

An Examination Into The Administration Of The Presumptive Tax Legislation In Zimbabwean

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Abstract: The objectives of the research were understanding the implementation of the presumptive tax legislation in Zimbabwe; establishing adequacy and competence of the personnel who administer the legislation and establishing controls in place that administer the presumptive tax legislation. The research approach employed was chiefly qualitative using the face to face interview method. More importantly, the rationale for choosing the qualitative approach was the need to gain some understanding of how the current tax system in Zimbabwe is administered. Content analysis was employed in analyzing interview responses. The study revealed that since its creation, the presumptive tax legislation has been operating in conjunction with other departments, which also cater for other taxes such as income tax, PAYE and VAT. Due to the nature and fact that the presumptive tax clients do not pay significant amounts of taxes as compared the large companies, it is difficult for the departments to lose one big chunk of revenue for many tiny chunks thus it is to fore go presumptive tax operators. However, this makes it easier for SMEs to evade taxation, as they are not getting adequate attention to push them into paying tax. Thus the study recommends that a presumptive tax department should be created which deals with presumptive tax clients from registration to collection of taxes and auditing of those registered under presumptive tax as well.

Keywords: Presumptive tax, ZIMRA, informal sector, Zimbabwe

I. INTRODUCTION

A. BACKGROUND OF STUDY

The Zimbabwe tax system is enshrined in tax legislation endorsed and amended by the Parliament which include the Finance Act (Chapter 23:04), the Income Tax Act (Chapter 23:06), Capital Gains Tax Act (Chapter 23:01), Value Added Tax 18 Act (Chapter 23:12) and other pieces of legislation. The year 2009 saw Zimbabwe emerge from a era of economic downturn which was characterized by hyperinflation and high unemployment (Reserve Bank of Zimbabwe, 2010). The country had experienced shrinkages in Gross Domestic Product (GDP) with budget deficits averaging 8% of GDP for the period 1997-2009 (Kararach et al., 2010). There was huge capital flight when many foreign-owned companies closed down Zimbabwean operations due to viability problems. Companies that remained in the country scaled down

operations significantly and industrial capacity utilization fell below 20% on average (Kadenge 2009). Agricultural production, which is a major contributor to the country's GDP, was affected by intermittent droughts since the year 2002 and the land reform programme, which began in the year 2000, saw much of the arable land previously used for commercial farming being appropriated by government and redistributed to new farmers who largely practiced subsistence farming (Ndlela & Hawkins, 2009).

ZIMRA introduced Presumptive tax in Zimbabwe in the year 2006 as a programme which was set to correct a host of tax problems being experienced by the country at that time. The tax base was too narrow and had continued to dwindle. This resulted in a huge tax burden falling on the very visible large businesses which was quite an unfair tax situation and an apparent violation of the core principles of equity of a tax system. Apart from this, the government was being faced with decreasing tax revenues although demands for provision of

public goods and services continued to increase. As a result ZIMRA had to extend its tax net into the informal sector and to SME's in a bid to raise more revenues for the Central government by means of presumptive tax. For informal traders, small scale miners, commuter omnibuses and taxi operators the tax came into effect on the 1st of September 2005 for driving schools and transporters it came into effect on the 1st of January 2006. (ZIMRA, 2014).

With hyperinflation and high unemployment, cash economy activities increased and government revenue generation through taxation began to slump. Import duties, value-added tax (VAT) and other indirect taxes paid by individuals and SMEs became the major sources of government revenue instead of corporate tax (Mangoro 2007). This development forced the tax authority, Zimbabwe Revenue Authority (ZIMRA), to shift its focus on compliance enforcement from the few large companies that remained in the country to SMEs which now dominate the economy.

The Confederation of Zimbabwe Industries found that in November 2000, at least 1.7 million people were making their living in the informal sector. In that same year, 9 684 workers were retrenched while in the last 18 months a further 90 000 people are estimated to have been forced out of formal employment and would naturally have been forced to become small traders. In addition, thousands of job seekers are being spewed out of Zimbabwe's school system every year with little chance of finding work in an economy that saw 400 companies shut down in 2000 and a further 700 closing in the past 18 months (Kumbawa, 2002). Against this background, analysts believe that employment in the informal sector has far surpassed that in the formal economy, where only about 40% or 2.7 million of the 6.7 million working adults in Zimbabwe are still employed.

