

## **Tax Payers' Perceived Challenges on Tax Laws Compliance in Tanzania: A survey of few selected startup entities in Arusha**

**Bonitha Benito Mahenge**

Lecturer at the Institute of Accountancy Arusha (IAA).

DOI: <https://doi.org/10.37745/ejafr.2013/vol11n15569>

Published: 18th January 2023

**Citation:** Mahenge B.B. (2023) Tax Payers' Perceived Challenges on Tax Laws Compliance in Tanzania: A survey of few selected startup entities in Arusha, *European Journal of Accounting, Auditing and Finance Research*, Vol.11, No. 1, pp.55-69

**Abstract:** *The study aimed to determine tax payers' perceived challenges on tax laws compliance in Tanzania; with specific reference to few selected startup entities in Arusha. A cross sectional survey design with quantitative approach on data collection and analysis was employed to determine the nature and relationships of the ascribed tax challenges and tax laws compliance link in Tanzania. The data collected using research schedules were descriptively and inferentially analyzed using SPSS software. Ordinal linear regression model was considered a good study test statistic. The results shown that, the rising tax burden, complexity of tax laws, limited knowledge on tax laws, weak tax systems, and tax evasions are significant negative predictors of tax laws compliance in Tanzania. The negative significant values of the assessed tax compliance challenges indicated that, the continued enforcement of the said tax laws will drive away tax payers than rousing their voluntary tax compliance; as the current tax laws are not friendly enough to attract tax payers' forceless compliance. The findings are in line with the theory of regulatory compliance (TRC) that, stresses the selection of right laws with predictive results when complied with; rather than having a multitude of the same with no positive outcomes*

**KEYWORDS:** tax payers, **compliance** challenges, tax laws, tax revenues

### **INTRODUCTION**

The economics of tax compliance can be viewed as a chronic challenge of public finance, law prosecutions, firms design, labor market, ethics decisions, or all in combination. Around the world, fiduciary organs are facing the challenges of financial management pertaining to performance in the collection of tax revenues. Non-compliance in tax payment being an attitudinal tendency of taxpayers leading to tax behavior with tax avoidance and/or tax evasion features (Faizal, 2017); seem to be common in many global tax systems. Besides the historical high compliance rates recorded in such states as;

Singapore, New Zealand, by Australia, the United Kingdom (UK), Hong Kong, and Malaysia (Belkaoui, 2004), with United states having high morale for tax compliance across all countries (Alm, 2006); it has been pointed out that, tax system in Africa is somewhat complex, taking 320 hours to pay tax compared to global average of 268 (PWC, 2014). Many dares are accounted for in differed milieus; however, the common results of fiduciary paralysis remain the same across the nations with tax compliance challenges.

Besides public employees that governments can easily decide on the amount and time to collect tax; tax compliance has never been an easy task (Kim, 2018). In most of developing states like in Pakistan for example, the number of active individual tax filers recorded to be about 1.157 million people is less than the actual individuals earning above the taxable incomes estimated to be about 5.7 million people (Hassan, 2021). Uncontrolled tax concessions and exemptions have been vowed to result into unanticipated tax administration issues in Tanzania (Kim, 2018); and, tax to GDP ratio among the nationals in Ivory coast, Aruba, and Chile with relatively high tax effort rates for example, has been significantly unrealistic, as some tax payers are drained off, than their realistic economic gains (Chatama, 2013; Saad, 2014). Taking Ethiopia as an example, high congenial indirect taxes has ominously triggered down individuals tax paying morale (Tehulu, 2014).

Being insensitive to the rarity that, taxpayers come from different culture, income level, various background, with different level of education and different tax knowledge, tax administering authorities across the nations have failed to set tax laws simple, friendly and self-motivating for tax payers compliance (Paul, 2018; Kim, 2018; Hassan, 2021). Individuals tax compliance behavior seems to be scant in the global context, driven by taxpayers incomes constructs like political drives, compliance cultures (Khan, 2018), tax admiration systems (Amin, 2014), corruptions, underground economies, tax evasions (Kim, 2018), tax knowledge, tax education, ages and sex of tax payers (Amin, 2014).

