

# Tax Evasion – A Protest or Lack of Knowledge for Artisanal and Small-Scale Miners in Midlands Province - Zimbabwe

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**Abstract:** Tax evasion is a major challenge in many countries of the world that deprive many governments to meet their expected expenditures to finance the public goods and services. Zimbabwe is amongst the developing countries that experience tax gap due noncompliance. Despite several reports that the revenue authority is surpassing its target there is a lot of work that need to be done so as to recover more revenue that is not collected due to tax evasion. The study was conducted in Midlands Province of Zimbabwe focusing on registered Artisanal and small-scale mines (ASMs). Stratified random sampling was used to select Artisanal and small-scale miners for interview. The study was conducted by selecting respondents from eight mining districts in Midlands Province. The selected mining districts in Midlands Province are Shurugwi, Kwekwe, Silovela, Zhombe, Mberengwa, Zvishavane, Gokwe North and Gweru. The study focused on registered Artisanal and Small-scale miners who are members of Zimbabwe Mining Federation (ZMF). A sample size of 400 was selected from a total of 9409 Artisanal and small-scale miners who are registered with the ministry of mines and mining development of Midlands province- Zimbabwe. Yomane's sample size formula was to come up with the appropriate sample size. Data analysis was conducted using Pearson, Spearman correlation and multivariate regression.

**Keywords:** Tax evasion, Tax avoidance, Tax knowledge, Tax gap, Protest.

## 1. Introduction and Background to the Study

The issue of tax evasion has been a topical issue in Zimbabwe and many countries both from developing and developed economies. Tax evasion is one of the major drawbacks that hinder effective revenue collection of any country. Individual taxpayers have a number of reasons as to why they are engaged in evading their taxes. Some of the reasons for evading taxes are varied from person to person. Also, the revenue authorities blame the tax evaders for such criminal activity that deprive the government of its revenue.

Taxation has been paid since long back in the history of humanity. The first known system of taxation was in ancient Egypt around 3000BC to 2800BC (Muiruri, 2016). Also, in the Biblical times, taxation is already prevalent. According to the book of Genesis 47:24: "but when the crop comes in, give a fifth of it to Pharaoh. The other four fifths you may keep....."

(RSV: 2010).

In Zimbabwe before colonisation of 1890, individuals were paying tribute to the Ndebele kings. Those who were defaulting taxes were punishable by death. In 1890 the British Government colonised Zimbabwe and introduced a number of taxes. Some of the tax heads were hut tax, Land tax, dog tax and many others. Individuals who were resisting payment of taxes were imprisoned or being killed (Moyana & Sibanda, 2007). In 1980 Zimbabwe won its independence and the majority government was in charge of the tax issues of the country. Since 1980 a number of direct and indirect taxes were introduced in free Zimbabwe. Direct tax is that tax borne by the person and the same person is responsible for paying it. Examples of direct tax paid by Artisanal and Small-scale miners in Zimbabwe are PAYE, Corporate tax, Capital gains tax and many others. Examples of indirect taxes are VAT, Customs and Exercise Duty (Makumbe, Mashiri & Mutandwa, 2012).

Artisanal and Small-Scale Miners (ASMs) are not exceptional in paying their taxes to the revenue authorities. ASMs are also subject to both direct and indirect taxes like other business operators. Registered ASMs are also subject to Presumptive tax and other forms of taxes as required of them. The majority of ASMs in Zimbabwe are registered by the ministry of mines and mining development. Unregistered ASMs are one of the major foreign currency earners amongst all the SMEs category in Zimbabwe. The actual statistics of the foreign currency earned by the ASMs is difficult to measure since the majority of them operate illegally (Yunus, Ramli & Hassan, 2017). Thus, depriving the revenue authority of its revenue.

The Zimbabwe income tax Acts chapter 23:06 provides a number of guidelines to the operators in mining business. According to schedule 22(10) of income tax Acts chapter 23:06; the holder of a special mining lease shall specify separately, in a return rendered in respect of his special mining lease operations the income attributable to those operation and shall furnish information with respect to the following matter; (a) the quantity of chargeable minerals won by him and (b), the manner of each disposal making up that total and the fair market value

in relation to each disposal. There are no special penalties outlined by the Zimbabwe income tax Act chapter 23:06. A number of penalties have been put in place by ZIMRA so as to enforce compliance.

During the past few years there was a number of media reports in Zimbabwe on the issue of tax evasion. The major outcry by the ZIMRA management was the existence of large amount of money that was not remitted by the taxpayers from many different activities. Despite a number of initiatives by both the media and revenue authorities to suppress the activities of tax evasion, there was no meaningful change that has taken place to reduce the activities of tax evasion by the ASMs in Zimbabwe. Tax gap is the major challenge that is faced by many revenue authorities of the developing economies (Maseko, 2014). In this study tax gap refers to the difference between the actual tax paid and the potential amount that could be paid considering full tax compliance. The main objectives of this study are to:

- Identify the factors leading to tax evasion by ASMs
- Establish whether tax evasion is a protest or lack of knowledge
- Establish the effects of tax evasion to the performance of the economy.
- Evaluate the strategies used by revenue authorities to prevent tax evasion.

