

# Assessment of Stakeholders' Satisfaction on Payment of Pay as You Earn Tax in Tanzania

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## ABSTRACT

*Payment of PAYE tax and other taxes is very important so as to enable the government to collect satisfactory and required income to aid it in meeting operational costs, capital development, defense costs, and social development, and also taxpayers need to be satisfied with the payment of taxes. This study assessed stakeholders' satisfaction on the payment of PAYE tax in Tanzania as the case of the Kyela District Council. The study involved teachers in some selected secondary schools of Kyela District. The study used both primary and secondary data which were collected through survey questionnaires and documentary reviews. The study was qualitative and quantitative in nature, therefore, data were analyzed by using qualitative and quantitative data analysis techniques, and the researcher used a sample size of 100 respondents. The results indicated that there was a problem with the provision of PAYE tax as supported by 54 (54%) respondents. Stakeholders were generally dissatisfied by 38 (38%) on the payment of PAYE tax. It was also reported that age and level of salaries of stakeholders seemed to influence the level of satisfaction as they were having a significant level of 0.014 and 0.009 respectively. It was recommended for the government to provide continuous knowledge on PAYE tax to taxpayers, increase minimum taxable income, increase salaries to meet the cost of living, control a high rate of increasing inflation, and for the taxpayers to be good citizens in paying taxes for their development.*

**Keywords:** *Pay as you Earn; Stakeholders, Earn Tax; Kyela District Council; United Republic of Tanzania.*

## 1. Introduction

Bofah (2003) stated that, taxes refer to the revenue that is collected by the government to provide services and finance it. According to Saleemi, PAYE stands for Pay As You Earn (PAYE), is a tax levied on income of individuals derived from employment, a tax which is levied according to the level of income generated in a particular period of employment, (1999:3). The system of PAYE was introduced into the UK in 1944, following trials in 1940-1941. As with many of the United Kingdom's institutional arrangements, the way in which the state collects income tax through PAYE owes much of its form and structure to the peculiarities of the era in which it was devised, The financial strain that the Second World War placed upon the country meant that the Treasury needed to collect more tax from many more people, This posed significant challenges to the government and to many workers and employers who had previously never come into contact with the tax system, (Killow, 2008:18).

PAYE tax in Ireland includes deduction of income tax and PRSI (Pay-Related Social Insurance) by employers from payments to employees, (Revenue, 2012). The amount is determined by employers based on a Certificate of Tax Credits and Standard Rate (Certificate) provided by Ireland Revenue (Revenue, 2012), PAYE applies to earnings of all kinds arising from your employment, including bonuses, overtime and non-cash payments known as "benefits in kind" such as the use of company car, (Wikipedia, 2013).

In Tanzania Kessy elaborated that PAYE tax is levied directly on people's income from employment, the impact and incidence of the tax falls on the same person i.e. incidence cannot be shifted to another person (2013). According to Income Tax Act, PAYE tax is paid through withholding, this means that the tax is withheld from the taxpayer's income source and sent to the Tanzania Revenue Authority (TRA) directly by the payer, or through the installment system (2004). From a macroeconomic perspective, tax policy in Tanzania has been effectively giving emphasis at raising revenues. From Tanzania perspective PAYE tax rates are reviewed from one budgetary period to another and because burden and incidence of PAYE tax can't be shifted to another person, the burden and incidence falls to the stakeholders of PAYE tax. Therefore, this study assessing stakeholders' satisfaction towards the payment of PAYE tax in Tanzania as the case Kyela District Council in Mbeya Region.

According to Saleemi, PAYE tax is a tax levied on income of individuals derived from employment, a tax which is levied according to the level of income generated in a particular period of employment. (1999:3). It is a withholding tax on taxable incomes of employees, under this system, an employer is required by the law to deduct income tax from an employee's taxable salary or wages (TRA, 2013). The government of Tanzania through TRA has been reviewing PAYE tax rates from one budget period to another; these changes are brought in for different reasons including to raise government revenues to cover expenditures in defense, infrastructures, social services, economic activities and other government operations. The problem arises at the period when the government is reviewing the rates, since the salaries of employees do not change overtime compared to the tax rates and incorporated in the tax reviewed especially in private sectors the employer might not review the salaries when the PAYE tax rates change, this raise questions to the Stakeholders of PAYE tax. The study is critically assessed the levels of stakeholders' satisfaction on payment of PAYE tax in Tanzania as the case of Kyela District. The main objective of this study was to assess stakeholders' satisfaction towards the payment of PAYE tax in Tanzania particularly in Kyela District. Research Hypothesis ( $H_0$ ).The following is the hypothesis was developed to be tested especially in meeting the research objective three of this study: -

**$H_0$ :** There is no significant relationship between age, sex, marital status, working experience, and level of income at alpha equal to 0.05 or 5%. The study will be of many benefits to the government, TRA, tax payers, and other stakeholders in many ways: -

The study will benefit the government through TRA since it enabled to know the knowledge of stakeholders on PAYE tax in Kyela District, thus the TRA officials will be in position to provide more tax (PAYE tax) education to stakeholders, secondly the study will promote morale of PAYE tax stakeholders towards payment of PAYE tax because the study gave them answers to their curiosity on why the government through TRA is imposing PAYE tax and review PAYE tax rates. Thirdly, the findings will help policy makers in coming with good tax policies. Fourthly the findings will eventually help the government to collect more PAYE tax as stakeholders will be satisfied with it. Lastly the findings will lay a broad body of knowledge on various interested parties in research work for further references concerning PAYE tax.

