CORRELATION OF THE LETTER OF THE LAW, VOLUNTARY COMPLIANCE AND TAX JUSTICE: A FOCUS ON TAXPAYERS' PROTECTION AND UTILIZATION OF RESOURCES IN TANZANIA

Written By ***Prof Handley Mafwenga***

Ph.D (finance), Ph.D (Juris). MSc (finance), MBA9Managerial economics & Policy), LL.M (Tax), LL.M(Procedural law& international legal practice), LL.B(Hons), PGDip(Tax), ADDip (Tax)

ABSTRACT

The Classical economists were prudently and holistically of a view that the only objective of taxation was to raise government revenue. However, with the changes in circumstances, philosophies and ideologies, the aim of taxes has changed, as they affect consumption, production and distribution with a view to ensuring availability of social welfare through the realized economic development of a country[i]. In the legal context, this requires legal text to maintain justice through the letter of law, justified by the spirit of law which would likely change the taxpayers' behaviour to legally execute voluntary tax compliance. On the other hand, Government should ensure cannons of taxation to prevail in the tax fraternity. This article therefore, examines among others, the correlation between letter of law, voluntary compliance and tax justice as orbits of stable and predictable tax system in Tanzania.

INTRODUCTION

The letter of the law can be defined as any recognised code, rule, regulation, or principle that must be followed according to the tax Government's tax motives or tax related policies. Succinctly, it is the law as it is written[ii]. In Tanzania, such letters for instances, are the ones which provides for the enforcement of voluntary compliance like section 91 of the Income Tax Act, and other provisions[iii] .

All the tax laws are in place to serve, maintain, and protect tax justice, taxpayers' behaviour, and that ought to be revenues generated by the Government in various ways.[iv] However, the use of technical terms undeniably generates advantages, the least of which is the accuracy of the legal language and the conciseness of the objectives of the parliamentarians. Each tax law domain has its own technical terms and this poses to the interpretation the problem of correspondence between tax laws' languages. For any wrong misinterpretation may cause loss of revenue through lack of voluntary compliance. Law is not a meticulous science, and its language agonises from the polysemy prevailing in the social sciences. The very term that symbolises it entitles something which depends on the objective or subjective context, law as a system or law equals rights.[v]

Voluntary compliance is the desire or willingness of the taxpayers to act in accordance with the tax law (i.e., letters of law and spirit of law inclusive) and the voluntary effort they exercise to pay their tax liability on timely basis. If the law is superfluous the extent to which may not be precisely understood, the willingness of the taxpayer shall be subject to the deprival from paying taxes or tax avoidance as the case may be tax planning may occur. Taxpayers have legal obligation to comply with the tax laws, just as they are obligated to comply with all rules that carry the force and effect of tax law. In that vein, however, equity in taxation is very important as decided in of *Insiginia Limited Case*[vi]

"The burden of proof in tax matters has often been placed on the tax-payer. This indicates how critical the burden rule is, and reflects several competing rationales: the vital interest of the government in getting its revenues; the tax payer has easy access to the relevant information and the importance of encouraging voluntary compliance by giving tax-payers incentives to self-report and to keep adequate records in case of disputes". [Emphasis added]

The voluntary compliance behaviour of the taxpayers is determined by various factors and identifying these factors and treating them accordingly should be the central premises of any tax system in order to maintain voluntary compliance at satisfactory levels. These factors, however, should be reflected precisely in the tax legislations and regulations. Tax compliance is what the Government assumes is legally owed by taxpayers, but the Government and taxpayers do not inevitably share the same interpretation[vii]. As a remedial measure, we can cite the *Commissioner General and MacArthur & Baker International Case*[viii]

> *"Tax provisions must be interpreted strictly and according to the clear meaning of what is stated. In line with that approach, we are inclined to the view that the word registered as stated in section2(1) and 2(b)(i) of the Act, must given its natural meaning and we cannot see nothing to justify departure from that rule. We reject Mr. Songoro's contention of construing the word "registered" in subsection 2(b) (i) ejusdem generis with the word "incorporated" and "established"*

Compliance consists of three distinct types: payment compliance, filing compliance and reporting compliance[ix]. In that regard, successful tax administration requires taxpayers' behaviour to be in positive correlation with the operation of a tax law incorporating both letter of law and spirit of law. Enforcement element factors such as penalty[x], audit[xi], and tax rates[xii] as stipulated in the tax laws have a great influence on tax compliance behaviors[xiii] Spirit of the law is a social and moral consensus of the interpretation of the letter of the law in which social norms generally reflect social and moral consensus. In that, social norms is "the language a society speaks, the embodiment of its values and collective desires, the secure guide in the uncertain lands we all traverse, the common practices that hold human groups together"[xiv]

The degree of noncompliance may be measured in terms of the 'tax gap' representing the difference between the actual revenue collected and the amount that would be collected if there were 100 per cent compliance. This can be the effects of the misleading provisions in the tax legislations and Regulations. In that vein, there are two definitions of tax gap- *gross tax gap and the net tax gap*. The gross tax gap is the amount of 'true' tax liability that is paid 'voluntarily and timely' and the net tax gap is this amount less tax paid late or collected by the Revenue Authority through enforcement activities. Both the gross and net tax gaps can be segmented into the three foremost gears - the non-filing gap[xv], the under-reporting gap, and the underpayment gap. The underreporting gap is in turn made up of three elements – underreported income, overstated offsets and net arithmetical mistakes[xvi]. All these scenarios' results into signifying tax justice both to the taxpayers and to the Government.

TAX REVENUE AND ITS EFFECTIVE UTILIZATION

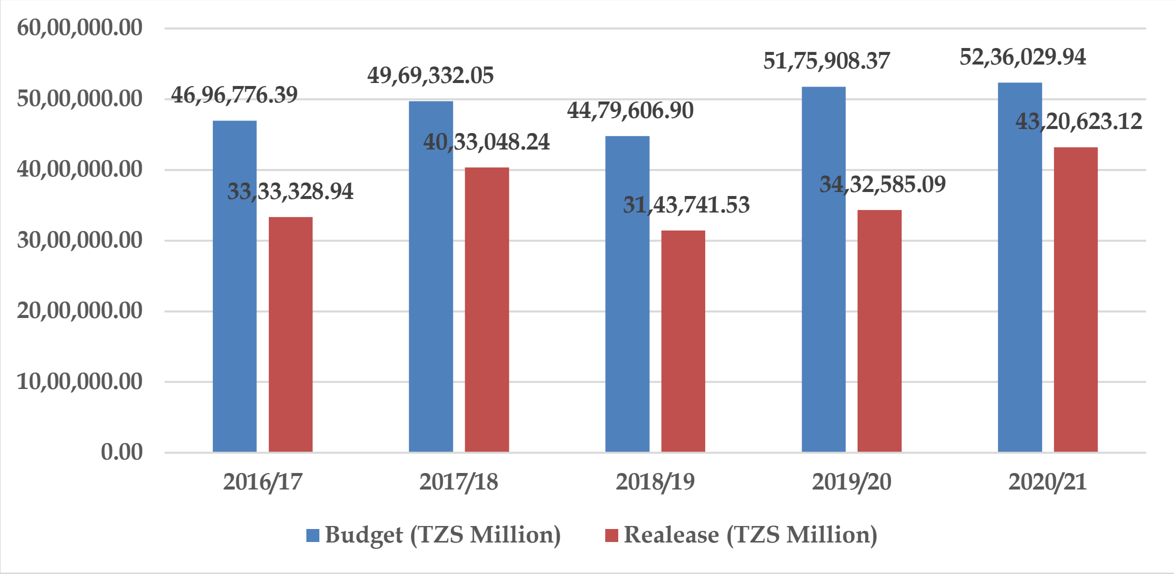
The rudimentary drives of levying taxes are specifically of four-fold: (1) To support the operation of government; (2) To influence the macro-economic performance of the economy, whereby the government's strategy is generally recognized as its fiscal policy; (3) To finance national defence and security; and (4) Redistribute resources between individuals or classes in the population[xvii].