## 2. Literature Review

The study adopted related literature from many secondary sources so as to reveal what other renowned authorities say about tax evasion. The related literature of this study was obtained from journals, text books and from many websites.

### A. Artisanal and Small-Scale Miners

There is no clear definition that cover all the characteristic of ASMs. In this study Artisanal and small-scale miners is categorised into two main parts. First, Artisanal miners refers to the skilled manual workers who use simple machineries to extract minerals from the ground. Artisanal and small-scale miners conduct their business activities at a small-scale. The degree of being small or large is determined by a number of factors such as, the number of employees, the size and value of machineries used, the nature of the land in which they are operating, the capital base and many other factors. ASMs are in the category of SMEs. In Zimbabwe Small and medium enterprises are known to be individuals who operate informally with small capital base utilising simple available resources within their environment (Sheikh, 2014). Tax evasion is a criminal activity by the taxpayer for not paying the taxes expected from them. According to Xuereb. (2008), tax evasion is an illegal action that result in prosecution as it is the breach the statutory provisions of taxation.

Taxpayers who receive income from business activities that are required by Law to register for taxation, also, to keep and maintain sufficient records of their financial activities for accurate computation of their taxable income (Maseko, 2014). In Zimbabwe the taxation of ASMs is guided by the income tax Act (Chapter 23:06) as read together with the finance Act

chapter (23:04).

Also, other statutory acts guiding the payment of taxes in Zimbabwe are; customs and exercise Act (chapter 23:2) value added tax Act (chapter 23:12), capital gain tax act (chapter 23:01), stamp duties Act (chapter 23:09) and Estate Duty Act chapter (23:03). These acts are subject to change due to the consideration of the cabinet and the president (Amanamah, 2016). The term taxation is defined as the financial charge or any levy imposed upon the taxpayer or an individual or legal entity by the state or the functional equivalent of the state so as to fund various public expenditures (Muiruri, 2016). Failure to pay tax or evasion of tax or resistance to taxation is a punishable offence.

## 3. The Purpose of Taxation

Taxation is the main source of Government revenue. There are many reasons for paying taxes. This study focused on four major purposes for individuals to pay taxes for their governments through the available revenue authorities. These are:

*Revenue* – to generate Government revenue so as to finance public goods and services.

*Redistribution* – As a means maintaining financial equity by transferring wealth from the rich to the poor in the society.

*Reprising* – So as to encourage or discourages excessive consumptions of certain commodities by other individuals in a country.

*Representation* – Is whereby the revenue authority tax its citizens to help in financing public expenditures.

*Factors leading to tax evasion:*

There are a number of factors that contribute to tax evasion by the taxpayers. The factors leading to tax evasion vary from person to person, profession to profession and from trade to trade. The most notable reasons for evading taxation are high tax rates, compliant costs, too many taxes charged by revenue authorities, taxpayer attitude on taxation, economic challenges, lack of direct benefit from the revenue authority, Lack of trust on revenue authorities, Lack of follow-up by revenue authorities and Lack of tax education (Musarirambi, 2013).

*High tax rates:*

Tax rates is considered to be one of the major contributing factors to tax evasion. Tax rates refers to the total amount of money deducted from the taxpayer's income expressed as a percentage. Taxpayer felt that the amount of money deducted from their income by the revenue authority is too much as such they opt to evade paying tax to the revenue authority (Amanamah, 2016). Registered ASMs are subject to presumptive tax. In many circumstances SMEs may fail to earn profit for a long period due to some constraints in business operations. In some circumstances the revenue authorities do not mind as they want their tax to be paid (Muiruri, 2016). In Zimbabwe Taxpayers registered as companies are supposed to remit 24, 5% as their profits to the revenue authority. This percentage contribution is considered as very high by many taxpayers. According to Kessler. (2008), high tax rates demotivate taxpayers to remit their taxes as they are too high for them to shoulder.

*Compliance cost:*

Compliance cost is also another contributing factor that is considered to contribute to tax evasion. Compliance costs include all the administrative costs needed to remit taxes to the revenue authorities. According to Muiruri. (2016), tax compliance refers to the actual money paid by the taxpayer in the process of complying with tax laws. Compliance costs include the time and financial resources spent by the taxpayer to gather all the paperwork needed by the revenue authorities (Schmidt et al, 2007, in Nyamwanza et al, 2014). A lot of time is needed to plan, train members of staff, sometimes hiring tax consultancy to compute the actual tax to be remitted to the revenue authorities. Also, a number of tax forms need to be filled of which some SMEs does not possess such knowledge needed to fill all the tax forms (Yunus, Ramli and Hassan, 2017). Also, according to Maseko. (2014), SMEs in Zimbabwe are experiencing difficulties to get tax clearance certificates on yearly basis which will result in increased rate of noncompliance in remitting their taxes.

