

**ELECTRONIC TAX STAMPS AND ITS EFFECT ON GOVERNMENT REVENUE COLLECTION
IN TANZANIA: A CASE OF ARUSHA CITY.**

MAGDALENA JOSEPH AUGUST

Master of Accounting and Finance Dissertation

Institute of Accountancy Arusha

September, 2023

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MAGDALENA JOSEPH AUGUST

MAF/02/0005/2022

**A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the
Degree of Master of Accounting and Finance of the Institute of Accountancy Arusha**

September, 2023

DECLARATION

I, **MAGDALENA JOSEPH AUGUST**, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

Signature.....

Date.....

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by Institute of Accountancy Arusha a dissertation entitled: **“Electronic Tax Stamps And Its Effect On Government Revenue Collection In Tanzania: A Case Of Arusha City ”** in partial fulfilment of the requirements for the degree of Master of Accounting and Finance of the Institute of Accountancy Arusha.

.....
Mr. MOHAMED MWANGA

(SIGNATURE)

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DEDICATION

This work dedicated to my family for their endless love, support and encourage me to work hard and to believe in what god has planned for me.

ACKNOWLEDGEMENT

First and foremost, I am grateful to the Lord God who made all things to work throughout this research. In that sense, I am indebted to several individuals and Organization whom the Lord God gave to me as partners and blessings to my study but time and space will not allow me to mention them all.

This dissertation would never have taken this shape without the countless hours of discussion and unwavering commitment of my supervisor, Mr. Mohamed Mwanga. His contribution and guidance throughout the study enriched and created the foundation of this dissertation. Indeed, the support, assistance and the professional input provided before and during the writing of this dissertation remain a permanent asset for reporting other scientific works in future.

I would like to give my thanks to all Business owners of Arusha City who participated by giving the information and data, because without their cooperation the writing of this report would not be accomplished. Lastly, a lot of thanks go to my college for their good advice concerning preparation of this report.

ABSTRACT

This study examines the effects of Electronic Tax Stamps (ETS) on government revenue collection in Arusha City. The research focuses on specific objectives, including assessing the implementation of electronic tax stamps, analyzing their impact on government revenue collection, and examining the barriers to their implementation. The study involves demographic characteristics of respondents, such as sex, age, education level, and experience in business. The findings indicate that a majority of respondents perceive the electronic tax stamp system as effectively implemented and improving the accuracy and transparency of tax collection. However, opinions vary concerning its impact on reducing tax evasion, simplifying tax payment processes, and increasing compliance among businesses. Several barriers to implementation were identified, including a lack of awareness among taxpayers, insufficient training for tax officials, limited technological infrastructure, resistance from business owners, and inadequate resources. To address these challenges, the study recommends awareness and education campaigns, training and capacity building, infrastructure improvement, engagement with business owners, resource allocation, and regular evaluation. In conclusion, while electronic tax stamps offer potential benefits for revenue collection, addressing the identified barriers and implementing the recommendations is essential for a successful and effective implementation in Arusha City . Collaboration with stakeholders and investment in education, training, and infrastructure are key to ensuring the long-term success of this tax reform initiative.

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LIST OF ABBREVIATIONS

ASPIRES	Agricultural Sector Policy and Institutional Reform Strengthening
EFDs	Electronic Fiscal Devices
ETRs	Electronic Tax Registers
ETS	Electronic Tax Stamp
IAA	Institute of Accountancy Arusha
IMF	International Monetary Fund
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Globally, Electronic Tax Stamps (ETS) is another types of taxation that is levied in more than 160 countries through the use of electronic means of collecting taxes due to rapid changes or growth of technology in the World, including developing and developed economies since it is crucial to any government due to its important role in economic development which guarantee acquisition of assets for financing development programs or projects and provision of social services in particular (Bhartia, 2019).

According to Cnossen, (2015) Electronic Tax Stamps (ETS) was introduced as one of the main tools of increasing revenue across the global, but it has pointedly underperformed as a revenue collection tool in Africa. The adoption and operation of ETS in African countries, especially Sub-Saharan Africa is affected with the use of electronic means or devices used for tax collection and the assumptions that tax payers are not familiar with the technologies required to execute the ETS (Bhartia, 2019). ETS is one of the major challenges facing tax administration and tax payers in African economies while the African government has made significant measures to ensure effective ways of ETS collections with the aims of increasing revenue for financing socioeconomic development projects (URT, 2022).

According to URT (2022) the use of Electronic Tax Stamps (ETS) in Tanzania for excisable goods was introduced to replace the physical paper stamps that were heavily linked to incidents of tax evasion and counterfeiting. Therefore, this is one of the government's moves geared towards

improving tax administration in the country to enable the Government to address longstanding challenges in administration of tax in excisable goods. ETS provides advantages to the government, manufacturers or importers and consumers through safeguard government revenue by deterring counterfeiting, to protect consumers as it enables authentication of tax stamps using mobile phone, to create a tax compliance mechanism covering all traders in the segment to enhance fair competition, to enable tracking and tracing of goods right from the production lines and customs entry points to the final points of sale and enabling accounting for the production of excisable goods manufactured or imported. In Tanzania, ETS apply for the following goods manufactured or imported into the United Republic of Tanzania: wine and spirits, mineral and aerated water, cigarettes, film and music products, juices and beverages, beer, liqueurs and cordials, perfumed products, petroleum jelly, lubricants, disc and tapes as well as smart cards.

Despite of various measures taken by the government and its tax collection authority. ETS collections in Tanzania have been facing a number of problems which made the amount of tax collection to be lower as compared to the actual amount that was targeted or planned in a specified period or financial year. In addressing the above mentioned challenges, the government at different time raised awareness campaigns and increased the ETS businessmen registration, but still ETS collection still continue to be lower to the extent that no one expects it to be collected and pose a great challenge to policy makers, government, Tanzania Revenue Authority (TRA) and proactive stakeholders in revenue collection (URT, 2022).

In 2019, Electronic Tax Stamps (ETS) was introduced in Tanzania for excisable goods to replace the physical paper stamps that were heavily linked to incidents of tax evasion and counterfeiting as one of the government's moves geared towards improving tax administration in the country. In

case of Arusha tax region, number of tax payers do exist with the use of ETS, revenue collections are associated with the increase of ETS registered and not the amount assessed for collections which in turn the ETS collection sometimes is higher or low the estimated or targeted ETS collections.

1.2 Statement of the Problem

Debate on Electronic Tax Stamps (ETS) has been a center of concern for many researchers, mostly addressing the issue related to the increase of ETS registered businessmen/women (Fjeldstad, 2021). In their findings, researchers have linked the problems of low ETS collections with limited public awareness and unsupported infrastructure for ETS collection (Keen, 2021).

The Government of Tanzania through Tanzania Revenue Authority (TRA) and the Development actor that include the International Monetary Fund (IMF) have formulated and implemented various strategies such as endorsing ETS policies, laws, regulations and awareness campaigns, both aims at increasing ETS collections (URT, 2021). There are limited initiatives taken to address the issue of effective use of ETS in business and customers related compliance (Crossen, 2020). Therefore, there is frequent decrease of ETS collection to the extent that government and TRA cannot expect the ETS collection system to be stable as it was expected. Therefore, this study intended to fill the existing knowledge gap regarding the Effects of ETS on government revenue collection in Tanzania with a particular focus on Arusha tax region.

1.3 Objective of the Study

1.3.1 General Objective

This study examine the effects of Electronic Tax Stamps (ETS) in government revenue collection

1.3.2 Specific Objectives

The study focus on attaining the following objectives: -

- i. To assess the implementation of electronic tax stamps in Arusha City .
- ii. To analyze the impact of electronic tax stamps on government revenue collection in Arusha.
- iii. To examine the barriers in implementing electronic tax stamps in Arusha City Council.

1.4 Research Questions

- i. How is the implementation of electronic tax stamps in Arusha City ?
- ii. What are the impact of electronic tax stamps on government revenue collection in Arusha City Council?
- iii. What are the barriers in implementing electronic tax stamps in Arusha City ?

1.5 Scope of the Study

The study examine the effects of ETS in government revenue collection. The study covers a jurisdiction of Arusha city in Tanzania. ETS businessmen and women will be focused in terms of sex, district of business location, education level and type of business as well as key informants from government and Tanzania Revenue Authority (TRA).

1.6 Limitations of the Study

In this study, the researcher got several limitations that challenged the researcher to meet the targeted study objectives, some of the challenges were respondent's socioeconomic activities, read less of some respondents and improper data management to businessmen and government officials.

