EAST AFRICAN
NATURE &
SCIENCE
ORGANIZATION

Original Article

The Influence of Tax Determinants on Tax Compliance Decisions by Small and Medium Enterprises (SMEs) in Harare CBD

Caleb Magoba[1]*, Garikayi Mhishi[1], Andy Chiyangwa[1], Joseph Kusvabadika[1], Willard Magara[2], Gift Manhimanzi[1] & Samuel Mwenje[1]

[1] Zimbabwe Ezekiel Guti University, P. O. Box 350, Bindura, Zimbabwe.
[2] Bindura Municipality, Bindura, Zimbabwe.
* Author for Correspondence Email: kiplangatkemboy@gmail.com

ABSTRACT

This research aimed to examine the factors influencing tax compliance decisions among Small and Medium Enterprises (SMEs) in Harare CBD. The objectives were to identify the determinants of tax compliance, understand the perceptions of SME operators regarding tax compliance, analyse the association between tax compliance determinants and behaviour, and propose tax procedures to encourage voluntary compliance for Zimbabwean small businesses. To achieve these objectives, a mixed-method research strategy was employed, collecting data from 128 participants through questionnaires and interviews. Descriptive and inferential statistical analysis tools were utilized, with data analysis conducted using MS Excel packages. The findings indicated that tax compliance determinants among SMEs in Harare CBD include tax morality, tax fairness, tax complexity/simplicity, availability of tax information, tax awareness, trust in authorities, and power in authorities. Furthermore, the study revealed that SMEs perceive tax compliance as crucial for their success and reputation, although it is seen as burdensome. Adhering to tax regulations can provide SMEs with a competitive advantage. The research also highlighted that the tax compliance behaviour of peers significantly influences individual SMEs, while the complexity of tax regulations hampers motivation to comply. Therefore, simplified processes and improved education initiatives are recommended. Policymakers and tax authorities are advised to promote tax morality, fairness, and transparency while regularly reviewing and updating regulations. Enhancing tax information availability and awareness initiatives are also suggested. SMEs and business associations should raise awareness about the importance of tax compliance and learn from the behaviour of compliant peers to create a positive compliance culture. Advocating for simplified tax regulations and improved education initiatives is crucial to alleviate the burden of tax compliance for SMEs. This research provides valuable insights into the determinants of tax compliance among SMEs in Harare CBD and offers

recommendations for policymakers, tax authorities, and SMEs to improve compliance levels and alleviate challenges.

INTRODUCTION

Income taxes are the main source of revenue for governments the world over and the revenue authorities when meeting their budget agenda. Revenue bodies continue to devise functioning policies to enhance tax compliance for all cadres of taxpayers. Policy attention on tax compliance and enforcement is gaining momentum after the financial crisis of 2008 and the global recession. Special attention is being directed not only to high-income earners, and large corporations but also to small and medium-scale enterprises in matters to do with tax compliance (Slemrod, 2016).

Globally, Small and Medium Enterprises (SMEs) are widely recognized as the main drivers of economic growth and development (Amanamah, 2016). In Ghana, for example, statistics from the Registrar General's Department indicate that 92% of registered companies fall under the category of micro, small, and medium enterprises (Amanamah, 2016). These SMEs contribute about 70% to Ghana's GDP and provide around 85% of manufacturing employment, demonstrating their

significant impact on the economy (Halon & Brown 2018, Steel, & Webster, 1991). According to a report by the ZIMRA Board Chairman Performance Report, the fourth quarter of 2013 brought in net collections of US$401.1million against a target set by the Ministry of Finance and Economic Development of US$457.4 million which resulted in a negative variance of 12% (Moyo, 2013). The marginal negative variance was due to the reduction in the industrial capacity utilization from around 44.6% in 2012 to 39.6% in 2013, CZI Manufacturing survey as cited by Moyo (2013). It is clear from the statistics that the actual collections against targets for the period were not tallying, hence the negative variance of 12%. Thus, ZIMRA should improve tax compliance by SMEs which have become the main employers and a lot of cash is circulating in the informal sector and SMEs.

In an attempt to bridge the tax gap and capture revenue from the growing informal sector, the Zimbabwean government introduced a presumptive tax in 2005. This tax regime, as highlighted by Bergner *et al.* (2017), aimed to simplify tax

compliance for SMEs and ensure that they contribute their fair share to the national revenue. However, the government has faced challenges in revenue collection due to factors like company closures and a liquidity crunch, as noted by Magudhla, & Mambo (2013).To encourage tax compliance among SMEs in Zimbabwe, the tax regime provides special initial allowances. Chimhangwa, (2014) explains that SMEs are granted a 50% initial allowance in the first year and a 25% allowance in each of the subsequent two years. These allowances are designed to facilitate the growth of SMEs and incentivize micro-enterprises to formalize their business transactions, thereby promoting tax compliance. The importance of improving tax compliance among SMEs in Zimbabwe cannot be overstated. SMEs are the main employers in the country, and a significant amount of cash flow circulates within the informal sector (Moyo, 2013). By enhancing tax compliance efforts, the government can ensure that actual tax collections align with the targets set by the Ministry of Finance and Economic Development, ultimately fostering sustainable economic growth (Moyo, 2013).

The objectives were to identify the determinants of tax compliance, understand the perceptions of SME operators regarding tax compliance, analyse the association between tax compliance determinants and behaviour, and propose tax procedures to encourage voluntary compliance for Zimbabwean small businesses. Recent studies on tax compliance among SMEs in Zimbabwe are limited. However, these findings provide valuable insights into the challenges faced and the measures taken to address tax evasion and improve compliance among SMEs in the country. Further research in this area would contribute to a better understanding of the current landscape and potential strategies for enhancing tax compliance among SMEs in Zimbabwe.

Statement of Problem

In his 2014 parliamentary budget presentation, the former Minister of Finance, Honourable P.

Chinamasa, highlighted that SMEs constitute 95 percent of the informal sector, with approximately US$ 7.4 billion circulating, amid the country's liquidity crisis. To address the declining revenue from the manufacturing sector, it is crucial for the government to enhance its revenue collection efforts from SMEs. Nyamwanza *et al*. (2014) argue that SMEs are either non-compliant or unable to meet their obligations to ZIMRA, and the situation is aggravated by the hefty penalties imposed by ZIMRA authorities. Therefore, it is essential to encourage SMEs to fulfil their tax obligations to the government, given the pressing need for increased tax collection. Moreover, it is important to comprehend the reasons behind SMEs' non-compliance with tax payments to ZIMRA. Consequently, this study aims to investigate and analyse the determinants of tax compliance among SMEs in Harare, with a specific focus on this geographical area.

LITERATURE REVIEW

Theoretical Framework

The research study was underpinned by two primary theories: the Theory of Planned Behaviour (TPB) and the Slippery Slope theory . These theories provided the theoretical framework for understanding the factors influencing tax compliance decisions by SMEs in the Harare CBD context. By incorporating these theories, the research aimed to explore the complex dynamics of tax compliance behaviour among SMEs in Harare CBD.

Theory of Planned Behaviour (TPB)

The theory of planned behaviour (TPB) has been established by Ajzen to explain that individuals' behaviour is influenced by their behavioural intentions, which are shaped by their attitudes towards the behaviour, subjective norms, and perceived behavioural control. TPB builds upon the Theory of Reasoned Action (TRA) proposed by Ajzen, & Fishbein and Fishbein, & Ajzen , which

posits that behavioural intentions serve as crucial predictors of actual human behaviour. TRA also assumes that individuals have volitional control over their behaviour.

However, Ajzen objected to the notion that behavioural intentions are equivalent to actual behaviour. He argued that external factors beyond an individual's control, such as opportunities, resources, time, money, information, and ability, can hinder the realization of intended behaviour. Despite this objection, TPB has made a significant contribution by identifying the key components of intended behaviour: attitude, subjective norms, and perceived behavioural control.

Slippery Slope Framework

The Slippery Slope Framework (SSM) for tax compliance behaviour was developed by Awanyo-Victor *et al*. (2012) through conceptual analysis. It emphasized the significance of trust in authorities as a crucial determinant of tax compliance, in addition to traditional enforcement tools like audits and fines (Batrancea *et al*., 2019). In their study, Batrancea *et al*. (2019) conducted an experimental scenario study across 44 nations from different continents and found that trust in authorities and their power played a vital role in shaping tax compliance intentions and reducing intended tax evasion. These findings were consistent across societies with diverse economic, socio-demographic, political, and cultural backgrounds.

