

**ASSESSMENT ON THE EFFECTIVENESS OF AGENCY NOTICE AS TAX
RECOVERY MEASURE FOR THE TANZANIA REVENUE AUTHORITY**

A Case of Arusha Tax Region

SEVERINI MASSAWE WILBALD

**A Research Report submitted in partial fulfillment of the Requirements for the
Master's Degree in Business Administration, Leadership and Governance of the
Institute of Accountancy Arusha**

December, 2021

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By

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October, 2021

CERTIFICATION

I, the undersigned certify that I have read and hereby recommend for acceptance by Institute of Accountancy the report titled: "Effectiveness of agency notice as tax recovery measure for the Tanzania Revenue Authority, A Case of Arusha Tax Region" in fulfilment of the requirements for the Master's degree in Business Administration-Leadership and Governance offered at the Institute of Accountancy Arusha.

.....

(Supervisor Signature)

.....

(Supervisor Name)

Date

DECLARATION

I, Severini Massawe Wilbald declare that this report is my own original work and that it has not been presented and will not be presented to any university for similar or any other degree award.

Signature.....

Date.....

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DEDICATION

This research project is dedicated to my fellow students whom we undertake training together at IAA since the contents of this report will apply in their daily life as business men or employees at different sectors whereby tax is inevitable aspect to them and finally dedication is made to my family that encourage and support me to undertake studies at IAA.

ACKNOWLEDGEMNT

This work could not have been possible without the extensive moral and material support from a substantial number of people, being it directly or indirect. It is therefore impossible, within this limited space to thank all the people whose assistance has enabled me to produce this work. However, a few people and institutions deserves a special appreciation despite the limited space available.

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
CRM	Customer Relationship Management
CG	Commissioner General
LDCs	Least Developed Countries
MOFP	Ministry of Finance and Planning
OLS	Ordinary Least Square
OECD	Organization for Economic Cooperation and Development
TDMN	Tax Debt Management Network
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
WDI	World Development Indicators

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*

CHAPTER ONE

INTRODUCTION

1.1 Introduction

In this introductory Chapter the underlying reasons for this study are explained and an overview of the study is provided. The Chapter present a brief overview on background of the study followed by a well-structured problem statement, objectives of the study, research questions as well as the limitations and the significance of the study to policy formulators, fellow researchers, and academicians in general.

1.2 Background of the Study

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. It is believed that, taxation (the system in which the government uses its authority to impose compulsory levies or collect taxes from citizens and non-citizens) started in the ancient civilizations of Palestine, Egypt, Babylonia, and Assyria during an era where individuals/citizens did not have property rights over their possessions and therefore, everything on the land was under their leaders (say kings or queens), whom at first forced their people to work for them in order to satisfy the needs of such leaders. This made such rulers to be very wealthy and rich and when these rulers realized that they were not rich enough then they resorted to taxing their own people and from there 'taxation' was born (Rosen, 2009).

Over the years, different forms of governments have emerged and each has tried to come up with its own systems of tax collection and administration. Taxes collected by the governments are used

in several ways including; financing investments in human capital, to provide incentives for private-sector development, provision of social services like electricity and pure water supply, meeting public debts, and investing in various social and development projects, among others (The World Bank, 2021). Despite numerous efforts undertaken by world governments to collect as much revenues as possible through taxation, still it has been observed that there are those who fail to pay their taxes to the government on time and hence imposing a difficulty to such governments to finance their activities and operations effectively. Over the years, different strategies have been adopted by various governments worldwide to deal with such individuals or firms. But in most cases, these measures have involved imposition of fines and penalties to taxpayers who fail to pay their taxes on time, and this has somehow helped to reduce the cases of tax evasions, tax avoidance and other forms of non-compliance.

For instance, in the United Kingdom, various measures have been adopted over the years to fight the above problems include; imposing penalties for those who deliberately help others to evade tax offshore (HM Revenue & Customs, 2019). Also, in order to fight the growing problem of tax avoidance in Belgium, the Organization for Economic Cooperation and Development (OECD) forum on tax administration's, Tax Debt Management Network (TDMN) was created with the main aim of sharing successful practices in tax debt management, including the use of behavioral insights and innovative tools and, to undertake collective work where appropriate in order to address collective challenges facing Belgian economy, one of them being a growing tendency of tax avoidance by a growing number of individuals and businesses in the country (OECD, 2020).

In Africa, just like in many other parts of the world, the problems of tax avoidance and tax evasion are still facing the countries, in which most of them are still poor and developing. Many studies

conducted on the region on the extent of tax avoidance as well as tax evasion in Africa have pointed out that most of these affected countries are in the Sub-Saharan Africa. As a result, it is believed that, in order to deal with such challenges successfully and for the betterment of these poor and developing economies, a series of coordinated multi-institutional actions at the domestic level need to be undertaken. This involves combination of inter-ministerial actions and strengthening of lead institutions in order to win a battle against tax avoidance as well as tax evasion in Africa (*Economic Development in Africa Report, 2020*)

According to Cascais (2019), African countries are still losing a lot of valuable tax revenue each year (at least \$50 Million in taxes), an amount which is greater, even compared to the amount of foreign development aid received in the region on an annual basis. This has led to the eruption of massive development challenges to these countries including; poor physical infrastructures, and non-functioning public service provisions, among others as argued by Lisa Grossmann of the German-based *Netzwerk Steuergerechtigkeit* (NWSG).

The East Africa is among most affected regions in the continent as far as tax avoidance and tax evasion are concerned. For instance, in East Africa, it has been observed that, a majority of these known as international companies tend to extract valuable resources such as oil, natural gas, and coal on a large scale from countries like Mozambique and Tanzania, while in return they pay very low taxes to these countries. This kind of exploitation has made these countries to remain poor and developing and as a result, they keep on relying on subsidies from developed countries abroad to finance their development activities and operations. To fight such challenges, East African States have decided to adopt several measures (including cohesive measures) such as the use of Agency Notice to non-compliant taxpayers by the Tanzania Revenue Authority (TRA) in Tanzania.

Since tax recovery approaches are many the study aims at observing the effectiveness of Agency Notice as one of Tax Recovery Measure applied by TRA in Tanzania, therefore the study was carried out to investigate as to whether this cohesive measure (Agency Notice) it is effective in collecting tax debts using Arusha Tax region as a case study.

1.3 Statement of the Problem

According to Section 67(1) of the Tax Administration Act (2015) of Tanzania, which states that, "*In executing powers under section 67 of the Act, the Commissioner General shall serve an Agency Notice to the third-party debtor who owes money to the taxpayer*" (Tax Administration Act 2015), the Commissioner General (CG) of the Tanzania Revenue Authority (TRA), has powers to issue an Agency Notice to a third party to whom a taxpayer owes money for the third party to pay the money owed to the taxpayer by TRA in case where a taxpayer fails to pay tax debt on time however despite of using this recovery measure raised concerns from stakeholders which necessitate assessment of its effectiveness in terms of tax collection in Tanzania Arusha being case study.

However, in 2020 the Government of Tanzania made some constitutional amendments to the above mentioned bill. These amendments were published on 28 February 2020 as Government Notice No. 169 of 2020 (Rex Attorneys, 2021). The amendments were made under sections 28, 30, 92, 94 and 98 of the Tax Administration Act [Cap 438 R.E. 2019]. Before the amendments, the Commissioner General's powers under section 67(1) and Regulation 91 were not expressly restricted in any way, but the regulated amendments made some changes to this provision of the law. The amendment states, "*(3) Sub regulations (1) shall not apply to bank accounts held in banks in the United Republic by mining companies in which the Government of the United Republic has shares and has concluded an agreement with the company unless there is a court decree*

issued to the Commissioner General after final completion of judicial proceedings.” (RSM (East Africa) - Tax, 2019). According to the above amendment it is clear that, the powers of the CG to issue agency notice does not apply to the mining companies in which the Government of Tanzania has shares into unless a Commissioner General of TRA has been provided with a Court Decree to recover tax through Agency Notice this pauses why restriction occurred in 2020 while the law was in place since 2015, the government observed impact of CG to apply this approach as tax recovery measure for mining companies stated above.

Therefore, tax debts are result of current and accumulated taxes which were not audited earlier that needs to be collected at once after assessment of taxes is completed, taxpayers who fail to pay on time suffer the recovery enforcement by using Agency Notice Approach.

The goal of agency notice is to facilitate tax recovery from a tax payer who fails to pay taxes on time and hence preventing the government from losing its valuable revenue to be collected. Despite minor changes made upon the provisions of section 67 of the Tax Administration Act, 2015 announced by Dr. Phillip Mipango [Minister of Finance and Planning] on 28 February 2020, that limited powers of CG of TRA from issuing Agency Notice to the mining companies in which the Government of Tanzania has shares, the authority extends to all other enterprises/taxpayers. As Tanzania Revenue Authority considers the issuing of agency notice by the Commissioner General to be very important in raising government revenue, therefore a research need to be carried out to investigate effectiveness of Agency Notice as Tax Recovery Measure. Therefore, despite the use of coercive measures like agency notice as a tax recovery method, still the collection of tax debts is not successful to the acceptable level since uncollected tax debts keep on increasing. This study

will therefore investigate the effectiveness of the Agency Notice issued by Commissioner General of TRA to third party debtors towards tax recovery, a case study of Arusha Tax Region.

1.4 Objectives of the study

The study objectives were divided into main objective and specific objectives respectively;

1.4.1 Main Objective of the study

The main objective of the study was to assess the effectiveness of agency notice on tax recovery in Tanzania.

1.4.2 Specific objectives

The study was guided by the following specific objectives;

- i. To examine the effects of agency notice approach to taxpayers in Arusha region.
- ii. To assess other alternative approach for tax recovery
- iii. To assess the effect of agency notice on tax recovery of unpaid tax debts in Arusha

1.5 Research Questions

The study objectives were further guided by the following research questions

- i. What is the side effect of using agency notice approach to tax payers?
- ii. What is the best alternative approach for tax recovery in Tanzania?
- iii. To what extent does the agency notice assist tax recovery for unpaid tax debts?

1.6 Scope of the study

The study will be conducted in Tanzania, and Arusha tax region will be used as the case study. Arusha Tax Region was selected because it is among the performing regions in the country in terms

of revenue collection per annum, that is to say, Arusha is among regions in the country with a reliable source of government revenue each year. Also majority of researchers consider Arusha Tax region to be among regions faced with a bad reputation of Tax Evasion, mostly from Small and Medium Enterprises (SMEs) from different parts of the region (Elinatii, 2020). This shows that Arusha Tax Region is among regions of the country where the Commissioner General of TRA issues agency notices to third party debtors each year since the introduction of agency notice in 2015, and as a result researcher is expecting to obtain sufficient data in the region concerning the effectiveness of agency notice as tax recovery measure necessary to pursue the study under consideration effectively and efficiently.

