

Determinants of Tax Compliances among SMEs in Mwanza Region

Ishumael Petro Giesi, Kaihula P. Bishagazi (PhD)

Faculty of Business and Economics, Department of Finance and Accounting, St. Augustine University of Tanzania, Tanzania

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Abstract— *This study was conducted to analyze determinants of Tax Compliances among Small and Medium Enterprises (SMEs) in Mwanza region: A case study was at Buswelu ward in Ilemela district. The specific objectives were to assess the impact of taxpayers' attitude on tax compliance, to assess the effect of tax education, the effect of tax rate and the effect of tax penalties on tax compliance. The study employed quantitative research approach, the study targets Small and Medium Enterprises (SMES) taxpayers, sample size was 175 among populace size 322 who were selected random at Buswelu ward. Data collected through questionnaires and analyzed through SPSS system version 20 were used in the analysis of the data collected. The study finding shows that tax payers perceived that there is no fairness in tax estimation and they do not trust that their tax contributions are used properly by the government. Also finding shows that tax education provides awareness to tax payers on the importance of paying tax, provides information to tax payers about guidelines and laws related to tax payments and services results into higher compliance levels, thus more of funds through revenue collection. This study concludes that tax payer's attitude, tax education and tax rate are the significant predictors of tax compliance. Tax compliance can be improved if tax payers have positive attitude towards paying tax; perceptions that there is fairness in tax administration, The study recommends that the government should ensure equity in government spending, to ensure fairness in tax rate estimation, to ensure transparency and overcome the problem of corruptions and misuse of fund, also the study emphasized in provide education to tax payers through different means through trainings, seminars, workshops and programs through radio, television and social media, because it increases awareness of tax payers on tax payments. This brought trust to the government which in turn contributed in creating positive attitude of taxpayers to comply with tax filing, reporting and payments.*

Keywords— *SME, Tax Compliances, SPSS.*

I. BACKGROUND OF THE STUDY

The nation's turn of growth and development is for the most part subject to the public authority incomes, charges being among the top significant public income source which is utilized to put resources into public foundation, wellbeing administrations, instruction and public administrations (Varvarigos, 2016). Other than government impacts to carry out compelling duty consistence which sensibly expansion in the assessment income; still the non-charge consistence is a main issue all around the globe in both creating and created countries. The issue of expense rebelliousness has been introduced internationally and locally among the SMEs by various

researchers (Alm et.al, 2016). Albeit the public authority has taken on different monetary measures to build homegrown income (improvement of public economy, monetary dependability), in light of the yearly reports, the assessment rebelliousness gauges have likewise shown a sharp ascent with charge resistance to agricultural nations (Samuel and Dieu, 2014; Alshirah et.al, 2016).

Globally, the development of responsible and successful states has been firmly bound up with the adequacy of tax collection frameworks including the assessment consistence. Confirmations from Europe and America shows equivalent advantageous plans among government and SMEs could give state run administrations a

motivating force to advance wide financial flourishing and work on open approaches in manners that satisfy resident needs.

In Africa, determinants of tax compliance for SMEs are widely studied including design tax policies that doesn't urge independent ventures to stay in the casual area or to sidestep or keep away from charge installments anyway little firms decide to stay in the casual area on the grounds that the apparent advantages offset the apparent expenses as the consistence costs are high, in this manner debilitating consistence (Mascagni et al, 2020; Lutfi et.al, 2017).

According to United Republic of Tanzania, Income Tax Act no 11 of 2004, business firms with annual turnover above 40 million TZS are registered for VAT purpose while those with annual turnover of below 40 million are also subjected to taxation (presumptive approach of taxation) system. Because of law SMEs in Tanzania should proclaim their deals for personal duty purposes, where everyone ought to announce the lease cost for rental assessment to be assessed; besides property ought to likewise be expressed for him to cover local charge. Consequently, the majority of assessment paid by SMEs relies upon the compliances level. However, the performance of any tax system depends highly on its administration mechanism in place. The implication is that; no tax is better but administration of tax is more important than tax itself (Lewis 1982). The essential objective of any tax authority is maximizing compliances among the tax payers of all types with their obligations (Helhel and Ahmed 2014).

