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Effect of e-tax filing on tax compliance: A case of clients in Harare, Zimbabwe

Sifile Obert[1*], Kotsai Rodgers[2], Mabvure Joseph Tendai[1] and Chavunduka Desderio[2]

[1]Department of Accountancy, School of Entrepreneurship and Business Management,
Chinhoyi University of Technology, Chinhoyi, Zimbabwe.
[2]Graduate Business School, School of Entrepreneurship and Business Management, Chinhoyi University of Technology,
Chinhoyi, Zimbabwe.

There is underutilisation of electronic tax filing systems in tax agencies despite the presence of electronic tax administration systems. The objective of this study was to find how this has influenced tax compliance. Data collection was mainly through a questionnaire. Analysis of data was done through SPSS Version 20 and Excel. The study concluded that electronic filing system actually influences tax compliance. The study also established that there was a positive attitude by clients towards electronic filing. Electronic filing has also significantly increased the ease of doing business. Correlation analysis revealed a positive correlation (0.533) between assessing tax obligations accurately and the ease of doing business. The study was mainly directed at large clients and to one component of compliance which is filing, with less focus on other components of compliance, hence, the study recommends more research on the impact of e-filing on payment and e-filing on tax evasion and avoidance.

Key words: Electronic filing, e-filing, taxation, tax compliance, Zimbabwe Revenue Authority (ZIMRA), Zimbabwe.

INTRODUCTION

The performance of an economy is predicated on revenue collection (Malima, 2013). Governments need finances to support administrative, infrastructure and service provision (Komanya, 2013). Dowe contends that increased use of technology has arguably improved tax payer services, compliance and administration.

The Zimbabwe Revenue Authority (ZIMRA) is a quasi-government institution whose mandate is to collect revenue on behalf of the government. The authority accounts for eighty percent of the total revenue collected by the state. ZIMRA was formed in 2004 after the amalgamation of the Department of Taxes and Department of Customs. During that era, they were using ledger cards and in 2006 they migrated to the use of SAP system which was further upgraded in 2013, with the SAP system clients manually submitting their tax returns. In a bid to further improve the collection of taxes and compliance at ZIMRA, the e-services tool was then introduced.

On 28 June, 2015 Zimbabwe Revenue Authority (ZIMRA) launched an e-services solution which was developed in conjunction with Microsoft and SAP. The e-service platform gives ZIMRA an opportunity to interact with its clients and at the same time allowing them to do

*Corresponding author. E-mail: osifile@gmail.com.

business with the Authority in the comfort of their homes or offices. It is an important step towards the creation of a virtual tax office.

The impact of e-services system has not been determined. It is of great importance to understand the adoption of electronic filing by taxpayers given the investment in infrastructure and its potential for reducing costs. Developing countries are facing challenges of low tax compliance and tax collection. This study seeks to establish the influence of e-services or filing on voluntary compliance by the usually unwilling taxpayers.

LITERATURE REVIEW

'Ability to Pay' theory

The theory states that taxes need to be paid according to a taxpayer's ability to pay (Muturi and Kiarie, 2015). It highlights that individuals who earn more money can afford to pay more in taxes (Muturi and Kiarie, 2015). The theory also advances the following views on factors that determine bases for taxation:

Ownership of property: The ability to pay can be evidenced by ownership of property. Thus it suggests that those who buy property should be taxed more, which is a nullity because ownership of property is a choice.

Using expenditure as a basis for tax: Fochmann and Kroll (2016) believe that the quantum of expenditure should determine tax. This seems absurd given that expenditure depends on factors like size of family.

Use of income as basis for tax: A widely held view is that income is the best determinant of tax.

Benefit theory

This was developed by Wicksell (1896). It upholds that the state ought to tax its people according to the benefits it confers on them. It implies that taxes should be paid by those people who obtain direct benefit of government programs and projects derived from taxes paid. However this theory faces major criticisms as explained below. Mogeni (2012) argues that the vulnerable get more benefits like free education and food among others. While they get the largest benefits, they are the least in capacity to pay taxes (Wasao, 2014).

The Stakeholder theory

It is pinned on the idea that organizations that manage their relationships with stakeholders effectively will last longer and perform better than organizations that do not

(Freeman, 2008). In this view, tax authority is one of the stakeholders of taxpayers and the relationships with the Tax authorities need to be maintained by being tax compliant. The implication of this theory is that organizations in their bid to have a good corporate governance they will be tax compliant.

