

**Analysis of factors influencing tax compliance on small and medium enterprises in  
Tanzania**

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**Master of Business Administration (Finance)**

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This study intended to investigate on the factors influencing tax compliance on Small and Medium Enterprises (SMEs) in Tanzania. A conceptual framework was developed and tested using data from a survey of eighty one (81) SMEs. Data were analysed using descriptive statistics and hypotheses tested using Chi-square ( $\chi^2$ ) test.

Results reveal that tax compliance on SMEs is strongly influenced by the level of tax knowledge of SMEs owner managers (individual taxpayer's factor), level of tax rates and probability of detection (economic factors) and punishment structure for tax non compliers and complexity of tax procedures (institutional factors). Furthermore, findings reveal that SMEs that do not pay taxes are those which are not registered and therefore operating informally.

The study recommends the government should ensure favourable environment to encourage SMEs to register and therefore formalize their operations so as to improve tax compliance. Moreover, it should reduce exemptions and incentives to large business to create fairness in paying taxes between large taxpayers and SMEs.

The study also suggests that TRA should work hard to educate SMEs' owner managers on tax matters pertaining to their businesses and simplify tax return forms and payment procedures to encourage compliance. Not only that, but also TRA has to insist on ethical behaviour of tax officers in order to improve compliance. The government as principal user of tax revenue should provide more public goods and social services to encourage compliance.

Future research should be done on the assessment of attitude of SMEs owner managers towards tax and the effect of their attitude on their tax compliance behaviour. Also future research should concentrate on how to design a special tax regime for taxing SMEs that will consider peculiar characteristics of SMEs