

# Perceptions of Individual Taxpayers towards the Intention to Pay Stamp Duty Tax to Zanzibar Revenue Board

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## Abstract

The purpose of this study is to look at how individual taxpayers in Zanzibar feel about paying stamp duty. The study's underlying idea was the theory of planned conduct. The research included 52 individual taxpayers, as well as two staff from the Zanzibar Revenue Board (ZRB). The link between knowledge, peer influence, perceived behavioral control, and behavioral intention to comply with stamp duty was investigated using interview methods. The findings demonstrated that behavioral intention was strongly and positively connected to knowledge and perceived behavioral control factors, whereas peer influence had a small but significant impact on behavioral intention. It is suggested that efforts be directed toward raising awareness of the necessity for governments to use taxes to assist them to grow their treasuries for public services.

## Keywords

Knowledge, Peer Influence, Perceived Behavioral Control, Intention, Stamp Duty (SD)

## 1. Introduction

Stamp Duty (SD) is a tax levied on the ownership transfer of goods and services. It acts as proof of ownership in court, if there is any legal dispute in future. To collect taxes on documents that need to be stamped, stamp duty has been used for a long time. This includes things like lease agreements, receipts, and court documents, which are all needed to be stamped. First, in 1694, under the reigns of William III and Mary II in England, it was approved as an act that gave the mo-

narchs a lot of money for 10 years so that they could keep fighting France (Russell, 2000). Stamp duty is in place in many nations including Australia, the USA, South Africa, Nigeria, Kenya, Malaysia and Tanzania. The Zanzibar region established a stamp duty act in 2017 at a rate of 3%. The most recent amendment was in July 2021 with the rate reduced to 2%. The rate of stamp duty helps finance government expenditures as well as lessen the burden on taxpayers, yet, many taxpayers avoid paying it. The main reason for avoidance is because it is charged based on the value of the property or transaction of goods or, to be exact, the price paid for the property or goods. Evasion of stamp duty is normally done by understating the price purchased on paper, to reduce stamp duty amount. This usually involves negotiations between buyer and seller on the amount given in cash “under the table” and the amount stated on agreement or contract documents.

Many studies recorded negative perceptions towards stamp duty tax. According to Makamme (2015), a diverse opinion over stamp duty exists with most of them being misconceptions. One of the negative perceptions is that the awareness of stamp duty among citizens is lacking due to the lack of understanding and knowledge regarding it. This might be due to the absence of information and brochures from relevant authorities (Sanni, 2010).

By all these findings, it can be interpreted that the Zanzibar taxpayers’ understanding of stamp duty is, perhaps, still low leading to misconceptions, thus, evasion. Therefore, the focus of the study will be on Zanzibar taxpayers’ understanding of the payment of stamp duty in Zanzibar. The objectives of this research are developed to study the relationship between clear knowledge, peer influence and PBC towards the payment of stamp duty. This paper is divided into multiple sections for better understanding. The first section will discuss the theoretical framework which will cover a discussion related to the theory used for this specific research and will also critically review different previously published literature. In the second section, a discussion on methodology will be provided, the third section will discuss on results and the last section would be the conclusion and recommendations.

## 2. Theoretical Framework

### 2.1. Theory of Planned Behavior (TPH)

In 1980, Ajzen developed the “Theory of Planned Behavior” (TPB), which is still in use today. Essentially, the concept proposes a paradigm for determining how persons are guided in their actions. The key feature of this philosophy is the concept of intention. The concept of planned conduct is an expansion of the theory of reasoned action that incorporates a new component, perceived behavioral control, into its composition. According to Ajzen (1991) TPB models, conduct is determined by behavioral intention, which is determined by three factors: 1) “attitude toward the behavior”; 2) “subjective norms”; 3) “perceived behavioral control”.

The willingness to engage in a certain conduct is referred to as behavioral intention, and it is believed that behavioral intention is an antecedent of behavior. The use of this idea of planned behavior in direct taxes, such as stamp duty, is somewhat rare at present time. According to the findings of the Bidin, Faridahwati, Shalihen, & Othman (2011) study, knowledge, peer influence, and ethical considerations are all positively significant predictors of the intention to comply with the stamp duty requirement. According to the theory of planned behavior, a taxpayer is more ready to pay for stamp duty if he or she is aware of the tax that will be levied on the transfer of assets or property.

## 2.2. Knowledge and Behavioral Intention

People are supposed to have a more positive attitude toward taxes if they know them better (Bidin, Faridahwati, & Othman, 2014). According to Hanno & Violette (1996), who applied the concept of planned behavior to the study of tax compliance, attitudes and knowledge are closely linked to tax compliance intentions. Understanding the tax system has a positive effect on compliance behavior, as stated by Loo, Mc Kerchar, & Hansford (2007) in their study. As Bobek (1997) observed, individuals are more willing to pay taxes when they understand them thoroughly. People who have a favorable view of the tax code and system are more likely to comply with the rules and regulations that govern them (Bidin et al., 2014).