In Tanzania, SMEs have been seen by Kamote and Ngowi (2015) with the main degree of non-uncovering of their arrangements to the obligation authority, especially when the trade is driven with cash. The inclusion with a part of the countries in the East Africa Community, for instance, Kenya and Uganda manage the non-declaration of arrangements by growing the seeing of arrangements trades through Electronic Fiscal Devices (EFDs machines). In Tanzania, the case sound something almost identical, regardless, SMEs practice towards the use of EFD machines has not been so convincing; as was represented that, out of 100 assessed SMEs' associations premises only one supposedly gave EFDs receipt freed from interest by the customer (Kamote and Ngowi 2015).

II. STATEMENT OF THE RESEARCH PROBLEM

Kamote and Ngowi (2015) have noted that tax evasion remained a long-time unsolved challenge, despite voices

by the concerned parties in the public sphere. It is toward this path; new strength on customs organization is tried to be supported so that, to carry income to the public authority for the smooth execution of improvement project. Besides, there has been different endeavors of the public authority to acquaint EFD machines with the business local area, and the revealed accomplishment in income assortment of a normal of 1.3 trillion, month to month by TRA authorities, in any case still there some opposition over the utilization of EFD machines particularly on the question of subsequently producing/production of the EFD receipts to customers, (Alphayo 2017).

Small and medium enterprises (SMEs) contribute significantly to country gross domestic product (GDP) as well as the government revenue; evasion in tax payment has been part and parcel of their business attitude or behavior and still persists (Kamote and Ngowi 2015). The as of late uncovered instances of various organizations which incorporate little, medium and enormous undertakings answered to gather their holders from Tanzania Port Authority without paying the necessary duty to the TRA, is one of the signs of presence of non-expense consistence (Makame 2015). Nonetheless, tax avoidance done by little and medium undertakings is done covertly and thus it is hard to catch the extent and why it is finished. Therefore, conducting of this particular study will add value to the available literature. Different studies have been conducted on the reasons for non-tax compliance amongst small business tax payers' themselves but there is no specific study conducted on SME's tax payers' perceptions on tax compliance in Tanga region. Therefore, this study will help to determine the perception of SME's taxpayers on factors affecting tax compliance.

Objectives of the Study

General Objective

The main objective of this study was to examine the determinants of tax compliance among SME's at Buswelu ward, Mwanza City.

The Specific Objectives

This study was guided by the following specific objectives:

- To assess the impact of taxpayer's attitude on tax compliance among SME's at Buswelu ward.
- To assess the effect of tax education on tax compliance among SME's at Buswelu ward.
- To examine the effect of tax rate on tax compliance among SME's at Buswelu ward.
- To examine the effect of tax penalties on tax compliance among SME's at Buswelu ward.

Significance of the Study

To the Government

The study will help governments to come up with policies and strategies that would enhance and develop friendly tax policies and guidelines to help SMEs willful expense consistence and strengthen the increment of tax collection in the area. Also, the study will provide with useful information and involving them in decision-making to government. Organizations that understand the implications of the study will help policy makers to establish some policies in tax that will help SMEs and pull economy of the country.

To Researchers and Academicians

The results of this research will be used as a base for future research. Through this, academicians will be able to identify determinants of tax compliance amongst SME's and identify research gaps that need to be filled. Scientists and researchers will actually want to get data identifying with charge consistence and its determinants to be used in research compositions and furthermore for additional investigations.

To Stakeholders and TRA

The study will be very useful stakeholders including private and public organization who are investors and non-organizations which will be gaining more developed ways to maintain SMEs through tax reduction. Also, Revenue authorities such as Tanzania Revenue Authority will gain a better understanding of the issues or factors to watch out for on revenue collection especially on instituting better reforms regarding the SMEs for better revenue performance.

III. LITERATURE REVIEW

Definition of Terminologies

Tax; Tax is a compulsory major contribution to government revenue, collected by the public authority on the singular's pay, business benefit and speculation's or added to cost of certain merchandise, administrations and exchanges (Oxford, 2020). It includes charges installment consistence, charges documenting consistence, and announcing compliance.

SMEs; Refer to small and medium enterprises which have the capital investment of machinery above 5 below 200 million and above 200 million to 800 million respectively, or have the number of employees 5-49 and 49-100 respectively (Tanzania Small and Medium Enterprise Development Policy, 2002).

