utilizing Cronbach's Coefficient Alpha for the evaluation of the research tool. A pilot study was conducted, distributing a carefully filled out questionnaire to a convenience sample of at least 15 individuals from a different district. The results from this pilot test were analyzed for reliability using Cronbach's Alpha, resulting in a coefficient value of 0.75. This outcome attested to the reliability of the study tool, confirming its consistency and the dependability of the research instruments utilized in the study.

3.8 Ethical Issues

In this study, rigorous ethical protocols were established to ensure the trustworthiness and accuracy of the data collected, emphasizing confidentiality and participant anonymity. Initially, informed consent was obtained from all participants, as detailed in the introductory part of the questionnaire in Appendix II, which outlined the study's purpose, methods, and potential impacts. To guarantee confidentiality, personal identifiers were not collected, thus maintaining participant anonymity and fostering an environment of trust that encouraged honest responses. The handling of data was meticulously managed, with digital information securely encrypted and physical data stored in locked, restricted-access locations. Ethical oversight was further ensured through approval from a relevant ethics committee, adding a layer of accountability. The research process was marked by transparency, particularly in data reporting, to uphold the integrity of the findings. Additionally, a debriefing session was offered to participants post-data collection, allowing them to inquire about the study and understand its broader context. Special care was taken when handling sensitive information related to tax compliance, ensuring that participant safety and

privacy were not compromised, thereby upholding the highest ethical standards throughout the research.

CHAPTER FOUR

4.0 FINDINGS AND DISCUSSION

This chapter presents the research findings and discussion of the study. The first part gives the summary of the respondent's socio-demographics characteristics, followed by the interpretation. The second part contains descriptive analysis of the data collected from the field, on the level of education of the SMEs owners among selected SMEs, level of tax compliance and how the level of tax education affects the compliance behaviour followed by detailed discussions of the findings and the comparison to the similar findings by other researchers.

4.1 Socio-demographic characteristics of the respondents

Table 2 : Socio-demographic characteristics of the respondents (n=121)

Characteristic (s)	Frequency	Percentage
Age		
30-40	34	28.1
41-51	48	39.7
52+	39	32.2
Marital status		
Married	82	67.8
Single	39	32.2
Sex		
Male	92	76.0
Female	29	24.0
Education		
Primary education	33	27.3
Secondary education	58	48.0
Informal education	30	24.7
Number of years in business		
1-5	25	20.7
6-10	63	52.0
11+	33	27.3

121 questionnaires were distributed, out of these 112 questionnaires were distributed to the entrepreneurs on the SMEs sector during field survey, and 9 questionnaires were distributed to the staff of the revenue authority dealing with taxpayer services and education. From research data, out of those who were responded, 76% were male while 24 percent were female.

4.1.1 Age of respondents

From the research data, 28.1 percent of the respondents were between 30-40 years, 39.7 percent of the respondents were between 41-51 years age and 32.2 percent of the respondents were over 52 years. This is an indication that most SMEs in this category are at their productive ages.

4.1.2 Number of years engaged in business

The number of years one has been in business has an influence on his/her taxpayers' experience and level of paying taxes. For those who done business for long it implies they are used with the routine practices of paying taxes to Tanzania Revenue Authority (TRA). It also determines whether their attitude to enjoy the duty service their taxes is positive or not. From research data, 20.7 percent of the respondents indicated that they have a 1-5 years' experience in business, 52.0 percent indicated that they have 6-10 years business experience, as 27.3 percent indicated they have engaged over 10 years. This is an indication that most taxpayers in Moshi Municipal have few years in business experience.

4.1.3 Distribution of respondents by education level

Table 1 shows the education qualification level of the interviewed respondents. The findings revealed that 27.3 percent attained primary school, 48.0 percent attained secondary education and 24.7 percent has informal education. This implies that a lot of respondents interviewed were well informed on the current happenings in effects of taxpayer's education on tax compliance among the SMEs in Moshi Municipal. This implies that most of respondents were elite enough to give more relevant responses since all of them have attained education level at large extend. Therefore, the findings showed that many respondents understand the effects of taxpayer's education on tax compliance among the SMEs in Moshi Municipal.

The ability to read and write influences one's ability understand tax education and interpret the tax laws. Proper recording keeping requires fluency in reading and writing. From research data, 27.3 percent indicated they have attained primary education and therefore they can write and read, 48.0 percent of the respondents attained secondary education which indicate that they can read and write properly and even understand tax laws and 24.7 percent of the respondents have informal education which can be a justification that they do not have such fluency. This is a clear indication that the taxpayers can understand tax education given to them,

interpret the tax laws, and at the same time keep correct books of account and records. The challenge of lack of knowledge of tax compliance behavior towards a tax system is serious on the grounds that it may have played part short falls in tax collection, even after aggressive marketing by TRA in the print and electronic media.

4.1.4 Marital status of the respondents

The study findings revealed that out 121, 67.8 percent were married and only 32.2 percent were single. The implication of this finding is that the respondents, who the researcher contacted, were old enough as most of them were married and had families. With such status, researcher thought that they can discuss relevant issues which reflected their socio-economic responsibilities which can help SMEs owners to comply on tax payment with assumption that they have children or other family members who will become new the future taxpayers.

4.1.5 Sex of the respondents

On investigating the impact of taxpayer's education on voluntary tax compliance in Moshi Municipal, both sexes were involved. The findings revealed that out of 121 respondents, 76.0 percent were male and the remaining 24.0 percent were female. This implies that, on the issue of tax compliance none of sex have been exempted because they are all SME owners and capable of paying tax, unlike the mentality of some people that females' entrepreneurs must be exempted from tax paying because most of them are family care unlike their male counter parts due to stereotypes. Therefore, sex of the respondents plays a big role in recognizing the roles of both males and females in taxpayers' education (Ademun, 2019).

4.2 Tax Knowledge and Compliance Behaviour among SMEs in Moshi Municipal

4.2.1 Knowledge on Tax registration among SMEs owners.

Tax registration is the basic requirement and it is an obligation of taxable institutions to make such registration. In this part the researcher attempted to examine the registration status of the respondents which is the first stage of compliance, and the results are shown in Table 3.

Table 3 : Knowledge on Tax registration among SMEs owners.

Status	Registered	Not registered
Number of SMEs	91	30
Percentage (%)	75%	25%

Analysis shows that 75% of the respondents are registered for tax which indicates that SMEs understand their obligation to be tax compliant. This is in line with Ma (2018) and Wadesango and Wadesango (2020) who argued that SMEs owners have tax knowledge. Helhel and Ahmed (2014) argue that the first obligation for one to be compliant with tax authority regulations is registration in the system. However, another 25% of the SMEs are not registered implying a possible lack of knowledge. This was in line with the argument raised by TRA officer who was a key informant who said that;

“...most SMEs have a tendency of not paying attention in registering their SMEs... when they were asked the reason, they said, they have no information on how they can make the registration. Indeed this is lack of knowledge that needs to be disseminated to the SMEs owners”

Education to SMEs owners is that key to make it effective for registering their firms for tax compliancy. This corresponds to Loo (2016) with the argument that, non-registering of SMEs is possible lack of knowledge.

On the other hand, reasons for non-registering was assessed through a multiple response analysis. The modal figure is within the group that is registered indicating existence of tax knowledge. Unregistered SMEs were further required to give reasons for not being registered and their responses are tabulated in Table 4.

Table 4 : Reasons for non-tax compliance (n=30)

Response	Number of SMEs owners	%
Tax rates are too high.	14	46.7
I do not see the benefits of paying tax.	9	30.0
I do not think I qualify to register for tax.	4	13.3
I earn too little profits.	3	1.0

Finding in Table 4 revealed that 46.7% blamed the high tax rates. This implies hesitation of registration is on evading tax. Also, education comes since each SMEs has a different tax rate depending on turnover. This is in line with the argument raised by Hite (2012) who said that, most firms are hesitating to make registration due to fear of high tax established by governments tax regime. Also, Wadesango and Mhaka (2017) were of the same opinion that, education on tax system may reduce non registered firms.

On the other hand, another 30.0% stated that they did not appreciate any benefits from paying tax. This implies that, tax advantage is an education fact that is needed to be given to all citizens including tax payer to broaden the payment capacity and demands. This fact was supported by TRA officer who is in the department of tax education with the argument that;

“... Taxpayers lacks education on the tax returns, benefits accrued from tax is not clearly understood by tax payers, the population knows that, government is responsible to make services without knowing, its from tax we raise fund for that...”

This implies that, tax payers including SMEs feel reluctance in paying tax due negligence caused by not knowing the benefits of paying tax. This is in line with Webly (2014) who argued that, tax benefits need to be disseminated to the public to raise public concerns in tax payment.

Similarly, other reason for not registered to tax was; 13.3% argued that they make very little profits while another 1.0% believed they did not qualify for taxation. Those that believed they do not qualify for taxation are sure sign of lack of knowledge as explained by Mckechar (2015) who argued that SMEs are not even aware of their tax shortfalls. However, the measure of central tendency lies among those that blamed tax rates and those that argued that there is no incentive to taxes. This means tax rates and lack of accountability are the contributing factors to non-compliance among SMEs in Moshi Municipal.

4.2.1.1 Frequency of submission of tax returns

Assessing the tax return submission was of interest to researcher since it is the bases for evaluating tax payments. Response on the frequency behaviors was done and the four variables were used. The group that claimed to be registered was further probed to ascertain compliance behavior and the results are in Table 5.

Table 5 : Compliance Behavior (n = 91)

Response	Never	Rarely	Sometimes	All the time
Frequency	9	12	29	50
Percentage (%)	9.8	13.1	31.8	54.9

It is not surprising to note that out of the 121 SMEs that 91 claimed to be registered for tax, only 50 of them declare and pay the correct taxes all the time. This gives a total compliance rate of 54.9 % only thereby supporting. This implies that 45.1% are on the side of not submitting tax return in time given. This also was supported by the statement provided by a key informant who was a TRA officer who said that;

“.... most SMEs do not make tax returns submission, we make announcements by moving vehicle every quarter and sometimes monthly, but the rate of tax return submission is not at the expected rates, more efforts is still done to increase the frequency....”

This implies that, despite the efforts, the percentage of the submission is not in the expected performance. However, 13.1% were found to make really submission of return. This implies that, there at times the submission is not done which can downsize tax collection status. Maseko (2014) who argued that most SMEs do not pay taxes. James and Alley (2012) defined tax compliance as filing all required tax returns accurately and at the proper time thereby meaning the taxpayer who submits his returns sometimes and rarely is not a compliant taxpayer. The measure of central tendency lies within the non-compliant group confirming that SMEs do not comply.

4.2.1.2 Measuring existence of knowledge

Knowledge to tax payers was also assessed to see whether the tax payers have such understanding. To determine the level of knowledge among SMEs Owners a few questions on tax issues were asked and the results are tabulated in Table 6.

Table 6 : Distribution of SMEs owners on knowledge of tax (n=121)

Tax heads known	1 Tax head	2 Tax heads	More than 2
Number of SMES	18	88	15
Percentage (%)	14.9%	72.7%	12.4%

There was none of the SMEs owner who claimed no knowledge of tax implying that SMEs do have knowledge about taxes. 14.9% of the respondents only knew one tax head, 72.7% knew 2 tax heads while only 12.4% knew 3 types of taxes. This implies that, few (12.4%) have knowledge, having little knowledge had a negative implication on tax compliance status. This was supported by TRA officer who was a key informant in the department of tax education who said that;

“... tax knowledge is deep, even the simplified to tax payers sometimes cannot be understood. The population in the business side has an average of form four secondary school. We find majority of them are standard seven, despite the frequency education platforms given to them, their understanding had always be low and slow....”

This implies that, knowledge among SMEs owners is low attributed by many factors. This piece of evidence is in line with Hasseldine (2013) who argued that the existence of tax knowledge did not significantly affect tax compliance behavior of SMEs. The measure of central tendency is within the group that knows 2 types of taxes confirming SMEs are aware of their tax obligations. Also, Onditi (2013) argued that, tax payers had little knowledge on the required tax and their clarifications.

4.2.1.3 Adequacy of tax knowledge

Adequacy of understanding on tax knowledge was also assessed; the aim was to understand whether SMEs owners have the understanding capacity on tax issues. Respondents were asked if they agreed that SMEs owners lacked adequate knowledge on tax issues and their responses are tabulated below in Table 6.

