



Evaluating the effectiveness of tax amnesty for SMEs in Zambia

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Abstract

This study evaluates the effectiveness of tax relief programs for Small and Medium Enterprises (SMEs) in Zambia, with a particular focus on the Zambian Tax Amnesty Program. The research investigates the relationship between improved tax compliance, tax amnesty administration, and the financial stability of SMEs. A quantitative research method was employed, utilising questionnaires to collect data from 278 respondents. The data was analysed using SPSS, and correlation analysis was conducted to examine the impact of the tax amnesty program on SME tax compliance, business growth, and financial stability. The findings reveal a moderate to strong positive correlation between improved compliance and tax amnesty systems ($r = 0.570$), tax amnesty administration and improved compliance ($r = 0.847$), and between improved compliance and SMEs' financial stability ($r = 0.905$). These correlations suggest that effective tax amnesty administration significantly contributes to improved tax compliance, which, in turn, supports the financial stability of SMEs. Based on these findings, it is recommended that the Zambian government enhance the clarity and communication of tax amnesty programs to ensure greater understanding and participation among SMEs. A lack of research on the effectiveness of tax amnesty programs among SMEs hinders informed fiscal policymaking. With low SME participation and widespread distrust in the tax system, stakeholders like ZRA, policymakers, and SMEs risk perpetuating ineffective strategies, revenue loss, and poor tax compliance. The study provides valuable insights for policymakers to refine tax relief strategies, fostering greater SME participation in the formal tax system, supporting business growth, and contributing to the broader economic development of Zambia.

Keywords: Small and medium enterprises, tax amnesty, compliance, tax relief

Introduction

The main aim of this chapter is to provide a comprehensive background on the effectiveness of the Tax Amnesty Program for Small and Medium Enterprises (SMEs) in Zambia, with a specific focus on the COMESA Market. By evaluating the impact of the Tax Amnesty on turnover tax compliance, this chapter seeks to explore how the program influences SME behavior and its potential to foster both business growth and enhanced tax compliance. The chapter will begin by outlining the statement of the problem, highlighting key issues related to SME participation in the program, such as low engagement and the challenges faced in tax compliance. This will serve as the basis for understanding the role of the Tax Amnesty Program in improving tax collection and compliance among SMEs.

Next, the chapter will present the research questions, designed to guide the exploration of the relationship between the Tax Amnesty Program and SME turnover tax compliance. These questions will focus on assessing the effects of the program, identifying factors contributing to low participation, and exploring strategies to increase future engagement. The chapter will also outline the research objectives, detailing the general aim of evaluating the effectiveness of the Tax Amnesty Program and the specific outcomes sought, such as enhanced compliance and government revenue. Additionally, the scope of the study will be defined, including the geographical focus on the COMESA Market and the time frame for data collection. This will provide clarity on the context of the research. The significance of the study will be highlighted, emphasizing its relevance to stakeholders like the Zambia Revenue Authority (ZRA), SMEs, and policymakers, offering insights that could improve tax compliance and revenue generation. Finally, the chapter will briefly outline the

structure of the study, ensuring a logical progression of ideas and research findings that address the core questions of tax amnesty effectiveness for SMEs.

Background

In October 2022, the Zambian government, through the Zambia Revenue Authority (ZRA), implemented a tax amnesty program that provided relief to taxpayers by waiving interest and penalties on long-standing tax liabilities. This initiative aimed to support the economic recovery of businesses heavily impacted by the COVID-19 pandemic, which disrupted cash flows and strained the ability of businesses to meet their tax obligations (Zambia Revenue Authority, 2023) [36]. By offering tax relief, the government hoped to encourage voluntary compliance and reduce the stock of outstanding tax arrears. Specifically, the tax amnesty targeted turnover tax for Small and Medium Enterprises (SMEs), which is crucial to Zambia's economic growth. An SME is typically defined as a business that maintains revenues, assets, or a number of employees below a certain threshold. In the Zambian context, SMEs are classified based on the number of employees and annual turnover—micro enterprises have fewer than 10 employees and turnover below ZMW 250,000, small enterprises have 10–49 employees and turnover between ZMW 250,000 and ZMW 2 million, while medium enterprises have 50–100 employees and turnover between ZMW 2 million and ZMW 20 million (Ministry of Small and Medium Enterprise Development, 2022) [23]. The amnesty ran from October 1, 2022, to June 30, 2023, after being extended from its original end date, resulting in over 11,700 applications and the collection of K2.6 billion in revenue (Zambia Revenue

Authority, 2023) ^[36]. This tax amnesty program marked a significant effort by the ZRA to address past noncompliance, dismantle a substantial debt portfolio, and encourage businesses to become current on their tax obligations. The Zambian government's decision to offer a tax amnesty can be seen as a response to both the immediate financial difficulties faced by SMEs due to the pandemic and the broader aim of improving the overall tax compliance environment (Khan & Hossain, 2021).

The justification for this study lies in evaluating the effectiveness of such programs in promoting SME compliance with turnover tax obligations. By focusing on the experience of the COMESA Market SMEs, this research will assess the extent to which the tax amnesty led to a sustainable increase in tax compliance and revenue generation. Understanding the success factors and challenges of the 2022-2023 tax amnesty will provide valuable insights for refining future tax policy and initiatives aimed at fostering a more compliant and resilient SME sector in Zambia. Furthermore, findings from this study can inform policymakers and the ZRA on strategies to enhance participation and maximize the effectiveness of future tax relief programs, ensuring both economic recovery and long-term fiscal stability (Zambia Revenue Authority, 2023; Tanzi & Pinotti, 2021) ^[36].

