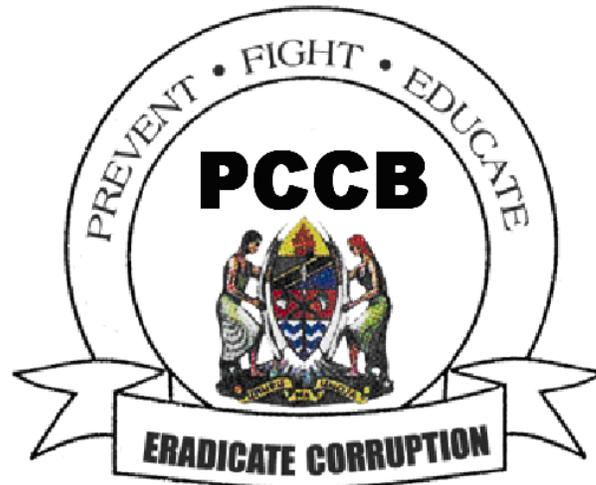


THE UNITED REPUBLIC OF TANZANIA

PREVENTION AND COMBATING OF CORRUPTION BUREAU



**A MICRO STUDY ON THE EFFECTIVENESS OF EFDs IN IMPROVING TAX
COMPLIANCE IN TANZANIA**

2018

ABSTRACT

The main objective of the study was to assess the effectiveness of EFD machines in enhancing taxpayers' compliance among the Tanzanian traders. In particular, the study sought to examine the following research issues (i) to examine the perceptions of traders toward the use of EFD machines (ii) to examine the effectiveness of the EFD machines in sealing corruption loopholes (iii) to investigate the capacity of traders in using the EFD machines. Purposive (judgmental) sampling was used to select key informants based on their insights, experience and expertise in tax administration. In addition, a sample of suppliers and users of the machines was randomly selected. In terms of data collection methods, in depth interviews and participant observations were used. A sample size of 106 was employed in this study.

The findings of the study have revealed that the problem of low tax compliance was mainly caused by weak enforcement of the law, lack of voluntary taxpaying culture, collusion between dishonest tax officials and traders, inherent loopholes in the revenue collection frameworks, bribery, dishonest behaviors such as cheatings by either over or under-invoicing the receipts, weak supervision system, harsh treatments against taxpayers and the negative perception toward payment of taxes. To help to resolve the problem, this study recommends that the government should constantly educate the public and traders in particular on the importance of willingly paying taxes for their own development, to effectively enforce the Income Tax Act Cap 332 (Electronic Fiscal Devices) and its Regulations of 2012, to improve supervision of tax officials (staff), and enhance transparency and accountability and to put in place effective integrity mechanisms.

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LIST OF ABBREVIATIONS

VAT	Value Added Tax
EFD	Electronic Fiscal Device
TRA	Tanzania Revenue Authority
TAS	Tanzania Shillings
URT	United Republic of Tanzania
PAYE	Pay As You Earn
SDL	Skills Development Levy
EAC	East African Community
ETR	Electronic Tax Register
EFP	Electronic Fiscal Printer
ESD	Electronic Signature Device
EFPP	Electronic Fuel Pump Printer

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DEFINITION OF TERMS

“Electronic Fiscal Devices Management System” means computer software of the system which is used to receive all transactions including Z-reports from all. *Electronic* Fiscal Devices connected to it and generate various required reports (Regulations 2012 of the Income Tax (Electronic Fiscal Devices)).

Trader-A taxpayer that transacts business in tax compliance with Income Tax (Electronic Fiscal Devices)

Fiscal Receipts

The TRA defines the “fiscal receipt” means a fiscal document printed by Electronic Fiscal Device for the customer for the supply of goods or services supplied to him bearing the contents as specified by the Commissioner under the Second Schedule of Regulations 2012 of the Income Tax (Electronic Fiscal Devices) and whose record is stored in the memory.

Z-Report

“Z” report” means a summary sales report printout generated by an electronic fiscal device on daily, monthly, or annually basis.

Service user means a purchaser/buyer of goods/services and has the right to demand the fiscal receipt or the fiscal invoice; and also has obligation to report any breach or failure to EFDs Tax compliance to TRA Commissioner.

Supplier-Approved supplier by the TRA having the rights and obligations under Regulations 2012 of the Income Tax (Electronic Fiscal Devices) and according to section 7(1) the approved supplier shall establish and operate a service center in every Region in the United Republic of Tanzania.

Effectiveness- means ability of the EFDs to seal corruption loopholes in revenue collection system

Capacity- refers to traders’ proficiency in using EFDs

CHAPTER ONE

1.0 Introduction

Over the years the biggest challenge of the tax administration systems has been tax evasion, whereby traders deliberately under-invoicing their sales and hence crippling the ability of the government to effectively provide quality services to people. As a matter of fact taxation remains one of the major sources of revenue all over the world without which governments be it in developed or developing countries may find it difficult to provide quality services to citizens. Hence, it remains the responsibility of every able-bodied citizen to pay the right taxes to the government. Generally, EFD machines were first introduced in Italy in 1980, with the aim of keeping financial data such as VAT totals, total turnover and owners' details for the tax authorities and from then on spread to Europe and Asia. They quickly extended to Russia, Poland, Germany, Bulgaria, Serbia, Albania and Georgia and Singapore, Malaysia, Indonesia, China and India respectively (Dickroman, 2011). The machines spread even further to some African countries like Kenya, Zimbabwe, Ethiopia and Uganda. In the case of Tanzania, the government introduced the EFD systems in the year 2010 with the aim of improving tax compliance and revenue collection. The systems were introduced in two phases with the first phase mainly focusing on registered VAT traders and the second phase captured the non-VAT registered traders whose turnover profit ranges from TAS 14 million and above per annum. In the Finance Bill of 2010, the Minister of Finance and Economic Affairs through the amendment in the VAT Act required that all VAT registered traders should use the EFD machines with effect from July 1, 2010. In this regard, the implementation of the EFD regime was carried out by the Authority in two phases. Phase I commenced from 1st July 2010 covering all VAT registered traders and phase II for non-VAT registered traders commenced from 1st July 2013. The statistics showed that the use of EFDs doubled the revenue collection by the increase of 59% between July 2010 and June 2013.

