

# DETERMINANTS OF SMALL BUSINESS TAX COMPLIANCE BEHAVIOUR: EVIDENCE FROM ZIMBABWEAN SMALL BUSINESSES

Munyaradzi DUVE<sup>1</sup>, Danie SCHUTTE<sup>2\*</sup>, Manjit KOUR<sup>3</sup>

---

*Article History: Received: June 28, 2024; Reviewed: September 5, 2024; Accepted: November 11, 2024; Available online: December 17, 2024.*

©2024 Studia UBB Negotia. Published by Babeş-Bolyai University.



This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License

---

**ABSTRACT.** Many developing countries have implemented tax regulations for small enterprises and the simplification of tax systems in recent times. Tax compliance attitudes within this sector vary significantly due to the high cost to comply and the technical nature of tax law. Many different factors influence presumptive tax compliance and previous research did not necessarily identify the determinants of this phenomenon. Two hundred and nineteen small business owners/managers participated in the study. The validation of the measurement model and the structural model was performed using the Partial-Least Squares Structural Equation Model.

The study evaluated the impact of tax morale, corruption and taxpayer/tax office relationships on presumptive tax compliance in the Zimbabwean context. It was found that corruption significantly influences small business operators' compliance levels under a presumptive tax system. Significant differences were found in small business owners and managers who differed in their perceptions of their relationships with the tax office. The results of this study would assist tax authorities in understanding small businesses' perceptions when reviewing the current presumptive tax systems.

**Keywords:** tax morale, tax compliance, corruption, tax office relationships, presumptive taxation

**JEL classification:** H20, H29

---

<sup>1</sup> Great Zimbabwe University, Zimbabwe; e-mail: mduve@gzu.ac.zw

<sup>2</sup> North-West University, South Africa; e-mail: danie.schutte@nwu.ac.za

<sup>3</sup> Chandigarh University, India; e-mail: manjuz\_99@yahoo.com

\* Corresponding author: danie.schutte@nwu.ac.za

**Recommended citation:** Duve, M., Schutte, D., Kour, M., *Determinants of small business tax compliance behaviour: evidence from Zimbabwean small business*, Studia UBB Negotia, vol. 69, issue 4 (December) 2024, pp. 31-51, doi:10.24193/subbnegotia.2024.4.02

## Introduction

This study intends to evaluate the determinants of presumptive tax compliance by small businesses. Cultural, societal and political considerations are some of the many facets of tax compliance (Bertinelli et al., 2020). Among these factors, corruption and tax morale seem to play a pivotal role in developing countries (Bertinelli et al., 2020; Schlenther, 2017; Sebele-Mpofu, 2020). Corruption exerts a negative impact on how the tax system is administered. As a result, some individuals or businesses may be tempted to pay bribes to lower or avoid paying taxes. In this regard, both Schlenther (2017) and Ogembo (2018) examined the connection between corruption and tax morale. Taxpayers tend to evaluate the state's legitimacy, credibility, and political ratification while deciding whether or not to comply with taxes (Sebele-Mpofu, 2020). In this regard, the political readiness to register and pay taxes is ultimately influenced by how the government utilises tax proceeds (Sebele-Mpofu, 2020).

Concerns regarding tax compliance are common in developing countries (Aina et al., 2017). The reduction of compliance and collection costs is one of the primary purposes of a presumptive tax system (Workneh & Mulugeta, 2019). Moreover, presumptive taxation serves as an incentive for small firms to comply. It entails using indirect methods as opposed to conventional approaches based on taxpayer accounts to determine the tax liability (Ogembo, 2018). This type of tax is typically utilised when the tax authority cannot determine a taxpayer's income or cannot confirm the accuracy of such information (Ogembo, 2018).

This research makes contributions in two ways. Firstly, it contributes to the relatively limited body of literature about presumptive taxation. In particular, there is a gap in the literature about the aspects influencing tax compliance in a presumptive tax system. It is essential that tax policymakers should understand the different variables involved in a presumptive tax system. This study, therefore, sheds more light on the key attributes of a presumptive tax system and answers the call for research on the determinants of tax compliance under a presumptive tax regime. Secondly, the research could be useful to tax authorities who seek to implement or review existing presumptive tax systems. In addition, the findings would be relevant to government, policymakers, and academics interested in pursuing further research about the tax compliance behaviour of small businesses and the re-assessment of current presumptive tax systems.

This study is organised as follows: Section 1 presents the introduction of the study and its overall goal. Section 2 provides a brief literature review of a presumptive tax system. This is followed by a discussion of the methodology in section 3. Section 4 presents the data analysis, and section 5 outlines the research conclusions and recommendations. Finally, section 6 discusses the implications and limitations of the study.

## **Literature Review**

This section presents a review of relevant literature about presumptive tax. The section starts by reviewing concepts pertinent to tax compliance. Furthermore, it critically examines different studies related to tax morale, corruption, and taxpayer/tax office relationships. The section also provides a conceptual model of presumptive tax compliance as well as the proposed hypotheses.

### ***Presumptive tax compliance***

The concept of tax compliance has been defined in various ways (Saad, 2009). Tax compliance is assumed when tax returns are filed in a timely manner and when tax obligations are accurately stated (Saad, 2009; Adekoya & Akintoye, 2019). Palil & Mustapha (2011) noted that in complying with tax laws, taxpayers should declare all income, claim correct deductions and rebates, and pay all taxes on time. Tax compliance can be interpreted as the ability and willingness of taxpayers to comply with the law and to pay the correct amount of tax to the appropriate authority or jurisdiction on time (Ayuba & Saad, 2016). Furthermore, tax compliance implies that taxpayers can prepare tax information based on established norms and practices and submit it to the relevant tax authorities (Adekoya & Akintoye, 2019). There is, however, a conflicting interest whereby taxpayers wish to minimise taxes while the tax authority aims to maximise tax revenue through enhanced tax compliance (Gitaru, 2017).

