



**Influence of Micro and Small Enterprises' Participation in Tax
Assessment Processes under the Presumptive Regime: Evidence from
Kinondoni Tax Region, Tanzania**

Tunu S. Mwiru, Gelas Rubakula & Benedict Mongula

University of Dar es Salaam

Email: tmwiru@tra.go.tz, rubakula.gelas@udsm.ac.tz & bmongula@gmail.com

Abstract

This study examines the influence of participation of Micro and Small Enterprises (MSEs) in tax assessment processes on voluntary tax compliance under the presumptive regime in Kinondoni Tax Region, Tanzania. Despite the introduction of simplified taxation and the regime's intent to simplify taxation for informal businesses, limited participation persists, and voluntary compliance remains a challenge, particularly among informal sector actors. Guided by Public Participation Theory and Tax Morale Theory, the study assessed how participatory engagement affects compliance behaviour. Furthermore, both theories suggest that awareness and inclusive engagement in tax matters strengthen compliance. A pragmatic research philosophy informed the use of a mixed-methods case study design. A total of 577 MSEs, stratified by ward, selected through purposive and stratified probability sampling, formed the study sample. Data collection was executed via structured interviews, in-depth interviews, focus group discussions and document review. Descriptive statistics and binary logistic regression were used to determine the strength and significance of the participation–compliance relationship. Quantitative data were analysed using binary logistic regression to determine the causal-effect relationship between participation and voluntary tax compliance. Findings reveal low participation in tax assessment, which significantly influences compliance behaviour among MSEs, thereby influencing voluntary tax compliance (VTC). Respondents cited limited involvement, lack of transparency, and institutional mistrust as barriers. The study concludes that inclusive tax governance strategies can enhance compliance behaviour. Theoretically, the study underscores the value of participatory and behavioural

approaches. Key policy implications include the need for participatory tax reforms (featuring expanded stakeholder engagement), participatory reform of assessment mechanisms and enhanced taxpayer education to raise awareness and foster accountability. The study contributes to the literature by empirically linking participatory assessment to compliance outcomes in the Tanzanian informal sector.

Keywords: *voluntary tax compliance, participation, presumptive regime, public participation theory, tax morale, mses, Kinondoni, taxpayer engagement*

Introduction

Taxation is a fundamental instrument for financing government operations, including public service delivery, infrastructure development, and socio-economic governance (TRA, 2023). In Tanzania, taxes account for over 90% of domestic revenue (MoFP, 2022). Despite its importance, the act of paying taxes has not always been embraced voluntarily, especially among micro and small enterprises (MSEs), which dominate the informal sector. In response to compliance challenges within this segment, the Tanzanian government introduced a simplified tax structure-the presumptive tax regime targeted at MSEs with turnover below TZS 100 million (URT, 2022).

Table 1: Rates of Taxes under the Presumptive Tax System and the Audited Accounts System

Annual turnover	Tax payable when records are incomplete	Tax payable when records are complete
Where turnovers do not exceed TZS 4,000,000	NIL	NIL
Where turnover exceeds TZS 4,000,000/= but does not exceed TZS 7,000,000	TZS 100,000/=	3% of the turnover in excess of TZS 4,000,000/=
Where turnover exceeds TZS 7,000,000/= but does not exceed TZS 11,000,000/=	TZS 250,000/=	TZS 90,000/= plus 3% of the turnover in excess of TZS 7,000,000/=
Where turnovers exceed TZS, 11,000,001/= but does not exceed TZS. 100,000,000/=	3.5% of turnover	

Source: The Finance Act (2022)

The presumptive regime was designed to improve efficiency, widen the tax base, and enhance compliance by exempting MSEs from audited financial reporting

requirements. However, despite its pro-MSE intentions, persistent issues of tax non-compliance suggest deeper challenges that go beyond structural simplification. Voluntary tax compliance within this framework remains suboptimal, particularly in regions such as Kinondoni, where informal businesses are dense and difficult to track (TRA, 2023).

Recent studies such as Mas-Montserrat et al. (2023) and Fjeldstad and Heggstad (2022) highlight how factors like taxpayer awareness, participation in tax processes, and perceived fairness affect compliance behaviour. Yet in Tanzania, empirical research on how taxpayer participation, a key feature of self-assessment, influences voluntary compliance under the presumptive regime, especially at the local tax region level. This study focuses on filling that research gap by specifically examining the influence of MSEs' participation in tax assessment processes on their voluntary tax compliance in Kinondoni Tax Region.

Two theoretical frameworks underpin the study. First is the Tax Morale Theory, which explains that individuals are more likely to comply voluntarily when they perceive the tax system as fair, transparent, and participatory (Torgler, 2007). Tax morale is considered a latent psychological construct that influences tax behaviour, shaped by perceptions of government legitimacy, fairness of tax burdens, and civic responsibility. Second is the Public Participation Theory, which posits that involving citizens in governance processes such as tax assessment enhances legitimacy, fosters accountability, and promotes compliance (McGee & Gaventa, 2010). In this study, the theory suggests that when MSE taxpayers are allowed to contribute their views or participate in estimating or verifying their tax obligations, their willingness to comply improves due to perceived inclusivity and fairness.

