MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

EFFECTIVENESS OF TAX INCENTIVES ON THE ZIMBABWE FOOD INDUSTRY

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter presents an introduction on the study on the effectiveness of tax incentives on the Zimbabwe's food industry. The chapter contains background to the study, problem statement, conceptual framework, research questions, research objectives, significance of the study, delimitation of the study, limitations, abbreviations and acronyms.

1.1 Background to the Study

World over, use of tax incentives is on the increase in promoting different sectors of the economies (Gemmell and Morrissey, 2015). Martinez-Vazquez and Alm (2013) posit that tax activities are mainly profit/income-based, capital investment-based, labour-based, sales based, value added-based, based on other particular expenses, import-based and export based.

With reference to developed countries, Eissa, Kleven and Kreiner (2014) did a study on an evaluation of tax reforms in Germany, the United States of America and South Africa and found out that the elasticity of foreign direct capital stock with respect to changes in the cost of capital is greater than one in developed countries like German and the United States of America. Eissa, et al (2014) did make a distinction between tax rate differentials and other incentives and found that the latter has some impact on investment but the researchers did not conclude that two have a discernable impact on economic growth. Income tax incentives are one kind of tax policy that could be used in an effort to increase consumption. Income tax incentives are a policy to change tax structure with several methods (Anwar and Siagian, 2012). One example of income tax incentives which often used is a reduction in tax rate as documented by Mintz and Smart (2004) in their research in Canada.

With reference to developing economies around the world that include Singapore and Costa Rica Xiao (2014), Xue (2013) and Zee, et al (2012) found that there are tax exemption policies in place. Costa Rica and Pakistan have tax incentives aimed at boosting investments in each and every industry (Zee, et al 2012).

With reference to developing countries in Africa, tax incentives have been on the rise. According to Aganga (2014), tax incentives have achieved very little success in countries such as Nigeria hence this reduces the ability of the country to achieve its objectives. Shumba (2014) pointed that tax incentives can improve production in Zimbabwe however, he argued that tax incentives are much effective when the economy is stable. His argument was based upon the view that operational costs would be stable in a stable economy which allows the food industry to improve its production.

Despite the food and agriculture sector contributing approximately 23% of Zimbabwe's Gross Domestic Product (GDP), the sector has been affected by lack of investments. Further, according to the Fiscal Policy (2016), it has been noted that the food industry has been negatively affected by the level of imports into the country. This has led to a situation whereby the domestic consumers are now consuming more of imported goods as opposed to local products mainly because their prices are lower than locally produced products as presented in the Table 1.1.

Table 1.1 Exports and Imports of the food industry in Zimbabwe

Years	Domestic production	Imports
2012	18%	31%
2013	22%	29%
2014	12%	60%
2015	10,77%	73%

Source: Fiscal Policy 2016

The Table 1.1 shows that domestic consumption has been generally dominated by imports. Seventy three percent of what was consumed in 2015 was imported from other countries. In 2014, 60% of what was consumed were imported whilst 29% and 31% of what was consumed in 2013 and 2012 respectively came from imports. This shows absence of a competitive local production. From 2013 to 2015 domestic production decreased. In 2013 it was 22%, 2014 it was 12% and in 2015 it stood at 10.77%. Despite a 4% increase in 2012 to 2013, the country has been faced with a decrease in production for the past 3 years. However, the Zimbabwe economic performance has been on the decrease as presented by the Figure 1.1

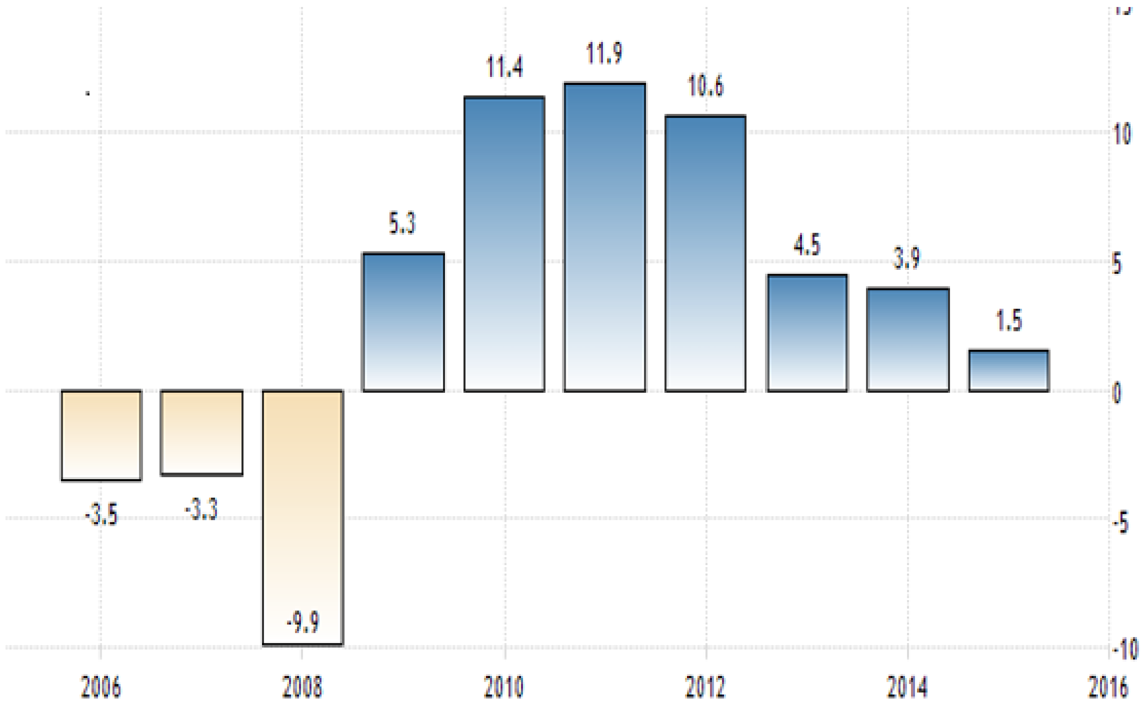

Figure 1.1 GDP Performance

Source: www.tradingeconomics.com ZIMSTAT, Zimbabwe (accessed 15 July 2016)

Since 2011, Zimbabwe's GDP has been on the decrease despite increased tax incentives that include government grants since independence, tax holidays from the early 1990s, Build Own Operate and Transfer (BOOT) and Build Own Operate (BOT) Arrangements from the year 2000, 0% Value Added Tax (VAT) on farming inputs and equipment and deferment of collection of VAT on the importation of capital goods from 2009 among other. On this Zee, et al (2012) argues that few if any contemporary public economists of note laud the virtue of tax incentives. On the contrary, the general line is to warn against them.

Despite their continuing popularity almost every country including Zimbabwe no researches have been done within the context of Zimbabwe in finding out the effectiveness of tax incentives on the food industry production. While the impact of tax incentives on economic growth has been the focus of a large amount of theoretical and empirical research in developed nations, the question of their impact remains elusive (Xiao 2014 and Xue 2013). Eissa, et al (2014) posit that in developing nations such as Zimbabwe, the empirical evidence of the impact of tax incentives is growing but the answers are at least as, if not more, elusive. The dearth of evidence is particularly worrysome when countries such as Zimbabwe experiment with a wide variety of incentives such as tax holidays. The study therefore seeks to explore the effectiveness of tax incentives on the food industry production.

1.2 Problem Statement

Despite the introduction of tax incentives such as direct income tax, government grants and tax holidays arrangements by the Zimbabwean government there has been decreased economic contribution of the food industry to the national output. The food industry of Zimbabwe has failed to be competitive as evidenced by the influx of imports. The study therefore seeks to explore the effectiveness of tax incentives on the Zimbabwe's food industry.

1.3 Main Research Question

How effective are the tax incentives on Zimbabwe's food industry?

1.4 Conceptual Framework

The Figure 1.2 presents the conceptual framework.

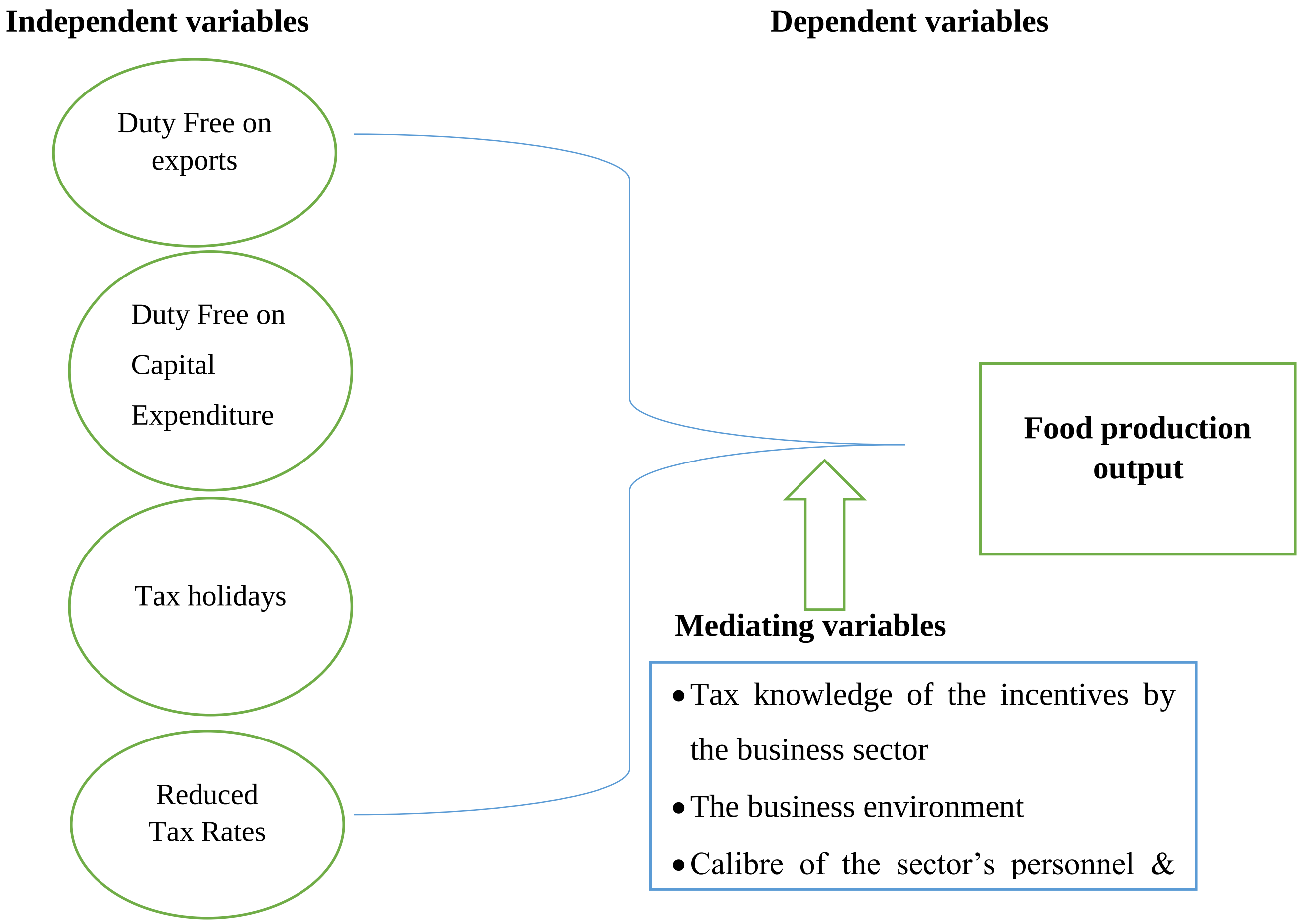

Figure 1.2 Conceptual Framework

The above conceptual framework shows food production as a dependent variable and the independent variable is the tax incentives. The conceptual framework also contains the mediating variables. The mediating variables can influence the full implementation of tax incentives. Thus, the framework implies that when the government adopts one of the tax incentives strategies, it is able to increase food output. The conceptual framework shows the relationship between dependent and independent variables towards improving sales for the company.

