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Creating A 'Tax Paying Informal Traders' Culture in Zimbabwe: Can This Be Achievable?

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Abstract
This paper attempted to give reasons why it is difficult for Zimbabwe and other developing countries tax the informal sector. This study adopted both a desk and library research approaches. This paper has established that there are many well researched practical recommendations in the literature on how to tax the informal sector and governments have failed to implement these practical strategies. However this paper recommended that a three factor audit trail framework must be developed in order to improve informal sector tax revenue.
Keywords: Taxation, Informal Traders, Culture, Zimbabwe, Myth, Reality

1. Background to the study

The issue of domestic revenue mobilization and widening of tax base of a country has received much attention in recent years in most developing countries (FICCI 2015, Little Hoover Commission 2015, Fallah 2016, Dube & Casale 2016). Literature sources reviewed indicate that taxation has been a source of domestic revenue of ancient times and remains a key aspect of citizen's daily lives (ZIMCODD, 2014, Masarirambi 2013). Taxation is regarded as the most influential fiscal instruments for any government in accomplishing its goal of strong economic growth and development as well as poverty alleviation. Taxation as explained in the literature is the most reliable and predictable way of revenue generation for development unlike debts from International Monetary Fund (IMF),World Bank (WB) or other nationalities (ZIMCODD, 2014).

Generally, in most developing countries tax revenue is low and the tax burden is high on a few formal sectors (Mienye & Odubo 2016, Dube 2014). Existing literature indicates that that the public revenue in most of developing counties is weak and the tax burden is unevenly distributed (Masairambi 2013, Junior 2014). The explanations accorded to low tax revenue level is the under taxation of the urban informal sector (Masarirambi 2013, Junior 2014). Several scholars point out that the informal sector represents a potentially significant source of tax revenue for a cash-strapped government (Abiola & Asiweh 2012, Jacobs 2013, Junior 2014, FICCI 2015, Little Hoover Commission 2015, Dube 2014, Oladipupo & Obazee 2016) thus taxing the informal sector is vital to sustain tax morale and tax compliance among firms in the formal sector (PricewaterhouseCoopers, 2010, Korte 2013, FICCI 2015, Ministry of Finance Tax Administration 2016, Ministry of Finance Tax Administration 2013).

Extant literature shows that Zimbabwe collects many taxes from its citizens in order to finance is short and long term developments, relieve poverty and deliver public services(Masarirambi 2013, Dube 2014). Since 1980 to period 2000, Zimbabwe government received tax revenue from the formal sector however a decade ago the formal sector shrunk leading to the reduction in revenue from taxation (Sikwila, Kareza and Mungadza, 2016). In a bid to raise the much needed revenue the government of Zimbabwe sought to expand its tax net by incorporating the growing informal sector into tax net (Utaumire, Mashiri & Mazhindu 2013, Dube 2014). Presumptive tax (under presumptive tax Act Chapter 23:06) was introduced in order to collect revenue from the informal sector (Masarirambi 2013, Dube 2014, ZIMRA 2010, Sikwila *et al* 2016). Literature shows some increase in tax revenue from informal sector to the national coffers but the performance of presumptive tax head as a proportion of total tax revenue is poor and below its revenue potential (Sikwela *et al* 2016, FICCI 2015, Dube 2014, Little Hoover Commission 2015). Reviewed literature shows that the collection of tax from the underground economy has been a problem for the revenue authorities (Abiola & Asiweh 2012, Kwaako, Laribik & James 2012, Masarirambi 2013, Dube 2014).

2. Statement of the Problem

OECD (2004:11) argues that "… the seeds planted in the first phase of the transition process have developed into an intricate web that is woven into the entire economic system… is unlikely to recede in the near future unless profound changes are made to the tax and social contribution regimes, and to tax administration enforcement". The OECD further adds that this phenomenon calls for more comprehensive policy-packaged that will address economic and social needs of the community. Little Hoover Commission (2015) shows that some recommendations made some thirty years ago are still not yet implemented and the reason for this is unknown. This means that recommendations from research should be augmented with strong efforts from the government. This paper aims at establishing the reasons why the informal sector taxation is still hard to tax, in spite of great array of recommendations from the OECD, regional and local (Zimbabwe), its contribution to fiscas is insignificant.