1.7 Significance of the study

The focus on the effectiveness of agency notice as tax recovery measure in Tanzania will provide an inordinate insight towards the collection of tax debts by the government through TRA. The study will act as an empirical investigation providing insight to other researchers on how the objectives examined would be relevant in enhancing revenue collection through taxation and improvement in the performance of TRA in tax collection and administration. Moreover, the current study will be very crucial to the government of Tanzania, academicians and other stakeholders supplementing them with more information about the strengths and weaknesses of the agency notice as a tax recovery measure so that it could make contribution to further policy formulations. And as per the investigation what other methods would seem to be better in collecting tax debts apart from agency notice to minimize unpaid taxes by taxpayers.

1.7 Limitation of the study

One of the limitations of this study is on the inaccessibility of some data (exact numerical facts) which the researcher considers to be of the prime important for the study under consideration from the institutions studied (including TRA). It is believed that, some of data are not easy to acquire since some of them are confidential, even if all the necessary processes will be followed effectively. However, the researcher decided to walk an extra mile in order to obtain such valuable details for the study under consideration. This involved various processes, such as; preparation of an introduction letter for the researcher, which state briefly the objectives as well as the significance of the study under consideration. Also the researcher decided to fetch a letter from ward executive officer from local government to be presented to such institutions showing that the researcher is a well-recognized citizen, tax-payer and a law abiding citizen of Tanzania. Furthermore, the study will be limited in terms of literatures since the Agency Notice law in TRA operations started to be used bitterly in 2015, after the fifth government phase and as a result the researcher lacks enough empirical evidence/support on its effectiveness as Tax Recovery Measure in Tanzania. However, most of the literatures adopted in this study were retrieved from various reliable sources including; government newspapers, websites as well as the World Development Indicator (World Bank).

1.8 Layout of the Study

This study has been organized in five main chapters; the first chapter is introduction which includes background to the study, statement of the problem, research hypothesis, objectives, scope, significance as well as the limitation to the study. The second chapter covers the literature review which includes both theoretical and empirical literature reviews together with the conceptual framework. The third chapter was research methodology which includes research design and

approach, the study area, data source and sample size, variables and their measurements, validity and reliability of data, data analysis methods and ethical consideration, the fourth chapter covered the presentation and discussion of findings, data collected was analyzed and presented using descriptive and inferential statistics whereas the last chapter; Chapter five concentrated on conclusion and recommendation of the study objectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The aim of any government in the world is to raise enough revenue which in return is used to improve and promote the living standards of its people through various ways such as; provision of social services, meeting public debts, and investing in various social and development projects. To achieve this, over the years, different governments have tried different measures to prevent unnecessary loss of this valuable government revenue. As a result, various theoretical and empirical dialogues have taken place regarding issue of taxation, tax evasion and agency notice issuance as among measures of tax recovery and how it has contributed to the increase revenue to the government. In this chapter, we are going to review various theoretical literature concerning revenue theories and the empirical literatures which in one way or another are related with the study under consideration.

2.2 Conceptual Definitions

2.2.1 Tax Collection

Tax is any compulsory payment levied by the government on its individuals and business organisations to be used to finance government spending and other various government expenditures in a given fiscal year. The process of collecting or obtaining tax from taxpayers (individuals or legal entities) is called tax collection. Tax collection is very important in achieving of government plans and objectives as well as improving the living standards of its people. In collecting taxes, various governments in the world have come up with numerous methods which enable them to collect enough revenue and at the same time saving time and money. For instance, in Tanzania,

tax collection methods/tools include the use of banking systems or mobile networks as main channels and stakeholders in tax collection, in which such banking systems have given rise to other ways of tax collection for unpaid taxes from taxpayers by the government such as agency notice. In Tanzania, the functions of tax collection and administration have been placed on the shoulders of Tanzania Revenue Authority (TRA) which is headed by the Commissioner General (CG) who is in charge of tax collection in the country. The whole process of tax policy overseeing is done by the Ministry of Finance and Planning (Mrema, 2018).

2.2.2 Tax Recovery

Section 59, subsection (a) and (b) of the Tax Administration Act [Cap 438 R.E. 2019], specify that, in case a taxpayer (individual or legal entity) fails to pay taxes to TRA on or before the specified date, then “...*the tax due and payable by such person may be recovered as a debt due to the Government in any proceeding before a court of competent jurisdiction.*” Tax Recovery ensures that all the tax payers in the country meet their legal obligations to pay their fair shares of taxes to their government on time. Tax recovery procedures such as issuing of agency notice by the Commissioner General of TRA to the third party debtors are normally triggered by the taxpayer’s material tax non-compliance (Verdi, 2016). Tax recovery procedures tend to vary from one country to another based on each country’s structure of internal regulations adopted. Normally in Tanzania when taxpayer fails to pay tax on time several procedures needs to be followed as directed under Tax Administration Act 2015 part VIII whereby Tax authority apply the power granted under the law to recover or collect such tax from taxpayer or third party person.

Tax Recovery can be done using power granted under section 59 of TAA “Suit for unpaid tax” this is the recovery measure when by tax authority sue taxpayer for not paying taxes on time since it

stipulated in the law by involving court action to enforce taxpayer to make payment through the court order, S.60 of TAA "Security for withholding Tax" so under this procedure Commissioner General shall have first claim over the tax or assets before any distribution in liquidation or bankruptcy of a withholding agent is made, that means CG becomes preferential creditor in the event of liquidation or bankruptcy and therefore we may secure unpaid tax in this manner, S.61 "Charge over assets" this is the recovery measure applied by tax authority to impose charge on assets owned by taxpayer when he or she fails to pay tax the assets owned by the defaulter are attached to TRA for example a car may be restricted from any transfer to another person until when tax is fully paid or land may be restricted from sale by imposing charge to commissioner of land not to allow transfer and this power is obtained from this section of the law to facilitate tax payment for defaulters, the law requires Commissioner General to serve the taxpayer with a written notice indicating taxpayer Name, Taxpayer Identification Number (TIN), the assets charged, The extent of charge, the tax to which the charge relates and details regarding the Commissioner General's power of sale under section 62. Also the assets will be charged to the extent of unpaid taxes including interest for late payment under section 76 of tax administration Act 2015 and in case of assets registered under registrar CG should have made application to register that charge and after payment of fully taxes the charge is removed from the taxpayer assets under charge, S.62 "sale of charged assets" after all procedure to create charge have been followed CG has power now to sale such assets which were charged for him/her to recover amount of tax that was not yet paid. "TAA 2015 Section 62.-(1) The Commissioner General shall serve a taxpayer with written notice of intention to sell charged assets owned by such taxpayer. (2) The notice served under subsection (1) may accompany a notice referred to under section 67 and it shall specify- (a) the taxpayer's name and Taxpayer Identification Number; (b) the charged assets, the Commissioner General's

intention to sell those assets and the proposed method and timing of sale; and (c) in the case of tangible assets that the Commissioner General intends to take possession of, the manner in which and place at which the possession will take place. (3) In exercising his powers under subsection (1), the Commissioner General- (a) may exercise such powers directly or through an authorised agent; (b) shall serve the person with a notice prior to taking possession; (c) may, for the purpose of taking possession with the assistance of the police enter any premises or place described in the notice; The Tax Administration Act [CAP. 438 R.E 2019] 53 (d) shall, at the time of taking possession, provide the taxpayer with an inventory of assets seized; and (e) in the case of movable assets, may store the assets, at the cost of the taxpayer, at any place that the Commissioner General considers appropriate. (4) The Commissioner General shall, after serving a taxpayer with a notice under subsection (1), sell the charged assets by public auction. (5) The sale under subsection (4) shall not take place before- (a) in the case of an interest in land or buildings, thirty days after taking possession; (b) in the case of perishable goods, one day after taking possession; (c) in the case where charged assets are tangible assets other than assets referred to under paragraph (a) and (b), fourteen days after taking possession; and (d) in any other case, ten days after the service of the notice under subsection (1). (6) The proceeds of sale shall be used to pay- (a) the costs of charge and sale of the assets sold; (b) the outstanding tax and interest accrued with respect to that tax under section 76; and (c) any other unpaid tax. (7) The Commissioner General shall, after disbursing proceeds for sale pursuant to subsection (6), serve the taxpayer with a written notice stating the manner in which the sale proceeds were applied. (8) Where there is any balance of money after making payment under subsection (6), such balance shall be paid to the taxpayer. (9) Where the sale proceeds are insufficient to pay in full the costs of charge and sale, the tax due and interest accrued with respect to that tax, the The Tax Administration Act [CAP. 438 R.E 2019]

54 Commissioner General may proceed to collect the insufficiency with fresh actions under this Part or Sub Part (C). (10) This section shall not be construed to restrict the exercise of any rights that the Commissioner General has over a security created under section 60 or 61. (11) The activities of the Commissioner General under this section shall be exempted from stamp duty and any other transaction taxes. S.63 "Restraint person" 63.-(1) Where a person fails to pay tax on time and such person is likely to flee from the United Republic, the Commissioner General may, by notice in writing or any other means of official communication to the Director of Immigration Services, order the Director of Immigration Services to prevent that person from leaving the United Republic. (2) The Director of Immigration Services shall, on receiving the notice, prevent the person from leaving the United Republic for a period of fourteen days from the date the notice is served. (3) The Commissioner General shall, where the person pays the tax or arranges for payment in a manner satisfactory to him, withdraw a notice issued under subsection (1). (4) The High Court may, on application by the Commissioner General, extend the period referred under subsection (2).