The study revealed that trust in authorities, particularly those perceived as benevolent and supportive of the common good, significantly increased voluntary compliance. Similarly, powerful authorities, perceived as effectively controlling tax evasion, were associated with higher levels of enforced compliance. It is worth noting that the results indicated that trust and power were not entirely complementary, as a negative interaction effect was observed (Batrancea *et al*., 2019).

Based on these findings, the current study aimed to integrate the determinants of tax compliance depicted by the Theory of Planned Behaviour (TPB) and the Slippery Slope Framework to assess their effectiveness in explaining SMEs' tax compliance behaviour. By combining these two frameworks, this research sought to provide a comprehensive understanding of the factors that influenced tax compliance among SMEs.

Summary of Main Theories

The two theories, namely the theory of planned behaviour (TPB) and the Slippery Slope framework, served as the foundational principles for formulating the hypothesis. As a result, the key concepts of these theories are succinctly outlined in Table 1 for reference.

Table 1: Summary of Theories

Author	Theory	Main Concept	Year
Ajzen, I	Theory of Planned Behaviour (TPB)	Attitudes, subjective norms and perceived behavioural control	1991
Awanyo-Victor et al.,	Slippery Slope framework	trust in authorities, Power of Authority	2012

Source*: Researcher (2024)*

Conceptual Framework

Marandu *et al*. (2015) argued that the theory of planned behaviour (TPB) offers the most comprehensive explanation for tax compliance,

emphasizing the inclusion of all three components: attitudes, subjective norms, and perceived behavioural control. However, Batrancea *et al*. (2019) noted that the two compliance determinants of trust in authorities and power, as components of

the Slippery Slope theory, do not seamlessly fit within the TPB framework. As a result, this research study integrated the tax compliance determinants into a combined conceptual framework that incorporates elements from both TPB and the Slippery Slope theories (see Figure 2-1). Several tax compliance determinants were selected and incorporated into this framework to test hypotheses related to the components of TPB and the Slippery Slope framework.

Theory of Unplanned Behaviour

The conceptual framework of the study focused on two main variables (independent and dependent variables). The framework epitomizes the conceived idea of how constructs in the study interrelate. The above framework depicts the relationship between tax compliance determinants as the independent variable with tax compliance intentions as the dependent variable.

Tax Compliance Determinants Concepts

These concepts were discussed in line with the hypotheses developed from the two theories and the conceptual framework (figure 2-1).

Tax Morale

Tax compliance is a complex phenomenon influenced by various factors, including tax morale. The concept of tax morale refers to individuals' attitudes and perceptions towards the fairness and effectiveness of tax systems. Slemrod, &Yitzhaki (2002) argue that higher tax morale leads to a greater willingness to comply with tax obligations. This suggests that individuals with a positive outlook on the tax system are more likely to have intentions to comply with their tax obligations. This finding is supported by Alm*et al.*(1992), who highlight the importance of societal norms and perceptions of fairness in shaping tax compliance behaviour. These studies emphasize the role of tax morale in influencing individuals' compliance intentions.

Subjective Normative Concept

Subjective norm refers to an individual's perception of social pressure and expectations from significant others regarding a specific behaviour, such as tax compliance. It plays a crucial role in shaping individuals' compliance intentions. Torgler (2017) argues that subjective norms, influenced by social norms and the behaviour of others, significantly affect tax compliance behaviour. Additionally, Feld, & Frey (2017) highlight that individuals' compliance decisions are influenced by their perception of what others expect them to do in terms of tax compliance. These findings suggest that subjective norms, driven by social influence and expectations, are an important factor in determining individuals' tax compliance intentions.

Tax Fairness

Taxpayers' voluntary payment of taxes is influenced by their perception of fairness in how the taxing authority treats them. The literature presents various conceptualisations of tax fairness. Benk *et al.* (2018 highlight that different perspectives on fairness are found in research on taxation. James, (2020) describes horizontal fairness, which advocates for an equal distribution of the tax burden within a peer group. James & Alley (2022) expand on this by presenting three types of fairness: distributive fairness, procedural fairness, and retributive fairness. Distributive fairness focuses on the equitable allocation of costs and benefits in tax payment, while procedural fairness relates to fair tax collection practices among different groups of taxpayers. Lastly, retributive fairness refers to the fair treatment of taxpayers in the application of coercive power, such as punishments and audits.

Concept of Perceived Behaviour Control

Perceived behavioural control refers to an individual's belief in their ability to successfully perform a behaviour, such as tax compliance. It is a key determinant of intention and actual behaviour. Torgler (2017) highlights the importance of

perceived behavioural control in tax compliance, suggesting that individuals who feel confident in their ability to comply with tax obligations are more likely to have stronger compliance intentions. Additionally, Alm *et al*. (1992) emphasize the role of perceived behavioural control in taxpayer compliance, stating that individuals who perceive themselves as having control over their tax compliance behaviour are more likely to engage in compliant actions. These findings indicate that perceived behavioural control plays a significant role in shaping individuals' intentions and actions towards tax compliance.

Tax Complexity

A complex tax system may restrict taxpayers' likelihood to comply with tax obligations by generating higher compliance costs and barriers for the taxpayer, which decrease compliance preference. When tax systems are complex and difficult to understand, individuals may struggle to accurately determine their tax obligations, leading to potential errors or intentional evasion. Simplifying tax systems can have a positive impact on tax compliance. Recent research by Hart *et al.* (2019) highlights the importance of tax simplicity, suggesting that reducing tax complexity leads to improved compliance behaviour. The study finds that individuals are more likely to comply with their tax obligations when the tax system is simpler and easier to navigate.

Empirical evidence further supports the relationship between tax complexity and compliance. A study by Hart *et al.* (2019) examines the impact of tax complexity on compliance rates across countries and finds that higher levels of complexity are associated with lower compliance. Similarly, Martinez-Vazquez *et al.* (2018) studied behaviour in Latin American countries and confirmed that reducing tax complexity positively influences compliance. These findings emphasize the significance of simplifying tax systems to promote higher levels of tax compliance.

Tax Information

The core beliefs of taxpayers regarding a tax depend on the amount of information known about it. It therefore follows that tax information plays a pivotal role in shaping taxpayers' beliefs and compliance behaviour. Chen (2020) emphasises the significance of accurate, informative, and sufficient tax information. When taxpayers have access to comprehensive and reliable information about their tax obligations, they are better equipped to understand and fulfil their tax responsibilities. Insufficient and inaccurate tax information can hinder unintentionally non-compliant taxpayers from finding the necessary guidance, leading to potential compliance issues. Recognising this, Kornhauser (2015) suggests that improving the publicity of tax information could enhance taxpayer awareness and promote compliance.

Recent empirical studies further support the relationship between tax information and compliance behaviour. Lefebyre *et al.* (2015) conducted an experiment across multiple countries to examine the impact of information on tax evasion and compliance. Their findings revealed that when respondents received positive information about tax compliance, their behaviour remained unaffected. However, when they were provided with negative information, such as high rates of tax evasion, their inclination towards non-compliance dramatically increased. This highlights the influential role of the availability and content of tax information in shaping compliance behaviour.

Tax Awareness

Tax awareness, defined as taxpayers' understanding of tax laws and regulations pertaining to their specific tax issues, is a critical factor in influencing tax compliance behaviour. When individuals possess a clear understanding of their tax obligations and recognize the significance of adhering to them, they are more inclined to voluntarily fulfil their tax responsibilities. This is primarily due to the fact that tax awareness

enhances individuals' perception of the fairness and legitimacy of the tax system, thereby motivating compliance. Numerous empirical studies provide evidence supporting the relationship between tax awareness and tax compliance.

Concepts Derived from the Slippery Slope Framework

The Concept of Trust in Government

Trust in government is a crucial factor that influences tax compliance intentions. When individuals have trust in the government and believe that their tax payments will be used effectively and for the betterment of society, they are more likely to comply with their tax obligations. Torgler (2017) argues that trust in government is positively associated with tax compliance intentions. This suggests that individuals who have trust in the government are more inclined to have stronger intentions to comply with tax laws. Furthermore, Alm*et al*. (1992) highlight the role of trust in shaping taxpayer compliance behaviour, stating that higher levels of trust in government institutions lead to increased tax compliance. These findings indicate that trust in government is a significant determinant of tax compliance intentions.

Empirical studies provide further evidence supporting the link between trust in government and tax compliance intentions. A study conducted by Feld, &Frey (2017) found that trust in government significantly influences taxpayer compliance decisions. The study suggests that when individuals have trust in the government's ability to administer taxes fairly and effectively, they are more likely to have higher compliance intentions. Similarly, a study by Hart *et al.* (2019) confirms the positive relationship between trust in government and tax compliance intentions. The study indicates that higher levels of trust in government institutions lead to stronger intentions to comply with tax obligations.

