

THE EFFECT OF TAXPAYER EDUCATION ON VOLUNTARY TAX COMPLIANCE, AMONG SMES IN MWANZA CITY- TANZANIA

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ABSTRACT

The study sought to establish the effect of taxpayer education on voluntary tax compliance, among Small and Micro-Enterprises (SMEs) in Mwanza City- Tanzania. Specifically, the study establishes the level of taxpayer education among SMEs, the level of voluntary tax compliance among the SMEs and the effect of taxpayer education on the level of voluntary tax compliance, among entrepreneurs in Mwanza City. A cross-sectional descriptive research design was used. Both primary and secondary data were collected using a questionnaire. 85% of the respondents, admitted to have gained understanding on the basic tax laws and procedures, while 15% showed that there was no improvement in understanding the basic tax laws. 78.7% of the respondents agreed that through the taxpayer education, they had been able to understand and become aware of their taxpayer rights and obligations. 21.3% of the respondents stated that taxpayer education, had not been able to help them in understanding and becoming aware of their tax rights and obligations. 83% of the respondents agreed that taxpayer education helped them in understanding clearly the procedure of paying taxes, while 17% claimed that despite the tax education they received, they did not understand clearly the procedure of paying taxes. Responses from the staff indicated that 80% of the returns were lodged timely, while the remaining 20% were not lodged within statutory periods and would attract penalties and fines for late filling. Of the returns lodged 67% declared accurate tax liability, while the remainder contained errors. Additional taxes were assessed through auditing. 78% of those who were required to pay taxes, actually paid within the stipulated time frame according to the law, while the remaining 22% were late in paying taxes, which necessitated the use of enforcement strategies. It is thus recommended that taxation should be taught at all levels of education, starting from primary schools upwards with an emphasis on promoting voluntary tax compliance.

KEY WORDS: Taxpayer Education, Voluntary Tax Compliance, SMEs

Introduction

Tax payer education program is one of the strategies of improving service delivery to the tax payers. Improving service delivery is critical to enhance voluntary tax compliance. Lack of voluntary tax compliance compels revenue authorities to use costly and coercive methods for tax enforcement (Fjeldstad and Ranker, 2003). Thus, tax payer education is a tool designed to enable taxpayers to understand tax laws and procedures. It involves training of special units within the revenue departments, for providing education, counseling and support to the taxpayers, through different media which include newspapers, television, radio programs, websites, seminars, and front desk help to disseminate key information to the taxpayers.

The education component is expected to deal with non-compliance practice among the Small and Medium Enterprises (SMEs) (Kimungu and Kileva, 2007). The non-compliance and may be unintentional, where the taxpayer is not aware of his/her tax obligations or fails to fulfill his/her tax obligations due to ignorance of tax laws and procedures or may be intentional due to the compliance attitudes (Christina, Deboral and Gray, 2003). It is expected that tax education will enable the taxpayer to understand tax laws and procedures as well as creating positive tax compliance attitude (Normala, 2007; Roak and Stephen, 1994).

The tax authorities have given special attention on the SMEs, by simplification of the tax laws procedures, associations, annuals taxpayers appreciation day, and integrity enhancement as among the strategies (Kianuka, 2004; Kimungu and Kileva, 2007).

Tax Education to the SMEs becomes necessary when the objective of raising tax revenue, at the changing environment; particularly from the official tax assessment is considered (Normala, 2007).

At the same time, achieving tax compliance and improving revenue generation is not an easy task (Allingham and Sandmo, 1972; Kimungu and Kileva, 2007). However, this problem can be minimized through tax education.

The SMEs in Mwanza are characterized by a variety of shops, bars, boutiques, food vending (mama lishes), transport (taxi, daladalas), restaurants, tailoring, agricultural activities such as poultry farming and small scale fishing, small scale industries, hotels and guest houses, provision of social services such as health and educational facilities, livestock such as goats, sheep, cattle, pigs; bars and recreational activities. There are 1040 registered number of micro enterprises in Mwanza City, 954 medium enterprises, and 665 large enterprises. (Revenue Performance Report, 2007/2008).

The department of taxpayer education in Mwanza, since the financial year 2005/2006 has conducted taxpayer sensitization programs through radio, newspapers, television, bulletin boards, roadside banners, street announcements using mobile car with speakers, leaflets with tax information, participations in the community activities and the organization of taxpayer day.