Most previous studies suggest that if properly administered, EFD machines can help the government to collect the right sales information from the business people, reduce the cost of collecting taxes, seal corruption loopholes, minimize tax evasion practices but can also encourage tax payers to willingly comply with the existing tax laws. Although the effectiveness

of EFD machines on tax payers' compliance is not well documented, empirical evidence suggests that EFD machines have positive effects on revenue collection. Several studies indicate that effective use of EFD machines can have positive impact on the nation's economic growth particularly in developing countries. Others show that if corruption loopholes are sealed and tax officials are well supervised, remunerated and tax laws are effectively implemented, there is a possibility of increasing revenue collection, which in turns increases the ability of the government to offer quality services to its people. In addition, proper use of the machines may not only reduce corruption but can also encourage a tax paying culture which is still lacking in developing countries. The dominant practice has been that until and unless the governments decide to use force; citizens living in these countries are not ready to willingly pay taxes and sometimes tend to evade taxes.

The available information shows that since their introduction and use in Tanzania, the TRA has recorded a significant revenue collection. For example, the government collected a total of TAS 756 billion in the year 2009 /2010 compared to TAS 890 billion in the year 2010/11 URT, 2010), and the sharp increase in revenue collection at TAS 1.4 trillion in December 2016/2017 (TRA 2017). However, despite the encouraging trend in revenue collection, low tax compliance remains a problem. The consequences of tax evasion are quite devastating ranging from the poor service delivery, decreased levels of revenue collection, distortion of investment climate and worst of all, causes loss of trust in the government, which is a vital component for political and economic stability. Although there is a relatively extensive literature on the causes and effects of corruption, there are few studies that have attempted to analyze the relationship between corruption and low tax compliance from the corruption prevention perspective in Tanzania. Such paucity of information creates the knowledge gap for which this study sought to fill. The main research questions were: (i) Are the EFD machines effective in increasing tax compliance? (ii) What effect does EFD machines have on the revenue collection? (iii) Are there corruption loopholes after the introduction and use of EFD machines?

1.2 Research problem

Low tax compliance among the Tanzanian traders in using EFDs is the main problem researched in this study. The central argument is that unless the VAT law is effectively enforced and corruption loopholes entrenched in the revenue collection systems are sealed, the use of EFDs cannot deliver the expected results. The reason is that when governments strictly enforce the laws and the society learns that the lawbreakers are being punished; it is often believed that the society is less prone to commit either a similar or different crime for fear that once detected; the offenders will be punished ruthlessly. On the contrary, if the governments fail to enforce the law, the society is likely to lose trust in the state organs responsible for criminal justice administration and consequently blame the government for tolerating lawbreaking. Equally, if the revenue collection systems are poorly designed and vulnerable to corruption, the revenue that would have gone to the government coffers is likely to be lost either through tax evasion or corruption. However, despite the government's intention to introduce and use EFDs for improved tax compliance among traders, tax compliance has persistently remained low in Tanzania.

1.3 Research objectives

1.3.1 Main objective

The main objective of the study is to assess the effectiveness of EFD machines in improving tax compliance among the Tanzanian traders using Dar-es-Salaam Region as a case. In order to achieve this objective, the following specific objectives guided the study.

1.3.2 Specific objectives

The specific objectives of the study are:

- i. To examine the perceptions of traders toward the use of EFD machines.
- ii. To investigate the capacity of traders in using EFDs for revenue collection.
- iii. To examine the effectiveness of the EFDs in sealing corruption loopholes.
- iv. To recommend measures that can help to improve tax compliance in Tanzania

The research questions of the study were:

- i. How do the traders perceive the use of EFD machines?
- ii. What is the capacity of traders in using EFDs for improving tax compliance?
- iii. How effective have the EFDs been in sealing corruption loopholes inherent in the revenue collection systems?
- iv. What are the recommended measures that can be used to improve tax compliance in Tanzania?

1.5 Significance of the Study

The study is important for the following reasons. *Firstly*, the findings of the study will shed light on the importance of voluntary citizens' payment of taxes for their own development. *Secondly*, the findings are also expected to form the basis upon which other researchers interested in the topic to conduct further studies. In addition, the study will also help to iron out the long-standing misunderstanding between the traders on one hand and the government with respect to procurement and usage of EFDs on the other. *Thirdly*, the findings of the study will identify weak areas that are more susceptible to corruption with a view to suggesting important recommendations to the government on the best way to plug the identified loopholes within the revenue collection systems. In short, the study will considerably contribute to body of knowledge both theoretically and practically.

1.6 Policy and Legal Frameworks: A brief Overview

The Tanzania Revenue Authority (TRA) was established by Act of Parliament No.11 of 1995, and started its operations on 1st July 1996. It is responsible for administering various taxes of the central government. It does so through the statutory functions that governed by law and regulations. The taxes and duties include income tax for individuals, Corporation tax, Pay As You Earn (PAYE), Skills Development Levy (SDL), Withholding tax, Capital Gains tax, Value Added Tax (VAT) and Exercise duty. In implementing its functions, the TRA is governed by fundamental laws that read in conjunction with respective Income Tax Regulations and Finance Acts. The main Income Tax laws include:

- Tax Administration Act 2015
- Income Tax Act Cap. 332 Revised Edition 2008
- The Value Added Tax Act, 2014
- The Port Service Charges Act Cap 264
- The Motor vehicle (Tax Registration and Transfer) Act cap 124
- The Airport Service Charges Act Cap 365
- The Road and Fuel Toll Act Cap.220
- The Stamp Duty Act Cap. 189
- The East African Community Customs Management (Amendment) Act, 2011
- The East African Community Customs Management Act, 2004 (Revised)
- The Excise Management and Tariff Act Cap.147
- The Gaming Act, Cap. 41
- Vocational Education And Training Act, Cap. 82
- The Foreign Vehicle Transit Charges Act, Cap.84
- **Other tax laws**
- The Tax Revenue Appeals Act Cap. 408
- The Hotels Act Cap. 105
- The Tanzania Revenue Authority Act Cap.399
- The Oil and Gas Revenues Management Act, 2015
- **Regulations**
- This part consist of regulations made by the Minister for matters authorized to be made or prescribed and for better carrying into effect of the principles, purposes and provisions of the respective Acts.
- **Regulations under the Income Tax Act**
- The Income Tax (Electronic Fiscal Devices), Cap 332, Regulation 2012, G.N 389 of 14/12/2012
The income Tax (Transfer Pricing) Regulations, 2014
Transfer Pricing Guideline
- **Regulations under VAT**
- The Value Added Tax (General) Regulations, 2015

