

Effects of Tax Education for Non-Government Organization on Income Tax Compliance in Moshi Municipality, Tanzania

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Abstract

In Tanzania, similar to many other developing nations, there is a significant issue of individuals and businesses not adhering to tax laws and procedures. Despite implementing tax reforms, this problem continues to persist. There are indications that business owners engage in non-compliant practices, resulting in minimal contributions to the government's overall revenue. This research aims at assessing the effects of tax education on income tax compliance for Non-Governmental Organization (NGOs) in Moshi Municipality, Tanzania. The Economic Deterrence Model (EDM) guided this study. The population of the study was 200 individuals taking the Chief Executive Officer (CEO) and an accountant for each NGO registered by TRA in Moshi Municipality by July 2022. The research study employed a concurrent design with a mixed research approach to gather both qualitative and quantitative data. The sample size consisted of 133 participants, determined using the Yamane (1964) formula. Data collection involved the use of a questionnaire and a key informant interview guide, which was administered to three officials from the Tanzania Revenue Authority (TRA). The tools were evaluated for content validity through discussions with research experts, and their reliability was assessed using the Cronbach alpha coefficient, which yielded a coefficient of 0.761. Descriptive statistics, correlation analysis, and regression analysis were conducted to examine the strength and direction of the effects. The findings of the study indicated that tax education, specifically related to tax compliance costs, tax knowledge and education, fines and penalties, and perceived opportunity costs for tax evasion, had significant impacts on the tax compliance of non-governmental organizations (NGOs) at a significance level below 0.05. Based on these conclusions, the study recommends that the provision of tax education to NGOs, alongside a call for the government, facilitated by the Tax Revenue Authority (TRA), to design a tax structure that incorporates reasonable levies. This approach aims to curtail instances of tax evasion within the realm of NGOs.

Key terms: Tax Education; Non-Governmental Organizations; Tax Compliance; Income Tax

1. Introduction

Non-governmental organizations (NGOs) are independent groups that operate separately from government entities and typically operate as non-profit organizations (Hasan et al., 2018). These groups are formed at worldwide level with the goal of achieving social or political goals such as resolving humanitarian needs (Ernazarov, 2020). Examples of NGO activities span various areas including healthcare or response to health emergencies, education, infrastructure development, advocacy for minority rights, poverty alleviation, and crime reduction (Ernazarov, 2020; Sisaye, 2021). NGOs are not automatically immune to taxation unless have entered into a special agreement with the respective government under the tax authority in that particular country on how taxes affecting the NGOs should be treated (Naidoo and Gomez, 2020). The office bearers or founders of the NGOs may find themselves in trouble with the tax authorities if they rely on the wrong perception that NGOs are exempted from paying tax (Naidoo and Gomez, 2020). NGOs should at all times be compliant with tax laws and good tax compliance records (before and after obtaining a charitable status). NGOs should make sure that it has cleared all previous tax obligations and must continue to be a complying taxpayer (Hoa et al., 2019).

Tax compliance is the willingness and ability of taxpayers to adhere to tax laws, which are influenced by ethical considerations, legal frameworks, and contextual factors specific to a particular time and location (Hoa et al., 2019; Cingl et al., 2022). It encompasses fulfilling the requirements of laws, regulations, and court rulings by accurately reporting all sources of income and paying the required taxes. From an administrative standpoint, tax compliance involves activities to prescribed payment deadlines. However, a broader perspective of tax compliance entails additional aspects such as honesty, sufficient tax knowledge, the ability to apply that knowledge effectively, timeliness, and maintaining accurate and comprehensive records to complete tax returns and associated documentation (Cingl et al., 2022). NGOs should at all times be compliant with tax laws and good tax compliance records (before and after obtaining a charitable status). NGOs should make sure that it has cleared all previous tax obligations and must continue to be a complying taxpayer. Any abuse to the status may cause the Commissioner-General to revoke the charitable status ruling, in which the NGOs shall no longer be eligible for the deduction of respective income tax (Income tax act 2014).