Statement of the Problem

The research problem in this study revolves around the limited understanding of the factors that influence Small and Medium Enterprises' (SMEs) participation in Zambia's tax amnesty programs, particularly regarding turnover tax compliance. Despite the government's efforts to improve tax compliance through these initiatives, SMEs have not fully embraced the tax amnesty programs, leading to unsatisfactory results. In 2022, for instance, the Zambia Revenue Authority (ZRA) launched a tax amnesty targeting SMEs to help improve compliance. However, the program's revenue collection was only about half of the projected target, raising questions about the effectiveness of such initiatives (ZRA, 2023). Moreover, the short-lived impact of tax amnesty programs on SMEs' long-term tax behavior, with many SMEs showing reduced compliance levels after the amnesty period ended, further highlights the need to understand the underlying barriers preventing full participation in these programs (Simuchile, 2023) ^[30]. This issue is not isolated, as similar patterns have emerged in previous ZRA amnesty initiatives, where anticipated revenue generation often fell short of targets, raising concerns about the design and implementation of these programs.

The research gap that this study seeks to address is the lack of comprehensive studies examining the specific factors that influence SME participation in tax amnesty programs, particularly in the context of turnover tax compliance. Existing literature on tax amnesty programs tends to focus on broad aspects of tax compliance or general policy measures, with limited attention paid to the particular challenges SMEs face in Zambia (Inasius. *et al*, 2020) ^[17]. While some studies have analysed the reasons for noncompliance or the short-term impacts of tax amnesty programs, few have explored in-depth why SMEs, fail to

fully participate in these programs. Furthermore, the long-term effects of tax amnesty on SME compliance behavior after the program ends remain underexplored. Addressing this gap is crucial, as the failure to understand and mitigate these barriers could lead to ongoing challenges with SME tax compliance, contributing to a continued shortfall in tax revenue, ineffective policies, and missed opportunities for more targeted and successful tax relief programs in the future. Therefore, the findings from this research are expected to offer valuable insights that can guide the design of more effective tax amnesty initiatives, leading to improved compliance and enhanced government revenue collection.

Existing literature and institutional reports indicate that, despite repeated amnesty initiatives by the Zambian government, participation by SMEs remains significantly low. For instance, Seim (2020) highlights that a mere 7.4% of SMEs in Zambia have undergone tax compliance audits, reflecting widespread disengagement from formal tax systems. This disengagement is compounded by a perception among SMEs that the tax administration lacks fairness and effectiveness, which undermines trust in amnesty initiatives (International Growth Centre, 2020).

The barriers SMEs face in complying with tax regulations are multi-faceted. Research by Mukuka (2023) identifies high tax rates, limited profitability, administrative burdens, and logistical challenges as key factors deterring compliance. These obstacles persist even during periods of tax amnesty, suggesting that such programs, in their current form, fail to address the root causes of non-compliance. Consequently, amnesty programs risk being perceived as short-term relief measures rather than strategic tools for sustained tax base expansion (Global Network Publications, 2023).

Furthermore, evaluations of Zambia's previous tax amnesty programs, such as the 2017 initiative, reveal operational inefficiencies that limited their impact. The program required multiple extensions due to limited taxpayer awareness and administrative constraints, illustrating the need for more comprehensive and inclusive policy frameworks. Recommendations from these evaluations include enhancing taxpayer education, resolving audit disputes before launching amnesties, and allowing sufficient time for taxpayers to comply (University of Zambia, 2022). Another significant limitation in the current body of knowledge is the lack of empirical research on the post-amnesty behavior of SMEs. Without understanding whether these enterprises maintain compliance or revert to informality after benefiting from amnesty programs, it is difficult for policymakers to design interventions that promote long-term adherence to tax obligations. Studies such as that by Kabinga and Simataa (2023) emphasize the necessity of examining post-amnesty conduct to inform the development of sustainable and inclusive tax compliance systems (Academy of Accounting and Financial Studies Journal, 2023).

In essence, the absence of targeted research into the effectiveness and aftermath of tax amnesty initiatives among SMEs sustains a cycle of poorly adapted fiscal policies. This gap not only leads to continued revenue losses and ineffective governance strategies but also hampers Zambia's

broader economic development goals. By not engaging with the lived realities and systemic barriers faced by SMEs, the government risks reinforcing structural inequities in the tax system, thereby limiting its capacity to build a more resilient and equitable fiscal environment.

Research Objectives

1. To assess the effects of the Tax Amnesty Program on the turnover tax compliance levels of SMEs.
2. To determine the factors contributing to the rate of participation in the Tax Amnesty Program by SMEs.
3. To determine strategies that can be adopted by ZRA to enhance SMEs participation in the Tax Amnesty Program in future.

Significance of the Study

This study is significant to various stakeholders such as ZRA, policymakers, and SMEs, as it provides critical insights into the effectiveness of tax amnesty programs in promoting SME compliance.

Firstly, this study will provide an in-depth analysis of the Zambian Tax Amnesty Program, shedding light on its effectiveness in promoting voluntary tax compliance among SMEs. By assessing its impact, policymakers, including the ZRA, can gain a clearer understanding of the strengths and weaknesses of such tax relief programs.

Secondly, the study is crucial for fostering economic development in Zambia. SMEs play a vital role in the country's economic growth by contributing to job creation, income generation, and poverty reduction.

Thirdly, this research can reveal whether tax amnesty programs successfully improve tax compliance rates among SMEs, who are often less compliant due to factors such as lack of awareness, insufficient resources, or perceived unfairness in the tax system.

Finally, the findings of the study will be of particular importance to Zambian policymakers in crafting better tax relief programs tailored to the unique needs of SMEs. The research can also inform decisions on how to structure future amnesty programs, identify gaps in tax collection mechanisms, and address the specific challenges that SMEs face in adhering to tax laws.