Respondent's socioeconomic activities was the limitation which expected to challenge the researcher during data collection. In this particular situation, some of the respondents will be very busy in undertaking their business activities. Therefore, the researcher and her team will opt to collect data from such types of respondents in evening hours and weekends so as to meet time required for data collection and to accomplish the study at all.

Read less of the respondents, this situation was attempted to limit the attainment of research objectives. Some of the respondents are expected to opt to answer some of the questions and will escape from answering other questions. For that reason, the researcher will consult various sources of information either hard or soft copies related to ETS and government revenue collection in order to triangulate, validate and fill the existed data collection gap from the respondents.

1.7 Significance of the Study

The study provides baseline information on the effects of ETS for government revenue collection in Arusha tax region and Tanzania in general. It will provide a lesson to the target population of the study area and other places experiencing the same challenges. Moreover, the study will assist

the researcher to integrate her class theoretical learning into practical application in an academic journey of improving her future career goal with respect to Accounting and Finance.

The study examine how the adoption of electronic tax stamps can streamline administrative processes, reduce paperwork, and minimize manual interventions. This efficiency can lead to cost savings for both taxpayers and tax authorities while facilitating faster processing of tax-related transactions.

Furthermore, the study would assist readers in generating information related to ETA and government revenue collection as one of the literature review to those who will be interested in continuing with similar study or other fields on ETS and government revenue collection.

The study identifies and discuss potential challenges associated with implementing electronic tax stamps, such as technological infrastructure requirements, capacity building for tax administration personnel, and stakeholder engagement. Understanding these challenges can provide insights into effective strategies for successful implementation.

1.8 Conclusion

This chapter provide basic information regarding ETS and the government revenue collection by describing the challenge from global, regional and local context which create a knowledge gap that need to be addressed. Furthermore, the chapter present objectives of the study, research questions which need answers to address the targeted research objectives. It finalizes by presenting scope of the study, significant and limitations of the study.

1.9 Organization of the Study

This study comprised of five chapters. Chapter one presents background of the problem, statement of the research problem, objective of the study, research questions, significance of the study, scope of the study and organization of the study. chapter two provides literature review, introduction, conceptual definitions, theoretical literature review, empirical literature review, research gap, conceptual frame work and theoretical frame work, while chapter three gives research methodology , introduction , research design, areas of study, population of the study, sampling design and sample size , variables and measurements procedure, methods of data collection tools , reliability and validity, data analysis and expected research finding. Chapter four reports the research findings and discussion. Finally, Chapter five has come up with summary of finding, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This part presents different studies that have been reviewed by the researcher on issues related to Electronic Tax Stamps and government revenue collection. Basically, the study will focus on conceptual definitions such as Electronic Tax Stamps (ETS) and tax. Theoretical and empirical literature review, knowledge gap, conceptual framework and conclusion.

2.2 Conceptual Definitions

2.2.1 Electronic Tax Stamps

According to Paramasivan and Subramanian, (2020) Electronic Tax Stamps refers to special machine that are installed at the end of a production line to do the stamping of the beer or wine bottles or cigarette packs and automatically submit the count in real time via the internet to the Tanzania Revenue Authority (TRA). Therefore, ETS enable governments to strengthen tax administration and compliance by simplifying the verification, tracking, and monitoring of excisable goods.

Electronic tax stamps refer to digital or electronic versions of traditional tax stamps that are used to indicate that taxes or duties have been paid on specific goods or services. These digital stamps are embedded with unique identification codes or other security features to authenticate their validity and prevent counterfeiting or tampering (IMF, 2013). The implementation of electronic tax stamps aims to enhance tax administration, increase revenue collection, combat tax evasion, and

promote transparency in various industries. These stamps are typically applied to products such as alcoholic beverages, tobacco, fuel, and other excisable goods.

Electronic tax stamps enable tax authorities to monitor the movement and sale of goods in real-time, providing a digital trail of transactions (IMF, 2013). They can be scanned or read using specialized devices or mobile applications to authenticate the product and verify the payment of taxes. The use of electronic tax stamps helps eliminate the use of counterfeit or fake stamps, as the digital nature of these stamps makes them difficult to replicate (IMF, 2013).

2.2.2 Tax

Tax refers to a mandatory financial contribution imposed by the government on individuals and businesses to fund public services and support government functions. It is an essential source of revenue for governments worldwide. Taxation systems vary across countries, but they generally involve levying taxes on income, consumption, wealth, or property. Tax is an obligatory payment by the government on individual or companies to meet the expenditure which is required for public welfare (Njomoke, 2013). Therefore, it is a contribution imposed on any person, business or property for supporting central or local governments.

2.2.3 Revenues Collection

Revenues are inflows or other enhancements of assets or settlements of liabilities from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major, or central, operations. A key characteristic is that revenues are inflows. The enterprise is acquiring something in exchange for providing goods and services to customers. Also, providing these goods and services represents a major operation of the enterprise (FASAB, 2000). This

refers to inflow of resources that the Government demands, earns, or receives by donation. Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations (FASAB, 2005). Revenue refers to the income of government. Revenue is critical as it determines to a large extent how much money will be available for spending.

Revenue collection, this includes collection of revenue, customer management, debt and credit management and indigent registration and management. A large portion of municipal customers are indigent and therefore cannot afford to pay for services this has to be factored into financial planning and strategy development (USAID, 2007)

2.3 Theoretical Literature Review

This study will review a number of theories of ETS and areas of government revenue collection. The four theories are considered to be more relevant that are the Expediency Theory of Taxation, and Revenue Diversification Theory

2.3.1 The Expediency Theory of Taxation

According to Bhartia (2013) the Expediency Theory of Taxation states that every tax revenue collection proposal must pass the test of practicability; this must be adhered by any authority in proposing revenue collection. The theory has ignored the social and economic objective of the government, because to have tax which could not be levied and collected effectively and efficiently is inadequate. Its common and observed to have influence of different groups during tax sources proposition and every group desire to fulfil their interests, these pressures lead to

restructuring of taxes in order to accommodate those interests that can result to inefficient in tax collection. Therefore, the theory advocates that tax is a useful tool used for the government to provide the power to set up policies and can be very effective for economic and social corrective measures, such as income inequality, unemployment and regional disparities. The expediency theory of taxation become relevant to the study as it provides the insight of administrative issues like presence of pressure from social groups in tax proposition and what influence efficient electronic payment system with respect to local government revenue collection.

The Expediency Theory of Taxation is a concept in public finance that suggests taxation should be designed and implemented based on what is most practical and convenient for the government and taxpayers, rather than being solely guided by principles of fairness or efficiency. It emphasizes the importance of considering administrative feasibility and ease of compliance when formulating tax policies. This study likely explores the implementation of electronic tax stamps as a measure to enhance government revenue collection in Tanzania, specifically within the jurisdiction of Arusha City Council. By introducing electronic tax stamps, the government aims to streamline tax collection processes, reduce tax evasion, and enhance compliance. The use of technology in tax administration can help improve efficiency, accuracy, and transparency in revenue collection. These advancements align with the Expediency Theory, as they seek to make tax compliance more convenient and administratively feasible.

2.3.2 The Revenue Diversification Theory

This theory focus on the balancing of revenue sources for business organizations, the financial stability for business organization always increased when an equal balance of multiple revenue sources mentioned in the revenue portfolio (Bernelot, 2013). Therefore, the idea of revenue diversification is very important since it assures the government future cash flow from different sources rather than depend much on certain sources which can lead to risk of fund scarcity when affected by unexpected circumstances. Consequently, the Revenue Diversification advocates much on whether the highly diversified and better balanced revenue portfolio has a positive effect on increase the financial stability as it reduces the revenue volatility of the government and thus results in increases of revenue.

The Revenue Diversification Theory suggests that governments should seek to diversify their sources of revenue to reduce dependence on a single tax or income stream. By diversifying revenue sources, governments can enhance financial stability, mitigate risks associated with economic fluctuations, and reduce vulnerability to external shocks (Bird, & Vaillancourt, 2011).

The Revenue Diversification Theory emphasizes the importance of governments diversifying their sources of revenue. In the context of the study, the implementation of electronic tax stamps in Tanzania could be seen as a strategy to diversify revenue collection methods. By introducing electronic tax stamps, the government aims to enhance revenue collection and reduce tax evasion, thus diversifying their revenue sources and reducing dependence on traditional tax collection methods.