"To cover the cost of administration, maintaining law and order in the country and for defense".

However, today, the Government is in the position to restore social justice in the economic and society by providing various social services like education, public health, housing, sanitation and the development of poor. Therefore, Government requires more amount of revenue than ought to be collected before. In that, Government imposes taxes of innumerable but measurable categories[xviii].

In ensuring that, provision of economic infrastructure complies with this objective, and the fact that, the letters of law and spirit of law are correlative with the utilization of resources, the Ministry of Works and Transport made transformation by reforming various laws including Railway Act No.[xix] Civil Aviation Act, TAZARA Act, National. This goes in tandem with the review of Transport Policy of 2003, preparation of National Maritime Transport Policy (NMTP), preparation of Transport Sector Investment Programme (Phase IV) (as of the date of this publications). The infrastructural development at the Ministry of Transport, Works and PO-RALG is shown as here under;

Figure 1: *Total Development Budget for Transport, Works and PO-RALG (2014/15-20/21*



Source: Ministry of Works, Transport and Communication (2021)

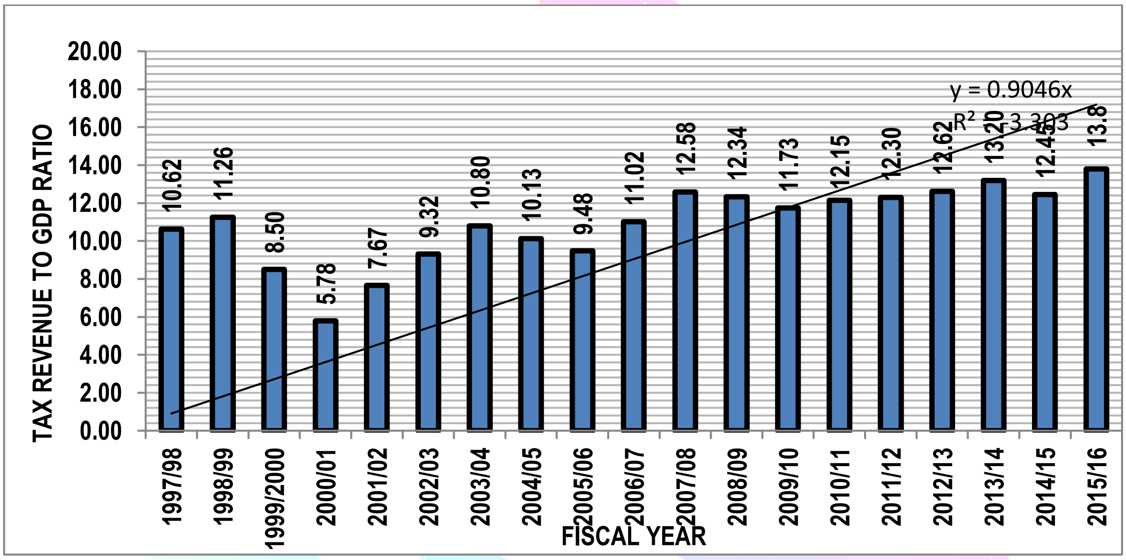
The Government also is executing construction of 487 health centres and 101 hospitals construction of airports; construction of 1,143 water projects as of the date of this publication[xx]

Conventionally, the primary drive of a tax was to recompense for goods and services provided by the government.[xxi] The focal issue regarding the financing function of taxes is their noteworthy effect on the efficient use of scarce resources, whereby taxes divert resources away from alternative uses[xxii]. However, if taxes divert resources away from their best alternative use, they are a source of allocative inefficiency in economic sense and tax injustice in legal sense. The efficient distribution of resources to the public sector through taxes entails that, benefits derived from government spending have a value equal to or greater than the alternative uses these resources would have in the private sector of the economy[xxiii]. On the other spectrum of legal sense, it means the tax justice has been realized to the citizens.

In modern times, the objective of public finance is not merely to raise sufficient financial resources for meeting administrative expense, for maintenance of law and order and to protect the country from foreign aggression. Currently, the central purpose is to guarantee the social welfare. The increase in the collection of tax increases the government revenue. It is safer for the government to avoid borrowings by increasing tax revenue[xxiv].

It is renowned that government expenditures contribute to economic growth, while taxes retard growth. However, some goods and services provided by the Government, such as a legal system, enforcement of property rights and contracts, a set of measures and standards, an infrastructure, the provision of national defense, public health, and, perhaps, free or subsidized education raise the productivity of inputs in the private sector[xxv] .

Figure 2: *The Trends of Tax Revenue to GDP Ratio (1997/98-2014/15)*



Source: Author's Survey at the Ministry of Finance and Planning

REMOVAL OF INEQUALITIES IN INCOME AND WEALTH

In the financing purpose, the diversion of resources by taxes from the private sector is intentionally done because resources are used efficiently in the private sector. If resources are not efficiently allocated there will be non-neutral effects, that is, taxes can be used to change the allocation of resources[xxvi]

The efficiency imposition of substantial duties on non-essential and luxury goods discourages the producers of such goods. The resources utilized for the production of these goods may be diverted into the production of other essential goods for which various tax concessions are given. This is called as "*Beneficial diversion*". The imposition of tax leads to diversion of resources from the taxed to the non-taxed sector[xxvii]. Tax revenues may be utilized in the less developments areas where normal investors are not enthusiastic to invest[xxviii]. The country which plays a key role in the protection and promotion of the economic and social well-being of its citizens aims at the removal of inequalities in income and wealth, through the doctrine of *Canon of Equality*[xxix].

The redistribution function of taxes debriefs on the suitable technique of distributing taxes among taxpayers because taxes and tax rates can be selected in a manner that modifies the design of income among them. Taxes can shift the pattern of income away from certain income groups and towards others. Furthermore, through tax concessions on certain essential goods, the government improves the standard of living of people. This is supported by the quote of Fran Lebowitz which says;

"If you are truly serious about preparing your child for the future, don't teach him to subtract — teach him to deduct".[xxx]

GUARANTEEING ECONOMIC STABILITY

Taxation unswervingly affects the general level of consumption and production. Hence, it can be used as an effective apparatus for achieving economic stability because by means of taxation the effects of inflation and deflation can be controlled. Throughout the period of boom or inflation, the excess purchasing power in the hands of people leads to rise in the price level[xxxi]. Raising the existing tax rates or imposing additional taxes can systematically remove such excess purchasing power. Then the abnormal demand will be reduced and the economic stability can be achieved.[xxxii].

The stabilization function of taxes view taxes as a variable that can be altered to direct the economy toward economic stability; that is, full employment and a stable price level. An increase in taxes normally reduces private consumption and saving therefore reducing private spending. A decrease in taxes increases private consumption and saving and therefore has the opposite effect on private spending. Therefore, taxes can play a significant role in shifting the level of private demand.[xxxiii]. This is only possible if tax legislations stipulate precisely provisions that deal with distribution and allocation of income and resources.