### ***Tax morale***

Aina et al. (2017) argue that small business owners engage in informal activities out of distrust of the government. The problem of non-compliance by small businesses is further exacerbated in an environment of weak taxpayer culture (Ogembo, 2018). Moreover, small businesses are more willing to pay tax if they consider the government as considerate and prudent rather than being wasteful (Torgler & Schaltegger, 2006 as cited by Sebele-Mpofu, 2020).

Several authors have attempted to define tax morale in the small business environment. Luttmer & Singhal (2014) interpreted tax morale as the motivation for tax compliance. For example, small businesses may comply due to reciprocal motivations, peer behaviour and social recognition (Luttmer & Singhal, 2014). Mutual motivations cause small businesses to pay taxes in exchange for benefits such as credit, market access and increased productivity (Luttmer & Singhal, 2014). Moreover, the commonly accepted use of the term refers to the intrinsic motivation to pay taxes (Nakku & Nabaweesi, 2013). This means that tax morale can explain why people voluntarily meet their tax obligations (Nakku & Nabaweesi, 2013).

### ***Taxpayer and tax office relationship***

Relationships between taxpayers, governments and tax authorities are subject to interactions that influence the tax compliance behaviour of small businesses (Kaplanoglou et al., 2016). Tan & Eva (2016) found that trust in the tax authorities is closely related to taxpayers' willingness to comply or cooperate. Citizens who trust governments and tax authorities are more likely to cooperate with them because they believe that their rights and interests will not be violated (De Cremer, 2007, cited in Tan & Eva, 2016, Kaplanoglou et al., 2016). Prihandini et al. (2019) argue that this relationship begins with the interaction between tax authorities and taxpayers. Small businesses tend to believe that they carry a higher tax burden, especially compliance costs, receive fewer government benefits than other groups, and consider the tax system to be unfair (Tan & Eva, 2016). According to Adekoya & Akintoye (2019), trust is built between small businesses and tax authorities through transparency and active participation in the public expenditure process.

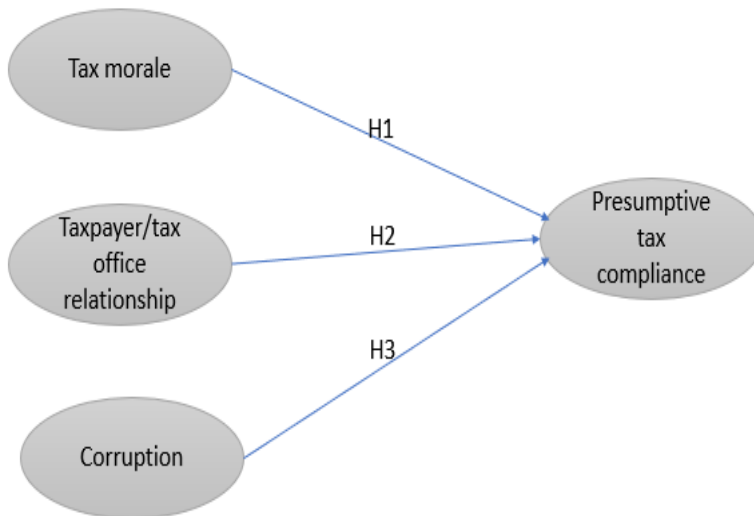
### ***Corruption***

The secrecy and illegality of corruption create severe market distortions and uncertainties in the business environment (Mendoza et al., 2015). As a result, an unfavourable business environment undermines the operational efficiency of firms and, at the same time, increase the cost of doing business (Igwe et al., 2018). In public policy, corruption refers to the abuse of public power for private gain (Mendoza & Bancolita, 2013). As a result, corrupt officials may target businesses that are willing to pay bribes and try to extort them (Mendoza et al., 2015). According to Ullah (2019), corruption is one of the obstacles that hinders small business growth. Moreover, deprived small businesses appear to be negatively affected by corruption (Mendoza & Bancolita, 2013). According to Ogembo (2018), small businesses employ multiple strategies to evade presumptive

tax compliance in the form of bribes to government agencies. The implications of bribery are much more affordable than the legal consequences of penalties and other legal forms of tax evasion (Mendoza & Bancolita, 2013). Based on the above literature review, the present study brings forward the following conceptual model.

### ***The conceptual model and hypotheses development***

Following the factors discussed in the previous section, a conceptual model and hypotheses are formulated. The conceptual model proposes that tax morale, taxpayer/tax office relationships, and corruption affect the presumptive tax compliance of small business owners and managers.



**Figure 1.** The conceptual model  
Source: Author's own research

### ***Hypotheses development***

#### ***Tax morale and tax compliance***

Tax morale is a key determinant of tax compliance behaviour (Nichita & Batrancea, 2012). In the context of SMEs, Nakku & Nabaweesi (2013) argue that the small business sector is given little democratic leeway to express its

preferences and monitor and control politicians. Most small businesses prefer to operate in the informal sector at a time when corruption in government appears to be on the rise (Alm & Martinez-Vazquez, 2008). A lack of democracy reduces the information asymmetry between small businesses and the government (Nakku & Nabaweesi, 2013). In Zimbabwe, small businesses face poor economic conditions, a lack of transparency in government spending, and high levels of government corruption leading to low tax morale (Sebele-Mpofu, 2020). Nyamapfeni & Robinson (2021) found that taxpayers who believe that the country's governance is reasonably democratic have high tax morale. In addition, small business tax morale is also hampered by a lack of trust in the tax system, accountability by the tax authorities, perceptions of corruption, political interventions and a lack of consultation with small business stakeholders on tax policy matters (Sebele-Mpofu, 2020).

