DOI: 10.32602/jafas.2022.027

JOURNAL OF ACCOUNTING, FINANCE AND AUDITING STUDIES

http://www.jafas.org

Literature Review of the Impact of Intermediate Money Transfer Tax (IMTT) On Performance of SMES

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Keywords
Intermediate Money Transfer Tax, Small and Medium Enterprises, financial performance, proper pricing.

Jel Classification
M41, M49.

Paper Type
Research Article

Received
12.07.2022

Revised
08.08.2022

Accepted
19.08.2022

Abstract

Purpose: This desktop study sought to investigate the impact of IMTT on performance of SMEs

Methodology: Documentary research approach, which consists of reviewing, analysing and examining information, recorded media and texts were adopted for the study. In terms of data collection, the authors sourced and reviewed literature on the topic. Among others, these sources included journal articles, books, magazines and newspapers.

Findings: The study revealed that IMTT has negative impact on frequency of transactions and that transactions increased where they were below minimum threshold. Furthermore, it emerged that IMTT has negative impact on suppliers' payments and that suppliers' payments were delayed and use of cash was urged due to IMTT. In the same vein, the study showed that IMTT has negative impact on firm performance meaning that profitability decreased due to the adoption of IMTT

Originality/Value: Management should try to minimize frequency of transactions by weighing the benefits with the costs of paying taxes. In addition, financial performance should be enhanced by focusing on proper pricing and cost minimization. The suppliers' payment should be done on timely fashion to maintain constant supply and good relations rather than practicing tax avoidance.

Introduction

Firstly, according to section (16)1 (d) 1 of the Income Tax Act it is prohibited to claim tax on income as an expense for income tax purposes. The basis of IMTT calculation is arguably unjustified. As brought forward by Zimbabwe National Chamber of Commerce (ZNCC), the tax is not expected to be regarded as deduction in the determination of corporate income taxes (Herald, 16/10/2020). Apart from regarding tax on income as expense, critics have emanated on dwindling the potential growth associated with investments. Confederation of Zimbabwe Industries (CZI) had asked the government not to introduce new taxes due to a depressed aggregate demand environment in Zimbabwe (Chronicles, 01/02/2019). CZI said the IMTT has an effect of reducing disposable incomes thereby reducing funds for investments. According to Eyide and Nzewi (2021), taxes are negatively associated with net investments. This means that as taxes increase the net investments of businesses decrease. IMTT is also a new tax, which might pose a threat to the investment level in the SMEs.

Businesses already pays corporate income tax, pay as you earn and capital gains tax. After the IMTT was introduced, the environment is saturated with the justification of the tax whether it is a punishment to run a business or not. As said by the Finance Minister of Zimbabwe, Mthuli Ncube, the IMTT was introduced to bring the previously untaxed informal businesses under the tax bracket, although captains of industry claim it has had effect of double taxation on formal operators, thereby inflating the cost of goods (Herald, 16/10/2020). On the same token, Senior News Reporter (Chronicles), Sibanda drew attention that the IMTT is burden to businesses that have already been paying corporate tax, PAYE and capital gains tax.

Statement of the problem

The revenue of certain firms seems to be increasing while the profitability decreases, the costs have tried to match the taxes of the business including IMTT and seems as if it has not been successful in doing so. Certain firms have also tried to increase the frequency of transaction in order to legally avoid IMTT, which is viewed as burdensome (Sibanda, 2020). The compliance with other taxes has also remained questionable as it was noted in the Kubatana's (www.kubatana.co.zw) article that the citizens have been made practice tax evasion and avoidance. The lobby representatives (GZZI and CZI) have also forwarded their arguments against the IMTT while the scholars have paid little attention related to a money transfer tax. Therefore, this study looks into investigating the impact of IMTT on performance of SMEs.

IMTT has not been widely studied compared to other taxes in the literature. There is still need to carry out more studies concerning this area. The study of IMTT will provide a conceptual framework or basis of theories and add to the empirical studies. Other researchers will find the study useful in investigating new or existing components academically.

Research objective

To investigate the impact of intermediate money transfer tax on the performance of SMEs.