The theoretical underpinnings informed the selection and definition of study variables. Specifically, "participation in tax assessment" serves as the independent variable, measured through engagement in tax-related forums, access to assessment procedures, and the degree of consultation. The dependent variable, "voluntary tax compliance," is assessed through self-reported fulfilment of tax obligations without coercion. The study also considers moderating influences such as taxpayer education and perceived fairness in enforcement.

The Kinondoni Tax Region, being a business-intensive area in Dar es Salaam, provides an appropriate setting for this inquiry. With a sample of 577 MSEs selected across sub-regions such as Kawe, Manzese, Kunduchi, Mbezi/Kimara, and Makuburi, the study applied both qualitative and quantitative approaches to explore the role of participation in tax processes as a determinant of voluntary compliance.

Data collection employed structured interviews, key informant interviews, and focus group discussions. Findings are analysed using binary logistic regression, consistent with the causal-influence focus of the study (rather than mere associations), as recommended in inferential quantitative research (Creswell & Plano Clark, 2022).

In this context, "participation" refers to the degree to which MSE taxpayers are engaged or involved in the processes of determining their tax obligations, including consultation during tax policy development, participation in tax-related decision-making platforms, and direct involvement in assessing or estimating tax liabilities. "Voluntary tax compliance" refers to the willingness of taxpayers to fulfil their tax obligations without coercion or direct enforcement by tax authorities.

Despite the simplification brought by the presumptive regime, voluntary compliance among MSEs remains low in Kinondoni. Government interventions such as tax education, digital filing, and rate revisions have not achieved the desired behavioural shift. Prior studies have emphasised general awareness, but limited work has focused on the participatory role of taxpayers in assessing their tax obligations - an essential element of self-assessment frameworks. Empirical data from this study indicate that many MSEs are excluded from meaningful engagement during tax-setting processes, contributing to confusion, mistrust, and eventual non-compliance.

Given this contextual challenge, this study investigates how active participation of MSEs in tax assessment processes influences their compliance behaviour within the presumptive regime, aiming to bridge a significant empirical and policy gap in Tanzania's tax literature.

Methodology

The study adopted a pragmatic research philosophy, integrating both positivist and constructivist views to explore both measurable and experiential aspects of MSE participation and tax compliance. A concurrent mixed-methods approach was employed to collect and analyse both qualitative and quantitative data simultaneously. A descriptive case study design was used to examine the influence of participation on tax compliance in the real-life setting of Kinondoni. Kinondoni Tax Region was selected due to its high population of registered MSEs and documented challenges in tax compliance enforcement. Its diversity across wards and sectors made it a viable representation for urban tax administration challenges. The target population included 15,000 registered MSEs. The sample size was

determined using the formula developed by Taro Yamane (famously known as Yamane's formula):

$$SS = \frac{N \cdot X}{X + N - 1}$$

Where;

$$X = (Z_{\alpha/2})^2 \frac{n(p)(1-p)}{MOE^2}$$

SS = Sample size

N = Population size (MSEs) estimated to be 15,000

$Z_{\alpha/2}$ = Critical value of the normal distribution at 90% and the critical value is 1.96

MOE = Margin of error estimated at 0.04

p = Sample proportion estimated to be 0.5

Thus,

$$\begin{aligned} X &= 1.96^2 (0.5) (0.5) / 0.04^2 \\ &= (3.8416) (156.25) \\ &= \mathbf{600.25} \\ SS &= 15,000 * 600.25 / 600.25 + 15,000 - 1 \\ &= 577.19 \end{aligned}$$

Sample size (SS) = 577 Respondents

A sample of 577 was calculated using Yamane's formula with a 95% confidence level and 4% margin of error. This formula was chosen for its reliability in surveys with finite populations and limited prior variance data. Stratified random sampling was used to select respondents across sub-regions, while purposive sampling targeted key informants, including 14 TRA officers and six local government leaders.

Data collection methods included structured questionnaires (with both closed- and open-ended items), in-depth interviews, Focus Group Discussion (FGD), and document reviews. Questionnaire sections covered awareness of tax processes, participatory experiences, attitudes toward compliance, and taxpayer demographics. FGDs, in-depth interviews and document review supplemented the quantitative method and data, respectively. Instruments were developed based on

previous literature, pilot tested, and reviewed by academic peers. Expert feedback helped to refine items for clarity and relevance. Content validity was confirmed through triangulation. The items were adapted from prior empirical studies on taxpayer behaviour and participatory governance, including OECD (2021), Fjeldstad and Heggstad (2022), and Rahayu et al. (2017), and then aligned with the study's theoretical framework. Cronbach's alpha coefficient was computed at 0.826 for the core questionnaire items, indicating high internal consistency. Tools and methods were validated through expert peer review and pilot testing.