64.- (1) The Commissioner General may, subject to subsection (2)- (a) restrain the goods, vehicle, vessel or any other asset; (b) restrain and search any premises, place, vehicle, vessel or any other asset which he believes the goods, vessel or vehicle are located; (c) mark, lock up or seal any building, room, place, receptacles or item of plant in any factory, exercisable goods, or materials in a factory; and (d) use reasonable force for the purposes of paragraphs (a) and (b). (2) The powers of the Commissioner General under subsection (1) shall be exercised if the Commissioner General is satisfied that- (a) the value added tax has not been paid in respect of the supply or import of goods; (b) a vehicle contains any fuel on which road and fuel tolls has not been paid; (c) transit charges have not been paid with respect to a foreign vehicle; (d) motor vehicle registration or

transfer tax has not been paid with respect to a vehicle; (e) section 36(1) or a provision of any tax law has been breached; or Cap. 147 (f) any provision of the Excise (Management and Tariff) Act has been breached with respect to excisable goods. (3) The Commissioner General may exercise the powers referred to under subsection (1) in conjunction with any other powers of the Commissioner General granted under this Act. (4) Where the Commissioner General has restrained an asset under subsection (1), he shall- (a) serve a written notice to the possessor of the asset; or (b) in the absence of the possessor, leave the notice at the premises or place where the restraining takes place. (5) The notice shall- (a) identify and list the assets restrained; (b) state that the assets have been restrained under this section and the reason for the restraint; and the (c) set out the conditions for release and terms for disposal of any assets seized. (6) The Commissioner General may restrain an asset for a period sufficient to raise a jeopardy or adjusted assessment and exercise the powers under sections 66 and 67. (7) Where there is no person who, within the period referred to under subsection (6), has proved to the satisfaction of the Commissioner General that he owns assets referred under subsection (1)(a), the Commissioner General may treat the assets as charged assets and sell them in accordance with section 62.

Recovery from third parties

This is the tax recovery procedure that involve taking tax money from someone else other than taxpayer who fails to pay tax, the law empower tax authority from third party debtors of a taxpayer who fails to pay tax on time this is a powerful means stated in the law so as to safeguard government revenue leakage.

TAA 2015 Section 65.-(1)states, Where an entity fails to pay tax on time, a manager or a person who was the manager of that entity during the time of occurrence of the default shall be jointly and

severally liable with the entity for payment of the tax. (2) The provisions of subsection (1) shall not apply where the manager has exercised the degree of care, diligence, and skill that would have been exercised in preventing the failure to pay tax. (3) Where a person pays tax under subsection (1)-(a) that person may recover the payment from such entity; (b) for the purposes of paragraph (a), the person may retain out of any assets of the entity in or coming into the possession of the person an amount not exceeding the payment; and (c) no claim may be made against that person by the entity or any other person with respect to the retention.

66.-(1) a person who has been appointed to be a receiver shall notify the Commissioner General of his appointment in writing within fourteen days from being appointed or taking possession of an asset situated in the United Republic. (2) The Commissioner General may serve a receiver with a notice in writing specifying an amount that appears to be sufficient to provide for any tax due or that will become due by the taxpayer whose assets come into the receiver's possession. (3) After receiving a notice under subsection (2), a receiver- (a) shall sell sufficient of the assets that come into the receiver's possession under the receivership to set aside, after payment of any debts having priority over the tax referred to in the notice, the amount notified by the Commissioner General under that subsection; and (b) is liable to pay to the Commissioner General on account of the taxpayer's tax liability the amount set aside. (4) The receiver shall, to the extent that he fails to set aside an amount as required by subsection (3), be personally liable to pay to the Commissioner General on account of the taxpayer's tax liability the amount that should have been set aside but may recover any amount paid from the taxpayer. (5) For purposes of this section- "receiver" means any person who, with respect to an asset situated in the United Republic, is- (a) a liquidator of an entity; (b) a receiver appointed out of court or by a court in respect of an asset or entity; (c) a trustee

for a bankrupt person; (d) a mortgagee in possession; (e) an executor or administrator of a deceased individual's estate; or (f) conducting the affairs of an incapacitated individual;

Third party debtors and guarantors (Agency Notice) 67.-(1) Where a taxpayer fails to pay tax on time, the Commissioner General may serve on the third party debtor who owes money to that taxpayer a notice in writing requiring that person to pay the money to the Commissioner General. (2) The third party debtor shall, upon the receipt of the notice under subsection (1), pay the money equivalent to the amount of tax due to the Commissioner General on the account of the taxpayer's tax liability and on the date specified in the notice. (3) The date specified in the notice shall not be before- (a) the date the money becomes payable to the taxpayer or is held on behalf of the taxpayer; or (b) the date the third party debtor is served with the notice. (4) The Commissioner General shall serve the taxpayer with a copy of the notice after service of the notice on the third party debtor. (5) Amounts payable to the Commissioner General by a third party debtor under subsection (2) or by a guarantor under a security shall be treated as tax and, once due, may be recovered as tax. (6) The following shall be treated as money owed to a taxpayer- (a) money currently owing or that may subsequently become owing to the taxpayer; (b) money held or that may subsequently be held for or on account of the taxpayer; (c) money held or that may subsequently be held on account of a third person for payment to the taxpayer; and (d) money held by a person who has authority from a third person to pay the money to the taxpayer.

2.2.3 Agency Notice

As far as Tanzanian Taxation system is concerned, Agency Notice (Third party debtors and guarantors) is stipulated under section 67 which is the main subject of our study to assess its effectiveness or (also known as Garnishee Notice from literature referred in this dissertation).

Agency notice refers to a written announcement issued legally by the Commissioner General (CG) of Tanzania Revenue Authority (TRA) to a third party debtor holding money of a TRA's debtor to recover the tax debt owed. It is important to note that, in Tanzania such powers of the CG to recover tax from a third party debtor by means of Agency Notice originate from the provisions of section 67 of the Tax Administration Act, 2015 which was later on modified through amendment to the Tax Administration (General) Regulations, 2016 by Miscellaneous amendments of 2020. The aim of such amendment was to restrict the powers of the CG of TRA when it comes to the issuance of agency notices as tax recovery measures to specified industry particularly mining companies where the government has shares. Before the initiation of the amendment in 2020, such TAA of 2015 applied to all the entities in the country, but the amendment adds sub regulation 3 to regulation 91 which reads as follows:

“(3) Sub regulation (1) shall not apply to bank accounts held in banks in the United Republic by mining companies in which the Government of the United Republic has shares and has concluded an agreement with the company unless there is a Court decree issued to the Commissioner General after final completion of judicial proceedings.” This implies that, the Commissioner General (CG) of Tanzania Revenue Authority (TRA) is no longer permitted to issue agency notices to third party debtors holding money of the mining companies in which the Government of Tanzania holds shares (FB Attorneys, 2020).

2.3 Theoretical Literature Review

2.3.1 A Theory of Tax Evasion in Developing Countries

Over time, different scholars have come up with various theories to revise the issue evasion and avoidance in different economies as well as reasons behind such acts. Some scholars have also tried to come up with different suggestions and propositions to be adopted by tax authorities so as to reduce the extent of tax evasion and avoidance as well as other forms of tax non-compliance. However, most of these theories have been based on explain the rationale behind tax evasion by taxpayers. For instance, most of literature on tax evasion elaborate that, most of taxpayers (individuals or legal entities) normally wish to evade or cleverly escape from paying taxes entirely but the only reason they do not do so is due to the fact that there is a zero-probability of not being caught by their governments or in other words, they fear to be caught by the tax authorities in their countries. Also, these studies elaborate that among the main reasons behind tax evasion by some taxpayers is that, the governments normally use the fines and taxes obtained from tax evaders to purchase goods which yield no utility to taxpayers, and this upsets some taxpayers and hence they decide to start practicing tax evasion. One of these theories is the Theory of Tax Evasion in Developing countries, proposed by Errol D'Souza in 2016 which explains the rationale behind tax evasion in developing countries like Tanzania.

According to this theory, it is argued that, in most of developing countries, individuals practice tax evasion so as to compensate for the imperfect financial markets present in their countries as well as for the government expenditures which do not benefit them at all. The theory also argues that, tax evasion normally increases when there is under provision of public services in the economy or when the government directs policies at groups in which the taxpayer has no membership in. In

such cases, the taxpayers view tax evasion as a means of shifting the allocation of their incomes in favor of investments and hence away from government expenditure policies that have a little benefit on them (D'Souza, 2016).

2.4 Empirical Literature Review

This study will be conducted on the effectiveness of Agency Notice as Tax Recovery Measure in Tanzania using Arusha Tax Region as a case study. The empirical review on the importance of tax recovery as well as the impact of tax evasion to the economy has been discussed over the past years by a number of scholars. The debate has enclosed all economies (both developing and developed).

The study conducted by OECD (2020), showed the importance of the government to come up with modern and more innovative tax recovery measures, instead of relying only on judicial or coercive tax debt recovery measures. This enables the government to collect enough tax revenue for the sake of its growth and development. The study proposed the development of dedicated communication strategy especially during this era of COVID-19 Pandemic will help to facilitate a supportive relationship with taxpayers as well as bringing in tax revenue to fund public services.

Dhasmana (2020) on the use of coercive tax recovery measures (such as issuing of agency notice to third party debtors) in India, indicated the decision of the Central Board of Direct Taxes (CBDT) to restrict the coercive and intrusive powers of assessing and tax recovery officers with immediate effect. According to the Board, the introduction of these coercive measures of tax recovery were established to be used in very rare and few cases such as when other measures of tax recovery such as persuasive measures of tax recovery fail to work and not otherwise. The rationale behind

such a decision is to protect the economy against social and political unrests but also to maintain the investment atmosphere in the country.

OECD, (2019) reported how other tax recovery measures, apart from coercive measures (such as issuing of agency notice to third party debtors) had a significant impact on tax debt collection. In preparation of this report, Togo was one of the studied countries. It was observed that, after signing and ratification of the Multilateral Convention on 30 January 2020, Togo was able to exchange tax information with more than 135 jurisdictions. This step has enabled Togo to implement various forms of administrative co-operation, including international assistance and AEOI in the recovery of tax debts, methods which have been proved to be very productive in tax debt recoveries.

Orlova, Nasyrova and Salmina (2019) examined the extent of tax debts in Russia as well as ways for reducing them. Their study revealed that, governments deciding to adopt coercive tax recovery measures, such as the use of agency notice as tax recovery measures are normally influenced by the size of such debts i.e. the debts are normally too big and as result the tax authorities decide to adopt such coercive measures to reduce the extent of such tax debts. Instead of relying on such coercive tax recovery measures, the study advised the governments to adopt suitable strategies to improve tax legislation and hence reducing tax debts in the first place. Such proposed measures include; developing a mechanism for crisis management, carrying out bankruptcy prevention through the organization of financial monitoring of the state of affairs, both in each organization and the industry as a whole. According to OECD (2019), the growth and size and of unpaid tax debts is a key concern for many tax administrations in different parts of the world. It has been observed that, in many tax regions, tax debt continues to grow despite the introduction of more successful debt collection strategies (including agency notice issuance). Facing this challenge, it is recommended

that, tax administrations all over the world, including in developing countries like Tanzania, need to seek even more cost-effective, strategic, innovative, and coordinated ways to prevent debt from arising and to deal with the collection of tax arrears or debts.