There are a number of procedures that has to be followed by an individual to register for taxation. Also, a lot of time is needed to complete the whole process of getting registered by the revenue authorities. This is a major drawback that promote short-cuts in conducting business activities by SMEs (Amanamah, 2016).

*Too many taxes charged by revenue authorities:*

In the context there are a number of both direct and indirect taxes that are incurred by ASMs. In addition to the presumptive tax or corporate tax, SMEs are faced with a number of indirect taxes in their business activities. These include, VAT charged when paying for standard rated goods and services charged at 14,5%, in addition to that, 2% transaction tax for paying through electronic means for goods and services, Toll gates fees, Motor vehicle licences, capital gains taxes when they sale their immovable properties, ZINARA fees paid on quarterly bases for their motor vehicle. Many forms of taxes demanded to a single business are a burdensome to the taxpayers (Yunus, Ramli & Hassan, 2017).

*Taxpayer attitude on taxation:*

Taxpayer attitude on taxation is considered to be one of the major contributing factors to tax evasion. Attitude by the taxpayers determine whether to comply or to evade taxes. Attitude is assumed to encourage or discourage a taxpayer to remit the available taxes. Negative attitude towards payment of tax result in less compliant than those taxpayers with positive attitudes (Wadesango, Mutema, Mhaka & Wadesango, 2018). High level of corruption by tax authorities resulted in taxpayers developing negative attitude towards paying their taxes (Nyamwanza et al, 2014). Also, other SMEs felt that, government should provide financial support towards their business operations than them to support the government (Wadesango et al, 2018). A study conducted in Botswana by Lumumba and Migwi. (2011), revealed that, taxpayer's attitudes influences their tax on compliance behaviour. Therefore, the need to stimulate taxpayer's attitude on tax issues.

*Economic Challenges:*

The prevailing Economic challenges in Zimbabwe is considered to be one of the major factors contributing to tax evasion. Zimbabwe economy faced a number of economic challenges due to poor agriculture performance, unreliable rainfall, unjustified sanctions imposed by the western countries. These economic challenges resulted in low performance by the SMEs as such they opt to evade tax so as have money to finance their business activities (Wadesango et al, 2018). These are some individuals SMEs who want to make an excuse of economic challenges for not faithfully remitting their taxes to the revenue authority not knowing the fact that, ignorance of the law has no excuse (Muiruri, 2016). The act of evading tax is a criminal offense that is subject to prosecution despite the social position or political affiliation of the taxpayers.

*Lack of direct benefit:*

Literature related to this study reviewed that, some taxpayers do not remit their taxes as expected of them since there is no direct benefit they get from the revenue authorities. Many SMEs expect a direct benefit from the government for conducting their small businesses (Muiruri, 2016). Mukasa (2014) in Masango et al (2018) stated that the government is failing to provide the taxpayers their financial and infrastructure development, as such taxpayers do not have a reason to remit their taxes to the revenue authority. Also, the benefit theory recommended that, taxpayers are more willing to remit their taxes to the revenue authorities when they recognise the benefit they will get in paying their taxes (Nuwagada, 2015).

*Lack of trust on revenue authorities:*

Lack of trust on revenue authorities is considered to be another contributing factor of tax evasion. There are many stories broadcasted and published by the media in which tax authorities are reported to have abused public money from the taxpayers for their personal benefit (Nuwagaba, 2015). According to Masarirambi. (2013), corruption by the revenue authorities reduce the level of taxpayer compliance. Also, a study conducted by Nyamwanza et al, 2014 on SMEs in Gweru concluded that, SMEs taxpayers adopted a number of strategies so as to evade tax, they pay bribes to tax authorities. Thus showing high levels of corruption among tax authorities. Since long back a number of corrupt tendencies were conducted by the tax authorities remain unpunished. In AD 60 Boadicca, Queen of East Anglia led a revolt that resulted in killing of all corrupt taxpayers and new tax administrators were appointed (Xuereb, 2008).

*Lack of follow-up by revenue authorities:*

Some taxpayers evade their taxes if they realise that nothing is done to them if they evade paying their taxes. When the level of detecting non-compliant taxpayers is very high, the level of compliant is also considered to be high (Amanamah, 2016). The study by Allingham & Sandmo (1972) revealed that if the level of detecting noncompliant is high tax evasion declines. Also according to Inpukeliene & kazemekaiteyte. (2016), taxpayers act like a gambler, when there is high risk for non-compliant the taxpayer opt to pay tax. When there is low risk due to non-compliant taxpayers choose not to pay their taxes (Pukeliene &

Kazemekaityte, 2016). When the revenue authorities conduct a number of tax audits the taxpayer develop effective strategies to comply with tax regulations so as to avoid punishment by the revenue authorities (Yunus, Ramli & Hassan, 2017). The existence of sanctions and penalties from the tax authorities to tax noncompliance provides increased awareness of taxpayer (Muklis, Utomo & Soesetio, 2015).