The presumptive tax collected by Zimra from the dollarization (2009) period has increased yearly giving evidence that the informal sector is increasing yearly and also the collected presumptive tax revenue exceeds the target presumptive tax revenue. This information is narrated in the table 1.1 below:

Year	First Quarter		Second Quarter		Third Quarter		Last Quarter		Grand Total	
	Target \$	Actual \$	Target \$	Actual \$	Target \$	Actual \$	Target \$	Actual \$	Target \$	Actual \$
2009	0	349327	0	524311	0	174658	0	1050276	0	2098571
2010	0	1148664	1355000	1042706	1458000	1664755	1595000	1788279	4408000	5644406
2011	1866150	1936370	2705700	1745489	2923200	4024905	2549535	5433904	10044585	13140668
2012	0	8828908	0	9355962	0	5257233	0	4283188	0	27725290

Source: Zimra

Table 1.1: Presumptive tax revenue collected from 2009-2012

As highlighted before by Chidoko & Makuyana (2012), the government of Zimbabwe and its citizens has serious concerns regarding the country's joblessness and negative economic growth. The government also is concerned about the mushrooming growth of underground businesses and the resulting loss in tax revenues. Thus it would be of benefit to the government if every operator complies with the payment of presumptive tax in the informal sector at the same time contributing to economic growth.

There are good public policy reasons for paying more attention to taxing informal urban economic activities and to strengthening sub-national tax systems. This is essentially

about fostering more broad based engagement around tax issues while also providing the fiscal foundation for successful decentralization and the development of small businesses. Recent years have witnessed increasing attention to the question of how to effectively tax large and growing informal sectors in the developing world (Prichard et al., 2012b). While this has been driven in part by the desire to raise greater revenue, in reality the revenue potential of the small informal business sector will remain modest. Many national tax administrations know that, and in effect do not really pursue the issues with much vigour—beyond introducing new types of presumptive tax regimes for small business, that may or may not be implemented on the ground. This is understandable from their perspective. But more effective taxation of the informal sector is an important long term goal, for reasons of equity and broader 'tax morale', to protect existing revenue bases, and to encourage formalization in a way that supports economic growth and broader governance gains.

B. STATEMENT OF THE PROBLEM

It is against this background that the research aims to examine the administration of presumptive tax as the informal sector is contributing significantly into the sustenance of the economy hence the government needs to tap into the revenue from the informal sector.

C. RESEARCH OBJECTIVES

The research aims at:

- ✓ Understanding the implementation of the presumptive tax legislation in Zimbabwe.
- ✓ Establishing adequacy and competence of the personnel who administer the legislation.
- ✓ Establishing controls in place that administer the presumptive tax legislation.

II. LITERATURE REVIEW

Smatrakalev (2006) highlighted that presumptive tax is replacement for standard personal or corporate income tax. It is implemented in cases when the tax base is too small or hard to verify or there are improper accounting practices. The term presumptive taxation covers a number of procedures under which the 'desired' base for taxation (direct or indirect) is not itself measured, but is inferred from some simple indicators which are more easily measured than the base itself.

Alm et al (1992) defines presumptive tax as a method which involves the use of indirect means to ascertain tax liability, which differ from the usual rules based on the taxpayer's accounts. The concept covers a variety of means of determining the tax base, reconstructing income based on administrative practice, to true minimum taxes with tax bases specified in legislation.

A. CREATING MORE EFFECTIVE TAX ADMINISTRATION

An effective tax system is considered central for sustainable development because it can mobilize the domestic revenue base as a key mechanism for developing countries to escape from aid or single natural resource dependency. Ineffective tax administration is often seen as one of the main constraints on the ability of states to collect revenues in general and direct taxes in particular (Fjeldstad & Semboja, 2001). Hadler (2000) estimates that better administration of existing tax legislation may increase revenue by 30 per cent or more in many countries in SSA.

In a famous statement, Casanegra de Jantscher (1990) claimed that 'in developing countries, tax administration is tax policy' (Fjeldstad, 2013). However, the opposite is equally true (Keen, 2012). Simplification of tax legislation and improved tax administration are closely linked. Tax agencies will be more effective if their tasks are made more simple, stable and predictable. On the other side, questionable options in tax policy sometimes lead to equally questionable administrative practices. Exemptions, for instance, not only pose control problems for the tax administration, but create opportunities for corruption. In practice, the distinction between administration and policy is often hard to make. But there is no doubt that weak and often corrupt revenue administration remains a fundamental barrier to effective and fair taxation and to building wider trust between government and citizens in many countries (Fjeldstad, 2009) (Fjeldstad & Tungodden, 2003).