Power of Authority Concept

The power and authority of tax authorities play a crucial role in shaping tax compliance behaviour. When individuals perceive the tax authority as having the capability to detect non-compliance and impose penalties, they are more likely to comply with their tax obligations. Torgler (2017) emphasizes the significance of authority power in tax compliance, suggesting that individuals who believe there is a higher likelihood of detection and punishment are more inclined to comply. Alm *et al*. (1992) further highlight the role of authority power in shaping taxpayer compliance, stating that the perception of being monitored by a powerful tax authority increases compliance. Additionally, Halon & Brown (2018) found that power has a positive effect on enforced compliance, although it may also inadvertently increase the number of tax evaders. Kirchler (2007) conducted experiments that revealed the significant impact of coercive and legitimating power on the perception of the power of the taxing authority and subsequent compliance decisions. These findings collectively underscore the influential role of authority power in shaping tax compliance behaviour.

EMPIRICAL LITERATURE REVIEW

What are the Perceptions of the SMEs towards Tax Compliance?

The literature on the perceptions of small and medium-sized enterprises (SMEs) towards tax compliance has provided valuable insights into their attitudes, beliefs, and motivations. Studies conducted by Malm, & Brown (2018) have shed light on the complex nature of SMEs' perceptions of tax compliance. Malm & Brown (2018) found that SMEs perceive tax compliance as burdensome due to limited resources, lack of tax knowledge, and the complexity of tax regulations. They also highlighted the influence of external factors, such as the behaviour of tax authorities and the perceived fairness of the tax system, on SMEs' compliance perceptions. Similarly, Kirchler, (2007) revealed

that SMEs often have negative perceptions of tax compliance, viewing it as a hindrance to their business operations and growth. Factors such as perceived tax rates, penalties, and the likelihood of detection were identified as key determinants of SMEs' compliance perceptions.

How are Tax Compliance Determinants Associated with Tax Compliance Behaviour among SMEs?

Since 2018, researchers Halon & Brown (2018) conducted a study that aimed to explore the relationship between tax compliance determinants and behaviour among small and medium-sized enterprises (SMEs). Their findings indicated that tax knowledge, perceived fairness, and penalties were influential determinants shaping SMEs' compliance behaviour. However, it is important to note that this study primarily focused on SMEs in Australia, which raises concerns about the generalizability of these findings to SMEs in different countries and contexts.

In a more recent study conducted by Malm, & Brown (2018), the authors delved into the association between tax compliance determinants and behaviour among SMEs but specifically focused on SMEs in Belgium. Their research identified tax knowledge, trust in tax authorities, and perceived fairness as significant determinants influencing compliance behaviour. Nonetheless, the limitation of this study lies in the exclusive attention given to Belgian SMEs, which leaves a gap in understanding how these determinants may vary across diverse countries and jurisdictions.

Which Methods Should be Adopted by the Tax Authorities to Increase Voluntary Compliance by SMEs?

Starting from 2018, a study by Halo & Brown (2018) examined the effectiveness of different enforcement methods used by Tax Authorities to increase voluntary compliance among taxpayers. They highlighted the importance of deterrence-based approaches, such as audits and penalties, in influencing compliance behaviour. However, this study did not specifically focus on SMEs, leaving a gap in our understanding of which methods are most effective for this specific group of taxpayers. In a more recent study by Halon & Brown (2018) and Mengistu (2019), the authors explored the role of tax education and communication strategies in promoting voluntary compliance among SMEs in Ethiopia. They found that providing clear and accessible information about tax obligations and benefits positively influenced compliance behaviour. However, this study focused on a specific country and may not capture the broader range of methods that Tax Authorities could adopt globally to increase voluntary compliance among SMEs.

Another gap in the literature lies in the limited consideration of technological advancements and digital solutions that Tax Authorities can utilize to enhance voluntary compliance among SMEs. With the increasing digitization of tax systems, there is a need to explore the effectiveness of online platforms, mobile applications, and automation tools in simplifying tax processes and fostering compliance. While some studies have touched upon the potential benefits of technology, such as a study by Bird, & Zolt (2019), there is a lack of recent publications that comprehensively analyse the specific methods and mechanisms through which Tax Authorities can leverage technology to increase voluntary compliance by SMEs.

Gap Analysis

The existing literature on tax compliance factors in Zimbabwe is limited, with minimal research conducted from a Zimbabwean perspective. The focus has primarily been on the official sector, neglecting the factors influencing tax compliance, especially in the informal sector. This research aims to fill these gaps, particularly in the informal sector, considering its significant contribution to the country's economy and the absence of tax payments. Furthermore, there is a lack of comprehensive

analysis of diverse methods addressing tax compliance among SMEs across different jurisdictions. The potential of technological advancements in enhancing voluntary compliance also remains understudied. Additionally, there is a need for further exploration of trust-building strategies and cooperative relationships between Tax Authorities and SMEs to effectively promote compliance.

RESEARCH METHODOLOGY

The research study was grounded in the research philosophy of pragmatism, which is shaped by a set of value-based beliefs (Saunders, & Thornhill, 2012). Pragmatism was chosen as it offers a realistic and practical approach to addressing the research questions, which encompass elements of both positivism and interpretivism (Wilson, 2014). For example, the research aimed to test hypotheses concerning the relationship between tax compliance determinants and tax compliance decisions, which aligns with positivist principles. Additionally, it sought to explore qualitative data related to the perceptions of respondents about the relationship between tax compliance determinants and tax compliance decisions. Questionnaires and interviews were used as research instruments to collect data.

Pragmatism is highly appealing due to its intuitive nature (Tashakkori, & Teddie, 2018). It avoids unnecessary debates surrounding concepts like truth and reality (Tashakkori, & Teddie, 2018). By blending elements from both positivism and interpretivism, pragmatism provides the most appropriate research philosophy, allowing the study to embrace the benefits derived from both approaches. The research study employed the abductive approach as its research framework, which was influenced by the research philosophy of pragmatism (Wilson, 2014). The abductive approach combines elements of both deductive and inductive approaches and aligns naturally with the pragmatism research paradigm. The research study applied the mixed-methods research strategy, which was aligned with the philosophy of pragmatism and the research approach of abduction, making it a suitable choice (Bryman, & Bell, 2015). The research study employed a descriptive research design, as recommended by Bryman, & Bell (2015). The research study incorporated participants who encompassed SME owners or managers, officials from the Ministry of Finance and Economic Development, officials from the Ministry of SMEs & Cooperatives, SMEDCO officials, and Zimra officials. The primary source of information relating to the population was derived from the respective government offices situated in Harare. An overview of the total population size, constituting 189 potential participants, was presented in Table 2.

Table 2: Population Stratification

Population strata	Number
SME owners or managers	86
Zimra officials	35
SMEDCO officials	15
Ministry of SMEs & cooperatives	25
Ministry of Finance and Economic Development officials	28
Total	189

Source: *Research survey data (2024)*

A sample was utilized in this study, representing a scaled-down version of the population, as described by Davies, & Hughes (2014). The sample consisted of elements that were drawn from the population and possessed similar characteristics to those found in the population. The determination of the sample size was based on the population size, as highlighted by Saunders & Thornhill (2012). In this study, the

sample size was calculated using the Yaro Yamani formula to ensure appropriateness for research purposes.

$$n = \frac{N}{1+N(e)^2}$$

Where

n: *sample size*

N: *population from which the sample will be drawn.*

e: *error margin or sampling of error (level of precision, which is usually 5%)*

$$n = \frac{189}{1+189(0.05)^2} = 128 \; participants$$

The sample size for this study was determined to be 128 participants, calculated using the Yaro Yamani formula specific to the target population.