1.5 Sub Research Questions

- What tax incentives have been crafted for the Zimbabwe's food sector since 2009?
- What level of knowledge of tax incentives does the business sector have?
- What is the effect of the business environment on the application of tax incentives?
- What challenges are encountered in the implementation of the tax incentives?
- What personnel capabilities exist at the organisational level to implement tax incentives?

- What would be the best practises exploiting tax incentives to create value in the sector?

1.5.1 Sub Research Objectives

- To establish tax incentives crafted for the Zimbabwe's food sector since 2009.
- To ascertain level of knowledge of tax incentives does the business sector have.
- To establish the effect of the business environment on the application of tax incentives.
- To explore challenges encountered in the implementation of the tax incentives
- To find out personnel capabilities that exist at the organisational level to implement tax incentives
- To determine the best practises exploiting tax incentives to create value in the sector

1.6 Justification of the case study

The study is of theoretical and empirical importance to developing nations like Zimbabwe. Researches on tax incentives to developing economies remains elusive. Further, empirical evidence of the impact of tax incentives is growing but the answers still remains indefinable. The dearth of evidence is worrying with Zimbabwe experimenting with many forms of incentives.

1.7 Significance of the Study

The reason for embarking on this study is to establish the effectiveness of tax incentives on food industry production. The research is important to:

1.7.1 Government

The study could help the government in boosting the food industry output leading to the improved GDP output. This enables the government to achieve one of its critical objectives that is increasing national output.

1.7.2 Local Businesses and Investors

The study findings inform the local businesses and investors on various ways of benefiting from tax incentives. This may ultimately result in improved shareholder value.

1.7.3 University and Scholars

The university may benefit from improved research material in the library. The study may set a foundation for further researches by scholars of the university.

1.7.4 Researcher

The researcher will benefit from improved knowledge about the tax administration and investment promotion in the country. The researcher may also benefit from potential opportunities in consultants on tax administration and investment promotion. This research is being carried out in partial fulfilment of the Masters of Commerce in Accounting with Midlands State University.

1.8 Delimitations

The major aim of the study was on assessing the impact of tax incentives on food production output in Zimbabwe. The target population was ZIMRA senior management officials (Corporates Division-Harare) and purposively selected Food industry corporates in Harare. The study dwelt on purposively selected Corporates that fall under Category C in Harare. The study considered the multi-currency era from 2009 to September 2016.

1.9 Limitations of the Study

Confidentiality issues were of concern to respondents. Initially respondents withheld information as it was deemed sensitive. In view of the sensitivity of the issue respondents were not willing to provide information. Confidentiality issues as a result of Secrets Act signed by employees at ZIMRA and their clients required ethical clearance from university and entities under study. Respondents were guaranteed that their responses were for academic purposes only.

1.10 Assumptions

- Respondents will provide detailed and truthful information to the best of their knowledge
- Current legislation will not change to influence the food industry

1.11 Abbreviations and Acronyms

Tax	A compulsory financial contribution to state revenue from the public sector and private sector’s income, profits, costs and transactions
Tax Incentive	A fiscal measure used to attract the local and foreign business sector investment
ZIMRA	Zimbabwe Revenue Authority
GDP	Gross Domestic Product
BOOT	Build Own Operate and Transfer
VAT	Value Added Tax

1.12 Chapter Summary

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CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter presents literature review on the effectiveness of tax incentives on the Zimbabwe's food industry. The chapter is guided by research objectives thus it will cover tax incentives crafted for the Zimbabwe's food sector, level of knowledge of tax incentives does the business sector have, effect of the business environment on the application of tax incentives, challenges encountered in the implementation of the tax incentives, personnel capabilities that exist at the organisational level to implement tax incentives and best practises exploiting tax incentives to create value in the sector.

2.1 Tax incentives Crafted for the Zimbabwe's Food Sector

Nielsen (2011) posits that the tax policy is designed towards the levying and collection of taxes. Tax policies are designed by policy makers through the process of debates. With reference to Zimbabwe, Section 32 (2) of the constitution of Zimbabwe provides that parliament can delegate authority to subordinate law making bodies. Accordingly, ZIMRA was conferred with the power and authority to collect revenue on behalf of the government. The organisation is an autonomous institution (ZIMRA, 2016). Shumba (2014) posits that the ZIMRA came into existence in September 2001. Its workforce was drawn from the then Department of Customs and Excise and the Department of Taxes. The primary aim was to have an efficient and effective organisation in the collection of Government revenue, give synergism and reduce bureaucracy. The Zimbabwe Revenue Authority is therefore responsible for collection of most taxes which include Capital Gains Tax, Customs duties, Corporate tax, Value Added Tax (VAT) and Excise duties. VAT is the greatest contributor to government revenue.

Aganga (2014) posits that tax incentives are financial measures that are used to attract local and foreign investment capital. These initiatives are aimed at boosting the country's economic performance. Shumba (2014) argued that tax incentives may be costly to the government due to loss on potential revenue. The Zimbabwe Revenue

Authority (ZIMRA) administers various tax incentives aimed at promoting investment while the Ministry of Industry and Commerce, Zimbabwe Investment Authority and Industrial Development Corporation administers non tax incentives.

With regard to tax incentives, the government of Zimbabwe seeks to promote domestic and foreign investment. Tax incentives are aimed at income generation, industrial development, revenue inflows, small business development, promotion, employment creation and skills transfer (ZIMRA, 2016). Shumba (2014) argued that like many other developing nations, Zimbabwe offers many tax incentives. Aganga (2014) posits that tax incentives offered by the government of Zimbabwe include tax holidays, reduced tax rates and accelerated depreciation (Income Tax Chapter 23: 78). These incentives are sector based and they also pertain to type of activity, form of organisation and geographical location of investment.

Shumba (2014) posits that Income Tax incentives include Build Own Operate and Transfer (BOOT) arrangements. Contractors may enter into contracts with the government of Zimbabwe so as to construct infrastructure. Transfer of ownership will be done thereafter, and the investors may enjoy tax holidays for at least 5 years. In some instances, they may be taxed at 15% for the second five years. Food producers who export over 50% of their output are given 15% special rate of tax.

Taxable income from manufacturing or processing company which exports 50% or more of its output taxed at a special rate of 20% (Shumba, 2014). Special Initial Allowance works as deduction. Tax incentives may be granted on all the expenditure incurred in construction of new industrial buildings. Staff housing expenditure may also be granted tax incentives. Expenditure on machinery and utensils purchased for the purpose of trade may also attract tax incentives (Income Tax Chapter 23: 91-94).

Organisations in the farming industry may also get tax incentives in the form of special deductions over and above normal deductions (ZIMRA, 2016). Expenditure on fencing, clearing and stamping land may attract tax incentives. Sinking boreholes, wells, aerial and geophysical surveys may attract famers’ special deductions. Farming inputs and equipment are subject to 0% VAT. Farming inputs include animal feed, fertilizer, plants, seeds, pesticides and animal remedy have 0% VAT. Further, VAT can be deferred on some capital equipment for the exclusive use in the food and agricultural sector among other. However, the whole amount becomes due within 90 days from date of deferment (Income Tax Chapter 23: 91-94).

All these efforts are aimed at promoting foreign direct investments. Tax incentives are aimed at increasing inflow of foreign direct investments (Shumba, 2014). This mainly focuses on promoting investment opportunities. Tax reforms in Africa are aimed at promoting tax administration efficiency and broadening tax base. However, tax incentives are aimed at promoting investments levels.

2.2 Business sector's Level of knowledge of tax incentives

Tanzi (2013) posits that the business sector in Africa is not fully aware of tax incentives offered the government. These tax incentives are aimed at boosting the international competitiveness of a country. However, World Bank (2012) states that international investors consider tax incentives when making investment and location decisions. This implies that the business sector seek knowledge of tax incentives when making investment decisions.

Authors such as Shumba (2014) and Sanford (2015) were of the view that the business sector mainly from Africa is not very much interested in knowing tax incentives. This is mainly because accessing these facilities are often hindered by bureaucracy and corruption. Thus limited efforts have been done to understand and apply the existing tax incentives.

Despite offering tax incentives, countries such as Zimbabwe have received less tax incentives due to the political situation, weak administration, corruption and old fashioned laws (Shumba, 2014). This implies that the need to seek knowledge of tax incentives has been eroded by other limitations and malpractices in the tax system. However, Aganga (2014) postulated that the business sector is aware of the tax incentives offered to the food industry. The business sector was aware of the tax incentives offered to investors as ZIMRA was publicising such information in both electronic and print media. Related to this, the World Bank (2012) was of the view that developing countries had to offer optimum tax incentives so as to attract foreign direct investments. This included also the need for developing countries to package and market these tax incentives to attractive investment source markets (World Bank, 2012).

2.3 The effect of the business environment on the application of tax incentives.

The economic growth and investment dynamics of a country are largely affected by taxation (Sanford, 2015). Both foreign and local investors are greatly affected by the business environment in exploiting tax incentives. The tax structure may also be complex and unstructured (Mann, 2012). The establishment of tax holidays and export zones has been on the increase in Africa, however, these policies have not been coordinated with other policies aimed at improving business climate (Sanford, 2015).

It has also be argued that investors do not really consider tax incentive in making investment decisions (Sanford, 2015). However, Mann (2012) argued that governments in Africa are faced with challenges in improving the business climate. Investment inflows have been on the increase in countries such as Mauritius and Rwanda due to tax incentives and simplified tax structures. Developing countries have excessive complex tax systems. In some instances the laws are unclear and the consulting manuals are usually nonexistent. With reference to Kenya, Single Business Permit (SBP) introduced in 1999was aimed at promoting tax incentives in the formal and informal sectors. With reference to Botswana, the country has the least tax rates in the region. The agriculture and food industry has is charged 15% as corporate tax. Tax incentives are efficient if they can fuel provision of public infrastructure for business development in exchange for formalization. However, taxes are the pillar for the country’s regulatory framework for investment and growth (Clark, 2000).

