UNIVERSITY OF KWAZULU-NATAL

EVALUATING THE EFFECTIVENESS OF TAX COLLECTION SYSTEM AT CUSTOMS AND EXCISE IN LESOTHO

By

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DECLARATION

I Ntsoaki Ramakhula, hereby declare that this research thesis is my own work, all references sources have been accurately reported and acknowledged and that this document has not previously been submitted to any university for academic qualification

Signed 096892

Date

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ABSTRACT

Lesotho Revenue Authority became operational in January 2003, when introducing the Authority the main aim was to increase revenue effectively through acquisition of skilled staff, increase integrity and effective use of automated systems. However, it seems that some of the systems that the department employs to collect revenue are not effective. There are no legal frameworks in place to ensure that regulations are enforceable. Performance appraisal is not practiced. There is no adequate publicity to make taxpayers aware of tax policies and compliance. This paper examines the effectiveness of tax collection system at customs and excise.

This study is a qualitative case study approach. Most of the primary data will be collected from the use of open ended questionnaires and in-depth interview schedules which make an allowance to a greater internal between the researcher and the interviewee. A sample of 50 employees was used with the objective that employees were chosen on the basis of knowledge of the organisation and therefore purposive sampling was used. Descriptive statistics was used to analyse data and it included frequency distribution whereby the responses were presented in a tabular form and bar charts.

The research findings revealed that department of Customs and Excise does not have an effective system for its collection of tax. Their administration is very poor performance appraisal is not practiced and there is not enough publicity on tax policies and compliance. In order to improve the effectiveness of the system, Customs and Excise should consider setting new policies and regulations which are in line with their current operation. Performance appraisal and reward system should also be taken into consideration to improve efficiency among the employees and lastly the use of different radio stations should be considered as awareness campaign on tax policies and compliance.

ABBREVIATIONS

SADC: South African Developing Countries

LRA: Lesotho Revenue Authority

SARS: South African Revenue Services

DFID: Department for Internal Development

SACU: Southern African Customs Union

RA's: Revenue Authorities

CHAPTER 5 : RECOMMENDATIONS AND CONCLUSIONS

CHAPTER 1: PROBLEM STATEMENT AND RESEARCH DESIGN

1.1 INTRODUCTION

Tanzi&Zee (2001) indicated tax as a financial charge imposed on an individual by the government; taxes are usually collected by governmental agency, and have been used by government to fund welfare and public services. Taxation has also been used by different countries to carry out functions such as operational costs involved in the running of the government. Because of its importance, most countries have introduced the independent revenue authorities to collect tax on behalf of the government. Tax importance has been emphasised by the South African Developing Countries (SADC) memorandum of understanding tax (2002), which indicates that tax incentives are fiscal measures that are used to attract local or foreign investment capital to certain economic activities in a country.

Lesotho is no exception in ensuring that the country collects as much revenue to carry out the functions involved in running the government. Lesotho government therefore introduced the Lesotho Revenue Authority (LRA), which became operational in 2003 as an agency of the government responsible for the assessment, collection of tax on behalf of the government of specified revenue and for administration and enforcement of laws relating to such revenue. (www.centralbank.org.ls).

However there is an observation that many developing countries encountered difficulties when introducing such independent revenue authorities, when revenue of tax administration is compromised revenue collection suffers. Fjeldstad (2003) argues that, experience from other countries has underlined the positive impact of semi-autonomous revenue on tax collection. The rationale for a separate Revenue authority is limiting political interference by the Ministry of Finance and freeing the revenue administration from constraints of public service system. The establishment of Revenue Authorities in Uganda lead the doubling revenues collected in the 1990's, and in South Africa South African Revenue Service (SARS) had also achieved its targets within the first months.

The above examples of Uganda and South Africa illustrate that efficiency and effectiveness of Customs Authorities can be improved markedly with the introduction of independent authorities. However in Lesotho's case the taxation system has undergone major revision in recent years when it was still under the Ministry of Finance. Due to declining Customs Revenue weakness in tax collection structures, the government had to review structures and administration, and LRA was established. But it seems that, even though revenue collection has improved, the system is not efficient enough to collect revenue. This study will therefore evaluate effectiveness of tax collection.

Furthermore, Robert et al. (2004) indicated that, tax knowledge is not a clear construct, but attitudes towards taxation are even more problematic. He further asserts that knowledge can result in a better agreement between how taxpayers conceive tax system and what the situation really is. Knowledge can also improve taxpayer's attitudes and perceptions; the potential benefit is tax compliance behaviour. This importance is further acknowledged by SARS which indicated its 2007 annual report that it has earmarked education as a key area to improve tax compliance. However in Lesotho's case, taxpayers do not seem to have a clear understanding of tax policies and compliance. This study will therefore establish awareness campaign about tax policies and compliance.

The report of Department For Internal Development DFID (2007), also states that where revenue authorities do not set policy frameworks within revenue, and so do not control the policy incentive at their disposal there are nevertheless numerous operational incentives which can be taken in order to render the countries in which they operate relatively attractive to investors, and to encourage increased voluntary compliance and revenue collections, with Lesotho Revenue Authority are there any legal frame work in place to ensure that regulations are enforceable? This study will therefore evaluate the current tax policies at Customs and Excise.

Against this backdrop the proposed study sets out to determine how Customs and Excise collect its taxes, the aim is to evaluate the efficiency of this system in order to recommend possible and better ways of improving the system.

1.2 BACKGROUND TO THE STUDY

The subject of this study is based on the department of Customs and Excise as one of the main departments in the Lesotho Revenue Authority. Declining revenue weaknesses in tax collection structures was the main reason why the government had to establish autonomous revenue. The intention was to improve revenue through acquisition of skilled staff, increased integrity and effective use of automated systems. The department of Customs and Excise is responsible for the administration and collection of import value added tax at the borders. Taxes collected by the department of customs and excise are:

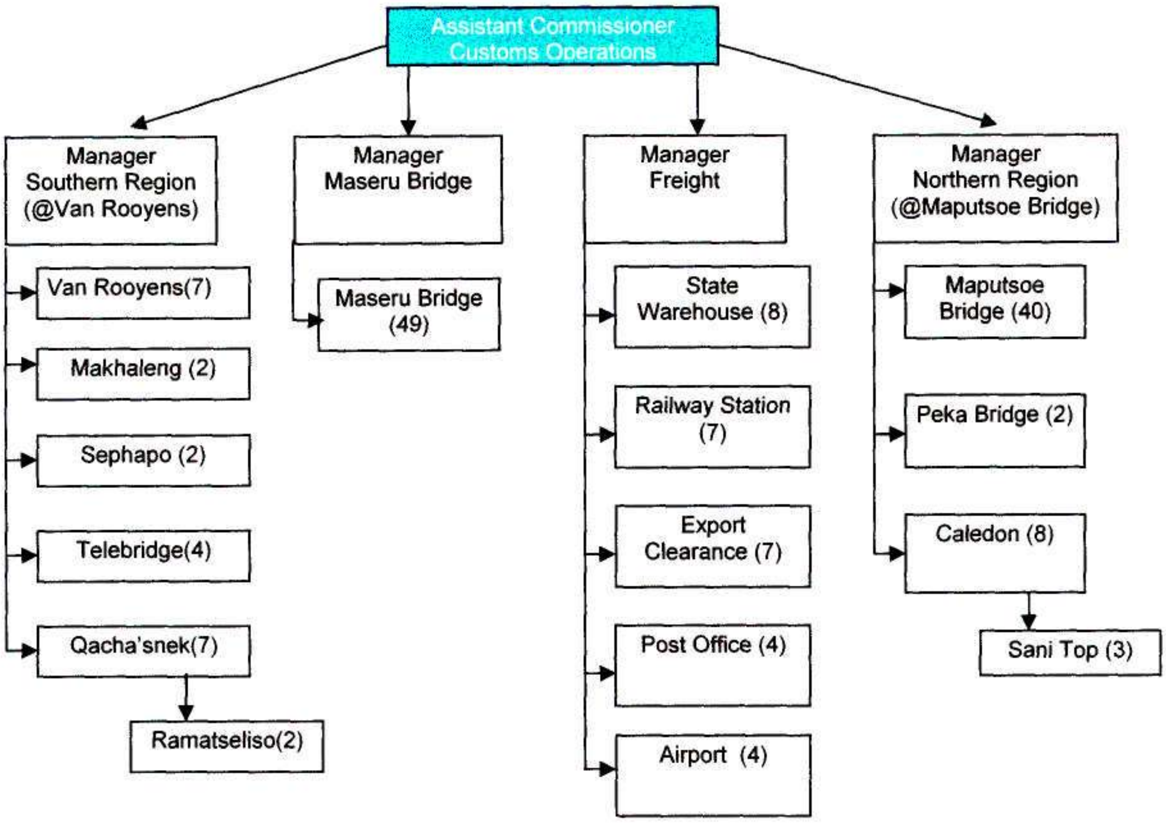
- Excise duties on selected manufacturers.
- Import value added tax on all taxable imports
- Funds due from South African Customs Union (SACU) pool.
- Customs duties from non-SACU countries

The mission statement of Lesotho Revenue Authority states that staff has to be efficient and effective whilst producing quality and responsible services to taxpayers, working in partnership to reduce burden of paying tax whilst ensuring that the country receives its rightful dues in order to build sustainable development for its people. This mission statement is derived from section 5(2) of the LRA Act 2001.

Economic growth of a country is very important because the standard of living of its citizens will improve. Lesotho, as one of the least developing countries in the SADC region, is expected to benefit a lot from the establishment of an independent revenue authority. Customs and Excise department administers the Customs and Excise act, 1982 and other laws of Lesotho that are related to import of goods and their control. In order to be effective and contribute to economic growth of a country, the department has to perform the following:

- Regulating and controlling of imports and exports
- Facilitation of trade, and movement of goods Provision of statistical data to government to imports and exports
- Implementation of international instruments such as the SACU agreement.

Organisational structure of Customs and Excise in Lesotho



Source :(www.lra.org.ls)

1.3 MOTIVATION OF THE STUDY

This study has been motivated by lack of efficiency in tax collection at Customs and Excise. Lesotho Revenue Authority has been established in 2003 as an agency of the government responsible for the assessment, collection of tax on behalf of the government of specified revenue and for administration and enforcement of laws relating to such revenue. Therefore the researcher was motivated by the fact that the previous studies which conducted research on taxation did not cover the area in broad spectrum, there was a need to carry on what did other researchers did not cover.

1.4 PROBLEM STATEMENT

This section is composed of the overall general statement of problems, which is subdivided into sub-problems that can be tested.

1.4.1 Overall problem statement

As indicated by the Central Bank of Lesotho (2004), the main purpose of introducing the authority was to improve revenue collection with the intention to increase effective use of automated systems. The mission statement of Lesotho Revenue Authority states that the staff has to be efficient and effective whilst producing quality and responsible services to taxpayers, however it seems that even though revenue collection has improved, the employees are not efficient enough to collect revenue.

The above statement was observed by large number of Basotho who go to South Africa for business purpose and thus help the economies of the nearby towns, but people experience problems when they cross the border due to long queues and slow service. The staff seems to be inefficient, people complain that they are hostile and they apply stringent border controls, the behaviour is caused by border infrastructure that is very poor and this demotivates staff. People need to be motivated at work so that they can be efficient.

It is important that people declare the goods that they bought from outside Lesotho. But it seems people do not have a clear understanding of how important tax collection is to their country, because they do not declare goods at the borders.

As indicated by Central Bank of Lesotho report (2004), the main purpose of introducing the authority was to improve revenue effectively through measures that suits the country's needs, however it seems that some of the procedures that the authority employs to collect revenue are flawed. For example, recent study indicated that the attempt to require customs gate passes was found to be unenforceable at Maseru Bridge, and would not in case have brought in significant additional customs or tax revenue.

It does not appear that any increase in the monitoring of customs and tax regulation would justify the budgetary resources and major in convenience to the general travelling public that such monitoring would incur. Over and above that there is no adequate legal framework in place to ensure that tax regulations are enforceable. Despite the fact that the department tries to achieve its objectives, one can conclude that the system of tax collection is not effective at Customs and Excise Lesotho.

1.4.2 Sub problems

- Relationship between regulation and tax system.
- Reward system and performance of employees.
- People do not understand importance of tax policies and compliance

1.5 OBJECTIVES

The main purpose of the study is:

- To evaluate the current system of collecting tax at Customs and Excise.
- To evaluate the performance of employees at Customs and Excise.
- To establish awareness campaign on tax policies and compliance.

1.6 RESEARCH DESIGN

Leedy&Ormrod (2005) indicates that a qualitative case study approach may be suitable for learning more about a little known or poorly understood situation. This includes interviews and the researcher spends an extended period of time and interacts with people who are being studied.

Qualitative research provides rich and detailed information about entities involved in event, interaction that allows us to describe, interactions in event contexts, in the case of humans interactions in specific social contexts. There is strong cognitive dimension in qualitative research because interviewees /respondents report events.

Therefore in this qualitative study the intention is to find out on the effectiveness of the tax collection system at Customs and Excise department in Lesotho and to establish the effectiveness of the system. The rationale behind is that it will enable the researcher to understand what goes on at Customs and Excise department.

By its nature, a case study approach tends to seek a range of different kinds of evidence in order to answer the research questions, the approach is chosen because it is suitable when time and resources are limited. In this case study, data will be collected from individual staff members, programs and events on which the investigation is focused. Information will be gathered from both secondary and primary sources such as:

- Observation
- Interviews
- Published documents
- Previous research

Most of the primary data will be collected from the use of open ended questionnaires and in-depth interview schedules which make an allowance for a greater interaction between the researcher and interviewee. In - depth interviews are particularly appropriate in the case whereby.

- The respondents are busy and the researcher cannot afford to lose them at the same time they are available.
- The subject matter is highly sensitive (face to face interview).
- The sample involved is small
- Questions are open and require an extended response and clarity.

For purpose of this study, internal records include among others, documents such as policy manuals of Customs and Excise. These would be useful in giving a clear background of the authority, its structure, functions and it can help the researcher to understand the procedures.

1.6.1 How the literature survey will be conducted

To conduct the literature survey, resources such as the electronic journals that the school subscribes to will be used; different websites from the Internet can also be used.

The review of the literature as suggested by Cooper & Schindler. (2003) will begin with the discussion of the related literature from specific studies that are associated with problem being addressed. The aim will be to look at conclusions and recommendations of other studies and how they define the key concept of the subject.

These findings will be used:

- To establish the context of the problem.
- To understand the structure of the problem
- To relate theories and ideas to the problem by showing which theories have been applied.
- Rationalize significance of the problem.

Attention will also be placed on finding relevant data from previous research and this will identify as to which research designs and method could be applied in the current study. Literature review will highlight the areas that have been covered by previous researchers and they will be used to establish a theoretical framework, which will help to define the problem, (Cooper & Schindler.2003).

According to Tellis (1997), interviews are one of the most important sources of case study information. There are several forms of interviews that are possible: Open-ended, Focused, and Structured or survey. In an open-ended interview, key respondents are asked to comment about certain events. They may propose solutions or provide insight into events. They may also corroborate evidence obtained from other sources.