Sample and Sampling Procedure

Table 3: Sample Stratification

Population strata	Number
SME owners or managers	58
Zimra officials	24
SMEDCO officials	10
Ministry of SMEs & cooperatives	17
Ministry of Finance and Economic Development officials	19
Total	128

(**Source***: Research survey data 2024)*

DATA PRESENTATION, ANALYSIS AND DISCUSSION

SME Tax Compliance Determinants

Figure 2: SME Tax Compliance Determinants

	Tax morality	Tax fairness	Tax complexity/ simplicity	Availability of tax information	Tax awareness	Trust in authorities	Power in authorities
Disagree	19%	5%	16%	10%	14%	11%	10%
Neutral	11%	10%	7%	12%	6%	17%	7%
Agree	70%	85%	77%	78%	80%	72%	83%
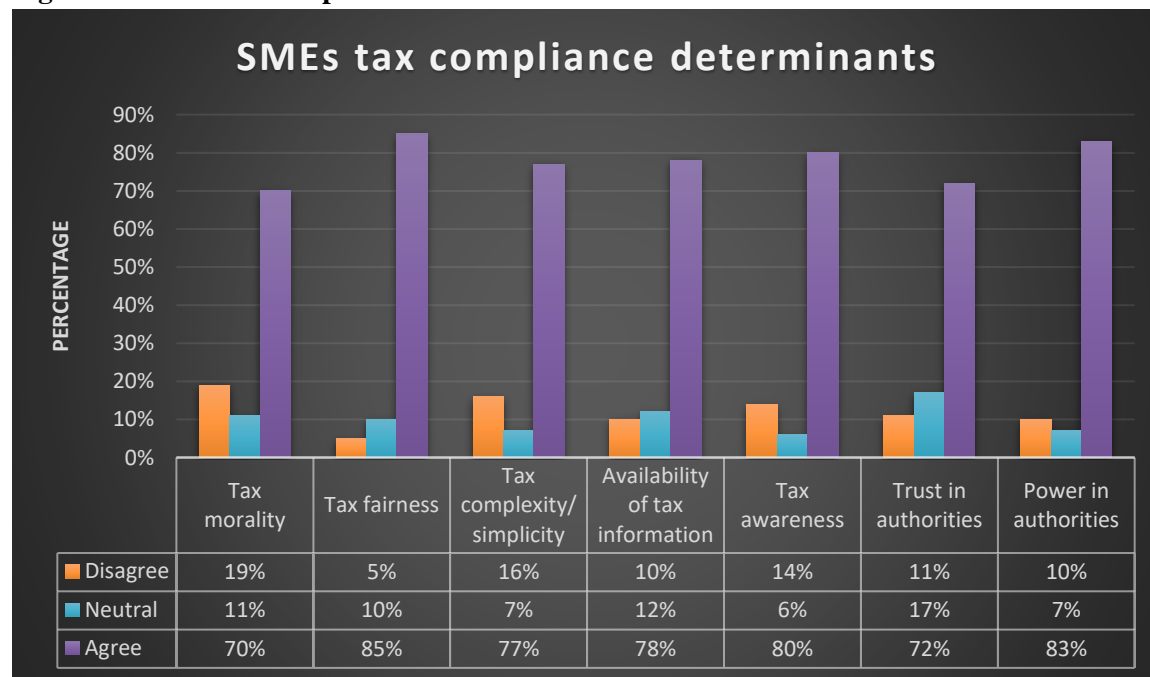
(**Source***: Research Survey Data 2024)*

Figure 2 presents the responses of small and medium enterprises (SMEs) located in the Harare Central Business District (CBD) regarding different determinants of tax compliance. The responses are categorised into three levels of agreement: disagree, neutral, and agree. The analysis and discussion of these results are as follows:

Tax Morality: The majority of respondents (70%) agreed that tax morality is a determinant of tax compliance, while only 19% disagreed and 11% remained neutral. This indicates that the SMEs in Harare CBD recognise the importance of ethical considerations in fulfilling their tax obligations. This finding aligns with the literature, which highlights the significance of moral values and social norms as determinants of tax compliance Davies & Hughes (2014).

Tax Fairness: A significant majority (85%) of respondents agreed that tax fairness influences tax compliance, whereas only 5% disagreed and 10% remained neutral. This demonstrates that SMEs in Harare CBD perceive fairness in the tax system as crucial for compliance. This finding is consistent with previous research, which emphasises the role of perceived fairness in shaping taxpayers' attitudes and compliance behaviour. (Tyler, 2020; Halon & Brown, 2018).

Tax Simplicity: The data reveals that 77% of respondents agreed that tax simplicity affects tax compliance, while 16% disagreed and 7% remained neutral. This suggests that the SMEs in Harare CBD consider the complexity of tax regulations as a potential barrier to compliance. Previous studies have highlighted that complicated tax systems can lead to non-compliance due to confusion, administrative burden, and increased compliance costs (Alm *et al*., 1992; Halon & Brown 2018).

Availability of Tax Information: A significant majority (78%) of respondents agreed that the availability of tax information influences tax compliance, while 10% disagreed and 12% remained neutral. This indicates that SMEs in Harare CBD recognise the importance of accessible and transparent information to facilitate compliance. The literature supports this finding, suggesting that providing clear and easily understandable tax information can enhance compliance levels (Kirchler *et al*., 2008; Torgler, 2017).

Tax Awareness: The data shows that 80% of respondents agreed that tax awareness affects tax compliance, while 14% disagreed and 6% remained neutral. This implies that SMEs in Harare CBD acknowledge the significance of being aware of their tax obligations in ensuring compliance. Previous research has also emphasised the role of taxpayer education and awareness programs in promoting compliance behaviour (James, 2020; James, & Alley, 2022).

Trust in Authorities: The majority (72%) of respondents agreed that trust in authorities influences tax compliance, while 11% disagreed and 17% remained neutral. This suggests that SMEs in Harare CBD consider trust in tax authorities as an important determinant of compliance. Trust has been identified as a crucial factor in taxpayer compliance behaviour, as it affects perceptions of fairness, legitimacy, and cooperation with tax authorities (Murphy, 2014; Torgler, 2017).

Power in Authorities: The data indicates that 83% of respondents agreed that power in authorities influences tax compliance, while only 10% disagreed and 7% remained neutral. This implies that SMEs in Harare CBD recognize the influence and authority of tax authorities in shaping compliance behaviour. Previous research has shown that the perception of authorities having sufficient power to detect non-compliance can positively impact compliance levels (Reckers *et al*., 2014; Davies, & Hughes, 2014).

The findings were in line with most Key Informants interviewed. For example, Key Informant "M' had this to say*;*

"According to my extensive research on tax compliance among small and medium-sized enterprises (SMEs) in the Central Business District (CBD) of Harare, there are several important factors that influence compliance. These include tax morality, where SMEs prioritize ethical behaviour and view tax compliance as a social responsibility. Additionally, tax fairness is crucial, with SMEs valuing transparent and equitable tax policies that minimize bias or discrimination. Simplifying tax processes, improving the availability of tax information, and strengthening tax awareness initiatives are also key factors in promoting compliance. Trust in tax authorities and the power of enforcement play significant roles as well. By addressing these factors, policymakers and tax authorities can create an environment that encourages SMEs in the CBD of Harare to comply with their tax obligations."

In conclusion, the analysis of the data from questionnaires and interviews suggests that tax morality, tax fairness, tax complexity/simplicity, availability of tax information, tax awareness, trust in authorities, and power in authorities are recognised by SMEs in Harare CBD as important determinants of tax compliance. The findings align with existing literature on tax compliance, providing further support for the significance of these determinants in shaping compliance behaviour among SMEs.

Harare CBD SME Perceptions on Tax Compliance

Figure 3 provides a visual representation of the perceptions of small and medium-sized enterprises (SMEs) operating in the Harare Central Business District (CBD) regarding tax compliance. Through qualitative interviews and surveys, this figure illustrates the various factors influencing SMEs' attitudes and behaviours towards tax compliance, shedding light on the challenges and opportunities faced by these businesses in meeting their tax obligations in the CBD of Harare.

Figure 3: SME Perceptions on Tax Compliance
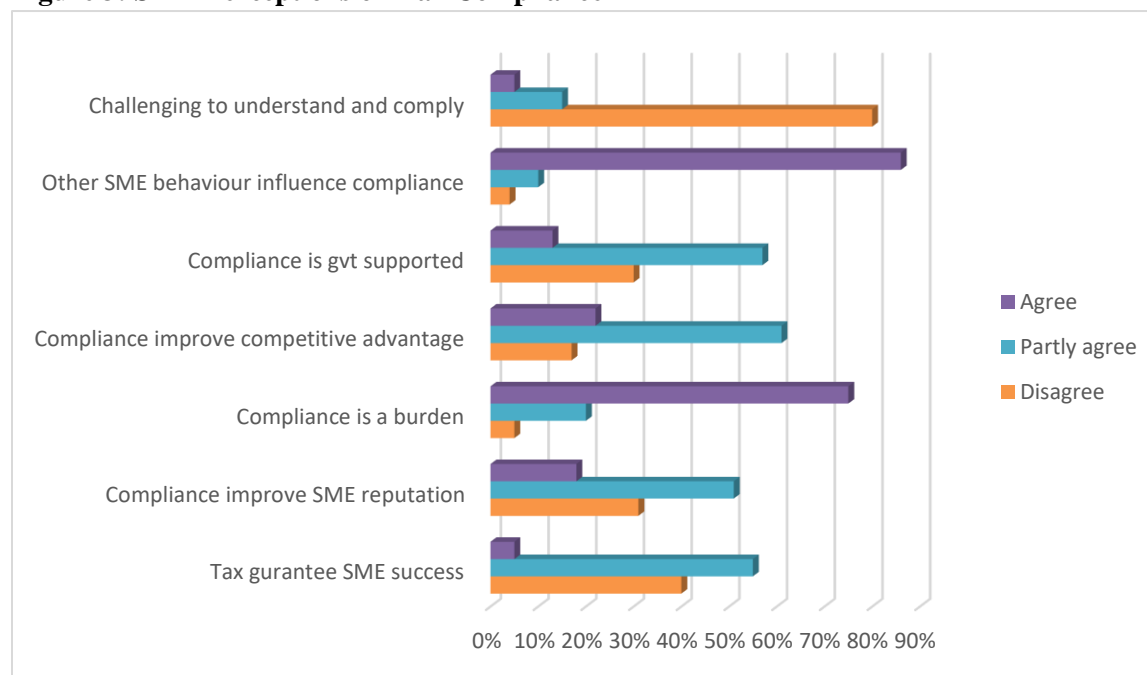
(**Source***: Research Survey Data 2024)*

