

BINDURA UNIVERSITY OF SCIENCE EDUCATION



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

**THE RELATIONSHIP BETWEEN TAX PENALTIES AND TAX COMPLIANCE
ISSUES AMONG SMEs.A CASE STUDY OF A2 SUGARCANE FARMERS IN
HIPPO VALLEY ESTATES, CHIREDDI**

**By
B1645924**

**A DISSERTATION SUBMITTED IN PARTIALFULFILMENT OF THE
REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY HONOURS
DEGREE OF BINDURA UNIVERSITY.**

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APPROVAL FORM

The undersigned certify that they have read and recommended to Bindura University for acceptance of a dissertation entitled **“The relationship between tax penalties and tax compliance issues among SMEs. A case study of A2 SME Sugarcane Farmers in Hippo Valley Estates, Chiredzi”**.

Submitted by **B1645924** in partial fulfilment of the requirements of Bachelor of Accountancy Honours degree

...../...../.....

Name of Student

Signature

Date

...../...../.....

Name of Supervisor

Signature

Date

...../...../.....

Name of Chairman

Signature

Date

RELEASE FORM

NAME OF AUTHOR:

B1645924

TITLE OF PROJECT:

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SIGNED:-----

PERMANENT ADDRESS:

STAND 1790, JAVANGWE, CHIREDDZI

DATE:

July 2020

DEDICATION

This study is dedicated to my Family for all the love and support!

ABSTRACT

This project was carried out in an attempt to determine the relationship between tax penalties and the tax compliance of small and medium-sized enterprises in the sugar industry. The problem of a perpetual increase in tax burden on small and medium-sized A2 farmers at Hippo Valley Estates Limited necessitated the research. The work was performed using a descriptive research design, questionnaires and interviews. Guided questionnaires used to collect data from a population of 12 people selected from the Hippo Valley Estates specific workforce using the stratified random sampling method were administered personally by the researcher leading to a return rate of 83.33% (10/12) of the questionnaires. Oral interviews were also conducted with 2 people out of the 4 people scheduled chosen from the same bases in search of more specific data. The researcher used the descriptive research design because it seemed more conducive to the discovery of new philosophies. The results of the survey showed that the tax penalties used has had an impact on the functioning and functionality of small and medium-sized sugarcane farmers in Hippo Valley Estate Chiredzi. The conclusion that is born here is that tax penalties are not an effective tool for promoting tax compliance and should be replaced. Research findings suggest that tax officials should look for an effective way to improve tax compliance among small and medium-sized sugarcane farmers as a comprehensive strategy to address the shortcomings of the tax penalty program. The study could be simulated in other business sectors in order to strengthen the practicality of the results previously revealed.

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CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter is meant to cover up background information to the study as well as the statement of the problem. This chapter in addition to research questions and the objectives of the study it also goes on to look into the significance of the study.

1.1 Back ground of study

This research was a premeditated effort to determine the relationship between the tax penalty system and tax compliance levels among SMEs reference being given to sugarcane farmers in Hippo Valley Estates. Researches have since been made on the relationship between the two. In the same discussion Ariel (2012), Hoffman et al (2014) and Hashmzade et al (2013) suggests that there is a relationship between tax penalty system and compliances level in SMEs and the relationship is direct in that tax penalties upsurge the taxpayer's tax obligation therefore compelling tax payers to fulfill or to meet their tax debt in time in an attempt to avoid extra cost from penalty. Marelli (2012) further emphasize that penalty charge has a negative relationship with tax evasion, thereby improving tax compliance. As the tax penalty goes up it then brings discouragement to evaders thereby improving compliance of tax payers. On the other hand Alm et al (2013), Gemell et al (2014) and Torgler (2016) are of a different view on the relationship that lies between penalties and compliance which advocates that a negative relationship exists in the sense that the fact that the taxpayer was not able to comply with the tax obligation in the first place does not imply that once there is a penalty the tax payer would pay both the penalty and the charge.

Virmani (2015) also suggests that penalty rates have a positive link with tax evasion, in the sense that higher rates causes an unfavourable result which lead to more tax avoidance. Namusonge et al. (2014) after various arguments suggested that there is no relationship

between tax penalties and tax compliance. The differences in views of scholars indicates an aperture which needs further exploration as most of them mainly focused on organisations in developed countries. It is in the interest of this study to gauge the relationship between tax penalty system and tax compliance with much attention given to SMEs and specifically using the case A2 farmers in Hippo Valley Estates Chiredzi.

According to www.zimra.co.zw A2 sugar cane farmers in Hippo Valley Estates and Mkwesine Estates operate as SMEs. They have an undisputed meaning to the national economic cause as the Zimbabwean economy is agro-based. This increases the need to observe their tax obligations responsiveness. According to the Hippo Valley Estates annual report (2015) 774 farmers in 2015 had an aggregate income of \$44 196 000 for the 2014 season, this also further strengthens the view that farmers are of a great importance to the economy form an essential part of the economy. The farmers have numerous tax obligations and among them there is income tax, capital gains tax, PAYE and VAT. They also face a 100 percent penalty from the Zimbabwe Revenue Authority so as to discourage the tax defaulters. Zimbabwe Revenue Authority (ZIMRA) charges a 100 percent penalty on the tax defaulters (www.zimra.co.zw). With the situation at hand SMEs are thriving from an economic crisis which is backdated from 2008 to date, tax penalties among other operational costs are threatening the endurance of HVE small scale sugarcane farmers in Zimbabwe which also have to grapple with a biting liquidity crunch (www.fingaz.co.zw). The Zimbabwe Revenue Authority announced a tax amnesty in 2014 which allowed tax defaulters to own up their defaults but only a few SMEs volunteered their obligations under this window, but the majority of the firms did not own up their delinquencies with the fear that ZIMRA could punish or blacklist despite assurances they were given that it would not happen. The rigid tax behaviour of HVE sugarcane farmers to that program of 100% tax penalty triggered the researcher to unveil in an in-depth way to research on the relationship that exists between the tax penalty and compliance levels of SMEs.

Below is a diagrammatic representation of Hippo Valley Estate sugarcane farmers Tax Analysis from 2015 to 2018

Table 1.1 Hippo Valley Estates Sugarcane Farmers’ Tax Analysis from 2012 to 2015

Year Ended	Tax Due	Amount Paid	Balance
2012	255 670.90	186 253.70	69 417.20
2013	252 780.60	171 500.30	81 280.30
2014	351 288.70	165 753.50	83 814.70
2015	575 700.90	152 860.40	90 399.35

Source: Hippo Valley Estates 2015 Annual Report

According to Table 1.1 laid above, payments were those made to ZIMRA to cover farmers tax liability the trend clearly shows that they declined from year to year despite the levying of tax penalties. The tax due column reflects the amount of tax which was due to ZIMRA from the farmers ,in addition the amount paid column reflect tax paid to ZIMRA annually then the balance column reflects the amount of tax outstanding and due to ZIMRA by farmers after deducting amount paid from the tax due.The tax due of farmers continuously increased as a result of levying of tax penalties by ZIMRA and in contrary taxes paid continuously decreased showing non compliance by farmers as a result of the deterrent effect of tax penalties .According to the Hippo Valley Estates annual report (2015) many farmers have seized operations as a result of the crippling effect of the tax burden.”

Calculations shows that only 72.85% of the tax due in 2013 was paid to the authorities with the balance rolling over to 2014. There was a slight decline from 72.85% to 67.85% to 66.42% to 62.84% during period 2012 to 2015 respectively .The decline can be associated lack of financial transparency as well as decrease in taxation. The farmers got away with it because most of them kept their monies out of the banking system which made it difficult for the tax Authorities to collect taxes. Dube (2015) is also of the view that the decline might have been as a result ZIMRA failing to introduce tax incentive and holidays as to motivate taxpayers rather than penalties. Non compliance among farmers

increased with 2015 indicating an amount of \$90 399.35 which was outstanding tax to ZIMRA. Dube(2015) suggest that limited resources and inadequate expertise to comply with complicated tax regulations also adds up to the non compliance by SMEs. A decrease in compliance of 10% was seen even after the levying of tax penalties.

The Hippo Valley Estate annual report (2015) suggested that the liquidity crunch that might be experienced by the smallholder sugarcane farmers might be as a result of these SMEs trying to settle their previous obligations .Virmani (2015) stated that the level of compliance can decline despite the levying of tax penalties and this can be confirmed by table 1.1 where HVE sugarcane farmers' rate of tax compliance is continued to decline as were continuing to face penalties .For that reason this research seeks to unveil on the influence of tax penalty system on compliance levels of taxpayers in the Zimbabwean economy specifically Hippo Valley Estates smallholder sugarcane farmers.

1.2 Statement of the problem

Hippo Valley Estate sugar cane farmers are faced with a major liquidity crisis which has seen some of the farmers leaving the industry. Tax penalties among other factors have crippled HVE sugar cane farmers financially as they struggle lifelessly to settle their tax obligation which would including tax penalties from previous periods. Tax penalties by the government are seen as a way of improving compliance among tax payers in the future but despite all these efforts by the government sugarcane farmers are persistently facing difficulties in complying. Therefore the study seeks to investigate the impact of tax penalties on SMEs i.e. the relationship between tax penalties and compliance levels among SMEs.

1.3 Research objectives

- To assess the relationship between the tax penalty system and compliance levels of SMEs.
- To evaluate the difficulties faced by SMEs in tax compliance.
- To assess the merits of tax compliance by SMEs.
- To propose the best practices to be used by tax authorities so as to improve compliance by SMEs.

1.3.1 Research questions

- What is the impact if any of tax penalties on tax compliance levels of SMEs with attention being given to the A2 sugarcane farmers in Hippo Valley Estates?
- What are the difficulties faced by SMEs in the sugar production industry in tax compliance?
- What are the merits of tax compliance by SMEs?
- What are the best practices to be used by tax authorities so as to improve compliance by SMEs?

1.4 Delimitation

The period of research stretches from 2013 to the year 2018 and any similar information which arose before or after the period was considered irrelevant to the research. In order to carry out a productive analysis, the research concentrated on twelve employees in the accounting department of Hippo Valley Estate.

1.5 Significance OF The Study

1.5.1 To the institution

The research adds to the existing body of knowledge and literature on Bindura University of Science Education on the issue of tax compliance among SMEs. It probes onto the distinct nature of the SMEs that is the A2 farmers in relation to tax compliance, an area

that hasn't been thoroughly researched by previous researchers and can be used for future further researches.

1.5.2 To the government

SMEs form almost three quarters of the income generating sector in Zimbabwe and they constitute a significant force on the economic front. SMEs have potential to also drive the national economy progressively if they are well managed and supported. This research on non-compliance seeks to bring focus and encourage the government to interact with them thereby bringing development issues as well as the SMEs to shed more light on their experiences and views towards compliance issues.

1.5.3 To small and medium enterprises

The study seeks to also provide the benefits of compliance which might be helpful for those firms that seek betterment of their organisations.

1.6 Assumption Of The Study

The researcher made assumptions that are stated below during her research;

- Sample chosen is a reliable representation of the whole population.
- All respondents will provide true and relevant information without any manner of bias.
- Circumstances faced by Hippo Valley Estates Chiredzi Small to Medium Enterprises are same to all SMEs operating in Zimbabwe.
- Ceteris paribus on other economic factors in Zimbabwe.

1.7 Delimitation

To carry out an effective investigation, the research focused on 12 employees in the accounting department of Hippo Valley Estates Chiredzi. The period of the research spreads from 2015 to the year 2018 and any matters arising before or after this period shall be considered irrelevant to the research.

1.8 Limitations

The key limiting factor that was observed by the researcher while carrying out the research was confidentiality. This made it difficult for the researcher to gather as much information as possible as some of the information was considered sensitive as it had a bearing in the company's image.

1.9 Definition Of Terms

- Tax penalty -According to Marelli (2012) a tax penalty refers to a local or federal punitive tax applied to deter non compliance, such as underpayment of income tax or disregard of the rules governing a business activity.
- Tax compliance -According to Dube (2015) Tax compliance is a degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return and paying the tax due in a timely manner.
- HVE-Hippo Valley Estates

1.10 Chapter Summary

The chapter introduced the research topic as well as the background to the study which was a brief outline of various scholarly views with regards to tax penalties and tax compliance levels among tax SMEs. The chapter went on to highlight the objectives of the study followed by questions to be discussed. Limitations were also sighted out and delimitations. Some other important aspects that were discussed in this chapter are the significance of the study to the researcher, institution and SMEs at large.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter is a collection and review of arguments, various perspectives as well as conclusions from different studies pertaining the relationship between tax penalties and compliance issues of SMEs .It focuses on the arguments of various scholars as well as their perspectives with regards to the subject in question and this helps the researcher with key points to note when examining SMEs with sugar cane farmers in particular.

2.1.0 How Tax Penalties Affect Tax Compliance Among Taxpayers

According to Emran and Stiglitz (2014) Profitability, tax morale, productivity, tax compliance costs, accountability and transparency among other factors are some of the factors that are affected by the levying of tax penalties on SMEs.Vast arguments have been established about these and the following paragraphs will explain how tax penalties affect the above in detail.

2.1.1 Decrease in profitability

Slemrod (2012) and Hallsworth (2014) are of the view that the levying of tax penalties on non-compliant SMEs by tax authorities will ultimately reduce their profits thus reducing the entities' ability to pay their obligations i.e. taxes whilst at the same time they are striving to survive. According to Blumenthal et al (2013) tax penalties have a negative effect on the profitability of SMEs which results in reduced ability to meet further costs thereby reducing their compliance. Lubell and Scholz (2013) suggests that there is a positive relationship between profitability and tax compliance. Moreso, Kleven et al (2012) suggests that the tax penalty system can sometimes be less effective in the long term and can weaken the relationship between legal authorities and those regulated. It goes on to say the use of tax

penalties when perceived as unlawful can produce the opposite behaviour from that sought which results in non-compliance. Ayres and Braithwaite (2014) suggest that tax penalties present an extra cost to the defaulters which reduces their profits as well as their ability to meet their tax obligations which in turn results in further non compliance.

On the contrary Jensen (2012) also gives a suggestion that an individual is a rational decision maker whose aim is to maximise expected utility, and that regulatory authorities instead of using penalties they should try to respond by discouraging them from acts of non-compliance, authorities should clearly communicate that more benefits are obtained through compliance than those obtained through non-compliance. Jensen (2012) goes on to suggest that there is a positive relationship between tax penalties and profitability levels among SMEs. According to Mareus (2014) tax penalties are an effective measure to improve tax compliance as they discourage taxpayers from engaging in non compliance. Mareus(2014) goes on to say as entities comply it saves them from encountering that extra cost from tax penalties thereby yielding improved profitability among affected entities. Watson et al (2013) is also of the view that there is no relationship between tax penalties and tax compliance levels among SMEs. Summing up the above findings the researcher discovered that the researchers did not reach a consensus concerning the relationship between profitability and tax compliance levels.

2.1.2 Effects on Tax Morale (Decrease in Tax Morale)

Tax morale is the measure of tax payers perceptions and attitudes towards paying and evading tax. There are a number of socio economic and institutional factors that influence tax morale in individuals there is age,gender,education as well as the level of trust in the government just to mention a few. According to Dube (2012) the tax penalty system has an indirect effect on tax morale among taxpayers which leads to increase in non compliance, this effect suggests that there is a positive relationship between tax compliance and tax morale. According to Deere (2013) the levying of tax penalties disturbs the willingness and attitude of defaulters to pay tax which leads to further non compliance. Zivanai et al (2014) say that taxpayers are motivated by incentives as well as peers 'attitude to pay tax. Tagwisa (2013) came to the conclusion that tax morale has the most significant impact on tax compliance.

However Drocy (2013) is of a different view that tax penalties actually boosts tax morale among the law abiding taxpayers as the penalties provide a gap between the defaulters and

the law abiding taxpayers and that their efforts of complying are recognised. Pedros (2012) also came to a different conclusion that there is no relationship between tax compliance and tax morale among SMEs. Oyedepo (2014) to add on to the view by Drocy (2013) says that the existence of penalties is reason enough to motivate tax abiding citizens to remain compliant. The researcher seeks to establish the effects of tax penalties on tax compliance.