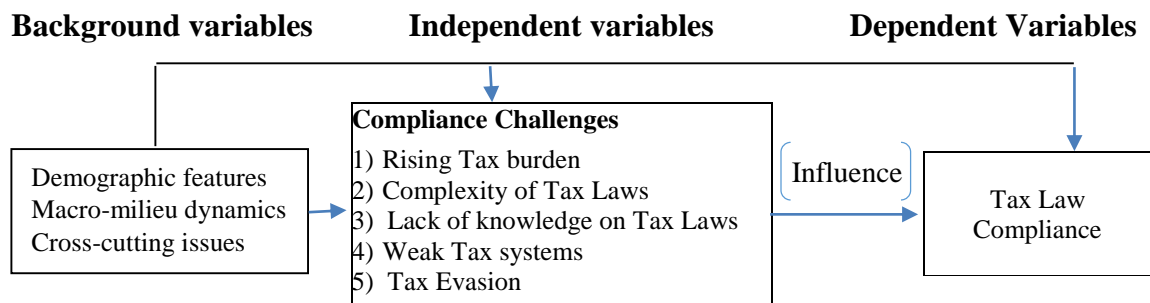
In Tanzania context, Tanzania Revenue Authority (TRA) has been a legal tax administering organ established by Act of Parliament No. 11 of 1995 (MoF, 2021). Having passed in different administrative regimes, the authority has had its recoded success in taxes collections, with the current peak of 22.256 trillion revenues collection in 2021/2022 year, for example (NBS, 2022). However, with all these success, the authority has faced a number of challenges, ranging from human resources (Fjeldstad, 2010), tax collection skills with the changing economies and social environments (Kim, 2018); structural and administrative challenges, such rising tax burdens among the tax payers (Kipilimba, 2018), complexity in tax laws (Fjeldstad, 2010; Paul, 2018; Kipilimba, 2018), weak tax systems (Osoro, 1992), and tax evasions (Chatama, 2013). However, the extent at which the alleged challenges have influenced compliance with tax laws in the country

have not been precisely ascertained. The prepared study was therefore intended to determine the influence of taxpayers' operational challenges on tax laws compliance in Tanzania; with specific reference to startup enterprises in Arusha city.

Being guided by the theory of regulatory compliance (TRC) with the premise that, being 100 percent compliant with rules is not always a policy, as rules and regulations are made differently (Fiene, 2016); with high stress on the selection of few predictive laws that realize positive outcome than having a list of none predictive ones; the study aimed at ascertaining whether tax laws in Tanzania are predictive enough to promote taxpayers self-motivations for tax laws compliance or not. Therefore, it was hypothesised that;

*H1*: Compliance with Tanzania's tax laws have significant impact on the state vested tax collection goals.

The study is in line with Tanzania monetary policy under Tax Administration Act, cap 438 RE of 2019 on Tanzania Tax Revenues Collection.



Source: Modified from Thomas, Dan R.E. 1978. pg.161

## RESEARCH METHODOLOGY

### Study Design

The study employed a cross-sectional survey design; that allows the collection of a large amount of data using preset questions at a particular point in time (Creswell, 2014). The quantitative approach was adopted for data collection and analysis in investigating the effect of compliance challenges on Tanzania's tax laws. The research schedules were used to collect data (Creswell, 2014); with hypotheses being inferentially tested and confirmed (Saunders, 2016).

### *Research setting and sample size*

The present study was set to Tanzania commercial industry; with data being collected from the start-up tax paying entities located in Arusha. The region was purposely selected based

on the number of entities and the volume of tax collected just behind Dar es salaam region (NBS, 2022). A total of about 25,985 startup operational entities in the region was considered the target population of a study. Whilst the named region being purposely sampled based on its relatively high tax payers number; the units of study (tax payers) were identified based on their heterogeneity in business type, ranging from services providers and tangible goods dealers. Simple random sampling method in which each member of the subset has an equal probability of being chosen (Kumar, 2011) was opted to identify a sample of 192 tax payers in the sampled categories due to its unbiasedness. Given the surveyed region (Arusha) had about 25,985 population (N) of registered startups by June 2021 (NBS, 2022), and the error margin (e) = 0.072; Yamane Taro model (Kumar, 2011) was used to determine the sample size thus:

$$\text{The sample size } (n) = \frac{N}{1+N(e)^2} = \frac{25985}{1+125985(0.072)^2} = 192 .$$

A sample of 192 tax payers considered adequate for this study due to their experience tied to full participations in business and tax paying could be drawn for analysis