## 2. Material and Methods

There are various theoretical literature reviews in relation to PAYE tax as well as stakeholders' satisfaction. According to Bized, Income tax is regressive where the more people earn the less the tax represents as a proportion of their income. In other words, regressive taxes will hit less-well-off people harder than the better-off also income tax is progressive when the more people earn; the greater the proportion of their income they pay in tax and a tax where the percentage of income paid in taxation always stays the same. In other words, the average rate of taxation is constant, (2012:22). In a comprehensive income tax, the PAYE is not a tax entirely by itself, Wages are consolidated with taxable income subject to tax, and the PAYE withheld is credited against the tax on total taxable income. Given the similarity between PAYE withholding rates and the income tax rate schedule, in the absence of other income and special deductions, in principle, a credit after consolidation results in a zero liability. In short, the whole income tax exercise with return filing and assessment is essentially redundant. Therefore, most countries applying the concept of a comprehensive income tax do not require return filing in that case thus PAYE is a final tax in these circumstances Nyangarika et al., (2020a) and (Heeden, 1998).

Pay As You Earn (PAYE) system is a method of paying Income Tax on remuneration. The employer deducts tax from your salaries or pension earnings before paying you the net salary or pension, (TRA, 2013). Macintosh (2001) asserted that, if you're working in Tanzania under a permanent contract, many employers will handle your tax under the PAYE (pay-as-you-earn) system. This means that they calculate and process your taxes in Tanzania for you and then send you a net wage. Your income tax, public health insurance, social security and other deductions will all be covered by this payment. This is the easiest way to handle your income tax in Tanzania, but contractors may not be offered this service because of their short stay with each employer, (2013).

Employment means a position of an individual in the employment of another person; a position of an individual as manager of an entity other than as partner of a partnership; a position of an individual entitling the individual to a periodic remuneration in respect of services performed; or a public office held by an individual, and includes a past, present and prospective employment, (Kessy, 2011: 23). An employee means an individual who is a subject of an employment conducted by an employer. It includes a permanent employee, part time, manager, director and casual employees. Employees may be employed by one or more employers (Primary and Secondary Employment), (TRA, 2013). An employer means a person who conducts, has conducted or has prospect of

conducting the employment of an individual, (TRA, 2013). Rowes stated that income tax is administered by commissioner of Inland Revenue or as they are normally called the Board of Inland Revenue who is responsible to the treasury. The board operates in regional and district offices through Inspector of Taxes and collectors of Taxes. The former are responsible for the issue of Tax returns and the latter are concerned with the collection of assessed amount, (1999:52). In Tanzania administration of PAYE, an employer is required to withhold income tax from salaries, wages and all other payments forming taxable income paid to an employee, (TRA, 2013).

Taxation is one of the important elements in managing national income (Lymer and Oats, 2009). Tax is defined as a compulsory levy imposed by the government or other tax raising body on income, expenditure, or capital assets for which the taxpayer receives nothing specific in return (Lymer and Oats, 2009:3). The work of tax administration includes activities that cover both compliance and customer service. Many of the functions of tax administration depend to at least some degree on the voluntary compliance of tax payers. There are many authors who have written on the aspects of taxpayers' education on tax issues and payment of PAYE tax and tax in general.

Tax administration in Sweden and Denmark have run initiatives involving marketing campaigns (OECD, 2011a). The messages promoted varied but centred on the theme of showing the importance of tax revenue for funding public goods and services and the problems arising from shadow economy involvement. Survey results suggested that attitudes and behavior to tax payment improved over the period in which the campaigns were run. Both the Danish and Swedish campaigns focused particular attention on trying to change the attitudes of people. Sweden, along with other countries such as Canada and Austria, has tested an approach of tax officials visiting schools. These visits serve two purposes: to reinforce positive attitudes to taxation but also to educate tax payers on the working of the tax system. Surveys suggest these positively impacted on taxpayer behavior on payment of taxes (OECD, 2011a).

In Malaysia tax knowledge also affects the taxpayers' attitude towards the accuracy of the tax return (Eriksen and Fallan, 2005; Kirchler, 2008). In addition, research on measuring the level of tax knowledge in Malaysia was insufficient. Furthermore, no studies have been done to investigate the level of tax knowledge among individual tax payers post SAS introduction, factors that affect the characteristics of tax payers themselves that contribute to the level of tax knowledge (Kirchler, 2008). Studies indicated that there was no formal tax education being given in secondary schools or at the higher level except for accounting students (Eriksen and Fallan, 2005). Studies in Sri Lank, Pakistan, Indonesia, Australia, Ireland, New Zealand, and United Kingdom have illustrated that tax payers quickly become more aware of their tax obligations (Kasipillai, 2000) as the new systems are introduced. The studies indicate that most taxpayers will try hard to improve their tax knowledge and keep up to date on changes of tax policy every year once changes happen.