2.1.3 Transparency and accountability

Transparency allows people to establish reasonable perceptions of what the government can and can not achieve, and helps them to track the actual performance of the government. Nevertheless, the basic effects of accountability and the particular role it plays in influencing the understanding of fairness and efficiency in government action are still unexplored. The design of information disclosure policies that respond to the desires, viewpoints and attitudes of people and, at the same time, that change them, thus redefining the policy making process itself. Nowadays, taxpayers need more knowledge about tax accountability, they want the government to be more transparent about the taxes they pay. Transparency is commonly characterized as the free flow of knowledge to Mouton (2015). Tax transparency is the degree to which taxpayers have ready access to the necessary tax details. Governments must be more accessible and honest with their tax in order to improve the voluntary compliance of taxpayers. The accessibility of information can be used by governments as an incentive to boost the voluntary compliance of current taxpayers and to draw new ones.

2.2.0 Challenges Affecting SMEs In Complying With Taxes And Tax Penalties

In the bid to find the relationship between tax penalties and compliance the challenges faced by SMEs in complying is a subject of interest. A number of reasons for not complying with tax law have been given by informal enterprise owners. Amongst them there is tax complexity, complicated registration procedures, high costs of compliance, low risk of detection, corruption and bribery, low levels of income, high tax rates, sheer ignorance and a lack of confidence in the government Baer (2013).

2.2.1 Tax complexity (Poor Tax Education)

According to Al-Saedi (2015) SMEs are facing challenges due to lack of expertise to interpret the law and they are sometimes discouraged by the complexity of taxation from policies and calculations. Moreover Rovers (2013) suggests more bluntly that tax complexity can be viewed as corruption as it traps most taxpayers into unintentional non compliance this is so because it brings about difficulties in calculations which drains taxpayers of their willingness to comply to tax. According Smeltch (2013) misinterpretations and lack of understanding of tax law due to complex jargon are as a result of tax payers not having enough tax knowledge. Corchón (2012) is of the view that the occurrence of tax non-compliance is as a result of misinterpretation although the information may be present. Bid (2014)'s suggestion also supports the above view in that he pronounced that with a little tax knowledge, tax behaviour of taxpayers with regards to tax compliance is positively correlated with tax non-compliance. However Obid(2014) brings up another interesting suggestion which implies that if taxpayers possess in-depth tax knowledge, they are likely to engage in tax avoidance rather than tax non-compliance. Roshidi et al. (2012) and Fallan (2012) brought about the same view that tax knowledge influences tax compliance significantly and positively. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for small and medium enterprises reduce the size of the informal economy and the number of non-complying registered taxpayers (Vasak, 2014). Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2014), and this results in a tax system that imposes high expenses on the society.

However, Stabenow is of the view that tax complexity is a necessity in the tax system so as to ensure that the system is not compromised and also that no procedure in the process is bypassed. In addition Zhuwao suggests that the challenge is that most SMEs are ignorant and reluctant to acquire knowledge from tax authorities and he goes on to emphasize that the

issue of non compliance cannot be pinned on complexities in the tax system. There is no absolute agreement by the researchers as to whether tax complexity is surely a challenge to the SMEs. The researcher seeks to establish and highlight the challenges faced by the SMEs.

2.2.2 Low income levels/ profitability

Ritsema et al. (2013) is of the view that low levels of income among SMEs is a strong stimulator in non-compliance. In addition Ross and McGee (2012) suggested higher income level, makes one to be more opposed to non-compliance. They explained this phenomenon as that, if one has higher income, chances of that person respecting the authority are very high. Conversely, if one has lower income, on compliance chances are very high as low income is perceived to be linked to less respect to the authority. Houston and Tran (2013) indicated that higher level of tax non-compliance falls under lower income group.

However Feinstein (2014) found out that there is no relationship between income and non-compliance. Spicer and Lundstedt (2012) and Clotfelter (2013), found out non-compliance to be positively related to income. However, Alm et al (2013) found a negative association between income and non-compliance. Hoffman (2014) on the other hand, commented that tax non-compliance increases with increases in income. Witte and Woodbury (2013) concluded that middle-income taxpayers are the most compliant category.

2.2.3 Tax rate

Previous researches have shown that tax rate is also a major determinant in the noncompliance issues this is according to (Crane & Nourzad, 2013). Tax structure is divided into two types of tax rates, which are proportional system and flat tax rate. Crane and Nourzad (2012), categorizes proportional tax structure, into two with the first being **linear proportional tax structure**, whereby only average tax rate will be moving upwards as income increases, but marginal tax rate remain constant secondly there is **nonlinear progressive tax structure**, which involves a situation where both average tax rate and marginal tax rate will be increasing as income increases. The impact of tax rate becomes much clearer if another variable is added for instance penalty rate, risk aversion, and probability of detection that's according to (Crane & Nourzad, 2012). In addition to the

above, Yatzhaki (2014) exemplified using fines that are imposed on the evaded tax, saying that tax non-compliance is most likely to decrease even the tax rate increase. From the empirical models analysis which was conducted by Crane and Nourzad (2012), the evidence pointed out that if average tax rate is taken into consideration the impact of marginal tax rate towards tax non-compliance would be greater. Results from most researchers the likes Crane and Nourzad (2012), Obid (2014), Ho et al. (2015), Bayer (2013) and Ahangar et al. (2012). Clotflter (2013) agreed that marginal tax rates does influence tax non-compliance positively and also that high tax rates lead to non compliance

However, Feinstein (2013) and Alm et al (2013) argued and came to the conclusion that there is a negative correlation between marginal tax rates and tax non-compliance. Some studies also show that compliance is not affected by high tax rate some of these studies are the likes of Porcano (as cited in Kirchler et al 2012), Engel & Hines (as cited in Kirchgässner, 2013). With the decrease in risk aversion and perceived lower probability of detection, taxpayers are likely to evade tax if they conjecture the margin between fines or penalty is lower than the benefits derived from non-compliance (Bărbuță-Mișu, 2012). Ho et al. (2013) concluded that tax non-compliance might occur if taxpayers have to pay high taxes while perceived others might not fulfil their obligation as taxpayers.

2.2.4 Tax compliance costs

Tax compliance is costly to SMEs in the sense that there is need to utilise resources that can be used in far more important management areas of any business. This diverting of resources in turn places a heavy administrative burden on SMEs. Most of the SMEs do not have trained personnel who can take care of the compliance issues so there rises a need to hire a tax expert who can manage these compliance affairs. The hiring of tax expert is a measure to comply with the tax regulations and in that same spirit a business may have to incur additional costs which may include, the excessive time utilised by owners and staff on ensuring compliance, incurring expenditure involved in preparing the relevant bookkeeping records as tax calculation require proper bookkeeping, also there is expenditure for the compilation of tax returns, and lastly expenditure for specialised tax practitioners, accountants and

consultants who are personnel who understand tax calculation as well as are aware of the remittance dates.

2.2.5 Socio-economic challenges

The challenges faced by SMEs in complying with taxes can also be identified under the socio-economic challenges as alluded by Rovers (2013). He goes on to say socio economic challenges are factors that have negative influence on an individual's economic activity. A country's monetary policies can have contribution to taxpayers' non compliance. Monetary policy are measures that are adopted by monetary authorities of a country that has to do with the controlling of liquidity in the economy. The level of circulation of money in the economy can determine the willingness of a taxpayer to be compliant by paying their tax due. Monetary economic challenges in Zimbabwe can be perceived as one of the reasons the SMEs fail to comply. According to Baldry (2011), the exchange of goods and services with little rates of money exchange is one of the major factors holding back SME compliance. Economic challenges have caused shrinkage of the tax base in Zimbabwe. It was confirmed that an excess of challenges for example liquidity crunch, sanctions, fall of prices of commodities in global markets and poor performance of agriculture has caused this economy to meltdown. Formal companies have scaled down operations and others have closed shop.

Masarirambi (2013) disagreed with the view that economic challenges are a factor which causes noncompliance he is of a different view that the social relationship between countries is the one that instils an attitude of taxpayers' perception whether to comply or not. He further indicated that the political environment of a country contributes to the attitude of tax payers. Baldry (2011) also raised a concern that economic challenges are some of the factors which causes taxpayers not to comply he goes on to say that information of how other SMEs are being treated in neighbouring countries contributes to the taxpayer's attitude on compliance. Alm (2013) talks about the attitudes of taxpayers and comes to the conclusion that attitudes are a representation of the positive and negative assessments that an individual holds over objects and it is assumed that individuals are motivated by attitudes to act accordingly. Therefore, a taxpayer with a positive attitude towards tax evasion is expected to be less compliant than the one with a negative one. Attitudes towards tax evasion are often found to be quite positive therefore perception and attitude towards the tax system will have a great impact on the compliance levels.

2.3.0 Benefits Of Tax Compliance Among SMEs.

2.3.1 Benefits accruing due to proper record keeping which is a requirement for compliance.

Benefits of tax compliance are the various merits that are to any organisation if it adheres to the tax laws that it would be faced with. The benefits are derived from the following: for a company to enjoy the benefits of compliance it should have proper accounting records this according to the ZIMRA website. Apart from the ZIMRA website Zivanai (2015) is of the view that proper accounting records facilitate the correct calculation of tax and also saves time since there will be less confusion within the company. Zimra goes on to allude that for a company to enjoy benefits of compliance it also should adhere to due dates for payment of taxes and submission of returns, payment of correct amount of tax as well as to declare the correct amount of taxable income in their tax returns. All of the above measures by any firm lead to benefits of compliance whereas we cannot give a blind eye that most of these benefits are mainly derived from proper bookkeeping. The benefits associated with proper bookkeeping are as follows; apart from tax calculation that requires a company to have proper bookkeeping, proper bookkeeping also results in the information kept by the business being used to effectively manage the business and can also be used as a performance checker of the business Zivanai (2015).

In the same spirit Drocy (2013) also said that proper bookkeeping for tax calculation can have spill over positive effects in the sense that business efficiency is also derived from good record keeping and also when business systems are up to date and properly managed there is improved business decisions. Most businesses that are efficient their success can be traced back to good record keeping and efficiency works hand in hand with good decision making. All these benefits come along when a company observes the tax laws and tax compliance measures like good record keeping.

The ZIMRA websites also links the benefits of compliance as that of clear assessment of the company and also facilitates audits and reduce time taken by auditors.

2.3.2 Public governance quality

Citizens can show their level of support to the government by way of complying to the tax system. However this is more reliant on the level of trust and fairness of the tax system as alluded (Alabede et al., 2011). Arrington and Reckers (2015), Bosco and Mittone (2013), Kirchgassner (2012), and, Ross and McGee (2012) agreed on the view that once the taxpayer believes in the fairness of the tax system, chances are that the particular taxpayer is more likely to dwell from tax noncompliance. In addition Cummings, Martinez-Vazquez, McKee, and Torgler (2014) suggested that the government should be is transparent and perceived as fair, such that compliance level increases in that sense anything happening in the government matters to taxpayers, be it positively or negatively. The public governance quality does matter in influencing tax compliance, and this is supported by Kim et al (2016), who delved into the study of relation between politics and non-compliance and found an empirical evidence which proved that political intention does affect tax non-compliance. According to Smeltch et al (2013) taxpayers believe that paying taxes is similar as an exchange contract with government, where expected taxes is paid in return for public goods and services that benefit taxpayers. Therefore, if government does not or fails to deliver as per expectation, taxpayers will be convinced to engage in noncompliance. Most researchers concluded that perceived inequity in governance is positively correlated to non-compliance (Keenan & Dean, (as cited in Ho et al, 2015); Torgler, 2013; Obid, 2014; Kirchgassner, 2012; Ahangar et al., 2012; Ross & McGee, 2012; Alabede et al., 2013)

2.3.3 Better knowledge of financial affairs

According to Alabede (2014) improved financial affairs of SMEs is brought about by complying with the tax system, he goes on to explain that as consistency in tax remitting processes occurs SMEs appreciate a remarkable degree of experience and financial affairs. Madeira (2014) came up with another view that accountability of most SMEs is improved as they keep on engaging in tax remitting processes. According to Lungu (2015) handling of tax matters becomes more of an improved aspect in every tax compliant SME.

However Khan (2014) suggests that better knowledge of financial affairs might in the long run produce non compliance as entities become aware of the loopholes of the tax system especially among non formalized SMEs.

2.3.4 Competitive advantage

Firms who are tax compliant are considered to be ethically sound unlike the non compliant firms. According to Sparrow (2014) compliant firms as they are considered to be ethically sound unlike noncompliant firms. In the same spirit Garmel (2013) suggested that usually tax compliant firms are perceived to be more viable and generational as compared to non compliant firms. Dube (2012) alludes that more benefits are enjoyed by compliant taxpayers. Dummell (2013) made it more clear that tax compliant SMEs gain more financial leverage over non compliant and are not faced with extra cost of litigation and tax penalties which concur to non compliant firms.

However MacAlmon (2015) argues that competitive advantage is more associated with non compliance in the sense that if the probability of detection is lower and the benefit of evasion is higher. With the decrease in risk aversion and perceived lower probability of detection, taxpayers are likely to evade tax if they conjecture the margin between fines or penalty is lower than the benefits derived from non-compliance (Bărbuță-Mișu, 2012). Ho et al. (2013) concluded that tax non-compliance might occur if taxpayers have to pay high taxes while perceived others might not fulfil their obligation as taxpayers.

2.4.0 Disadvantages Of Non Compliance

Non-compliance among SMEs can have various draw backs to begin with it increases the costs of a company. Although penalties are not operating expenses they are directly related to the operating expenses of a company. A company faced with penalties have increased costs than those firms which comply in the sense that the firm now has to pay the tax liability and also the penalty. As costs of a firm increases there is risk that non compliance increases too because if the firm had difficulties in paying taxes without penalties there is risk that future tax liabilities could not be paid and firms may be faced with legal procedures in which court cases maybe involved, court cases are not only bad to the firm financially by also can tarnish the image of the firm which leads to reduced business activity as most customers are not comfortable dealing with fraud.

Furthering into the disadvantages of non-compliance also undermines the tax system's equity and efficiency. A tax system is a type of governmental policy created to control ,collate,

integrate, improve, change, review and manage methodically tax law and tax legislation using accurate, defined, effective, transparent, just data, information, proof and statistics. A fair, transparent, accurate and effective tax system is vital for a government to administer, collect, change and manage tax within a country or a state. The integrity that taxpayers observe in the tax system and its administration may not be the same as the integrity the tax officers see from within. Regulators look for substantive compliance in the actions of those they regulate while citizens look for substantive integrity in the authorities which seek to direct their actions. For citizens integrity is what is expected of an authority at all times while authorities on the other hand their day to day business is ensuring citizens comply. Integrity also increases in salience, relative to compliance when a tax office's accountability is called into question or when legitimacy is called into play to deal with change or failure in the system and impedes sustained economic development (Ponorica & Al-Saedi, 2015).

More so non-compliance among small businesses may have negative impact on the operations of a business. Small business depend on loans to finance most of their operations these loans can be used to acquire machinery for these businesses which may boost the production of the business which in turn leads to expansion. Non-compliance tarnishes the image of a company, with which a company can use to acquire financial support. Tarnishing of image cannot only affect terms of loans but also the firm may not be able to source supplies which would be essential for operations as most businesses depend on credit supplies rather than cash and this is difficult if tax affairs are not up to date. In addition, small businesses require tax clearance certificates to tender for government contracts and enter the supply chains of many large corporates. If there is no compliance access to these facilities and markets is restricted (Small Business Project, 2003).

2.5.0 Best Practices That Tax Authorities Can Apply To Improve Tax Compliance Among SMEs

Garmel (2013) suggests that to improvement of tax compliance among SMEs is achievable through application of approaches from various theories of tax compliance which are the economic deterrence theory; fiscal exchange theory; social influences theory; comparative

treatment theory; and political accountability theory. Larrel (2015) is of the view that compliance theories can be broadly classified into two namely economic based theories and psychology-based theories.

2.5.1 Increase audits and penalty fees

According to Shehata (2012) under the deterrence theory SMEs are viewed as utility maximisers and unprincipled in nature and in order to improve compliance there is need to also increase audits and penalties. Droczy (2013) supports the above view saying that taxpayers are motivated by economic motives such as profit maximization and probability of detection in such a way that as they evaluate paths that is whether or not to evade with the end decision being to choose that which maximizes utility. Trivedi and Shehata (2005) refer to the above as playing the audit lottery. The theory suggests that to improve compliance there is need to improve audits and penalties Sandmo (2013). Allingtonham (2012) concluded that if detection is likely and penalties are severe, few people will evade taxes.

