

OPINIONS ON PAYING TAXES AND SATISFACTION WITH GOVERNMENT PERFORMANCE IN 12 AFRICAN COUNTRIES 50



**TIYESERE MERCY CHIKAPA JAMALI
POLITICAL AND ADMINISTRATIVE STUDIES
DEPARTMENT
CHANCELLOR COLLEGE, P.O. BOX 280, ZOMBA
tiyeserec@yahoo.com
PAPER PRESENTED AT AAPAM REGIONAL CONFERENCE
ON GLOBAL FINANCIAL CRISIS , 20-22 MAY, 2013
KIGALI, LWANDA
LEMIGO HOTEL**



PAPER OUTLINE



- Introduction
- Taxation and Development discourse in Africa
- Methodology
- Findings
- Conclusion



Introduction



- The paper compares theory and people's opinions on taxation in 12 African countries.
- After the global financial crisis, African countries have to rely on internal means to deal with poverty through enhanced domestic revenue mobilization.
- Tax has been heralded: providing a stable flow of revenue to finance devt priorities.
- Well-designed increase in tax is exactly what many developing countries need so as to spur devt.



Taxation and development discourse



- **Tanzi and Zee (2000) summarized the role of tax policies**
 1. to raise enough revenue to finance essential expenditures without recourse to excessive public sector borrowing
 2. raise the revenue in ways that are equitable and that minimize its disincentive effects on economic activities.
- Pfister (2009) argues further that taxation is critical to Africa's development because it fulfills a number of functions.:



Contd



1. provides govts with the funding required to build the infrastructure on which economic development and growth are based. In this case tax is used to finance their social and physical infrastructure needs.
2. creates an envt in which business is conducted and wealth is created. Thus too high taxes make it difficult to run businesses as the cost of running them becomes high. Thus taxation shapes the envt in which international trade and investment take place.
3. it shapes the way govt activities are undertaken as it provides a predictable and stable flow of revenue to finance development objectives as donor support become erratic;
4. it plays a central role in domestic resource mobilization
5. Burgess and Stern(1993) redistribution and the control of externalities or other market imperfections.



Challenges in taxation

1. the problem of tax design in terms of raising resources which is administratively and politically feasible and which also has equity and efficiency at heart as far as is possible (Pfister 2009).
2. finding the optimal balance between a tax regime that is business and investment friendly, while at the same time leveraging enough revenue for public service delivery (which, in turn, makes economies more attractive to investors)(Pfister 2009).



Contd



3. structure of the economy that makes it difficult to impose and collect certain taxes,
4. Ltd capacity of the tax administration.
5. the paucity or the poor quality of basic data to assist in compiling taxable entities.
6. in most developing countries, the political set up is less acquiescent to rational tax policy. Thus countries end up setting tax policies that do not necessarily result in collecting reqd revenue but protect their chances of winning elections. Tanzi and Zee (2000)



There is still ltd data: opinions of



- African citizens in terms of :
 1. whether it should be a must for them to pay taxes to govt in order to achieve devt or not.
 2. whether they should pay higher taxes if it means that there will be more services provided by government.

Needless to say however that other studies have looked at the opinions of tax payers in country specific cases:

3. It further explores the relationship between opinions on tax payment and satisfaction with government's economic performance and provision of basic services.
4. it explores why people avoid paying taxes and fees they owe government.



Opinions on tax payment studies:

1. Oberholzer and Stack(2009)



- investigated and compared perceptions amongst different individual taxpayers in terms of main factors to non compliance in tax payment. The study specifically aimed to determine individual South African taxpayers' perception regarding general tax related, tax evasion and tax compliance issues.
- A number of demographic, economic or other factors that might influence respondent's perceptions regarding these issues were also investigated. The data was collected from a sample of 260 individual South African taxpayers within the Tshwane Metropolitan area in Gauteng.