Kuchumova (2019) examined the enforcement of tax recovery and explains when it is optimal to impose coercive recovery measures such as the suspension of a driver's license or the revocation of a passport and issuance of agency notice by the Commissioner General (CG) of the TA to third party debtors. The study showed that, coercive recovery measures are very significant for quick recovery of tax debts since they influence the taxpayer (say debtor) immediately even though the study conclude that such coercive tax recovery measures are not the panacea in all cases.

Verdi (2016) showed that, in most cases, judicial or coercive measures of tax recovery such as the use of agency notice are very costful and bureaucratic and therefore in most countries persuasive tax recovery measures are more preferred. Nevertheless, it is clear that the procedure used will depend on the taxpayer's behavior. As a result, many Tax administrations have made some progress, focusing on optimizing the procedures so as to be more effective in conducting administrative recoveries. For this purpose, different strategies and developments have been implemented, such as telephone calls, and electronic notifications. These amicable recovery methods have been observed to have very positive results in some Tax Administrations in different parts of the world.

Sheridans (2016) examined the effectiveness of Garnishee Notice (also known as Agency Notice) as tax recovery measure. Study considers an issuing of garnishee notice as an efficient and cost-effective way for the Tax Authorities to collect outstanding tax debts despite the fact that, the use of a coercive power in tax recovery is only used in circumstances where other methods or measures of tax recoveries (say persuasive measures) have failed. The study also elaborates about some of

the necessary steps normally undertaken by tax authorities before issuing the agency notices to third party debtors. Some of such steps include; assessment of the financial position of the tax debtor and the steps taken by the tax debtor to make payment as well as the extent of any other debts owed by the tax debtor. It is important to note that, once agency notice is issued to a third party debtor, immediate actions must be taken as the service of a garnishee notice may have a detrimental impact on the tax debtor's cash flow.

A study conducted by Margherita Ebraico and Savino Rua (2015) on the assessment of the Performance of the Italian Tax Debt Collection System identified that, Italy's tax recovery seems to be well-staffed and powerful , and this has been made possible by the use of tax recovery measures including; the use of withholding taxes, advance payments and e-payments. It has also been revealed that, Italy has the key administrative elements useful for performing well in tax debt recovery. One area requiring much more attention is on the use of technology in tax recovery. So the study encourages more use of ICT in tax recovery in Italy so as the government can collect more revenue.

Hybka (2015) compared the efficiency of tax debt collection in some developed countries (Poland, Germany, and the United Kingdom). The study realized that, the efficiency of tax collection of a tax administration or jurisdiction does not always depend on a type of coercive tax recovery measure adopted, instead one among very important determinants of tax debt collection is the trade/business cycle. The study revealed that, due to the issue of liquidity problems of entrepreneurs, increased tax evasion rates, decline in the incomes and consumption of taxpayers, an economic crisis may lead to substantial increase in tax arrears/debts even if the government may decide to adopt judicial or coercive tax recovery measures such as issuing of agency notices to third party debtors.

However, the study recognized the importance of persuasive and coercive tax recovery measures in tax debt recovery. It is believed that, with proper enforcement, such measures are very significant in collecting tax debts/arrears.

2.5 Research Gap

As it was stated earlier in Chapter one, despite the use of Agency Notice as tax recovery measure in Tanzania still level of tax debts keep on increasing so research aim to assess how effective the approach is since relying on this measure may overlook other means of tax recovery .Also studies conducted abroad come up with suggestions that prompted researcher to validate effectiveness of the approach and also Excellency President Samia Suluhu Hassan after being sworn March 2021 directed TRA to avoid using coercive approaches such as task force and agency notice and her approach was seen calm and diplomatic with reconciliatory tone. She argued collected taxes through coercive approach are not sustainable and order all agency notice to be uplifted from banks. Therefore, the researcher intends to undertake this research in Tanzania using Arusha Tax Region as a case study so as to analyze whether the approach is effective or not to supplement the current order to uplift the agency notice for all taxpayers who had pending taxes with TRA.

Description of research gap by National Audit tax arrears report communicated to Arusha management on 09.09.2021

TAX ARREARS REPORT ANNUALLY ARUSHA TAX REGION					
FINANCIAL YEAR	OPENING BALANCE	ADDITION DURING THE YEAR	TOTAL ARREARS/RECEIVABLE/UNCOLLECTED TAXES BY THE END OF YEAR	AMOUNT RECOVERED	% OF RECOVERY
2017/2018	33,178,400,669.00	49,286,918,694.00	82,604,759,363.00	-	-
2018/2019	82,604,759,363.00	68,660,315,547.00	151,265,074,910.00	7,756,133,896.00	5%
2019/2020	151,265,074,910.00	49,128,890,844.00	200,393,965,754.00	6,045,789,394.00	3%
2020/2021	200,393,965,754.00	64,406,602,736.73	264,800,568,490.73	5,549,021,757.56	2%
TOTAL	467,442,200,696.00	231,482,727,821.73	699,064,368,517.73	19,350,945,047.56	3%
SOURCE: TAX ARREARS REPORTS COMMUNICATED BY NATIONAL AUDIT AUDITORS TO ARUSHA MANAGEMENT ON 09.09.2021					

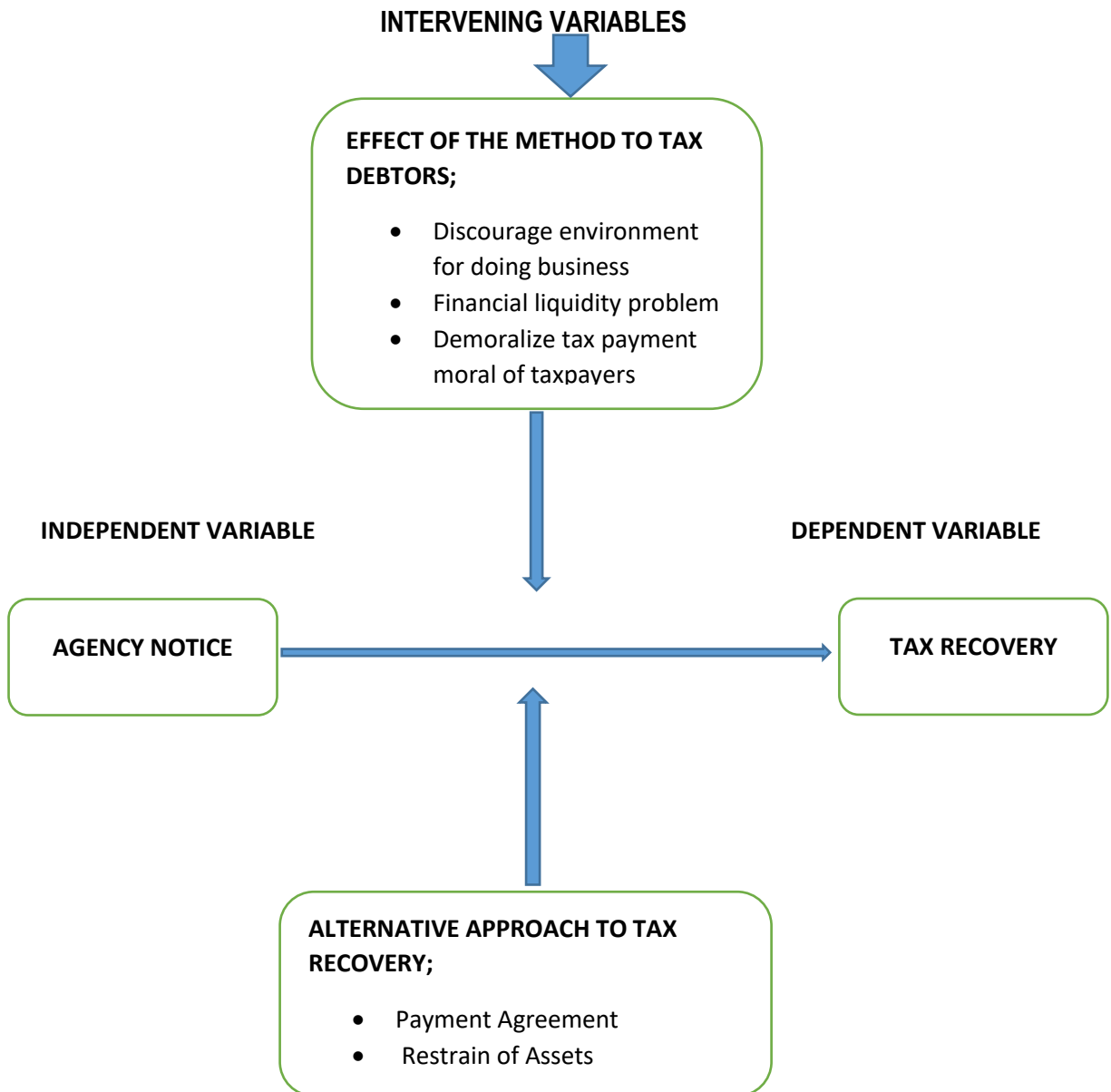
From the above table is clear that level of tax debts keeps on increasing despite the use of Coercive measures such as Agency Notice the report depicted the gap that is why research assessed effectiveness of the Agency notice as one approach to tax recovery in Tanzania particularly Arusha Tax Region.

2.6 Conceptual Framework

The conceptual framework is the narrative outline presentation of variables to be studied and hypothetical relationships between and among variables. In order to meet the objectives of the research and identify the variables for data collection, a conceptual framework has been developed.

The researcher treated tax recovery as the dependent variable whereas the agency notice was treated as independent variable. Tax recovery is measured as the amount of collected tax from the total tax debts by the means of agency notice. Agency notice stands for the collection approach or methods used by TRA to recover unpaid tax debts. The study have two intervening factors which are; effect of the method to tax debtors as well as the alternative approach to tax recovery. These factors in one way or another may affect or stimulate the tax recovery. The conceptual framework presented in Figure 2.1 below

Figure 2.1 Conceptual Framework



Source: Researcher (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter enlightens on the methodology which was employed in conducting this particular study. The chapter details the study approach, area of the study, target population, sample design and size, sampling techniques, types of data that was used in this study, data collection instruments and procedure, and data analysis plan.

3.2 Research Design

Kothari (2015); defines research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in procedure. According to McMillan and Schumaker (2001) a research design is a plan for selecting subjects, research sites and data collection procedures to answer the research questions. This study used case study design which is concerned with describing the characteristics of a particular individual or group (Kothari, 2004). As far as this study is concerned, case study design was used where Arusha was involved as a case study.