Tax Compliance

Tax compliance is an issue among numerous nations albeit significant upgrades are constantly made. Expense consistence can be characterized dependent on consistence types like recording consistence, detailing consistence and installment consistence (Elly, 2015). The conversation on the determinants of duty consistence shows that Taxpayers' understanding on tasks of assessment, the expense of consistence, requirement endeavors, hardworking attitudes, profound quality of SME's, and government picture are among of the rundown which thusly impacts eagerness to agree or not to consent.

Tax Education

Tax education is characterized as realities, information, and aptitude acquired through experience or instruction. Assessment information overall is a comprehension of the fundamental duty strategy ideas carried out inside a country (Fauziati et al, 2016). Duty training to different little medium endeavors is one of the determinants in a deliberate consistence charge framework, especially in deciding a precise expense risk remembering a comprehension for charge arrangements by SMEs in a country chooses the consistence with the evaluation structure (Baru, 2016; Loo, 2016).

Tax rate

It is by and large accepted that a high duty rate is the primary driver of tax avoidance. Inspirations to evade charge depend upon the minor speeds of duty assortment because these direct the increments from aversion as a measure of the total evaded (Kaldor, 1956) One huge assessment evasion is the high near and dear yearly cost rates which will frequently lead residents to keep away from charge. Such countless and obfuscated standards and rules constrained by the public power will commonly incite charge evasion. Associations imagine that it is all around problematic oftentimes not gainful to cooperate authentically. The significant expense appraisal is in like manner a subject of pressure in made countries like USA just as in Kenya and other less industrialized countries in Africa and Latin America (KRA, 2011)

Tax penalty

The tax penalty is a disciplinary evaluation that the duty law propels against a demonstration that is precluded, of course for the mistake of doing an important showing such reasonable reporting of return or recording of wrong or thought little of pay (Mukasa, 2011). Also, if SME's citizen is expected to document a pay and not prevail to do as such in a specific time, he/she could be punished (Saad, 2012).

Tax Evasion

Tax Evasion is the conscious movement done by the business visionaries to reduce the appraisal hazard by abusing the law; where this is unlawful, since this is including the exceeding of cost law by making trickiness of data. Assessment evasion is one of the non-tax compliances; which suggests powerlessness to pay the proportion of obligation which is authentically due, while this is a criminal offense and at whatever point observed will incite criminal contentions against the resident.

Tax Avoidance

Assessment evasion has been portrayed by different analyst including (Soyode and Kajola 2006) as the course of action of resident to use the inadequacy or loophole of the cost law as far as possible the obligation commitment. This is legally allowed anyway it is similarly entrapping non-charge consistence. At any rate the tax assessment hypothesis proposes that to build charge consistence the duty strategy ought to notice the accompanying standards, (OECD 2010).

Review of Theories

Economic Deterrent Theory

This hypothesis, otherwise called discouragement theory, holds that direct of SME's is impacted by elements, for example, charge rate that decides the dangers that might accompany avoidance, and furthermore the probability of being identified upon avoidance and what punishments one might look because of Allingham and Sadmo (1972).

The Deterrent hypothesis (monetary prevention hypothesis) expresses that resident's lead is affected by determinant factors, for instance, the cost rate choosing the benefits of evasion, and the probability of distinguishing proof and disciplines for coercion and on the off chance that acknowledgment is conceivable and disciplines are outrageous, hardly any SME's will avoid charges. Then again, under low survey probabilities and low disciplines, the typical re-appearance of evasion is high which could incite liberal opposition (Nwidobe, 2018).

The theoretical guidelines of monetary demoralization have also been for the most part embraced by charge associations while making approval strategies that rely basically upon disciplines and the fear of getting caught other than been examined for focusing in just on the coercive side of consistence, to the burden of the consensual (Onduru & Olwen, 2019).

Empirical Literature Review

Some empirical done on tax compliance are discussed below and is part of inputs for this study including: -

Sifuni (2017) researched on the SME's discernments on charge consistence in Tanga City at Muheza area, Tanzania and the examination took on quantitative strategies utilizing calculated relapse model to investigate information. The investigation discovered that discernment on charge rate, fines, taxpayer driven organizations conveyance and punishment have a positive and critical connection with charge consistence. The review suggested the public authority ought to incorporate assessment schooling to the training educational program from the essential level to build charge mindfulness among to the local area.