Tellis (1997) further indicated that, the researcher must avoid becoming dependent on a single informant, and seek the same data from other sources to verify its authenticity. Therefore this case study approach will focus on an in depth form of interview and open ended questionnaire.

1.6.2 How the research instrument will be designed

The research instrument will be guided by the review of the literature. From the review the researcher will identify the areas that need to be addressed. In drawing the interview guide and the questionnaire, care will be taken to ensure that the questions are appropriately constructed.

There are certain steps that should be taken into consideration when designing a research instrument. The following are steps in designing a questionnaire or interview guide:

Designing a good questionnaire always takes several drafts. In the first draft the researcher should concentrate on the **content**. Secondly look critically at the **formulation and sequencing of the questions.** Then scrutinize the **format** of the questionnaire. Finally the researcher should do a **test-run** to check whether the questionnaire gives the information required and whether interviewers as well as respondents feel at ease with it. Usually the questionnaire will need some further adaptation before it can be used for actual data collection. **Design the interview schedule to be 'informant friendly'.**

- The sequence of questions must be logical for the informant and allow, as much as possible, for a **'natural' conversation**, even in more structured interviews.
- At the beginning of the interview a limited number of questions concerning 'background variables' (e.g., age, education, marital status) may be asked.
- As informants may be reluctant to provide 'personal' information and may become worried about confidentiality, or bored by a list of unrelated and, to them, senseless questions, the researcher should be restricted to an essential minimum.
- The researcher may postpone questions on religion until later when cultural questions are being asked. Socio-economic status/ occupation/ incomes questions can also better are postponed until later when you can link them to problems (e.g., low service utilisation).
- Start with an interesting but non-controversial question (preferably open) that is directly related to the subject of the study. This type of beginning should help to

raise the informants' interest and lessen suspicions concerning the purpose of the interview.

- The researcher should pose more sensitive questions as late as possible in the interview (e.g., questions pertaining to income, political matters, sexual behaviour, or stigma experienced in case of stigmatising diseases).
- Simple, everyday language should be used.
- If interviews are carried out in English (or any other secondary language), local terminology should be used for crucial concepts that do not have the exact equivalent in the secondary language(INTERNET5.Accessed24/ 08/2007)

1.6.3 How collection of research data will be ensured

Acquiring high quality data involves careful consideration of many issues. Data may be gathered through individual interviews, focus groups, written surveys, journals, archives, photographs, and field notes, just to name a few. Because of this diversity, it is important to collect the type of data that will most effectively speak to your research questions. Answers to open ended questions will be written down to avoid introducing personal judgements, omissions and effects on what is written down.

Securing top-notch data requires consistent attention to data collection protocol. This includes the honourable handling of participants via strategies such as informed consent and protection of confidentiality. It also requires a careful crafting of tools such as surveys, so respondents are appropriately engaged in a reasonable period of time. A good protocol respects the timing of events in a given setting. (INTERNET.5 Accessed 24/08/2007)

When collecting primary data from interviews, the researcher will make sure that there is consistency in answering the questions, this can only be made possible through a small size of sample that will be used.

1.6.4 How the data will be collected

As indicated in the preceding sections, both primary and secondary data will be used in this study. To gather primary data, in-depth interviewing (usually face to face) and a questionnaire (self administered) to Customs and Excise staff as this instruments are expected to generate more data and makes an allowance for a greater interaction between the researcher and the interviewee; they will also be used as it will help to build reliability into the research. Before these interviews are conducted, written permission will be requested from commissioner of Customs and Excise to use the staff and their responses for the study.

The secondary data for the purpose of this study will be collected from the documents such as policy documents of Customs and Excise and from the reports, government document and opinion related to the subject. Documents such as reports from independent bodies that carried research the same field will be consulted as well.

As Leedy&Ormrod (2005) indicated, data collection in a qualitative study takes great deal of time. Therefore the researcher will record useful data accurately and systematically. The researcher will also begin jotting notes of what they are seeing and hearing.

1.6.5 How the data will be analysed

Data analysis will rely on theoretical framework present the evidence in various ways (Yin 1993).The analysis of data will involve a triangulation, triangulation refers to the use of different data collection method within one study, this is to ensure that data is analysed accurately. A descriptive statistics will be used to analyse data and this will include frequency distribution, whereby the responses will be presented in a tabular form and bar charts.

As data moves through the stages of analysis, it is important to know who has been involved with the data, where the data was located, and when it was moved to another stage. Clear data management processes help ensure the integrity of the data.

Although the analysis usually begins as soon as data is collected, the process is not complete until the coding has been thoroughly examined for relationships and patterns. This includes an understanding of codes that are mutually exclusive, overlapping, and co-occurring (INTERNET.5 Accessed 24/ 8/2007)

1.7 IMPORTANCE OF THE STUDY

It has been observed that systems in collection of tax play an important role in the determination of tax composition and final stronger support for tax smoothing when it is taken into account(INTERNET 4.Accessed 8/2007). Therefore it is of great importance to protect revenue from tax evasion or negligent to pay taxes that are due.

For this reason taxation statutes contain many extensive provisions that empower the commissioner and his staff to collect not only tax that is due but also which may not in law be due. (The taxpayer vol 49.2000).

Furthermore, Eriksen (1996) indicates that, knowledge about tax law is assumed to be of importance for preferences and attitudes towards taxation, level of knowledge seems to important in the way people comprehend the reality underlying taxation and associated attitude to taxation that is expressed. As Robert et al.(2004) indicated, tax knowledge is not a clear construct, but attitudes towards taxation is an even more problematic term, knowledge can result a better agreement between how tax payers conceive tax system and what the situation really is, might also change attitudes towards taxation. What is experienced as unequal treatment by the tax authorities may also be influenced by knowledge of taxation? The experience of unfairness influences that taxpayer's compliance with the tax system. And thereby the inclination towards tax evasion.

In the light of the above, the findings of this study will help in recommending better systems of collecting tax. The study will also provide literature that will benefit similar companies and government that collect revenue. It will also contribute towards strategies that can be used to motivate employees not through increase in salaries but rewarding them hoping to raise their morale and increasing the organisations performance so that collection of tax can be improved.

1.8 OVERVIEW OF THE DISSERTATION CHAPTERS

This paper is comprised of five chapters and it is organised as follows:

1.8.1 Introduction

Chapter one will introduce topic of the study, background of the department of Customs and Excise statement of problems that is the overall problem statement and the sub-problem. The chapter will also discuss the objectives of the study, the methods of collecting data that is how the literature will be collected, how the research instrument will be designed, how collection of research will be ensured how the data will be collected and analysed. The chapter will end up with the importance of the study.

1.8.2 Literature review

Chapter two will analyse the literature related to tax collection system the focus will be more on discussion of the related literature from specific studies that are associated with problem being addressed that is the tax collection system, performance of revenue collectors and importance of tax collection, the aim is to look at conclusions and recommendations of other studies and how they define the key concept of the subject. Literature review will end up by highlighting the areas that have been covered by previous researchers and they will be used to establish theoretical framework, which will help to define the problem that relate to the theoretical framework of the dissertation and to avoid repetition.

1.8.3 Research design and methodology

Chapter three will review in detail methodology and design used in this study, how the instrument (interview schedule and questionnaire) was drawn discussion n the sampling method will taken into consideration it will further discuss how permission to get information from LRA (Customs and Excise) was obtained what were the problems encountered in the collection of data and how they were dealt with. Lastly the chapter will wrap up on how data was analysed.

1.8.4 Data presentation

Chapter four will focus on presenting data and the results of data analysis; it also focuses on theoretical framework from the literature review which will serve as a guideline. Information will then be extracted form interviews and then be analysed.

1.8.5 Conclusions and recommendations.

Chapter five will focus on summarising the findings of the study as well as presenting the recommendations. Limitations of the study will be discussed and answers to the research questions thereafter making the recommendations.

1.9 CONCLUSIONS

This chapter has been an introduction chapter, therefore, has addressed the background and context of the study. It has given the problem that the study aims to address, the objectives and limitation of the study as well as methodology to be applied to collect data.

As indicated, tax incentives are fiscal measures that are used to attract local or foreign investment capital to certain economic activities in a country. Lesotho therefore being one of the developing countries has introduced an independent Revenue Authority, which became operational in 2003 as an agency of the government responsible for the assessment, collection of tax on behalf of the government of specified revenue and for administration and enforcement of laws relating to such revenues. However it seems that some of the procedures that the Authority employs to collect revenue are flawed.

Against this backdrop, the study is intended to evaluate the current system, with the intention to make suggestion on measures that can be taken to collect tax appropriately. The next chapter will cover literature review that is related to the problem.

CHAPTER 2: LITERATURE SURVEY

2.1 INTRODUCTION

Lesotho Revenue Authority became operational in January 2003. It incorporates the functions of the former income tax, Customs and Excise, and Sales Tax departments of the Ministry of Finance and Development Planning. Customs and Excise is one of the three departments of the Lesotho Revenue Authority that collects tax from customs duty. Customs duties are charged on goods that have been bought from countries that are not part of Southern African Customs Union. When introducing the Authority the main aim was to increase revenue effectively through acquisition of skilled staff, increase integrity and effective use of automated systems. However it seems that some of the systems that the department employs to collect revenue are not effective.

The sub-problems:

- Relationship between regulation and tax system.
- Reward system and performance of employees.
- People do not understand importance of tax policies and compliance.

The main purpose of the study is to:

- To evaluate the current system of collecting tax at Customs and Excise.
- To evaluate performance at Customs and Excise
- To establish awareness campaign on tax policies and compliance.

The literature survey will discuss how the literature survey was conducted, the discussion of the related literature and methodologies from specific studies that are associated with problem being addressed, the aim is to look at conclusions and recommendations of other studies and how they define the key concept of the subject. .

2.2 THEORETICAL FRAMEWORK OF THE DISSERTATION.

This section will discuss a theoretical framework, which will also be a reference to the analysis of the results. The section covers three aspects. It addresses the current tax collection system and explains on how revenue authorities operate the tax policies and legal framework of such authorities, as well as marginal tax rates. Secondly it deals with the performance of revenue collectors that is how it can be influenced, reward system for revenue collectors and performance appraisal. Lastly it covers the importance of tax, awareness campaign of such importance, and also discusses revenue and incentives of collecting tax.

2.2.1 Tax collection system

Tax collection is not only important for economic growth. People want and need services like schools, clinics, and roads, taxes are needed to pay for these services. Therefore a good tax collection system is the one which collect enough revenue to fund government services and keep economic growth as well. Previous researchers have shown how tax collection system has been undertaken, that is how revenue authorities operate, this will include how developing countries create their semi-autonomous revenue authorities and the problems they face and how some of SADC countries collect tax. Revenue tax policies and legal framework and the marginal tax rates.

2.2.1.1 How revenue authorities operate

According to Ghebretsadk. (2003), there is evidence that the creation of semi-autonomous tax authorities has enabled some developing countries to dramatically increase tax revenue. Lesotho being one of the least developing countries in a SADC region has introduced Lesotho Revenue Authority for its collection of tax; the Authority is an autonomous body that is responsible for its assessment and collection of tax on behalf of the government of the specified revenue and for the administration and enforcement of laws relating to such revenues.

Ghebretsadk. (2003) further indicated that, these semi-autonomous revenue authorities are created with the aim of generating additional revenue, improving tax system and ensuring more equitable taxation. During the past decade, diverse countries have introduced radical reforms in the way their fiscal bureaucracies conduct taxation on the most pressing national task. The main theme of the current reform of tax system throughout the developing world is that many diverse countries are adopting the same pattern. Each of these countries is being separated from Ministry of Finance and granted the legal status of semi-autonomous revenue authorities.

Despite their similarity in objective there are some variation of organizational design of revenue authorities from country to country, they differ in their legal foundation, governance structures, staffing funding and internal organization. However, there are certain arguments against semi-autonomous revenue authorities. The arguments against revenue authorities are potential for corruption sustainability and necessity.

Mann. (2004) also indicated that, in most developed and developing countries, tax collection is carried out in traditional fashion by line departments within the ministry of finance. However over the past decade there has been an accelerating trend towards establishing semi-autonomous Revenue Authorities (RA's). Tax administration function has been granted to a semi-autonomous entity labelled in public finance literature as revenue authorities.

The characteristics of the revenue authorities include personnel systems outside civil service, self-financing mechanisms. Although each country that has already established the revenue authority has done so under different circumstances. There are similar patterns with respect to underlying political and economic conditions.

In general, some of the revenue authorities in SADC have been greatly dissatisfied with the level and efficiency of revenue collection, especially in the face of fiscal deficit and expanding public expenditure needs.

A core idea behind the introduction of semi-autonomous revenue authorities is their freedom to use incentive structures to impose the degree to which organisational objectives are met. This idea offers no quick fix to a developing country's revenue and tax administration. The mere existence of low revenue/tax ratio, corruption, administrative revenue authority can in principle, recruit, retain and promote quality staff by paying salaries above the civil service regulations, and also easier dismiss staff. It was expected that such steps would provide incentives for greater job motivation and less corruption.

When the autonomy of a tax administration is compromised, revenue authority with comparatively generous remuneration packages and substantial budgets does not protect the authority from political interference. In a situation where there is high demand for corrupt services, it is unrealistic to provide tax officers with pay rates that can compensate for the amount gained through bribery. Without extensive and effective monitoring, wage increase may produce a highly paid but also highly corrupt tax administration.

Tax administration comprises three interrelated activities:

- The identification of tax liabilities based on existing tax legislation.
- The assessment of taxes to determine if the taxes actually paid is smaller than tax liability.
- The collection prosecution and penalty activities that impose sanction on the tax evaders and ensure that taxes and penalties due from taxpayers are collected. Such activities require some degree of autonomy, if tax administration is to effectively enforce a government's tax policies. Moreover they require that tax officers be provided with incentives to perform their tasks in accordance with the objectives of tax administration.

While a semi- autonomous revenue authority may have a sharper focus due to less political interference, the downside of this is that it may take a narrow view of its activities, disregarding its place in the wider civil service context.

In particular, a semi-autonomous authority may prove to be less inclined to align its activities with those of the ministry of finance where the activities of the two conflict or where there is a need for coordination.

A fragmentation of the civil service unit seeks new ways of extracting rents under certain condition, the creation of autonomous agencies will increase corruption in the civil service, as measured by the level of bribes demanded in other areas of government it is surprising that this perspective has by and large been absent from the discussion of tax administrative reforms. The basic point of departure is that taxpayers base their decision to comply or not on the perceived competence, effectiveness and fairness of the current tax administration.

In countries with an incompetent, ineffective and unfair tax administration, it is expected low compliance. A government wanting to increase taxpayer's compliance thus has an interest in reforming the tax administration. However a reform in costly in terms of investment in personnel and equipment, in addition to the foregone opportunities of patronage and other discretionary use of tax administration.

The idea that pay increases can have an effect on work performance can be traced to two economic models. Besides wage incentives, there are of course other types of quasi-monetary incentives which impact on staff performance, for instance, promotion policies based on merit would be one, similar effect to a bonus.