#### *Lack of tax Education:*

Inadequate tax education is considered to be one of the major contribution factor of tax evasion and avoidance. Many SMEs do not acquire adequate education on tax issues as such they do not consider the importance of remitting their taxes to the revenue authorities (Amanamah, 2016). According to Mukhlis, Hadi & Soesetio. (2015), Tax education is important in ensuring tax compliance. Also, tax knowledge acquire through formal education is significant and has a positive effect on tax compliance. Also, a study conducted by Wadesango *et al.* (2014), revealed that, in the absent of tax education taxpayers tend to develop a negative attitude towards paying their taxes. On the other hand, the study conducted by Pukeliene & Kazemekaityte. (2016), revealed that, in some instances taxpayers acquire tax knowledge so as to develop strategies to evade taxes. Thus, tax education is as a weapon for evading taxes by some taxpayers.

#### *Methods of tax evasion by Artisanal and small-scale miners:*

There are many methods that are used by Artisanal and small-scale miners in Zimbabwe to evade taxes they are expected to remit. The most common methods of evading taxes by ASMs are, defaulting, falsifying records, bribery and many others.

#### *Defaulting on Payments:*

Defaulting of records is the most common method of evading taxes used by Artisanal and small-scale miners in Zimbabwe. Defaulting exist when the taxpayers ignores their duties of paying their taxes they are expected to pay. Artisanal and small-scale miners they fail to pay their taxes appearing as if they do not have an obligation of paying their taxes. Defaulting is considered to the major method of evading taxes that deprive revenue authorities of many developing countries (Mukhlis, Utomo & Sesetio, 2015). In the context of Zimbabwe many Artisanal they sell most of their produce to the informal markets, as such it is difficulty to monitor how much sells they have made at any given time.

#### *Falsifying of records:*

Falsifying of records is one of the major methods used by Artisanal and small-scale miners to evade taxes in Zimbabwe. Many Artisanal miners do not keep proper books of accounts. Some do not even have files to safe keep all the expenditures and revenue they incurred in the business operations. According to Gcabo & Zurika. (2007), it is very difficult to make a successful follow up to a taxpayer where there is no accurate records of the business activities. Some Artisanal and small-scale are illiterate and ignorant as they do not bother themselves to attain tax knowledge.

#### *Bribery:*

Bribery is one of the methods used by Artisanal and small-scale miners to evade their taxes in Zimbabwe. In many

circumstances the Artisanal and small-scale miners do pay bribes to the tax administrators who make a follow-up on them so as to avoid paying their taxes (Nyamwanza, Mapetere, Mavhiki and Nyamwanza, 2014). Bribery is one of the most challenges that promote tax evasion in Zimbabwe. The tax officials are the ones that are bribed as such it is a major challenge to avoid. Tax officials are invested with powers to enforce tax payments. Once the tax official is being bribed this means that no one is able enforce the taxpayer to shoulder the burden of remitting their taxes faithfully

#### *Other factors contributing to tax evasion and tax avoidance:*

The factors contributing to tax evasion and avoidance are numerous as they vary from person to person, company to company. Also, tax evasion varies from time to time. Some of these factors are a secret to individuals who evade taxes. Tax non-compliance is motivated by different reasons and for tax authorities to prevent these bad activities they must be aware of the reasons leading to such detrimental tendencies (Musarirambi, 2013). Some other factors contributing to high level of tax evasion are, perception on unfairness (Maseko, 2014) low transparency and accountability by public institutions (Amanamah, 2016), lack of rule of law and weak fiscal jurisdiction as well as insufficiencies in tax collection (Yunus, Ramli & Hassan, 2017). Also, weak capacity by the revenue authority to detect and prosecute tax evaders and avoiders (Kessler, 2008).

Tax evasion is an illegal and unethical activities that involve concealment of tax liability for example, by over stating deduction or by underreporting income, tax exemptions or tax credits or by failing to file appropriate tax returns (Kessler, 2008). Taxpayers engage into tax evasion by non-declaration of financial asserts in offshore financial accounts, VAT fraud, trade mispricing, abuse of tax incentives through false claiming eligibility and sometimes bribing tax authorities (Zivanai, Chari & Nyakurimwa, 2015). Taxpayers may also evade tax by pretending to be lacking tax knowledge through their ignorance.as such they do not remit their taxes to the revenue authorities. All forms of tax evasion are illegal and are subject to prosecution.

#### *Effects of tax evasion in Zimbabwe:*

Normally, tax evasion have negative effect on the fiscas. In Zimbabwe revenue from tax constitute high percentage on government revenue. Sixty percent (60%) of government revenue is from tax (Zivanai, Chari & Nyakurimwa, 2016). In many circumstance the government fail to meet its intended expenditure due to tax evasion. The government of Zimbabwe is experiencing challenges to provide public goods and services such the construction of roads, bridges. Health services, quality education as well as failing to finance its investment activities as a result of noncompliance (Pukeliene & Kazemekaityte, 2016).