Rantelangi & Majid (2017) concluded that taxpayers with high tax morale are more likely to comply voluntarily. Similarly, Jusoh et al. (2021) concluded that tax morale serves to increase intrinsic motivation to pay taxes. The positive perception of justice and trust in the tax system could improve tax compliance attitudes. This is also in line with Hardika et al. (2020), who found that taxpayers with good morale (honesty) tend to be obedient to paying taxes. On the basis of the preceding discussion, the following hypothesis is formulated:

H1: There is a significant positive relationship between tax morale and presumptive tax compliance.

### ***Taxpayer/tax office relationship and tax compliance***

Voluntary compliance increases if governments wisely spend state revenues on basic amenities such as education, health, and safety, as well as public transportation (Palilet al., 2013). In this case, positive perceptions indicate that tax compliance is likely to improve when taxpayers share information with governments (Nkundabanyanga et al., 2016). Kaplanoglou et al. (2016) argue that, if tax authorities are powerful, but governments are unreliable, tax compliance will suffer. This indicates that small businesses are more likely to comply when they trust the tax authorities (Kaplanoglou et al., 2016). Furthermore, Ayuba & Saad (2016) reflected that high levels of corruption could reduce the level of presumptive tax payments due to a lack of trust in the tax authority. Small businesses are more likely to trust tax authorities if they perceive them to be more considerate, competent, ethical and fair in the decision-making process (Tan & Eva, 2016). Taxpayers would therefore entrust their money to an uncorrupted government backed by an effective tax authority (Kaplanoglou et al.,

2016). In further support of this view, Inasius (2019) found that if governments use tax revenues wisely, voluntary presumptive tax compliance is likely to increase. Considering the above discussion, the following hypothesis is formulated:

H2: The relationship between small business taxpayers and the tax authority is positively correlated with presumptive tax compliance.

### ***Corruption and tax compliance***

The presence of corruption defeats the goals of any tax system. Authorities in most African countries have not taken sufficient steps to root out corruption, thus seriously hindering tax compliance (Ogembo, 2018). Corrupt politicians often endorse treaties that allow inappropriate exceptions, thereby influencing the taxation of profits (Schlenter, 2017). According to Bertinelli et al. (2020), corruption can adversely affect tax payments through two channels. First, some individuals or businesses may pay bribes to reduce or avoid paying taxes (Bertinelli et al., 2020). Second, through the fiscal theory contracts, tax revenue depends on agents' willingness to accept. Corruption in the procurement of public services generally reduces the willingness to incur tax payments (Bertinelli et al., 2020).

Furthermore, Bertinelli et al. (2020) conclude that corruption negatively impacts tax compliance. The incentive to pay the estimated tax becomes negative if small business tax contributions do not benefit society. Based on the above discussion, the present study proposes the following hypothesis:

H3: There is a significant negative relationship between corruption and presumptive tax compliance.

## **Research Methodology**

### ***Research approach and design***

This study used a deductive approach to test the formulated hypotheses. The choice of this approach was justified by the need to analyse the data in a quantitative manner. Quantitative research is usually associated with deductive approaches that focus on using data to test theories (Saunders et al., 2016). This includes standard data collection, numerical data measurements, and analysis using various statistical and graphical techniques to explore relationships between variables (Saunders et al., 2016). The study used a survey design focused on small business operators in Zimbabwe.

### ***Population and sampling***

The study population consisted of owners and managers of small businesses operating in 10 provinces of Zimbabwe. This study used a random sampling technique to select participants from small businesses operating in different economic sectors in Zimbabwe's ten provinces. The sampling frame was limited to operators who were members of small business associations and were liable for presumptive taxation. The study sample size was 219. In a similar study, Pope & Abdul-Jabbar (2008) surveyed the tax behaviour and compliance of SMEs in Malaysia using a sample of 175 SMEs from various economic sectors. Another similar study by Oladipupo & Obaze (2016) on tax knowledge, penalties and tax compliance of SMEs in Nigeria used a sample size of 277 SMEs.

### ***Measurement instrument***

The data was collected using an online questionnaire, which presents items relating to each study variable. Tax morale was measured by seven items, taxpayers/tax office relationships had eight items, corruption was measured by five items and presumptive tax compliance was measured by four items. A five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to measure all the items. Data collected from small business owners and managers was used to test the relationship of variables in the conceptual model (Figure 1). This was performed through a structural equation model (SEM).

### ***Reliability of the research instrument***

The reliability of the research instrument was analysed using Cronbach's Alpha. The results in Table 1 showed that all the variables were above the acceptable threshold of 0.7 and, therefore, considered to be suitable for the current study.

**Table 1.** Reliability analysis

<b>Variables</b>	<b>Cronbach's Alpha</b>
Tax morale	0.798
Taxpayer/tax office relationship	0.729
Corruption	0.714
Presumptive tax compliance	0.857

Source: Authors' calculations



DETERMINANTS OF SMALL BUSINESS TAX COMPLIANCE BEHAVIOUR:  
EVIDENCE FROM ZIMBABWEAN SMALL BUSINESSES

***Profile of respondents***

Table 2 demonstrates the demographic profile of the respondents.