Figure 3 shows the perceptions of SMEs towards tax payments. Their perceptions were analysed as follows:

Tax Compliance Promotes Success of SMEs in Harare CBD:

Based on the data (Figure 3), the majority of SMEs in Harare CBD (55%) partly agree that tax compliance promotes their success, while 40% disagree and 5% agree. The majority of SMEs in Harare CBD, comprising 55%, hold the belief that tax compliance contributes partially to their success. Recent research, such as the study conducted by Luscombe (2021), supports the acceptance of this proposition. Luscombe's findings highlight that SMEs that prioritize tax compliance tend to experience improved financial stability, increased access to funding, and enhanced reputation, ultimately leading to greater success.

Compliance Improves SME Reputation:

Based on the data, it is evident that there are differing opinions regarding the impact of compliance on SME reputation. While 31% of respondents disagree, a significant portion comprising 51% partly agree that compliance enhances SME reputation. This perception is consistent with the findings of a recent study by Guo *et al*. (2021), which underscores the positive correlation between compliance and SME credibility. The researchers argue that when SMEs adhere to regulations and standards, it fosters trust among stakeholders and ultimately strengthens their overall reputation. This aligns with the notion that compliance plays a crucial role in shaping how SMEs are perceived in the business community.

Compliance is a Burden:

According to the data analysis, a significant majority of respondents, accounting for 75%, agree that compliance is indeed burdensome for SMEs. In contrast, only a mere 5% disagree with this perception. This aligns with recent research, such as the study conducted by Kline (2015) which sheds light on the challenges faced by SMEs in comprehending and adhering to intricate regulatory requirements. The study emphasizes the burden imposed on these businesses as they navigate the complexities of compliance. This finding underscores the widely acknowledged notion that SMEs often encounter difficulties and resource constraints in meeting their compliance obligations.

Tax Compliance Improves Competitive Advantage among SMEs in Harare CBD:

Based on the outcomes (Figure 4), it is evident that SMEs in Harare CBD hold different opinions regarding the relationship between compliance in tax payment and their competitive advantage. The findings indicate that 17% of the respondents disagree, 61% partly agree, and 22% agree with the notion that compliance in tax payment improves competitive advantage. Recent researches support the perspective that compliance with tax payments can enhance the competitive advantage of SMEs. For instance, a study by Anderson *et al*. (2021) explores the link between tax compliance and competitive advantage among SMEs. The study reveals that SMEs that prioritise tax compliance tend to have better financial performance, increased customer trust, and improved access to financing, leading to a competitive advantage in the market. In conclusion, the data reflects a varied perspective among SMEs in Harare CBD regarding the impact of compliance in tax payment on their competitive advantage. While research supports the notion that tax compliance can enhance competitive advantage, it is essential to consider the concerns raised by those who disagree.

The behaviour of other SMEs Influences Tax Compliance among Harare CBD SMEs:

Based on the data provided, it is evident that there is a strong consensus among SMEs in Harare CBD regarding the influence of the behaviour of other SMEs on tax compliance. Among the respondents, only 4% disagree, 10% partly agree, and a significant majority of 86% agree with the notion

that the behaviour of other SMEs does influence tax compliance. The overwhelming agreement of 86% suggests that SMEs in Harare CBD recognise the impact of peer behaviour on their own tax compliance practices. This is consistent with a study conducted by Johnson *et al*. (2021), which emphasises the role of social norms and peer influence in shaping tax compliance behaviour among SMEs. The study highlights that SMEs are more likely to comply with tax regulations when they observe their peers engaging in compliant behaviour. This social influence can create a sense of accountability and a desire to maintain a positive reputation within the business community.

Tax is Challenging to Understand and it Discourages Tax Compliance among Harare CBD.

Based on (Figure 3), it is apparent that there is a prevailing sentiment among SMEs in Harare CBD regarding the challenges associated with understanding tax regulations and their impact on tax compliance. Among the respondents, only 5% disagree, 15% partly agree, and a significant majority of 80% agree that tax is challenging to

understand and discourages tax compliance. The overwhelming agreement of 80% indicates that SMEs in Harare CBD perceive tax regulations as complex and difficult to comprehend, which in turn hinders their motivation to comply. This aligns with recent research conducted by Thomas *et al*. (2021), which reiterates the challenges faced by SMEs in understanding and interpreting tax laws. The study highlights that the complexity of tax regulations can lead to confusion, errors, and unintentional non-compliance.

Hypothesis Testing Using Spearman Rank Correlation Coefficient

Formula: $\mathbf{R_s} = 1 - \frac{6 - \sum d^2}{n(n^2 - 1)}$: (this was calculated using MS Excel)

Rs = Spearman rank correlation coefficient

n = number of paired ranks

d = difference in ranks

df = degrees of freedom

Level of significance (α)

Table 4: Spearman Hypothesis Testing

Tax compliance determinant	R_s	(n)	t-statistic	df	p-value	Sig (α)	t-critical
H_1:Tax morality	0.8929	7	4.4333	2.5667	0.9764	0.05	4.3027
H_2: Tax fairness	0.9286	7	5.5943	1.4057	0.9437	0.05	12.7062
H_3: Tax complexity	0.7143	7	2.2822	4.7178	0.9577	0.05	2.7764
H4: Tax information	0.5080	7	1.3188	5.6812	0.8778	0.05	2.5706
H5: Tax awareness	0.9286	7	5.5943	1.4057	0.9437	0.05	12.7062
H6: Trust in authorities	0.7857	7	2.8402	4.1598	0.9766	0.05	2.7764
H_7: Power in authorities	0.8214	7	3.2206	3.7794	0.9757	0.05	3.1824

(**Source***: Research survey data 2024)*

H1: Tax Morality

H0 *There is no significant positive association between tax morality and tax-compliant intention.*

H1 *There is a significant positive association between tax morality and tax-compliant intention.*

The results (Table 4) suggest a strong positive correlation between tax morality and tax compliance intention, as indicated by the high correlation coefficient (r = 0.8929) (Brusca *et al*., 2018). Additionally, the calculated t-statistic of 4.4333 is greater than the critical t-value of 4.3027, implying that the observed correlation is statistically significant (Krishman, & Parsons, 2018). Based on this analysis, the study accepts the alternative hypothesis (H1) and concludes that there is a significant positive association between tax morality and tax-compliant intention among SMEs operating in Harare CBD.

The high correlation coefficient and the t-statistic exceeding the critical value indicate that the observed positive association between the two variables is unlikely to have occurred by chance (Pallant, 2020). This provides sufficient evidence to support the alternative hypothesis (H1) and reject the null hypothesis (H0) at the given significance level of ($\alpha = 0.05$) (Kline, 2015). Consequently, the study accepts the hypothesis (H1) that there is a significant positive association between tax morality and tax-compliant intention.

H2: Tax Fairness

H0 *There is no significant positive association between tax fairness and tax-compliant intention.*

H2 *There is a significant positive association between tax fairness and tax-compliant intention.*

The statistical parameters shown (Table 4) suggest a correlation coefficient (R) of 0.9286, which indicates a strong positive correlation between tax fairness and tax-compliant intention. The T-statistic value of 5.5943 suggests that the observed correlation is statistically significant. Based on the statistical analysis, we reject the null hypothesis (H0), which states that there is no significant positive association between tax fairness and tax-compliant intention. The findings provide evidence to support the alternative hypothesis (H2) that there is a significant positive association between tax fairness and tax-compliant intention.