Scope of the Study

The study focused on Zambia, specifically examining the Zambian Tax Amnesty Program as it applied to Small and Medium Enterprises (SMEs) operating within the country. It covered different regions of Zambia, taking into account both urban and rural SMEs, as well as businesses in various sectors, which were affected differently by the program. The target population was SMEs that were eligible for the Zambian Tax Amnesty Program. This included business owners, managers, and accountants who had directly interacted with or benefited from the amnesty. Additionally, the study also considered the perspective of tax authorities, government officials, and policymakers involved in the design and implementation of the program.

Literature Review

Global Perspective on Tax Relief Programs for SMEs

Tax relief programs, including tax amnesties, have been extensively studied worldwide, and their effectiveness has been the subject of considerable debate. Globally, tax amnesties have been used by many countries as a tool to

improve tax compliance, reduce tax evasion, and boost government revenues, particularly in settings where traditional tax enforcement mechanisms are weak or costly. A tax amnesty typically offers taxpayers the opportunity to clear their outstanding tax liabilities without facing penalties, interest, or the threat of prosecution. This makes it an appealing option for taxpayers who may have otherwise been reluctant to comply with tax obligations due to the fear of punitive measures. According to Slemrod (2007) ^[31], tax amnesties are commonly seen as a mechanism to increase government revenue and improve compliance rates in cases where the state's ability to monitor and enforce taxes is limited. In addition to increasing short-term revenues, tax relief programs are considered to promote voluntary compliance, as they provide taxpayers a "clean slate" and an incentive to start afresh without facing past penalties.

Overall, the empirical evidence suggests that tax amnesties have mixed results in terms of their long-term effectiveness. While they can provide a quick fix to government revenue problems and may improve compliance in the short run, their long-term success largely depends on the broader institutional and policy environment in which they are implemented. It is crucial that tax authorities not only focus on the design and implementation of amnesty programs but also on reinforcing the regulatory framework and ensuring that tax systems become more efficient and equitable in the long term. Tax amnesties should, therefore, be viewed as one component of a broader strategy to improve tax compliance and the overall health of the tax system.

Continental Perspective on Tax Relief Programs for SMEs

In Africa, tax relief programs have increasingly been recognized as essential tools for fostering the growth of Small and Medium Enterprises (SMEs), which are seen as crucial drivers of economic development, job creation, and poverty reduction. SMEs play a significant role in the African economy by contributing to employment, innovation, and local production. However, they often face substantial challenges, such as limited access to finance, high compliance costs, and complex regulatory frameworks, all of which hinder their growth and tax compliance. As a result, governments across the continent are focusing on developing tax systems that are more inclusive and accessible to SMEs. The African Tax Administration Forum (ATAF) has highlighted the growing recognition of the need for tax policy reforms in African countries, with an emphasis on making tax systems more adaptable and less burdensome for SMEs (ATAF, 2020). These reforms often include measures such as tax relief programs and tax amnesties, which aim to ease the compliance burden on SMEs while encouraging greater tax participation.

Furthermore, the sustainability of tax amnesty programs in Africa is heavily dependent on the broader context of tax administration and governance. In many African countries, weak institutional capacity and poor tax enforcement mechanisms can undermine the long-term success of tax relief programs. In order for such programs to have lasting effects, it is essential that they be accompanied by complementary reforms in tax policy, administration, and enforcement. This includes measures to simplify the tax code, improve the efficiency of tax collection, and strengthen taxpayer education and outreach programs. Without such reforms, there is a risk that tax amnesties may

only provide temporary revenue boosts without resulting in a lasting shift toward voluntary tax compliance.

Overall, while tax amnesty programs in Africa, such as those in South Africa and Kenya, have demonstrated positive short-term impacts in terms of increasing government revenues and reducing the compliance burden on SMEs, their long-term effectiveness remains uncertain. These programs, although beneficial in providing temporary relief, must be part of a broader, more comprehensive approach to tax reform. For tax relief programs to be sustainable and to have a lasting impact on the formalization of SMEs and increased tax compliance, they must be accompanied by institutional and structural reforms aimed at improving the overall business environment and ensuring that SMEs have the necessary support to comply with tax regulations in the long term.

Sub-regional Perspective on Tax Relief Programs for SMEs

In Southern Africa, Small and Medium Enterprises (SMEs) are widely recognized as a crucial sector for driving inclusive economic growth, fostering job creation, and alleviating poverty. SMEs play an essential role in many Southern African economies, particularly by providing employment opportunities in both urban and rural areas, promoting innovation, and contributing to the diversification of economic activities. However, SMEs in the region face a variety of challenges that hinder their growth and development, making it difficult for them to fully realize their potential. These challenges include the high cost of doing business, limited access to finance, cumbersome regulatory environments, and insufficient infrastructure, which often result in operational inefficiencies and difficulties in complying with tax obligations (SADC, 2020). In response to these challenges, governments in Southern Africa have increasingly turned to tax relief programs, such as tax amnesties, as tools to enhance tax compliance, improve revenue collection, and reduce the compliance burden on SMEs.

Zambia, as a member of the Southern African Development Community (SADC), shares many of the common challenges faced by SMEs in the region. The country has a vibrant informal sector, with a large number of small businesses that operate outside the formal tax system. These SMEs often face difficulties in navigating Zambia's complex tax code, compounded by issues such as limited access to credit, high operational costs, and the absence of effective support mechanisms for tax education and assistance. Given these constraints, tax relief programs like tax amnesties have been considered by the Zambian government as an important mechanism to help SMEs formalize their operations, reduce their tax liabilities, and encourage voluntary tax compliance. Tax amnesties provide SMEs with a temporary opportunity to regularize their tax status by clearing past tax obligations without incurring penalties or interest, offering a financial reprieve that can be critical in improving the financial health of SMEs.