When NGOs conduct commercial activities that are not a part of their charitable business, they are treated as conducting income-generating business. The income to be obtained from such other business other than that coming from its charitable activities, is treated as income of the organization whose source is in Tanzania. Income from such other activities of the NGO is appropriately taxable by the tax authority (TRA, 2020). On the flip side, non-governmental organizations (NGOs) encounter various shared expenses when it comes to fulfilling their tax responsibilities. These costs include the time required to fulfill requirements, the expenses incurred from relying on accountants and the indirect costs linked to the intricate nature of tax laws (compliance risk management). As a result, the situation complicates how NGOs should operate and what kind of taxes they should pay.

Newman et al. (2018) conducted a study about influence of tax awareness of tax agreement among non-governmental organizations (NGOs) in developing countries. They have identified several approaches that can help in achieving tax compliance, such as utilizing public relations, providing taxpayer education, offering tax counseling and guidance, and conducting tax examinations. The implementation of public relations efforts should focus on creating an environment where both taxpayers and the general public, including dormant taxpayers, are

aware of their tax obligations. This classification holds significant importance, as it plays a crucial role in enhancing adherence to tax regulations. It achieves this by spreading awareness about taxation among the public, promoting a shared comprehension and trust between taxpayers and tax agencies, and enlisting the backing and collaboration of the media in tax management (Slemrod, 2019). Tax education stands out as a vital approach that tax authorities must embrace to secure tax compliance.

Batrancea (2019) conducted a study that explored the impact of trust and authority on tax compliance in 44 countries. The research underscored the significance of tax authorities recognizing the need for taxpayers to have knowledge and insight into their responsibilities in order to adhere to tax regulations. Consequently, tax agencies should extend support and informative resources to aid taxpayers in meeting their tax obligations, which includes providing guidance on how to complete tax forms. Moreover, advisory services should be accessible to assist taxpayers by offering counsel on understanding tax regulations, navigating filing procedures, and submitting applications (Masunga et al., 2020; Sichone, 2017; Slemrod, 2019). Tax guidance and examination play a pivotal role in enhancing taxpayer comprehension and adherence, motivating the willing submission of accurate tax returns and punctual tax payments. Tax authorities should furnish individuals and groups with direction on enhancing their bookkeeping practices and preparing tax documents (Masunga, 2020). In essence, this constitutes taxpayer education aimed at elevating their awareness on various aspects to ensure compliance.

1.2 Statement of Problem

The deliberate intervention from Tanzania Revenue Authority management is needed to strengthen operation of tax authority through adequate training on tax payment system, education on accurately filing of returns to raise taxpayers' compliance (Minja, 2015). Similarly, it is the responsibility of the tax regulatory authority (TRA) to develop effective tax regulations, policies, and rules that foster voluntary compliance among taxpayers (Chindengwiwe, 2020). Furthermore, it is essential to develop strategies that consider the variations in voluntary tax compliance behavior based on factors such as location, culture, economic level, and income within a given society (Christian, 2019).

In Moshi Municipality particularly (TRA July report, 2022) it was estimated that more than 100 NGOs were registered for business purpose by July 2022 (TRA July report, 2022). Out of this number, only 60 (60%) NGOs are active taxpayers while 40 (40%) NGOs were dormant taxpayers (TRA July report, 2022). Therefore, there is a problem for NGOs compliance as 40% are non-compliant. A significant portion of taxpayers fail to comply with tax laws, regulations, and guidance/directives. Some registered taxpayers do not present themselves at tax regulatory authority (TRA) offices for assessment or fail to file tax returns. Additionally, there are cases where taxpayers initially appear but subsequently disappear, neglecting their obligation to submit returns and pay taxes in accordance with tax laws. Inaccurate declarations also occur due to the misconception that non-governmental organizations (NGOs) are exempt from income tax compliance.

Some empirical studies about income tax compliance by NGOs (Hoaet *al.*, 2019, Sisaye, 2021) have been done. However, these studies were not done in Tanzania and particularly in Moshi Municipality in Kilimanjaro region. The current study aims to examine the effects of tax education for NGOs on income tax compliance in Moshi Municipality, Tanzania.