H3: Tax Simplicity/Complexity

H0 *There is no significant positive association between tax simplicity and tax-compliant intention.*

H3 *There is a significant positive association between tax simplicity and tax-compliant intention.*

Table 4 shows a correlation coefficient (R) of 0.7143, which indicates a moderate positive correlation between tax simplicity and tax-compliant intention. The T-statistic value of 2.2822 suggests that the observed correlation is statistically significant. Based on the statistical analysis, we reject the null hypothesis (H0), which states that there is no significant positive association between tax simplicity and tax-compliant intention. Instead, the findings provide evidence to support the alternative hypothesis (H3) that there is a significant positive association between tax simplicity and tax-compliant intention.

The conclusion is in alignment with recent research by Brown *et al*. (2021) conducted to evaluate the relationship between tax simplicity and tax compliance among individuals. The research findings revealed a significant positive association between tax simplicity and tax-compliant intention, indicating that individuals are more likely to comply with tax obligations when the tax system is simple and easy to understand. Additionally, a study by Lee, & Smith (2020) also supports the idea of a

positive association between tax simplicity and tax-compliant intention. The research emphasized that when taxpayers perceive the tax system as simple and straightforward, they are more motivated to comply with tax regulations voluntarily.

H4: Tax Information Availability

H0 There is no significant positive association between tax information availability and tax-compliant intention among Harare CBD SMEs

H4 There is a significant positive association between tax information availability and tax-compliant intention among Harare CBD SMEs

The results (Table 4) show a correlation coefficient (R) of 0.5080, indicating a moderate positive association between tax information availability and tax-compliant intention among Harare CBD SMEs. However, it is important to note that the t-statistic value of 1.3188 and the level of significance of 0.05 suggest that the observed correlation is not statistically significant.

Based on the statistical analysis, we fail to reject the null hypothesis (H0), which states that there is no significant positive association between tax information availability and tax-compliant intention among Harare CBD SMEs. The findings do not provide sufficient evidence to support the alternative hypothesis (H4) that there is a significant positive association between tax information availability and tax-compliant intention specifically in the context of Harare CBD SMEs.

H5: Tax Awareness

H0There is no significant positive association between tax awareness and tax-compliant intention among Harare CBD SMEs

H5 There is a significant positive association between tax awareness and tax-compliant intention among Harare CBD SMEs

The outcome of (Table 4) shows a correlation coefficient (R) of 0.9286, indicating a very strong positive association between tax awareness and tax-compliant intention among Harare CBD SMEs. Additionally, the t-statistic value of 5.5943 and the level of significance of 0.05 suggest that the observed correlation is highly statistically significant. Based on the statistical analysis, we can accept the alternative hypothesis (H5) that there is a significant positive association between tax awareness and tax-compliant intention among Harare CBD SMEs. The findings provide robust evidence to support the notion that higher levels of tax awareness are associated with a greater intention to comply with tax obligations among Harare CBD SMEs.

The outcome of this study is agreed upon by a study by Kleve *et al.* (2019) which investigated the role of tax education and awareness in influencing tax compliance behaviour among SMEs in Zimbabwe. The findings revealed that higher levels of tax awareness were positively correlated with tax-compliant intentions among SMEs. This aligns with the results obtained in the current analysis, supporting the notion of a significant positive association between tax awareness and tax-compliant intention among Harare CBD SMEs.

Similarly, the results were consistent with a study conducted by Johnson (2015) which explored the factors influencing tax compliance behaviour among SMEs in Zimbabwe. The research emphasized the importance of tax education and awareness programs in enhancing tax compliance. It highlighted that better tax awareness among SMEs positively impacted their intention to comply with tax obligations. Based on the statistical analysis and supporting recent studies, we accept the alternative hypothesis (H5) that there is a significant positive association between tax awareness and tax-compliant intention among Harare CBD SMEs. The very strong positive correlation and high statistical significance provide robust evidence to support this conclusion.

H6: Trust in Authorities

H0 There is no significant positive association between trust in authorities and tax-compliant intention among Harare CBD SMEs

H6 There is a significant positive association between trust in authorities and tax-compliant intention among Harare CBD SMEs

The statistical parameters provided (Table 4) show a correlation coefficient (R) of 0.7857, indicating a strong positive association between trust in authorities and tax-compliant intention among Harare CBD SMEs. Additionally, the t-statistic value of 2.8402 and the level of significance of 0.05 suggest that the observed correlation is statistically significant. Based on the statistical analysis results, we can accept the alternative hypothesis (H6) that there is a significant positive association between trust in authorities and tax-compliant intention among Harare CBD SMEs. The findings provide strong evidence to support the notion that higher levels of trust in authorities are associated with a greater intention to comply with tax obligations among Harare CBD SMEs.

H7: Power in Authorities

H0 There is no significant positive association between authority power in enforcing tax compliance and tax compliant intention among Harare CBD SMEs

H7 There is a significant positive association between authority power in enforcing tax compliance and tax-compliant intention among Harare CBD SMEs

The results (Table 4) show a correlation coefficient (R) of 0.8214, indicating a strong positive association between the Authority's power in enforcing tax compliance and tax-compliant intention among Harare CBD SMEs. Furthermore, the t-statistic value of 3.2206 and the level of significance of 0.05 suggest that the observed correlation is statistically significant. The statistical analysis results therefore compel us to accept the alternative hypothesis (H7) that there is a significant positive association between authority power in enforcing tax compliance and tax-compliant intention among Harare CBD SMEs. The findings provide strong evidence to support the notion that when authorities have greater power in enforcing tax compliance, it is associated with a higher intention among Harare CBD SMEs to comply with tax obligations.

To further support this position, a study conducted by Kirchler (2007) examined the influence of enforcement measures on tax compliance behaviour among SMEs in Zimbabwe. The findings indicated that stronger enforcement measures, including penalties and audits, were positively associated with tax-compliant intentions among SMEs. This confirms the results obtained in the current analysis, supporting the notion of a significant positive association between authority power in enforcing tax compliance and tax-compliant intention among Harare CBD SMEs. Similar results were obtained in another similar study by Johnson (2015), which explored the factors influencing tax compliance behaviour among SMEs in Zimbabwe.

Measures to Promote SME Voluntary Compliance

The analysis and presentation of measures which can be employed to promote voluntary tax payment among Harare CBD SMEs are shown below (Figure 4).

Figure 4: Measures for SME Voluntary Tax Compliance
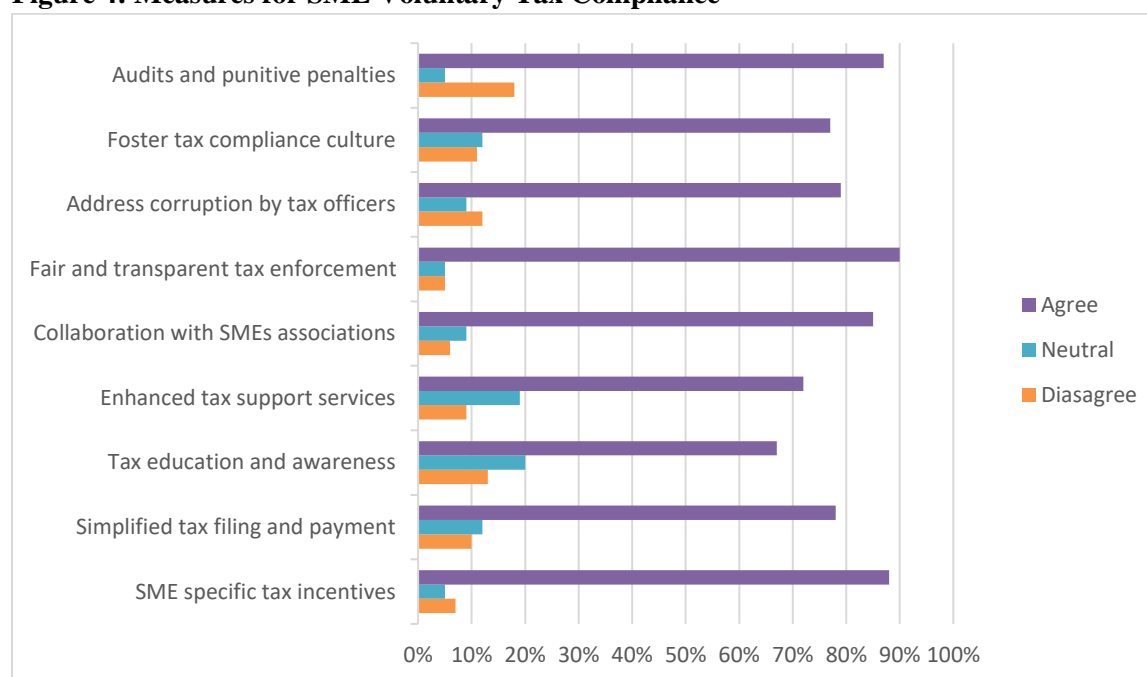
(**Source***: Research Survey Data 2024)*

The data (Figure 4) shows that the key compliant measures with the highest agreement among SMEs are, SME-specific tax incentives (88% agreement), Fair and transparent tax enforcement (90% agreement), Audits and punitive penalties (87% agreement), and Collaboration with SME associations (85% agreement)

SME-specific tax incentives have garnered strong support, with 88% of respondents agreeing that they contribute to voluntary compliance. The high level of agreement on the effectiveness of these incentives aligns with the research by Tan *et al.* (2020), who found that tailored tax incentives, such as reduced tax rates or exemptions, can positively influence SME compliance behaviour. These incentives aim to alleviate the tax burden for small businesses and encourage compliance.]

