

# Factors Affecting Timely Remittance of Tax Returns in Lusaka, Zambia: A Case of Chachacha and Freedom Way Block

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## Abstract:

The objective of this study was to explore the factors behind the timely remittance of tax returns by businesses in Lusaka. The purpose was to conduct a mixed-methods case study of the factors affecting timely remittance of tax returns amongst small businesses in Lusaka's Chachacha-Freedom Way Tax Block. Data was collected from a purposive sample of 159 small business owners and managers in the Chachacha and Freedom Way Blocks in Lusaka, Zambia. A self-administered questionnaire was the tool used for data collection. Categorical data was analyzed by simple frequencies using SPSS Version 26. Qualitative textual data was analyzed manually using hierarchical coding frames. Quantitative Likert scale data was used to estimate PROBIT empirical models to investigate how factors such as perceptions of administrative simplicity, economic efficiency, equity, flexibility, certainty, and political responsibility around the fiscus affect the probability of timely remittance of returns. Results show that experiential issues were some of the reasons affecting taxpayers that could be analyzed in terms of the conduct of their businesses, interaction with tax authorities, and information flows between them. Factors contributing to delayed remittance of tax returns included non-adoption of e-filing methods and perceptions of political responsibility or being otherwise behind the tax system and fiscus. The study therefore finds some evidence for the political legitimacy theory of tax compliance. Both the quantitative and qualitative analyses conducted generally supported the idea that perceptions of economic efficiency, administrative simplicity, equity, flexibility, certainty, and political responsibility generally contribute to the timely remittance of tax returns. Recommendations of the study include promotion and easing of user friendliness of e-filing methods, as well as raising the ethical profile of the authority and strengthening taxpayer belief in the value of paying taxes through strategic partnerships with tax-funded government operations to improve political legitimacy.

**Keywords:** Tax Compliance, Returns Remittance, Tax Administration, Political Legitimacy Theory, Probit Regression

## 1. Introduction

Taxation is the basis of good governance, as it is the key to unlocking the wealth of a nation (Adam & O'Connell, 1998). It serves as the economic basis for all state functions like the provision of education, infrastructure, healthcare, or social security. Tax revenue is a keystone for sustainable development. Financial sustainability is a prerequisite to ensuring government investments and the development of a prosperous society (Brown, 2017). The term is used to mean the imposition by the government of compulsory contributions or levies on citizens, property, income, commodities, transactions, etc., for the purpose of collecting revenue for government expenditure. The major reasons for the Zambian government to impose taxes include: raising money for the purpose of financing social services like health, defense, law and order, education, and infrastructure; raising the share of the national cake going to the poor; encouraging investment; and protecting the local market on domestic products through prohibitive taxes on unnecessary imports and luxurious goods. (Fuest & Zodrow, 2013; Alshira'h, 2019; Alshira'h & Abdul-Jabbar, 2020).

Taxes are required to overcome the problem of free riding inherent in the financing of public goods, control other market imperfections, and achieve social justice through redistribution (Carnahan, 2015). The taxation system unlocks the wealth of a nation in various ways (Musimenta et al., 2017). Economic growth and "efficiency" are promoted via the first set of goals, whereas social justice and "equity" are promoted via redistribution and the provision of public and meritorious goods, most notably health and education (Chatama, 2013). The main source of government revenue in developing countries is tax administration, and thus tax collection is an important source of revenue for the country, especially in developing countries like Zambia (Nhekairo, 2014).

The Ministry of Finance holds the responsibility for the development of tax policy in Zambia, while the implementing agency is the Zambia Revenue Authority (ZRA). The legislation governing the regulation and administration of taxation is provided for in the amended Income Tax Act of 1966. In Zambia, the liability to pay taxes is based on the source of income and the individual's residence. According to the Income Tax Act, anyone who receives income, including businesses and individuals, must notify the ZRA in writing within thirty days of receiving such income.

If the necessary notice is not given, the Act provides for penalties. The tax year, or charge year, runs from January 1st to December 31st of the following year. The main taxes

in Zambia include Direct Taxes (such as Corporate Tax, Pay-As-You-Earn, and Other Personal Income taxes), Customs and Excise duties, Value Added Tax (VAT), Property transfer tax, and Mineral royalty (Mines and Minerals Act 2008). Turnover tax and withholding taxes are among the taxes administered domestically in Zambia. In many developing countries, noncompliance with tax regulations is a significant challenge that hampers tax revenue performance. Despite past tax reforms aimed at increasing revenue, previous statistical evidence has shown that income taxes contribute consistently low and shrinking amounts to the government's total revenue (Brown, 2017). The level of tax compliance within a country's population has a crucial impact on its tax revenue base. While high levels of compliance enhance revenue collection, low levels erode tax bases and pose a significant threat to development efforts, as tax administration is a major source of government revenue in developing countries. The compliance of taxpayers is closely linked to the government's provision of merit goods to the public and taxpayers as a whole.

Recent studies suggest that compliance may be influenced by the level of trust individuals have in their government (Chatama, 2013). This trust may stem from a perception of fairness, where citizens believe that the government will require equal tax payment from all, thus overcoming the free-rider problem (D'Arcy, 2011). The Zambia Revenue Authority (ZRA) was established as a corporate body on April 1st, 1994, under the Zambia Revenue Authority Act No. 28 of 1993. Prior to the establishment of the ZRA, tax collection in Zambia was the responsibility of specialized departments within the Ministry of Finance. There was a separate department for Customs and Excise and another for Income Tax, each with its own management team. On April 1st, 1994, these two departments were merged to form the ZRA. At the time of its establishment, the ZRA was one of the earliest examples of tax system reform in Africa, following the Ghana Revenue Authority (GRA) and the Uganda Revenue Authority (URA).

The primary purpose of the ZRA, functioning under the supervision of the Ministry of Finance, is to gather revenue on behalf of the Government of the Republic of Zambia. The topic of taxation has consistently sparked controversies in society, regardless of the level of democracy. It is an undeniable fact that modern societies cannot survive without taxes. Franklin D. Roosevelt once stated that taxes are essentially the fees we pay for the privileges of being a part of an organized society. The ideal provision of public goods by authorities is achieved when every taxpayer is compliant and fulfills their fair share of tax responsibilities. Franzoni (2000, p. 54) emphasizes four fundamental rules that taxpayers should adhere to in order to fully comply with the tax law: (1) accurately report the actual

tax base to tax authorities; (2) correctly calculate the tax liability; (3) submit the tax return within the designated timeframe; and (4) make timely payments for the amounts owed.

Tax compliance is defined as "the extent to which taxpayers fulfill their obligations in accordance with the tax law." Franzoni (1998) also outlines the components of tax compliance, which typically include truthful reporting of the tax base, accurate computation of the liability, timely submission of the return, and prompt payment of the amounts owed. Tax compliance is a critically important subject due to its role in maximizing tax revenue collection and the emergence of self-assessment tax systems, like the one adopted by the Zambian government, which heavily rely on citizens declaring their own tax liability and fulfilling their outstanding tax obligations (Nhekairo, 2014).