Table 7 : Respondents by lack of knowledge of SMEs owners (n=121)

Responses	Strongly	Agree	Uncertain	disagree	Strongly
Frequency	9	33	17	46	16
Percentage	7.4%	27.3%	14.0%	38.0%	13.2%

The findings revealed that 7.4 % of the respondents strongly agreed that SMEs lack tax knowledge. This implies, few had little knowledge at all but significant to affect tax compliancy. Similarly, 27.3% agrees to have little knowledge. This implies, a bigger percent who are not knowledgeable on tax issues. Further analysis means 34.7% agrees that they lack tax knowledge which. This findings evidence was supported by Dube (2014) who argued that, knowledge on tax in terms of tax education and awareness had a significant contribution to tax compliancy. The meantime 14% was

unsure confining with the argument raised by Saad *et al.* (2014) who said tax regulations are freely available. However, the modal number is within those that argue they lack knowledge meaning SMEs lack knowledge.

4.2.1.5 Distribution of Respondents by Knowledge about presumptive tax

This component was important to measure tax payer's knowledge on presumptive tax. Respondents were asked if they knew the difference between presumptive taxation and income-based taxation. Their responses are shown in the Table 8.

Table 8 : Respondents by Knowledge about presumptive tax (n=121)

Response	Yes	No
Do you know the differences between presumptive tax and income-	26	95
Percentage	21.5	78.5

The findings revealed that 78.5% of the respondents confirmed that they did not know the difference between presumed taxation and actual income-based taxation. This means that taxpayers can possibly opt for presumptive tax without knowing the advantages of having your tax calculated based on actual income. The 21.5 % argued that can distinguish however supports that SMEs have knowledge but elect for this method because they would rather not maintain books of accounts The data presented in the findings sheds light on the importance of tax education for SMEs (Small and Medium-sized Enterprises) and the general public. Drawing a connection between these findings and the concept of tax education: The fact that a significant 78.5% of respondents are unaware of the differences between presumptive taxation and income-based taxation underlines a glaring gap in tax education. This suggests that a majority of taxpayers might be making tax decisions without adequate information.

Lack of knowledge about tax mechanisms can lead to unintentional non-compliance or the adoption of less optimal tax strategies. As supported by the citation from Cuccia (2013), the segment that does possess knowledge might be opting for presumptive taxation out of convenience and to avoid the hassle of maintaining detailed financial records. This behavior indicates a trade-off between ease of compliance and potential tax benefits, which, if known, might influence a taxpayer's choice. As Carroll (1992) points out, deterrence theory suggests that potential punishment serves as a deterrent against wrongdoing. In the context of taxation,

penalties for non-compliance can be harsh. Without proper tax education, taxpayers might inadvertently place themselves at risk of such penalties.

Given the lack of awareness, there is a strong need for tax education programs targeted towards SMEs. Such programs can help businesses understand the nuances and benefits of different taxation methods, empowering them to make informed decisions. Policymakers can utilize this data to design more intuitive tax systems and provide better resources and training to the public. Additionally, tax consultants and advisors can emphasize educating their clients to ensure better compliance and more informed decision-making.

4.2.1.6 Effects of tax education

Understanding on the effect of not paying tax was assessed; this was to determine the perceptions on understanding non tax compliancy effects. Respondents were asked whether they believed if they had more tax education, they would comply with tax law, and this is how they responded in Table 9.

Table 9 : Effects of tax education on tax compliance (n=121)

Responses	Strongly	Agree	Uncertain	disagree	Strongly
Frequency	29	53	13	17	9
Percentage	23.9%	43.8%	10.7%	14.0%	7.4%

The findings revealed that 23.9% of the respondents strongly agreed and 43.8% agreed that if they had more education about taxes. They would comply with tax laws. 10.7% was unsure while 14% disagreed and another 7.4% strongly opposed the idea. In aggregate 67.7% do believe that tax education would improve their compliance as stated by Kirchler *et al.* (2016) who documented that possessing tax knowledge would lead to higher compliance. The 10.7% that was unsure are in support of Cuccia (2013) who could not measure tax knowledge and failed to conclude the impact of knowledge on compliance. On the other hand, the 21.4% saw no relationship between their exposure to tax education and compliance in support of Berger (2011). The modal data is among those that do not believe they would change their behaviour if they were exposed to tax education meaning tax knowledge will not result in positive compliance behaviour among SMEs.

4.2.1.7 Factors that can Influence Tax Knowledge

Respondents were asked various questions to determine factors that influenced their tax knowledge and compliance behaviour. These factors include their education levels, exposure to tax education, knowledge about e-filing and complexity of tax law. Their responses are tabulated and analysed below Table 10.

Table 10 : Tax knowledge and level of education (n=121)

Level of education	Others	Primary education	Secondary
Frequency	25	65	31
Percentage (%)	20.7%	53.7%	25.6%

The level of education of the participants was ascertained and it's revealed that 25.6% had attained a maximum of secondary education and below that indicating that the noncompliance could be influenced by the lack of education. This was supported by Akinboade (2012) with the argument that, tax compliancy is determined by tax payer's level of education; he further claimed that, the higher the level of education the higher the tax compliancy. On the other hand, 53.7% claimed to have attained a primary education and an additional 20.7% had an informal education meaning their noncompliance behaviour is not influenced by their education level. This is in line with Atawadi (2012) who refuted that level of education increase tax knowledge. The modal number is within primary education which confirms that positive compliance behaviour is not influenced by level of education. According to Dhimi and Nowaih (2015) on Prospect Theory the decision maker would not like to incur losses which may result from the non-compliance, for example fines, penalties, and sanctions. The taxpayer will make a calculated risk, basing on the reference point which is the current situation.

4.2.1.8 Exposure to tax education and knowledge about e-filing

The researcher tried to determine if the Tanzania Revenue Authority conducted adequate awareness programmes to create both general knowledge and technical knowledge among SMEs and their responses are as follows Table 11.

Table 11 : Exposure and tax education and e-filing knowledge (n=121)

Response	Yes	No
Tax education	46 (38.0%)	75 (62%)
e-filing	26 (21.5%)	95 (78.5%)

The findings revealed that only a mere 38.0% of the tax payers had been exposed to tax education through workshops or formal education while only 21.5% had knowledge of e-filing. This confirms that SMEs lack knowledge of tax requirements leading to the non-compliance behavior. In both findings that is exposure and e-filing, it is found that the response rate on such knowledge acquisition is low. This implies, the low respondent rate might lead high non tax compliancy. This was supported by TRA officer who was a key informant, who was heading sells at domestic revenue department provided a statement that;

“.... TRA we normally hold seminars and workshop, thy are facilitated by TRA office, participants are free to attend, very few use to attend these workshops. These efforts are on the assumption that, as tax payers knows the tax policies and regulations, it will fasten the tax payments mechanisms and awareness, the response rate has remained low.”

This implies that, taxpayers especially SMEs owners do not attend seminars and workshops, they might be busy on their firms, however there that danger of not knowing policies and regulations governing tax payment, hence non compliancy is experienced by TRA. This finding was supported by Akinboade (2012) who postulate that, government has a role to ensure general public understand tax matters, payment and usage. TRA calling that workshop were important for raising taxpayers concern.

On the other hand, 62.0% had never attended a tax course and 78.5% do not have tax education knowledge and this confirms that the Tanzania Revenue Authority could be lacking on the part of educating SMEs. The measure of central tendency is among those having never been exposed to tax education and those having no idea what e-filing is. This means SMEs have no knowledge of tax matters in Moshi Municipal SMEs.

4.2.1.9 Complexity of tax law

While the study attempted to evaluate the impact of tax knowledge on SME compliance behaviour, researcher tried to determine if tax complexity influenced the amount of knowledge among SMEs. A question on whether respondents thought tax law was difficult to comprehend was asked and the responses are stated below Table 12.

Table 12 : Effects of tax complexity on tax compliance (n=121)

Responses	Strongly	Agree	Uncertain	disagree	Strongly
Frequency	39	56	21	3	2
Percentage	32.2%	46.3%	17.4%	2.5%	1.7%

The finding indicated that 46.3% agreed and 32.2% strongly agreed that tax law was complex. This implies that, in aggregate respondents believe that tax was complex meaning that tax law did influence their compliance behaviour

This was supported by regional Tax Office in Moshi municipal who was a key informant who said that;

“...tax in itself is a complex measure since it had been changing overtime, sometimes each government budget comes with a different calculation, for a merely person cannot capture policy and legislation changes...”

This implies that, change in tax systems by different regimes makes tax computation complex. This was supported by Bird (2014) who provided that argument that, other in third world countries, tax system are governed or determined by government regimes. Contrariwise, 78.5% believed tax law was very complex which is in line with Benk *et al.* (2015) who argued that complexity of tax laws causes many people to ignore tax issues. On the other hand, 17.4% was uncertain indicating a lack of knowledge of the tax law and probable indication that lack of knowledge could be caused by factors other than complex tax laws. The modal figure is among the group that is uncertain meaning they do not even know the tax act and tax law. According to Roak and Stephen (2014) on Prospect theory, the behavior of the taxpayers in the SMEs sector in Moshi Municipal would be difficult to apply efficiently to most of the SMEs as they operate in the cash economy and the lack of the third-party data for comparison purposes. That implementation requires understanding and higher knowledge and commitments.

4.2.1.10 Distribution of respondents by Perception of Tax System

This section summarizes the responses by SME representatives to the questionnaires.

View on government expenditure; Respondents were asked if they believed tax monies are abused and their responses are as follows Table 13.

Table 13 : Distribution of respondents by abusing tax monies (n=121)

Responses	Strongly	Agree	Uncertain	disagree	Strongly
Frequency	31	67	5	12	6
Percentage	25.6%	55.4%	4.1%	9.9%	4.9%

Among the respondents 25.6% strongly agreed and 55.4% agree that there is abuse of tax money by the government. 4.1% was uncertain while 9.9% disagreed and 4.9% strongly disagreed. In total 81% agree that tax money is abused and that means that lack of satisfaction has led to the high non-compliance among SMEs. This is consistent with Baru (2016) who argued that lack of appreciation of government expenditure leads to tax evasion. On the other hand, 14.8% of the respondents did not agree that tax money was abused and it either means their non-compliance behaviour is not a as result of government expenditure or their compliance is a result of appreciating government expenditure. This is consistent with Mukhulis *et al.* (2013) who raise a concern that government spending has a significant role in raising tax to tax payers. There is a 4.1% that was uncertain confirming Bird (2014) who argued that SMEs are not concerned by how the government spends taxes. The modal figure lies with those that are not satisfied with government expenditure which suggests that lack of accountability influences negative behaviour.

4.3 Determining Methods of Increasing Tax Awareness and voluntary Compliance behaviour

During the survey the respondents, replied that they acquired the tax knowledge through the following means as displayed on the Table 14.

Table 14 : Means of disseminating taxpayer's education (n=121)

Means	Frequency	Percentage
Radio	29	24.0
Newspaper	13	10.7
Seminar/workshops	11	9.1
Television	9	7.4
Banners	7	5.8
Posters /leaflets	13	10.7
Announcement van	33	27.3
Publicity materials	6	4.9
Total	121	100

These findings indicate that announcement van, radio, newspapers, poster/ leaflets are among the major means through which the tax knowledge was imparted to the taxpayers. The findings are like that of National Bureau of Statistics 2013, in the study to evaluate the efficiency and effectiveness of the means of delivering taxpayer allocation, which concludes that Radio, newspapers, seminars and workshop were the most efficient means of delivering taxpayer education.

Despite the various means of disseminating taxpayers' education, the extent the taxpayers gained knowledge revealed that, 85% of the respondents, admitted having gained understanding of the basic tax laws and procedures, while 15% of the respondents have no improvement in understanding the basic tax laws. In Likert scale, 78.7% of the respondents agreed that through the taxpayer education have been able to understand and becoming aware of their taxpayer rights and obligations, while 21.3% of the respondents said the taxpayer education, has not been able to help them in understanding and becoming aware of their tax rights and obligations. 83% of the respondents agree that the taxpayer education helped them in clearly understanding the procedure of paying taxes, while 17% of the respondents claimed that despite the tax education, they received, they do not clearly understand the procedures of paying taxes.

The finding in Table 14 indicates the Respondents perception on Means of acquiring tax awareness and compliance among SMEs in Moshi Municipal, Kilimanjaro region, Tanzania. The table was represented in terms of percentages. These findings indicate that radio, newspapers, seminars workshops, training and televisions, announcement van were perceived as major methods of increasing tax knowledge awareness and

compliance to taxpayers. Respondents viewed that radio as a method of increasing tax awareness and compliance as opposed to other media.

In analyzing this method, about 69% of the respondents agreed that radio is a means of acquiring taxpayer education in Moshi Municipal since Moshi Municipal were surrounded with almost 5 private radios of which if the revenue authority will use it might be brought about tax awareness and compliance among SMEs and non-SMEs. Also, though 3% of respondents were not sure with the perception statement that agreed that radio is a means of increasing tax awareness and compliance by saying that not all people do listen the radio frequently again it will depend on the time TRA broadcast tax issues.