Research on the effectiveness of tax relief programs in Southern Africa, however, presents mixed results. A study by Mpundu and Mukuka (2018)^[24], which focused on the implementation of tax amnesty programs in the Southern African region, highlights the short-term revenue benefits of such programs but also points to their limitations in promoting long-term compliance among SMEs. The authors

argue that while tax amnesties can generate a temporary increase in government revenue by encouraging SMEs to disclose previously undeclared income and settle outstanding tax liabilities, their impact tends to fade over time. Many SMEs, once they have taken advantage of the amnesty and cleared their past tax liabilities, return to their previous non-compliant behaviors due to a lack of sustained enforcement and limited incentives to continue complying with tax obligations. This cyclical pattern of compliance and non-compliance undermines the long-term effectiveness of tax amnesty programs and raises concerns about their ability to build a culture of voluntary tax compliance in the SME sector.

Additionally, Mpundu and Mukuka (2018)^[24] stress the importance of complementary institutional reforms to ensure the sustainability of tax relief programs. While tax amnesties may provide a temporary solution to revenue shortfalls and non-compliance, they are not sufficient on their own to create lasting improvements in tax behavior among SMEs. The study emphasizes that for tax relief programs to be effective in the long term, they must be part of a broader strategy that includes reforms to tax administration, the simplification of the tax system, and improvements in taxpayer services. Strengthening institutional capacity and improving the efficiency of tax collection agencies are essential to ensuring that SMEs are able to meet their tax obligations without facing unnecessary barriers. Furthermore, providing education and support to SMEs about the benefits of formalization, tax compliance, and the availability of tax relief programs is crucial in fostering a positive relationship between businesses and tax authorities.

The need for such reforms is underscored by the challenges SMEs face in the region, where limited access to credit and complex tax systems discourage many from entering the formal economy. If SMEs are to thrive, governments must not only implement tax relief programs but also invest in measures that lower the barriers to compliance, create more predictable tax environments, and offer better access to financial resources. Tax amnesty programs, when designed in conjunction with institutional reforms and broader efforts to support the SME sector, can serve as a valuable tool for improving tax compliance and fostering a more inclusive economic environment.

In conclusion, while tax relief programs, including tax amnesties, have demonstrated short-term success in generating government revenue and encouraging SME participation in the formal economy in Southern Africa, their long-term impact is often limited by a lack of sustained compliance. The mixed results from studies like that of Mpundu and Mukuka (2018)^[24] highlight the need for such programs to be coupled with institutional reforms that enhance the tax administration system, improve support for SMEs, and create a more favorable environment for business growth and formalization. Without these complementary reforms, the potential for tax relief programs to drive meaningful and lasting improvements in tax compliance among SMEs remains constrained.

National Perspective: Zambia's Tax Amnesty Program

Zambia's Tax Amnesty Program, launched in 2018, targeted alleviating the heavy tax compliance burden faced by SMEs in Zambia, many of which were struggling to thrive in an economic environment characterized by high inflation,

currency depreciation, and a complex and often opaque tax system. In this context, the tax amnesty was seen as a strategic tool to encourage SMEs to formalise their operations, reduce tax arrears, and ultimately contribute to improving the country's revenue collection. According to ZRA, the tax amnesty was considered a success in terms of immediate revenue generation, with over 10,000 SMEs benefiting from the program by the end of 2018 (ZRA, 2019). This represented a notable number of businesses that took advantage of the opportunity to settle their tax debts, thereby improving their compliance status and contributing to the country's tax base.

However, the long-term effectiveness of Zambia's Tax Amnesty Program has been the subject of significant academic scrutiny. A study conducted by Chileshe and Chirwa (2020) [8] analysed the short-term impact of the program on SME tax compliance and found that, although the amnesty resulted in a notable increase in tax revenue, the long-term impact on the SMEs' willingness to consistently meet their tax obligations remained limited. The authors argue that this short-term boost in compliance was not sustained due to the absence of follow-up measures after the amnesty period ended. They noted that many SMEs returned to previous patterns of non-compliance once the amnesty period concluded, as there were no strong incentives or enforcement mechanisms in place to ensure continued compliance. Additionally, the lack of ongoing tax education and awareness programs for SMEs was identified as a significant barrier to sustaining the positive effects of the tax amnesty. Without proper education on the benefits of consistent tax compliance and the consequences of evasion, many SMEs were less likely to internalize the lessons of the amnesty and maintain regular tax payments after the program's conclusion.

In contrast to Chileshe and Chirwa's findings, a more recent study by Phiri (2023) [27] presents a somewhat more optimistic view of the program's impact on the financial health of SMEs. Phiri's study found that the tax amnesty contributed to improving the financial position of some SMEs by reducing their outstanding tax liabilities. This, in turn, enabled these businesses to reinvest in their operations, improve their cash flow, and potentially grow their businesses. For some SMEs, clearing their tax arrears through the amnesty allowed them to overcome financial bottlenecks and focus on long-term business development. However, Phiri also highlighted several challenges that limited the program's overall effectiveness. Despite the benefits, a significant number of SMEs failed to fully capitalize on the opportunity to clear their tax liabilities due to factors such as a lack of awareness about the amnesty, bureaucratic hurdles in the application process, and a deep-seated mistrust of government institutions. These factors prevented many businesses from engaging with the program, which in turn undermined its potential to achieve broad-based improvements in tax compliance.