Sanford (2015) argued that tax incentives are not the solution in attracting foreign direct investments as countries such as China were greatest recipients of investments without much tax incentives. Clark, (2000) argued that tax incentives will always remain viable if costs benefit analysis is done. However, possibilities of increasing tax incentives to investors were minimal due to negative mediating factors such as economic and political situation (Stanford, 2015). Related to this, Sanford (2015) and Mann (2012) argued stable economies like China have the capacity to increase tax incentives as they a wider streams of revenues. Mann (2012) argued that the focus of many African governments has been promoting value addition and beneficiation.

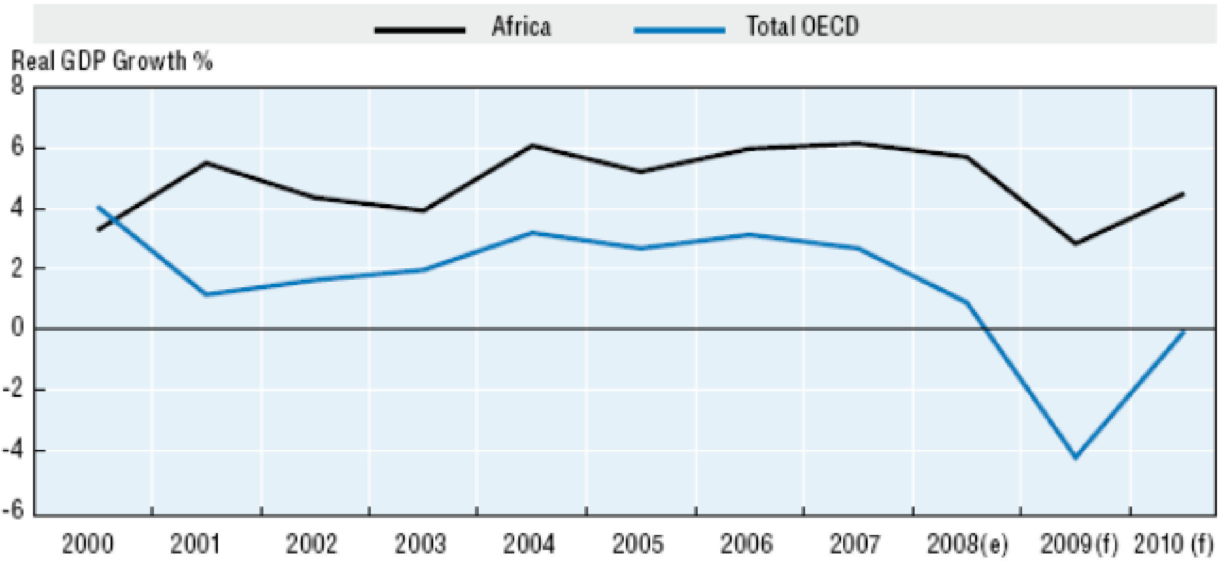
2.4 Challenges encountered in the implementation of the tax incentives

Countries in Africa are faced with a series of challenges in implementing tax incentives.

2.4.1 Reaching Optimum Balance

The major dilemma is on optimizing taxation while aiming to reach development targets. This means that it is often difficult to reach an optimal balance between tax regime that is business and investment friendly whilst also meeting revenue generation targets. Revenue generation targets have been difficult to meet due to continued pressures to attract foreign direct investments through tax incentives. African countries experienced flat growth during the period 2000 to 2010, however, there has been an increase in tax revenue in the region. The major sources of revenue have been on corporate income tax on agriculture and mining sector (Brodzka, Garufi, 2012).The Figure 2.1 shows that African countries have been struggling with revenue gaps.

Figure 2.1 Revenue Gaps in Africa



Source: OECD Development Centre/World Bank, 2009.

African countries have been experiencing a fairly consistent increase in GDP from 2000 to 2009. In 2009, the continent was faced with sharp decline in economic performance. Considering that the continent has been faced with many challenges requiring funding the revenue gaps are of concern (Brodzka, Garufi, 2012).Hence, it is important to strike the right balance between designing an attractive tax regime for investment and growth and securing the necessary revenues for public spending

(Shah, 2015). However, competitive tax policy will be critical for domestic resource mobilization. If tax incentives are effectively implemented, they provide essential platform for sustainable development (Tanzi, 2013).

2.4.2 Some Companies Resort to Tax Evasion

Determining which regulatory enforcement strategy will be the most effective in gaining long term voluntary compliance from taxpayers is a challenge for all tax authorities around the world (Tanzi, 2013). A long-standing debate in the regulatory literature has been between those who think that individuals will comply with rules and regulations only when confronted with soft penalties. However, it has not been the case with regard to tax incentives, as the minimum demand from the government may not attract investors and companies to comply (Sanford, 2015).

2.4.3 Competent leadership and management

Competent leadership has enabled effective implementation of tax administration systems. Companies with competent staff are taking advantage of tax incentives (Sanford, 2015). Competent staff can be improved through training and development. In support, Tanzi (2013) was of the view that leadership and management of tax collection institutions are expected to be competent in designing and implementing tax incentives. This includes the need to understand the world trend (Sanford, 2015).

2.4.4 Narrow Tax Base

African countries are faced with narrow tax base, hence, it’s often difficult for them to implement tax incentives (Sanford, 2015). Compared to developed countries, African governments’ ratio of tax to GDP is only about half what is in the developed world. The major reason why tax base is narrow is due to large population being in the informal sector. There are inadequate tax systems in the developing countries.

2.5 Personnel capabilities that exist at the organisational level to implement tax incentives

Tanzi (2013) posits that the budget of an administrative personnel dealing with taxation policy and collection should include an attached schedule of budgeted personnel positions which describe all of the permanent positions by trade, skill level and seniority in terms of the equivalent civil service jobs (Sanford, 2015). An average grade-related point value is assigned to each of the levels and, when the number of posts is multiplied by the value of these points as per the budget supervisory authority and based on a system which applies to all of the civil service, can be used to compute the corresponding budget appropriation (Sanford, 2015).

Tanzi (2013) postulated there is need to ensure that personnel required in the implementation of tax incentives are adequate. Further, he mentioned the need to ensure that the personnel expenses are generally closely monitored and controlled by the supervisory authority (Shah, 2015).

Any changes in the value of grade-related points results from the government's compensation policy. The filling of budgeted positions by actual employees requires the approval of the financial controller (Sanford, 2015). The vacant budgeted job must be at a level corresponding to the qualifications of the individual appointed to it. This control procedure will contribute substantially to the development of administrative planning for personnel, so as to anticipate retirements, deaths and the termination of assignments, which result in vacancies, as well as to plan career advancement based on seniority and skills (Brodzka and Garufi, 2012).. The discussion of administrative policies on personnel and careers is an important part of all budget negotiations, as it is often necessary to adapt the structure of budgeted jobs to the needs of the agency (Sanford, 2015).

2.6 Best practices exploiting tax incentives to create value in the sector

Reforming tax structures to implement tax incentives is generally difficult in any country (Tanzi, 2013). Formulation and implementation of tax incentives is often challenging and takes longer. The major practices being adopted to exploit tax incentives in creating value to the industry are:

2.6.1 Expanding Revenue streams

Sanford (2015) was of the view that countries that successfully craft tax incentives many not realise the benefits if they do not address revenue streams. Brodzka and Garufi (2012) posit that countries such as China, Colombia and Uganda have made many efforts to increase revenue streams to the government as well as increasing tax incentives. This implies that expanding revenue streams enables the country to increase tax incentives.

2.6.2 Decentralisation

Sanford (2015) posits that decentralizing operations of tax administration to local people enables improved awareness and effective implementation. This is because local people can easily be held more accountable and national officials. This increases the participation of local people in the formulation of tax incentives ((Sanford, 2015). However, Tanzi (2013) argued that local control of tax base is inappropriate in many circumstances due to the need of centralizing operations.

2.6.3 Tax Incentives should be selectively applied

There is no need to eliminate tax exemptions and incentives granted to politically powerful lobbies. There should be very limited or no tax exemptions to politicians (Sanford, 2015). Apart from politicians tax incentives should not be selectively applied to government officials or any other popular people. This results in increased corruption if not checked (Tanzi 2013).

2.6.4 Minimising Capital Flight

There is need to tackle causes of capital flight (Sanford, 2015). Capital flight is where assets and money flows out of the country due to economic circumstances. Shumba (2014) was of the view that there was Zimbabwe was experiencing gross evidence of tax incentives benefiting only the country of origin. Hence, tax incentives would encourage foreign direct investments leading to reduced capital flight. Foreign investors often take capital and cash to countries of origin (Sanford, 2015).

Literature sources from Garufi (2012), Tanzi (2013) and Sanford (2015) were not with the context of developing countries like Zimbabwe. Furthermore, researches were not industry specific, hence, the present study explores the effectiveness of tax incentives to the growth of the food industry. Despite their continuing popularity almost every country including Zimbabwe no researches have been done within the context of Zimbabwe in finding out the effectiveness of tax incentives on the food industry production. While the impact of tax incentives on economic growth has been the focus of a large amount of theoretical and empirical research in developed nations, the question of their impact remains elusive (Xiao 2014 and Xue 2013). Eissa, et al (2014) posit that in developing nations such as Zimbabwe, the empirical evidence of the impact of tax incentives is growing but the answers are at least as, if not more, elusive. The dearth of evidence is particularly troubling when countries such as Zimbabwe experiment with a wide variety of incentives such as tax holidays. The study therefore seeks to explore the effectiveness of tax incentives on the food industry production.

2.7 Chapter Summary

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CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the research methodology that was used in the study on the effectiveness of tax incentives on the Zimbabwe's food industry is presented. The chapter covers the research philosophy, research approach, research design, population, sampling, pilot study, data collection procedure, data analysis procedure and ethical considerations.

3.1 Research Philosophy

Kalton (2015) and Fowler (2012) agreed that a research philosophy refers to the beliefs concerning the nature of the reality being investigated. In addition, Babbie (2012) posits that research philosophies can be categorised into positivism and phenomenology. Positivism is based on the assumption that reality and knowledge exist whilst the phenomenology is based on the assumption that reality and knowledge do not exist.

The study adopted both philosophies. The researcher reviewed literature and established that there was vast literature on the effectiveness of tax incentives on the food industry's performance. However, the literature was not within the context of Zimbabwe. Hence, the researcher sought to close literature gaps through knowledge creation. The nature of the topic required the researcher to consider qualitative and quantitative data. This meant that the researcher considered positivism and phenomenology research philosophies so as to gather facts, figures and opinions pertaining to the topic under study.

3.2 Research Approach

Fowler (2012) posit that research approaches can be categorised into deductive and inductive research approaches. Cooper and Emory (2014) posit that the researcher who adopt deductive research approach aims at testing theory whilst the researcher who adopts inductive research approach aims at building theory.