B. STRENGTHENING TAX ADMINISTRATIVE CAPACITY

a. INTERNATIONAL TAXATION AND CAPITAL FLIGHT

Tax administration needs better training on how to recognize the transfer mispricing opportunities in mining operations and stronger capacity to detect and respond to this problem. There is also a need for more in-depth knowledge of the extent and impacts of capital flight at the country levels. The issue of abusive transfer pricing is sophisticated and complex in nature. International collaboration and treaties are required to make inroads against the problem. There are opportunities for donor support to increase international co-operation among tax agencies and to change the accounting rules for transnational business, in order to reduce the degree of tax evasion that takes place, which is evident in natural resource rich developing countries (Fjeldstad, 2013).

b. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) TO ENHANCE ADMINISTRATIVE EFFICIENCY

The revenue administrations in many developing countries have initiated an array of initiatives to exploit ICT with a view to enhancing efficiency in tax administration. These include, for instance, the ASYCUDA for customs; eFiling for domestic revenue; computerized registration of

motor vehicles and drivers; and introduction of electronic cash registers for VAT. Such initiatives are at different stages of implementation in different countries. However, the effectiveness of such systems depends on building and maintaining technical and professional capacity to operate and maintain the systems. At present, these systems are commonly not being implemented using an integrated framework. This can be blamed on the technical and managerial challenges this approach poses, but also on poor donor co-ordination. Yet, in the absence of integration, the use of the systems will remain sub-optimal. In particular, it is difficult to have a single view of the taxpayer outside an integrated system (Fjeldstad, 2013).

III. 'BALANCING' THE PERFORMANCE INDICATORS

There is a need for striking a balance between revenue and service targets. Performance criteria should be linked to taxpayers' satisfaction with the revenue administration, number of declarations processed by type of tax, processing time per declaration, processing time for refund requests, number of audits per audit staff and type of contributor; per cent of audits finalized and accepted by taxpayer without contest, the number of taxpayers enrolled in the tax bases, etcetra. A standardized assessment system, if properly implemented, can be used to (i) compare a country's tax system with a regional or international set of norms or comparators, and (ii) compare the condition and performance of a country's tax system over time. This may lead to better structured reform programmes that properly address issues of performance. There are, of course, risks involved, in particular with respect to complexity and inflexibility of performance measures, which may lead to incorrect conclusions or distort the behaviour of tax officers (Fjeldstad, 2013).

A. STRENGTHENING TAX GOVERNANCE

a. STRENGTHENING TAXPAYERS' RIGHTS

An important element of administrative accountability is the rights of taxpayers' vis-à-vis the tax authority. Though still in their infancy in many developing countries, tax appeal boards and tax tribunals are important institutions to secure taxpayers' rights and to establish fair and transparent procedures to address tax disputes. To make these institutions accessible for a wider segment of taxpayers, there is a need to simplify the procedures for instituting appeals, and to disseminate more accessible information to the general public on the roles and functions of the appeal board (Fjeldstad, 2013).

b. FIGHTING CORRUPTION IN TAX COLLECTION

Generally, the issue of integrity is high on the agenda of revenue administrations. Institutional mechanisms are often established to prevent, reveal and curb corruption. However, the critical tasks are to ensure that the systems, policies, regulations and procedures are not only established, but also filter down throughout the organization. There also seem to be an endemic tax avoidance culture in many tax administrations,

and some tax officers seem to encourage or fall victim to this culture. Therefore, continuous vigilance on the part of revenue administrations' leadership will be crucial to minimizing corruption in tax collection (Fjeldstad, 2013).

c. POOR TAXPAYING CULTURE

The tax-paying culture in most low-income countries is generally weak. Some of the reasons for this attitude are the legacy of taxation being seen as coercive and the inability of taxpayers to see the relationship between provision of public goods and services and taxes paid. There seems to have been a general lack of concern for the historical evidence about the connection between taxation and state-building. There is a need to construct tax systems that engage citizens in politics in a positive way, and contribute to the legitimacy of the state (Fjeldstad & Moore, 2008).