### **Measurements and data collection**

The tax compliance challenges as perceived by tax payers were used to assess the efficiency of Tanzania's tax laws of the time. The measured items in the model were assessed using a 5-point Likert scale with ordinal ranking. The content validity of the tools was improved by involving renowned research experts to review the tools. The data were collected using the research schedules. The tool was finally pre-tested through a pilot study on tax payers in Manyara region in ensuring the validity and reliability of items before collecting the actual data. The pilot study sample size was 10 percent of the total sample size as recommended by Gakuu (2018), which tallied to be 19 entities for pilot survey. The results of Cronbach's alpha for reliability tests for all variables were above 0.70. Correspondingly, the item- total correlation for all examined variables was above 0.5, which ensures internal consistency (Saunders, 2016).

### **Data processing and analysis**

The data gathered were descriptively and inferentially analyzed. Whilst descriptive statistics intended to assessed the distributions of variables using measures of dispersion and central tendency (Gakuu, 2018); inferential statistics were meant to determine the nature and magnitude of the link between the independent variable (compliance challenges) and dependent variable (Tax laws compliance)(Kumar, 2011). The data

collected were analyzed using SPSS software. The tabled percentages, frequencies and other parameters were used for the conclusion drawing on their interpretations.

Ordinal logistic was considered the apt model for predicting the magnitude of relationship between multiple independent variables (compliance challenges) and a dependent variable (tax laws compliance); as the assessed variables were ordinal scaled.

Since;  $Y = [y_{tc}] = \text{Tax laws Compliance}$

And;  $X = [x_{rtb}, x_{ctl}, x_{Ktl}, x_{wts}, x_{tev}, \dots, x_n] = \text{compliance drivers}$

Then;  $Y = f(X) \dots \dots \dots [1]$

Again as,  $[y_{tc}] = f[x_{rtb}, x_{ctl}, x_{Ktl}, x_{wts}, x_{tev}, \dots, x_n + e] \dots \dots \dots [2]$

We have:  $y_{tc} = B_0 + B_1x_{rtb1} + B_2x_{ctl2} + B_3 x_{Ktl3} + B_4x_{wts4} + B_5x_{tev5} + e \dots \dots \dots [3]$

**Whereas: The contextualized definitions of variables as per this study being:**

- B = Beta coefficient; e = error term
- $B_{0\text{ to }5}$  =Beta coefficient; e = error term for variable 0 to 5.
- $x_{rtb1}$  = Rising tax burden:
- $x_{ctl2}$ = Complexity of tax laws
- $x_{Ktl3}$ = Lack of knowledge on Tax laws:
- $x_{wts4}$ = week tax systems:
- $x_{tev5}$ = Tax evasion:

**Table 2.1: Expected signs of independent variables**

Variables	Expected sign
Rising tax burden:	-
Complexity of tax laws	-
Lack of knowledge on Tax laws	-
week tax systems	-
Tax evasion	-

**Source: Survey data, 2022**

**FINDINGS AND DISCUSSION**

**Descriptive statistics and normality test**

The questionnaire was administered to 192 entities; with variables being measured in 1 to 5 point Likert scale. The findings show that, the mean value of all variables was above

three (3) (mid-point); signifying a positive compliance results with the defined tax laws in Tanzania. Complexity of Tax laws (1.660) and lack of knowledge on tax laws (1.402) are highly perceived compliance challenges due to their highest standard deviation and variance; while rising tax burdens (1.161) and weak tax systems (1.380) being the least perceived compliance challenges because of the lowest standard deviation and variance. The Skewness and kurtosis were checked for the normality of the measured data. According to Balanda (1988), the acceptable range for normality is the Skewness and kurtosis values between  $-3$  and  $+3$  each. It was observed that the values of Skewness and kurtosis for all elements were within the acceptable range. Since all items fallen within the range, the data was considered to be fairly normally distributed. Please see Table 3.1.