The Revenue Performance Report, for Mwanza City, 2007/2008, shows that 25% of the collected revenue resulted from audit and enforcement activities such as fines and penalties, while 75% as paid voluntarily. For the financial year 2006/2007, 29% of the revenue collected resulted from audit and enforcement activities, while 71% was paid voluntarily. For the financial year, 2005/2006, 36% of revenue collected, resulted from audit and enforcement activities, while 64% was paid voluntarily. This is a positive development. In order to increase the voluntary tax compliance among the entrepreneurs in the SMEs sector, and at the same time maintaining the economy canon of taxation, tax education is continuously being provided to these entrepreneurs in Mwanza City. Other strategies such as the use of the presumptive tax system, audit and enforcement are also being used. There has been increase in the revenue performance and the level of voluntary tax compliance. Although there has been an increase in voluntary tax compliance, this could be due to other factors. This study singled out the effect of tax education on the level of voluntary tax compliance, while holding constant other influencing factors. The knowledge from this study justifies the decision of using tax education as a tool of enhancing voluntary tax compliance, among the SMEs in Tanzania.

Most of the studies in the area of tax compliance, as outlined in the empirical literature have concentrated on how to change the taxpayer behavior towards more compliance using a mix of strategies, such as audit, deterrent measures of penalties and fines, as well as quality service delivery strategies. Only few studies have concentrated on how tax compliance behavior is affected by one individual factor holding constant other influencing factors. The results from

those studies indicate that there is a significant positive relationship between the taxpayer education and the level of tax compliance. However the environment, timing, methodology, and samples used in those studies, differ from the current study. The current study therefore is an attempt to establish the level of taxpayer education among SMEs in Mwanza City and the level of voluntary tax compliance among the SMEs.

The characteristic nature of SMEs pose a threat to the voluntary tax compliance. Tax education is being provided as one of the tool to enhance voluntary tax compliance among the entrepreneurs in the SMEs. But of what effects has this tax education on the level of voluntary tax compliance, is not clearly known, as other strategies, such as audit, investigations, and use of the presumptive taxes, are also used to promote voluntary tax compliance. It may be possible that the increase in voluntary tax compliance is solely from other influencing factors than tax education.

SMEs for Taxation Purposes

An explicit definition of what constitutes a SMEs is only required if the tax system uses that term (OECD,2004). Many tax systems do not necessarily use the term SMEs (IRS, 1997). For the purpose of tax incentive regimes, targeted at small and medium enterprises, this may constitute what is to be termed as “SMEs” in the tax laws (OECD, 2004”. Various definitions for tax purposes vary among the different countries, for example, the definition adopted by the European Commission is reflected in table 1.

Table 1: Definition of SMEs by EU

| Category | Employees | Turnover |
|----------|-------------|---------------------------|
| Micro | 10 or more | More than Euro 2,000,000 |
| Small | 50 or more | More than Euro 10,000,000 |
| Medium | 250 or more | More than Euro 50,000,000 |

Sources; IFC (2009)

The common criteria to classify an SME for taxation purposes, relies on the level of business turnover. That level of turnover depends on size of the economy of that particular country. In Tanzania, business firms with annual turnover above 40 million are registered for VAT purposes, while those with annual turnover below, 40 million are taxed under presumptive tax system. (URT, Income Tax Act, no 11 of 2004).

For the purpose of this study, SMEs are defined as those operating under the presumptive tax system. These presumptive tax systems target the micro and small tax payers which are not required to file tax returns.

Factors Affecting Compliance Behavior

There are two broad approaches to the problem of tax compliance, that is the one developed from economic rationality, using the economic analysis, while the second is concerned with behavioral issues and draws heavily on concepts and researches from other disciplines, such as psychology and sociology (OECD,2004). Economic and behavioral approaches are sometimes regarded as competing explanations (Valeria, 2004)

The economic approach identifies economic factors that affect the tax compliance behavior as follows:

Financial burden: There appears to be a relationship between the amount of tax owed and compliance behavior. For example if a business owner has a tax liability that can easily be paid, he/she may be willing to comply. However if the liability is large, potentially

threatening the viability of the business, the owner may avoid paying it or trying to adjust the data reported so as to incur a smaller (but incorrect) tax liability (ATO, 2000/2001).

The costs of compliance Costs of compliance are the common costs a taxpayer has to incur in complying with tax obligations for example, time taken to complete tax returns, costs of hiring tax accountants, psychological costs such as stress, arising as a result of uncertainty that one is not sure that he/she has met all of the tax rules. The list is not exhaustive. The higher the compliance costs, the higher the chance of non-compliance (OECD, 2003).