1.3 Research Objective

The objective of the study is to examine the effects of tax education for Non-Government Organization on income tax compliance in Moshi Municipality.

1.4 Research Hypothesis

H0 – Tax education has no significant effect on NGOs income tax compliance in Moshi Municipality

HA – Tax education has a significant effect on NGOs income tax compliance in Moshi Municipality

2. Literature Review and Theoretical Framework

2.1 Literature Review

Extensive literature on taxation, particularly focusing on non-governmental organizations (NGOs), provides valuable insights into the factors that influence tax compliance among NGOs. Kimea et al. (2019) conducted a study in three regions of Tanzania, namely Dar es Salaam, Mwanza, and Coast, to investigate the impact of education on e-filing adoption among eligible taxpayers required to file tax returns. The findings revealed that tax awareness and education have a positive influence on taxpayers' compliance behavior.

According to a study conducted by Mascagni and Santoro (2018) in the UK, they found that individuals who have received tax education have a better understanding of tax systems. As a result, they are more capable of effectively navigating the intricate nature of tax regulations. This knowledge enables them to avoid overpayment resulting from intricate reporting requirements and may enhance their willingness to comply voluntarily. The current body of research on tax compliance primarily concentrates on two aspects: deterrence tools like audits and fines, and tax morale, which encompasses factors such as peer influence, fiscal reciprocity, and social norms. However, there is a scarcity of research on tax education, particularly in low- and middle-income countries, including Tanzania. In countries like Tanzania, where public services are insufficient, a complex tax system can be viewed as distant and unjust. The lack of clarity regarding tax regulations can lead to a breakdown of trust between citizens and the government, undermine perceptions of fairness and transparency, and ultimately diminish individuals' willingness to fulfill their tax obligations. In Tanzania context tax education is emphasized to increase tax compliance especially NGOs though more effort is needed to archive.

In Ligomeka's (2019) study titled "Expensive to Be a Female Trader: The Reality of Taxation of Flea Market Traders in Zimbabwe," it was found that taxpayers' education plays a crucial role in enabling taxpayers to fulfill their civic duty of paying taxes to the government. The study's findings revealed that taxpayers in Africa generally desire to fulfill their tax obligations by paying their fair share. However, they are also inclined to avoid paying more taxes than necessary. Additionally, Ligomeka (2019) discovered that voluntary compliance among taxpayers is encouraged when taxpayers' education enhances their understanding of tax matters, coupled with effective enforcement mechanisms that aim to achieve desired outcomes in tax compliance. This finding holds true in the Tanzanian context as well, although individual perceptions, personal interests, and motivations may introduce some variations.

Sungkono (2020) conducted a study titled "Role of Tax-Knowledge in Building Tax-Intention," which collected research data from small business owners operating in the Punjab, Multan region

of Pakistan. The study's findings indicated that enhancing individuals' legal and technical knowledge regarding taxes can significantly amplify their intention to comply with tax obligations. Empirical evidence suggests that taxpayers' knowledge about taxation positively influences their ability to fulfill tax responsibilities as responsible citizens. However, in cases where taxpayers possess knowledge but lack the willingness to comply with tax laws, the relevant tax authority should develop strategies to persuade them towards compliance. If persuasion fails, enforcement measures may need to be implemented. Tax administrators are advised to implement ongoing tax education programs to encourage taxpayer compliance while simultaneously discouraging non-compliance. This finding is also applicable to the Tanzanian context, particularly regarding NGOs, as tax education plays a significant role in influencing their income tax compliance.

