

ABSTRACT

For millenniums, tax has been a very important source of government revenue in different parts of the world and also an important driving force for economic growth and development of such world nations respectively. The current study aimed at assessing the effectiveness of Agency Notice (enforcement measure applied under s.67 of Tax Administration Act 2015 by TRA) as a tax recovery measure, specifically in Arusha tax region. The purposive sampling with quantitative approach was used in the study where the sample size of 98 companies was obtained through the established questionnaires and secondary data from Arusha tax Region. Data was analysed in SPSS using descriptive and inferential statistics for the objectives enumerated within the study, to examine Effectiveness of the Agency notice approach, the side-effect of agency notice approach to taxpayers in Arusha region, to assess other alternative approach for tax recovery, as well as to assess the contribution of agency notice on tax recovery of unpaid tax debts in Arusha region. The findings of a regression model show that agency notice approach correlate to tax recovery by 40% from conceptual frame work and also has a slightly positive and significantly influence contribution to tax recovery (say 15%) in Arusha Tax region. However, the result analysed using descriptive statistics indicated that agency notice has a negative influence to tax payers and mostly it brings cash flow challenges (liquidity) problems to exposed companies. For this case, most of the respondent agreed on the alternative measures to recover the tax debts rather than using Agency Notice approach, this include; payment agreement as well as recovery from the third party debtors who appear as debtors in the financial statements of tax payers. The study therefore recommended that, Governments through Tanzania Revenue Authority should improve tax debt recovery by slightly usage and issuance of agency notice with strict control as a soft cohesive measures while seeking enhanced voluntary tax compliance also the Government should also look on how the Agency notice affects the companies or business since respondents point of views it was observed they are forced to pay the Tax debts which in turn affect the company's operations and morale to comply voluntarily. Government through TRA should enact laws which give powers to Commissioner General to use properly payment agreement by instalments and recovering from the third party debtors to ensure effectiveness and fasten recovery of tax debts in Tanzania to acceptable level.

Keywords: Tax recovery, Agency notice, Tanzania Revenue authority, Liquidity