Incentives: Giving taxpayer incentives may have a positive effect on tax compliance (Krischer, 2007).

The behavioral scholars identified behavioral factors that affect the compliance behavior as follows:-

Individual differences for example, gender, age, education level, moral compass, industry, personality, circumstances and personal assessment of risks (ATO, 1997).

Perceived inequity Tax payers who believe the system is unfair, or who have personal experiences of unfair treatment are less likely to comply (Roak and Stephen, 1994).

Perception of minimal risks If a taxpayer has the opportunity not to comply, and perceives that there is only a minimal risk of being detected he/she will take the opportunity (Kircher, 2007).

Risk taking some people view tax avoidance/tax evasion as a game to be played on and on. They would like to test their skills in avoiding being caught (OECD 2004).

The compliance attitude of the taxpayer is affected by the factors from the external environment of the taxpayer, for example, the nature of the business, industry and economic conditions prevailing on the market such as demand and supply. These are the factors that affect the competitive advantage hence creating a perception that non-compliance to tax is the solution. It is also affected by internal factors, such as sociological and psychological factors. This suggests that the model to improve the taxpayer compliance, should target at improving the taxpayer capability to overcome the forces from those factors as outlined in the model above, hence creating a positive tax compliance behavior and attitudes (Roak and Stephen, 1994). Lackson and Miliron (1986) listed the main factors that have influence as ethics, legal sanctions, complexity of the tax laws, relationship with the tax authority, level and reliability of income sources, perceived fairness of the tax system, possibility of being audited and the level of tax rates.

Indicators of Voluntary Tax Compliance

Tax compliance level can be identified by looking on the compliance indicators; here one can examine the percentage of the tax revenue to the GPD (OECD, 2004). An increased percentage of tax revenue in relation to the GDP signifies an increase in the level of tax compliance. Public opinion indicators are the perceptions of people towards the taxation systems and taxes (Roak and Stephen, 1994). Other compliance indicators are; percentage of income that is reported for the taxation purposes and the program impact indicator. Here, one may assess the impact of specific programs or initiatives on the compliance. Behavior of the target taxpayer population (ATO, 2001).

Another approach is to examine the trend, in the compliance aspects, for example registration, and filing of the return, correct reporting of the income and expenses, as well as the payment of the correct amount of tax. The trends should be examined or compared on the basis of percentage, rather than additional revenue generated, by application of the specific compliance strategy or comparing the percentage of tax revenue collected through enforcement activities such as audit, penalties and fines, to the total revenue collected, with that paid voluntarily (IFC, 2007). Tax compliance level may be identified by looking on tax gap. Tax gap represents the difference between the actual revenue collected and the amount that would be collected if there were 100 percent compliance (James et al. 2001). For the purposes of this study tax compliance as measured by how the taxpayer fill tax returns, reporting the correct tax liability and payment of the taxes due within the statutory period. The study also examined how the taxpayer was aware of his or her tax obligations according to the laws and regulations. How the taxpayer viewed the tax laws and system which provided an indication of his or her potential tax compliance.

Taxpayer Education

How education changes the behavior of an individual

The basic goal of most education programs is directed towards behavioral change. Being the case, behavior analytical theories of change, and learning theories can best explain how education can change the behavior of an individual (Svetna and Taumo, 2007). Change theory is used to predict behavior change, which assumes that when the problem relating to behavior exists; there should be modifiable factors that contribute to the problem. Some of the modifying factors are knowledge, attitudes, intentions, interpersonal support, organizational and environmental conditions. The theory assumes that education is fundamental, in bringing about change in the modifiable factors, and the taxpayer education is expected to change this behavior. Education changes the behavior of an individual by affecting the way he or she makes decisions (Denis and Mehila, 2002). It has the significant positive impact on the behavioral change of an individual (Campbell, 2008).

Relationship Between Taxpayer Education and Tax compliance

There is a positive relationship between taxpayer education and voluntary tax compliance (Kassipillai, 2003). Taxpayer education will provide the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. This was confirmed in a study carried out among the undergraduate students in the University of Malaysia. Using the questionnaires administered to the students, at the beginning of the semester, to test the compliance attitudes, before studying taxation subjects, and their responses were all recorded. At the end of the semester, another set of questionnaires, were administered to test the compliance attitudes, after acquiring the tax knowledge.