d. SECURING BETTER LINKS BETWEEN TAXES PAID AND PUBLIC SERVICE PROVISION

The links between tax payment and public service delivery is generally weak in many developing countries, which is reflected in widespread resistance to pay taxes. For taxpayers, paying taxes to the state is a *quid pro quo*, that is, they expect public services to be provided. It is basically 'tax for services'. People are more likely to pay taxes if they felt that the government was providing services equitably, collecting revenue fairly and using the revenue to provide services (Fjeldstad, 2004). The attraction of tax earmarking is that it can regularize spending on essential tasks and create greater transparency about the connection between taxation and public spending.

e. STRENGTHENING PARLIAMENTS' CAPACITY

Although the legislature plays a role in designing tax policies through debating budget statements and tax bills, the disturbing aftermath of passing the bills has raised questions as to whether legislators in poorer countries really understand tax policies and the implications of tax reforms for their constituents (Fjeldstad, 2013).

f. ENCOURAGING CIVIL SOCIETY ENGAGEMENT

Civil society actors are likely to be crucial intermediaries in fostering state-society bargaining around taxation. An important opportunity for building political support for reform lies in more emphasis on the 'demand side', i.e. in building broader citizen engagement around taxation. Public debates on taxation in many developing countries are to a large extent limited to taxation of multinational companies. While this is important, a broader engagement about the tax and public expenditure system is missing. This is also reflected in Parliamentary debates on taxation. Through co-ordinated efforts, donors should consider to enhance their support to domestic civil society organizations engaged on tax issues. There is also demand for technical assistance to building tax capacity/knowledge in the business communities, especially for small and medium enterprises (Fjeldstad, 2013).

g. BUILDING LOCAL RESEARCH CAPACITY

Building local research capacity to inform policy reforms should be one component in donor efforts on tax and development. There is a need to strengthen the more general analytical capacity within the revenue authorities in many countries. A longer-term strategy to increase knowledge and dialogue on tax issues at a more advanced level is to inspire students to choose topics related to taxation for their university degrees. Student organizations and/or other civil society organizations can promote tax and capital flight as important areas to study. Thus, the seeds for increased and improved knowledge on taxation can be planted. Experiences from entrepreneurship and innovation studies in Western Europe show that the academic staff in many colleges and universities has been drawn into the field by the keen interest of the students they are supervising (Fjeldstad, 2013).

IV. METHODOLOGY

The researcher used the descriptive study approach as it sets out to collect, organize and summarize information about the matter that was under study, that is, presumptive tax legislation. Desk research was carried out to gather data on the presumptive tax legislation as well as literature on the subject through secondary data. Data was gathered from primary sources through interviews with ZIMRA in order to identify gaps and achieve the research objectives. The convenient sampling method was applied as it was based on the availability of the respondents.

V. FINDINGS

PRESUMPTIVE TAX LEGISLATION THRESHOLD

Presumptive tax legislation in Zimbabwe targets both the registered operators and unregistered operators. The registered operators include bottle-store operators, restaurants, hairdressing salons, commercial waterborne vessels, and mining agents of minerals, flea markets and transport operators. The flea markets are registered through the council as they rent the premises of the council thus ZIMRA is given a commission of 10% by the council for all the people selling goods through the flea market.

There are two methods, which are mainly used to charge presumptive tax. These are the fixed amount method and the percentage rate method. The fixed amount method is used to charge presumptive taxes for traders falling under transport operators, hairdressing salons, and operators of restaurants, bottle stores, cottage industry operators and commercial waterborne vessels. The percentage rate method is used for operators falling under informal traders, small-scale miners, and cross-border traders.

PRESUMPTIVE TAX REGISTRATION

The following are the requirements for presumptive tax registration:

- ✓ Copy of an identification card (ID).
- ✓ Proof of residence.
- ✓ Bank statement of the applicant. It can be either an individual or a company if it has a legal identity.
- ✓ Trade specifications which have the following requirements:
 - Transport operators- registration books, permit
 - Bottle-stores/ restaurants/ hair salons/cottage industry- lease agreement or copy of deeds.
 - Mining agents- Registration books preparation of presumptive tax contract.
 - Informal traders- registered through council.
 - Commercial waterborne vessels- permit, registration books

Informal traders do not want to register willingly thus ZIMRA registers these operators through paroles that are carried out. Upon registration, the operators present the above-mentioned documents and fill in a REV 1 form, which will be processed for business partner numbers.