The subject of taxpayer compliance has been explored by the empirical literature in diverse ways, such as by exploring compliance rates between different types of tax structures (Muleya et al., 2018). Tax non-compliance may result from 'ignorance, inability, or intent, which calls for a multi-pronged approach to combating it (Bodea & LeBas, 2014). Studies have, however, tended to focus on administrative and enforcement factors as being the most important in deterring non-compliance. Economic models of deterrence, for instance, focused on the degree to which punitive fines and increased audits (or stricter enforcement) could serve to deter tax avoidance and evasion (Carnahan, 2015). While the importance of enforcement cannot be undermined, more recent literature has shown that fear of being arrested for tax fraud is not the only consideration of the public when it comes to paying taxes (Bodea & LeBas, 2014). Moreover, instances of increased government enforcement have been shown to be costly and incapable of leading to complete compliance but rather can, in certain instances, result in citizens becoming more non-compliant due to excessively punitive enforcement measures (Chatama, 2013). Other emerging studies have increased focus on compliance factors among small businesses (Sadress et al., 2019).

Taxation is a mechanism used by governments worldwide, including Zambia, to raise revenue for the provision of public goods and services (Nhekairo, 2014). Tax collection is beneficial as it reduces dependence on foreign aid (Brown, 2017). Moyo (2009) observed that most developing countries in Africa, including Zambia, need the support of self-motivated taxpayers with an economically responsible and accountable government (Çevik, 2017). The tax laws stipulate that both the formal and informal sectors are eligible to pay taxes. According to Langmead et. al. (2006), the formal sector business is engaged

in larger activity levels, whereas the informal sector activity levels are smaller and constitute artisans, among others. It is the demand of tax authorities that tax returns be remitted on time because tax returns are a prerequisite for tax payments (Bodea & LeBas, 2014). Raising more domestic revenue is a priority for most sub-Saharan African countries (Carnahan, 2015). Mobilizing revenue is a way for governments to create fiscal space, provide essential public services, and reduce foreign aid and single-resource dependence. However, the domestic tax bases in most African countries are also undermined by widespread non-compliance with tax laws (Carnahan, 2015). The literature provides less attention to the area of timely remittance of tax returns, particularly as the critical first step in tax assessment and eventual settling of obligations (Muleya et al., 2018). The small business sector represents an important area for not only the broadening of the tax base in a less developed country context but also the promotion of compliance by tax authorities to develop a culture of paying taxes amongst businesses (Sadress et al., 2019; Small & Brown, 2020).

### *1.2 Statement of the Problem*

Taxation is recognized as the main source of government revenue; however, many developing countries like Zambia face challenges with tax administration (Adam & O'Connell, 1998). Despite the many efforts that have been made by the Zambia Revenue Authority (ZRA) to improve compliance, the authority faces challenges of untimely remittance of tax returns. If tax returns are not remitted on time, payments are expected to be delayed, and this has a huge impact on the planning purposes of the revenue expected to be collected. It is also difficult for the authority to follow up on such payments if the tax payer has not remitted the tax returns on time or has not remitted the tax returns. The Zambia Revenue Authority has set up due dates for the remittance of tax returns and payments. However, noncompliance with due dates in the Chachacha and Freedom Way tax blocks is one hindering factor affecting revenue collection. This problem has negatively affected revenue collection in Zambia, as much of the government's source of revenue comes from tax administration. There is increasing recent interest amongst scholars on the question of tax compliance amongst the small businesses that are acknowledged to be the key drivers of economies worldwide (Small & Brown, 2020; Alshira'h & Abdul-Jabbar, 2020; Alshira'h, 2019; Viswanathan, 2017). The empirical literature on tax compliance has provided little information on the area of timely remittance of tax returns, despite scholars overall investigating broad explanations for

compliance behavior patterns, including factors such as technology and perceptions of attributes of the tax system (Carnahan, 2015; Chatama, 2013; Bodea & LeBas, 2014; Çevik, 2017; Muleya et al., 2018). The present study addressed these gaps in the literature based on a mixed-methods case study of small businesses in Zambia's Chachacha-Freedom Way Tax Block.

### 1.2 Research Questions

The study sought to answer the following research questions:

- 1) How do perceptions of tax system attributes affect timely remittance of tax returns amongst taxpayers in Lusaka's Chachacha-Freedom Way Block?
- 2) How do perceptions of political responsibility around the fiscus affect timely remittance of tax returns amongst taxpayers in Lusaka's Chachacha-Freedom Way Block?
- 3) How do small business attributes affect timely remittance of tax returns amongst taxpayers in Lusaka's Chachacha-Freedom Way Block?

## 2. Literature Review and Hypothesis Development

### 2.1 Zambia's Tax System

The attention of many Revenue Authorities in the world, particularly in developing countries like Zambia, has been drawn to the behavior of taxpayers towards the tax system. However, there is a debate regarding the extent of research conducted on taxpayers' behavior in developing countries. These countries tend to focus more on studies that increase their budget by generating significant revenue and enforcing tax collection, rather than studying the behavior of taxpayers, which would contribute to the actual increase in tax revenue and improve enforcement efforts (Nhekairo, 2014). The payment of taxes is an obligatory duty for every citizen, whether a natural person or a corporate entity. As a civic duty, it is expected that citizens will comply voluntarily with this obligation, but this is not always the case for some individuals (Carnahan, 2015).

The history of taxation in Zambia can be traced back to the late nineteenth century when the country was under British rule (Henderson, 1974). By 1891, the British South African Company (BSAC), acting as a representative of Queen Victoria, gained complete control over Northern Rhodesia, which is now known as Zambia. During the administration of the new territory, BSAC encountered financial difficulties. To address this issue, the company introduced a "hut tax" in 1900 and 1904 in North-eastern and North-western Rhodesia, respectively (Nhekairo, 2014). This tax could be paid in money, labor, grain, or livestock and served different purposes for the colonial authorities. It

generated revenue and expanded the cash economy, contributing to further development (Henderson, 1974). Initially, there was some resistance to paying the tax, but the company involved local chiefs in the enforcement and collection process, resulting in a significant number of people regularly paying their taxes (SikamoI, et al., 2016). It is important to note that the collection of these taxes involved a considerable amount of coercion (Nhekairo, 2014).

In the late 1920s, substantial underground deposits of copper and cobalt were discovered in Zambia (SikamoI, et al., 2016). By 1939, Zambia had become the main global source of copper and had the potential to be a prosperous country (Sardanis, 2014). The mining industry employed approximately 30,000 African miners and 4,000 white miners, who held skilled and managerial positions. It is reported that the colonial government increased the "native tax" for miners due to a decline in demand for black labor in the mines, which led to a series of protests (Mwendapole, 1977). Although there is limited documentation on the composition and utilization of these taxes, it is believed that the tax resources were used to improve social services for the white settler communities in the Copperbelt province (Carnahan, 2015). The topic of taxation did not receive much attention during the pre-independence era, but it became a subject of debate after independence for various reasons (Mwendapole, 1977).