Tax payers' satisfaction on payment of PAYE tax and tax in general is very crucial aspect to be considered by the government and agencies responsible for collecting tax (Walsh, 2012). If taxpayers are not satisfied there is a possibility of avoiding and evading tax which in turn reduce income to the government to finance its operations (Alm, Cherry, and Jones, 2010). Study done by Richardson (2008) on taxpayers' satisfaction on payment of tax: public opinion he found that taxpayers were satisfied by 62% on the payment of PAYE tax although some of the employers especially in the private sector were avoiding to submit all withhold tax. Kirchler (2008) did a paper on collection of personal income at the source, among other issues also assessed the level of tax payer's satisfaction on the payment of PAYE tax. He found that taxpayers were satisfied by 84% with the payment of PAYE tax. It was also recommended to improve the education to tax payers so as increase the government revenue since. Eriksen and Fallan, (2005) in their paper tax knowledge and attitudes towards taxation reported that tax payers were satisfied with the payment of PAYE tax by 82% and the paper also highlighted that the government needed to increase the level of salaries to the civil servant so as to enable them meeting the cost of living and cover the gap of taxes deducted. Kirchler (2007) dis a paper on the economic psychology of tax behavior, among other areas the researcher considered the issue of tax payer's behavior on payment of PAYE tax and found that tax payers were having positive attitude by 62% on the payment of tax. The paper also highlighted the area of education to taxpayers to be improved and also the government needed to spend efficiently the taxes collected from tax payers so as to motivate them paying taxes.

There are many studies done on the issue of factors which influence taxpayers' satisfaction on payment of PAYE tax. For example Title (2003), Warneryd and Walerud (2002), and Wahlud (2004) determined the factors by considering the demographic factors such as age by using chi square test and found that age does influence the level of tax payers' satisfaction on payment of tax with the significance level 0.000, 0.020, and 0.014 respectively; and Wahlud (2004) and Wilde (2006) posit a negative association with satisfaction on payment of PAYE since their results were having significance level 0.102 and 0.234 respectively. Wahlud



(2004) used regression analysis techniques in determining the relationship while Wilde (2006) used chi square test.

Jackson and Milliron (2007) and Nyangarika et al., (2020b) found that income level has a mixed and unclear impact on satisfaction level of tax payers on payment of tax. They did not clearly elaborate on the reasons for this finding; it is presumed that the endogenous tax regulations among countries might contribute to the inconsistent findings. For example, progressive tax rates might encourage high income groups to evade rather than lower income groups because their (high income groups) tax rates and taxable income is high (Jackson and Milliron, 2007). The association between gender and tax compliance has received some attention in prior literature however, findings vary across studies. Some found that males are more satisfied with the payment of tax than female (Kasipillai, 2000 and Kirchler, 2008).

Government reputation and credibility seemed to be a factor which influence taxpayers' satisfaction on payment of PAYE tax. A study conducted by Richardson (2008) also suggested that the role of the government has a significant positive impact on determining satisfaction towards payment of tax. His study attempted to investigate the determinant of tax evasion across 47 countries including the USA, Argentina, Thailand, Canada, and Brazil. Richardson also suggested that the government should increase their reputation and credibility in order to obtain trust from the tax payers. According to TRA, PAYE tax is a withholding tax on taxable incomes of employees. Under PAYE tax system, an employer is required by the law to deduct income tax from an employee's taxable income (2013). The Table 2.1 shows Tanzanian PAYE tax rates on different levels of income in Tshs for the budgetary period of 2013.

**Table 2.1: Pay As You Earn Tax 2013**

Income in Terms of Tshs		PAYE Tax Rates
From	To	
0	160,000/=	0%
170,000/=	360,000/=	13%
360,000/=	540,000/=	20% of excess + 26,600/=
540,000/=	720,000/=	25% of excess + 62,600/=
720,000/=	Above	30% of excess + 107,600/=

**Source:** TRA (2013)

In determining Taxable income from employment for levying PAYE tax the following shall be included: Payments of wages, salary, payment in lieu of leave, fees, commissions, bonuses, gratuity or any subsistence travelling entertainment or other allowance received in respect of employment or service rendered, payments providing any discharge or reimbursement of expenditure incurred by the individual or an associate of the individual, payments for the individual's agreement to any conditions of the employment, retirement contributions and retirement payments, payment for redundancy or loss or termination of employment, other payment made in respect of employment including benefits in kind quantified in accordance to the prescribed rules, other amounts as may be required to be included, (TRA, 2013).

### 3. Research Methods

In this study the researcher used both qualitative and quantitative research design. The aim of using qualitative design was due to the fact that it assessed the level of stakeholders' satisfaction on payment of PAYE tax and quantitative research design since it determined the factors which influence the level of stakeholders' satisfaction towards the payment of PAYE tax in Kyela District. In this study, the researcher collected and used both primary and secondary data. The data were collected through survey questionnaires and documentary review. The study was conducted in Kyela District; data were collected by the researcher from teachers from ten secondary schools in the District. The researcher used the sample to draw out conclusion on the entire population; the sample comprised one hundred (100) respondents who were chosen through simple random sampling techniques.