2. Fjeldstad(2006)



- Writing specifically on Tanzania, argued that widespread tax evasion evidenced by persistent public resistance to pay is seen as part of the problem of raising local government revenues in Tanzania.
- highlighted factors impacting on tax compliance behavior by examining the views of ordinary people of local government taxation.

Thus



- Much as country case studies are rich in providing a picture about phenomena in that country, however a comparison of views of ordinary people across African countries will provide better and rich information on taxation issues.
- It is from this basis that this paper investigated the opinions of people in terms of tax payment across 12 African countries, the link between tax payment and satisfaction with government performance in terms of economic and provision of basic services, the reasons why people avoid paying taxes and fees they owe government.
- It uses Afrobarometer survey data of 2012



Afrobarometer Surveys



- This is a comparative series of public attitude surveys, covering up to 35 African countries in Round 5 (2011-2013). It measures public attitudes on democracy and its alternatives, evaluations of the quality of governance and economic performance.
- It was based on a national probability sample of 2,400 adult Africans in each country selected to represent all adult citizens of voting age, allowing for inferences with a sampling margin of error of +/- 2% at a 95% confidence level.
- The sample was drawn randomly based on Probability Proportionate to Population Size (PPPS), thus taking account of population distributions, gender as well as rural-urban divides.
- Fieldworks were conducted by Afrobarometer national partners between June and July 2012. However, at the time of writing this paper, data from only 12 countries were accessible: namely Benin, Botswana, Cape Verde, Ghana, Kenya, Liberia, Malawi, South Africa, Tanzania, Uganda, Zimbabwe and Mauritius with a valid respondents' figure of 14400.
- Data analysis: statistical analysis tools: frequencies, cross tabulations and correlations

