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Exploring SME Perceptions of Tax Amnesty Programmes in Zambia: A Qualitative Analysis of Compliance Behaviour and Institutional Constraints

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ABSTRACT: In developing nations, tax amnesty programs are frequently employed to recover unpaid taxes and promote voluntary tax compliance, especially among small and medium-sized businesses (SMEs). However, there is still conflicting information regarding their efficacy, and there are few qualitative insights into how SMEs are seen in sub-Saharan Africa. The perceptions of SMEs that are likely to take part in tax amnesty programs in Zambia are examined in this study, with an emphasis on institutional dynamics, administrative limitations, and behavioral responses. Data were gathered using SME survey questionnaires and semi-structured interviews with tax administrators, tax consultants, and legislators using a qualitative study approach. Braun and Clarke's thematic analysis framework, which was influenced by Compliance Theory and Agency Theory, was used for analysis.

The results show significant gaps in knowledge and awareness that prevent SMEs from participating in tax amnesty programs. Long-term compliance is hampered by administrative complexity, digital system difficulties, low tax literacy, and a lack of post-amnesty assistance, even if financial incentives like penalty waivers and flexible payment plans greatly encourage participation. After amnesty periods, many SMEs returned to non-compliance, indicating that behavioral gains were mainly fleeting. The moral hazard issues connected to recurring amnesties and ongoing mistrust between SMEs and the tax administration were again emphasized by key sources. In order to achieve sustainable SME tax compliance, the study concludes that tax amnesty programs can produce short-term compliance gains but are insufficient as stand-alone tools. This highlights the need for complementary reforms in taxpayer education, administrative support, digital capacity, and trust-building.

1. INTRODUCTION

In emerging economies, small and medium-sized enterprises (SMEs) are widely acknowledged as a key factor in economic growth, job creation, and poverty reduction (OECD, 2017; World Bank, 2020). SMEs make up a sizable share of registered companies in Zambia and play a major role in the country's economy, but because of ongoing compliance issues, their contribution to tax collection is still disproportionately low (Zambia collection Authority [ZRA], 2022).

In low- and middle-income nations, tax non-compliance among SMEs is a prevalent problem that is frequently caused by high levels of informality, inadequate administrative capacity, a lack of tax expertise, and the perception that tax systems are complex (Alm, Martinez-Vazquez, & Schneider, 2016; Torgler, 2007). As a result, governments regularly use tax amnesty programs as a tool to promote voluntary disclosure, lower accumulated tax arrears, and reintegrate non-compliant taxpayers into the official tax system (Baer & Le Borgne, 2008; Luitel & Sobel, 2007).

The Zambia Revenue Authority (ZRA) has occasionally carried out tax amnesty programs aimed at SMEs in Zambia, providing short-term relief by waiving penalties and interest. Concerns about these programs' long-term efficacy in promoting consistent voluntary compliance persist, despite administrative data indicating that they produce short-term income inflows (ZRA, 2021). Poorly crafted or often repeated amnesties may create moral hazard, erode deterrence, and promote strategic non-compliance, according to empirical data from various countries (Andreoni, 1991; Alm & Beck, 1993).

Even while there is an increasing amount of research on the results of tax amnesty, most of it focuses quantitatively on revenue performance, paying little regard to taxpayer perceptions and lived experiences, especially among SMEs in sub-Saharan Africa (Mascagni, Moore, & McCluskey, 2014). Because compliance behavior is influenced not only by statutory incentives but also by trust in tax authorities, perceived fairness, administrative capability, and information access, it is critical to comprehend SME attitudes (Kirchler, Hoelzl, & Wahl, 2008).

Therefore, the perceptions of SMEs that are likely to take part in tax amnesty programs in Zambia are investigated qualitatively in this study. The study offers a comprehensive knowledge of how tax amnesty programs are experienced in practice and the institutional and behavioral elements that influence their efficacy by combining the viewpoints of SMEs with insights from tax administrators, tax advisors, and legislators.

By supplying context-specific qualitative data from Zambia, expanding compliance theory and agency theory through empirical insights, and making policy-relevant suggestions for improving SME tax compliance in emerging economies, this study adds to the body of knowledge.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Tax Amnesty Programmes and Compliance Outcomes

According to Baer and Le Borgne (2008), tax amnesty programs are time-bound policy efforts that permit delinquent taxpayers to regularize their tax payments under reduced penalties, interest, or legal punishments. Governments frequently use the broadening of the tax base, quick revenue recovery, and administrative efficiency as justifications for tax amnesty (Luitel & Sobel, 2007).