There are strong indications of internal markets for attractive position. The impact of pay structures on the composition of staff is thus, a subject which requires consideration.

With respect to bonus systems there are convincing arguments against introducing such schemes, for instance, the introduction of a bonus system for tax collections may have greater costs in terms of bonus payments than benefits in terms of added revenue if corruption at higher levels is rampant.

Manassan (2003) also had the same views in that, it appears to have been a trend among developing countries towards the creation of semi-autonomous revenue authorities replaces their existing tax collection agencies. The rationale for semi-autonomous in other countries is that the rigid civil service tax officials make it difficult for tax collection agency to attract component professional personnel. Frustrated by the inefficiency and the perceived corruption in the tax collection agency, supporters of semi-autonomous revenue authorities in many of developing countries justified the reform on the grounds that making tax administration more business like and free of the financing and personnel rules that govern the public sector would reduce the motive for corruption by giving emphasis to performance linked budgets and compensation schemes.

It is argued that pre-reform tax administration in these countries was inefficient because existing budgetary and personnel regulation made it difficult for government to provide tax collectors the appropriate incentive structure in terms of providing a suitable compensation level, but also of hiring qualified personnel.

Robert Talierco(2004), also indicated that what motivates politicians to give more autonomy to RA's is the need to make a credible commitment to taxpayers that the tax collection agency will be more completed efficient and fair. Politicians may support the reform because they need more revenues to support a larger expenditure program, which could generate benefits to them. He further indicated that a tax reform could increase a country's economic growth rate.

As mentioned earlier, during the past decade diverse countries have introduced radical reforms in the way their fiscal bureaucracies conduct most pressing national tasks. More precisely, there is a pattern in each of these countries in that traditional tax departments are being separated from the Ministry of Finance and granted the legal status of semi-autonomy revenue authority, Robert et al. (2004) argues that, the revenue authority reform represent an attempt by politicians to create a credible commitment to taxpayers that tax administration will be more competent, effective and fair.

The factor that enables politicians to make commitment credible is the level of autonomy of the revenue authority. Some policies are inconsistent in that those actors affected by policies realize that politicians have future incentives to deviate from previously announced intentions.

Arey (2003) indicated that, moderated administration trends and their development and reforms are mainly concerned with prevention of tax evasion, avoidance, corruption and measures taken for making tax administration more efficient and reducing the complexity of taxation laws. He further indicated that, modern tax administrations are concerned with a stronger focus on taxpayers, employees and their development, usage of technology, financial independence and privatization of the areas that could be better performed by private sector.

As to how some of the SADC countries collect their tax the report by Tanya Goldman(2004) indicated that, SARS customs department employs customs duties which are imposed on imported goods and services, certain points of entry has been designed to receive particular goods. Excise duties are also imposed on locally produced goods and imports alike. Excise taxes on local goods are collected from producers in town where the business central office is located.

The department of customs works together with other government departments on tasks. For example : coordination for cracking down on customs fraud is achieved through customs law enforcement task group , and this is a collaborative arrangement between SARS,SAPS and justice department.

Semi autonomous revenue are formed with the intention of generating additional revenue and improving tax system. However, it seems that tax administration in most countries makes it difficult for effective collection system. Therefore this study aims to evaluate effectiveness of tax collection system.

2.2.1.2 Tax policies and legal framework

Taxation policy has always been an important instrument for augmenting revenue, especially in developing countries, where it is the major source of domestic revenue. It is also an important instrument for attaining a proper pattern of resource allocation, income distribution and economic stability. In order that the benefits of economic development are evenly distributed, increased revenues are desired for many other purposes including expanding socially desired government current expenditures.

The importance on enforcing policy is indicated by Schaeffer (2002) whereby he shows that, good governance and public financial management requires taxes that are based on clearly written laws and do not require frequent contacts between taxpayers and administrators. The decentralization of fiscal responsibilities may create coordination problems with respect to tax rates and overlapping tax bases. In decentralized tax systems, tax policies must be coordinated between jurisdictions to avoid distortion in the free movement of economic resources from one region to another. Such migration would cause jurisdictions to compete with one another through lower taxes and thus create inefficient fiscal system.

Taxes based on clear laws and not requiring contacts between taxpayers and tax inspectors are less likely to lead to acts of corruption. Corruption is likely to be a major problem in tax and customs administration, when laws are difficult to understand and can be interpreted differently so that taxpayers need assistance in complying with them. When administrative procedures lack transparency and are not closely monitored within the tax or customs the potential for corruption is likely to increase.

Young (2005) also indicated that, changes in tax policy, however, can generate changes in equilibrium values, generating transitory growth effects, tax effects on the equilibrium capital stock can also take some period of time to be felt due to adjustment costs to new investment in an open economy or due to the limited elasticity of saving rates in a closed economy.

Tax effects on investment in human capital are more complicated, therefore low current effective tax rates on new investment suggest faster short run growth, due to investment boom in response to the temporarily lower tax rates.

Young (2005) further indicated that, other government policies can affect the rate of entrepreneurial activity. To isolate the effects of taxes per se, if the rates on profits and losses are the same, then the tax structure is simply equivalent to having more outside shareholders. If the corporate tax rate were above personal tax rates, then the losses should be taken under corporate tax, but if the firm falls binding no losses off set provision, then its marginal tax rate is zero.

Eliminating all taxes will increase the growth rate, but such a drastic step is restricted by government budget constraints. Thus we might assume a positive government spending, if a change in the overall tax level is not feasible policy for growth stimulation is a change in relative tax structure.

In many countries corruption i.e. the need to pay endless bribes to government officials to obtain necessary licenses, discourages small business activity government can use tariff barriers to protect existing industries, thereby putting order industries at a competitive advantage, government on occasion use inflation as an important source of finance, raising the costs to new entrants that rely more heavily on cash transactions, while leaving relatively unaffected the costs faced by large existing firms that normally rely more on financial intermediaries.

The greater the barriers to entry the lower the amount of entrepreneurial activity and presumably the slower the growth rate. The effects of taxes include some available controls of these policies in the empirical work. Certainly, tax structures in richer countries differ from those in poorer countries, with more reliance on the personal income tax and tendency to higher tax rates in rich countries. There is no clear case dismissing a possible effect from high growth rates to tax rates and government policies more generally.

The correlation in the tax rates in nearby countries is high in the data. Yet the growth rate in a country that is small relative to the regional and world economy should have virtually no effect on the rates in these other countries making the weighted average tax rates elsewhere a good instrument for the local tax rates. It does not appear that any increase in the monitoring of tax regulation would justify the resources, so there should be adequate legal framework in place to ensure that tax regulations are enforceable.

As Adiel (1996), indicated, when state laws and regulations are violated, there is very little apparent investigation and enforcement to punish offenders. State regulators do not aggressively look for causes of wrong doing and gross mismanagement, or issue sanctions and penalties when they are found, state law enforcement authorities also seems in persecuting violation.

Mosupa (2003), also indicated that, section 103 of the income tax act is an anti-avoidance measure aimed at transactions, operations or schemes for the purpose of avoiding or postponing liability for or reducing amounts of taxes on income ,if the section applies, the commissioner must determine the relevant liability and its amount as though the transaction, operation or scheme had not been concluded or performed, or as he considers appropriate for preventing or diminishing the avoidance or reduction.

The section must not, however, be misconstrued as prohibiting the parties from genuinely arranging their transactions so as to remain outside the provisions of the act. So each state can levy taxes to regulate to economic activity undertaken in its jurisdiction in order to assess the economic result of a transaction, its tax implications in each relevant jurisdiction need to be considered.

Emmanuel (2002), indicated that the implementation of policy reforms in developing countries continues to be negatively influenced by factors such as difficulties with resource mobilization, the dominance of technocratic policy management advocated by donors and the persistence of state centralism, like in Rwanda.

Tax system reform in Rwanda constituted institutional and policy reforms aimed at improving tax compliance and ultimately the contribution of tax revenue to the national GDP, but because of the implementation flaws, including among others the flow of technical and financial resources. The dominance of narrow technocratic approaches in implementation and indeed the failure to the implementers to mobilize political resources.

As Govinda (2005) indicated, reforming the tax system is critical to achieve fiscal consolidation, minimize distortion in economy and to create stable and predictable environment for the markets to function, in many developing countries, tax policy was directed to correct fiscal imbalances. An important reason was internationalization of economic activities. The reduction in tariffs accompanying globalization required than an appropriate source of revenue had to be found.

Over the years, tax policy has evolved in response to the development strategy and its changes, tax policy was directed to increase the level of savings, transfer available savings for investment as envisaged by plan strategy and the need to ensure a fair distribution of incomes, to correct inequalities arising from oligopolistic market structure created by the co existence of private and public sector, and the existence of other instruments of planning such as licensing system.

Govinda (2005) further indicated that Indian policy evolves within the central planning framework; tax policy was directed to raise resources for public sector without regard of efficiency implications.

Even though the research by Schaeffer (2002) has indicated that, good governance and financial management require taxes that are based on clearly written laws many developing countries still face difficulties in raising tax revenue to the level required for the economic growth of a country. To date, many developing countries still face difficulty in raising tax revenue to the level required for promotion of economic growth. Therefore a poor tax performance in terms of raising revenue can result from either deficiencies in tax structure policy or an adequate effort to collect tax.

2.2.1.3 Marginal tax rates

According to Gwartney et al. (2000), high marginal tax rates may drive a ratio most productive citizens to other countries (where taxes are lower) and discourage foreigners from financing domestic investment project, in other words economic theory indicates that high marginal tax rates will retard productive activity capital formation and economic growth.

Fischer (2003) Also indicated that, effective marginal tax rate is the amount of tax that a taxpayer pays on an additional dollar of income. The complexity of the existing income tax system makes determining an individual taxpayer's effective marginal tax rate and the effect of taxes on financial decisions more difficult than it first appears. An individual taxpayer's effective marginal tax rate may be significantly higher than his statutory tax.

According to MCcaffrey (2004), three studies of attitudes towards tax policies were conducted on the World Wide Web. The results show several framing and other effects, in penalty aversion, subjects preferred bonuses to penalties. This is to show that tax is clearly an important domain for economic psychology what citizens think of the fairness of tax system can affect compliance with that system and the willingness to support.

There have been some studies of the role of framing and other cognitive heuristics and biases in perceptions of tax. With tax law policies that involve the collusion of independently attractive goals, some background of tax is needed to understand.

2.2.2 What influence performance of revenue collectors?

As indicated by World Bank report, many revenue departments offer bonus in hope of improving work performance, bonus payment are often used to enhance staff effectiveness and efficiency and have become increasingly common in revenue departments around the world. It is also believed that bonuses can help prevent corruption especially if it results from unreasonably low pay for tax officials.

In order to be effective revenue department bonus system must be generous enough to make a difference in employee's take-home pay. In addition, criteria for allocating bonuses should reflect the systems goals. If the main goal is to increase revenue, the bonus system should reward revenue generating efforts by, measuring revenue in excess of a given target.

If the aim is to make the revenue department more efficient in specific operational areas, performance criteria should reflect expected results. Naturally therefore, individual performance as the outcome of work activities must also be subject to measurement. However staff performance can be influenced by other factors other than bonus, like performance appraisals and other reward system.

2.2.2.1 Reward system

People need to be motivated at work so that they can be efficient, according to Cane, (1996). Rewards are not commonly regarded as motivational in the long term but when they are not perceived to be fair, they can become demotivating agents. Employee benefits include insurance cover, pension schemes and sick pay, while fringe benefits include cars, holidays and company discounts non-financial benefits are more complex and include the motivational aspects.

Frederick Hertzberg motivation theory indicate that, motivation is the process that moves a person towards the goal of an organization, the supervisors therefore have to influence the factors that motivate employees to higher levels of productivity.

Individual differences are the personal needs, values, and attitudes, interests and abilities that people bring to their jobs. Job characteristics are the aspects of the position that determine its limitations and challenges. Organizational practices are the rules, human resources policies, managerial practices, and rewards systems of an organization. Supervisors must consider how these factors interact to affect employee job performance.

Frederick further indicated that, motivation theory involves what people actually do on the job.
The motivators are:

- Achievement
- Recognition
- Growth and development
- Interest in the job
- Responsibility

Motivational aspects are intrinsic and mainly self-generated in that people seek the type of work that satisfies them, but can be enhanced by management through giving greater responsibility development, job design, policies and practices. The other aspects of motivation is called extrinsic in that it is what is done to and for people to motivate them, aspects such as bonus pay, but it also include non-financial rewards such as praise and recognition. Obviously payments reward for productivity increases and part ownership in the organization and its profits have their part to play, but many organizations have discovered that a small payment for each worthwhile suggestion can increase motivation to come up with them.

The utilization of rewards can therefore be a very important and powerful tool for shaping and determining work behaviour aimed at attaining the strategic objectives of an organization....rewards such as pay and benefits which people gain from an employment relationship are highly important to individuals since they can meet many needs.

Madiba, (2004) also indicated that, most organizations strongly feel that it is fair to reward employees according to their contribution. The drive against incremental pay system has taken place because management does not see why people should be paid for simply being there, many people explicitly associated incremental pay systems with unmotivated performance.

The argument being that if people are paid more flexibly according to their performance, they are more likely to be motivated. Performance related pay schemes because more popular in many organizations in the 1980's as an answer to motivating employees and developing performance oriented cultures. Many employees devised new compensation systems that would likely support their emphasis on values such as quality, customer service, teamwork and productivity.

Reward is an important part of performance management. A reward only has a positive effect on the individual if it is valued by them and appropriate to the effort put in and the achievement. Reward embraces everything that employee's value in the employment environment and the term refers to the complete bundle of rewards since different things might motivate each individual, so an effective performance reward process or system should cater for individual needs. Since the department of Customs and Excise cannot offer its employee better incentives, it can use the reward system that is suitable for its employees other than money as a motivator.

According to Chiang. (2005), reward practices that are effective in one country may be very different from those that are successful in others. This is largely due to reward preference, which is shaped by individual needs, values and expectations; a crucial challenge facing managers today is to identify which rewards lead to superior employee performance.

The success of a reward depends on its ability to achieve any one of a number of objectives, such as to attract, retain and motivate employees. Although employee performance is influenced by a number of factors beyond motivation the effectiveness of skilled and capable employees will be impeded if they are not motivated with appropriate rewards.

No organization is immune to the ill effects of an under performing workforce. This underscores the importance that the organizations should attach to understanding employee needs values and preferences, and essential step in determining what specific rewards drive and motivate optimum performance. As organization establishing foreign affiliates attempt to transfer their reward practices to different national settings, the need to better understand human behaviour becomes acute.

A more complete picture of employee reward preference entails considerations of the main and interdependent constituents of reward. First reward refers to the nature of reward itself. Reward systems can either be performance or non- performance based. When performance oriented employees are compensated according to their contribution to the organization or how well they perform in their job. This type of system may use a variety of mechanism including performance appraisal, as part of the reward decision process.