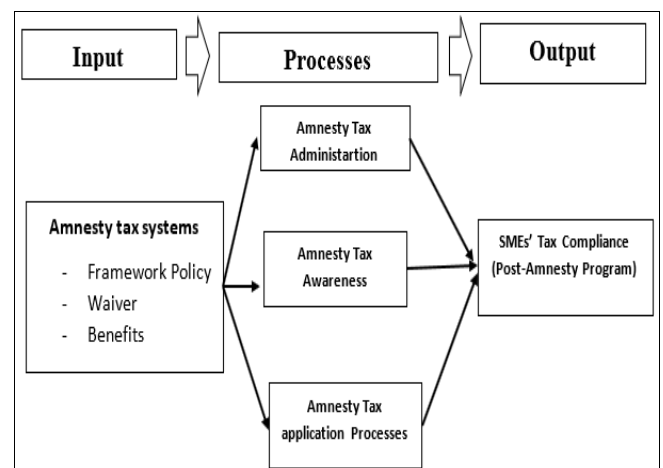
Phiri's study emphasises that for tax amnesties to have lasting success in Zambia, they must be accompanied by broader efforts to build trust between SMEs and tax authorities. Building this trust is essential, as SMEs may be hesitant to engage with the tax system due to historical experiences of perceived unfair treatment or inefficiencies within tax administration. Additionally, the study calls for tax system reforms that simplify the regulatory environment and make compliance less burdensome for SMEs. Phiri

suggests that tax amnesties alone will not be sufficient to transform the tax culture among SMEs; rather, a comprehensive approach is needed, one that combines immediate relief measures, such as tax amnesties, with long-term efforts to streamline the tax process, improve taxpayer education, and foster greater transparency and accountability within Zambia's tax system.

In conclusion, Zambia's 2018 Tax Amnesty Program had a significant short-term impact by increasing tax revenue and helping some SMEs improve their financial standing. However, its long-term effectiveness was hindered by the absence of follow-up measures, a lack of widespread awareness, and distrust between SMEs and tax authorities. Studies like those by Chileshe and Chirwa (2020) [8] and Phiri (2023) [27] suggest that while tax amnesties can serve as effective tools for addressing immediate tax arrears, their sustainability and broader impact on SME tax compliance will depend on complementary reforms that build trust, simplify the tax system, and promote ongoing taxpayer education. These reforms are essential if Zambia's tax relief programs are to achieve lasting improvements in tax compliance and contribute to the overall growth of SMEs in the country.

Conceptual framework

The conceptual framework provides a clear understanding of the study's independent and dependent variables.



Source: Author

Figure 1: Conceptual framework

Research Methodology

Research Design

A research design refers to a comprehensive plan or blueprint that outlines the methods and strategies employed to collect and analyse data relevant to specific research questions or variables. It provides a systematic approach to conducting research, ensuring that the data collected is accurate, reliable, and relevant to the study's objectives. Various types of research designs exist, including experimental, correlational, descriptive, and exploratory designs, each suited for different types of investigations (Creswell, 2014). Given the nature of this particular study, which aims to evaluate the effectiveness of Zambia's Tax Amnesty Program for SMEs, the researcher opted to use a survey research design, a design particularly effective in gathering data from a large population in a structured and standardised manner.

The survey design was chosen because it allows the researcher to collect data from a broad and representative sample of SMEs, making it possible to obtain generalizable results regarding the level of participation, tax compliance behaviors, and the program's impact on tax revenue. By utilising a survey, the researcher could access a diverse range of SMEs from different sectors and geographic locations within Lusaka CBD, ensuring that the findings accurately reflect the varied experiences and challenges of tax compliance. This approach was particularly advantageous for gathering quantifiable data, which would provide clear insights into the effectiveness of the tax amnesty program.

Research philosophy

The study adopted a positivism research approach. Positivism is the research philosophy most commonly associated with quantitative studies, as it posits that knowledge is derived from observable phenomena and that objective reality exists independently of human perception. Researchers adhering to positivism focus on collecting numerical data through experiments, surveys, or statistical analyses to identify patterns, relationships, and generalizable findings (Creswell, 2014). In the context of quantitative research, positivism assumes that objective reality can be measured or observed through empirical data, and that value-free research is possible, meaning that the researcher's biases should not influence the data collection or analysis process. The approach emphasizes the use of scientific methods, such as hypothesis testing, statistical modelling, and experimentation, to uncover universal laws or principles. Furthermore, positivism asserts that causality and correlations between variables can be established through numerical data and statistical techniques, such as regression analysis. The ultimate goal is to achieve generalizability of results and uncover patterns that can be applied to larger populations (Creswell, 2014).

Research approach

The quantitative approach involved the use of structured questionnaires designed to collect numerical data on specific variables such as the rate of participation in the tax amnesty program, the amount of tax revenue generated through the program, changes in tax compliance behavior, and other relevant indicators of the program's impact. The structured nature of the questionnaire ensured that data was collected in a consistent manner across all respondents, facilitating the application of statistical analysis techniques to identify trends, correlations, and potential causal relationships. The quantitative data provided concrete evidence regarding the success of the program in terms of increasing tax compliance and generating government revenue.

The data collected from the survey was subjected to rigorous statistical analysis. Descriptive statistics were used to summarize the data, including frequencies, percentages, and measures of central tendency (mean, median, and mode), which helped in understanding the general distribution of responses. Inferential statistics, which is correlation analysis, were employed to examine relationships between variables and determine the statistical significance of observed patterns. These methods allowed for a robust evaluation of the program's effectiveness and helped answer the research questions regarding the impact

of the tax amnesty on SME tax compliance and government revenue.

By focusing solely on a quantitative approach, the research design ensured that the study was able to provide objective, measurable evidence regarding the effectiveness of Zambia's Tax Amnesty Program. The use of statistical methods allowed for a comprehensive analysis of large volumes of data, providing reliable results that could be generalized to the broader SME population. Through this structured and systematic approach, the study was able to address the research questions in a clear and precise manner, contributing valuable insights into the success and challenges of tax amnesty programs for SMEs in Zambia.

Sample Size and Sampling Techniques

Creswell (2014) defined a sample size as a subset of the target (or accessible) population that had been systematically selected to represent the entire population. The sample size for this study was determined using the Cochran sample size formula. This formula allowed for the calculation of an ideal sample size based on the desired level of precision, confidence level, and the estimated proportion of the attribute in the population. For this study, a confidence level of 95% was chosen, and the margin of error was set at 5%.