The native government that emerged desired resources in order to distribute development evenly throughout the country, moving away from the already developed Copperbelt province where white settlers had established themselves (Adam & O'Connell, 1998). Moreover, the new government implemented a left-wing economic policy, leading to the nationalization of private companies and their incorporation into large state-owned conglomerates. The government's objective was to achieve self-sufficiency, which it aimed to accomplish through import substitution (Sardanis, 2014). Consequently, the government required substantial revenues to finance its ambitious industrial agenda. In 1965, the government introduced the initial national development plan, which provided a clear path for resource mobilization and the funding of development programs (Rakner, 2003). The responsibility for tax collection fell under the purview of the Ministry of Finance and Planning (Carnahan, 2015). Over time, revenue reforms were implemented, leading to the establishment of the Zambia Revenue Authority (ZRA) in 1994. To this day, the ZRA collects taxes on behalf of the central government and operates under the Ministry of Finance and National Planning (Mulenga, 2003).

In light of the decline in governmental revenues from its peak of around 30% of GDP in the late 1970s to a mere 13% of GDP from tax collections in the early 1990s, the Zambian government initiated a tax reform program in 1992 (Nhekairo, 2014). This

reform program encompassed not only various tax policy initiatives but also a significant revamp of revenue administration through the establishment of the Zambia Revenue Authority (ZRA) on April 1, 1994, as a semi-autonomous agency governed by the ZRA Act, now Chapter 321 of the Laws of Zambia. This resulted in the amalgamation of the former Departments of Income Tax and Customs and Excise under the Ministry of Finance, forming the Zambia Revenue Authority (Muleya, et al., 2018).

Consequently, at its inception, the ZRA operated through two divisions: the Direct Taxes Division and the Customs and Excise Division (Mulenga, 2003). Subsequently, a third division known as the Value Added Tax (VAT) Division was established to facilitate the introduction of VAT as a replacement for Sales Tax. The Value Added Tax division became operational after the enactment of the VAT Act in July 1995 (Mulenga, 2003). This pivotal development, coupled with the policy draft version and the implementation of VAT, led to tax collections contributing over 18% of GDP (Muleya, et al., 2018). The rationale behind tax administration reforms in Zambia aimed to liberate taxes and customs administration from the constraints of the conventional civil service, thus enabling the recruitment and remuneration of staff based on more competitive and market-oriented criteria (Nhekairo, 2014). Additionally, the reformed body was envisioned to adopt modern management techniques, resulting in enhanced professionalism and efficiency in tax collection (Sardanis, 2014).

Overall, there exists a considerable amount of internal and external favor towards the backing of tax policy and administration reforms in Zambia. In order to support tax administration, Zambia regularly receives missions from the International Monetary Fund (IMF) and the World Bank. For example, during the establishment of the Zambia Revenue Authority (ZRA), the Department for International Development (DFID) provided assistance in the form of infrastructure, information technology, and human resource development. In 2006, with the aid of the World Bank (WB), the Government and ZRA initiated a process to modernize tax administration, shifting the focus from tax-type to taxpayer. This led to the establishment of specialized offices to administer taxes for large, medium, and small taxpayers. The modernization process is anticipated to enhance business processes, information technology, operational infrastructure, and tax legislation harmonization (Carnahan, 2015).

A tax return is a document or set of documents submitted to a taxing authority that accounts for income, expenses, and other relevant information for taxation purposes (Carnahan, 2015). Tax returns provide taxpayers with the means to calculate their tax liability, schedule tax payments, or request refunds for excessive tax payments. In most countries, individuals or businesses with reportable income (such as wages, interest,



dividends, capital gains, or other profits) are required to annually file tax returns. In Zambia, the Ministry of Finance is responsible for formulating tax policy, while the Zambia Revenue Authority (ZRA) serves as the implementing agency. The Income Tax Act of 1966, as amended, establishes the legislative framework for regulating and administering taxes. Under the Zambian tax regime, liability to tax is based on the source of income and residence. The Income Tax Act mandates that every person (including business entities, enterprises, and individuals) receiving income must provide written notice to the ZRA within thirty (30) days from the date of receiving such income. Failure to comply with this requirement incurs penalties. The tax year, also known as the charge year, runs from January 1st to December 31st of the following year. Notable taxes in Zambia include Direct Taxes (such as Corporate Tax, Pay-As-You-Earn, and Other Personal Income taxes), Customs and Excise duties, Value Added Tax (VAT), Property transfer tax, and Mineral royalty (Mines and Minerals Act 2008).

The financial resources of any government in the world are essential for it to function as a governing body and fulfill the expectations of the public (Mulenga, 2003). Governments strive to achieve development goals outlined in the annual budget of the country. In this context, Lederman (2018) highlights that taxation serves as a means of transferring resources from the private sector to the public sector. The compliance of citizens with tax obligations holds utmost importance for a state to provide public goods and distribute wealth. For a government to effectively act and fulfill its expected role, it requires sufficient financial resources.

Tax compliance is, however, a major problem for many tax authorities, including the ZRA. As per the statement of James and Alley (2004: 29), 'tax laws are not always precise. Tax compliance is defined by several tax authorities as the ability and willingness of taxpayers to comply with tax laws, declare the correct income each year, and pay the right amount of taxes on time (IRS, 2009; ATO, 2009; IRB, 2009). Alm (1991) and Jackson and Milliron (2016) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations, and court judgments.

Tax non-compliance may take one of many forms; it could either be failure to submit a tax return within the stipulated period or non-submission, understatement of income, overstatement of deductions, or failure to pay assessed taxes by the due date (Kasipillai & Abdul Jabbar, 2006) and in some cases, non-compliance may mean an outright failure to pay levied taxes. The Zambian tax system has numerous tax types and rates, which can result in high effective taxation. The many taxes and rates have the potential to make the tax system complex and therefore increase the cost of compliance and encourage noncompliance. Further, the tax system is mature and has undergone several

administrative and policy reforms. The tax formulation process is inclusive (both the government and private sector participate in the formulation process), although it still has some challenges. Among the many challenges faced with tax administration in Zambia are low levels of compliance in the form of late remittances of returns and payments.

Zambian taxes are categorized into three categories: consumption taxes, trade taxes, and income taxes, and these make up the domestic revenue base for the country. These taxes contribute up to 70 percent of the national budget. In Zambia, income taxes are the major source of revenue, followed by consumption taxes (domestic VAT, import VAT, and excise duty) and trade taxes (customs duty and export duty). Up until ten years ago, international trade taxes used to account for the bulk of the taxes collected, but now there has been a shift to income taxes, particularly Pay As You Earn (PAYE), and during the same period, the proportion of consumption taxes (domestic VAT, import VAT, and excise duty) has also increased steadily (Mulenga, 2003).

## 2.2 Empirical Studies on Tax System Attributes and Compliance

Tax compliance can be described as the degree to which a taxpayer is obliged to comply with tax rules and regulations (Bodea & LeBas, 2014). James and Alley (2004) indicated that the meaning of the concept of tax compliance can be given from different perspectives, but they define tax compliance as “*the willingness of individuals and other taxable entities to act in accordance with the spirit as well as the letter of tax law and administration without the application of enforcement activity*” (p. 7). McBarnett (2003) identifies three forms of compliance, which include committed compliance, capitulative compliance, and creative compliance. Committed compliance is the willingness of a taxpayer to discharge tax obligations without grumbling. While capitulative compliance is the reluctant discharging of tax obligations by the taxpayer, creative compliance refers to any act by the taxpayer aimed at reducing taxes by redefining income and deductible expenditure within the confines of the law.