### 4. Results

Table 4.1, shows the totals of one hundred (100) questionnaires were distributed to teachers in privates and public secondary schools in Kyela District and both of them were returned and all of them seemed to fit to be used for the purpose of this study. There were some questionnaires which were not full filled by the respondents particularly in part four of the questionnaires which needed explanation but did not count more than

10% of the total responses. This was attributed by a good administration of the questionnaires by the researcher with the aid of teachers from the respective secondary schools.

**Table 4.1: Sample Size and Number of Responses of Students**

Details (Respondents)	No. of Sample Size and Percentage (%)	No. of Responses and Percentage (%)
Public secondary schools Teachers	40 (100%)	40 (100%)
Private secondary schools teachers	60 (100%)	60 (100%)
<b>Total</b>	<b>100 (100%)</b>	<b>100 (88%)</b>

Source: Researcher’s Analysis (2020)

In this section personal information of students from secondary schools in Kyela District such as age, gender, education level, working experience, and salary level that described respondents formed the basis for the detailed analysis of the characteristics of the population (teachers’) who were involved in this study. This study involved both genders i.e. male and female; the gender was involved to both teachers from public secondary schools and private’s secondary school’s teachers as indicated in the Table 4.2.

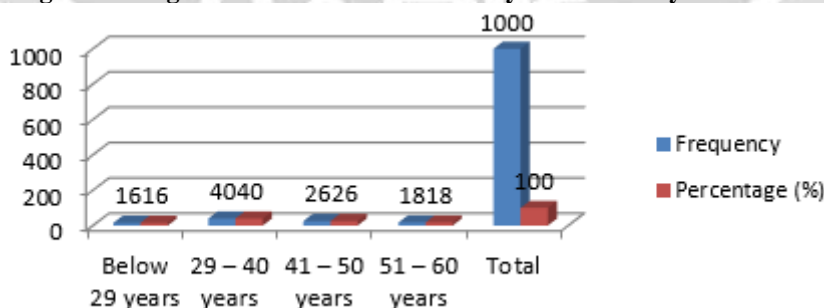
**Table 4.2: Gender of Teachers in Kyela District**

Gender	Frequency	Percentage (%)
Male	59	59.0
Female	41	41.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Source: Researcher’s Analysis (2020)

The study findings show that, (65%) of respondents (teachers) participated in this study were male while 35 (35%) of the respondents participated in this study were female. Gender balance is very important in collecting research data and as can be observed in the Table 4.2, male respondents exceeded female respondents by only (18%) which was due to imbalance in number of employed teachers to those secondary schools. Various age groups of teachers from secondary schools in Kyela District were requested to respond to the distributed questionnaires. The groups were categorized into the age groups for the teachers who were involved in this study. The researcher reported that, 16 (16%) of the respondents were below the age of 29 years, 40 (40%) were at the age of 29 to 40 years, 26 (26%) of the respondents were at the age between 41 and 50 years, and 18 (18%) of the respondents were at the age of between 51 and 60 years as indicated in the Figure 4.1.

**Figure 4.1: Age of Teachers from Secondary Schools in Kyela District**



Source: Researcher’s Analysis (2020)

The academic trend has an important influence to the study under review as it enabled the researcher to determine the academic level of the respondents so as to be able to determine the extent of their responses which assisted him in drawing out conclusion. It reported that, 25 (25%) of those interviewed were diploma holder, 47 (47%) of the respondents were Advanced diploma and Bachelor’s degree teachers, 15 (15%) of teachers were holders of post graduate diploma, 10 (10%) were master’s degree holders, and, and 3 (3%) were holders of doctorate degree as indicated in the Table 4.3. This shows that generally most of the teachers were having advanced diploma and first degree as their level of education (Table 4.3).

**Table 4.3: Education Level of Kyela District Secondary Schools Teachers**

Education Level	Frequency	Percentage (%)
Ordinary Diploma	25	25.0
Advanced Diploma/ First Degree	47	47.0
Post Graduate Diploma	15	15.0
Master's Degree	10	10.0
Doctorate Degree	3	3.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Source: Researcher's Analysis (2020)

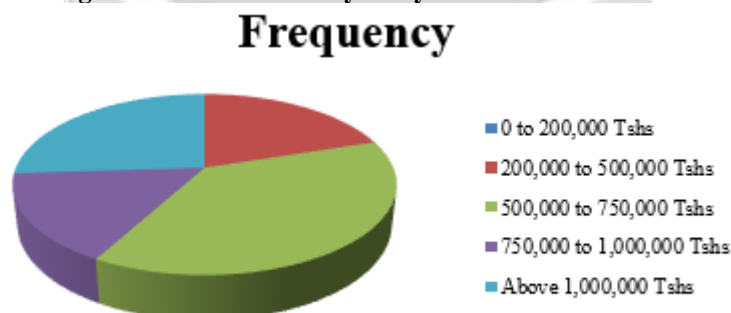
It was important for the researcher to know the time that Kyela District secondary school's teachers have been working. Findings show that, 2 (2%) of the respondents who participated in this study worked below 1 year, 10 (10%) of the respondents worked between 1 to 3 years, 39 (39%) worked between 4 to 7 years, 8 (8%) between 8 to 10 years, and 44 (44%) of the respondents who participated in this study worked above 10 years as indicated in the Table 4.4. The longer teachers work in teaching at secondary schools enabled the researcher in determining the level of reliability and relevance of the data given by the respondents. The statistics showed that, more teachers 98 (98%) had been working more than 3 years (Table 4.4).

