

THE IMPACT OF ZIMBABWE’S RECENTLY IMPLEMENTED VAT WITHHOLDING TAX SYSTEM ON TAX COMPLIANCE AND TAX EVASION: DESKTOP STUDY

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ABSTRACT

This article evaluates the impact of Zimbabwe's recently implemented Value Added Tax (VAT) withholding tax system on tax compliance and tax evasion to determine if it is an effective tool for curbing tax evasion and improving tax compliance. As Scholars have, however, questioned whether Zimbabwe's VAT withholding tax system is functional and whether it can help the country's income crisis as there is lack of empirical evidence to demonstrate how the system has affected tax authority, business operations and taxpayers' attitudes toward tax compliance in Zimbabwe. The study was conducted using desktop review. The findings indicate that the VAT withholding tax system has had a positive impact on tax compliance, as taxpayers are more likely to comply with their tax obligations when the tax is withheld at source. However, the system has also created opportunities for tax evasion, as some taxpayers have found ways to manipulate the system to their advantage. The study also highlights some of the challenges associated with the implementation of the VAT withholding tax system, including inadequate training and awareness among taxpayers and ZIMRA officials, as well as the need for better coordination and communication between stakeholders. Based on the findings, the study recommends that ZIMRA should strengthen its enforcement mechanisms and increase awareness among taxpayers to ensure that the benefits of the VAT withholding tax system are maximized while minimizing the risks of tax evasion.

Keywords: Vat Withholding Tax System, Tax Compliance, Tax Evasion, Zimbabwe.

1. BACKGROUND OF THE STUDY

The Zimbabwe Revenue Authority is a government agency whose mandate is derived from the Revenue Authority Act [Chapter 23:11] and other subsidiary legislation. It is responsible for assessing, collecting, and accounting for revenue on behalf of the State through the Ministry of Finance, advising the Government on fiscal and economic matters, facilitating trade and travel, and protecting civil society. ZIMRA completes its mandate by collecting revenue through these revenue heads which are customs duty, Value added tax, excise duty, income tax, Pay As You Earn, Presumptive tax, mining royalties, capital gains tax and Surtax. From all tax revenue heads ZIMRA has, Vat has been the highest revenue earn over the years. According to Budlender et al., (2020) since its implementation, VAT has emerged as Zimbabwe's main revenue generator, accounting for up to 30% of the nation's overall income. Vat was introduced in 2003 by Value Added Tax (General) Regulation Statutory Instrument 273 of 2003 replacing the General Sales Tax (GST).

For the benefit of the government, businesses collect VAT, an indirect tax on the consumption of goods and services. Due to widespread tax evasion and noncompliance among its citizens and enterprises, the nation has been unable to generate enough income to pay for its public services as VAT fraud, underreporting of sales, and taxpayer noncompliance are just a few of the problems that have plagued the system and caused revenue leakages. According to Mutambara (2020), tax evasion is a serious issue in Zimbabwe that has cost the government a lot of money. ZIMRA was faced with the challenge of not being able to track back the transaction of claimed Vat (refund Vat) filed by buyers due to the size or formality of the supplier. To overcome these

problems and boost revenue collection, the government therefore saw the necessity to implement the VAT withholding tax system.

Withholding Vat tax system is simply a means of collecting Value added Tax by third parties. The buyer of goods or services must withhold a specific amount of the VAT imposed on those goods or services and pay it to the tax authorities. In this situation, VAT is withheld by designated agents known as withholding VAT agents, who are obligated to withhold VAT on all supplies made to them by registered suppliers for each tax period and to submit the amount withheld to ZIMRA. The system was put in place as a way to increase tax compliance and reduce tax evasion, which have been major problems in Zimbabwe's tax system (The Herald, 2018). The implementation of the VAT withholding tax system, according to (ZIMRA, 2021) is meant to improve revenue collection, boost the collection of non-compliant taxpayers' obligations, ensure taxpayer compliance, and decrease tax evasion.

Policymakers, the tax authority, and academics are all very interested in how Zimbabwe's VAT withholding tax scheme affects tax evasion and tax compliance. The Zimbabwean government anticipates that the system would boost tax receipts and decrease the tax gap, which is the discrepancy between taxes due and those collected. Hamudi (2021) claims that over the years, efforts have been made to increase VAT revenue collection in Zimbabwe; hopes were placed in fiscalisation and audits of Vat refunds; however, because traders continue to evade VAT, value-added withholding tax has been introduced to increase VAT revenue collection. The method of withholding VAT is not new; it has been effectively applied in other nations and has shown to be a viable tool for revenue collection. Only 25% of enterprises in Zimbabwe who have registered for VAT are complying, according to the Zimbabwe Revenue Authority (ZIMRA).