#### *Strategies to prevent tax evasion by the Zimbabwean government:*

Over the years a number of strategies were crafted by the government of Zimbabwe so as to curb tax evasion. Almost all the methods to prevent tax evasion are porous as there is no significance improvement has been experienced so far. The

income tax act chapter 23; 06 of Zimbabwe contain a number of strategies to be put in place so as to prevent tax evasion. Schedule 22(5) income tax act chapter 23; 06 provides a number of guidelines as to how taxpayers in the mining sector are supposed to ensure full compliance. Income tax act are created by legislators and the cabinet as such they provide the best strategies to follow for tax purposes.

Tax education is another important strategy that is recommended as being effective in ensuring tax compliance. Tax education for non-compliance can help to correct negative perception of taxpayers on tax issues (Wadesango et al, 2018). In many circumstances all strategies for evading taxes are considered to be emanating from lack of tax knowledge of which relevant tax knowledge is considered to be gaining through tax education (Sheikh, obid, 2014). On the other hand, tax education is considered as detrimental to tax compliance.

Since other taxpayers acquire tax education so as to craft ideas on how best they will be able to avoid and evade taxes (Muiriruri, 2016). Also, according to Nyamwanza et al, (2014) tax education cannot be considered important in a situation whereby the tax officials are being bribed by the taxpayers so as to evade taxation.

Tax punishment is considered to be very important in preventing tax evasion and tax avoidance. Tax punishment may be detected through tax audits but tax audits cannot be effective in the presence of high level of corruption (Amanamah, 2016) Tax punishment may be in the form of fines, imprisonment, cancellation of trading licence and many others. Tax punishment is also considered to be weak especially if the punishment is below what the taxpayer benefit by engaged into non-compliance (Kessler, 2008). According to Yunus, Ramli & Hassan (2017). The tax penalty used in practice is suboptimal. They recommended a mixed tax penalty-reward system in which those who fail to remit their taxes to be punished and those taxpayers who comply to be rewarded.

#### *Theories relating to tax evasion and avoidance:*

This study is guided by the Responsive regulation theory and Prospect theory. A number of theories were developed in the field of taxation over the years to explain the causes and effects of tax evasion. The study adopted only two theories that are directly related to the main objectives of the study. The earliest views on tax compliance were put forward by Smith (1776) in which he points out that, "High taxes frequently afford a smaller revenue to government than what might be drawn from more moderate taxes," (Gcabo & Zurika, 2007).

#### *Responsive Regulation Theory:*

The responsive regulations theory was put forward by Ayres & Braithwaite (1992). The theory applied the compliance pyramid to select an effective enforcement strategy that reflects the behaviour of the tax payers of three phases. The first lower phase consists of virtuous actors (fully compliant taxpayers). According to the theorist taxpayers who are fully compliant need restorative justice in which they need to made aware, educated tax issues. The second phase of the pyramid consist of rational actors. This phase is characterised by taxpayers who are willing to remit their taxes but not able to do so. In such circumstances the deterrence taxpayers need to be warned

through letters civil penalty and other means to enforce complaints. The last top phase of the pyramid consists of irrational actors. These taxpayers are able to pay their taxes but not willing. These irrational actors deserve criminal penalty, licences suspension and licence revocation (Ayres & Braithwaite, 1992).

The responsive regulation theory relies on the premises that individuals' actions are motivated by different factors and in order to be successful, regulatory agency need to be armed with a range of enforcement available to them so as to deal with individual subjects to different motivational factors (Yunus, Ramli & Hassan, 2017). On the other hand, tax authorities always consider strategies to punish the taxpayers. On a synergistic environment there is willingness and cooperation to pay tax by the taxpayer. Therefore, there is cordial relationship between the taxpayers and tax authorities (Zivanai et al, 2016).

#### *Prospect Theory:*

Prospect theory was put forward by Kahneman & Tversky (1979). The prospect theory is based on the assumption that taxpayers evaluate gains or losses from some neutral status quo as reference point. Taxpayers are considered as not being rational decision makers, as such they tend to adapt to any constant in their activities until they find a constant neutral. Therefore, when taxpayers expect profit from the taxman, they opt for risk-avoidance behaviour in the form of a safe risk-free strategy to collect all their profit by returning their tax return forms in the minimum possible time (Nurkhin, 20118). On the other hand, if taxpayers expect a loss, they become risk takers by suppressing part of their taxable income to the verge of or just over the limit of what is permissible (Gcabo & Zurika, 2007).

## 4. Methods

The research study belongs to quantitative research. The study adopted cross-sectional research design. This research design is adopted as it focuses on data from the events that have occurred (Wahyudini, 2015). This research study examines the factors contributing to tax evasion by Artisanal and small-scale miners in Midlands province of Zimbabwe.

The population of this research study consist of all registered Artisanal and small-scale miners in the Midlands province of Zimbabwe. There 9409 registered Artisanal and small-scale miners at ministry of mines and development at Midlands office as at January 2021.