**Table 4.4: Working Experience of Kyela District Secondary Schools Teachers**

Working Experience (Years)	Frequency	Percentage (%)
Less than one year	2	2.0
1 – 3 years	10	10.0
4 – 7 years	36	36.0
8 – 10 years	8	8.0
Above 10 years	44	44.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

Source: Researcher's Analysis (2020)

It is reported that 20 (20%) of teachers were receiving salaries between 200,000 Tshs to 500,000 Tshs, 30 (30%) of teachers were receiving salaries between 500,000 Tshs and 750,000 Tshs, 16 (16%) between 750,000 Tshs and 1,000,000 Tshs, and 26 (26%) of teachers were receiving salaries above 1,000,000 Tshs as indicated in the (Figure 4.3).

**Figure 4.3: Level of Salary of Kyela District Teachers**

Source: Researcher's Analysis (2020)

The assessed stakeholders' knowledge on PAYE tax in Kyela District. It is clear that the stakeholders' knowledge on tax issues is very crucial so as to help the government collect effectively and efficiently PAYE tax and other taxes in general since tax knowledge has a big impact on tax payer's behaviour in paying tax as supported by Eriksen and Fallan (2005) and Kirchler (2008) for example in Malaysia tax knowledge also affected the taxpayers' attitude towards the accuracy of the tax return. From the study, it is generally revealed

that stakeholders who were teachers in secondary schools in Kyela District reported that they were not having enough knowledge on PAYE tax as respondents agreed by 54 (54%) as indicated in the Table 4.5. In assessing this, the researcher considered stakeholders' awareness of meaning of PAYE tax, importance of PAYE tax, knowledge on computation of PAYE tax, information on changes of PAYE tax rates when happen, regular provision of PAYE tax knowledge by the government (TRA) Officials, and proper knowledge of PAYE tax (Table 4.5).

The study reveals that 50 (50%) of the teachers in secondary schools in Mbeya did not know the meaning of PAYE tax, 60 (60%) of the teachers were aware of the importance of PAYE tax (Table 4.5). They said that tax is very important to the government because it helps the government to get funds in meeting its functions including paying their salaries. The researcher also reported that, 68 (68%) of the teachers in Kyela District did not know how PAYE tax is computed (Table 4.5). Most of them they knew how much they were deducted in the payroll as lump sum and not its breakdown on how it is derived. Teachers 40 (40%) of teachers in Kyela District said that they were informed on changes in PAYE tax rates when happens and also 40 (40%) of other teachers said that they were not informed (Table 4.5). For those who were informed said that most of times the came to know on those changes during parliamentary session (parliamentary budget), through TRA website of which few had capability to access, and direct in their salary slips as increment in lump sum deduction of their salaries. From Table 4.5 also it is reported that 45 (45%) of teachers in Kyela District were not having enough knowledge on PAYE tax issues. From the study it is observed that, the government through its agency responsible for collecting taxes (TRA) should expand its capabilities in provision of tax knowledge to its tax payers and prospective tax payers so as to increase tax collections as supported by OECD (2011a) for example in Sweden and Denmark that tax administration in Sweden and Denmark have run have run initiatives involving marketing campaigns. The marketing varied but centered on the theme of showing the importance of tax revenue for funding public goods and services and the problems arising from shadow economy involvement. Respondents appreciated the efforts done by the TRA in provision of knowledge of other taxes such as Value Added tax (VAT), custom taxes, and corporate tax and less effort is done on PAYE tax.

**Table 4.5: Stakeholders' Knowledge on PAYE Tax in Kyela District**

<b>Knowledge on PAYE Tax</b>	<b>Yes</b>	<b>No</b>	<b>Undecided</b>
Do you know the meaning of Pay as you earn (PAYE) tax?	30%	50%	20%
Do you know the importance of PAYE?	60%	35%	5%
Do you have the knowledge on computation of PAYE tax?	20%	68%	12%
Are you informed on changes in PAYE tax rates when happen?	40%	40%	20%
Does the Government (TRA) Officials regularly give knowledge on PAYE tax?	24%	66%	20%
Do you have proper knowledge on PAYE tax?	37%	45%	18%