Scholars have, however, questioned whether Zimbabwe's VAT withholding tax system is functional and whether it can help the country's income crisis. Additional there are concerns that the new system may be too complex and burdensome for business leading to increased tax evasion. The case of ZIMRA, the agency responsible for implementing and enforcing the new system will be particularly important in understanding the impact Vat withholding tax system on tax compliance and tax evasion in Zimbabwe as the administrative costs associated with the implementation and enforcement of the new system as costs can outweigh benefits in the long run for both businesses and the tax authority. There is also a lack of empirical evidence to show how the system has affected business operations and taxpayers' attitudes toward tax compliance in Zimbabwe.

1.1 Main research question

What is the impact of Zimbabwe's recently implemented Vat withholding tax system on tax compliance and tax evasion a case of ZIMRA?

2. EMPIRICAL LITERATURE REVIEW

There exist previous studies examining the impact of Zimbabwe's recently implemented Vat withholding tax system on tax compliance and tax evasion. These studies will aid the current study in answering the research questions raised.

2.1 What are the factors contributing to tax compliance and tax evasion in zimbabwe

Numerous factors that affect the amount of tax compliance and evasion include tax compliance and evasion. These variables include social, economic, behavioral, and administrative variables, all of which have an impact on how taxpayers behave. The variables that affect tax compliance and/or noncompliance behavior vary from nation to nation and also from person to person (Kirchler, 2007). The University of Galati's publication on tax compliance, economic and non-economic aspects, tax audit, tax rate, and penalties states that Taxpayers' perceptions of the tax system and Revenue Authority, peer attitudes or subjective norms, taxpayers' comprehension of the tax system or tax law, motivation such as rewards and punishment such as penalties, cost of compliance, enforcement efforts such as audit, probability of detection, difference across cultures, perceived

behavioral control, ethics or morality of the taxpayer and tax collector, and equity of the tax systems are all examples of attitudes toward taxes; demography Below, we'll focus on these factors more.

A. Taxpayer attitudes and perceptions

The importance of taxpayers' attitudes on taxes in shaping their compliance behavior has been repeatedly demonstrated by studies. Also perceived fairness of the tax system is another factor that has been extensively researched in the context of tax compliance. In a Malaysian study by Marimuthu and Ismail (2018), it was discovered that taxpayers were more likely to abide by tax regulations if they had a favorable attitude toward paying taxes. In a similar vein, a study conducted in Sudan by Kassim and Abdalla (2017) discovered that opinions of taxpayers toward taxes had a substantial impact on their compliance behavior. In a more recent study conducted in Uganda by Kasirye and Ssewanyana (2021), it was discovered that attitudes toward paying taxes were important predictors of tax compliance. Similar research has demonstrated that taxpayers' attitudes and beliefs of taxation have a significant impact on their desire to follow the law. In Bisperink et al (2018). People's confidence in the government's capacity to successfully employ tax income has been weakened by the nation's history of economic instability, hyperinflation, and corruption. Due to this unfavorable view, many taxpayers choose to evade taxes rather than comply, which has greatly increased non-compliance.

B. Complexity of tax laws

Several studies have found that tax complexity is a significant barrier to tax compliance, particularly for small and medium-sized enterprises. For example, a study by PwC (2016) found that the complexity of tax laws and regulations is a significant barrier to tax compliance. In a study by Alm and Torgler (2017) in Switzerland, it was found that tax complexity had a negative impact on tax compliance. Similarly, a study by Kasirye and Ssewanyana (2021) in Uganda found that tax complexity was a significant predictor of tax compliance. The difficulty of tax legislation frequently causes misunderstandings and provides opportunity for tax cheating. These results imply that streamlining tax regulations and processes can enhance compliance.

C. Tax administration and enforcement

Tax administration in Zimbabwe is another facet of compliance with tax laws. While administrative compliance, which is made up of reporting compliance, procedural compliance, and regulatory compliance, is generally concerned with complying with the rule relating to lodging and paying of tax, technical compliance is concerned with meeting technical requirements of tax laws in the computation of tax liability. In Zimbabwe, tax administration has been determined to be a reliable indicator of tax compliance, according to Ncube and Ncube's 2019 study. In a study by Nyasha and Odhiambo (2016), it was discovered that tax compliance behavior was positively influenced by efficient tax administration. Tax administration and enforcement in Zimbabwe are under the control of the ZIMRA. These results indicate that stepping up tax enforcement in Zimbabwe may result in a rise in tax compliance.