A confidence interval, calculated from the sample data, provided an estimated range of values likely to include the unknown population parameter. This interval was expressed as two numbers, referred to as the confidence limits, with a range in between. The range indicated with a certain level of confidence was expected to contain the true but unknown value of the measured variable in the population. The 95% confidence interval was defined as a range of values for a variable of interest that had a 95% probability of containing the true value of the variable. In other words, it could be stated that there was a 95% certainty that the true value of the measured variable fell within the bounds of the 95% confidence interval (Creswell, 2014).

With the application of the Cochran formula, the target population for this study was identified as 998 SMEs located in COMESA market. One individual from each SME was identified. As of 2023, Lusaka City Council (LCC) indicated that they are 998 SME active traders. To account for practicalities and ensure an adequate sample size, the number was rounded to 1,000. By using the Cochran formula and considering a 95% confidence level and a 5% margin of error, the study ensured that the sample size was sufficiently large to yield statistically significant results, thereby enhancing the robustness of the findings.

n_0 = Sample size and n = True sample

$$n_0 = \frac{Z^2 P(1-p)}{e^2}$$

$$= \frac{1.96^2 (0.5)(1-0.5)}{0.05^2} = 384.16$$

$$n = \frac{n_0}{1 + \frac{n_0 - 1}{N}} = \frac{384.16}{1 + \frac{384.16 - 1}{1,000}} = 277.74 = 278$$

Data Collection Methods

Primary sources were first-hand recordings of data or the actual data themselves. Primary data consisted of data obtained directly from the field, from selected respondents for the study. These primary sources enabled the researcher

to provide answers to the questions posed by the study. Concerning the method used to gather primary data, questionnaires primarily consisted of close-ended questions that were administered to the respondents in person. The questionnaire for this study consisted of close-ended questions using a five-point Likert scale. The first part included demographic questions for the participants, which covered information such as age, gender, and position within the organization. Participants were asked to rate their level of agreement with each statement using the following scale: 1 denoted strongly disagree, 2 denoted disagree, 3 denoted neutral, 4 denoted agree, and 5 denoted strongly agree. Secondary sources referred to published works of others, including books, reports, organizational and academic surveys, statistics, journals, newspapers, and online information from the internet, all of which were relevant to the topic of study.

Data Collection Procedure

A self-administered, structured questionnaire was used to gather data from respondents for the study. The researcher obtained permission from the manager at the station under study. The permission allowed the researcher to use their premises for the study. Each respondent was made to fill out a questionnaire after a brief introduction and explanation of the study’s objectives. The research questionnaires were distributed during business hours.

Data Analysis

In this study, a quantitative method was used to analyze the data. The analysis process was carried out with the aid of the Statistical Package for Social Sciences (SPSS) software, a powerful tool for data management and statistical analysis. Once the data was entered into SPSS, a raw data summary sheet was prepared, which was later included as an appendix to provide transparency and allow for detailed reference by readers.

The analysis began with data summarization, which was primarily done through the use of frequency tables. These tables provided a clear overview of how often specific responses or data points occurred within the sample, offering a straightforward way to summarize the collected information. Each of the frequency tables was then carefully examined and interpreted in the context of the study’s research questions and objectives. The interpretation aimed to identify patterns, trends, or correlations that could provide insights into the effectiveness of Zambia’s Tax Amnesty Program for SMEs.

To enhance the analysis process, the data was collated and categorised based on common themes or similar responses. Responses from participants were grouped together based on shared characteristics, which helped to facilitate deeper analysis and better data presentation. This process allowed the researcher to focus on specific subsets of the data that provided more detailed or relevant insights into particular aspects of the study.

Ethical Consideration

The study was conducted with a strong adherence to ethical considerations. Each respondent was first informed about the purpose and objectives of the study, as well as the nature of the questionnaires to be administered. After explaining the objectives of the study, respondents were assured of

anonymity and confidentiality before being given the questionnaire. Regardless of the data collection techniques employed, the researcher adhered to several ethical principles throughout the study. Ethics, in this context, referred to what was considered right and wrong in a professional setting.

Results

Demographic information

The data provides a detailed analysis of the gender distribution of participants involved in the study, offering insights into the demographic composition of the sample. A total of 278 respondents were included in the study, among these respondents, 82 individuals, or 29.5% of the total sample, identified as male. On the other hand, 196 individuals, representing 70.5% of the sample, identified as female.

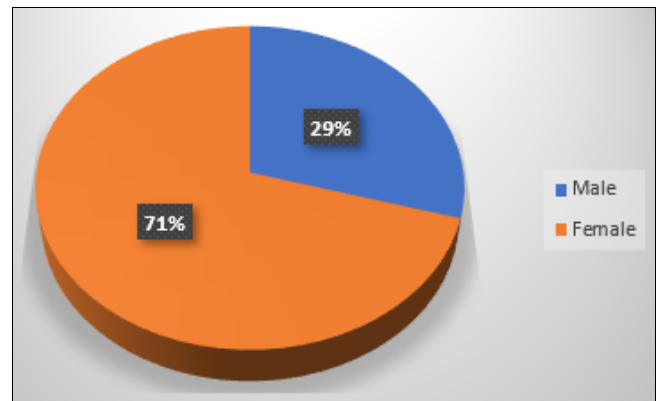


Fig 1: Gender distribution

Tax amnesty awareness among SMEs

A total of 201 participants, or 72.3% of the sample, reported being aware of tax amnesty programs. This indicates a strong awareness of tax amnesty among the majority of participants, suggesting that tax amnesty initiatives have reached a significant portion of the population. The cumulative percentage for this group reaches 72.3%, meaning that up to this point, 72.3% of the respondents are aware of the tax amnesty. 77 participants, or 27.7% of the sample, indicated that they are not aware of tax amnesty programs. While this group represents a smaller portion of the population, it still reflects a notable segment of the population that has not been exposed to or informed about such programs.

