**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

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 **FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING**

**THE EFFECTS OF NON-COMPLIANCE TO TAXATION AND STATUTORY REGULATIONS ON COMPANY FINANCIAL PERFORMANCE: CASE OF SMALL TO MEDIUM ENTERPRISES (SMEs) IN HARARE, ZIMBABWE.**

**BY**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR A BACHELOR OF COMMERCE (HONOURS) DEGREE IN ACCOUNTING OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE**

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I, Rutendo Dozva, hereby declare that this dissertation is my own independent work which has not been submitted before for any degree or assessment at some other universities. It is being submitted to Bindura University of Science Education, in partial fulfilment of the provisions for the Bachelor of Commerce degree in Accounting. All figures and tables are mine except if plainly recognized as being sourced from different people. Acknowledgements have been made to the work of others were appropriate.

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# **Dedications**

I would like to thank the Almighty for his guidance and my entire family for their support.

# **Abstract**

*The research project focussed on assessing the influence of non-compliance to taxation and statutory regulations on the financial performance of Small to Medium Enterprises in Harare, Zimbabwe. The study found out that Zimbabwe still experiences over 60% non-compliance rates to taxation and statutory regulations. The research was centred on 3 main objectives; to determine the reasons for tax and statutory regulations non-compliance by SMEs in Harare, Zimbabwe, to assess the effects of taxation non-compliance on organizational financial performance in relation to SMEs in Zimbabwe and to identify alternative measures that can be implemented by regulatory authorities to reduce taxation and statutory regulations non-compliance. The study adopted a descriptive research design and the sample of the study was purposively selected from the targeted population. The researcher collected primary data using questionnaires and secondary data was obtained from published sources such as academic journals. The researcher presented, analysed and interpreted the information obtained from participants using bar graphs, tables and pie charts. The results of the study showed that, non-compliance is influenced by tax complexities, company size, lack of tax knowledge and liquidity crisis. The study also unpacked that due to non-compliance SMEs experience reduction in sales volumes, profits and might face prosecution charges. As a result, the study recommends alternative measures that can be implemented to ensure compliance; tax education, legal legislation and outsourcing consultants.*

#

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Table of Contents

[Release form ii](#_Toc137628143)

[Approval form iii](#_Toc137628144)

[Declaration Form iv](#_Toc137628145)

[Dedications v](#_Toc137628146)

[Abstract vi](#_Toc137628147)

[Acknowledgements vii](#_Toc137628148)

[List of figures xiii](#_Toc137628149)

[List of appendices xiv](#_Toc137628150)

[CHAPTER 1 1](#_Toc137628151)

[INTRODUCTION TO THE STUDY 1](#_Toc137628152)

[**1.0 Introduction** 1](#_Toc137628153)

[**1.1 Background of the Study** 1](#_Toc137628154)

[**1.2 Statement of Problem** 4](#_Toc137628155)

[**1.3 Objectives of the Study** 4](#_Toc137628156)

[**1.4 Research Questions** 4](#_Toc137628157)

[**1.5 Significance of the Study** 5](#_Toc137628158)

[**1.5.1 Bindura University of Science Education** 5](#_Toc137628159)

[**1.5.2 The Researcher** 5](#_Toc137628160)

[**1.5.3 Small to Medium Enterprises** 5](#_Toc137628161)

[**1.6 Limitations** 5](#_Toc137628162)

[**1.6.1 Confidentiality** 5](#_Toc137628163)

[**1.6.2 Time Constraint** 6](#_Toc137628164)

[**1.6.3 Financial Constraint** 6](#_Toc137628165)

[**1.7 Delimitations** 6](#_Toc137628166)

[**1.8 Research Assumptions** 6](#_Toc137628167)

[**1.9 Justification** 6](#_Toc137628168)

[**1.10 Chapter Summary** 7](#_Toc137628169)

[Chapter 2 8](#_Toc137628170)

[Literature review 8](#_Toc137628171)

[2.1 Introduction 8](#_Toc137628172)

[**2.2 Definition of Terms** 8](#_Toc137628173)

[**2.2.1 The Concept of Tax** 8](#_Toc137628174)

[**2.2.2 Categories of Taxes** 9](#_Toc137628175)

[**2.2.3 Types of Taxes** 9](#_Toc137628176)

[**2.2.3 Financial Performance** 11](#_Toc137628177)

[**2.2.4 Small to Medium Enterprises (SMEs)** 11](#_Toc137628178)

[**2.3 Principles of Taxation** 13](#_Toc137628179)

[**2.3.1 Neutrality** 13](#_Toc137628180)

[**2.3.2 Efficiency** 13](#_Toc137628181)

[**2.3.3 Certainty and Simplicity** 13](#_Toc137628182)

[**2.3.4 Flexibility** 14](#_Toc137628183)

[**2.3.5 Fairness and Effectiveness** 14](#_Toc137628184)

[**2.4 Conceptual Framework** 14](#_Toc137628185)

[**2.5 Theoretical Framework** 15](#_Toc137628186)

[**2.5.1 Classical Approach** 15](#_Toc137628187)

[**2.5.2 Behavioural Theory** 15](#_Toc137628188)

[**2.5.3 Fischer Theory of Tax Compliance** 16](#_Toc137628189)

[**2.6 Why Taxes Are Paid?** 17](#_Toc137628190)

[**2.7 Reasons for Non-compliance to Taxation by SMEs** 17](#_Toc137628191)

[**2.7.1 Tax Complexity** 17](#_Toc137628192)

[**2.7.2 Taxation Knowledge and Awareness** 18](#_Toc137628193)

[**2.7.3 Company Size** 19](#_Toc137628194)

[**2.8 Reasons of Non-compliance to Statutory Regulations** 19](#_Toc137628195)

[**2.8.1 Low Penalty Fees for Evasion** 19](#_Toc137628196)

[**2.8.2 Liquidity Crunch and Financial Crisis** 20](#_Toc137628197)

[**2.9 Effects of Non-compliance to Taxation on Financial Performance** 20](#_Toc137628198)

[**2.9.1 Reduction in Sales Volume** 20](#_Toc137628199)

[**2.9.2 Reduced Profit due to Penalty Fees** 21](#_Toc137628200)

[**2.10 Effects of Non-compliance to Statutory Regulations** 21](#_Toc137628201)

[**2.10.1 Bank Accounts Garnishment** 21](#_Toc137628202)

[**2.10.2 Prosecution** 22](#_Toc137628203)

[**2.11 Alternative Measures That Can Be Implemented to Improve Tax and Statutory Regulations Non-Compliance** 22](#_Toc137628204)

[**2.11.1 Automate Tax Payment Procedures** 22](#_Toc137628205)

[**2.11.2 Outsource Tax Consultants** 23](#_Toc137628206)

[**2.11.3 Implementing and Enforcing Legislation Internally** 23](#_Toc137628207)

[**2.11.4 Tax Education** 23](#_Toc137628208)

[**2.12 Empirical Evidence** 24](#_Toc137628209)

[**2.13 Chapter Summary** 25](#_Toc137628210)

[Chapter 3 26](#_Toc137628211)

[Research Methodology 26](#_Toc137628212)

[**3.1 Introduction** 26](#_Toc137628213)

[**3.2 Research Design** 26](#_Toc137628214)

[**3.2.1 Descriptive Research Design** 26](#_Toc137628215)

[**3.3 Research Targeted Population** 27](#_Toc137628216)

[**3.4 Sampling Technique** 27](#_Toc137628217)

[**3.5 Sample Size** 28](#_Toc137628218)

[**3.6 Data Collection Methods** 28](#_Toc137628219)

[**3.6.1 Primary Data** 28](#_Toc137628220)

[**3.6.2 Secondary Data** 28](#_Toc137628221)

[**3.7 Research Instruments** 29](#_Toc137628222)

[**3.7.1 Questionnaires** 29](#_Toc137628223)

[**3.7.2 Interviews** 30](#_Toc137628224)

[**3.7.3 Internet** 30](#_Toc137628225)

[**3.7.4 Online Newspapers** 30](#_Toc137628226)

[**3.7.5 Academic Journals** 30](#_Toc137628227)

[**3.8 Data Presentation and Analysis** 31](#_Toc137628228)

[**3.9 Ethical Consideration** 31](#_Toc137628229)

[**3.10 Data Reliability and Validity** 31](#_Toc137628230)

[**3.11 Chapter Summary** 32](#_Toc137628231)

[CHAPTER 4 33](#_Toc137628232)

[DATA ANALYSIS AND PRESENTATION 33](#_Toc137628233)

[**4.0 Introduction** 33](#_Toc137628234)

[**4.1 Response Rate** 33](#_Toc137628235)

[**4.2 Data Presentation and Analysis** 34](#_Toc137628236)

[**4.3 Demographics** 34](#_Toc137628237)

[**4.3.1 Gender** 34](#_Toc137628238)

[**4.3.2 Work Experience** 35](#_Toc137628239)

[**4.3.3 Educational Profile** 35](#_Toc137628240)

[**4.4 Meaning of Tax and Statutory Regulations** 36](#_Toc137628241)

[**4.5 Tax and Statutory Requirements** 37](#_Toc137628242)

[**4.6 Reasons for Taxation and Statutory Regulations by SMEs in Zimbabwe.** 38](#_Toc137628243)

[**4.6.1 Tax Complexity** 39](#_Toc137628244)

[**4.6.2 Tax Knowledge** 39](#_Toc137628245)

[**4.6.3 Company Size** 39](#_Toc137628246)

[**4.6.4 Low Penalties** 40](#_Toc137628247)

[**4.7 Effects of Non-Compliance to Taxation and Statutory Regulations on Financial Performance of SMEs.** 40](#_Toc137628248)

[**4.8 Measures to Improve Taxation and Statutory Regulations Compliance** 42](#_Toc137628249)

[**4.9 Chapter Summary** 43](#_Toc137628250)

[CHAPTER 5 44](#_Toc137628251)

[SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS 44](#_Toc137628252)

[**5.0 Introduction** 44](#_Toc137628253)

[**5.1 Summary of Major Findings** 44](#_Toc137628254)

[**5.1.1 Reasons for Non-compliance by SMEs** 44](#_Toc137628255)

[**5.1.2 Effects of Non-compliance on Financial Performance** 45](#_Toc137628256)

[**5.1.3 Alternative Measures of Promoting Compliance within SMEs in Zimbabwe** 46](#_Toc137628257)

[**5.2 Conclusions** 46](#_Toc137628258)

[**5.3 Recommendations** 47](#_Toc137628259)

[**5.4 Future Research Areas** 47](#_Toc137628260)

[References 48](#_Toc137628261)

**List of tables**

|  |  |  |
| --- | --- | --- |
| **Table**  | **Title**  | **Page**  |
| 1.1 | Non-Compliance Rates | 24 |
| 2.1 | Evasion Empirical Evidence | 33 |
|  |  |  |

# **List of figures**

|  |  |  |
| --- | --- | --- |
| **Figure**  | **Tittle**  | **Page**  |
| 2.4 | Conceptual Framework | 14 |
| 4.3.1 | Gender Analysis  | 34 |
| 4.3.2 | Work Experience | 35 |
| 4.3.3 | Educational Profile | 36 |
| 4.4 | Meaning of Taxation and Statutory Regulations | 37 |
| 4.5 | Tax and Statutory Requirements | 38 |
| 4.6 | Reasons for Non-Compliance | 38 |
| 4.7 | Effects of Non-Compliance | 41 |
| 4.8 | Measures to Improve Compliance | 42 |

# **List of appendices**

[APPENDIX 1: INTRODUCTION LETTER 51](#_Toc137625173)

[APPENDIX 2: QUESTIONNAIRE 52](#_Toc137625174)

List of acronyms

BUSE Bindura University of Science Education

ZIMRA Zimbabwe Revenue Authority

SMEs Small Medium Enterprises

VAT Value Added Tax

NSSA National Social Security Agency

# **CHAPTER 1**

**INTRODUCTION TO THE STUDY**

**1.0 Introduction**

The present study explores the effects of non-compliance to tax requirements and statutory regulations on organizational financial performance. This chapter of the research under study deliberates on the introduction to the study, background of the study, statement of the problem, research objectives and research questions. The researcher further explains the delimitations of the study, limitations and significance of the study.