In contrast, Becker (2013) suggests that under low audit probabilities and low penalties, the expected return to evasion is high. Dube (2014) suggests that the cost of increasing audits and penalty is a creation of further expenses which outweighs the taxes to be collected from the SMEs. Braithwaite (2013) concluded that increasing audits as a way of improving compliance will actually trigger aspects like underreporting and bribery between SMEs and tax officials.

2.5.2 Fiscal exchange

According to Cowell (2012) the provision of goods preferred by the citizens i.e. public services improves tax compliance. The fiscal exchange theory says that the government can take part in improving compliance amongst taxpayers by providing goods that are preferred by the citizens, government expenditure can motivate tax payers as they would be confident about the system. Cowell took note that compliance increases with (perceptions of) the availability of public goods and services. Accordingly, the main concern of taxpayers is what they get directly in return for their tax payments in the form of public services (*quid pro quo*). In this perspective, there is a contractual relationship between tax payer and the government through taxation and provision of public goods (Moore 2014). Individuals are motivated to

pay taxes once they feel the fairness and need for them to pay tax this satisfaction can only be found when the government provides goods and services such that taxpayers find the value of their monies through tax (Fjeldstad and Semboja 2013). The existence of positive benefits may increase the probability that taxpayers will comply voluntarily, without direct coercion.

However no matter how much public goods the government provides it is difficult for a taxpayer cannot assess the exact value of what they receive from the government in return for taxes paid, it can be argued that they have general impressions and attitudes concerning their own and others' terms of trade with the government (Richupan 2015). It is then reasonable beyond reasonable doubt that a taxpayer's behaviour is affected by his/her satisfaction or lack of satisfaction with his/her terms of trade with the government. Thus, if the system of taxes is perceived to be unjust, tax evasion may, at least partly, be considered as an attempt by the taxpayer to adjust his terms of trade with the government.

2.5.3 Social influences

In the social influence model, attitudes towards the tax system and compliance behaviour is perceived to be affected by the social norms and behaviour and of an individual's reference group (Snaveley 2015). The theory suggests that human behaviour with regards taxation is influenced by social interactions just as any other behaviour. An individual's reference groups such as relatives, friends and neighbours affect the attitude and behaviour of a particular tax payer with regards to compliance. Therefore, if a taxpayer socialises more with tax evaders the chances of that tax payer to evade too are very high.

On the other hand, social relationships may also act as help to deter tax payers from defaulting in the sense that they would fear the social sanctions imposed once they are discovered and revealed publicly. The theoretical research on herd behaviour in economic situations by (Banerjee 2012; Sah 2013) indicates that social influences may affect compliance, in particular by affecting the perceived probability of detection. One of the most consistent findings about taxpayer attitudes and behavior in Western countries is that those who report compliance believe that their peers and friends (and taxpayers in general) comply, whereas those who report cheating believe that others cheat (Yankelovich *et al.* 2014). Evidence suggests that perceptions about the honesty of others may affect compliance behaviour.

2.5.4 Comparative treatment

The comparative treatment model is based on equity theory and it proposes compliance can be improved when inequities in exchange relationship between government and taxpayers is addressed (McKerchar and Evans 2012). Citizens may not consider their relationship with the state in a vacuum where both parties are the only actors. Likewise, they may not think about their fellow citizens without considering their own relationship with the state. They may also consider how the state treats them relative to their fellow citizens. This judgment is likely to affect not only their judgment of the state, but also how they view their fellow citizens (D'Arcy 2013).

However if the state treats certain groups preferentially, this may colour the citizen's relationship with the state and the group receiving favours. A crucial variable is then not just what a person gets from the state, but what the person gets from the state (and how the state treats the person) relative to those who are in the person's wider national community.

2.5.5 Political legitimacy theory

According to Kirchler et al (2012) the application and the implementation of the political legitimacy theory of trust building between the government and the societal people. Finally, according to the political legitimacy theory, tax compliance is influenced by the extent that citizens trust their government (Fauvelle-Aymar 2014). Legitimacy could be described as belief or trust in the authorities, institutions, and social arrangements to be appropriate, proper, just and work for the common good. Political scientists have addressed how political legitimacy and civic identification are fostered. (Persson 2015) argues that African countries that upon independence emphasized building national over ethnic identity have been more successful than those who allowed ethnicity to become the main animus of politics.

2.6 Chapter Summary

The purpose of this chapter was to bring together one piece of information other scholarly information concerning the relationship between tax penalties and tax compliance. The researcher looked at how tax penalties affect tax compliance, determinants of tax compliance among SMEs, effective factors for improving compliance and why tax are ineffective. This guides the researcher on what to particularly look for within smallholder farmers in Hippo Valley Estates.

CHAPTER III

RESEARCH METHODOLOGY

This chapter investigated the tools and techniques for acquiring research data as well as its evaluation. It looked into aspects which assisted to inspect and answer the research questions so as to formulate conclusions. The investigation tools were sampling methods and techniques, research design and instruments, data collection methods including sources of field and desk research, data presentation procedures and analysis. This chapter examined the methods applied in data collection and analysis. This section was then concluded by a summary of the chapter.

3.1 Research design

Discriptive research design was used for this study. A research design according to Puja Mondal (2016) is a detailed plan or strategy of a research that illuminates on how the study is to be conducted and it assists to plan, structure and execute the research to maximize the validity of the findings. According to S McCombes (2019) suggests that a research design is in reality the framework within which the research is carried out by showing how all the major parts of the research project, the samples or groups, measures, treatments or programs and methods of assessment work together to try to address the central research questions. Crotch (2012) suggests that a research design is used to structure the research, showing the most important parts of the research under study, samples or target population, measures and methods of assigning work to answer research questions.

3.2 Descriptive research design

The 3 types of research designs include descriptive, casual and exploratory. Descriptive research is used to describe characteristics of a phenomenon being studied. Babbie (2013), states that descriptive research are studies which obtain clear understanding of the nature of existing situation as its being studied. This accorded the researcher a chance to employ different data collection techniques used since it provided an accurate description of the variables in the problem model. The descriptive research design was also utilized since the A2 Sugarcane farmers already knew and understood the underlying relationship of the problem. Nachimius et al (2012) concur that descriptive research is useful for explanatory

studies and are well suited for producing information about particular characteristics in a finite population. The researcher centered her study focus at A2 Sugarcane farmers in Hippo Valley Estates Chiredzi in the lowveld. Cooper and Schindler (2013) defined a case study as a detailed examination of a single institution, community, social group or a single action. The researcher used both primary and secondary data sources and the main research instruments used were interviews and questionnaires so as to poke into the respondents for more information.

3.3 Research method

3.3.1 Qualitative

Baer (2013) states that a qualitative research is concerned with establishing answers to the whys and hows of the phenomenon under investigation. It is subjective and findings are gathered in a written format as opposed to numerical. It is based upon philosophy of empiricism, follows an unstructured, flexible and open approach to enquiry. It aims to describe than measure, believes in in-depth understanding and small samples, and explores perceptions and feelings than facts and figures. Baer (2013) further argues that a qualitative method is less specific and precise, and do not have the same structural depth as quantitative methods, but it however focuses on specific issues like understanding, explaining, discovering and clarifying situations, perceptions, attitudes, values, beliefs and experiences of a group of people. A qualitative approach therefore subscribes to non-complex and non-numeric methods of researching.

This research provided room for interpretive and descriptive techniques which helped to interpret and describe the behaviour of people towards the impact of tax penalties on tax compliance levels among A2 Sugarcane farmers in Hippo Valley Estates Chiredzi. The researcher also analysed, interpreted and described observations. Specifically, the qualitative study design for this research was anchored with interviews, focus groups and observations. The qualitative method was therefore used because it well-matched the nature of the research and because of its advantages over the other option.

3.4 Target Population

Target population according to Ralphor (2012), refers to a certain group of population that share similar characteristics and is identified as the intended audience of the research. A population is a group of individuals, objects, or items from which samples are taken for measurement. Target population represents a theoretical population because of varying characteristics. Plossy (2014) on the other hand, defines a population as any group of individuals, organizations, social interactions and events. It is the interest group from where the information is to be obtained. We considered twelve workers from H.V.E Ltd Finance and Treasury departments equally distributed to represent the population under study. The target population consisted of stakeholders who have access to tax information of A2 farmers in Hippo Valley Limited and members of Sugarcane Farmers Association of Zimbabwe

3.4.1 Sampling

According to Hamed Taherdoost (2016) sampling is the selection of subset of individuals from the whole population to estimate the characteristics of the whole population under analysis. The selected sample should be a true representation of the total population. Hallsworth (2014) defines a sample as a subset of a population which is perfectly representative of the population from which it was taken. According to Jensen (2012) a sample should reflect the typical characteristics and main features of a population. When a sample is properly selected, what is true about it is also true about the population from which the sample was drawn.

3.4.2 Determination of Sample Size

The research used two sampling methods whereby the population is divided into two groups. From H.V.E Ltd finance department, the research chose 5 managers and 5 accountants from the Treasury department including the foreign currency clerk. These are the ones mainly involved in decision making and the provision of information for decision making. The research thus used stratified random sampling with proportional allocation. This ensured that all sections of the population were adequately represented.

The researcher used personal judgment to identify respondents to the research since not every person employed by Hippo Valley Estates Ltd has the knowhow of how tax penalties affect tax compliance levels among A2 sugarcane farmers. The population of this sample is

extracted from Hippo Valley Estates Ltd. The table below shows the population and the sample size.

Table 3.1 Target Population and Sample size

Respondents	Number of Respondents
Finance Director	1
Finance Operations Manager	1
Financial Planning Manager	1
Financial Planning Accountant	1
Operations Accountant	1
Mill Accountant	1
Agriculture Accountant	1
Graduate Trainees	2
Assistant Accountants	3
Total	12

3.5 Sources of data

Plot D.E (2015) defines data as the raw facts not yet processed by the researcher into usable information. It is from this data that the researcher draws conclusions for the research study. Data is divided into two categories namely primary and secondary data. In order to obtain data on the relationship between tax penalties and tax compliance issues among A2 farmers in Hippo Valley Estates Chiredzi two sources of data were used that is primary and secondary sources of data.

3.5.1 Primary data

During the research, primary data is data that is collected by a researcher from first-hand sources, using methods like surveys, interviews, or questionnaires. According to Driscoll & Brizee (2017) primary data refers to data collected at first hand either by the researcher to produce new knowledge, rather than to present the existing knowledge in a new form. Furthermore, Smeltch (2012) suggests that primary data collected by some other persons may become the secondary data for another. Primary data refers to data structures of variables that have been specifically collected and assembled for the current research problem. Corchon (2013) argues that information given or collected by individuals and groups also constitute

primary data. Primary data was essential to the study because it was considered to be original and less biased as the data was direct from the population and it aims on collecting data that is relevant for the study in question. The key point being that data collected is specifically for research. Until the research was published no one had access to the unique data. The primary data is original data especially for the research and the data collection methods are ideal for the study. The research included use of interviews and questionnaires to members of Zimbabwe Sugarcane Farmers Association at H.V.E Ltd. The cooperation of the members allowed for extraction of valuable data. We investigated the relationship between tax penalties and tax compliance issues among A2 farmers in Hippo Valley Estates Chiredzi. The data that was collected was up to date and the use of primary sources enabled the research to have a complete set of information on issues that the study seeks to find out.

3.5.2 Secondary data

Secondary data is data gathered from studies, surveys, or interviews that have been run by other people or for other research. It then is the systematic collection and evaluation of data to describe, explain and thereby understand actions and events that occurred sometime in the past. The data is obtained by researcher from published articles on the internet, journals or sites related to study conducted Ajayi (2017). Also Deere (2013) emphasized that the accuracy of data collected from journals is easy to verify because it is from a reputable source. The secondary sources may include government publications, published books and newspapers. This tool was readily available to the researcher, accessible, saves time and also reduces data gathering costs. The researcher spent less in terms of time and resources to gather the valuable information. The information obtained was used to clarify the research problem thereby giving sense of objective to researcher and saving time for primary data collection. The data that was used already existed and had been collected for other purposes. The research used the internet, newsletters, journals, statutory returns and financial reports of Hippo Valley Estates Ltd. Secondary data helped the research to have a basis and platform on which to extract objectives, the problem in reality and the solution thereof. It also enabled the researcher to obtain data at a relatively low cost since it was readily available.

3.6 Research instruments

Bogdan and Biklen (2014) suggests that research instruments refer to research tools used to collect data from the respondents. The research made use of both primary and secondary data. In an effort to improve reliability of this information, the research employed questionnaires,

conducted selected interviews, and analysis of the companies' financial operations. Using these different instruments also helped in enabling triangulation to take place. The methods of data collection to adopted were selected after a thorough consideration of audience location, the sample size and required amount of data, cost effectiveness, and accessibility as well as the required speed of data collection.

3.6.1 Questionnaires

A questionnaire comprises of a set of questions sent to a sample to be completed under supervision or at the respondents' time. The questionnaire had closed questions. Devans and Sandres (2015) defines a questionnaire as a general form to encompass all data collection techniques in which each person is asked to respond to the same set of questions in a predetermined order. The use of questionnaires reduced manipulated or corrupted responses since respondents gave a personal opinion without the researchers or other people's influence. The researcher used structured questionnaire as the main data collection instrument. Closed questions provide a more structured response for better recommendation, the researcher used the drop and pick method. Anonymity and privacy encouraged honest and unbiased responses. However, the production of questionnaires was costly. Secondary data was used to supplement the data received from questionnaires. Data on the relationship between tax penalties and tax compliance issues among A2 farmers in Hippo Valley Estates was collected using questionnaires which were designed with statements that the respondents were to respond to basing on the Likert scale which is a five point like scale, ranging from strongly agree to strongly disagree.. These responses were measured using means. The dependent variables included tax morale, profitability and productivity among SME sugarcane farmers. Secondary data was used from various reports of the organizations. Below is an illustrative diagram of the Likert Scale.

Table 3.2 The Likert Scale

Attitude	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Scale rating	5	4	3	2	1

(Source): Droczy (2013)

3.6.2 Structured Interviews

Interviews involved oral questioning of respondents either individually or as a group. They can be contacted face to face or over the telephone. The researcher interviewed employees at H.V.E Ltd in the Finance and Treasury departments by asking them questions pertaining to tax compliance issues among A2 farmers. According to Holborn (2012) interviews are face to face meetings between the interviewer and the interviewee. Interviews enabled the researcher the opportunity to have in depth discussions with respondents in regards to how derivatives have affected financial leverage and firm value and how it still continues to do so. Misunderstandings and misinterpretations were cleared out instantly. The study figured out important information from the respondents' incidental comments, voice tones, attitudes, reactions and gestures. The interview approach was adopted because it permits a higher degree of confidence in the respondents.

3.7 Information Validity and reliability

Pedros (2013) stated that validity reflects the extent to which an instrument measures the constructs under investigation. To make sure the questionnaires were completed the researcher hand delivered the questionnaires. Open ended questions were avoided where possible a comparison of the pilot test with the actual findings was done to assess reliability. There are three types of validity test which include content, criterion, and related construct validity. This study used content validity because it measured the degree to which the sample of the items represents the content that the test was designed to measure.

3.8 Chapter Summary

This chapter described the research methodology used in the study. It covered the research population, data collection techniques and data analysis techniques as well as covering the pros and cons of different methods of data collection and analysis. The next chapter focuses on the data presentation techniques, discussions and interpretations of findings.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter is a collection of presentations, interpretations and analysis of the research findings, it mainly focuses on the use of tables, descriptive summaries, graphs as well as pie charts. The discussions presented in this chapter constitute discussions from which conclusions and recommendations are to be based from. This chapter is a need so as to cater for the research questions as well as objectives highlighted in the first chapter and the literature in chapter two. The final goal here is so as to bring out the relationship between tax penalties and tax compliance issues among SMEs with particular attention being given to A2 sugarcane farmers in Hippo Valley Estates, Chiredzi. The suitability of the study will be taken into consideration when using analytical and data presentation techniques.

4.1 Response Rate

Shukla (2013) defined response rate also known as completion or return rate as the numerical relationship of the number of subjects that responded to the survey of the researcher divided by the total number of persons comprising the sample usually presented as a percentage. The higher the response rate, the more accurate the survey outcomes are. The response rate is a measure of confidence which can be put on the results of the study and also indicates the reliability of the findings of the survey (Pac 2014).