#### *Sample size of the study:*

The sample size of this study was determined using Yamane's Formula: 1967

$$\text{Yamane's formula: } n = N / [(1) + (N * e^2)]$$

Where: n = Sample Size

N = Target population

E = Level of significance/ marginal error 5%

To substituting the entire population on the Slovene's formula:

$$n = 9409 / [(1) + (9409 * 0.05^2)] = 383.68$$

Therefore, the population size from Yamene’s formula is 383, 68 respondents. To increase the statistical power 400 respondents was considered for the study. 450 questionnaires were distributed to give an allowance for spoiled and unreturned questionnaires.

The margin of error is 5% and the significant level of 95% was adopted in this research study (Burns and Burns, 2012, Ghozali, 2011). The research variable measured by a Likert of 5 points scales choices from 5 (strongly disagree), 4 (disagree), 3 (uncertain), 2 (Agree) and 1 (strongly agree).

### 5. Data Analysis

Multiple regression analysis was adopted to measure the relationship between tax protest and lack of knowledge (independent variables) and tax evasion (dependent variable). Pearson correlation, Spearman rho and Multivariate Linear regression was used to analyse the relationships that exist amongst the existing variables. Pearson correlation was used to measure the relationship between the independent variables and the dependent variables. Also, Pearson correlation was used to measure the relationship between the independent variables themselves. In addition to that, Spearman rho was used to measure the relationship on the absolute values between the independent variables and depended variable as well as the relationship of absolute values of independent variables themselves. Multivariate Linear regression was used to measure the causation that exist between independent variables and dependent variables. It shows what causes the relationship to exist in the way they exist.

$$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \epsilon$$

Where:

$Y_1$  = Tax Evasion

$\beta_1 - \beta_8$  Regression Coefficients

$X_1 - X_8$  Regression Coefficient of  $X_n$

$\epsilon$  = Error

$X_1$  = High tax rates

$X_2$  = Compliance costs

$X_3$  = Too many taxes

$X_4$  = Taxpayer attitude

$X_5$  = Economic challenges

$X_6$  = Lack of direct benefit from remitting tax

$X_7$  = Lack of follow up by revenue authorities

$X_8$  = Lack of tax education

The research study used alpha hypothesis statistically. The computation of T and F test was conducted using multiple regression analysis.

The table 1 reports the results of the Pearson correlation matrix for effects of lack of Tax knowledge Tax Evasion variables; the annotation \*\*\* indicates results significant at a 0.01%, \*\*, at 0.05% and \* at 0.10% levels of significance.

Table 1  
Pearson’s correlation test: results for effects of lack of tax knowledge on tax evasion variables

Variables	(1)	(2)	(3)	(4)
(1) stxe	1.000			
(2) wtpt	-0.907*	1.000		
	(0.000)			
(3) fptx	-0.909*	0.936*	1.000	
	(0.000)	(0.000)		
(4) loed	-0.922*	0.933*	0.974*	1.000
	(0.000)	(0.000)	(0.000)	

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Key:

stxe: Support tax evasion

wtpt: Willing to pay tax

fptx: Failure to pay tax

loed: Lack of education

Lack of tax knowledge has a very strong positive significant correlation with willingness to pay tax (0.933,  $p=0.000$ ) and failure to pay tax (0.974,  $p=0.000$ ), whereas with support of tax evasion (-0.922,  $p=0.000$ ) it has a significant negative correlation.

The results of table 1, shows that, there is a positive and significance relationship between lack of tax knowledge and willingness to pay tax. Artisanal and small-scale miners who lack tax knowledge are willing to pay tax. Literature related to this study shows a contradictory view in which tax knowledge is considered important and positive significance towards tax compliance (Nurkhin, 2018, Wadesango, Mutema, mhaka, & Wadesango, 2018). Willingness alone is not considered

Table 2  
Pearson’s correlation test: Results of tax protest variables and tax evasion variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) stxe	1.000						
(2) wtpt	-0.907*	1.000					
	(0.000)						
(3) fptx	-0.909*	0.936*	1.000				
	(0.000)	(0.000)					
(4) nrtx	-0.919*	0.941*	0.982*	1.000			
	(0.000)	(0.000)	(0.000)				
(5) aork	-0.913*	0.917*	0.977*	0.963*	1.000		
	(0.000)	(0.000)	(0.000)	(0.000)			
(6) fctxa	-0.922*	0.923*	0.967*	0.971*	0.989*	1.000	
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		
(7) ftxi	-0.913*	0.913*	0.957*	0.952*	0.982*	0.980*	1.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

important in contributing to tax compliance, since other individuals' taxpayers may be willing to pay tax but not able to pay their taxes as expected of them. Some taxpayers who attain tax education they fail to positively use their tax knowledge to comply with tax regulations. Instead, they use their tax knowledge to evade their taxes (Gcabo & Zurika, 2007, kesler, 2008).