D. Socio-Economic factor

Social and economic variables affect tax compliance and tax evasion. Tax rates, limited economic growth, lack of economic possibilities, and tax policies are some of the economic factors that affect tax compliance and evasion in Zimbabwe. Higher tax rates and stricter tax laws, according to a study by Zhou et al. (2018), result in lower levels of tax compliance. The study also discovered a positive correlation between tax compliance and economic growth. Tax evasion is common in Zimbabwe, according to a study by Chirisa and Chifamba (2017), since the country's citizens believe that taxes are too expensive, and the economy is not doing well. According to research, folks with higher income levels are more likely than those with lower income levels to adhere to the tax regulations. (2016) Griffiths & Mwala. Like this, people with greater education levels are more likely to comprehend and abide with tax regulations. Due to the high rate of unemployment and

poverty in Zimbabwe, many people choose to work in the informal economy rather than pay taxes, which has made this country a haven for tax evasion.

E. Trust

Another element that has been discovered to influence taxpayers' compliance behavior is their level of trust in the government. According to studies, citizens are more inclined to pay their taxes on time if they believe that the government will use tax money wisely. In a study conducted in Ghana by Agyemang, Owusu, and Boakye (2021), it was discovered that tax compliance was significantly predicted by faith in the government. In a study by Akande, Jolaoso, and Adegbe (2018) in Nigeria, it was found that trust in government had a significant positive impact on tax compliance. Similarly, in a study by Agyemang, Owusu, and Boakye (2021) in Ghana, it was found that trust in government was a significant predictor of tax compliance. Authorities can, however, compel compliance when there is mistrust and a lack of cooperation between them and the taxpayer, which fosters a hostile tax environment.

F. Taxpayer education

The practice of educating taxpayers about their rights and obligations about taxes is known as tax education. According to a PwC (2016) study, tax education was a successful strategy for boosting tax compliance among African enterprises. It was discovered in a study by Zivengwa et al. (2018) that informing taxpayers of their tax responsibilities considerably increased their compliance behavior. Similarly, Chinyoka et al.'s 2019 study discovered that taxpayer education had a favorable impact on tax compliance in Zimbabwe. In a Malaysian study by Marimuthu and Ismail (2018), it was discovered that taxpayers who understood the tax system better were more inclined to abide by the law. Similarly, a study by Dzatsunga (2018) discovered that unintentional noncompliance which may be the consequence of ignorance, neglect, or mistake in applying tax law was significantly exacerbated by a lack of understanding and awareness of the Vat withholding tax system.

G. Penalties and enforcement

The behavior of tax compliance is influenced by penalties and the enforcement of tax legislation. In developing nations, it was discovered in a study by Dabla-Norris, Gradstein, and Inchauste (2017) that the perception of penalty harshness had a significant favorable effect on tax compliance. Similarly, in a study by Arbak and Serra (2017) in Turkey, it was found that the perceived severity of punishment was a significant predictor of tax compliance. Taxpayers are more inclined to cooperate when they are aware that there are harsh penalties for tax evasion. The findings of a study by Mabvurira and Chitura (2017) indicate that in order to increase tax compliance, the government needs to enact harsher penalties and enhance enforcement. Effective enforcement tactics and just punishments can discourage non-compliance and promote compliance.

H. Corruption and inefficiency

Tax compliance in Zimbabwe is severely hampered by corruption, which is the abuse of official authority for personal benefit. According to a Kakumira-Mukasa et al. (2018) study, inefficiency and corruption make it simpler for taxpayers to avoid taxes. Additionally, a study by Mavhunga and Chikwanha (2019) discovered that corruption in Zimbabwe had a major impact on tax evasion. These results imply that lowering corruption in Zimbabwe might result in higher tax compliance.

I. Informal sector

In Zimbabwe, the informal economy is pervasive and has a substantial impact on tax evasion. The term "informal economy" describes economic activities that are neither officially counted in official statistics nor are they subject to government regulation. According to a research by Fjeldstad et al. (2016), the difficulties in adhering to tax laws led to many small enterprises in Tanzania choosing to operate in the unofficial sector. In Zimbabwe, the informal economy makes it challenging for the government to collect taxes, and tax evasion is pervasive, according a report by Makina (2017).