- EFD Regulation 2010
- **Regulations under the EAC Customs Management Act**
- EAC customs Management (Duty Remission) Regulations, 2008
EAC customs Management Regulations, 2010
EAC customs Management (compliance and enforcement) Regulations, 2012
- **Protocols and rules**
- Protocol on the Establishment of the East African Customs Union
The East African Community Customs Union (Rules of Origin) Rules
- **Other regulations**
- The Tax Administration (General) Regulation, 2016
- The excise (Management and Tariff) The Films and Music Products (Tax Stamps) Regulations 2013
GN No 218 of 2012 - Tourism Development Levy
- Road Traffic (Motor Vehicles Registration) Regulations (1)
- Road Traffic (Motor Vehicles Registration) Regulations (2)
- Road Traffic (Motor Vehicles Registration) Regulations (3)
- The Road Traffic (Motor vehicle Registration) (Amendments) Regulations, 2014

The legal obligation of traders to report the Daily Gross Sales

The Income Tax (Electronic Fiscal Devices), Regulations 2012 requires any given trader to daily reporting the information that shall contain the following:

- i) Serial number of the information
- ii) Location of the taxpayer
- iii) License number of the Electronic Fiscal Devices
- iv) Taxpayer Identification number (TIN) of the customer
- v) VAT registration number (VRN) if any
- vi) Fiscal Receipt/invoice number
- vii) Item sold
- viii) Quantity
- ix) Unit price
- x) Values

- xi) Date of the transaction
- xii) Discounts (if any)
- xiii) Net value
- xiv) VAT rate
- xv) VAT amounts; and
- xvi) Total gross sales and cumulative totals

Obligation to retain the Fiscal Receipt by Purchaser -Regulations 2012 of Income Tax (Electronic Fiscal Device)

Section 28 (1), Income Tax (EFDs), Regulation 2012 states the right and legal obligations to service user (purchaser) the right to demand the fiscal receipt or the fiscal invoice. It further obliges the purchaser to immediately notify the Commissioner against any taxpayer (trader) who fails to comply with the EFDs in tax collection. The Section reads that (i) ‘every purchaser shall demand and retain the fiscal receipt or invoice in his possession and shall upon a request made by the Commissioner or any officer authorized by the Commissioner or such the authorized; (ii) Every person having demanded a fiscal receipt or fiscal invoice upon obtaining goods or services and is denied the said receipt or invoice, shall immediately report to the Commissioner through the quickest means of such incidence’.

Circumstances that allow traders to temporarily use the manual receipt or invoice

Under Section 18 of Regulations 2012 (Income Tax-Electronic Fiscal Devices) describes some circumstances that may allow a trader to temporarily use an alternative means of transacting business by using manual receipt or invoice. These circumstances are:

- Electronic Fiscal Device is undergoing inspection
- EFD has been seized for investigations purposes
- EFD is undergoing maintenance
- The user has reported to the Commissioner that the Device has failed to operate for any reason acceptable to the Commissioner

Note: Where the EFD is restored or replaced, the user is required to key in the Electronic Fiscal Device, all the information contained in the manually issued receipts and invoices at the start of operation of an Electronic Fiscal Device.

Offences and Penalties under the Income Tax (Electronic Fiscal Devices), Regulations 2012
 The Income Tax (Electronic Fiscal Devices) under Regulations 2012, Part VII, describes different offences and penalties that any person be it taxpayer or service user (purchaser) to be liable for noncompliance with EFDs in tax collection.

Table 1: Offences and Penalties under the Income Tax (Electronic Fiscal Devices), Regulations 2012

S/N	Offences	Penalties
1	Failure to acquire or use Electronic Fiscal Devices	Any person who commits who contravenes the provisions of regulations 10 (Obligation to use Electronic Fiscal Devices) commits an offence and is liable, upon conviction, to a fine of not less than shillings three million or imprisonment for a term of not exceeding twelve months, or both.
2	Tempering with Electronic Fiscal Devices	Any person who deliberately tempers with or causes Electronic Fiscal Device not to work properly, commits an offence and upon conviction is liable to a fine of Tanzania shillings not less than one million or to a term of imprisonment not exceeding three months or to both.
3	Failure of approved supplier to comply	Any approved Supplier who fails to comply with the provisions of regulations 7 (approved Supplier's Rights and Obligations).
4	Failure to demand and retain a fiscal receipt or fiscal invoice	A person who fails to demand and retain a fiscal receipt or fiscal invoice or fails to report a denial of issuance of the receipt or invoice as required by regulations 27 commits an offence and upon conviction is liable for payment of twice of the amount of the tax evaded.
5	Offence where no specific penalty is provided	Any person who commits an offence under Electronic Fiscal Device Regulations for which no specific penalty is provided, is liable to a fine of Tanzania shillings one million or imprisonment for a term not exceeding three months or both.

1.7 The importance of using the EFDs machines

- To ensure taxpayers keep proper business records for correct tax returns
- To improve business record keeping
- To foster the transfer of sales information to TRA
- To enhance transparency and accountability between taxpayers and tax authority

- To minimize tax disputes
- To enhance tax evaluation fairness among taxpayers
- To increase government revenue collections
- To enhance voluntary tax compliance among traders

1.8 Types of Electronic Devices approved by TRA

The EFDs are designed for use in the area of business in particular sales and stock control systems. They are used by traders to capture business information to TRA. However, they need to conform to standard requirements, specifications and approval by TRA. The EFDs that have been approved by the TRA to both manufacturers and suppliers include:

- **Electronic Tax Register (ETR)**

The device is used by retail business that issue receipts manually.

- **Electronic Fiscal Printer (EFP)**

The device is used by computerized retail outlets. It is connected to a computer network and stores every sale transactions or details made in its fiscal memory.

- **Electronic Signature Device (ESD)**

The device is designed to authenticate by signing any personal computer (PC) produced financial document such as tax invoice. The device uses a special computer program to generate a unique number (Signature) which is appended to and printed to every invoice issued by the user's system.

- **Electronic Fuel Pump Printer (EFPP)**

The device is designed for use in the petrol stations to produce every sale transactions. It is automated systems printed to every invoice issued by the user's system. The device is directly connected to fuel pump and become the controller to the pump.

1.9 Features of the Fiscal Receipt and Fiscal Invoice

In order to enhance EFDs tax compliance, the TRA has put in place common features that traders and service users require to comply with. These features, the Electronic Fiscal Device Receipt (Fiscal Receipt) and the Electronic Fiscal Device Invoice (Fiscal Invoice) are legally determined

and described by law. And, they are described in the Second Schedule made under Regulations 16 of the Income Tax (Electronic Fiscal Devices), Part I, G.N 389 of 2012 (see table 2).