Sub research objectives

1. To investigate the effect of IMTT on frequency of transactions.
2. To examine the relationship between IMTT and the payment of suppliers.
3. To examine the relationship between IMTT and company performance.
4. To establish the effect of IMTT on tax compliance.

Theoretical Framework

Grant (2014) describes the theoretical framework as a "model" for complete thesis research because it can be used as a guide to structure and support your research. The theoretical framework also provides an overview of how you will view the structure of the paper in terms of philosophy, epistemology, methodology, and analysis (Grant, 2014). Before discussing the conceptual framework, theories on tax compliance, taxation and performance will be established.

Agency theory

Agency theory is the study of agency relationships and the problems that arise from them In particular, although the principal and agent nominally work for the same goal, they may not always have the same goals interests. ‘According to Delvis and Patrick (2015), an agency relationship is a relationship in which one or more people hire another person to perform certain services on their behalf, which implies delegating certain decision-making powers to an agent. Agency theory revolves around agency problems and their solutions (Jensen and Meckling, 1976; cited in Delves and Patrick, 2015)'. This theory is relevant because management makes decisions on behalf of the owners of the company; these decisions include compliance with tax regulations and making decisions that benefit the organization. According to this theory, management makes decisions that conflict with the interests of shareholders and these decisions may be related to tax compliance. The theory of tax compliance should also be reviewed and its relevance to this research evaluated.

On the other hand, Bauer et al. (2018) have another view on agency theory and taxes. The conflict of interest between the owners of the company and the management of the company caused by the separation of ownership and control is one of the most important and profound issues discussed in business economics. 'However, although all contracting parties, including shareholders and managers, are required to pay taxes, it is clear that there are no tax considerations in the agency's theoretical literature (Bauer et al., 2018). This is surprising given the many circumstances in which taxation affects decision-making. Taxes reduce the benefits that shareholders and managers receive from their contractual relationships. Due to the existence of taxes, contractual arrangements may even be blocked, for example, if the manager's expected profit is less than his retained profit (Bauer et al., 2018). In addition, taxes have changed the information content and incentive effects of management performance measures'. After-tax performance measurement encourages managers to engage in tax avoidance activities, but it is also noisier than pre-tax compensation because, it is affected by tax laws such as changes in tax rates (Bauer et al., 2018).

Legal tax planning is mainly carried out by companies, with the objective of reducing taxes paid to the government. The results of the Putra et al. (2018) show that companies avoid taxes by increasing the amount of fixed assets, increasing the amount of debt, reporting losses to obtain compensation for financial losses and managing the results report. 'Tax avoidance applies to the agency theory, in which there is a conflict of interest between the manager as executor and the investor (Putra et al., 2018).

Judging from the results of the research, managers try to reduce the taxes paid officially, so the taxes paid are also very small. Understanding the importance of accounting methods and knowledge of debt asset and income assessment gives managers the opportunity to reduce tax payments without violating applicable rules (Putra et al., 2018). Therefore, the government needs to supervise the reporting of financial statements to minimize the company's tax avoidance.'