PRESUMPTIVE TAX DATABASE

The study revealed that as at when it was carried out, there was no database for operators registered under the presumptive tax legislation. The registration is done manually and some of the operators are registered through agents such as Local Authorities. The Local Authorities at times do not furnish ZIMRA with the records of operators who are registered under them which are currently making it difficult to compare the amount collected against the registered operators. Thus the amounts that are received from the Local Authorities can be termed as “ghost clients” who come and pay quarterly. As for the mining agents, they have presumptive tax contract accounts that are created upon registration.

Presumptive tax is collected directly by ZIMRA or through agents who are usually the Local Authorities. The operators who pay directly to ZIMRA are transport operators, bottle store operators, restaurants operators, cottage industry operators and commercial waterborne vessels operators. The operators who fall under the Local Authority agents are informal traders who rent council premises such as those in flea markets. Those in agricultural sectors pay presumptive tax through levies, for example those in tobacco industry pay presumptive tax through tobacco levy. Those into mining pay presumptive tax through buyers who are usually mining agents, for example, the Minerals Marketing Corporation of Zimbabwe (MMCZ).

NON-COMPLIANCE OF PRESUMPTIVE TAX

When a registered operator does not comply with the payment of presumptive tax they are charged a penalty, which is usually equal to the amount owing, and an interest, which will be calculated as well. Garnish orders are also used to ensure that people comply with payment of presumptive tax. However, the presumptive tax department is not yet in a position to charge penalties as they are still trying to convince operators to come and register for presumptive so no cases

have been put forward for penalties for non-compliance of presumptive tax.

When there is enforcement, a penalty is charged which is equal to the presumptive tax owing then over and above the penalty there is an interest rate of 10% charged on the principal amount thus the figure she be over and above the budgeted presumptive figure. However, it is difficult to trace the informal traders who fall under SMEs as usually they don't submit reliable information to ZIMRA upon registration or when they are caught by the law. At times there is no money collected from enforcement of presumptive tax unless the SMEs have registered for other taxes.

The operators who fall under the presumptive tax legislation generally are not willing to pay presumptive tax; the clients are ignorant of the law. The owners of the restaurants and bottle stores usually run away from ZIMRA officers and at times they might furnish ZIMRA with false information. The garnish order rule is currently not applicable to the informal traders as most of them do not have bank accounts thus ZIMRA cannot garnish them. The operators also do not unveil information about the companies they operate with thus it is a challenge for ZIMRA to trace their activities. This arises as usually they provide false information upon registration, those who provide bank statements usually have a nil balance and the accounts do not operate at all during the course of the business.

THE STRUCTURE OF THE PRESUMPTIVE TAX ADMINISTRATION

The presumptive tax department does not have a structure as it is a section which falls under the Debt Management Department thus it consists of four ZIMRA officers who are responsible for tracing the registered operators who would have not paid their presumptive tax. ZIMRA has a different definition for SMESs in comparison to the various definitions that are brought up in Chapter Two. According to ZIMRA, SMEs are operators whose annual income does not exceed \$240 000 and are registered for other taxes. Those operators who are not registered for other taxes are classified informal traders and are taken care of by the presumptive tax department and client and care unit. The client and care unit does not concentrate on presumptive tax only but on other taxes as well. However, there are ZIMRA depots that are outside Harare which also concentrate mainly on informal traders and SMEs that are located there but the registration is done in Harare. All these depots do is to issue the REV 1 forms.

The presumptive tax officers are not vested with enough independence, as they have to consult the management before enforcing some actions, for example when it comes to carrying out a garnish order. Furthermore, when it comes to roadblocks, usually the police are the ones who are in control as a result of undue influence and the invisible hand. There is a taxpayer service and information program in place, which carries out taxpayer education and awareness through workshops, meeting and distribution of fliers.

The functions that are computerized in the administration of presumptive tax are the capturing the details of the informal traders upon registration and the storage of payment records of

clients into the system. However there is no data base for all the registered operators under presumptive tax thus ZIMRA. The researcher could not obtain this as two departments cater for registration of presumptive tax, the presumptive tax department under the debt management function as well as the Client care unit. Thus there is no way to trace the operators who are registered and to match the payments against the informal traders or SMEs.

CHALLENGES OF THE PRESUMPTIVE TAX LEGISLATION ENFORCEMENT

The presumptive tax legislation has its flaws, for example, the ZIMRA officers are not fully empowered to enforce compliance directly. Since there is no law that makes it possible for ZIMRA to arrest the operators owing to ZIMRA it is difficult for the officers to carry out further action against the informal traders as there might not even have addresses available for their places of residence. The reason why most of the informal traders do not want to own up, even those who had registered before for presumptive tax is because the tax is charged in retrospective thus the operators are scared of that. In addition, during inspections that are carried out with the assistance with the police force, there is undue influence, which makes it difficult to trace and control the informal traders who will be evading the payment of tax.