**Table 2.** Demographic profile

<b>Variables</b>	<b>Frequency</b>	<b>Cronbach's Alpha</b>
<i>Age</i>		
Below 20	5	2.3
20 – 30	37	16.9
31 – 40	93	42.5
41 – 50	61	29.7
Above 50	23	10.5
<i>Business sector</i>		
Transport	30	13.7
Hairdressing and saloon	20	9.1
Informal trader	66	30.1
Small-scale miner	17	7.8
Cross border trader	10	4.6
Restaurant/bottle store	20	9.1
Cottage industry	7	3.2
Accommodation	15	6.8
Agriculture	34	15.5
<i>Annual turnover (USD)</i>		
Less than \$50 000	143	65.3
\$50 000 - \$100 000	49	22.4
\$100 001 - \$150 000	18	8.2
\$150 001 - \$200 000	2	0.9
Above \$200 000	7	3.2
<i>Number of employees</i>		
Less than 5	140	63.9
5 – 20	47	21.5
21 – 40	13	5.9
41 – 60	10	4.6
More than 60	9	4.1
<i>Level of education</i>		
Primary	19	8.7
Secondary	20	9.1
National certificate	22	10.0
National diploma	26	11.9
Higher National diploma	21	9.6
Bachelor's degree	82	37.4
Post-Graduate degree	29	13.2

<b>Variables</b>	<b>Frequency</b>	<b>Cronbach's Alpha</b>
<i>Business Location</i>		
City/town	181	82.6
Growth point	16	7.3
Rural shopping centre	22	10.0
<i>Years of business operation</i>		
Less than 5	101	46.1
5 – 10	74	33.8
Above 10	44	20.1

Source: Authors' calculations

Most respondents were in the 31 to 40 age group (42.5%), followed by the age group 41 to 50 (29.7%). Most respondents operate as informal traders (30.1%), followed by agriculture, which constituted 15.5% of the study sample. It was also observed that most businesses have an annual turnover of less than US\$50,000 (65.3%). In terms of staff establishment, most small businesses have less than five employees (63.9%), while the dominant level of education among small business operators is an undergraduate degree (37.4%). It was also observed that most small businesses are operating in urban centres (82.6%), and the majority of them have been in business for less than five years (46.1%).

## **Results and Discussion**

This study employed a two-step process to analyse the output of the SEM path results. The two-step process employed in this study includes (1) the measurement model assessment and (2) the structural model assessment. The measurement model assessed the reliability and validity of the study variables and items. Then, the structural model was used to evaluate the hypothesised relationships (Figure 1) in terms of their significance.

### ***Measurement model***

The measurement model was evaluated in terms of its convergent and discriminant validity. Convergent validity is the assessment employed to measure the level of correlation of multiple indicators of the same variable that are in agreement (Hamid et al., 2017). Convergent validity was assessed using the average variance extracted (AVE) and the composite reliability (CR). To establish convergent validity, the value of AVE should be greater than or equal to 0.50, whilst the composite reliability for all latent variables should be above

DETERMINANTS OF SMALL BUSINESS TAX COMPLIANCE BEHAVIOUR:  
EVIDENCE FROM ZIMBABWEAN SMALL BUSINESSES

0.70 (Hamid et al., 2017). Table 3 presents the outcome of the item's loadings Cronbach's Alpha values, and composite reliability values. All the observations exceed the threshold values of 0.5 (AVE) and 0.70 (CR). These results were used to confirm convergent validity.

**Table 3.** Convergent validity assessment

<b>Latent variable</b>	<b>Measure- ment item</b>	<b>Cronbach alpha</b>	<b>C.R. value</b>	<b>AVE value</b>	<b>Factor loading</b>
Tax morale (TM)	-				-
	TM2				0.480
	TM3				0.565
	TM4	0.823	0.829	0.568	0.938
	TM5				0.917
	-				-
Taxpayer/tax office relationship (TTR)	-				-
	TTR2				0.562
	TTR3				0.842
	TTR4				0.695
	-	0.755	0.759	0.522	-
	TTR6.1				0.517
	TTR6.2				0.576
	TTR6.3				0.639
	TTR6.4				0.786
	TTR6.5				0.722
Corruption (C)	C1				0.509
	C2				0.759
	C3	0.719	0.817	0.558	0.664
	-				-
	C5				0.596
Presumptive tax compliance (PTC)	PTC1				0.686
	PTC2	0.857	0.872	0.636	0.899
	PTC3				0.919
	PTC4				0.649

Source: Authors' calculations

After assessing the convergent validity of the measurement model, the discriminant validity of the study components was also evaluated using the Fornell and Larcker (1981) criterion. The discriminant validity is measured using the AVE square roots and the variables' correlations co-efficient. It measures the degree of differences between overlapping variables (Hamid et al., 2017). According to Fornell and Larcker (1981), discriminant validity is achieved when the diagonal values in bold (square root of AVE) are higher than the values in its row and column. Table 4 shows that the square root of AVE exceeds the diagonal values for each row and column, indicating discriminant validity between the variables. Therefore, it is evident that the measurement model meets the validity and reliability requirements.

**Table 4.** Discriminant validity assessment

	<b>CR</b>	<b>AVE</b>	<b>TM</b>	<b>C</b>	<b>TTR</b>	<b>PTC</b>
TM	0.829	0.568	<b>0.754</b>			
TTR	0.759	0.522	0.021	<b>0.722</b>		
C	0.817	0.558	-0.24	0.237	<b>0.747</b>	
PTC	0.872	0.636	0.348	-0.36	0.082	<b>0.797</b>

Source: Authors' calculations

### ***Model goodness of fit assessment***

One of the key steps in applying structural equation modelling is evaluating the model's goodness-of-fit index with data (Munyanyi & Poee, 2020). The model fit can be assessed by considering the chi-square (CMIN), root mean square error of approximation (RMSEA), goodness-of-fit (GFI), adjusted goodness-of-fit (AGFI), root mean square residual (RMR), standard root mean residual (SRMR), normed fit index (NFI), Tucker Lewis Index (TLI), comparative fit index (CFI), parsimony goodness-of-fit index (PGFI) and Akaike Information Criterion (Hooper et al., 2008; Sun, 2005). The RMSEA cut-off range of 0 to 0.08 is considered an indication of a good fit (Feng & Chen, 2020; Hooper et al., 2008; Sun, 2005). Regarding CFI, GFI and TLI, the values should be greater than or equal to 0.90 to attain an acceptable fit (Feng & Chen, 2020; Hooper et al., 2008; Sun, 2005). Another important fit index is chi-square, which must be greater than 0.05 for the model to fit (Walker, 2010). Furthermore, Feng and Chen (2020) report that chi-square degrees of freedom (CMIN/df) values of less than 3 are acceptable to achieve a well-fitted model. In this study, CMIN, CMIN/df, RMSEA, TLI, CFI, and

GFI were considered when assessing the model fit. All indices met the acceptable range for a good model fit (Table 5). Therefore, analysing the path relationships between study variables was possible using a structural model.