Tax compliance: the theory of planned behavior

This theory emerged due to a large gap in behavioral presentation (Ajzen, 2005; cited in Sutrisino et al., 2018). 'The theory of planned behavior shows that a person's behavior is favored by three factors. The first factor is behavioral belief, that is, outcome belief and outcome evaluation. Confidence and evaluation of results can form variable attitudes to certain behaviors. The second is normative beliefs (Sutrisino et al., 2018). It is an individual's belief in the normative expectations of others such as family, friends, company leaders, tax officials, and tax consultants. Normative expectations form a subjective norm of behavior. Third, control beliefs, which are personal beliefs about the existence of things that promote your behavior, as well as perceptions of the power of the two influencing your behavior (Sutrisino et al., 2018). Regarding the theory of planned behavior, some people consider attitudes, subjective norms, and control perceived behavior when constructing their intention to follow the rules (Ajzen, 1991; cited in Sutrisino et al., 2018). The theory of planned behavior has penetrated several fields, including taxation. In Indonesia, some studies use the theoretical framework of planned behavior in the fiscal field. Some researchers have empirically demonstrated that tax compliance attitudes, subjective norms, perceptual behavior and taxpayers' perceptions of the government have some impact on the willingness to comply with tax obligations (Damayanti et al., 2015). Harinurdin (2009) pointed out that the perception of behavior control has a direct but insignificant impact on tax compliance, but the perception of behavior control has a significant positive impact on intention. Aryati (2012) empirically shows that taxpayers' optimism has a positive impact on tax compliance. The empirical studies of Bobek and Hatfield (2003) and Mustikasari (2008) cited in Sutrisino et al., (2018) show that subjectivity and perceived behavior control are variables that affect tax compliance'. At the same time, Benk et al. (2012), it is not possible to prove by experience that attitude has a positive impact on tax compliance. Langham et al. (2012) it is also impossible to empirically prove that the control of perceived behavior has a positive impact on tax compliance. In this study, we focus on compliance with corporate taxpayers who develop corporate behavior using the social recognition of the corporate taxpayer. It is recommended by Sutrisino et al. (2018) fiscal payments by emphasizing the importance of social recognition as it provides guidance that companies are not a company that only cares about itself. Instead, companies are a company that is obliged to adapt culturally to its social environment to participate in the relationship between the public and harmonious (Mangoting et al., 2015). The taxpayer takes place in a given contract in a type of contract and it requires companies to provide economic resources for mutual well-being. The role of taxpayers in the financing of domestic construction should be encouraged by increasing awareness of tax compliance. This study uses an approach based on the theory of interested parties, especially the organizational behavior of internal stakeholders in the organization (Gudono, 2016). From the perspective of social conscience, the parameters of the company's success are moral and ethical prioritization. In other words, companies will achieve the best results without sacrificing other communities. One of the main moral line is a good handling towards others. The companies carried out when applying the previous morality will be beneficial for society. 'The corporate social awareness of fiscal payments affects tax compliance. Previous studies on social conscience are Gangl et al. (2015), Iyer (2016) and Cultor et al (2014).Empirically, the understanding of cooperation in the Social Empire certifies that companies can promote voluntary cooperation and guarantee public supplies. Iyer (2016) explains the impact of social norms for the fulfillment of personalization with personal internalization. Symptoms, and the emergence of empathy can also encourage tax compliance (Calvet & Alm, 2014). To achieve tax revenues, the awareness of fiscal payments must be continuously encouraged'. In particular, it is necessary to analyze factors that affect tax compliance for corporate taxpayers.

Results from Empirical research conducted by other renowned scholars

Previous studies have been reviewed in line with taxation and performance of firms. In this study, emphasis was given on empirical studies that affect the research objectives which were focusing on how IMTT has affected frequency of transactions, payment of suppliers, company performance and tax compliance.

Impact of IMTT on frequency of transactions

Commercial transactions are defined as commercial activities that directly affect the financial condition and business statements (www.corporatefinanceinstitute.com). On the other hand, the frequency is passed in the English dictionary as the speed at which something occurs during a fixed period. The frequency of transactions that occur can be explained as a percentage of commercial activities that provides flow of economic resources, influx or replacement. The Intermediate Transfer Tax (IMTT) introduced in Zimbabwe in 2018 has brought foreign business activities, including a huge transaction that attempts to exempt IMTT costs by paying the amount of less transaction than the given company. Therefore, research uses a transaction cost model to explain the effect of the transaction frequency to IMTT.

The expenses that occur in the design and implementation of the planning policy team are not necessarily considered enough. These transaction costs must be taken into account to increase the effectiveness of policy team planning. It is expected that these transaction costs will change according to the design and institutional agreements, but systematic research on planning costs and other institutions should consider as evaluation criteria in planned policies analysis (Shahab et al, 2018). The use of transaction costs and the new institutional literature, Shahab et al (2018) proposed a framework for integrating these costs into planned policies measurement teams. 'This framework is composed of design and implementation of planning policies measuring instruments, in which case it affects the implementation of IMTT. Shahab et al (2018) can affect simplicity, the age of politics, the accuracy of the policy, the policy approach, public participation and participation, and the reliability and consistency of policies affect all costs of Policy transaction'. I argue that there is. Therefore, Shahab et al

(2018) is to emphasize the importance of transaction costs of planned policy measuring equipment to emphasize the importance of selection and policy design as well as operations and features. It was concluded that it should be included apart from this, the theory of planning the behavior of fiscal payments may be contributing to the frequency of transactions and, therefore, to investigate whether the transaction cost model and planned action can explain compliance with new fiscal reforms in Zimbabwe (Shahab et al, 2018).