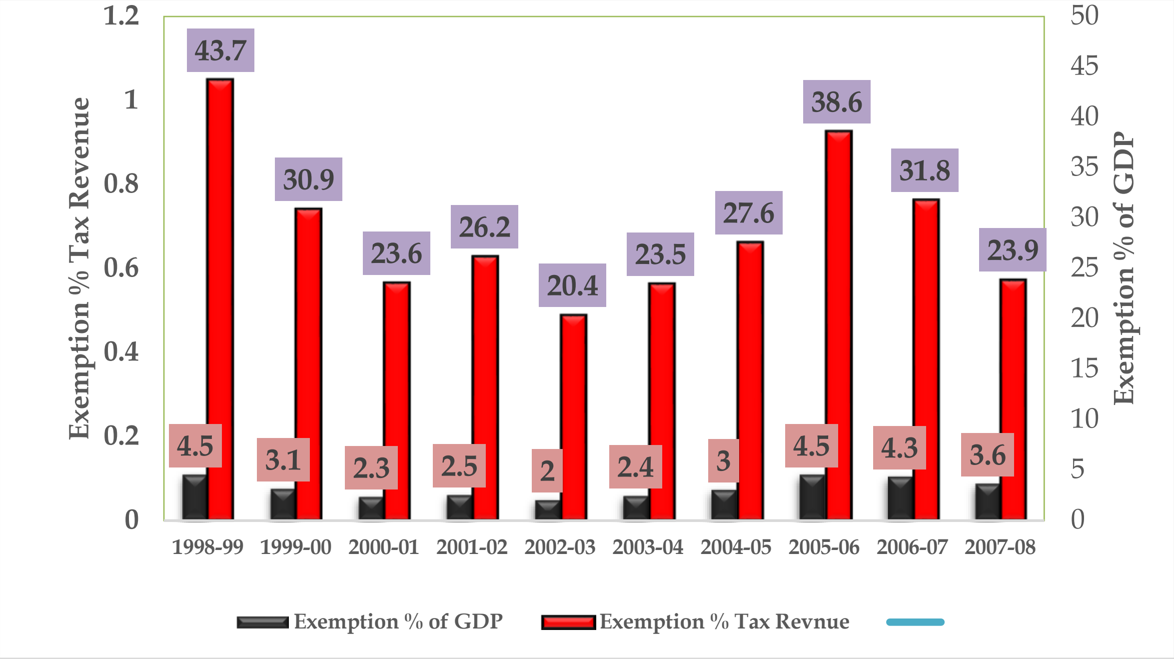
The use of tax instruments to thoroughly enhance economic stability is essential in developing countries because this enables them to ensure elasticity with respect to changes in the "value of money" and "income levels"[xxxiv].

REDUCTION IN REGIONAL IMBALANCES

Reduction in regional disparities is a major concern for governments in most countries. Large regional inequalities represent serious threats to the economic and political stability of a country, and in extreme cases can lead to demands for drastic redistribution policies by the poorest regions even to calls for separation by richer regions hoping to avoid significant redistribution of their wealth or poorer regions hoping to do better in an alternative dispensation[xxxv] Therefore, there is inevitability for redistributive transfers from the richer to the poorer regions.

In order to eliminate these inequalities, tax measures can announce various tax exemptions and concessions to those particular backward regions consequently their economic activities therefore can be induced and be accelerated[xxxvi]. It encourages development of local industries and protects them against foreign competition with a view to providing employment and saving foreign exchange by imposing high duties on competing imports. Likewise, it encourages exports by reducing or removing tax on the export in order to make them comparatively more competitive in the world market[xxxvii]. Tax exemptions by broad categories of major beneficiaries such as government and its agencies, NGOs, private companies and individuals, TIC, and others for the international trade and domestic taxes (VAT exemption and Duty-free shops) in total from 1998-99 through 2007-2008 are depicted in Figure………About 40% of the total turnover realized from registered traders are exempt as the case may be zero rated, about 50% of domestic VAT collections are VAT exemption. On part of the Excise and Customs Department about 29%of total net customs collections are lost through exemptions

Figure 3: *Tax exemptions by broad categories of major beneficiaries*



Source: Tanzania Revenue Authority Report (2009)

CAPITAL ACCUMULATION

Tax concessions or rebates offered for savings or investment in pension and social security funds, life insurance, unit trusts, housing banks, post offices' banks, investment in shares and debentures of certain companies etc, produce large amount of capital accumulation which is drastically essential for the noteworthy promotion of industrial development[xxxviii]. Since developing countries have mixed economy, precaution has correspondingly to be considered to promote capital formation and investment both in the private and public sectors.[xxxix] Therefore, taxation policy is to be directed to raising the ratio of savings to national income[xl] where taxation sustainably increases the level of savings and capital formation in the private sector, partly for borrowing by the government and partly for enhancing investment resources within the private sector for economic development[xli].

CONSTRUCTION OF EMPLOYMENT OPPORTUNITIES

More employment opportunities can be engendered by providing tax concessions or exemptions to small entrepreneurs and to the industries adopting labour-intensive techniques. In this manner, unemployment problem can evocatively be resolved to certain extent. In that regard, introducing or expanding work-contingent, tax credits targeted at low-income workers can increase work incentives for low-income workers; and reducing employer social security contributions or payroll taxes for low-skilled youth, long-term unemployed, and older workers will reduce the cost of hiring them to employers, increasing labour demand[xlii].

At the micro-economic level, a useful measure of the tax burden on labour is the tax wedge, i.e., the difference between the labour costs to the employer and the corresponding net take-home pay of the employee[xliii].

PREVENTING HARMFUL CONSUMPTION

Taxation protects society from undesirable and harmful consumption by enticingly imposing heavy excise duties on the commodities like liquors, cigars etc because their consumption is reduced to a considerable extent. Taxation generates social welfare[xliv] due to certain undesirable products like alcoholic products, tobacco products and such other products to be heavily taxed, and consequently their consumption are restricted, which in turn facilitates social welfare. A part of the tax revenue is utilised for social development activities, which also improve social welfare and social order in the society[xlv]

A tax on pollution (carbon emissions) has even more benefits. It encourages firms to make carbon-reducing investments, to retro-fit their firms to reflect the true costs of the pollution that they generate[xlvi]. The argument of revenue generation from externalities is supported by the quote of Thomas S. Foley which says;

"If you don't drink, smoke, or drive a car, you're a tax evader".[xlvii]

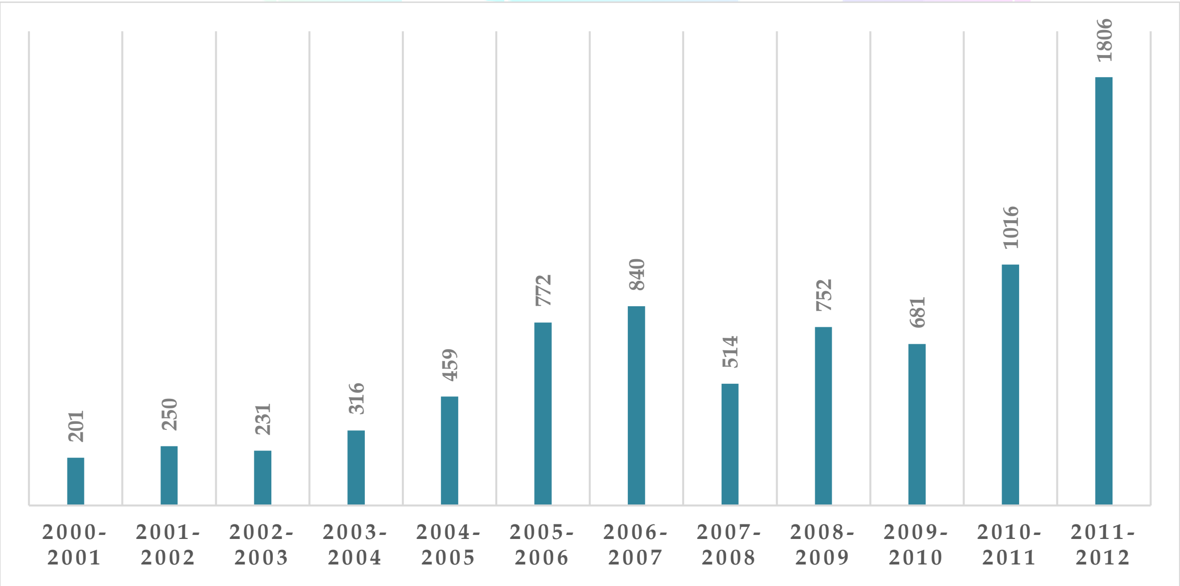
Consumption taxes are often used to encourage citizens to reduce or avoid undesirable sorts of consumption. Consumption tax apparently discriminates against the badly-off. In that vein, from an egalitarian perspective, consumption tax might be inferior to tax bases that can be made progressive, such as income tax[xlviii]

