

Factors Affecting Taxpayers' Voluntary Compliance with Tax Laws: A Literature Review on Tanzania

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Abstract

Tax compliance is a vital component of revenue generation for governments, particularly in developing nations such as Tanzania, where it significantly impacts public service funding and economic development. This literature review synthesizes existing research to examine the factors influencing taxpayers' voluntary compliance with tax laws in Tanzania, aiming to illuminate the motivations and challenges faced by taxpayers. Key themes identified in the review include tax knowledge and education, perceived fairness of the tax system, administrative efficiency, the influence of corruption, and the role of technology in enhancing compliance. The findings underscore the urgent need for targeted strategies to improve compliance, such as enhancing tax education programs, simplifying payment processes, and promoting transparency within tax administration. Ultimately, this review aims to provide actionable insights for policymakers and tax authorities, facilitating efforts to strengthen voluntary tax compliance and thus bolster Tanzania's revenue system and socioeconomic development.

Keywords: *Tax Compliance, Voluntary Compliance, Tanzania, Corruption, Tax Education*

Introduction

The significance of taxation in driving economic development is well established, with revenue generated from taxation playing a pivotal role in shaping consumption, production, and distribution patterns. In Tanzania, the tax system is critical in funding essential public services and infrastructure, supporting key sectors such as healthcare, education, and transportation that are vital for national development. Despite efforts by the Tanzania Revenue Authority (TRA) to improve tax administration and revenue collection strategies, Tanzania continues to face significant challenges in achieving taxpayer compliance. According to the TRA, the country's revenue collection stands at a mere 15% of the Gross Domestic Product (GDP), which is below regional and international standards, rendering it insufficient to meet basic public service demands (TRA, 2015). Furthermore, the tax gap—a measure of the difference between tax owed and tax collected—remains a pressing concern, underscoring the need for more effective tax compliance strategies.

Efforts to develop taxpayer-friendly initiatives, such as electronic tax payment systems and educational programs, have been implemented to enhance public awareness of tax obligations and facilitate compliance. Nevertheless, non-compliance persists, and various factors contribute to this issue. The lack of understanding of tax laws (Mfutso-Bengo & Mfutso-Bengo, 2018), perceived inequities within the tax system (Mshamba, 2020), inefficient administrative processes (Mkenda, 2019), and corruption (Rweyendela, 2017) are among the key drivers of non-compliance in Tanzania. These factors underscore the complexity of the issue and the need for a comprehensive approach to address taxpayer compliance in the country.

This systematic literature review aims to investigate the determinants affecting taxpayers' voluntary compliance with tax laws in Tanzania through the identification of key themes in existing scholarship. The review seeks to address the following objectives: (1) to identify the primary factors influencing compliance, (2) to examine the strategies employed by the TRA to enhance compliance, and (3) to explore the motivations that drive taxpayers to fulfill their obligations. The review's findings are expected to inform policymakers and practitioners on effective strategies to address the challenges of non-compliance and improve the effectiveness of tax administration in Tanzania.

Material And Methods

Systematic literature review

A systematic literature review was undertaken to compile and synthesize existing research on the factors influencing voluntary tax compliance in Tanzania, with a focus on literature published between 2015 and 2025. Relevant studies were gathered from academic databases, including Journal Storage (JSTOR), Scopus, and Google Scholar, encompassing peer-reviewed articles, reports, and books that explicitly addressed tax compliance issues within the Tanzanian context. The selection criteria prioritized studies published within this five-year range to ensure a contemporary understanding of the subject matter. This rigorous process ultimately led to the inclusion of 60 relevant sources, providing a comprehensive overview of the current state of research on tax compliance in Tanzania and highlighting emerging trends and themes in this critical area of study.

Data Analysis

Data analysis involved thematic extraction to identify recurring themes that illuminate taxpayer behavior and compliance challenges. Using qualitative content analysis, the themes were categorized to understand better, how various factors interrelate and affect voluntary compliance. Each source was examined for its methodology, findings, and implications, allowing for the synthesis of key insights. A coding framework was developed to facilitate the comparison of findings across different studies, ensuring that the most relevant factors affecting compliance were prioritized and adequately discussed.