Table 2: Features of the Fiscal Receipt and the Fiscal Invoice

Features of the Electronic Fiscal Device Receipt (Fiscal Receipt)	Features of the Electronic Fiscal Device Invoice (Fiscal Invoice)
<ul style="list-style-type: none"> i) The words “START OF LEGAL RECEIPT” at the top and “END OF LEGAL RECEIPT” at the bottom. ii) The name and address of the user of the registered device iii) Taxpayer Identification Number (TIN) of the user of the registered device iv) Name and address of the purchaser v) TIN of the purchaser vi) The identification number of the Electronic Fiscal Device vii) The name, quantity, unit price and item description viii) Discounts, mark ups, corrections ix) The date and time of issue of the receipt x) The total amount payable xi) Daily ascending serial number for a legal fiscal receipt xii) The fiscal logo 	<ul style="list-style-type: none"> i) The name and address of the user of the registered device ii) Taxpayer Identification Number (TIN) of the user of the registered device iii) Name and address of the purchaser iv) TIN of the purchaser v) The name, quantity, unit price and item description vi) Discounts, mark ups, corrections vii) The date and time of issue of the invoice viii) The total amount payable ix) Daily ascending serial number for a legal fiscal invoice x) The fiscal invoice bears Electronic Signature beneath after the end of business transaction

CHAPTER TWO

2.0 METHODOLOGY

2.1 Scope of the Study

Given the scarcity of resources including time, it was impossible for the researchers to cover all the 29 regions in the Tanzania mainland. For this reason, Dar –es-Salaam region was selected for mainly three reasons: *Firstly*, there are very few studies that have examined the effectiveness of EFDs in improving tax compliance from the corruption prevention standpoint and its effects on revenue collection. *Secondly*, compared to other 28 regions found in the mainland, Dar-es-Salaam is the Tanzania's most unique city due to presence of many government services, being a commercial hub and the highest populated city. *Thirdly*, the city is also the major contributor of the nation's economy in terms of Gross Domestic Product (GDP). In view of this, it was thought-provoking to investigate and learn from this case.

2.2 Research Design

This study employed a case study method. The reason for this was that the researcher wanted to collect more detailed data concerning how things were done and dealt with at the studied region. In addition, a case study methodology was considered more appropriate for answering 'how' and 'why' questions (Flick, 2009). It also helped the researchers to answer questions, which require detailed understanding of social or organizational processes because of the rich data collected in context (Hartley, 2004). Therefore, case study method was the most appropriate method adopted in order to satisfy the research aim. In addition, in social science studies, case study research projects have a peculiar significance especially when the phenomenon under investigation is difficult to study outside its natural setting, the concepts and variables under the study are difficult to quantify and perhaps more importantly, when the central purpose of the study is theory building rather than testing (Flick, 2009). However, the biggest flaw of this design is that its findings cannot be generalized. Nonetheless, in spite of this weakness, the method is considered appropriate in qualitative studies (ibid, 2009). Additionally, since tax administration

systems are dynamic; a positivist approach would be insufficient in terms of analysis and interpretation of the changing realities.

2.3 Justification for choosing the Interpretive Method

Research method is the main feature which differentiates between a typical research activity from a mere observation and speculation (Shulman, 1981:5). One of the major challenges in conducting scientific research is to correctly choose an appropriate method through which data will be collected, analyzed and interpreted. Though there are different methods and perspectives, one thing which is common and many scholars tend to agree is that the methods used must observe the principles of scientific research. Regardless of which methods one uses, there are two main approaches of scientific inquiry, that is, qualitative and quantitative approaches. While it is not the intent of the researcher to delve into the argument over which of the two approaches is more scientific or better than the other, the general principle is that the appropriateness of any approach is dependent on the researcher's experience, purpose and nature of the study. It is for this reason that this study is neither about the controversy between the positivists versus interpretivists nor does it make an attempt to resolve it. Rather, the purpose of this part is to provide justification for choosing an interpretive route as a method to assess the effectiveness of EFD machines in increasing tax compliance and its effects on revenue collection. In this study the researchers used, for lack of a better term, qualitative methods for data collection, analysis and interpretation. The main purpose of the qualitative methods is to understanding the meaning of human behavior and the social, cultural, economic and political context of the problem or issue being investigated. The method involves sustained interaction with the people being studied in their own social, cultural, economic and political setting. The qualitative approach was used to search for themes, such-themes or patterns which exist and are dominant in the realm of performance management system. The researchers wanted to understand how the respondents view a situation or a problem under investigation. Generally, the approach sought to get the meanings of things, situation or problem as understood, experienced and constructed by the respondents themselves; it primarily focused on the content of knowledge, experience, the words, feelings viewpoints, thoughts and attitudes of the subjects (Patton, 1980:302). It should be emphasized that the qualitative perspective does not try to suggest that quantitative methods are less effective or irrelevant. instead, it merely specifies that it is crucial and indeed a deliberate

choice to try to picture the social world as it actually exist to those under the study, rather than as the researcher imagined it (Filstead, 1970:4). Therefore, such data collection instruments mainly interview, critical analysis of formal and informal documents were used in carrying out the study. However, the fact that this study has employed mainly interpretive techniques in data collection, analysis and interpretation it does not try to suggest that numbers were irrelevant.

2.4 Data analysis and processing

Data were edited (i.e. detection of errors/omissions from the raw data) through a careful scrutiny of completed unstructured questionnaires, grouped into small units and thereafter each unit was given a code. Such codes were classified into categories and later developed into one or more themes that expressed the content of each (Strauss and Corbin, 1998). Content analysis was chiefly used whereby unique segments or components of the language used were thoroughly analyzed to dig out the deeper meanings of the respondent (s). Key words in content that deemed central were carefully analyzed. Transcripts were read several times and general impressions noted down, with study's objectives and areas of interest kept into focus.

2.5 Interviews

Interviews have been used in the collection of social data for a long time. According to Denzin (2005:25) "interviewing is a way of writing about the world, a way of bringing the world into play". In this case, interview acted as an interpretive tool for data collection and analysis, eliciting interpretation about the world through the interviewee and the listener. In this study, key informants from TRA, EFDs supplies and traders were interviewed because of their expertise, experience and insights on tax administration. This also helped to capture detailed information, clarify issues wherever necessary and crosscheck the reliability of information through verbal clarifications. This approach was very useful as it allows the generation of more questions or answers without changing their originality as the interview proceeds. There is also much more interaction with the interviewees and deviation from the interview guide can be permitted. However, flexibility if not controlled, may distract the researcher from the main focus, permit irrelevancies and unnecessary time wasting. The problem was overcome by the researchers maintaining study focus and avoiding inclusion of issues which were not related to the study's objectives.

2.6 Sampling techniques

Purposive sampling was used to select key informants based on their insights, experience and expertise in taxation. These were chiefly drawn from the TRA. A group of the accredited suppliers of the EFDs were also purposefully chosen. Besides, a sample of service users was selected by using simple random technique. Therefore a total sample of 106 was selected in the following order: 30 traders using EFD machines, 50 traders not using EFDs, and 23 experienced service users.