Eliamini (2018) conducted a study on the factors affecting expense consistence demeanor in little and medium undertakings (SME's) in Tanzania. The review suggested TRA and different partners ought to reasonably work on their techniques to increment and further develop charge assortment execution. The investigation discovered that duty rates, tax breaks, charge review, punishments and fines positively affect the consistence mentality among SME's. In examination of non-monetary elements, the impression of the SME's, standards and saw decency were found to positively affect charge consistence while government spending and intricacy of assessment strategies were found to have a negative relationship with charge consistence.

Kolstad et al (2020) found that tax regimes and enforcement need to be simple, consistent and predictable. It is noticed that charge specialists are among of the most "dreaded" foundations by casual area administrators for organizing their exercises. Systematization infers between alia, enlistment with the duty specialists and along these lines the necessity to cover pertinent duties; charge is an expense for its payers. With various and high duty rates, the expenses become rising. Expense subsequently decreases business' benefit and small business tried to avoid this cost by not being tax compliance.

IV. RESEARCH METHODOLOGY

Research design

Descriptive research design was adopted to achieve the motivation behind this review. This study design is suitable because of its ability to describe the characteristics of the problem with narration of facts of individuals' views, opinions and experiences as well as processes that the research is investigating (Cresswell, 2014). This study design will enable the researcher to deploy descriptive methods and correlation statistics to draw an inference concerning the determinants of tax compliance among SME's at Buswelu ward.

Study Area

This study was held among Small and Medium Enterprises SME’s at Buswelu wards in Ilemela locale. As per 2012 Census revealed that Ilemela area has a populace of 343,001(164,718 male and 178,283 female). Ilemela locale has a civil gathering and also consist 9 wards. Buswelu is one among the 9 wards found in Ilemela district which constitute a moderate number of SME’s operating within these areas which include retail shops, wholesalers, hardware, and electronic shops. Buswelu Ward was chosen for this study because it is a new fast-growing center near Ilemela City Council and Ilemela District Commissioner Offices, within the selected location where new infrastructure, business and offices for new Ilemela District was concentrated.

Targeted Population

Kothari (2014) characterized designated populace as a total, things being what they are, or units of interest. It consolidates all SME’s that meet a lot of measures to be examined. The number of inhabitants in the review is 322 Small and Medium Enterprises (SME’s) taxpayers in Buswelu Ward in Ilemela district.

Study Population

S/N	Type of business	Number of populations
1	Hardware	49
2	Saloon	42
3	Retail shops	83
4	Wholesale shops	72
5	Metal mechanics and fabricators	28
6	Food vendors	48
	Total	322

Source: Researcher (2021).

Sampling Techniques and Sample Size

In this study, sample size was determined using Krejcie and Morgan (1970) table. For a populace of 322 SME’s at Buswelu ward, the suitable example size as per Krejcie and Morgan (1970) table is 175

Data Collection Instruments

Under this study, data was collected from the SME’s taxpayers through questionnaire as primary instrument of data collection for a survey method (Lestari et al, 2017). The structure of questionnaire was close ended questionnaire with 5-Linkert scale (where indicates; 1- Strongly Disagree, 2- Disagree, 3- Neutral 4-Agree, 5- Strongly Agree) which was enhance understandability,

reduction of confusion in reading and answering questionnaire for the respondents. Moreover, the study structured the questions for dependent variable in form of 5-Likert scale response for the dependent variable. Thus, the study was used close ended questionnaire which is most preferred for quantitative study.

Primary Data

As per Roston (2015), essential information is such information that has been assembled interestingly; it has never been accounted for anyplace. Deficiencies of optional information sources, for example, out datedness and insufficiency as far as inclusion, was require utilizing essential source and being praised by other auxiliary information in conversation of the discoveries. Self-managed poll was utilized and this empowered the researcher to cover a large population quickly and at a reasonable cost

Questionnaire

A questionnaire is a reformulated put down set of inquiries to which respondents account their replies, typically inside rather firmly characterized options. Polls were similarly utilized in light of the fact that the data will be gathered from a huge example in a brief period. The survey was utilized in assortment of information from respondents (small business owners). Questionnaires were consisting of close-ended questions administered to respondents of Buswelu ward because the study is merely quantitative.

Data Analysis

Quantitative data collected through questionnaire was analyzed using descriptive statistics and inferential statistics (Pearson correlation and multiple regression analysis) with the aid of Statistical Package for Social Science (SPSS) version 20.