Clear understanding refers to the degree to which a behavior's performance is viewed favorably or unfavorably. (Suki & Ramayah, 2010) define clear knowledge as a person's appraisal of a certain action. Taxpayers have been hit with a slew of levies in the real world. People's feelings on stamp duty are likely to be either positive or negative depending on whether or not they've had any personal experience with it in Zanzibar.

Stamp duty readiness may only be judged based on one's familiarity with tax laws. To be motivated to pay taxes, people must have a basic understanding of why taxes are levied in the first place (Eriksen & Fallan, 1996). A general understanding of tax legislation, say Tan & Chin-Fatt (2000), can serve as a basis for teaching tax knowledge. A better understanding of the tax system and the tax legislation, such as the recent stamp duty rate reduction, can lead to more cooperation (Eriksen & Fallan, 1996). Thus, tax knowledge leads to greater comprehension of stamp duty and a motivation to pay where it is due as a result of this awareness.

## 2.3. Peer Influence and Behavioral Intention

Peer influence can be described as the perceived social pressure that motivates or disincentivizes others to take part in or refrain from a certain activity. By definition, peer influence refers to the belief that the majority of one's closest friends and family members have in regard to whether or not the individual should engage in a specific behavior (Ajzen & Fishbein, 1980). Hanno & Violette (1996) found

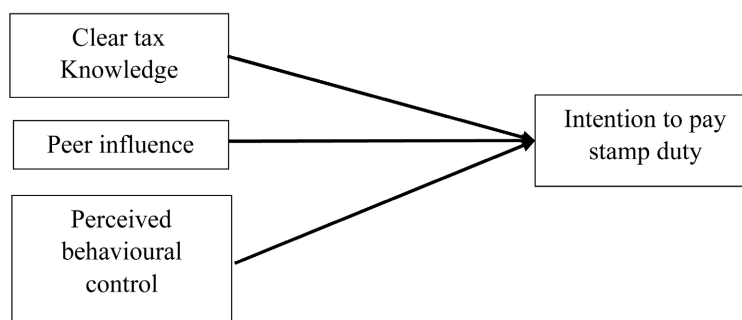
that peer influence has a substantial and positive effect on a person's behavior when it comes to taxation. However, there is still one study that uses peer influence as an important factor in stamp duty compliance behavior.

Individual taxpayers in Zanzibar tend to be affected by the external and interpersonal influences when it comes to their obligations to stamp duty. Social influence is an important determinant of behavior. Social influence occurs when one's emotions, opinions, or behaviors are affected by others. If a perception that stamp duty burdens taxpayers, by adding the stamp duty amount to the property price, is rampant, then the majority of people would have the same opinion and be reluctant to pay it. However, stamp duty is necessary and difficult to be avoided when buying property or drawing contracts as it is based on the amount stated in the contract documents. Thus, understating the purchase price to reduce stamp duty is the only way possible to evade it, which involves both parties' willingness to participate in the evasion. Therefore, a reduced rate should in a way encourage better compliance among relevant parties. Studies on taxpayers' behavior with regards to stamp duty are pretty scarce. Subjective norm is considered an important factor explaining one's behavioral intention to pay stamp duty.

#### **2.4. Perceived Behavioral Control**

People's judgments of their capability to achieve a certain activity are referred to as perceived behavioral control (PBC). It includes two components: how much control a person has over the behavior and how confident they are in their ability to do or not conduct the activity. In the subject of taxation, [Bobek & Hatfield \(2003\)](#) discovered that perceived behavioral control is connected to tax intention. According to [Holst & Iversen \(2011\)](#)'s research, the concept of PBC is concerned with the distance between intention and actual conduct, acknowledging that good intentions do not always translate to action. According to [Ajzen \(1991\)](#), those who have a high perception of behavioral control are more likely to do the behavior than people who have a low perception of behavioral control.

Self-efficacy and "facilitating conditions" are two facets of one's belief in one's own ability to influence behavior. As stated by [Bandura \(1982\)](#), self-efficacy is a person's conviction in their ability to carry out an action, whereas enabling circumstances are the resources needed to participate in that behavior ([Triandis, 1971](#)). The poor infrastructure of Zanzibar, as a result of the island's fiscal woes, might be cited as a reason to avoid paying stamp duty. One might also be reluctant to pay the full amount, due to the hefty price paid for the property itself. A psychological barrier might hinder taxpayers from accepting the new tax act, knowing that inflation is well in place in future setting. If a taxpayer is considering paying stamp duty but feels he or she has little influence over the decision, the perception of behavioral control becomes even more relevant. As a result, in order to establish whether or not a taxpayer would be successful in completing her desire to pay stamp duty, researchers must depend on the concept of perceived behavioral control.



**Figure 1.** Research framework.

**Figure 1** shows the research framework adopted in this paper. This paper intends to test the significant relationship between the three variables and the intention to pay stamp duty.