CHAPTER THREE

3.0 FINDINGS, ANALYSIS AND DISCUSSIONS

This chapter presents results of the data collection and analysis process. The data collection tools were designed to collect all information required to achieve the research goals. The main purpose of the study was to assess the effectiveness of the EFD machines in improving tax compliance and its effect on revenue collection.

3.1 Assessing the perceptions of traders toward the use of EFDs

The first objective of this study was to assess perceptions of the traders towards the use of EFDs and see its effect on revenue collection. There is a general agreement among the scholars that when the taxpayers have positive perception regarding the use computer-based methods in revenue collection, the compliance rate is likely to increase and revenue collection will consequently increase, which will in turn, increase the ability of the government to finance various development projects. In view of that, the researchers were interested to understand whether the traders' perceptions were supporting or resisting the use of EFDs for improved tax compliance. Overall, the results indicate split of opinions amongst traders' perceptions on the use of EFDs. Table 3 below summarizes their responses as indicated:

Table 3: Respondents' perceptions toward the use of EFDs

<i>What is your perception (s) toward the use of EFDs for increased tax compliance?</i>	Positive	Negative	Neutral
Suppliers	3 (100%)	0 (0%)	0 (0%)
Traders not using EFDs	15 (30%)	35 (70%)	0 (0%)
Traders using EFDs	20 (66.67%)	7 (23.33%)	3 (10%)
Service users	16 (69.56%)	4(17.40%)	3 (13.04%)

Source: Field Data (2016)

Table 3 above shows that all suppliers (100%), positively perceive that the use of EFDs have the potential to increase traders' tax compliance and subsequently revenue collection, followed by service users (69.56%), traders using EFDs (66.67%) and traders who have not been using the

EFDs (30%). Surprisingly, the majority of traders who have not been using EFDs negatively perceive that EFDs can improve tax compliance. The findings represent split of opinions regarding the use of EFDs in improving traders’ tax compliance. The results also indicate clearly that the government hurriedly introduced the use of the EFDs without adequate education to key stakeholders concerning the usage of EFDs. The results suggest that successful introduction of change requires participation of all key stakeholders without which the intended change is likely to meet resistance. However, despite the differences of opinions among respondents, in practical terms, the researchers observed that the use of the EFDs over the last seven years has considerably increased revenue collection as indicated in the table 4 below.

Table 4: Amount of revenue collection between 2015/2016 and 2016/2017

Month	Year 2015/16	Year 2016/17	Percent increase
	TAS in billions	TAS in billions	
July	925,384.7	1,069,458.5	15.57
August	923,316.9	1,154,222.5	25.01
September	1,132,310.3	1,378,048.9	21.70
October	1,037,179.8	1,131,094.9	9.05
November	1,027,939.6	1,123,509.7	9.30
December	1,403,189.8	1,414,921.8	0.84
Total	6,449,321.1	7,271,256.26	12.74

Source: TRA, 2017

Table 4 above clearly confirms that the introduction of EFDs has progressively increased revenue collection from the year 2015 to date. It also indicates that for the period between 2015/2016 and 2016/2017, there was sharp increase in revenue collection from TAS 7.27 and TAS 6.44 trillion respectively. The sharp increase of 13 per cent in revenue collection could be attributed to 5th phase government to pay sufficient attention to revenue collection as one of its strategic and policy priorities, as well as revitalized political will to fight corruption without fear or favor.

3.2 Analysis of the capacity of traders in using EFDs

The second objective of this study was to analyze the capacity of traders in using EFD machines for revenue collection and subsequently increased tax compliance. The aim was to ascertain the extent to which traders were proficient and capable of using the EFD systems. It is generally understood that lack of traders’ capacity to effectively use the machines causes significant loss of

government revenue. For this reason, it was important that before indulging in wholesale application of EFDs users must be equipped to use them effectively. In view of that, the researchers were interested to know if traders in the studied area were capable of using the machines or not. The results indicate that unlike the public officials and to some extent suppliers, traders did not possess the capacity to properly use EFD machines for noteworthy revenue collection. Their responses are illustrated in the table 5 below as follows.

Table 5: Analysis of the Capacity of the Traders in using EFDs

<i>How would you rate the capacity of traders in using the EFDs for tax collection and improved compliance?</i>	Very High	High	Very Low	Low
Public officials	1 (50%)	0 (0%)	1 (50%)	0 (0%)
Suppliers	0 (0%)	3 (100%)	0 (0%)	0 (0%)
Traders	0 (0%)	50 (63%)	0 (0%)	30 (37%)
Service users	14 (66%)	0 (0%)	7 (33%)	0 (0%)

Source: Field Data (2016).

Table 5 above shows that the majority of suppliers, with the score of 3 (100%) admitted that the capacity of traders to effectively use EFDs is high, and closely followed by service users 14 (66%), traders 50 (63%) and the public officials with divergent views, that is, 1 (50%) agree and 1 (50%) disagree service users 13 (48%) and the traders' score was the lowest score, that is, 2 (8%). Markedly, however, the majority of traders that said they possessed requisite capacity to utilize the EFDs. Likewise, the majority of service users agreed that traders had enough capacity to effectively use EFDs. When these results are combined, the general picture is that traders have the capacity to use the machines but were not fully informed of the benefits of using the devices as opposed to traditional manual systems. In this regard, constant training and re-training would be helpful for stimulating tax compliance among traders which leads to the high revenue collection and provision of quality services to citizens.

- **Discussion**

The results portray that traders possess requisite capacity to use the EFD machines. The findings are an indication that traders' negative perceptions towards EFDs coupled with limited participation were the main problems and not inadequate training as many advocates would seem

to suggest. The respondents were of the view that the government went hurriedly to introduce and adopt the machines without first ensuring that the traders were sufficiently informed on the importance of using EFDs in raising tax compliance and revenue collection as opposed to traditional manual methods. The respondents said that even the misunderstandings that occurred between the government and traders were mainly caused by the traders' negative attitudes towards EFDs and limited participation. These findings clearly suggest that the adoption of a foreign policy or innovation requires careful adaptation to succeed. It simply means that the recipient country or an organization must be able to locally customize (adopt) and carefully adapt (adjust) the policy to suit its context. This is because a two decade experience of implementing reforms has shown that unmodified adoption of reforms is often doomed to fail. All in all, the findings mean that the traders' negative attitude towards the EFDs has significantly impaired the ability of the government to efficiently collect revenue, which would have been used for financing various socio-economic activities. The assumption that all traders are willing and accept the use of the EFDs is not correct. Constant training and education would be helpful. Also participation of all key stakeholders in a change process was crucial. The following part examines tax compliance before and after the introduction and use of EFDs in revenue collection.