Table 1: Amnesty tax awareness

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	201	72.3%	72.3%	72.3%
No	77	27.7%	27.7%	100.0%
Total	278	100.0%	100.0%	

Lack of clear communication by authorities (ZRA) to SMEs

A total of 54 participants, or 19.4% of the sample, disagreed with the statement about a lack of clear communication. This group represents a smaller portion of the sample, indicating that some participants feel that communication regarding tax amnesty is not lacking in clarity.

The cumulative percentage for this group reaches 19.4%, meaning that up to this point, 19.4% of respondents have expressed disagreement with the statement. 77 participants, or 27.7% of the sample, chose a neutral stance on the issue. This suggests that a significant portion of the respondents neither agreed nor disagreed with the statement, possibly indicating uncertainty or indifference about the clarity of communication. The cumulative percentage for this group reaches 47.1%, meaning that almost half of the sample (47.1%) either disagrees or remains neutral on the matter. 63 participants, or 22.7% of the sample, agreed with the statement, suggesting that these individuals believe there is a lack of clear communication regarding tax amnesty. The cumulative percentage for this group reaches 69.8%, meaning that by this point, 69.8% of respondents either disagree, remain neutral, or agree with the statement. The largest group, 84 participants, or 30.2% of the sample, strongly agreed that there is a lack of clear communication. This suggests that a significant portion of the sample perceives a serious issue with the clarity of communication regarding tax amnesty. The cumulative percentage for this group reaches 100.0%, indicating that by the end of this category, all participants are accounted for across the response categories.

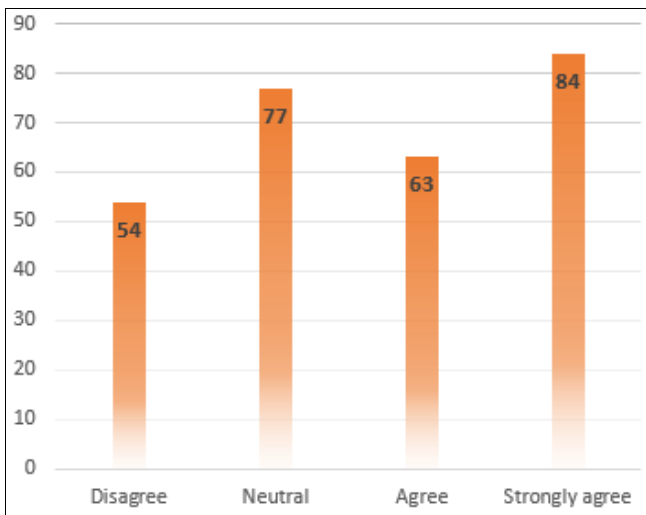


Fig 2: Lack of clear communication

The relationship between Tax Amnesty systems and tax compliance

The Pearson correlation coefficient between improved compliance and tax amnesty systems is 0.570, which indicates a moderate positive relationship between these two variables. This value suggests that as tax amnesty systems are implemented or enhanced, there is a tendency for tax compliance to improve. The correlation strength is moderate, implying that while there is a relationship between the two variables, it is not perfect or extremely strong.

The p-value for the correlation is 0.000, which is less than the standard significance threshold of 0.01. This indicates that the correlation is statistically significant at the 0.01 level (2-tailed), meaning that the relationship between tax amnesty systems and improved compliance is unlikely to have occurred by chance. The sample size used for this analysis is 278, which reflects data gathered from 278 observations.

Table 2: Correlation between compliance and amnesty

		Improved compliance	Tax amnesty systems
Improved compliance	Pearson Correlation	1	.570**
	Sig. (2-tailed)		.000
	N	278	278
Tax amnesty systems	Pearson Correlation	.570**	1
	Sig. (2-tailed)	.000	
	N	278	278

The relationship between Tax Amnesty administration and compliance

The Pearson correlation coefficient between improved compliance and tax amnesty administration is 0.847, which indicates a very strong positive relationship between these two variables. This high correlation suggests that as the administration of tax amnesty systems improves, there is a significant increase in tax compliance. The relationship is strong, implying that effective management and implementation of tax amnesty programs are closely linked to higher levels of compliance.

The p-value for this correlation is 0.000, which is below the standard significance threshold of 0.01. This indicates that the correlation is statistically significant at the 0.01 level (2-tailed), meaning that the observed relationship between tax amnesty administration and improved compliance is unlikely to have occurred by chance.

The sample size for the analysis is 278, reflecting data from 278 observations. This large sample size helps ensure the robustness and reliability of the correlation result.

The analysis indicates that there is a statistically significant positive relationship between tax amnesty administration and improved compliance. Specifically, improvements in the administration of tax amnesty programs are strongly associated with better compliance with tax regulations. The strength of the correlation (0.847) underscores the importance of effective tax amnesty administration in driving compliance.

This finding suggests that policymakers and tax authorities should focus on improving the administration of tax amnesty programs, as efficient and well-managed systems are likely to lead to higher levels of tax compliance. Ensuring that tax amnesty systems are administered transparently and efficiently could significantly contribute to formalizing businesses and increasing overall tax compliance.

Table 3: Correlation between administration and amnesty

		Improved compliance	Tax amnesty administration
Improved compliance	Pearson Correlation	1	0.847**
	Sig. (2-tailed)		0.000
	N	278	278
Tax amnesty administration	Pearson Correlation	0.847**	1
	Sig. (2-tailed)	0.000	
	N	278	278

Conclusions and recommendations

Conclusions

This study has provided a comprehensive analysis of the Zambian Tax Amnesty Program and its impact on Small and Medium Enterprises (SMEs). The research aimed to evaluate how the structure and administration of tax amnesty initiatives affect turnover tax compliance levels among SMEs and, in turn, contribute to their financial stability and long-term growth. The findings from this study reveal several key insights that are crucial to understanding the relationship between tax amnesty and SME financial performance.

