

ABSTRACT

Regardless of the introduction and implementation of electronic filing system in Tanzania since 2012, the proportion of taxes to Gross Domestic Product (GDP) ratio has remained at the average of 12.1% which is far less below the average of OECD standard of 24% for African countries. Nevertheless, since the commencement of e-filing system in the country, there is no published studies conducted to assess the effect of using e-filing system on domestic tax collections in the country. Therefore, this study aims to fill this knowledge gap by assessing the effect of adopting e-filing systems on domestic tax collections by comparing the amount of tax revenue collected through the e-filing system (2012 - 2021) versus traditional methods (2002 - 2011). The practical importance of the study is on its usefulness for policy makers and Tanzania Revenue Authority (IRA) in improving the adoption and usage of e-filing system for domestic tax collections in Tanzania. This contributed towards the efforts of achieving voluntary tax compliance and increased tax collection in the country. In theoretical perspectives, it adds value in understanding the applicability of the theories on adoption of technology and innovation in the local context. The study employed a cross-sectional study design, with the application of both quantitative and qualitative research methods. The study was conducted at Kilimanjaro tax region where a sample size of 400 taxpayers using e-filing system was randomly selected for administering questionnaires. Further, the regional manager, regional accountant and system manager were purposively selected for in-depth interviews. The researcher also collected secondary data including statistics for taxpayers using e-filing system and domestic tax collections in Kilimanjaro tax region before and during e-filing period. It was found that the rate of adoption of e-filing systems increased rapidly from 59% to 92% in 2012 — 2021 respectively after the introduction of e-filing system. The common technical challenges associated with the implementation of e-filing system includes e-filing network failures (mean = 4.61), slow speed network (mean = 4.21), computer illiteracy (mean = 4.11), tax system complexity, power and Internet outage and lack of online support. Pearson product-moment correlation test indicated that domestic tax collections in the region was positively and significantly correlated with the number of e-filing taxpayers ($r = 0.987$, $p = 0.000$) and the rate of adoption of e-filing system ($r = 0.922$, $p = 0.000$) during the e-filing period of 2012 — 2021. The researcher concludes that there is high rate of adoption of e-filing systems in Kilimanjaro tax region from 2012 - 2021. Further, the e-filing network failures, slow speed network, computer illiteracy, tax system complexity, power and internet outage, lack of online support and internet security risk are the major technical challenges affecting the implementation and use of e-filing system in the study area. Furthermore, the e-filing system has a significant positive effect on domestic tax collections in the study area during the e-filing period. It is recommended that the government and tax authorities should regularly monitor and evaluate the e-filing system to identify areas for improvement.