Dessler. (2005), indicates that pay or other rewards tied directly to performance can motivate improved performance, the effect of awarding pay raises across the board may actually detract from performance, by showing employees they will be rewarded regardless of how they perform, if the appraisals are unfair, so too will be merit pay you base them. Performance pay is supposed to motivate workers, but lack of motivation is not always a culprit. Lack of goals, inadequate employee selection and training, unavailability of tools and hostile workforce are just a few of the factors that impede performance.

People always put their effort where they know they will be rewarded, but pay is not the only motivator, employees should provide adequate financial rewards, and then build other more effective motivators into jobs. There is considerable evidence that contingent financial rewards may actually undermine the intrinsic motivation than often result in optimal performance, the argument is that financial incentive undermine the feeling that the person is doing a good job voluntarily.

2.2.2.2 Performance management

Performance management is a tool that links organizational performance to individual performance. It seeks and identifies opportunities for growth and developments, it therefore should be considered as an important system within companies or organization. Performance management includes practices and methods for goal setting, performance appraisal, and reward systems; these practices and methods jointly influence the performance of individuals and work groups. (Carrell et al. 1998).

Performance management is an essential component of whatever change process is adopted. It can give feedback on the effectiveness of plans and their implementation. Both business managers and accountants are keenly aware of the important role that performance management plays in an organizations planning and control system. Traditionally the focus on plan has been on financial measures. There is however increasing concern among business manager on the over- reliance of financial measure in performance evaluation. (Chan 2004).

Dube (2005) also indicated that, organization should take caution to create an environment conducive enough for employees to be able to use their initiative, creativity and some kind of authority to be able to carry out their duties effectively. Working environment can have an effect on individuals as follows.

- It will provide at least sufficient for his basic needs and often much more a long time ago food and shelter were person's basic needs, today most families consider basic needs as car and television.
- It may or not provide adequate security. Individuals seek a secure job.
- It provides an individual with an identity as a member of an organization he carries out specific function.
- It also gives the worker the freedom and interest during his working life.
- It also provides self fulfilment for individual where consideration has been given to ensure that the job is creative and gives job satisfaction.
- It provides the individual with status. There is status in all jobs providing the job content is investigated to make the work more interesting.

For employees to be committed to their work they have to be made to feel they are part of the organization and they are valued.

Determinants of individual performance are as follows:

- Motivation
- Ability
- Personality
- Perception
- Organizational systems and resources.

All these determinants have to exist in an individual in order for the work performance to be positively affected. Once an individual's performance is satisfactory and up to standard, the team which the individual is part of is going to be effective and hence the whole organization. Dube further indicated that, performance management is based on the issue of organizational performance.

The belief is that organizational performance can be best achieved by ensuring the correct systems are in place the responsibility for which rests primarily with management. The good performance of an organization is highly dependent on the effectiveness of both individual employee and work teams to achieve high standards.

According to Lawler III. (2003), every organization has a performance management system that is expected to accomplish a number of important objectives with respect to human capital management. The objectives often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted eliminating individuals who are poor performers, and helping implement business strategies.

There is little doubt that a performance management system which can accomplish these objectives can make a very positive contribution to organizational effectiveness, but there less clarity about what practices make performance management system effective.

There are large numbers of design features that potentially can influence the effectiveness of a performance management system, and many of these have been empirically studied to determine their impact. For example, there is considered research which shows that performance management effectiveness increase when there is ongoing feedback, behaviour-based measures are used and preset goals and trained rates are employed.

There is on going feed back, behaviour-based measures are used and preset goals and trained rates are employed. There is one potential determined of performance management system effectiveness, however, which has received relatively little attention; how tightly the results of the performance management system are tied to significant rewards.

The lack of the attention to this impact is particularly pronounced when it comes to the issue of issuing a performance management system to systematically remove lower performing employees from the organization. There are a number of reasons for believing that systematically trying rewards to the outcome of a performance management system will make the performance management system to systematically remove lower-performing employees from the organization.

There is an argument that, when rewards are tied to performance discussions, individuals tend to hear only the reward system part of the message. They do not hear the kind of useful feedback that will allow them to improve their performance and develop their skills. On the other hand, it is reasonable to argue that when rewards are tied to the outcome of performance appraisals it will lead to more effective performance management systems.

Managers are particularly concerned about doing a good job, since the outcome of the appraisals have significant impact on their ability to allocate rewards based on performance and motivate those individuals who work for them, similarly in the case of individuals; they know that how well the performance review goes will affect rewards that are important to them. So they may be particularly motivated to prepare for the session and see that it goes well. Furthermore, there is a good possibility that when appraisals are used to determine rewards, organization will put more pressure on managers to differentiate among the employees they are apprising since this is key to rewarding individuals for their performance.

Jackson (2005) indicated that, regardless of the approach used, managers must understand the intended outcome of performance management. When performance management is used to develop employees as resources, it usually works. It also work to punish employees, or when raters fail to understand its limitations, performance management can lead to a higher employee motivation and satisfaction. But in an era of continuous improvement an effective performance management system poses a huge liability.

Dessler (2003) indicates that managing all elements of the organizational process can affect how well employees perform. The performance management process may thus encompass goal setting, worker selection and placement, performance appraisal, compensation, training and development. In other words all those parts of human resources process that affect how an employee performs.

Performance management thinking should produce an integrated performance management oriented system, with this system management designs all the firms human resources management functions, with the specific aim of improving employee performance relative to the company's overall goals. Performance management can be valuable when employees are far away, since the company's goals can serve as it keeps the units working.

According to Feldman (2001), organizations will need to create strategies to help staff at all levels to overcome their resistance, diversity related performance problems can be encountered in organization, due to role that diversity plays in individual and organizational behavior, negative effects like absenteeism, lack of training and so forth, give rise to efficiency and low productivity.

Bayo-Moriones (2001) has indicated the analysis on the impact of quality management practices on human resource management. He shows that quality is analyzed from an integral and interfunctinal perspective. The progressive implementation in companies of the ideas and techniques related to the concept of quality management is perhaps the most patent expression of the change and innovation in organization which has taken place in the recent years.

The importance of quality management has been made clear by numerous experts; on both a practical and theoretical level in general there is a growing interest in the subject, which reflects the importance of quality management in the running of companies and their results.

Bradshaw (2003) indicated that, those attitudes towards work, their relationships with their colleagues, as well as their perceptions of their opportunities for personal growth as a measure of their level of work morale, establish whether any correlations between the types of work carried out by an employee and his or her are associated to the level of work morale.

2.2.2.3 Performance appraisal

An effective performance appraisal system should be able to assess the employees on the basis of the skills needed to develop them to meet the challenges of the competitive environment. Performance appraisal is an activity that determines an employees future in the system, such a system should be characterized by fairness, accuracy and the use of correct performance results. It must be handled with care. Employees self image, status in work group, motivation, promotion, career opportunities, rewards and commitment to perform or improve are all affected by this process.

An effective use of performance appraisal system is important not only to individuals but also to the organization as a whole. Accurate and effective performance appraisal process align individual goals of the organization when employees are aware of their contribution to the whole organization performance, receive constructive feedback and appropriate compensation they become even more motivated.

Accurate and effective implementation and use of performance appraisal system could result in a performing and competitive organization that is able to retain quality human capital. Many authors are of the opinion that the existence of a good performance management appraisal system can be of great value to the organization and the employee to enhance and improve organizational and employee performance. (Carrell et al. 1998).

An effective performance can be linked with the organisation's competitive position by improving job performance, this is indicated by Kleinman(2000:210)in that, employees can be directed as to how to meet organizational goals, in this way reinforcing the organisation's strategic objectives.

An effective performance appraisal is an opportunity to monitor the employee's performance systematically and measure their performance in relation to the strategic organizational plan.

Performance appraisal is primarily used to evaluate decisions concerning promotion, salary increases, rewards and training, this type of positive decision through performance evaluation could enhance competitive advantage as employees will be acknowledged for their good performance. Acknowledgement of good performance increases employee morale and could result in more effective and efficient employee. The net result of this could give the organization a competitive advantage.

Jackson (2005) indicated that, performance appraisal is the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees. Performance appraisal is widely used for administering wages and salaries, giving performance feedback, and identifying individual employee strengths and weakness.

With today's employees on teamwork, appraisals focus too much on the individual and do too little to develop employees to perform better. Most employees who receive reviews and supervisors who give them generally rate the process of resounding failure. Most approvals are inconsistent, short term oriented, subjective, and valuable only for identifying employees performing extremely well or poorly.

Organizations generally use performance appraisals in two potentially conflicting roles. One role is to measure performance for the purpose of making pay or other administrative decisions about employees. Promotions or terminations might hinge on these ratings, often creating stress for managers doing the appraisals. The other role focuses on the development of individuals. Many experts argue that performance appraisal should be separate.

This is because employees often focus more on the pay amount received than on the appraisal feedback that identifies what they have done well, or read to improve. Sometimes managers manipulate performance appraisal ratings to justify the desired pay treatment they wish to give specific individuals.

According to Dessler (2003), performance appraisal means evaluating employees current or part performance relative to the person's performance standards. Appraisal involves Setting work standard.

- Assessing the employees actual performance relative to these standards
- Providing feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to person above why appraise performance.
- Appraisal provides information upon which promotions and salary decision can be made.
- Appraisal also provides an opportunity to review work related behaviour.
- Appraisal is part of the firm's career planning process, because it provides an opportunity to review the person's careers plans.
- It also helps to improve and manage better the firm's performance.

Many experts fact that appraisals do not improve performance and may actually backfire. They argue that most performance appraisals systems neither motivator employees nor guide their development. They cause conflict between supervisors and subordinates and lead to dysfunctional behaviours in fact appraisals can be useless. Managers usually conduct appraisals using predetermined and formal method, the best performance appraisal systems are those in which a supervisor or manager makes an ongoing effort to coach and monitor employees, instead of leaving evaluation to the last minute.

Balgovinda (2005) indicated that, the general organizational culture was found to revolve around an inadequate reward management system, lack of accountability and responsibility, inadequate communication teamwork and motivation between employees and managers. The senior managers play an important role in capacitating and ending the state to deliver excellent service, manager must ensure that staff is willing to buy into the values of the organization and to commit themselves of sustainable changes are to be realized.

Greenhill (1988:134-135) argues that a performance related pay programme Must have the following aspects:

- Performance appraisal must be related to the factors which are truly concerned with the skills and abilities of the person and tangible Achievements in the job;
- Performance standards should be appraised on a continuous basis and Assessed over a relatively long period (minimum one year) to determine the established standard of performance;
- The PA process should be fully acknowledged to be directly linked to the determination of individual rewards;
- Salary increments are not incentives; they are only rewards, because the person does not know what precisely has to be achieved in order to be granted a certain level of increment; it is the absolute level of salary rather than the rate been recognized as having consistently performed to a higher standard than others;
- The salary ranges of the basic pay structure need to be used in discerning way to distinguish the real worth of employees of recognizable different established performance standards;
- The plan must be understandable and easily calculable by the Employees.

2.2.3 Importance of tax policies and compliance

There is a little research which considers that, level of knowledge seems to be important in the way people comprehend the reality underlying taxation and the associated attitude to taxation that is expressed. It is therefore important that taxpayers are aware of how tax policies and compliance is important to them and their respective countries.

2.2.3.1Tax compliance

It seems people do not have a clear understanding of how collection of tax is important to their country. According to Eriksen. (1996), the following increases in tax knowledge, respondents consider their own tax evasion as more serious, the perceived fairness in taxation increased, and attitudes towards other peoples tax evasion became stricter, in an agreement with previous research, and these tax attitude have an influence on forced inclination towards tax evasion and tax compliance.

Knowledge about tax law is assumed to be of importance for preferences and attitudes towards taxation, nevertheless there is little research that explicitly considers how attitudes towards taxation is influenced by specific knowledge of tax regulations and their economic effects, level of knowledge seems to important in the way people comprehend the reality underlying taxation and the associated attitude to taxation that is expressed.

Robert et al. (2004) have examined how knowledge and understanding of the construct progressive tax affects choices of fair tax rate structures. In determining whether there is connection between attitudes towards taxation and specific tax knowledge, the standard debate is that there is insufficient knowledge about tax regulations and their economic effects; there also seem to be considerable differences in the level o knowledge.

Tax knowledge is not a clear construct, but attitudes towards taxation is an even more problematic term, knowledge can result a better agreement between how tax payers conceive tax system and what the situation really is, might also change attitudes towards taxation.

What is experienced as unequal treatment by the tax authorities may also be influenced by knowledge of taxation. The experience of unfairness influences that taxpayer's compliance with the tax system and thereby the inclination towards tax evasion.

Pittorino (2000), indicated that it is often suggested and reported, that the high level of crime and violence experience throughout South Africa has resulted in a progressive brain drain of highly skilled and experienced individuals, immigrating to foreign countries. The consequential result of this brain drain is that the supply of skilled, intellectual human capital is scarce. Most employers thus compete to attract, recruit and employ this scarce resource, by offering lucrative remuneration packages and incentive.

It was found that salary sacrifice schemes are accepted by SARS if they are implemented in accordance with contractual arrangements between employee and an employer.

The tools available to structure the remuneration packages are contained in the income tax act of South Africa. A legitimate structured remuneration package will result in significant tax saving when compared to an unstructured remuneration package. So an employer could use an effectively structured remuneration package as a tool that will provide a taxpayer with greater after cash flow benefits.
Therefore taxpayers seek to minimize taxation paid, and this can happen if they have a clear understanding of tax policies and compliance and how it is important to them.

2.2.3.2 Tax revenue

According to Takumi. (2006), it has become increasingly apparent that government in developing countries are relying more on consumption taxes such as value added taxes and less on import tariffs in collecting their revenue. A theoretical rationale for this policy movement is the relative inefficiency of import tariffs, which will distort not only consumption but also production decisions, based on this several authors Michael et, al. (1993), Abe. (1995), have formulated models to show that tariff and tax can bring a win-win outcome.

Taking account of the growth effect may complicate or reverse, the welfare and revenue effects of tariff and tax reform obtained in static models- change in growth rate mean reallocating the intertemporal consumption stream, which influences welfare and the present value of government revenue, when country imports a capital good, investment demand adds to the tax base of an import tariff (i.e. consumption plus investment minus production), which may now be superior to the consumption tax on the same good in raising revenue.

The growth effect of tariff and tax reform depends on intensity ranking. Trade liberalization raises the raises the growth rate if the import sector is more effective labour intensive, this is because the growth rate is increasing in the rate of return to capital, when we can take consumer tariff and tax reform in the growth enhancing direction, the present value of government revenue and the consumption tax should be raised, this is because the tax raise not only increases revenue but also raises welfare.

2.2.3.3Tax incentives

According to SADC memorandum of understanding tax (2002), tax incentives are fiscal measures that are used to attract local or foreign investment capital to certain economic activities in a country. Samuel (2000) indicates that, currently most developing countries use tax incentives to attract foreign direct investment.

The purpose of the present study is to examine the effect of tax incentives and to determine their influence. Foreign investment enterprise has taken three forms; equity joint ventures, contractual joint ventures and wholly foreign owned enterprises. Equity joint ventures take the form of limited liability corporations, in which foreign partners jointly invest and manage the operations, profits and losses are shared according to the proportion of investment contributed by each partner.