How the attributes of a tax system affect compliance behavior has been of interest since Adam Smith’s formal treatise on “*Canons of a Good Tax System.*” Subsequent tax system theories have expanded on the basic propositions of Smith’s thesis. These include comparative treatment theory and economic-based theories. The former predicts the probability of compliance behavior based on the premise that people comply with the law if they perceive the process leading to the law as generally fair (Murphy, 2008; Mc Kerchar & Evans, 2009). On the other hand, economic-based theories of taxation and compliance behavior are based on the premise that taxpayers are unethical and maximize utility. They are influenced by economic motives such as profit maximization and probability of

detection (Carnahan, 2015). As such, they analyze alternative compliance paths, for instance, whether to evade tax, the likelihood of being detected, and the resulting repercussions, and then select the alternative that maximizes their expected after-tax returns after adjusting for risk. As such, attributes of tax systems such as perceptions of fairness, economic efficiency, administrative simplicity, equity, flexibility, and certainty may affect taxpayer compliance behavior (Muleya et al., 2018). These theoretical positions have inspired empirical research as well as the tax reform agendas of many countries.

Alm (1991) stated that compliance with tax laws involves true reporting of the tax base, correct computation of the tax liabilities, timely filing of tax returns, and timely payment of the amount due as tax. Any behavior by the taxpayer contrary to the above constitutes noncompliance. Despite the arrangements put in place through the tax system to ensure compliance with tax rules and regulations, human society is still confronting numerous cases of tax noncompliance. Therefore, as Freire-Serén & Martí (2013) submitted, tax noncompliance as a problem is intrinsic to existing tax systems.

Tax noncompliance is the failure of a taxpayer to meet tax obligations, whether the act is done intentionally or unintentionally (James & Alley, 2004). However, Kirchler (2007) argued that since the degree of compliance varies, certain noncompliance might not violate the law. According to Roth et al. (1989), tax noncompliance occurs through failure to file returns, misreporting income, or misreporting allowable subtractions from taxable income or tax due (exemptions, deductions, adjustments, tax credits, etc.). Bird and de Jantscher (1992) broadly classified noncompliance into four types: failing to file a tax return; underreporting of taxable income; overstating tax claims such as exemptions, expenses, etc.; and failing to make timely payment of tax liability. Noncompliance with tax laws comes in different forms. It may be intentional noncompliance in which the taxpayer deliberately undermines the tax rules and regulations for his personal gains.

The second is in the form of unintentional noncompliance, which may be the result of ignorance, oversight, or mistake in applying tax laws. Any noncompliance act committed by a taxpayer that results in non-declaration or underreporting of taxable income leading to non-payment or underpayment of tax is regarded as tax evasion. Anyanwu (1993) described tax evasion as the failure to meet tax liabilities through illegal means, such as not declaring income or profit. Gorodnichenko et al. (2009) and Tanzi and Shome (1993) stated that tax evasion is a universal and growing phenomenon. Research evidence available has shown that the problems of tax evasion cut across the globe from developing countries to developed countries. For instance, Embaye (2007) also noted that evasion is considerable in the U.S., with about 16% overall noncompliance with individual income tax. The concept related to tax evasion is tax avoidance, which is described as creative

compliance (McBarnett, 2003). However, according to some scholars, there is a conceptual distinction between tax evasion and tax avoidance (Arogundade, 2005; Sandmo, 2005). The distinction between these two concepts hinges on the legality of taxpayers's actions.

Arogundade (2005) said that the similarity of both concepts is that they lead to leakages in tax revenue. Sandmo (2005) distinguishes the two concepts from a legal perspective. They argued that tax evasion is carried out in violation of the law and therefore is illegal, while tax avoidance is carried out within the legal framework of the tax law in order to reduce one's tax liability; therefore, tax avoidance is legal. Tax compliance literature, according to Devos (2010), indicates that many factors, including economic, social, psychological, and demographic, impact the compliance behavior of tax payers. The main factors that affect untimely remittance of tax returns and payment include high tax rates, the probability of detection, the complexity of the law, and the methods employed to collect taxes (Kasipillai & Abdul-Jabbar, 2006).

Perceived fairness of the tax system is another factor that citizens most often communicate as referring to tax system fairness concerns (Rawlings & Braithwaite, 2003; Taylor, 2003). Other psychology studies found that the fairness and equity of a tax system also impact a tax payer's remittance of tax returns and eventually payments (Güzel et al., 2019).

### *2.3 Empirical Studies on Political Responsibility and Tax Compliance*

According to the political legitimacy theory, tax compliance is influenced by the extent to which citizens trust their government and/or regulatory authorities (Fuest & Zodrow, 2013; Feld & Frey, 2007; Lozza et al., 2013; Kirchler et al., 2008; Scholz & Pinney, 1995). Legitimacy could be belief or trust in the authorities, institutions, and social arrangements to be appropriate, just, and work for the common good. Political scientists have addressed how political legitimacy and civic identification are fostered. Persson (2008), for instance, argues that African countries that, upon independence, emphasized building national over ethnic identity have been more successful than those that allowed ethnicity to become the main animus of politics. Based on this argument, we expect to find a higher likelihood of a tax-compliant attitude among individuals who trust the tax authorities than among those who do not.

Evidence of such situations where the government is perceived to work for the common good is found in studies such as Picur and Riahi-Belkaoui (2006), who, based on a study of 30 developed and developing countries, found that tax compliance is highest in countries with high control of corruption and a small bureaucracy. Richardson (2008) thus

suggests the need for governments to increase their reputation and credibility as a means of gaining taxpayers' trust. Closely linked with political legitimacy are the issues of national pride and political affiliations. Tyler (2000) contended that national pride influences people's behavior in groups and provides a basis for encouraging cooperation, just as it positively impacts tax morale (Torgler & Schneider, 2007; McKerchar & Evan, 2009). Palil (2010) noted that identification with the ruling government party and its policies also influences tax compliance. He contended that *"if an individual favors the current ruling government party, he might choose to be compliant because he believes that the government is trusted, efficient, and equitable,"* while if he is in favor of the opposition, he *"might be more noncompliant because he perceives that the government is not on his side"* (p. 204).

#### *2.4 Empirical Studies on Tax Payer Attributes and Compliance*

At the individual or business level, taxpayers express concern about their outcomes and the manner in which they are treated in relation to their merits, efforts, and needs. If the tax burden on an individual or business exceeds that of comparable entities, the remittance of tax returns and payments is likely to decrease. Behavioral literature suggests that an individual's financial condition and family obligations moderate the relationship between their commitment and performance. Empirical evidence from behavioral studies supports the idea that financial requirements can influence an individual's behavior. Bird and de Jantscher (1992) found that an individual's financial condition moderates the consistency of their attitude and behavior. However, an individual's financial condition may have either a positive or negative effect on their willingness to comply with tax provisions, regardless of the relationship between tax compliance and its determinants.