3. Overview of Informal Sector

3.1. Conceptual Framework

The common description of the informal sector include hidden work, concealed employment, or the underground economy, grey economy,, clandestine shadow economy, Black, Concealed, Dual, Hidden, Invisible, Irregular, Non-observed, Parallel, Shadow, Underground and Unofficial, gray economy to mention but a few (CEDRI, 2003). The review of informal sector literature by PWC (2012) came to similar conclusion that the original meaning of informal sector as postulated by Hart 1971 has been modified. Mukherjee (2016) add that contrary to the conventional belief of diminishing presence of informal entities in a contemporary world, there has been an upsurge in the size of informal economy in the recent decades. Chen (2012) dismisses the belief that informal sector will disappear once the developing countries achieved sufficient level of economic growth (Menyah, 2009) and she stresses that informal sector is universally i.e. in both developed and developing countries what differs is the size and activities. It is important to note that the informal sector as understood here does not include prohibited undertakings.

3.2. Definition of Informal Sector economy

The term informal sector can be applied to unregistered activities aimed at yielding tangible benefits, in either natural or in monetary form, generating given consequences of value creating and/or distribution character (Schneider, Raczkowski & Mroz, 2015). Bernabe (2002) defines informal sector as the set of productive economic activities, unmeasured untaxed and/or unregulated, not because of deliberate attempts to evade the payment of taxes or infringe labour or other legislation, but because they are undertaken to meet basic needs. The common definition of informal sector is those economic activities and the income derived from them that circumvent or otherwise avoid government regulation, taxation or observation (Schneider and Williams, 2013, Mulenga , 2011, PWC, 2016, Kristoffersen (2011). This means that informal sector involves all unreported income (e.g. to street vendors, hawkers and domestic workers in developing countries, tax evasion, drug trafficking and prostitution in western industrialised countries, and petty trade, subsistence farming, the stealing of state property, barter, bribery, corruption, money laundering and organised crime in transition countries) to tax authorities with the express purpose of evading payment of income taxes arising from legal or illegal activities, and which do not comply with any law. (Torgler and Schneider, 2009. Russel , 2010, Forum on Tax Administration: SME compliance Group, 2012; Wedderburn, Schneider and Williams, 2013, Tatariyanto , 2014)

3.3. Characteristics of informal sector

In a study informal sector and taxation, Menyah,(2009:6) found the following characteristics of informal sector (i) low entry costs, and general ease of entry, (ii) unregulated and competitive markets, (iii) reliance on indigenous resources, (iv)family ownership of enterprises, (v)small scale of operation, (vi) labor intensive and simple technology, and (vii) skills acquired outside formal schooling system. CISLAC (n.d) identifies key features of the informal sector as include (i) small scale unincorporated businesses, (ii) legitimate or legal in nature,· (iii) operate outside the formally regulated monetary economy, (iv) large and diverse businesses, (v) often mobile in operations, poor record keeping,(vi)family oriented businesses, (vii) predominantly cash-based transactions, (viii) low levels of illiteracy and unable to afford accountants, (ix) no culture of tax compliance as different rules, values and beliefs apply, and (x) challenges in compliance and monitoring. These characteristics of the informal sector have been endorsed by academic literature on informal sector (see Dada, n.d; Udoh, 2015; Mpapale, 2014; Shende, n.d; Enquobahrie.A, n.d.). Bernabe (2002) adds that key aspect of the informal sector is that cash is most commonly exchanged between parties rather than cheque, payroll statement or credit card. He maintains that the motive behind transacting using currency rather than bank credit is to avoid creating a record of the activities. He adds that such an arrangement is referred to as "off the books or under the table for the purpose of concealing records.