In short, currently there is nothing being done to operators who do not pay presumptive tax. This could be due to the fact that there is a failure to create a database for clients under presumptive tax legislation. Since there is no database it is difficult to trace the clients who are not complying. It is as good as if the legislation is not in existence even though the operators are furnished with payment plans, they do not follow up. However, the flea markets are not a problem as they are under the Local Authorities.

The other challenge is shortage of staff, especially under the Harare region; there is no enough staff to administer the presumptive tax legislation. The Ministry gives a cut-off limit for the number of people who can be employed by ZIMRA in a year thus usually there is not enough manpower to administer. Presumptive tax usually has a huge amount of operators who should pay small amounts of taxes which will add up to become a significant figure, but however there are other SMEs who have registered thus ZIMRA is better off using the little resources of manpower it has in going after registered taxpayers. Furthermore, shortage of resources such as machinery and equipment is also a major challenge. However, all the staff members in the presumptive tax department have a minimum qualification of a university degree as they entered the organization through graduate trainee programs. The staff members hold adequate qualifications to administer presumptive tax legislation. However, there are no specialized trainings, which are carried out in the organization, there are only done when there is a new system in place.

Currently there is no audit that is being carried out for operators who fall under the presumptive tax legislation but however the ZIMRA officers in the presumptive tax department carry out routine checks and paroles for those operators who should pay presumptive tax. It is during these

paroles that informal traders are made to register for presumptive tax and they will be charged an amount equal to the principal amount. For transport operators, ZIMRA officers work hand in hand with the police officers to check if the transport operators have paid their presumptive tax. Checks are also done for operators of hair salons, bottle stores and restaurants. However, for informal traders who operate under the Local Authorities, it is the City Council, which caters for the auditing of such traders.

VI. CONCLUSIONS AND RECOMMENDATIONS

Presumptive tax legislation in Zimbabwe targets both the registered operators and unregistered operators in the informal sector. It was introduced in the year 2006 as a programme which was set to correct a host of tax problems being experienced by the country at that time. Informal traders do not want to register willingly thus ZIMRA registers these operators through paroles that are carried out.

Since its creation, the presumptive tax legislation has been operating in conjunction with other departments, which also cater for other taxes such as income tax, PAYE and VAT. Due to the nature and fact that the presumptive tax clients do not pay significant amounts of taxes as compared the large companies, it is difficult for the departments to lose one big chunk of revenue for many tiny chunks thus it is to fore go presumptive tax operators. However, this makes it easier for SMEs to evade taxation as they are not getting adequate attention to push them into paying tax. Thus a presumptive tax department should be created which deals with presumptive tax clients from registration to collection of taxes and auditing of those registered under presumptive tax as well.

More people should be employed in the presumptive tax department and these should then be grouped into specific sectors they specialize in so that there is no mix up of who should do what. There should be people who concentrate on each category that is liable to payment of presumptive tax and also these tax officers should be able to track whether an operator has paid or not tax.

ZIMRA needs to inject more machinery and equipment in its operations so as to improve on efficiency and to upgrade its system. There should be a database for every operator registered under presumptive tax and the payments they have made to date since registration.

Considerable effort needs to be placed in improving collection procedures used by ZIMRA. It has been observed that presumptive tax as a tax head is so much neglected because of the emphasis placed by all sections in the organization on collection targets. Presumptive taxpayers make up a large pool of the taxpayers and collecting from them requires that ZIMRA beef up its staff. Currently the organization is understaffed and it obviously needs to employ more to collect more revenue. In particular a new section should be set up which concentrates on presumptive taxpayers. The tax officers should be availed with sufficient independence to carry out actions that they deem proper to taxpayers who evade taxation.

Policy makers to initiate tax law amendment debate in Parliament can use the specific challenges faced by SME

taxpayers as guidelines. ZIMRA as the tax authority does not have power to introduce tax incentives for SMEs but can only do so if the tax law is amended to incorporate special tax provisions that can lessen tax burdens for SMEs as what currently exist for farmers, miners and many licensed investors. This tax law amendment will be in line with government policy of promoting SME growth and development through creating an enabling operating environment for SMEs.

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