Torgler (2003) argues that the financial situation of individuals or businesses can cause distress, especially when it comes to making payments, including taxes. This perception of tax payment as a significant restriction may increase the incentive for tax dishonesty. Bloomquist (2003) identifies financial strain as a source of stress for taxpayers, noting that individuals with limited financial resources may be tempted to be noncompliant when their household expenses exceed their income. It is highly likely that individuals in sound financial condition would adhere to tax laws better than those in poor financial condition. This aligns with Bloomquist's (2003) study, which suggests that taxpayers with limited financial resources are more likely to be noncompliant due to their vulnerability to financial strain. Carroll (1989) also found that the lack of cash motivates individuals to seek opportunities for engaging in criminal activities.

According to Langmead et al. (2006), tax has been introduced to the smaller business sector and self-employed individuals in modern Zambia, who are involved in various economic activities such as trading goods, running restaurants and bars, operating guest houses, and engaging in small-scale manufacturing and consultancy services. Despite the increased involvement of smaller businesses in Zambia, it is widely observed that those involved in these trades have a negative attitude towards tax compliance.

Namangala (2004), in his study on the perceptions of Zambia's tax laws, attributes the negative attitudes of taxpayers to themselves. He contends that individuals show reluctance in seeking information from the tax office, even regarding the most fundamental tax laws. Consequently, this leads to the non-remittance and delayed remittance of tax returns and payments. It is important to note that the untimely remittance of tax returns has a significant detrimental impact on payment collections. In the absence of tax returns, tax officers are unable to effectively track and monitor payments, underscoring the utmost importance of tax return remittance.

Similar concerns are expressed by Berenson (2007), who highlights that non-compliance with tax return remittance can result in erratic revenue collections and hinder the proper functioning of the government in providing for the welfare and security of the nation. Furthermore, Moyo (2009) asserts that complying with tax obligations can potentially increase local revenue collections and reduce Zambia's reliance on conditional donor aid. Additionally, tax provisions have the potential to influence the allocation of investment capital. Notably, the current tax system exhibits a preference for housing investments over other types of investments. This differential treatment likely leads to an overinvestment in housing, resulting in a decrease in economic output and social welfare.

#### *2.4 Variables and Hypotheses*

For purposes of the present study, the dependent variable was the timely remittance of tax returns as a critical step in the cycle of compliance with tax laws. Explanatory variables were perceptions of tax system attributes (i.e., fairness, economic efficiency, administrative simplicity, equity, flexibility, and certainty), perceptions of political responsibility around the fiscus, and taxpayer-related attributes (i.e., years in business, staff size, range of tax types registered for, return filing channels, understanding of remittance processes, awareness of due dates, and whether they faced remittance challenges or not). The relevant hypotheses were stated in terms of the impact of factors on the probability of tax compliance as measured by the timely remittance of tax returns.

- **Hypothesis 1:** The higher the perceptions of tax system attributes (i.e., fairness, economic efficiency, administrative simplicity, equity, flexibility, and certainty), the higher the probability of taxpayers complying with tax laws as measured by timely remittance of tax returns.
- **Hypothesis 2:** Positive perceptions of political responsibility around the fiscus increase the probability of taxpayers complying with tax laws, as measured by the timely remittance of tax returns.
- **Hypothesis 3:** Taxpayer attributes explain the difference in probability of taxpayers complying with tax laws as measured by the timely remittance of tax returns.

### 3. Research Methodology

#### 3.1 Population, Sample Size, and Data Collection

A sampling frame guides the researcher to identify the detailed and holistic unit of items or people from which required or relevant data for a study could be collected (Bless & Achola, 1988; Myers, 2008). For purposes of the study, businesses operating in the Chachacha and Freedom Way Tax Blocks of Lusaka's Central Business District with trading certificates were the population of interest. Specifically, study respondents were defined as owner-managers or other relevant staff, such as those with accounting or finance roles in the concerned businesses. While records of such businesses were available from local authorities and the ZRA, it was not easy for the researcher to obtain access to the databases for sampling purposes. Consequently, a non-random sampling design was the only feasible approach for obtaining a sample from the identified population. A purposive sample of 159 small businesses in the Chachacha Freedom Way Block in Lusaka, Zambia (population of about 500 registered SMEs), i.e., 73.27% of the target random sample size or 31.8% of the estimated population, the target sample size was estimated as follows:

$$\text{Target Sample Size by Cochran's Adjusted Formulan} = \frac{n_o}{\left[1 + \frac{no - 1}{N}\right]} = \frac{385}{1 + \frac{384}{500}} = 217$$

Primary data was, collected by self-administered questionnaire interviews.

#### 3.2 Data Analysis

The data that was obtained was in different types, including nominal, categorical, and ordinal types. Data analysis began with the coding of responses obtained accordingly in order to input the values into the Statistical Package for Social Sciences (SPSS) version

26 as well as Stata 16. Data from interviews in text form was analyzed through hierarchical coding frames. Hierarchical concept-driven or deductive coding was applied to identify the most important themes in the qualitative data that was collected. The method is based on the notion that coding will be in the form of quality, where the lowest tier contains the least information for intelligibility or policy response purposes (Myers, 2008). Coding is the process of analyzing qualitative text data by taking it apart to see what it yields before putting the data back together in a meaningful way (Cresswell, 2014).

Quantitative data from Likert scale-type questions was used to estimate PROBIT regression models to help arrive at empirical models for the probability of timely remittance of tax returns based on the perceptions of the factors identified in the literature. In statistics, a probit model is a type of regression where the dependent variable can take only two values, or a binary response variable. The purpose of the model is to estimate the probability that an observation will fall into a specific one of the categories; moreover, classifying observations based on their predicted probabilities is a type of binary classification model (Brooks, 2002). The mixed-methods strategy applied in this study involved the analysis of quantitative and qualitative data separately, the former to help establish quantitative relationships between variables and the latter to investigate the experiential aspects of small businesses as taxpayers (Cresswell, 2014; Novikov & Novikov, 2013; Myers, 2008; Yin, 2012; Olsen, 2004).

## 4. Results and Discussion

### 4.1 Reasons for Late Returns Filing

From the qualitative data collected, the 159 respondents, representing small businesses in the Chachacha Freedom Way Tax Block, provided interesting information that was analyzed hierarchically and presented in the diagram below. The figure shows interaction between taxpayer issues, tax authority issues, and relational aspects between the two categories as reasons for late submission of tax returns. Among the taxpayer issues, doubts about capacity to meet tax obligations emerged as a strong theme. Such doubts were defined in the context of other pressing business needs, which may result in managers relegating the preparation of tax returns to the list of priorities of their businesses.

Difficulties in accessing tax forms for filing purposes also came up as a reason for late submissions of returns. Once a pattern of late return filing emerged, there appeared to be a fear of penalties imposed, which in turn promoted ambivalence amongst taxpayers towards meeting tax obligations, including the filing of returns. Least among the reasons for delayed submission of returns was the stress of business management. A recurring theme in the relational code of the hierarchy was the poor information flows that seemed



to heighten the sense of mistrust and fear of penalties for noncompliance amongst respondents. This was a strong theme, even among those reporting online filing.