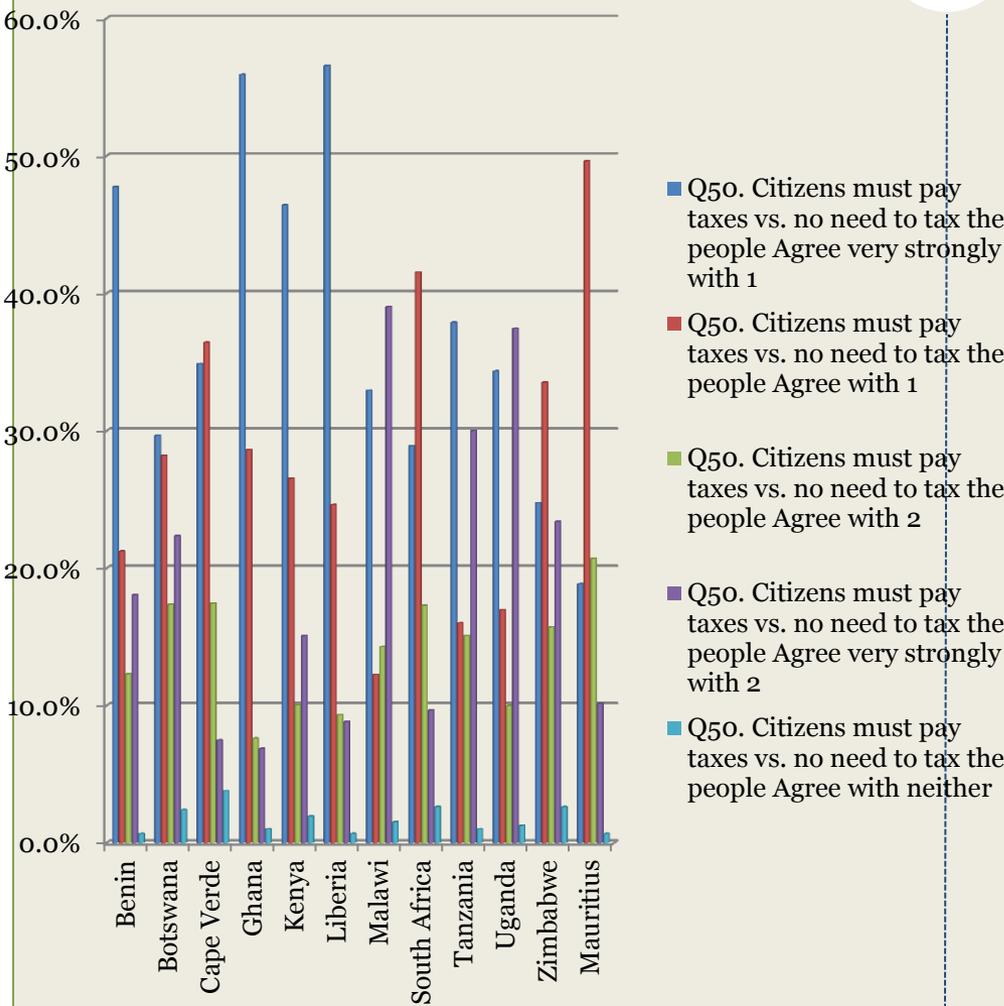


opinions of people in terms of tax payment,

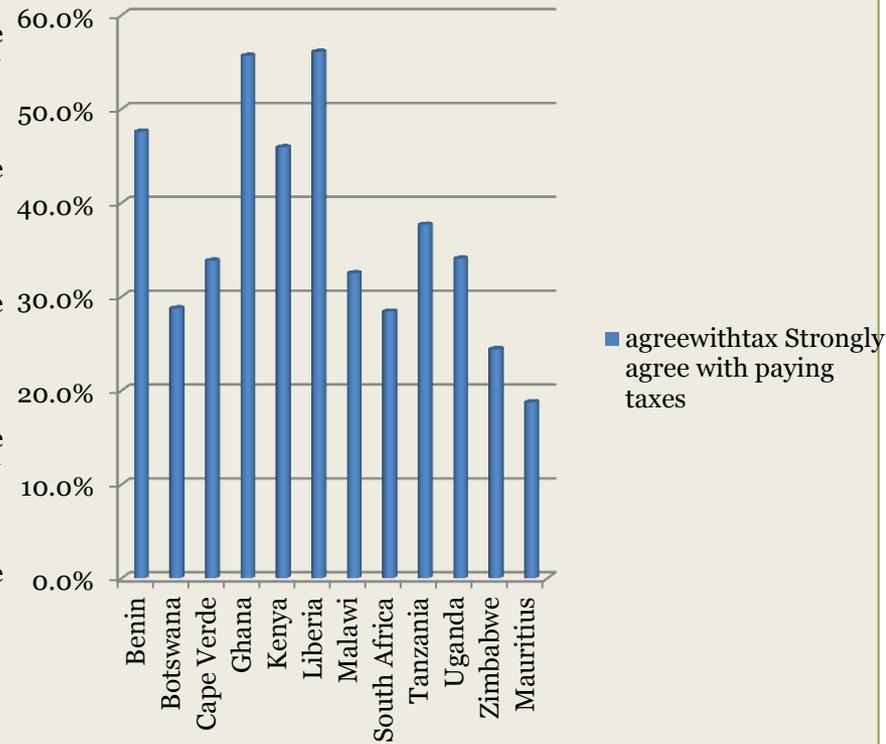


- (Q50): Which of the following statement is closest to your view? Choose statement 1 or Statement 2.
- Statement 1: *“Citizens must pay their taxes to government in order for our country to develop.*
- Statement 2: *“The government can find enough resources for development from other sources without having to tax the people”*