2.2 What's are the effects of the newly introduced vat withholding tax system on tax compliance and tax evasion in zimbabwe

The newly implemented VAT withholding tax system has limited effects on tax compliance and tax evasion in Zimbabwe because there hasn't been much research on the subject. This system was introduced as a measure to curb tax evasion and improve tax compliance, which has been a significant challenge in Zimbabwe's tax system (The Herald, 2018). Therefore, there won't be many empirical literature reviews that are specifically about Zimbabwe because most of the literature comes from other developing and developed nations that have also implemented the withholding tax system. The newly implemented VAT withholding tax system has had an impact on Zimbabwe that is both favorable and harmful.

A. Positive effects on tax compliance and tax evasion

Studies have demonstrated that Zimbabwe's VAT withholding tax system has a favorable impact on tax compliance. The introduction of the VAT withholding tax system in Zimbabwe has had a significant impact on tax compliance and tax evasion in the country. According to ZIMRA (2018), the system has improved tax compliance by ensuring that businesses remit the correct amount of VAT to the tax authority, the system has reduced tax evasion by making it difficult for businesses to under-declare their VAT payments. The system has also improved the efficiency of the tax collection process, as businesses are required to remit the VAT withheld on a monthly basis. Businesses in Zimbabwe are paying more taxes now that the VAT withholding tax system has been implemented since it makes transactions more visible and lowers the likelihood of tax evasion. Chirimuta and Mungwena (2020). According to the report, businesses subject to the withholding system had higher compliance rates than enterprises not subject to the system. Mbanga and Mhaka (2019) investigated how Zimbabwe's VAT withholding tax regime affected tax evasion. They discovered that the tax evasion rate has decreased as a result of the withholding mechanism. The results indicate that by enforcing a penalty for non-compliance, the withholding system has lessened enterprises' ability to avoid taxes. Similar to this, Mujajati and Muponda's (2017) study discovered that VAT withholding tax can be a useful strategy for improving tax compliance and lowering tax evasion.

Studies indicated that in South Africa, the use of VAT withholding tax systems was successful in minimizing tax evasion by strengthening taxpayer compliance, lowering fraud chances, and promoting transparency. Nkunde and Mokonoto (2018). Similar findings were made by Cetinkaya and Yilmaz (2017) in Turkey, who discovered that the introduction of a VAT withholding tax system raised compliance rates among unregistered taxpayers by 8%. The study also discovered that the system's adoption increased the number of taxpayers who were registered and decreased the number of operators who were not registered.

The VAT withholding tax system may result in more registered taxpayers and better tax compliance among unregistered operators, which is one possible benefit. According to a study by Ali and colleagues (2018), the introduction of a VAT withholding tax system in Pakistan resulted in a decrease in the time and resources needed for tax administration. The VAT withholding tax system may result in more registered taxpayers and better tax compliance among unregistered operators, which is one possible benefit. Despite the lack of quantitative information on the magnitude of the reduction, Makaza et al. (2020) observed that tax evasion decreased once the system was put in place. According to a study by Ali and colleagues (2018), the introduction of a VAT withholding tax system in Pakistan resulted in a decrease in the time and resources needed for tax administration. In India, the implementation of the VAT withholding tax system led to an increased tax compliance rate of up to 40% (JLMEC, 2018). The VAT withholding tax system was effective because it allowed for the reduction of tax evasion by creating incentives for taxpayers to comply voluntarily (Aggarwal & Maurya, 2018).

B. Negative effects on tax compliance and tax evasion

The VAT withholding tax system has been successful in raising tax compliance, although it is less clear how it affects tax evasion. Despite the government's efforts to tame tax evasion and enhance compliance through various regulatory measures, most Zimbabwean businesses and individuals continue to evade taxes. According to the Zimbabwe Revenue Authority (ZIMRA), only 25% of businesses registered for VAT in Zimbabwe are compliant (ZIMRA, 2016). According to Mapuranga and Mutambara (2020), the VAT withholding tax system has had a negative impact on several enterprises in Zimbabwe. According to the study, the withholding system has had a detrimental effect on some firms, with some of them suffering from cash flow issues as a result of delayed payments caused by the withholding firm's need to withhold the withheld VAT before sending the remaining funds to the supplier. According to the results, the withholding mechanism needs to be changed to prevent it from having a detrimental impact on enterprises. There is proof that the VAT withholding tax system can boost tax evasion if unregistered businesses choose to operate outside of the framework entirely. For instance, Cetinkaya and Yilmaz's (2017) study in Turkey discovered that some unregistered taxpayers choose to operate informally in order to get around the VAT withholding tax system. Boughzala and colleagues' (2017) investigation in Tunisia discovered that certain registered taxpayers made an effort to underreport their sales and purchases in order to get around the VAT withholding tax system.