3.4. The Main Causes of Shadow Economies

A review of literature by Phiri and Nakamba-Kabaso (2012) describe Zimbabwe , Tanzania and Nigeria (in descending order) as ranked top three countries with largest informal sector 63.2% of GDP (2002/2003), 60.2% of GDP (2002/2003) and 59.4% (2002/2003) respectively and the smallest three as South Africa, Lesotho and Namibia (in ascending order). They report that the growth of informal sector is being attributed to tax burden, intensity of regulation, and quality of public service. Mpapale (2014) states that the lack of formal employment and low level of education factors that have contributed immensely towards the growth of the informal sector. Informal sector in Zimbabwe is currently dominated by both educated and uneducated ones.

Kristoffersen (2011) argues that the growth in informal sectors towards the end of the twentieth century was attributed to the rising tax burden and strict labor-market regulations, combined with a declining tax morality and loyalty towards government. CISLAC (n.d:4) supports Kristoffersen's view by informing that the informal sector occurs when overregulation coupled with is together with an inefficient and corrupt system of compliance control. UNPD, (2016) summaries the key determinants of the informal sector as business barriers; inadequate education system; difficult and economic situation of the citizens; rigid and out-dated legal framework in the labour market; high taxes; war environment in the nineties and high growth in unemployment.

According to UNDP (2016) report, individuals engage in the informal sector after a cost benefit analysis (perceived benefits are greater than the risks and costs of sanctions); savings spirit, lack of a guilty conscience, low risk of detection and ease of participation, lack of confidence in the government and high costs of compliance (Schneider, 2013; Dube, 2014).

In a study of Taxing the Informal Economy in Nigeria**,** Udoh (2015) found evidence that are six key drivers to the growth of informal sector and include (i) limited absorption of labour, particularly in countries with high rate of population or urbanization, (ii) excessive cost and regulatory of entry into the formal economy, often motivated by corruptions; (iii) weak institution,(iv) limiting education and training opportunities as well as (v) infrastructure development increasing demand for low-cost goods and services; and (vi) economic hardship and poverty. Research suggests that the growth of informal sector in developing countries is influenced by a wide range of factors, include: poor accounting and record keeping practices; predominance of cash transactions; peripatetic nature of the informal sector business; the overall tax and social security contribution burden; the complexity of the tax system; the cost of formalizing a business; the prevailing social welfare environment; the effectiveness of the tax administration; quality of institutions; transfer payments tax morale and attitudes to government authority and government spending (Russel, 2010; Ofori, 2009; Schneider & Williams (2013). Gerxhani (n.d) also highlights the primary reasons why people participate in the underground economy are: to evade taxes; to avoid losing government benefits; to circumvent regulations and licensing requirements; a reaction by both firms and individual. GIZ Sector Programme Public Finance Administrative Reform (2010) identifies the following as drivers of informality low tax morale, high compliance costs, inadequacies in tax collection and frail capacity in detecting and prosecuting tax violators.

3.5. Impact of informal sector to the economy

Research studies suggest that informal sector impacts to the national economy. In the past informal sector activities were often neglected and little attention have been paid to the informal sector (Fernando de Holanda Barbosa Filho,2012) owing to the fact that the sector generates insufficient revenue and is marginal. Many countries in developing countries are now concerned with the expanding of the sector mainly due to its tax evasion effect (Fernando de Holanda Barbosa Filho,2012).The informal sector diminishes integrity of the national accounts, presences challenges in tax policy making decisions (presence misleading statistics) and violates the equity principle (unfair advantage over those in the formal sector of the economy) (Kristoffersen, 2011; Fernando de Holanda Barbosa Filho,2012).

According to Rahim (2015) informal sector contributes to the creation of employment, poverty eradication and also as a test bed from which willing taxpayers can graduate into mainstream (Nhekairo, n.d). According South Africa, (1995) cited as by Rahim (2015:1) maintains that:

> '*With millions of South Africans unemployed and underemployed, the government has no option but to give its full attention to the fundamental task of job creation, and generating sustainable and equitable growth'*