The researcher adopted the two research approaches. Existing literature was not adequate to address the research problem. However, the existing literature enabled the researcher to identify research gaps and areas of edifying the existing literature. This meant that the researcher chose both the deductive and inductive research approaches.

3.3 Research Design

Babbie (2012), Cooper and Emory (2014) agreed that a research design is a plan on how to conduct the study. There are basically three types of research designs which are descriptive, explanatory and exploratory. Descriptive research design aims at establishing the characteristics of a population or phenomenon being studied (Kerlinger 2011). Explanatory research design is aimed at probing a deeper insight into the phenomenon under investigation (Fowler, 2012). However, the explanatory research design aims at assessing the cause and effect of variables.

The nature of the topic was largely descriptive. Adoption of the descriptive research survey was also in line with the adopted research philosophy. Adopting the explanatory research design was suitable after only adopting the positivism research philosophy, whilst, exploratory research design would have resulted in the study being largely qualitative. The study considered few selected Corporates that fall under ZIMRA's Category C in Harare hence,a descriptive generalised understand was sought.

3.4 Research Strategy

Kalton (2015) was of the view that a research strategy is an overall strategy the researcher chooses to integrate the different components of the study so as to address the research problem. In support, Kerlinger (2011) mentions that a research design is the blue print for the research which constitutes how the data will be collected. Fowler (2012) posits that there are various types of research designs which include survey, case study and action research among other.

The study adopted the descriptive research design. It was not possible to consider research designs such as case study and action research. The descriptive research design enabled the researcher to make use of qualitative and quantitative data. The study was focused on few selected Corporates that fall under ZIMRA's Category C in

Harare, hence, a descriptive understanding was sought. It was easy to make use of the survey method in collecting data as a standard questionnaire was administered to corporates and ZIMRA staff.

3.5 Population

Babbie (2012) defined population as all elements that meet the sample criteria for inclusion in the study. In support, Fowler (2012) mentioned that population are elements that can be included in the study to provide information to solve the research problem.

The target population was ZIMRA senior management officials (Corporates Division-Harare) and Food industry corporates in Harare. The Table 3.1 presents the population.

Table 3.1 Population

Target population	N
ZIMRA senior management	54
Corporates in the Food Industry	2345
Total	**2399**

These results show that the study was composed of 2 399 population elements. These category of respondents were seen as possessing valuable information sought in the study. Senior management at ZIMRA understood how tax were formulated and implemented. Corporates were best suited to understand how tax incentives were contributing to the growth of the industry. Corporates were represented their Finance Directors.

3.6 Sampling

The process of selecting a representation of the sample is called a sampling (Fowler, 2012). Sampling can be done through the use of non-probability and probability sampling techniques. Probability sampling techniques include systematic sampling, simple random sampling and stratified random sampling techniques. Non probability sampling techniques include the use of quota sampling, convenience and purposive sampling techniques (Babbie, 2012). In selecting the sample size, the study made use of the Fowler's (2012) formula of calculating sample size.

The sample size was determined by the formula below:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n=sample

N= Target Population (2399)

e = maximum acceptable margin of error (5%)

Sample size calculation

$$n = \frac{2399}{1 + 2399\,(0.05)^2}$$

n= **343**

Source: Fowler (2012:34)

The formula shows that the sample size was made up of 343 sample elements. The sample size calculation formula is also accepted by theorists such as Kalton (2015) and Kerlinger (2011).

3.6.1 Sampling Techniques

Kalton (2015) posits that sampling techniques can be grouped into being probability and non-probability sampling techniques. Kerlinger (2011) posits that probability sampling techniques are based offering equal chance of in selecting sample elements. The probability sampling techniques include simple random, systematic and stratified sampling techniques. However, Fowler (2012) posits that non probability sampling techniques are used when the population is entirely not known. Non probability sampling techniques include quota, convenience, and purposive sampling techniques (Kalton 2015). The sampling techniques adopted where:

3.6.1 Purposive Sampling

The study made use of the purposive sampling method in the selection of respondents. Fowler (2012) posits that purposively sampling is non-probability sampling technique also known as judgemental sampling technique. The researcher used her judgement in selecting those who were well positioned to provide the valuable information. The researcher concentrated on the 54 Senior Management at ZIMRA. It was not possible to consider all the management personnel at ZIMRA as they were located in the 10 provinces of the country. The researcher concentrated on senior management personnel at the ZIMRA Head Office in Harare. These respondents had an oversight understanding of how tax incentives are being implemented. The biggest disadvantage of purposive sampling was its high probability of researcher bias (Kalton 2015). The biggest advantage of purposive sampling was that saved researcher's time, money and effort. Above all it enabled the researcher to select a sample basing on the purpose of the study and knowledge of a population.

3.6.2 Simple Random Sampling

Babbie (2012) posit that simple random sampling technique is where sample elements are chosen by chance. The researcher made use of simple random sampling in selecting Corporates. These Category C corporates were 2345. After subtracting 54 Senior management personnel, the researcher then made a decision to select 289 through simple random sampling. The researcher made use of Microsoft Excel in selecting participants. Use of Microsoft Excel reduced biased in the selection of participants.

Fowler (2012) posits that simple random sampling enables the researcher to be free from bias and being free from errors in clarification. However, Kerlinger (2011) argued that simple random sampling carries larger errors from the same sample size than that are found in stratified random sampling. It was easy and objective in drawing sample elements using the simple random sampling method.

3.7 Data Collection Instruments

Cooper and Emory (2014) posit that data the major collection instruments are questionnaires, interviews and observation. Data collection was done through the use of the questionnaire. The questionnaire was used to collect information from ZIMRA senior management and corporates. Follow up interviews were done with 10 ZIMRA management personnel.

3.7.1 Questionnaire

Fowler (2012) posits a questionnaire contains questions designed to elicit information than can be obtained through the written responses of the subjects. This enable the researcher to under the magnitude of respondents' views. To ensure a high response rate, the researcher personally distributed the questionnaires with the help of two research assistants. Since questionnaire respondents were 289, less time was required administer. Use of the questionnaire offered the possibility of anonymity because subjects' names were not required on the completed questionnaire. Most of the questions were closed, hence, it was easier for the respondents to fill in. However, there were excessive follow ups as response rate from questionnaires was generally low. In support, Fowler (2012) argues that questionnaires usually have a low response rate.

3.7.1.1 Types of Questions

The questionnaire had open ended and closed ended questions. Open ended questions enabled the respondents to provide detailed data whilst closed ended questions gave specific options for respondents to provide their responses. Closed ended questions were easier to analyse whilst open ended questions complemented data gathered from closed ended questions.

3.7.1.2 RensisLikert Scale

The questionnaire was developed guided by the RensisLikert 5 point scale.

strongly agree	agree	not sure	disagree	strongly disagree

The use of Likert scale provided detail to the magnitude of responses from closed ended questions. Use of Likert Scale led to easier data analysis. Use of Likert Scale enabled a quick, efficient and inexpensive way of collecting data. However, the use of Likert Scale and its fair share of limitations as it failed to measure true attitudes of respondents. Some respondents concentrated on one response side and some respondents were not comfortable in choosing extremes. To counter these disadvantages, the researcher complemented the Likert Scale with open ended questions.

3.7.2 Interviews

Babbie (2012) posits that interviews are a more personal form of questionnaires. During interviews Fowler (2012) argues that the interviewer works directly with the interviewee. Through the use of interviews with management personnel at ZIMRA, the researcher was able to probe further. However, some respondents were not comfortable to respond to interviews as they felt that their responses might end them in troubles. The researcher informed the participants that the study was ethically approved and responses were solely for accomplishing academic requirements.

Cooper and Emory (2014) posit that interviews allows more in-depth data collection and comprehensive understanding. Babbie (2012) asserts that interviews enables the researcher to gather non-verbal cues. However, interviews can deliver biased responses. (Cooper and Emory, 2014). Use of interviews enabled the researcher to have a detailed understanding of the topic at hand.

3.7.3 Pilot Study

Pilot study was done to validate the research instruments. Kalton (2015) postulated that a pilot study is a preliminary study conducted in order to assess the validity and reliability of the researcher instruments. Pilot study was done with 2 PhD holders in Accounting and Economics. Further, the study considered 2 ZIMRA management personnel who were outside the sample frame. These pilot study respondents were located in the Manicaland province. Two Corporates were also considered. The total number of respondents who were considered for pilot study were 6.

After conducting pilot study, the researcher managed to adjust the research instruments. Some of the questions were vague and some questions were difficulty to understand. The researcher managed to take into account issues raised and the research instruments was adjusted.

3.8 Data Collection Procedure

Kerlinger (2011) mentioned that data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion, which then enables one to answer relevant questions and evaluate outcomes. Appointments were done with respondents pertaining to the date, time and venue conducting interviews. The study managed to make use of research assistants in the distribution of questionnaires to ZIMRA Senior management and Corporates. Respondents were given 2 weeks to fill the questionnaire. The researcher and research assistants personally collected the research instruments.

3.9 Reliability and Validity

Validity is about whether instruments measured what was intended. Reliability concerns the replicability of study findings under different circumstances (Kerlinger, 2011). Use of pilot study enabled the researcher to assess the suitability of research instruments. Relevant adjustments were done in improving the validity and reliability of instruments. The researcher used simple language and great care was used in selecting words and phrases.

3.10 Ethical Considerations

In conducting this research, the researcher was concerned of honesty and integrity. The researcher wanted to protect the rights of sample elements. Written communication to conduct the study was obtained from the department. Verbal permission was also sought from respondents. Respondents had an option not to take part in the study. The willing respondents had option to withdraw at any time. Participants took part in the study willingly. Subjects were informed about the purpose of the study, procedures that should be used to collect the data. Anonymity and confidentiality were maintained throughout the study.

3.12 Data Presentation

Frequency tables were drawn. Data was presented in tables, pie charts and bar graphs from Statistical Package for Social Sciences (SPSS) output. The researcher was concerned about emerging characteristics and concepts. Concept analysis encompassed analysis of verbal or written communications is a systematic way to measure variables quantitatively.

3.11 Data Analysis

After data was collected, it was organised and analysed. For analysis of closed-ended questions a computer programme called SPSS was used. SPSS version 23 was used to analyse data. Initially the data captured in Excel before being imported to SPSS for analysis. Data was analysed using descriptive statistics.

3.12 Chapter Summary

This chapter was focused on the research methodology used in the study on the effectiveness of tax incentives on the Zimbabwe's food industry. The chapter covered research methodology aspects such as research philosophy, the research design, research strategy, population and sampling. The chapter also covered data collection procedure and the data analysis plan. The next chapter presents data analysis.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents, analyses and discuses data gathered on the effectiveness of tax incentives on the Zimbabwe's food industry. Data was collected from ZIMRA senior management and Corporates in the Food Industry through questionnaires and interviews. Questionnaires were used to collect data from all the category of respondents. Follow up interviews were done with management personnel at ZIMRA. Data was analysed through SPSS were tables and figures were produced. Data presentation and analysis was guided by research objectives stated in chapter one. The first section presents general information and demographics before dwelling on findings related to each and every research objective.