3.3 Research Approach

The selection of an approach employed in any research normally rest on the nature of the question under consideration and objectives of the research itself. There are two basic approaches to research, namely, quantitative approach (involving the generation of data in a quantitative form) and qualitative research (involving the subjective assessment of attitude, opinions and behavior) (Kothari, 2003). Quantitative research approach will be adopted in this study as since it is objectives

rather than qualitative counterparts which is subjective in nature and therefore the results obtained will be generalized to the entire population.

Quantitative approach quantifies variables in terms of numbers using statistical procedures to process them while qualitative study doesn't quantify variables in terms of numbers, instead it explains variables in exploratory basis. Although there is a difference between quantitative and qualitative research, the two paradigms should not be considered as oppositional but rather as complementary components of scientific and disciplined inquiry (Gay & Airasian, 2000).

3.4 Area of the Study

The study was conducted in Arusha tax region, in Tanzania. Arusha Tax Region was selected because it is among the performing regions in the country in terms of revenue collection per annum, that is to say, Arusha is among regions in the country with a reliable source of government revenue each year. Also, a majority of researchers consider Arusha Tax region to be among regions faced with a bad reputation of Tax Evasion, mostly from Small and Medium Enterprises (SMEs) from different parts of the region. Moreover, Arusha region is among regions of the country where the Commissioner General of TRA issues agency notices to third party debtors each year since the introduction of agency notice in 2015 through Tax Administration Act.

3.5 Population

Population of the study refers to the population to which a researcher wants to generalize the results of the study. The population may involve a larger group of people, institution or things that has one or more characteristics in common on which a study focuses. It consists of all cases of individuals or elements that fit a certain specification (Debois (2018). In this study, the targeted population will

be all active limited companies in Arusha region which is about 4600. Since time will be very constrained, as well as to financial resources it will be difficulty to survey all the companies in the areas. Therefore, the sample will be extracted from the list of these companies in Arusha.

3.6 Unit of Analysis

The population of the study included two groups, individual companies as well as TRA in the study area. However, the study was undertaken basically on company's perspectives and therefore directors of individual companies will be used as the unit of analysis for this study. TRA will be used as key informants for the study and data collected from them will be used to supplement data collected from directors of companies sampled.

3.7 Sampling Procedures

According to Dhivyadeepa (2015) sampling refers to the process of selecting a small group from the larger population that acts as the representative sample of that population. The study will employ non-probability sampling design to get sampling units (frame).

Under non-probability sampling technique, the purposive sampling technique will be used to select those respondents from the directors of companies with tax arrears. Therefore, the researcher will employ purposive sampling technique to select the list of companies with tax arrears in the region.

3.8 Sample Size

For the purpose of this study the sample size will be selected using the Solvin's formula as follows;

$$n = \frac{N}{1 + N \cdot e^2}$$

Where n = number of samples, N = total population=5800; e = standard error of sampling where 10% is tolerated.

Therefore, using the formula

$$n = \frac{4600}{1 + 4600 \cdot 0.1^2} = 98$$

Therefore, a sample of 98 companies will be assessed and data will be collected from them.

Table 3.2: Sample selections

Category of respondents	Target Population	Sample Size	Sampling Technique
Active Limited Company	4600	98	Purposive
Total	4600	98	

3.8 Data Collection Methods

In this study both primary and secondary sources of data was used. Primary and secondary data was collected; Data refers to the recorded factual material commonly accepted in the scientific community as necessary to validate research findings. Research data takes many different forms. Data may be intangible as in measured numerical values found in a spreadsheet or an object as in physical research materials such samples of rocks, plants, or insects (Albertson and Hillemann, 2019). Both primary and secondary data as was used to get enough information as far as the study is concerned.

3.8.1 Primary Data

Primary data was collected using questionnaires. Questionnaires will be used to collect information from companies with tax arrears in Arusha. According to Kothari (2004), questionnaires cover a large number and area compared to other methods like interviews. The information generated from questionnaires can be verified and cross-checked against the information collected using other data collection techniques. Questionnaires are generally less expensive and do not consume a lot of time in the administration. In this study, the questionnaire techniques will enable the researcher to reach all stakeholders included in the study at the same time thus, the collection of data will be easy and cheap.

3.8.2 Secondary Data

Secondary data was gathered from various sources including both published sources such as, TRA reports, journal articles (printed and electronic) research reports, dissertations, seminar and conference proceedings and books.

3.9 Data Analysis Method

Data analysis is the process of inspecting, rearranging, modifying and transforming data to extract useful information from it. Also, it is important to make sure that data analysis is done in a responsible for determining the patterns of the relationships among the variables relating to it (Chapman, 2018). Data will be collected, and then coded and analysed using Statistical Package for Social Science (SPSS) software. Frequency and percentage will be used to analyse the demographic characteristics of respondents and descriptive statistics will be used to analyse the two objectives of the study which are, number one is to examine the effect of agency notice

approach to taxpayers in Arusha region and number two is to assess other alternative approach for tax recovery in Tanzania.

As for the first objective, the simple linear regression will be used to establish the relationship between the agency notice which is measured by the amount of tax arrears of the respective company and tax recovery which is measured by the amount of tax debts collected from the approach used.

The simple model can be constructed as follows;

$TR_i = \alpha + \beta AN_i + \varepsilon_i \dots\dots\dots \text{Eqn. 1}$
--

Whereby;

TR = Tax recovery

AN = Agency Notice

α, β = stand for estimated parameters in a model.

ε_i = Is the error term, account for all other factors/methods which may influence tax recovery but they were not included in the model.

3.10 Validity and Reliability

3.10.1 Validity

According to Blerkom (2009), validity refers to whether or not the test measures what it claims to measure. The validity of the instruments for data collection was done through expert review and pilot testing. Pilot study was done and any correction or adjustments was made accordingly in

relation to the topic under study. The results of the pilot study was not included in the final research findings.

3.10.2 Reliability

Reliability is the degree to which a test is consistent and stable in measuring whatever it is measuring. Reliability requires the administration of the same test to the same respondents twice with a short time interval after the first test. A reliability analysis using Cronbach's alpha (α) was conducted to estimate the reliability of the predictor variables. Cronbach's α analysis is a useful way of determining internal consistency and homogeneity of groups of items in tests and questionnaires (Burns & Burns, 2008). Ranges of Cronbach's alpha value are $\alpha \leq 0.30$ (Unreliable), $0.30 < \alpha \leq 0.40$ (Barely reliable), $0.40 < \alpha \leq 0.50$ (Slightly reliable), $0.50 < \alpha \leq 0.70$ (Reliable), $0.70 < \alpha \leq 0.90$ (Very reliable) and $\alpha > 0.90$ (Strongly reliable). Therefore the generally agreed upon lower limit for Cronbach's α is 0.70. According to Masanja (2019), reliability ensures the section of the test produces similar results as well as they measure the same hypothesis. Therefore to that extent, the Cronbach alpha for the established questionnaires should exceed 0.7 for it to be reasoned as reliable data.

3.11 Ethical Considerations

Ethical consideration in research is not only essential but also necessary to ensure that participants are treated with dignity and respect during the study. (Saunders, Lewis, and Thornbill, 2009) argue that ethical issues are very important to be considered in the study such as voluntary participation, no harm to the participants, ensuring anonymity and confidentiality and avoiding deception. Ethical issues in this research will be observed, among other things, confidentiality about the information gathered from the respondents was also maintained, and researcher will only use secured data for

academic purposes only and ensuring that the respondents' personalities was not disclosed. Additionally, the researcher obtained the consent of respondents before they were involved in the study. Apart from that the feedback of the study will be shared to all stakeholders which will be involved in the study.

Moreover, no manipulation encountered in analysing the data. The researcher will utilize the data as they were collected from the field and relevant source. Above all no plagiarism and fabrication of data will be encountered. Everything used and that will be used in preparing this work will be (were) given proper acknowledgment.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the analysis and discussion of data collected from the fields and reports; both qualitative and quantitative data were analyzed in accordance to the specific objectives. The study assessed the the effectiveness of agency notice on tax recovery in Tanzania, taking Arusha as a case study. Both quantitative and qualitative data were collected through questionnaires and TRA reports respectively. Questionnaires were administered to different business undertakings in Arusha region while secondary data for tax arrears and tax recovery were collected from TRA offices in Arusha. The qualitative data was coded and analyzed by the use of SPSS program through descriptive statistics while the quantitative data gathered was analyzed using inferential statistics (multiple regression analysis).

4.2 Response Rate

The researcher targeted a sample of 98 respondents from companies in Arusha for which all 98 responses were obtained. This represented a 100% response rate. This is considered a reliable response rate for data exploration as Babbie (2002) postulated that any response of 50% and above is adequate for analysis.

Table 4.1: Response Rate

	Number	Percentage
Responded	98	100%
Did not respond	NIL	0%
Total	98	100%

Source: *Research Findings, 2021*

4.3 Respondent Profile Analysis

The researcher investigated the background characteristics of companies that respondents originated. This include type of organization/institutions that they operate, the main activities undertaken by them, and periods the companies/ businesses operate. This enable the study to generate more precise insight of the group of respondent from different companies at Arusha region.

4.3.1 Type of Business Operations

The researcher intended to investigate the type of business operations that companies are dealing with. This was captured because it is a demographic attribute that has significance through linkages with companies operations and revenue generation process of the firm.

Table 4.2: Companies Profile

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Product	66	67.3	67.3	67.3
	Services	32	32.7	32.7	100.0
	Total	98	100.0	100.0	

Source: *Research Findings, 2021*

The findings from Table 4.2 above shows that most of the companies operating in Arusha region are product oriented, meaning they are engaged in either production or selling of goods. The findings depict that 67.3% percent (equivalent to 66 companies visited) of the companies in Arusha are product oriented. Moreover, the findings show that only 32.7% of the companies, (equivalent to 32 visited companies) are service oriented. The findings can be concluded that, most of the companies in Arusha are dealing with product rather than services.

4.3.2 Main Activities Undertaken

Moreover, the researcher further investigated the type of activities that the companies/businesses are operating. For instance, if its services, then what kind of services, or if its product, specifically what kind of product. Result are shown in Table 4.3 below.

Table 4.3: Companies Main Activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Commercial activities	65	66.3	66.3	66.3
	Financing development Program	14	14.3	14.3	80.6
	Consultant Firm	12	12.2	12.2	92.9
	Construction activities	7	7.1	7.1	100.0
	Total	98	100.0	100.0	

Source: Research Findings, 2021

The sample of 98 respondent targeted by the researcher from companies in Arusha for which all 98 responses were obtained. This represented a 100% response rate. The result shows that most of company's activities in Arusha region are undertaking commercial activities, where by 65 activities (equivalent to 66.3 percent) operated by the company are commercial activities. Therefore the result indicate that 14 activities (equivalent to 14.3 percent) operated by companies in Arusha are financing development program activities, followed by consultant activities 12 (equivalent to 12.2 percent) operated by the company. Lastly the result indicate that 7 activities (equivalent to 7.1 percent) operated by company are construction firm. Nevertheless, the researcher found that 65 companies (equivalent to 66.3) being operated by companies in Arusha region are operating in commercial activities. Therefore, the findings generally concluded that, most of the companies available in Arusha are commercial companies.