2.4 Empirical Literature Review

2.4.1 Global studies

Adu and Amponsah (2016) examined the factors that influence the number of tax stamp purchased in Twifo AttiMorkwa sub-tax district in Ghana. Data were collected from taxpayers in the study area who qualify for tax stamps using the interview schedule. In total, 305 taxpayers were interviewed. The study employed negative binomial regression model to examine the factors that influence the quantity of tax stamp purchased. It was found that the taxpayer's level of education, the perceived importance he/she attaches to tax payment, guilt feelings and other tax administration factors, including the application of sanctions, the rate of tax audit and distance to tax office were key predictors of tax stamp purchases. Study therefore, recommends that tax auditors should go round at least at the beginning of every quarter to inspect the number of tax stamps that taxpayers have bought. The study also recommends that Ghana Revenue Authority should apply sanctions promptly when taxpayers default payment.

Marangu (2018) determine the effect of demand of excise stamps on monitoring tax revenue in Kenya. Ability to Pay Theory, Optimal Tax Theory and Theory of Tax Evasion were utilized in the study. The target population consists of all the firms in the large taxpayers' office which are 6 in number. Purposive sampling was used where ten respondents from each firm in the large taxpayers' office and the head of large tax payer office in the Kenya Revenue Authority (KRA) made up the sample of the study. The research instrument of the study was questionnaire where closed ended questions were utilized. Multiple regression model was be utilized in the inferential analysis of the study. The study established that the demand for excise stamps has a positive and

significant effect on the monitoring tax revenue in the alcohol industry in Kenya. Also, the study showed that counterfeiting of excise stamps significantly affects the monitoring of tax revenue in the alcohol industry in Kenya. The study suggests that further research can be done on Spirit Manufacturers in the small tax payers office.

Siringi (2020) examined the Impact of ETS on revenue compliance in private business firms in Kenya. The purpose of this study was to assess the impact on the uses of Electronic Tax Registers (ETRs) compliance among private business firms in Kisumu City in Kenya. Based on the research findings the study concludes that the use of ETR has a significant impact on revenue compliance in Kenya. Therefore, the literature is significant to the current study which intends to examine the effects of ETS on government revenue collection in Tanzania.

Westhead (2020) examined the factors influencing business organizations to use electronic payment in government collection in Kosovo using a qualitative method that involved the interpretation and observation, 200 respondents were interviewed. The study found that business knowledge, education of employees, marketing, technology, innovation, financial support, law and regulations, business location, competition, globalization, management and employment competence factors, are affecting negative ETS in revenue collection. Due to the nature of data, observation, belief and ideas it was difficult to measure in a quantitative way.

Ndunda *et. al.* (2019) established the findings that the barriers to ETS development in Kenya were due to the Economic, Social, Telecommunications, legal, individual and organizational barriers, some barriers are moderately positively correlated and others are poor. Through regression

analysis done has shown that telecommunication infrastructures barrier is the most factor hinder the expansion of electronic payment in Kenya, resolving this barrier would have spread effects of other barriers. The study recommended two sides to take charge, on one hand, the government has responsibilities to overcome four barriers that seen to be out of organization arm and on other hand, organization has to take measures to have goals in electronic payment by having good capital structures, working relationship, training to staffs on electronic business and ETS in particular to easier acceptance of new technological changes.

2.4.2 Local studies

A report by Pillai (2019) has revealed that Electronic Tax Stamps (ETS) has big results in revenue collection. It was estimated loss of Tanzania Revenue Authority (TRA) amounted US\$200 million for noncompliance by customers in ETS Laws and further US\$177 Million for informal business out of financial and tax system before 2019/20 financial year. The efforts made by government for business organizations to use ETS in the government revenue collection increased year-to-year with the use of ETS. Despite of the great step achieved on the use of ETS on government revenue collection, the major challenge observed was non-connectivity among different business owners in informal enterprises. The recommendation provided to the government to ensure presence of Infrastructures that support ETS to small business in informal sector, consumers awareness to be increased and shift to digital payments, cooperation to be established in facilitating the ETS, facilitation of self-digital tax assessment to taxpayers and initiating the integrated payment strategies, by having integrated financial system across the business

organizations and regulatory authorities. This sought to cover the existing gap which was not addressed in the contribution of ETS to the business organizations.

According to Paymal (2020) the increasing government revenue collection in Tanzania is associated much the increasing use of Electronic Tax Stamps (ETS) in business organizations. Moreover, in years back 2019, before the use of ETS, the study made by "Agricultural Sector Policy and Institutional Reform Strengthening" (ASPIRES) project, following the challenges pointed in Morogoro region, aimed to evaluate the impact of revenue on business collection, observed the collection national wide was less than one quarter. When the challenges were addressed by introducing the ETS in revenue collection, the results were observed in Morogoro when government revenue collection was increased from 10% to 21% in 2020/21 and 2021/22 consecutively. The study pointed out the challenges faced by TRA in revenue collection was a lack of reliable data due to the use of paper work in government revenue collection, result in non-transparent and created rent seeking opportunities.

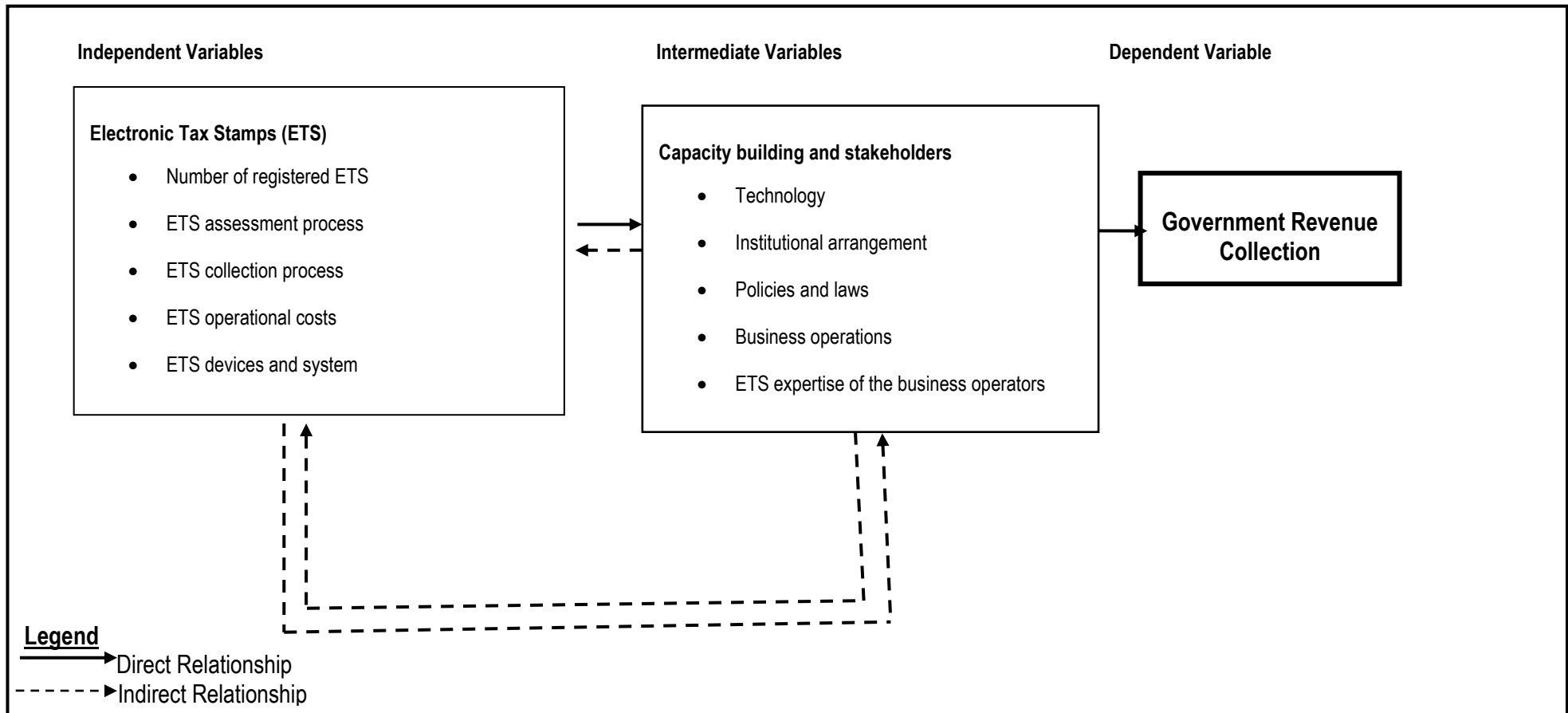
According to Pandu (2012) observed that timely filing of the monthly revenue collection is attributed to many factors and ETS is the one of the factors. Further the introduction of ETS has assisted in cutting costs that the business used to incur in processing tax payment. It was further disclosed that t ETS have enhanced the revenue collection, resulting from sound sales and stock audits. When the researcher evaluates the effectiveness of ETS s in filing revenue collection, it was realized that the use of ETS has assisted the business in different ways.