Validity and Reliability

Validity in a study concerns the accuracy and trustfulness of findings. Reliability is concerned with consistence of the measuring instrument. To guarantee the dependability of the review discoveries, the specialist planned the polls in short organization with straightforward sentences to stay away from weariness to respondents and furthermore to keep away from biasness from respondents. Dependability the degree to which the outcomes found can be reproduced with the rehashed test, unwavering quality can likewise have considered consistency in the outcomes. In this examination, endeavors were to build dependability incorporate posing clear inquiries and measure the respondents in a similar theme/question and joining the reactions into a general score (Dietz, 2018). CronBach's Alpha test was sent to quantify dependability of data while pilot study was conducted to ensure validity of the study.

Ethical Issues

With regards to explore, morals allude to the suitability of your conduct comparable to the freedoms of the SME’s who become the subject of your work or impacted by it (Saunders et. al, 2019). This exploration guaranteed specialist gets an educated assent from the respondents before undertaking to collect data from the field. Objectives of the research were explained to respondents so as to solicit their informed consent. The high level of confidentiality on the information provided by respondents through questionnaires and interview was maintained.

Presentation of the Research Findings and Discussions

Characteristics of respondents

This study included six variables to describe the characteristics of respondents included in this study. These variables include age, gender, education level, type of business, year of experience, and monthly income. The findings on characteristics of respondents are as presented in Table below.

Table 4.1: Characteristics of respondents

Variable	Sub variable	Frequency	Percentage (%)
Age	18-28	42	24.0
	29-39	74	42.3
	40-50	37	21.1
	51 and above	22	12.6
Gender	Male	102	58.3
	Female	73	41.7
Education level	Primary education	69	39.4
	Secondary education	51	29.1
	Certificate	23	13.1
	Diploma	17	9.7
	Bachelor degree	12	6.9
	Post-graduate degree	3	1.7
Type of business	Hardware	32	18.3
	Saloon	19	10.9
	Retail shops	51	29.1
	Whole sale shops	34	19.4
	Metal mechanics and	13	7.4
		26	14.9

	fabricators		
	Food vendors		
Years of experience	0-1	14	8.0
	2-5	56	32.0
	6-10	73	41.7
	11 and above	32	18.3
Monthly income	0-100,000	18	10.3
	100,001-200,000	41	23.4
	200,001-300,000	66	37.7
	300,001-400,000	22	12.6
	400,001 and above	28	16.0

Source: Researcher, (2021)

Age

Age of respondents was considered because the researcher needed to see the age range of SME’s available at Buswelu ward. In this study, majority of respondents (42.3%) were aged between 29 and 39, followed by respondents aged between 18 and 28. This implies that SME’s in Middle age and youth accounts for the majority of SME’s conducting their business at Buswelu ward

Sex

The study included this variable in order to figure out the gender balance among SME’s available at Buswelu ward. More than half of respondents (58.3%) were men while the rest were female respondents. These findings implies that there is gender balance in conducting business as well as among study participants as the number of male respondents slightly exceeded the number of female respondents.

Education level

The level of education was included in order to determine the distribution of respondents based on education level. The findings also indicated that majority of respondents (39.4%) were holding primary education level, followed by those with secondary level of education. This implies that SME’s who have college and university education from certificate level to the degree level are not mostly engaged in small scale businesses compared to those with primary and secondary level.

Type of business

Majority of respondents (29.1%) were the owners of retail shops, followed by those with whole sale shops and hardware. This implies that retail shops, wholesale shops and hardware are highly available at Buswelu ward than other type of businesses.

Business experience

It was also revealed that most of respondents (41.7%) had business experience between 6 and 10 years, followed by those with experience between 2 and 5 years. This implies that small scale business owners at Buswelu ward have good experience as majority have 6 to 10 years of experience.

Monthly income

It was revealed that majority of respondents (37.7%) are making a monthly income of 200,001-300,000. This implies that the businesses are not doing extremely bad or extremely good among SME’s at Buswelu ward, therefore tax collection at the ward is not supposed to be bad.

Reliability test results are excellent as the overall CronBach’s Alpha value in this study was 0.936 including all study key variables which are; impact of taxpayers’ attitude, tax education, tax rate, tax penalty and tax compliance (See Table 4.2). Specifically, CronBach Apha coefficient of impact tax payers’ attitude was 0.775

(acceptable), tax education was 0.801 (good), tax rate was 0.741 (acceptable), tax penalty was 0.774 (acceptable) and tax compliance was 0.750 (acceptable). The CronBach’ Alpha results are excellent because George and Mallerly (2003) suggested that a > 9 (excellent); a > 8 (Good); a > 7 (Acceptable); a > 6 (Questionable); a > 5 (Poor) and a < 5 (Unacceptable).