Kristoffersen (2011) confirms that the informal sector creates employment for the thousands of the unemployed citizens in both developing and developed countries and also contributes to the production and growth (though not in the official records). Official statistics show that the informal sector makes significant contribution to national employment for some developing countries for example Botswana (44%), Kenya (25%), Malawi (56%), Accra (80%) Swaziland (92%), and Zimbabwe (86%) (Enquobahrie.A, n.d). Shende (n.d) argues that the presence of informal sector creates challenges in (i) resource allocation, (ii) low tax morale among formal sector, (iii) distrust toward the capability of any ruling party; (iv) unfair competition between formal and informal sector as the informal sector can get cheap labor due to lack of labour regulations and (v) the informal sector remain small because of lack of finance. Besley and Persson (2014) assert that failure to tackle informal sector have adverse effects on productivity, erodes the rule of law and integrity of public institutions and limits society's ability to meet the infrastructure needs. They conclude that informal sector evades taxes and presents a challenge to enforce the law, undermines the legitimacy of societal institutions and creates inequality.

Enquobahrie (n.d) observes that the government in some countries paid little or no attention on the existence of the informal sector, maintaining that as advocated by Hart in the 70s, the phenomenon will naturally disappear due to industrialisation or when a country is fully industrialised. He further stresses that the failure by the government to incorporate informal sector into main stream (tax net) will have positive and negative effects to the economy. Enquobahrie (n.d: 23) outlines benefits provided by the informal sector in promoting development in emerging economy includes among others:

- serve as the spring-board for development by providing refuge for self-employed, talented and growth oriented entrepreneurs.
- mobilize and utilize local development resources which otherwise could be wasted.
- decentralize business activities and provide linkage between rural and urban communities and various branches of socio-economic establishments to meet people's needs at grassroots level.
- contribute to equitable distribution and utilization of national resources.
- stimulate entrepreneurial spirit to build on the innovative and creative potential of opportunity-driven citizens to serve as vehicles for development.

The truth about the growing unregulated or informal sector is that it makes the government to have unreliable statistics with regards to employment, labourers statistics, income, growth and output (Jewell , Flanahan & Cattell ,n.d) therefore government will make policies based on incorrect statistics. According to Jewell *et al* n.d) informal sector will reduce tax income (the growth of informal sector means that less tax is collected) and social security bases and suppresses the growth of a structured tax and economic growth. Kayaga (2007) asserts that income from the informal sector (30% in Burundi, 44% in Madagascar, 58% in Senegal, and 68% in Mali) is untaxed thus creating tax gaps in the tax base. He adds that the failure by the government to tap into the informal sector will increase the tax burden on a few compliant taxpayers in a bid to raise the much needed tax revenue. The effects of informal sector are also endorsed by the academic literature on the informal sector effects (Udoh, 2015; CERDI 2003; Bernabe. S, 2002; CERDI, 2013; Nhekairo, n.d; Dada, n.d; CISLAC, n.d; Ordenez, 2010; Brou & Collins, 2001; Porta & Shleifer, 2014)

In many developing countries informal sector has been a major reliable source of employment, new job creation, condition for sustained growth of large corporations; basis of national competitiveness and sources of innovation and entrepreneurship (Amoah, 2012). UNDP, (2016) concludes that informal sector contributes to increase in economic activities

4. Definition of Taxation

Governments, world over impose various taxes on its citizens to achieve many purposes. The source which is trustworthy is through imposition of income tax. It should be acknowledged that the paying of tax have been there since the biblical periods. Historically governments were charging taxes to raise revenue to finance the activities of the government (Ramabu & Ndlovu (2012) and the contemporary worlds have adopted the same philosophy as well.

The term taxation is often defined as involuntary amount of money paid to the government to fiancé its expenditure. Kwaako, Laribik, James, Kumah and Patience (2012) view taxation as an imposition of compulsory contributions by the tax authorities/ government, to finance the cost of its operations and provision of services to its citizens. They further stress that taxation is a process whereby the government engages its citizen to finance or contribute for the looking after of the welfare and security needs of its citizens. This means that the government can defray the costs of its expenditure or activities by imposing taxes on both natural and artificial people. Kwaako *et al* (2012) further inform that taxation is a burden levied upon citizens and entities to promote the government functions or activities.