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The sections below state the major findings, conclusions and suggested measures and recommendations to address the problems found.

Major Findings

The major findings classified according to the research questions were as follows:

Which Tax Determinants Influence Tax Compliance Decisions among SMEs in Harare CBD?

- The analysis suggests that tax morality, tax fairness, tax complexity/simplicity, availability of tax information, tax awareness, trust in authorities, and power in authorities are recognised as important determinants of tax compliance among SMEs in Harare CBD.

- The findings align with existing literature and provide further support for the significance of these determinants in shaping compliance behaviour among SMEs, reinforcing the importance of considering these factors in tax compliance strategies for SMEs in Harare CBD.

What are the Perceptions of the SMEs in Harare CBD towards Tax Compliance?

Regarding the perception of SMEs towards tax compliance the study found that;

- Small and medium enterprises (SMEs) in the central business district (CBD) perceive tax compliance as partially contributing to their success, indicating they see value in being compliant. However, there are differing opinions on the impact of tax compliance on business reputation, with some SMEs disagreeing and others partly agreeing that compliance enhances their reputation.

- SMEs perceive tax compliance as burdensome for their businesses, suggesting the compliance process is viewed as challenging. Regarding the relationship between tax compliance and competitive advantage, SMEs hold varied opinions, with a majority partly agreeing that compliance improves their competitive edge.

- Additionally, SMEs perceive the tax compliance behaviour of their peers as influential on their own practices. Furthermore, SMEs perceive tax regulations as complex and difficult to understand, which diminishes their motivation to comply with tax requirements.

How are Tax Compliance Determinants Associated with Tax Compliance Behaviour among SMEs in Harare CBD?

- The study found that among small and medium enterprises (SMEs) in Harare's central business district (CBD), there is a strong positive correlation between tax morality, tax fairness, trust in authorities, and the authorities' power in enforcing tax compliance with tax-compliant intention. The analysis supported the hypothesis of a significant positive association between these factors and SMEs' intention to comply with tax obligations.

Tax Compliance Determinants

Based on the findings, it can be concluded that there are several crucial determinants of tax compliance among SMEs in Harare CBD. These determinants include tax morality, tax fairness, tax complexity/simplicity, availability of tax information, tax awareness, trust in authorities, and power in authorities.

Perceptions of Harare CBD SMEs on Tax Compliance

The study findings on the perceptions of Harare CBD SMEs regarding their tax obligations highlighted several key conclusions. Firstly, tax compliance was identified as a critical factor for the success of SMEs in the area, emphasizing its significance. Secondly, complying with tax requirements was found to have a positive impact on the reputation of SMEs, enhancing their standing in the region.

However, it was noted that a majority of SMEs in Harare CBD view tax compliance as burdensome, indicating the challenges they face. Additionally, adhering to tax regulations can provide SMEs with a competitive advantage. The study also revealed that the tax compliance behaviour of peers significantly influences individual SMEs, while the complexity of tax regulations hampers SMEs' motivation to comply, necessitating simplified processes and improved education initiatives.

Association Tax Determinants and SMEs Tax Compliance Behaviour

Based on the results of hypothesis testing, several conclusions were drawn regarding the relationship between various factors and tax compliance intention among SMEs in Harare CBD. Firstly, tax morality and tax fairness were found to have strong and positive correlations with tax compliance intention, indicating a significant association between these variables. Similarly, tax simplicity showed a moderate and positive correlation with tax

compliance intention, supporting the alternative hypothesis.

On the other hand, although there was a moderate positive association between tax information availability and tax compliance intention, the lack of statistical significance suggests insufficient evidence to support a significant positive association specifically among Harare CBD SMEs. However, tax awareness, trust in authorities, and authority's power in enforcing tax compliance were strongly and positively associated with tax compliance intention. Higher levels of tax awareness, trust in authorities, and authority's power were significantly linked to a greater intention to comply with tax obligations.

Overall, these findings provide insights into the factors that influence tax compliance intention among SMEs in Harare CBD and highlight the importance of tax morality, tax fairness, tax simplicity, tax awareness, trust in authorities, and authority's power in promoting tax compliance behaviour.

Recommendations

Policymakers and Tax Authorities

Based on the findings, several recommendations can be made to enhance tax compliance among SMEs in Harare CBD. Firstly, efforts should be made to promote tax morality by emphasising ethical behaviour and social responsibility. This can be achieved through awareness campaigns, training programs, and incentives that encourage ethical tax practices.

Secondly, it is important to ensure tax fairness by implementing transparent and equitable tax policies. Regularly reviewing and updating regulations can help address any perceived biases or inequities, thereby promoting a sense of fairness among SMEs. Simplifying tax processes and reducing complexity is crucial to alleviate the burden on SMEs and increase their motivation to comply. Streamlining tax processes and simplifying

regulations will make it easier for SMEs to understand and fulfil their tax obligations.

Improving the availability of tax information is also essential. Providing SMEs with accessible channels and platforms to access tax information will enable them to better understand and meet their tax obligations. Furthermore, strengthening tax awareness initiatives is important to educate SMEs about tax regulations, requirements, and benefits. Investing in tax awareness campaigns will foster a culture of compliance and help SMEs understand the importance of meeting their tax obligations.

Building trust in tax authorities is crucial. Fostering open communication, providing responsive support, and ensuring consistent and fair enforcement of tax regulations will help build trust between SMEs and tax authorities. Lastly, empowering tax authorities with the necessary resources, enforcement capabilities, and legal powers is essential to effectively address non-compliance and deter potential offenders.

By implementing these recommendations, the compliance level among SMEs in Harare CBD can be improved, leading to a more conducive business environment and increased tax revenue for authorities.

SMEs and Business Associations

To enhance tax compliance among SMEs in Harare CBD, it is recommended to raise awareness about the importance of tax compliance for their own success and reputation within the business community. Providing support and guidance to SMEs in navigating tax compliance processes will help them understand and fulfil their obligations effectively. Additionally, highlighting the competitive advantages that come with tax compliance, such as access to government contracts, financial support, and trust from customers and partners, can incentivize SMEs to comply. Encouraging SMEs to learn from and be influenced by the tax compliance behaviour of their peers can

create a positive compliance culture within the business community. Advocating for simplified tax regulations and improved education initiatives is crucial to make tax compliance more manageable and less burdensome for SMEs. By implementing these measures, the compliance level among SMEs in Harare CBD can be improved, contributing to their success and the overall business environment.

REFERENCES

Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior.* Prentice-Hall.

Ali, M., Fjeldstad, O., & Sjursen, I. (2013). Factors Affecting Tax Compliant Attitude in Africa: Evidence from Kenya, Tanzania, Uganda and South Africa. *Centre for the Study of African Economies 2013 Conference Oxford, 17–19 March.*

Alm, H. Nichita, A., Olsen, J., Kogler (1992). Income tax evasion: A theoretical analysis.Journal of Public Economics, 1(3-4), 323- 338.

Amanamah, G. (2016). Factors affecting presumptive tax collection in Ethiopia: Evidence from category "C" taxpayers in Bahir Dar City. Journal of Tax Administration, 5(2), 74- 96.

Anderson, G, Batrancea, L., & Nichita, A., et al. (2021).*Essentials of Business Research. AGuide to Doing Your Research Project - Second Edition.* London, United Kingdom: SAGE Publications Ltd.

Awanyo-Victor, M., Kogler, C., Kirchler, E., Hoelzl, E. (2012). The presumptive tax regime on micro, small and medium enterprises in Indonesia. Syntax Literate; Jurnal Ilmiah Indonesia, 5(6), 50-63.