The statistical findings confirmed the prevalence of the significant positive relationship between the level of taxpayer education and the level of the voluntary tax compliance. However there is need to conduct similar study currently, because the above study was conducted more than 5 years ago, using environment different from Tanzania's, and the sample selected for the study was university students, who were not really in business operations.

Lin and Carrol (2000), conducted a study to determine how enhanced tax knowledge and tax attitudes, affects the compliance behavior among the taxpayers in New Zealand. Analyzing the compliance behavior of the taxpayers after acquiring the tax knowledge did not have significant relationship with tax compliance behavior. There is need to carry out similar

study in \Tanzanian environment, because the findings of the study were carried out in an environment most likely different from the Tanzanian in the year in 2000.

Rasshid and Noor (2004), conducted a study to evaluate the influence of tax knowledge on the tax compliance behavior among the taxpayers in Malaysia. The objective of the study was to investigate the effect of the presence of tax knowledge and understanding, on the level of tax compliance behavior. Analyzing the data collected using questionnaires, to compare the compliance behavior of taxpayers with significant level of tax knowledge with those without tax knowledge. Statistical findings, confirmed that those with tax knowledge, had higher level of compliance than those without. The results indicated a significant relationship between the level of tax knowledge and the level of tax compliance. Nevertheless there is need to carry out similar study presently, because the environment, in which the study was carried out is different, and the study only compared the behavior of those taxpayers with significant level of tax knowledge to those without tax knowledge. The study to be conducted need to establish and incorporate the relationship between the level of tax compliance.

Normala (2007), conducted a study to examine the influence of tax education, as a proactive approach to enhance the voluntary tax compliance, among the taxpayers, in Malaysia. There as a move from the official assessment of taxes, to self assessment system, in 2004. Under the self assessment system, tax payer has to his tax liability, pay taxes to revenue authority, later on the revenue authority conducts audit to establish the accuracy of the declarations in returns and payment. This system requires high voluntary tax compliance. Using questionnaires administered to the taxpayers and the tax officials, the respondents confirm the increase in the tax knowledge increase the level of voluntary tax compliance. The statistical findings, confirm that there is a significant relationship between the level of tax education and voluntary tax compliance.

There is a need to carry out a similar study in Tanzania, because of the different environment in which the study was carried out. The Malaysia tax system is characterized by the single tax act- the income tax act which administers all tax collections.

Christina, Deborah and Gray (2003), Conducted a study to determine the economic and behavioral factors affecting tax compliance among taxpayers in the United States of America . The objective of the study was to determine the economic and behavioral factors, affecting the tax compliance among tax payers, in the Arkansas City tax penalty amnesty system. Arkansas City had announced an amnesty system, whereby the non-compliant traders were waived of the penalties and fines provided that they were ready to pay their tax liability supposed to be paid and they did not pay. Using questionnaires administered to the participants of this amnesty program, the respondents identified factors that made them not to pay their taxes due, within the statutory period and not declaring the correct taxable income, as complexity of the tax laws, ability to pay, ignorance of the tax laws, and the perceptions of high tax rates and unfairness of the tax system. A significant portion of non compliance was unintentional, caused by the complexity of tax laws and ignorance, as most of the tax payers did not understand their tax liabilities or their tax obligations. The results confirmed that there was a significant positive relationship between taxpayers' knowledge of the tax matters, and the voluntary tax compliance. However there is need to carry out a similar study, because the environment in which the study was carried out is different. Added onto this, the level of development in United States of America is different from that of Tanzania.

Level of Taxpayer Education

During the investigation, respondents indicated that they acquired tax knowledge through the following means (see table 2 below).

Table 2: Means of acquiring taxpayer education

| No | Means | Frequency | Percentage |
|----|---------------------------------|-----------|------------|
| 1 | Radio | 18 | 25.00% |
| 2 | Newspaper | 12 | 16.70% |
| 3 | Seminars/workshops | 11 | 15.30% |
| 4 | Television | 10 | 13.90% |
| 5 | Banners | 06 | 8.30% |
| 6 | Leaflets | 05 | 6.90% |
| 7 | Announcement van | 05 | 6.90% |
| 8 | Publicity materials | 04 | 5.60% |
| 9 | Others (traditional dances etc) | 01 | 1.40% |
| | Total | 72 | 100% |

Source: Field data (2012)

These findings indicate that radio, newspapers, seminars workshops, training and televisions are among the major means through which tax knowledge was imparted to the taxpayers. The results are similar to the findings obtained by National Bureau of Statistics (2003), in the study to evaluate the efficiency and effectiveness of the means of delivering taxpayer allocation, which concludes that studio, newspapers, seminars and workshop were the most efficient means of delivering taxpayer education.