In addition to that, the taxpayers who support tax evasion do not pay their taxes as they have a negative view towards payment of taxes. Taxpayers support tax evasion as they not motivated to pay taxes due various reasons such as mistrust upon the revenue authorities. Mistrust upon the revenue authorities resulted in taxpayers developing a negative attitude towards revenue authority officials (Nyamwanza, Mavhiki, Mapetere & Nyamwanza). Thus, trust upon revenue authorities plays a significant role in determining the level of compliance of taxpayers.

The table reports the results of the Pearson correlation matrix for Tax Protest Variables and Tax Evasion Variables; the annotation \*\*\* indicates results significant at a 0.01%, \*\*, at 0.05% and \* at 0.10% levels of significance.

**Key:**

- stxe: Support tax evasion
- wtpt: Willing to pay tax
- fptx: Failure to pay tax
- nrtx: Not registered for tax
- aork: Absence of record keeping
- fctxa: Failure to corporate with tax administrators
- ftxi: Falsifying tax information

Table 2, above shows that stxe has a significant negative correlation with wtpt (-0.907, p=0.000), fptx (-0.909, 0.000), nrtx (-0.919, p=0.000), aork (-0.913, p=0.000), fctxa (-0.922, p=0.000) and ftxi (-0.913, 0.000). On the other hand, it also shows that all other variables fptx, nrtx, aork, fctxa and ftxi are significantly positively correlated to each other with p-values of 0.000.

The results of table 2 shows that, Artisanal and small-scale miners who support tax evasion are not willing to pay their taxes. Also, evidence from table 2 shows that, supporters of tax

evasion are failing to pay their taxes, are not registered for tax, they do not keep proper records of accounting, they fail to corporate with revenue authorities and they are also engaged in falsifying their tax information. Literature related to this study concur with these results as the failure by the Artisanal and small-scale miners to pay their taxes is as a result showing dissatisfaction by the taxpayers (Attom & Steinmo,2017, Kesler, 2008, Lumumba & Migwi, 2010). In addition to that, Failure to pay tax, not registered for tax, absence of tax record keeping, failure to corporate with tax administrators and falsifying tax information are correlated to each other. Failure to remit taxes as expected is considered by many authors as a result of many factors influencing noncompliance (Zivanai, Chari & Nyakurimwa, 2015). Thus, results of this study shows that, failure to pay tax by Artisanal and small-scale miners in Zimbabwe is as a result of protest by the taxpayers. Protest is influencing by a number of factors such as dissatisfaction of tax system, high compliance costs, lack of tax incentives and many others. The results of protesting against tax payments is witnessed through Failure to pay tax, not registering for tax, absence of tax record keeping, failure to corporate with tax administrators and falsifying tax information.

The table 3 reports the results of the Spearman correlation for Tax Education, Tax Protest and Tax Evasion Variables; the annotation \*\*\* indicates results significant at a 0.01%, \*\*, at 0.05% and \* at 0.10% levels of significance.

**Key:**

- stxe: Support tax evasion
- wtpt: Willing to pay tax
- fptx: Failure to pay tax
- nrtx: Not registered for tax
- aork: Absence of record keeping
- fctxa: Failure to corporate with tax administrators
- ftxi: Falsifying tax information
- loed: Lack of education

Table shows that stxe has a significant negative correlation with wtpt (-0.930, p=0.000), fptx (-0.923, 0.000), nrtx (-0.932, p=0.000), aork (-0.927, p=0.000), fctxa (-0.936, p=0.000) and ftxi (-0.929, 0.000). On the other hand, it also shows that all

Table 3  
Spearman's correlation test: Results of tax education, tax protest and tax evasion variables

Variables	stxe	wtpt	fptx	loed	nrtx	aork	fctxa	ftxi
stxe	1.000							
wtpt	-0.930*	1.000						
fptx	-0.923*	0.940*	1.000					
loed	-0.935*	0.935*	0.972*	1.000				
nrtx	-0.932*	0.948*	0.983*	0.972*	1.000			
aork	-0.927*	0.938*	0.994*	0.967*	0.980*	1.000		
fctxa	-0.936*	0.944*	0.984*	0.969*	0.989*	0.988*	1.000	
ftxi	-0.929*	0.940*	0.974*	0.973*	0.970*	0.981*	0.980*	1.000

Table 4

Multivariate regression analysis for tax knowledge, tax protest and tax evasion						
Variables	Coef.	Std.Err.	t	P>t	[95%Conf.	Interval]
<b>stxe</b>						
loed	-0.406	0.086	-4.750	0.000	-0.574	-0.238
nrtx	-0.097	0.098	-0.990	0.323	-0.291	0.096
aork	0.182	0.148	1.230	0.218	-0.108	0.472
fctxa	-0.537	0.157	-3.430	0.001	-0.845	-0.229
ftxi	-0.090	0.116	-0.780	0.437	-0.319	0.138
cons	5.182	0.055	93.460	0.000	5.073	5.291
<b>wtpt</b>						
loed	0.266	0.074	3.580	0.000	0.120	0.412
nrtx	0.502	0.085	5.880	0.000	0.334	0.670
aork	-0.021	0.128	-0.170	0.867	-0.273	0.230
fctxa	0.068	0.136	0.500	0.615	-0.199	0.335
ftxi	0.058	0.101	0.580	0.563	-0.140	0.257
cons	0.504	0.048	10.490	0.000	0.410	0.598
<b>fptx</b>						
loed	0.279	0.030	9.260	0.000	0.220	0.338
nrtx	0.466	0.035	13.460	0.000	0.398	0.535
aork	0.949	0.052	18.260	0.000	0.846	1.051
fctxa	-0.460	0.055	-8.340	0.000	-0.568	-0.351
ftxi	-0.207	0.041	-5.050	0.000	-0.287	-0.126
cons	-0.075	0.020	-3.840	0.000	-0.113	-0.037