2.5 Knowledge Gap

The reviewed literature shows that there is more concern of Tax collection through the use of electronic devices in cities of African countries than or tax regions of periphery areas. There is limited studies in the field of ETS for government revenue collection in tax regions located at non-cities. More research is required to focus on the use of ETS on government collection in tax regions as an integral part of the government or national revenue.

2.6 Conceptual Framework

The conceptual framework presented in figure 2.1 simplifies the systematic structure of interrelated elements in some schematic form which describes the relationship between and among concepts and variables, includes independent, intermediate and dependent variables. Government revenue collection is a dependent variable which changes depending on ETS by including a number of variations; number of registered ETS, ETS assessment process, ETS collection process, ETS operational costs and ETS devices and system. Moreover, there are intermediate variables which influence directly or indirectly the government revenue collection, these include technology, institutional arrangement, policies and laws, business operations and ETS expertise of the business operators.



Source: **Researcher's Design (2022)**

Figure 2.1 Conceptual Framework

2.7 Conclusion

This chapter provides basic information on various studies that has been carried out by different authors on different issues related to Electronic Tax Stamp (ETS) and revenue collection. Generally, chapter two of this study assisted the researcher to review various studies that has been conducted by different people across the World as a means of identifying the existing knowledge gap to capture the stated research objectives.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents an explanation of the research methodology through which this study carried out. This chapter presents the research methodology used in data collection in response to the objective of the study. The chapter includes the research approach, research design, area of the study, and population of the study, sample size, sampling technique; research instruments and data collection procedures, validity and reliability, data analysis and expected research findings.

3.2 Study Area

This study was conducted at Arusha City council within the United Republic of Tanzania, the reason for selecting the proposed study area is due to the fact that Arusha is information rich and the area is accessible by the researcher with respect to financial and time resources. Furthermore, the magnitude of government revenue collection is highly increasing.

3.3 Research Design

Descriptive research design was employed in this study. The reason for selecting this type of design is due to the fact that it allows studying different groups of respondents at one point of time. It also provides a suitable room for gathering the required information from different groups of respondents at one point in time through the use of questionnaires and interview methods of data collection.

3.3.1 Research Approach

This study used mixed method (both quantitative and qualitative) approaches in the analysis of the collected data and presentation of the findings for meaningful and easier understanding of different readers of the report.

3.3.2 Target Population

The study involved the population of 759 ETS registered who operate businesses in Arusha City . Also, the study consulted Tanzania Revenue Officials as key informants.

Therefore, the Size of the study drawn from 759 population of the study so as to get manageable representation in relation to time, fund and nature of the data required for carrying out the study.

To minimize sampling errors, Nassiuma (2000) standard formula used to select the required sample size to represent the respondent population.

$$n = \frac{NC^2}{C^2 + (N-1) e^2}$$

Where:

n = Sample Size

N= Population (759)

C= Coefficient of variation (10 %)

e = Sampling Error 1 %

Hence

$$n = \frac{(759) (10 \%)^2}{(10 \%)^2 + (759-1) 1 \%^2}$$

$$n = 88.46$$

Therefore, the study included 88 business organization respondents who operate their business at Arusha city council within the United Republic of Tanzania.

3.3.3 Sampling Strategies

Probability sampling technique employed to select appropriate respondents. With probability sampling, simple random sampling used to pick the respondents from business organizations while with non-probability sampling, purposive sampling will be used to select respondents from key informants or TRA officials.

3.3.4 Data Collection Methods

The study used primary data. Primary data was collected from business organization through the use of closed questionnaires while secondary data will be collected from key informants through the use of structured interviews. Moreover, the non-participant type of observation will be used to obtain information which will not be provided by other data collection methods or to validate the information gathered by questionnaires and interview.

3.5 Validity and Reliability

In order to attain the targeted study objectives, both validity and reliability will be tested and applied accordingly.

3.5.1 Reliability of Data

According to Saunders et al (2003), Reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings. It is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability is

influenced by random error. Reliability of data was checked by applying Cronbach's Alpha which measures internal consistency or average correlation of items in a survey instrument to gauge its reliability. Cronbach's alpha ranges from 0 to 1, with higher values indicating greater internal consistency reliability. The coefficient is calculated based on the average inter-item correlation and the number of items in the scale. Values below 0.70 suggest low internal consistency reliability. Values between 0.70 and 0.80 indicate acceptable internal consistency. Values between 0.80 and 0.90 represent good internal consistency. Values above 0.90 indicate excellent internal consistency.

Table 3.1 below shows that the alpha coefficient for the three objectives is .805, suggesting that the items have relatively high internal consistency. (Note that a reliability coefficient of .70 or higher is considered "acceptable" in most social science research situations.)

Table 3.2: Reliability Test

Cronbach's Alpha	Cronbach's Alpha based on standardized coefficient	N of items
0.805	.796	3

3.5.2 Validity of Data

According to Saunders et al (2003), Validity is concerned with whether the findings will be really as they appear to be about. The accuracy and meaningfulness of inferences will base on the research result analysis. According to (Kothari 2004) validity means the truthfulness of the data and findings in the research while reliability means that if someone repeats the research or

independent observer with the same methods; they get same results or data. In order to achieve validity, this study employed triangulation of methods for data collection and multiple data sources was checked.

3.6 Data Analysis

Data collected from business organizations will be coded, tabulated and analysed through multiple responses in which frequencies and cross tabulation analysis will be used and findings was presented by frequencies and percentages in tables and figures. Also, information from key informants was used to complement data collected from business organizations.

3.7 Ethical Consideration

Participatory approaches was applied to respondents or participants of the study to emphasize their willingness and participation. Awareness was raised to respondents that this research is for academic purposes only and the information that they provide remain confidential.

3.8 Limitations that Influence Research Methodology

Limited extensive knowledge in primary data is the prevailing limitation encountered in research methodology which pose a challenge to researcher on data collection tools and approaches to be used. Therefore, the researcher will use her field work experience and pre testing tools of data collection as a means of understanding the respondents of the study to minimize research errors and biases.

3.8 Conclusion

Chapter three of this study covers the structure within which the study carried out by guiding the researcher and her team in the data collection process, analysis, report writing and presentation. It has useful parts that create a foundation of the study in the attainment of research objectives.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the findings and discusses results. The chapter is arranged into four (4) main sections. The first section presents the demographic characteristics of the respondents. The second section assess the implementation of electronic tax stamps in Arusha City. The third section analyze the impact of electronic tax stamps on government revenue collection in Arusha City Council. The fourth section examine the barriers in implementing electronic tax stamps in Arusha City Council.

4.2 Demographic Characteristics of Respondents

4.2.1 Sex of respondents

Table 4.1 presents the distribution of respondents based on their sex in the study. The table provides both the frequency and percentage of male and female participants. The study includes 45 male respondents, which constitutes 51.1% of the total sample size. This means that slightly more than half of the participants are male. The study includes 43 female respondents, making up 48.9% of the total sample. This indicates that slightly less than half of the participants are female. The distribution of participants based on gender is relatively balanced in this study, with a slightly higher representation of males compared to females. This gender balance is important for the study's validity as it allows for a more comprehensive understanding of how electronic tax stamps affect both male and female respondents.

Table 4.1: Sex of Respondents

Gender	Frequency	Percentage
Male	45	51.1
Female	43	48.9
Total	88	100

4.2.2 Age of respondents

The majority of the participants fall within the age range of 26-45, constituting around 60.2% of the total sample. This age group seems to be the most represented in your sample. They might be well-positioned to provide feedback on the effectiveness of electronic tax stamps and their impact on revenue collection. The participants aged 18-25 and 56 and above make up relatively smaller proportions of the sample, at 17% and 9.1% respectively. The 46-55 age group constitutes around 13.6% of the sample. The age distribution of the sample is crucial for understanding how different age groups respond to the implementation of electronic tax stamps.