4.3.3 Period of Operations

Additionally, the researcher further examined the period for which the companies/business are operating, and the result from the field shows that most of companies which account to 61, (equivalent to 62.2 percent) are being operated in a period from zero to ten years, while 22 companies (equivalent to 22.4 percent) are being operated between the period of eleven to twenty years. Lastly 15 companies (equivalent to 15.3 percent) are being operated between twenty one years and above. Therefore this show that most of companies in Arusha region have enough experience in the market and therefore they are well paying different kind of tax which gives a room for the objectives to be further investigated. The findings are shown in Table 4.4 below.

Table 4.4: Period of Operations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-10	61	62.2	62.2	62.2
	11-20	22	22.4	22.4	84.7
	21- Above	15	15.3	15.3	100.0
	Total	98	100.0	100.0	

Source: Research Findings, 2021

The researcher further examined the companies/business are operating, and the result are shown on the table 4.5 below. The findings show from 98 companies which were examined and that brings the equivalent of 100 percent total sample of all companies in Arusha Region, 92 (equivalent of 93.3 percent) companies are aware of agency notice as applied by TRA that is when tax payers fail to pay tax on time, bank account are freezed and payment of tax is paid from companies accounts without the approval of the company owner. Where about 6 companies (equivalent to 6.1 percent) are un-aware of the agency notice. Thus make a researcher to recommends that most of companies are aware of the agency notice as applicable by TRA and that agency notice approach is extremely used.

Table 4.5 Agency Notice

	Yes		No	
	Count	Row N %	Count	Row N %
Have you heard about agency notice?	92	93.9%	6	6.1%
Is your company ever been exposed to agency notice?	81	82.7%	17	17.3%

Source: Research Findings, 2021

Nevertheless, to that, despite the fact that most of the companies have heard about the agency notice approach, 81 companies (equivalent to 82.7% percent) companies have been exposed to agency notice, while 17 companies (equivalent to 17.3 percent) have never been exposed to the agency notice. This makes the researcher to conclude by saying that many company have exposed to this coercive measure. And provide a room to further investigate as to what the method does and how they are affected by it. To get appropriate answers on how the method affect the taxpayers, the researcher also examined to check on how the taxes are paid after being exposed to notice. The findings are shown in Table 4.6 below.

Table 4.6: How Does Your Company Pay Tax After Exposed to Notice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	By force	76	77.6	77.6	77.6
	Voluntarily	22	22.4	22.4	100.0
	Total	98	100.0	100.0	

Source: *Research Findings, 2021*

The findings show that, 98 respondent provided their answer as being shown in Table 4.5 above. The results indicate that 76 respondent (equivalent to 77.6 percent) paid their tax arrears by force after being exposed to agency notice. While 22 respondents (equivalent to 22.4) paid by voluntary. This can be categorized as the payment agreement were made between the TRA and the company. This show that most of companies have already been exposed to this coercive measure which are being exposed by the TRA.

4.4 Effectiveness of Agency Notice on Tax recovery in Tanzania.

The analysis with regards to specific objectives were analysed using frequencies and descriptive statistics as follows. On descriptive statistics, Likert scale was used where the interpretation was based on the mean value, that; Mean of 1-1.66 represent strongly disagree; Mean of 1.67-2.32 represent neutral and mean of 2.33-3 represent strongly agree.

4.4.1 First Objective: The side-effect of Agency Notice approach to tax Payers

The first objective was intended to find out the effect of agency notice approach to tax payers in Arusha region. The researcher investigated as to whether the approach seem to be effective method of collecting tax debts to tax payers, based on taxpayers perceptions, also whether agency notice disturb operation of business within the company, as to whether agency notice leads to financial liquidity problems, as well as whether it demoralize tax payment method to tax payer and if the approach has to be considered as the only payment mechanism to recover unpaid taxes. The results are presented on Table 4.7 below.

Table 4.7 Effect of Agency Notice Approach to Tax Payers

Agency notice is effective method of collecting tax debts.	Strong Agree	Count	43
		Column N %	43.9%
	Dis agree	Count	47
		Column N %	48.0%
	Neutral	Count	8
		Column N %	8.2%
Agency notice disturb operation of business in your company.	Strong agree	Count	82
		Column N %	83.7%
	Dis agree	Count	16
		Column N %	16.3%
	Neutral	Count	0
		Column N %	0.0%
Agency notice leads to financial liquidity problems	Strong agree	Count	93
		Column N %	94.9%
	Strong disagree	Count	4
		Column N %	4.1%
	Neutral	Count	1
		Column N %	1.0%
Agency notice demoralize tax payment method to tax payer	Strong agree	Count	91
		Column N %	92.9%
	Disagree	Count	7

		Column N %	7.1%
	Neutral	Count	0
		Column N %	0.0%
Agency notice is the last approach to recover unpaid tax	Strong agree	Count	37
		Column N %	37.8%
	Disagree	Count	44
		Column N %	44.9%
	Neutral	Count	17
		Column N %	17.3%

Source: *Research Findings, 2021*

From the table above, the researcher investigated on the effect of the agency notice approach to the tax payers to describe if it's the best method of collecting tax debts, 98 respondents were obtained and 100 percent (equivalent to 98 respondents) of responses were obtained. 47 respondents (equivalent to 48.0 percent) they disagree that the agency notice is not an effective method of collecting tax, while 43 respondents (equivalent to 43.9 percent) they strongly agree that agency notice is the best way of collecting tax. Furthermore 8 respondents (equivalent to 8.2 percent) the remained neutral, for that case, the system is not good method of collecting tax.

Moreover, the research investigated as to whether the agency notice disturb the operations of the business in the company. Most of the respondent commented that, "agency notice causes cash flows problems with in the companies". However, among those, 82 respondents (equivalent to 83.7 percent) they agree strongly that agency notice disturb the operations of the business, while 16 respondents (equivalent to 16.3) they responded that it is not disturbing the operations of the

business. No respondent remains neutral. For that case this imply that the method of agency notice disturbs the operations of the business with in the companies.

Nevertheless, the researcher examined if the agency notice leads to financial liquidity problems, and the result indicated that 93 responses (equivalent to 94.9 percent) the strongly agree with the fact that agency notice method leads to financial liquidity problems, while 4 respondent (equivalent to 4.1 percent) their result indicate to be opposite from those who agree strongly, on this only 1 respondent (equivalent to 1.0 percent) remained neutral, therefore the system of the agency notice leads to financial problem and due that, it is not seem to be an effective method of collecting tax. Moreover, the researcher investigated the fact as to whether agency notice demoralize the tax payment morale of the taxpayers, from 98 responses equivalent to 100 percent obtained, the result shows that's 91 responses (equivalent to 92.9 percent) they agree with the fact that agency notice demoralize the tax payment method while 7 respondents they dis-agree with the same fact of being tax payment method to the tax payer is being demoralized. This indicated that, proper adjustment should be made on the approach so that, at the time the revenue authority is collecting their money, they leave tax payers in a position that they will operate and further increase government revenue. Lastly, the researcher investigated the fact that agency notice is it the last approach in uncovering the unpaid tax, findings shows that, 44 respondents (equivalent to 44.9 percent) they disagree with the fact that agency notice is the only method of un covering the unpaid tax, while 37 respondents (equivalent to 37.8) they agree with the same fact that agency notice is the only effective method of uncovering the tax debts. However, 17 respondents (equivalent to 17.3 percent) remained neutral. Despite the facts that tax cohesive measures are considered very important component in debt revenue collection and recovery, steps should be taken to ensure despite the fact that revenue authority are recovering tax debts, shouldn't leave the tax payers suffers and cease their

businesses. General conclusion to be drawn from the findings is that, the agency notice approach is negatively effecting the tax payers.

Table 4.8: Descriptive Statistics

	N	Mean	Std. Deviation	Interpretation
Agency notice is effective method of collecting tax	98	1.6529	.63001	Disagree
Agency notice disturb operation of business	98	2.4633	.37151	Agree
Agency notice leads to financial liquidity problems	98	2.8612	.28051	Agree
Agency notice demoralize tax payment esteem to tax payer	98	2.7714	.25886	Agree
Agency notice is the last approach to recover unpaid tax	98	1.5959	.71737	Disagree
Valid N (listwise)	98			

Source: *Research Findings, 2021*

The result in Table 4.8 above shows that most of the respondents disagree with the agency notice as an effective approach of collecting tax debts being observed (M = 1.6729, SD = 0.63001). However, The findings further shows that, respondents disagree that the agency notice disturb operation of business this is supported by the statistics with a mean of 2.4633 and standard deviation of 0.37151. Also the respondents with a mean of 2.8612 and SD of 0.28051 agreed that the agency notice approach causes liquidity problems to the companies. Moreover, the respondents agreed that, the approach demoralize the tax esteem to tax payer, given shown by the mean and SD of 2.7714 and 0.28886 respectively. Ultimately, the respondents disagreed that agency notice

is the last approach to recover unpaid tax (M = 1.5959). This support the conclusion drawn above that the agency notice approach is negatively effecting the tax payers.