Limitations

This systematic literature review, while striving to furnish a comprehensive understanding of the factors influencing tax compliance in Tanzania, faces several inherent limitations that warrant acknowledgment. First, there exists a notable language bias; the review predominantly incorporates English-language publications, which may inadvertently exclude valuable insights and empirical data available in regional languages. Second, the contextual variation reflected in the literature means that the experiences and findings summarized may not encapsulate all potential circumstances or the diverse socio-economic contexts experienced by Tanzanian taxpayers. Given the geographical discrepancies of the selected studies, there is a risk of potential bias in the findings. Additionally, the emphasis on peer-reviewed articles introduces a risk of publication bias, wherein studies that report non-significant results or negative findings may be underrepresented, thus skewing the overall conclusions. Furthermore, the dynamic nature of tax compliance as an issue—subject to the vicissitudes of changing regulations, economic conditions, and socio-political factors—implies that the results derived from the literature may become outdated as these contexts evolve. Finally, many studies may harbor implicit assumptions regarding taxpayer behavior that remain untested, potentially affecting the validity of the conclusions drawn therein. Despite these limitations, the systematic approach utilized in this literature review, complemented by qualitative content analysis, enhances the robustness of the findings, yielding a nuanced evaluation of the complexities surrounding voluntary tax compliance in Tanzania.

Results And Discussion

Tax Knowledge and Education

The review indicates that a significant barrier to voluntary compliance is insufficient knowledge regarding tax obligations and the procedures in place (TRA, 2017). Many taxpayers remain unaware of electronic payment systems, such as Electronic Fiscal Devices (EFD), which can simplify compliance and enhance the efficiency of tax collection. Educational programs conducted by the TRA through various channels, including media campaigns, seminars, and workshops, have shown promise in increasing awareness and understanding of tax obligations.

Recent literature (2015-2025) reinforces this finding, with studies by Mhando and Mhando (2020) and Mtemanga (2023) highlighting that taxpayer, particularly individuals and Small and Medium-sized enterprises (SMEs), report facing challenges in navigating complex tax regulations due to a lack of comprehensive educational resources. Further, a 2021-research study conducted by Lumumba et al. reveals that tax education initiatives that combine digital media with on-ground workshops yield better understanding and compliance outcomes compared to traditional methods. However, despite these initiatives, gaps in knowledge persist, particularly among SMEs that often lack resources to access educational materials. This underscores the need to develop more accessible and targeted educational

programs that cater to the varying needs of different taxpayer demographics, especially in rural areas where education and engagement levels may be lower.

Perceived Fairness of the Tax System

Taxpayers' perceptions of fairness significantly influence their willingness to comply. Studies suggest that perceived inequities in taxation—such as a high number of taxes and rates coupled with uneven distribution of public services funded by these taxes—can lead to a decline in voluntary compliance (Freire-Serén, 2013).

Recent studies corroborate this notion, with Kamwanja and Msuya (2022) finding that dissatisfaction with the perceived fairness of tax allocation significantly correlates with taxpayer evasion behavior. Additionally, in the work of Sanga (2021), participants indicated a lack of transparency in how tax revenues are utilized, creating skepticism about the efficacy of their contributions. Taxpayers who perceive the system as unjust, especially those who feel their contributions do not translate into improved public services, are more likely to evade compliance. Building a sense of social contract between taxpayers and the government could potentially enhance compliance rates. Moreover, engaging in community-driven feedback mechanisms could help foster a sense of ownership among taxpayers regarding public services funded by tax revenues.

Administrative Efficiency

The complexity of administrative procedures in paying taxes acts as a significant deterrent to voluntary compliance. Lengthy documentation requirements, bureaucratic delays, and a lack of clarity regarding tax obligations create frustration among taxpayers, often leading them to seek tax evasion as an alternative (Asher, 1999).