There is an argument that, tax rules influence investment decisions by affecting the rate of return on assets. The rates of return on assets can differ because the returns on similar assets are taxed differently if they are located in varying tax jurisdictions and returns on similar assets located in the same jurisdictions are taxed differently if they are held in different legal organizational forms. Some studies have found tax incentives to be an important factor in attracting investment decisions.

Tanzi & Zee (2001) also indicated that, While granting tax incentives to promote investment is common in countries around the world, evidence suggests that their effectiveness in attracting incremental investments above and beyond the level that would have been reached had no incentives been granted is often questionable.
As tax incentives can be abused by existing enterprises disguised as new ones through nominal reorganization, their revenue costs can be high.

Moreover, foreign investors, the primary target of most tax incentives, base their decision to enter a country on a whole host of factors (such as natural resources, political stability, transparent regulatory systems, infrastructure, a skilled workforce), of which tax incentives are frequently far from being the most important one.

Tax incentives could also be of questionable value to a foreign investor because the true beneficiary of the incentives may not be the investor, but rather the treasury of his home country. This can come about when any income spared from taxation in the host country is taxed by the investor's home country.

Tax incentives can be justified if they address some form of market failure, most notably those involving externalities (economic consequences beyond the specific beneficiary of the tax incentive). For example, incentives targeted to promote high-technology industries that promise to confer significant positive externalities on the rest of the economy are usually legitimate. By far the most compelling case for granting targeted incentives is for meeting regional development needs of these countries. Nevertheless, not all incentives are equally suited for achieving such objectives and some are less cost-effective than others. Unfortunately, the most prevalent forms of incentives found in developing countries tend to be the least meritorious.

According to Bolwick (2004), arguments in favour of investments tax incentives are widely known, tax incentives clearly enhance returns on investment; they may be justified by positive externalities stemming from investments. They are useful in a world of capital mobility, they are necessary for responding to tax competition from other jurisdictions, and they compensate for other deficiencies in the investment climate.

2.3 SURVEY OF THE LITERAYURE RELATED TO THE RESEARCH METHODOLOGY

Previous researchers have used both quantitative and qualitative approaches to conduct their survey. Data has been collected from an interview schedule of employees from Customs and Excise. As Mann. (2004), indicated, the more existence of low revenue/ tax ratio, corruption, administrative revenue authority can in principle, recruit, retain and promote quality staff by paying salaries above the civil service regulations.

The previous research was also based on data collected from reports, and as one report indicated, large Basotho go to South Africa for business purpose and this help the economies of the nearby towns but people experience problems when they cross the border due to long cues and slow service. The staff seems to be inefficient, people complain that they are hostile and they supply stringent border controls, the behaviour is caused by border infrastructure, that is very poor and this demotivates staff.

The literature survey was based on qualitative, therefore, in that the nature of process was flexible guidelines, personal view, informative. As Fisher (2003) indicated, effective marginal rate is an amount of tax that a taxpayer pays on an additional dollar of income, individual taxpayer's effective marginal tax rate may be significantly higher than his statutory tax, and this is therefore based on flexible guidelines.

Past research has enumerated a wide variety of ways in which tax policies can affect a country's growth rate, it was found that statutory corporate tax are significantly negatively correlated with difference in average growth rates. To motivate this empirical work, the effects can be measured given the information about tax structures of countries. This show that the survey was informative and therefore a qualitative approach. Analysis of data relied most on theoretical propositions and it was based on those propositions.

2.4 ELIMINATION OF PROBLEMS SOLVED BY OTHER RESEACHERS

Previous researchers have shown that, there is wide variety of ways in which tax policies can affect country's growth rate, it was found that statutory tax are significantly negatively correlated with cross sectional differences in average economic growth rates, controlling for various determinants of economic growth, and other standard tax variables. This means that there is a problem of regulations and collection of tax.

However, Young (2001) indicated that, if the corporate tax rates were above personal tax rates then should be under corporate tax he further indicated that there is no clear case of possible effects tax rates and government policies, and to solve these problems weighted average tax rates is a good instrument for the local tax rates. From the above previous research the researchers have not really solved the problem of such relationship that is why the researcher had to undertake a research on how to evaluate the current tax collection system policies at Customs and Excise.

Previous researchers like Cane. (1996), Madiba.M. (2004), and Chiang. (2005), had also indicated that, reward system can demotivate employees and have impact on organization performance if they are not practiced and this lead to poor system of collecting tax and they have indicated reward practices that can be effective. But still they have not yet solved the problem of what cause inefficiency to employees. That is why the researcher has to undertake this study to, assess performance of revenue collectors, and establish what is the cause of this inefficiency that leads to poor system collecting tax.

Further researchers like Samuel. (2000), Takumi. (2003), and Pittorino. (2000) have also indicated that knowledge on tax policies and compliance seems to be important subject to people, but people do not have a clear understanding about tax, since the previous researchers have not yet solved the problem, the researcher therefore has to establish awareness campaign about importance of tax policies and compliance.

2.5 CONCLUSIONS

From the previous research, researchers have conducted their survey using both qualitative and quantitative approach. Therefore the survey has sufficient controls to ensure that conclusions to be drawn will truly be warranted by the data. The researcher can use what she/he observed in the research situation to make generalization about the world beyond that specific situation.

To ensure that the internal validity of a survey can eliminate other possible explanations for the results observed multiple sources of data have been collected with the hope that they will converge to support a particular theory.

To support the validity of the findings, the researcher will seek opinion of colleagues in the field to determine whether they agree or disagree, and she/he will take conclusions back to the participants so that she/he draw valid conclusions from data.

Chapter two had covered the theory and literature review relevant to tax collection system indicating performance of revenue collectors and the importance of tax policies and compliance, the next chapter will deal with research design and methodology and how it will be conducted.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

For the purpose of the study, as it was mentioned before the research design chosen is a qualitative case study approach. The models developed in chapter two will be used as a framework to develop and illustrate how research questions will be relevant for this particular study.

This approach is found to be suitable for this case study as it explores the experiences of the staff at Customs and Excise as well as incorporating their views. The study aims to answer the research questions that are related to the problem statement. The researcher attempts to describe, and define a profile of a group or problems and events.

As Yin (1993) argues, the case study method is better suited than other techniques for analyzing contemporary events. He further states that, human behaviour is significantly influenced by the setting in which it occurs, thus one must study that behaviour in situations. The physical setting for example, schedules, space, remuneration and rewards norms traditions role values are crucial contextual variables. It is difficult to understand human behaviour without understanding the framework within which subjects interprets their thoughts feelings and actions. The aim of qualitative research is to study individuals and phenomena in their natural settings in order to gain a better understanding of them. It is also evident that qualitative research does not follow a fixed set of procedures.

The purpose of this chapter is to discuss, the research method followed in obtaining the results of the study. This includes a discussion on the basic research design, data collection method as well as the techniques used to analyze the results. As a qualitative research, the study employed a sample size of 50 in gathering the data; therefore this chapter will discuss how these aspects of the study were conducted. It will further discuss as to how permission to carry out research was obtained, and the problems encountered in carrying out the research.

3.2 RESEARCH DESIGN

According to Leedy&Ormrod (2005), research design is planning. It is visualization of the data and the problems associated with the employment of those data in the entire research project. Research design is common sense and the clear thinking necessary of the management of the entire research endeavour-the complete attack on the central research problem.

Leedy&Ormrod (2005) also indicates that, a qualitative case study approach may be suitable for learning more about a little known or poorly understood situation. The researcher collects extensive data on which the investigation is focused, these data includes interviews, and the researcher spends an extended period of time and interacts with people who are being studied.

Qualitative research provides rich and detailed information about entities involved in event, interaction that allows us to describe, interactions in event contexts, in the case of humans their interactions in specific social contexts. There is strong cognitive dimension in qualitative research because interviewees /respondents report events.

Blumberg et al. (2005:127) indicated that, research design constitutes the blue print for the collection, measurement, and analysis of data. It aids scientists in the allocation of limited resources by posing crucial choices. It is also a plan and structure of investigation so conceived as to obtain answers to research questions. Thus expressing both structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem.

The design provides answers for questions such as:

- What kind of answers are the study looking for and which methods will be applied?
- What techniques will be used to gather data?
- What kind of sampling will be used?
- How will time and cost constraints be dealt with?

3.3 RESEARCH METHODOLOGY

According to Saunders et al. (2003), research methods refer to tools and techniques used to obtain and analyze data. As it was mentioned before in chapter one this study is a qualitative case study approach. In this case study approach both secondary and primary was used.

When gathering primary data, in-depth interviewing (usually face to face) and the questionnaire (self-administered) were used as these were expected to generate more data and make an allowance for a greater interaction between the researcher and the interviewee; this instruments have also helped to build reliability into the research. The employees from Customs and Excise were interviewed and given questionnaires for information and taking out their views on how the system of collecting tax is applied. Information was also collected from the documents such as policy documents of Customs and Excise and from the reports, government document and opinion related to the subject.

The interviews were in depth face to face which followed a set of questions on the research instrument which appears in Appendix 3. The interviews were conducted on the 12th of November 2007, at the offices of Customs and Excise headquarters, the commissioner had assigned four people for an interview and only three participated.

The questionnaires were also given out to 50 employees from the 12^{th}- 15^{th} November 2007, and this had taken place at different offices of Customs and Excise, the State warehouse, Maseru Bridge, Post office, Trade and Industry office and Maseru station and all the respondents filled their questionnaires.

Secondary information was collected from journals, textbooks and internet. As Saunders (2003) indicated, a critical review of the literature is necessary to help develop a thorough understanding of previous research question and objectives, the review set the research in context by critically discussing and referencing work that has already been undertaken, presenting them in a logically argued way.

3.4 RESEARCH INSTRUMENT

The instrument was designed to address the qualitative aspects of the research; both interview schedule and questionnaire were designed.

Interview schedule (Face to face): Is an appropriate technique relevant to the qualitative study approach, it allows for the objective of the research from different perspectives. According to Sekaran (2003:251), interview schedule has the following advantages, and disadvantages:

Advantages

- Can establish rapport and motivate respondents.
- Can clarify the questions, clear doubts, and add new questions.
- Can use nonverbal cue.
- Can use visual aids to clarify points.
- Rich data can be obtained.
- CAPI can be used and responses entered in a portable computer.

Disadvantages.

- Takes personal time
- Costs more when a wide geographic region is covered
- Respondents may be concerned about confidentiality of information given
- Interviewers need to be trained
- Can introduce interview biases
- Respondents can terminate the interview at any time

The interview schedule was designed from the result of the review of the literature as the literature enabled the researcher to identify the areas that needed to be addressed as well as those that were addressed by pervious researchers. Very good care was taken when constructing the schedule and the questions were very short and brief to the point. The questions were also all relevant to the aim of the study.

When collecting primary data from interviews, the researcher made sure that there is consistency in answering the questions, and this was made possible through a small size of sample that was used. When recording the interview data, the answers to open ended questions were written down to avoid introducing personal judgments, omissions and effects on what was written down. The interview schedule was constructed as follows:

- Section A-Personal information
- Section B-General information on customs and excise
- Section C-general information about performance of employees

Questionnaire (self-administered): Is one other technique, which has standard answers that make it simple to compile data, the questionnaire can also be limited in that respondents only stick to what is asked and respond to the questions. Saunders (2003:282) indicated that, choice of the questionnaire will be influenced by a variety of factors such as:

- Characteristics of the respondent's form that the researcher wishes to collect data.
- Importance of reaching a particular person as respondent.
- Importance of respondents answers not being contaminated or distorted.
- The types of question one needs to ask to collect data.
- Size of the sample one requires for analysis taking into account the likely response.
- The resources available in particular time to complete the data collection, financial implications of data collection entry.
- Availability of interviewers and field workers to assist.

According to Sekaran (2003:251), the advantages and disadvantages of (self administered) questionnaire are as follows:

Advantages

- Can establish rapport and motivate respondent
- Doubts can be clarified
- Less expensive when administered to respondents
- Almost 100% response rate ensured
- Anonymity of respondent is high

Disadvantages:

- Organizations may be reluctant to give up company time for the survey with groups of employees assembled for the purpose.

The design of the questionnaire could have an impact on the response. Therefore Saunders (2003:281) recommends the following for the effective questionnaire:

- Careful design of individual questions
- Clear layout of the questionnaire form
- Clear explanation of the purpose of the questionnaire
- Pilot testing
- Carefully planned and executed administration

The questionnaire was designed using a 5 point likert-style rating scale and the respondents were asked to give their opinions according to how strongly they agreed or disagreed with the questions. This type of questionnaire was time saving and most appropriate as it was quick to answer and the layout was very clear and straight forward.

The questionnaire was divided into three sections as follows:

- Section A- The personal information.
- Section B-General information about the department of Customs and Excise
- Section C-General information on performance of employees

The questionnaire was a self administered and when delivered a verbal introduction was made to ensure that respondents were aware of how they would go through the questions. The researcher had to do that so as to simplify the work of the respondents

The instruments were tested as suggested by Sekaran (2003:249) who asserts that whether it is a structured interview where the questions are posed to the respondent or a questionnaire used in a survey, it is important to pre-test the instrument to ensure that the questions are understood and that there are no problems with the wording or measurement. This helps to rectify any inadequacies, in time, before administering the instrument orally, or through a questionnaire to respondents, and thus reduce biases.

Once the instrument was drawn, it was given to some of the researcher's colleagues, and some were even from the authority for a preliminary testing. Some of them commented that the questions were too simple. The test was therefore able to indicate the amount of time that would be required as the questions were that simple and it was found that recommended time for interview was 45 minutes as for the questionnaire it was estimated to take only 30 minutes per individual to answer the questionnaire.

3.5 PERMISSION FOR ACCESS AT CUSTOMS AND EXCISE

The important element in a research proposal is to follow the research right procedure before going through a research. Therefore the researcher had to get the permission from Lesotho Revenue Authority to gain access to the office of Customs and Excise, as well as the ethical clearance from the school before collecting data.

Lesotho Revenue Authority provided the permission on condition that the researcher had to be interviewed by the three commissioners first before collecting data from the premises; this was done to make sure that the researcher did not have to interfere with their confidential documents.

Thereafter the ethical clearance was provided by the school. Both copies are attached at the end of the report on the appendices. Before the interviews commenced the interviewees were presented with letters of consent, and each of them signed the letters. This was done for the purpose of making them free for the interviews.

3.6 SAMPLING

According to Sekaran (2003:266-267), Sampling is the process of selecting sufficient number of elements from the population, so that a study of a sample and understanding of characteristics would make it possible for researchers to generalize such properties or characteristics to the population elements.

The reasons for using a sample, in qualitative studies is that only small samples are used in view of the in-depth nature of study Sekaran (2003:296) Study of a sample rather than the entire population is likely to produce more reliable results this is mostly because fatigue is reduced and fewer errors will therefore result in collecting data, especially when a large number of elements are involved.