Zimbabwe levied the following taxes: (i) Value Added Tax (on the supply of goods and service); (ii) Corporate Tax, (iii) manpower development levy, (iv) standards development levy, (iv) NSSA, (v) Estate duties on deceased estates stamp duty (on both importation of goods or certain products); (vi) Customs and Exercise Duty; (vii) Capital Gains Tax (CGT); (viii) Presumptive taxes, (ix) Tollgates Fees, (x) Carbon Tax; Tobacco and Mining Royalties (ZIMCODD, 2014; BDO; 2014). The imposition of these different taxes on its citizens and artificial people is to raise the much needed revenue to address budgets deficits (Ibid). Somuah (2011) defines taxation as unavoidable payment of money from individuals and corporate entities to the government. Agbedzani (2011) emphasises that taxes are obligatory contributions to the government for which no value or service has to be rendered in return. He further explains that taxation is a monetary charge imposed on an individual as a means to generate revenue for the state. This paper defines tax as contribution paid to the government by citizen to support its day to day activities.

4.1. Purpose of taxation

The above explanation of taxation highlights the purpose of taxation in the development of the country economy. It is a well-known fact that government raises revenue through taxation for the following purposes: to empower government to redistribute wealth or resources to its citizens; stabilise the economy; set and defines the economy and encourage optimal economic growth (Somuah, 2011; Kayaga, 2007). Kayaga (2007) further informs that the money collected by the government from its citizens will be used to fulfil many objectives such as peace and security activities; improving economic infrastructure of the country and other functions of the government. Agbedzani (2011) adds that taxation is the sole credible and predictable source of revenue to finance development goals of the country. Akinboard (n.d) asserts that African government impose different taxes to finance both monetary and physical infrastructure projects such as construction of roads, schools and hospitals; provide a stable and predictable economic environment to meet growth and investment; good governance and accountability through citizens engagement; promote equitable distribution of costs and benefits of development.

Traditionally governments were charging taxes to raise revenue to finance the activities of the government. However the contemporary world tax model has been used for variety of fiscal purposes. Taxation is used as an instrument to either promote or discourage anti-social activity and behaviour. Governments levies taxes for the following purposes financing public expenditure (mainly for provision of infrastructure and security to society), promote economic activity (to lure certain investors in an area, the government can use tax as an incentive for an undertaking in that zone or area), to discourage anti-social behaviour (government used taxes to bar certain anti-social activities and behaviour by increasing taxes on such products) and redistribution of wealth (taxes can be used to reach out to the poor and need such as health and education) (ZIMCODD, 2014; Ramabu & Ndlovu, 2012).

Kwaako, *et al* (2012) indicates that tax revenue is used to finance all government expenditure and assist the state to reduce unfair advantage of wealth accumulation arising from wealth distribution. The government can however control and protect certain behaviour and consumption; local industries and other features of the economy. Boakye (2011) reports that apart from the main purpose of taxation that is (i) revenue generation, (ii) taxation fairly distribute wealth; (iii) restrict and control the use and consumption of alcohol and other drugs; (iv) protect indigenous industries and other key aspects of economy. Boakye (2011) further found evidence that ancient government has used money raised through taxation to defray expenditure on war, enforcement of law and order, wealth protection, economic and physical infrastructure and many other welfare and public services these include education system, health care system, public transportation, energy, water and waste management and elderly pensions.

4.2. Characteristics of a good tax system

Bird (2008) asserts that a good tax system for any country should show its economic structure, capacity to administer, public service needs and its accessibility to other revenue sources. In other words according to Bird (2008) the best tax system should take into account the following variables (i) tax morale; (ii) tax culture and (iii) other good governance related issue. This implies that sustainable tax system demand some high level of tax compliance and to achieve such degree of compliance the tax system must mirror at least basic values such as tax culture and tax morale among others. Bird and Zolt (2003:7) advocate that the best system for any country should be determined taking into account its economic structure, its capacity to administer taxes, its public service needs, and many other factors such as fairness, economic effects and collection costs.

Phiri (2013) explains that a good tax system should be fair and fairness means all can only be accomplished by incorporating both those in the formal sector and informal sector into the tax net. A tax system to be considered fair it should spread tax burden, than increasing taxation on the few compliant formal sector and the possible option is imposing tax on non-formal sector. Har (2013) argues that a tax system that is too restrict will stifle the growth of small business and push business underground, a good tax system must offers preferential treatments to lure those that are already in the informal sector into the formal economy.