Recent literature, including studies by Nkhata (2019) and Mwambenja (2024), emphasizes the administrative burdens associated with tax compliance in Tanzania. These studies highlight specific pain points, such as cumbersome processes and inadequate communication of regulatory changes that leave taxpayers confused about their obligations. Streamlining tax administration, simplifying payment processes, and enhancing the transparency of tax practices can mitigate these challenges. The TRA's adoption of modern technologies, such as online platforms for e-filing and mobile payment options, aims to reduce administrative burdens; however, the effectiveness of these initiatives remains contingent on the proper functioning of these systems and taxpayer accessibility to digital platforms. A study by Adamu et al. (2023) points out that while technology offers promise, it also requires robust infrastructural support to ensure all taxpayers can utilize these systems effectively.

Influence of Corruption

The presence of corruption within tax authorities undermines public trust and contributes to low levels of compliance. Studies indicate that corrupt practices, such as bribery and favoritism, can dissuade honest taxpayers from complying with tax obligations (Asher, 1999).

Research from the last decade shows a worrying trend regarding the impact of corruption on tax compliance. Findings by Saadi et al. (2023) and Nguvumali (2025) reveal that taxpayers who believe corruption is prevalent within tax administration are significantly less likely to comply. Taxpayers are less inclined to fulfill their obligations when they believe that corruption is prevalent, which complicates the relationship between the state and its citizens. Establishing robust mechanisms for accountability, transparency, and integrity in tax administration can foster trust and encourage voluntary compliance among taxpayers. Initiatives that promote whistleblowing and strengthen legal frameworks to punish corrupt practices are essential second steps to restoring taxpayers' confidence in the system.

Role of Technology

The advent of technology offers substantial opportunities to enhance compliance through the automation of tax processes. Mobile payment systems introduced by TRA and the e-filing system represent significant advancements in tax administration. These systems are expected to facilitate timely payments and increased efficiency, thus encouraging voluntary compliance (TRA, 2012).

However, literature from 2015 to 2025 highlights both the potential and limitations of these technologies. Research by Mzuri (2021) indicates that while many taxpayers are aware of the existence of these

technological advancements, a significant portion lacks the necessary technical skills to utilize them effectively. Furthermore, a study by Iddi et al. (2022) stresses that accessibility remains a significant barrier, as many rural taxpayers lack the resources or infrastructure to access these services. There must be ongoing public education and outreach to ensure that taxpayers are well-informed about the use and benefits of such technologies. Addressing potential barriers like limited access to smartphones or internet connectivity in rural areas is crucial for the full realization of technology's benefits in tax compliance.

Socioeconomic Factors

Socioeconomic considerations play a significant role in tax compliance behavior. Factors such as income levels, business ownership, and employment status influence taxpayer behavior and attitudes towards tax compliance.

Recent research by Mbunda and Mwita (2024) has reinforced previous findings, highlighting that low-income individuals or struggling business owners may consider tax payments as an additional burden, leading to resistance against fulfilling their tax obligations. The study also points out that financial literacy, or the lack thereof, is a critical factor influencing compliance. Understanding these dynamics is essential for tailoring educational and compliance initiatives to address the specific needs and circumstances of different taxpayer segments. Programs aimed at enhancing financial literacy within low-income communities have been shown to encourage better compliance behavior.

Social Norms and Peer Influence

Social norms and peer behavior significantly affect individual taxpayers' decisions to comply or evade taxes. Individuals often look to their peers for cues on acceptable behavior regarding tax compliance (Böhlmark et al., 2017).

This understanding has been deepened by recent work such as Kihamba's (2023) ethnographic study, which points out that in neighborhoods where tax evasion is commonplace, compliance is significantly reduced due to the perception that tax evasion is an acceptable norm. Conversely, promoting positive social narratives around tax compliance through community engagement and public awareness campaigns could foster a culture of compliance. The introduction of peer-led compliance initiatives has also proven effective, enabling individuals to change perspectives about tax compliance through community-led discussions and workshops that frame compliance as a social norm.