Table 4.2: Age of Respondents

Age	Frequency	Percentage
18-25	15	17
26-35	25	28.4
35-45	28	31.8
46-55	12	13.6
56 and above	8	9.1
Total	88	100

4.2.3 Education level of respondents

The education level distribution of the participants in the study reflects the varying levels of formal education among the sample. There are 30 participants with a university education, which accounts for approximately 34.1% of the total sample. These individuals likely have a higher level of education and might be more familiar with technology and its potential benefits. Their understanding of complex systems and their ability to adapt to new technologies play a significant role in how they respond to the implementation of electronic tax stamps. There are 40 participants with a secondary education, making up about 45.5% of the sample. This group represents a wide range of individuals with varying levels of exposure to technology and education. They have a moderate level of familiarity with technology and could potentially have a mixed response to the introduction of electronic tax stamps. Primary education includes 18 participants, accounting for 20.5% of the sample. Individuals in this category have less exposure to formal education and technology. The response of respondents to electronic tax stamps influenced by their familiarity with digital systems and their willingness to adopt new methods.

Table 4.3: Education Level of Respondents

Education Level	Frequency	Percentage
University	30	34.1
Secondary Education	40	45.5
Primary Education	18	20.5
Total	88	100

4.2.4 Experience in Business

The table 4.4 shows the distribution of participants based on their experience in business. It appears that the largest group of participants falls into the "5 to 10 years" category, with 45.5% of the sample having this level of experience. These individuals are relatively new to the business environment and might be more open to adopting new practices and technologies due to their shorter history with established business methods. They might also have a more flexible approach to changes in business processes. The next largest group is those with "Less than 5 years" of experience, accounting for 28.4% of the sample. These individuals are relatively new to the business environment and might be more open to adopting new practices and technologies due to their shorter history with established business methods. They might also have a more flexible approach to changes in business processes. The smallest group consists of participants with "More than 10 years" of experience, representing 26.1% of the sample. This group consists of individuals who have extensive experience and well-established business practices. They might be more resistant to change due to the familiarity and success of their existing methods. Convincing this group to adopt new technologies like electronic tax stamps could be more challenging due to their deeply ingrained practices.

Table 4.4: Experience in Business

Education Level	Frequency	Percentage
Less than 5 years	25	28.4
5 to 10 years	40	45.5
More than 10 years	23	26.1
Total	88	100

4.3 The implementation of electronic tax stamps in Arusha City

The responses for the statement “the electronic tax stamp system is effectively implemented in Arusha City” indicate the participants' opinions on the effectiveness of the electronic tax stamp system's implementation in Arusha City . The majority of participants are in the "Agree" (34.1%) and "Strongly Agree" (26.1%) categories, which suggests that a combined 60.2% of participants perceive the system as effectively implemented. On the other hand, 17.1% of participants have a negative view, with 5.7% "Strongly disagreeing" and 11.4% "Disagreeing". The majority of participants are either in agreement or strongly agree that the electronic tax stamp system is effectively implemented in Arusha City, with a relatively smaller portion having doubts or remaining neutral.

Table 4.5: The electronic tax stamp system is effectively

Response	Frequency	Percentage
Strongly Disagree	5	5.7%
Disagree	10	11.4%
Neutral	20	22.7%
Agree	30	34.1%
Strongly Agree	23	26.1%

Table 4.6 indicates the responses for the statement “The electronic tax stamp system has improved the accuracy and transparency of tax collection in Arusha City”. It found that around 3.4% of participants strongly disagree that the system has improved accuracy and transparency.

Approximately 8.0% disagree with the claim of improved accuracy and transparency. Roughly 17.0% remain neutral on whether the system has improved accuracy and transparency. About 39.8% agree that the system has improved accuracy and transparency. Around 31.8% strongly agree that the system has improved accuracy and transparency. A significant proportion of participants agree that the electronic tax stamp system has improved the accuracy and transparency of tax collection in Arusha City Council. The combined percentage of those who agree and strongly agree is substantial.

Table 4.6: The electronic tax stamp system has improved the accuracy and transparency

Response	Frequency	Percentage
Strongly Disagree	3	3.4%
Disagree	7	8.0%
Neutral	15	17.0%
Agree	35	39.8%
Strongly Agree	28	31.8%

Table 4.7 below provides responses for the statement “the electronic tax stamp system has reduced tax evasion in Arusha City Council”. It was found that 13.6% of participants strongly disagree that the system has reduced tax evasion. Approximately 22.7% disagree with the claim of reduced tax evasion. 28.4% remain neutral on whether tax evasion has been reduced. About 20.5% agree that tax evasion has been reduced. Around 14.8% strongly agree that tax evasion has been reduced. Participants' opinions are mixed regarding whether the electronic tax stamp

system has effectively reduced tax evasion. While a portion agrees or strongly agrees, a notable percentage disagrees with the claim.

Table 4.7: The electronic tax stamp system has reduced tax evasion

Response	Frequency	Percentage
Strongly Disagree	12	13.6%
Disagree	20	22.7%
Neutral	25	28.4%
Agree	18	20.5%
Strongly Agree	13	14.8%

Table 4.8 indicate responses for the statement that “the electronic tax stamp system has simplified tax payment processes for businesses in Arusha City”. It was revealed that about 6.8% of participants strongly disagree that the system has simplified tax payment processes. Approximately 11.4% disagree with the claim of simplified tax payment processes. 20.5% remain neutral on whether tax payment processes have been simplified. About 32.9% agree that tax payment processes have been simplified. Around 28.4% strongly agree that tax payment processes have been simplified. A considerable number of participants hold the view that the electronic tax stamp system has indeed simplified tax payment processes for businesses in Arusha City. The combined percentage of those who agree and strongly agree is notable.

Table 4.8: The electronic tax stamp system has simplified tax payment processes

Response	Frequency	Percentage
Strongly Disagree	6	6.8%
Disagree	10	11.4%
Neutral	18	20.5%
Agree	29	32.9%
Strongly Agree	25	28.4%

Table 4.9 shows the results for the statement that “the electronic tax stamp system has increased compliance among businesses in Arusha City”. About 9.1% of participants strongly disagree that the system has increased compliance. It found that 17.0% disagree with the claim of increased compliance. 22.7% remain neutral on whether compliance among businesses has increased. About 28.4% agree that compliance has increased. While Around 22.7% strongly agree that compliance has increased. The results are somewhat evenly distributed across the different response categories. This suggests that a larger portion of participants believe that the electronic tax stamp system has contributed to increased compliance among businesses, though there is still a notable proportion of participants who are neutral or hold differing opinions.

Table 4.9: The electronic tax stamp system has increased compliance

Response	Frequency	Percentage
Strongly Disagree	8	9.1%
Disagree	15	17.0%
Neutral	20	22.7%
Agree	25	28.4%
Strongly Agree	20	22.7%

During interview session with key informants about how has the implementation of electronic tax stamps affected government revenue collection in Arusha City. The key informants provide the answer below.

One of the key informant said that *"The implementation of electronic tax stamps has significantly improved government revenue collection in Arusha City. Previously, there were cases of tax evasion and underreporting, but with the electronic stamps, it's much harder for businesses to manipulate their records. For instance, I own a small grocery store, and in the past, I used to underreport sales to pay less tax. Now, with the electronic tax stamps, all transactions are recorded automatically, leaving no room for manipulation. This has led to a noticeable increase in the government's tax revenue."*

Another key informant said that;

"The impact of electronic tax stamps has been mixed. While it has helped in improving transparency and reducing tax evasion in some sectors, it hasn't been equally effective across all

businesses. Small street vendors and informal businesses, for instance, still find ways to operate without using the electronic system. Also, the initial cost of implementing the system was high, which some businesses struggled with. So, while there's been improvement, there's still work to be done to bring all businesses into the fold."

Another respondent said;

"I've observed that the electronic tax stamps have streamlined the tax collection process. The government now has real-time access to sales data, which has allowed for more accurate assessment and timely tax collection. I work in a larger retail chain, and the system has made it much easier for us to manage our tax obligations. However, there were a few technical glitches initially, which led to delays in transactions. But overall, it's been a positive change in enhancing revenue collection."

Another respondent said;

"The implementation of electronic tax stamps has been met with resistance from many business owners. Some view it as an additional burden and have protested against it. This resistance has led to delays in full adoption and, in some cases, even non-compliance. It's clear that there's a lack of awareness about the benefits of the system. While the potential for improved revenue collection exists, the government needs to address the concerns and provide more comprehensive education to the business community."