**Table 5.** Goodness-of-fit assessment

Name of category	Name of index	Level of acceptance	Value
Absolute fit	Chi-square	P-value>0.05	1021.75
	RMSEA	RMSEA<0.08	0.061
	GFI	GFI>0.90	0.916
Incremental fit	CFI	CFI>0.90	0.920
	TLI	TLI>0.90	0.906
Parsimonious	Chisq/df	Chisq/df<3.0	1.890

Source: Authors' calculations

### ***Structural model analysis***

The assessment of the structural model incorporated 219 cases, and the results are demonstrated in Table 6. Using the t-values, the hypothesised relationships were analysed. The path coefficient's significance was also examined to explain the degree of association between the independent and dependent variables.

**Table 6.** Results of hypotheses testing

Hypothesis number	Path	Path Coefficient ( $\beta$ )	T-value	P-value	Decision
H1	TM – PTC	0.438	3.183	***	Supported
H2	TTR – PTC	-0.007	-0.042	0.866	Rejected
H3	C – PTC	-0.514	-4.283	***	Supported

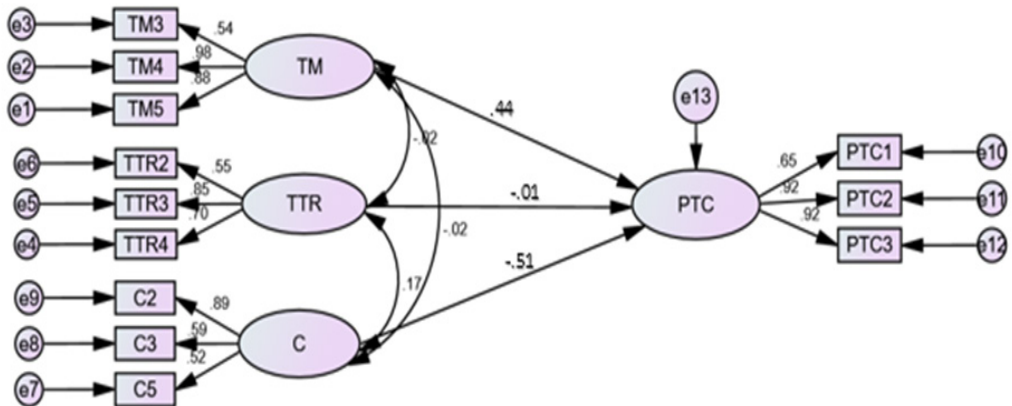
Source: Authors' calculations

H1 proposed that there is a significant positive relationship between tax morale (TM) and presumptive tax compliance (PTC). The results in Table 6 revealed a significant relationship between TM and PTC ( $\beta = 0.438$ ;  $t = 3.183$ ;  $p < 0.001$ ). Thus, this hypothesis was supported. This result supports Nichita & Batrancea (2012), who found that high tax morale leads to high tax compliance levels.

Regarding the impact of taxpayer/tax office relationships (TTR) on PTC, the result of the H2 which predicted a significant positive relationship between TTR and PTC indicated that TTR had no significant influence on PTC ( $\beta = -0.007$ ;  $t = -0.042$ ;  $p > 0.001$ ). Therefore, H2 is not supported. These results contrast with the views of Inasius (2019), who concluded that the taxpayer/tax office relationship improves if the government spends the tax revenue wisely, for example, on basic facilities such as public transportation and education, and this leads to an increase in voluntary presumptive tax compliance.

In this study, H3 proposed that there is a significant negative relationship between corruption (C) and PTC. The results show that H3 is supported ( $\beta = -0.514$ ;  $t = -4.283$ ;  $p < 0.001$ ). This is consistent with Bertinelli et al. (2020), who argue that corruption negatively influences tax payments as individuals or firms pay bribes to reduce or avoid tax payments.

Moreover, this study validated the conceptual model that was evaluated using the SEM. From the three hypotheses proposed, the results provide support for two hypotheses. From the empirical results of the study, tax morale has a positive influence on the level of compliance with presumptive taxation. However, the existence of corruption has a negative impact on decisions to comply with presumptive taxation. The validated model for presumptive tax compliance used in this study is shown in Figure 2.



**Figure 2.** Validated presumptive tax model

Source: Authors' research

The results of this study highlight the complex dynamics of tax compliance among small firms in Northern India, particularly under presumptive taxation. Tax morale (TM) and presumptive tax compliance (PTC) have a positive and statistically significant link, which aligns with existing theories that highlight the significance of taxpayers' attitudes. In line with the results of the present study, Nichita & Batrancea (2012) contend that greater compliance levels are positively correlated with high tax morale. This relationship highlights the potential impact of promoting a positive view of taxes and government policies. It implies that programmes that aim to improve openness, accountability, and democratic procedures may increase small businesses' willingness to comply with presumptive tax obligations voluntarily.