4.1 General Information and Demographics

4.1.1 Response Rate

The Table 4.1 presents the Response rate.

Table 4.1 Response Rate

Participants	n	Response		Non Response	
		f	%	*f*	%
ZIMRA senior management	54	44	81.5%	10	18.5%
Corporates in the Food Industry	289	168	58.1%	121	41.9%
Total	**343**	**212**	**61.8%**	**131**	**38.2%**

The Table 4.1 shows that 81.5% of ZIMRA senior management personnel managed to respond whilst 18.5% failed. Percentage of Corporates in the food industry which responded were 58.1% whilst those that failed were 41.9%.

These results show that an average of 61.8% of respondents managed to respond. However, ZIMRA senior management was more committed in responding compared to corporates in the food industry. The major reason was because these respondents were stationed at one place compared to representatives of corporates in the food industry.

4.1.2 Gender of Respondents

The Table 4.2 presents the gender of respondents.

Table 4.2 Gender of Respondents

Gender	n	Male		Female	
		f	%	*f*	%
ZIMRA senior management	44	28	63.6%	16	36.4%
Corporates in the Food Industry	168	98	58.3%	70	41.7%
Total	**212**	**126**	**59.4%**	**86**	**40.6%**

The Table 4.2 shows that 63.6% of ZIMRA's senior management were female whilst 36.4% were female. To add on, 58.3% of representatives of corporates were male respondents whilst 41.7% were female.

On average, 59.6% of respondents were males compared to 40.6% female respondents. These results show gender disparities. However, despite gender disparities, all the categories of respondents showed a understanding of the topic understudy.

4.1.3 Age of Respondents

The Table 4.3 presents the age of respondents.

Table 4.3 Age of Respondents

Age of Respondents	*f*	%
below 25years	24	11.3%
25-30 years	48	22.6%
30>-40years	69	32.5%
above 40 years	71	33.6%
Total	**212**	**100.0**

The Table 4.3 shows that 33.6% of respondents were aged over 40 years. Those aged 30> to 40 years were 32.5% whilst those aged 25 to 30 years were 22.6%. There were 11.3% of respondents aged below 25 years.

These results show that mode f respondents were aged over 40. Mainly ZIMRA staff were falling under this category. Despite disparities in age of respondents, the researcher established age diversity as contributing to different opinions which was critical in establishing diversity of opinions pertaining the topic under study.

4.1.4 Highest Qualification

The Table 4.4 presents the highest qualification of respondents.

Table 4.4 Highest Qualification

Highest Qualification	***f***	**%**	**Cumulative %**
Secondary education	-	-	-
Certificate	3	1.4	1.4
Diploma	98	46.2	47.6
Undergrad Degree	68	32.1	79.7
Masters	40	18.9	98.6
PhD	3	1.4	100
Professor	-	-	100
Total	**212**	**100.0**	

The Table 4.4 shows that 46.2% of respondents had Diploma qualifications whilst 32.1% were Degreed. Those with Masters qualifications were 18.9% whilst those with PhD and certificate qualifications were 4% each category.

These results show that the mode of respondents had Diploma and Degree qualifications as they accounted to 78.3%. All the respondents had tertiary qualifications which made it easier for them articulate questions on the questionnaire. Level of education of respondents was seen as good enough to reach generalised conclusions.

4.1.5 Duration in Senior Management at ZIMRA

The Table 4.5 presents duration in senior management at ZIMRA. The Table 4.1 showed that 44 Senior Management at ZIMRA managed to respond. The Table 4.5 presents the findings:

Table 4.5 Duration in Senior Management

Duration in Senior Management	f	%	Cumulative %
Less than 2 years	3	6.8%	6.8%
2> to 4	6	13.6%	20.4%
4> to 6	8	18.2%	38.2%
Above 6	27	61.8%	100%
Total	**44**	**100.0**	

The Table 4.5 shows that 61.8% of respondents had over 6 years' experience in senior management. Those with senior management experience between 4 to 6 years were 18.2% whilst those 2 to 4 years senior management experience were 13.6%. Those with less than 2 years working experience were 6.8%.

These results show that mode of respondents had over 6 years' experience in senior management. Those with less than 2 years' senior management experience were just6.8%. This implies that respondents were better placed to provide detailed explanation of the topic understudy.

4.2 Senior Management Responses

This section presents Senior management responses which were related to research objectives. The first subsection presents tax incentives offered to the food industry.

4.2.1 Tax Incentives Crafted for the Food Sector since 2009

The Table 4.6 presents the tax incentives that had been crafted for the food industry in the past years.

Table 4.6 Tax Incentives offered to the food Industry

	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree	
	F	***%***	***f***	***%***	***F***	***%***	***f***	***%***	***f***	***%***
Tax holidays	34	78%	10	22%	0	0%	0	0%	0	0%
Reduced tax rates	0	0%	0	%	0	0%	17	42%	27	58%
Accelerated wear and tear	0	0%	0	0%	3	8%	18	40%	23	52%
Duty free on exports	42	96%	2	4%	0	0%	0	0%	0	0%
Duty Free Capital Expenditure on Processing	42	96%	2	4%	0	0%	0	0%	0	0%

Tax holidays

The Table 4.6 shows that 78% of respondents strongly agreed that there were tax holidays being offered to the food sector a view also shared by 22% of respondents who agreed. Interview respondents mentioned that tax holidays were mainly offered to those companies that were established in rural and peri-urban areas. This implies existence of tax holidays in the food sector.

Reduced tax rates

The Table 4.6 also shows that 58% of respondents strongly disagreed that there were reduced tax incentives and another 42% of respondents disagreed. Interview respondents mentioned that the government had recently shelved reduced tax rate facility to the food sector. During interviews with senior management of ZIMRA it was revealed that most tax incentives that include reduced tax rates had been shelved by the government as they were seen as reducing revenue inflows and benefiting countries of origin. This meant that contributions to the economy of foreign owned investments were not good enough to justify tax incentives. Interviews respondents were of the view that countries that had managed to attract foreign direct investments achieved that through creating a conducive economic environment not excessive tax incentives. This implies that the government was no longer offering reduced tax rates to new investors in the food industry

Accelerated wear and tear

The Table 4.6 shows that 50% of respondents strongly disagreed on the existence of accelerated wear and another 40% disagreed whilst 8% of respondents were not sure. These results show that all respondents were in disagreement with the existence of accelerated wear and tear as a tax incentive to the food industry.

Duty free on exports

The Table 4.6 shows that 96% of respondents strongly agreed that the government had offered duty free capital expenditure on processing. This was supported by 4% of respondents who agreed. Interview respondents mentioned that the food industry was being offered duty free on export. It was also revealed that recently the government had introduced export incentives which were aimed at benefiting the food sector. The introduction of bond notes was also aimed at promoting exports.

Duty Free Capital Expenditure on Processing

The Table 4.6 shows that 96% of respondents strongly agreed that the government had offered the food sector duty free capital expenditure on processing. This was also supported by 4% of respondents who agreed. Interview respondents mentioned that the government was offering duty free on capital expenditure and processing. This implies that there was duty free on capital expenditure and processing aimed at expanding the food sector.

The Table 4.6 shows that all respondents agreed that there were tax incentives such as tax holidays, duty free on exports and duty free capital expenditure on processing. However, the government was not offering reduced tax rates and accelerated wear and tear. However, it was noted that Zimbabwe was promoting foreign direct investments through duty free exports and duty free capital expenditure on processing and tax holidays. Related to this, Shumba (2014) argued that like many other developing nations, Zimbabwe offers tax incentives such as duty free exports.

The Table 4.7 presents sufficiency of tax incentives being offered to the food industry.

Table 4.7 Sufficiency of Tax Incentives offered to the Food Industry

Valid		**Frequency**	**Percent (%)**	**Valid (%)**	**Cumulative (%)**
	Strongly Agree	23	52.3	52.3	52.3
	Agree	9	20.5	20.5	72.8
	Not Sure	0	0	0	72.8
	Disagree	6	13.6	13.6	86.4
	Strongly Disagree	6	13.6	13.6	100.0
Total		**44**	**100.0**	**100.0**	

The Table 4.7 shows that 52.3% of respondents strongly agreed that tax incentives offered by ZIMRA are sufficient. This was also supported by 20.5% of respondents who agreed. However, 13.6% of respondents disagreed which was also supported by 13.6% of respondents who strongly disagreed. During interviews, interview respondents mentioned that the government was offering sufficient tax incentives however, investors were distracted by the prevailing operating environment. However, some interview respondents argued that the government was removing many tax incentives in a bid to increase revenue streams.

These results show that a cumulative 72.8% of respondents agreed on the sufficiency of tax incentives offered to the food industry. These results show that the government of Zimbabwe was offering tax incentives after a cost benefit analysis resulting some incentives being scratched by the government. Related to this, Aganga (2014) posits that tax incentives have achieved very little success in countries such as Nigeria hence this reduces the ability of the country to achieve its objectives.

The Table 4.8 presents the competitiveness of tax incentives being offered by the government of Zimbabwe.

Table 4.8 Competitiveness of Tax Incentives

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	8	18.2	18.2	18.2
	Agree	2	4.5	4.5	22.7
	Not Sure	0	0	0	22.7
	Disagree	24	54.5	54.5	77.2
	Strongly Disagree	8	22.8	22.8	100.0
Total		**44**	**100.0**	**100.0**	

The Table 4.8 shows that 54.5% of respondents disagreed that tax incentives offered by the government of Zimbabwe were competitive. This was also supported by 22.8% of respondents who strongly disagreed. However, 18.2% of respondents strongly agreed which was also supported by 4.5% of respondents who agreed. During interviews, respondents mentioned that Zimbabwe was failing to be competitive in offering ta incentives compared to countries such as Tanzania, Botswana and Zambia. However, some respondents argued that countries that have managed to attract foreign direct investments did not make use of excessive tax incentives but a conducive operating environment.

These results show that majority of respondents were of the view that Zimbabwe was not offering competitive tax incentives. This could explain the decrease in net foreign investments. However, the existing tax incentives were attractive to foreign investors if the political and economic situation was stable. Related to this, Tanzi, (2013) argued that it's easier to attract foreign investments through tax incentives if the operating environment was conducive.

4.2.2 Level of Knowledge of Tax Incentives does the Business Sector have.

The Table 4.9 presents whether the business sector was aware of the tax incentives offered to the food industry.