There are conflicting empirical results about the efficacy of tax amnesty. Positive short-term effects on revenue mobilization and taxpayer re-engagement have been reported in certain research (Alm, McKee, & Beck, 1990; Hasseldine, 1998). Other research, however, warns that repeated amnesties may lower tax morale and raise expectations of future forgiveness, which could result in a relapse in compliance (Andreoni, 1991; Alm & Beck, 1993).

Weak enforcement capabilities, high levels of informality, and low levels of taxpayer education significantly influence the results of tax amnesty in underdeveloped economies (Bird & Zolt, 2008). These structural limitations imply that taxpayer perceptions and administrative realities must be taken into account in addition to revenue measures when assessing the efficacy of tax amnesty.

2.2 SME Tax Compliance and Structural Constraints

Firm size, degree of formalization, ability to maintain records, and availability of expert tax services all affect SME tax compliance (Coolidge & Ilic, 2009; Joshi, Prichard, & Heady, 2014). Consistent compliance is challenging for smaller and informal businesses since they may have greater compliance expenses compared to turnover (OECD, 2015).

According to research conducted in sub-Saharan Africa, SMEs frequently have inadequate accounting systems, lack basic tax literacy, and view tax authorities as enforcement-focused rather than helpful (Mascagni et al., 2014; Fjeldstad & Heggstad, 2012). These elements increase uncertainty and decrease voluntary participation in tax initiatives like amnesty programs.

2.3 Theoretical Framework

2.3.1 Compliance Theory

According to Compliance Theory, deterrence, moral standards, perceived justice, and information accessibility all have an impact on taxpayer behavior (Kirchler et al., 2008; Torgler, 2007). Even in the presence of incentives, poor communication, administrative complexity, and mistrust of tax officials erode voluntary compliance.

2.3.2 Agency Theory

According to Allingham and Sandmo (1972), agency theory views the tax system as a principal-agent relationship between tax authorities and taxpayers, marked by information asymmetry and monitoring difficulties. The long-term efficacy of tax amnesty programs is diminished in SME environments due to agency issues that are exacerbated by poor enforcement capabilities, uneven post-amnesty monitoring, and insufficient transparency.

This study investigates SME views of tax amnesty as a result of both institutional capacity limits and behavioral incentives by combining Compliance Theory and Agency Theory.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study uses an exploratory, qualitative research design to gather detailed information about how SMEs view tax amnesty initiatives. When analyzing intricate behavioral and institutional phenomena where meanings, experiences, and contextual elements are crucial, qualitative methods are especially suitable (Creswell & Poth, 2018).

3.2 Data Collection Methods

Semi-structured key informant interviews and SME individual survey surveys were used to gather data. According to Kvale and Brinkmann (2009), semi-structured interviews are ideal for examining expert viewpoints and providing flexibility to go deeper into new concerns.

3.3 Sampling Strategy and Data Saturation

To choose respondents with pertinent experience in SME tax administration and compliance, a purposive sample technique was used (Patton, 2015). According to accepted qualitative research norms, data saturation was reached when no significant new themes surfaced (Guest, Bunce, & Johnson, 2006).

3.4 Data Analysis

The six-phase theme analysis framework developed by Braun and Clarke (2006) was used to analyze the data. In order to allow analysis to be directed by study objectives and theory while being open to emergent themes, a hybrid deductive–inductive approach was used (Fereday & Muir-Cochrane, 2006).

3.5 Ethical Considerations

In accordance with best practices for qualitative research, the ethical precepts of informed permission, confidentiality, and anonymity were closely adhered to (Creswell & Poth, 2018).

4. QUALITATIVE FINDINGS

The qualitative results from key informant interviews and SME survey responses are presented in this section. The findings are arranged topically to represent how SMEs view participation in tax amnesty and the institutional factors influencing compliance behaviour. To preserve participant voices and maintain analytical consistency, direct quotations are used sparingly.

4.1 SME Perceptions of Tax Amnesty Programmes

4.1.1 Knowledge and Awareness Gaps

The majority of SME replies revealed a general lack of awareness and comprehension of tax amnesty programs. Responses like "Nil" and "Nill" indicate that a number of participants said they were unaware of the goal, eligibility requirements, or methods. Participation was severely hampered by this ignorance since SMEs were unsure of the prerequisites and possible repercussions.

Participants frequently said that businesses with low tax literacy could not access the current communication because it was too technical. Simplified explanations of eligibility, deadlines, and procedural requirements were requested by SMEs. The lack of organized sensitization programs was seen as a significant obstacle, indicating that knowledge asymmetry is still a key barrier to successful involvement.

