

The influence of electronic fiscal devices (EFDS) on vat revenue collection and tax compliance: the case study of Kinondoni tax region

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The objective of this study was to assess the influence of the use of Electronic Fiscal Devices (EFDs) on revenue and Tax compliance, specifically on Value Added Tax (VAT) among private business firms in Tanzania, citing examples from Kinondoni Municipality in Dar es Salaam city as a case study. An applied regression was used along with narrative stories from the survey to determine and quantify directional change of VAT revenue during the period before and after introduction of EFDs. Empirical results revealed that effective and regular use of EFDs has a significant positive impact on the Value Added Tax (VAT) compliance and thereby revenue collection increase. It has assured the country of increased income from its internal sources, hence much potential in reducing dependence on financial aid. Following the introduction of EFDs, traders are now unable to undervalue their sales in order to evade tax. Consequently VAT compliance has scaled-up in Tanzania. Education and knowledge of taxpayers on EFDs, severity of punishment if caught evading or avoiding tax all are critical elements in fueling EFDs' effectiveness in tax collection. Based on these findings and on the government's economic and social goals, the study suggests that application of EFDs should be given first priority. While at its second phase in EFDs implementation with mid-sized traders of at least TZS 14 million turnovers annually, the TRA should now think further to embark on the third phase in taking onboard the small-sized traders with a turnover of a minimum of 10 million annually. However, there were some limitations during the study period. Access to data was not an easy task due to sensitivity of the studied area. Majority of taxpayers expressed skepticism and frustration they saw in multiple researches in fiscal area without clear positive change to them, questioning whether this was not just another research whose benefits extend only to those who undertake the study.