Findings: Paying tax vs non payment: only 37% strongly agree



Strongly agree with paying taxes



Thus

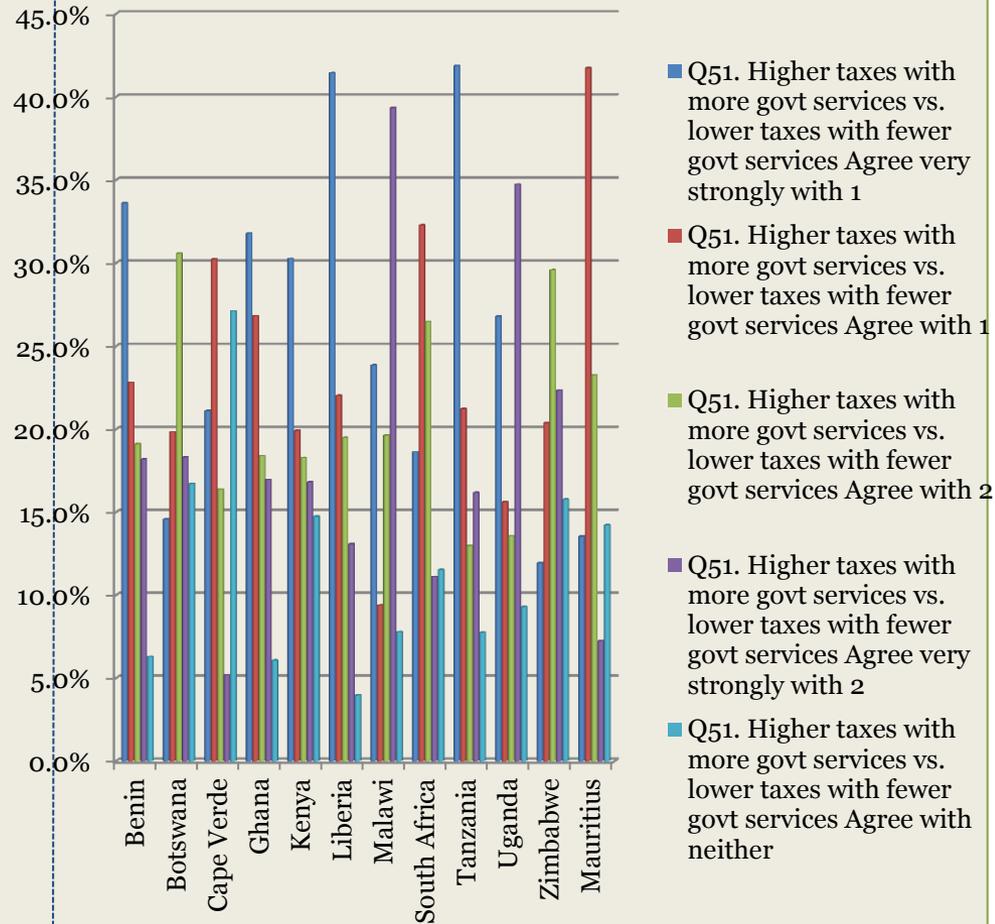


- This shows that payment of taxes is invariably unpopular among African adults (Lewis, 1982).
- This is worrying considering the purported benefits of tax payment in terms of achieving development goals in Africa
- where there is voluntary payment of tax it will be difficult to really amass the required revenue for development.
- This is very important in tax design as realistic tax design in developing country context has to take into account the information about behavioral responses needed by governments, (Newbery and Stern, 1987 and Gordon, 2010). Thus in studies where tax compliance is high (it is because the people “wanted to avoid disturbances” since their tax collection system is considered harsh and unpleasant (see Fjestad 2006)).



