



An Investigation of Factors Influencing Tax Evasion in Tanzania: A Case Study of Iringa Municipality

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Abstract

Tax evasion is among the major societal problems inhibiting development in developing countries. Literature reveals that tax evasion also denote some of the difficulties in raising revenue in Tanzania and it generates inequity between the evaders and the honest taxpayers. The main purpose of this study was to investigate factors influencing tax evasion practices in Tanzania specifically in Iringa Municipality. Specifically, the study sought to examine the influence of multiplicity of tax to tax evasion, to identify how high tax rate leads to tax evasion, furthermore, to identify the manner in which tax revenue is spent contributes to tax evasion and finally, to determine whether the level of education/awareness of tax payers on tax influences tax evasion.

The study employed both quantitative and qualitative approaches (Mixed method) in the collection of relevant information. The study used descriptive research design while simple random and purposive sampling design were used in collecting data to a total of 100 respondents derived from a total population of 49,253 tax payers. Questionnaires used to obtain primary data while books, journals, dissertations and internet were used to obtain secondary data. Data was analyzed by using Statistical Package for Social Sciences (SPSS) software version 20 and Microsoft excel, while the results were summarized in tables of frequencies percentages and charts.

The results of the analysis showed that multiplicity of tax, high tax rate, the manner in which tax revenue is spent and education level have significant positive relationship with tax evasion. The study recommends that there should be an increase in education and counseling to tax payers; to educate the young who are the future taxpayers by creating an environment for tax education at schools, in additional, a number of taxes and tax rates should be reduced if cases of tax evasion have to be reduced; provision of proper social services to taxpayers, transparent in dealing with tax revenue and proper allocation of revenue collected.

Keywords: Tax, Tax Evasion, Iringa, Tanzania, Factors