The findings are similar to the findings obtained by National Bureau of Statistics (2013), in the study to evaluate the efficiency and effectiveness of the means of delivering taxpayer education, which concludes that radio broadcasting were the most efficient mean of delivering tax education.

The view that newspaper as a method of increasing tax education awareness and compliance, the finding revealed that 10.7 percent agreed with the view that newspapers can be a good method of increasing tax education and compliance behaviour since those who did not hear the Radio broadcasting during working hours will use newspapers to acquire tax knowledge. Though this method had a challenge to those do not know how to read and interest on having newspapers as it was supported by the percent of the respondents.

On the other hand, respondents viewed that television as a method of increasing tax awareness and compliance behavior. The findings revealed that 7.4 percent agreed that television helps SMEs to acquire taxpayers' education in the country. However, the challenge of this method it needs an ample to time to watch the programme otherwise very few will SMEs owners will get tax awareness and compliance knowledge. As it was supported by 92.6 percent that they were not sure if television helps SMEs owners to get proper knowledge on tax compliance in the study area.

The view that announcement vans a means of acquiring taxpayer education. In answering to this statement, 27.3 percent agreed with the perception that announcement van as a means of acquiring taxpayer education in Kilimanjaro region. About 72.7 of the respondents were not sure with the perception statement that

announcement van as a means of acquiring taxpayer education to SMEs in Kilimanjaro region. However, it is the method which scored high percent compared to the rest means of disseminating tax education to payers.

The view that public materials as a methods of increasing SMEs tax knowledge and compliance.

The finding shows that 4.6 percent agreed with the perception statement that public materials as a means of acquiring taxpayer education like public notes, websites to mention few. Although this method was not supported by almost 95.4% of the respondents because public notes are static places of which some of the SMEs owners might not be easy to reach. Generally, these findings implied that public materials might be among method of increasing tax knowledge awareness and compliance behaviour.

Similarly, respondents were of the opinion that, posters/leaflets as a method of increasing taxpayer education awareness. The finding on this variable indicated that 10.7 percent of the respondents agreed with the perception that posters and or leaflets might increase tax awareness and compliance behaviour if will be prepared accordingly. However, 89.3 percent of the respondents disagree on this method to suit on tax awareness and compliance behaviour due to the fact that most of the posters were available in either picture or writing and posted along the road or at the government building of someone can see it if he/she will pass around the area where poster was placed and most of the knowledgeable SMEs owners located at town Centre and therefore might not feature well on increasing tax education among SMEs.

Table 15 : Techniques of increasing tax awareness and compliance (n=121)

Techniques	Frequency/percentage
Increase tax campaigns and workshops	85 (70.2%)
Increase tax audits	7 (5.8%)
Introduce tax modules at school	26 (21.5%)
Increase tax penalties	3 (2.5%)

The respondents were asked to select a method which they thought would reduce non- compliance among SMEs owners and 70.2% choose an increase in tax campaigns and workshops, 21.5% opted for the introduction of tax modules at school.

This means they believe knowledge to current taxpayers and future taxpayers will boost compliance as proclaimed by Mukhlis *et al.* (2015). 5.8% choose an increase in tax audits would change compliance behaviour from negative to positive as proclaimed by Sigauke (2017). The last 2.5% supported Huggins (2015) who argued that stiff penalties will create awareness among SMEs and force them to comply. The measure of central tendency using the modal value lies among those that prefer tax campaigns as a method of increasing tax awareness highlighting that knowledge influences tax compliance. According to Devos (2015) on Economic Deterrence Theory he suggests improving tax compliance by: Charging penalties and fines to offenders increase the efficiency of the audits, and investigations programs, to increase the possibility of detections, remove the complexity of the tax laws, so that there will be no excuse for Unintentional non-compliance and Tax rates should reflect horizontal equity.

4.4 Examine the relationship between taxpayer's education and tax compliance among the SMEs in Moshi Municipal.

To examine whether there is a significant relationship between taxpayer's education and tax compliance among the SMEs in Moshi Municipal the researcher analyzes data by using Pearson correlation coefficient and the results were presented on Table 16.

Table 16 : Correlation between taxpayer's education and tax compliance among the SMEs in Moshi Municipal (n = 121)

Taxpayer's education	Tax compliance
Pearson correlation	.0725
Sig. (2- tailed)	.000
N	64

****.** Correlation is significant at the 0.01 level (2-tailed).

Analysis of the data from Table 16 reveals a correlation between taxpayer education and tax compliance among SMEs in Moshi Municipal. The Pearson correlation coefficient is calculated to be 0.725, indicating a moderate to strong positive relationship between the two variables. The significance level is less than 0.01, suggesting that this correlation is statistically significant.

However, it is crucial to clarify that correlation does not imply causation. The existence of a relationship between taxpayer education and tax compliance does not necessarily mean that one causes the other. There could be other underlying factors influencing this relationship, or it could be that a third variable is impacting both taxpayer education and tax compliance.

With a sample size of 121 SMEs and 64 responses, the findings suggest that as taxpayer education increases, there is a tendency for tax compliance to improve as well. This positive correlation might imply that educational initiatives aimed at improving taxpayer awareness and understanding of tax obligations could potentially enhance compliance levels.

Implications of the Findings:

The positive relationship between taxpayer education and tax compliance has significant implications for policy and practice, particularly for tax authorities and educational institutions. The findings suggest that investing in taxpayer education could be a viable strategy for improving tax compliance among SMEs. By providing clear, accessible information and guidance on tax obligations, tax authorities can empower taxpayers to fulfill their fiscal responsibilities, potentially reducing the incidence of non-compliance. This proactive approach may be more cost-effective than pursuing non-compliant taxpayers after the fact.

Educational institutions play a crucial role in shaping taxpayer attitudes and knowledge. Integrating tax education into the curriculum can provide individuals with a foundational understanding of tax principles, fostering a culture of compliance from an early age. For existing SME owners and employees, continuing education programs focused on tax compliance could be beneficial.

For SMEs, understanding tax obligations is crucial for legal and financial stability. The positive correlation between taxpayer education and tax compliance suggests that SMEs should prioritize tax education for their employees and owners. This investment in education can lead to a better understanding of tax requirements, reducing the risk of non-compliance and potential legal and financial penalties.

In conclusion, while the positive correlation between taxpayer education and tax compliance is promising, it is essential to approach these findings with a nuanced

understanding. Education is a powerful tool, but it is not a panacea. A comprehensive approach, combining education, clear communication, and robust enforcement, is necessary to foster a culture of compliance and ensure the integrity of the tax system.

On the issue pertaining to significant relationship between taxpayer's education and tax compliance among the SMEs in Moshi Municipal; the study explains that tax education has a positive and significant impact on tax compliance. Based on the results, the strengthening of the tax education is very important in shaping the tax knowledge, so that it can increase tax compliance. In this case the tax socialization efforts can be done through the dissemination of information about the types of taxes, tax rates, and tax payment mechanisms. According to Fjestad and Ranker (2013) on Economic Deterrence Theory assumes Decision making under risk is based on the expected outcome of choices. This is consistent with the classical expected utility and rational choice theory which assumes that the taxpayers are expected to make compliance decisions that maximizes their utility

These findings were like the findings obtained by Kassipillai (2013), Rasid & Noor (2004), Normalla (2007), Christina, Deborah and Gray (2013). In their studies, they concluded that there was a significant positive relationship between the level of Pay as You Earn (PAYE) tax knowledge and PAYE tax compliance. However, these findings contradict the findings obtained by Lin and Carrol (2010), which concluded that there was no significant positive relationship between the level of tax knowledge and tax compliance. Tax education has affected the way the taxpayer makes tax compliance decision. Through taxpayers' education, the taxpayer is aware of the rights, obligations, and the procedures of paying taxes, as well as the consequences of non-compliance. The taxpayer can make rational decisions of complying with the tax laws.

Similarly, Laffer *et al*, (2011) argues that before individuals and businesses pay their tax liability; they must spend time collecting records, organizing files, and wading through the tax code to determine their tax liability; they also purchase products and services such as tax software or an accountant, to assist them in determining their tax liability- tax compliance outlays. Finally, taxpayers must pay the administrative costs to run the tax authorities.

4.5 The Attitudes of SMEs owners on Business Tax System in Tanzania

The extent of the impact of attitudes and attitude change on tax compliance behavior is not well understood in Tanzania. This has led to different perspectives on the fairness of the Tanzanian tax system. The respondents were asked to raise their views on the tax system in Tanzania and from the research data, 66% of the respondents indicated that the Tanzanian tax system is unfair, as 34% indicated that it is a fair system. According Konheman and Amos (1979) on Prospect Theory, the rational choice will not only be based on the expected outcome, but on the certainty of the expected outcome. Taxpayer's decision is made from reference point namely status quo then decision maker is risk averse. The tax compliance decisions are that the taxpayer will choose the no-compliance decisions if and only if he/she is certain that he/she will not be detected. Such a lose system that makes evasions can be eliminated by tax payers education.

Tax compliance assumes that psychological factors – including moral and ethical concerns are important to taxpayers and so taxpayers may comply even where the risk of audit is low. Psychology theories deemphasize audits and penalties and instead focus on changing individual attitudes towards tax system. The respondents were asked to indicate their extent of agreement or disagreement with some statements relating to some of the factors that influence ones' view on business tax system in Tanzania. This was on a Likert's scale, where Strongly Disagree =1; Disagree =2; Uncertain = 3; Agree = 4, Strongly Agree = 5; and the results are in Table 16.

Table 17 : Factors Influence tax compliance (n=121)

Factors	Mean	Std. Dev
A feeling that you are paying a fair share of tax	2.4533	0.26165
Neighbors, friends etc. are reporting and paying tax honestly	2.4161	0.15138
Tax laws are easy to understand i.e., calculation of tax filing and paying dates	2.2192	0.06669
High business profit by operating illegal business, underreporting of profits etc	2.9257	0.28355
Giving rewards to taxpayers	2.8298	0.20094
Use of informants by TRA to report tax evaders	2.9932	0.14167
Paying tax fines and penalties	3.4014	0.18009
Aggressive tax enforcement efforts by TRA e.g., ensuring tax audits and prosecutions of tax evaders take place	3.4430	0.13532
High degree of being detected for non-payment of tax	3.2867	0.29706
Fear of tax audits and prosecution	3.4085	0.26690
Feeling tax is an obligation and believing in no corruption	3.4430	0.34758
Government is achieving its tax objectives and is fighting Harassments by TRA	3.0201	0.38266
	3.4027	0.28357

From the results in Table 16 most respondents disagreed (Mean=2, and the std deviation is insignificant) that they are paying a fair share of tax; that their neighbors, friends etc. are reporting and paying tax honestly; that tax laws are easy to understand i.e. calculation of tax filing and paying dates; that they make high business profit by operating illegal business, underreporting of profits etc. that taxpayers are given rewards, and that there is use of informants by TRA to report tax evaders. The finding concur with that of Machogu (2013) who noted that some of the business owners the get high profit but they are neglecting to pay tax despite have good knowledge of tax compliance.

Most respondents were also indifferent (Mean=3, and the std deviation is insignificant) with the paying of tax fines and penalties: the aggressive tax enforcement efforts by TRA e.g. ensuring tax audits and prosecutions of tax evaders take place; the high degree of being detected for nonpayment of tax; the fear of tax audits and prosecution; the feeling that tax is an obligation and believing in no corruption; that the government is achieving its tax objectives and is fighting corruption; and lastly indifferent with the harassments by TRA. The above display the extent of the impact of attitudes and attitude change on tax compliance behavior, which the respondents feel, is unfair.

4.5.1 Tax Compliance and Tax Non-Compliance Status

In Moshi Municipal and Tanzania at large the tax compliance requirements according to the income tax laws relating to businesses are: Keeping of up to date books of account by businessmen, acquiring of Personal Identification Numbers (PIN) by all potential taxpayers, determining the taxable income according to the stipulated rules and regulation, accurate determination of tax liability, filing of returns on income by the prescribed date, paying of tax dues by the prescribed date, payment of fines and penalties for overdue taxes and allowing of audit by tax collectors if deemed necessary (URT, 2020).

The respondents were asked to give information relating to the above compliance requirements to enable and facilitate the determination of the levels of tax compliance and how taxpayers' attitude influence tax compliance in Tanzania. About the possession of a personal identification number (PIN): The respondents were asked to indicate whether they had a Personal Identification Number (PIN), and from the research data 53% of the respondents indicated that they have this requirement, as 47% indicated they don't have. This distribution may be because of the lack of understanding of the Tanzanian tax law, which the respondents perceive to be very unfair. Thus, they have complied. According to (Carroll, 1992) on Economic Deterrence Theory assumes that the taxpayers rationally perform a cost-benefit analysis of non-compliance taking into consideration the marginal value of shilling and the risks of sanctions, as well as the probability of being detected through audit.