4.1.1 Questionnaires response rate

A total of twelve (12) questionnaires were provided to managers and accountants, out of which 10/12 (83.33%) were completed and returned to the researcher, and 2/12 (16.67%) were not returned. The survey response rate is summarized in Table 4.0, below:

Table 4.0 Response Rate - Questionnaires

Description	Targeted Population	Actual Respondents	Response Rate(%)
Finance Director	1	0	0%
Finance Operations Manager	1	0	0%
Financial Planning Manager	1	1	8.33%
Financial Planning Accountant	1	1	8.33%
Operations Accountant	1	1	8.33%
Mill Accountant	1	1	8.33%
Agriculture Accountant	1	1	8.33%
Graduate Trainees	2	2	16.67%
Assistant Accountants	3	3	25%
TOTAL	12	10	83.33%

10/12 (83.33%) of the questionnaires sent were filled in and returned, and only 2/12 (16.67%) failed to account. This means much of the target population took part in the study. Punch (2013) says a response rate of 50 percent is acceptable, 60 percent is fine, 70 percent is very fine and 80 percent above is excellent. The response rate of 83 per cent to the questionnaires was therefore adequate. Default in returning the questionnaires was just 2/12 (16.67 per cent). The findings obtained are in line with Kitambara (2013), who agrees that a good, relevant representative sample should be a 'mirror picture' of the selected population. The inference drawn from this is that the study findings are binding, as they reflect the views of the majority of the population sample chosen. The next port of call for the researcher is to examine how interview answers looked like.

4.1.2 Interviews response rate

For the four originally scheduled interviews, two were unsuccessful while two interviews were successfully conducted. This is a response rate of approximately 50 per cent (2/4). The interviews focused on the questions contained in the questionnaire in the first phase, while the second phase focused on the questions contained in the interview manual.

Response rate Table 4.1-Interviews

Description	Interviews arranged	Interviews conducted	Response Rate %
Finance Director	1	0	0%
Finance Planning Manager	1	1	25%
Financial Planning/Management Accountant	1	0	0%
Mill Accountant	1	1	25%
Total	4	2	50%

Fifty per cent (2/4) of the interviews arranged were successful. Fifty per cent (2/4) of the interviews arranged did not take place. This suggests that most of the interviews scheduled were performed. Given that majority rules, it is fair to assume that the data were obtained from an appropriate and accurate sample and can be assumed to be reflective of the total population. The demography of the participants will be enshrined next.

4.2 Presentation and analysis of data

4.2.1 Presentation of the respondents' demographic data.

The population from which the sample was selected consisted of individuals who are male or female. Twelve people, whose sexual orientation is listed below, were selected using stratified random sampling.

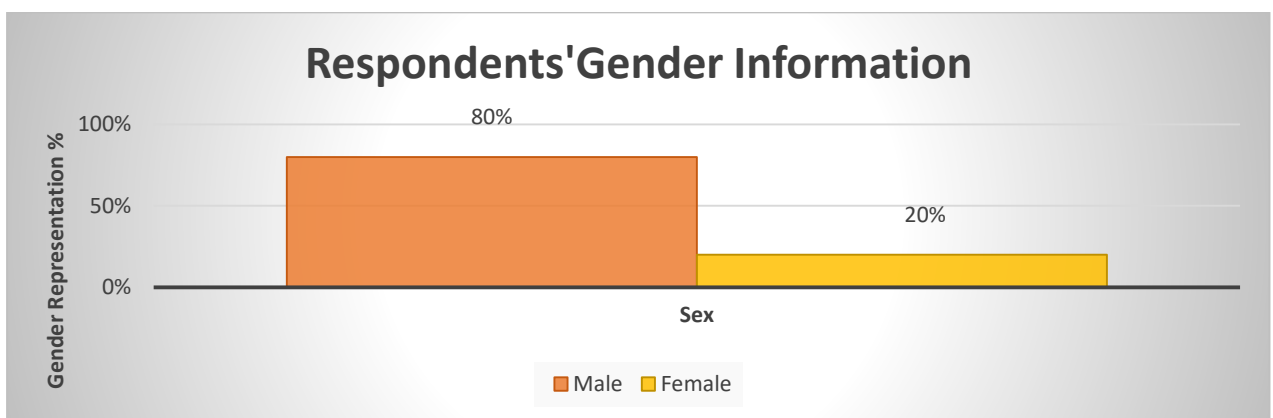


Figure 4.1 - The respondents' gender information.

The graph shows 8/10 (80 percent) male respondents, and 2/10 (20 percent) female respondents. Of those respondents, 5/10 (50%) are in top management roles and 5/10 (50%) are in middle and lower roles. That implies they can better understand the researcher's study thrust. The next segment deals with the experience of the respondents in their respective positions of employment.

4.2.2 The respondents' experience on current positions

The researcher is of the belief that experience plays a vital role in increasing one's knowledge base just as the old adage states "the best instructor is experience." The questionnaire asked a question about the length of each participant's stay in their respective roles at Hippo Valley Estates Limited, to decide how competent they are. The answers to the question are shown in Figure 4.3 below

DURATION AT HVE LTD ON CURRENT POSITION

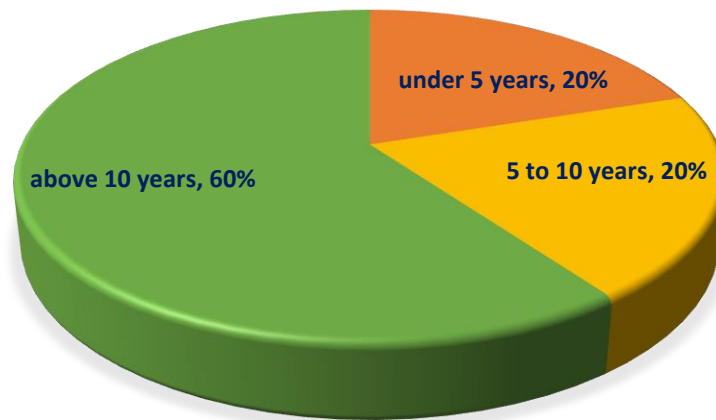


Figure 4.2 - Presentation of data on the respondents' experience on current positions

Results indicate that 2/10 (20%) have less than 5 years of experience in their current positions; 2/10 (20%) are between 5-10 years, and 6/10 (60%) are above 10 years. Much of the sample; 8/10 (80 percent) in their current employment have at least five years ' experience. This indicates that the researcher's results are accurate. There is no question as to their respective areas of know-how. They are supposed to be well-informed in their areas so as to provide useful data for the study. The next section deals with information about the level of education of the respondents.

4.2.3 Presentation of data on the respondents' level of education

The respondent's highest level of education has an effect on how academic gurus views and accepts a research particularly when it relates to a complex topic that requires an educated mind to understand it. The researcher took a keen interest in the selected sample 's academic exposure and threw a question to that effect. The responses to this are shown in figure 4.4 below

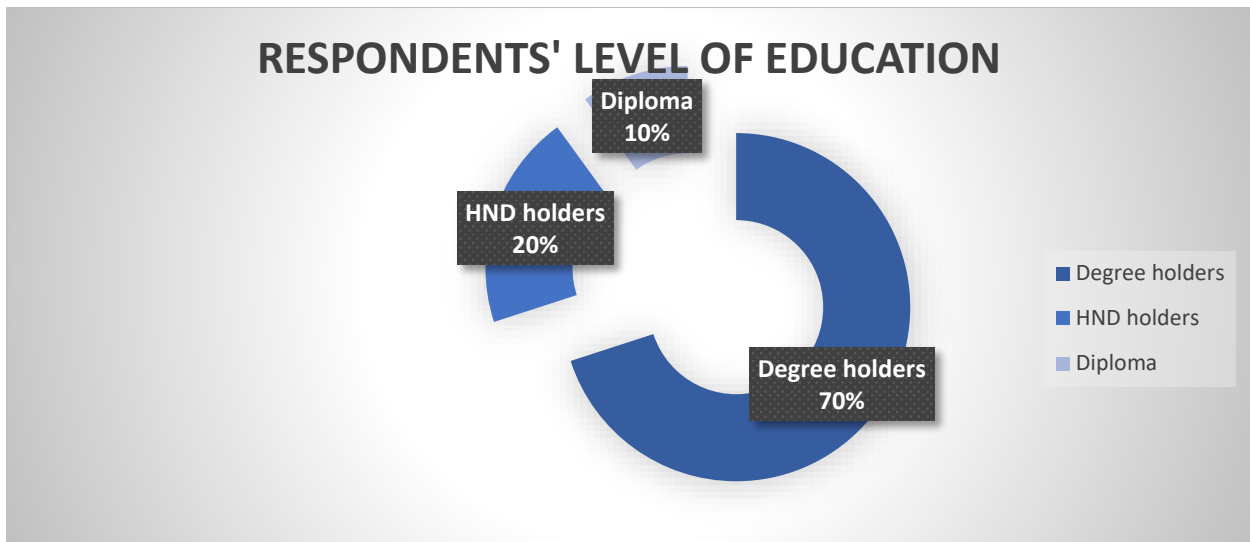


Figure 4.3: Respondents' Level of education

As seen in the pie chart above; 7/10 (70%) of the respondents hold a degree; 2/10 (20%) hold a higher national diploma while 1/10 (10%) hold a degree. All of the respondents are students from tertiary schools, most of whom are degree holders. This indicates the respondents are eligible to be in their respective positions. Their views also count as academic assertions. The next section addresses the core part of the questionnaire, which examines issues relating to the relationship between tax penalties and tax compliance among A2 farmers in Hippo Valley Estates, Chiredzi.

4.3 Presentation, interpretation and analysis of findings from questionnaires

The following are factors affecting the relationship between tax penalties and compliance among SMEs.

The researcher was aimed at examining the relationship between SMEs' tax penalties and tax compliance. Thus, the researcher posed a question of whether tax penalties and tax compliance are related. Respondents shared divergent views on the questions set out in figure 4.4 below.

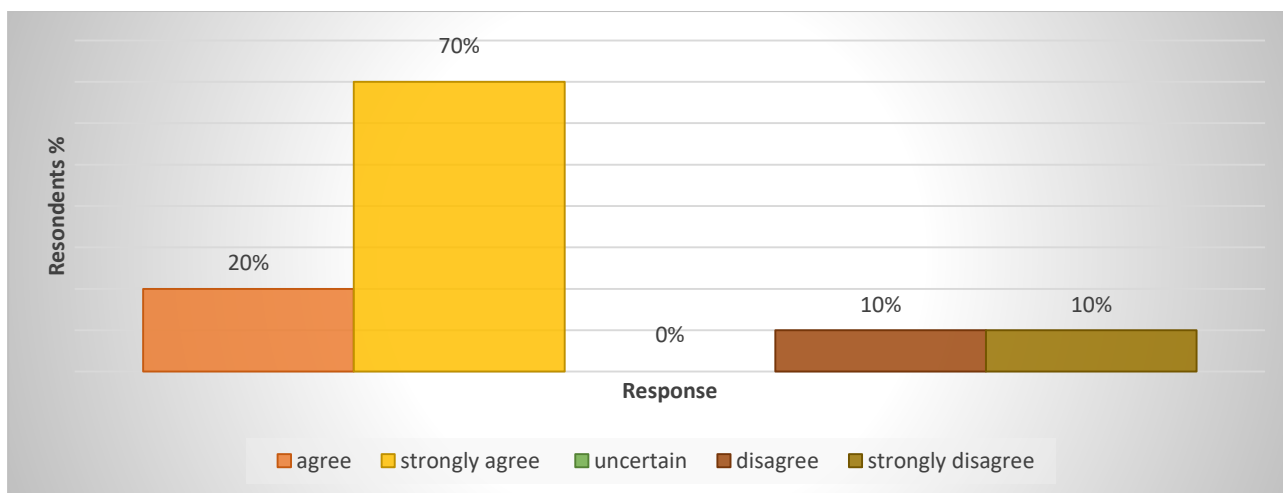


Figure 4.4: Relationship between tax penalties and tax compliance

From the diagrammatic illustration above, findings indicate that 7/10 (70 per cent) were strongly agreeing, 2/10 (20 per cent) agreed, 0/10 (0 per cent) were uncertain, 1/10 (10 per cent) disagreed and 0/10 (0 per cent) strongly disagreed with the possibility of a relationship between tax penalties and tax compliance. Overall 9/10 (90%) of the respondents felt that there was a relationship between tax penalties and tax compliance issues among SME sugarcane farmers in Hippo Valley Estates Chiredzi, while 1/10 (10%) of the respondents felt that there was no correlation between tax penalties and tax compliance issues among SME sugarcane farmers in Hippo Valley Estates. Results from the interviews show that 2/2 (100%) strongly agreed while 0/2 (0%) disagreed.

Based on observations, results and opinions shown above the researcher concludes that there is a relationship between tax penalties and tax compliance issues among SME sugarcane farmers. Therefore it is illogical for sugarcane farmers to commit persistent non-compliance actions because it results in extra exorbitant costs accruing to the entities, costs that do not produce any potential benefits for the entities, either monetary or non-monetary. This is supported by Ariel (2012), Hoffman et al (2014) and Hashmzade et al (2013) who are of the same view.

4.3.1 In Hippo Estates Chiredzi, the following are factors affecting the relationship between tax penalties and tax compliance among SMEs.

Question I: Is there any connection between profitability and tax compliance

This question seeks to evaluate the relationship between profitability and tax compliance among SME A2 farmers in Chiredzi ,Hippo Valley Estates. Below is a diagrammatic description of the respondents ' answers from the questionnaires provided by the researcher

Table 4.3 Profitability versus Tax Compliance

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	5	2	2	0	1	10

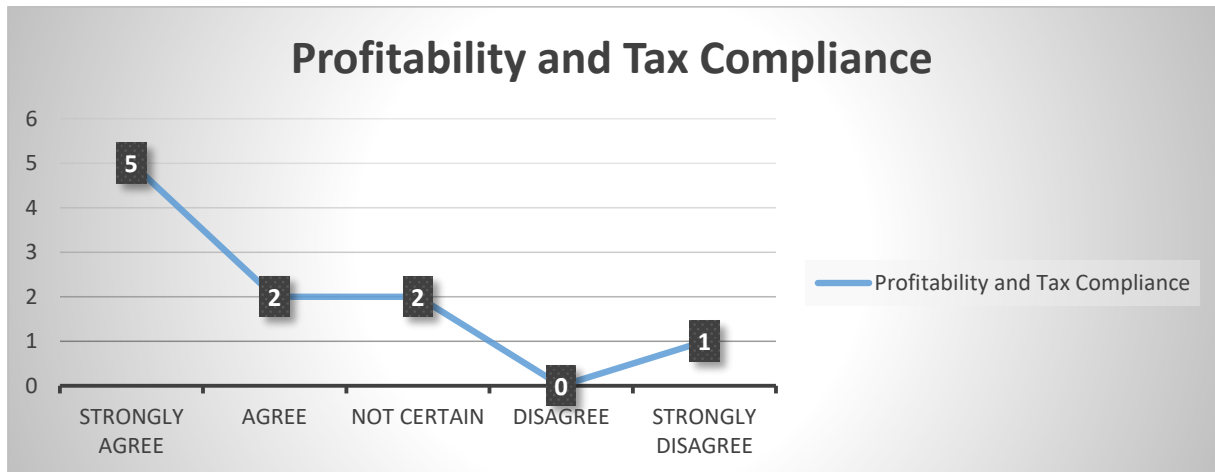


Fig 4.5:Relationship between profitability and tax compliance.