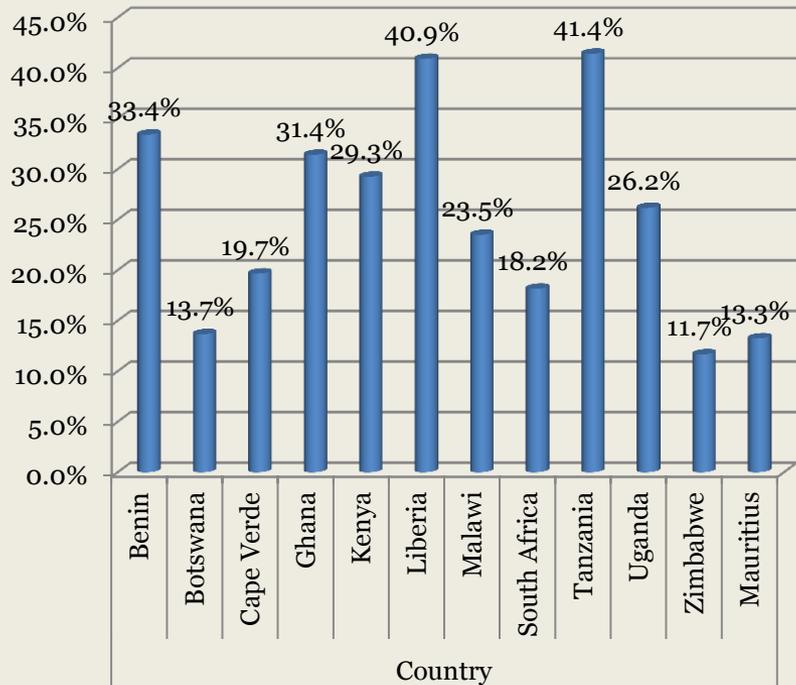
Do Africans want to pay higher taxes for more services?

- Q51: Which of the following statement is closest to your view? Choose Statement 1 or Statement 2.
- Statement 1: It is better to pay higher taxes, if it means that there will be more services provided by government.
- Statement 2: It is better to pay lower taxes, even if it means there will be fewer services provided by government.



strongly agreeing with paying higher taxes for more services?:
only 25% of the respondents in the 12 African countries strongly hold the opinion that it is better to pay higher taxes if it means that there will be more services provided by government

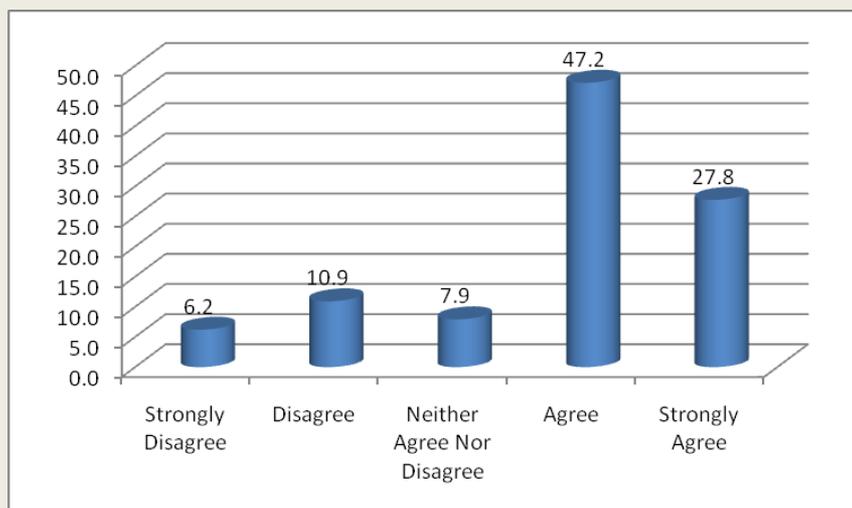
Agreeing strongly with paying higher taxes for more services provided by government



- people always want to pay lower taxes. It is only an idiosyncratic minority that is likely to say that they pay too little tax(Lewis, 1982)

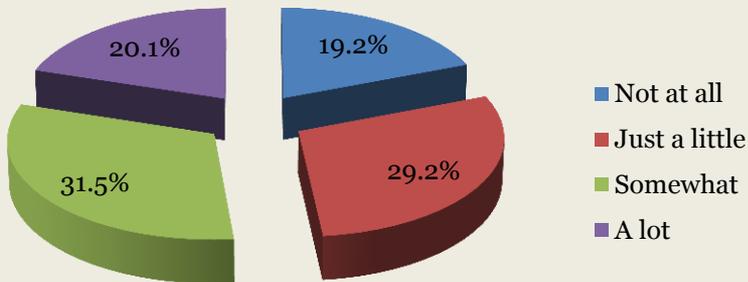


Q48c : Please tell them whether you disagree or agree with the statement: The tax authorities always have the right to make people pay taxes.