As to what extent the taxpayers gained knowledge from the taxpayer education: 85% of the respondents, admitted to have gained understanding of the basic tax laws and procedures, while 15% showed that there was no improvement in understanding the basic tax laws. 78.7% of the respondents agreed that through the taxpayer education, they had been able to understand and become aware of their taxpayer rights and obligations, while 21.3% of the respondents said taxpayer education had not been able to help them in understanding and becoming aware of their tax rights and obligations. 83% of the respondents agreed that taxpayer education helped them in understanding clearly the procedure of paying taxes, while 17% of the respondents claimed that despite the tax education they received, they did not understands clearly the procedure of paying taxes.

Level of Tax Compliance Among SMEs Entrepreneurs

This was obtained by looking on the trend of tax compliance for the last three years starting from financial year 2008/2009; 2009/2010 and 2010/2011. This was done by analyzing the total taxes collected into two components, namely, that from the audit and enforcement activities, and that which was paid voluntarily. This approach was also used by the Inland Revenue Services in United States of America, in assessing the level of tax compliance (IRS, 2003).

Furthermore, interview was done to the officers, aimed at checking the improvement in the timely filling of returns, accurate assessment of tax liability, and payment of the taxes within the stipulated period, according to the law.

Table 3(a): Analysis of filing tax returns

| Year | Total taxes | Audit Enforcement | Within period |
|------------|-------------|-------------------|---------------|
| 2008/2009 | 100% | 23% | 77% |
| 2009/2010 | 100% | 21% | 79% |
| 20010/2011 | 100% | 20% | 80% |

Source: Field data(2012)

Response from the staff indicated that about 80% of the returns were lodged timely, while the remaining 20% were not within the statutory periods and would attract penalties and fines for late filing.

Table 3(b): Analysis of Tax compliance

| Year | Total taxes | Audit Enforcement | Collected voluntarily |
|------------|-------------|-------------------|-----------------------|
| 2008/2009 | 100% | 36% | 64% |
| 2009/2010 | 100% | 29% | 71% |
| 20010/2011 | 100% | 25% | 75% |

Source: Field data(2012) Of the returns lodged, 67% declared accurate tax liability, while the remaining contained errors, and additional taxes were assessed through auditing. 78% of those who were required to pay taxes, paid within the stipulated time according to the law while the remaining were late to pay taxes and it was necessary to use enforcement strategies.

The Effect of Taxpayer Education on the Level of Tax Compliance

The effect of taxpayer education on tax compliance was analyzed by looking on how the respondents change their behavior with respect to specific compliance variables due to the acquisition of the tax knowledge.

Regarding willingness to pay taxes, 80.6% of the respondents admitted that taxpayer education had improved their willingness to pay taxes, as illustrated in table 3.

Table 4: Change in willingness to pay taxes

| Change | Frequency | Percentage |
|----------------------------|-----------|------------|
| Very big change | 13 | 18.2% |
| Significant change | 26 | 36.1% |
| Change but not significant | 19 | 26.3% |
| Not sure | 15 | 20% |
| Total | 72 | 100 |

Source: Field data (2012)

The findings are similar to the survey carried out by National Bureau of Statistics (NBS 2003) which concludes that there is a significant change in the attitudes of taxpayers towards paying taxes due to the introduction of taxpayer education standing at 54.3%. The taxpayer education has affected the compliance behavior by creating willingness to pay taxes. The remaining 20% did not realize any change in their willingness to pay taxes, caused by the taxpayer education.

Table 5: Accuracy in Determining Tax Liability

| Correctness | Frequency | Percentage |
|--------------|-----------|------------|
| Very much | 15 | 20.8% |
| Satisfactory | 25 | 34.7% |
| Little | 12 | 16.7% |
| Not sure | 22 | 27.8% |
| Total | 72 | 100% |

Source: Field data 2012)

72.2% of the respondents claimed that taxpayer education has enabled them to assess their tax liability as shown in the table 5. The remaining 27.8% indicated that the taxpayer education did not enable them to assess their tax liability correctly.