Table 2: Cronbach's Alpha for Reliability Testing

Cronbach's Alpha	Number of Items
.826	10

Source: Field Research-Questionnaire (2023)

Quantitative data were analysed using Stata software. Stata software was selected for its robust capabilities for both descriptive and inferential analysis, particularly its built-in procedures for logistic regression and cross-tabulation suited to Likert-scale and categorical data. Descriptive statistics, cross-tabulations, and binary logistic regression were used to assess the influence of participation on compliance. Correlation analyses were conducted only for internal consistency checks. Assumptions of the logistic model (e.g., no multicollinearity, linearity in log odds) were tested and met. Qualitative data from FGDs and interviews were analysed thematically using content analysis, with data segmented into codes reflecting participation dimensions, motivational factors, and barriers to compliance.

Results and Discussion

Descriptive statistics were obtained to explain the demographic characteristics of the taxpayers. It was crucial to study these characteristics since they tend to influence taxpayers' awareness of tax matters (Etim et al., 2020). Inferential statistics were used to generate meaningful interpretations from the findings of the study. This inference was based on a qualitative method as a supplement to quantitative data collection and analysis. The analysis of qualitative data entailed breaking responses into the smallest meaningful units through content analysis, as presented in the following section.

MSE taxpayers' awareness of tax assessment processes: Descriptive analysis

Table 3 presents summary statistics of major variables used in this study, highlighting the knowledge or awareness of MSEs on the processes of assessing taxes by the TRA.

Table 3: Knowledge and awareness of MSE owners on tax assessment processes (n=577)

Variable	N (%)
Ever received any tax education program from TRA.	
Received	154(26.7)
Not received	423(73.3)
Ways used to provide tax education to taxpayers (n=154)	
Door to door	52(33.8)
Radio	41(26.6)
Television	11(7.1)
Outreach program	27(17.5)
Stakeholders	20(13.0)
Other, i.e., internet platforms	3(1.9)
Ever obtained tax information through mobile phones.	
Obtained	291(50.4)
Never obtained	286(49.6)
Ever attended any tax seminars organised by TRA.	
Attended	67(11.6)
Never attended	510(88.4)
Ever been visited by an officer from TRA to explain about tax.	
Yes, visited	353(61.2)
No, never visited	224(38.8)
An extent to know about the tax supposed to be paid for the business	
Nothing at all	142(24.6)
If you know how tax paid was determined	
Know	205(35.5)
Do not know	372(64.5)
The extent you know about presumptive tax	
Nothing at all	116(20.1)
Very little	203(35.2)
Much	228(39.5)
Everything	30(5.2)
If you believe that everyone is informed about the tax rate to be paid for the business	
Believe	101(17.5)
Do not believe	476(82.5)

If you think the tax charged is fair	
Fair	218(37.8)
Unfair	287(49.7)
Don't know	72(12.5)
Goodness of the mechanism of tax collection	
Excellent	212(36.7)
Good	223(38.7)
Bad	142(24.6)
Possibility to say on the amount of tax assessed	
Possible	127(22.0)
Impossible	327(56.7)
Don't know	123(21.3)
If satisfied with the level of transparency in determining the tax rates	
Satisfied	172(29.8)
Unsatisfied	328(56.9)
Don't know	77(13.3)
Level of cheating during tax assessment on business	
None	109(18.9)
Low	109(18.9)
Moderate	170(29.5)
High	189(32.8)
If you know what happens when one fails to pay taxes	
Know	498(86.3)
Do not know	79(13.7)
If the knowledge that you have about tax influenced you to pay tax willingly and timely	
Yes, it did help	448(77.6)
No, it did not help	129(22.4)

Source: Field Research-Questionnaire (2023)

The findings reveal that only 154 (26.7%) MSEs reported receiving tax education programs from TRA. Of those, 33.8% accessed information through door-to-door initiatives, while 26.6% relied on radio, 7.1% on television, and 17.5% on outreach programs. Notably, 50.4% had obtained information through mobile phones. These findings highlight inconsistencies in outreach strategies. FGDs corroborated this pattern, indicating that digital platforms and formal sessions were often ineffective or inaccessible.

Despite door-to-door initiatives yielding relatively wider reach, results suggest these visits lacked depth or educational focus, thus failing to meaningfully influence voluntary tax compliance. As suggested by the Public Participation

Theory, the absence of genuine engagement limits the potential for fostering taxpayer commitment. Tax officers reportedly focused on enforcement and penalties, rather than promoting participatory understanding of tax procedures.

The in-depth interview responses support this:

I do not know anything about how much tax I'm supposed to pay each month. What I know is that I'm supposed to pay the exact amount they want me to pay, especially when they come towards or past the deadlines. (*Male Micro-Size Enterprise Owner, Kibo Complex, FGD 3, 2022*).