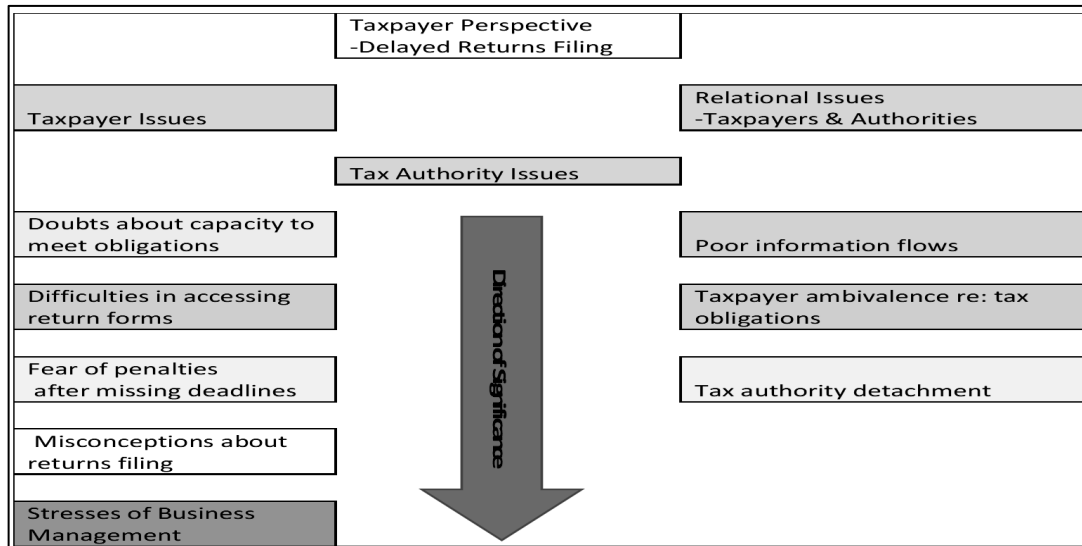


Figure 1: Hierarchical Code Diagram on Reasons for Late Returns Filing

This analysis was augmented by the identification of factors that contributed to delays in the remittance of tax returns based on structured questions posed to study respondents. From this analysis, respondents who reported having sufficient information for all the taxes their businesses faced (54) were a larger proportion than those who reported not having sufficient information (28) among those who reported submitting their returns late. In relation to sources of tax information, those sources other than online, brochures, ZRA editorials, or the media were most likely to remit tax returns late. The pattern for the rest of the factors was by tax type: annual returns (18), parity for tax return channels of manual or e-filing (41), affirmative in understanding of the filing process (42), affirmative for awareness of return due dates (47), affirmative on whether tax burdened (43) and negative for challenges with remittance (46).

The data collected seemed to suggest that not having sufficient tax information may not be a factor for delayed remittances, but those who relied on sources of tax information other than those likely to be official were prone to late remittances; annual returns filing was more likely to be late among tax types; e-filing or manual filing were at par in the area of late remittance of returns; understanding the filing process did not improve the record of late remittance; and affirmative perceptions of being tax burdened were likely to account for remittance delays.

4.2 Summary Statistics for Tax System and Political Responsibility Perception Variables

The quantitative aspect of the study proceeds with a presentation of descriptive statistics for the variables used in the probit model empirical estimation. The six factors investigated in terms of their impact on the likelihood of timely, or otherwise, remittance of tax returns were perceptions of economic efficiency, administrative simplicity, equity, flexibility, certainty, and political responsibility surrounding the fiscus, each measured on a 5-point Likert scale with 1= strongly disagree and 5= strongly agree. The binary dependent variable, timely return submission, had 0 for late submission as opposed to 1 for early or timely return submission. The dependent variable in the model had a mean of 0.509, signifying slightly higher than the odds of taxpayers making timely return submissions. The standard deviation of the distribution was 0.501, indicating that there was a high level of dispersion amongst the sample of 159 in terms of timely return submission or otherwise. The skewness measure for the distribution shows an approximately symmetrical, though slightly negatively skewed, pattern. The kurtosis value suggests a flat peak about the center of the distribution. In relation to the factors adopted to predict the probability of timely, or otherwise, submission of tax returns, perceptions of economic efficiency had a mean score of 3.006. Other factors with mean scores above the median value of 3 were certainty (3.031) and political responsibility (3.126). On the other hand, administrative simplicity with mean 2.874, equity 2.855, and flexibility 2.975, all had mean scores slightly below 3. The factors all had distributions that were approximately symmetrical, given the skewness measures ranging from -0.067 to +0.097. Kurtosis measures for the distributions for all six factors provided indications of relatively flat peaks about the center of the distributions.

Table 1: Summary Statistics for Compliance, Tax System and Political Responsibility

	N	Mean	Std. Dev	Skewness Stat	Kurtosis Stat
Timely returns submissions (0=Late(no), 1=Timely(yes))	159	0.509	0.501	-0.038	-2.024
Economic efficiency (1=Strongly disagree, 5=Strongly agree)	159	3.006	1.343	0.052	-1.174
Admin simplicity (1=Strongly disagree, 5=Strongly agree)	159	2.874	1.444	0.095	-1.336
equity (1=Strongly disagree, 5=Strongly agree)	159	2.855	1.359	0.097	-1.198
flexibility (1=Strongly disagree, 5=Strongly agree)	159	2.975	1.401	-0.067	-1.305
certainty (1=Strongly disagree, 5=Strongly agree)	159	3.031	1.456	0.007	-1.359
Political responsibility (1=Strongly disagree, 5=Strongly agree)	159	3.126	1.325	0.014	-1.218
Valid N (listwise)	159				

#### 4.3 Probit Regression Model 1-Tax System and Political Responsibility Regressors

In the table below, Timely Submissions was the binary response variable predicted by the model, representing the remittance of returns either late or on time. The column Coef. represents the regression coefficients for each factor predicted by the model. The predicted probability of early remittance of tax returns can be calculated using these coefficients. However, the interpretation of the coefficients in probit regression is not as straightforward as the interpretation of the coefficients in linear regression or logit regression. The increase in probability attributed to a one-unit increase in each predictor is dependent both on the values of the other predictors and the starting value of the given predictors. There are limited ways in which we can interpret the individual regression coefficients. A positive coefficient means that an increase in the predictor leads to an increase in the predicted probability of timely remittance of tax returns. A negative coefficient means that an increase in the predictor leads to a decrease in the predicted probability. The coefficients of all the factors were positive. The coefficient for economic efficiency perception was 0.2049. This coefficient had a standard error of 0.0988 and a 95% confidence interval from 0.0133 to 0.3985. In other words, a rise in the perception of the economic efficiency of the tax system would lead to a higher likelihood of the taxpayer submitting their tax returns on time. The administrative simplicity factor had a coefficient of 0.4118, a standard error of 0.0971, and a 95% confidence interval of 0.2215 to 0.6021. The coefficient for perceptions of equity of the tax system amongst sampled taxpayers in the Chachacha-Freedom Way Area was 0.1071, with a standard error of 0.0971 and a 95% confidence interval of -0.2029 to 0.2167. The flexibility of the tax system had an estimated coefficient of 0.7312 with a standard error of 0.1185 and a 95% confidence interval of 0.4989 to 0.9635. Certainty of the system retained a point coefficient estimate of 0.0614 with a standard error of 0.0944 and a 95% confidence interval from -0.1237 to 0.2465. Finally, in the main Probit model, perceptions of political responsibility around the fiscus had a coefficient estimate of 0.0952 with a standard error of 0.0992, and a 95% confidence interval from -0.0993 to 0.2897. The positive point coefficient estimates for all the factors suggest that increasing each factor while holding the others constant would lead to an increase in the probability of taxpayers remitting returns in a timely pattern. Conversely, the value of the constant -4.4812, given  $P(z < -4.4812) = 0.000$ , indicates that assigning base values to each of the factors would entail the probability of timely remittance of tax returns being zero. This was also supported by the p-value of 0.0000 for the estimated constant in the Probit model.