Objective 1: The impact of tax payers’ attitude on tax compliance among the SME’s in Buswelu ward

Multi collinearity test results indicated that VIF value is ranging from 2.254 to 4.293, implying that this study does not suffer from multicollinearity (See Table 4.3).

The result from a regression using a multiple linear regression showed that, (tax payer) attitude has a higher standardized valued of Beta (β) of 0.445 showing that tax payers have the higher influence on the tax compliance refer to the table 4.4 below. Moreover, the result from a regression using a multiple linear regression showed that, (tax payer) tax rate has a higher standardized valued of Beta (β) of 0.290 showing that tax payers have the higher influence on the tax compliance refer to the table 4.4 below. Moreover, the result from a regression using a multiple linear regression showed that, (tax payer) tax penalty has a higher standardized valued of Beta (β) of 0.021 showing that tax payers have the higher influence on the tax compliance

Table 4.3: Multiple regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.478	.113		4.217	.000		
Taxpayers’ attitude	.448	.046	.445	9.645	.000	.444	2.254
Tax education	.182	.043	.219	4.200	.000	.347	2.878
Tax rate	.267	.055	.290	4.840	.000	.263	3.801
Tax penalty	.019	.058	.021	.333	.740	.233	4.293

a. Dependent Variable: tax compliance

Furthermore, the findings through descriptive statistics indicated that majority of respondents (39.4%) agreed that they feel okay to pay tax because revenue collected return to the community through coverage of social needs like health and education. In contrast, majority of respondents (46.9%) disagreed that tax estimates reflect the size of their business earnings, hence they feel okay to pay such tax. On the other hand, majority of respondents (44.0%) agreed that paying tax is a sign of patriotism; therefore, it is important for them to pay taxes. Moreover, the findings

indicated that majority of respondents (37.7%) disagreed on the statement “I am confident that my tax contributions are used positively by authorities in community development projects such as road infrastructures”.

Objective 2: The effect of tax education on tax compliance among the SME’s in Buswelu ward

Multiple regression analysis results also indicated that tax education have positive significant influence on tax compliance (See Table 4.3). These findings concur with the findings from other studies including Baru, (2016) and

Loo, (2016) who revealed that tax education to various small medium enterprises is one of the determinants in a voluntary compliance tax system, particularly in determining an accurate tax liability including an understanding on tax policies by SME's in a country determines the compliance with the tax system.

Furthermore, descriptive findings on the effect of tax education on tax compliance indicated that more than half of respondents (52.0%) agreed that tax education provides awareness to tax payers on the importance of paying tax. The findings also indicated that nearly half of respondents (47.4%) agreed that tax education offers information to tax payers about guidelines and laws related to tax payments. Majority of respondents (38.9%) agreed that tax education influence tax payers' morale to pay tax. It was also revealed that majority of respondents (40.6%) agreed that tax education provides awareness to tax payers on tax estimates, the penalties and law suits associated with tax evasion. In the same way, majority of respondents (37.1%) agreed that tax education contributes to positive attitude towards tax compliance. Furthermore, majority of respondents (33.1%) agreed that tax education increase awareness of tax payers on the importance of record keeping. Table 4.5 presents these findings in details.

Objective 3: The effect of tax rate on tax compliance among the SME's in Buswelu ward

The findings through multiple regression analysis indicated that tax rate have positive significant association with tax compliance among SME's (See Table 4.3). This implies that tax rate has an influence on tax compliance among SME's, and descriptive findings presented below shows the way tax payers perceive about tax rate and its influence and on tax compliance. These findings concur with the findings of Chipeta, (2002) who revealed that the rate of tax determines tax payment as well as tax evasion among tax payers, for instance this study suggested that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer.

Furthermore, the findings through descriptive statistics indicated that nearly half of respondents (49.1%) agreed that they feel okay to pay tax rate which is relevant their actual business earnings. It was also revealed that majority of respondents (41.1%) agreed that fairness of tax officials during tax estimates influence tax compliance. In contrast, majority of respondents (41.1%) disagreed on the statement of motivated to pay tax because of the tax rate that I am supposed to pay. On the other hand, more than half of respondents (52.6%) strongly agreed that fairness in tax administration influence tax compliance among SMEs.