Previous studies regarding financial transaction and tax have been reviewed in this study. Szaworka and Sperka (2015) embarked on evaluating the impact of financial transaction tax on financial performance of financial markets. "Results suggest that the modified model had a tendency to stabilize itself in a long-term if the fundamental trading rules overbear the technical trading method. This could be used, when the bubbles and the crashes occur in a financial market. Assets price would be stabilized, because its value targets near the fundamental value and the volatility would be also minimized." In light of the study by Szaworka and Sperka (2015), the study includes a tax, which is associated with performing transactions. However, the study focused on financial markets instead of a specific firm and the objectives have differed from those of this current study.

Impact of IMTT on payments to the suppliers

Each time the task occurs in the transaction, two entries are produced and there are two entries in accounting, which is called double entry concept. According to www.accountingtools.com , suppliers are entities that provide products and services to other organizations. Suppliers require a company that paid using various terms and conditions, such as bank transfer, cash and credit facilities. According to the context of IMTT charged in Zimbabwe, taxes are charged to transactions that require electronic transfer payments. 'Providing costs and credit efficiency payment services to e-commerce customers is an important success factor for the competitiveness of the retailer indicated by Gruschow and Bettel (2018). However, the national strategy for the payment of payment of the international opened retailer is difficult to identify, since such suppliers are very difficult. In Zimbabwe, IMTT is loaded electronically, which means that the company can stay away from physical implications. This concept is also described in addition by the negotiation cost model and the agency's theory'. Commercial entities use payment methods for trading cost models. 'For example, after a company is considered a banking fee or a negotiation cost (Gruschow and Bettel, 2018), such as IMTT, the business can implement how to provide less cost. Negotiation cost models may also be linked to institutional theory where administration is trying to minimize commercial costs to improve shareholders. Because taxes such as IMTT is the cost of business management, businesses try to always control the cost of controllable (Shahab et al, 2018). According to Maradze et al (2020), Zimbabwe tax avoidance is caused by higher tax rates. Zimbabwe is not a problem of tax rates, but rather, the income tax, the amount of payments, the acquisition, VAT and capital income tax imposes taxes. Therefore, it can be practiced for tax exemption for newly introduced fiscal reforms and IMTT. This research is trying to take advantage of the concept of tax-free and trade costs to consider the impact of IMTT in the provider's payments'. Payment methods can be considered as cash used instead of frequent payments below electronic transfer and / or minimum thresholds, but one after one is a monotonous and human error set.

Previous studies were also reviewed. Correa et al (2019) estimated the "impact of a stamp tax, levied on loans by financial institutions, on capital stock". A statistically significant and negative relationship the two variables were revealed by the study. This means that an increase in "financial tax" resulted in a decline in stock of the capital. "In particular, the demand for capital from firms with a higher percentage of structural assets, such as land and buildings, is relatively less affected by the tax (Correa et al, 2019)."

The study by Correa et al (2019) indicated that the adoption of "financial tax on loans by financial institutions" cause the price of "capital stock" to decline. On this basis, the results may also be compared with those of the current study, which is focusing on construction company, Creative Systems. The current study will focus on filling the existing gap by focusing on how the tax on money transfers and transactions affect the frequency, payments of suppliers, company performance and tax compliance.

Locally, in Zimbabwe a study by Maradze et al (2020) was reviewed for helping to understand the tax system in Zimbabwe and answer some of the research objectives. The study was built on the basis of analyzing the causes of “tax evasion” in Zimbabwe. The more the person was educated and earn more income, the lesser were the levels of tax evasion. The study advised that the rates of the taxes should be reduced and the issues of evading tax may also do the same.