REASSURANCE OF EXPORTS

Contemporarily, export-oriented industries are reinvigorated by various exemptions or incentive like 100% accelerated deduction on capital expenditure from income tax, incentives on Special Processing Zones etc, thereby resulting in the large earnings of foreign exchange[xlix].

In that regard, taxation encourages exports and restricts imports. Generally, developing countries and even the developed countries do not impose taxes on export items. For instance, in Tanzania, exports are exempted from excise duty, VAT is zero rated, customs duty and other duties are also exempted. However, there is customs duty on imported goods[l]. Value of tax Exemptions of all categories of taxes offered by the TRA are shown in Figure 2.

Figure 4: *Tax Exemptions in Tanzania from 2000-01 to 2011-12 (in Billions of Nominal TZS)*



Source: TRA-Data Base

RAISE REPRESENTATION

Taxation raise representation within the democratic process because it has been found that only when an electorate and a government are bound by the common interest of tax does democratic accountability really work[li]. Murphy Richard argues that,

"There are 5 Rs for raising tax which are; (1) Raise revenue; (2) Re-price goods and services considered to be incorrectly priced by the market such as tobacco, alcohol, carbon emissions etc. and by providing tax reliefs e.g. for childcare; (3) Redistribute income and wealth (4) Raise representation within the democratic process because it has been found that only when an electorate and a government are bound by the common interest of tax does democratic accountability really work; and finally to facilitate: and (5) Reorganization of the economy through fiscal policy"[lii].

If tax justice is to prevail taxes must be set taking all these considerations into account. But motive is not enough, of course. The tax system has also to be efficient. There are 10 Cs to this. An efficient tax system is:

Comprehensive – in other words, it is broad based; **Complete** – with as few loopholes as possible; **Comprehensible** – it is as certain as is reasonably possible; **Compassionate** – it takes into account the capacity to pay; **Compact** – it is written as straightforwardly as possible; **Compliant** – it must be compliant with human rights; **Compensatory** – it is perceived as fair and redistributes income and wealth as necessary to achieve this aim; **Complementary** –It must complement to social objectives; **Computable** – the liability can be calculated with reasonable accuracy; All of which facilitate the chance that it will be: and **Competently managed**- It must be simple and competently managed

In combination, these are key attributes of a good tax system[liii]. The indicators of a good tax system include; the efficiency of collection, the suitability of the tax instruments, the extent of tax evasion and avoidance, the social justice of taxation, meeting key policy goals, transparency and acceptability of the tax system, legislative involvement, and trans-national economy[liv]

The famous catchphrase *"no taxation without representation,"* which symbolizes the beginning of U.S. independence, has a substantial legal, constitutional, and even economic, significance in our times[lv].

In a liberal society, no person is asked to pay any payment without consent. Any tax in a democracy may be levied only by an act of the legislature, which is elected by the people to serve as the public's agents, means that the tax is the product of a collective consent to pay the price for public goods and services offered by the elected government[lvi].

Based on the notion of a "Social Contract", people are willing to enter into the social contract and obey the sovereign only if its acts and actions improve their lives and enhance their welfare. Consequently, under each tax law, there is an underlying assumption that all taxpayers accept the tax[lvii]. However, the quality of a tax, its merits and its purpose must be studied to accept the assumption that a given tax is based on reasonable consent.

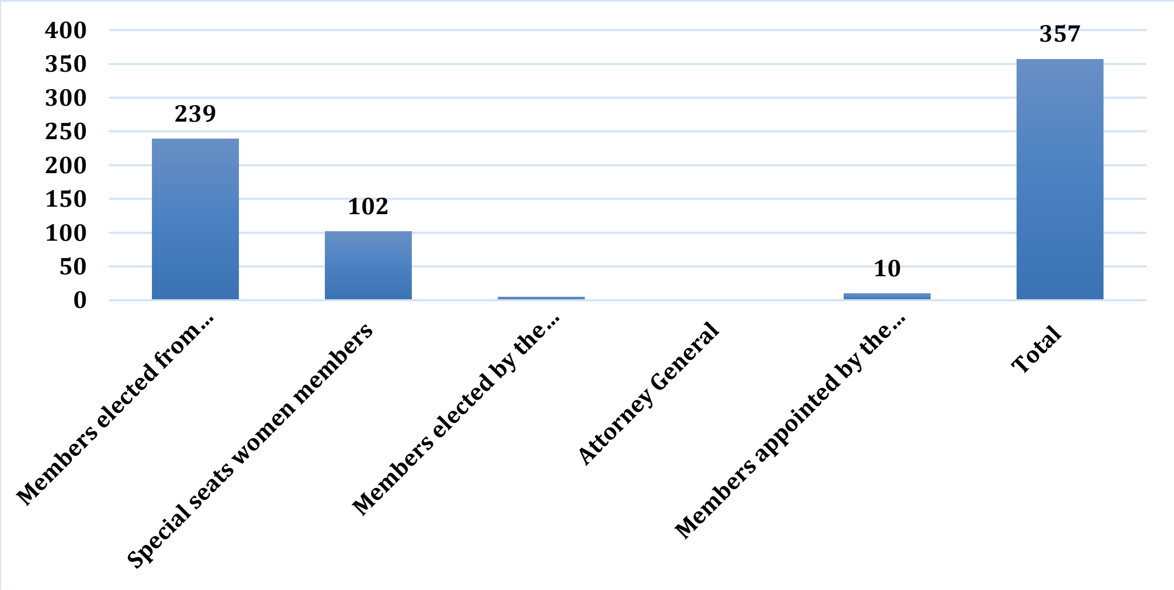
The view that taxation tends to produce more representative government is based on a common interpretation of political development in early modern Europe and colonial America. This interpretation has deeply influenced a generation of political scientists, sociologists and economic historians – including Bates Robert and Ronald Lien (1985)[lviii] and Levi Margaret (1988)[lix], who argue that;

"If societal actors are relatively strong, state makers may be forced to concede rights to societal representatives"

Others are Buchanan James (1977): Mann Michael (1980): Moore Barrington Jr (1966): North Douglass (1990): Organski Kenneth (1965): Olson Mancur (1993): Skocpol Theda (1979):and Tilly Charles (1992)[lx] – whose theories of state-building, taxation and representative government have, in turn, shaped the way many other scholars view the non-Western states[lxi].