This narrative confirms the quantitative findings that most MSE owners were unaware of how their tax liabilities were calculated. According to the Tax Morale Theory, such knowledge gaps hinder compliance by eroding a taxpayer's sense of fairness and trust in the tax system.

Observational Insights and Record-Keeping Deficiencies

Participant observations revealed a widespread absence of bookkeeping practices among MSEs. Only a few enterprises maintained records, whether manual or digital. This deficiency limits their capacity to estimate or validate tax obligations and consequently undermines their ability to participate in assessment processes. This finding strengthens the case for enhanced education on financial record-keeping, supporting voluntary compliance efforts.

Tax Education by TRA

Figure 1 illustrates that out of 577 respondents, 423 (73.3%) had never received any tax education session from TRA. This low participation correlates strongly with poor awareness levels and suggests a need to reassess outreach strategies. As supported by OECD (2021), effective taxpayer education should be multi-modal, sustained, and integrated into public governance.

Awareness of Presumptive Tax System and Implications

Findings indicate that majority of taxpayers misunderstood the presumptive tax system, with some defaulting to VAT or income tax regimes, which require audited records. This confusion has direct implications for non-compliance, tax evasion, or unintentional errors. Literature (Fjeldstad & Heggstad, 2022) confirms that weak clarity in simplified tax systems is a common barrier to compliance.

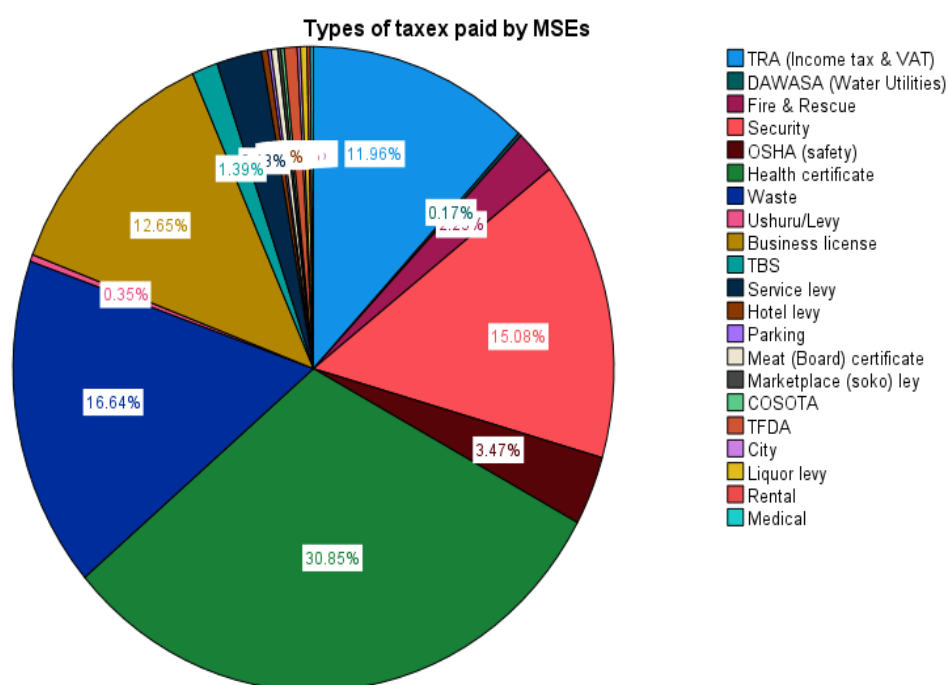
Knowledge of Consequences of Default and Non-compliance

While 86.3% of structured interview respondents acknowledged knowing the consequences of tax default, this did not translate to higher compliance levels. This contradiction underscores the insight from Tax Morale Theory that mere awareness of penalties does not guarantee compliance; participatory fairness and moral obligation are also crucial motivators.

Knowledge of Types of Taxes and Tax Liability Derivation

In-depth interviews revealed that 67.59% of MSE owners lacked knowledge of their tax obligations and types of applicable taxes. A majority perceived the tax burden as high, suggesting limited involvement in tax assessment processes.

Figure 1: Types of Taxes Charged on MSEs



Source: Field Research-Questionnaire (2023)

Most MSE owners wrongly attributed all charges: levies, fees, and taxes to TRA, not recognising that local government authorities (LGAs) were responsible for a substantial portion. For instance, while TRA taxes accounted for only 11.96%, health-related charges accounted for 30.85%, waste collection for 16.64%, and rental charges for 15.08%. This ignorance contributed to confusion and resentment toward the tax system, leading to diminished tax morale and non-compliance

(Friedland et al., 1978; Papp & Takáts, 2008). These researchers linked high perceived tax burdens to reduced compliance. Moreover, the perceived lack of transparency in tax-setting processes negatively affects participation, a condition captured in the Public Participation Theory.

Media Used for Tax Education and Communication

TRA's primary methods for tax education included door-to-door outreach, radio, television, and stakeholder meetings. As reported earlier, the effectiveness of these channels varied. FGDs revealed that digital outreach was underutilised or ineffective, suggesting the need for better-targeted, more accessible education channels.