**Table 3.1: Descriptive statistics and normality test**

<i>Item</i>	<i>Mean</i>	<i>SD</i>	<i>Variance</i>	<i>Skewness</i>	<i>Kurtosis</i>
<b>Tax compliance variable</b>					
Rated tax law compliance	5.970	1.410	1.970	-2.562	2.901
<b>Compliance drivers variable</b>					
Rising tax burden	5.770	1.161	1.360	-1.340	1.850
Complexity of Tax laws	4.996	1.660	2.740	-.940	-.090
Lack of knowledge on Tax laws	5.160	1.402	1.970	-.860	.231
Weak Tax systems	5.390	1.380	1.909	-1.580	2.252
Tax evasion	5.690	1.401	1.910	-1.150	.942

**Source: Survey data, 2022**

### Reliability test

The internal consistency of constructs was assessed using Cronbach's alpha. For apt reliability, the value of Cronbach's alpha is supposed to be 0.7 or higher (Creswell, 2012). The results revealed values of reliability to be: rising tax burden (0.854), complexity of tax laws (0.825), lack of knowledge on tax (0.883), weak tax systems (0.865), tax evasions (0.863), and tax laws compliance (0.867). Since all values of the constructs were above 0.7, this suggests that the tool was reliable (Table 3.2).

**Table 3.2: Reliability test results**

<i>Variable</i>	<i>No. of items</i>	<i>Cronbach's alpha value</i>	<i>Conclusion</i>
Rising Tax burden	2	0.854	Reliable
Complexity of tax laws	2	0.825	Reliable
Lack of knowledge on Tax	2	0.883	Reliable
Weak Tax systems	2	0.865	Reliable
Tax evasion	2	0.863	Reliable
Tax laws compliance	1	0.867	Reliable

**Source: Survey data, 2022**

**Tax law compliance rates and their related compliance challenges**

Table 3.3 results meant to show the levels at which: such tax payers identified challenges as; rising tax burden, complexity of tax laws, limited knowledge on tax laws, weak tax systems, and tax evasions influence tax laws compliance in Tanzania. However, the tax payers perceived compliance challenges were considered the dependent variables whilst the rated tax laws compliance being considered the dependent variable for analysis.

**Table 3.3: Tax law compliance rates and their resultant compliance challenges**

	N	Marginal Percentage	
Tax Compliance Rates	Non [N] or 0 percent success rated	35	18.2
	Low [L] success rated	25	13.0
	Average [Avg] success rated	36	18.8
	High [H] success rated	58	30.2
	Full [F] or 100 percent success rated	38	19.8
Total	192	100.0	
Tax Compliance Drivers	Rising tax burden	35	18.2
	Complexity of tax laws	41	21.4
	Lack of knowledge on tax laws	40	20.8
	Weak tax systems	37	19.3
	Tax evasion	39	20.3
Total	192	100.0	

**Source: Survey data, 2022**

The results (Table 3.3) indicate that, the tax laws compliance rates in Tanzania ranges from average 18.8 percent through high (30.2 percent) to full success rate (19.8 percent). In average compliance to tax law in Tanzania is substantially rated in average (63 percent); an affair of which predict positive outcomes for tax revenues outcomes as may be portrayed by TRC (Fine, 2016). However, as laws are made to be fully complied with for positive outcomes, if well selected, the prevalence of 18.2 percent of non-compliance and 13 percent of low tax laws compliance could be the practical sign that, the tax laws of the state are not predictably well defined by 31.2 percent. As from 80/20 pareto efficiency that 80 percent of effects results from 20 percent of their course (Koch, 1999), it can be convenient to assert that, tax administrative bodies have to efficiently find out and resolve the driving factors for the said 31.2 percent of inapt tax laws compliance; as these might account for more than 80 percent failures of TRA on its tax revenues collection goals.

On the other hand, complexity in tax laws (21.4), limited knowledge on tax laws (20.8), tax evasions (20.3), weak tax systems (19.3) and the rising tax burdens (18.2), with their rated percentages in brackets, seems to be the five most rated tax laws compliance

challenges in Tanzania; attracting the collective tax stakeholders initiative for revamps. The findings are synonymous to those of Amin (2014) on their study related to factors affecting tax collection in Pakistan, and that of Gambo (2014) on tax complexity and tax compliance in African self-assessment environment; who all depict the similar challenge in the list, with increasing tax burden excluded from the outline. However, the study by Price Water Cooper (PWC) (2014) on Global Picture- Comparison of Tax System in 189 Economies finds tax burden to be one of the tax law compliance challenge in sub-Saharan countries' profile of dares; topped by corruption, tax exemptions and unwarranted tax concessions. However, experience shows that, tax compliance may be varying in certain degree from one tax administrative state to another, but their effects to economies cannot be completely different in their whole some.