A study by Maradze et al (2020), although, helped the current research to formulate hypothesis that introduction of new tax may cause firms to divulge in tax avoidance and tax evasion which affects tax compliance; the study has not suggested that a new tax policy could have the same impact with higher tax rates. Thus, this study will focus on confirming the hypothesis being formulated in this paragraph.

A study by Jabbar and Dani (2020) focused on cryptocurrency and Bitcoin. In this study, Jabbar and Dani (2020) “introduced a new implication of using blockchain technology and propose two unique contributions.” First, they introduced the notion of “computational costs as an essential mechanism for completing operational transactions in the blockchain environment”. Second, they discussed “the use of smart.” The researchers alluded that their research could provide resourceful insights into building transactional practices from a cost point of view.

On contrast, the study by Jabbar and Dani (2020) is relevant to the current study by focusing on transaction costs. These costs provide similarities in the current study as they are charged on every transfer or transaction conducted. IMTT is charged on every transaction done through electronic means and, of course, there is an issue of thresholds, which comes into play. Thus, the current study performs similar study with different setups and terminology.

Impact of IMTT on performance of the company

Small and medium-sized companies have been considered an important power (Oludele & Emilie, 2012) for economic development and industrialization in smaller economies. These small businesses are aware of the creation of Africa's work, economic growth and the eradication of poverty and considerably recognized. 'According to the World Development Report (2005), the creation of "sustainable" work is an important strategy to create opportunities for smaller entrepreneurs in poverty. Most SMEs are private companies and are facing difficulties when dealing with government general, and especially fiscal governments in developing countries (Oludele & Emilie, 2012). Many of the difficulties with tax authorities are considered a lack of certainty about the impact of fiscal policy that cannot be considered significantly and future policy changes. However, it is not uncommon for not observing complaints about the complications and ambiguity of tax legislation and high tax rate (Bauer, 2005, cited in Oludele & Emilie, (2012).' If the fiscal structure is not adequately designed for a specific environmental condition, the organization of tax payments can reduce the burden on the organization of tax payments and, ultimately, affect the end consumer for the capacity of tax.

According to Mnewa and Maliti's research reports (2008) cited in (Oludele & Emilie, 2012, most SMEs are less likely to achieve or maintain greater profitability due to factors that include fiscal policy. This means that policy manufacturers and regulators should consider factors that the government can affect the competitiveness of small business. SME is considered as the skeleton of economic growth in all countries. Small-scale companies are more than 90% of private companies, contributing more than 50% of employment and GDP in most African countries (United 2010).

The treatment is generally possible that the country's internal product (GDP) can be done towards the internal product (GDP) of the country, which requires close attention to the side effects of taxes on the growth of SMEs. This is because SMEs play an important role in conducting economic growth in developing countries and developed countries. As a group, as a group, as a group, it not only produces new jobs that large companies and macro companies, but also introduces innovative ideas, products and business methods. However, the literature does not contribute to the adverse effects of fiscal payments to the financial implementation of small and medium-sized companies in developing countries (Baauer, 2005). This situation should balance the impact of short-term short and long-term effects, so we have a great concern about the issue of tax requirements. This also causes the need for detailed research on how the tax affects the development of SMEs. In addition, most literature and research on subjects differ in most of the dynamics of most domestic activities, and most differ from those in developing countries such as Zimbabwe. Therefore, this study is trying to consider the impact of the tax system in the performance of small businesses.

The business environment in the new century has undergone many changes, which has brought more and more complexity and uncertainty. In this ever-changing environment unique to today's global economy, companies face strong competitive pressure to do things better, faster, and at lower prices (Taoubar and Issor, 2019). They need to face more and more environmental challenges and improve their adaptability. Today, continuous performance is the goal of any company. This is because only through performance can companies experience development and progress (Taoubar and Issor, 2019). Therefore, it is very important to evaluate and measure business performance because companies are constantly seeking effective and efficient results.

Siminica (2018) praised a company that performed well while being efficient and efficient. Therefore, efficiency and effectiveness provide a basis of performance. Researchers such as Colase (2009) view performance as an ambiguous term which includes a number of other components such as “growth”, “profitability”, “productivity”, “efficiency” and “competitiveness”. Bartoli and Blatrix (2015) had another view regarding the definition of “performance”, which translates into words such as “evaluation”, “efficiency”, “effectiveness” and “quality”. These studies have the same revelations, which all comes to efficiency and effectiveness.