Effects of the Tax Amnesty Program on SME Turnover Tax Compliance

The study found a strong correlation between well-administered tax amnesty programs and increased tax compliance among SMEs. Clear communication, transparency, and a simplified administrative process significantly enhance participation. SMEs that understand the benefits of amnesty programs are more likely to comply, leading to improved tax revenue collection and a more formalized economy. This underscores the importance of structuring tax amnesty programs in a way that is accessible and easy to navigate for small businesses.

Furthermore, the research revealed that SMEs that successfully cleared their tax liabilities through the amnesty program were more likely to continue adhering to tax regulations. The removal of accumulated penalties and interest provided a financial incentive for compliance. This finding suggests that amnesty programs should not only focus on past tax obligations but also provide support to ensure ongoing compliance post-amnesty. Implementing simplified tax filing systems and continuous advisory services can further reinforce this compliance.

Factors Contributing to Low Participation in the Tax Amnesty Program

Despite the potential benefits, some SMEs remain hesitant to participate due to trust issues, lack of awareness, or concerns about affordability. Many businesses perceive tax amnesty programs as complex or fear unexpected repercussions after participation. The study highlights the need for targeted outreach and education efforts to address psychological and behavioral barriers to participation. By improving clarity around amnesty policies and ensuring that commitments made by tax authorities are upheld, participation rates could improve.

Additionally, the research identified regulatory burdens and limited access to financial resources as critical obstacles to participation. Many SMEs operate in an environment with high operational costs and uncertain cash flow, making it difficult for them to take advantage of amnesty opportunities even when they recognize the benefits. Addressing these external challenges by providing flexible payment plans or financial assistance mechanisms could encourage greater participation in future programs.

Strategies for Enhancing SME Participation in Future Tax Amnesty Programs

To ensure greater effectiveness, tax amnesty programs should be part of a broader strategy to support SMEs. This includes providing ongoing tax education, simplifying compliance procedures, and integrating amnesty programs

with other financial support mechanisms. Government agencies must take proactive steps to build trust among SMEs, ensuring that they view tax compliance as beneficial rather than punitive.

Recommendations

To maximise the effectiveness of tax amnesty programs, the government should place a greater emphasis on enhancing communication efforts targeted specifically at SMEs. Clear, concise, and easily accessible information is critical in ensuring that SMEs fully understand the program's benefits and how to participate. This can be achieved through various means, including targeted advertising campaigns, informative workshops, and community outreach initiatives. Engaging SME associations, local business groups, and industry leaders in the dissemination of information can also increase trust and participation. It is important that the messaging is tailored to different sectors and business sizes, addressing specific concerns and challenges unique to each group. In addition, the use of digital platforms, such as social media, email newsletters, and the ZRA website, can play a vital role in reaching a wider audience. By fostering awareness and trust, SMEs are more likely to recognize the potential benefits of tax amnesty, such as reducing tax debt and avoiding future penalties, thereby improving overall participation rates.

Simplification of Tax Processes

The complexity of tax filing and payment processes is often a major barrier for SMEs, especially those with limited resources or financial expertise. To improve tax compliance and encourage greater engagement with tax amnesty programs, the government should simplify the overall tax system for SMEs. This involves streamlining tax filing procedures, reducing the paperwork required, and implementing user-friendly digital platforms that make it easier for businesses to file returns and make payments. Additionally, clear and straightforward guidelines on tax obligations and how to participate in tax amnesty programs should be provided. Providing accessible support mechanisms, such as a dedicated helpline or assistance desk for SMEs, could further reduce the burden on business owners. Tax authorities could also offer simple step-by-step instructions for filing taxes and paying outstanding dues, ensuring that even the smallest businesses, with minimal administrative capacity, can easily navigate the system. Simplifying these processes would lower the barriers to compliance, making it easier for SMEs to engage with the tax system and participate in tax amnesty programs.

Strengthening Tax Amnesty Administration

The effectiveness of future tax amnesty programs heavily depends on the strength of their administration and implementation. To improve participation and overall outcomes, the government must ensure that the administration of tax amnesty programs is efficient, transparent, and accessible. This can be achieved by ensuring that the amnesty process is clearly outlined, with straightforward eligibility criteria and clear instructions for SMEs on how to apply. Additionally, the government should make certain that the incentives of the program, such as the cancellation of penalties and interest, are well-communicated and understood by SMEs. The process for claiming these incentives should be simple, transparent, and

fair, without unnecessary delays or bureaucratic hurdles. Furthermore, the ZRA should invest in training tax officers and administrators to handle the program effectively, ensuring they are equipped to provide the necessary support and guidance to SMEs. Ensuring that the program runs smoothly, with minimal disruption and clear expectations, will help build confidence in the system and encourage more SMEs to participate, ultimately improving tax compliance rates

Continuous Monitoring and Evaluation

To ensure that tax amnesty programs are meeting their objectives and continue to deliver value to both the government and SMEs, it is essential for the government to implement a system of continuous monitoring and evaluation. Regularly assessing the effectiveness of these programs allows for timely adjustments based on feedback from SMEs and insights from tax compliance data. Monitoring efforts should include tracking SME participation rates, the amount of tax revenue collected, and any changes in SME tax behavior following the amnesty period. By gathering and analyzing this data, policymakers can determine whether the program is achieving its intended goals, such as increased compliance and enhanced financial stability for SMEs. Additionally, feedback from SMEs can provide valuable insights into any barriers or concerns they encounter during the amnesty process, allowing the government to make informed adjustments for future initiatives. This ongoing evaluation will not only ensure the programs remain relevant and impactful but also help identify any emerging trends or challenges that may require attention. Regular evaluation and refinement of tax amnesty programs are key to ensuring their long-term success and maximizing their potential to improve tax compliance among SMEs.

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