On keeping up to date transaction records and books of accounts, the respondents were asked to whether they keep up to date transaction records and books of accounts i.e., cash receipts, invoices, journals, ledgers, cash books, trial balances, profit and loss accounts, and balance sheet. From the research data, the respondents indicated that they have partially complied in terms of keeping up to date records and books of accounts. This is because most of them (more than 40%) keep Cash receipts, Cashbook, Balance sheet, Invoices, and Profit and Loss accounts. But other records like the trial balance, Journals and Ledgers as requirements for tax compliance are not up to date. Generally, there is some sort of non-compliance in keeping up to date records and books of accounts.

On whether the taxpayers file tax returns or not; when and who files them, the respondents were asked to indicate whether they file tax returns, when and who files

them and from the research data, 51% of the respondents indicated that they file tax returns, a sign that they actually comply. The respondents were also asked as to when they filed their tax returns in the year 2022, and from the research data, 74% of the respondents indicated that they had filed their tax returns on or before 30th June, as 26% indicated that they did it after 30th June. Thus, they indeed comply with the deadlines given by TRA. Also from the research data, 73% indicated that they file the tax returns themselves, as 27% indicated that it was done through the accountant/ tax advisor. There is some compliance too.

Paying taxes is also one of the requirements of tax compliance in Tanzania. The respondents were asked whether they pay taxes or not, and from the research data, 79% of the respondents indicated that they pay taxes, a sign that they comply. The respondents were also asked as to when they paid their taxes in the year 2022, and from the research data, 86% of the respondents indicated that they had paid their taxes on or before 30th June, as 14% indicated that they did it after 30th June. Thus, other than filing their tax returns, they also comply with the deadlines given by TRA. Also from the research data, 82% indicated that they pay the taxes themselves, as 18% indicated that it was done through the accountant/ tax advisor. There is high compliance here too. The respondents were asked to indicate the extent to which they agreed or disagreed with the factors that influence their compliance with business tax law requirements. This was on a 5-likert scale, where strongly disagree = (1); Disagree = (2); Uncertain (3); Agree = (4); Strongly Agree = (5). On the scale 1 to 2, it is assumed as non-compliance; as from 4 to 5, is taken as compliance; as 3 is between compliance and non-compliance, and the results are in Table 18.

Table 18 : Reasons for Tax Compliance and Tax Non-Compliance (n=121)

Factors	Mean	Std. Dev
Easy understanding of tax laws i.e., rates of taxpaying dates etc.	2.4085	1.23285
Feeling of justice with tax system i.e., paying a fair share of tax	2.5986	1.29625
Positive peer attitude i.e., a belief that your neighbors are paying tax	2.5338	1.19190
Rewarding taxpayers i.e. giving a trophy for being best on tax paying	2.8750	1.25087
Motive for low profits i.e., through operating a legal business, accurate reporting of profits etc.	2.8392	1.28178
Avoiding of paying tax fines and penalties.	3.3592	1.23393
The use of informants by TRA i.e., report tax evaders	3.0833	1.14354
Aggressive enforcement efforts by TRA i.e., ensuring tax audits and prosecutions take place payment of fines and penalties.	3.4082	1.22057
High degree of being detected for no-payment of tax.	3.4336	1.22509
High degree of risk aversion i.e., fear of tax audits	3.3958	1.25836
Ethics and mobility i.e., a feeling that tax is an obligation and believing in no corruption	3.4759	1.30215
Positive government image i.e. government is fighting corruption and is achieving tax objectives	3.0816	1.43589
Harassment from TRA	3.5105	1.29933

The taxpayers' attitude may be influenced by the following factors, which eventually influence taxpayer's behaviour. Some of those factors which influence tax compliance behavior and tax noncompliance behavior are many and are differ from one country to another and from one individual to another. They include taxpayers' perceptions of the tax system and Revenue Authority (Ambrecht, 2018); peer attitude / subject norm (Toumi, Hasseldine, Hite, James & Conner, 2000); taxpayers' understanding of a tax system / tax laws (Silvani, 2022). Motivation such as rewards (Feld, Frey & Torgler, 2016) and punishment such as penalties (Le Baube, 2019; enforcement efforts such as audit; probability of detection; difference across - culture; perceived behavioral control and Protestant Work Ethics (PWE) (Furnham, 2020); ethics / morality of the taxpayer and tax collector; equity of the tax systems; Demographic factors such as sex, age, education, and size of income (Murphy, 2020) and Use of informants.

From Table 18, most respondents disagreed (Mean 2, and the std deviation is insignificant) i.e. the factors that are for tax non-compliance are: the ability to understand tax laws i.e. rates of tax, filing and paying dates etc., a feeling that they are not paying a fair share of tax, positive peer attitude i.e. a belief that your neighbors are reporting and paying tax honestly, and Rewarding taxpayers i.e. giving a trophy for being best tax- payer, and Motive for low profits.

Most respondents were also indifferent (Mean=3, and the STD deviation is insignificant) with the following factors. This means that that these factors depending on how they are applied them can facilitate compliance and non-compliance. They include avoiding of paying tax fines and penalties; the use of informants by TRA i.e., report tax evaders, aggressive enforcement efforts by TRA i.e., ensuring tax audits and prosecutions take place payment of fines and penalties; high degree of being detected for nonpayment of tax; high degree of risk aversion i.e., fear of tax audits; ethics and mobility i.e., a feeling that tax is an obligation and believing in no corruption; Positive government image i.e. government is fighting corruption and is achieving tax objectives and harassment from TRA.

4.5.2 Repercussions of Tax Non-Compliance

The payment of fines and penalties are for overdue taxes. The respondents were asked whether they have ever paid tax fines and penalties, and from the research data, 23% of the respondents indicated that they have ever paid tax fines and penalties, as 77% indicated that they have never paid any tax fines and penalties. There arises need to allow audit by tax collectors if deemed necessary, especially if they suspect that there is some non-compliance. The respondents were also asked whether they received visits from TRA in the year 2022, from the research data, 16% of the respondents indicated that they received such visits, as 84% indicated they did not. This is high compliance from the respondents.

The respondents were also asked whether they were assessed by TRA in the year 2022 because of no payment of tax or no-filing of income tax returns for the year 2021, and from the research data, 10% indicated that they were assessed by TRA in the year 2022 because of no-payment of tax or no-filing of income tax returns for the year 2021, as 90% indicated they were not. This is high compliance too.

4.5.3 The Relationship between the Taxpayers' Attitudes and Tax Compliance in Moshi Municipal

To test the hypothesis of the study that "Taxpayers' attitudes do not encourage tax compliance in Moshi Municipal in Tanzania", Chi square, is a rough estimate of confidence was used to accept weaker, less accurate data as input than parametric tests (like t-tests and analysis of variance) whose limitations are also its strengths; because chi square is more 'forgiving' in the data it will accept, it can be used in a wide variety of contexts. Taking the means of the attitudinal factors and tax compliance Table 18 displays the means.

Table 19 : Mean for Attitudinal Factors and Compliance (n=121)

Factors	Attitude Mean	Compliance Mean
A feeling that you are paying a fair share of tax	2.4533	2.5986
Neighbours, friends etc. are reporting and paying tax	2.4161	2.5338
Tax laws are easy to understand i.e., calculation of tax filing and paying dates	2.2192	2.4085
Paying tax fines and penalties	3.4014	3.3592
Giving rewards to taxpayers	2.8298	2.8750
Use of informants by TRA to report tax evaders	2.9932	3.0833
Aggressive tax enforcement efforts by TRA e.g., ensuring tax audits and prosecutions of tax evaders take place	3.4430	3.4082
High degree of being detected for nonpayment of Tax	3.2867	3.4336
Fear of tax audits and prosecution	3.4085	3.3958
Feeling tax is an obligation and believing in no corruption	3.4430	3.4759

Table 20 : Correlation between Attitude and Compliance

Variables	Attitude	Compliance
Attitude	1	
Compliance	0.984133	1

Findings in Table 20 revealed that, there is a very strong relationship between the taxpayers' attitudes and tax compliance in Tanzania i.e. taxpayers' attitudes encourages tax compliance in Tanzania since the correlation of 0.98.4. According to Dhimi and Nowaih (2015) basing on the Prospect theory considered the behavioral factors, for example gender, age, education, and moral ethics influence tax compliance decisions, the behavior of an individual and perceptions can be influenced by the level of knowledge.

Table 21 : Test Statistics for Attitude and Compliance

Test Statistics	Attitude	Compliance
Chi-Square (a,b)	.846	.000
Asymp. Sig.	1.000	1.000

Also, from the results in Table 21, all the 11 factors in the analysis indicated as "a" i.e., 100% have expected frequencies less than 5 with the minimum expected frequency of 1.1 Thus, all the factors that influence the taxpayers' attitudes, equally affect the taxpayers' compliance with the tax requirement i.e., taxpayers' attitudes encourage tax compliance in Tanzania. These findings concur with Angus, (2016) who argued that, there is an association between taxpayers' attitudes and tax compliance, when taxpayers are aware and educated on tax issues, it is likely that their tax compliance will be high. This implies that, the importance of tax education is required for increasing tax compliance.

The link between the study findings and the theory used in the study

Economic Deterrence Theory postulates that taxpayers engage in a cost-benefit analysis, considering the risks associated with non-compliance, the likelihood of being audited, and the value they place on money. If the risks outweigh the benefits, they will likely comply. The data provided sheds light on this theory. It is revealed that a significant number of SME owners view the Tanzanian tax system as unfair (66% versus 34% who view it as fair). The table showcasing factors influencing tax compliance further highlights issues that resonate with the deterrence theory. Factors like the "fear of tax audits and prosecution," the "high degree of being detected for non-payment of tax," and "paying tax fines and penalties" rank higher on the scale, suggesting that these deterrents are influential in tax compliance decisions.

Prospect Theory, on the other hand, offers a psychological perspective. Taxpayers make decisions based on the certainty of the expected outcome and their individual risk aversion. If they believe they won't get caught, they might not comply. The data correlates with this theory as well. Despite a perceived unfairness in the Tanzanian tax system, a significant percentage of respondents (79%) pay their taxes, with 86% of those doing so by the deadline. This behavior is consistent with the Prospect Theory's assertion that taxpayers may choose to comply due to a fear of detection or repercussions. Further, the tables demonstrate that factors like "a feeling that tax is an obligation," "avoiding tax fines and penalties," and the "belief that neighbors are paying tax" play a role in compliance decisions, aligning with the Prospect Theory's emphasis on psychological factors. Several factors from the tables bridge the two theories. For instance, the "feeling of justice with the tax system," "a belief that your neighbors are paying tax," and "avoiding of paying tax fines and penalties" can be tied to both theories. While Economic Deterrence emphasizes the tangible repercussions (like penalties), Prospect Theory would stress the psychological aspects like societal pressure and moral obligations.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Overview

The previous chapters showed various aspects of the study. Chapter one dealt with background of the study, statement of the problem, study objectives and significance of the study. Chapter two dealt with conception definitions, theoretical and review of the related literature. Chapter three dealt with research methodology which covers issues like research design, description of the study area, population, sample and sampling procedure, data and data collection methods, validity and reliability of the research instrument and data analysis; Chapter four dealt with the research findings and discussion. This chapter covers a summary of the study findings, conclusions, and recommendations of the study; also covered the limitations of the study, and areas for further research on topic relating to effects of taxpayer's education on tax compliance among the SMEs in Moshi Municipal, Kilimanjaro region.

5.2 Summary of the major findings

The purpose of this study was to assess the effects of taxpayer's education on tax compliance among the SMEs in Moshi Municipal, Kilimanjaro region. Three research objectives and questions were formulated to guide the data collection process from the respondents which were enhanced data analysis. The study opted descriptive research design using 64 respondents whereby simple random sampling were employed to obtain the respondents. Data was analysis using descriptive statistics of which frequencies and percentage was computed under the aid of statistical package for social sciences for objective one and two. Objective three were analysed using Pearson correlation coefficient to determine the relationship of the independent and dependent variable.

Generally, it was observed that the distribution of respondents by gender was proportional; 52 were men and 12 were women. This showed clearly that men and women are greatly involved in business activities in Tanzania. This implies that both women and men are more economic formal as most of them engage in SMEs.

During the research, the respondents were asked about their educational level; it was indicated that many respondents were individuals belonging to other group including illiteracy, VETA secondary education and other trainings which account for 39

percent of the total interviewed respondents. The second group of respondents to have appreciable number was Diploma holders which account for 23.4 percent. This implies that among respondents interviewed were well informed on the current happenings on the effects of taxpayer's education on tax compliance among the SMEs in Moshi Municipal.