Table 2: Probit Regression Model 1

Probit regression		Number of obs	=	159		
Log likelihood = -57.478001		LR chi2(6)	=	105.41		
		Prob > chi2	=	0.0000		
		Pseudo R2	=	0.4783		
timely_submissions	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
economic_efficiency	0.2049	0.0988	2.074	0.0381	0.0113	0.3985
admin_simplicity	0.4118	0.0971	4.241	0.0000	0.2215	0.6021
equity	0.0069	0.1071	0.064	0.9489	-0.2029	0.2167
flexibility	0.7312	0.1185	6.170	0.0000	0.4989	0.9635
certainty	0.0614	0.0944	0.650	0.5155	-0.1237	0.2465
political_responsibility	0.0952	0.0992	0.959	0.3373	-0.0993	0.2897
_cons	-4.4812	0.7892	-5.678	0.0000	-6.0280	-2.9343

4.4 Summary Statistics for Taxpayer Related Regressors

The study also involved the collection of data on various taxpayer characteristics relevant to the study, including years in operation, staff size, whether the tax payer rated themselves as having sufficient tax information, the types of taxes their businesses face, the channel used for filing returns (online or manual), understanding of the filing process, awareness of the due dates for filing returns, as well as experience of challenges faced in the filing process. Table 3 shows the summary statistics for the concerned variables. The skewness statistics below show that only the years in business, tax types, return channels, awareness of due dates, and experience of challenges in filing had close to perfectly symmetrical distributions.

Table 3: Taxpayer Factors Summary Statistics

Factor	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
						Stat	Error	Stat	Error
Years in Business	159	1	4	2.55	1.134	-.055	.192	-1.393	.383
Staff Size	159	0	3	2.05	.794	-.167	.192	-1.186	.383
Sufficient Tax Info	159	1	2	1.43	.497	.269	.192	-1.952	.383
Tax Types	159	1	6	3.47	1.590	.062	.192	-1.084	.383
Tax Returns Channel	159	1	2	1.50	.502	.013	.192	-2.025	.383
Understanding Filing Process	159	1	2	1.47	.501	.114	.192	-2.012	.383
Awareness Returns Due Dates	159	1	2	1.48	.501	.064	.192	-2.022	.383
Challenges remittance	159	1	2	1.52	.501	-.064	.192	-2.022	.383
Valid N (listwise)	159								

#### 4.5 Probit Regression Model with Taxpayer Factor Regressors

The Stata output results of the empirical Probit Model estimation in Table 4 show that the longer the years of trading, the lower the probability of the taxpayer remitting returns on time. The result was, however, statistically insignificant at the 5% level with a p-value of 0.6062. The estimated coefficient for the staff size was positive, 0.1940, with a p-value of 0.1522, indicating a statistically insignificant result. More staff appeared to entail a higher probability of the timely remittance of tax returns. Having access to greater information relating to taxation did not entail a higher probability of timely remittance of tax returns, as the probit estimation process returned a negative coefficient of -0.6507 statistically significant at the 5% level with a p-value of 0.0022. Increasing the tax types a taxpayer was subjected to had an adverse effect on the probability of timely remittance of taxes, although statistically insignificant with a p-value of 0.8639. Switching from online or e-filing to manual filing platforms had a negative but statistically insignificant effect on the probability of early remittance of tax returns, given a p-value of 0.9563. Increasing understanding of the filing process increased the probability of timely filing of tax returns, although the result was statistically insignificant with a p-value of 0.5077. Greater awareness of return due dates (1=yes, 2=no) had a similar effect on increasing the probability of timely remittance of tax returns. The result was statistically significant at the 5% level, with a p-value of 0.0472. Experiencing challenges in tax remittance (1=yes, 2=no) also had the expected effect on the probability of timely remittance of tax returns, although the result was statistically insignificant given a p-value of 0.1963.

Table 5: Probit Regression Model for Compliance with Taxpayer Regressors

Probit regression		Number of obs	=	159		
		LR chi2(8)	=	15.48		
		Prob > chi2	=	0.0505		
Log likelihood = -102.44271		Pseudo R2	=	0.0702		
timely_submissions	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
years_business	-0.0475	0.0921	-0.515	0.6062	-0.2279	0.1330
staff_size	0.1940	0.1355	1.432	0.1522	-0.0715	0.4595
sufficient_taxinfo	-0.6507	0.2126	-3.061	0.0022	-1.0674	-0.2340
tax_types	-0.0114	0.0663	-0.171	0.8639	-0.1412	0.1185
tax_returns_channel	-0.0116	0.2111	-0.055	0.9563	-0.4254	0.4023
understanding_filing_process	0.1395	0.2106	0.662	0.5077	-0.2732	0.5522
awareness_returns_due_dates	-0.4211	0.2122	-1.984	0.0472	-0.8370	-0.0052
challenges_remittance	0.2685	0.2078	1.292	0.1963	-0.1388	0.6757
_cons	0.7486	0.7965	0.940	0.3472	-0.8124	2.3097

#### 4.6 Conclusions of Hypothesis Tests

As noted in the hypothesis development section, the study explored three hypotheses. According to the results of the study, all tax system-related factors had positive

coefficients. This implied that increasing taxpayer ratings of their levels would increase the probability of compliance. However, of these regressors in the Probit regression model, only perceptions of economic efficiency, administrative simplicity, and flexibility of the tax system had statistically significant coefficients at the 5% level (hypothesis 1). Perceptions of political responsibility around the fiscus had a positive coefficient in the first Probit regression model, but the p-value showed that the result was statistically insignificant (hypothesis 2). In the second Probit model, taxpayer-related factors such as years in business, sufficiency of tax information, returns filing channels, and awareness of return due dates reduced the probability of timely submission of tax returns. On the other hand, staff size, understanding of the filing process, and challenges faced during remittances increased the probability of timely remittance. These findings show the complexity of compliance behavior (hypothesis 3). Only awareness of return due dates and sufficiency of tax information had statistically significant negative coefficients at the 5% level, with p-values of 0.0472 and 0.0022, respectively.