The *'taxation leads to representation'* argument has also been used to explain the problems of resource-rich authoritarian governments outside the Middle East, including the Republic of Congo, Democratic Republic of Congo, Gabon and Indonesia[lxii]. However, the claim that *'taxation leads to representation'* also contains a critical ambiguity: it is not clear whether democracy is linked to a higher absolute tax burden, or a higher tax burden relative to the services the government provides[lxiii]. The right to the Parliamentary representation is shown in Figure 5.

Figure 5: *Parliamentary Representation for the General Election 2020-2025*



Source: Parliamentary Data Base

TAXATION AND GOVERNANCE

Archaeologically, the bargaining process between citizens and states over taxing and spending steered to the creation of a virtual *"fiscal social contract"* that was crucial to the emergence of representative government and democracy and a footpath to better governance in the world including Western Europe and the United States.

Additionally, strong incentives to generate more revenues would compel states to foster economic growth that results in the well-being; Moore (2008)[lxiv] called it an "institutionalized influence over public policy." of life and prosperity of their citizens. Concurrently, taxpayers in Parliaments would implement structures to oversee revenue-raising and hold states accountable for the use of tax revenues[lxv]. In that *"fiscal social contract",* citizens specifically would willingly accept to pay their tax obligations in exchange of rights to be represented in decision-making processes about how tax revenues are raised and spent, accountability, and effective provision of public goods and services.

Brewer (1989)[lxvi] showed exactly how the need to collect tax led to the expansion of state capacity in early modern Britain, as the King began developing a Weberian bureaucracy in order to collect excise taxes[lxvii]. This expansion of power increasingly brought the state into conflict with citizens, who demanded concessions, in the form of representation and services, in return for taxation. They wanted a say in how their money was spent and how this emerging bureaucratic power related to them. The link from taxation to representation has been clearly theoretically explored through these historical processes, and neatly summed up in the demands of American revolutionaries that there be "*No Taxation without Representation*" [lxviii].

Taxation or absence of tax impacts on the quality of Governance as follows;

Degree of dependence of governments on general taxation for their financial resources; the dependence of governments on general taxation has positive effects on the quality of governance. They may levy taxes coercively and thereby damage state-society relations and reinforce poor governance.

State elites are the financially independent of the citizen-taxpayers. This changes the political incentives that they face, and the ways in which they seek to obtain, use and retain power. The debate about tax policy mostly in addressed to some aspect of three big questions namely;

i. How much money should government gather as tax? In that, tax policy should yield enough money to meet public spending needs and contribute to the fiscal stability;
ii. How should the tax burden be distributed among actual or potential taxpayers? In that, this issue may be argued either in terms of fairness in burden–sharing, or in terms of the potential instrumental advantages of using tax policy to help achieve other public policy goals"

There is some strong consistent connection between the ways in which governments are financed and the ways in which govern. This is the foundation to the mainstream Anglo-American interpretation of the emergence of Representative government and Democracy in Britain and the United States[lxix]

In contemporary developments debates, the term Governance is used variously to refer to *"Outcomes which are the effective provisions of collective goods and to the political processes that generate these outcomes; the manner in which states elites acquire and use their power and authority* [lxx]"

In contemporary developing countries, we can usefully think of good governance as having three main operational dimensions, which tend to complement and reinforce one another;

(1) The Responsiveness of States to citizens i.e., an orientation to meeting citizen's needs;

(2) The Accountability of States to citizens where this implies the existence of institutionalized mechanisms of which electoral democracy is the most important and most through going –through which State elites both answer to citizens for the ways in which they employ their authority and may be rewarded or sanctioned by extensions or curtailments of that authority; and

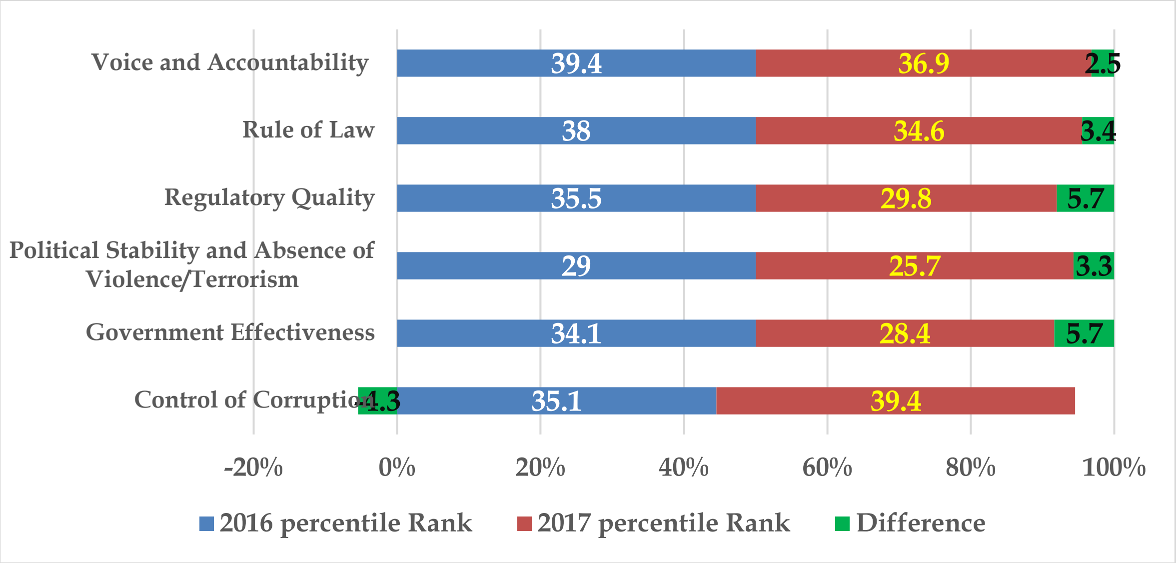
(3) The capability of States to determine and respond to citizens needs and wants, which in turn has two complementary dimensions; the political capability to determine needs and to frame and nurture bargaining and compromise among competing interest and the organizational or bureaucratic capacity to settle a sensible policies to deliver public services and to enforce the authority of the State[lxxi].

Since the changes wrought on state-society relations by democracy are positive – opening political space for opposition, giving citizens more voice, creating mechanisms of accountability, and placing constraints on rulers - its impact on taxation should also be positive. It should, as Levi (1988)[lxxii] argues, reduce the transaction costs of taxing by making compliance *"quasi voluntary"* and by building *"tax morale"*[lxxiii]. Citizens should be more willing to enter into a fiscal contract with the state, as they have more control over its actions and greater belief in its legitimacy[lxxiv].

The outcome of linking taxation to good governance has led to the on-going debate on: the appropriate linkage between taxes paid and services provided to citizens; strengthening partnerships between tax authorities and civil society; and fighting fiscal corruption in tax administration – a phenomenon which is pervasive in many countries – to establish legitimacy[lxxv]

Tanzania ranks 992 out of 180 countries in Transparency International's 2018 Corruption Perceptions Index (CPI) with a score of 36/100. Tanzania's scores have been steadily improving since 2015[lxxvi]

Figure 6: *The Worldwide Governance Indicators, Score for Tanzania*



Source: (World Bank 2019c).