**1.1 Background of the Study**

Research has shown that Small to Medium Enterprises (SMEs) are recognized globally as the backbone for economies through; wealth generation, innovation and economic advancement. SMEs have a high tax non-compliance rate which hinders the development they bring to the country and in the long run affects their financial performance (Dlamini, 2017). According to Vadde (2014) taxation has been one of the most crucial and critical source of revenue for the government; be it in developing or developed economies. The integrated consumption of the general public services and goods which include; structural infrastructure, internet and technology services, electricity, water supply and road networks calls for entrusting the generated revenues into the hands of the country’ official government authorities (Besley and Persson, 2013).

According to the findings and submissions of Mawia and Nzomoi (2013) taxation drives consumption patterns of the general public and also regulate the economic activities as it influences vital aggregate economic variables which include; prices of goods and services, employment and income**.** Allingham and Sandmo, (2017) suggest that for governments in different countries to achieve their stated and expected general obligations it is critical to design, develop and implement policies that allows and ensures effectiveness and efficiency in tax collection through deterrence of non-compliance. To experience sustainability and have positive outcomes, government authorities should ethically address all economic and non-economic factors that directly or indirectly contribute to taxation non-compliance.

Taxation is mainly objective to generate revenues that are instrumental for government authorities to provide development funds for projects and initiatives that sustains the economy and creates better standards for the general public (Garrett and Mitchell, 2001). It is crucial for the government to intervene in the provision of goods and services and to ensure this is done ethically and sustainably done; the general public and companies must pay their taxes (Ayuba, Saad and Ariffin, 2016). However, the most challenging and threatening issue of this method of financing governments is tax avoidance and evasion (Besley and Persson, 2013). In international communities, tax evasion is an issue of concern and efforts to finance recurrent expenditures is bein facilitated by different countries throughmobilization of domestic revenue.According to Osebe, (2013) regardless of time and place, tax authorities have a great common challenge which is finding ways for taxpayers to comply with the expected and required taxation regulations. However, countries in developing countries are most threatened by this problem. Reports have published that, although some of the developing countries have relatively higher tax compliance levels which adds u/m p to 35%, it is worrisome to note that most African countries have recorded less than 23% tax compliance level (GIZ, 2010).

Hashimzade et al (2012) ascertains that in Sub-Saharan Africa there is behaviour of tax non-compliance by both large businesses, SMEs and the informal sector. According to Olusegun (2021) multinationals operating in Nigeria and other countries in Sub-Saharan African have developed tax evasion strategies and this has also influenced growing companies to evade and not comply to the statutory requirements. SMEs in Nigeria account for 96% of business enterprises and they contribute immensely to National GDP however, the same SMEs account for increasing the level of tax evasion in Nigeria (Aladejebi, 2018). The research findings by Pepra (2022) notes that in Ghana using data collected on 485 small businesses, the study finds out that most of these small businesses under pay their tax obligations and most of them bribe the tax regulators for them not to pay their expected percentage rates. Because of these corruptible activities a number of small companies have been sued and lost profits and some even closed down and downsized because their profits were drained by the courts and regulatory authorities.

In Zimbabwe reports show that most companies are evading their tax requirements and less than 30% of the SMEs are complying with taxation and statutory requirements in Zimbabwe (ZIMRA 2021). A report by the Independent Zimbabwe (2021) states that statistics gathered from ZIMRA showed that the tax compliance rate dropped by 37% following the introduction of the new regulations. The Herald Zimbabwe (2020) reported that Piko Trading was fined $2 512 149. 80 by ZIMRA due to tax non-compliance and evasion. According to a report by Mail and Guardian (2020) a Swiss Company (AAB) operating in Zimbabwe dodged tax payments and the ZIMRA authority claimed the company to pay US$13.4 million with a fine of US$4.1million for falsely claiming that all the contracts in Zimbabwe were cancelled.

According to Nyoni (2020) Zimbabwe is experiencing a low tax compliance rate due to perverse bribery as business organizations and business people opt to pay bribes because the costs of compliance is too high, especially to growing companies. A research study conducted by World Bank Enterprise Survey (2019) on 50 businesses in Zimbabwe in the retail sector in SMEs revealed that SMEs evade taxation compliance by engaging in corruptible activities such as temporary closure, having two separate books of accounts and paying bribes. The research further states that, considering that the Zimbabwean market is unstable, when fined these SMEs loose finances and this stifled the financial performance of most companies in Zimbabwe. The following table shows the information relating to tax compliance rates in recent years by SMEs in Harare, Zimbabwe. This is calculated based on the revenues generated as a proportion to the amount that taxpayers owe to the respected authorities.

|  |  |
| --- | --- |
| **Years**  | **Debt to Revenue Ratio (%)** |
| 2020 | 4.67% |
| 2021 | 7.17% |

**Source: ZIMRA Annual Report (2021)**

Boosting tax compliance in Zimbabwe is a major issue because tax non-compliance greatly affects the financial statements of every registered business organization (Farrar et al, 2017). It is against the above background that the researcher was motivated and prompted to conduct this study. In a speech quoted in the Newsday (2021) the acting commissioner (Regina Chinamasa) of ZIMRA revealed that the debt to revenue ratio increased from 4.76% as at 31 December 2020 to 7.17% as at 31 December 2021, a reflection that companies are not paying their taxes. The ZIMRA authorities gave penalties to all the companies that are not complying and for SMEs these fines and penalties have a negative bearing on their generated revenues and profits. The researcher therefore, note that, the impact of tax non-compliance and statutory requirements evasions cannot be underestimated because of the related macro and micro-economic costs.

**1.2 Statement of Problem**

Zimbabwe continue to experience over 60% non-compliance rate to taxation from 2019-2022, regardless of the fact that, tax authorities have enforced sanctions including; penalties, routine audits, fines and closure of non-compliant taxpayers' businesses. According to Mhlanga (2022) the Zimbabwe Revenue Authority (ZIMRA) is battling unprecedented high rate of non-compliance, fraud, lack of cooperation and failure to submit returns among others. The present study therefore, assesses the effects of taxation and statutory regulations non-compliance on financial performance of Small to Medium Enterprises, Zimbabwe.

**1.3 Objectives of the Study**

This study will be guided by the following objectives**:**

* To determine the reasons for tax and statutory regulations non-compliance by SMEs in Harare, Zimbabwe.
* To assess the effects of taxation non-compliance on organizational financial performance in relation to SMEs in Zimbabwe.
* To identify alternative measures that can be implemented by regulatory authorities to reduce taxation and statutory regulations non-compliance.

**1.4 Research Questions**

The main questions of this present research study is to understand why tax compliance is essential in ensuring better financial performance of SMEs in Zimbabwe? To achieve the objectives of this study the researcher deliberates on the following research questions;

* What are the reasons for taxation and statutory regulations non-compliance by SMEs in Harare, Zimbabwe?
* What are the effects of tax and statutory regulations non-compliance on organizational financial performance?
* What are the alternative measures that SMEs in Harare, Zimbabwe can implement to curb taxation and statutory regulations non-compliance so as to improve financial performance?

**1.5** **Significance of the Study**

The research provides a more comprehensive and practical understanding on the effects of tax non-compliance and statutory regulations to financial performance of growing companies in Zimbabwe. As a result, this research is intended to benefit a variety of stakeholders, including the researcher's university, as well as SMEs, financial institutions and other statutory bodies.

**1.5.1 Bindura University of Science Education**

The present research study acts as a foundation to researchers and scholars who are interested in the study field of the subject matter under study. The present research study broadens research references for other students by adding to the material that will be available for use by other university students in assignment.

**1.5.2 The Researcher**

The ability to conduct meaningful and transformational researches that are solution based is a critical skill that every graduate should possess to be relevant in this volatile business world. The research enables the researcher to gain understanding of the industry in which she plans to work after completing their undergraduate degree. This is critical because, in today's world, employers are seeking for young and energetic critical minds with innovativeness and creativity so as to achieve their desired set outcomes.

**1.5.3 Small to Medium Enterprises**

It is evident that, solutions come from new researches and new information and this study provides new knowledge which is relevant to the industry and the market. The study will help to improve an understanding of taxation by SMEs and highlight the significance of it to the organization and its overall performance. It will be a useful tool in bettering day to day operations as other channels of enhancing and reducing risks associated with tax non-compliance. Additionally, the paper will assist the company in decision making process as it enlightens the organization on areas to tackle to improve financial performance.

**1.6 Limitations**

**1.6.1 Confidentiality**

To acquire information relating to tax compliance and financial performance from growing companies is challenging because information pertaining to such issues is sensitive and should be treated with confidentiality. However, the researcher had to quietly counsel senior management until some information was revealed.

**1.6.2 Time Constraint**

The research project was done during the semester while the researcher was also doing other program modules that needed equal concentration. This affected the amount of time needed to balance research and other modules. However, the researcher leveraged on the work-plan and used her free time to conduct a more detailed and informative research while meeting required and set timelines.

**1.6.3 Financial Constraint**

The present study was self-funded by the researcher and this limited the researcher to travel frequently to the company premises to collect data and needed information physically. The researcher had to rely on phone calls, which cannot be fully trusted because people can say figures off their heads without referring to recorded figures, which may or may not tally with their books.

**1.7 Delimitations**

The research is limited to SMEs in Harare, Zimbabwe only and information to be used is from the period 2018-2022.

**1.8 Research Assumptions**

* The researcher assumed that she would have access to all source of information that is relevant to carry out the investigation.
* The researcher assumed that the targeted participants would be open and honest in giving reliable and valid information.
* It was assumed that the respondents are literate and are capable of understanding the requirements of the questionnaires and provide relevant responses on time.