Moreover, the some of the respondents were married and most of them found to be engaged in SMEs so as to serve their family daily needs, specifically food shelters and clothes.

The findings of the first objective were to examine the respondent's tax knowledge on tax compliance behaviour. On examining the level of tax knowledge and compliance there some indicators used to measure the tax knowledge include the following Tax registration of SMEs, Frequency of submission of tax returns, measuring existence of knowledge, Adequacy of tax knowledge, Effects of tax education and Exposure to tax education and knowledge about e-filing to mention some. The findings revealed that the 75 percent of the respondents registered their businesses as among criteria of taxpayers, 31.3 percent of the SMEs submit tax returns timely, 48.3 percent have adequate tax knowledge, 50 percent of the respondent know the effect of tax education, 21.9 percent have exposed to e-filing. This implied that most of the respondents do not participate fully in tax compliance indicators which might cause them not to have compliance behaviour.

The objective two was about determining the methods which might increase the tax awareness education and compliance behaviour. In this objective researcher uses 3-likert scale to probe the perception of respondents on the following methods namely radio, newspapers, television programme, leaflets, announcement van, public materials and traditional dance. Among those methods radio live were the first method perceived by respondents that might add value on building awareness of tax education and compliance behaviour among SMEs, followed by seminars, television programmes to mention a few while traditional dance were the last to be mentioned as a method of increasing tax awareness and compliance behaviour among SMEs in Moshi Municipal.

The third objective was about looking whether there is a relationship between taxpayer's education and tax compliance among SMEs in Moshi Municipal. The finding revealed that there is a positive significant relationship between taxpayer's

education and tax compliance which yield $r = 0.725$ which is equivalent to 72.5 percent. This implies that if the revenue authority will increase educating SMEs the possibility of compliance will be 72.5 percent which is better for the authority and government at large. Based on these results, the strengthening of the tax education is very important in shaping the tax knowledge, so that it can increase tax compliance.

5.3 Conclusions

The study concluded that basing on the characteristics of the respondents, it shows majority of the entrepreneurs in the SMEs sector have primary and secondary school education. The study concludes that they may not be availed of the tax education until such time, when they are in business. For the efficient change of behavior, it is important to impart tax knowledge at early stages of school or life. Furthermore, based on the age of the respondents, majority of the entrepreneurs are mature and are over the age of 25 years. The study concludes that SMEs will not have the knowledge of taxation until such time they are mature. The study concludes that there is danger of having a negative attitude or perception about the tax laws and tax system, and it could be difficult to change them, which may lead to persistent non-compliance. A focus on the younger taxpayers and strategies to build tax knowledge across various groups of business community is the key issue in building future tax compliant society.

Taxpayer education is essential in improving voluntary tax compliance. It is essential for the taxpayer to understand his/her rights, obligations, and the procedures of paying taxes. The study concludes that, efforts to improve tax compliance to the taxpayer, who don't understand their rights and obligations, will not yield positive results

The study revealed that SMEs in Moshi Municipal do not comply with tax law; they pose only basic tax knowledge and lack a deeper understanding of tax issues, and however this is insignificantly influencing the non-compliance behaviour among them. A question that has been raised by previous researchers is whether the enhancement in knowledge automatically increases tax compliance. It is also concluded that, enhancing tax knowledge on its own without addressing the high tax rates will not positively impact on tax compliance behaviour among SMEs in Moshi Municipal and Tanzania at large. The results also exposed that the tax awareness design currently in use in Tanzania is ineffective. The newspaper, internet and public

materials, traditional dance emerged as the least favoured methods of obtaining information by SMEs. The tax authority (TRA) was also accused of presenting itself as an anti-corruption board and ignoring its mandate which is to pursue and collect revenue.

Based on these results, the strengthening of the tax education is very important in shaping the tax knowledge, so that it can increase tax compliance. The study concludes that tax socialization efforts can be done through the dissemination of information about the types of taxes, tax rates, and tax benefits and tax payment mechanisms.

In conclusion, the attitudes of SME owners in Tanzania towards the business tax system are influenced by both rational cost-benefit analyses and psychological factors. While the Economic Deterrence Theory suggests that penalties and audits are key deterrents for tax evasion, the Prospect Theory underscores the psychological factors and perceptions that also play a pivotal role. The data, especially the attitudes and compliance figures, reaffirms the relevance of both theories in understanding tax compliance behaviors among SMEs in Moshi Municipal. The nuanced understanding these theories provide, when combined with the empirical data, offers valuable insights for policymakers looking to enhance tax compliance in Tanzania.

5.4 Recommendations

- i. **Taxpayer Education for Comprehensive Understanding:** Given the key role of tax knowledge in improving compliance, the Tanzania Revenue Authority (TRA) should design and implement targeted taxpayer education programs. While focusing on the current business community is crucial, there's an urgent need to engage the potential business community as well. This can be achieved by: Hosting workshops specifically tailored for potential and new business owners. Creating online resources, including webinars and e-books that detail tax compliance requirements and benefits.
- ii. **Building Financial Record-Keeping Capacity:** Accurate financial records are foundational for precise tax returns. The government, through TRA, should collaborate with the Ministry of Industries to: Organize training sessions for SME owners, aimed at equipping them with fundamental financial and accounting skills. Set up periodic open house events, where tax officers offer

complimentary advice on tax statements, addressing specific challenges faced by SMEs.

- iii. **Introducing Tax Courses in Educational Curriculums:** To foster a tax-conscious culture from a young age: Introduce a basic tax education course at the secondary school level, making it available as an elective. Extend tax courses to higher educational levels, ensuring that students from various fields, and not just accounting, have a comprehensive understanding of their future tax responsibilities.
- iv. **Enhancing TRA's Service Delivery:** Efficient and transparent service delivery by TRA can significantly impact SMEs' performance. Thus, TRA should: Ensure promptness in service delivery, addressing SMEs' needs in real-time. Uphold integrity by being truthful in all interactions, especially when SMEs report challenges like tax theft or business operational issues. Consistently address taxpayers' complaints, with a focus on providing solutions that cater to the unique challenges faced by SMEs in Moshi Municipality.

By adopting these specific and actionable recommendations, there's a higher likelihood of achieving the overarching objective of the study, which is enhancing tax compliance among SMEs in Moshi Municipality through taxpayers' education.

The findings of this study draw a direct correlation between the theoretical underpinnings of the Economic Deterrence Theory and Prospect Theory and the observed tax compliance behaviors among SMEs in Moshi Municipal. The Economic Deterrence Theory, which posits that taxpayers make rational decisions based on cost-benefit analyses, is reflected in the findings that indicate a general awareness of tax obligations among SME owners. However, their compliance is not solely motivated by rational calculations of penalties or benefits. This is where the Prospect Theory becomes relevant, as it considers the psychological aspects influencing decision-making. The study's findings suggest that while SME owners are aware of the tax regulations, their compliance is also significantly influenced by their perceptions, attitudes, and understanding of these regulations. This aligns with Prospect Theory, which emphasizes the impact of certainty and individual perceptions on decision-making.

Moreover, the positive correlation found between taxpayer education and tax compliance supports both theories. The Economic Deterrence Theory's premise that increased awareness of potential penalties can enhance compliance is complemented by the Prospect Theory's emphasis on the role of knowledge in shaping perceptions and decisions. The study shows that taxpayer education not only informs SME owners of the financial implications of non-compliance but also alters their perceptions and attitudes towards tax compliance. This dual impact of education, catering to both rational calculations and behavioral factors, underscores the importance of a multifaceted approach to improving tax compliance. Therefore, the study's findings effectively bridge these two theoretical frameworks, demonstrating that a combination of economic deterrence and behavioral understanding is crucial for fostering tax compliance among SMEs in Moshi Municipal.

5.5 Further Research Studies

To generalize the results of this study there is the need of conducting the same kind of study in other areas of the country apart from Kilimanjaro Region, Tanzania where this study was conducted.

REFERENCES

- Adam, C. (2012). Small business owner's attitude on VAT compliance in the UK. *Journal of Economy Psychology*, 22(2), 195-216.
- Akatuhurira, M. (2011). Effects of EFDs Education and tax compliance conducted in Wakiso Town Council of Uganda
- Akinboade, O.A. (2012). Correlate of tax compliance of SMEs in Cameroon. *Managing Global Transitions*, 13(4),389-413.
- Angus, Y. (2016). Kenya's individual tax compliance. National publisher. Nairobi
- Atawadi, O.W., and Ojeka, S.A. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management*, 7(12), 87.
- Balunywa, Z. (2014). *The influence of tax education on tax compliance attitude*. Addis Ababa: Ethiopia Press.
- Baru, A. (2016). The impact of tax knowledge on tax compliance. *Journal of Advanced Research in Business and Management Studies*, 1(2), 22-30.
- Bautigam, D., Fjeldstad, O.H., and Moore, M. (2015). *Taxation and state-building in developing countries: Capacity and Consent*. Cambridge University Press, Cambridge.
- Benk, S., Budak, T., Püren, S., & Erdem, M. (2015). Perception of tax evasion as a crime in Turkey. *Journal of Money Laundering Control*, 18(1), 99-111.
- Berger, T. (2011). Tax hangover or cure? Reforms for research and development tax incentive. *Australian Intellectual Property Law Bulletin*, 24(2), 39.
- Bird, R.M. (2014). Taxation and development: What have we learned from fifty years of research? *Public Finance and Management*, 13(4), 266-288.
- Carrol. A; 2016: Why people pay taxes? Tax compliance and Enforcement.Source:<http://www.mitsloan.mit.edu/faculty/pdf/publist/caroll-pub.pdf>Visited: 1/12/2018
- Christina M., Ritsema,H., Debonah W., Thomas,C., and Gary D. (2003). Economic and Behaviourist determinants of Tax compliance; Evidence from the 1997, Ankasans Tax Penalty Amnesty Program: "A paper presented at the 2003, IRS Research conference.
- Creswell, B. (2003). A methodology for comprehensive Test Data"Published by IEEE, Computer society, Washington, DC, U.S.A

- Cuccia, A. (2013). The economics of tax compliance: What do we know and where do we go? *Journal of Accounting Literature*, 13, 81-116
- Dube, F. (2014). An investigation on presumptive tax non-compliance amongst Zimbabwe SMEs: A case study of motor trade industry' (2011-2014). *National Tax Journal*, 55(1), 75-88.
- Feinstein, P., Fierre-Seren, M.J., & Panades, J. (2011). Do higher tax rates encourage/discourage tax compliance? *Journal of Modern Economy*, 4, 809-817
- Gupta, K. (2012). Tax compliance of small business owners: A review, *International Journal of Entrepreneurial Behaviour & Research*, 18(3) 330-351
- Harris, E. (2013). Influencing tax compliance in SMEs thru the use of ICTs'. *International Journal of Learning, Teaching and Education Research*, 2(1), 80-90
- Hasseldine, J. (2013). Tax amnesties: An international review. *Bulletin for international fiscal documentation*, 52, 303-310
- Helhel, Y., and Ahmed, Y. (2014). Factors affecting tax attitudes and tax compliance: A survey study in Yemen. *European Journal of Business and Management*, 6(22), 78-98.
- Hendrick, S and Noreen, H. (2015). Profiles of tax non-compliance among the self-employed in Canada: 2009 to 2012. *Canadian Public Policy-Analyse de Politiques*, 28(2), 219-38.
- Hite, P.A. (2012). An investigation of moral suasion and vertical equity arguments on intended taxpayer compliance. *Law and Policy*, 19(1), 1-22.
- Huggins, H. (2015) Presumptive tax system and its influence on the ways informal entrepreneurs behave in Tanzania. *Tanzania Economic Review*, 5(1), 72-90
- James, S. and Alley, C. (2012). Tax compliance, self-assessment system and tax. *Journal of Finance, and Management in Public Services*, 2(2), 27-42
- Jayapalan, K. (2013). The influence of education on Tax Avoidance and Evasion e - journal of Tax Research" Source <http://www.austlii.edu.au/journals>. Visited; 22/6/2019
- Kasipillai, J. and Jabbar, A.H. (2013). Tax compliance attitude and behaviour: Gender & ethnicity differences of Malaysian taxpayers. *The Malaysian Accountant*, 7, 1-7.