Table 4.9 Business Sector is Aware of the Tax Incentives Offered to the Food Industry

Valid		**Frequency**	**Percent (%)**	**Valid (%)**	**Cumulative (%)**
	Strongly Agree	33	75.0	75.0	75.0
	Agree	8	18.2	18.2	93.2
	Not Sure	1	6.8	6.8	100.0
	Disagree	0	0	0	100.0
	Strongly Disagree	0	0	0	100.0
Total		**44**	**100.0**	**100.0**	

The Table 4.9shows that 75% of respondents strongly agreed that the business sector is aware of the tax incentives offered to the food industry. This was supported by 18.2% of respondents who agreed. However, 6.8% of respondents were not sure. During interviews, respondents mentioned that the business sector was aware of the tax incentives offered to the food industry as ZIMRA was publicising such information in both electronic and print media. One respondent also gave reference to the link below which shows the section of the ZIMRA website which advertises tax incentives.

http://www.investzim.com/index.php?option=com_content&view=article&id=260&Itemid=676.

The study established that tax incentives were being publicised by ZIMRA. Hence, ZIMA senior management felt that they were doing enough to ensure that the business sector is aware of the tax incentives. Related to this, the World Bank (2012) was of the view that developing countries had to offer optimum tax incentives so as to attract foreign direct investments. This included also the need for developing countries to package and market these tax incentives to attractive investment source markets (World Bank, 2012).

The Table 4.10 presents business sector's level of understanding of tax incentives.

Table 4.10 Business Sector's Level of Understanding of Tax Incentives

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	1	6.8	6.8	6.8
	Agree	8	18.2	18.2	25.0
	Not Sure	33	75.0	75.0	100.0
	Disagree	0	0	0	100.0
	Strongly Disagree	0	0	0	100.0
Total		**44**	**100.0**	**100.0**	

The Table 4.10 shows that 75% of respondents were not sure of business sector's level of understanding of tax incentives. However, 18.2% of respondents agreed that the business sector fully understood tax incentives. This was also supported by 6.8% of respondents who strongly agreed. During interviews respondents were generally not sure however, some argued that the business sector was fully aware given the level of tax incentives claims and demands.

This implies that ZIMRA senior management generally felt that tax incentives were not effectively understood by the business sector. On the contrary, Mann (2012) argued that tax incentives need to be understood by the business sector to be effective in boosting industry performance.

The Table 4.11 presents findings on whether the business sector is consulted in the formulation of tax incentives.

Table 4.11- Consultation of the Business Sector in the Formulation of Tax Incentives

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	23	52.3	52.3	52.3
	Agree	9	20.5	20.5	72.8
	Not Sure	0	0	0	72.8
	Disagree	6	13.6	13.6	86.4
	Strongly Disagree	6	13.6	13.6	100.0

Total		44	100.0	100.0	

The Table 4.11 shows that 52.3% of respondents strongly agreed that the business sector was consulted in the formulation tax incentives offered by ZIMRA. This was also supported by 20.5% of respondents who agreed. However, 13.6% of respondents disagreed which was also supported by 13.6% of respondents who strongly disagreed. During interviews, senior management at ZIMRA said that they consult the business sector in the formulation of tax incentives. It was revealed that researches and conferences are done in the formulation of tax incentives.

These results shown that ZIMRA senior felt that they were doing enough in consulting the business sector in the formulation of tax incentives offered. Related to this, Clark (2000) was of the view that tax incentives should be formulated in consultation with the captains of the industry.

4.2.3. Effect of the Business Environment on the Application of Tax Incentives.

This section presents findings related to the effect of business environment on the application of tax incentives. The Table 4.12 presents the possibility of increasing tax incentives.

Table 4.12 Possibilities of Increasing Tax Incentives

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	2	4.5	4.5	4.5
	Agree	2	4.5	4.5	9.0
	Not Sure	0	0	0	9.0
	Disagree	28	63.6	63.6	72.6
	Strongly Disagree	12	27.4	27.4	100
Total		**44**	**100.0**	**100.0**	

These results show that 63.6% of respondents disagreed that there were possibilities of increasing tax incentives a view that was also supported by 27.4% of respondents who strongly disagreed. However, 4.5% of respondents strongly agreed that there were possibilities of increasing tax incentives. This was also supported by 4.5% of respondents who agreed. During interviews some respondents argued that the country was faced limited revenue streams hence the reason why some of the incentives were being scratched. Further, some respondents argued that tax incentives are not the solution to in attracting foreign direct investments as countries such as China are the greatest recipients of foreign direct investments without much tax incentives. Some respondents were of the opinion that tax incentives will always remain viable if costs benefit analysis is done.

This implies that ZIMRA senior management felt that possibilities of increasing tax incentives to the food industry were minimal due to negative mediating factors such as economic and political situation. Related to this, Sanford (2015) and Mann (2012) argued stable economies like China have the capacity to increase tax incentives as they a wider streams of revenues.

The Table 4.13 shows whether tax incentives mainly apply to those firms involved in processing.

Table 4.13 Whether Tax Incentives apply mainly to firms involved in processing

Valid		**Frequency**	**Percent (%)**	**Valid (%)**	**Cumulative (%)**
	Strongly Agree	8	18.2	18.2	18.2
	Agree	2	4.5	4.5	22.7
	Not Sure	0	0	0	22.7
	Disagree	29	69.0	69.0	91.7
	Strongly Disagree	3	8.3	8.3	100.0
Total		**44**	**100.0**	**100.0**	

The Table 4.13 shows that 69% of respondents disagreed that tax incentives were mainly for firms involved in processing. This was also supported by 8.3% respondents who strongly disagreed. However, 18.2% of respondents strongly agreed whilst 4.5% of respondents agreed. During interviews, respondents mentioned that tax incentives were diverse and open to all sector and industries of the economy. However, interview respondents mentioned that tax incentives were mainly directed towards value addition in the economy.

These results show that tax incentives were open to all the sector of the economy. However, the country was promoting value addition and beneficiation through offering additional incentives.

The Table 4.14presents findings on whether there was an outward drive to educate the business sector of tax incentives.

Table 4.14 Outward Drive to Educate the Business Sector of Tax Incentives.

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	33	75.0	75.0	75.0
	Agree	8	18.2	18.2	93.2
	Not Sure	1	6.8	6.8	100.0
	Disagree	0	0	0	100.0
	Strongly Disagree	0	0	0	100.0
Total		**44**	**100.0**	**100.0**	

The Table 4.14 shows that 75% of respondents strongly agreed that ZIMRA was engaging in a drive to educate the business sector on tax incentives. This was supported by 18.2% of respondents who agreed. However, 6.8% of respondents were not sure. During interviews, respondents were of the view that ZIMRA was on the drive to educate investors on the existing tax incentives.

These results show that ZIMRA was intensifying its efforts to promote investments in the food industry through tax incentives. These efforts were aimed at increasing the food industries performance.

4.2.4 Challenges Encountered in the Implementation of the Tax Incentives

The Table 4.15 presents the challenges encountered in the implementation of tax incentives in the food industry.

Table 4.15 Challenges in the implementation of tax incentives

	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree	
	f	***%***	***F***	***%***	***f***	***%***	***f***	***%***	***f***	***%***
Narrow tax base	34	78%	10	22%	0	0%	0	0%	0	0%
Reaching Optimum Balance	26	58%	18	42%	0	0%	0	0%	0	0%
Some Companies Resort to Tax Evasion	23	52%	21	48%	0	0%	0	0%	0	0%
Incompetent leadership and management	0	0%	0	0%	0	0%	42	96%	2	4%
Corruption	42	96%	2	4%	0	0%	0	0%	0	0%
Lack of financial resources	34	78%	10	22%	0	0%	0	0%	0	0%
Lack of motivated workforce	0%	0	0%	0	0%	0	26	58%	18	42%
Lack of legal enforcement	23	52%	21	48%	0	0%	0	0%	0	0%
Informal operations in the food industry	25	56%	19	44%	0	0%	0	0%	0	0%
Lack of technology	42	96%	2	4%	0	0%	0	0%	0	0%

Narrow tax base

The Table 4.15 shows that 78% of respondents strongly agreed that narrow tax base were some of the challenges in the implementation of tax incentives. This was also supported by 22% of respondents who agreed. Interviewees mentioned that the country was faced with limited revenue streams which were not good enough to meet government expenditure. This implies that narrow tax base was leading to the government of Zimbabwe resorting to reducing tax incentives.

Reaching Optimum Balance

The Table 4.15 shows that 58% of respondents strongly agreed that reaching optimum balance were one of the challenges affecting ZIMRA in its effort to implement tax incentives. This was also agreed by the 48% of respondents. Interviewees mentioned that it was often difficult for the government to promote investments through tax incentives and at the same time increasing government revenue. This shows that respondents felt that reaching optimum balance was a challenge facing the government.

Some Companies Resort to Tax Evasion

The Table 4.15 shows that 58% of respondents strongly agreed that some companies were resorting tax evasion which was complicating effective implementation of tax incentives by the government. Interviewees mentioned that many large and Small to Medium Enterprises were circumventing payment of taxes. This was leading to reduced tax revenue leading to the complicated implementation of tax incentives.

Incompetent leadership and management

The Table 4.15 shows that 96% of respondents disagreed that incompetent leadership and management was one of the challenges faced in the implementation of tax incentives. This was also supported by 4% of respondents who strongly disagreed. Interviewees mentioned that ZIMRA's management were experienced enough to implement tax incentives. Further, Table 4.4 showed that 78% ZIMRA's management had Diploma and Degree qualifications as their highest qualifications. Table 4.5 showed that majority of ZIMRA management had over 6 years' experience in senior management positions. These results show that management were experienced and qualified enough to be competent in leadership and management.

Corruption

The Table 4.15 shows that 96% of respondents strongly agreed that corruption was one of the challenges faced in the implementation of tax incentives. This was also supported by 4% of respondents who agreed. During interviews, respondents mentioned that corruption in the private and public sector together with some ZIMRA officials was compromising the effective implementation of tax incentives. These results show that that corruption was compromising the effective implementation of tax incentives.

Lack of financial resources

The Table 4.15 shows that 78% of respondents strongly agreed that lack of financial resources was one of the challenges affecting the effective implementation of tax incentives. This was also supported by 22% of respondents who agreed. Interviewees mentioned that the country was faced with limited revenue streams which were compromising government revenue. This implies that lack of financial resources by the government was leading to the government of Zimbabwe resorting to reducing tax incentives.

Lack of motivated workforce

The Table 4.15 shows that 58% of respondents disagreed that lack of motivated workforce was a challenge affecting ZIMRA in its effort to implement tax incentives. This was also agreed by 42% of respondents who strongly disagreed. These results show that majority of respondents were of the view that ZIMRA's employees were motivated to effectively administer tax incentives.

Lack of legal enforcement

The Table 4.15 shows that 52% of respondents strongly agreed that lack of legal enforcement was making difficult to implement tax incentives. This was supported by 48% of respondents who agreed. Interviewees mentioned that law enforcement agencies were not effectively excising their mandate to ensure that those who are corrupt and those that evade payment of taxes are brought to book. This shows that lack of legal enforcement was compromising effective implementation of tax incentives.