A series of documents attempted to understand the effectiveness of the BDT (Bank debit tax) in increasing tax revenues. Restrepo (2013) concluded that for policymakers, the bank transaction tax has always been “a particularly attractive source of income because their collections are relatively efficient and cheap.” However, the literature also emphasizes that BDT offers a powerful incentive for economic entities to switch from holding bank deposits to using cash and other quasi-currencies. Several related articles have shown that the changes in agent behavior caused by BDT have three important effects on the economy: Long-term tax revenue decline (Albuquerque 2016; Baca-Campodónico et al. 2016); Coelho et al., 2011; Kirilenko and Summers, 2013); Financial disintermediation (Arbeláez et al, 2014; Coelho et al., 2001; Kirilenko and Summers, 2014; Restrepo, 2013); the cascading effect of improper resource allocation (Arbeláez et al., 2014). Contrary to the literature in this area, it is addressed the question of how such taxes affect capital formation. More specifically, the studies focused on how the taxation of loans issued by financial institutions to the private sector affects the company’s need for capital. On this basis, further literature need to explore more on transaction tax, which is popularly known in Zimbabwe as IMTT.

Fodor and Stancu (2019) advanced their studies to investigated whether the tax system influence the value and the performance of the company. After analyzing a number of 47 Romanian companies from various fields, they conducted a panel database that helped them in finding a weak negative relationship between the two central elements analyzed (Fodor and Stancu, 2019). In light of the study by Fodor and Stancu (2019), tax system can include the current tax being studied, IMTT, and the current study differs from this study in the sense that the study is on Zimbabwe and is centered around a small to medium enterprise, unlike the study by Fodor and Stancu (2019) which focused on several companies.

Oz-Yalaman, (2020) investigated the "effects of taxation on the firm performance by using an extensive data set from a panel of 738 companies for 16 different countries over the years between 2000 and 2016." A significantly negative result was obtained on this study and this means that the adoption of corporate tax decreased the performance. The researchers indicated that their results were robust and recommended that different methodologies may provide reliable results depending on the researched area and environment.

The study by Oz-Yalaman (2020) is indeed beneficial and critical for any business. Increased tax rates are associated with negative firm performance and it is very crucial to then scrutinize more taxes. IMTT is undoubtedly a burden to business and citizens of Zimbabwe, but these allegations need to be confirmed scientifically by a way of a research. The current study seeks to fill gaps left by Oz-Yalaman (2020), while noting the current situation in Zimbabwe.

Apart from the studies already discussed, Nyame (2017) examined the effect of the amount of taxes paid by SMEs in the Tema Metropolis on the performance of SMEs using profit, employment and output as a measure. The study administered 205 questionnaires to businesses and using Spearman Rank correlation concluded that, there was a significant but weak correlation between the taxes paid and the performance of SMEs. This means that, taxes have adverse consequences on the profitability of SMEs in Tema Metropolis. The study also found that, SMEs has the potential to create job for youth if some of the barriers to growth are resolve, such as reduction in the taxes, high cost of raw material, access to fiancé, high cost of electricity among others. The study recommended that, government should expand the tax net to rope in all SMEs and reduce the tax rates and amount, implement friendly tax policy for SMEs and give tax holidays, reduce import duty and other taxes as a way to decrease the cost of raw material, and also strengthen the NBSSI and AGI to organize training and workshop to build the capacity of SMEs in Ghana.

On contrary, the results by Nyame (2017) can be used to investigate whether all the taxes have the same effect on profitability and the general performance of a company. Although the study did not specifically touched on financial tax or IMTT, the results of the study are crucial to the current research.

Another study from Ghana was conducted by Tee et al (2016) and aimed to "explore the managers/ executive officers' perception of the tax system in Ghana on the profitability of their businesses." The data was analyzed descriptively, correlation and regression was also utilized. The study indicated that existing taxes provide a negative perception on the growth of SMEs and the management.