Objective 4: The effect of tax penalty on tax compliance among the SME's in Buswelu ward

Multiple regression results shown tax penalty has positive influence on tax compliance among SMEs but the association is not significant. This implies tax penalty has less contribution to tax compliance compared to other variables such as tax payers' attitude, tax education and tax rate which have huge contribution to tax compliance among SME's. Previous researchers had conflicting findings on the effect of tax penalty on tax compliance. For instance, Kundt (2013) revealed that the connection among fines and expense consistence are conflicting. Atawadi and Ojeka, (2012) observed that fines are somewhat higher identified with charge consistence than review probability. While Murphy, (2008) revealed that by keeping consistent the assessed worth of expense while changing review probabilities and fines for rebelliousness showed that consistence rose essentially with more fines contrasted and higher review probability.

Moreover, descriptive statistics findings indicated that most of respondents (40.6%) disagreed that tax penalties forces tax payers comply with tax payments. It was also revealed that more than half of respondents (54.9%) strongly agreed that tax penalties should be removed in order to encourage SME's pay their taxes. The findings also indicated that more than half of respondents (52.6%) strongly agreed that tax penalties increase tax burden to SME's which discourage their tax compliance. Furthermore, majority of respondents (44.6%) strongly agreed that tax penalties increase tax avoidance among SME's

Correlation analysis results

The findings through correlation analysis indicated that independent variables including tax payers' attitude, tax education, tax rate and tax penalty significantly correlates with tax compliance which is the study's dependent variable ($p < 0.05$ respectively) (See Table 4.8. The p-value less than 0.05 indicate that an independent variable has significant association with the dependent variable. The independent variables in this study were tax payers' attitude, tax education, tax rate, tax penalty while the dependent variable was tax compliance. Therefore, the findings indicated that impact of tax payers' attitude has significant correlation with tax compliance as p-value was 0.000 which is less than 0.05. This implies that impact tax payers' attitude explains tax compliance.

Table 4: Correlation analysis

Variable	1	2	3	4	5
1. Tax compliance	1				
2. Tax payers' attitude	0.000	1			
3. Tax education	0.000	0.000	1		
4. Tax rate	0.000	0.000	0.000	1	
5. Tax penalty	0.000	0.000	0.000	0.000	1

Source: Researchers, 2021

ANOVA Results

This section provides statistics about the overall significance of the model being fit. By looking at the significant value also known as the p-value, one is able to know if the independent variables of the study are explaining the dependent variable, in this case the p-value is 0.000 which is less than 0.05. Hence, ANOVA results indicated that independent variables (tax payers' attitude, tax education, tax rate and tax penalty) reliably predicts the dependent variable which is tax compliance (See F and Sig in table 5). Therefore, tax payers' attitude, tax education, tax rate and tax penalty explain tax compliance, hence from these findings, tax payers' attitude, tax education, tax rate and tax penalty are the determinants of tax compliance.

Table 5: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	98.812	4	24.703	201.295	.000 ^b
Residual	31.294	255	.123		
Total	130.106	259			

- a. Dependent Variable: tax compliance
- b. Predictors: (Constant), tax penalty, tax payers' attitude, tax education, tax rate

V. CONCLUSION

This study concludes that tax payer's attitude, tax education and tax rate are the significant predictors of tax compliance. Tax compliance can be improved if tax payers have positive attitude towards paying tax; perceptions that there is fairness in tax administration, equity in government spending and overall trust in the government. Also, sufficient provision of education to tax payers contributes to tax compliance because it increases awareness of tax payers on tax payments, tax estimates and tax information. In addition, fairness in tax estimation provides fair tax rate which in turn motivates tax payers to comply with tax filing, reporting and payments.

VI. RECOMMENDATIONS

Firstly, the government should ensure equity in government spending in order to create positive attitude of tax payers towards tax compliance. Secondly, the government should ensure transparency and overcome the problem of corruptions and misuse of fund. This will bring about trust in the government which in turn will contribute in creating positive attitude of tax payers towards tax compliance. Thirdly, the government through its authorities such as Tanzania Revenue Authority should provide education to tax payers through different means such as trainings, seminars, workshops and programs through radio, television and social media.

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