**Source: Researcher's Analysis (2020)**

Taxpayers' satisfaction on payment of PAYE tax and tax in general is very crucial aspect to be considered by the government and agencies responsible for collecting tax as was supported by Walsh (2012). In this study the researcher assessed the level of stakeholders' satisfaction towards the payment of PAYE Tax in Kyela District. Stakeholders, who were teachers' in secondary schools in Kyela District were asked to indicate their SL on payment of PAYE tax by using the likert scale of five points, the scale included strongly satisfied (1), satisfied (2), Neutral (3), dissatisfied (4), and strongly dissatisfied (5). In assessing this the researcher considered minimum taxable income, payment and modes of payment of PAYE tax, tax rates and changes in tax rates as indicated in the Table 4.8. From the study, it was generally reported that teachers in secondary schools in Kyela District were dissatisfied by 38 (38%) on the payment of PAYE tax (Table 4.10). Further analysis showed that teachers were dissatisfied by 63 (63%) on the minimum taxable income, strongly satisfied by 39 (39%) on payment and modes of payment of PAYE tax, and satisfied by 31(31%) on PAYE tax rates and changes in tax rates (Table 4.10). unlike from other researches for example Kircher (2008) did a paper on collection of personal income at the source, among other issues also assessed the level of taxpayer's satisfaction on payment of PAYE tax. He found that taxpayers were satisfied by 84% with the payment of tax. Fallan, (2005) found that, taxpayers were satisfied by 82% on Payment of PAYE tax and also highlighted that the government needed to increase the level of salaries to the civil servant so as to enable them meeting the cost of living and cover the gap of taxes deducted. The researcher reported that teachers in Kyela District were satisfied by 63 (63%) on the minimum taxable income (Table 4.8). In assessing this, the researcher considered minimum taxable income and changes in



the minimum taxable income (Table 4.6). From the study, it was reported that teachers who were stakeholders in the payment of PAYE tax dissatisfied by 70 (70%) with the minimum taxable income (Table 4.6). They said that government should increase the minimum taxable income responding to the cost of living since created burden to them and left them with less disposable income especially for those with low salaries. Also the researcher reported that teachers were dissatisfied by 56 (56%) on the changes in the minimum taxable income. They said that there were slight changes in minimum taxable income by government from year to year and complained that those changes in minimum taxable income by the government from year to year do not match with the increase in cost of living.

**Table 4.6: Satisfaction Level on Minimum Taxable Income**

Minimum Taxable Income	Satisfaction Level				
	1	2	3	4	5
Minimum taxable income	0(0%)	13(13%)	12(12%)	70(70%)	5(5%)
Changes in the minimum taxable income	3(3%)	10(10%)	24(24%)	56(56%)	7(7%)

Source: researcher's Analysis (2020)

The researcher reported that teachers in Kyela District were strongly satisfied by 39 (39%) on payment and modes of payment of PAYE tax (Table 4.8). In assessing this, the researcher considered payment of PAYE tax in relation to cost of living, positive effect of current PAYE tax in relation to your current salary, principle of equity in payment of PAYE tax, and modes of collection of PAYE tax (Table 4.7). they said that the cost of living is highly increasing and the burden of tax is also high which lead to less disposable income. It is also reported that teachers in Kyela District 52 (52%) said that payment of current PAYE tax led to a negative effect on their monthly salary since but for the principle of equity the researcher reported that 62 (62%) of the teachers in Kyela District strongly agreed that the payment of PAYE tax in Tanzania is following the principle of equity since it is progressive (Table 4.7).

**Table 4.7: Payment and Modes of Payment of PAYE Tax**

Payment of PAYE Tax and Modes of Tax Payment	Satisfaction Level				
	1	2	3	4	5
Payment of PAYE tax in relation to cost of living	1 (1%)	3 (3%)	16 (16%)	48 (48%)	32 (32%)
Positive effect of current PAYE tax in relation to your current salary	3 (3%)	7 (7%)	20 (20%)	52 (52%)	8 (8%)
Principle of equity in payment of PAYE tax	62 (62%)	30 (30%)	3 (3%)	5 (5%)	0 (0%)
Modes of collection of PAYE tax	90 (90%)	9 (9%)	1 (1%)	0 (0%)	0 (0%)

Source: Researcher's Analysis (2020)

Those with big salaries (income) pay taxes according to their level of income, this at least reduces the gap between the higher income earners and low income earners. For the modes of collection of PAYE tax, the respondents were strongly satisfied by 90(90%) on the modes of collection where by the employer i.e government and private institutions withhold the PAYE tax of its workers and submit to TRA. This mode reduces the possibilities of tax evasion and avoidance to great extent especially to individuals as evidenced in the Table 4.8 where by the respondents were asked about their extra income and 70 (70%) of the respondents agreed that they were getting extra income of which only 8 (8%) were reported to that they were paying PAYE tax for that (Table 4.8).

**Table 4.8: Payment of PAYE on Extra Income**

Knowledge on PAYE Tax	Yes	No	Total
Do you have extra income from employment?	70(70%)	25(25%)	95(95%)
Do you pay tax for that	8(8%)	62(62%)	75(75%)

Source: Researcher Analysis (2020)