other variable wtpt, fptx, nrtx, aork, fctxa and ftxi are significantly positively correlated to each other with p-values of 0.000.

Information on table 3 shows that, Artisanal and small-scale miners who support tax evasion are not willing to pay their taxes, they fail to pay their taxes, they are not registered for tax purpose, they do not keep tax records, they fail to incorporate with the tax administrators and are engaged in falsifying their tax records. Related literature to this study reveals that, low level of tax compliance is a result of many factors that are known and are private to the taxpayers themselves (Wadesango, Mutema, Mhaka & Wadesango, 2018). Also, the variables willing to pay tax, failure to pay tax, not willing to pay tax, absence of record keeping, failure to incorporate with tax administrators and falsifying of tax records are positively correlated. These factors are interwoven and inseparable entities.

**Key:**

- stxe: Support tax evasion
- wtpt: Willing to pay tax
- fptx: Failure to pay tax
- nrtx: Not registered for tax
- aork: Absence of record keeping
- fctxa: Failure to incorporate with tax administrators
- ftxi: Falsifying tax information
- loed: Lack of tax education

$$Y_1 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \epsilon$$

$$Y_2 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \epsilon$$

$$Y_3 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \epsilon$$

$$Y_1 = 5.182 - 0.406x_1 - 0.097x_2 + 0.182x_3 - 0.537x_4 - 0.090x_5 + \epsilon$$

$$Y_2 = 0.504 + 0.266x_1 + 0.502x_2 - 0.021x_3 + 0.068x_4 + 0.058x_5 + \epsilon$$

$$Y_3 = -0.075 + 0.279x_1 + 0.466x_2 + 0.949x_3 + 0.460x_4 + 0.207x_5 + \epsilon$$

Where:

$Y_1$  = Support tax evasion,

$Y_2$  = willing to pay tax,

$Y_3$  = Failure to pay tax

$\beta_1 - \beta_8$  Regression Coefficients

$X = X_1 - X_8$  Regression Coefficient of  $X_n$ ,

$\epsilon$  = Error

$X_1$  = Not registered for tax

$X_2$  = Absence of record keeping

$X_3$  = Failure to incorporate with tax administrators

$X_4$  = Falsifying tax information

$X_5$  = Lack of tax education

Table 4 shows results of the overall significance and P values for stxe, wtpt and fptx (0.000), suggesting that all the five variables: loed, nrtx, aork, fctxa and ftxi together impact on stxe, wtpt and fptx and account for about 87.0% ( $R^2 = 0.8704$ ), 89.2% ( $R^2 = 0.8922$ ) and 98.5% ( $R^2 = 0.9852$ ) of the variation in stxe, wtpt and fptx respectively.

Table 4 also shows that, loed (-0.406; 0.000) and fctxa (-0.537; 0.001) are negative significant predictors of stxe, whereas nrtx (0.502; 0.000) and loed (0.266; 0.000) are positive significant predictors of wtpt. ftxi (-0.207; 0.000), fctxa (-0.460; 0.000) are negative significant predictors of fptx, whereas aork (0.949, 0.000); nrtx (0.465, 0.000) and loed (0.279, 0.000) are positive significant predictors of fptx.

Table 4, shows that, lack of education, not registering for tax, absence of record keeping, failure to incorporate with tax administrators, and falsifying of tax information contribute to tax evasion. In addition to that, Lack of tax education failure to incorporate with tax administrators are considered to be the major factors contributing to tax evasion by Artisanal and small-scale miners in the Midlands province of Zimbabwe. Also, not registered for tax and lack of tax education are considered to be the major determinants of tax evasion. Tax education has been considered by many authors to be very important in ensuring high level of tax compliance (Nukhin, 2018, Wadesango, Mutema, Mhaka & Wadesango, 2018).



## 6. Findings and Recommendations of the Study

The study reveals that, tax evasion has a negative effect on tax compliance. Tax evasion is the major factor that deprive the government of its revenue. Thus, tax evasion has a negative effect on tax compliance. Therefore, there is need for the responsible authorities to ensure effective mitigation measure to shun tax evasion activities. Lack of tax education is positively correlated with willingness to pay tax. Willingness to pay tax is incomplete if not accompanied by the actual payment of tax.

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