4.4.2 Second Objective: Alternative Approach to tax Recovery

In an effort to achieve objective two, the researcher sought to find out the alternative approach to tax recovery that may facilitate tax payment from tax debtors to revenue authority. To be able to investigate this, the researcher established a list of questions intended to address the matter. This include as to whether payment agreement should be used as the alternative approach to tax payers, sale the charged asset in order to recover the unpaid tax or recover from the third parties who appear as the debtor in accounts of tax payers. Result are shown in Table 4.9 below

Table 4.9: Alternative Approach to Tax Recovery

Payment agreement should be used as the alternative approach	Strong agree	Count	78
		Column N %	79.6%
	Disagree	Count	20
		Column N %	20.4%
	Neutral	Count	0
		Column N %	0.0%
Restrain asset or person would be efficient approach to tax	Strong agree	Count	18
		Column N %	18.4%
	Disagree	Count	77
		Column N %	78.6%
	Neutral	Count	3
		Column N %	3.0%

		Column N %	3.1%
Charge over asset	Strong agree	Count	27
		Column N %	27.6%
	Disagree	Count	64
		Column N %	65.3%
	Neutral	Count	7
		Column N %	7.1%
Sale the charged asset in order to recover the unpaid tax	Strong	Count	39
		Column N %	39.8%
	Dis agree	Count	45
		Column N %	45.9%
	Neutral	Count	14
		Column N %	14.3%
Recover from the third parties who appear as the debtor in accounts of tax payers	Strong agree	Count	62
		Column N %	63.3%
	Dis agree	Count	32
		Column N %	32.7%
	Neutral	Count	4
		Column N %	4.1%
Sue tax payers for unpaid tax to make him/her pay tax	Strong agree	Count	31
		Column N %	31.6%
	Disagree	Count	43

		Column N %	43.9%
	Neutral	Count	23
		Column N %	23.5%
	6.00	Count	1
		Column N %	1.0%

Source: *Research Findings, 2021*

On investigating the alternative approach to tax recovery by taxpayers, the researcher started to examine as to whether the payment agreement should be used as the alternative approach to tax recovery. The result indicated that 78 responses (equivalent to 79.6 percent) they agree with the fact that payment agreement should be used as the alternative approach in steady of agency notice, while 20 respondents (equivalent to 20.4 percent) they did not agree with such fact. Due to that case, mostly respondents they agree with the tax payment agreement to be used as the alternative approach, then government should take a necessary measure and starts using the payment agreement between tax debtors and the revenue authority.

Furthermore, researcher investigated the fact of asset restraining to a person if would be efficient approach to tax collection. From the 98 respondent (equivalent to 100 percent) the result indicated that 77 respondents (equivalent to 78.6 percent) they disagree with such action conducted by government, while 18 respondents (equivalent to 18.4 percent) they agree with the fact that asset should be restrained and that would be efficient approach. In other hand 3 respondent (equivalent to 3.1 percent) they remain neutral. With such fact then assets should not be restrained as it may affect the business operations.

Moreover, the researcher intended to examine as to whether debts could be recovered from the assets (Charge over assets) in order to pay tax debts, and the findings indicated that 64 respondent (equivalent to 65.4 percent) they disagree with what is being argued that tax should be charged over the assets, while 27 respondents (equivalents to 27.6 percent) they strongly agree that tax should be charged over the assets, in other hand 7 respondent (equivalent to 7.1 percent) they remained neutral. Due to that tax should not be attached to the tax assets.

Nevertheless, the researcher intended to investigate the whether the sale of the charged asset is recommended in order to recover the unpaid tax. The result indicated that 45 respondent (equivalents to 45.9 percent) they disagree with the fact that assets should be sold to that to cover the unpaid tax, while 39 respondents (equivalent to 39.8 percent) they agree with the sale of the charged assets in order to recover the unpaid tax. On the other hand, 14 respondents (equivalent to 14.3 percent) they remained calm. And due to that case, selling the charged assets in order to cover the unpaid tax, was not considered an effective way of paying the tax debts. Also from the fact of recovering from the third parties who appear as the debtor in accounts of tax payer with the tax debtors, the result indicated that 62 respondent (equivalent to 63.3 percent) they strongly agree, while 32 respondents (equivalent to 32.7 percent) they did not agree. In other hand 4 respondents equivalents to 4.1 percent they stayed neutral. And to that case tax should be recovered from third parties who appear as the debtor in the accounts of tax payers with the tax debts.

Lastly, researcher investigated the fact that government should sue tax payers for unpaid tax to make him/her pay tax, from 98 respondent obtained, on use of court suits to collect unpaid taxes, result indicated 43 respondents (equivalent to 43.9 percent) they did not agree with that fact, while 31 respondents (equivalent to 31.6 percent) they were satisfied with that, still 23 respondents

(equivalent to 23.5 percent) neither they agree nor they disagree. Generally, from this point of views the researcher recommended that government should not sue tax payers for unpaid tax to make them pay tax.

From the above objective of assessing the alternative approach to tax recovery by tax payers, this method concerning use of agency notice, is not much appreciated by the tax payers that is, sending out notices of taxes owed, it might not greatly improve the effect of implantation measures on debt revenue recovery and enhances tax compliance. After all, asset restrain and charge over the asset and even sale of the charged are assets are being mostly rejected by the tax payers, as it even most of tax payers encounter the problem of penalties charged to unknowing taxes. This implies that an increase in imposition of agency notice approach as an implementation on errant taxpayers results to a financial problem in most of the companies.

Table 4.10 Descriptive Statistics

	N	Mean	Std. Deviation	Interpretation
Payment agreement should be used as the alternative approach	98	2.4041	.40510	Agree
Restrain asset or person would be efficient approach to tax	98	1.5469	.43912	Disagree
Charge over asset	98	1.7959	.55537	Disagree
Sale the charged asset in order to recover the unpaid tax	98	1.4449	.69328	Disagree
Recover from the third parties who appear as the debtor in accounts of tax payers	98	2.4082	.57143	Agree
Sue tax payers for unpaid tax to make him/her pay tax	98	1.4592	.84851	Disagree
Valid N (listwise)	98			

Source: *Research Findings, 2021*

The findings depicted from frequency table can be supported by the descriptive statistics shown in Table 4.10 above. If the agency notice was not seem to be effective on tax payers perspectives and have negative consequences to their businesses, the researcher examined what alternative approach should be used in collection tax debts. The findings shows that, taxpayers agree that payment agreement and recovering of unpaid taxes from the third parties should be used in making tax recovery. These findings are supported by the mean of 2.4041 and 1.4082 respectively which denote that, the respondent agree with that system. The analysis further reveals that taxpayers disagree that restrain assets or person would be an efficient approach toward tax collection (M = 1.5469, SD = 0.43912). on the other hand, the taxpayers disagree that sale the charged in order to recover the unpaid tax (M = 1.4449, SD = 0,69328). Furthermore, the analysis revealed that tax

payers agree on tax recovery from the third parties who appear as the debtor in account of tax payers (M = 2.4082, SD = 0.57143). Ultimately, the analysis revealed that taxpayers disagree to sue taxpayers for unpaid tax as a means to recover the unpaid taxes (M = 1.4592, SD = 0.84851).

4.4.3 Third Objective: Effect of Agency Notice on Tax Recovery

Frequency tables were not enough to establish the relationship between Tax Recovery and Agency Notice, therefore a multiple regression analysis was established to assess the last objective which was to look at the contribution of agency notice approach to tax recovery. A random sample of 98 companies were selected from TRA and secondary data were obtained to see how the agency notice was effective in collecting tax arrears from them. Therefore, the regression model was established to measure the relationship between the dependent and independent variables.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.399 ^a	.159	.150	3.18951	1.884

Source: *Research Findings, 2021*

Table 4.11 above, indicates the multiple regressions model summary. Findings show that independent variable AGENCY NOTICE was a joint predictor with a correlation of 39.9 percent and R square equal to 15.9 percent, this means that the predictor variable explained 15.9 percent the variation of tax collection and agency notice, while the remaining 84.1 percent could be due to the effect of other variables. The findings show that, the tax recovery can be influenced by many other factors which account to 84.1 percent.

Variable were also tested so as to check if at 5% level of significant and 95% confident level, the significant value (P value) in the ANOVA and coefficient regression would bring the value of P to be $P < 0.000 - 0.05$. After testing them on SPSS the results were presented on the Table 4.12 below.

Table 4.12 ANOVA TABLE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	184.524	1	184.524	18.139	.000 ^b
	Residual	976.608	96	10.173		
	Total	1161.131	97			
a. Dependent Variable: TR						
b. Predictors: (Constant), AG						

Source: *Research Findings, 2021*

The findings from the ANOVA table shows that, the overall regression model is statistically significant since it has the probability value of 0.000 which is less than 0.05 level of significant. Furthermore, all independent variables were found to uniquely, significantly and positively influence the Tax Recovery by the revenue authority. This is because the coefficient has probability value which is less than 0.05 level of significant. Results are indicated in Table 4.13 below;

Table 4.13 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-11.841	3.780		-3.132	.002
	AG	2.292	.538	.399	4.259	.000

a. Dependent Variable: TR

Source: *Research Findings, 2021*

The findings of the regression model show that, the standardized coefficient for Agency Notice is 0.399. That means, there is a positive relationship between the Agency Notice and Tax Recovery (debt revenue collection). Moreover, the coefficient is statistically significant at 5% level of significance as since it has a probability value of 0.000 which is less than 0.05 level of significance.

4.5 Discussion of finding

The outstanding tax debts affect the economy negatively as well as provision of services by the government is compromised. Though, the use of combination of strategies and debt enforcement measures (coercive measure) to collect more revenue in arrears has exaggerated debt collection and recovery of tax in arrears. The aim of the study was to assess the effectiveness of agency notice as tax recovery measure for the Tanzania revenue authority. To be able to achieve this, the researcher specified three objectives to investigate. To examine the side-effect of agency notice approach to taxpayers in Arusha region, two was to assess other alternative approach for tax recovery in Tanzania. And lastly was to examine the contribution of agency notice on tax recovery in Arusha.

Upon investigation, the researcher found a positive and significant relationship agency notice and tax recovery, which is statistically significance at 5 per cent level. That is when the use of agency notice approach increases, the tax collection (recovery) will increase with the magnitude of 0.399 shillings, holding other factors constant. Moreover, the findings portray a positive and significant relationship between agency notice and tax recovery. However, the relationship was moderate and significant. From this point of view, the Governments may increase their debt revenue recovery as by increasing the issuance of agency notice as soft coercive measures while allowing facilitation for enhanced tax compliance.

The findings are in line with the findings of Keen and Mansour (2009) who investigated at the current challenges in revenue mobilization and tax compliance. They found that, there is a close relationship between the use of agency notice as an enforcement approach for tax compliance and the amount of revenue for various revenue authorities in different countries (Keen and Mansour,

2009). The study further is consistent with the study by (OECD, 2019; Kuchumova, 2019; and Sheridans, 2016) who found that the use of coercive measure (agency notice) has a significant contribution on tax debts recovery.

Moreover, earlier study by Witte and Woodbury, (1985) in the US revealed that, notices on tax dues had a significant effect on tax compliance, that is, by sending out notices of taxes owed, it might greatly improve the effect of enforcement measures on debt revenue recovery and enhances tax compliance. However, the result analysed using descriptive statistics has shown that agency notice has a negative influence to tax payers and mostly it brings cash flow problems to the companies. For this case, most of the respondent agreed on the alternative measures to recover the tax debts, this include, payment agreement as well as recovering from the third parties who appear as the debtor in accounts of tax payers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter indicates the summary of the findings of this study in accordance to the specific objectives. It is from the same chapter where the conclusion and recommendations are made. The section also shows the conclusion and recommendations of the study derived from its findings.