### **Inferential inferences of tax payers perceived challenges on tax law compliance**

In determining inferential implications of tax payers' perceived challenges on tax law compliance, ordinal regression model was employed; the results of which were recorded in Table 3.4 to Table 3.8, with their subsequently discussions given as presented below:

#### **The model fitting information**

The model fitting information vested on the null hypothesis ( $H_0$ ) that: there is no significant difference between the baseline model (a model without independent variables) and final model (a model with all possible independent variables) (Saunders, 2016). The model results revealed;  $-2\loglikelihood(x^2) = 494.235$  for intercept only; and,  $-2\loglikelihood = .000$  for the final model; with Chi-square  $[x^2(4) = 494.235, p = 0.000]$ . Since the hypothesis requires rejection when p-value is less than 0.05 ( $p < 0.05$ ). The null hypothesis ( $H_0$ ) was therefore rejected at significant  $p = 0.000$  ( $p < 0.05$ ). Hence, the model fitted well the data (Table 3.4).

**Table 3.4: Model Fitting Information**

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	494.235			
Final	.000	494.235	4	.000

Link function: Logit.

**Source: Survey data, 2022**

#### **The Goodness-of-Fit**

Regarding Goodness-of-Fit, with the null hypothesis ( $H_0$ ) that, the observed data is having goodness of fit with the fitted model (Kumar, 2011), and, both of Pearson Chi square test



$[x^2(12) = 0.141, p = 1.000]$ , and deviance chi square test  $[x^2(12) = .281, p = 1.000]$  being all non-significant; the result suggested the acceptance of the null hypothesis that, the observed data is having the goodness of fit with the modal. Hence, concluded it as the good model fit (Table.3.5).

**Table 3.5: Goodness-of-Fit**

	Chi-Square	df	Sig.
Pearson	.141	12	1.000
Deviance	.281	12	1.000

Link function: Logit.

**Source: Survey data, 2022**

### The Pseudo R-Square test for dependence

The trio Cox and Snell  $p = .924$ ; Nagelkerke  $p = .965$ ; and, McFadden  $p = .819$  are all greater than 0.7 ( $p > 0.7$ ). Based on Cox and Snell ( $p = .924$ ); 92.4 percent variability in dependent variables is accounted for in independent variables. Based on Nagelkerke  $p = .965$ ; 96.5 percent variability in dependent variables is accounted for in independent variables. And, based on McFadden  $p = .819$ , it can be seen that; 81.9 percent variability in dependent variables is accounted for in independent variables (Saunders, 2016). That is to say, based on an estimated average of the said model units; 90.26 percent change in tax laws compliance (dependent) is caused by the combined effect of the tax payers perceived compliance challenges in Tanzania (independent variables). Please see Table 3.6.

**Table 3.6: Pseudo R-Square**

Cox and Snell	.924
Nagelkerke	.965
McFadden	.819

Link function: Logit.

**Source: Survey data, 2022**

### The Parallel Lines model test for assumption of proportional odds

The Parallel Lines model test the assumption of proportional odds with the null hypothesis that: the location parameters are the same across response categories (Creswell, 2014). The assumption of proportional odds is satisfied for apt model use; if the parallel lines test result is non-significant ( $p > 0.05$ ). Based on results (Table 3.7), the log-likelihood of null

hypothesis and that of the general model to be zero (.000), with a Chi-Square [ $\chi^2(12) = .000, p=1.000 (p>0.05)$ ], the null hypothesis ( $H_0$ ) was rejected at  $p=1.000(p>0.05)$ . Hence, the model assumption is satisfied; as there is a complete separation in the data.

**Table 3.7: Test of Parallel Lines<sup>a</sup>**

Model	-2 Log Likelihood	Chi-Square	df	Sig.
Null Hypothesis	.000			
General	.000 <sup>b</sup>	.000	12	1.000

The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.

a. Link function: Logit.

b. The log-likelihood value is practically zero. There may be a complete separation in the data. The maximum likelihood estimates do not exist.