**1.9 Justification**

Knowledge sharing is a critical component towards finding solutions to the persistent problems facing the industry; this study provides solutions towards improving financial performance which is the most important objective of every business organization. The study contributes immensely to the already existing literature bodies on taxation and statutory regulations non-compliance. The present research study adds to the knowledge base with regards to effects of non-compliance on financial performance.

**1.10 Chapter Summary**

The chapter concentrated on explaining the background of the study, the statement of the problem, objectives and questions to the present study. The researcher also deliberated on the research assumption, limitations and delimitations. The next chapter reviews related literature in order to understand the views of other researchers, practitioners and scholars in regards to tax non-compliance.

# **Chapter 2**

# **Literature review**

# **2.1 Introduction**

The chapter reviews and analyses existing literature in relation to the implications of tax and statutory regulations non-compliance on the financial performance of SMEs in Zimbabwe. After reviewing related theories, the researcher identified and explained reasons leading to non-compliance and highlighted relevant strategic intents that can be adopted and taken into consideration to improve compliance on taxation and statutory requirements by SMEs in Zimbabwe.

**2.2 Definition of Terms**

**2.2.1 The Concept of Tax**

According to Tayebwa (2018) is defined as a contribution imposed on any business organization and individuals to support local governments with revenues to develop and grow the nation. In Zimbabwe the process of taxation involves the assessment, collection, administration and management of the paid tax obligations by corporate organizations and individuals. It is critical to note that, the main objective of collecting taxes is to effectively and efficiently provide public goods and services. The collection of taxes is aimed to generate public revenue which the local governments uses to fund public projects and to develop the infrastructure of the nation (Manasseh, 2017). However, the submissions made by Bhatia (2017) argues that, the tax benefits received from the government are not related to the taxation paid.

According to Chebet (2019) taxation refers to the compulsory and non-refundable monetary contributions executed by responsible regulatory authorities to finance public agendas. It is also note the definition of taxation by Bhatia (2017) which refers to taxation as a general levy imposed by the government. The generated revenues from taxes is used by the local government to provide and improve required and mandatory facilities of the general public roads, hospitals, schools and market securities. It is essential to note the submissions made by Balenywa (2018) in relation to taxation which states that, with tax payment there is no avoidance of the taxation obligations and avoidance attracts penalties and punishment to the respective tax payer. The penalties are charged by the respective tax authorities in a country so as to promote tax payers to honour their taxation obligations. Depending with the country of operations, the tax benefits can accrue to the tax payer concurrently or after a specified period (Manasseh, 2017). According to the Income Tax Act (2020) payment of taxation has no corresponding intended benefit or rather expected return on goods and services from the government and this is why it is termed non-quid proquo payment.

**2.2.2 Categories of Taxes**

There are two classes of taxes which are; direct versus indirect taxes and proportional which is also known as progressive taxes.

**2.2.2.1 Proportional Versus Progressive Taxes**

According to a research conducted by Manasseh (2017) in regards to equities companies, the paid taxes are categorized as progressive tax. According to Bhatia (2017) a progressive tax is regarded as the one that increases with an increase in generated income; meaning tax increase proportionately to the increase in income. Generally, with progressive taxes, an increase in income leads to an increase in tax and a decrease in tax results to a decrease in the due taxes that are to be paid by the tax payer (Chebet, 2019).

**2.2.2.2 Direct Taxes Versus Indirect Taxes**

It is Chebet (2019) who notes that, direct taxes directly affect business organizations and the general public by direct deductions from the generated earnings, that is; corporate tax and income tax. However, with indirect taxes, payment is made to the government by an intermediary by being imposed or attached on the final process of end users. Indirect taxes are not limited to; Value Added Tax and Export and Import Duties.

**2.2.3 Types of Taxes**

**2.2.3.1 Business Income Taxes**

According to Mugodhi (2020) with business income tax, corporate organizations are taxed on income generated from the local sources of Zimbabwe. The tax rate varies depending with an industry of operation and the occupied job position. However, it is essential to note that, there are special tax rates for the small to medium enterprises. According to Maseko (2020) the charged tax rate depends on the generated gross income by the business organization.

**2.2.3.2 Personal Income Tax**

According to Manasseh (2017) personal income tax is taxed on the generated earnings of an individual over a specified period of time. In Zimbabwe taxation on personal earnings is levied to all the individuals working (Mugodhi, 2014). This tax on personal earnings is even charged to individuals who are not Zimbabwean citizens but working in Zimbabwe and earning from the Zimbabwean companies.

**2.2.3.3 Value Added Tax (VAT)**

According to Maseko (2020) VAT is compulsory and an obligation to every taxable supply made by an individual, goods imported and all the imported services by individuals in the country. According to the Taxation Act in Zimbabwe, all taxable supplies are deemed services and goods made under the business activity of a taxable individual.

**2.2.3.4 Sales Tax**

This type of taxation is levied on every transaction which involves formally selling goods and services. With this form of taxation, the amount due is paid every time a merchandize at a store is bought (Maseko, 2020).

**2.2.3.5 Luxury Tax**

This is additional tax which is due for payment on all luxury goods. The government incentivize all luxury goods with an additional tax (Mugodhi, 2014). The research further submits that, all highly expensive luxury goods are charged sales taxes and the government attach an extra luxury tax. However, in Africa because of corruption, most individuals are evading taxes and not complying to the stipulated regulations (The Herald, 2020).

**2.2.3.6 Tariffs**

Generally, tariffs are charged on all goods being imported or exported from a country. However, according to a report by The Herald (2021) 0n Zimbabwean tariffs, they are charged on goods being imported into Zimbabwe, with the main objective of improving consumption of locally produced goods and protect the local manufacturers from competition of the international markets.

**2.2.3.7 Property Tax**

Literature has shown that, property taxes are imposed on real estate and vehicles; this implies that taxes is due on commercial properties, home industries and when registering vehicles.

**2.2.3.8 Capital Gains Tax**

Researchers note that, if goods are sold more than the actual intended prices of purchase, then an additional capital gain tax is attached. It is Manasseh (2017) who ascertains that, the charged capital gains tax applies to securities and home stocks only if they are sold on higher prices than what they were purchased for.

**2.2.3.9 Sin Tax**

According to the Ugandan Tax Authority (2020) this form of tax is charged on undesirable goods and services which include taxes on alcohol and cigarettes. The act also mentions that, sin taxes are also imposed on services such a gambling and acts of prostitution.

**2.2.3.10 Corporate Income Tax**

According to Maseko (2014) this form of tax is charged on generated incomes by formally registered corporate organizations. Depending with the country of operation however, this tax can be imposed by the government as a flat corporate tax rate but other countries use progressive tax rates.

**2.2.3 Financial Performance**

According to Dheeraj (2021) financial performance of any enterprise measures an organization’s financial health based on liabilities, assets, generated revenues. Incurred expenses and profitability. To understand the financial performance of an organization thorough analysis is given to the income statement, financial statement of an organization, cash flow statements and the annual reports prepared by business organizations. According to Maseko (2014) financial performance of a business organization signifies its ability to manage and control its financial position and lays a strong foundation in developing sustainable strategic plans that can increase the capital structure of a company, revenue structure, cash in-flow and proposing measures of reducing expenses.

It is Loana (2017) who puts forward financial indicators that can measure an organization’s growth potential and they include; profitability, liquidity, market value and efficiency ratios. However, Dheeraj (2021) is of the view that, there are financial metrics that determine the performance of an organization and they include; gross profit margin, working capital, current ratio, quick ratio, net profit margin, debt to equity ratio, return on asset, operating cash flow, inventory turnover and total asset turnover.

**2.2.4 Small to Medium Enterprises (SMEs)**

Generally, research has shown that, there no accepted definition of a small business and most researchers have used the term without any specific explanation of size (Guven, 2019). However, business size can be quantitatively classified on whether small or large based on factors such as total assets, number of employees and sales revenue. The Federal Reserve Report (2020) notes that, when giving financial aid to business organizations, the small business administration notes that, a small business has less than 250 employees and with the Federal Reserve loan surveys, the emphasis is mainly on total assets owned by a business organization as well as the generated sales revenue which determines whether a business is small or large. However, these factors are not applicable to different industries and every industry has its own determinants which are accounted for. Based on the qualitative perspective, a small business is defined as one that is too small to float securities on public market (Gordon, 2017). However, other researcher notes that, a small to medium enterprise sells its products and offers its services to a limited number of same clients and operating in a certain community. This implies that, the definition of a small to medium enterprise depends largely on the type of analysis for which the explanation is needed.

According to the Federal Reserve (2020) when investigating the impact of taxation on small to medium enterprises, it is critical to use qualitative definitions and perspectives of small businesses than using the quantitative approach. Tax disadvantages arise not because a concern has less than 100 employees or less than $250,000 in assets, but because it is dependent upon internal sources of funds to finance its growth, or because it is unable to exercise effective control over its prices and profits, or for some other reason of a similar nature. This qualitative approach of classifying the size of a business, gives a more in-depth analysis to the definitions of small to medium enterprises. The idea of using qualitative definitions is largely influenced by the pursuit of researchers to not use conventional and generalized definitions of small to medium enterprises.

Classes of small business in Africa are; sole traders, partnerships and corporate forms of organizations (Random Audits, 2020). Recently, because of self-employment, individual return filers are also classified as small business owners. Small to medium enterprises are defined as any profit making commercial entity other than those that exceed a given high asset threshold. Considering the advent in technology and the pursuit of self-sufficiency in African countries, running a small business is high risky because of the competitiveness and uncertainty within the operational activities (Richard, 2020). In most small owned businesses, tax compliance is a major issue because they do not have properly developed structures that can enforce proper record keeping, cash handling processes and independent audit of accounts.

**2.3 Principles of Taxation**

In developing countries, raising revenues through taxes is primarily with an objective of financing public goods and ensuring effectiveness in maintaining and building infrastructure (Gatsi et al, 2017). Therefore, the development of taxation systems is governed and based on certain standards and principles.

**2.3.1 Neutrality**

Researchers have expressed the need for taxation policies to be equitable and fair between different forms of business organizations. Neutrality of taxation ensures efficiency and effectiveness because this principle of taxation ensures optimal allocation of production means (Kwabla, 2017). It is Gatsi (2020) who submits that, neutrality in the taxation process ensures effectiveness in raising tax revenue for the government and there will be no discrimination when it comes to being taxed. This raises enough taxes to fund government projects and ensures smooth running of some of the economic activities.

**2.3.2 Efficiency**

According to Holmes (2016) it is essential to ensure efficiency in the taxation process. This applies to both regulatory authorities and tax payers. This implies that, minimization of compliance and administration costs for both business organization regardless of the industry in the taxation process should be made efficient. The process of collecting and receiving taxes for tax payers should be efficient so as to avid occurring extra costs.