Kwaako *et al* (2012) mention that tax structure can be progressive; regressive and proportional tax system. Progressive tax system observes equity principle, this implies that high income earners must pay higher taxes and the lower is one's income the lower the tax. Regressive tax system is not very equitable, this tax system assumes that because of more benefits enjoyed by low income earners they must pay equally higher taxes and proportionately lower tax is payable by rich. According to Kwaako *et al* (2012) proportional tax system asserts that the same amount of tax should be charged regardless of their income levels. This tax system if adopted it will force many small firms evade taxes or go underground (informal).

4.3. Taxation of informal sector

Taxation of informal sector in developing countries is a topical issue. The taxation of informal sector is seen by others as generally to pursue main the following objectives the collection of tax revenue, the preservation of the incentives system and the promotion of equity (CERDI, 2013). Ignoring the collection of revenue from the informal sector will result in a loss of tax revenue. The tax revenue loss coupled with unfair competition exerted by the underground sector on the official sector and will have negative effects on tax collection system. CERDI (2013) further explains that taxation of the informal sector aim at reducing or filling the tax gap. However research suggests that informal sector generally generate low or insignificant profits to warrant tax. The informal sector do not keep accounting records imply excessive administrative costs for direct taxes. Taxing informal sector is complex and complicated task requiring sophisticated approaches of recognising, observing and reporting underground income as well as creating a tax paying culture within the informal sector operators (Wedderburn *et al,* n.d). Udoh, (2015) highlights that the once neglected informal sector is now at the heart of every debate in developing countries reflecting the increased acknowledgement of the potential tax revenue to the economy.

Despite the challenges ranging from flexible tax morale; low revenue; low education; hostile regulations; corruption; poor record keeping and low risk of detection (Heggstad, Ustvedt, Myrvold-Hanssen & Briseid, 2011) the exercise should be carried out. Some developing countries in a bid to improve their tax revenue and tax morale devised strategies to tax the informal sector. Some of the tax reforms that has been adopted by African countries in an attempt to tax the informal sector: Tanzania use Block Management System; Benin has implemented a "Taxe Professionnelle Unique" (TPU); Kenya adopted PAYE, Cameroon adopted Unified Zimbabwe use presumptive tax system; Ghana introduce Tax Discs for public vehicles; South Africa use Turnover Tax; Mozambique use Simplified tax model and to name but a few.

5. Measures to improve tax revenue from the informal sector

Forum on Tax Administration: SME compliance Group (2012) assert that many revenue authorities are devising strategies to curb revenue losses arising from non-compliance with tax law. Informal sector have shown to be least compliant of all sectors of the economy due to the nature of transaction involved (cash transaction; large informal sector; poor accounting record keeping; labour intensive and time consuming; difficulty in actually collecting the amounts of tax, interest and penalties and detecting and dealing with such non-compliance does not guarantee that such actions may not be repeated into the future and those in the formal sector may also become less compliant due to unfair competition).

Levin (2004) suggests that broadening the VAT-base is the best approach for tackling the informal sector. Levin further asserts that government should come up with policies to fully incorporate growing informal sector into the tax net. He further informs that the tax authority should research more to avoid adverse impact on the poor and improve efficiency of tax system. The root causes of the informal sector should be researched on and come out with better ways of addressing the generic problems, for example, if the root cause is regulations, then government should formulate policy to address such burdensome regulations (Levin, 2004). Schneider and Enste (2000: 17) conclude that tax authorities in many developing countries endeavour to curb the informal sector activities through education and punitive procedures rather than tax reforms of the tax and social security systems which have a long term effects on the economy.