LIMITS OF TAXATION POWERS

The power of taxation is subject to *Constitutional* and *Inherent Limitations*. Constitutional limitations are those provided for in the Constitution or implied from its provisions while Inherent limitations are restrictions to the powers to tax attached to its nature. Under Section 138 of the Constitution of the URT 1977 provides that;

"No tax of any kind shall be imposed save in accordance with the law enacted by Parliament or pursuant to a Procedure lawfully prescribed and having the force of law by virtue of a law enacted by Parliament" (URT, 1977)

Limiting the power to tax, as well as the power of the tax authority is not inimical to government interests in collecting taxes; it is often the case that taxing authorities operate outside the Constitutional and Administrative law because of perceived vital government interests in imposing and collecting taxes[lxxvii]

The public assumption is that, when taxing powers are subject to Constitutional limitations, legitimacy of taxation is achieved and the justification for tax compliance is entrenched. The proposition here is that, limiting the powers of tax collection is the long-run, in the best interest of the States, because it encourages Voluntary tax compliance[lxxviii].

Responsible use of taxation revenues as a feature of good governance helps to create and maintain public confidence in the government. Control of expenditure has two aspects to it.

> (1) Accountability i.e., the need to fully account for all tax revenues collected and expended by government. (2) Responsible spending. The way the government expands public funds has a considerable impact on taxpayers' compliance with taxes. Unwise spending of public funds fuels non-compliance with taxation[lxxix].

There is a maxim of wisdom of Hindu from Mahabharata which says that:

"The ruler must act like a bee which collects honey without causing pain to the plant"

Another maxim asserts that;

"The art of taxation consists in so plucking the goose to obtain the largest number of feathers, with the least possible amount of hissing."lxxx

CONCLUSION

There is no generally accepted definition of taxpayers' rights, but it is safe to say that the rights in question are those that belong to a taxpayer or other person in whom tax law is interested[lxxxi]. It is one of the rights of taxpayers to be given the precise letters of law that ought to attain spirit of law at their socio-economic and other benefits in the country. As far as a definition of *"right"* is concerned, one might describe it as the legal situation of a person having the ability to demand treatment in a manner which will improve – objectively or subjectively – his position in a society, economy or law leading to shared values. A narrow definition of the concept of taxpayer protection means:

"Written or unwritten rules that are intended to protect taxpayers against tax levying by tax authorities, which tax levying could be illegal from the point of view of taxpayers"

Taxpayer protection involves some non-fiscal aspects of relations between taxpayers and tax authorities as far as taxpayers' behaviour and tax justice are concerned. For example, being able to demand from the tax authority's information that is necessary for a taxpayer to make proper decisions concerning his life and activity is wildly acknowledged as a taxpayer's right. Taxpayers' rights must be seen as the object of protection of his rights.[lxxxii].

ENDNOTES

[i] SURESH, V, (2011); *"Attitude of Rental Tax Payers and their Compliance with Tax System: An Empirical Study of Mekelle City, Ethiopia"* Department of Accounting & Finance College of Business & Economics Mekelle University, Mekelle, Ethiopia: KAY, J, "The Rationale of Taxation" *Journal of Oxford Review of Economic Policy* Vol. 2, No. 2 (Summer 1986), pp. 1-6 (6 pages) Published By: Oxford University Press

[ii] STEPHEN GARCIA ""*The Letter Versus The Spirit of The Law*" Matthew T. Gordon University of Michigan

[iii] Income Tax Act, Cap 332: Subject to sections 92, 93, 94 and 96, every person shall file with the Commissioner not later than three months after the end of each year of income a return of income for the year of income.

[iv] See also MARINA S. (KARASEVA), EUGENIUSZ R, ALEKSEI P, MICHAL R. (EDS.*"Tax Sovereignty And The Concept Of Fiscal Rule-Making In The Countries Of Central And Eastern Europe"* Information And Research Center Of The Public Finance And Tax Law Of Central And Eastern European Countries (Poland) (Russian Branch In Voronezh

[v] See CAO, D. (2014). *"Afterword: The trials and tribulations of legal translation"*. In L. CHENG, K. KUI SIN, & A. WAGNER (Eds.),The Ashgate handbook of legal translation (pp. 313 – 315). Farnham, UK: Ashgate, p. 606.

[vi] *Insiginia Limited vs. The Commissioner General, Tanzania Revenue Authority*, Civil Appeal No. 14 of 2007

[vii] BERGMAN, M. (1998). "" Criminal law and tax compliance in Argentina: testing the limits of deterrence"". *International journal of the sociology of law*, Vol.26.

[viii] *Commissioner General and MacArthur & Baker International Case* [2000] EA 33 (''MBI Case")

[ix] BROWN & MAZUR (2003). Tax compliance And Public Opinion in Sweden: An Interpretation of Recent Survey Data", *National Tax Journal* Vol 27(3)

[x] Section 98 of Income Tax Act, Cap 332

[xi] Section 138 through 140 of Income Tax Act, Cap 332

[xii] First Schedule Para 1 through 5 of Income Tax Act, Cap 332

[xiii] SOUR, D.L. (2002). *"An analysis of tax compliance for the Mexican case: Experimental evidence."* Doctoral dissertation, the University of Chicago; KELLER, C.E. (1997). *"An experimental investigation of how ethical orientations, tax rates, penalty rates, and audit rates after tax compliance decisions"*. Doctoral dissertation, the University of Tennessee: TRIVEDI, V.U. (1997). *"An experimental analysis of the impact of imperfect audits on future tax compliance"*. Doctoral dissertation, Arizona state university: HAMM, J.L. (1995). *"Income level and tax rate as determinants of tax payers' compliance: an experimental examination"*. Doctoral dissertation, Texas Tech University.

[xiv] BICCHIERI, C. (2006). *"The grammar of society: The nature and dynamics of social norms"*. New York: Cambridge University Press

[xv] Section 136 through 137 of the Income Tax Act, Cap 332

[xvi] INTERNAL REVENUE SERVICE. (1996). *"Federal tax compliance research: individual income tax gap estimates for 1985, 1988, and 1992"*.

[xvii] ADAMA, K. (2010); *"Public Finance and Taxation"* (Acct-331) Rift Valley University College Center for Distance Education: KAY, J, "The Rationale of Taxation" *Journal of Oxford Review of Economic Policy* Vol. 2, No. 2 (Summer 1986), pp. 1-6 (6 pages) Published By: Oxford University Press: BIRD, R, M. & WILKIE, J. S, "Designing Tax Policy: Constraints and Objectives in an Open Economy" (2012) *ICEPP Working Papers. 78.*

[xviii] CHRISTOPHER, L, (2016); *"Impact of Agricultural Subsidies To Smallholder Maize Farmers Of Mbeya District Council In Tanzania"*: Thesis for the Degree Master of Science in the Graduate School of the Ohio State University

[xix] Act, 10 of 2017: Act, Cap 80: Act, No 4 of 1995: Ministry of Works, Transport and Communication (2021)

[xx] MINISTRY OF FINANCE AND PLANNING (2021) "*Realising Competitive Economy and Industrialisation for Human Development"* "The Third National Five-Year Development Plan 2021/22 – 2025/26

[xxi] DAFFLON, B, (1999); *"Fiscal Federalism in Switzerland: A Survey of Constitutional Issues, Budget Responsibility and Equalization"* Working Paper Nr 278 revised edition 1999 The Swiss Agency for Development and Co-operation and the World Bank Institute Workshop "Federalism and Development" Berne, 8th – 9th December 1999: KAYAGA, L, (2007); *"Tax Policy Challenges Facing Developing Countries: A Case Study of Uganda"* Master of Laws thesis; Queen's University Kingston, Ontario, Canada: Act, No 11 of 1995: SCHNELLBACHER, J, (2018) Chapter 13 In: Comparing Fiscal Federalism *"Fiscal Sovereignty in a Globalized World: The Pressure of European Economic Governance on Domestic Public Finance"* E-Book ISBN: 9789004340954 Publisher: Brill | Nijhoff: LAURENS, van Apeldoorn, "BEPS, tax sovereignty and global

justice" *Critical Review of International Social and Political Philosophy* Volume 21, 2018 - Issue 4 https://www.tandfonline.com/doi/full/10.1080/13698230.2016.1220149: DIETSCH, P, "Rethinking sovereignty in international fiscal policy" Review of International Studies Vol. 37, No. 5 (December 2011), pp. 2107-2120 (14 pages) Published By: Cambridge University Press