**Source: Survey data, 2022**

### Parameter estimates for compliance and project success relationships

The ordinal regression model was run to determine how tax payers perceived challenges influence tax laws compliance in Tanzania's context. As Table 3.8 shows, tax evasion was the reference categories for the taxpayers perceived challenges on tax laws compliance; that intended to determine whether the comparative categories were different than the base categories or not. Besides the said tax evasion, all other drivers were significant predictors of tax laws compliance; the statistical implications of which could be analyzed as follows;

**Table 3.8: Parameter Estimates on Tax Law Compliance Drivers**

	Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
[Tax Compliance Rate = 1.00]	-32.884	11.136	8.720	1	.003	-54.710	-11.057
[Tax Compliance Rate = 2.00]	-25.207	9.502	7.037	1	.008	-43.831	-6.583
[Tax Compliance Rate = 3.00]	-17.800	8.088	4.843	1	.028	-33.652	-1.948
[Tax Compliance Rate = 4.00]	-3.638	1.013	12.893	1	.000	-5.623	-1.652
[Tax Compliance Rate = 5.00]	0 <sup>a</sup>	.	.	0	.	.	.
[Rising Tax burden=1.00]	-41.241	15.680	6.918	1	.009	-71.974	-10.509
[Complexity of Tax Laws=2.00]	-25.653	9.506	7.283	1	.007	-44.285	-7.022
[Lack of Knowledge on Tax Laws=3.00]	-17.800	8.094	4.836	1	.028	-33.664	-1.936
[Weak Tax Systems=4.00]	-10.790	5.964	3.273	1	.070	-22.479	.899
[Tax Evasion=5.00]	0 <sup>a</sup>	.	.	0	.	.	.

1. Model fitting information: Intercept only -2Log Likelihood=494.235); Final model -2LL=.000; Chi-square=494.235, df=4; and, p-value=0.000.

2. Goodness of fit test: Pearson Chi-square=.141, df=12, P-value=.1.000; and Deviance =.281, df=12, p-value=1.000.
3. Coefficient of determination Pseudo R<sup>2</sup>: Cox and Snell=.924; Nagelkerke=.965; and, Mc Fadden=.819
4. Test of Parallel lines: Null hypothesis -2Log Likelihood=.000, General -2LL=.000<sup>b</sup>, Chi-square=.000, df=12, P-value=1.000

---

Link function: Logit.

a. This parameter is set to zero because it is redundant.

---

**Source: Survey data, 2022**

The results (Table 3.8) indicate that; the rising tax burden was a negative significant predictor of Tax laws compliance at  $p=.009$  (with  $-41.241\log$  odds) as compared to tax laws evasion. For every increase in assessed unit of tax burden, there is a predicted decrease of  $41.241\log$  in the log odds of falling at a higher level on tax laws compliance compared to tax laws evasion. The results show that, the odds of being in a higher on tax laws compliance decrease by a factor of 41.241 for every assessed increase in tax payers' burden in Tanzania. The results are congruent to those of Kipilimba (2018), and PWC (2014) who all admits that, many tax payers have opted to not to comply with tax laws due increased number of tax burdens surpassing their returns on investments. The increased pressure of tax payments on individuals with tax burdens have led to tax evasions, and corruptions if not closure of business which all result to non-collected taxes. Considering the complexity of Tax Laws the results indicated that, the complexity of tax laws was a negative significant predictor of project performance outcome at  $p=.007$  (with  $-25.653\log$  odds) as compared to TASAF operational norms. For every weighed increase in adherence to the said complex tax laws, there is a predicted decrease of  $25.653$  in the log odds of falling at a higher level on tax laws compliance as compared to tax laws evasion. The results disclosed that, the odds of being in a higher on tax laws compliances decreases by a factor of  $25.653$  for every assessed increase on adherence to the said complex tax laws. Based on Kim (2018) and Hassan (2021) studies regarding noncompliance with tax laws, the findings reveal that, most of tax payers failure to comply with laws are fuelled by complicity of operational tax laws; propelling penalties resulted from procedural noncompliance than on taxable incomes. Tax payers are subject to accruing tax penalties that surpasses their business values and expected returns on investments; which all compel proprietors' business closure option than complying with the said discretionary tax laws (PWC, 2014). The continued enforcement of such complex tax laws draw away tax payers from voluntary tax compliance than it motivate forceless compliance for the same – as the complied laws were not predictively made (Fiene, 2016). The results denotes that; the lack of knowledge on tax laws was a negative significant predictor of tax laws compliance at  $p=.028$  (with  $-17.8001\log$  odds) as compared to tax laws evasion. For every increase in assessed lack of knowledge on tax laws, there is a predicted decrease of  $17.800$  log in the log odds of falling at a higher level on tax laws