4.1.2 Influence of Business Size, Structure, and Formalisation

Business size, financial capability, and level of formalization were identified by SMEs as important factors influencing compliance and amnesty participation. Because they have access to expert support and established accounting processes, larger, more formalized SMEs reported less problems. Smaller and informal businesses, on the other hand, were more dependent on amnesty relief due to their difficulties with recordkeeping and tax literacy.

Consistent compliance was especially difficult for microbusinesses with erratic revenue streams, and accumulating fines were seen as unduly oppressive. These results show that the perceived benefit of tax amnesty programs and compliance behavior are greatly influenced by SME heterogeneity.

4.1.3 Administrative and System Challenges

Even among SMEs ready to comply, operational and administrative difficulties surfaced as significant obstacles. Participants reported that ZRA provided little follow-up assistance, inconsistent communication, and unclear procedures. Confidence in digital compliance solutions was weakened by regular reports of technical issues, such as system outages during online submissions.

A number of SMEs reported dissatisfaction over system inefficiencies that hindered timely filing and diminished confidence in ZRA procedures. The sustainability of compliance gains was further undermined by the lack of organized post-amnesty assistance.

4.1.4 Behavioural Effects of Tax Amnesty Participation

Regarding the behavioral effects of participating in tax amnesty, SMEs reported varying experiences. While some participants reported either short-term or negligible gains, others said amnesty enhanced their commitment to timely filing and documentation. While already compliant companies reported little behavioral change, SMEs with inadequate pre-existing systems saw significant short-term advantages.

A number of participants observed that increases in compliance behavior tended to wane over time in the absence of continuous supervision and direction. This implies that underlying structural and capacity limitations cannot be addressed by tax amnesty alone.

4.1.5 Motivators and Barriers to Participation

The biggest motivators for participation were repeatedly shown to be financial incentives, especially exemptions of penalties. Additionally, flexible payment plans boosted uptake, particularly among SMEs with limited funding. Willingness to participate was increased through better communication and encouraging encounters with ZRA officers.

But there were still major obstacles. These included administrative difficulty, mistrust stemming from previous dealings with ZRA, fear of future audits, and financial incapacity even after penalty reduction. Financial limitations were found to have equal influence with psychological and informational barriers..

4.2 Institutional and Expert Perspectives

4.2.1 Tax Amnesty as a Dual-Edged Compliance Mechanism

Tax amnesty was frequently characterized by key informants as a policy tool with immediate advantages but long-term concerns. Amnesty programs help re-engage delinquent SMEs and collect income, according to ZRA officers, tax consultants, and legislators. But they also highlighted recurrent patterns of compliance slippage once amnesty periods expires.

The emergence of moral hazard, in which SMEs postpone compliance in anticipation of future amnesties, was brought up by a number of respondents. Limited follow-up education and uneven post-amnesty enforcement contributed to this view.

4.2.2 Digital Transformation: Opportunities and Constraints

It was universally acknowledged that digital tax systems increased accessibility, efficiency, and transparency. Initiatives like TaxOnline2 and electronic fiscal gadgets expedited filing procedures and decreased in-person encounters.

Despite these improvements, there were still major issues with digital literacy and technology. Particularly in places with inadequate internet connectivity, SMEs battled system outages, login problems, and a lack of ICT expertise. Administrative difficulties were further enhanced by integration gaps between ZRA systems and business accounting software.

4.2.3 Structural Compliance Barriers

The biggest obstacles to SME compliance, according to key informants, are inadequate internal controls, poor recordkeeping, and low financial literacy. Many SMEs depended on manual bookkeeping or operated informally, which led to delayed filings and erroneous returns.

Sustained engagement was further discouraged by cash flow constraints and compliance costs. Although respondents acknowledged the benefits of streamlined tax systems, they also pointed out that their efficacy was diminished by a lack of knowledge and comprehension.

4.2.4 Trust and Enforcement Dynamics

There was a clear ongoing lack of confidence between SMEs and ZRA. ZRA was often seen by SMEs as enforcement-focused rather than supportive. Relationships had improved as a result of digitalization and taxpayer education programs, but perceptions of selective enforcement and audit fear persisted.

Respondents emphasized that fostering voluntary compliance and establishing trust required open communication, equitable treatment, and regular participation.

5. DISCUSSION

The results offer valuable insights into the institutional and behavioral factors influencing SME involvement in Zambian tax amnesty initiatives. According to Compliance Theory, the main obstacles to voluntary compliance were found to be low awareness and inadequate communication (Kirchler et al., 2008; Torgler, 2007). Information asymmetry that reduces the efficacy of incentive-based policies is seen in SMEs' incapacity to comprehend eligibility requirements and procedures.