Informal operations in the food industry

The Table 4.15 shows that 56% of respondents strongly agreed that the informal sector was the difficult to reach in the implementation of tax incentives. This was also supported by 44% of respondents who agreed. Interviewees mentioned that the food industry was mainly composed of informal players hence their lack of regularisation was compromising their ability to access tax incentives. This implies that the food sector was mainly composed of the informal sector players which were failing to access tax incentives due to lack of regularisation.

Lack of technology

The Table 4.15 shows that 96% of respondents strongly agreed that lack of technology was one of the challenges faced in the implementation of tax incentives. This was also supported by 4% of respondents who agreed. Interview respondents mentioned that ZIMRA lacked technology to effectively implement tax incentives. However, interview respondents mentioned that the implementation of tax incentives had improved the effectiveness of tax administration. These results show that ZIMRA officials were of the view that lack of technology had compromised the effective implementation tax incentives.

The Table 4.15 shows that challenges in the implementation of tax incentives were narrow tax base, reaching optimum balance, some companies resorting to tax evasion, corruption, lack of financial resources, lack of legal enforcement, informal operations in the food industry and lack of technology. Brodzka and Garufi (2012), Shah (2015) and Tanzi (2013) also share the same view.

4.2.5 Personnel Capabilities that exist at the Organisational Level to Implement Tax Incentives

The Table 4.16 shows personnel capabilities that exist at the organisational level in implementing tax incentives.

Table 4.16 Personnel Capabilities that exist at the Organisational Level to Implement Tax Incentives

	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree	
	f	%	*f*	%	*f*	%	*f*	%	*f*	%
Adequacy of Staff Administering Tax Incentives	12	28%	32	72%	0	0%	0	0%	0	0%
Dedication of Staff Administering Tax Incentives	23	52%	21	48%	0	0%	0	0%	0	0%

Adequacy of Staff Administering Tax Incentives

The Table 4.16 shows that 72% of respondents disagreed that personnel administering tax incentives and procedures were adequate. This was supported by 28% of respondents who strongly agreed. Interviewees mentioned that ZIMRA was understaffed which was compromising the effective management of tax incentives. These results show that respondents were of the view that ZIMRA was understaffed to effectively implement tax incentives.

Dedication of Staff Administering Tax Incentives

The Table 4.16 shows that 52% of respondents strongly agreed that personnel administering tax incentives and procedures were competent, professional and dedicated. This was supported by 48% of respondents who agreed. However, during interviews it was also noted that some personnel were being involved in corruption cases was affecting the implementation of tax incentives.

These results show that ZIMRA had insufficient staff to effectively implement tax incentives. It was noted that majority of ZIMRA staff were competent, professional and dedicated, however, there also incidences of corruption cases. Related to this, Shah (2015) was of the view that senior management should ensure that personnel required in the implementation of tax incentives were adequate.

4.2.6 Best practises exploiting tax incentives to create value in the sector

The Table 4.17 shows best practises in exploiting tax incentives to create value in the sector.

Table 4.17 Best practises is exploiting tax incentives to create value in the sector

	Strongly Agree		**Agree**		**Not sure**		**Disagree**		**Strongly Disagree**	
	f	**%**	***F***	**%**	***f***	**%**	***f***	**%**	***f***	**%**
ZIMRA has decentralise the implementation of tax incentives	28	64%	16	36%	0	0%	0	0%	0	0%
Tax incentives should not be	42	96%	2	4%	0	0%	0	0%	0	0%

selectively applied										
Tax incentives should minimise capital flight	42	96%	2	4%	0	0%	0	0%	0	0%

Decentralise the implementation of tax incentives

The Table 4.17 also shows that 64% of respondents strongly agreed that ZIMRA has to decentralise its operations in regions to ensure full implementation of tax incentives. This was supported by 36% of respondents who agreed. Interview respondents mentioned that it was important for ZIMRA to fully decentralise its tax administration to the rural areas, growth points, peri-urban centres and the informal sector. These results show that respondents were of the view that tax incentives need to be fully decentralised.

Tax incentives should not be selectively applied

The Table 4.17 shows that 96% of respondents strongly agreed that the best practises in exploiting tax incentives were to avoid selective application of tax incentives. This was supported by 4% of respondents who agreed. Interview respondents mentioned that tax incentives should not be selectively applied to certain individuals which include businesses of senior government officials and politicians only.

Tax incentives should minimise capital flight

The Table 4.17 shows that 96% of respondents strongly agreed that ZIMRA should increase tax incentives so as to minimise capital flight. This was supported by 4% of respondents who agreed. Interview respondents mentioned that tax incentives would encourage foreign direct investments leading to reduced capital flight. However, interview respondents mentioned that there is a possibility that foreign investors would take the capital and cash to countries of origin. These results show that tax incentives should minimise capital flight.

These results show that ZIMRA's senior management were of the view that there was need to decentralise the implementation of tax incentives, avoiding selective application of tax incentives and avoiding capital flight. Brodzka&Garufi (2012) and (Sanford, 2015) also the same view.

4.3 Responses from Corporate

The Table 4.1 showed that out of a target of 289 corporates 168 managed to respond. Hence, this section presents Corporates' responses. The responses are categorised themes from the research objectives.

4.3.1 Tax incentives crafted for the Zimbabwe's food sector since 2009.

The Table 4.18 presents the tax incentives that had been crafted for the food industry in the past years.

Table 4.18 Level of Awareness to Tax Incentives Offered to the Food Sector

	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree	
	f	**%**	***f***	**%**	***f***	**%**	***f***	**%**	***f***	**%**
Tax holidays	54	32%	20	12%	0	0%	91	54%	3	2%
Reduced tax rates	0	0%	0	0%	0	0%	71	42%	97	58%
Accelerated wear and tear	0	0%	0	0%	13	8%	67	40%	88	52%
Duty free on exports	77	46%	7	4%	0	0%	81	48%	3	2%
Duty Free Capital Expenditure on Processing	74	44%	7	4%	0	0%	50	30%	37	22%

Tax holidays

The Table 4.18 shows that 54% of respondents disagreed on being aware of tax holidays. A view that was also shared by 2% of respondents who strongly disagreed. However, 32% of respondents strongly agreed whilst 12% agreed. These results show that majority of companies were not aware of tax incentives. This implies that ZIMRA and the government at large was not doing enough to market tax incentives.

Reduced tax rates

The Table 4.18 shows that 58% of respondents strongly disagreed on the existence of reduced tax rates whilst 42% disagreed. This implies that all respondents were of the view tax incentives were non-existent. This also confirmed that most tax incentives that include reduced tax rates had been shelved by the government due to limited lines of revenue.

Accelerated wear and tear

The Table 4.18 also shows that 52% of respondents strongly disagreed on the existence of accelerated wear and tear a view that was also supported by 40% of respondents who disagreed. However, 8% of respondents were not sure. These results show that all respondents were not aware of accelerated wear and tear as a tax incentive.

Duty free on exports

The Table 4.18 also show that 48% of respondents disagreed on the existence of duty free on exports. This was further supported by 4% of respondents who strongly disagreed. However, 46% of respondents strongly agreed and 4% of respondents who agreed. These results show that some were aware of duty free exports whilst some had contrary opinions. Those who agreed on the existence duty free exports could have benefited from recently introduced export incentives which were aimed at benefiting the food sector among other sector of the economy.

Duty Free Capital Expenditure on Processing

The Table 4.18 shows that 44% of respondents strongly agreed on existence of duty free capital expenditure on processing. Another 4% of respondents agreed. However, 22% of respondents strongly disagreed on the existence of such. This was also supported by 30% of respondents who disagreed. This implies that there were some corporates who were aware of the existence duty free capital expenditure.

These results show that Corporates were generally not aware of some of the tax incentives being offered. This implies that efforts to make sure the business sector understands the tax incentives were in vain.

The Table 4.19 presents sufficiency of tax incentives being offered to the food industry.

Table 4.19 Sufficiency of Tax Incentives offered to the Food Industry

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	23	13.6	13.6	13.6
	Agree	23	13.6	13.6	27.2
	Not Sure	0	0	0	27.2
	Disagree	34	20.5	20.5	47.7
	Strongly Disagree	88	52.3	52.3	100
Total		**168**	**100.0**	**100.0**	

The Table 4.19 shows that 52.3% of respondents strongly disagreed that tax incentives offered by ZIMRA were sufficient. This was also supported by 20.5% of respondents who disagreed. However, 13.6% of respondents agreed which was also supported by 13.6% of respondents who strongly agreed.

These results show that majority of Corporates saw tax incentives as insufficient. Related to this, Aganga (2014) posits on the need of offering sufficient tax incentives.

The Table 4.20 presents the competitiveness of tax incentives being offered by the government of Zimbabwe.

Table 4.20 Competitiveness of Tax Incentives

Valid		Frequency	Percent (%)	Valid (%)	Cumulative (%)
	Strongly Agree	0	0	0	0
	Agree	0	0	0	0
	Not Sure	0	0	0	0
	Disagree	32	19	19	19
	Strongly Disagree	136	81	81	100
Total		**168**	**100.0**	**100.0**	

The Table 4.20 shows that 81% of respondents strongly disagreed that tax incentives offered by the government of Zimbabwe were competitive. This was also supported by 19 % of respondents who strongly disagreed.

These results show that all the Corporates were of the view that Zimbabwe was not offering competitive tax incentives. This could explain the decrease in net foreign investments.

4.3.2 Level of Knowledge of Tax Incentives does the Business Sector have.

The Table 4.21 presents the knowledge level of Corporates on tax incentives.

Table 4.21 Level of Knowledge of Tax Incentives does the Business Sector have.

	Strongly Agree		Agree		Not sure		Disagree		Strongly Disagree	
	f	%	*f*	%	*f*	%	*f*	%	*f*	%
Business Sector is Aware of the Tax Incentives Offered to the Food Industry	54	32%	20	12%	0	0%	91	54%	3	2%
Business Sector's Level of Understanding of Tax Incentives	0	0%	0	0%	0	0%	71	42%	97	58%
Consultation of the Business Sector in the Formulation of Tax Incentives	0	0%	0	0%	13	8%	67	40%	88	52%

Awareness to the Tax Incentives Offered to the Food Industry

The Table 4.21 shows that 54% of respondents disagreed that the business sector is aware of the tax incentives offered to the food industry. This was supported by 2% of respondents who disagreed. However, 32% of respondents strongly agreed whilst another 12% agreed. These results show that Corporates were generally not aware of some of the tax incentives being offered. This implies that efforts to make sure the business sector understands the tax incentives were not effective.

Level of Understanding of Tax Incentives

The Table 4.21 shows that 58% of respondents strongly disagreed that they knew about the tax incentives offered by the government. This was also supported by 42% of respondents who disagreed. These results show that corporates had limited knowledge on the tax incentives. This includes limited knowledge on how to seek tax incentives and the requirements involved.