The non-significant correlation between the taxpayer/tax office relationship (TTR) and presumptive tax compliance contradicts widely held beliefs. According to Inasius (2019), effective government spending in conjunction with a positive taxpayer-tax authority relationship could improve voluntary compliance. Nonetheless, the lack of a noteworthy association in this investigation demands a more intricate examination of the particular dynamics of this association inside the framework of Northern India. In order to fully comprehend the intricacy of taxpayer/tax office relations, more research is required. Cultural or institutional intricacies may significantly influence how people perceive tax authorities.

Presumptive tax compliance (PTC) and corruption (C) have a negative and statistically significant association that is consistent with other research showing the detrimental impact of corruption on tax payments. According to Bertinelli et al. (2020), bribery and decreased willingness to comply with tax duties are two ways that corruption creates opportunities for tax evasion. This result underscores how urgently the tax system needs to implement anti-corruption measures. According to the report, presumptive taxation systems must address corruption concerns to succeed, especially in areas where corruption impedes compliance. To improve tax compliance, governments and tax authorities must place a high priority on fighting corruption and promoting an atmosphere of openness and confidence.

Numerous goodness-of-fit indices demonstrate that the structural equation model is well-fitted, which gives the study methodological robustness. This confirms the validity of the current research and emphasises how well the conceptual model captures the complex interactions between the variables. The findings have significant ramifications for Northern Indian tax officials and policymakers. Initiatives focusing on increasing tax morale and combatting corruption appear as essential components of measures aimed at improving presumptive tax compliance among small enterprises.

Positive tax cultures may be fostered by educational initiatives and public awareness campaigns that emphasise the observable advantages of paying taxes. Furthermore, the lack of significance in the relationship between presumptive tax compliance and the taxpayer/tax office interaction points to the necessity for a customised understanding of these dynamics in various industry- or region-specific settings. It is imperative for policymakers to devise policies that are congruent with the complex dynamics at work in cultivating a favourable rapport between tax authorities and small firms.

To sum up, this study adds to our understanding of tax compliance from an academic perspective and offers policymakers useful information to support presumed taxation systems in the distinct socioeconomic context of Northern India. The results highlight the complexity of factors influencing tax compliance and the necessity for focused, situation-specific interventions to increase small firms' voluntary compliance.

## **Conclusion**

The study evaluated the impact of tax morale, corruption and taxpayer/tax office relationships on presumptive tax compliance in the Zimbabwean context. On the basis of the research findings, high tax morale among taxpayers leads to an increase in compliance levels with the presumptive tax system. Regarding the perceptions of corruption, a significant negative impact was discovered on presumptive tax compliance. Accordingly, the government could provide a range of motivations that justify the rationale of paying presumptive taxes. Furthermore, it is also essential for the Zimbabwe Revenue Authority (ZIMRA) to increase awareness and educational programs targeting small businesses regarding the benefits of paying taxes. Moreover, because of the negative attitude towards tax officials by small businesses, the government needs to enhance the autonomy and capacity of tax officials and reduce taxpayers' interaction with tax officials. Less interaction between tax officials and taxpayers could be achieved through the digitalisation of the tax system. The digital transformation should aim at bringing small businesses into e-filing, e-payment, and e-documentation. The benefit could be realised by reducing corruption practices and improving trust that promotes the willingness to comply with the presumptive tax system. By so doing, both the tax authority and small business operators would create more time to focus on other higher-value activities.

In the context of taxpayer/tax office relationships, the study found that the relationships between the tax office and taxpayers are not a significant determinant of presumptive tax compliance. Therefore, it is paramount for



ZIMRA to dedicate time to research small business operators' social norms, morality, and peer pressure to initiate steps that could create positive relationships and increase tax compliance.

The current study contributes to the literature on presumptive taxation. First and foremost, the online survey covers small businesses operating in different economic sectors in Zimbabwe's ten provinces. Thus, the results represented the views of a large population of small businesses in Zimbabwe. Secondly, this study provides new insights into tax morale, perceptions of corruption and taxpayer/tax office relationships. The findings of this study extend the dimensions of tax morale, corruption and taxpayer/tax office relationships, thus providing an update to the existing literature.

### **Practical implications and limitations**

Regarding the implications to practice, this study provides tax authorities and governments with relevant presumptive tax compliance information. Firstly, the government and ZIMRA must acknowledge the existence of tax morale. The government and ZIMRA need to ensure that the provision of public services is a priority, considering the changing needs of the small business sector. Secondly, the government, ZIMRA and small businesses should exchange information to curb corruption and improve working relationships between small business operators and the tax authority. Both tax officials and taxpayers should know the consequences of tax bribes. The findings would be helpful to tax authorities in reforming existing presumptive tax systems.

The study's conclusions have significant practical implications. Tax authorities and policymakers can utilise the study's findings, which emphasise the promotion of tax compliance and the decrease in dishonest activity, to enhance presumptive tax systems. The realisation that contacts between the tax office and taxpayers are ineffective compels a reevaluation of resource allocation, emphasising thorough educational initiatives and programming catering to small businesses. The case for digitising tax systems is stated as a deliberate move to boost confidence, reduce corruption, and increase efficiency.

Similar to other studies, the present one had some limitations. First and foremost, the study focused on presumptive tax compliance in Zimbabwe. While the study considered the views of small businesses operating in Zimbabwe, caution should be taken to the study findings owing to other tax types applicable to small businesses. In this regard, future researchers can consider the determinants of small businesses' tax compliance using different tax types such as value-added tax, pay-as-you-earn and the newly introduced intermediary money transfer tax (IMTT). Secondly, the study used an online questionnaire to collect data

from small business operators. The study was limited to the use of a quantitative approach. Therefore, further studies can use both quantitative and qualitative approaches (questionnaires and in-depth interviews) to gain deep insights into issues surrounding presumptive tax compliance.