**2.3.3 Certainty and Simplicity**

To facilitate the smoothness in the process of taxation payment, it is fundamental for regulatory authorities to simplify and clarify taxation rules to allow tax payers to understand where they stand. This is supported by Amidu (2017) who states that, a simplified tax system aids the level of compliance by corporate organizations and different individuals who are obliged and entitled to settle tax requirements. With a simplified and clear taxation policy, business organizations can make optimal decisions to comply with stipulated regulations. Tax complexities in this digitized business environment trigger deadweight losses for the economy (Jiang, 2016).

**2.3.4 Flexibility**

Dynamism and flexibility is critical in the effectiveness of every taxation system as this is fundamental and essential in ensuring that, corporate organizations keep up with the ever changing technological and commercial advancements (Kwabla, 2017). It is also essential to note the submission made by Gatsi et al (2020) who states that, dynamism and flexibility in the taxation system helps the government to meet expected and targeted tax revenues.

**2.3.5 Fairness and Effectiveness**

Researchers have submitted that, taxation systems should produce right amounts of taxes at the rightly specified time, while avoiding both unintentional non-taxation and doubling taxes. According to Holmes (2016) effectiveness and fairness in the taxation systems ensures that, the rate of tax evasion and avoidance is minimized in an economy. Therefore, it is critical for tax regulatory authorities to enforce taxes with fairness and ensure there is transparency in the process of settling due taxes. Effectiveness in enforcing taxation payments is essential so as to speed up the process of collecting taxes and to ensure effective collectability of due taxes (Jiang, 2015).

**2.4 Conceptual Framework**

The researcher designed the following conceptual framework which established the relationship existing between the independent and dependent variable of the present research study. For this current research, the independent variable is tax and statutory regulation compliance and the dependent variable is financial business performance.

**Fig 2.4 Conceptual Framework**

**Independent Variable**  **Dependent Variable**

|  |
| --- |
| Pay as You Earn |
| Value Added Tax |
| Property Tax |

Government Policies

Organizational/Attitude

Technological Advancement

**2.5 Theoretical Framework**

Nyatanga (2016) ascertains that, in developing nations, most tax payers do not comply with taxation regulations and the proportion of tax evasion is relatively high and expected to be higher in next years. Different scholars and practitioners have therefore, developed theories to explain and discuss this submission and to help individuals, corporates and governments to understand the concept of taxation. However, it is Craig (2011) who believes taxation non-compliance can be as a result of both tax payers and tax regulatory authorities. This implies that, the probability of complying with taxation requirements or not complying with stipulated tax requirements is deemed a function of both the payers and the regulatory authorities.

**2.5.1 Classical Approach**

According to Moldovan et al (2012) the theory positions that, corporate organizations and other tax payers in an economy are deemed sagacious because of their ability to make informed economic judgements. Therefore, Craig (2011) is of the view that, the decision by tax payers not to comply is predominantly as a result of perceived gains or losses. In most cases, taxation non-compliance is as a result of the benefits that accrue to the organization or the organization because they failed to comply with the expected regulatory tax and statutory regulations. According to Williams (2020) non-compliance is driven by the objective to maximize utility. However, Batrancea et al (2012) argued that, in every country the requirements are stipulated to conduct tax audits and the penalties of non-compliance are very high, therefore, if corporate organizations and individuals comply to the expected regulatory authorities then the pursuit of utility maximization yields positive results. However, the recommendations of Ahmed and Rider (2013) emphasize on the need for regulatory authorities to increase tax penalties so as to boost compliance rate. This is also supported by Shome (2016) who submit that, tax payers’ attitude is influenced by the charges for non-compliance, avoidance and evasion. According to Newton et al (2018) most tax authorities are using tax penalties but because of bribery and other corruptible activities, their effectiveness has been dwindled and over shadowed.

**2.5.2 Behavioural Theory**

The theory is based on sociological and psychological perspectives as the main driving factors for tax non-compliance (Dlamini, 2021). This can be translated to the fact that, persuasion to comply with tax regulations is determined by factors such as perspectives of individuals, belief systems, norms, gender and age as opposed to the submission that tax evasion is motivated by the drive of tax payers to maximize on utility. According to Moldovan, (2012) the behavioral theory is aligned to the submissions made by the Fischer theory to taxation which is rooted on the belief that, the perception of tax payers on the ability of tax authorities to effectively use funds paid as taxes determines the level and probability of compliance within an economy. Although the level of compliance differs, the behavioral theorist believes that, trust and power of regulatory authorities upsurge the compliance levels. According to Alm et al (2011) the drive to pay taxes and comply with situated regulatory authorities is deeply rooted on the perceptions of the taxpayers towards the tax system in place. This is also supported by Mohammed and Bunyaminu (2022) who in their study established the relationship between perceptions on tax systems and compliance levels. However, Dlamini (2021) noted that, because of the high corruption rates in developing countries, tax payers have lost trust on how funds will be used by responsible authorities, therefore, non-compliance rates are so high. The researcher further noted that, tax compliance is influenced by factors such as awareness on how public funds are being used and the effectiveness and efficiency of the tax systems and regulatory authorities. Therefore, Davis Tax Committee (2015) recommends the need to cultivate and instill a culture of positive attitudes for tax payers and transparency on how taxes are being used as well as conducting training and awareness campaigns. A study by Mustafa (2011) and Dlamini (2017) both reinforced the submission that perceptions on tax authorities and the system as well as in-depth knowledge about tax regulation are critical aspects to be considered when addressing the issues related to taxation non-compliance.

**2.5.3 Fischer Theory of Tax Compliance**

The Fischer theory of compliance on taxation predominantly focuses on the factors affecting compliance on taxation and the theory submits that these factors are foundational to reasons of non-compliance of taxes by tax payers (Umar et al, 2019). The theory notes that, factors which influences compliance and non-compliance are tax systems, attitudes towards taxation, opportunity and demographic factors. It is Dlamini and Dube (2021) who submits that, if tax payers develop a negative perception towards the tax administrators and how they use the paid amounts and tax revenues as opposed to the provision of services then the probability of avoiding or evading taxes is very high. Therefore, to encourage payment of taxes it is critical for tax authorities to match the service provision with estimated tax revenues. According to Houston (2011) if tax payers record higher returns and revenues, chances of tax evasion are very high because of the objective to retain more profits for business investments. The study further notes that, if non-compliance to taxation presents opportunities to business operations then evasion is inevitable.

 The Fischer model also indicate that if a culture of tax non-compliance exists with a certain group of individuals or organizations operating in a certain industry then the culture of tax evasion will be repeated by everyone else (Sharma et al, 2020). If groups of individuals or corporate organization makes tax evasion as a norm then it becomes difficult to enforce compliance with industry players (Dlamini, 2021). The study also reinforces the need for a fair tax system so as to ensure compliance among tax payers.

**2.6 Why Taxes Are Paid?**

The provision of the Income Tax Act (2017) mentioned the need for corporate organization to abide in the expectations of paying taxes because taxes generate revenues for the government and most government leverage on taxes as one of the fundamental tools to aid economic sustainability and growth and development. The main objective of taxes is to raise funds for the government and the entire nation to build economies and develop facilities that are crucial and mandatory for the general standards. This is supported by the submissions made by Balunywa (2018) who states that, taxes are so crucial not as an economic tool of raising funds but as a policy of accelerating growth and sustainable development.

The primary objective of taxation in underdeveloped countries is not related to stability of income and expenditure. These countries face a number of problems of insufficient savings and capital accumulation, which calls for a need to promote specific products to fill both the supply and demand gaps. It is the problem of growth that covers a number of aspects; the tax system has to be designed to help the economy (Bhatia, 2012).

**2.7 Reasons for Non-compliance to Taxation by SMEs**

**2.7.1 Tax Complexity**

According to a study conducted by Evans et al (2016) taxation non-compliance is as a result of different complexities that are incurred by tax payers in the process of trying to be compliant with the required tax regulations. Tax complexity is grouped into rule and procedural complexities and research notes that, tax payers part with resources and time in the event that they have to comply with taxes. This notion is supported by the findings of Abdul (2018) who notes that, tax law complexities influence other tax payers to comply with taxation requirements. According to a study conducted by PWC (2014) to determine the time or period that tax payers take when complying with taxation requirements ascertain that, with African continents, the minimum hours taken are close to 320 hours and in other continents it is 268 hours. This is due to the complexities involved in the process of calculating and determining due taxes and this attributes to the tax non-compliance levels within African countries.

It is Gambo et al (2014) who recommends for a simplified and less complex self-assessment system so as to encourage tax payers to pay and comply with taxation requirements. However, it is Devos (2017) who argued that complexities in taxes bears negative influences in terms of tax awareness and knowledge of the individuals and corporations which then results in negative perception towards remitting taxes. However, a study conducted by Zivanai (2016) submits that tax complexities does not influence tax payers to not comply with regulations but rather it is because most tax payers in Zimbabwe are reluctant to remit taxes and they do not have knowledge required to understand the significance of not evading taxes.

**2.7.2 Taxation Knowledge and Awareness**

According to Maseko (2016) the knowledge of taxation that is possessed by tax payers have less influence to them complying or not complying with tax requirements because the willingness to remit taxes relies mostly on the decisions being made by the tax payers. Remitting taxes predominantly relies on the ethics, values, culture and belief systems of an organization and the top executives and management (Deloitte, 2016). It is therefore, critical to enforce a culture of compliance within an organization. Top management and executives are responsible for enforcing and giving direct orders for employees to remit taxes for the companies, therefore, if management is not upholding the required regulations then no compliance will be made by the company. It is evident that the responsible regulatory authorities will charge penalties to the companies and this adversely affect the profitability of the company (Zivanai, 2016).

However, according to Dlamini (2017) taxation non-compliance is as a result of lack of taxation knowledge by tax payers. In Zimbabwe a research study conducted by Nyamwanza et al (2017) agree to the submission that lack of tax knowledge results in management not willing to return the required taxes. To support this notion, Naidoo (2016) recommends that, the governments in Africa need to embark on a program of disseminating knowledge in relation to taxation and the significance of complying by both SMEs and established companies. Taxation knowledge is a foundational factor that leads to tax non-compliance in most countries across the globe.

**2.7.3 Company Size**

In Zimbabwe a research conducted by Nyamwanza et al (2017) find out that SMEs in the country are reluctant to abide with tax regulations and therefore most SMEs understate their profits in financial statements of the year so that they can evade tax. However, if auditors and regulatory authorities accounts for this fraudulent activity, then the penalties and effect on financial position will be extremely severe. Small companies in Africa have less pressure in maintaining their reputation and therefore, they became non-complaint as compared to large organizations in the continent (Yusof, 2016). This is supported by Mohamad (201) who notes that, large companies have appropriate internal controls and accounting systems and are therefore, more complaint to taxes as compared to small companies.

However, literature have noted that, even small businesses when conducting business dealings and signing business contracts, a tax clearance is required therefore, size of a company does not influence compliance to taxation (Graham et al, 2014). It is Zivanai (2016) who argues that, tax compliance is not dependent on the size of the company but the willingness of the organization to abide to its ethical standards and set organizational values. However, tax non-compliance is influenced by exorbitant tax policies that have been implemented by the government of Zimbabwe (Zivanai et al, 2017).