### 3. Hypothesis

The following hypotheses are created in accordance with the TPB for this study:

**H1:** Clear knowledge has a significant positive effect on behavioral intention to pay stamp duty;

**H2:** Peer influence has a significant positive effect on behavioral intention to pay stamp duty;

**H3:** PBC has a significant positive effect on behavioral intention to pay stamp duty.

### 4. Methodologies

The study adopted a qualitative approach. The qualitative research design explores ideas, thoughts and methods to improve and develop the understanding of problems. It is most proper way to deal with critical problems regarding phenomenological realities (Yin, 2013). Moreover, the qualitative research design used findings and decision making which encourage subjectivity.

This performance changes the world into a series of representation, including field notes, interviews, recording, photographs, conversation and memos to the self. This means that qualitative method studies things in their natural setting, attempting to make sense or interpret, and explains phenomenon in terms of the meanings people bring to them (Denzin & Lincoln, 2005). It is important in behavioral sciences which is the objective to causal motives of mankind behavior (Kothari, 1990). It ensures that the main technology is to be done by qualitative methodology for research design and reliability, with the ability to evaluation, diagnosis and documentation including tangling (Guion, 2002). Moreover, qualitative mode helps to provide strong evidence for success and study on the weakness of research (Rocco, Bliss, Gallagher, Pérez, & Prado, 2003). The rational for using qualitative research method was confirmed when issue needs to be explored rather than using determine data from other studies and when we want to develop theories/models where the current theories or model are insufficient or do not take

the difficulty of the issue we observe. Therefore, using qualitative method for the study would produce a complete understanding required to meet the research objective. [Guest, Bunce, & Johnson \(2006\)](#) suggested at least twelve interviews required as a sample of the respondents, while [Mason \(2010\)](#) suggested that sampling must be continued until the researcher finds results.

The population for this study consists of 52 individual Zanzibar taxpayers. In order to obtain the sample, space purposive sampling was carried out to select samples that are relevant or have experienced with stamp duty obligations. The interview asked relevant questions to collect data that helps understand the perception of taxpayers. During the process of analysis, analysis of content was carried out to provide tangible analysis of research findings.

## 5. Results

For this specific research total 52 interviews were conducted. Respondents selected were those who are paying stamp duty. First objective of this study was to investigate the perception of individuals towards stamp duty. As per the respondent 48 out of 52 respondents believed that having clear knowledge helps them to have better understanding and turn them into pay stamp duty. This result is aligned with [Phillips et al. \(2021\)](#); [Wong & Headrick \(2021\)](#) results. However, according to the [Banties, Plessis, Jansen, & Siebrits \(2021\)](#) peer influence is not always impact paying behavior of individuals which is also aligned with this study results. According to this study results after in depth interviews, they did not believe that peer influence has any bearing in their paying behavior. When it comes to the third hypothesis, 50 out of 52 respondents which are 98% of respondents agreed that behavior control affect intention to pay stamp duty. This result is aligned with the previous studies ([Bin-Nashwan, Jabbar, Dziegielewski, & Aziz, 2021](#); [Shankar & Datta, 2018](#)).

## 6. Conclusion and Recommendation

The purpose of this study was to examine the perception of individual taxpayers toward the payment of stamp duty tax in Zanzibar. This study used the TPB to examine the factors that influence the behavior of individual taxpayers in Zanzibar. The elements that were evaluated were clear knowledge, peer influence, and perceived behavioral control. Perceived behavioral control was shown to be the most important element determining Zanzibar's individual taxpayers' intention to comply with stamp duty. Many of the impressions we receive in the process of our everyday lives have an indirect effect on how we see our ability to control our behavior. In terms of setbacks, when it comes to stamp duty studies, samples need to be specific and purposive towards those that have encountered stamp duty obligations, such as house owners, renters, business owners or conveyance lawyers. Clear knowledge of the importance of stamp duty in helping the nation grow and pay for public services may be able to help taxpayers make informed decisions to comply with the tax act. This knowledge includes the use

of public funds for public services, who needs to pay them, the procedures involved as well as the penalty for its evasion. Thus, ZRB should really focus on providing awareness of the obligations to pay taxes (including stamp duty). The balance between the rate of stamp duty and the rate of its evasion should be investigated in order to ensure effective collection of the tax. The move to reduce the rate of stamp duty is commendable and revenue boards across the world should find a reasonable rate that would help ease the burden on the taxpayers and reduce the need to evade. The present study may also provide unique results and further form the basis for future research work, considering the limitations facing the current study, like other studies. The potential avenues for future studies are explored in this section. First, potential researchers are encouraged to test the model in a setting where the generalizability of the results would be plausible. It is also important, in comparison with other countries and cultural settings which show differences in customers' commitment in organizations, to test the implementation of the model from a global point of view. In this respect, the results of the current study indicate that future studies are concentrating on the acceptability of the model in other developing and developed economies.

### Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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