The researcher reported that teachers in Kyela District were satisfied by 31 (31%) on PAYE tax rates and changes in those rates as reviewed by the government whenever necessary (Table 4.9). In assessing this, the researcher considered computation of PAYE tax, frequencies of changes in PAYE tax rates, fairness in changes in PAYE tax rates, and changes in tax rates in relation to changes in salaries (Table 4.9). From the study, it was reported that teachers in Mbeya district were satisfied by 47 (47%) on computation of PAYE tax (Table 4.9). they said that, the computation of PAYE tax was good since those high income earners pay more compared to low income earners since the tax rates starts with 0%, 13% and those with income more than is 750,000 Tshs pays 30%. The researcher also reported that teachers were satisfied by 46 (46%) on frequencies changes in PAYE tax rates in Tanzania (Table 4.9). The government almost in every new financial year reviews the tax rates so as to meet its goal in collecting tax income but the respondents also complained on the fairness in changes in PAYE tax rates during the review as was supported by 40 (40%). They said it is good for the government to review the tax rates with the view of enabling the government to collect satisfactory revenue also to reduce the burden of tax to taxpayers. Example in the financial year 2013/2014, the government reduced 1% of PAYE tax from 14% to 13% in the second category of which many taxpayers apart from teachers were complained. The researcher also reported that, teachers were dissatisfied by 39 (39%) on changes in tax rates in relation to changes in salaries (Table 4.9). this was especially to teachers from public secondary school whose employer was the government. They said that the increment in salaries was not proportionate to changes in PAYE tax rate i.e. 1% change has a big impact on the amount of salaries, therefore they said that the government should review their salaries to meet the cost of living and improve their living standard.

**Table 4.9: Satisfaction Level on PAYE Tax Rates and Changes in Tax Rates**

Tax Rates and Changes in Tax Rates	Satisfaction level				
	1	2	3	4	5
Computation of PAYE tax	14 (14%)	47 (47%)	22 (22%)	6 (6%)	4 (4%)
Frequencies changes in PAYE tax rates	18 (18%)	46 (46%)	22 (22%)	10 (10%)	4 (4%)
Fairness in changes in PAYE tax rates	7 (7%)	10 (10%)	32 (32%)	40 (40%)	11 (11%)
Changes in tax rates in relation to changes in salaries	4 (4%)	20 (20%)	15 (15%)	39 (39%)	14 (14%)

**Source: Researcher's Analysis (2020)**

The researcher set out among others to determine the factors which influenced stakeholders' satisfaction on payment of PAYE tax in Kyela District. As reported in the Table 4.10 that stakeholders' who were teachers from secondary schools in Kyela District were dissatisfied by 38 (38%) on the payment of PAYE tax. As from further teachers were dissatisfied by 63 (63%) on the minimum taxable income, strongly satisfied by 39 (39%) on payment and modes of payment of PAYE tax, and satisfied by 31 (31%) on PAYE tax rates and changes in tax rates (Table 4.10).

**Table 4.10: Summary of Level of Stakeholders, satisfaction on Payment of PAYE Tax**

Payment of PAYE Tax	Mode	No. of Respondents	Percent	Recommendations (satisfaction level)
Minimum taxable income	4	63	63%	Dissatisfied
Payment and modes of payment of PAYE tax	1	39	39%	Strongly satisfied
Tax rates and changes in tax rates	2	31	31%	Satisfied
<b>Payment of PAYE</b>	<b>4</b>	<b>38</b>	<b>38%</b>	<b>Dissatisfied</b>

**Source: Researcher's Analysis (2020)**

In determination of factors which influenced the level of stakeholders' satisfaction on payment of PAYE tax at the significance level alpha ( $\alpha$ ) = 0.05, the researcher considered gender, age, sex, education level, working experience, and level of monthly salaries of secondary school's teachers in Kyela District. In doing so the researcher used regression analysis and for all factors with the probability level or significance level of less or equal to 0.05 or 5% were the factors considered to influence teacher's satisfaction on the payment of PAYE tax.

The study revealed that, factors that influenced the level of stakeholders (teachers') satisfaction on the payment of PAYE tax in Kyela District were age and level of monthly income since they had the significance level of 0.014 (Table 4.11) and 0.009 (Table 4.15) respectively. These results supported by various researcher's example Title (2003), Warneryd and Walerud (2002), Wahlud (2004) for age to be a factor which influence stakeholders' satisfaction and Jackson and Milliron (2007) that income level influence stakeholders' satisfaction on payment of PAYE tax. As can be observed from the Table 4.11, the researcher tested gender and found that, it had a significance level of 0.0528 or 5.28% therefore, accepted null hypothesis since it does not influence the level of stakeholders' satisfaction on the payment of PAYE tax in Kyela District. But researches by other researchers showed that, the association between gender and tax compliance has received some attention in prior literature however, findings vary across studies. Some found that males are more satisfied with the payment of tax than female (Kasipillai, 2000 and Kirchler, 2008).

**Table 4.11: ANOVA (Gender and Stakeholders' Satisfaction)**

Model	Sum of Squares	Df	Mean Square	F	Sig.	Recommendation
1 Regression	.099	1	.099	.401	.0528 <sup>a</sup>	Accept Null Hypothesis
Residual	21.690	98	.246			
Total	21.789	99				

a. Predictors: (Constant), Gender

b. Dependent Variable: Stakeholders' Satisfaction

**Source: Researcher's Analysis (2020)**

The researcher also tested age and found that, it had the significance level of 0.014 or 1.4% therefore, rejected the null hypothesis since it influenced the level of stakeholders' satisfaction on the payment of PAYE tax in Kyela District (Table 4.12). This is supported by Title (2003), Warneryd and Walerud (2002) who found age to be a factor which influence the payment of PAYE tax at probability level 0.000 and 0.020 respectively by using chi square test and Wahlud (2004) who determined the factors by using regression analysis considering the demographic factors such as age by using regression analysis and found that age does influence the level of tax payers' satisfaction on payment of tax with the significance level 0.014.