Relationship between Tax Awareness and Voluntary Tax Compliance

A logistic regression model was used to examine how awareness variables influenced voluntary tax compliance (VTC).

Table 4: Tax Awareness and Voluntary Tax Compliance Relationship

Variable	Voluntary tax compliance		COR, 95% CI	p-value	AOR	p-value
	No N (%)	Yes N (%)				
Ever received any tax education program from TRA						
Never received	179(42.3)	244(57.7)	1			
Received	59(38.3)	95(61.7)	1.18, 0.81-1.72	0.388		
Have you ever obtained tax information through mobile phones						
Never obtained	112(39.2)	174(60.8)	1			
Obtained	126(43.3)	165(56.7)	0.84, 0.60-1.17	0.313		
Have you ever attended any tax seminar organized by TRA						
Never attended	213(41.8)	297(58.2)	1			
Attended	25(37.3)	42(62.7)	1.20, 0.71-2.04	0.487		

Have you ever visited
by an officer from TRA
to explain about tax

Never visited	86(38.4)	138(61.6)	1		
Visited	152(43.1)	201(56.9)	0.82, 0.59- 1.16	0.267	

If you know how tax
paid was determined

Don't know	154(41.4)	218(58.6)	1		
Know	84(42.0)	121(59.0)	1.01, 0.72- 1.44	0.921	

Believing that everyone
is informed about tax
rate to be paid for the
business

Don't believe	206(43.3)	270(56.7)	1		1
Believe	32(31.7)	69(68.3)	1.64, 1.04- 2.59	0.003	1.47, 0.92- 2.36 0.103

If the tax charged is fair

Fair	85(39.0)	133(61.0)	1		
Unfair	119(41.7)	168(58.5)	0.90, 0.63- 1.29	0.575	
Don't know	34(47.2)	38(52,8)	0.71, 0.42- 1.22	0.219	

Goodness of the
mechanism of tax
collection

Excellent	64(30.2)	148(69.8)	1		1
Good	109(48.9)	114(51.1)	0.45, 0.31- 0.67	<0.001	0.48, 0.32- 0.72 <0.001
Bad	65(45.8)	77(54.2)	0.51, 0.33- 0.79	0.003	0.52, 0.32- 0.83 0.007

Possibility to say on the
amount of tax assessed

Possible	48(37.8)	79(62.2)	1		
Impossible	135(41.3)	192(58.7)	0.86, 0.57- 1.32	0.496	
Don't know	55(44.7)	68(55.3)	0.75, 0.45- 1.24	0.267	

If satisfied by the level
of transparency on
determining tax rates

No	176(43.5)	229(56.5)	1		1	
Yes	62(36.1)	110(63.9)	1.36, 0.93- 1.97	0.099	1.02, 0.68- 1.53	0.923

Level of cheating
during tax assessment
on business

None	42(38.5)	67(61.5)	1			
Low	33(30.3)	76(69.7)	1.44, 0.82- 2.53	0.200		
Moderate	77(45.3)	93(54.7)	0.76, 0.46- 1.24	0.266		
High	86(45.5)	103(54.5)	0.75, 0.46- 1.21	0.242		

If you know what will
happen when fail to pay
taxes

Don't know	44(55.7)	35(44.3)	1		1	
Know	194(39.0)	304(61.0)	1.97, 1.22- 3.18	0.006	1.73, 1.05- 2.84	0.031

If knowledge about tax
helped to pay tax
willingly and timely

Didn't help	54(41.9)	75(58.1)	1			
Helped	184(41.1)	264(58.9)	1.03, 0.69- 1.54	0.873		

Source: Field Research-Questionnaire & Author's own calculation (2023)

MSE owners with knowledge of tax consequences (AOR=1.73, p=0.031) and who rated tax collection mechanisms as excellent (AOR=0.48, p<0.001) were significantly more likely to comply voluntarily. This voluntary compliance emphasises that **tax morale**, perception of fairness, and transparent administration are more impactful than mere access to information.

Impact of MSE Taxpayers' Unawareness of Tax Assessment Processes

Using Likert-scale items, the study assessed perceptions of voluntary tax compliance (VTC).