Furthermore during interview respondent said that *"I've noticed that electronic tax stamps have had a positive impact on larger, more organized businesses. They have the resources and*

infrastructure to implement the system effectively, leading to improved revenue collection for the government. However, for smaller businesses, especially in rural areas, the lack of technological readiness has hindered their participation. The government needs to provide more support and incentives for these businesses to adopt the system, ensuring a more balanced impact across the board."

4.4 The impact of electronic tax stamps on government revenue collection in Arusha City Council

Table 4.10 provides results for the statement that “Electronic tax stamps have improved transparency and reduced tax evasion in Arusha City Council”. The majority of respondents (34.1%) agree that electronic tax stamps have improved transparency and reduced tax evasion in Arusha City Council. A significant portion of respondents are neutral (22.7%) on this matter, suggesting that they may not have a strong opinion or might require more information to make a judgment. A combined 19.3% (Strongly Disagree + Disagree) express skepticism or disagreement with the statement

Table 4.10: Electronic tax stamps have improved transparency and reduced tax evasion

Response	Frequency	Percentage (%)
Strongly Disagree	5	5.7
Disagree	12	13.6
Neutral	20	22.7
Agree	30	34.1
Strongly Agree	21	23.9

Table 4.11 provides responses for the statement that “Electronic tax stamps have increased government revenue collection in Arusha City ”. The responses are more evenly distributed for this statement. About one-third of respondents (31.8%) both agree and strongly agree that electronic tax stamps have increased government revenue collection. The neutral responses (17.0%) indicate uncertainty or the need for further evidence. The combined 19.4% (Strongly Disagree + Disagree) expressing disagreement or skepticism suggests that not all respondents are convinced of the positive impact on revenue collection.

Table 4.11: Electronic tax stamps have increased government revenue

Response	Frequency	Percentage (%)
Strongly Disagree	7	8.0
Disagree	10	11.4
Neutral	15	17.0
Agree	28	31.8
Strongly Agree	28	31.8

Table 4.12 provides responses for the statement that “Electronic tax stamps have simplified the tax payment process for businesses in Arusha City ”. A significant portion of respondents (37.5%) agree that electronic tax stamps have simplified the tax payment process for businesses. An additional 28.4% strongly agree, indicating a relatively positive perception. The neutral responses (20.5%) might indicate that some respondents are uncertain about the extent of simplification. The combined 13.6% (Strongly Disagree + Disagree) expressing disagreement suggests that there are concerns about the simplification.

Table 4.12: Electronic tax stamps have simplified the tax payment process

Response	Frequency	Percentage (%)
Strongly Disagree	4	4.5
Disagree	8	9.1
Neutral	18	20.5
Agree	33	37.5
Strongly Agree	25	28.4

Table 4.13 provides responses for the statement that “Electronic tax stamps have increased compliance among businesses in Arusha City ”. A notable proportion of respondents (34.1%) agree that electronic tax stamps have increased compliance among businesses. A similar percentage (30.7%) strongly agrees, indicating that they believe the stamps have had a positive impact on compliance. The neutral responses (18.2%) might suggest that some respondents are unsure about the extent of the impact. The combined 17.0% (Strongly Disagree + Disagree) expressing disagreement or skepticism suggests that not all respondents are convinced about the effectiveness of electronic tax stamps in improving compliance.

Table 4.13: Electronic tax stamps have increased compliance

Response	Frequency	Percentage (%)
Strongly Disagree	6	6.8
Disagree	9	10.2
Neutral	16	18.2
Agree	30	34.1
Strongly Agree	27	30.7

Table 4.14 provides responses for the statement that “Electronic tax stamps have reduced the administrative burden on the government in Arusha City ”. A significant majority of respondents (39.8%) agree that electronic tax stamps have reduced the administrative burden on the government. Additionally, 30.7% strongly agree, indicating a positive perception. The neutral responses (19.3%) suggest that some respondents might need more information or have mixed opinions. The combined 10.2% (Strongly Disagree + Disagree) expressing disagreement suggests that a relatively small proportion of respondents believe the administrative burden has not been reduced.

Table 4.14: Electronic tax stamps have reduced the administrative burden

Response	Frequency	Percentage (%)
Strongly Disagree	3	3.4
Disagree	6	6.8
Neutral	17	19.3
Agree	35	39.8
Strongly Agree	27	30.7

Respondents were asked how would rate the overall effectiveness of electronic tax stamps in Arusha City Council. The results are shown in Figure 3.1 below. Results indicate that a significant portion of the respondents (45.5% combined) perceive the electronic tax stamps as either effective or very effective, while 22.7% perceive them as ineffective or very ineffective. Additionally, about one-third of the respondents (31.8%) are neutral in their assessment of the overall effectiveness. These results suggest a mixed perception of the effectiveness of electronic tax stamps in Arusha City Council among the surveyed individuals.

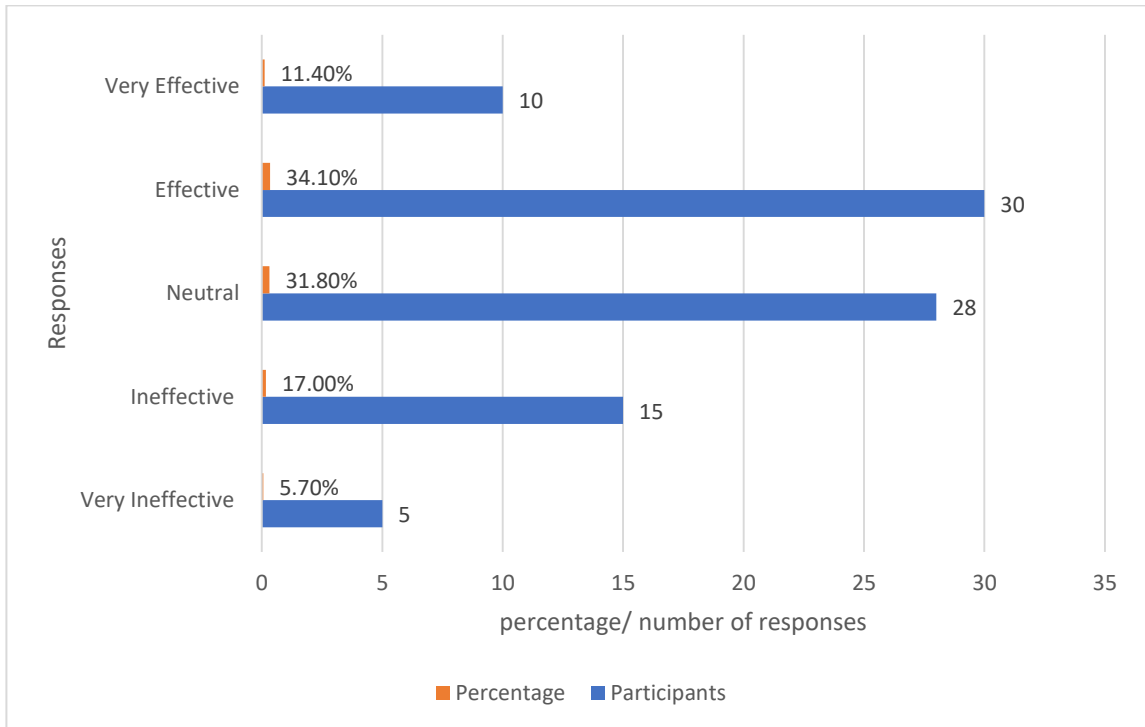


Figure 3.1: Rate the overall effectiveness of electronic tax stamps

Respondents were asked familiar with the electronic tax stamp system in Arusha City Council. Results in Figure 3.2 suggest that the majority of respondents (73.9% combined) have some level of familiarity with the electronic tax stamp system in Arusha City , with 28.4% being very familiar.