Research studies suggest that informal sector should be reduced in size through government efforts of reducing regulatory restrictions and engaging taxpayers in policy making (Gerxhani , n.d). Kristoffersen (2011) outlines a two-pillar strategy to deal with the causes, focusing on exit and voice to reduce informal sector. He further recommends that addressing the pull factors into the informal sector (that is reducing the attractiveness of `exit') and enhancing `voice'-options, by increasing citizen's engagements in government decisions. Kristoffersen further recommends that reduction of tax rates, social security contributions and transfer payments, simplify the tax system, deregulate labor markets and fight corruption and unnecessary expenditure will reduce the attractiveness of exit from the formal sector into the informal sector. Democratisation limit centralisation promotes voice-options (Kristoffersen, 2011), in policy discussions it is highly recommended that all stakeholders must be involved (formal or informal, big or small) to get their voice.

The ancient and modern models do not explain other perspectives such as how the revenue is spent. CISLAC (n.d) found evidence that the majority of informal sector players are not aware about the essence of tax payment. To inform the general public about tax related matters, the government should strengthen its effort in organizing public education programmes in the media, posters, billboards and other enlightenment channels (CISLAC, n.d) the information should be in all local languages. CISLAC further stresses that rigorous and continued approach should be put in place in order to build tax culture within the informal sector players. According to CISLAC transparency and accountability are the two pillars in encouraging tax compliance. The government should give more up-date and more correct information on how tax money is collected, how much is raised and spent, where and for what purpose and future plans or budgets. In short taxpayers will be more compliant if they see changes in the face of infrastructure and services delivery (CISLAC, n.d).

CISLAC (n.d) proposes the following measures to handle the informal sector: sustained public education and promoting an atmosphere of trust; the nurturing of fiscal citizenship; public sector reform; tax Incentives; capacity building programmes in record keeping for the informal sector; simplification of filing procedures; master list of informal businesses; presumptive tax; improving Tax Administration, and Inter Agency Collaboration. Russel (2010:4) further informs that:

> *…Revenue agencies should therefore develop mitigation strategies that respond to the most serious of these behaviours through a balanced set of measures aimed at engaging with the community to: (a) reduce community tolerance for the shadow economy; (b) provide targeted assistance to promote voluntary compliance; (c) encourage self-regulation; and (d) demonstrate a visible and credible detection and enforcement capability.*

Many countries developing and developed devised strategies to tackle informal sector players into take net these include: extensive use of third party data matching; development of industry benchmarks; mandatory reporting cash registers; mandatory staff registers and re-contact programs for previously audited taxpayers to check what has transpired (Russel, 2010: 15). He stresses out that the aim cannot be to eliminate the informal sector but to reduce their size over time. Udoh (2015: 166) mentions that revenue collectors and taxpayers should regularly meet to discuss tax issues, and this is a key strategy to tackle the taxation of informal sector. Udoh proposes for the use of mobile banking to facilitate informal sector taxation as all its transaction will done through the banking sector.

Literature suggests a number of policy measures that can be implemented by government to encourage informal sector into the formal economy and benefit the government in terms of creating decent formal jobs and increase tax revenue. These broad policy strategies include: (i) do nothing; (ii) extend technical support to the informal sector; (iii) eradicating the shadow economy; (iv) legitimising the informal sector, (v) simply regulatory compliance, understanding the informal sector; (vi) increase penalty, (vii) commitment to tax morality, (viii) improved detection together with punishment (ix) society-wide amnesties (though highly contested some taxpayers view it as an incentive to tax evasion(Alm & Martinez-Vazquez 2008), (x) de-regulating the formal economy, (xi) formalising informal sector, (xii) simplifying and elimination of paperwork requirements(ZIMCODD, 2014; PWC, 2016; Enquobahrie; n.d; UNPD, 2016; Tanzania Revenue Authority; The International Tax Compact (ITC), 2015; Dickerson.C.M, 2014, Schneider & Williams, 2013; Prichard, 2010; Boakye, 2011, Williams n.d). All these strategies present their own problems such as abuse and corruption, prohibitive administration costs, resistance from some taxpayers and generally perceived as unfair approach (Bornman, 2014: 332) hence call for careful planning.

Kwaako, *et al* (2012) further propose the following measures to rope in the informal sector: Intensive and regular field inspection, easy accessibility to tax office, provision of relief and incentives to tax officials, recruitment of more staff, intensification of tax education campaigns all over the nation, government to provide more logistics to tax officials, in-service training for tax collection personnel and fair distribution of tax revenue. They also suggest that tax collectors should be trained on taxpayers handling through seminars and workshops.