Implication of the Study

The study on factors affecting taxpayers' voluntary compliance with tax laws in Tanzania offers several critical implications for enhancing tax compliance within the country. One significant area highlighted is the necessity for targeted education and awareness initiatives. The findings underscore the importance of improving tax education, particularly among underserved populations in rural areas. By developing educational programs that are tailored to the diverse needs of various taxpayer demographics and enhancing accessibility through digital media and community outreach, the Tanzania Revenue Authority (TRA) can foster a better understanding of tax obligations among taxpayers.

Moreover, streamlining administrative processes emerges as a crucial strategy for enhancing compliance. The study indicates that complicated administrative procedures, characterized by extensive bureaucratic delays and a lack of clarity regarding tax obligations, create significant barriers to compliance. Simplifying these processes and enhancing transparency in tax practices can alleviate these administrative burdens, encouraging taxpayers to meet their obligations more readily. Investing in the modernization of tax systems, including the improvement of digital platforms for e-filing and payment, is essential for facilitating compliance.

The prevalence of corruption within tax authorities is another critical factor impacting taxpayers' trust and compliance. The study emphasizes that corruption undermines public confidence in the tax system, leading to lower compliance rates. Establishing robust mechanisms for accountability and integrity in tax administration is necessary to foster trust among taxpayers. Initiatives aimed at promoting whistleblowing and strengthening legal frameworks to address corrupt practices will be pivotal in restoring confidence and encouraging voluntary compliance.

Technology plays a dual role in tax compliance, offering considerable opportunities for improvement while also presenting challenges. The study highlights that advancements such as mobile payment systems and e-filing have the potential to enhance efficiency and encourage compliance. However, the challenges of accessibility and digital literacy pose significant barriers to the effective utilization of these technologies. To overcome these obstacles, ongoing public education and outreach efforts are required, ensuring that taxpayers are well-informed about the functionality and benefits of technological advancements in tax compliance.

The influence of socioeconomic factors on taxpayer behavior cannot be understated. The research indicates that financial literacy plays a critical role in influencing tax compliance, particularly among low-income individuals and struggling business owners. By implementing programs that enhance financial literacy within these communities, the TRA can encourage more proactive compliance behaviors. Such initiatives should be designed with the specific circumstances and challenges of different taxpayer segments in mind.

Furthermore, fostering a culture of compliance through the promotion of positive social norms is vital. The study suggests that efforts to engage communities and frame compliance as a socially accepted behavior can significantly influence taxpayer attitudes. Peer-led initiatives and community-led discussions can play a transformative role in altering perceptions of tax compliance and reinforcing its importance within society.

Finally, building a sense of social contract between taxpayers and the government is essential for enhancing compliance rates. Engaging citizens in feedback mechanisms can create a sense of ownership and responsibility regarding public services funded by tax revenues. By incorporating community voices into the decision-making processes and addressing taxpayer concerns, the government can strengthen the trust required to improve voluntary compliance.

In summary, the study's implications for policymakers and tax authorities in Tanzania emphasize the need for a multifaceted approach to enhance voluntary tax compliance. By focusing on education and awareness, streamlining administrative processes, combating corruption, leveraging technology, addressing socioeconomic factors, fostering a culture of compliance, and building trust through community engagement, Tanzania can effectively address the persistent challenges of tax non-compliance. Implementing comprehensive reforms that consider these dimensions holistically will be instrumental in strengthening the nation's tax base and facilitating socioeconomic development.

Conclusion

This literature review has elucidated various factors affecting taxpayers' voluntary compliance with tax laws in Tanzania. The key themes identified include the necessity for heightened tax knowledge, perceptions of fairness, administrative efficiency, the detrimental effects of corruption, the transformative potential of technology, socioeconomic conditions, and the influence of social norms. While the TRA has implemented several initiatives aimed at enhancing compliance, persistent challenges remain. To mitigate the tax gap and bolster revenue collection, strategic efforts should be made to simplify tax processes, educate taxpayers effectively, and deepen measures against corruption within tax administration. Moreover, engaging citizens while fostering trust in the tax system can significantly improve voluntary compliance, ultimately leading to enhanced government revenues and socioeconomic development in Tanzania.

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