**2.8 Reasons of Non-compliance to Statutory Regulations**

**2.8.1 Low Penalty Fees for Evasion**

According to ZIMRA (2019), the tax penalty fees for non-compliance to the statutory requirements is between 10% and 15% therefore, local companies understand that the cost is very low and due to corruptible activities in the country, companies can not comply to the regulations. The ZIMRA report of 2020 notes that, companies in Zimbabwe opt to evade the expected regulations and remit statutory obligation because the rates of penalties are very low. However, Mashudu (2018) submits that, penalties do not have a greater magnitude on taxation compliance but it is rather because of low enforcement and minimal follow ups coupled with corruption and bribery motives, which led local Zimbabwean companies not to abide with the required statutory regulations.

It is essential to note that, low penalties for not settling statutory required contributions results in minimal effects on compliance rates because defaults can be recorded even when evasion penalties are significant (Masarirambi, 2013). However, it is also critical to note that the submissions made by Anyaduba et al (2014) comprehend the relationship that exist between low penalties and non-compliance to statutory requirements. Therefore, the present study leverages on this literature submission, to ascertain the relationship existing between charging of low penalties on non-compliance to statutory regulations and the levels of evasion of statutory obligations in relation to SMEs.

**2.8.2 Liquidity Crunch and Financial Crisis**

Financial woes in Zimbabwe and across the globe have a negative influence on evasion by individuals and corporate in the country (ZIMRA, 2019). Literature states that, liquidity crunch in any economy is a constraining factor for most corporate organizations both SMEs, large corporations, government organizations and parastatals when it compliance to compliance levels with required statutory regulations. For most companies that are under financial distress, it is difficult to comply to the statutory regulations because these companies will be sinking and with a greater probability of closing down operational activities (Edwards, 2016).

 However, the reports by NSSA and ZIMDEF 2019 states that, statutory non-compliance is not influenced by financial crisis because even when economic activities were stable, compliance to statutory regulations was still low and minimal. In a study conducted by Ahmed (2017) statutory regulations non-compliance is influenced by belief systems, organizational culture and the attitudes and norms of a business organization. In the study, it is further mentioned that, the decisions to comply with the set law standards is mostly determined by the organization social norms.

**2.9 Effects of Non-compliance to Taxation on Financial Performance**

**2.9.1 Reduction in Sales Volume**

For every business which is formally registered, a tax clearance is a prerequisite for every business transaction to effect and even when submitting for tenders and bids, a tax clearance is required therefore, without a recently updated tax clearance it is difficult to conduct operational activities effectively and profitably (Tshuma, 2017). This was further reviewed by Kazunga (2018) who reinforced that ZIMRA had issued a statement warning issuance of company license to business organizations without current certificate of tax clearance. Now due to globalization, companies around the world only works with corporates that have a valid and up to date tax clearance and those companies without tax clearance have a high risk of losing sales and prospects clients. However, according to the ZIMRA report of 2020 if a business transacts without a valid tax clearance in Zimbabwe, there is a 10% withholding tax and this automatically reduces the revenue which was to be generated.

**2.9.2 Reduced Profit due to Penalty Fees**

To ensure compliance by corporate organization, different economies have devised different penalty rates which include;high collection cost, legal fees and moreover extra cost which can be incurred in additional to fines and penalties that may negatively affect cash flows of the organization (Ahmed, 2018). Research have noted that, penalties negatively affects business operations because they reduce money to be retained for investments and equities and this therefore, limits the number of investors willing to be associated with an organization due to low returns (Mashudu, 2018). Asenov (2015) viewed non-compliance to statutory obligations as a source of financial crisis in most corporate organizations because of the extra amounts which are charged to settle obligatory debts. Therefore, to reduce cash out flows of businesses, it is essential to educate them and raise compliance awareness. Aproskie and Goga (2013) are of the view that penalties and fines usually results in price increase of the goods or services offered by a corporate organization and this results in increased prices and this has a bearing on generated and targeted revenues as well as the overall profitability of the business organization.

**2.10 Effects of Non-compliance to Statutory Regulations**

**2.10.1 Bank Accounts Garnishment**

This involves regulatory authorities recovering due taxes by working closely with debt collectors and baking institutions (Sharma et al, 2020). Organizations who are involved in garnishment end up losing trust in the business circles and stakeholder engagement will be significantly affected (Ghazo et al, 2021). This has a bearing on the financial position and standing of a business organization. This process of garnishment has significant costs to the business organization because inflows that were meant for company financing and investments to diversify and enhance operational activities will be deducted with interest and penalties to settle the due statutory owing. However, Sikayu et al (2022) argues that, corporate organizations will be strained financially when settling statutory debts and this has a bearing on the amounts payable to employees. This implies that, if the monetary benefits due to employees are reduced or rather not paid on time then employee motivation is affected as well productivity levels.

**2.10.2 Prosecution**

Most companies deduct the contributions of employees and might not remit them and in this case employees can sue the organization. The stipulated regulations by NSSA notes that, employees have the right to sue their employees in that case and the present study notes that, the associated court fees and lawyers’ fees affects the profits of the company. According to NSSA (2019) all the employers or corporate organizations have a mandate or rather obligation to remit the contribution of employees and if the company does not remit the contributions, it is considered a criminal offense. According to Ngwenya (2016) prosecution of any corporate organization affects organizational reputation and this has a bearing on the investor’s perception towards the company.

**2.11 Alternative Measures That Can Be Implemented to Improve Tax and Statutory Regulations Non-Compliance**

**2.11.1 Automate Tax Payment Procedures**

For corporate organizations operating in this digital and modern business world, automation of statutory regulations is the norm and in this case it helps in automatically remitting payments that are due to the regulated authorities (Bragg, 2017). Due to automatic calculations, taxes can be deducted and deductions from employees’ salaries can be made which in the process encourages compliance. By implementing an automated payment system, the changes in statutory obligations can be promptly updated and calculations will be provided.

Chavan (2013) added that the automated system allows taxpayers to settle their payments before they are due as this does not jeopardize the financial standing of any organization because costs of non-compliance would have been avoided and eliminated. Automation of payment methods eliminates errors by employees that can reduce profitability are hedged against (Allman –Ward et al, 2017).

**2.11.2 Outsource Tax Consultants**

In today’s business world, if a corporate organization engage tax consultants, it means there is now an intermediary who can ensure that both the company and the government abide to the stipulated regulations (Katz, 2016). The good thing about tax consultants is they always have relevant and up to date information relating to the set regulations by the tax regulatory authorities. According to Ahmed (2018) tax consultants helps in disseminating tax related knowledge to the tax payers which reduces the risks of tax payers neglecting their regulations and incurring penalties.

However, Bajwa (2015) argues that costs associated with engaging tax consultants and tax lawyers are cheaper than payment of non-compliance penalties and fines. Literature further notes that, to avoid penalties and fines for non-compliance, corporate organizations or rather tax payers should practice effective compliance.

**2.11.3 Implementing and Enforcing Legislation Internally**

 It is Sarker (2013), who recommends that, self-assessment tax system is a crucial factor that improves compliance within corporate organizations. The research study further ascertains that, under self-assessment system, gross incomes, deductions that are due and payment schedules for the tax obligation that can be filled by tax authorities are declared on time by tax payers. To effectively enforce regulations, corporate organizations and other tax payers must utilize statutory calendars which have all the details for statutory obligations (Ngwenya, 2017). This implies that, tax payers will comply by remitting funds and submitting tax returns.

**2.11.4 Tax Education**

Government and tax regulatory authorities need to educate tax payers through tax awareness campaigns and programs (Dlamini, 2017). This can be achieved through utilizing different channels of communication and social media pages. It is also Zivanai et al (2016) who further emphasized on the need for tax authorities to enlighten local citizens on the importance of tax to the economy of the nation and also the effects of non-compliance to taxation. Literature also claims that, tax payers under estimate their role towards economic and social growth and sustainable development, therefore, when educated about taxation they can comply and play their role. Palil (2014) recommended the need to design and implement workshops and seminars in American corporate organization so as to enhance tax knowledge of tax payers because there is need to answer the questions related to tax payers not settling their tax obligations. Hastuti (2014) suggested that tax education to be implemented at high school to enable students such that these potential tax payers need to know how to calculate, report and pay their taxes in the future. This notion is also supported by Randolph (2015) who also indicates the need to impart tax knowledge so as to decrease non-compliance rates.

**2.12 Empirical Evidence**

Mohamad (2017) conducted a study on the perception of Small Medium Enterprises (SMEs) taxpayers in term of their level of tax non-compliance. The study noted that, tax avoidance and evasion has become a norm for most SMEs and large corporate organizations have devised most strategies for evading taxes. However, the study submits that, this has reduced government revenue and has the potential of stifling economic and social growth. The findings of the study were that, SMEs have devised different tax evasion schemes which include; under reporting their taxable profits and accounting reports manipulation. The study has also noted that, non-compliance to taxation has been a general and persistent challenge throughout history and this has serious economic shortfalls which include hidden economy and this applies both to developing and developed nations.

A research study conducted by Hanlon et al (2017) submits that, with company size there are debates as to whether it influence tax non-compliance or not. However, the findings of their study showed that there is a positive relationship between tax non-compliance and the size of a corporate organization. The study further discovered that, large corporations are more complaint to tax regulations because they have systems in place, professional staff members and an overall understanding of tax payment as compared to growing and start-up organizations. However, a study by Marinov (2014) notes that, tax payers undergo evasion because of government policies in terms of tax requirements.

**Table 2.1 Tax Evasion Empirical Studies**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Author**  | **Year**  | **Method**  | **Country**  | **Findings of the Study** |
| Maseko  | 2014 | Descriptive and Statistics Correlation | Zimbabwe  | The study found out that, tax evasion is mostly influenced by high tax rates in the country. The study also submit the need for transparency in government spending of tax revenues so as to upsurge the payment of taxes. |
| Ameyaw et al. | 2016 | Descriptive and Regression Analysis (600 respondents) | Ghana  | The study was objective to assess the determinants of tax non-compliance in relation to the retail industry in Ghana. The study found out that, the mostly determinants of tax non-compliance are perceptions of taxpayers on tax authorities and tax system, tax payers attitudes and subjective norms. |
| Muneyi et al. | 2017 | Literature review Zimbabwe. | Zimbabwe  | The study discovered and submits that Zimbabwe does not have proper procedures and processes of collecting taxes from informal sector SMEs. |

**2.13 Chapter Summary**

The chapter reviewed and analysed the theoretical frameworks, reasons for taxation non-compliance, effects of tax non-compliance on financial performance and indicated the alternative measures of improving adherence to taxation requirements.

**Chapter 3**

**Research Methodology**

**3.1 Introduction**

This chapter of the research project highlighted and explained research methods and techniques used by the research to collect relevant and credible data to fulfil the outlined objectives and purpose of the present study. In this chapter the researcher outlined the research design, the instruments used for the study, the research population targeted, the techniques used to come up with a sample for the research and all the ethical considerations made by the researcher as well as the summary to the chapter.