A study by Tee et al (2016) is relevant to the current study in terms of the perceptions by management, which may affect tax compliance and performance of businesses, which are part of the research objectives of the current study. The current study differs from their study in the sense that the study by Tee et al (2016) did not discuss the impact of the tax system on the other objectives of the current study (supplier payments, frequency of transactions). Thus, the current study seeks to fill in these gaps.

Impact of IMTT on tax compliance

Tax compliance has become an important research topic in "accounting". This issue has been approached from different angles, clarifying different aspects of taxpayer behavior. "Attitudes are measured, popular social norms are captured, and non-professional theories are explored, which people think of when considering their annual tax returns", (Kirchler et al, 2017). The tax return is the main way to determine the responsibility of the taxpayer. The complicated filing and filing process gives taxpayers the time it takes to complete tax returns, the cost of keeping additional tax-related records, and the cost of hiring an accountant or attorney'. Therefore, simplifying the return preparation and reporting process is essential to encourage voluntary return before the legal deadline (McCaherty, 2014).

Promote the use of electronic tax filing, enter pre-filled tax returns, and proactively notify taxpayers of the approaching deadline, helping reduce the burden of on-time tax filing compliance (Yilmaz and Coolidge, 2016). The use of electronic tax returns and payment methods can help reduce tax costs and the number of routine processes. Therefore, the percentage of returns filed before the legal deadline is a good indicator of the degree of reduction in compliance costs due to the simplified filing process and electronic filing. "However, the extent to which electronic filing reduces compliance costs varies from country to country. In many developing countries, the compliance cost savings generated by electronic filing are often undermined by inefficient procedures related to electronic filing" (Yilmaz and Coolidge, 2016), such as the additional funds that may be required to adopt e-filing and the time to understand the system.'

The analysis of Allingham and Sandmo (1972) and Srinivasan (1973) cited in Yilmaz and Coolidge, 2016) is limited to income tax evasion. Therefore, this review omits research related to electronic transfer-related taxes such as IMTT, other related taxes or tariffs. Most of the research cited focuses on self-employed taxpayers, because this group has the most opportunity to evade income tax.

Rate of tax

Clotfelter (2013) found a negative correlation between tax rate and compliance. Lang et al (2017) targeted "German taxpayers, and Pommerehne and Weck-Hannemann (2016; Weck-Hannemann & Pommerehne, 2019) targeted Swiss taxpayers". An analysis supports the hypothesis that higher tax rates are despised by big players who earn higher incomes while small players comply to these higher tax rates. This confirmed the phenomena that higher tax rates are negatively associated with "tax compliance", (Ali et al., 2011).

Friedland et al. (2018) reported similar results for an experiment in which the tax rate varied from subject to subject. By actually studying the impact of different audit programs, Collins and Plumlee (2011) also tested the impact of different tax rates. The results also remain unchanged, higher taax rates were associated with low "compliance". An experiment by Moser et al (2015) revealed the importance of perceiving fairness when studying the effects of different tax rates. Only when participants feel that they are treated unequal compared to others will they discover the negative effects of high tax rates.

As suggested by Yitzhaki (2014), the positive correlation between tax rate and compliance is rarely reported. Feinstein (2011) found in TCMP's aggregated data on US taxpayers that higher tax rates have higher compliance. In an experiment conducted in Spain by Alm, Sánchez, and De Juan (2015), participants performed better when the tax rate increased over time.

The findings of Moser et al (2015) seem to indicate that the perception of the fairness of the tax rate is more important than its absolute level. However, judging the fairness of taxation requires a comprehensive understanding and correct interpretation of the tax law, and taxpayers do not fully understand the complex tax rate structure such as progressive taxes. Roberts et al (2014) show those taxpayers' preferences for progressive, flat, and regressive taxes depend on how the respective tax rates are presented, for example, whether the tax rate is described as an abstract concept or an example of concrete terminology assumptions. McCaffery and Baron (2004) require their participants to point out what they think is fair taxation for different income levels. When the tax amount must be expressed as a percentage of income, the preference for progressive taxes is greater than when it must be expressed in absolute amounts. These framing effects indicate that fiscal policy is difficult to understand and easily misunderstood. Understanding the impact of the framework can help the authorities promote changes in tax policies, such as raising tax rates, without affecting taxpayers' compliance. Moreover, the current studies should provide solutions to governments and local authorities such as ZIMRA, in order to assess the impact of electronic transaction tax, IMTT.