Electronic filing and tax compliance

Tax compliance means abiding by taxpaying expectations and tax law (James and Alley, 2004). Non-compliance is the payment of less tax than due or outright failure to pay (Muturi and Kiarie, 2015). The major causes of this difference are contributed hugely by overstating of expenses and deductions, and understating income. Robben et al. (1990) and Webley (2004) argue that non-tax compliance encompasses premeditated tax evasion and unintentional non-compliance, these resulting from calculation errors and poor appreciation of tax laws.

On the other hand, OECD (2008) divides compliance into administrative and technical categories. Administrative compliance refers to following tax reporting procedures and regulatory frameworks while technical compliance refers to following the technical dictates on payment of taxes.

However, Dome (2013) identifies four key tax compliance dimensions which are:

a) Registering a taxpayer when criteria are met,
b) Submission of tax returns on or before due date,
c) Payment of tax due on or before due date and
d) Reporting tax liability accurately e.g. declaring correct income, expenditure and tax relief.

Dome (2013) further adds the dimension of a taxpayer having to register with the tax authorities when required to do so. He also highlights that one pillar of tax compliance is registration as a taxpayer when one meets criteria set by the Revenue Authority. He also states the major areas of non-compliance being the avoidance of registration and filing taxes wrongly.

We therefore note that the dream of all governments is getting all its citizens to pay their taxes painlessly without complaints. The task has however, never been simple, until the introduction of the modern information technology which has simplified this task. The advancement of tax compliance has pointed at improvements in administration fiscal of systems (Teltscher, 2002). Tax compliance is mainly achieved when majority of taxpayers voluntarily file their tax returns and pay resultant tax liabilities as stipulated in the tax laws, without the intervention of the tax authorities through enforcement. However, if the voluntary compliance is low, then enforcement measures like audit and collection are resorted to. In a bid to embrace the

Table 1. Population and sample.

Population category	Population	Sample
Employees (ZIMRA Region 1 Employees)	102	80
Management	5	4
Large corporate clients (LCO)	642	340
Medium clients	3,186	234
Total	**4,446**	**658**

developments in the ICT world, tax authorities have introduced various online systems that have led to the introduction of online electronic submission of returns, online payments and online viewing of returns.

Paper returns are tedious to file on the part of the taxpayer and in the same magnitude to reconcile on the part of revenue authorities (Muita, 2011), hence the use of electronic filing, which is intended at safeguarding accuracy and well-timed reconciliation of the data enclosed, since ZIMRA's SAP systems does automatic reconciliation and validation of the returns.

Benefits of e-filing

E-filing minimises the cost of preparation and submission of tax returns in an environment which is paperless (Azmi and Kamarulzaman, 2010).

RESEARCH METHODS

A descriptive research design is adopted in this study. A descriptive research survey design is defined by Saunders et al. (2009) as one which accurately focuses on phenomena and describes what the researcher visualises. Questionnaires were used in data gathering. Primary data was also collected from face to face interviews.

The population of the study consisted of ZIMRA employees and management, large corporate clients, and medium clients as shown in the Table 1.

The stratified random sampling technique was used in the selection of respondents. The researchers divided the population into strata, which contributed to a sample of 658 proportionally. Sample elements were then drawn from strata (Saunders et al., 2009). The sample size from the given sample size was justified by making use of the model developed by Krejcie and Morgan (1970).

Internal consistency of items in the questionnaire ranged between 0.6 and 0.71 for all constructs. The range is supported as being consistent by Gay et al. (2006).

RESULTS AND DISCUSSION

Availability of internet connectivity

The study established that 67% of the businesses had internet connectivity and only 33% did not have. The findings above are comparable with empirical findings by Wasao (2014) who did a study on the impact of e-tax services among small tax payers in Eastern Nairobi. Reliable internet availability was found to be a prerequisite of e-tax filing.

Automation of processes

Almost half of the respondents have automated their businesses (53%). This is in line with Muita (2011) who noted that manual process are tedious and specifically preparing paper returns can be time consuming and prone to errors. Automation on business processes enhances the reconciliation process and also safeguards accuracy of data. The 47% who responded 'No' to the automation of business processes were asked to explain the reason they failed to automate their business processes. The major reasons were that it was expensive to automate, there was no need due to size of the business and there was lack of knowhow.

ZIMRA online users

77% of the respondents are registered with ZIMRA, thus e-filing can be adopted easily if all other factors are held constant. Registered companies can transact electronically without having to physically visit the authority. Registering with ZIMRA online also means that the company is able to submit through the internet as alluded to by Wasao (2014) who echoes that e-filling process is where tax returns are submitted through internet, without submission of a paper return. Those who were not registered stated that they were never trained in e-services thus had no push to register. This is in agreement with findings by Azmi and Kamarulzaman (2010) who highlighted that public perception can affect the adoption of electronic filing system. If users perceive the use of the internet or e-services as a challenge then they will avoid using it. These findings concur with findings from a research done by Ling and Nawawi (2010) in Malaysia from a survey on the integration of tax software education and ICT skills. They found that there are three skills required by taxpayers to fully utilize tax online systems. These are email, word processing and spreadsheets. For benefits of e-filing to be realized, the necessary user skills like computer literacy as well as a

positive attitude towards technology are prerequisites.