- Kasipillai, J.(2013). The influence of education on tax avoidance and tax evasion. *Journal of Tax Research*, 1(2), 134-46.
- Kirchler, E. (2014). *The economic psychology of tax behaviour*. Cambridge University Press, Cambridge.
- Laffer Y., Shearer, T. and Thomas, K.D. (2011). Presumptive collection, a prospect Theory approach to Increasing Small Business Tax Compliance. Draft article for 67 Law Review, USA through research and development tax incentives: lessons for Australia from the UK.
- Lai M., Ling, N., Hidayah, A. and Nawawi,P. (2010). *Compliance, Among Motor vehicle spare parts dealers in Nairobi CBD* International Journal of Marketing, Financial Services & Management Research, 2(8), 12-23
- Lin, Z and Carrol, F. (2010). Tax compliance challenges in fulfilling tax obligations among SMEs in zimbabwe: A survey of smes in bandura. *International Journal of Scientific and Engineering Research*, 7(2), 45-87.
- Loo, E.C. (2016). The influence of the introduction on self-assessment on compliance behaviour of individual taxpayers in Malaysia, PhD thesis, University of Sydney,
- Ma, D. (2015). *Small business tax compliance burden: What can be done to level the playing field?* M.Sc. Thesis, University of Canterbury.
- Machogu, C.G., and Amayi, J.B. (2013).*The Effect of Taxpayer Education on Voluntary Tax*
- Maseko, N. (2014). The impact of personal tax knowledge and compliance costs on tax compliance behaviour of SMEs in Zimbabwe. *Elite Research Journal of Accounting and Business Management*, 2(3), 26-37
- Mckechar, S. (2015) . Tax knowledge, Tax complexity and tax compliance: Taxpayers View. *National Tax Journal*, 58, 643-633.
- McKerchar, M., and Hansford, A. (2015). Achieving innovation and global competitiveness through research and development tax incentives: lessons for Australia from the UK. *Australian Tax Forum*, 27(1), 3-23.
- McKerchar, S and Evans, N. (2009). Determinants of tax compliance by small and medium enterprises in Zimbabwe. *SSRN*.

- Mukhlis, I., Utomo, S.H., & Soesetio, Y. (2015). The role of taxation education on taxation knowledge and its effect on tax fairness as well as tax compliance on handicraft SMEs sectors in Indonesia. *International Journal of Financial Research*, 6(4), 161-187
- Mwampeta, N. (2013). Income tax compliance among SMEs in Uganda: Taxpayers proficiencies perceptive. *International journal of business and social science*, 4(11), 23-34.
- Mwangi P., Gachoka, I., & Siagi, H. (2010) *Turnover Tax in Kenya: A Review*. Research and Corporate Planning, November, 2010
- Ngotho, J and Kerongo, H. (2014). Ethics, norms and Tax compliance” *Journal of economic psychology*, Research school of social sciences, Australian National University, Canberra-Australia.
- Niemirowski, P., Wearing, A.J., Baldwin, S., Leonard, B., & Mobbs, C. (2012). *The influence of tax related behaviours, beliefs, attitudes and values on Australian taxpayer compliance, is tax avoidance intentional and how serious an offence is it?* University of New South Wales, Sydney.
- Normala, S. O. (2007). Voluntary compliance. Tax Education preventive. A research paper presented at the international conference on Business and Economy, 6-8 Nov 2008, consolatha, Romania Source; <http://www.icbe-ct.co./downloads/siti.pdf>. Visited; 26/10/2019
- Olowookere, J. K. (2013). Taxpayers’ Education: A Key Strategy in Achieving Voluntary Compliance in Lagos State, Nigeria. *European Journal of Business and Management*, 5(10), 146-154.
- Onditi, R. (2013). A Thesis on: “The Impact of Taxpayer Education on Taxpayer Education on Tax Compliance in South-Africa”.
- Oppenheim, J.U. (2012). Challenges of Tax Authorities, Tax Payers in the Management of Tax Reform Process.’ *The Nigerian Accountants*. Vol. 1, pp. 323 – 338.
- Rasid, K. and Noor, V. (2004). Determining the scope and impact of market orientation profiles on strategy implementation and performance. *Strategic Management Journal*, 24(6), 577-585.
- Ritsema, E., Brown. R.E., and Mazur. M.J. (2013). *Curbing Corruption and Promoting Transparency in Tax Administration*. Washington: National Academy Press.

- Saad, N. (2014). Tax knowledge, tax complexity and tax compliance: Taxpayers' view. *Procedia-Social and Behavioural Sciences*, 1069-1075.
- Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1, 323-338.
- Saunders, M; Lewis, P and Thornhill, A (2009). *Research Methods for Business Students*.
- Sigauke, M. (2017). *An investigation on the influence of tax knowledge on tax compliance*. Harare: Mambo Press.
- Singh, V. (2013). *Malaysian tax administration*, (Sixth Edition). Longman, Kuala Lumpur.
- Storm, O., Alexander, C. and Thomson, F. (2017): Why people pay taxes? Tax compliance and Enforcement. Source: <http://www.mitsloan.mit.edu/faculty/pdf/publist/carol-pub.pdf>
- Tanzania Revenue Authority (2019). *Improving Tax compliance in the cash Economy*
- TRA, (2013). *Fifth Corporate Plan*, Dar as salaam: Government Press
- Van, B., Jonhson, D., and Gardiner P.J. (2013). A prototype to help small business, appears effective, but more information is needed before expanding it nationwide; Department of Treasury, Washington D.C.
- Wadesango, N., and Mhaka, C. (2017). The effectiveness of enterprise risk management and internal audit function on quality of financial reporting in universities. *Journal of Economics and Behavioral Studies*, 9(4), 230-241.
- Wadesango, N., and Wadesango, O. (2016). The need for financial statements to disclose true business performance to stakeholders. *Corporate Board: Role, Duties and Composition*, 12(2), 77-84.
- Webley, P. (2014). Tax compliance by businesses. Sjogren, H. & Skogh, G. (Eds), *New Perspectives on Economic Crime*, Edward Elgar: Cheltenham.

APPENDICES**APPENDIX I: QUESTIONNAIRE FOR TAXPAYER**

Part A: General Information:

: General Information:

For the following questions please put a tick where appropriate

Your sex

1. Sex

- a) Male
- b) Female

2. Age

- a) 15-19
- b) 20-29
- c) 30-39
- d) 40-49
- e) 50 or above

3. Marital Status

- a. Married
- b. Single
- c. Divorced
- d. Widow(er)

4. Ownership of Your Business

- a) Sole Proprietorship
- b) Partnership
- c) Limited Company
- d) Other (Please specify): _____

5. Legal Status of Your Business

- a) Registered
- b) Not Registered

1.1 Business Particulars**1.1.1 Type of Business Sectors**

- a) Agriculture
- b) Commercial Merchants
- c) Small Scale Industry/Handcraft
- d) Service (e.g., daladala, taxi)
- e) Others (Please specify): _____

1.1.2 Do You Own Other Business?

- a) Yes
- b) No

1.1.3 How Many?

- a) One
- b) Two
- c) Three
- d) More than 3

1.1.4 Main Products/Goods Sold or Services Rendered

(Please specify): _____

1.1.5 Annual Turnover

- a) Less than 12,000,000/=
- b) More than 12 million but less than 150 million
- c) More than 150 million, but less than 300 million
- d) More than 300 million

1.1.6 Number of Employees

- a) 1 to 4
- b) 5 to 50
- c) 50 to 100
- d) More than 100

1.1.7 Size of Capital Investment

- a) Less than 5 million
- b) 201 mil – 800 million
- c) Above 800 mil

1.1.8 Are You Registered with VAT?

- a) Yes
- b) No

1.1.9 Do You Prepare Tax Accounts?

- a) Yes
- b) No

1.1.10 Do You Pay Taxes Under the Presumptive System?

- a) Yes
- b) No

1.1.11 Do You Have Permanent Trading Premises?

- a) Yes
- b) No

1.1.12 Are the Trading Premises Owned or Rented?

- a) Owned
- b) Rented

1.1.13 Duration of Operating Your Business

- a) Less than 1 year
- b) More than 1 year but less than 5
- c) More than 5 years

1.1.14 Do You Normally Operate Through Bank Accounts?

- a) Yes
- b) No

Part B: Level of Tax Knowledge

(i) What is your highest level of education attained?

- a) Primary
- b) Secondary
- c) Certificate
- d) Diploma
- e) Degree
- f) Adult Education

(ii) In your education, was taxation ever part of the school curriculum?

- a) Yes
- b) No

(iii) When was the first time you heard about tax education?

- a) More than one year ago
- b) Less than one year ago

(iv) How did you acquire your tax knowledge? (Please choose all that apply)

- a) Television
- b) Radio
- c) Newspaper
- d) Others, please specify: _____

(v) Are you aware of your tax obligations?

- a) Yes
- b) No (If no, please skip to question vi)

(vi) Do you pay taxes?

- a) Yes
- b) No (If no, please proceed to the next section)

(vii) Can you establish the correct amount of taxes owed to the revenue authority?

- a) Yes
- b) No

(viii) Are you aware of the due dates for filing returns and/or paying taxes?

- a) Yes
- b) No

Part C: Level of Tax Compliance

(i) Do you prepare tax returns?

- a) Yes
- b) No

(ii) Do you submit tax returns in a timely manner?

- a) Yes
- b) No

(iii) Do you pay taxes on time as required by law?

- a) Yes
- b) No

(iv) Have you ever been audited by tax revenue officials?

- a) Yes (If yes, please proceed to question v)
- b) No

(v) Did the audit discover any errors in your returns or accounts?

a) Yes (If yes, please proceed to question vi)

b) No

(vi) What do you believe was the source of the errors in your returns?

a) Unintentional (Please proceed to question vii)

b) Intentional (Please proceed to question viii)

(vii) What was the cause of the unintentional errors?

a) Lack of knowledge on how to treat particular matters in law

b) Other, please specify: _____

(viii) What was the cause of the intentional errors?

a) Perception that taxes are too high or to increase profit

b) Other, please specify: _____

(ix) Have you ever been fined for non-compliance?

a) Yes (If yes, please proceed to question x)

b) No

(x) What was the cause of the penalty or fines?

a) Non-filing of returns

b) Late submission of returns

c) Underpayment of taxable income

d) Underpayment of taxes

e) Non-payment of taxes

Part D: Relationship between Tax Education and Level of Tax Compliance

(i) How has the tax knowledge you acquired helped you comply with tax laws?

(Please explain)

(ii) How many times have you prepared accurate returns after acquiring tax knowledge?

(iii) Has acquiring tax knowledge changed your perception towards taxation?

a) Yes

b) No

(iv) Has tax education helped you pay the correct amount of taxes according to laws and procedures?

a) Yes

b) No (If no, please proceed to question v)

(v) What problems are preventing you from paying taxes appropriately?

(Please explain) _____

(vi) Have you been audited after acquiring tax education?

a) Yes

b) No

(vii) Did the tax education help you reduce errors?

a) Yes

b) No

(viii) Have you been penalized after acquiring tax education?

a) Yes

b) No

(ix) What are your comments on the importance of tax education to the business community?

(x) How has tax knowledge changed your willingness to pay taxes?

- a) Very significantly
- b) Significantly
- c) Changed, but not significantly

(xi) To what extent can you accurately determine your tax liability after acquiring tax knowledge?

- a) Completely
- b) Correctly
- c) Satisfactorily
- d) Little

(xii) To what extent has tax knowledge helped you understand your tax rights and obligations?

- a) Very much
- b) Little

(xiii) The Attitudes of SMEs owners on Business Tax System in Tanzania

Factors	SA	A	N	D	SD
A feeling that you are paying a fair share of tax					
Neighbors, friends etc. are reporting and paying tax honestly					
Tax laws are easy to understand i.e., calculation of tax filing and paying dates					
High business profit by operating illegal business, underreporting of profits etc					
Giving rewards to taxpayers					
Use of informants by TRA to report tax evaders					
Paying tax fines and penalties					
Aggressive tax enforcement efforts by TRA e.g., ensuring tax audits and prosecutions of tax evaders take place					
High degree of being detected for non-payment of tax					
Fear of tax audits and prosecution					
Feeling tax is an obligation and believing in no corruption					
Government is achieving its tax objectives and is fighting					
Harassments by TRA					

(xiv) Tax Compliance and Tax Non-Compliance Status**Reasons for Tax Compliance and Tax Non-Compliance**

Factors	SA	A	N	D	SD
Easy understanding of tax laws i.e., rates of taxpaying dates etc.					
Feeling of justice with tax system i.e., paying a fair share of tax					
Positive peer attitude i.e., a belief that your neighbors are paying tax					
Rewarding taxpayers i.e. giving a trophy for being best on tax paying					
Motive for low profits i.e., through operating a legal business, accurate reporting of profits etc.					
Avoiding of paying tax fines and penalties.					
The use of informants by TRA i.e., report tax evaders					
Aggressive enforcement efforts by TRA i.e., ensuring tax audits and prosecutions take place payment of fines and penalties.					
High degree of being detected for no-payment of tax.					
High degree of risk aversion i.e., fear of tax audits					
Ethics and mobility i.e., a feeling that tax is an obligation and believing in no corruption					
Positive government image i.e. government is fighting corruption and is achieving tax objectives					
Harassment from TRA					

**(xv)The Relationship between the Taxpayers' Attitudes and Tax Compliance
Attitudinal Factors and Compliance**

Factors	SA	A	N	D	SD
A feeling that you are paying a fair share of tax					
Neighbours, friends etc. are reporting and paying tax Honestly					
Tax laws are easy to understand i.e., calculation of tax filing and paying dates					
Paying tax fines and penalties					
Giving rewards to taxpayers					
Use of informants by TRA to report tax evaders					
Aggressive tax enforcement efforts by TRA e.g., ensuring tax audits and prosecutions of tax evaders take place					
High degree of being detected for nonpayment of Tax					
Fear of tax audits and prosecution					
Feeling tax is an obligation and believing in no corruption					

Please review your answers before submission. Thank you for participating in this survey.