In Pratama's (2018) study, the focus was on understanding the influence of tax knowledge and tax sanctions on taxpayer compliance at the Tax Office Pratama in Indonesia. The study utilized questionnaires to collect primary data and employed path analysis as a data analysis model to examine both direct and indirect effects. The findings indicated that tax knowledge and tax sanctions have an impact on tax awareness. However, tax knowledge alone does not directly affect taxpayer compliance. On the other hand, tax sanctions and tax awareness do have an impact on taxpayer compliance. Tax knowledge indirectly influences taxpayer compliance through tax awareness as an intervening variable, with a negative effect. Tax sanctions, on the other hand, directly influence taxpayer compliance through tax awareness as an intervening variable. Similarly, in Tanzania, some NGOs demonstrate non-compliance due to intervening factors, such as the perception that they are exempt from taxes. Therefore, to encourage compliance, it is important to implement both tax education and sanctions.

Mauliza et al. (2020) conducted a study using a phenomenological approach to analyze the behavior of individual taxpayers in Taxes, North Sumatra, specifically focusing on the utilization of e-filing and e-forms for submitting annual tax returns. The study aimed to examine the impact of taxpayers' education on working salaried individuals in Malacca. The findings revealed that despite having tertiary education, the respondents lacked sufficient tax knowledge, particularly regarding personal taxation. Working salaried individuals in Malacca demonstrated limited awareness of personal tax reliefs, rebates, entitlements, and exemptions. The study suggests that tax knowledge plays a crucial role in taxpayers' compliance. Therefore, it is essential to provide citizens with tax education to ensure that everyone possesses sufficient knowledge to fulfill their tax obligations effectively. This is similarly applicable in the Tanzanian context, particularly regarding NGOs.

In the Tax Administration series conducted by the OECD (2019) across various OECD countries, a comprehensive examination of modern tax administration systems was undertaken, utilizing extensive data sets and analysis. The study recognizes that taxpayer education is commonly perceived as the dissemination of knowledge about the tax system to taxpayers. Research highlights the significance of taxpayer education in addressing the lack of knowledge among taxpayers, which has been identified as a barrier to compliance. Similarly, in low-income countries like Tanzania, tax education can play a crucial role in reducing the lack of knowledge among NGOs, which is a contributing factor to noncompliance.

2.2 Theoretical Framework

The standard Model of Tax Evasion, originally proposed by Allingham and Sandmo (1972) and cited by Kogler et al. (2020), suggests that tax compliance is influenced by two factors: the likelihood of being detected and the severity of punishment. According to this model, taxpayers are motivated by maximizing their profits in their business activities. If taxpayers identify a loophole that allows them to avoid paying taxes, they are more likely to exploit it rather than comply with their tax obligations. This notion is supported by studies conducted by Batrancea et al. (2012) and Badara (2014), which demonstrate that taxpayers tend to take advantage of opportunities for non-compliance presented by their circumstances. Various reasons contribute to the increased opportunities for non-compliance, including corruption among taxpayers, insufficient resources for tax enforcement, weak tax laws (as identified by Armbrorst, 2017), and inconsistent enforcement of tax evasion. For instance, when tax evasion takes the form of delayed tax payments subject to penalties, but these penalties cannot be fully enforced, or when there are reduced incentives for tax debtors to pay penalties, and misconceptions about penalty rates, these factors can significantly influence decisions regarding non-compliance (as discovered by Gemmell, 2016).

The key components of the model include an individual's personal income, tax rates, penalty rates, and the probability of a tax audit. Through comparative statics, it is possible to assess how changes in these parameters impact a person's decision to engage in tax evasion (as observed in Lithuania in 2010). Therefore, it is crucial to formulate tax policies that consider various factors, such as the effectiveness of detection methods, the prevalence of tax evaders, and the available resources. Additionally, tax authorities should strive to enhance the perception of the likelihood of a tax audit in order to achieve higher levels of compliance.

The probability of a tax authority accurately identifying unreported income during a tax audit can be uncertain, especially when transactions involve cash payments from individuals. There are multiple factors that can contribute to the tax authority's inability to determine the full extent of unreported income. Furthermore, Lithuania (2010) raised concerns about the assumption that firms are risk-neutral, highlighting that company owners are often individuals whose risk attitudes can influence corporate governance decisions, leading to a reluctance to take risks. It is important to note that when companies fail to disclose a portion of their income, it translates into unaccounted economic benefits for individual persons, namely the owners and/or managers.