Figure 4.5 above shows different responses from 10 respondents, 5/10 (50 percent) strongly agreed that there is a positive relationship between profitability and tax compliance, 2/10 (20 percent) agreed that there is a positive relationship between profitability and tax compliance, and 2/10 (20 percent) were unsure whether or not there is a link between profitability and tax compliance. 0/10 (0 per cent) respondents disagreed while 1/10 (10 per cent) respondents disagreed strongly that there is a positive relationship between profitability and tax compliance. In summary, a modal class of 7/10 (70 percent) who agreed strongly and 20 percent who agreed that HVE Chiredzi has a positive relationship between profitability and tax enforcement among A2 sugarcane farmers. Ariel (2012), Hoffman et al (2014) and

Hashmzade et al (2013) argue that there is a direct link between the degree of profitability and tax compliance of small and medium-sized enterprises in that profitability enhances the willingness of taxpayers to fulfill obligations, thus motivating taxpayers to meet or meet their tax obligations in a timely manner in order to prevent additional penalty costs. Furthermore Marelli (2015) indicates that the more profitable a taxpayer becomes, the more readily involved their willingness to fulfil their obligation

On the other hand, 2/10 (20 percent) of the respondents were not sure of the relationship between compliance levels and profitability among sugarcane farmers at HVE Chiredzi. This may have been caused by the respondents' limited exposure to HVE and problems affecting farmers because they were graduate trainees who did not have perfect knowledge of how tax compliance among smallholder A2 sugarcane farmers in HVE Chiredzi is linked to profitability in the sugar industry. The notion of the respondents is supported by Namusonge et al (2014) who indicates that tax penalties affect tax compliance among SMEs, but there is no substantial evidence relating to the tax penalty system's relationship between profitability and tax compliance. Overall, 0/10 (0 percent) respondents disagreed and 1/10 (10 percent) respondents disagreed strongly with the fact that there is a relationship between profitability and tax compliance among A2 sugarcane farmers. It is most likely that the answer given by the respondents was due to their perception of human nature, which assumes that man always seeks to maximize even by unorthodox means, thus increasing profitability would also increase the temptation of non-compliance to maximize profits, though by unorthodox means. Gemel et al (2014) indicates that small and medium-sized enterprise profitability causes unethical actions resulting in non-compliance. The researcher finally concluded with a resounding response of 7/10(70 per cent) that there is a direct relationship between profitability and tax compliance among A2 sugarcane farmers in HVE Chiredzi.

Question.2: Is there a relationship between tax morale and tax compliance?

The purpose and pursuit of this question is to examine the relationship between tax morale and tax compliance issues among HVE sugarcane farmers. Below is a tabular analysis and a diagrammatic description of the results from the questionnaires given to the respondents at HVE.

Table 4.4 Tax Morale versus Tax Compliance

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	6	1	1	2	0	10
%	60%	10%	10%	20%	0%	100%

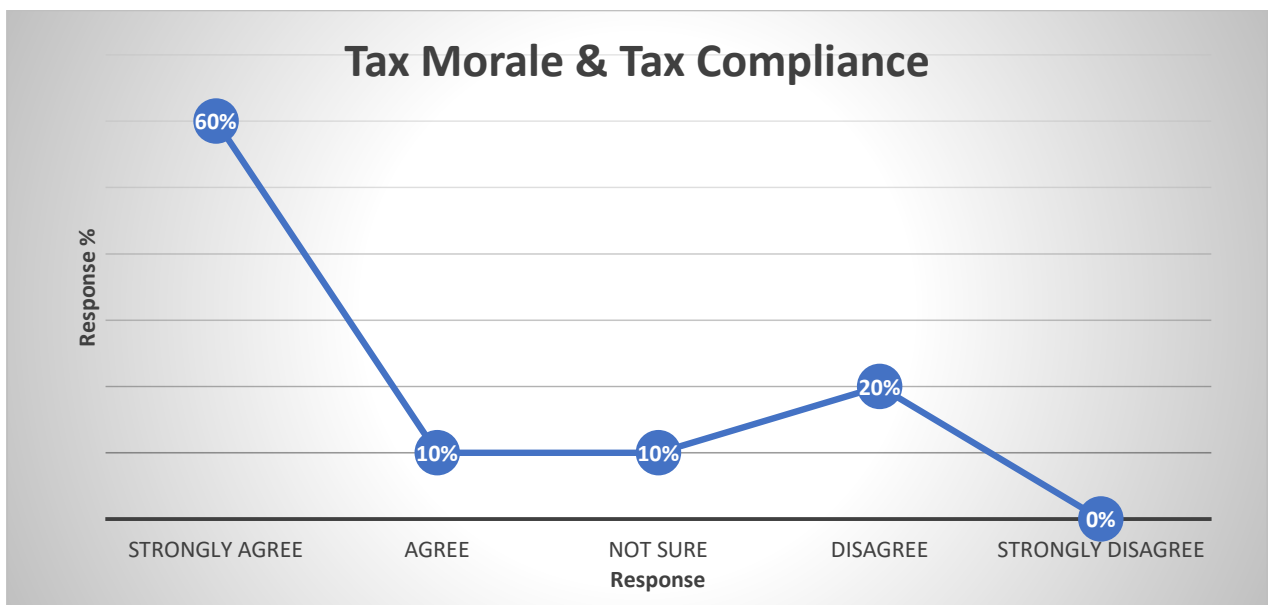


Fig 4.6: Relationship between tax morale and tax compliance.

Figure 4.6 above indicates divergent views reflected in the responses of 10 respondents, 6/10 (60 per cent) strongly agreed that there is a positive relationship between tax morale and tax compliance, 1/10 (10 per cent) agreed that there is a positive relationship between tax morale and tax compliance, and 1/10 (10 per cent) were unsure whether there is a relationship between tax morale and compliance or not. 2/10 (20%) respondents disagreed while 0/10 (0%) disagreed strongly with the positive relationship between tax morality and tax compliance. In summary an average number of 7/10 (70 percent) who agreed strongly and 10 percent who agreed that there is a positive relationship between tax morale and tax compliance among A2 sugarcane farmers. Hoffman et al (2014) suggests that SMEs have a

direct relationship between tax morale and tax compliance levels in the sense that taxpayers' morale is equivalent to taxpayers' willingness to comply with obligations, thus empowering taxpayers to comply with their tax obligations in a timely manner in order to avoid additional penalty costs. Furthermore, Hashmzade (2013) suggests that the higher the tax morale of a taxpayer, the more his willingness to fulfill his obligation, the lower the tax morale of the taxpayer can be because of the punitive nature of the tax penalties.

At the other hand, 1/10 (10 percent) of the respondents were not sure of the relationship between tax morale and tax compliance levels among HVE sugarcane farmers. This could have been caused by the respondents' limited exposure to HVE and problems affecting farmers as they were graduate trainees who had no perfect knowledge of how the tax morale of farmers in the sugar industry relates to tax compliance among smallholder A2 sugarcane farmers in HVE Chiredzi. The notion of the respondents is anchored by Dube (2014), who indicates that tax morale affects tax compliance among small and medium-sized enterprises, but there is no significant evidence of the relationship between tax morale and tax compliance with the tax penalty scheme. 2/10 (20%) respondents disagreed and 0/10 (10%) respondents strongly disagreed with the relationship between tax morality and tax compliance. The tax background of the respondents could have affected their responses to the relation between tax morale and tax compliance. Alm et al (2014) suggests that SMEs' tax morale is improving their tax compliance because they are more willing to pay taxes. The researcher finally concluded with a resounding response of 7/10(70 per cent) that there is a direct relationship between tax morale and tax compliance among A2 sugarcane farmers in HVE Chiredzi.

Question 3: Is there a relationship between productivity and tax compliance?

This question was designed to address the issue of the existence or non-existence of the relationship between productivity and tax compliance among A2 sugarcane farmers in the Chiredzi Hippo Valley Estates. Below is a tabular overview and diagrammatic description of the results from the questionnaires distributed at HVE in Chiredzi to the respondents.

Table 4.5 Responses on Relationship between productivity and tax compliance?

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	3	2	1	2	2	10
%	30%	20%	10%	20%	20%	100%

From table 4.2 above, 3/10 30 percent strongly agreed that there is a positive relationship between taxpayer productivity and tax compliance and 2/10 (20 per cent) also agreed on the same notion while 1/10 (10 per cent) respondents were unsure about the relationship between taxpayer productivity and tax compliance. 2/10 (20%) respondents disagreed and 2/10 (20%) respondents strongly disagreed that productivity and tax compliance are related. On average, the respondents' percentage response rate was 5/10 making a modal response of 50%. There is no substantive evidence for concluding either way. According to Drocy (2013), the productivity of taxpayers has no major effect on tax compliance. The levying tax penalty system rarely affects the productivity of A2 sugarcane farmers in HVE productivity, according to Chibwe (2015), who goes on to suggest it is mainly affected by many other factors

However, the respondents' 2/10(20%) disagreed while 2/10(20%) strongly disagreed that there is a positive relationship between efficiency and tax compliance. This means that 40 percent of respondents disagreed with a positive relationship between efficiency and tax compliance. Mouton (2015) and Kleven et al (2012) indicate that the scheme of tax penalties can often be inefficient in the long run, and can weaken the relationship between efficiency and tax compliance.

Question 4: Is there a relationship between Accountability and Transparency and Tax Compliance?

This question was intended to address the nature of the relationship between the degree of accountability of taxpayers and transparency and tax compliance among A2 sugarcane

farmers in the Chiredzi Hippo Valley Estates. Below is a tabular illustration and a diagrammatic illustration of the results from the questionnaires provided to the respondents at HVE.

Table 4.6 Responses on the relationship between Accountability and Transparency and Tax Compliance.

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	8	1	1	0	0	10
%	80%	10%	10%	0%	0%	100%

The table example above shows that 8/10 (80%) of the respondents strongly agreed that there is a positive relationship between accountability and accountability and tax compliance issues among A2 farmers in HVE Chiredzi and 1/10 (10%) agreed to the same notion. In addition, 1/10 (10 percent) were uncertain, 0/10 (0 percent) disagreed and 0/10 (0 percent) strongly disagreed that there is a positive relationship between accountability and transparency and tax compliance. On average, 90% of respondents (80% strongly agree and 10% believe) believe that there is a positive relationship between accountability and transparency versus tax compliance. SMEs that are well positioned ethically i.e. companies that practice integrity and transparency are more associated with tax compliance than non-compliance, according to Nexus (2012). Additionally, Drocy indicates that the relationship between corporate ethics and tax compliance is direct. Based on the agreement response rate of 90 per cent, therefore, the researcher concluded that there is a positive relationship between accountability and transparency and tax compliance.

On the other hand, none of the respondents disagreed with the idea that accountability and transparency and tax enforcement have a positive relationship. It is partly due to the fact that

most respondents are qualified accountants who respect professional ethical practice. An extraordinary response rate of 90 percent of respondents agreed that the tax penalty scheme prevents or decreases accountability and transparency among A2 smallholder farmers, which in effect decreases tax compliance among sugarcane farmers.

4.3.2 The following are challenges that affect SMEs in tax compliance.

Question 1: Does Tax Complexity affect Tax Compliance Issues among SMEs?

In an effort to confirm whether or not tax complexity is a challenge affecting tax compliance among A2 farmers at HVE Chiredzi, the researcher crafted this question. Below is a tabular summary of the raw data obtained from the respondents relating to tax complexity being a problem for SMEs in tax compliance matters.

Table 4.7 Tax Complexity versus Tax Compliance

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	5	4	0	0	1	10
%	50%	40%	0%	0%	10%	100%

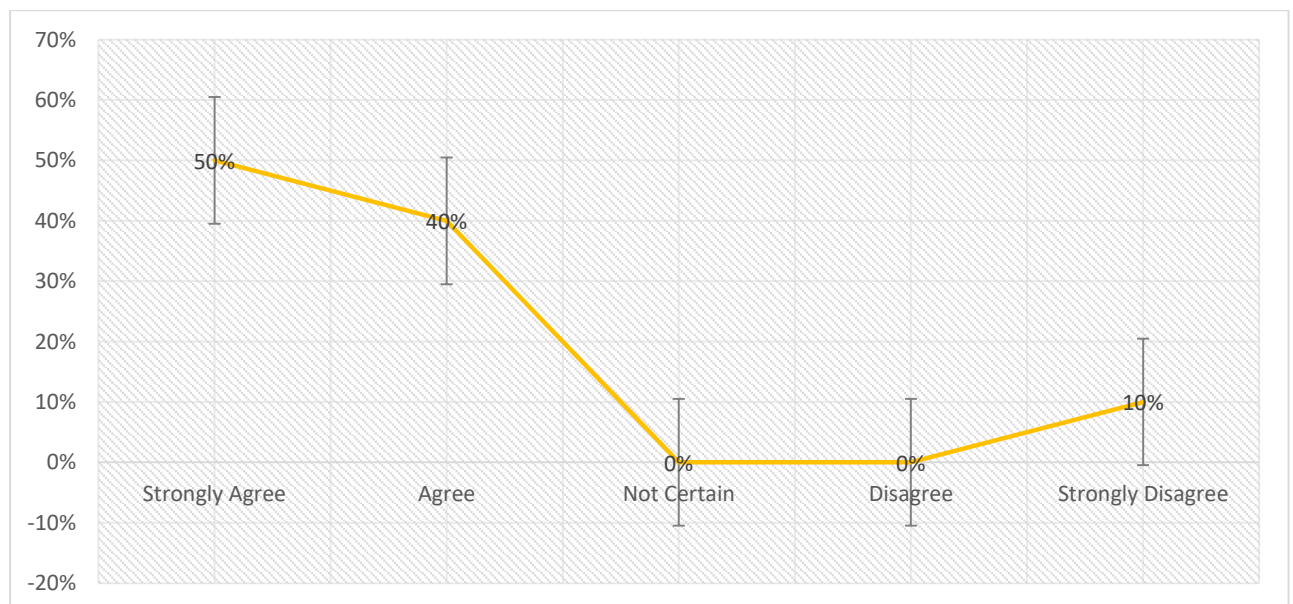


Figure 4.7: Effects of Tax Complexity on Tax Compliance Issues among SMEs.

Results from the above-mentioned tabular and diagrammatic examples of the raw data collected from questionnaires indicate that 5/10 50 percent of respondents strongly agreed that tax complexity is indeed a challenge faced by many sugarcane farmers in Hippo Valley Estates towards tax compliance, while 4/10 40 percent of respondents also agreed. In the same line 0/10 (10 percent) of respondents were unsure whether or not tax complexity hinders tax compliance for A2 sugarcane farmers. Nonetheless, 0/10 (0 percent) of respondents disagreed that tax complexity is a tax compliance obstacle for farmers while 1/10 (10 percent) of respondents strongly disagreed that tax complexity is a challenge for farmers in seeking tax compliance. These results indicate that 90 percent of respondents agree that tax complexity is a obstacle for HVE farmers in their pursuit of tax compliance since Musambiri (2013) more clearly indicates that tax complexity is similar to corruption because it snares and traps most taxpayers into unintentional non-compliance. In support of this view, Ojeka (2012) concluded that tax complexity promotes non-compliance and non-formalization of small and medium-sized enterprises which makes it difficult for tax officials to follow up on tax disparities.

At the other hand , the findings tabled above showed that 1/10 (10 per cent) of respondents did not find tax complexity to be a problem for HVE sugarcane farmers. This is supported by Dube (2014) who claims that SMEs are aware of their tax obligations and thus can not be cited as a justification for non-compliance. Mukhlis et al (2014) reported that small and medium-sized companies can consider their tax responsibilities because there is an element of fairness and tax advantages that can be measured in real terms. From the above results it can be concluded that tax complexity is a challenge in the process of fulfilling their tax obligations among A2 farmers at HVE Chiredzi. This is confirmed by the 90 per cent majority response rate that acknowledged tax complexity is a obstacle for small and medium-sized businesses in meeting their tax obligations.

Question 2: Do low levels of income among SMEs affect Tax Compliance?

In an effort to confirm whether or not low income levels are a challenge that affects tax compliance among A2 farmers at HVE Chiredzi, the researcher crafted this question. The main aim of this question is to assess the impact of low income levels on tax compliance issues among HVE sugarcane farmers . Below are the raw data obtained from the respondents concerning the impact of low income levels on tax compliance issues among Chiredzi SME farmers.