## REFERENCES

- Adekoya, A.A. & Akintoye, I.R. (2019). Government transparency moderated by trust in government and voluntary tax compliance behaviour in Nigeria. *International Journal of Economics, Commerce and Management*, VII(8), 624-644.
- Aina, A., Aderbigbe, T., Adigun, D.E. & Oyedokun, G.E. (2017). Tax morale and Nigeria's informal sector. *Journal of Taxation and Economic Development*, 16(2), 116-133. Available at: [https://www.researchgate.net/publication/331062648\\_TAX\\_MORALE\\_AND\\_NIGERIA'S\\_INFORMAL\\_SECTOR](https://www.researchgate.net/publication/331062648_TAX_MORALE_AND_NIGERIA'S_INFORMAL_SECTOR)
- Alm, J. & Martinez-Vazquez, J. (2008). Tax evasion, the informal sector and tax morale in Latin American countries. *Paper delivered at the International Studies Program, Working paper 07-04. Atlanta, Georgia, USA*. Retrieved October 01, 2020, from <https://ideas.repec.org/p/ayis/ispwps/paper0704.html>
- Ayuba, A. & Saad N. (2016). Perceived service orientation, economic factors, psychological factors and tax compliance: evidence from Nigerian SMEs. *Malaysian Management Journal*, 20, 41-57. Available at: <https://e-journal.uum.edu.my/index.php/mmj/article/view/9040>
- Bertinelli, L., Bourgain, A. & Léon, F. (2020). Corruption and tax compliance: Evidence from small retailers in Bamako, Mali. *Applied Economics Letters*, 27(5), 366-370. <https://doi.org/10.1080/13504851.2019.1616057>
- Feng, B. & Chen, M. (2020). The Impact of Entrepreneurial Passion on Psychology and Behaviour of Entrepreneurs. *Frontiers in Psychology*, 11, 1-14. <https://doi.org/10.3389/fpsyg.2020.01733>
- Fornell, C. & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: algebra and statistics. *Journal of Marketing Research* 18(3), 382-388. <https://doi.org/10.2307/3150980>
- Gitaru, K. (2017). The effect of taxpayer education on tax compliance in Kenya: a case study of SMEs in Nairobi Central Business District. *MPRA Paper No. 80344*. Available at: <https://mpra.ub.uni-muenchen.de/80344/>
- Hamid, M.R., Sami, W. & Sidek, M.H.M. (2017). Discriminant validity assessment: Use of Fornell & Larcker criterion versus HTMT criterion. *IOP Conf. Series: Journal of Physics: Conf. Series*, 1-6. <https://doi.org/10.1088/1742-6596/890/1/012163>
- Hardika, N.S., Wicaksana, K.A.B. & Subratha, I.N. (2020). The impact of tax knowledge, tax morale, tax volunteer on tax compliance. *Advances in Social Science, Education and Humanities Research*, 544, 98-103. <https://doi.org/10.2991/assehr.k.210424.020>

DETERMINANTS OF SMALL BUSINESS TAX COMPLIANCE BEHAVIOUR:  
EVIDENCE FROM ZIMBABWEAN SMALL BUSINESSES

- Hooper, D., Coughlan, J. & Mullen, M.R. (2008). Structural equation modelling: guidelines for determining model fit. *The Electronic Journal of Business Research Methods*, 6(1), 53-60. Available at: <https://academic-publishing.org/index.php/ejbrm/article/view/1224>
- Igwe, P.A., Amaugo, A.N., Ogundana, O.M., Egere, O.M. & Anigbo, J.A. (2018). Factors affecting the investment climate, SMEs productivity and entrepreneurship in Nigeria. *European Journal of Sustainable Development*, 7(1),182-200. <https://doi.org/10.14207/ejsd.2018.v7n1p182>
- Inasius, F. (2019). Factors influencing SMEs tax compliance: evidence from Indonesia. *International Journal of Public Administration*, 42(5), 367-379. <https://doi.org/10.1080/01900692.2018.1464578>
- Jusoh, Y.H.M., Mansor, F.A., Razak, S.N.A.A., Noor, W.N.B.W.M. (2021). The effects of tax knowledge, tax complexity and tax morale towards tax compliance behaviour among salaried group in Malaysia. *Advances in Business Research International Journal*, 7(2), 250-266. Available at: <https://ir.uitm.edu.my/id/eprint/56427/>
- Kaplanoglou, G., Rapanos, V.T. & Daskalakis, N. (2016). Tax compliance behaviour during the crisis: the case of Greek SMEs. *European Journal of Law and Economics*, 42, 405-444. <https://doi.org/10.1007/s10657-016-9547-y>
- Luttmer, E.F.P. & Singhal, M. (2014). Tax morale. *Journal of Economic Perspectives*, 28(4), 149-68. <https://doi.org/10.1257/jep.28.4.149>
- Mendoza, R.U., Lim, R.A. & Lopez, A.O. (2015). Grease or sand in the wheels of commerce? Firm level evidence on corruption and SMEs. *Journal of International Development*, 27(4), 415-439. <https://doi.org/10.1002/jid.3077>
- Mendoza, R.U. & Bancolita, J.E. (2013). Corruption and the local business environment: insights from SMEs in 29 Philippine Cities, *Working Paper 13-016. Asian Institute of Management, Policy Center*. <https://doi.org/10.2139/ssrn.2268922>
- Munyanyi, W. & Poee, D. (2020). The mediating role of knowledge sharing on social capital and product innovation among tourism SMEs. *Southern African Business Review*, 24,1-29. <https://doi.org/10.25159/1998-8125/7721>
- Nakku, V.B. & Nabaweesi, J. (2013). Tax morale and tax compliance among small business enterprises in Uganda. *TIJ's Research Journal of Economics & Business Studies*, 2(11).
- Nichita, R.A. & Batrancea, L.M. (2012). The implications of tax morale on tax compliance behaviour. *Annals of Faculty of Economics, University of Oradea, Faculty of Economics*, 1(1), 739-744, available at: <https://anale.steconomieuoradea.ro/volume/2012/n1/106.pdf>
- Nkundabanyanga, S.K., Mvura, P., Nyamuyonjo, D., Opiso, J. & Nakabuye, Z. (2016). Tax compliance in a developing country: understanding taxpayers' compliance decision by their perception. *Journal of Economic Studies*, 44(6), 931-957. <https://doi.org/10.1108/JES-03-2016-0061>
- Nyamapfeni, J., & Robinson, Z. (2021). Determinants of tax morale: cross-sectional evidence from Africa. *The Journal of Accounting and Management*, 11(3), 84-99. Available at: <https://dj.univ-danubius.ro/index.php/JAM/article/view/1223>