**MANUSCRIPT FO THE EFFECTS OF TAX PAYER’S EDUCATION ON
TAX COMPLIANCE AMONG SMEs IN MOSHI MUNICIPALITY,
TANZANIA**

GEORGE AKARO

ABSTRACT

The overall objective of the study was to assess the effects of taxpayer’s education on tax compliance among the SMEs in Moshi Municipality, Tanzania. The study specifically aimed to examine taxpayer’s education level among the SMEs, determine the means of acquiring tax education, and examine the number of SMEs which comply to pay tax in Moshi Municipality. The study adopted descriptive research design and data was corrected once at a time. The sample size of the study was 64 respondents. Stratified sampling procedure was used to obtain the respondents. Data was collected using a questionnaire and were analysed using descriptive statistics of which frequency and percentage was computed and Pearson Correlation coefficient to determine the relationship between variables. The study found that SMEs owners lacks tax education which enhance low tax compliance behaviour, the study went further and found that methods used by Tanzania Revenue Authority (TRA) to increase tax compliance behaviour among SMEs is ineffective, lastly the study revealed that there is a positive relationship ($r = 0.725$) between tax payers’ education and compliance behaviour. Basing on the research findings the study concludes that Taxpayer education is essential in improving voluntary tax compliance behaviour. It’s essential for the taxpayers to understand his/her rights, obligations, and the procedures of paying taxes. The study recommends that taxation education should be taught at all levels of education, with an emphasis of promoting voluntary tax compliance behaviour to individuals in the country.

Key words: *Tax payer’s education, tax compliance, small and medium enterprises.*

1.0 Introduction

1.1 Background to the study

Globally, tax collection is very important for every government as it enables to acquire revenues and assets which are not liable to debt and which the government uses to develop its economy by promote efficiency in the service delivery and economic development at the countries (Balunywa, 2014). Government face serious challenges in their tax collection performance due to non tax compliance which led into insufficient funds collection to cover their budget expectations (Ngotho and Kerongo, 2014).

In developed countries, United States of America and United Kingdom in particular they maximize tax compliance using various strategies education being among. At the same time, achieving tax compliance and improving revenue collection is not an easy task. However, this challenge can be minimized through tax education (Jayapalan, 2013; Sandmo, 2015).

In Sub Saharan African countries, Republic of South Africa in particular the contribution of taxpayer's education on tax compliance is so far the most important tool in revenue collection, causing high government revenue collection to enhance implementation of her budgets for domestic services (Van *et al.*, 2013). In Uganda, the Uganda Revenue Authority (URA) uses taxpayer education programs aiming at creating awareness to increases the level of voluntary tax compliance. Strategies have been adopted such as Seminars, Workshop, tax-clinic, live radio talk show, tax literature and the URA website. These strategies have gradually changed the taxpayer attitude, reducing the compliance cost, and minimize the cost of tax administration (Onditi, 2013).

With the challenge of non tax compliance, revenue authorities establish tax payers' education programs to enhance on tax compliance (TRA, 2019). Tax payers' education refers is defined as a program which includes all sorts of communication and educational strategies to increase knowledge of citizens, rights and responsibilities regarding tax matters (Carro, 2016; Akatuhurira, 2011). In this study, tax payers' education include all programs aiming at promoting awareness of tax matters, obligations, and transparency, among the general public, as well as providing professional expertise, to the staff, to improve their capabilities, to achieve effective

and efficiency in revenue collection. It involves strategies of information disseminations such as seminars, workshops, tax clinics, websites, and live radio and television programs.

Tax compliance refers as taxpayers' willingness to obey tax laws in order to obtain the economic equilibrium of a country (Feinstein. *et al.*, 2011; Storm *et al.*, 2017). In this study tax compliance mean willingness to pay their tax willingly and honestly.

In Tanzania, revenue authority adopted stakeholder sensitization programme namely public announcement, seminar and live radio as one of the most significant technique for tax compliance followed by print media education program to implement tax laws by SMEs owners (Mwampeta, 2013). In spite of the implementation of tax laws and the mentioned programmes non tax compliance still exists. For instance, the recent protest by taxpayers over implementation of Electronic Tax Registers it is evidently that still there is a low compliance on tax payments.

Moshi Municipal in Kilimanjaro Region is the second after Kinondoni Municipal in Dar es Salaam Region to have large number of SMEs which estimated to be 175. And the government through Tanzania Revenue Authority (TRA) attempted to give tax education to enhance tax compliance. Therefore with this background, the researchers convinced to undertake the study to assess the effects of taxpayers' education on tax compliance among SMEs in Moshi Municipality.

1.2 Statement of the problem

Low tax compliance among SMEs in Moshi Municipality is about 35% and the region at large is a major concern of this study which might be due to lack of education on the importance of paying tax. Kirchler (2014) observed that general educational level is significantly related to tax compliance. Tax specific education is necessary in order to enable small business owners to comply, as well as to increase their willingness to pay.

Empirical evidence shows that tax non-compliance is an area of concern for all government and tax authorities and it will continue to be an important issue that must be addressed. From a tax administration point of view, the rapid development of SMEs in the economy signifies a rapid increase in the number of 'hard to tax' tax payers (Niemirowski *et al.*, (2012).

The government of Tanzania attempted to provide education to tax payers include public announcement, seminar and live radio in order to shift the economy from traditional business models to the informal sector expecting to see the informal sector contributing meaningfully to tax revenue. The Tanzania revenue authority further introduced education on presumptive tax to bring in revenue from small-medium enterprises. Despite these efforts instituted to capture the revenue inflows from the informal sector, which continue to account for significant and growing portion of economic activity, revenue contribution to the fiscus remains insignificant due to low compliance as shown by 35% revenue contribution against 60% contribution to the Gross Domestic Product for 2013 (TRA Annual tax report, 2013). A large segment of the informal sector, especially the SMEs in Moshi Municipal exhibit low tax compliance levels. This is a great loss of revenues meant for public expenditure. It is for this reason that this study therefore sought to assess the effects of taxpayer's education on non-compliance behaviour among SMEs in Moshi Municipality, Tanzania.

1.3 Specific Objectives

The study specifically aimed to examine taxpayers' knowledge towards Compliance Behaviour; determine the methods of increasing taxpayer's education towards compliance behaviour among SMEs owners; and to analyze the perception of SMEs owner's education in relationship to tax compliance among the SMEs in Moshi Municipality.

1.3.1 Research questions

The study will be guided by the following questions;

- (i) To what extent do taxpayers adhere to knowledge obtained towards Compliance Behaviour?
- (ii) What education techniques will be used in increasing taxpayer's education towards compliance behaviour among SMEs owners?
- (iii) To what extent do SMEs owner's education aid to tax compliance among the SMEs in Moshi Municipality?

2.0 Theoretical foundation of the study

2.1 Theory of Planned Behaviour

The theory of planned behaviour was developed by psychologist Ajzen (1972) with an intention to link beliefs and behaviour and tries to explain human behaviour. According to this theory, the behavior of individuals within the society is under the influence of definite factors which originate from certain reasons and emerge in a planned way. The ability to perform a particular behavior depends on the fact that the individual has a purpose towards that behavior (behavioral intention). Behavioral intention in turn depends on three factors that is Attitude towards the behaviour, Subjective norms and Perceived behavioral control.

These three factors are also under the influence of behavioral beliefs, normative beliefs and control beliefs. The focus of this theory therefore is on the taxpayer's morals and ethics. The theory suggests that a taxpayer may comply even when the probability of detection is low. As opposed to the economic theories that emphasize on increased audits and penalties as solutions to compliance issues, psychological theories lay emphasis on changing individual attitudes towards tax systems. The theory implies that taxpayer might not comply to pay tax intentionally after under taking self assessment the merits of the tax upon his/her business. Someone can have a good knowledge on the importance of tax payment, yet cannot pay due to private and perceived reasons.

3.0 Research methods

The study conducted in Moshi Municipality, because it is the second to have appreciable large number of registered SMEs (175) in Kilimanjaro region, Tanzania after Kinondoni Municipality in Dar es Salaam region with 235 SMEs. Yet those SMEs might have inadequate taxpayers' education which led into low rate of tax compliance behaviour. For the purpose of this study descriptive research design was adopted with case study approach. The target population of the study was 175 SMEs owners. The choice of SMEs owner's is because they might be reluctant to tax compliance compared to large business owners. SMEs were included in order to examine their level in terms of tax education and the means of acquiring tax payer's education.

The sample size of the study was 64 respondents which were obtained through stratified random sampling procedure in gathering information from the respondents. Stratified random sampling technique ensured that all categories of SMEs in Moshi Municipal were included in the sample. Thereafter simple random sampling technique was then used to sample individual taxpayers within the stratum as it eliminates bias since each member on the sample had an equal chance of being selected. Primary data was collected using questionnaire and that of key informants were collected by interview checklist. Data was analysed using descriptive statistics of which frequency and percentage were computed. On the other hand, data on analyzing the SMEs owner's perception on whether tax education related to tax compliance were analyzed using the Pearson Product-Moment correlation coefficient under the aid of Statistical Packages for Social Sciences version 21.

4.0 Finding and Discussion

4.1 Effects of taxpayers' education on tax compliance among SMEs in Moshi Municipal

4.1.1 Examining Tax Knowledge and Compliance Behaviour

4.1.1.1 Tax registration of SMEs

In this part the researchers attempted to examine the registration status of the respondents which is the first stage of compliance and the results shows that 75% of the respondents are registered for tax which indicates that SMEs understand their obligation to be tax compliant. This is in line with Ma (2015) and Wadesango and Wadesango (2016) who argued that SMEs have tax knowledge. However, another 25% of the SMEs are not registered indicating a possible lack of knowledge as stated by Loo (2016). The modal figure is within the group that is registered indicating existence of tax knowledge. The analysis went further on determining the reasons for not registered. The researchers noted that 25% blamed the high tax rates as argued by Hite (2012) and Wadesango and Mhaka (2017) while another 12.5% stated that they did not appreciate any benefits from paying tax in line with Webley (2014). 43.8% argued that they make very little profits while another 18.8% believed they did not qualify for taxation. Those that believed they don't qualify for taxation are sure sign of lack of knowledge as explained by Mckechar (2015) who argued that SMEs are not even aware of their tax shortfalls. However, the measure of central tendency lies

among those that blamed tax rates and those that argued that there's no incentive to taxes. This means tax rates and lack of accountability are the contributing factors to non-compliance among SMEs in Moshi Municipal.

4.1.1.2 Frequency of submission of tax returns

The group that claimed to be registered was further probed to ascertain compliance behaviour and the results is not surprising to note that out of the 64 SMEs that 48 claimed to be registered for tax, only 20 of them declare and pay the correct taxes all the time. This gives a total compliance rate of 42 % only thereby supporting Maseko (2014) who argued that most SMEs do not pay taxes. James and Alley (2012) defined tax compliance as filing all required tax returns accurately and at the proper time thereby meaning the taxpayer who submits his returns sometimes and rarely is not a compliant taxpayer. The measure of central tendency lies within the non-compliant group confirming that SMEs do not comply.

4.1.1.3 Measuring existence of knowledge

In order to determine the level of knowledge among SMEs a few questions on tax issues were asked and the results was none of the SMEs who claimed no knowledge of tax implying that SMEs do have knowledge about taxes. 28.1% of the respondents only knew one tax head, 48.4% knew 2 tax heads while only 23.4% knew 3 types of taxes. This piece of evidence is in line with Hasseldine (2013) who argued that the existence of tax knowledge did not significantly affect tax compliance behaviour of SMEs. The measure of central tendency is within the group that knows 2 types of taxes confirming SMEs are aware of their tax obligations.