Table 6: Understanding Tax rights and obligations

| Extent | Frequency | Percentage |
|--------------|-----------|------------|
| Very much | 18 | 25% |
| Satisfactory | 26 | 36.1% |
| Little | 20 | 27.7% |
| Not sure | 8 | 11.2% |
| Total | 72 | 100% |

Source: Field data, (2012)

92.4% of the respondents, who were interviewed were registered by the Tanzania Revenue Authority and have trading license and the tax identification number. The respondents said that the tax education provided, enabled them to register their businesses, as they understood the importance of having business registered. 11.2 % claimed that they had registered their business, because it is compulsory to be registered so that they can operate business.

With regard to the payment of taxes due, within statutory period, 77.7% of the respondents admitted that taxpayer education had enabled them to pay taxes within statutory period. They said that by the way of announcements through different media, they were able to understand and be reminded of the due dates for payment of taxes. The remaining 22.3% of the respondents claimed that they paid taxes within the statutory period, in fear of penalties and interests that are imposed on the taxes due, if they remained outstanding.

4.5 Implications of the Research Findings

The findings revealed that the level of taxpayer education affects the tax compliance. These findings were similar to the findings obtained by Kassipillai (2003), Rasid and Noor (2004) Normalla (2007), Christina, Deborah and Gray (2003). In their studies, they concluded that there was a significant positive relationship between the level of tax knowledge and tax compliance.

However these findings contradicts the findings obtained by Lin and Carrol (2000), which concluded that there was no significant positive relationship between the level of tax knowledge and tax compliance.

The findings also confirm the change theory which assumes that when the problem exists, relating to behavior, there must be modifiable factors that contribute to the problem, one of them being knowledge. The provision of tax education has affected the way the taxpayer makes tax compliance decision. Through taxpayer education, the taxpayer is aware of the rights, obligations and the procedures of paying taxes, as well as the consequences of non-compliance. The taxpayer can make rational decisions of complying with the tax laws, as he/she is certain of the outcome. Therefore these findings support the application of prospect theory to the tax compliance decisions.

Recommendations

Tax knowledge is essential in improving tax compliance, hence more revenue to finance the recurrent and development expenditure of the government. It also implies less administrative costs for the collection of revenue. Being the case, the government is advised to impart tax knowledge to individuals not only to the current business community, more important to the potential business community.

Taxation should be taught at all levels of education, starting from primary schools to secondary schools, up to university level, with an emphasis of promoting voluntary tax compliance. Currently, taxation is taught at the university level, ignoring the other levels below. Basing on the characteristics of the respondents, it shows majority of the entrepreneurs in the SMEs sector have primary and secondary school education. This means they may not be availed of the tax education until such time, when they are in business. For the efficient change of behavior, its important to impart tax knowledge at early stages of school or life. Furthermore based on the age of the respondents, majority of the entrepreneurs are mature and are over the age of 25 years. This means that entrepreneurs will not have the knowledge of taxation until such time they are mature. There is danger in that they may a negative attitude or perception about the tax laws and tax system and it could be difficult to change them, which may lead to persistent non-compliance. A focus on the younger taxpayers and strategies to build tax knowledge across various groups of business community is the key issue in building future tax compliant society (Norwesky, and Wearing 2003).

Taxpayer education is essential in improving voluntary tax compliance. It's essential for the taxpayer to understand his/her rights, obligations, and the procedures of paying taxes. Efforts to improve tax compliance to the taxpayer, who don't understand their rights and obligations, will not yield positive results. (Flejstad and Ranker 2003, Christian and Gray 2003). This means in the design of strategies to improve tax compliance effort should be made to first focus on educating taxpayers.

The findings of this study showed that tax knowledge is essential in promoting voluntary tax compliance. It is necessary for the taxpayer to acquire the tax knowledge which will enable them to make right compliance decisions. The knowledge will also facilitate record keeping in business, minimize the compliance costs, as well as create good business environment and marketing strategies, as the compliant trader may operate his/her business freely.

This study has revealed that taxpayer education has an effect on voluntary tax compliance. In the study the unit of study was taxpayer, showing how one characteristic of the taxpayer, may affect his/her compliance behavior, as well as other variables, which are outside taxpayer, example the level of tax rates, the perception of the fairness of taxes, proper management and utilization of government revenue, all which may affect the tax compliance behavior. Thus, further studies on the subject in question will bring new insight and enrich common understanding. There is need to research more on tax compliance as most of the empirical findings in this area are from developed countries.

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