#### *4.7 Discussion and Implications of Findings*

The study found that all the attributes of the tax systems and their perceptions by taxpayers would, if improved, improve compliance outcomes as measured by timely remittance of tax returns, although the results of the analysis were mixed. For example, a larger proportion of study participants disagreed that perceptions of the economic efficiency of the tax system affect the timely remittance of returns, compared with those who agreed that they did. However, results of the quantitative analysis using the estimated empirical Probit model showed greater clarity with a coefficient for perceptions of economic efficiency of Zambia's tax system amongst taxpayers along the Chachacha-Freedom Way Block, being statistically significant at the 5% level with a p-value of 0.0381. The result therefore supported the alternative hypothesis of a positive effect of perceptions of the economic efficiency of the tax system on the probability of timely remittance of tax returns. The findings are consistent with those of past studies that had components investigating the effects of economic efficiency of tax systems on taxpayer compliance behavior patterns, such as Alm (2018) as well as Cagala et al. (2017). Efficient tax administration should, in other words, be expected to improve compliance behavior as operationalized by the timely remittance of tax returns. Similarly, results on perceptions of the other tax system-related factors generally agreed with past studies and expectations that greater equity, flexibility, certainty, and administrative simplicity improve compliance behavior (Fuest & Zodrow, 2013; Gale & Holtzblatt, 2000).

Political legitimacy theory in underdeveloped tax systems appears to be an increasingly plausible explanation for compliance patterns. The probit regression analysis finds that the coefficient for perceptions of political responsibility around the fiscus amongst taxpayers along the Chachacha-Freedom Way Block was positive but statistically insignificant at the 5% level with a p-value of 0.3373. The result therefore supports the null hypothesis that there is no effect of the perception of political responsibility around the fiscus on the probability of timely remittance of tax returns. In other words, the study finds evidence that increasing perceptions of political responsibility around the fiscus may encourage taxpayer compliance, measured in terms of timely remittance of tax returns. Scholars such as Çevik (2017), in acknowledging the complexity of compliance behavior, use the concept of tax morale as a possible confounding variable in assessing these types of associations. The concept is an indicator of intrinsic motivation to pay taxes, which has an important impact on individuals' participation in collective cooperation in the form of paying tax. It may be argued that high tax morale leads to observations of high compliance behavior, with or without perceptions of political responsibility being high.

The complexity of tax payer compliance behavior has encouraged scholars to focus on taxpayer attributes as a possible direction for explaining compliance behaviors. The directions of associations in past studies, however, have not provided consistent generalizations. For this study, taxpayer-related factors were years in business, sufficiency of tax information, returns filing channel, and awareness of return due dates, which reduced the probability of timely submission of tax returns. On the other hand, staff size, understanding of the filing process, and challenges faced during remittances increased the probability of timely remittance. These findings show the complexity of compliance behavior.

## 5. Conclusions

Tax is a highly topical subject in academic research, particularly due to the challenges that empirical researchers face in obtaining credible data to support the conclusions of their studies and the complexities relating to compliance behavior and the dynamics around the relationship between taxpayers and tax authorities. The present study sought to understand the factors behind late remittances of tax returns based on dates collected from a taxpayer perspective. The conclusions of the study in this regard point to complex experiential issues affecting taxpayers, their interactions with tax authorities, and information flows between them. The study found that there is interaction between taxpayer issues and tax authority issues, as well as relational aspects between the two categories that provide reasons for late submission of tax returns. Among the taxpayer

issues, doubts about capacity to meet tax obligations have been found to be a strong theme. Such doubts are typically in the context of other pressing business needs, which may result in managers relegating the preparation of tax returns to the list of priorities of their businesses. Difficulties in accessing tax forms for filing purposes were also found to be a reason for late submissions of returns.

Once a pattern of late return filing emerged, there appeared to be a fear of penalties imposed, which in turn promoted ambivalence amongst taxpayers towards meeting tax obligations, including the filing of returns. Least among the reasons for delayed submission of returns was the stress of business management. A recurring theme in the relational dimension was the poor information flows that seemed to heighten the sense of mistrust and fear of penalties for noncompliance amongst respondents. This was a strong theme, even among those reporting online filings. From the perspective of the empirical literature and the findings of this study, other scholars who found similar results include [Devos \(2010\)](#), who indicates that many factors, including economic, social, psychological, and demographic, impact the compliance behavior of tax payers. The main factors that affect untimely remittance of tax returns and payment include high tax rates, probability of detection, complexity of the law, and the methods employed to collect taxes, according to [Kasipillai \(2006\)](#). Perceived fairness of the tax system is another factor that citizens most often communicate as referring to tax system fairness concerns ([Rawlings, 2003](#); [Taylor, 2003](#)). On the individual level, tax payers are concerned about their outcomes and want to be treated relative to their merits, efforts, and needs. If an individual's tax burden is heavier than that of comparable other individuals, the remittance of tax returns and payments is likely to decrease. Perceptions of tax system attributes appeared to have consistent impacts on the likelihood of compliance behavior, as did those relating to political responsibility around the fiscus. The study also concluded that taxpayer factors may affect compliance behaviors, but clear patterns leading to generalizations may not be easy to establish empirically.

## 6. Recommendations, Limitations and Future Research

### 6.1 Recommendations

The present study considered a wide range of issues regarding timely remittance of tax returns as a critical first step in the taxpayer compliance matrix. Based on the key findings of the study, the study submits policy recommendations. Greater engagement of the tax authorities with small businesses as important stakeholders in the collection of tax revenues would help improve compliance outcomes. Such engagement must be aimed at understanding the challenges they face in meeting obligations, such as the remittance of



tax returns. Such an exchange of information would improve perceptions of tax system attributes as well as compliance behavior.

The authority should also promote and ease the user friendliness of e-filing methods. The attractiveness of the authority can also be enhanced by the adoption of a wide range of measures, including advocating reforms to tax laws to remove monetary penalties for small businesses that delay remitting tax returns and replacing them with other forms of service to the public, such as delivering tax education to fellow taxpayers. Raising the ethical profile of the authority and strengthening taxpayer belief in the value of paying taxes through strategic partnerships with tax-funded government operations would improve perceptions of political responsibility about the fiscus.

### *6.2 Limitations of the Study*

The study was adversely affected by different factors. Busy schedules of respondents may have resulted in late receipt of questionnaires, and some of the respondents may, in turn, have failed to provide forthright responses to the questions posed. Further, the sample of taxpayers under study (small taxpayers) belongs to a cluster that is not well organized, and information requests in the form of questionnaires may be a problem for this group. Finally, as with all studies on tax compliance, the possibility of bias towards respondents casting themselves in a more favorable light than was obtained could not be mitigated by the researcher.

### *6.3 Directions for Future Research*

The broad range of issues covered in the present study provides a useful basis for future directions for research in the tax compliance area. Future research should consider the challenges faced in the rollout of e-filing to inform interventions that will increase the usage of the platforms and reduce costs associated with the brick-and-mortar operations of the authority. Also, future studies should investigate strategies for widening the tax base and compliance amongst informal sector businesses in Zambia.

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