Table 6: Analysis of the tax compliance before and after the introduction of EFDs

<i>How would you rate the compliance rate before and after the adoption of the EFDs?</i>	Has significantly increased	Has somewhat increased	Has not increased as expected	Has not increased at all
Public officials	2 (100%)	0 (0%)	0 (0%)	0 (0%)
Suppliers	2 (67%)	0 (0%)	1 (33%)	0 (0%)
Traders	0 (0%)	20 (25%)	60 (75%)	0 (0%)
Service users	0 (0%)	0 (0%)	15 (71%)	6 (29%)

Source: Field Data (2016).

Table 6 shows that all public officials, 2 (100%) agree that tax compliance among traders has significantly increased after the adoption of EFDs in revenue collection, followed by suppliers 2 (67%). However, the responses for traders and service users were extremely negative to signify their disappointment with the value of EFD machines in revenue collection. The responses from the traders and service users were so negative, with their frequencies 60 (75%) and 15 (71%) respectively.

- **Discussion**

The results reveal a sharp split of opinions among the respondents. Whereas on one hand the majority of public officials and suppliers said that tax compliance has significantly increased after the adoption of EFDs, on the other hand the majority of traders and service users were of the opinion that the adoption of EFDs has not increased tax compliance as expected. When asked to give reasons, the traders said that the government was excessively using force to impose taxes on traders sometimes without involving them to get their views/opinions. As a consequence, traders were only required to pay taxes grudgingly for fear of being criminally punished. In short, the traders complained that their concerns were either insufficiently accommodated or rejected. On the part of the service users, poor service delivery and bribery were cited as chronic problems in many government offices. The service users were of the view that the collection of taxes does not match the quality of services being offered. All in all, the findings indicate that taxation has not significantly increased tax compliance, there is a mismatch between taxation and service delivery due to peoples' complaints and lastly the government has more often than not used top down approach to taxation. As a result, citizens were not willing to pay taxes not because they do not know the importance of paying taxes but they want to express their discontent against the government for disregarding their concerns. It is therefore concluded that peoples' participation matters for effective revenue collection.

3.3 Effectiveness of the EFDs in sealing corruption loopholes

The third objective of this study was to examine the effectiveness of the EFDs in plugging corruption loopholes. The aim was to prove or otherwise disprove if the use of EFDs has really added any value in the fight against corruption particularly in the revenue collection systems. To do that, the researchers asked the respondents to provide their opinions/views by agreeing or disagreeing with the statement that the use of EFDs has helped to reduce corruption. Table 7 presents their responses as indicated below.

Table 7: Effectiveness of EFDs in sealing corruption loopholes

<i>In your view, do you think the use of EFDs has sealed all corruption loopholes within the revenue collection systems?</i>	Strongly Agree	Agree	Disagree	Strongly disagree
Suppliers	3 (100%)	0 (0%)	0(0%)	0 (0%)
Traders not using EFDs	26 (52%)	0 (0%)	24 (48%)	0 (0%)
Traders using EFDs	22 (70%)	2 (10%)	6 (20%)	0(0%)
Service users	3 (10%)	15 (70%)	5 (20%)	0 (0%)

Source: Field Data (2016).

The table 7 above shows that majority of respondents agreed that EFDs can help in sealing corruption loopholes, theft and fraud and their scores were as follows: suppliers' scores were the highest, that is, 3 (100%), followed by traders who have been using EFDs, 22 (70%), traders who have not been using the devices and lastly service users 3 (10%). When asked to state reasons, the respondents conditionally agreed that if properly introduced and implemented, the use of EFDs has the potential in sealing corruption loopholes. The findings suggest that effective enforcement of the law in particular the Income Tax Cap 332 and its Regulations of 2012, proper supervision and use of the EFDs can help to prevent corruption. The respondents further said that the decision to adopt new technologies must be well communicated to all stakeholders in order to solicit their buy-in, process ownership and in so doing, minimizing resistance to change. All in all, the findings suggest that there is no direct relationship between sheer installing the systems and incorruptibility. Other factors must be considered when designing and implementing the systems. This simply means that the systems may be installed and yet fail to achieve the desired results.

Table 8: Reasons for failure to comply with the Tax law

<i>Q. Reasons for failure to comply with the Tax law?</i>	Agree	Disagree
Taxes are too high	76(71.7%)	30(28.3%)
Harsh treatments by tax officials	63(59.43%)	43(40.57%)
Desire to make super profits	48(45.28%)	58 (54.72%)
Bribery	57(53.77%)	49(46.23%)
Cumbersome tax laws	75(70.75%)	31(29.25%)
Loopholes inherent in the tax laws	60(56.60%)	46(43.40%)
Weak surveillance system	63(59.43%)	43(40.57%)
Weak accountability	67(63.21%)	39(36.79%)

Poor service delivery	77(72.64%)	29(27.36%)
Negative attitude to payment of taxes/levies	60(56.60%)	46(43.40%)

Source: Field Data (2016)

Table 8 above shows that majority of respondents agreed that poor services is the major reason for failure to comply with the tax law, with the highest frequency of 77 (73%), followed by taxes being too high 76 (72%), cumbersome tax laws 75 (71%), weak accountability 67 (63%), and harsh treatment 63 (59.4%). However, a significant percentage of respondents 58 (55%) disagreed that the desire to make super profit was a cause for non-compliance. On the average, the findings show that majority of respondents agreed with the listed reasons on the left because none of their responses was below 63 (59%). The results clearly indicate that poor service delivery is the main reason why people fail to pay taxes (levies) as they ought to by the law or sometimes pay less than what is required. Other reasons such as harsh treatments by tax officials, weak accountability, cumbersome tax laws, bribery, negative attitude to taxes and loopholes inherent in the tax laws; all these are simply causative. However, the degree to which each of these reasons contributes to the low compliance rate varies according to the degree of enforcement of the Income Tax Act (Electronic Fiscal Devices) Cap 332 Regulations of 2012, strength of the systems which minimizes risks of corruption and proper staff supervision. The results imply that the government in collaboration with other stakeholders ought to improve social services both in terms of quality and quantity as a way of winning trust of the taxpayers.