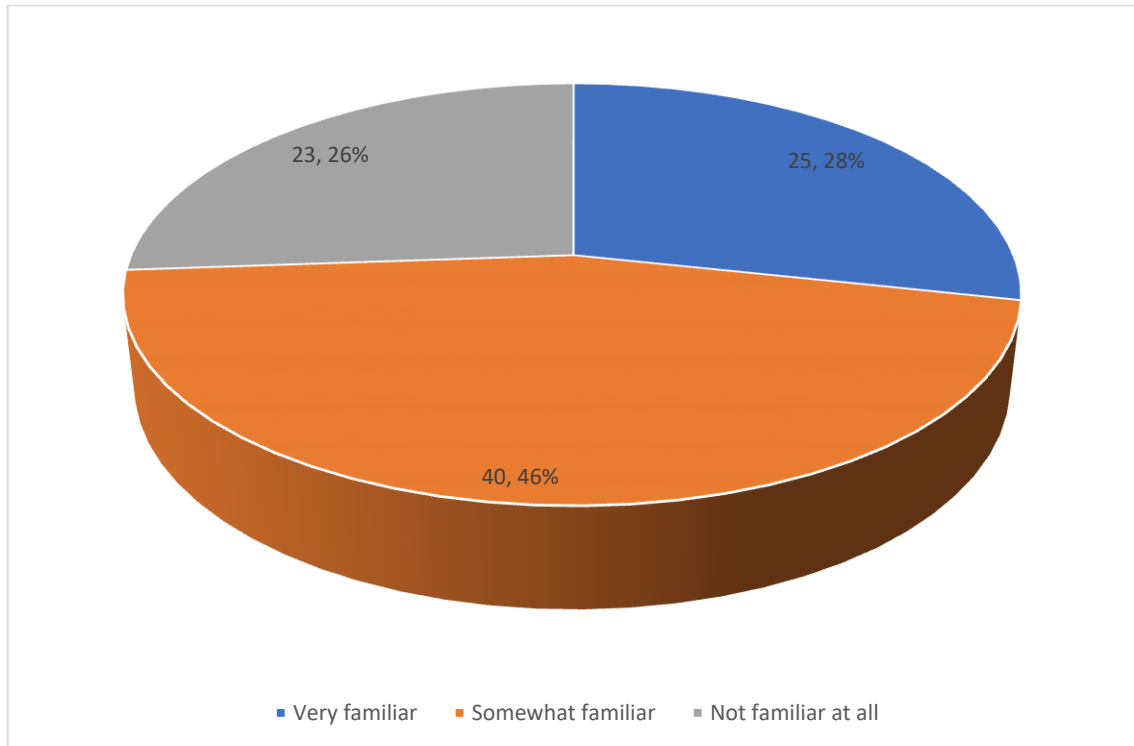


Figure 3.2: Familiar with the electronic tax stamp system

Respondents were asked how satisfied with the information provided by the Arusha City regarding the implementation of electronic tax stamps. From results in Figure 3.3, it can be observed that a significant portion of respondents (47.7%) are either satisfied or very satisfied with the information provided by the Arusha City Council regarding the implementation of electronic tax stamps. However, there are also a notable number of respondents (31.8% combined) who express dissatisfaction or strong dissatisfaction with the information provided.

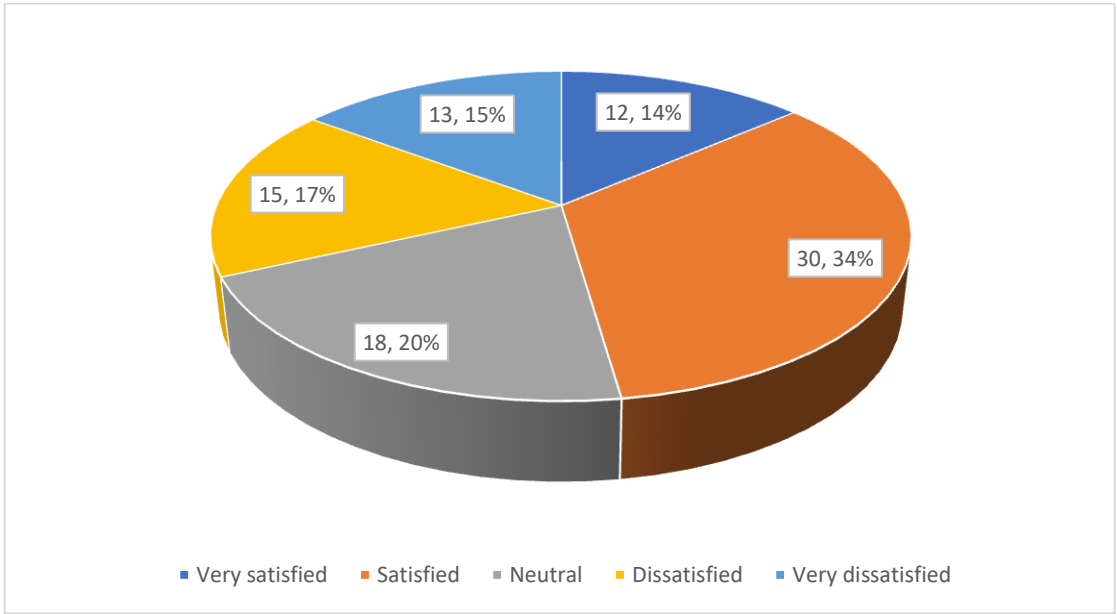


Figure 3.3: Satisfied with the information provided

4.4 The barriers in implementing electronic tax stamps in Arusha City

Table 4.15 depicts lack of awareness and understanding among taxpayers about electronic tax stamps. 11.4% of respondents strongly disagree that there is a lack of awareness and understanding about electronic tax stamps among taxpayers. 22.7% disagree with the statement. 28.4% have a neutral stance. 28.4% agree with the statement. 9.1% strongly agree that there is a lack of awareness and understanding among taxpayers about electronic tax stamps. There is a significant portion of participants (37.5 %) either agree or strongly agree that there is a lack of awareness and understanding about electronic tax stamps among taxpayers. This indicates that addressing awareness and understanding could potentially be important for the successful implementation of electronic tax stamps.

Table 4.15: Lack of awareness and understanding among taxpayers

Response	Participants	Percentage
Strongly Disagree	10	11.4%
Disagree	20	22.7%
Neutral	25	28.4%
Agree	25	28.4%
Strongly Agree	8	9.1%

Table 4.16 shows insufficient training and capacity building for tax officials as the barrier in implementing electronic tax stamps in Arusha City . 5.7% strongly disagree that there is insufficient training and capacity building for tax officials. 17.0% disagree with the statement. 34.1% have a neutral stance. 28.4% agree with the statement. 14.8% strongly agree that there is insufficient training and capacity building for tax officials. It appears that a substantial number of participants (43.2%) express agreement or strong agreement with the notion that there is a lack of adequate training and capacity building for tax officials. This indicates that enhancing training opportunities might be necessary for a smoother implementation process.

Table 4.16: Insufficient training and capacity building for tax officials

Response	Participants	Percentage
Strongly Disagree	5	5.7%
Disagree	15	17.0%
Neutral	30	34.1%
Agree	25	28.4%
Strongly Agree	13	14.8%

Table 4.16 shows limited technological infrastructure and support as the barrier for implementing electronic tax stamps. 5.7% strongly disagree that there is limited technological infrastructure and support. 17.0% disagree with the statement. 22.7% have a neutral stance. 34.1% agree with the statement. 20.5% strongly agree that there is limited technological infrastructure and support. In general, 54.6% of participants agree or strongly agree that there is a challenge related to limited technological infrastructure and support. This highlights the potential need for addressing technological shortcomings for successful implementation of electronic tax stamps.

Table 4.16: Limited technological infrastructure and support

Response	Participants	Percentage
Strongly Disagree	5	5.7%
Disagree	15	17.0%
Neutral	20	22.7%
Agree	30	34.1%
Strongly Agree	18	20.5%

Table 4.17 shows resistance from business owners and taxpayers as a barrier for adopting electronic tax stamps. 9.1% strongly disagree that there is resistance from business owners and taxpayers towards adopting electronic tax stamps. 17.0% disagree with the statement. 22.7% have a neutral stance. 34.1% agree with the statement. 17.0% strongly agree that there is resistance from business owners and taxpayers towards adopting electronic tax stamps. About half of the participants (51.1% combined) express agreement or strong agreement that there is

resistance from business owners and taxpayers towards adopting electronic tax stamps. This indicates that addressing this resistance could be crucial for successful implementation.

Table 4.17: Resistance from business owners and taxpayers

Response	Participants	Percentage
Strongly Disagree	8	9.1%
Disagree	15	17.0%
Neutral	20	22.7%
Agree	30	34.1%
Strongly Agree	15	17.0%

Table 4.18 shows inadequate resources and funding as the barrier for the implementation of electronic tax stamps. 11.4% strongly disagree that there are inadequate resources and funding. 22.7% disagree with the statement. 22.7% have a neutral stance. 28.4% agree with the statement. 14.8% strongly agree that there are inadequate resources and funding. It observed that a significant number of participants (43.2% combined) either agree or strongly agree that there are inadequate resources and funding for the implementation of electronic tax stamps. This suggests that addressing resource and funding challenges could be important for successful implementation.