Table 5: Level of Voluntary Tax Compliance by MSEs in Kinondoni Tax Region

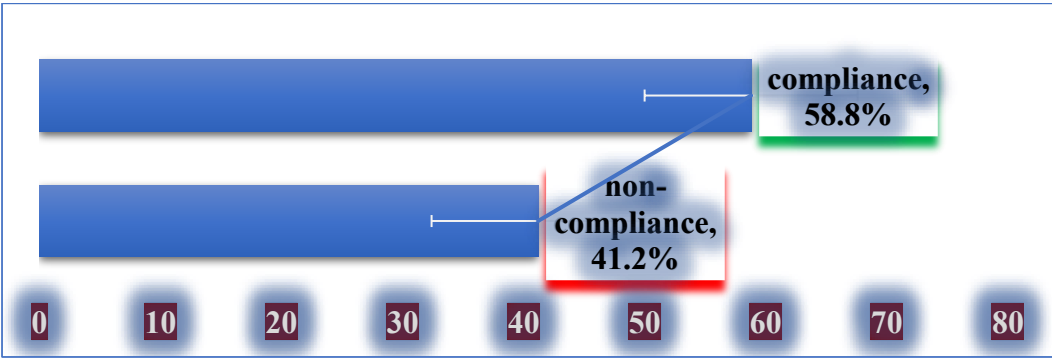
S/N	ITEM STATEMENT	1-SA (%)	2-A (%)	3-UD (%)	4-D (%)	5-SD (%)	MEAN	σ	DECISION
Q1	Timely tax assessment	334 (57.9)	122 (21.1)	37 (6.4)	68 (11.8)	16 (2.8)	1.80	1.152	Low perception
Q2	Tax assessment willingness (voluntariness)	428 (74.2)	80 (13.9)	13 (2.3)	40 (6.9)	16 (2.8)	1.50	1.023	Low perception
Q3	Accuracy & fairness in disclosing the annual turnover	441 (76.4)	25 (4.3)	37 (6.4)	40 (6.9)	34 (5.9)	1.62	1.221	Low perception
Q4	Willingness in disclosure of the annual turnover	0 (0.0)	533 (92.4)	0 (0.0)	28 (4.9)	16 (2.8)	2.18	.642	High perception
Q5	Timely remittance of tax payment	327 (56.7)	149 (25.8)	0 (0.0)	101 (17.5)	0 (0.0)	1.78	1.105	Low perception
Q6	Willingness (voluntariness) in paying tax due	0 (0.0)	80 (13.9)	347 (60.1)	132 (22.9)	18 (3.1)	3.15	.685	High perception
Q7	Timely observation of tax law and regulations	25 (4.3)	508 (88.0)	0 (0.0)	44 (7.6)	0 (0.0)	2.11	.581	High perception
Q8	Overall observation of tax law and regulations willingly	32 (5.5)	248 (43.0)	162 (28.1)	117 (20.3)	18 (3.1)	2.72	.951	High perception
Q9	Consistency/frequency in attendance at tax education programs/training	304 (52.7)	177 (30.7)	96 (16.6)	0 (0.0)	0 (0.0)	1.64	.751	Low perception
Q10	Willingness to attend tax programs/training & acquire tax education	137 (23.7)	355 (61.5)	45 (7.8)	40 (6.9)	0 (0.0)	1.98	.770	Low perception

Source: Field Research-Likert Scale type Questionnaire (2023)

Note: SA = Strongly Agree; A = Agree; UN = Undecided; D = Disagree; SD = Strongly Disagree

Most items fell below the grand mean (2.04), indicating generally **low perception** of voluntary compliance in key dimensions - timeliness, willingness to assess, and accuracy in turnover disclosure. High perception was limited to willingness to disclose turnover and compliance under obligation. This supports **Tax Morale Theory**, wherein taxpayers may comply out of fear rather than moral conviction. MSEs cited dissatisfaction with TRA services, perceived corruption, and lack of knowledge as barriers to compliance, corroborated by Omary & Pastory (2022) and Demessew (2020).

Figure 2: Distribution of Voluntary Tax Compliance among MSEs



Source: Field Research-Questionnaire (2023)

When a direct question was posed in the structured interview as to whether the MSE is tax compliant or non-compliant, more than half of the surveyed MSEs voluntarily comply to pay tax (n=339, 58.8%, 95% CI, 54.7%-62.7%) (Figure 1). This was attributed to most, if not all, MSEs complying by formally being registered.

Table 6: Voluntary tax compliance among MSEs in Kinondoni Tax Region (n=577)

Variable	N (%)
If the business has a Taxpayer Identification Number (TIN)	
It has TIN	577(100.0)
It does not have a TIN	0(0.0)
If the business is formally registered	
It is formally registered	575(99.7)
It is not formally registered	2(0.3)
Ever paid tax to TRA for the business.	
Paid	573(99.3)
Never paid	4(9.7)
Ever refused to pay tax to the government.	
Refused	21(3.6)
Never refused	556(96.4)
Possible to justify cheating on taxes if you have the chance	
Possible	36(6.3)
Impossible	539(93.7)
Often comply with paying government tax	
All the time	365(63.3)
Sometimes	175(30.3)
Not at all	37(6.4)

Source: Field Research-Questionnaire (2023)

While 99.7% were formally registered and 99.3% had paid taxes before, only 63.3% reported consistent compliance. Although 93.7% claimed they would not justify tax cheating, these findings may reflect social desirability bias rather than genuine tax morale (Baldry, 1986). Although 93.7% stated they would not justify cheating, this potentially reflects social desirability bias. As Baldry (1986) noted, tax morale is shaped by guilt, shame, and internalised civic duty. Therefore, even with high levels of registration and penalty awareness, the low intrinsic motivation evidenced by Likert scale data suggests that participatory engagement and perceived legitimacy should be prioritised to improve VTC outcomes sustainably. This suggests that raising awareness alone is not sufficient; rather, fostering participation, fairness, and public trust is essential to meaningful and lasting improvements in voluntary tax compliance among MSEs in Kinondoni.