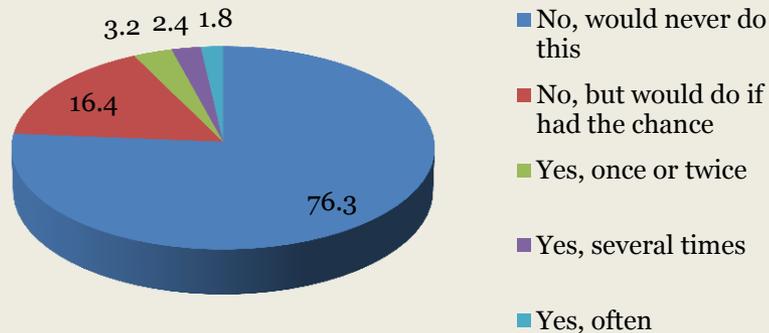
- 47% :tax authorities always have the right to make people pay taxes
28% agreeing strongly: govts need to ensure that more people develop +ve attitudes towards tax payment. there are reported cases of conflicts and tensions between collectors and citizens (Tripp 1997 Fjelstad &Semboja 2000).

Trust in Tax Department



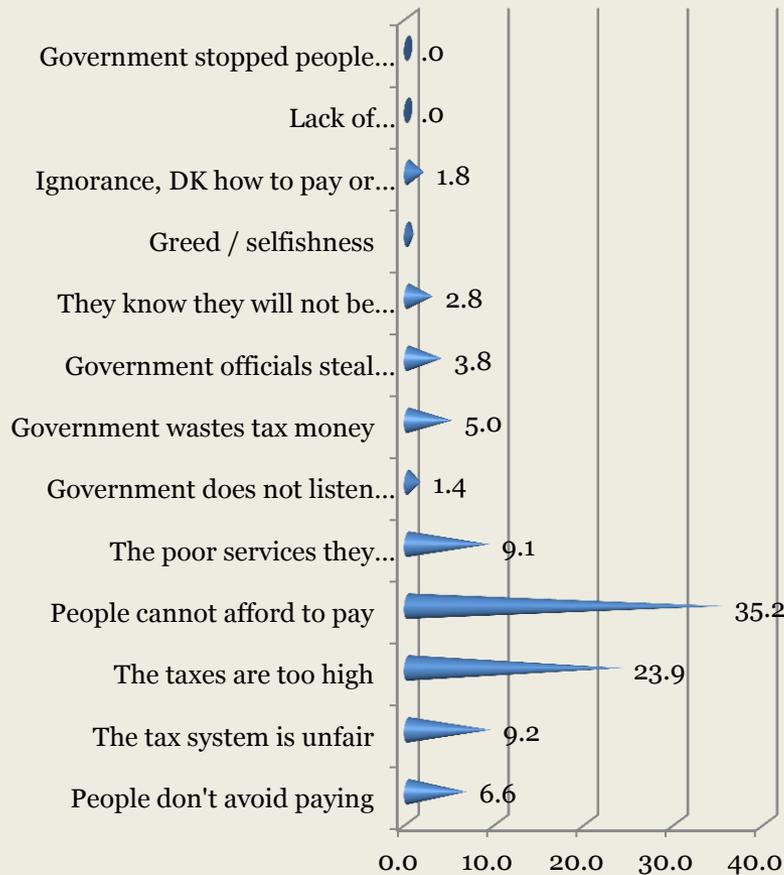
- 19% not at all trusting tax depts : shows that there is still a chance for African govts to manipulate tax payers to its advantage since atleast a good number of these have trust in the tax bodies (altho only 20% trust a lot).
- This is possible through proper linkages between tax payment and service delivery and general economic performance.