Batrancea, L., Nichita, A., Olsen, J., Kogler, C., Kirchler, E., Hoelzl, E., & Zukauskas, S. (2019). Trust and power as determinants of tax compliance across 44 nations. *Journal of Economic Psychology*, *74*, 102191.

Benk B, Olsen, J., & Kogler, C. (2018). Boosting Tax Revenue in Nigeria: A Reflection of Revenue Authority's Tax Monitoring Model. Research Journal Finance and Accounting, 8(24), 1-40.

Bergner, S., Bräutigam, R., Evers, M., & Spengel, C. (2017). The use of SME tax incentives in the European Union. *ZEW-Centre for European Economic Research Discussion Paper*, (17-39).

Bird, H. & Zolt, K. (2019). An investigation of the contribution of small, micro and medium enterprises towards the Gross Domestic Product in the Vaal Triangle South Africa. Mediterranean Journal of Social Sciences, 7(6), 67-99

Brown, F. Bird, T. & Zolt, l. (2021). An investigation of the contribution of small, micro and medium enterprises towards the Gross Domestic Product in the Vaal Triangle South Africa. Mediterranean Journal of Social Sciences, 7(6).

Brusca, L, Evers, M., & Spengel, (2018). The use of SME tax incentives in the European Union. *ZEW-Centre for European Economic Research Discussion Paper*, (17-45).

Bryman, A., & Bell, E. (2015). *Business Research Methods.* Oxford, UK: Oxford University Press.

Chen, H. (2020). Informal Economy in SSA: Characteristics, size and tax potential. Harare: University of Zimbabwe. Allingham,

Chimhangwa, P. (2014). Factors affecting presumptive tax collection in Ethiopia: Evidence from category "C" taxpayers in Bahir Dar City. Journal of Tax Administration, 5(2), 74- 96.

Davies, M., & Hughes, N. (2014). *Doing a successful research project using qualitative or*

quantitative methods. England, UK: Palgrave Macmillan.

DFID. (2020). Review of tax incentives and their impacts in Asia. *UK Government's Department for International Development*.

Feld, T. & Frey, K. (2017). Income tax evasion: A theoretical analysis. Journal of Public Economics, 1(3-4),323- 338

Guo, R. Marandu, P. & Davies, P. (2021). Presumptive taxes in Zimbabwe: What it means. Retrieved 09 20, 2022, from https://caa.ac.zw

Halon, M. & Brown, W. (2018). An investigation into the impact of taxation on small business sustainability and development. South African Journal of Economics and Management Sciences, 18(2), 154-160.

Hart, D. Marandu, P. & Davies, (2019). Sources of internal funding in small and medium-sized enterprises operating in Africa: Evidence from Chinhoyi Urban. Journal of Economics and Behavioral Studies, 7(2).

James, H. (2020). An investigation of the contribution of small, micro and medium enterprises towards the Gross Domestic Product in the Vaal Triangle South Africa. Mediterranean Journal of Social Sciences, 7(6).

James H. & Alley, M. (2022). Presumptive taxation methods: A review of the empirical literature. Journal of Economic Surveys, 34(2), 372-397.

Johnson, L. (2015). Exploring tax compliance behavior: A study of small and medium-sized enterprises in the United States. *Journal of Business Ethics, 128(3)*, 657-672.

Kirchler, E. (2007). *The economic psychology of tax behavior.* Cambridge: Cambridge University Press.

Kleve, D. Marandu, P. Davies, M. (2019). A study of small business owners' tax compliance

attitudes and behavior in South Africa. International Journal of Economics, Commerce and Management, 6(10), 213-225.

Kline (2015). An investigation of the contribution of small, micro and medium enterprises towards the Gross Domestic Product in the Vaal Triangle South Africa. Mediterranean Journal of Social Sciences, 7(6).

Kornhauser, M. (2015). Sources of internal funding in small and medium-sized enterprises operating in Africa: Evidence from Chinhoyi Urban. Journal of Economics and Behavioral Studies, 7(2), 50–57.

Krishman, R. & Parsons, T. (2018). The influence of tax systems on the business environment: A research synthesis and proposed managerial implications. African Journal of Economic and Management Studies, 10(1).

Lefebyre, R. (2015). The effect of tax incentives practices on the sustainability of micro, small and medium enterprises in Ethiopia during the outbreak of coronavirus pandemic, Problems and Perspectives in Management, 19(2), 1187–1197.

Luscombe, K. (2021). A study of small business owners' tax compliance attitudes and behaviour in South Africa. International Journal of Economics, Commerce and Management, 6(10), 213-225.

Magudhla & Mambo (2013). The impact of location tax incentives on the growth of rural economy: evidence from Ghana. ncbi.nlm.nih.gov

Malm, K. & Brown, S. (2018). Research on the Impact of Actual Tax Bearing Rate on the Financial Performance of Enterprises. ncbi.nlm.nih.gov

Marandu, S. Davies, M., & Hughes, N. (2015). Comparative Analysis on Practices and Experiences of Tax Evasion among Small

Businesses in Johannesburg, South Africa. Patoka: Journal of Tax Practice, 22(1), 40-67.)

Martinez-Vzquez, G. Bräutigam, R., & Evers, M. (2018). Sources of internal funding in small and medium-sized enterprises operating in Africa: Evidence from Chinhoyi Urban. Journal of Economics and Behavioral Studies, 7(2).

Mascagn, G. & Mengistu, B. (2019). A study of small business owners' tax compliance attitudes and behaviour in South Africa. International Journal of Economics, Commerce and Management, 6(10), 213-225.

Moyo, V. (2013). Revenue Management, Corporate Performance and Growth of Small and Medium Enterprises (SMEs) in Developing Economies. 6(1), 83-105.

Murphy, (2014). Sources of internal funding in small and medium-sized enterprises operating in Africa: Evidence from Chinhoyi Urban. Journal of Economics and Behavioral Studies, 7(2).

Nyamwanza, T. (2014). Strategy Implementation for Survival and Growth among Small and Medium-Sized Enterprises (SMEs) in Zimbabwe. *Midlands State University Repository*.

Pallant, (2020). Tax evasion, psychological egoism, and revenue collection performance: Evidence from Amhara region, Ethiopia. ncbi.nlm.nih.gov

Reckers, M. (2014). The influence of tax systems on the business environment: A research synthesis and proposed managerial implications. African Journal of Economic and Management Studies, 10(1).

Ruth, L. (2017). Sources of internal funding in small and medium-sized enterprises operating in Africa: Evidence from Chinhoyi Urban. Journal of Economics and Behavioral Studies, 7(2).

Saunders, M., Lewis, P., & Thornhil, A. (2018). *Research Methods for Business Students.* Noida India: Pearson Education Limited.

Slemrod, K. (2016). The impact of location tax incentives on the growth of rural economy: Evidence from Ghana. ncbi.nlm.nih.gov

Slemrod & Ytzhaki (2002). Tax evasion, psychological egoism, and revenue collection performance: Evidence from Amhara region, Ethiopia. ncbi.nlm.nih.gov

Tan, K. Tashakkori, H. & Teddie, M. (2020). Tax evasion, psychological egoism, and revenue collection performance: Evidence from Amhara region, Ethiopia. ncbi.nlm.nih.gov

Tashakkori, H. & Teddie, M. (2018). The effect of tax incentives practices on the sustainability of micro, small and medium enterprises in Ethiopia during the outbreak of coronavirus pandemic, Problems and Perspectives in Management, 19(2), 1187–1197.

Torgler, P. (2017). Fiscal policy and small business in South Africa. Banks and Bank Systems,14(1), 36-43.

Tyler, N. (2020). Tax evasion, psychological egoism, and revenue collection performance: Evidence from Amhara region, Ethiopia. ncbi.nlm.nih.gov

Steel, M. & Webster, U. (1991). Tax evasion, psychological egoism, and revenue collection performance: Evidence from Amhara region, Ethiopia. ncbi.nlm.nih.gov

Smith, J. (2010). Understanding tax compliance: A review of the literature. *Journal of Accounting Literature, 29*, 124-152.

Wang, R., & Kesan, J. P. (2020). Do tax policies drive innovation by SMEs in China? *Journal of Small Business Management*.

Wenzil, G. (2018). A comparative study on the level of compliance of small to medium businesses

and large businesses on Value Added Taxes: The case of Gweru in Zimbabwe. Mediterranean Journal of Social Sciences, 7(4).

Wilson, J. (2014). *Essentials of Business Research. A Guide to Doing Your Research Project - Second Edition.* London, United Kingdom: SAGE Publications Ltd.

Yitzhaki, S. (2007). Cost-benefit analysis of presumptive tax. *International Working Paper, Georgia State University*.