Sekaran (2003:295) further indicated that, sampling decision should consider both sampling design and sample size. Sample size larger than 30 and less than 500 is appropriate for most research. In qualitative study only samples of individuals groups or events are invariably chosen, in view of the in-depth nature of study it is therefore not possible to engage in intensive examination of all the factors.

Sekaran (2003:277) further indicate that it is necessary to obtain information from specific target group, this refers to specific types of people who can provide the desired information and it is called purposive sampling. A sample of 50 employees was used with the objective that employees were chosen on the basis of their knowledge of the organization. The researcher had to ensure that the information that provided was reliable, by taking into consideration different opinions from different respondents.

For the above reasons this study uses a case study approach, it relies on documents and observation, Blumberg et al. (2005: 235). This implies that the researcher had to interview the personnel who were thought to have relevant information.
As it was mentioned primary data was obtained from interviewing employees at Customs and Excise, most of the responses were transcribed verbatim.

3.7 PROBLEMS ENCOUNTERED IN DATA COLLECTION

There were number of problems that the researcher encountered when collecting data. As it was mentioned earlier, when the researcher request permission to access information from the Lesotho Revenue Authority management, it was specified clearly that since Lesotho Revenue Authority operates under the legal obligation the researcher had to treat taxpayer information with strict confidence, therefore, information that relates to taxpayer was not available therefore information that relates directly to taxpayers had been one of the problem to the researcher.

As it has been mentioned that questionnaire was one good technique used in this study, the questionnaire was self administered. The respondents had to complete it by themselves. It was delivered physically to the respondents and the following problems were encountered:

- The permission to access the staff members of Customs and Excise was given by the commissioner, and it was copied to all sectional heads but some of the employees were reluctant to give out information to the researcher saying that they don't give the information to strangers.
- Some of the respondents were just too busy to complete the questionnaires in time.

- Despite the covering letter (informed consent) being attached on the questionnaire some respondents did not wish to disclose their names.
- Some potential respondents refused to participate and did not even want to explain to the researcher as to why.
- Some of the respondents did not even want to have a look at the questionnaire, saying that the researcher should go and interview their management first.
- Some of the participants could not be interviewed because they were not available at all.

3.8 CONCLUSIONS

In this chapter the researcher had provided the reader with an overview of the research methodology that was employed during this study. As it was mentioned before, this study is a qualitative; therefore the study was carried out using the approaches suitable for qualitative study. The case study approach was adopted and both primary and secondary data has been used to answer the questions. Both in-depth interviewing (face to face) and self administered questionnaire were used to collect data for the staff members of Customs and Excise.

For the purpose of the interviews non-sampling technique (purposive) was used with the objective that the employees were on the basis of their knowledge of the organization. Before interviews commenced, letters of consent were represented. This was done for the purpose of making free for the interview. With the questionnaire a sample of 50 employees at Customs and Excise was used.

Furthermore, problems were encountered in carrying out the research, because the employees from Customs and Excise did not want to give out the information some were just too busy saying it was not part of their job therefore just a waste of time to them .In the next chapter the results of the study will be analyzed and presented.

CHAPTER 4: DATA ANALYSIS AND RESULTS

4.1 INTRODUCTION

As it was mentioned in the introductory chapter. Lesotho being one of the developing countries has introduced an independent revenue authority, which became operational in 2003 as an agency of the government responsible for the assessment, collection of tax on behalf of the government of specified revenue and for administration and enforcement of laws relating to such revenues.

The subject of the study was based on the department of Customs and Excise, the study was undertaken to evaluate the effectiveness of tax collection system of the department of Customs and Excise. The main purpose of the study was:

- To evaluate the current tax collection systems policies at customs and excise.
- To assess the performance of the revenue collectors at Customs and Excise department.
- To establish awareness campaign about importance of tax.

To achieve this purpose self administered questionnaire and an interview schedule were used as instruments to collect data. The size of the population as well as the construction of the questionnaire and interview schedule was discussed in chapter 3.

This chapter will focus on presenting the data and the results of the data analysis. It will start by analysing the research instruments, perception of the respondents and the findings of the researcher. This information will be extracted from the interviews, and from the literature review.

4.2 DATA ANALYSIS

As it was mentioned in chapter one the data analysis will rely on theoretical framework developed in chapter two. As this study is qualitative, the analysis of data involves a triangulation, and triangulation involves the use of different data collection methods within one study in order to ensure collected data is analysed accurately. Therefore the researcher will employ triangulation to enhance credibility of the measure and both questionnaire and interview schedule were designed.

4.2.1 Analysis of Section A of the interview schedule

The objective of this section was to provide personal information of participants and to determine if the data would have impact on the results. The information for section A was as follows:

- Gender
- Age
- Personal income
- No. of years as employee of Lesotho Revenue Authority
- Category of employees level

This section was too personal and the participants were reluctant to disclose their names, their personal income and age, but since it was not specific they just had to tick from the box which was within the range of certain numbers.

4.2.2 Analysis of Section B of the interview schedule

This section incorporated questions related to general information about Customs and Excise for both research instruments. The questions in this section were in such a way that participants were expected to give out their opinions on the following questions.

1. What are the objectives of the department?
2. Are there any targets to be met at the end of the year, if yes how is the performance?
3. Are the regulations and policies enforceable at customs and excise?
4. Will the change in policies/ regulations have impact on collection of tax?
5. Is the system of collecting tax applied appropriately?

4.2.3Analysis of section C of the interview schedule

This section incorporated questions related to general information about performance of employees , the questions from this section were constructed in such a way that participants were expected to give out opinions on the questions that follows.

1. Do you think employees at Customs and Excise are skilled enough to perform their job?
2. Is the infrastructure suitable for employees to carry out their job?
3. Do the employees at Customs and Excise receive benefits that can motivate them?
4. Is the performance appraisal practiced fairly to employees?
5. Are the employees satisfied with the incentives they get from their employer?

4.3 PERCEPTION OF THE RESPONDENTS

4.3.1 Interview response analysis

The researcher interviewed three people; the responses indicated that, the participants had different point of views from different questions as they were not in the same positions. One participant was assistant commissioner which is the senior management level;
The other two were managers which is a middle management. For section A the participants were all males, two had the same personal income they were both managers but their terms of reference were different because they were from different sections though they fall under Customs and Excise.

The responses from section B indicated that, although the department is trying to enforce policies, some of them are too harsh and it becomes difficult for employees to enforce, which indicates that tax policies have a great impact on taxpayers to comply. As to whether the system is applied appropriately, participants indicated that, since the authority has only been operating for 5 years they can not really say whether the system is applied appropriately or not but as compared to the previous Customs and Excise which was under the government (Ministry of Finance) employees have a feeling that they have improved.

The responses on the information about performance of employee's indicated that, the infrastructure at other stations is not good especially at the borders, state warehouse and railway station and this is where revenue is collected and this condition really demotivates employees.

The responses further indicated that, performance appraisal is not practiced, and employees are not satisfied with the incentives they get especially at lower level where the bulk of work is in their hands.

4.3.2Questionnaire response analysis

A descriptive statistics is used to analyze data and it includes frequency distribution whereby the responses received are presented in tabular form.

Section A- frequency-demographic representation

Section A of the questionnaire consists of 5 questions on personal information whereby the participant tick from the box and it is presented as follows:

Table 4.1 Descriptive sample of demographic data

		count	percentage
Gender	male	24	48%
	Female	26	52%
Age	-21	0	0
	21-30	16	32%
	31-40	24	48%
	41-50	8	16%
	+50	2	4%
Personal income	0-5000	7	14%
	5000-10000	28	56%
	10000-15000	9	18%
	15000-20000	1	2%
	20000+	5	10%
Length of service	0-1	1	2%
	1-3	8	16%
	3-5	41	82%
	5-7	0	0
	7-9	0	0
	9+	0	0
Level of authority	Senior	2	4%
	Middle	7	14%
	Lower	13	26%
	Other	28	56%

Table 4.1 illustrate the sample of male respondent of 48% and female respondents of 52% most respondents are at the age of 31-40 and the majority earn be from 5000-10000. Most respondents have 3-5 years of service which means most of them were hired when the Lesotho Revenue Authority started to operate. Majority falls under the other category level of authority; this implies that most of them are not sure of which category they fall under.

Section B-frequency tables

Section B of the questionnaire consists of 5 questions each coded on a 5-point likert scale. For each of this sub-section a 5-point likert scale was as follows: Strongly agree, agree, neutral, disagree and strongly disagree. Descriptive statistics was used to analyze data for this section and it includes frequency tables.

Question1. Lesotho Revenue Authority has enabled the country to dramatically increase the revenue.

The question was asked with the intention to get the views of the respondents on whether the authority was formed to generate additional revenue and improve tax system.
The following table presents the results for section B.

Table 4.2

Question1.		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree	Totals
	Count	0	0	7	19%	24%	50
	Percentage	0	0	14%	38%	48%	100%

From the responses received 14% were neutral 48% strongly agreed 38% agreed and the above results showed that majority are of the opinion that Lesotho Revenue Authority has generated additional revenue in Lesotho. This is in line with what has been indicated by Ghebretsadk (2003), in the literature review that semi autonomous authorities enabled some developing countries to dramatically increase tax revenue.

Question 2.The system of collecting tax is applied appropriately.

The question was asked with the aim to evaluate tax collection system at Customs and Excise.

Table 4.3

Question2		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
	Count	0	8	21	20	1	50
	Percentage	0	16%	42%	40%	2%	100%

From the responses received and 16% disagree, 42% were neutral, 40% agreed and 2% strongly agreed that the system of tax is applied appropriately. From the above results majority of the respondents agree with the opinion but 42% are neutral meaning that since the revenue department has been operating for five years the respondents were not sure whether it is operating appropriately or not.

Question 3. Regulations and policies are enforceable to taxpayers.

The question was asked with the intention to get the view of respondents on whether taxation policies have always been an important instrument for augmenting revenue especially in developing countries.

Table 4.4

Question3.		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Totals
	Count	3	8	11	25	3	50
	Percentage	6%	16%	22%	50%	6%	100%

From the responses received 6% strongly disagree, 16% disagreed, 22% were neutral, 50% agreed and 6% strongly disagree that, the regulations and policies are enforceable to taxpayers. From the above results majority of the respondents agree with the statement, the literature review clearly revealed that the importance of enforcing policy was indicated by Schaffer (2002) whereby he shows that, good governance and public financial management requires taxes that are based on clearly written laws.

Question 4.Targets set by Lesotho Revenue Authority are unrealistic but can be achieved.

The question was asked with the aim to find out whether the targets set by the authority are met by department of Customs and Excise.

Table 4.5

Question4.		**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Totals**
	Count	11	9	10	18	2	50
	Percentage	22%	18%	20%	36%	4%	100%

22% strongly disagree, 18% disagree, 20% were neutral, 36% agree and 4% strongly agree. This implies that the department of customs and excise is able to meet targets that are set by Lesotho Revenue Authority.

Question 5.Taxpayers are fully informed about fiscal policies and importance of compliance

The question was asked to elicit the respondents view on whether taxpayers are fully informed about policies and importance of compliance. The literature review reveals that level of knowledge is important in the way people comply to tax. Knowledge can result a better agreement between how taxpayers conceive tax system and what the situation really is and it might also change attitude towards taxation.

Table 4.6

Question5.		Strongly disagree	disagree	Neutral	agree	Strongly agree	Total
	Count	8	15	6	16	5	50
	Percentage	16%	30%	12%	32%	10%	100%

The above table 4.6 illustrate that 16% strongly disagree, 30% disagree, 12%were neutral, 32% agree and 10% strongly agree, this indicated majority of participants responded negatively as many of them have responded to disagree and strongly disagree therefore this implies that taxpayers are not fully informed about compliance and policies of taxation.

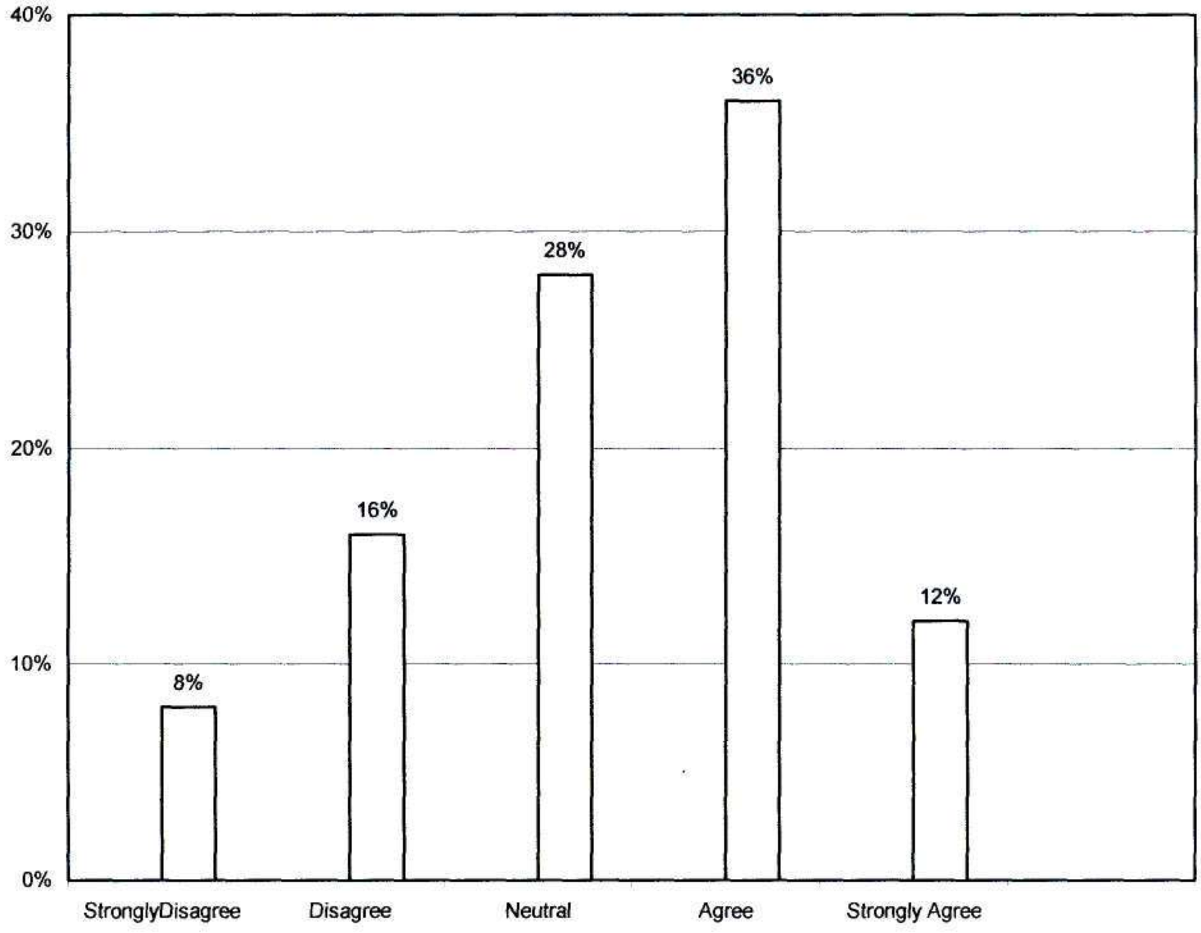
Section C-frequency bar charts.