Table 9: Service users' demand of fiscal receipts/ invoices

<i>Q. Do you demand fiscal receipts/invoices immediately after every purchase?</i>	Number of Respondents	Percentage
Agree	16	69.57
Disagree	7	30.43
Total	23	100

Source: Field data (2017)

Table 9 above shows that majority of respondents in particular the service users 16 (70%) agreed to demand fiscal receipts/invoices immediately after purchases against the minority 7 (30%) who disagreed to demand fiscal receipts/invoices from the different service providers. The respondents said that the current political leadership led by His Excellency the President of the

United Republic of Tanzania, Dr John Pombe Magufuli to create public awareness on the importance of paying taxes and to urge that every Tanzanian to demand receipts after every purchase has greatly motivated service users to demand fiscal receipts/invoices. They further said that effective enforcement of the tax law against defaulters has sent a clear message that tax evasion is a serious crime and that failure to pay taxes is intolerable and hence penalized by the law. However, those who were not ready to demand receipts from the service providers said that they were greatly disappointed because some traders /service providers were not willing to issue genuine electronic receipts under the guise of network problem. These findings vividly suggest that for organizational change to bear fruit the role of leadership is critical. Leaders at all levels need to educate their subordinates on the benefits of the desired change in order to create organizational-wide support and in so doing minimizing resistance to change. These results indicate that exemplary leadership is an integral factor in bringing positive change in any society. Apart from the opinion-based information collected from the respondents, the researchers were interested to supplement this information by observing what was actually taking place in the business environment. Besides, in pursuit of the real-life data, the researchers moved around all the three districts of Dar-es Salaam, that is, Ilala, Temeke and Kinondoni for observation purposes. The following part presents some of the practical cases/examples which were observed in the field:

3.3.1 Some practical cases (examples) from the field

In order to supplement the information collected from interviews, the researchers also employed observation as a method of data collection whose purpose was to empirically prove or otherwise disprove the argument that the use of EFDs improves tax compliance and subsequently revenue collection. The researchers chose to examine four issues (i) to examine whether some traders were using manual receipts (ii) to assess the traders' willingness to issue electronic receipts (iii) to find out if traders were still using both genuine and counterfeit paper rollers (iv) to investigate the prevalence of fraudulent practices/bribery, if any.

- **The Use of Manual Receipts/Invoices**

According to section 18 of the Regulations of the Income Tax (Electronic Fiscal Devices) clearly specifies the circumstances under which a trader is allowed to use manual receipts/invoices instead of electronic receipts/invoices. For example (i) when the device has been seized for investigation (ii) when the device is undergoing inspection (iii) when the device is on maintenance and /or when the user has reported to the Commissioner on the malfunctioning of the device. However, in practice, the researchers observed that some traders were not paying the right taxes as they ought to by simply claiming that the law, under certain conditions allows traders to use manual receipts instead of fiscal receipts. This finding means that some traders were deliberately abusing the right granted by law to evade paying the right taxes mainly for profit maximization. In addition, the law requires that every trader to apply to the TRA regional office for approval by stating the reasons for which s/he should be allowed to use manual receipts. Practically, however, the researchers found that the process was seriously flawed by collusion among traders, suppliers and tax officials contrary to section 18 of the same Regulations. For example, it was learnt that some traders were submitting application letters to the TRA regional offices for compliance purpose but were actually authorizing themselves to use manual receipts before the grant of approval from the TRA. Moreover, the researchers observed that the law did not clearly specify when the trader (s) should stop using the permit. Seen from the corruption prevention perspective, these conditions, though allowed by the law, seem to create a fertile ground for bribery and tax evasion (Annex II & III).

- **Traders' willingness to use electronic fiscal devices**

Section 10 of the Income Tax Act (Electronic Fiscal Devices) and its Regulations of 2012 clearly states that any person (trader) who fails to acquire and use electronic fiscal devices commits an offence and is liable , upon conviction , to a fine of not less than three million Tanzanian shilling or imprisonment for a term not exceeding twelve months, or both. However, the researchers found that traders were not willing to issue electronic receipts immediately after sales. Most traders said that profit maximization, harsh treatment by some tax officials; poor service delivery, weak supervision and bribery were the major reasons why they were not willing to use electronic receipts. However of all the reasons, the researchers learnt that profit maximization was the main concern. It was further learnt that the same law provides that every purchaser is

obliged to demand and retain the receipt/invoice from the service providers and in the event of defiance, the purchaser can immediately report to the Commissioner through the quickest means possible. However, the researchers observed that the majority of service users had no culture of demanding receipts from the traders immediately after sales. These results show that traders were unwilling to issue electronic receipts to buyers for profit maximization; and as well, buyers did not see a direct link between demanding receipts and service delivery improvement. Likewise, despite numerous government efforts to educate tax payers on importance of voluntary taxpaying culture, the researchers observed that majority of citizens did not even know where to report their complaint if a trader refuses to issue an electronic receipt/invoice. These results clearly show that the citizens were not well informed on the importance of voluntary taxpaying and the traders have used such lack of information as a room for tax evasion and hence weaken the ability of the government to efficiently collect revenue. The findings suggest that there is a need for increased public awareness and effective enforcement of the law.

- **Genuine and Counterfeits Paper rollers**

As a matter of principle the TRA is duty bound to select a list of suppliers to deliver paper rollers to the market. The researchers were informed that the current approved suppliers were the Total Fiscal Solutions and Advantech Office Supplies Limited. However, the researchers observed that these suppliers were almost pulling out of the business because of the influx of the counterfeit paper rollers. The researchers noted that the Advantech Office Supplies Limited had stopped operating since 2016 and the Total Fiscal Solutions was not effective as it used to be for the same reason. The researchers observed the following issues. *Firstly*, counterfeit paper rollers were sold at extremely low price compared to the genuine ones. For example fake papers rollers were sold at between TAS 1500 to TAS 2000 compared to genuine paper rollers which were sold at TAS 3000 to TAS 5000. *Secondly*, the study observed that street vendors were liberally selling fake rollers at very cheap prices just to earn their living. For example, the researchers also inquired a certain woman who was selling fake paper rollers just to find out where she got the papers. In her response the lady was very honest to say that she bought the papers from one of the stationeries in the city. *Thirdly*, the researchers observed that it was very hard to distinguish between the counterfeit from the genuine paper rollers. This is because both papers bear the same TRA log and hence cannot be easily differentiated. *Fourthly*, the researchers further

observed that even the TRA management was aware of such influx in the market but was unable to fix the problem. For example, out of 30 respondents (traders) interviewed, 26 (87%) admitted that the market is over flooded with counterfeit paper rollers, against the minority, 4 (13%) who disagreed that the market is full of fake papers rollers. This finding confirms that despite its direct impact on tax the compliance and subsequently, revenue collection, there are apparently no serious efforts that have been taken by the government to address the problem.