Table 4.8 Levels Of Income versus Tax Compliance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	4	4	0	1	1	10
%	40%	40%	0%	10%	10%	100%

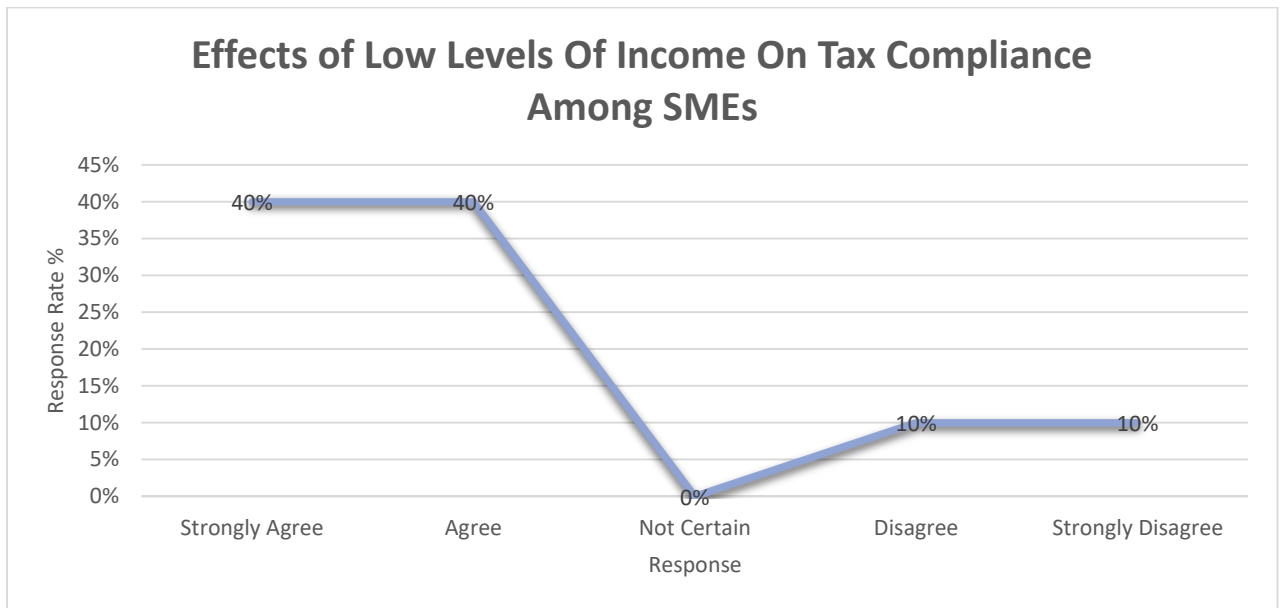


Fig 4.8 Effect of Low Levels of Income on Tax Compliance among SMEs

Results from the above tabular and diagrammatic illustrations of the raw data collected from questionnaires show that 4/10 40 per cent of respondents strongly agreed that low income levels for small and medium-sized sugarcane farmers in Hippo Valley Estates are a major setback to tax compliance, while 4/10 40 per cent of respondents also agreed to the same sentiments. On another note, the results show that 0/10 (0 percent) of the respondents were uncertain as to whether low income levels present a challenge to tax compliance among A2 sugar cane farmers. In a different note, 1/10 (10 per cent) of respondents disagreed that low income levels are a challenge for farmers in the process of tax compliance, while 1/10 (10 per cent) of respondents strongly disagreed that low income levels among small and medium-sized farmers are a challenge to tax compliance. These results indicate that , on average, 8/10

(80%) of respondents believe that low income levels among small and medium-sized farmers are a challenge to HVE farmers in their pursuit of tax compliance because Zivanai (2014) has shown that taxpayers in the lower income group tend to have a lower proportion of tax compliance because they tend to under-report their income by overstating their expenses.

On the other hand, the above results have shown that 2/10 (20 per cent) of respondents do not consider low income levels to be a challenge for A2 sugarcane farmers in HVE Chiredzi. Alabede (2013) suggests that small and medium-sized enterprises with low income levels can not be qualified as an excuse for non-compliance. The above results coincided with Ojeka and Ojochogwu (2012), who concluded that low income levels are not an excuse for non-compliance among small and medium-sized enterprises, but rather for non-compliance, which is the cause of continued low income levels, since small and medium-sized enterprises have spent a large part of their income paying tax penalties as a result of non-compliance. From the findings above, the researcher concluded that low income levels among small and medium-sized enterprises are a challenge to tax compliance. The conclusion of the researcher was prompted by a majority of 8/10 80 per cent who agreed that low income levels among small and medium-sized enterprises are a challenge to comply with tax.

Question 3: Does Tax Rate affect or hinder tax compliance among SMEs?

This question seeks to establish whether high tax rates are a hindrance to the tax compliance of small and medium-sized farmers in Hippo Valley Estates Chiredzi. Below is a table of information with raw data questionnaires distributed to the Hippo Valley Estates respondents.

Raw data

Table 4.9 Tax Rates versus Tax Compliance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	3	5	0	2	0	10
%	30%	50%	0%	20%	0%	100%

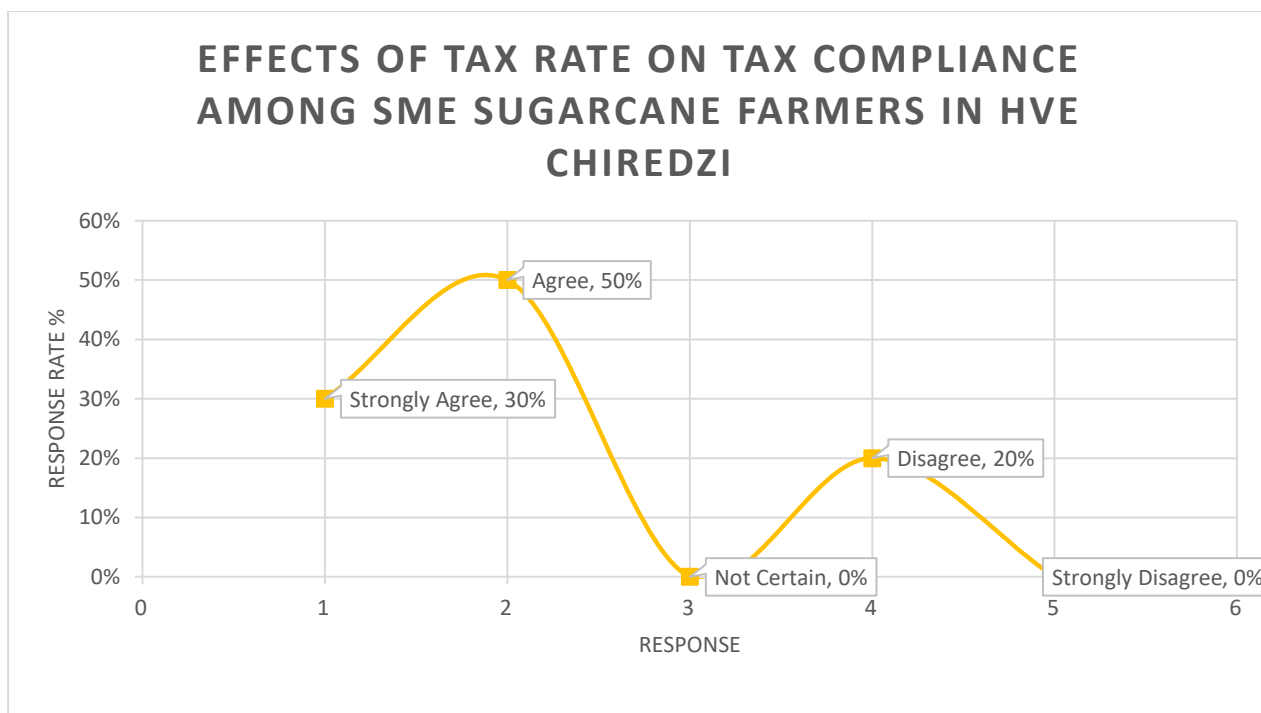


Figure 4.9 Effect of Tax Rate on Tax Compliance among Sugarcane Farmers in HVE Chiredzi

Results from the above tabular and diagrammatic illustrations of the raw data collected from questionnaires show that 3/10 30 per cent of respondents strongly agreed that high tax rates are indeed a challenge faced by many sugarcane farmers in the Hippo Valley Estates towards tax compliance, while 5/10 50 per cent of respondents also agreed to the same notion. On the same line 0/10 (0 per cent) of the respondents were not sure whether or not the tax rate was a challenge for the tax compliance of the A2 sugarcane farmers. However, 2/10 (20 per cent) of respondents disagreed that high tax rates are a challenge for farmers in the tax compliance process, while 0/10 (0 per cent) of respondents strongly disagreed that the tax rate is a challenge for farmers to pursue tax compliance. These results indicate that 80 % of respondents believe that the tax rate is a challenge for HVE farmers to be tax compliant because Musambiri (2013) suggests more bluntly that high tax rates are equivalent to corruption as they snare and trap most taxpayers into unintentional non-compliance. In support of this view, Ojeka (2012) concluded that high tax rates encourage the non-compliance of small and medium-sized enterprises, which makes it difficult for tax officials to follow up on tax differences.

On the other hand, the above results have shown that 1/10 (10 per cent) of respondents do not consider high tax rates to be a challenge for A2 sugarcane farmers in HVE Chiredzi. This is

justified by Dube (2014) which suggests that small and medium-sized enterprises are aware of their tax obligations and therefore the tax rate can not be cited as a reason for non-compliance. "Mukhlis et al (2014) have revealed that SMEs are able to understand their tax obligations when there is an aspect of fairness and tax benefits that can be reviewed in real terms. From the above results, it can be concluded that the tax rate is a challenge for farmers in HVE Chiredzi to meet their tax obligations. This is supported by a majority response rate of 80 per cent that agreed high tax rates are a challenge for small and medium-sized enterprises to meet their tax obligations.

Question 4: Does Inaccessibility of Tax Offices affect Tax Compliance among SMEs?

This question was structured in such a way as to assess whether the inaccessibility of tax offices is a challenge for small and medium-sized A2 farmers to comply with taxes. Below is a table of results from raw data collected from respondents through questionnaires.

Table 4.10 Accessibility of Tax Offices versus Tax Compliance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	2	2	0	4	2	10
%	20%	20%	0%	40%	20%	100%

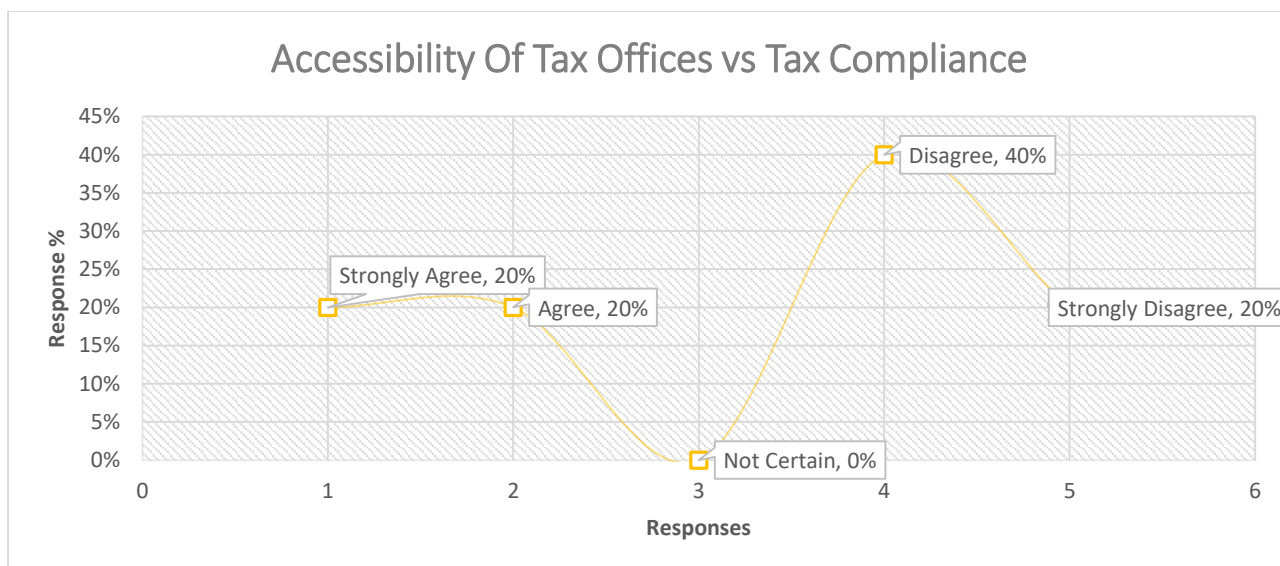


Figure 4.10: Effect of Accessibility of Tax Offices to Tax Compliance Among Sugarcane farmers in HVE Chiredzi.

Results from the above tabular and diagrammatic illustrations of the raw data collected from questionnaires show that 2/10 20 percent of the respondents strongly agreed that inaccessibility of tax offices is indeed a challenge that many sugarcane farmers in Hippo Valley Estates face towards tax compliance whilst 2/10 20 percent of the respondents also agreed to the same notion. In that same light 1/10 (10 percent) of the respondents were not certain whether or not inaccessibility of tax offices is a challenge among A2 sugarcane farmers in tax compliance. Nonetheless, 4/10 (40%) of respondents disagreed that the inaccessibility of tax office is a obstacle for farmers in the process of tax compliance, although 2/10 (20%) of respondents strongly disagreed that the inaccessibility of tax office is an obstacle for farmers to seek tax compliance. These findings indicate that 90 % of respondents agree that the inaccessibility of tax office is a obstacle for HVE farmers in their pursuit of tax compliance, while Ojeka (2012) indicates more bluntly that the inaccessibility of tax office is equal to corruption, because it snares and traps most taxpayers into unintended non-compliance. In support of this view, Ojeka (2012) concluded that the inaccessibility of tax office encourages non-compliance between small and medium-sized businesses, which makes it difficult for taxpayers to act on their tax differences.

At the other hand, the above findings have shown that 1/10 (10 per cent) of respondents do not find the inaccessibility of tax office to be a problem for A2 sugarcane farmers in HVE Chiredzi. This is supported by Dube (2014) which indicates that small and medium-sized enterprises are aware of their tax obligations and, thus, the inaccessibility of tax office can

not be cited as a justification for non-compliance. Mukhlis et al (2014) have reported that SMEs are able to recognize their tax responsibilities when there is an element of fairness and tax benefits that can be reviewed in real terms. From the above findings, it can be inferred that the inaccessibility of tax offices is a problem for A2 farmers in HVE Chiredzi in the process of fulfilling their tax obligations. This is backed by a majority response rate of 90%, which acknowledged that the inaccessibility of tax authorities is a obstacle for small and medium-sized businesses to fulfill their tax obligations.

4.3.3 The following are benefits of tax compliance among SMEs

Question 1: Does tax compliance among SMEs influence Public Governance Quality?

The purpose of this query is to determine whether the tax compliance of SMEs enhances or reduces the efficiency of public governance. Below is a tabular and diagrammatic description of the answers from questionnaires provided to Hippo Valley Estates Ltd respondents.

Table 4.11 Effects of Tax Compliance among SMEs on Public Governance Quality

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	3	1	0	4	2	10
Number of respondents	3	1	0	4	2	10
%	30%	10%	0%	40%	20%	100%

Results from the above table show that 3/10 (30 per cent) of respondents strongly agreed that increased tax compliance among A2 SME farmers enhances or improves the standard of public governance, while 1/10 (10 per cent) also agreed. 0/10 0 per cent of respondents were not sure whether increased tax compliance would improve the efficiency of good governance. At the same time, 4/10 (40%) of respondents disagreed and 2/10 (20%) strongly disagreed that tax compliance by small and medium-sized enterprises improves the standard of public governance. Overall, 4/10 (40%) of respondents agreed that improving tax compliance among small and medium-sized sugarcane farmers improves the standard of public governance. This is supported by Smeltch et al (2013) which indicates that taxpayers assume

that paying taxes is equivalent to an exchange deal with the government where expected taxes are charged in return for public goods and services that benefit taxpayers. Andrea (2013) also argues that compliance by small and medium-sized businesses will not increase the efficiency of public governance.

However, 6/10 60 per cent (2/10 strongly disagreed and 4/10 disagreed) disagreed that improved tax compliance among small and medium-sized sugarcane farmers in HVE Chiredzi results in improved public governance. The reason behind this response may be that the respondents strongly believed that public governance depends on a number of determinants, so that tax compliance among A2 farmers could hardly affect any improvement in the quality of public governance in a country. Dube (2014) supported the view that compliance among SMEs can not have a significant impact on the quality of public governance. From the data collected from questionnaires distributed to respondents, it can be inferred that improved tax compliance among small and medium-sized enterprises does not significantly benefit small and medium-sized farmers in HVE Chiredzi in the form of improved public governance. This is backed by 60 per cent, which is the highest frequency of those respondents who disagreed with the notion that the tax compliance of the SME sugarcane farmer increases the standard of public governance.