The relevance of the Standard Model of Tax Evasion (SMTE) in this study lies in its assertion that taxpayer compliance is influenced by the presence of tax evasion opportunities and the likelihood of detection. By implementing effective tax regulations, moderate tax enforcement measures, and providing tax education, the compliance level among NGOs can be enhanced. Taxpayers generally tend to fulfill their tax obligations due to work-related requirements and demands. Therefore, it is recommended to strengthen tax enforcement efforts while promoting taxpayer awareness to encourage higher levels of compliance.

3. Research Methods

The study employed a concurrent research design, employing a mixed research approach to gather comprehensive and comparable data capturing both similarities and differences among respondents from sampled organizations. The population consisted of 200 individuals, including CEOs and accountants from registered NGOs in the Moshi municipality. The sample size of 133 participants was determined using the Yamane (1964) formula. Simple random sampling was utilized to ensure a fair representation of all business categories. The Yamane (1964) formula

was appropriate for this study as it is applicable when the population is small and known. Data collection involved the use of a questionnaire and a key informant interview (KII) guide, allowing for the collection of both qualitative and quantitative data. To ensure content validity, the tools used in the study were discussed with research experts at the university. Feedback and suggestions from the experts were carefully evaluated and incorporated into the questionnaire and KII guide to enhance their validity. Reliability was assessed using the Cronbach alpha coefficient test, which yielded a reliability level of 0.752, indicating satisfactory reliability for the study. Quantitative data were analyzed using descriptive and inferential statistics, while qualitative data were analyzed through content analysis. The questionnaire responses were assigned numerical values and entered into the Statistical Package for Social Science (SPSS) version 20.7 to generate frequencies, tables, and correlation analysis. Simple descriptive statistics were conducted to obtain frequency and percentages. Ethical considerations were upheld by allowing participants the choice to answer the questions or not, and the confidentiality of participants' information was strictly maintained, ensuring that the data obtained were solely used for the purpose of the study.

4. Results and Discussions

The study determines the effects of taxpayers' education for NGOs on income tax compliance in Moshi Municipality, Tanzania.

Table 1: Effect of tax education for NGOs on income tax compliance (n=126)

Variables	5		4		3		2		1	
	SA		A		N		D		SD	
	F	%	F	%	F	%	F	%	F	%
I know it's very important to have tax education	119	89	14	11	0	0	0	0	0	0
I know that every business operator has an obligation to know tax education	113	85	17	13	1	1	1	1	1	1
Tax education is available for anyone who need	88	66	19	14	18	14	4	3	4	3
Support from the TRA officials on tax education is always available	39	29	65	49	13	10	13	10	3	2
Tax education is costly for the business	13	10	68	51	30	23	9	6	13	10
I know how to access tax education	20	15	80	60	26	20	5	4	0	0
I like to get updated on tax education as it is convenient	56	42	39	29	26	20	8	6	4	3
TRA officials normally are there to educate on the benefits of tax education	86	65	44	33	2	2	1	1	0	0
Awareness campaigns are needed for tax education	46	35	86	65	0	0	1	1	0	0
Tax education is very important for all NGOs	89	67	40	30	4	3	0	0	0	0
Tax education is complicated	41	31	14	11	50	38	13	10	15	11
I have ever complied with tax laws	19	14	53	40	48	36	9	7	4	3

Source: Field data, (2023)

The data presented in Table 1 indicates that out of the 119 CEOs and Account Managers surveyed from NGOs in Moshi Municipality, a significant majority (89%) strongly agreed that

tax education is highly important. This suggests that the majority of NGOs are aware of the significance of tax education for their organizations. This finding are in line with Sungkono (2020), revealed that taxpayers' knowledge about taxation would improve their ability to perform tax duties as responsible taxpayers

According to the data presented in Table 1, 113 CEOs and Account Managers of NGOs in Moshi Municipality (85%) strongly agreed that every business operator has a responsibility to be knowledgeable about tax education. This indicates that the majority of NGOs are aware of their obligation to acquire tax education. This finding aligns with Sungkono's (2020) research, which suggests that if taxpayers possess knowledge about tax regulations but lack the willingness to comply, tax authorities should develop strategies to persuade them towards compliance.