Table 4.18: Inadequate resources and funding

Response	Participants	Percentage
Strongly Disagree	10	11.4%
Disagree	20	22.7%
Neutral	20	22.7%
Agree	25	28.4%
Strongly Agree	13	14.8%

Overall, the responses indicate that several barriers and challenges exist in the implementation of electronic tax stamps in Arusha City . These challenges range from awareness and understanding among taxpayers to issues related to training, technological infrastructure, resistance, and resource availability. Addressing these challenges could potentially lead to more effective implementation and positive outcomes.

4.5 Discussion of Findings

Many participants perceive that the system is effectively implemented with the notion that successful technology implementation can lead to improved tax administration. Past studies, such as one by Mooketsi and Nleya (2016), found that effective tax technology implementations can enhance revenue collection and streamline processes. This suggests a positive trend in the adoption of electronic tax stamps in Arusha City . It was found that the system has improved the accuracy and transparency of tax collection is in line with research indicating that electronic tax systems can enhance data accuracy and transparency. Electronic records and automated processes can reduce errors and opportunities for manipulation, as mentioned by some respondents. This finding corroborates studies like the one by Alzeban et al. (2019) on the impact of technology on tax transparency. The responses regarding the reduction of tax evasion are consistent with research that suggests technology alone may not completely eliminate tax evasion. The study by Mascagni et al. (2017) on electronic tax compliance systems highlights that enforcement mechanisms, alongside technology, are crucial in combating tax evasion effectively.

The agreement that the system has simplified tax payment processes aligns with findings from studies emphasizing the importance of user-friendly tax systems. Research by Alm and Torgler

(2006) suggests that simplified tax systems can enhance compliance. The agreement that the system has increased compliance among businesses resonates with research emphasizing the role of technology in improving tax compliance. The study by Cummings et al. (2018) on electronic tax filing found that electronic systems can positively influence compliance behavior.

The identified barriers, including a lack of awareness, insufficient training, limited technological infrastructure, resistance, and inadequate resources, correspond with challenges commonly encountered during the adoption of new tax technologies. Research by Brautigam and Zhang (2009) emphasizes the importance of capacity-building and addressing resistance when implementing tax reforms.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of finding, conclusions, recommendations and areas for further study. The main objective of the study was to examine the effects of Electronic Tax Stamps (ETS) in government revenue collection.

5.2 Conclusion

The findings from this study shed light on the implementation of electronic tax stamps in Arusha City. The research revealed that a substantial proportion of participants perceived the system as effectively implemented, leading to improved accuracy and transparency in tax collection. However, opinions were mixed regarding whether the system has reduced tax evasion, simplified tax payment processes, and increased compliance among businesses. Several barriers to implementation were identified, including a lack of awareness, insufficient training for tax officials, limited technological infrastructure, resistance from business owners and taxpayers, and inadequate resources.

While electronic tax stamps have shown promise in enhancing transparency and revenue collection, challenges must be addressed to maximize their potential. The positive impact on government revenue collection is evident, as some respondents attested to reduced tax evasion and improved compliance among larger, organized businesses. However, the study also

highlighted the need for a more comprehensive approach to ensure that smaller businesses and informal sectors are included in the system.

5.3 Recommendations

To Policy Makers and Government

There should be a comprehensive tax reform strategy. Government and policy makers should develop and implement a comprehensive tax reform strategy that includes electronic tax stamps as one component. Ensure that the strategy aligns with broader tax policy objectives and is communicated transparently to all stakeholders.

There should be a launch extensive public awareness campaigns to educate both taxpayers and businesses about the benefits of electronic tax stamps. This should be an ongoing effort to build trust and promote compliance.

Invest in training and capacity building for tax officials, equipping them with the necessary skills to operate and support the electronic tax stamp system effectively. Regularly update training programs to keep pace with technology advancements. Prioritize technological infrastructure development, particularly in regions with limited connectivity. Consider partnerships with private sector entities to expand digital infrastructure. Allocate adequate financial resources to support the implementation and maintenance of the electronic tax stamp system. Explore opportunities for public-private partnerships or seek external funding if necessary.

To Business Owners

Adoption and Compliance: Embrace the electronic tax stamp system as a means to streamline tax processes and reduce errors. Understand that it contributes to transparency and fair taxation, benefiting the business environment in the long run.

Education and Training: Invest in educating your staff about the electronic tax stamp system and its proper usage. Provide training as necessary to ensure compliance.

Leverage Technology: Explore how the electronic tax stamp system can be integrated into your business processes to enhance efficiency and reduce compliance burdens. Leverage technology to your advantage.

5.4 Area for Further Studies

This focus on the impact of electronic tax stamps on formal businesses. However, there's a significant informal sector in many economies that often operates outside the tax net. Future studies can investigate how the implementation of electronic tax stamps affects the informal sector, including small-scale vendors and businesses operating in cash-based economies. That research could shed light on whether electronic tax stamps encourage informal sector participants to enter the formal economy and pay taxes, or if they face unique challenges and barriers in adoption.

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APPENDIX ONE

QUESTIONNAIRE

SECTION A. Demographic Information

1. Gender:

- a) Male
- b) Female

2. Age:

- a) 18-25
- b) 26-35
- c) 36-45
- d) 46-55
- e) 56 and above

3. Education level

- a) University
- b) Secondary School
- c) Primary education and others

4. Experience in business

- a) Less than 5 years
- b) 5 to 10 years

- c) More than 10 years

SECTION B: The implementation of electronic tax stamps in Arusha City

4. Please rate the following statements based on your perception of the implementation of electronic tax stamps in Arusha City Council, using a Likert scale of 1 to 5 (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree):

- a. The electronic tax stamp system is effectively implemented in Arusha City Council.
- b. The electronic tax stamp system has improved the accuracy and transparency of tax collection in Arusha City Council.
- c. The electronic tax stamp system has reduced tax evasion in Arusha City Council.
- d. The electronic tax stamp system has simplified tax payment processes for businesses in Arusha City Council.
- e. The electronic tax stamp system has increased compliance among businesses in Arusha City Council.

5. How has the implementation of electronic tax stamps affected government revenue collection in Arusha City Council? Please provide specific examples or observations.

SECTION C: Impact of Electronic Tax Stamps on Government Revenue Collection in Arusha City

6. Please rate the following statements based on your perception of the implementation of electronic tax stamps in Arusha City Council, using a Likert scale of 1 to 5 (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree):

- i. Electronic tax stamps have improved transparency and reduced tax evasion in Arusha City Council.
- ii. Electronic tax stamps have increased government revenue collection in Arusha City Council.
- iii. Electronic tax stamps have simplified the tax payment process for businesses in Arusha City Council.
- iv. Electronic tax stamps have increased compliance among businesses in Arusha City Council.
- v. Electronic tax stamps have reduced the administrative burden on the government in Arusha City Council.

7. How would you rate the overall effectiveness of electronic tax stamps in Arusha City Council?

- a) Very Ineffective
- b) Ineffective
- c) Neutral
- d) Effective
- e) Very Effective

8. In your opinion, what are the major benefits of implementing electronic tax stamps in Arusha City Council?

9. How familiar are you with the electronic tax stamp system in Arusha City Council? a) Very familiar b) Somewhat familiar c) Not familiar at all

10. How satisfied are you with the information provided by the Arusha City Council regarding the implementation of electronic tax stamps? a) Very satisfied b) Satisfied c) Neutral d) Dissatisfied e) Very dissatisfied

SECTION D: The barriers in implementing electronic tax stamps in Arusha City .

12. Please rate the following statements based on your perception of the barriers in implementing electronic tax stamps in Arusha City Council, using a Likert scale of 1 to 5 (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree):

- a) Lack of awareness and understanding among taxpayers about electronic tax stamps.
- b) Insufficient training and capacity building for tax officials in implementing electronic tax stamps.
- c) Limited technological infrastructure and support for implementing electronic tax stamps.
- d) Resistance from business owners and taxpayers towards adopting electronic tax stamps.
- e) Inadequate resources and funding for the implementation of electronic tax stamps.

13. In your opinion, what are the key barriers to implementing electronic tax stamps in Arusha City Council? Please explain.

14. How do you think the implementation of electronic tax stamps can be improved in Arusha City Council?