Section c of the questionnaire consists of 5 questions each coded on 5-point likert scale each of these sub-section a 5 point likert scale was as follows strongly disagree, disagree, neutral, agree and strongly agree. The descriptive statistics was used to analyze data for this section which includes frequency bar charts.

Question1.Revenue collectors are skilled to perform their job

The question was asked to get respondents view on whether the revenue collectors are skilled enough or not.

Figure 4.1

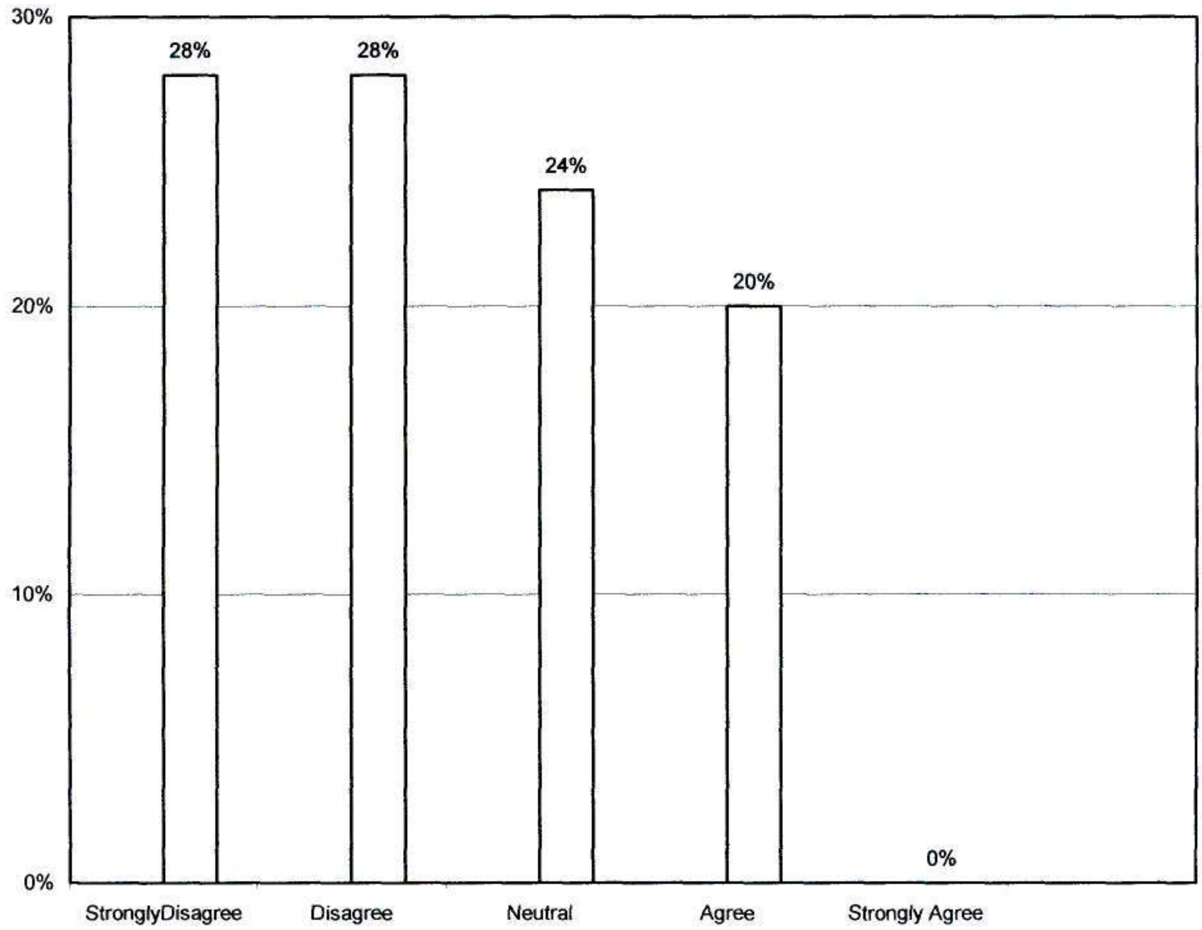


The above figure illustrate the results of section C. 8% strongly disagree, 16% disagree, 28% were neutral, 36% agree and 12% strongly agree. This implies that majority of the respondents agree with the statement that employees are skilled to perform their job.

Question 2. There is adequate infrastructure for employees to perform their job.

The question was asked with the aim to get the views from respondents as to whether the employees are satisfied with the infrastructure and conditions they work under. From the literature review it was indicated that the employees at customs and excise especially at the borders seem to be inefficient, people complain that they are hostile, the behavior is caused by border infrastructure that is very poor and this demotivates staff.

Figure4.2

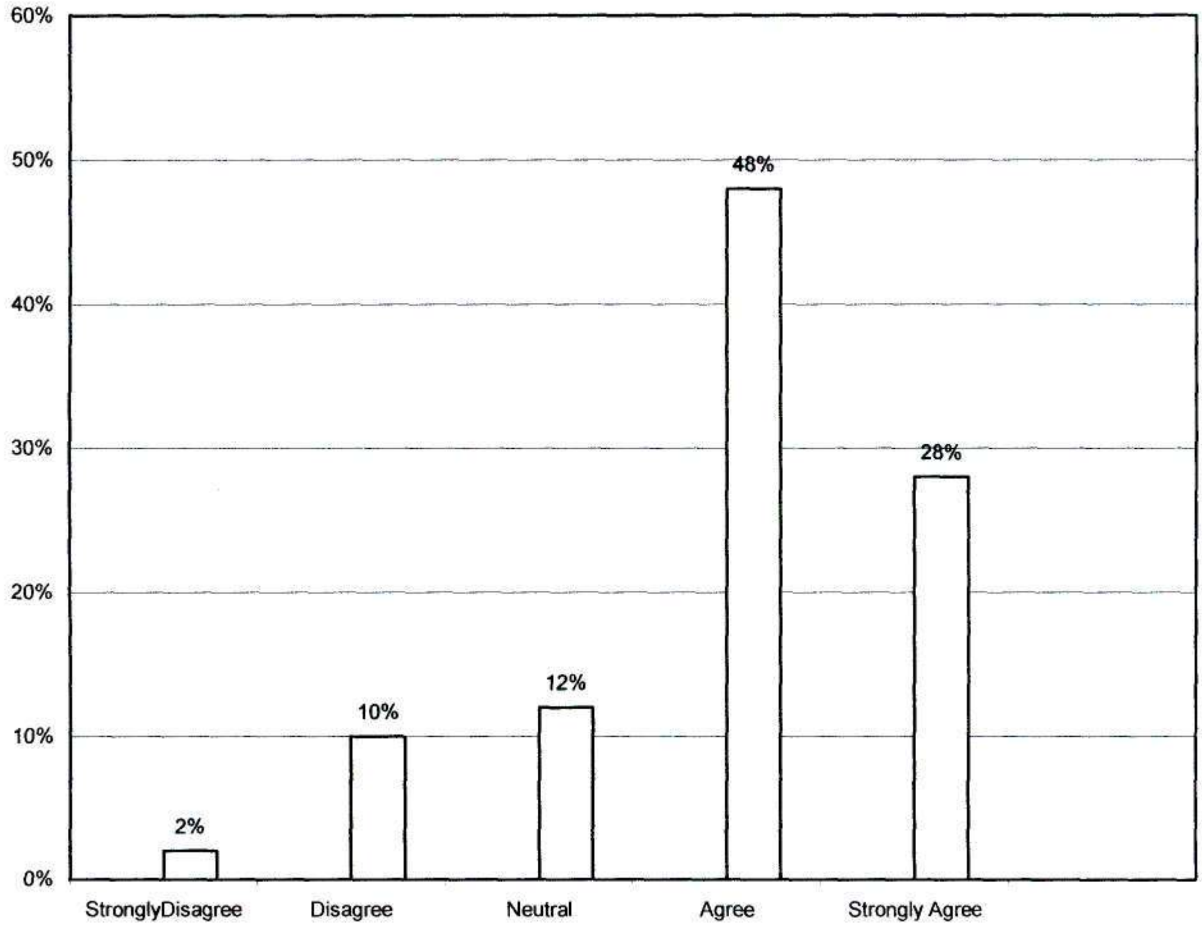


The above figure 4.2 illustrates the following results: 28% strongly disagree, 28% disagree, 24% were neutral, and 20% agree. This implies that the majority of the respondents disagree with the statement that there is adequate infrastructure for employees. This implies that there is poor infrastructure at Customs and Excise for employees to perform their job.

Question 3. Lesotho Revenue Authority offer bonuses to improve their work performance.

The question was asked to get views of the respondents as to whether they get bonuses from the Authority and whether bonuses are offered with the intention to improve their performance at work. From the literature review it was indicated by World bank report that, most revenue departments offer bonuses in hope of improving work performance, bonus payment are often used to enhance staff effectiveness and efficiency and have become increasingly common in revenue departments around the world.

Figure4.3

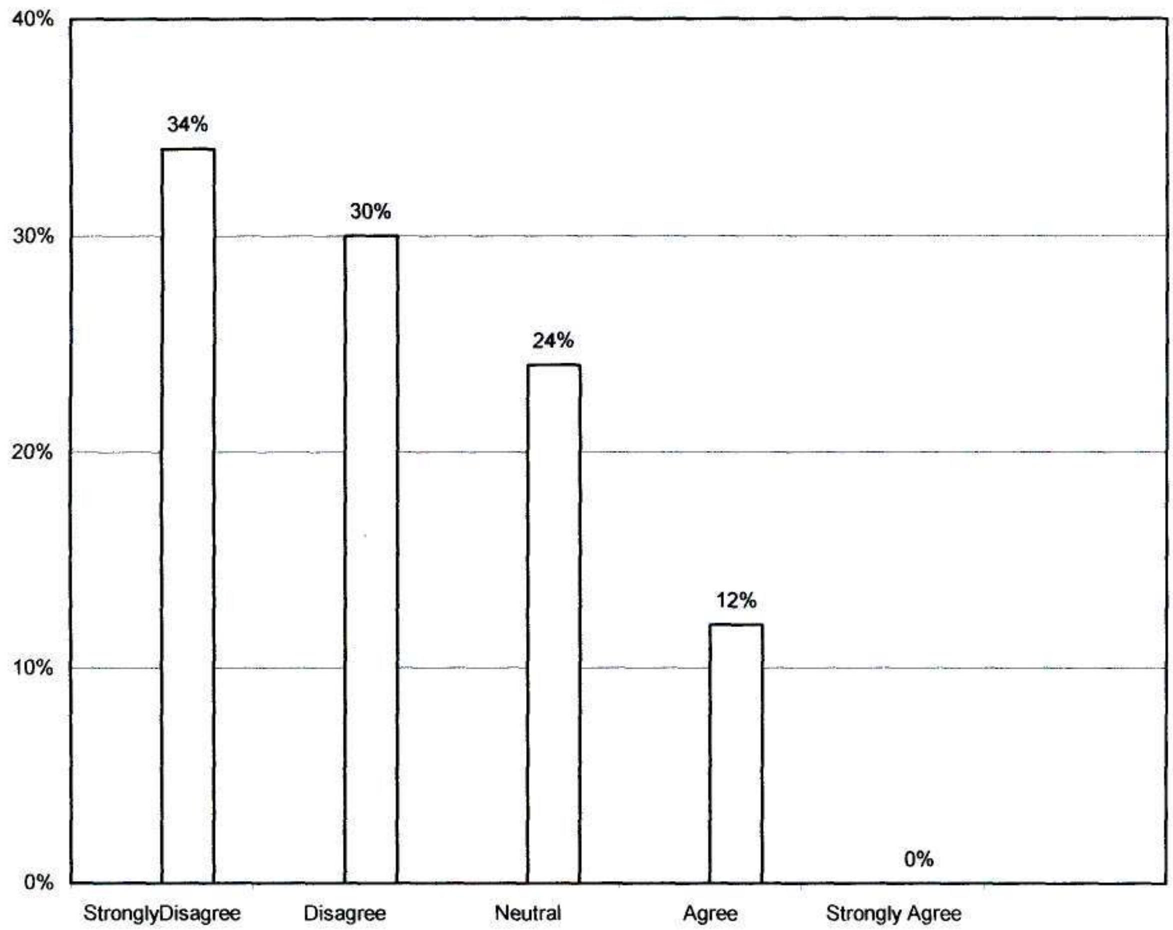


The above figure 4.3 illustrates the following results: From responses received 2%strongly disagree, 10 %disagree, 12% were neutral 10% disagree and 48% agree and 24% strongly agree. This indicates that the majority of respondents agree with the statement that the Authority offer bonuses to increase the employee's performance.

Question 4.Good performance is recognized by rewards.

The question was asked with the intention to get views of the respondents on whether their performance is recognized, or whether they are rewarded when they have performed well. From the literature review Madiba (2004) indicated that, most organizations strongly feel that it is fair to reward employees according to their contribution the argument being that if people are paid more flexibly according to their performance they are likely to be motivated.

Figure 4.4



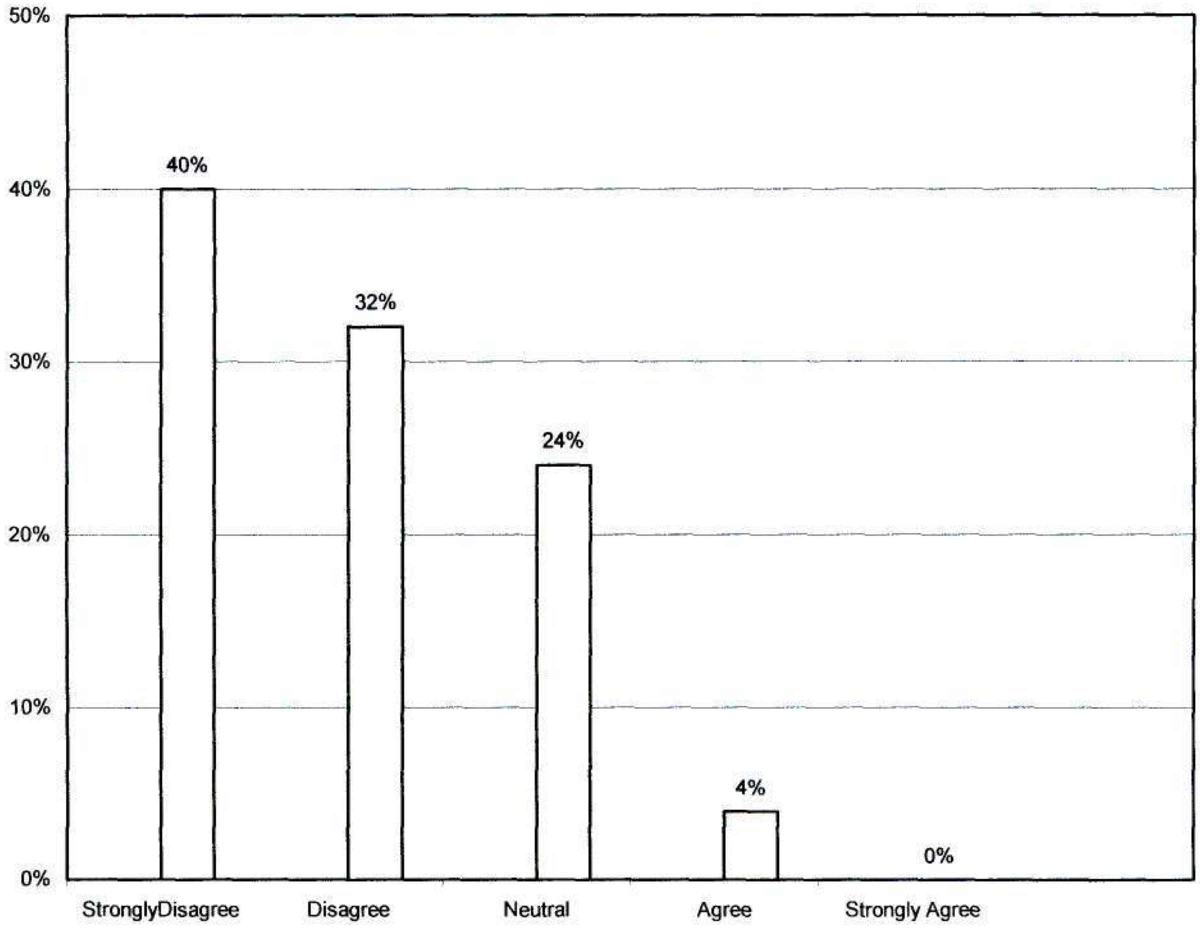
The above figure 4.4 illustrates the following results:

34%strongly disagree, 30% disagree 24% were neutral, 12% agree. This implies that the majority have strongly disagreed with the statement that their performance is recognized by rewards.