Further, the findings revealed that 17% of the respondents strongly agreed and 36% agreed that if they had more education about taxes. They would comply with tax laws. 16% was unsure while 14% disagreed and another 20.3% strongly opposed the idea. In aggregate 50% do believe that tax education would improve their compliance as stated by Kirchler *et al.* (2016) who documented that possessing tax knowledge would lead to higher compliance. The 16% that was unsure are in support of Cuccia (2013) who could not measure tax knowledge and failed to conclude the impact of knowledge on compliance. On the other hand, the 34% saw no relationship between their exposure to tax education and compliance in support of Berger (2011). The modal data is among those that don't believe they would change their behaviour if

they are exposed to tax education meaning tax knowledge will not result in positive compliance behaviour among SMEs.

The researchers tried to determine if the Tanzania Revenue Authority conducted adequate awareness programmes in order to create both general knowledge and technical knowledge among SMEs. The findings revealed that only a mere 45.3% of the tax payers had been exposed to tax education through workshops or formal education while only 21.9% had knowledge of e-filing. This confirms that SMEs lack knowledge of tax requirements leading to the non-compliance behaviour as postulated by Akinboade (2012). 54.7% had never attended a tax course and 78.1% do not have tax education knowledge and this confirms that the Revenue Authority could be lacking on the part of educating SMEs. The measure of central tendency is among those having never been exposed to tax education and those having no idea what e-filing is. This means SMEs have no knowledge of tax matters in Moshi Municipal Small and medium enterprises on e-filing.

4.2 Determining Methods of Increasing Tax Awareness and Compliance

The respondents were asked to select a method which they thought would reduce non-compliance among SMEs and 70.3% choose an increase in tax campaigns and workshops, 14.1% opted for the introduction of tax modules at school. This means they believe knowledge to current taxpayers and future taxpayers will boost compliance as proclaimed by Mukhlis *et al.* (2015). 10.9% choose an increase in tax audits would change compliance behaviour from negative to positive as proclaimed by Sigauke (2017). The last 4.7% supported Huggins (2015) who argued that stiff penalties will create awareness among SMEs and force them to comply. The measure of central tendency using the modal value lies among those that prefer tax campaigns as a method of increasing tax awareness highlighting that knowledge influences tax compliance.

The study findings went further on determining other methods of increasing tax awareness and compliance and the analysis revealed that radio, newspapers, seminars workshops, training and televisions were perceived as major methods of increasing tax knowledge awareness and compliance to taxpayers.

4.3 Examine the perception of SMEs owners on relationship between taxpayer's education and tax compliance.

To examine whether there is a significant relationship between taxpayer's education and tax compliance among the SMEs in Moshi Municipal the researcher analyzes data by using Pearson correlation coefficient. Analysis of correlation showed that taxpayer's education is positively related to tax compliance behavior with a correlation coefficient of $r = 0.725$, which is equivalent to 72.5%. As evident on the matrix, the correlation coefficient is within the acceptable range of between -1 and 1 this implies that the independent variables are suitable to predict on the effect on the dependent variable.

This finding indicates that tax compliance could be influenced by educating taxpayers of their timely payment and thus their intention would be to comply. As a behavior problem, tax compliance depends on the cooperation of the public. There are greater gains in assisting compliant taxpayers meet their fiscal obligations rather than spending more resources pursuing the minority of non-compliers. SMEs entrepreneurs are able to understand their tax obligations when there is an aspect of fairness and tax benefits that can be received in real terms. There is a positive relationship between the level of tax knowledge and tax compliance.

On the issue pertaining to significant relationship between taxpayer's education and tax compliance among the SMEs in Moshi Municipal; the study noted that tax education has a positive and significant impact on tax compliance. Based on the results, the strengthening of the tax education is very important in shaping the tax knowledge, so that it can increase tax compliance. In this case the tax socialization efforts can be done through the dissemination of information about the types of taxes, tax rates, and tax payment mechanisms

These findings were similar to that of Kassipillai (2013), Rasid & Noor (2004), Normalla (2007), Christina, Deborah and Gray (2013). In their studies, they concluded that there was a significant positive relationship between the level of Pay As You Earn (PAYE) tax knowledge and PAYE tax compliance. However these findings contradicts the findings obtained by Lin and Carrol (2010), which concluded that there was no significant positive relationship between the level of tax knowledge and tax compliance. Tax education has affected the way the taxpayer makes tax compliance decision. Through taxpayers' education, the taxpayer is aware of the

rights, obligations and the procedures of paying taxes, as well as the consequences of non-compliance. The taxpayer can make rational decisions of complying with the tax laws.

Similarly, Laffer *et al*, (2011) argues that before individuals and businesses pay their tax liability; they must spend time collecting records, organizing files and wading through the tax code to determine their tax liability; they also purchase products and services such as tax software or an accountant, to assist them in determining their tax liability- tax compliance outlays. Finally, tax payers must pay the administrative costs to run the tax authorities.

5.0 Conclusions and Recommendations.

5.1 Conclusions

The study concludes that taxpayer's education is essential in improving voluntary tax compliance. It's essential for the taxpayer to understand his/her rights, obligations, and the procedures of paying taxes because SMEs in Moshi Municipal do not comply with tax law; they pose only basic tax knowledge and lack a deeper understanding of tax issues, and however this is insignificantly influencing the non-compliance behaviour among them.

The study also noted that tax authority (TRA) were accused of presenting itself as an anti-corruption board and ignoring its mandate which is to pursue and collect revenue. Based on these findings, the study concluded that strengthening of the tax education is very important in shaping the tax knowledge, so that it can increase tax compliance. In this case the tax socialization efforts can be done through the dissemination of information about the types of taxes, tax rates, and tax benefits and tax payment mechanisms.

5.2 Recommendations

The study recommends to TRA on the provision of Tax education as an essential in improving tax compliance, hence more revenue to finance the recurrent and development expenditure of the government. Being the case, the government is advised to impart tax knowledge to individuals not only to the current business community, more important to the potential business community.

Before one can submit accurate tax returns, they need to be in possession of accurate financial records. Therefore, the study recommend to the government via TRA needs to take an active role in enabling the capacity of SMEs in areas of training so that they can be equipped with basic financial and accounting skills. Such training programs could be put in place by TRA in conjunction with the Ministry of industries which is the host of Small and Medium Enterprises so that all identifiable SMEs are trained to have the ability to keep accurate financial records.

The study also recommended that TRA should advise the Ministry of Education, Science and Technology to introduce tax course should be introduced, perhaps as an elective subject at the beginning of secondary level through higher learning education so that students are aware of their responsibilities as future taxpayer's. This education method could be expected to help cultivate responsible taxpayers in Tanzania as currently, tax courses are only taught to accounting students at diploma and degree levels.

The study further recommends TRA to ensure timely delivery of the services; ensure truthfulness in keeping to promises to taxpayers specifically to SMEs when reporting problems relating to tax collection such as shifting of taxes and mechanical problems of the business and so on. Being dependable and consistent in service delivery in solving taxpayers' complaints, will improve the performance of the SMEs.

REFERENCES

- Akatuhurira, M (2011). Effects of EFDs Education and tax compliance conducted in Wakiso Town Council of Uganda
- Akinboade, O.A. (2012). Correlate of tax compliance of SMEs in Cameroon. *Managing Global Transitions*, 13(4),389-413.
- Alm, J., Kirchler, E. & Muehlibacker, S. (2012). Combining psychology and economics in the analysis of compliance: From enforcement to cooperation. *Economic Analysis and Policy*, 42(2), 133-151.
- Balunywa, Z. (2014). *The influence of tax education on tax compliance attitude*. Addis Ababa: Ethiopia Press.
- Berger, T. (2011). Tax hangover or cure? Reforms for research and development tax incentive. *Australian Intellectual Property Law Bulletin*, 24(2), 39.
- Carrol. A; 2016: Why people pay taxes? Tax compliance and Enforcement.Source:<http://www.mitsloan.mit.edu/faculty/pdf/publist/caroll-pub.pdf>Visited: 1/12/2018
- Christina M., Ritsema,H., Debonah W., Thomas,C., and Gary D. (2003). Economic and Behaviourist determinants of Tax compliance; Evidence from the 1997, Ankasans Tax Penalty Amnesty Program: “A paper presented at the 2003, IRS Research conference.
- Cuccia, A. (2013). The economics of tax compliance: What do we know and where do we go? *Journal of Accounting Literature*, 13, 81-116
- Feinstein, P., Fierre-Seren, M.J., & Panades, J. (2011). Do higher tax rates encourage/discourage tax compliance? *Journal of Modern Economy*, 4, 809-817
- Hasseldine, J. (2013). Tax amnesties: An international review. *Bulletin for international fiscal documentation*, 52, 303-310
- Hite, P.A. (2012). An investigation of moral suasion and vertical equity arguments on intended taxpayer compliance. *Law and Policy* 19(1), 1-22.
- Huggins, H. (2015) Presumptive tax system and its influence on the ways informal entrepreneurs behave in Tanzania. *Tanzania Economic Review*, 5(1), 72-90

- Jayapalan, K. (2013). The influence of education on Tax Avoidance and Evasion e - journal of Tax Research* Source <http://www.austlii.edu.au/journals>. Visited; 22/6/2019
- Jeyapalan, K, Mustafa, H., Ariff, M. (2012). Compliance costs of Malaysia's small and medium enterprises. *Journal of Australian Taxation*, 3(2), 78-99.
- Kasipillai, J. (2013). The influence of education on tax avoidance and tax evasion. *Journal of Tax Research*, 1(2), 134-46.
- Kirchler, E. (2014). *The economic psychology of tax behaviour*. Cambridge University Press, Cambridge.
- Laffer Y., Shearer, T. and Thomas, K.D. (2011). Presumptive collection, a prospect Theory approach to Increasing Small Business Tax Compliance. Draft article for 67 Law Review, USA through research and development tax incentives: lessons for Australia from the UK.
- Lin, Z and Carrol, F. (2010). Tax compliance challenges in fulfilling tax obligations among SMEs in zimbabwe: A survey of smes in bandura. *International Journal of Scientific and Engineering Research*, 7(2), 45-87.
- Loo, E.C. (2016). The influence of the introduction on self-assessment on compliance behaviour of individual taxpayers in Malaysia, PhD thesis, University of Sydney,
- Ma, D. (2015). *Small business tax compliance burden: What can be done to level the playing field?* M.Sc. Thesis, University of Canterbury.
- Maseko, N. (2014). The impact of personal tax knowledge and compliance costs on tax compliance behaviour of SMEs in Zimbabwe. *Elite Research Journal of Accounting and Business Management*, 2(3), 26-37
- Mckechar, S. (2015) . Tax knowledge, Tax complexity and tax compliance: Taxpayers View. *National Tax Journal*, 58, 643-633.
- Mukhlis, I., Utomo, S.H., & Soesetio, Y. (2015). The role of taxation education on taxation knowledge and its effect on tax fairness as well as tax compliance on handicraft SMEs sectors in Indonesia. *International Journal of Financial Research*, 6(4), 161-187
- Mwampeta, N. (2013). Income tax compliance among SMEs in Uganda: Taxpayers proficiencies perceptive. *International journal of business and social science*, 4(11), 23-34.

- Ngotho, J and Kerongo,H.(2014). Ethics, norms and Tax compliance”Journal of economic psychology, Research school of social sciences, Australian National University, Canberra-Australia.
- Niemirowski, P., Wearing, A.J., Baldwin, S., Leonard, B., & Mobbs, C. (2012). *The influence of tax related behaviours, beliefs, attitudes and values on Australian taxpayer compliance, is tax avoidance intentional and how serious an offence is it?* University of New South Wales, Sydney.
- Onditi, R. (2013). A Thesis on: “The Impact of Taxpayer Education on Taxpayer Education on Tax Compliance in South-Africa”.
- Rasid, K. and Noor, V. (2004). Determining the scope and impact of market orientation profiles on strategy implementation and performance. *Strategic Management Journal*, 24(6), 577-585.
- Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1, 323-338.
- Sari, D. and Huda, R.N., (2013). The influence of understanding taxes and taxpayer perception to taxpayer compliance. International Conference on Business and Social Sciences, International Symposium on Education, Psychology, Society and Tourism, International Conference on Business and Social Sciences.
- Sigauke, M. (2017). *An investigation on the influence of tax knowledge on tax compliance*. Harare: Mambo Press.
- Storm, O., Alexander, C. and Thomson, F. (2017): Why people pay taxes? Tax compliance and Enforcement. Source: <http://www.mitsloan.mit.edu/faculty/pdf/publist/carol-pub.pdf>
- Wadesango, N., and Wadesango, O. (2016). The need for financial statements to disclose true business performance to stakeholders. *Corporate Board: Role, Duties and Composition*, 12(2), 77-84.
- Webley, P. (2014). Tax compliance by businesses. Sjogren, H. & Skogh, G. (Eds), *New Perspectives on Economic Crime*, Edward Elgar: Cheltenham.