[xxii] Ibid (fn 21)

[xxiii] Ibid (fn 21)

[xxiv] LIBABATU, S, G, (2014); *"Tax Revenue and Economic Growth In Nigeria"* Masters of Science (Degree) Thesis, Department Of Accounting, Faculty Of Administration Ahmadu Bello University, Zaria: RUUD, A. de Mooij "Tax Biases to Debt Finance: Assessing the Problem, Finding Solutions" *IMF Staff Working Paper (2011)*

[xxv] SCULLY, G, & CARAGATA, J. P (2012); *"The Optimal Size Fiscal State"* ISBN 1461544335 Business and Economics: MARINA, K & KILIS D (2002) *"The Citizen's Guide to Taxation"* Zagreb: Institute of Public Finance: GASPAR, V, and ABEBE, A, S. 2017. "Taxes, Debt and Development: A One-Percent Rule to Raise Revenues in Africa." IMF blog. https://blogs.imf.org/2017/12/05/taxes-debt-and-development-a-one-percent-rule-to-raise-revenues-in-africa

[xxvi] DIEWERT, W, E, DENIS, A THOMPSON, L, F, "The Marginal Costs of Taxation and Regulation" *Journal of Public Administration and Public Policy* (1998) Marcel Dekker, Inc.

[xxvii] MERIMA, N, SHEMSIYA, S, & YGEREMU, N, (2014); *"A Determining the Challenge of Tax Liability for Categories "C" Tax Payer In The Case of Kirkos Sub City"*; Bachelor of Arts In Accounting Senior Essay: The Department of Accounting Business Faculty St. Mary's University

[xxviii] Ibid (fn 27)

[xxix] Ibid (fn 24)

[xxx] LEBOWITZ, F, (1981); *"Social Studies"* Gene Shalit, correspondent; NBC Today Show NBC Universal Media 2nd Sep. 1981

[xxxi] Ibid (fn 24)

[xxxii] Ibid (fn 21)

[xxxiii] Ibid (fn 21)

[xxxiv] STIGLITZ, E. J, (2014); *"Reforming Taxation to Promote Growth and Equity"* White Paper; Roosevelt Institute, Columbia University in New York: MONKAM, N, WOOLARD, I, & AJAM, T, (2015); *"The Tax System and Inclusive Growth in South Africa"*: A Discussion Document; First Interim Report on Estate Duty for the Minister of Finance; Davis Tax Committee Estate Duty Report: DONALD, W. G, (1942) "Taxation and Economic Stability" *The Quarterly Journal of Economics* Vol. 56, No. 3 (May, 1942), pp. 406-429 (24 pages) Published By: Oxford University Press

[xxxv] RAJA, S, & SHAH, A, (2008); *"Lessons from EU Policies for Regional Development"* March 2008 First Revision April 2009: JUSTINO, P, (2004); *"Redistribution, Inequality and Political Conflict"* PRUS Working Paper no. 18; Poverty Research Unit, Department of Economics University of Sussex: HOLGER, F, NIKOLA, S, ANTHONY, V, CASHIN, P, and CERRA, V, (2021) *"Regional Disparities, Growth, and Inclusiveness"* IMF e-Library ISBN: 9781513569505

[xxxvi] Ibid (fn 21)

[xxxvii] Ibid (fn 21)

[xxxviii] *http://hubpages.com/education/Role-of-Tax-in-the-Economic-Development-of-a-Country* Role of Tax in the Economic Development of a Country (2011): FELDSTEIN, M, (1987) *Introduction to "The Effects of Taxation on Capital Accumulation* "Chapter, in the Effects of Taxation on Capital Accumulation" (p1-6) http://www.nber.org/chapters/c11343 : WALDENSTRÖM, D, & BASTANI, S, (2020) *"How Should Capital Be Taxed?"* Wiley On-line Library

[xxxix] OECD, Paris 1990: *Financial Law System of Tax Law* Publication of Masaryk University Faculty of Law; theoretical series, edition Scientia File No. 515

[xl] WAIDYASEKERA, D. D. M (2007); *"Role of taxation in development strategy" http://www.ips.lk/news/mediaarchive/17072007_dn/17072007_dn.pdf* Institute of Policy Studies of Sri Lanka

[xli] Ibid (fn 21)

[xlii] OECD (2010); *"Tax Policy Reform and Economic Growth"* OECD Tax Policy Studies : Ibid Note 163: Ibid Note 163:

[xliii] BARDONE, L, (2010); *"Italy's employment gap: the role of taxation"* ISSN 1725-8375 ECFIN Country Focus; Economic analysis from the European Commission's Directorate-General for Economic and Financial Affairs; Volume 7,

[xliv] SIJBREN CNOSSEN, *et al* (2003); "The Excise Tax Policy "Administration in the Southern African Countries" ISBN 1-86888-366-3: Practical Text presented in the Conference on Excise Tax Policy and

Administration 11th – 13th June 2003: Published by University of South Africa-UNISA Press Johannesburg: MAFWENGA, H. M (2006); "The Incidence of Alcohol Taxation in Tanzania" *NBAA Accountant Journal* ISSN 0856-2636 Vol 21stJuly- September, 2006 "The Accountant"

[xlv] Ibid (fn (21)

[xlvi] Ibid (fn (21)

[xlvii] Quote from The Quotation Page, an internet website: www.quotationspage.com

[xlviii] KIRCHLER, E, GUNNARSSON, A, SCHMIDT, M, & DIETMAR VON DER P, (2013); *"justice, taxation and social policy"* international conference; The Paris Lodron University of Salzburg

[xlix] Ibid (fn 24)

[l] SLEMROD, J, (2011); *"Does a VAT Promote Exports?"* Tax Analyst- University of Michigan's Ross School of Busines

[li] MURPHY, R, (2012); *"The 5 Rs and 10 Cs of a good tax system"* Tax Research UK *http://www.taxresearch.org.uk/Blog/2012/04/12/the-5-rs-and-10-cs-of-a-good-tax-system/*

[lii] KIRCHLER, E, GUNNARSSON, A, SCHMIDT, M, & DIETMAR VON DER P, (2013); *"justice, taxation and social policy"* international conference; The Paris Lodron University of Salzburg

[liii] Ibid (fn 52)

[liv] MALYAMKONO, T, L, MASON, H, NDUNGURU, A, OSORO, N.E, RYDER, A (2209)

[lv] EDREY, Y, (2007); *"Constitutional Review and Tax Law: An Analytical Framework"* Ramat Gan Law School American University Law Review Volume 56 | Issue 5

[lvi] MURPHY, R, (2012); *"The 5 Rs and 10 Cs of a good tax system"* Tax Research UK *http://www.taxresearch.org.uk/Blog/2012/04/12/the-5-rs-and-10-cs-of-a-good-tax-system/*

[lvii] Ibid (fn 56)

[lviii] BATES, R, H., & DA-HSIANG, D, L, (1985); *"A Note on Taxation, Development, and Representative Government"* Politics & Society Vol 14, no. 1: 53–70.