Question 2: Does Tax Compliance among SMEs yield Better Knowledge Of Financial Affairs?

The purpose of this query is to determine whether the tax compliance of small and medium-sized sugarcane farmers in the HVE improves the awareness of financial affairs among compliant SMEs sugarcane farmers. Below is a tabular overview of the answers from questionnaires given to Hippo Valley Estates Ltd respondents.

Table 4.12 Effect of Tax Compliance on Knowledge Of Financial Affairs

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	5	2	1	0	2	10
%	50%	20%	10%	0%	20%	100%

Results from the above table show that 5/10 (50%) of respondents strongly agreed that increased tax compliance among A2 farmers improves or enhances awareness of financial affairs, while 2/10 (20%) also agreed on the same principle. 1/10 10 % of respondents were not sure if improved tax compliance would increase their awareness of financial affairs. On the same note, 0/10 (0 per cent) of respondents disagreed, and 2/10 (20 per cent) strongly disagreed that tax compliance among small and medium-sized enterprises should boost awareness of financial affairs. Overall, 7/10 (70%) of respondents agreed that enhanced tax compliance among small and medium-sized sugarcane farmers would boost awareness of financial affairs. This is supported by Zivanai (2015) which suggests that tax-compliant taxpayers are getting more experienced on financial matters with time as they gain more knowledge on how to deal with tax issues. Droczy (2013) indicates that compliance by small and medium-sized businesses offers greater awareness of financial affairs.

Nonetheless, 2/10 20% (0/10 strongly disagreed and 2/10 disagree) disagreed that improved tax compliance among small and medium-sized sugarcane farmers in HVE Chiredzi resulted in improved knowledge of financial affairs. Respondents' non-exposure to tax remitting processes may be the key reason for their disagreement with the notion that tax compliance provides better awareness of financial affairs among the SME sugarcane farmer in HVE. Musambiri (2015) supported the view that tax compliance among small and medium-sized enterprises would boost their knowledge of financial affairs. From the data collected from questionnaires distributed to respondents, it can be concluded that improved tax compliance among small and medium-sized enterprises benefits small and medium-sized farmers in HVE Chiredzi in the form of improved knowledge of financial affairs. This is backed by 70%, which is the highest frequency of those respondents who agreed that tax compliance among small and medium-sized sugarcane farmers would improve their knowledge of financial affairs.

Question 3: Does Tax Compliance among sugarcane farmers yield Competitive Advantage?

The purpose of this question is to determine whether the tax compliance of small and medium-sized sugarcane farmers yields a competitive advantage among compliant SME sugarcane farmers. Below is a tabular overview of the answers from questionnaires given to Hippo Valley Estates Ltd respondents.

Table 4.13 Competitive Advantage and Tax Compliance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	7	1	0	1	1	10
%	70%	10%	0%	10%	10%	100%

Effect of Tax Compliance among Sugarcane farmers on Comparative Advantage

Results from the above tabular analysis of the raw data obtained from questionnaires indicate that 7/10 70 per cent of respondents strongly agreed that the tax compliance of small and medium-sized companies gives them a competitive advantage over other organizations, while 1/10 10 per cent of respondents also agreed to the same notion. 0/10 (10 per cent) of respondents were not sure if the tax compliance of small and medium-sized businesses gives them a competitive advantage. At the same hand, 1/10 (10 per cent) of respondents disagreed and 1/10 (10 per cent) strongly disagreed that the tax compliance of small and medium-sized companies gives them a competitive advantage over their rivals. On aggregate 8/10 (80%) of the respondents agreed to the notion that tax compliance among SME sugarcane farmers enhances their competitive advantage over other entities. Overall, 8/10 (80%) of the respondents agreed that tax compliance among small and medium-sized sugarcane farmers improves their competitive advantage over other entities. This is supported by Ojeka (2012) who indicates that, in order for small and medium-sized enterprises to remain competitive, they need to sustain a culture of tax compliance in order to avidly incur needless extras that reduce their financial leverage.

Nonetheless, 2/10 20% (1/10 strongly disagreed and 1/10 disagreed) disagreed that improved tax compliance among small and medium-sized sugarcane farmers in HVE Chiredzi results in improved awareness of financial affairs. Respondents' responses are undoubtedly due to lack of interest in company or income-generating programs on a small scale. Ojochugwu (2014) shared the view that the tax compliance of small and medium-sized businesses will not boost their competitive advantage. From the data collected from the questionnaires distributed to the respondents, it can be concluded that improved tax compliance among small and medium-sized enterprises benefits small and medium-sized farmers in HVE Chiredzi in the form of an

increased competitive advantage. It is backed by a modal class of 80 per cent of those respondents who agreed that the tax compliance of the SME sugarcane farmer results in the enhancement of their competitive advantage. According to the modal responses of 8/10 respondents who agreed that the researcher concluded that the tax compliance of the SME sugarcane farmers resulted in an increased competitive advantage.

Question 4: Does Tax Compliance among SMEs yields Marketability and Investment attraction?

This query seeks to assess whether the tax compliance of small and medium-sized sugarcane farmers in HVE Chiredzi results in improved marketability and investment attraction. Below is a tabular overview of the answers from questionnaires given to Hippo Valley Estates Ltd respondents.

Table 4.14 Investment Attraction versus Tax Compliance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	5	3	0	1	1	10
%	50%	30%	0%	10%	10%	100%

Of the 10 questionnaires completed, 5/10, 50 % of respondents strongly agreed that tax compliance among small and medium-sized enterprises would increase investment attraction and marketability among small and medium-sized sugarcane farmers, while 3/10, 30 % of respondents also agreed to the same notion. 0/10 (10 per cent) of respondents were not sure whether tax compliance among small and medium-sized enterprises would enhance their marketability and investment attraction. On the same note, 1/10 (10 per cent) of respondents disagreed and 1/10 (10 per cent) strongly disagreed that tax compliance among small and medium-sized enterprises improves their marketability and investment attraction over their competitors. Overall, 8/10 (80%) of respondents agreed that tax compliance among small and medium-sized sugarcane farmers enhances their marketability and investment attraction over other entities. This is supported by Ojochugwu (2014) who indicates that investors are easily drawn to morally sound firms and ethically sound

institutions, and thus tax-compliant firms are more attractive to potential investors due to their ability to meet their obligations on time and to maintain a record free of tax debt.

However, 2/10 20% (1/10 strongly disagreed and 1/10 disagreed) disagreed that improved tax compliance among small and medium-sized sugarcane farmers in HVE Chiredzi resulted in improved marketability and investment attraction. Lumumba et al (2014) supported the view that the tax compliance of small and medium-sized companies does not result in an increase in their marketability and investment attraction, as compliance may have an impact on the earnings of businesses, thereby discouraging potential investors. From the data collected from questionnaires distributed to respondents, it can be concluded that improved tax compliance among small and medium-sized enterprises benefits small and medium-sized farmers in HVE Chiredzi in the form of improved marketability and investment attraction over other entities. This is backed by a modal class of 80 per cent of those respondents who agreed that the tax compliance of the SME sugarcane farmer results in an increase in their marketability and investment attraction. According to the modal responses of 8/10 respondents who accepted that the researcher concluded that tax compliance among small and medium-sized sugarcane farmers has resulted in improved marketability and investment attraction.

4.3.4 Do the following methods help improve tax compliance among Sugarcane Farmers in HVE Chiredzi?

Question 1: Do Frequent Tax Audits Improve Tax Compliance among SMEs?

The goal of this query is to obtain information on whether the tax compliance of small and medium-sized A2 sugarcane farmers in HVE Chiredzi can be improved through frequent tax audits by tax officials. Below is a tabular representation of the responses from 10 respondents who are part of the HVE Ltd workforce.

Table 4.15 Tax Audits on Tax Compliance

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	4	1	1	2	2	10
%	40%	10%	10%	20%	20%	100%

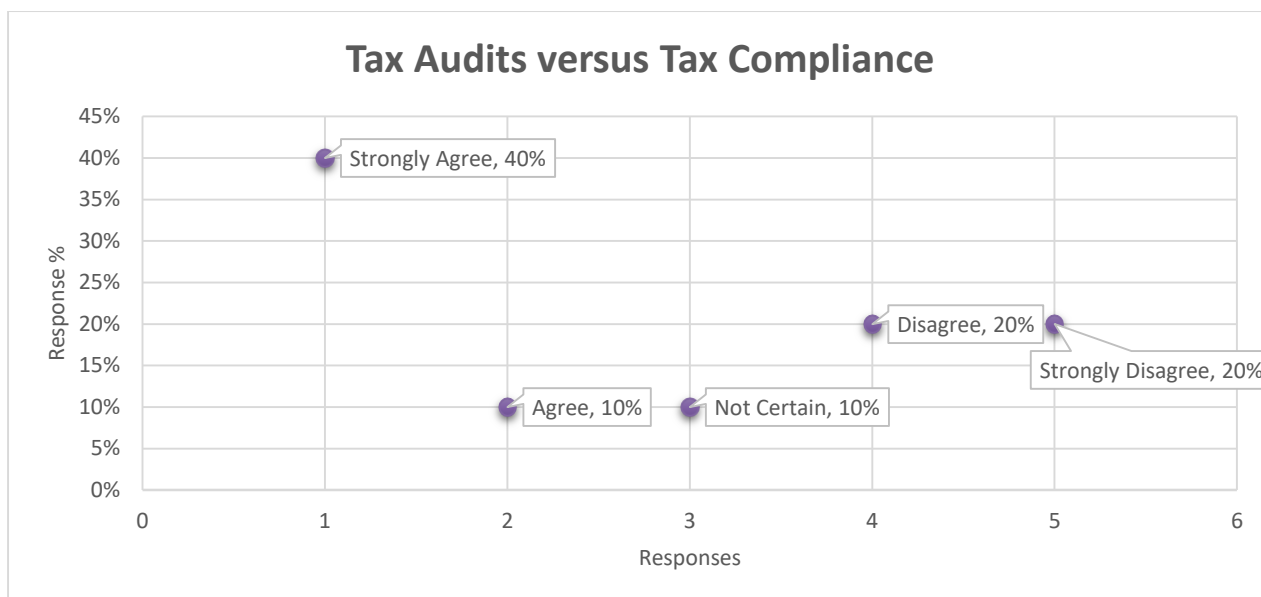


Figure 4.11: Effectiveness Of Tax Audits on Tax Compliance

Out of a total of 10 respondents, 4/10 (40%) of respondents strongly agreed and 1/10 (10%) of respondents agreed that the introduction of regular tax audits would increase the tax compliance of small and medium-sized A2 sugarcane farmers in HVE Chiredzi. 1/10 (10 per cent) respondents were not sure whether regular tax audits would boost tax compliance among SMEs. Divergently 4/10 (2/10 disagreed and 2/10 strongly disagreed) respondents disagreed that sometimes tax audits can be a viable way to boost tax compliance among small and medium-sized enterprises. A total of 5/10 (50%) respondents (4/10 strongly agreed and 1/10 agreed) agreed that company tax audits could be an effective tool for controlling, monitoring and improving tax compliance among SMEs. This is supported by Mukhlis et al (2014) which revealed that small and medium-sized enterprises are able to understand their tax obligations when there is an element of fairness and tax benefits that can be checked in real terms and therefore to enhance tax compliance it is up to the revenue authority to enforce tax compliance through tax audits.

On a different note, 1/10 (10 per cent) of respondents were not sure whether tax audits could boost tax compliance among small and medium-sized enterprises, while 4/10 40 per cent of respondents (2/10 disagreed and 2/10 strongly disagreed with the question. According to Dube (2014) Tax fines and penalties and tax audits are a function of Zimbabwe's tax system, but they have failed to root out tax non-compliance. From the findings obtained from the respondents, the researcher concluded that there is no substantial evidence to support the notion that tax audits are an effective way to improve the tax compliance of SMEs.

Question 2: Does Tax Education Help Improve Tax Compliance among SMEs?

The objective of the researchers was to gather information on whether tax education is a viable method of enhancing tax compliance. Below is a tabular summary of the raw data obtained from 10 respondents via questionnaires.

Table 4.16 Tax Education In Tax Compliance

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	2	2	0	4	2	10
%	20%	20%	0%	40%	20%	100%

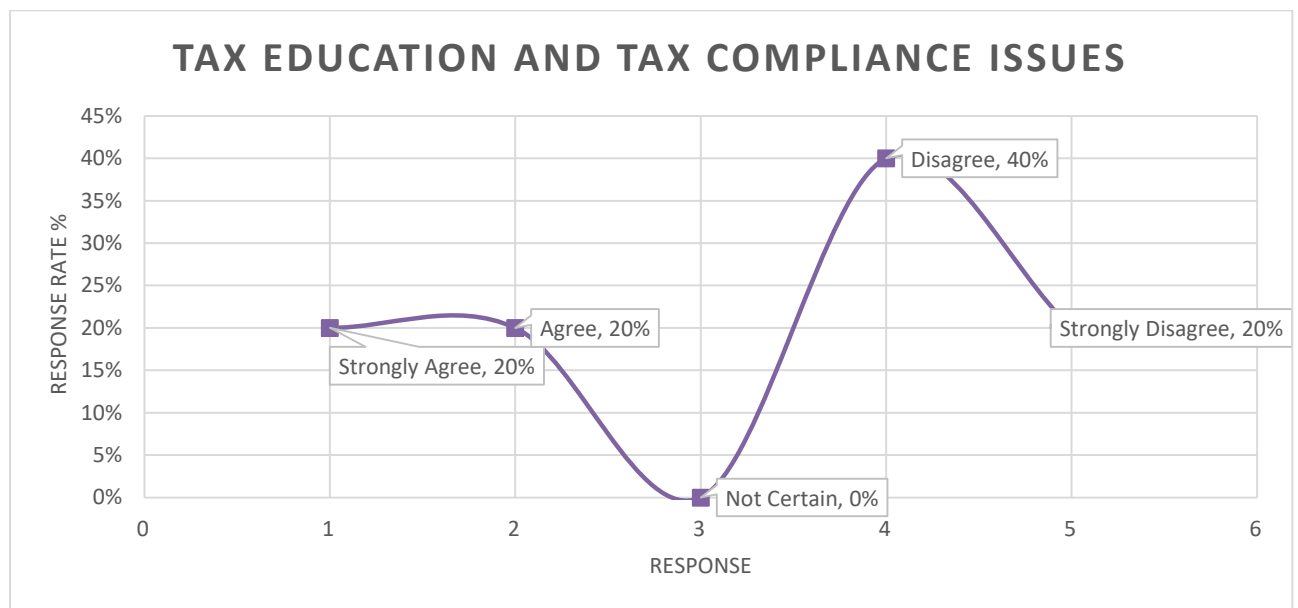


Fig 4.12: Effectiveness of Tax Education on Tax Compliance Issues among SMEs

Out of a total of 10 respondents, 2/10 (20 per cent) of respondents strongly agreed and 2/10 (20 per cent) of respondents agreed that tax education would boost the tax enforcement of small and medium-sized A2 sugarcane farmers in HVE Chiredzi. 0/10 (0%) respondents were not sure if tax education would boost tax compliance among small and medium-sized enterprises. Divergently 6/10 (4/10 disagreed and 2/10 strongly disagreed) respondents

disagreed that tax education could be a viable way to boost tax compliance among small and medium-sized enterprises. Overall, 4/10 (40%) of respondents (2/10 strongly agreed and 2/10 agreed) agreed that tax education could be an effective tool for improving tax compliance among SMEs. This is supported by Vazquez (2012) who suggests that SMEs are generally unaware of the need to comply with tax legislation and there is low risk of being detected in case of non compliance which will lead to unintentional non compliance.

On a different note, 0/10 (0 per cent) of respondents were not sure whether tax audits could boost tax compliance among small and medium-sized enterprises, while 6/10 60 per cent of respondents (4/10 disagreed and 2/10 strongly disagreed with the question. According to Zivanai (2014) tax education was a feature of Zimbabwe's tax system, but did not eliminate tax non-compliance to the degree that ZIMRA extended tax amnesty 2014 and 2015 but defaulters did not show up . From the results obtained from the respondents, the researcher concluded that tax education is not much of an effective tool among A2 sugarcane farmers in HVE Chiredzi to boost tax compliance among small and medium-sized A2 farmers in Chiredzi. It is backed by a 60% margin of people who disagreed with the tax education as an efficient way to boost tax compliance.