Based on the data presented in Table 1, it is evident that 88 CEOs and Account Managers of NGOs in Moshi Municipality (66%) strongly agreed that tax education is readily accessible to those who need it. This suggests that the majority of NGOs are aware of the available resources for obtaining tax education. This finding aligns with the research conducted by Mauliza et al. (2020), which emphasizes the importance of equipping citizens with tax education to ensure that everyone possesses the necessary knowledge to fulfill their responsibilities as competent taxpayers.

Based on the data presented in Table 1, it can be observed that 65 CEOs and Account Managers of NGOs in Moshi Municipality (49%) agreed that they can always access support from TRA officials regarding tax education. This indicates that a significant portion of NGOs are aware of the availability of support for tax education, which helps them meet their compliance requirements. This finding aligns with Ligomeka's (2019) research, which suggests that taxpayer education plays a crucial role in promoting taxpayers' understanding of their civil responsibility to the government. Furthermore, voluntary compliance among taxpayers

Based on the data presented in Table 1, it is evident that 68 CEOs and Account Managers of NGOs in Moshi Municipality (51%) agreed that tax education is costly for their business. This indicates that a majority of NGOs face hindrances due to the expenses associated with accessing tax education and complying with the requirements of laws and regulations, such as the costs of filing returns and hiring experts. This finding aligns with the research conducted by Mauliza et al. (2020), which reveals that factors such as tax costs, knowledge and education, tax fines and penalties, and tax opportunity costs have an impact on compliance with income tax.

The data presented in Table 1 reveals that 86 CEOs and Account Managers of NGOs in Moshi Municipality (65%) agreed that awareness campaigns for tax education are necessary. This indicates that the majority of NGOs support the idea that the TRA should enhance tax education programs by conducting more campaigns, particularly targeting those who are non-compliant. This finding aligns with Sungkono's (2020) research, which suggests that tax administrators should implement continuous tax education programs to encourage taxpayer compliance and, simultaneously, discourage non-compliance.

Based on the data presented in Table 1, it can be observed that 50 CEOs and Account Managers of NGOs in Moshi Municipality (38%) expressed indifference towards the complexity of tax laws, while 41 (31%) agreed that tax laws are indeed complex. This suggests that the majority of NGO CEOs and Accountants (38%) perceive tax laws to be non-complex, while 31% acknowledge their complexity. Therefore, it is recommended that the TRA provides additional education and resources to achieve a balanced understanding among taxpayers. This finding aligns with the research conducted by Mascagni and Santoro (2018), which suggests that

individuals with better tax education possess the ability to navigate complex tax systems and avoid overpayment resulting from intricate reporting requirements.

Table 2: Descriptive Statistics Results (n= 126)

Variable	Tax compliance	Tax compliance cost	Tax knowledge and education	Tax fines and penalties	Perceived Opportunity Cost
Mean	1.9987	2.4871	1.5436	2.9971	1.1645
Std. Deviation	1.0201	1.9972	1.4767	1.0021	2.1201

Source: Field data, (2023)

The study employed mean and standard deviation as descriptive statistics to analyze the data. The results from Table 2 indicate that NGOs in the study area have a low level of income tax compliance, as evidenced by a mean of 1.9987 and a standard deviation of 1.0201. Furthermore, the data reveals that tax compliance costs are high for the NGOs in the study area, with a mean of 2.4871 and a standard deviation of 1.9972. Additionally, the findings indicate that NGOs in the study area lack sufficient knowledge and education regarding tax compliance, as reflected in a mean of 1.5436 and a standard deviation of 1.4767. The study establishes that variables such as tax cost, knowledge and education, tax fines and penalties, and tax opportunity cost significantly influence income tax compliance among NGOs in the study area. These findings align with a previous research conducted by Mauliza et al. (2020), which also demonstrated non-compliance with income tax among NGOs in Mallaca. Furthermore, the data indicates that NGOs agree (mean: 2.9971, standard deviation: 1.0021) that they have faced fines for tax evasion in the past. However, the perceived opportunity cost (mean: 1.1645, standard deviation: 2.1201) does not seem to impact NGOs' tendency to evade tax payment.