Conclusion and recommendations

This study sought to examine the influence of participation of MSEs in tax assessment processes on voluntary tax compliance within the presumptive tax regime in Kinondoni Tax Region. The findings revealed that a significant number of MSE taxpayers lacked adequate awareness of how tax liabilities are determined. The study also found that most taxpayers were unfamiliar with the nature and structure of the presumptive tax system, misattributed various taxes to TRA, and failed to maintain basic financial records to support tax self-assessment. Further, limited exposure to taxpayer education and inconsistent participation in tax-related decision-making processes contributed to diminished tax morale. A binary logistic regression analysis demonstrated that while awareness of tax consequences significantly predicted voluntary compliance, other variables such as tax education access, fairness in the tax process, and clarity of tax obligations also influenced compliance behaviour. Despite some MSEs possessing a Taxpayer Identification Number (TIN) and being formally registered, many still struggled with compliance due to structural, communicative, and administrative barriers. The study, therefore, concludes that voluntary tax compliance among MSEs in Kinondoni Tax Region is significantly influenced by the degree of participation in tax assessment processes. Low levels of participation, limited tax literacy, and poor dissemination of taxpayer education have undermined the potential of the presumptive tax regime to increase compliance. The findings validate the importance of the Tax Morale Theory, which emphasises that compliance is not driven solely by enforcement or penalties, but also by fairness, civic duty, and trust in the system. Moreover, the Public Participation Theory underlines the need to involve taxpayers in shaping processes that affect them, a component largely missing in the current system.

In light of the findings and conclusion, the study recommends the following:

- i) The TRA should design tax education programs tailored for MSEs, incorporating vernacular languages, visual aids, and hands-on demonstrations;
- ii) Use digital platforms effectively while retaining traditional approaches like door-to-door education, radio, and Television for broader coverage;
- iii) Establish regular stakeholders' meetings where MSE representatives can participate in discussions about presumptive rates and assessment criteria;
- iv) Promote community-based education forums in collaboration with local government leaders and business associations;

- v) Provide simplified templates and training sessions on financial record-keeping to micro and small businesses;
- vi) Offer incentives (e.g., reduced presumptive rates) to MSEs that demonstrate improved financial documentation;
- vii) TRA officers must prioritise education during enforcement visits to reduce fear-based compliance;
- viii) Implement clear and publicly accessible explanations of how taxes are calculated, the purpose of the presumptive regime, and taxpayer rights; and
- ix) TRA should establish tax information centres at ward levels where MSEs can walk in and receive guidance on taxation procedures.

This study adds to the body of knowledge by applying the Tax Morale Theory and Public Participation Theory in a Sub-Saharan African context. It demonstrates that these frameworks remain relevant in explaining why traditional enforcement mechanisms alone are insufficient to promote voluntary tax compliance among MSEs.

References

- Aiko, R. and C. Logan (2014). Africa's willing taxpayers thwarted by opaque tax systems, Corruption. <http://dx.doi.org/10.1787/888932807322>
- Alabede, J. O., Ariffin, Z. Z., & Idris, K. M. (2011). Individual taxpayers' attitude and compliance behaviour in Nigeria: The moderating role of financial condition and risk preference. *Journal of Accounting and Taxation*, 3(3), 91–104. <https://doi.org/10.5897/jat11.010>
- Chau, G & Leung, P. (2009). A critical review of Fischer Tax Compliance Model: A research synthesis. *Journal of accounting and taxation*. 1(2), 034-040.
- Collosa (2021). Digitalisation of tax administration and facilitation of tax compliance. <https://www.ciat.org/ciatblog-digitalizacion-de-las-administraciones-tributarias-y-facilitacion-del-cumplimiento-tributario/?lang=en>
- Etim, E. O., Umoffong, N. J., & Bassey, D. O. (2020). Individual and socio-economic factors as tax compliance determinants in self-assessment system (SAS) in Akwa Ibom State, Nigeria. *International Journal of Innovative Research and Advanced Studies (IJIRAS)*, 7(5), 28-31.
- Fjeldstad, O.-H. (1995). Taxation and tax reforms in Tanzania: A survey. Michelsen Institute.