compliance compared to tax laws evasion. The results show that, the odds of being in a higher on tax laws compliance decrease by a factor of 41.241 for every assessed increase in tax payers' lack of knowledge on tax laws in Tanzania. According to Saad (2014), a number of tax payers inadequately comply with set tax laws due to limited knowledge to the same. Inadequate knowledge base to tax payers is associated with inadequate training offered by the governing authorities (Loo, 2006; Faizal, 2017); with individuals coining it as the deliberate attempt for some tax administrators to attract corruption for subjects of noncompliance (Fjeldstad, 2010). Based on the study by PWC (2014) and Kipilimba, (2018), tax payers are non-compliant with tax laws as they are unaware of what the collected tax does. It is high time that tax administering authorities consider increasing budgets for tax awareness campaigns; as this will reduce the odds of non-tax compliance if not reducing hatred between tax administrators and tax paying entities.

The results further reveal that; the weak tax system was a slightly negative significant predictor of Tax laws compliance at  $p=.070$  (with  $-10.790$  log odds) as compared to tax laws evasion. For every increase in assessed adherence to weak tax system, there is a predicted decrease of 10.790 in the log odds of falling at a higher level on tax laws compliance compared to tax laws evasion. The results show that, the odds of being in a higher on tax laws compliance decrease by a factor of 10.790 for every assessed increase in tax payers' adherence to weak tax system laws in Tanzania. Based on PWC (2014 study, unlike in developed countries like Switzerland, England other countries in the category, where tax rates and structures are defined, most of tax paying entities in developing countries display noncompliance culture fueled by weak tax systems (Kim, 2018). With prominent weak tax systems, allowing corruption, aversions, exemptions and concessions. Tax authorities have faced the reduced tax collection streak from its deserved tax filers with taxable incomes due to their weak tax systems (Osoro, 1992). The continued adherence to such weak tax systems will not only lead to unwarranted non tax laws compliance, but also on building noncompliance culture with tax laws of the state.

### **Study conclusion and Recommendation**

The study intended to determine the influence of tax payers perceived challenges on tax laws compliance in Tanzania; with specific reference to few selected startup entities in Arusha. The findings shown that: complexity of tax laws (1.660) and lack of knowledge on tax laws (1.402) are highly perceived compliance challenges due to their highest standard deviation and variance; while rising tax burdens (1.161) and weak tax systems (1.380) being the least perceived compliance challenges gauged with the same metric. The result further reveals that, the rising tax burden, complexity of tax laws, limited knowledge on tax laws, weak tax systems, and tax evasions are significant negative predictors of tax laws compliance in Tanzania. Therefore, the study hypothesis one (*H1*) that, Compliance

with Tanzania's tax laws have significant impact on the state vested tax collection goals was not rejected. However, the predicted impact is inferentially depicted to be negative. The negative predictive result of compliance challenges on tax laws indicate that, the continued enforcement of the said tax laws, will drive away tax payers than attracting them for voluntary tax compliance. This implies that, tax system in Tanzania is not friendly enough to attract forceless tax compliance; as tax laws are not positive predictive by essence. Given the compliance level is substantially recorded in this study, the failure of TRA to attain the desired voluntary tax laws compliance in Tanzania, can be more related to their inefficient designing of tax laws than on compliance perils.

**Areas for future study:** this study found that, the rising tax burden, complexity of tax laws, limited knowledge on tax laws, weak tax systems, and tax evasions are significant negative predictors of tax laws compliance in Tanzania. However, due to their designing scope, the solution for the observed tax laws compliance challenges were not investigated. This study therefore calls for other studies to explore what need to be done to overcome the said challenges from tax payers' perspectives in Tanzania.

**Research limitation:** generalization of the study results in other taxpayer's segments (such as middle and large taxpayers) may not be realistic; as the study has been done only on the startup entities; similar studies are called for to include all segments of tax payers.

**Practical implications:** The study stresses the selection and formulation of friendly tax laws with predictive to positive outcomes on tax revenues collection; rather than having a sets of the same which foster tax paying dares when complied with.

**Originality:** the study has assessed the practical tax laws compliance challenges in Tanzania; that implicate the diverse tax administrative organs (TRA) to keenly re-undertake tax laws stakeholders' assessments in spawning taxpayers aspired value.