**Table 4.12: ANOVA (Age of Teachers and Stakeholders' Satisfaction)**

Model	Sum of Squares	df	Mean Square	F	Sig.	Recommendation
1 Regression	0.504	1	0.504	7.133	.014 <sup>a</sup>	Reject Null Hypothesis
Residual	23.680	98	.269			
Total	25.600	99				

a. Predictors: (Constant), Age

b. Dependent Variable: Stakeholders' Satisfaction

**Source: Researcher's Analysis (2020)**

As can be observed from the Table 4.13, the researcher tested year of study and found that, it had the significance level of 0.377 or 37.7% therefore, accepted null hypothesis since it does not influence the level of stakeholders' satisfaction on the payment of PAYE tax in Kyela District (Table 4.13).

**Table 4.13: ANOVA (Education Level and Stakeholders' Satisfaction)**

Model	Sum of Squares	df	Mean Square	F	Sig.	Recommendation
1 Regression	.622	1	.622	.788	.377 <sup>a</sup>	Accept Null Hypothesis
Residual	69.478	98	.790			
Total	70.100	99				

a. Predictors: (Constant), Education Level

b. Dependent Variable: Stakeholders' Satisfaction

**c. Source: Researcher's Analysis (2020)**

As can be observed from the Table 4.14, the researcher tested year of study and found that, it had the significance level of 0.46 or 46% therefore, accepted null hypothesis since it does not influence the level of stakeholders' satisfaction on the payment of PAYE tax in Kyela District (Table 4.14).

**Table 4.14: ANOVA (Working Experience and Stakeholders' Satisfaction)**

Model	Sum of Squares	df	Mean Square	F	Sig.	Recommendation
1 Regression	5.196	1	5.196	4.104	.46 <sup>a</sup>	Accept Null Hypothesis
Residual	111.426	98	1.266			
Total	116.622	99				

a. Predictors: (Constant), Working Experience

b. Dependent Variable: Stakeholders' Satisfaction

**Source: Researcher's Analysis (2020)**

As reported in the Table 4.15, the researcher also tested level of salary of stakeholders who were teachers in secondary schools in Kyela District and found that, it had the significance level of 0.009 or 0.9% therefore, rejected the null hypothesis since it influenced the level of stakeholders' satisfaction on the payment of PAYE tax in Kyela District. But Jackson and Milliron (2007) in their study found that income level has a mixed and unclear impact on satisfaction level of tax payers on payment of tax. They did not clearly elaborate on the reasons for this finding; it is presumed that the endogenous tax regulations among countries might contribute to the inconsistent findings.

**Table 4.15: ANOVA (Level of Monthly Salary and Stakeholders' Satisfaction)**

Model	Sum of Squares	df	Mean Square	F	Sig.	Recommendation
1 Regression	1.920	1	1.920	7.133	.009 <sup>a</sup>	Reject Null Hypothesis
Residual	23.680	98	.269			
Total	25.600	99				

a. Predictors: (Constant), Level of Monthly salary

b. Dependent Variable: Stakeholders' Satisfaction

**Source: Researcher's Analysis (2020)**

## 5. Conclusion

The study concluded that payment of PAYE tax and other taxes is very important so as to enable the government to collect satisfactory income to aid it in meeting operational costs, capital development, defence, and social development. The results of this study indicate that there was a problem on provision of PAYE tax education to taxpayers by the government (TRA). Findings indicated that, stakeholders who were teachers in secondary schools in Kyela District were not satisfied with the payment of PAYE tax. The government should look the matter into details since this group represent majority of Tanzanian and other tax payers and prospective tax payer. Also it was noted that, there were some problems on the issue related to salaries of worker as respondents complained to be taxed highly while their level of income was low, and also minimum taxable income was complained to be low which increased their burden of tax especially for low income earners. The respondents also complained on the issue of changes in rates of tax, they said that changes should have material positive impact on their disposable income so as to improve their living standards. Basing on the responses of specific research questions of the study, in order to ensure that the government collect satisfactory taxes income and tax payers satisfied with the payment of PAYE tax and other taxes, the following were the recommendations: - Continuous provision of PAYE tax knowledge to tax payers so as to educate them on the issues of PAYE tax and remind them on their responsibilities of paying the tax; Increase in workers' salaries to meet the highly increasing cost of living ;The government to control the high rate increase in inflation in the country which increase the cost of living ; Changes in tax rates to have a big positive impact on the disposable income to tax payers ; The government to increase the minimum taxable income to serve the low income earners and reduce the gap of income; Tax payers to be good citizen by voluntarily paying taxes since taxes is the major

source of the government to function. Study findings indicated that, there was a problem in provision of knowledge to tax payers especially those paying PAYE tax. Due to the above mentioned reasons, the study recommends that, future research to be conducted in the area of provision of adequate knowledge to PAYE tax payers. Also it was observed that age and level of salaries of tax payers seemed to be the factors which influenced the level of tax payers' satisfaction on payment of PAYE tax. This gives to the rise of a question why age and level of salaries of tax payers seemed to be the factors which influenced the level of tax payers' satisfaction on payment of PAYE tax? Due to that fact, the researcher proposed also these areas to be investigated more.

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