Additionally, in order to avoid having to withhold and return VAT on supplies made to them by unregistered operators, registered operators may try to underreport or conceal their VAT liabilities. According to a study done in Turkey by Cetinkaya and Yilmaz (2017), some registered taxpayers have tried to underreport their sales and purchases in order to get around the system of withholding VAT.

2.3 What are the challenges facing businesses in complying with the VAT withholding tax system

Numerous studies have shown a range of difficulties that firms encounter while attempting to comply with the VAT withholding tax system. These difficulties can be roughly divided into administrative, technical, and behavioral difficulties.

A. Administrative challenges

While we talk about administrative issues, we mean the challenges that businesses encounter while trying to comply with the administrative requirements of the VAT withholding tax system, like registering with tax authorities and filing accurate and timely returns. Businesses in Zimbabwe had trouble registering with tax authorities and comprehending the rules of the VAT withholding tax system, according to Muzvidziwa et al.'s (2019) research. The paperwork and record-keeping requirements of the VAT withholding tax system were found to be difficult for firms, especially small and medium-sized organizations, in a research by Oats and Prichard (2018) in Tanzania. Similar findings were made in a research conducted in Kenya by Kariuki, Namusonge, and Oginda (2020) who discovered that the administrative cost of the VAT withholding tax system made it challenging for firms to adhere to the system. To corroborate this claim, Ali et al.'s (2018) research in Pakistan indicated that it was difficult for firms to register with tax authorities and comprehend the rules of the VAT withholding tax system. The study also discovered that businesses encountered difficulties in timely and accurately reporting returns, which caused delays in compliance.

B. Technical challenges

Technical problems are obstacles that businesses encounter while attempting to comprehend and put into practice the technical components of the VAT withholding tax system, such as determining the proper amount of tax to be withheld and submitted. The following findings on the difficulties businesses have in adhering to the VAT withholding tax system have been drawn from several research. It was discovered that firms in Zimbabwe encountered technical difficulties while calculating the VAT withholding tax in a study by Mawere and Chikwanha (2017). Additionally, a study carried out in Turkey by Cetinkaya and Yilmaz (2017) discovered that firms encountered difficulties when determining the right amount of VAT to be withheld and when putting the required accounting procedures in place to comply with the system.

C. Behavioral challenges

Behavioral hurdles are the challenges that businesses encounter while trying to change their behavior to be in compliance with the VAT withholding tax system, such as altering their sales and invoicing methods. Businesses in Zimbabwe tried to avoid the VAT withholding tax system by underreporting their sales and purchases, according to a study by Malaba et al. (2018). According to a 2017 study by Boughzala and colleagues in Tunisia, several companies tried to avoid the VAT withholding tax system by underreporting their sales. Aryeetey et al.'s (2014) study in Ghana also discovered that firms had trouble changing their sales and invoicing procedures to conform to the VAT withholding tax regime. The study also found that businesses faced challenges in understanding the benefits of compliance with the system.

2.4 What is the impact of the vat withholding tax on revenue collection in zimbabwe?

The solution has improved business VAT compliance, which has increased tax revenue collection. To assess the effect of Zimbabwe's VAT withholding tax system on tax compliance and revenue collection, Makaza et al. (2020) carried out a study. With 75% of respondents saying they were now more in line with VAT requirements, the survey indicated that the system had a favorable influence on tax compliance. The system increased VAT collections by 26% in the first year of deployment, according to the study, which also indicated that it had a beneficial effect on revenue collection. These results imply that Zimbabwe's VAT withholding tax system has been successful in boosting tax compliance and revenue collection. In order to assess the effects of Zimbabwe's VAT withholding tax system on tax compliance and revenue collection among informal traders, Muzondiwa et al. (2021) performed a study. The method had a favorable effect on tax compliance, according to the report, with 70% of respondents saying they were now more in conformity with VAT requirements.

According to the Zimbabwe Revenue Authority (ZIMRA), the government managed to collect US\$3.95 billion in the first half of 2020, which is a 4% increase from the previous year. Revenue from VAT increased by 18% compared to the same period in 2019, mainly due to the introduction of the VAT withholding tax system. Additionally, the Zimbabwe government expected to generate a total of ZWL\$42.2 billion from tax revenue in 2021, of which VAT is projected to contribute the second largest amount after income tax. This suggests that the VAT withholding tax system has helped to boost tax revenue collection in Zimbabwe.