**3.2 Research Design**

A research design is defined as a framework of research methods which are selected by the researcher when conducting a research study (Bhati, 2021). The researcher chooses the appropriate design because of the need to match the study methods with the main objectives of the present study. The researcher leveraged on research design to gather relevant information and this also enabled the right model of analysis that appropriately answer research questions to be applied. The researcher therefore, managed to draw relevant, trustworthy and valid research conclusions and recommendations.

**3.2.1 Descriptive Research Design**

For the purpose of the present study, a descriptive research design was used. The researcher found that a descriptive research design is most appropriate because of its ability to describe and establish the relevance of taxation and statutory regulations compliance in relation to performance of SMEs, the factors affecting taxation and statutory requirements compliance. The researcher fused both qualitative and quantitative techniques so as to effectively analyze the effectiveness of taxation compliance in ensuring sustainable organizational performance. The researcher applied the qualitative technique so as to assess and gain a wider perspective on personal views and attitudes, however, the process was time consuming because there was need for more emphasis on words and not numerical numbers. The descriptive design was successfully used by Said (2020); Singh and Jain (2017) on the study on factors affecting taxation compliance; case study of Vodacom Tanzania, so the researcher decided to use this study so the research under study becomes a success.

**3.3 Research Targeted Population**

According to Shukla (2020) targeted population in the context of research studies refers to the set or group of all the units on which the researcher applies the findings of the study. Myers et al (2010), noted that, research population comprises of objects and events of a selected type about which the researcher of the present study seeks knowledge, information and understanding on a certain problem or rather research field. In this research the population is going to be 25 employees from Farmbuzz Agriculture Solutions and 10 employees from ZIMRA.The selected research population is essential as it allowed the researcher to qualitatively conduct the present study. The researcher had to carefully describe and give attention to the population because they determine the quality of information to be gathered and obtained for this research study.

Due to limited time and resources and considering the schedules of the targeted population, the researcher could not involve all the targeted participants in the present study which is the SMEs in Harare, Zimbabwe. However, the researcher constructed a sample size to represent the views of SMEs targeted population.

**3.4 Sampling Technique**

Sampling techniques can be classified into probability and non-probability sampling plans (Bennet et al, 20210. Probability sampling methods include; simple random sampling, cluster sampling, systematic sampling and stratified random sampling. With probability sampling a sample is derived where the objects are selected from a population, based on the theory of probability (QuestionPro, 2020). According to QuestionPro (2020) non-probability sampling methods include; quota, judgmental, convenience and snowball method of sampling. The non-probability method of sampling uses the researchers’ discretion to choose a sample and is derived from the researcher’ ability to reach to the sample.

To achieve the objectives and purpose of this research, purposive sampling design was used by the author. This is so because the research study predominantly focused on the intensive study of a known characteristic of the population. According to QuestionPro (2020) purposive sampling involves the process of developing a sample purely on the basis and discretion of the researcher and the study’s nature along with the researcher’ understanding of the target audience. Using the purposive sampling technique is more economical and convenient.

**3.5 Sample Size**

The researcher had to ensure that an appropriate sample size which represents the targeted population was constructed. According to Kibuacha (2021) a research sample size refers to the number of observations used to calculate estimates for a given population. The respondents were purposively selected so as to generalize results. The researcher had to purposively select the respondents based on their experience, closeness and authorization received from the organization. Saunders et al (2019) points out that, sample size is determined based on a 95% confidence rate interval, an estimate of margin of error and the total population which the sample was to be drawn.

The selected sample size constitutes for about 51% of the total population, which comprises of 18 employees working at Farmbuzz and ZIMRA. According to the submissions of Haralambos and Holbon (2000) at least 33% of the population under study should be used as sample size.

**3.6 Data Collection Methods**

**3.6.1 Primary Data**

According to Sajjad Kabir (2016) sources of data are classified as primary data when the information has not been collected, used and published for other previous studies. This data is deemed reliable, authentic and objective. To gather primary data, the researcher used questionnaires and face to face interviews. It is important to note that, with primary data collection processes questionnaires were submitted to Farmbuzz Agriculture Solutions as well as ZIMRA and interviews were done with top executives only. Collection of primary data is deemed effective and efficient by the researcher because the information is free from errors and specifically for the present subject matter. The researcher tailor made the collection process so as to gather data which is relevant for the present study. Since the data is being collected from staff members of SMEs in Zimbabwe, then reliability and relevance is very high. This enhances the recommendations and submissions made to the industry. According to Kothari (2012) primary data has not been altered by different individuals; therefore, its validity is greater than secondary data.

**3.6.2 Secondary Data**

Secondary data refers to information that has been previously published or collected by other individual or organizations for a specified use (Garbutt et al 2017). The use of information collected for other purpose is called secondary data and researchers use secondary sources of data to review literature and make reference to the problem and do a background analysis for the study (Sajjad Kabir, 2016). It is also imperative to note that, secondary data for the purpose of the study was obtained from ZIMRA reports, tax authorities, academic journals and published articles from government gazettes and press. Gathering and collecting secondary data was easy and it was readily available.

**3.7 Research Instruments**

According to Kothari ((2012) research instruments refers to approached adopted by the researcher in data collection when conducting a research project. For the purpose of the present study interviews and questionnaires were used by the researcher.

**3.7.1 Questionnaires**

Literature has defined questionnaires as a list containing questions which targeted respondents are asked and expected to give responses. McLeod (2018) submits that, in the context of a research project, questionnaires comprises of typical questions selected by the researcher to be relevant for the research study and which aids the achievement of study objectives. According to Kabir (2016) questionnaires are research instruments consisting of a series of questions and other prompts with the main aim of obtaining the needed data to accomplish the requirements of the study. The present study is predominantly qualitative and the researcher had to give the list of questions to the targeted respondents so that they share their views and opinions in relation to the subject matter under study. Literature and previous scholars has elaborated and emphasized on the notion that, questionnaires are more than just a list of questions but rather a research study measurement tool and a research instrument which researchers leverage on to collect the needed research data and information.

The author of the present research leveraged on questionnaires as an instrument of research because questionnaires ensure effectiveness and efficiency in data comparisons; due similarity of questions. Furthermore, with questionnaires there is a sense of privacy and greater anonymity to the respondents; this allows respondents to give relevant and accurate responses. The probability of bias when using questionnaires is very low because of the confidentiality. The present study is being conducted by a university student therefore, using questionnaires is cost effective, saves time and detailed information is obtained.

**3.7.2 Interviews**

Interviews provide detailed information based on the participants’ opinions, submissions and experiences of a particular subject matter (Grey, 2014). To complete the interviewing process effectively, the researcher used both online and face to face interviews and this facilitated the obtaining of the needed research data. The researcher interviewed the selected unit of the study and reflective questions were asked and a conversation between the researcher and the respondents were initiated to gather the needed research data (Ahmed, 2016). During the interviewing process questions were rephrased and the respondents were prompted to give thought leader responses and share information from a deep thought point of view.

The author of this research notes that, interviews provided first-hand and detailed information, the researcher might have obtained but misinterpreted and predicted in an otherwise manner. Leveraging on interviews as a researcher is appropriate for this study because where interview questions are ambiguous and unclear, the researcher simplified the questions and facilitated conversations that ensures clarifications to the respondents. For the conducted face to face interviews, non-verbal communication aided the interviewing process and reliable data was obtained.

**3.7.3 Internet**

According to Farrar (2022) internet is a system which inter-connects various networks across the globe. The internet sources enabled the researcher to gather relevant research data easily because of different sources of data available on the internet. With the use of internet sources, there was convenience in acquiring the required information from a diverse group of scholars, practitioners and researcher. Through the different perspectives from different scholars, practitioners and researchers obtained on the internet, the research study has been enriched.

**3.7.4 Online Newspapers**

Published online newspapers provided the researcher with information in relation to the present subject matter under study; taxation and statutory regulations non-complaints by SMEs in Zimbabwe. The researcher used online newspapers so as to track historical information and gain a more diverse understanding of the subject matter.

**3.7.5 Academic Journals**

To gather information relating to tax and statutory regulations non-compliance from trusted sources, the researcher used academic journals. The journals were from Zimbabwe, Africa and the global community and were published by university professors, PhD students, practitioners and different professionals.

**3.8 Data Presentation and Analysis**

According to Cresswell (2020) data analysis is a process of paraphrasing and editing of accumulated data to a manageable size while applying numerical techniques, developing summaries and elaborating different trends and tabulated data. The author of the present research study will conduct data presentation, interpretation and analysis in the following chapter. To effectively and efficiently present and analyse the findings from the research study, data will be presented using graphs, tables and pie charts. The researcher will document all the findings and submissions made by the respondents. Explanatory data analysis was applied by the researcher and this technique is relevant to empirical studies as it allows the proper analysis of problems and establish the relationship between unknown research subjects (Hair et al., 2011).

**3.9 Ethical Consideration**

The researcher will seek formal approval from the relevant authority to conduct the study. Consent will be sought from all research respondents with the purpose of the study, educational and societal value of the study duly elaborated. The researcher will highlight that the study if for academic purposes and is not anticipated to cause any harm to any respondents. This will increase the chances of the respondents owning the research and increase willingness to participate. The respondent’s anonymity and confidentiality will be assured and kept.

**3.10 Data Reliability and Validity**

According to Bryman and Bell, (2017) reliability of a research project is concerned with the question of whether the results obtained from the study are reputable. This is translated to the notion that, a research study’ reliability predominantly indicates consistency and dependability of a research study. According to the submissions made by Krishnasway (2016) a research study’ validity is critical to the measurement of the processes and instruments of a research study. The previous researchers have noted that, with validity, measurement is not considered as biased and deemed to be free from systematic errors. This implies that, validity in a research project ensures that there is integrity in the recommendations and submissions generated from the findings of the study.

Therefore, the researcher is confident that the gathered research data in this present study is reliable because it was obtained from knowledgeable staff members of the Small to Medium Enterprises in Harare, Zimbabwe. The selected targeted population or rather sample size fairly represents the chosen class of research respondents. The obtained data is deemed valid because the researcher critically analysed, examined and compared primary and secondary sources.

**3.11 Chapter Summary**

The chapter explored the research design used to examine the implications of non-compliance to taxation and statutory requirements on company financial performance. In the chapter the researcher also outlined targeted population for this research study and highlighted the process adopted to construct the sample from the total population. In the chapter the researcher focused on the administration of the research instruments and explained the process of analysing data. The researcher tested for validity and reliability and explained measures taken to ensure ethics in research study.