## References

- Alm, J., & Torgler, B. (2006). Culture differences and tax morale in the United States and in Europe. *Journal of economic psychology*, 27(2), 224-246.
- Amin A, Nadeem AM, Parveen S, Kamran MA, Anwar S (2014) Factors affecting tax collection in Pakistan: an empirical investigation. *J Finance Econ* 2(5):149–155
- Balanda, K.P. and McGillivray, H. (1988) 'Kurtosis: a critical review', *The American Statistician*, Vol. 42, No. 2, pp.111–119.
- Belkaoui, A. R. (2004). Relationship between tax compliance internationally and selected determinants of tax morale. *Journal of International Accounting, Auditing and Taxation*, 13(2), 135 – 143.

- Chatama, Y. J. (2013). The impact of ICT on Taxation: The case of large Taxpayer department of Tanzania Revenue Authority. *Journal of Developing Country Studies*.
- Creswell, J.W. (2014) *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 4th ed., Sage Publications, California, USA.
- Faizal, SM, Palil MR, Maelah R, Ramli R (2017) Perception on justice, trust and tax compliance behavior in Malaysia. *Kasetsart J Soc Sci* 38(3):226–232
- Fiene, R. (2016). *Theory of Regulatory Compliance*. [https://www.researchgate.net/publication/309126998] site visited on 23.03.2020.
- Fjeldstad, O.-H. K. (2010). *Local Government Finances and Experience of Tanzania*. London: RICS Foundation.
- Gakuu, C. (2018). *Fundamentals of Research Methods; Concepts, Practice and Application*. Aura Publishers, Kenya
- Gambo EMJ, Mas'ud A, Nasidi M, Oyewole OS (2014) Tax complexity and tax compliance in African self-assessment environment. *Int J Manag Res Rev* 4(5):575–582
- Hassan, I., Naeem, A. & Gulzar, S. (2021). Voluntary tax compliance behavior of individual taxpayers in Pakistan. *Financ Innov* (7):21. Doi.org/10.1186/s40854-021-00234-4
- Khan, M., and Law, S. (2018). *The Role of National Cultures in Shaping the Corporate Management Cultures: A Three-Country Theoretical Analysis*. Chapters, in: Jolita Vveinhardt (ed.), *Organizational Culture*; IntechOpen. New Delhi India.
- Kim, S., & Kim, T. (2018). Tax Reform, Tax Compliance and State-building in Tanzania and Uganda. *Africa Development / Afrique et Développement*, 43(2), 35–64.
- Kipilimba, T.F. (2018). Impact of Tax Administration towards Government Revenue in Tanzania- Case of Dar-es Salaam Region. *Social Sciences*. Vol. 7(1): pp. 13-21.
- Koch, R. (1999). *The 80/20 Principle: the secret to achieving more with less*. Crown Publishing Group, New York USA.
- Kumar, R. (2011) *Research Methodology: A Step-by-Step Guide for Beginners*. 3<sup>rd</sup> Edition. Sage, New Delhi.
- Loo, E. C. (2006). *Tax knowledge, tax structure and compliance: A report on a quasi-experiment*. *New Zealand Journal of Taxation Law and Policy*, 12(2), 117 – 140
- NBS. (2022). *Highlights on the First quarter Gross Domestic Product (July–Dec), 2022 base year 2015*. Ministry of Finance and Planning, Tanzania.
- Osoro, N. (1992). Revenue productivity of the tax system in Tanzania. *Journal of African Economies*, 1(3): pp. 395-415. Paper No. 10-2010.
- Paul, C. (2018). "Choosing Whether to Comply with a General Duty or with a Specification Standard," *Review of Law & Economics*, De Gruyter, 14(2):1-21
- PWC. *Paying Taxes 2014: The Global Picture- Comparison of Tax System in 189 Economies World-Wide*. London: PriceWaterCoopers International Limited.

Saad N (2014) Tax knowledge, tax complexity and tax compliance: taxpayers' view.  
Procedia Soc Behav Sci 109:1069–1075

Saunders, M., Lewis, P. and Thornhill, A. (2016) *Research Methods for Business Students*,  
7th ed., Pearson, Essex.

Tehulu TT, Dinbem YD (2014) Determinants of tax compliance behaviour in Ethiopia: the  
case study of Bahir Dar city taxpyers. J Econ Sustain Dev 5(15):268–273