One of the challenges unearthed by the study was that the ZIMRA server was always down as well as the costs associated with the online system. Such findings are in agreement with those of Sweeney et al. (1999). They established that challenges of online systems are the ability of the authority to ensure that the system is always up and running smoothly. E-filing systems should not falter during peak periods when there is too much e-traffic.

Advantages of e-filing system

Respondents were largely in agreement that the electronic filing system promotes ease of doing business. These findings are in agreement with Wasao (2014) who argues that a positive step towards ensuring the success of e-filing is ensuring that the tax payers view the system as bringing benefit to them. This was further supported by Chebusit (2014) who also stated that the taxpayer's attitude and perceptions play a significant part in their compliance decisions. Respondents also pointed out the advantage of convenience. 100% of the respondents pointed out reduced trips, queues and parking problems as the major advantage that e-filing brings to them. The other advantage was the ability to transact 24 h a day. E-filing allows clients to submit their returns even after hours. All the advantages listed above come back to the issue of improving efficiency as well as being convenient. These findings are in line with Muturi and Kiarie (2015) who also came up with similar advantages. According to Muturi and Kiarie (2015), e-filing improves on convenience to the clients as well, as it ensures accuracy and timely reconciliations of data captured. Prior research by Fu et al. (2006) also confirms that e-filing improves efficiency, reducing errors and avoiding mispostings.

Major weaknesses of e-filing

The *non-availability of internet* was the major challenge of e-filing. For e-filing to be a success, there should be internet connectivity and without it, e-filing does not succeed. In Zimbabwe, internet access is still a challenge to some tax payers. *Knowledge gap* was identified as another major weakness as respondents agreed that it impacts significantly on success of e-filing. *Power cut* was one weakness of e-filing as well as *resistance to change*.

Measures to overcome the weaknesses

Respondents came up with the following measures to mitigate against failure of companies to embrace e-filing: training through workshops, increase in network coverage,

change management and the use of cloud computing.

Correlation analysis

Table 2 shows that there is a positive correlation (0.553) between assessing tax obligations accurately and promotion of ease of doing business. The assumption being made here is that when someone views e-filing as promoting accurate assessment of tax, then that individual complies.

Conclusion

The significant conclusion drawn from this study is that e-filing actually influences compliance as evidenced by the following conclusions to the research questions:

1) The first major finding from this research is that the respondents had a very positive attitude towards e-filing. This is indicated by the respondents' knowledge of the benefits that e-filing brings to them. However, this positive attitude is diluted by a number of factors that makes e-filing difficult or not easy to use.
2) The second major finding from this research is that e-filing is a positive step towards tax compliance. The findings indicate that e-filing on its own does not lead to tax compliance; however, it is a positive step towards tax compliance and is only one of the three components of compliance. E-filing improves tax submission, but however, it does not ensure payment compliance.
3) The third major finding is that e-filing has improved the ease of doing business with ZIMRA. The findings indicate clients can now easily submit their returns and view their accounts in the comfort of their offices.

Recommendations

1) ZIMRA should organize training workshops for its taxpayers so that adoption rate of e-tax filing increases. Training workshops should be done across the country.
2) The government should improve the infrastructure that supports internet coverage across the country for electronic filing to be a success. It is Government that should ensure Internet connectivity for all. This is because taxpayers are found all over; even those in the rural areas can pay tax thus internet access should be guaranteed.
3) System availability should be ensured by ZIMRA who should have its servers upgraded to be able to absorb pressure on e-traffic. This is because the current servers are encountering pressure during the due dates which are the peak periods for return submission.
4) ZIMRA should benchmark their electronic filingservices with those of countries like South Africa, Kenya

Table 2. Correlations.

Spearman's Rho	Correlation	Ease of doing business	Speed and convenience	Assessment accuracy	Cost reduction
Ease of doing business	Correlation coefficient	1			
Speed and convenience	Correlation coefficient	0.553**	1		
Assessment accuracy	Correlation coefficient	0.580**	0.626**	1	
Cost reduction	Correlation coefficient	0.512**	0.422*	0.401*	1

and Uganda who have implemented this service before. This has potential to help to identify the areas that will need improvement.

5) ZIMRA should train users of e-tax filing periodically.

6) ZIMRA should have an online help facility that will ensure that clients who face problems are helped.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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