The VAT withholding tax system in Zimbabwe, according to Moyo (2019), has enhanced business tax compliance. The analysis of data from January 2018 to September 2019 for the study revealed that the withholding system has improved tax collection efficiency and decreased instances of tax evasion. The survey also discovered that smaller enterprises, especially those who were previously free from the VAT registration process, were the main benefactors of the VAT withholding tax system. According to a study by Muzvidziwa et al. (2019), the VAT withholding tax regime in Zimbabwe improved revenue collection. According to the report, the implementation of the VAT withholding tax system increased the amount of VAT that was collected and was successful in addressing noncompliance among unregistered enterprises. The study also discovered that Zimbabwe's VAT withholding tax system was a crucial tool for raising income.

According to the studies we evaluated, tax compliance and tax evasion in Zimbabwe have improved as a result of the VAT Withholding Tax System. According to Muchabaiwa et al. (2018), the approach significantly decreased tax evasion among registered VAT agents. The study found that the approach had improved accountability and transparency, which had raised public trust in the government. As a result, there was a large increase in the amount of money the government received in remittances from VAT, which helped to bolster its coffers.

Govender and Sibindi (2019) discovered in another study that the method has boosted supplier tax compliance. According to the report, the system has made it simpler for suppliers to register with ZIMRA and adhere to tax laws. The technology has lessened the administrative load on suppliers, according to the report, by

streamlining the tax payment procedure. Due to this, it is necessary for the tax authority to modify and strengthen its administrative system since money that might have been used to conduct VAT audits but was instead diverted to other revenue heads to enable a gain in income as leakage is decreased. According to Malaba et al. (2016), the VAT withholding tax system had a beneficial effect on Zimbabwe's revenue collection. The system proved effective in decreasing tax evasion and improving revenue collection, and it was reasonably simple to manage, according to the report. The study also discovered that a crucial element of Zimbabwe's tax system was the VAT withholding tax system.

Studies have, however, also brought attention to several difficulties and restrictions related to the VAT Withholding Tax System. For instance, Mangudya et al.'s (2019) study discovered that the system had increased expenses for firms, especially small and medium-sized organizations (SMEs), which had constrained their ability to grow and compete. According to the report, the system has to be overhauled to make sure that SMEs are not overly burdened by it. Concerns have also been raised concerning the VAT withholding tax system's possible detrimental effects on Zimbabwe's revenue collection. For instance, a study by Munenge et al. (2018) discovered that the VAT withholding tax system in Zimbabwe had a detrimental effect on SMEs' ability to collect income. According to the report, SMEs had a substantial financial burden associated with complying with the VAT withholding tax system, which led to lower revenue collection from these companies.

3. THEORETICAL LITERATURE REVIEW

The theoretical literature review pertaining to an assessment of the impact of Zimbabwe's recently implemented Vat withholding tax system on tax compliance and tax evasion. From the research topic there are two variables which constitute the research project which are Vat withholding tax system as the independent variable whilst tax compliance and tax evasion are an induced / dependable variable.

A. VAT Withholding tax system in Zimbabwe

The VAT withholding tax system is a tax policy that requires businesses to deduct a certain percentage of VAT from payments made to suppliers and remit it to the tax authority on their behalf. The VAT withholding tax system was introduced in Zimbabwe in 2017 as a measure to improve tax compliance and reduce tax evasion in the country (ZIMRA, 2018).

B. Tax Compliance and Tax Evasion

A vital component of any contemporary tax system is tax compliance. The extent to which taxpayers abide by a nation's tax laws and regulations is known as tax compliance. However, they define tax compliance as the willingness of individuals and other taxable entities to act in accordance with the spirit and the letter of tax law and administration without the use of enforcement activity. James and Alley (2004) noted that the meaning of the concept of tax compliance can be given from different perspectives. According to Alabede et al. (2011), paying taxes is a responsibility that all citizens, whether they are individuals or corporations, are required to fulfill. It is assumed that residents will voluntarily carry out their civic obligations, but for certain people, this is not the case. Three types of compliance are distinguished by McBarnett (2003): committed compliance, capitulative compliance, and innovative compliance. Committed compliance is the taxpayer's unreserved willingness to fulfill their tax obligations. While creative compliance refers to any act by a taxpayer intended to reduce taxes by redefining income and deductible expenditure within the legal parameters, capitulative compliance refers to the unwillingness of the taxpayer to discharge their tax obligations. Kirchler (2007) argued in his contribution that compliance could be either voluntary or mandated. The trust and cooperation that develop between the tax authority and the taxpayer, as well as the taxpayer's personal willingness to abide by the rules and directions of the tax authority, are what enable voluntary compliance. Tax morale among taxpayers, trust in the tax authorities, and the severity of the penalty for non-compliance are some of the variables that have an impact on tax compliance (Alm & Torgler, 2011).