- Ogembo, D. (2018). Are presumptive taxes a good option for taxing self-employed professionals in developing countries? *Working paper 18/14 June 2018*, University of Oxford. Available at:  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3442648](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3442648)
- Oladipupo, A.O. & Obazee, U. (2016). Tax knowledge, penalties and tax compliance in small and medium scale enterprises in Nigeria. *iBusiness*, 8, 1-9.  
<https://doi.org/10.4236/ib.2016.81001>
- Palil, M.R., Hamid, M.A. & Hanafiah, M.H. (2013). Taxpayers compliance behaviour: economic factors approach. *Jurnal Pengurusan*, 38, 75-85. Available at:  
[https://www.ukm.my/jurnalpengurusan/wp-content/uploads/2022/10/jp\\_38-7.pdf](https://www.ukm.my/jurnalpengurusan/wp-content/uploads/2022/10/jp_38-7.pdf)
- Palil, M. R. & Mustapha, A. F. (2011). Tax audit and tax compliance in Asia: A case study of Malaysia. *European Journal of Social Sciences*, 24(1), 7-32.
- Pope. J. & Abdul-Jabbar, H. (2008), Tax compliance costs of small and medium enterprises in malaysia: policy implications. Curtin University of Technology. Available at:  
[https://www.researchgate.net/publication/228916705\\_Tax\\_Compliance\\_Costs\\_of\\_Small\\_and\\_Medium\\_Enterprises\\_in\\_Malaysia\\_Policy\\_Implications](https://www.researchgate.net/publication/228916705_Tax_Compliance_Costs_of_Small_and_Medium_Enterprises_in_Malaysia_Policy_Implications)
- Prihandini, W., Zuhri, M., & Jahja, A.S. (2019). Tax compliance and procedural fairness in SMEs. *International Journal of Economics Research*, 10(4), 1-15. Available at:  
<http://hdl.handle.net/123456789/1725>
- Rantelangi, C. & Majid, N. (2017). Factors that influence the taxpayers' perception on the tax evasion. *Advances in Economics, Business and Management Research*, 35, 219-225. <https://doi.org/10.2991/miceb-17.2018.34>
- Saad, N. (2009). Fairness perceptions and compliance behaviour: The case of salaried taxpayers in Malaysia after implementation of the self-assessment system. *eJournal of Tax Research*, 8(1), 32-63. Available at:  
<https://classic.austlii.edu.au/au/journals/eJITaxR/2010/3.pdf>
- Saunders, M., Lewis, P. & Thornhill, A. (2016). *Research methods for business students* (7<sup>th</sup> ed.). Harlow: Pearson Education Limited.
- Schlechter, B. (2017). The impact of corruption on tax revenues, tax compliance and economic development: prevailing trends and mitigation actions in Africa. *eJournal of Tax Research*, 15(2), 217-242. Available at:  
<https://www.unsw.edu.au/content/dam/pdfs/business/acct-audit-tax/research-reports/2024-10-showcase/BUS-2017-V15-paper8-v15-n2-1.pdf>
- Sebele-Mpofu, F.Y. (2020). Governance quality and tax morale and compliance in Zimbabwe's informal sector. *Cogent Business Management*, 7,1-20.  
<https://doi.org/10.1080/23311975.2020.1794662>
- Sun, J. (2005). Assessing goodness of fit in confirmatory factor analysis. *Measurement and Evaluation in Counseling and Development*, 37(4), 240-256.  
<https://doi.org/10.1080/07481756.2005.11909764>
- Tan, L.M. & Eva, X.L. (2016). SMEs tax compliance: a matter of trust. *Australian Tax Forum*, 31(3), 527-554. Available at:  
<https://search.informit.org/doi/abs/10.3316/informit.401855735351196>

DETERMINANTS OF SMALL BUSINESS TAX COMPLIANCE BEHAVIOUR:  
EVIDENCE FROM ZIMBABWEAN SMALL BUSINESSES

- Workneh, A.M., & Mulugeta, E. (2019). Where the gap lay: presumptive income tax assessment for small and micro enterprises in Addis Ababa City Administration. *Paper delivered at the International Centre for Tax and Development, Working Paper 94*, Brighton, UK. Retrieved October 01, 2020, from [https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14440/ICTD\\_WP94.pdf?sequence=1&isAllowed=y](https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14440/ICTD_WP94.pdf?sequence=1&isAllowed=y)
- Ullah, B. (2019). Financial constraints, corruption and SME growth in transition economies. *The Quarterly Review of Economics and Finance*, 75, 120-132. <https://doi.org/10.1016/j.qref.2019.05.009>
- Walker, D.A. (2010). A confirmatory factor analysis of the attitudes toward research scale. *Multiple Linear Regression Viewpoints*, 36(1),18-27.