6. Methodology

This study adopted desk research approach. OECD reports, journals, newspapers, peer-reviewed articles and some pieces of legislation have been perused.

7. Findings, Conclusions and Recommendations

This paper established that:

(a) There are more practical recommendations that government of Zimbabwe can implement in order to benefit from the new phenomenon. The following recommendations are deemed to be practically feasible in the Zimbabwean context:
   - i. extend technical support to the informal sector;
   - ii. eradicating the shadow economy;
   - iii. legitimising the informal sector,
   - iv. simply regulatory compliance, understanding the informal sector;
   - v. increase penalty,
   - vi. commitment to tax morality,
   - vii. improved detection together with punishment
   - viii. Shift towards a customer service orientation which replicates the growing consciousness of the need to offer a quality and to be responsive to public needs.

(b) The government of Zimbabwe is trying to extinguish the existence of informal sector, as evidenced by Operation “Murambatsvina” 2005 (4million traders affected) and recently SI 264 of 2016 to destroy the informal sector.

(c) The presence of informal sector in Zimbabwe is by default not by design as some pieces of legislation that were enacted to frustrate the growth of informal sector. It is a fact that Zimbabwe Revenue Authority given all the power may harness the informal sector into the mainstream.

(d) The informal sector players will not in any case join the formal sector anytime soon and will continue to resist efforts by government and its agents

(e) The informal sector views the government as not doing justice to its citizen in as far as service delivery is concerned.

(f) The informal sector is real and will not disappear as have been prophesied by Halt in 1972

(g) Politicians are not supporting the move to tax the informal sector because of what has been termed devil deals.

(h) The enhancement of citizens’ tax morale calls for ensuring that the government is discharging its duties in unquestionable manner i.e. a transparent, accountable and efficient manner with the ultimate aim of improving service delivery.

(i) The government is failing to implement practical strategies to tackle the informal sector due to the following reasons:
   i. Lack of funds to finance, monitor, train, retain and recruit competent workforce
   ii. Lack of political will
   iii. Unstable political environment (viewed as a source of political support)
   iv. Poor research about the sector's ability to generate more revenue
   v. Resistance by pressure groups
   vi. There is no audit framework to track down informal sector activities
   vii. Perception by the government officials about the informal sector
   viii. Nothing to sell to the public to lure them- decaying infrastructures, health sector and education etc.

(j) Sound education of (future) taxpayers in areas of taxation. The aim was to educate both current and future taxpayers but it's should be noted that education alone may not renew the minds of the millions in the informal sector, but it should be coupled with political will.

This paper concludes that practical strategies and solutions to tackle the informal sector have been provided for both developing and developed countries but the challenge is on the implementation. The Zimbabwean government should finance the implementation of practical strategies meant to tax the informal sector to benefit more revenue. It is indeed possible to create a 'Tax-paying informal traders" culture but calls for strong signals of government commitment and political will of politicians.

From the findings made in this study, the following recommendations are made:

(i) The teaching and learning of Taxation modules must be obligatory at both High schools, Higher and Tertiary Education. It must be part and parcel of core-modules at Universities and College regardless of the programme or course undertaken. We propose that all the components of taxation must be taught at all levels so that we build culture in learners who will then take the massage back to their respective communities. Education imparts rules of good behaviour and or attitude towards taxation.

(ii) In order for the government to create a tax paying culture it may` use either Ideological State Apparatus or Repressive State Apparatus to instil culture.

(iii) The culture can be shaped when the government commit resources to monitor and control the activities of informal sector at District levels then Provincial and final to the National level.

(iv) In order to transform the public perception about the contribution of the informal sector and promote a 'TAX –PAYING CITIZEN" culture, the government must develop a three factor audit trail framework to rip more benefits from the informal sector.

(v) Researchers must focus on the development of an audit framework: a three factor audit trail and propose elements that will make up this three factor audit trail. This will be used to track down the informal sector activities.

(vi) ZIMRA must hold regular seminars with learners at Universities, Colleges, High Schools and other career fare platforms

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