While purposefully evading or underpaying taxes is considered tax evasion. The complexity of the tax code, the level of tax rates, and the availability of tax planning options are some of the variables that have an impact on tax evasion (Makaya & Moyo, 2018). Both tax compliance and tax evasion have a big impact on how successfully governments are able to raise money and how well a nation's economy is doing overall. Due to the prevalence of tax evasion across the economy in Zimbabwe, tax compliance has proven to be a significant difficulty (Makaya & Moyo, 2018).

C. The deterrence theory allingham and sandro (1972)

The Allingham and Sandro deterrence model is a theoretical paradigm for explaining tax compliance behavior. The model put forth by Allingham and Sandro holds that people obey tax regulations when the expected costs of doing otherwise, such as penalties and fines, outweigh the anticipated advantages. The model can shed light on the aspects of the recently implemented VAT withholding tax system in Zimbabwe that affect compliance behavior. According to the deterrence theory, individuals who engage in criminal actions like tax evasion may be discouraged from doing so by their fear of punishment, including the likelihood and severity of punishment. (2006) Graetz. The possibility of detection and the harshness of punishment serve as the two fundamental pillars of the deterrence theory of tax compliance. People may be more likely to abide by tax regulations if they think there is a significant likelihood that they will be audited and discovered breaking the law. Given the possibility of being detected for noncompliance, the fear of having VAT withheld from their payments in the case of the VAT withholding tax system may act as a powerful inducement for suppliers to adhere to their VAT responsibilities.

Manhire (2012) has criticized Zimbabwe's tax authorities for failing to enforce the country's tax rules. One of the main causes of the low levels of tax compliance is the low degree of detection. According to the deterrence theory, people will refrain from engaging in tax evasion as the likelihood of being caught rises. According to research by the International Monetary Fund (IMF), upgrading the tax system and improving the competence of Zimbabwe's tax authority can significantly improve tax compliance. Therefore, in order to improve the detection of tax evasion and eventually the degree of tax compliance, the Zimbabwean tax authority needs to expand its investment in cutting-edge systems and capacity building.

According to Feld & Frey (2007), one important aspect that can discourage people from engaging in tax evasion is the harshness of the punishment. According to the literature, harsh fines for tax cheating can serve as a powerful deterrent Friedman & Anwar (2015). In comparison to other nations in the region, Zimbabwe's current tax penalty policy is quite lax. In 2017, the Africa Tax Research Network. In order to discourage tax evaders, the tax authorities updated the penalty system in 2018 by instituting a 100% penalty on unpaid tax. The business community has condemned the amended penalty scheme as being harsh and, in some cases, disproportionate Masocha (2018). As a result, it doesn't seem like Zimbabwe's degree of tax evasion punishment is in line with the deterrence theory's goals of boosting tax compliance.

In Zimbabwe, cultural and societal issues may also have an impact on how well the deterrence theory works. According to research, pro-social actions, such having faith in governmental institutions, can improve tax compliance Feld & Frey (2002). As a result, Zimbabwe's political unrest throughout the years may have diminished public confidence in governmental institutions. (2010) Kanyenze et al. Regardless of how the deterrence theory is applied, the low levels of trust in government institutions may be a factor in the low levels of tax compliance in the nation.

A step toward enhancing tax compliance is the application of the deterrence theory of tax compliance in respect to the VAT withholding tax system in Zimbabwe. According to the research, improving tax compliance will result in an increase in the likelihood of detection, the severity of penalty, and the level of trust in governmental institutions. Zimbabwe, however, faces difficulties in putting the deterrence theory into practice due to poor institutions and low levels of confidence in governmental institutions. Therefore, there is a need to

continue improving Zimbabwe's tax system and capacity building and address social and cultural factors that affect the implementation of deterrence theory.