5.2 Summary of Findings

The study aimed at assessing on the effectiveness of agency notice as tax recovery measure for the Tanzania revenue authority. To be able to achieve this, the researcher specified three objectives to investigate. To examine the side-effect of agency notice approach to taxpayers in Arusha region, secondly, to assess other alternative approach for tax recovery in Tanzania. Lastly to assess the contribution of agency notice on tax recovery of unpaid tax debts in Arusha.

Primary data were collected through questionnaires whereas secondary data were collected from TRA offices in Arusha region to make investigate to the correspond objectives. Questionnaires were administered to stakeholders including companies undertaking various activities, such as Commercial companies, financial development Program firms, consultant firm, construction activities firm, through sample round the study area. There data being gathered through questionnaires was presented and analyzed by the use of Statistical Package for Social Sciences (SPSS) program through descriptive statistical methods. Furthermore, inferential statistics (regression analysis) were involved to establish the relationship between variables.

Results revealed that independent variables (agency notice) was statistically significant predictor with a correlation of 39.9 percent and R square equal to 15.9 percent, this means that the predictor variable explained 15.9 percent the variation of tax collection and agency notice, while the remaining 84.1 percent could be due to the effect of other variables. Furthermore, all independent variable was found to uniquely, significantly and positively influence the tax recovery in Arusha region. However, the result analysed using descriptive statistics has shown that agency notice has a negative influence to tax payers and mostly it brings cash flow problems to the companies. For this case, most of the respondent agreed on the alternative measures to recover the tax debts, this include, payment agreement as well as recovering from the third parties who appear as the debtor in accounts of tax payers.

5.3 Conclusion

Effectiveness of agency notice as tax recovery measure was found at 15% only from the data analysis and further it was depicted taxpayers would feel good to pay unpaid taxes by instilment agreements and recovery from third party debtors rather than using Agency Notice due too side effects responded from sampled taxpayers which may be represent the population.

Independent variables (tax recovery), has been found to have a significant influence on the dependent variable (agency notice) various dimensions of independent variable was found to have a support of the concerned variable.

5.3.1 The side-effect of agency notice approach to taxpayers in Arusha region

The first specific objective was to examine the side-effect of agency notice approach to taxpayers in Arusha region. This investigated whether agency notice is the effective method of collecting tax debts, whether agency notice disturb business operation in those companies, also whether is the

last of all resort to recover the unpaid taxes and if its sure with the fact that there is no other approach, and whether agency notice demoralize tax payment moral to tax payers. The findings show that agency notice has a negative influence to tax payers and mostly it bring cash flow problems to the companies.

5.3.2 Alternative approach for tax recovery in Arusha region

The second specific objective, was to examine other alternative approach for tax recovery in Arusha, the researcher examined whether there should be agreement between parties in tax recovery approach, or whether restrain of assets would be efficient approach to tax recovery. Furthermore the researcher investigated whether the assets of the tax payer should be sold to cover the unpaid tax, and lastly whether to sue tax payer for unpaid taxes in order for him or her to pay the unpaid taxes. The results indicate that there should be alternative approaches to tax recovery instead of using agency notice. This include the use of payment agreement and recovering from the third parties who appear as the debtor in accounts of tax payers.

5.3.3 Contribution of agency notice on tax recovery of unpaid tax debts in Arusha

On the last objective, the researcher found a positive and significant relationship agency notice and tax recovery, which is statistically significance at 5 per cent level. That is when the approach of agency notice is used will increase, the tax collection (recovery) by 15.9%. Moreover, the findings portray a positive and significant relationship between agency notice and tax recovery. However, the relationship was moderate and significant. From this point of view, the Governments may increase their debt revenue recovery by increasing the issuance of agency notice as soft coercive measures with strictly control while allowing facilitation for enhanced voluntary tax compliance.

5.4 Recommendations

The current study assessed the effectiveness of agency notice as tax recovery measure for the Tanzania revenue authority a case of Arusha tax region. Results revealed that independent variables (agency notice) was statistically significant predictor with a correlation of 39.9 percent and R square equal to 15.9 percent, this means that the predictor variable explained 15.9 percent the variation of tax collection and agency notice, while the remaining 84.1 percent could be due to the effect of other variables this meant that From the study findings, the use agency notice had the moderate coefficient 39.9 and tax recovery impact of 15% implying that is was not most effective recovery measure. Further from publication made on 03.10.2021 Quarterly Tax collection by CG for TRA, during the year 2020/2021 July to Sept TRA collected Tsh 4.386 Trillion and Agency notice was applied by the fifth Government but during the year 2021/2022 July to Sept TRA collected Tsh 5.151 Trillion when Agency notice was not applied at all after the burn imposed by head of state it was shown Agency Notice measure is proved to be not effective measure for tax recovery even though it correlates by almost 40% with effective rate of 15% there are other factors that need to be observed to enhance voluntary tax compliance particularly tax recovery for unpaid tax debts . This can be done through revamping the company's debt management (segmentation, centralization, digitalization, public sector partnership and cooperation and use of call centres with functional customer relationship management (CRM). CRM when equipped with database with sufficient details about the debtors such us the telephone, mail and physical addresses can fast track the collection of the debt outstanding especially from the unreachable debtors. However, the Government and policy makers should also look on how the Agency notice affects the companies

or businesses as to the respondent point of views it was observed they are forced to pay the debts which in turn affect the company's operations and it is contrary to TRA Vision of increasing domestic revenue through enhancement of voluntary tax compliance. Also it was observed taxpayers prefer Proper use of payment agreement and recovering from the third party debtors who appear as the debtor in books of accounts were recommended to be used as alternative approaches to collect unpaid tax debts.

5.5 Areas for further Studies

The current study assessed the effectiveness of agency notice as tax recovery measure for the Tanzania revenue authority a case of Arusha tax region. Other studies may focus on the effectiveness of other collection methods of collecting tax arrears such as use of distraint actions and court suit and the like.

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APPENDICES

Appendix 01:

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MASTERS OF BUSINESS ADMINISTRATION, LEADERSHIP AND GOVERNANCE

QUESTIONNAIRE

INTRODUCTION

Dear Respondents, I am a student from Institute of Accountancy Arusha pursuing MBA in Leadership and governance. This questionnaire aims at collecting data that will enable the **assessment on the Effectiveness of Agency Notice as Tax Recovery Measure: A Case of Arusha Tax Region**. The study is for the purpose of academic as partial fulfillment of the requirement only. Please, I humbly request you to kindly take a few minutes to answer the questions below. I would like to assure you that your answers will be kept completely confidential.

PART A: 2.0 CHARACTERISTICS OF THE COMPANY/ BUSSINESS FIRM

Please circle the right answer

2.1. Type of the organization/institution/company undertakings.

- i) Products
- ii) Services

2.2. Main Activities

- i. Commercial Activities
- ii. Financing development Programs

- iii. Consultancy Firm
- iv. Construction Activities
- v. Other (specify).....

2.3. For how long does your organization/company operates?

- i. 0 -10 years
- ii. 11 – 20 years
- iii. 21 - Above

2.4. Have you heard about agency notice as applied by TRA?

- i. YES
- ii. NO

2.5. Is your company ever been exposed to agency notice from TRA?

- i. YES
- ii. NO

2.6. If Yes, did you pay tax voluntarily or by force?

- i. By force
- ii. Voluntarily

2.7. Do you recommend the agency notice approach for recovery of unpaid taxes to other taxpayers?

- i. YES
- ii. NO

PART B: 3.0. THE EFFECT OF THE AGENCY NOTICE APPROACH TO TAXPAYERS

3.1 Is there any effect associated with decision made on Agency Notice addressed to your company?

- i. YES
- ii. NO

3.2 If Yes, what are those effects?

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3.3 Among others, the following table has statements about the Effect of Agency Notice Approach to Taxpayers. Please rate your agreement with each of the statements by using the scale provided below; Rank 1 = Strongly Agree, 2 = Disagree 4 = Neutral

S/N	STATEMENTS	1	2	3
EFFECT OF AGENCY NOTICE APPROACH TO TAXPAYERS				
01	Agency Notice is the effective method of collecting tax debts			
02	Agency notice disturb business operations in your company			
03	Agency notice leads to financial liquidity problems			
04	The agency notice demoralize tax payment moral to taxpayers			
05	Agency Notice is the last of all resort to recover unpaid taxes			

PART C: 4.0. ALTERNATIVE APPROACH TO TAX RECOVERY

4.1 Are you suggesting that TRA should use other approach for tax recovery instead of Agency Notice?

- i. YES
- ii. NO

4.2 If Yes, what other alternative methods are you suggesting may be applied to collect unpaid taxes by TRA effectively from Taxpayers?

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4.3. Among others, the following table has statements about the Alternative Approach to Tax Recovery by Taxpayers. Please rate your agreement with each of the statements by using the scale provided below; Rank 1 = Strongly Agree, 2 = Disagree 4 = Neutral

S/N	STATEMENTS	1	2	3
ALTERNATIVE APPROACH TO TAX RECOVERY BY TAXPAYERS				
01	Payment Agreements should be used as alternative approach to tax recovery			
02	Restrain of Assets would be efficient approach to tax recovery			
03	Agency notice itself should be used for recovering tax debts			

5.0. ANY OTHER COMMENTS (Optional)

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ONCE AGAIN, THANK YOU VERY MUCH FOR YOUR ASSISTANCE

RESEARCH BUDGET

APPENDIX 02:

1. Source of fund

The proposed study is estimated to cost a total of eight hundred thousand Tanzania shillings. These costs will be covered by my sponsor.

2. Budget estimated

Budget estimated

S/NO	Items	Costs (in Tshs)
1	Transport	500,000
2	Meal	500,000
3	Stationary	800,000
4	Data collection (Questionnaire)	400,000
5	Data processing	200,000
6	Final report writing, printing and binding	300,000
Total		2,700,000/-

Source; Researcher (2020)

SCHEDULE OF ACTIVITIES

APPENDIX 03:

Research schedule is a plan for carrying out a process or procedure, giving lists of intended events and times. The thesis schedule table is described below:

Schedule of activities

Activities	Dates								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Formulating and refining Research Problem									
Reviewing Literatures									
Draft of Research Proposal Writing to Supervisor									
Research Proposal Defence									
To Submit Proposal and Data collection letter processing									
Data collection.									

Data Processing/Management									
Data analysis									
Draft Report Writing to Supervisor									
Final Report Defence									
Final Report Corrections									
Binding and Final Submission									

Source; Researcher (2021)