**CHAPTER 4**

**DATA ANALYSIS AND PRESENTATION**

**4.0 Introduction**

This chapter deliberates on data presentation, discussions and interpretations with the main thrust of fulfilling the research objectives for the study which were highlighted in chapter 1 of the research project. This chapter discusses the findings of the study in relation to the 3 research objectives of the study which are; to determine the reasons for tax and statutory regulations non-compliance by SMEs in Harare, Zimbabwe, to assess the effects of taxation non-compliance on organizational financial performance in relation to SMEs in Zimbabwe and to identify alternative measures that can be implemented by regulatory authorities to reduce taxation and statutory regulations non-compliance. The findings of the study to be analysed and interpreted in this chapter were obtained from the administered questionnaires by the researcher.

**4.1 Response Rate**

According to Dowling (2018) response rate is the proportion of the total returned number of questionnaires divided by the total number of questionnaires that the researcher of a study distributed. The researcher distributed questionnaires to the employees of Farmbuzz Agriculture Solutions and ZIMRA. The researcher distributed 18 questionnaires and 14 questionnaires were received by the researcher of this study. Therefore, the researcher notes that, the response rate for this study is 78%. According to Saunders (2013) response rate of a study should account for at least 35% of the total size of the sample.

**Table 4.1 Questionnaire Response Rate**

|  |  |  |  |
| --- | --- | --- | --- |
| **Category**  | **Distributed Questionnaires**  | **Returned Questionnaires** | **Percentage (100%)** |
| Employees  | 18 | 14 | 78% |
| **Total**  | **18** | **14** | **78%** |

**Source: Own Primary Data (2023).**

The table above shows that the researcher, distributed 18 questionnaires to the employees of Farmbuzz and the respondents that attended and responded to the questions totalled to 14 individuals. This shows that, regardless of the fact that the researcher explained the benefits of the study to respondents, 22% of the targeted respondents did not develop any interest in the research project. The obtained response rate is justifiable for the study, as this is supported by Mary (2017) who notes that a response rate that is higher than 35% is deemed effective for the study. It is imperative to have a high response rate because it allowed the research to have responses that fulfils all the objectives of the present study effectively.

**4.2 Data Presentation and Analysis**

The present study is predominantly qualitative and the researcher adopted a descriptive research design. Therefore, the researcher presents and analyses data using tables, pie charts and graphs on excel spreadsheets.

**4.3 Demographics**

**4.3.1 Gender**

The employees working with Farmbuzz Agriculture Solutions are of different sex. The present study had to be inclusive of both the perspectives of males and females as this creates an opportunity to gather high value data. Considering both males and females for the research is important as it gives data that is free from gender stereotypes and biasness (Steiner, 2017).

*Figure 4.3.1 Gender Analysis of Respondents;* **Source: Own Primary Data (2023).**

 The findings of the study showed that, at Farmbuzz more females developed interest in the current research project. The research findings from the above chart condenses that 64% of the respondents are females and only 36% of the males participated in the present study. Conducting a research study using diversified perspectives enables the researcher to draw meaning conclusions. Research findings that are based on findings from both males and females provides results of value.

**4.3.2 Work Experience**

To achieve the aim of the current study and objectives of the research, the researcher had to have an appreciation of the respondent’s working experience. An appreciation of the experience of the participants is crucial in gathering data which is relevant to the SMEs industry in Zimbabwe.

*Figure 4.3 Work Experience of Respondents;* **Source: Own Primary Data (2023).**

From the findings of the study, the researcher noted that, 42% of the employees within Farmbuzz Agriculture Solutions have been in the organization for less than 4 years. However, mostly respondents from ZIMRA indicated that they have over 4 years working experience. The findings of the study showed that, the respondents of the current study are experienced which in turn positively influences the reliability of the data which the researcher has gathered.

**4.3.3 Educational Profile**

The researcher of the present study is of the view that, individuals who possess higher knowledge have educational qualifications and therefore, considering the qualifications within Farmbuzz and ZIMRA was crucial to determine the quality of information to be submitted by participants.

*Figure 4.3.3 Educational Qualifications of Respondents;* **Source: Own Primary Data (2023).**

From the research findings, 29% of the respondents have acquired a diploma certification,43% have an honours degree and 28% of the respondents indicated that they have other educational qualifications such as Masters and PhD degrees. Having a pool of educated respondents ensured that the researcher obtains relevant data because every respondent is considered illiterate and familiar with the subject matter.

**4.4 Meaning of Tax and Statutory Regulations**

Considering the understanding of the respondents’ meaning of the subject matter was essential in having the assurance that the gathered data is from individuals who understands what the researcher is enquiring about.

*Figure 4.4 Meaning of Tax and Statutory Regulations;* **Source: Own Primary Data (2023).**

From the findings of the study, the researcher discovered that all the respondents (100%) of the present study have an in-depth understanding and knowledge of taxation and statutory regulations. An understanding of the subject matter under study by respondents is crucial as this ensures gathering of effective data and information (Collins et al, 2017).

**4.5 Tax and Statutory Requirements**

The researcher was objective to enquire whether the SMEs in Zimbabwe are complying with tax and statutory regulations.

*Figure 4.5 Taxation Compliance;* **Source: Own Primary Data (2023).**

The respondents of the present indicated that some (50%) SMEs in the country are complying with taxation and statutory regulations, however, the other 50% of the respondents is not complying with the statutory regulations. This calls for serious interventions that promote and ensure compliance from the SMEs because tax revenues are crucial for the development of economies.

**4.6 Reasons for Taxation and Statutory Regulations by SMEs in Zimbabwe.**

From the graph plotted below, the researcher presents data obtained through administering of questionnaires. The data presented relates to the findings on the reasons for non-compliance to taxation and statutory regulations by SMEs in Zimbabwe. From the questionnaire, the respondents were requested to indicate the extent to which they agree or disagree with the mentioned reasons for tax and statutory regulations non-compliance.

*Figure 4.6 Reasons for Non-Compliance;* **Source: Own primary Data (2023).**

**4.6.1 Tax Complexity**

From the findings of the study, 97% of the respondents agreed that due to complexities of taxation, SMEs are not complying to tax requirements. However, 7% of the respondents disagreed with the submission made by the author of the study in relation to reasons for taxation non-compliance. According to Abdul (2018) tax complexities such as the time taken to settle due taxes and to calculate taxes that are due leads to non-compliance by most SMEs in Africa.

**4.6.2 Tax Knowledge**

The respondents (100%) agreed with the researcher that tax knowledge and understanding of taxation systems influences non-compliance and compliance levels for SMEs in Zimbabwe. Because tax payers lack knowledge on the use of tax revenues and to due to multiple stories of corruption in relation to government funds, most SMEs end up working with stereotypical beliefs and not complying to the stipulated requirements. This is supported by a study conducted by Nyamwanza et al (2017) which submits that, in Zimbabwe tax non-compliance is influenced by the fact that tax payers are un-aware of taxation processes and procedures.

**4.6.3 Company Size**

The research findings showed that 57% of the respondents agreed with the researcher’ submission in relation to reasons of tax non-compliance and 43% disagreed that company size is an influencing factor for non-compliance in Zimbabwe. Large companies comply with taxes because their business activities are affected largely by evasion, however, in Zimbabwe small to medium enterprises evade taxes through different schemes such as understating profits in income statements (Gumbo et al, 2018).

**4.6.4 Low Penalties**

The current study showed that, 57% of the respondents agreed with the researcher that due to low penalties and enforcement regulations SMEs in Zimbabwe are filing to comply with taxation and statutory regulations requirements. However, the researcher noted that, 36% of the respondents were neutral on whether non-compliance to tax payments and statutory regulations requirements in Zimbabwe is attributable to low penalty charges. only 7% of the respondents disagreed that the low penalties are resulting in non-compliance by SMEs. However, the ZIMRA (2020) report states that, companies in Zimbabwe are evading compliance requirements because the charges of non-compliance are very and they can be rectified in back offices by different corrupt agents working in government offices.

**4.7 Effects of Non-Compliance to Taxation and Statutory Regulations on Financial Performance of SMEs.**

The researcher asked the respondents about this questions so as to gather information on the resulting effects of failing to comply with government regulations and tax authorities’ requirements.

*Figure 4.7 Effects of Non-Compliance*; **Source: Own Primary Data (2023).**

From the study findings, the respondents agreed with the researcher that due to non-compliance SMEs are recording reduced sales volumes. The findings of the study depict that, 27% of the respondents strongly agreed with the researcher and 63% agreed with the submission that because of non-compliance sales volumes are reduces. Without an updated tax clearance certificate, it is difficult to conduct business at international level with formally registered corporate organizations and this results in lost prospective sales. As a results profits of the company are affected negatively. The study showed that, 100% of the respondents agreed with the researcher that, profits are affected due to tax non-compliance. The researcher therefore, noted that, due to extra costs and penalty fees of failing to comply, profits are affected negatively and the business is left with less operational profits. Due to the fact that, non-compliance is a punishable offense and considered a criminal offense in Zimbabwe, companies end up facing prosecution charges (Gumbo et al, 2018). From the findings of the study, 63% 0f the respondents agreed that due to non-compliance companies face prosecution charges. However, 37% of the respondents disagreed with the researcher when it comes to prosecution as an effect for non-compliance.

**4.8 Measures to Improve Taxation and Statutory Regulations Compliance**

The respondents’ views and opinions on the alternative practices and measures to be adopted by respective authorities so as to improve compliance of taxation and statutory regulations with SMEs in Zimbabwe are fundamental in carrying out an effective research study.

*Figure 4.8 Measures to Improve Compliance;* **Source: Own Primary Data (2023).**

The business world is now digital, therefore, automation of deducting tax requirements should be the norm, as this automatically deduct due remittances that are required by different regulatory authorities (Bragg, 2017). From the findings of the study, 79% of the respondents agreed with the submission that, automation of tax systems results in improved compliance level. However, 21% of the respondents disagreed with this submission. The researcher is of the view that, due to automation, taxes are remitted without any risk of understating profits for the period.

Tax consultants acts as intermediaries who ensure that a corporate organization abides with all the stipulated regulations within the country (Nyamwanza ey al, 2017). However, form the findings of the present study, 86% of the respondents agreed that tax consultants are effective in ensuring that companies comply with the set regulatory obligations. Only 14% of the respondents disagreed with the submission that, engaging tax consultants positively influence compliance levels. It is Ahmad who notes that, tax consultants educate the tax payers on the need to remit due taxes and comply with statutory regulations as well as disseminating tax knowledge.

Effective dissemination of tax knowledge is fundamental in improving compliance. From the findings of the present study, 100% of the respondents agreed with the submission that, tax knowledge is required so as to improve compliance levels. It is Zivanai et al (2018) who iterates the need to educate tax payers on the “why” aspect of remitting taxes and this can be done through campaigns and conducting seminars and conference sessions.

**4.9 Chapter Summary**

The chapter presented and analysed the data obtained by the researcher while conducting the data analysis process. The researcher used tables, charts and graphs to present data. The following chapter provides a summary and conclusion to the overall study.

 **CHAPTER 5**

**SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

**5.0 Introduction**

The current chapter of the research focuses on the summary of the study, conclusions and recommendations made by the researcher after analysing, presenting and interpreting the gathered information. The data was gathered from selected SMEs in Harare Zimbabwe.