D. Slipper model theory

Erich Kirchler created the slipper model in 2007. It is a theoretical framework for explaining tax compliance behavior. Kirchler (2007) asserts that the three key variables of slipperiness, norms, and control have an impact on people's decisions to abide with tax rules. The slipper model can shed light on the variables that might affect compliance behaviors in the context of Zimbabwe's recently implemented Vat withholding tax system. The first component, slipperiness, is defined by Kirchler (2007) as the perceived likelihood of being discovered for noncompliance. The research indicates that people may behave less compliantly when there is a low likelihood of being detected. When it comes to the VAT withholding tax system, suppliers may be strongly motivated to adhere to their VAT obligations by the prospect of having VAT deducted from their payments, which will reduce the system's ambiguity and boost compliance.

The second aspect, norms, in the slippery model, according to Kirchler (2007), refers to social and moral norms that affect tax compliance behavior. People may be more likely to comply with tax laws if they believe that compliance is the norm or if they see others complying. In the case of the Vat withholding tax system, ZIMRA the tax authority may launch public awareness campaigns and educational initiatives that might assist in making tax compliance a societal norm and promoting compliance behavior among suppliers.

According to Kirchler (2007), the third factor, control, on the slippery model refers to the level of control people believe they have over their tax compliance behavior. People may be more likely to comply with tax laws when they feel in control of their behavior. The tax authority ZIMRA must make sure that the rules and regulations for the VAT withholding tax in Zimbabwe are transparent and simple to comprehend for both suppliers and businesses that are required to withhold VAT and are the withholding agents, giving them a sense of control over their compliance behavior.

Research on the Slippery model has demonstrated that it can serve as a beneficial framework for comprehending tax compliance behavior in a variety of context. The slippery, norms, and control, for instance, all played a crucial part in affecting compliance behavior, according to a study by Gangl and Hofmann (2014) that employed the slippery to evaluate tax compliance behavior in Austria.

4. MAJOR FINDINGS

- According to the research findings, the VAT withholding tax system can be effectively used by ZIMRA or the tax authorities, especially to increase tax compliance and decrease tax evasion. Most developed nations use the VAT withholding tax system, but the researcher has discovered through this study that this system is an ideal candidate for developing in curbing or taming tax noncompliance and tax evasion because developing nations are known for their unstable economies and higher rates of tax evasion and noncompliance than developed nations.
- Findings indicate a high and favorable correlation between the VAT withholding tax system and increased tax compliance and decreased tax evasion. According to a review of the literature and empirical evidence, the VAT withholding tax system increases tax compliance and decreases tax evasion, which would ultimately result in better revenue collection from the VAT tax head.
- A literature analysis and empirical data have revealed that the old VAT system, which ZIMRA previously utilized, is categorically ineffective at raising revenue since it is more likely to result in tax noncompliance and tax evasion. The traditional VAT system had issues accurately accounting for revenue leakages related to tax noncompliance and tax evasion because it was remittance based. It also had issues tracing or linking the VAT remitted by suppliers as per VAT on the invoice, as it was treated as per original VAT invoice. To address the issues with the traditional Vat system, VAT withholding was established.

5. RECOMMENDATIONS

A. Effective implementation of vat withholding tax system

ZIMRA should think about successfully implementing the VAT withholding tax system after realizing its wide-ranging advantages in boosting tax compliance and reducing tax evasion. It should be effectively implemented for a number of reasons, including the fact that it assists in identifying businesses that engage in noncompliance and tax evasion. Tax policy makers can then use this information to decide what steps to take to deal with these dishonest organizations.

B. Use of technical experts in Vat withholding tax system

In order for the system to support the tax authority management's mission to reduce tax noncompliance and tax evasion and aid in revenue collection, it will be necessary to employ technical experienced specialists.

C. Training of withholding agents and ZIMRA staff

Training of withholding agents and ZIMRA staff is a necessity when the tax authority is implementing Vat withholding tax system. This training will help reduce perceived complexity of the system and reduce fear of the unknown.

D. Commitment

The management team's dedication is a crucial component of the VAT withholding tax system's successful deployment. In order for the system to succeed, commitment and motivation from each and every member are required.

6.CONCLUSION

The study's goal was to determine if Zimbabwe's recently introduced VAT withholding tax system was acceptable and capable of having a favorable influence on tax compliance and tax evasion. It has been determined that the VAT withholding tax system may effectively be used in Zimbabwe, which can enhance tax compliance and lower tax evasion. Even though the method has been used, it lacks an adequate literature evaluation. However, given Zimbabwe's present economic situation, it is still a viable option.

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