The significant impact of formalization and firm size is consistent with earlier research showing that smaller and informal businesses incur disproportionately high compliance costs in relation to capacity (Coolidge & Ilic, 2009; Mascagni et al., 2014). For many businesses, tax amnesty offers short-term respite, but it doesn't address fundamental structural flaws in financial management and recordkeeping.

Concerns about moral hazard and compliance relapse are supported by the heterogeneous behavioral effects of amnesty participation (Andreoni, 1991; Alm & Beck, 1993). Although there were clear short-term benefits, long-term compliance transformation was hampered by the lack of ongoing post-amnesty monitoring and education. According to Agency Theory, principal-agent issues are made worse by lax enforcement continuity and monitoring shortcomings, which permit strategic non-compliance to continue (Allingham & Sandmo, 1972).

Digitalization has been shown to be an essential but insufficient prerequisite for enhancing compliance. Digital platforms decreased administrative friction, but infrastructure constraints and deficiencies in digital literacy limited their efficacy. These results are consistent with regional evidence showing, in order to produce durable compliance outcomes, technology-driven changes must be supplemented by capacity-building and system integration (Fjeldstad & Heggstad, 2012).

Lastly, the mechanics of trust were crucial. The impression of ZRA by SMEs as punitive decreased engagement, highlighting the significance of striking a balance between assistance and deterrence. The "slippery slope framework," which highlights power and trust as parallel motivators of compliance, is supported by this (Kirchler et al., 2008).

6. POLICY IMPLICATIONS

The results of this study indicate that a more thorough and supportive policy strategy that goes beyond short-term financial incentives is necessary to increase the efficacy of tax amnesty programs aimed at SMEs in Zambia. Communication and sensitization are among the most important implications. Current information transmission tactics are inadequate, as evidenced by the extensive knowledge and awareness gaps found among SMEs. Therefore, simpler, SME-friendly communication using plain, non-technical language should be used in conjunction with tax amnesty programs. Through local business associations, chambers of commerce, and community-based forums, targeted sensitization programs will improve knowledge of qualifying requirements, processes, deadlines, and post-amnesty responsibilities. Enhancing information accessibility and clarity would lower uncertainty and boost SME confidence in participating in tax amnesty programs.

The necessity of organized post-amnesty monitoring and assistance systems is a second important implication. The results show that although tax amnesty can lead to improvements in compliance in the short term, these gains are frequently not maintained since there is no follow-up instruction or oversight. Positive behavioral changes could be reinforced by connecting amnesty programs to post-implementation support, such as risk-based compliance monitoring, automated filing and payment reminders, and follow-up taxpayer education. By indicating that amnesty is a transitional support tool rather than a permanent replacement for enforcement, such an approach would also lower the likelihood of moral hazard and compliance relapse.

The report also emphasizes how crucial it is to modify compliance assistance to take into account the structural diversity of SMEs. The potential to benefit from amnesty programs and compliance behavior are greatly influenced by variations in firm size, financial capacity, and degree of formalization. Therefore, alternative support methods that acknowledge the unique needs of micro, small, and medium-sized businesses should be adopted in policy interventions. For smaller, less formalized enterprises that have greater relative compliance costs, sector-specific guidelines, targeted education, and streamlined compliance procedures would be very helpful.

Increasing digital capacity also becomes a top concern for policy. Digital tax platforms have increased efficiency and transparency, but system instability, low digital literacy, and poor interaction with commercial accounting systems restrict their efficacy. Investing in mobile-based platforms, system dependability, user training, and integration with widely used accounting software will increase SME engagement and lessen administrative burdens. For SMEs to successfully navigate online tax systems, ongoing technical help should be provided in addition to digital reforms.

Lastly, the results highlight the necessity of reforms aimed at fostering confidence between SMEs and the tax office. Voluntary compliance is undermined by enduring views of ZRA as enforcement-focused rather than supportive. Building trust and promoting long-term involvement require transparent processes, equitable and consistent enforcement, and quick service delivery. Tax amnesty programs can help SMEs in Zambia build a more cooperative and permanent compliance culture in addition to short-term revenue recovery by striking a balance between deterrence and education and support.

7. CONCLUSION

This study offers qualitative data on how SMEs in Zambia view tax amnesty programs. It shows that although amnesty can increase revenue and compliance in the short term, its long-term efficacy is limited by knowledge gaps, administrative inefficiencies, digital difficulties, and a lack of trust. The results emphasize that tax amnesty should be seen as a transitional tool incorporated within larger institutional reforms rather than as a stand-alone compliance solution

The study expands compliance and agency theories in developing-country contexts and adds to the tax compliance literature in sub-Saharan Africa by fusing SME perspectives with institutional and expert observations. Longitudinal studies looking at post-amnesty compliance trajectories and the relationship between digital changes and behavioral change could build on these findings in future study.

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