- **Fraudulent practices (including bribery)**

According to the Income Tax (Electronic Fiscal Devices) Regulations of 2012, PART VII specifies different offences and penalties to both a taxpayer and a service user (purchaser) who contravenes the law. Clearly, the law states that any person who deliberately tempers with or causes an EFD not to work, commits an offence and upon conviction will be liable to a fine of Tanzanian shillings not less than one million or to term of imprisonment not exceeding three months or to both. However, in practical terms, the researchers observed that the situation on the ground was very different. Two major flaws were observed. *Firstly*, the researchers had observed that some dishonest traders intentionally tend to defraud the actual taxable sales by tempering with the device configurations by deducting a number of digits, either single, double or multiple digits from the taxable sales. *Secondly*, as a consequence, the content of many electronic receipts were in effect found to be flawed. For example, three traders were inquired why some of the electronic receipts do not bear the actual amount (taxable sales) contrary to the law. The trio replied that they were doing so in order to maximize their profits. They further said that if a trader pays the right amount of taxes constantly for five years, we are very sure his business is likely to decline. *Thirdly*, the researchers further observed some of the electronic receipts contained either incomplete or wrong information. In an ideal world, a complete electronic receipt contains at least some of these main features: names and address of the user, tax payer's number (TIN), name and address of the purchaser, name, quantity, unit price and the item description to name just a few. However, the researchers observed that most of these features were missing in many receipts which were randomly chosen for examination. This finding clearly suggests that some traders were indeed tempering with the devices for tax evasion, which in turn cripples the ability of the government to finance various socio-economic activities (see Annex IV).

CHAPTER FOUR

4.0 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

From the above findings, the following conclusions were drawn: *Firstly*, the findings have amply revealed that the use of EFD machines can only increase tax compliance if the tax payers were adequately informed and understood the value of EFDs as opposed to manual methods. It simply implies that the use of force to impose compliance upon the people to whom the innovation will affect is likely to generate harsh resistance just as experienced in our country. *Secondly*, the findings have established that corruption has to the greatest extent fuelled tax evasion among the trading communities. This finding implies that the government must put in place appropriate measures to prevent corruption by sealing all the loopholes inherent in the tax collection systems. *Thirdly*, there is a need to continually educate the tax payers on the value of using EFDs. Unless the general public clearly understands the value of EFDs, they are not ready to support the government. This is also important for shaping their attitudes towards the use of EFDs. *Fourthly*, taxation must as practicable as possible be reflected in the provision of quality social services. Huge discrepancy between taxation and service delivery may act as a fertile ground for the taxpayers' discontent against the government because they are not satisfied with the services offered. *Lastly*, the findings have revealed that weak accountability and supervision has fuelled rampant tax evasion among traders. The government needs to enhance staff supervision and accountability to stamp out corrupt tendencies within the TRA. To cap it all, the results of this study strongly suggest that the relationship between using EFDs for revenue collection and tax compliance is not linear but subject to existence of other factors such as effective corruption prevention, pay level, strong accountability mechanisms, work supervision, reasonable tax rates, quality services and strong political will.

4.2 RECOMMENDATIONS

In order to increase tax compliance, this study makes the following recommendations to the government

- There is a need for increased enforcement of the law Income Tax (Electronic Fiscal Devices) and its Regulations of 2012 with the intention to depress all the tax-evasion practices and at the same time the government should endeavor to constantly encourage (through education) a voluntary taxpaying culture
- The government should as practical as possible strive to seal all the actual and perceived corruption loopholes inherent in the tax collection systems. The aim being to prevent corruption before it occurs rather than dealing with the outcomes of crime. It is often very expensive and unhelpful.
- There is a need to wisely and heavily invest in raising taxpayers' awareness of the value of using EFDs for tax compliance and subsequently revenue collection. The current study has shown that majority of taxpayers especially the traders were still ignorant on the value of EFDs.
- There is also a need to harmonize and simplify the tax laws in order to mitigate both the perceived and actual acts of corruption. Similarly, transparency and accountability mechanisms must be put in place by ensuring that the general public understands their rights and obligations when it comes to payment of taxes. The assumption is that the higher the general population is informed, the lesser the tax officials will use citizens' ignorance to demand bribery.
- The government should also endeavor to improve working conditions, increase pay package wherever appropriate and feasible to minimize needless temptations to demand illicit gains from the customers, and more importantly to improve the delivery of social services.
- Since the problem of tax evasion is complex, there is a need to change the style of dealing with the problem. Instead of paying exclusive attention to the outcome of the problem (reactive approach), there is an urgent need to re-look at this issue from the holistic point of view by addressing the root causes because by nature, the problem is a complex one.

No single factor can fully explain why people evade taxes despite knowing the importance of paying taxes.

- There is also a need for the government to constantly conduct both regular and surprise checks for monitoring and evaluation of the use of electronic fiscal devices and accordingly take all the necessary measures to punish the defaulters.

4.3 LIMITATIONS AND AREAS FOR FURTHER STUDIES

Firstly, given the purpose and the scope of the study, the researchers only managed to cover three objectives which were (i) to examine the perceptions of the traders towards the use of the EFDs (ii) to investigate the traders' capacity in using the EFDs (iii) to examine the effectiveness of the EFDs in sealing corruption loopholes in the tax collection systems. However, it was interesting to note that since the introduction of EFDs in 2010 to date, there are only 56967 registered traders against the originally intended target of 152,997 traders, which is equivalent to only 40%. This implies that a significant proportion of traders were doing businesses but only a few were using the EFDs. Yet, the reasons as to why it has taken too long to register a sizeable number of traders as expected in the country were unknown. This may require an extensive and systematic study to unwind the puzzle (See annex 1 for details). *Secondly*, the government had intended to install Electronic Fuel Pumps Printers (EFPP) in all filling stations with a target of 1181 installations. However, at the time of data collection for this study, the researchers found that only 528 (45 %) filling stations had installed the EFPPs contrary to the government's intention. Admittedly, this study did not address this important issue something which may require further research to find out what is wrong. *Thirdly*, it was also interesting to discover that the suppliers, tax officials and a significant number of traders admitted that the phase I EFDs had some technical defects something which made their use complex. The machines' defects create an opportunity for the emergence of 'ghost traders and businesses' which negatively affects the ability of the government to efficiently and effectively collect revenue. It is therefore crucial for future studies to identify all the defective EFDs, be it in phase I or II and propose some practical ways and means of getting rid of them from the formal tax systems for controlling their damaging effect on the nation's economy. All in all, in order to fully understand the three uncovered aspects, there is a need to conduct an in-depth research and hence contribute to the body of knowledge.