Question 5. Performance appraisal system is practiced fairly

The question was asked to get respondents views on performance appraisal system, whether it was fairly practiced or not, from the literature review it was indicated by (Carrel et al.1998) that, performance appraisal is an activity that determine an employees future in the system, such a system should be characterized by fairness, accuracy and the use of correct performance results. Fair accurate and effective implementation and use of performance appraisal system could result in a performing and competitive organization that is able to retain quality human capital.

Figure4.5



Above figure 4.5 illustrates the following results: 40%disagree, 32% disagree 24% were neutral, 4% agree and 40%. This implies that majority of the respondents disagree with the statement that performance appraisal system was practiced fairly.

4.4 FINDINGS

The findings relating to tax collection system at Customs and Excise Lesotho will be presented in this section. The aim is to answer the research questions; therefore the interpretation of the results above indicates the following findings:

From data analyses the interpretations were summarized as per section B and C, whereby section B was analyzed on the general information on Customs and Excise and section C was analyzed on the information of performance of the employees. The perceptions for section B were as follows: Most respondents perceived the authority to have generated additional revenue in Lesotho. This was indicated by Ghebretsdk (2003) that, semi autonomous revenue are formed with the intention of generating additional revenue, however it seems that administration in most countries make it difficult for appropriate structure.

Most respondents agreed that system of collecting tax is applied appropriately. This is because they responded positively that regulations and policies are enforceable to taxpayers, and that targets set can be achieved by revenue collectors. They only responded negatively on the fact that taxpayers are fully informed on importance of compliance.

The researcher's findings for the above responses are as follows: Although respondents perceived increased revenue, according to the Customs and Excise level of authority, the structure seems to be difficult, employees do not know which category they fall under, making it difficult for proper administration, therefore if the administration is poor, the system will not be appropriate and this may lead to poor collection of revenue.

With the response to taxpayer's information on tax compliance the findings are as follows: Although the Authority seems to publicize their information on national radio, it's like they do not have publicity in different radio stations which most people are interested in. People need to have knowledge on tax.

This was indicated by Robert et.al (2004) and Eriksen (1996) that, knowledge about tax law is assumed to be of importance for preferences and attitudes towards taxation, and knowledge can result a better agreement between how tax payers conceive tax system and what the situation really is, might also change attitudes towards taxation. And these tax attitudes have an influence on forced inclination towards tax evasion and tax compliance.

Perceptions for section C are as follows: Majority of the respondents agreed with the statement that revenue collectors are skilled to perform their job; they also had a positive response that the Lesotho Revenue Authority offer bonuses to improve their work performance. Other responses were negative because they indicated that there is no infrastructure, there are no rewards for good performance, and there is no appraisal system.

The researcher's findings for the above responses are as follows: although employees are skilled to perform their job, there is no infrastructure especially at the railway station, and this really demotivates staff, poor infrastructure leads to inefficiency among employees which also contributes a lot in the collection of tax. People need to be motivated at work so that they can be efficient this was indicated by Cane (1996). Performance appraisal is not practiced at Lesotho Revenue Authority. Therefore their performance was not easy to measure, because there is no performance appraisal.

As it was mentioned that the findings are expected to provide answers to the research questions the next chapter will discuss the recommendations based on research findings and from literature review.

4.5 CONCLUSIONS

This chapter has presented, analyzed and interpreted the research findings. The major findings of the study were guided by the literature review. The chapter also described the perception of the respondents on tax collection system. These perceptions were confirmed by the general findings of the study. Data was summarized according to the research questions on section B and section C of the questionnaire.

The findings reveal that difficult structure make it difficult for administration, therefore if administration is poor, the system of collecting tax will not be correct and this will lead to poor collection of tax. Again Performance appraisal was not practiced therefore performance was not easy to measure; hence inefficiency among employees which contributes in the collection of tax. Lastly there is not enough publicity on other radio stations, people need to have knowledge, because knowledge can result a better agreement between how tax payers conceive tax system and what the situation is might change their attitudes towards taxation.

As mentioned the above findings are expected to come out with recommendations which will be discussed in the next chapter.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

As it was discussed in the literature review that Autonomous Revenue are formed with the intention to generate additional revenue and improve tax system. The empirical research reveals that tax administration in most developing countries lack expertise and resources to administer a tax system.

The major objective of the study is to evaluate the effectiveness of tax collection system, and in order to achieve such objective, the study will answer the following research questions:

1. Are there adequate legal frameworks in place to ensure that tax regulations are enforceable at Customs and Excise?

2. Do revenue collectors at the borders rewarded according to their performance?

3. Is there adequate information and publicity to ensure that people understand tax policies and compliance?

This chapter will therefore present what the empirical evidence reveals in relation to research questions and recommendations based on research findings.

5.2 LIMITATIONS

As it was mentioned that this study will be centred on the management and employees of the Lesotho Revenue Authority (Customs and Excise). The information that was used was from Customs and Excises not any other department. Over and above as it was mentioned that information on taxpayers was confidential. This was not easy to approach subject matter on a broad spectrum.

Furthermore, the problem at Customs and Excise is not only inefficiency, lack of publicity and inappropriate procedures of collecting tax; the problem goes beyond that but due to limited time and resources the problem has to focus on these aspects.

Some of the recommendations made in this study, will be based on what other countries have applied in their revenue authorities. The comparisons of the information amongst the countries were made to find out whether same applications can work in Lesotho's situation or not. Therefore the recommendations may work or they may not.

5.3 ANSWERS TO CRITICAL QUESTIONS

Lesotho being one of the developing countries established an independent revenue authority. The aim of establishing this was to be efficient and effective whilst producing quality and responsible services to taxpayer. The subject of this study as it was mentioned is based on the department of Customs and Excise as one of the main department at Lesotho Revenue Authority. The terms of its operations were to be responsible for the administration and collection of import value, added tax at the borders. The question therefore will be, has the department of Customs and Excise been efficient and effective while producing quality and responsible service to taxpayers?

The following will be answers to the research questions.

1. Policies and legal frameworks

The literature review reveals that, taxation policy has always been important instrument for augmenting revenue especially in developing countries, this policy was emphasized by Schaeffer (2002), whereby he shows that good governance and public financial management requires taxes that are based on clearly written laws.

The critical question is that, are there adequate legal frameworks in place to ensure that regulations are enforceable at Customs and Excise?

Findings on the analysis indicate that, majority of the respondents agree that policies at Customs and Excise are enforceable. Although majority agree with the statement, it seems that Customs and Excise is currently using the old Customs and Excise Act of 1982 and other government laws which were used by the previous Customs and Excise under the Ministry of Finance.

Furthermore, it seems that there is no adequate legal framework to ensure that tax regulations are enforceable. This was indicated by Customs report (2006) that, there were signals that some staff members still engage themselves in corrupt practices with clients. There are several instances whereby importers were uncovered with LRA receipts reflecting payments of taxes that were far less than due taxes. Plans are in place to combat corruption, one of which is to trap the suspects and charge them disciplinarily.

2. Performance of employees

If the aim is to make the revenue department more efficient in specific operational areas, performance criteria should reflect expected results. However employee's performance can be influenced by other factors other than bonus. There has to be performance appraisals and other reward system in place to measure performance.

People need to be motivated at work so that they can be efficient, according to Cane (1996).Rewards are not commonly regarded as motivational in the long term but when they are not perceived to be fair, they can become demotivating agents.

The critical question is that do revenue collectors at the borders rewarded according to their performance?

Findings on the analysis indicate that majority of the respondents indicate that, revenue collectors are not recognised by rewards, even if they work hard their performance is not rewarded.

Moreover there is no performance appraisal at Customs and Excise which makes it difficult to measure performance of employees.

4. Information and publicity

Currently the department of Customs and Excise has a slot on national radio once a week. As Eriksen (1996) indicated, the level of knowledge is important in the way people comply to tax. Knowledge can result a better agreement as to how taxpayers conceive tax system and it might also change the attitude towards taxation.

The critical question remains, is this information and publicity enough to ensure that people understand about tax policies and compliance? Is the information enough to reach to every mosotho within the country?

The findings are that, although the Authority seems publicize their information on national radio station, the Authority does not have slot on other radio stations; therefore the information is not able to reach every person. Some people are not even aware of such information.

5.4 RECOMMENDATIONS

It has been established that, department of Customs and Excise does not have adequate legal frameworks, and they are using the old Customs and Excise act 1982.
Therefore the researcher recommends that Customs and Excise should consider setting the new policies and regulations which are in line with their current operations. When setting the policies they should consider the following:

The researcher also recommends that, Customs department should tight up controls in all its operations.

Evidence has shown that revenue collectors are not recognised by rewards, and performance appraisal is not practised at Customs and Excise.
The researcher therefore recommends that, performance appraisal and reward system should be taken into consideration.

It has been established that there is no adequate infrastructure, and recommendations are that there should be improvement in the infrastructure to enhance efficiency of employees.

Customs and Excise currently has a slot once a week at the national radio station, however publicity is not adequate in that most Basotho are not interested in such station, therefore they are not even aware that there is such information. The researcher recommends that customs has to find another slot in other station at which people have good listener ship.

5.5 CONCLUSIONS

As it was mentioned in the limitations of the study that, this study did not use the information from other departments of Lesotho Revenue Authority. Some conclusions can be drawn from here that, other researchers may continue with their research from here to approach their studies on a broad spectrum.

The study aims to evaluate the effectiveness of tax collection system; the evidence shows that the tax collection system is not effective at Customs and Excise due to the following factors:

- There is no adequate legal framework in place to ensure that policies are enforceable.
- There is no infrastructure for employees to perform their job.
- Performance appraisal is not in practice.
- Publicity is not enough to reach all taxpayers within the country.

As such new policies have to be implemented, there has to be improvement in infrastructure for efficiency of employee to perform their job. Performance appraisal should be introduced. And customs have to get the slot in other media for publicity.

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APPENDIX 1. LETTER OF CONSENT

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS

Dear Respondent,

MBA Research Project
Researcher: Ntsoaki Ramakhula (0735117819)
Supervisor: Leo Deodutt (031) 260 7074

I, Ntsoaki Ramakhula an MBA student, at the Graduate School of Business, of the University of Kwazulu Natal. You are invited to participate in a research project entitled Evaluating effectiveness of tax collection at customs and excise in Lesotho .

The aim of this study is to:
To evaluate the current system policies at customs and excise
To explore other mordenised way of collecting data instead of manual receipts
To assess the performance of the revenue collectors at customs and excise department
To establish awareness campaign about importance of tax

Through your participation I hope to understand your views on the system of tax collection. The results of the survey are intended to contribute a lot to my final dissertation(MBA).

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about 30 minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's signature________________________________ Date______________

CONSENT

I ______________________________ the undersigned have read and understand the above information. I hereby consent to participate in the study outlined in this document. I understand that participation is voluntary and that I may withdraw at any stage of the process.

Participant's signature________________________________ Date______________

APPENDIX 2. RESEARCH INSTRUMENT

SURVEY QUESTIONNAIRE

Section A: Personal Information(*Pease tick in the box)*

1.NAME

2. GENDER

Male ☐ ☐

Female ☐ ☐

3. AGE

under21 ☐ ☐

21-30 ☐ ☐

31-40 ☐ ☐

41-50 ☐ ☐

50 + ☐

4. PERSONAL INCOME

0-5000 ☐ ☐

5000-10000 ☐ ☐

10000-15000 ☐ ☐

15000-20000 ☐ ☐

20000+ ☐ ☐

5. NO OF YEARS AS EMPLOYEE OF REVENUE AUTHORITY

0-1 ☐ ☐

1-3 ☐ ☐

3-5 ☐ ☐

5-7 ☐ ☐

7-9 ☐

9+ ☐

6. CATEGORY OF EMPLOYEES LEVEL OF AUTHORITY

Senior management ☐

Middle management ☐

Lower management ☐

Other ☐

Section B: General Information about Customs and Excise

1. **Lesotho Revenue Authority has enabled the country to dramatically increase revenue**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

2. **The system of collecting tax is applied appropriately**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

3. **Regulations and policies are enforceable to taxpayers.**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

4. **Targets set by Lesotho Revenue Authority are unrealistic but can be achieved**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

5. **Taxpayers are fully informed about tax policies and importance of compliance.**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Section C: This section relates to performance of employees

1. **Revenue collectors are skilled to perform their job**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

2. Infrastructure is available for employees to carry out their job

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

2. **Lesotho Revenue Authority offer bonuses to improve their work performance**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

3. **Good performance is recognised by rewards**

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

5. Performance appraisal system is practiced fairly

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

APPENDIX 3. ETHICAL CLEARANCE

RESEARCH OFFICE (GOVAN MBEKI CENTRE)
WESTVILLE CAMPUS
TELEPHONE NO.: 031 – 2603587
EMAIL : ximbap@ukzn.ac.za

UNIVERSITY OF
KWAZULU-NATAL

31 OCTOBER 2007

MRS. N RAMAKHULA (204507955)
GRADUATE SCHOOL OF BUSINESS

Dear Mrs. Ramakhula

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0574/07M

I wish to confirm that ethical clearance has been granted for the following project:

"Evaluating effectiveness of tax collection systems at customs and excise in Lesotho"

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

Yours faithfully

....
MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Post-Graduate Studies (Christel Haddon)
cc. Supervisor (Mr. L Deodutt)