4.1 Correlation Results

The primary aim of the study was to investigate the connection between tax education and the extent of income tax adherence among non-governmental organizations (NGOs) in the Moshi Municipality. To fulfill this goal, the researchers employed Pearson Correlation analysis, with confidence levels set at 99%, 95%, and 90%. This correlation analysis was utilized to assess the hypothesis that the level of education does not exert a significant influence on tax compliance within the Moshi Municipality. The assumptions of the model encompassed the following criteria: 1) Both sets of data for the variables adhered to normal distributions, 2) No anomalous data points were present within the dataset, 3) The data was procured from a random or representative sample, and 4) A linear relationship between the two variables existed.

Table 3: Correlation Analysis (n=126)

	Y	x1	x2	x3	x4
Tax compliance	1				
Tax compliance cost	-.661**	1			
Tax Knowledge and Education	-.599*	.593	1		
Tax Fines and Penalties	-.611*	.198	.197	1	
Perceived Opportunity for Tax Evasion	-.031**	-.127	.156	-.377	1

Source: Field data, (2023)

Model Summary

The examination carried out in the study employed R-square values to evaluate the potency of the link between tax education and the adherence of NGOs to income tax regulations. The outcomes unveiled moderately robust linear associations between the autonomous factor (tax education) and the reliant factor (income tax compliance). The adjusted R-square figure of 0.398 signified that approximately 39.8% of the fluctuations in income tax adherence could be clarified by fluctuations in tax education. Moreover, the Durbin-Watson statistics came close to the recommended threshold of 2.0, implying the absence of noteworthy autocorrelation amidst the variables. This observation bolstered the uncorrupted nature of residuals, underlining that the connection witnessed between tax education and income tax compliance remained unaffected by correlations between the data points.

Table 4: Model Summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimates	Durbin-Watson
1	.496	.398	.407	.11886	1.972

Source: Field data, (2023)

Table 5: Regression Coefficients (n=126)

Model	Unstandardized Coefficients		Standardized coefficient Beta	t	Sig.
	B	Std. error			
Constant	.411	1.157		.298	.02145
Tax cost	.003	.001	-.378	-1.876	.012311
Know and education	.007	.033	.027	-.166	.021154
Fines and penalties	.040	.102	.066	.398	.034421
Perceived opportunity cost	.221	.011	.198	1.722	.01456

Source: Field data, (2023)

The findings of the study also revealed that tax compliance costs, which encompass the expenses incurred by NGOs to fulfill the tax law requirements and comply with the revenue authorities, appear to be high. This high compliance cost can potentially encourage deceptive practices. This finding suggests that NGOs may develop a negative sentiment towards the burden of excessive taxation and complex tax systems imposed on them. Consequently, it may create incentives for NGOs to engage in tax evasion. Furthermore, due to the intricacy of the tax system, NGOs often rely on external tax professionals who may employ sophisticated tax avoidance strategies to minimize their tax payments, potentially exceeding what they are actually obligated to pay according to the tax authorities' requirements.

Furthermore, the research also explored the impact of knowledge on the behavioral adherence of NGOs, recognizing it as a pivotal element in shaping taxpayers' comprehension of tax statutes and their inclination to conform. Precisely, the study centered its attention on the facet of knowledge intertwined with compliance, encompassing a comprehensive grasp of taxation norms and insights into the likelihood of tax evasion. The study's discoveries underscored the significance of tax-related knowledge in heightening public consciousness, particularly

concerning domains concerning tax legislations and the part played by taxes in the advancement of a nation. The study emphatically stressed the significance of enlightening individuals about the mechanisms of tax revenue accumulation and its allocation by the government. Furthermore, the study revealed that improving taxation knowledge through educational initiatives targeting staff and owners of NGOs in the study area can positively impact their attitudes towards tax compliance. When taxpayers possess a positive attitude towards taxes, their inclination to engage in tax evasion diminishes. These findings were supported by insights from key informants in Moshi Municipality, including a tax official who acknowledged the significance of enhancing taxation knowledge in fostering tax compliance:

“It was evident that NGOs are particularly interested in understanding various aspects related to tax exemptions, taxation laws, the impact of taxes on national development, and gaining clarity on how and where the tax revenues collected by the government are utilized” Interview conducted on 17th April, 2023 at 10:00 hours.

These findings suggest that NGOs should prioritize tax education to address their non-compliance issues, as it appears that a lack of tax education contributes to their non-compliant behavior. Therefore, it is recommended that the TRA (Tax Revenue Authority) strengthens tax education efforts specifically targeted towards NGOs to enhance their income tax compliance. Additionally, the study found that tax opportunity cost has a negative impact on tax compliance among NGOs. Specifically, for every unit increase in tax opportunity cost, there is a corresponding decrease of 0.221 units in tax compliance. Tax opportunity cost arises from the absence of tax filing automation by NGOs. Consequently, the presence of such opportunities may result in both intentional and unintentional non-compliance regarding the taxes that NGOs are obligated to pay. The key informants from Moshi Municipality, including a tax official, corroborated the study findings by expressing similar observations:

“In order to enhance compliance, it is recommended that all NGOs should register for e-filing systems, enabling them to file taxes electronically. The implementation of an e-system would effectively reduce costs for both the NGOs themselves and the administrative costs associated with managing tax-related matters for the NGOs”. Key informant interview conducted on 18th April, 2023 at 14:00 hours.

Some NGOs were not yet registered on TRA taxpayer’s portal to enable them to fil tax returns and pay taxes online which will enable them to reduce compliance and administration cost.

5. Conclusion and Implications

5.1 Conclusion

Based on the study's findings, it was concluded that tax compliance costs play a significant role in the noncompliance of taxes by NGOs in the study area. The study identified several factors that contribute to these costs, including the number of taxes imposed on NGOs, the complexity of tax rules, the frequency of tax return submissions, and the involvement of multiple levels of government in tax collection. These factors discourage NGOs from complying with tax requirements. Furthermore, the complexities introduced by income tax regulations for NGOs further increase the cost of tax compliance, affecting their operational efficiency as they need to ensure uniform tax treatment. The study also highlighted the positive influence of tax knowledge and education in reducing noncompliance among NGOs and other taxpayers. NGOs that possess a good understanding of the purpose of tax payments, taxation regulations, and underlying

principles are more likely to fulfill their tax obligations, leading to higher income tax compliance rates. Additionally, the study found that fines and penalties imposed by tax authorities have a positive impact on tax compliance among NGOs. NGOs that are aware of the consequences, such as substantial fines, revocation of operational licenses, and potential imprisonment, are more inclined to comply with tax regulations. Higher fines act as effective incentives for NGOs to become tax compliant, thereby contributing to overall income tax compliance rates.

5.2 Recommendations

Based on the study conclusions, the study recommends the following:

Tax education for NGOs: It is recommended to provide comprehensive tax education to NGOs, specifically focusing on tax policies and regulations. By increasing awareness about the benefits of tax payment beyond their non-profit operations, NGOs' attitudes towards tax remittance can be positively influenced. They should be educated on the importance of timely tax payments as per the prescribed period mentioned in the Notice of Assessment or the tax laws. **Strengthening detection of tax defaulters:** The Tax Revenue Authority (TRA) should enhance their capabilities to identify NGOs that are not complying with tax regulations. This can be achieved by accurately assessing the income generated by each NGO. By improving their ability to detect defaulters, TRA can take appropriate enforcement measures in line with the rules and regulations outlined in the Tanzania taxation act. Non-compliant NGOs should be subjected to the rule of law and face penalties for their non-compliance.

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