Who evades/avoids Tax



- (76.3%) did not refuse to pay tax in the previous year. Although is not clear about what kind of tax it is and whether it is voluntary or compulsory, HE this shows that tax compliance is high but it may be that it is because “they do not want to be disturbed” and not that they appreciate the importance of paying tax

Why Tax avoidance/evasion



- Olberholzer and Stack (2009) taxes are high and unfair. Alm and Torgler(2006) argue that a sustainable tax system is based on a fair tax system and a responsive government.
- If taxpayers perceive that their preferences are adequately considered for instance in ensuring that the tax is affordable, their willingness to pay tax will increase.

Contd



- As such govts should aim at creating a culture conducive to the payment of taxes (Friedman 2003a).
- Altho only a small % mentioned that they receive poor services from government, HE considering that the issue is # 4 on the list, entails something.
- If citizens feel that they receive little return for taxes paid, this impacts on their willingness to pay tax and contributes to eroding people's trust in govt's capacity to provide the expected services (Fjeldstad, 2006).

Any relationship b/n tax payment and satisfaction with gvt's economic performance



- a correlation test was done between those that had responded that they agreed strongly to tax payment and government's economic performance. Government's economic performance in this case is
- A. Managing the economy, B. Improving the living standards of the poor, C. Creating jobs, D. Keeping prices down, E. Narrowing gaps between the rich and the poor

How well or badly would you say the current government is handling the above matters, or haven't you heard enough to say?

Any relationship b/n tax payment and satisfaction with gvt's provision of basic services



a correlation test :b/n those that had responded that they agreed strongly to tax payment and govt's performance in terms of basic needs and service provision.

Govt's performance in terms of basic needs and service provision in this case is: Improving basic health services, Addressing educational needs, Providing water and sanitation services, Ensuring everyone has enough to eat, Maintaining roads and bridges, Providing a reliable electric supply

How well or badly would you say the current government is handling the above matters, or haven't you heard enough to say?

Correlation Results



Variables	Spearman's rho correlation coefficient	Significant test	Conclusion
Strongly agreeing to paying tax and satisfaction with economic performance	0.15	0.031**	Test is significant at 0.05 level but no correlation between the two variables
Strongly agreeing to paying higher taxes and satisfaction with economic performance	0.030	0.000**	Test is significant at 0.01 level but no correlation between the two
Strongly agreeing to paying tax and satisfaction with provision of services and basic needs	-0.024	0.01**	Test is significant at 0.01 level but no correlation between the two
Strongly agreeing to paying higher taxes and satisfaction with provision of services and basic needs	0.004	0.615	No correlation

CONTD



- Thus there is no correlation between tax payment and satisfaction with government's economic performance as well as satisfaction with government's provision of basic needs and services.
- This therefore means that the Afro barometer survey results fail to conclusively state any clear relationship between tax payment and satisfaction with government's economic performance.

Thus



- Since govts ask citizens to pay taxes on the premise that this will help it collect revenue for provision of services and improvement of economic performance, therefore these govts will find it difficult to convince citizens to pay taxes and levies especially where these are voluntary.
- It is therefore not surprising that citizens complain every time govt agents announce an increase in certain taxes and levies.

CONTD



- All this is because African adults do not see any relationship between the taxes and levies they pay and govt's performance.
 - This could be due to abuse of tax payers money by gvt elites
 - Development projects funded by taxpayers money are never clearly marked: Donor funded projects are eg European Union
- As Fjeldstad(2006)'s study revealed, a majority of respondents pay taxes to just avoid disturbances and not necessarily that it will contribute to improved economic performance and or provision of basic needs and services. From a policy perspective, it is a major challenge to provide better linkages between tax payment and service delivery (ibid).

Conclusion



- Tax payment is important for devpt: theory
- HE There is a contradiction with the paper's finding: no clear link b/n tax payment and devpt: economic performance and provision of basic services from the data from 12 African countries. If people don't associate tax payment and development through service provision and economic performance, it will be difficult for African gvts to collect more to finance devpt priorities.
- Need for further studies

END



• THANK YOU FOR YOUR ATTENTION!!

- MORAKOZE
- ZIKOMO
- ASANTE SANA
- OBRIGADO
- KAE LEBOHA