**5.1 Summary of Major Findings**

**5.1.1 Reasons for Non-compliance by SMEs**

The researcher was objective to determine the reasons for non-compliance by SMEs in regards to taxation and statutory regulations. From the research results, it was discovered that, non-compliance by SMEs to taxation and statutory regulations is due to tax complexities, company size, low penalty fees evasion, tax knowledge and awareness, liquidity crunch and financial crisis. From the findings of the study, the researcher discovered that, evasion and non-compliance in SMEs is Zimbabwe is due to the different complexities that are faced when trying to settle or rather comply with the set regulations and tax complexities. The majority of the participants agreed that, complexities can result in non-compliance. This is alignment with the submissions made by Abdul (2018) who states that, due to complexities and tax laws within a country, tax payers can or cannot comply with the expected regulations and requirements. Therefore, it is imperative for responsible authorities to ensure that the process of complying is not complex and the laws in place aligns with the business activities within an economy. This is supported by Gumbo et al (2016) who propose the need for government organizations to develop and design practices that are less complex and more simplified so as to allow compliance by different corporates within a country.

In relation to the tax knowledge and awareness levels of the tax payers within the country; the participants were in agreement and in disagreement with this notion. The researcher noted that, due to lack of awareness and an understanding of the value that the business gets from complying, most SMEs are choosing to evade. This however, brings an argument that, non-compliance is a choice by the organization and does not have anything to do with awareness and knowledge possessed by tax payers. However, Dlamini (2017) argues that, non-compliance is as a result of lack of knowledge in relation to taxation systems within an economy. This is also in alignment with the study conducted by Nyamwanza et al (2017) in the context of Zimbabwe and it submits that, lack of awareness in relation to taxation results in management being ignorant of compliance and the study urged responsible authorities to engage tax payers. The researcher therefore, submits that lack of tax knowledge and unawareness of regulatory requirements results in compliance by the management in SMEs.

Low penalty fees were highly recognised as the major reason for non-compliance and this has been attributed to the fact that, in Zimbabwe non-compliance issues are covered by bribery and other corruptible measures. This was also noted by a report published by ZIMRA (2019) which explicitly notes that, due to low penalty charges local companies are evading and this is also coupled with corruption rates within the system and structures that should be enforcing regulatory and tax requirements. The researcher also discovered that, due to financial woes, corporates end up not complying with the expected regulations and tax requirements because in their reserves, they would have left with less cash. Edwards (2016) supports this by stating that, corporates in financial distress are finding it hard to comply.

**5.1.2 Effects of Non-compliance on Financial Performance**

The researcher was objective to determine the relationship that exist between non-compliance of regulations and tax requirements on the financial performance of SMEs in Zimbabwe. In relation to this objective, the researcher discovered that, as a result of non-compliance corporates up recording reduction in sales volumes, reduction in profits due to penalties and facing prosecution.

The researcher discovered that, SMEs are facing low sales because of the failure to comply with the set regulatory requirements. The higher percentage of the respondents agreed with the researcher in relation to sales volume and non-compliance. This therefore, has an influence on the financial position of a business organization. Due to non-compliance, corporates end up reporting low sales volume because they are deprived from other business dealings due to the fact that they do not have tax clearances that are up to date. It is Kazunga (2018) who mentioned that, ZIMRA issued press statements in relation to business engagements with companies that not have updated tax clearances. The researcher also discovered that, due to tax penalties the corporates organizations end up facing reduced profits because different penalty charges apply and they include; collection costs and legal fees. These extra costs have an influence in relation to the cash-flow of the business organization. The researcher also discovered that, as a result of non-compliance corporate organizations end up being sued and incurring a lot of costs.

**5.1.3 Alternative Measures of Promoting Compliance within SMEs in Zimbabwe**

The participants of the study indicated several measures that can be implemented by regulatory authorities to ensure compliance with taxation and expected regulations. The alternate measures that, the participants of the present study deemed to be applicable are; automation of tax payments, outsourcing consultants, education on compliance and internal legislation. The participants of the present study strongly agreed that automation of the payments system is vital in ensuring effectiveness in the process of settling payments that are due. The researcher found automation to be ideal because the modern business world is digitalized and operating with automated systems. This is supported by Bragg (2017) who submits that, through automation taxes are deducted directly every quarter or on specified time frames and this promotes compliance. It is Chayan (2013) who supports that through automation, non-compliance is totally eliminated and this therefore reduces the extents of the financial position of a company being affected.

Consultants have been put forward as the major measure that can ensure compliance levels within SMEs in Zimbabwe. The majority of the respondents agreed with this notion. This is supported by Katz (2016) who submits that, consultants act as accountability partners who enforces compliance and disseminate information to the tax payers in relation to the value of compliance and settling tax payments on time. Through engagements of consultants, risks associated with non-compliance are eliminated and this ensures that, the financial position of the company is also not affected by anticipated penalties and compliance charges.

The researcher found out that, the participants of the study highlighted that, education and awareness campaigns are essential in ensuring compliance levels by SMEs in Zimbabwe. This is supported by Dlamini (2017) who advocates for campaigns and educative sessions in relation the benefits of compliance and the use of tax revenues. The researcher therefore, discovered that, it imperative to design and implement workshops and seminars targeting the SMEs and mandated to disseminate information that is vital to encourage compliance.

**5.2 Conclusions**

From the gathered data and analysis made by the researcher of the present study, she concludes that, taxation and statutory regulations non-compliance have a bearing on the financial performance of SMEs in Zimbabwe. There is need for regulatory authorities in Zimbabwe to actively engage with SMEs in developing policies that encourage compliance in relation to taxation and statutory regulations. Taxation and statutory regulations non-compliance in SMEs based in Zimbabwe is as a result of a number of factors that include; tax complexities, company size, tax knowledge and awareness, low penalty evasion fees, liquidity crunch and financial crisis. The present study discovered that these factors influencing taxation and statutory regulations non-compliance. However, due to non-compliance to taxation and statutory regulations SMEs in Zimbabwe are being affected on their overall financial performance. The researcher discovered that the effects include, reduction in sales volume, reduced profits because of the non-compliance penalties, bank accounts garnishment and prosecution. Therefore, the present study discovered practices that can be implemented to encourage compliance within SMEs in Zimbabwe and they include; automation of tax payments procedures, outsourcing tax consultants, internal legislation and embarking of tax education programs. These efforts if made and enforced by respective authorities positively influences the compliance levels in Zimbabwe.

**5.3 Recommendations**

The recommendations made by the researcher of the present study were synthesized from the information which was obtained from the questionnaires that were administered by the researcher. The researcher made the recommendations of improving taxation and statutory regulations compliance so as to positively influence the performance of SMEs in Zimbabwe.

* Design and implement robust internal control systems.
* Ensure a culture of compliance within corporate organizations.
* Automation of tax payment systems.
* Tax awareness and education programs.

**5.4 Future Research Areas**

This research project focused onThe Effects of Non-Compliance to Taxation and Statutory Regulations on Company Financial Performance: Case of Small to Medium Enterprises (SMEs) In Harare, Zimbabwe. The researcher recommends an in-depth analysis on the measures or strategies that can be implemented by regulatory authorities to improve compliance.

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**APPENDIX 1: INTRODUCTION LETTER**

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 Faculty of Commerce

 Department of Accounting

Dear Respondent,

I, Rutendo Dozva am a bachelor’s degree student studying towards a profession in the field of Accounting at Bindura University of Science Education. As part of the requirements for the bachelor’s degree to conduct a research study, I therefore, invite you to participate in a research project entitled: **The Effects of Non-Compliance to Taxation and Statutory Regulations on Company Financial Performance: Case of Small to Medium Enterprises (SMEs) In Harare, Zimbabwe.**

This research is purely for academic purposes and the information obtained will be treated with utmost confidentiality. I therefore, kindly request that you assist by completing the questionnaire*.* To confirm the authenticity of the study, please feel free to contact my supervisor Mr. Ngwende via his email address;

*Sincerely,*

**Rutendo Dozva**

**APPENDIX 2: QUESTIONNAIRE**

**Instructions**

1. You are advised not to write your name on the questionnaire.
2. Please tick the correct box for responses.
3. Where applicable write your opinion/ suggestion on the provided blank spaces.

**Section A**

1. **Gender.**
2. Male [ ]
3. Female [ ]
4. **Work Experience**
5. 0-2 Years [ ]
6. 2-4 Years [ ]
7. 4-6 Years [ ]
8. 6 Years Plus [ ]
9. **Educational Profile.**
10. Diploma [ ]
11. Degree [ ]
12. Other, Specify………………………………………….

**Section B**

1. **Do you understand the meaning of tax and statutory regulations compliance and its relevance to organizational development and financial growth?**
2. Yes [ ]
3. No [ ]
4. **Does your organization comply to tax and statutory regulations requirements?**
5. Yes [ ]
6. No [ ]

**Section C**

1. **The following table indicates some of the reasons for tax and statutory regulations non-compliance by small to medium enterprises. The table shows the reasons for non-compliance by SMEs in Zimbabwe, please tick if you agree or disagree with the submissions of the researcher?**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Strongly Agree** | **Agree** | **Neutral** | **Strongly Disagree** | **Disagree** |
| Tax Complexity  |  |  |  |  |  |
| Tax Knowledge and Awareness  |  |  |  |  |  |
| Company Size |  |  |  |  |  |
| Low Penalty Fees for Evasion |  |  |  |  |  |
| Liquidity Crunch |  |  |  |  |  |
| Financial Crisis |  |  |  |  |  |

1. **What are the other reasons for taxation and statutory regulations non-compliance within SMEs in Zimbabwe?**

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1. **What taxation and statutory regulations principles should be put in place by the local government to ensure compliance?**

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1. **The following table shows the effects of non-compliance to taxation and statutory regulations on financial performance of SMEs in Zimbabwe. To what extend do you agree with the researcher’s submissions?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Agree** | **Strongly Agree** | **Disagree** | **Strongly Disagree** |
| Reduction in Sales Volume |  |  |  |  |
| Reduced Profit due to Penalties |  |  |  |  |
| Bank Accounts Garnishment |  |  |  |  |
| Prosecution  |  |  |  |  |

1. **What other effects have you noticed due to taxation and statutory regulations non-compliance?**

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1. **The following table, shows the measures that can be implemented to promote taxation and statutory regulations compliance within SMEs in Zimbabwe? Kindly, indicate whether you agree or disagree with the submissions of the researcher?**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Agree** | **Strongly Agree** | **Disagree** | **Strongly Disagree** |
| Automation of Tax Payment Procedures. |  |  |  |  |
| Outsource Tax Consultants. |  |  |  |  |
| Tax Education. |  |  |  |  |
| Internal Legislation. |  |  |  |  |

1. **What alternative measures should be implemented to promote taxation and statutory regulations compliance?**

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………….

 **END OF QUESTIONNAIRE**

**Thank you for your time.**

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