[lix] LEVI, M. (1988) "Of Rule and Revenue" Berkeley: University of California Press.

[lx] TILLY, C, (1992); *"Coercion Capital and European States"* AD 990-1992 Malden, MA: Blackwell, Chapters 1-3: BUCHANAN, M. J, (1977). *"Freedom in Constitutional Contract"* College Station: Texas A&M University Press, 1977: MANN, M, (1980) *"State and Society, 1130-1815: an Analysis of English State Finances,"* in Maurice Zeitlin (ed.), Political Power and Social Theory Greenwich (Conn): JAI Press, 165-208: MANN, M, (1980) *"State and Society, 1130-1815: an Analysis of English State Finances,"* in Maurice Zeitlin (ed.), Political Power and Social Theory Greenwich (Conn): JAI Press, 165-208.: MANN, M, (1980) *"State and Society, 1130-1815: an Analysis of English State Finances,"* in Maurice Zeitlin (ed.), Political Power and Social Theory Greenwich (Conn): JAI Press, 165-208.: MOORE, B, (1966), *"Social Origins of Dictatorship and Democracy"*. Boston: Beacon Press: NORTH, D, (1990); *"Institutions, Institutional Change, and Economic Performance"* New York: Cambridge University Press.: ORGANSKI, A.F.K. (1965), *"The Stages of Political Development"*, American Political Science Review Volume 61, Issue 4 New York: Knopf: OLSON, M, (1993); *"Dictatorship, Democracy, and Development,"* American Political Science Review Volume 87 (September) 567-576.: SKOCPOL, T, (19790; *"States and Social Revolutions: A Comparative Analysis of France, Russia, and China New York, NY"*: Cambridge University Press, Chapter 1

[lxi] BENTZEN, J, GERNER, H, J, and ROBINSON, J, A. (2014); *"The Indigenous Roots of Representative Democracy"* Discussion Papers Department of Economics University of Copenhagen

[lxii] MICHAEL, L. R. (2004); *"Does Taxation Lead to Representation?"* Cambridge University Press

[lxiii] BATES, R, H., & DA-HSIANG, D, L, (1985); *"A Note on Taxation, Development, and Representative Government"* Politics & Society Vol 14, no. 1: 53–70.

[lxiv] MOORE, M, (2008); *"Between Coercion and Contract (2008) Competing Narratives around Taxation"* In Taxation and State Building in Developing Countries, Capacity and Consent, edited by DEBORAH Brautigam, ODD-HELGE Fjeldstad and MOORE, Mick 308. Cambridge University Press, 2008

[lxv] OECD (2008) *"Governance, Taxation and Accountability: Issues and Practice."* Development Assistance Committee (DAC) Guidelines and Reference Series, A DAC Reference Document

[lxvi] BREWER, J. (1989) *"Sinews of Power; War, Money and the English State 1688-1783"*. London: Unwin Hyman.

[lxvii] MICHAEL, L. R. (2004); *"Does Taxation Lead to Representation?"* Cambridge University Press

[lxviii] ZIARI-R, (2013); *"The relationship between democracy and revenue of budget"* ISSN (2226-8235) Vol-2, Issue 7 International Journal of Management Sciences and Business Research, 2013: OECD (2009); *"Taxation, State Building and Aid"* Factsheet – Update December 2009

[lxix] Ibid (fn 60)

[lxx] FAKILE, A, S, (2009); *"Governance and Development in Africa: The Role of Taxation"* ABWA Journal Association of Accountancy Bodies in West Africa; Volume 1 No 6, 2009 Covenant University, Ota, Nigeria

[lxxi] Ibid (fn 60)

[lxxii] LEVI, M., A. Sacks & T. Tyler (2009) *"Conceptualizing Legitimacy, Measuring Legitimating Beliefs".* American Behavioral Scientist, Volume 53(3): 354-375.

[lxxiii] POMMEREHNE, W.W., HART, A. & FREY, B.S. (1994) *"Tax Morale, Tax Evasion and the Choice of Policy Instruments in Different Political Systems"* Public Finance, Volume 49, 52-69.

[lxxiv] ZIARI-R, (2013); *"The relationship between democracy and revenue of budget"* ISSN (2226-8235) Vol-2, Issue 7 International Journal of Management Sciences and Business Research, 2013: OECD (2009); *"Taxation, State Building and Aid"* Factsheet – Update December 2009

[lxxv] LOGAN, W, (2012); *"Good Tax Governance in Africa"* African Tax Administration Forum (ATAF): FARHAN, Z, and ZAFAR, I, (2009) "Taxation and Good Governance and the Influence of Non-Tax Revenues on a Polity: The Pakistani Experience": *Policy Perspectives* Vol. 6, No. 2 (July - December 2009), pp. 73-98 (26 pages) Published By: *Pluto Journals*

[lxxvi] TRANSPARENCY INTERNATIONAL'S CPI scores for Tanzania: 2015 – 30/100; 2016 – 32/100; 2017 – 36/100

[lxxvii] ONGWAMUHANA, K, (2011); "*Analysis of Law and Policy Affecting Voluntary Taxpayer Compliance"* ISBN 9987080731, 9789987080731 African Books Collective, 2011 - Business & Economics : JENSEN, E, M, (2006); *"The Taxing Power, the Sixteenth Amendment, and the Meaning of 'Incomes"* Arizona State Law Journal; Faculty Publications Paper 219 Volume 33;

[lxxviii] Ibid (fn 74)

[lxxix] Ibid (fn 74)

[lxxx] THURONYI, V, (1996), *"Tax Law Design and Drafting",* ISSBN 1-55775-633-3 Vol 2: International Monetary Fund, Page 95 : ARTHUR, J, S, (1899), *"The Economic Policy of Colbert".* Kitchener, Ontario: Batoche Books, 2004. p. 39; As cited in: WILLIAM H. STARBUCK and PHILIPPE BAUMARD (2009). *"The seeds, blossoming, and scant yield of organization theory,"*: CRAIG, W, J, (2000); *"Taxation of e-Commerce, Fiscal Regulation of the Internet"*, Tolley Publishing Page 1

[lxxxi] BOGUMIŁ, B, (1990); *"Taxpayers' Rights: Some Theoretical Issues"* Department of Public Finance Law, Faculty of Law and Administration, Nicolaus Copernicus University, Toruń, Poland; head, Financial Law Department, Faculty of Law and Administration, Jagiellonian University, Cracow, Poland. : OECD (1990); *"Taxpayers' Rights and Obligations: A Survey of the Legal Situation in OECD Countries",* OECD, Paris 1990: Financial Law System of Tax Law Publication of Masaryk University Faculty of Law; theoretical series, edition Scientia File No. 515: BOGUMIŁ, B, (1990); *"Taxpayers' Rights: Some Theoretical Issues"* Department of Public Finance Law, Faculty of Law and Administration, Nicolaus Copernicus University, Toruń, Poland; head, Financial Law Department, Faculty of Law and Administration, Jagiellonian University, Cracow, Poland. :OECD (1990); *"Taxpayers' Rights and Obligations: A Survey of the Legal Situation in OECD Countries",* OECD, Paris 1990: Financial Law System of Tax Law Publication of Masaryk University Faculty of Law; theoretical series, edition Scientia File No. 515

[lxxxii] BOGUMIŁ, B, (1990); *"Taxpayers' Rights: Some Theoretical Issues"* Department of Public Finance Law, Faculty of Law and Administration, Nicolaus Copernicus University, Toruń, Poland; head, Financial Law Department, Faculty of Law and Administration, Jagiellonian University, Cracow, Poland.