Research Gap Analysis

Several studies evolving tax has been carried in the accounting literature and the studies have also been done worldwide. Szaworka and Sperka (2015) embarked on evaluating the impact of financial transaction tax on financial performance of financial markets. Correa et al (2019) estimated the impact of a stamp tax, levied on loans by financial institutions, on capital stock. Maradze et al (2020) was reviewed for the purpose of helping to understand the tax system in Zimbabwe. Jabbar and Dani (2020) focused on cryptocurrency and Bitcoin. Fodor and Stancu (2019) advanced their studies to investigated whether the tax system influence the value and the performance of the company. Oz-Yalaman, (2020) investigated the effects of taxation on the firm performance. Nyame (2017) examined the effect of the amount of taxes paid by SMEs in the Tema Metropolis on the performance of SMEs using profit, employment and output as a measure. Tee et al (2016) and aimed to explore the managers/ executive officers' perception of the tax system in Ghana on the profitability of their businesses. The authors have worked on almost angles of tax and its implications, however, specific factors such as frequency of transactions and payment to suppliers have not been well researched and presents an existing gap in the literature. Therefore, this study seeks to fill in this gap and add literature to the current by studying the impact of IMTT on performance of SMEs, using Creative Systems as case study.

Summary

This study reviewed related literature theoretically and empirically. Gap analysis was analyzed which identified gap in the literature. Szaworka and Sperka (2015) embarked on evaluating the impact of financial transaction tax on financial performance of financial markets. Correa et al (2019) estimated the impact of a stamp tax, levied on loans by financial institutions, on capital stock. Maradze et al (2020) was reviewed for the purpose of helping to understand the tax system in Zimbabwe. Jabbar and Dani (2020) focused on cryptocurrency and Bitcoin. Fodor and Stancu (2019) advanced their studies to investigated whether the tax system influence the value and the performance of the company. Oz-Yalaman, (2020) investigated the effects of taxation on the firm performance. Nyame (2017) examined the effect of the amount of taxes paid by SMEs in the Tema Metropolis on the performance of SMEs using profit, employment and output as a measure. Tee et al (2016) and aimed to explore the managers/ executive officers' perception of the tax system in Ghana on the profitability of their businesses. The authors have worked on almost angles of tax and its implications, however, specific factors such as frequency of transactions and payment to suppliers have not been well researched and presents an existing gap in the literature. Therefore, this study sought to fill in this gap and add literature to the current by studying the impact of IMTT on performance of SMEs, using Creative Systems as case study.

Summary of Major Findings from literature interrogated

Impact of IMTT on frequency of transactions

- The study revealed that IMTT has negative impact on frequency of transactions
- The study revealed that transactions increased where they were below minimum threshold
- Despite the fact that efforts to minimize costs, the IMTT was affecting frequency negatively.

Impact of IMTT on suppliers' payment

- The study revealed that IMTT has negative impact on suppliers' payments
- The study revealed that suppliers' payments were delayed and use of cash was urged due to IMTT.
- The study indicated that tax avoidance was practiced

Impact of IMTT on firm performance

- The study revealed that IMTT has negative impact on firm performance.
- The study revealed that profitability decreased due to the adoption of IMTT.

Conclusions

The study concludes that IMTT had negative effect on performance of SMEs using frequency of transactions and suppliers payments as main variables. The study also concluded that IMTT had negative impact on financial performance of SMEs. The study failed to conclude whether IMTT had an impact on tax compliance of general taxes.

Recommendations

- The management should try to minimize frequency of transactions by weighing the benefits with the costs of paying taxes
- The management should make use of other cost control measures
- Tax avoidance should be practiced if it is beneficial to the company
- Financial performance should be enhanced by focusing on proper pricing and cost minimization.
- The suppliers' payment should be done on timely fashion to maintain constant supply and good relations rather than practicing tax avoidance.

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