- George, C., & Olan'g, L. (2020). *Taxing the informal sector. A case of Dar es Salaam street vendors*. REPOA Brief.
- Getachew, Y. (2020). *Factors affecting business performance of small and medium size enterprise in Debre Birhan town, Ethiopia*, [Master's thesis, Debre Berhan University, Debre Berhan University, Ethiopia].
- Haji, S. (2015). Presumptive tax system and its influence on the ways informal entrepreneurs behave in Tanzania. *Tanzanian Economic Review*, 5(12). <https://doi.org/10.56279/ter.v5i1-2.17>
- Hastuti, R. (2014). Tax awareness and tax education: A perception of potential taxpayers. *International Journal of Business, Economics and Law*, 5(1).
- Ikhsan, S., & Suratman, E. (2023). Demographic characteristics and tax compliance. *Asian Journal of Social Science Studies*, 8(1), 1.
- John, J. D. (2006). *The political economy of taxation and political reform in developing countries*. UNU-WIDER.
- Kakengi, V., & Msafiri, D. (2019). *Tanzania Revenue Authority earns good marks but is still earning citizens' trust*. Afrobarometer Dispatch No. 329.
- Kim, S., & Kim, T. (2018). Tax reform, tax compliance and state-building in Tanzania and Uganda. *Africa Development*, 43(2), 35-64.
- Ligomeka, W. (2019). Assessing the performance of African tax administrations: A Malawian puzzle, ICTD African Tax Administration Paper, No. 14, International Centre for Tax and Development, Brighton.
- Mascagni, G., Santoro, F. and Mukama, D. (2019). Teach to comply? Evidence from a Taxpayer education programme in Rwanda. [http://www.ictd.ac/publication_on June 15th 2023](http://www.ictd.ac/publication_on_June_15th_2023).
- Masunga et al (2020). Quality of e-tax system and its effect on tax compliance: Evidence from large taxpayers in Tanzania. *International Journal of Commerce and Finance*, 6(2), 145-158.
- Ministry of Trade and Industry. (2012). *National baseline survey report for micro, small and medium enterprises in Tanzania-2012*. <http://repository.businessinsightz.org/handle/20.500.12018/423>
- Moore, M. (2019). Intelligent government: How research can help increase tax compliance, ATAP Working Paper 9, Brighton, IDS.
- Mpofu, F. Y. (2021). Taxing the informal sector through presumptive taxes in Zimbabwe: An avenue for a broadened tax base, stifling of the informal sector activities or both. *Journal of Accounting and Taxation*, 13(3), 153-177.

- OECD (2021). Building tax culture, compliance and citizenship: A global source book on taxpayer education, Second Edition, OECD Publishing <https://doi.org/10.1787/18585eb1-en>
- OECD (2022), Tax administration 2022: Comparative information on OECD and other advanced and emerging economies, OECD Publishing, Paris. <https://doi.org/10.1787/1e797131-en> on July 2nd 2023.
- Ongwamuhana, K. (2011). *Tax compliance in Tanzania*. Mkuki Na Nyota Publishers.
- Osoro, N. E. (1992). Revenue productivity of the tax system in Tanzania. *Journal of African Economies*, 395-415.
- Palil, M. R. (2010). *Tax knowledge and tax compliance determinants in self-assessment system in Malaysia*. [Thesis of the Department of Accounting and Finance Birmingham Business School, the University of Birmingham].
- Palil, M. R., Hamid, M. A., & Hanafiah, M. H. (2013), Taxpayers' compliance behavior: Economic factors approach, *Journal Pengurusan*, 38 75–85. <https://doi.org/10.17576/pengurusan-2013-38-07> on July 3rd 2023.
- Permatasari, D. (2020). The determinant of tax compliance in Indonesia. In the Conference on complex, intelligent, and software intensive systems (pp. 426- 434). Springer, Cham.
- Rahayu, Y. N., Setiawan, M. and Troena, E. A., (2017). The role of taxpayer awareness, tax regulation and understanding in taxpayer compliance, *Journal of Accounting and Taxation*, 9(10), 139-146.
- Ratnawati, V., Sari, R. N. and Sanusi, Z. M. (2019). Education, service quality, accountability, awareness and taxpayer compliance: Individual taxpayer perception, *International Journal of Financial Research*, 10(5), 420-429.
- Tanzania Revenue Authority (2022). *Income Tax for Individuals*. <https://www.tra.go.tz/page/income-tax-for-individuals>
- The Income Tax Act CAP. 332 Practice Note No. 09 (2013). Self-Assessment for Entities. <https://breakthroughattorneys.com/finance-and-tax-law-update-overview-of-the-tax-and-non-tax-changes-for-tanzania-as-per-finance-act-2023/>
- The Tax Administration Act CAP 438 R.E 2019. <https://www.tra.go.tz/index.php/laws>
- Thuronyi, V. (1996). Presumptive taxation. In V. Thuronyi (Ed.), *Tax law design and drafting* (Vol. 1, pp. 1996–1998). International Monetary Fund.
- URT (1991). Report of the Presidential Commission of Enquiry into Public Revenues, Taxation and Expenditure.
- Yamane, T. (1967). *Statistics: An introductory analysis* (2nd ed.). Harper and Row.