Question 3: Does Tax Amnesties and Tax Holidays Help Improve Tax Compliance among SMEs?

The purpose of this query is to obtain information on whether the tax compliance of small and medium-sized A2 sugarcane farmers in HVE Chiredzi can be strengthened by means of tax amnesties and tax holidays. Below is a tabular representation of the responses from 10 respondents who are part of the HVE Ltd workforce.

Table 4.17 Tax Amnesties on Tax Compliance Issues Among A2 Sugarcane Farmers

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Total
Number of respondents	3	1	2	1	3	10
%	30%	10%	20%	10%	30%	100%

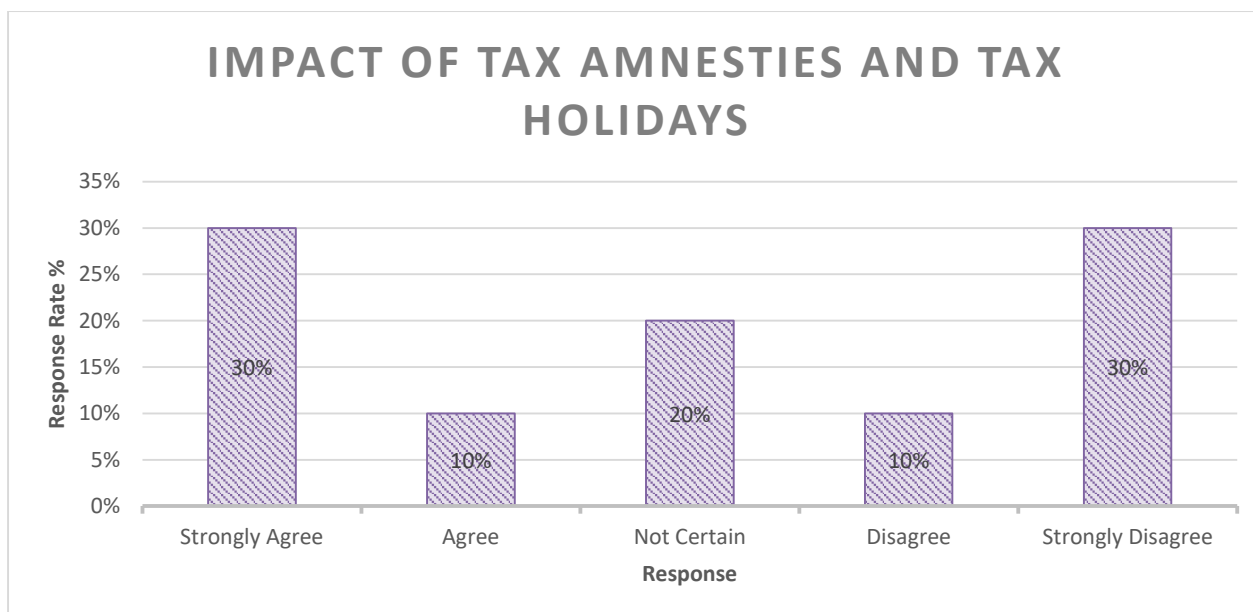


Figure 4.13: Effectiveness of Tax Amnesties and Tax Holidays in Improving Tax Compliance

Out of a total of 10 respondents, 3/10 (30 per cent) strongly agreed and 1/10 (10 per cent) agreed that tax education would boost tax compliance among small and medium-sized A2 sugarcane farmers in HVE Chiredzi. 2/10 (20%) respondents were not sure if tax education would boost tax enforcement among small and medium-sized enterprises. Divergently 4/10 (1/10 disagreed and 3/10 strongly disagreed) respondents disagreed that tax education could be a viable way to boost tax compliance among small and medium-sized enterprises. Overall, 4/10 (40%) of respondents (3/10 strongly agreed and 1/10 agreed) agreed that tax holidays could be an effective tool for improving tax compliance among SMEs

On a different note 2/10 (20%) of the respondents were not certain if tax holidays can enhance tax compliance among SMEs whereas 4/10 40% respondents (1/10 disagreed and 3/10 strongly disagreed) to the issue. According to Zivanai (2014) tax amnesty has been a feature of Zimbabwe's tax system but it has failed to stamp out tax non-compliance to the extent that throughout 2014 and 2015 ZIMRA extended tax amnesty to tax defaulters but few of them turned up. From the results acquired from respondents the researcher concluded that tax education is not that much of an effective tool among A2 sugarcane farmers in HVE Chiredzi in improving tax compliance among SME A2 farmers in Chiredzi.

Question 4: Does Comparative Treatment help Improve Tax Compliance Among Sugarcane Farmers in HVE Chiredzi?

The researcher's intention in raising this issue was to determine whether comparative treatment is an efficient method of improving tax compliance. The table below shows the divergent responses from the different HVE respondents.

Table 4.18 Effectiveness of Comparative Treatment in Improving Tax Compliance Among SME A2 Sugarcane Farmers in HVE Chiredzi

	Strongly agree	Agree	Not Certain	Disagree	Strongly disagree	Total
Number of respondents	2	1	0	3	4	10
%	20%	10%	0%	30%	40%	100%

S Fig 4.1 above shows different responses from 10 respondents, 2/10 (20 per cent) strongly agrees that comparative treatment is an effective tool for improving tax compliance among A2 SME sugarcane farmers in HVE Chiredzi, while 1/10 (10 per cent) agrees with the same notion. 0/10 (0 per cent) is not sure if comparative treatment is an effective method for enhancing tax compliance. 3/10 (30 per cent) respondents disagreed, whereas 4/10 (40 per cent) respondents strongly disagreed that comparative treatment is an important method to boost the tax compliance of small and medium-sized sugarcane farmers. A modal class of 7/10 (70 per cent) of 40 per cent who strongly disagreed and 30 per cent who disagreed dismissed the notion that comparative treatment is an efficient method for enhancing tax compliance. Hoffman et al (2014) argue that if the state treats other groups better, the relationship between the individual and the state and the benefiting community can be colored. The comparative treatment model is based on equity theory and suggests that resolving inequities in the trade relationship between government and taxpayers would result in increased compliance (McKerchar and Evans 2012).

From the other hand, 0/10 (20%) of the respondents were not certain of the impact of the comparative treatment model at tax enforcement among small and medium-sized sugarcane

farmers in HVE Chiredzi. It may have been caused by the minimal exposure of the respondents to HVE and issues affecting farmers because they were graduate trainees. The respondents' notion is validated by Drocy (2014) who indicates that a key aspect is not only what an individual gives to the state, but what the person gets from the state (and how the state treats the person) compared to others in the broader national population. By the end of the day, 3/10 (30 per cent) of respondents disagreed, and 4/10 (40 per cent) of respondents strongly disagreed with the view that the comparative treatment model is an important method for enhancing tax compliance. With a resounding response of 7/10 (70%) who disagreed with the researcher's finding, comparative care is not a successful method for improving compliance.

4.4 Interviews

4.4.0: Interview responses

Out of the four formal interviews scheduled for the Finance Director, Finance Planning Manager, Financial Planning / Management Accountant and Mill Accountant, the researcher was only able to perform two interviews, which amounted to 50%.

Question 1: What is the relationship between tax penalties and tax compliance issues among A2 Sugarcane farmers in HVE Chiredzi?

First Respondent

The first respondent was of the view that there is a negative relationship between tax penalties and the level of tax compliance between A2 sugarcane farmers in HVE Chiredzi. "The explanation being that tax fines cause taxpayers to indulge in unorthodox ways of reducing additional expenses by under-reporting or maintaining two sets of accounting records. The higher the tax fines, the lower the level of tax compliance among small and medium-sized sugarcane farmers in the HVE. The opinion of the first respondent is supported by Manyani (2013) who indicates that taxpayers are benefit maximizers and will thus use any opportunity available to increase their gains even by participating in non-tax-compliant activities.

Second Respondent

The second respondent agreed that there is a positive relationship between tax penalties and tax compliance issues amongst small and medium-sized A2 sugarcane farmers in HVE Chiredzi. "The interviewee strongly stressed that tax contributions are mandatory and unpaid and that taxpayers are legally obligated to make them, but can not receive any particular gain in return, such as a piece of public property or special care in a public hospital. The interviewee stated that taxpayers are in compliance because they are forced to do so would be wise and logical to apply tax penalties. The second interviewee concluded that there is a relationship between tax penalties and tax compliance between A2 sugarcane farmers in the HVE. This view is supported by Dube (2014) which suggests that tax penalties are effective in trapping small and medium-sized enterprises into tax compliance.

Question 2: What are the best practices in improving tax compliance among SMEs.

First Respondent

The first respondent pointed out that instead of tax penalties being used in isolation to strengthen the tax compliance of small and medium-sized businesses, there is a need for a holistic approach that can be applied in conjunction with the tax penalty program, such as tax audits. The interviewee indicated that tax audits are a valuable activity in the areas of enhancing tax compliance problems, as they continually increase taxpayers' awareness of their duty to meet their tax obligations consistently and transparently. Manyani (2013) indicates that small and medium-sized companies are likely to comply when the risk of detection and penalty is too unbearable for their financial muscles.

Second Respondent

The second respondent indicated that, while controversial, tax amnesties and tax holidays are an effective way to boost tax compliance among A2 sugarcane farmers in HVE Chiredzi. The second interviewee viewed the issue of tax compliance among small and medium-sized enterprises as requiring close scrutiny, since most A2 sugarcane farmers are low income earners who sometimes require a helping hand to align themselves with tax compliance. This is supported by Ojeka (2012) which indicates that small and medium-sized enterprises are typically trapped in heavy tax burdens arising from their periods of ignorance due to their lack of formalization and tax illiteracy.

4.4Chapter Summary

This chapter dealt with the presentation and interpretation of the findings of the study. The raw data obtained during the research was then analyzed and presented as useful information. Based on the results of the study, it has been noted that there is ample information from which conclusions and suggestions to be addressed in Chapter Five may be drawn. Chapter 5 will summarize the research study as a whole and the results of the research as well as the recommendations.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the summary of chapters, the major research findings, conclusion from study, recommendations and suggested areas for further research for users on other researches as well as to future researches on similar topics and the summary.

5.1 Major research findings

Research has shown that most SMEs are well aware of the full ramifications of non-tax compliance to tax obligations and are also well conscious of their responsibilities, but are stuck and trapped in non-compliance by a strong desire to retain their financial upkeep. Many A2 small and medium-sized sugarcane farmers seek to maintain their lavish lifestyles by non-compliance and informal deals.

Research has also shown that small and medium-sized A2 farmers in HVE Chiredzi are incentive-driven and therefore tax penalties are not an effective way to bring them into line with tax compliance. Most small and medium-sized A2 farmers in Chiredzi rely on subsidies from both the government and the HVE sugar production company thus have a dependence mindset in all their dealings.

5.2 Recommendations

With these research results , the researcher is keen to suggest that tax authorities need to carry out a thorough tax assessment and provide a sufficient audit service to help clients pay the correct tax at the right time and with reduced administrative and compliance costs to both the tax office and customers. A high likelihood of identification and effectiveness could therefore promote tax compliance and prohibit tax evasion.

In order to establish an effective tax administration, tax authorities need to improve themselves by educating and preparing their staff, by computerizing and promoting their

activities, and by devoting additional resources. Training should involve training in customer service and cross-functional training for employees. As a result, they will come up with a reasonable understanding of the entire structure of tax administration.

One set of responses is to enhance tax administration in order to promote the identification and effective prosecution of some forms of tax evasion. Another potential answer is to reinforce the penalties and to apply severely to tax invaders. Furthermore, there should be no advantages that the tax payer may receive because of their ability to escape tax liabilities, instead higher penalties should be placed in place for tax evasions detected.

Taxpayers prefer to escape tax to the degree that they believe that the tax office is ineffective and unable to enforce the rule. It actively hinders the compliance conduct of compliers and allows non-compliers to pursue tax evasion. The regional office must therefore be powerful enough to enforce tax law effectively and efficiently. Functions such as tax auditing, awareness creation and enforcement must be carried out effectively and efficiently so that taxpayers perceive It as powerful and strong . The branch office Is judged, Therefore, the propensity to evade tax on the by taxpayers due to the assumption that the branch office may not have the capacity to prosecute all crimes would be reduced.

The branch offices need to do a great deal to create a compliant attitude and perception among tax payers that could put self-assessment, self payment and compliance by tax payers to their maximum level into practice. Moreover, tax payers need to have a positive attitude towards the tax system and the tax rules , regulations and declarations that the branch office is responsible for implementing. Ideally, in order to improve tax compliance, governments must follow a systematic approach, beginning with the drafting of tax legislation, which is simple and clear to implement. In the light of changing social and economic conditions, the tax office will take a long-term, comprehensive look at their tax administration in order to assess how they can improve compliance and minimize the problems of tax non-compliance.

5.5 Areas of further study

A further study in this area is recommended to assess the relationship between tax penalties and tax compliance among small and medium-sized enterprises in the sugar industry and the

benefits and risks associated with tax compliance among small and medium-sized enterprises in the manufacturing sector , in particular the sugar industry, in relation to tax compliance.

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Appendices:

Appendix A

BINDURA UNIVERSITY OF SCIENCE EDUCATION



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

Interview Questions Schedule

The interview questions require your opinions, views and comments on the subject of the relationship between tax penalties and tax compliance among SMEs i.e. A2 sugarcane farmers in Chiredzi, Hippo Valley Estates. Your contributions to this academic research will be treated with the highest degree of confidentiality and used solely for academic purposes. Your co-operation is greatly appreciated.

Background Information (Optional)

- i. Name
- ii. Position held within the company.....

Background Information on Respondent

1. Level of Education

O Level

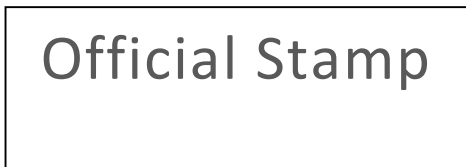
A Level

National Diploma

Higher National Diploma

Degree

Other (Specify).....



2. Duration with H.V.E Ltd

Under 5 years 5-10 years Above 10 years

Questions

What is the relationship between tax penalties and tax compliance issues among SMEs in Zimbabwe specifically sugar cane farmers in Hippo Valley Estates?

- 1. What are the effects of tax penalties on tax compliance levels among SMEs specifically A2 sugar cane farmers in Hippo Valley Estates?

2. What are the challenges faced by the SMEs in tax compliance in the sugar production industry?
3. What are the benefits of tax compliance among SMEs?
4. What are the best practices of improving tax compliance among SMEs or methods that can be implemented to improve tax compliance among SMEs.

Dear Respondent.

My name is B164594. I am conducting an academic research on **the relationship between tax penalties and tax compliance among SMEs specifically A2 farmers in Hippo Valley Estates, Chiredzi**. It is a requirement for the fulfilment of the Bachelor of Commerce Accounting Honours Degree at Bindura University. The Highest degree of confidentiality will be exercised on this information.

Kindly respond to the following statements by highlighting the extent to which you agree or disagree with the activities. Strongly Disagree {1} Disagree {2} Not sure {3} Agree {4} Strongly Agree {5}. Tick your choice.

The relationship between tax penalties and tax compliance among SMEs specifically A2 farmers in Hippo Valley Estates, Chiredzi.

	1	2	3	4	5
There is a positive relationship between tax penalties and tax compliance among SMEs specifically A2 sugar cane farmers in Hippo Valley Estates, Chiredzi.					
There is a negative relationship between tax penalties and tax compliance among SMEs specifically A2 sugar cane farmers in Hippo Valley Estates, Chiredzi.					
There is no relationship between tax penalties and tax compliance among SMEs specifically A2 sugar cane farmers in Hippo Valley Estates, Chiredzi.					

Challenges faced in tax compliance among SMEs i.e. sugar cane farmers in Hippo Valley Estates

	1	2	3	4	5
Tax Complexity					
Low Incomes					
High Tax Rates					
Inaccessibility Of Tax Offices					

Benefits of Tax Compliance

	1	2	3	4	5
Comparative Advantage					
Better Knowledge of Financial affairs					
Good reputation					
Improved Marketability and Investment Attraction					

Best practises of improving tax compliance among SMEs

	1	2	3	4	5
Tax Audits					
Tax Amnesty and Tax Holidays					
Tax Education					
Comparative Treatment					