Consultation of the Business Sector in the Formulation of Tax Incentives

The Table 4.21 shows that 52% of respondents strongly disagreed that the business sector was consulted in the formulation tax incentives offered by ZIMRA. This was also supported by 48% of respondents who disagreed. These results shown that Corporates were not aware and consulted in the formulation of tax incentives. Related to this, Clark (2000) was of the view that tax incentives should be formulated in consultation with the captains of the industry.

4.3.3 Effect of the Business Environment on the Application of Tax Incentives.

The Table 4.22 shows the effect of the business environment on the application of tax incentives.

Table 4.22 Effect of the Business Environment on the Application of Tax Incentives.

	Strongly Agree		**Agree**		**Not sure**		**Disagree**		**Strongly Disagree**	
	f	**%**	***f***	**%**	***f***	**%**	***f***	**%**	***f***	**%**
Possibilities of Increasing Tax Incentives	54	32%	20	12%	0	0%	91	54%	3	2%
There are sufficient efforts by ZIMRA to apply tax incentives	0	0%	0	0%	0	0%	71	42%	97	58%

Possibilities of Increasing Tax Incentives

These results show that 54% of respondents disagreed that there were possibilities of increasing tax incentives a view that was also supported by 2% of respondents who disagreed. However, 32% of respondents strongly agreed that there were possibilities of increasing tax incentives. This was also supported by 12% of respondents who agreed.

These results shows that majority of respondents were of the view that it was highly unlikely that the government would increase tax incentives. However, some were of the opinion that tax incentives would attract foreign investments more.

Sufficiency of efforts by ZIMRA to apply tax incentives

The Table 4.22 shows that 58% of respondents strongly disagreed that there were sufficient efforts in implementing tax incentives. The Table 4.22 also show that 42% of respondents disagreed. These results show that majority of respondents were of the view that efforts to promote tax incentives were inadequate.

The 4.22 implies that ZIMRA's Corporates were not expecting increases in tax incentives which was likely due to the economic situation faced by the government. ZIMRA's corporates also argued that efforts in the implementation of incentives were not adequate. Related to this, Sanford (2015) argued that stable economies have the capacity to increase tax incentives as they a wider streams of revenues.

4.3.4 Challenges Encountered in the Implementation of the Tax Incentives

The Table 4.23 presents the challenges encountered in the implementation of tax incentives in the food industry.

Table 4.23 Challenges in the implementation of tax incentives

	Strongly Agree		**Agree**		**Not sure**		**Disagree**		**Strongly Disagree**	
	f	**%**	***f***	**%**	***f***	**%**	***f***	**%**	***f***	**%**
Corruption	161	96%	7	4%	0	0%	0	0%	0	0%
lack of motivated workforce	131	78%	37	22%	0	0%	0	0%	0	0%
Lack of legal enforcement	87	52%	81	48%	0	0%	0	0%	0	0%
Informal operations in the food industry	94	56%	74	44%	0	0%	0	0%	0	0%
Lack of technology	161	96%	7	4%	0	0%	0	0%	0	0%

Corruption

The Table 4.23 shows that 96% of respondents strongly agreed that corruption were challenges in the implementation of tax incentives. This was also supported by 4% of respondents who agreed. This shows that all respondents were of the opinion that corruption was hampering efforts implement tax incentives.

Lack of motivated workforce

The Table 4.23 shows that 78% of respondents strongly agreed that lack of motivated staff was a challenge in the implementation of tax incentives. This was also faced by 22% of respondents who agreed. This results show that ZIMRA staff was not motivated to implement tax incentives. This was largely because most corporates were not aware of tax incentives.

Lack of legal enforcement

The Table 4.23 shows that 52% of respondents strongly agreed that that lack of legal enforcement was making difficult to implement tax incentives. This was supported by 48% of respondents who agreed. This shows that respondents were of the view that law enforcement agencies were not doing justice in the implementation of tax incentives.

Informal operations in the food industry

The Table 4.23 shows that 56% of respondents strongly agreed that informal operations in the economy was a challenge affecting ZIMRA's effort to implement tax incentives. This was also agreed by 44% of respondents who agreed. This implies that the food sector was mainly composed of the informal sector players which were failing to access tax incentives due to lack of regularisation.

Lack of technology

The Table 4.23 shows that 96% of respondents strongly agreed that lack of technology were challenges in the implementation of tax incentives. This was also supported by 4% of respondents who agreed. These results show that ZIMRA officials were of the view that lack of technology had compromised the effective implementation tax incentives.

The Table 4.23 shows that challenges in the implementation of tax incentives were corruption, lack of financial resources, lack of motivated workforce, lack of legal enforcement, informal operations in the food industry and lack of technology. Brodzka and Garufi (2012), Shah (2015) and Tanzi (2013) also share the same view.

4.3.5 Personnel Capabilities that exist at the Organisational Level to Implement Tax Incentives

The Table 4.24 shows personnel capabilities that exist at the organisational level in implementing tax incentives.

Table 4.24 Personnel Capabilities that exist at the Organisational Level to Implement Tax Incentives

	Strongly Agree		**Agree**		**Not sure**		**Disagree**		**Strongly Disagree**	
	f	**%**	***f***	**%**	***f***	**%**	***f***	**%**	***f***	**%**
Personnel in the company's accounting department understand tax incentives and procedures involved	20	12%	10	6%	0	0%	118	70%	20	12%
Personnel in the company's accounting department are competent and professional	87	52%	81	48%	0	0%	0	0%	0	0%
Personnel in accounting department are dedicated to take advantage of tax incentives	20	12%	7	4%	0	0%	101	60%	40	24%

Understanding tax incentives and procedures involved

The Table 4.24shows that 70% of respondents disagreed that personnel in the company's accounting department understand tax incentives and procedures involved. This was supported by 12% who strongly disagreed whilst 12% of respondents strongly agreed. The Table 4.24 shows that 6% of respondents agreed. These results show that most corporates lacked understanding of tax incentives and procedures involved.

Competency and professionalism of accounting personnel

The Table 4.24 shows that 52% of respondents strongly agreed that personnel in the company's accounting department were competent and professional. This was supported by 48% of respondents who agreed. These results show that corporates were of the view that their staff were competent and professional in understating tax incentives.

Dedication in taking advantage of tax incentives

The Table 4.24 shows that 60% of respondents disagreed that personnel in accounting department of companies in the food industry were taking advantage of tax incentives. This was supported by 24% of respondents who disagreed. However, 12% of respondents strongly agreed with another 4% of respondents strongly agreeing as well.

These results show that accounting personnel in the food industry lacked understanding of tax incentives. Despite their dedication accounting personnel were not aware of ways taking advantage of tax incentives. Related to this, Shah (2015) and Tanzi (2013) were of the view that tax incentives are generally misunderstood.

4.3 Discussion of Findings

The study noted the existence of tax incentives such as tax holidays, duty free on exports and duty free capital expenditure on processing. Corporates were generally not aware of tax incentives being offered. However, most tax incentives had been shelved by the government as they were seen as reducing revenue inflows and benefiting countries of origin. This implies that Corporates saw tax incentives as insufficient. Compared to other countries in the region like Zambia and Botswana, Zimbabwe was not offering competitive tax incentives. This could explain the decrease in net foreign investments. Corporates were not aware and consulted in the formulation of tax incentives. Related to this, Clark (2000) was of the view that tax incentives should be formulated in consultation with the captains of the industry.

Chances were slim that ZIMRA was to increase tax incentives because of the economic situation faced by the government. ZIMRA's corporates also argued that efforts in the implementation of incentives were not adequate. Related to this, Sanford (2015) argued that stable economies have the capacity to increase tax incentives as they a wider streams of revenues. The major challenges in the implementation of tax incentives were corruption, lack of financial resources, lack of motivated workforce, lack of legal enforcement, informal operations in the food industry and lack of technology. Brodzka and Garufi (2012), Shah (2015) and Tanzi (2013) also share the same view.

ZIMRA had insufficient staff to effectively implement tax incentives. It was noted that majority of ZIMRA staff were competent, professional and dedicated, however, there were incidences of corruption cases. However, accounting personnel in the food industry lacked understanding of tax incentives. Despite their dedication accounting personnel were not aware of ways taking advantage of tax incentives. Related to this, Shah (2015) and Tanzi (2013) were of the view that tax incentives are generally misunderstood. Shah (2015) was of the view that senior management of institutions that collect revenue should ensure that personnel required in the implementation of tax incentives were adequate. Respondents were of the view that there was need of decentralising the implementation of tax incentives, avoiding selective application of tax incentives and avoiding capital flight. Brodzka&Garufi (2012) and (Sanford, 2015) also the same view.

4.4 Chapter Summary

This chapter presented, analysed and discussed data gathered on the effectiveness of tax incentives on the Zimbabwe's food industry. Data was collected from ZIMRA senior management and Corporates in the Food Industry through questionnaires and interviews. Questionnaires were used to collect data from all the category of respondents. Follow up interviews were done with management personnel at ZIMRA. Data was analysed through SPSS were tables and figures were produced. Data presentation and analysis was guided by research objectives stated in chapter one. The next section presents summary, conclusions and recommendations.

CHAPTER FIVE

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents major findings, conclusion and recommendations. This chapter is guided by the research objectives stated under chapter 1. The chapter concludes the study and recommends ways of improving the effectiveness of tax incentives in the Zimbabwe's food industry.

5.1 Chapter Summaries

Chapter 1 introduced the study on the effectiveness of tax incentives on the Zimbabwe's food industry. The chapter was motivated by the fact that despite the introduction of tax incentives such as direct income tax, government grants and tax holidays arrangements by the Zimbabwean government there has been decreased economic contribution of the food industry to the national output. The food industry of Zimbabwe had failed to be competitive as evidenced by the influx of imports. The study therefore sought to explore the effectiveness of tax incentives on the Zimbabwe's food industry. The objectives of the study were to establish tax incentives crafted for the Zimbabwe's food sector since 2009 and ascertain level of knowledge of tax incentives does the business sector have. The study also sought to establish the effect of the business environment on the application of tax incentives, explore challenges encountered in the implementation of the tax incentives, finding out personnel capabilities that exist at the organisational level to implement tax incentives and determine the best practises exploiting tax incentives to create value in the sector.

Chapter 2 reviewed literature. In line with the research objectives, the study reviewed literature on the effectiveness of tax incentives, business sector's level of knowledge of tax incentives, effect of the business environment on the application of tax incentives, challenges encountered in the implementation of the tax incentives, personnel capabilities that exist at the organisational level in implementing tax incentives and best practises in exploiting tax incentives so to create value in the sector. Theorists who include Xiao (2014), Xue (2013) and Zee, et al (2012) posit that tax exemption policies have greatly improved investment inflows in countries such as

Costa Rica. Within the African context Aganga (2014) tax incentives have been on the rise. However, Aganga (2014) argued that tax incentives have achieved very little success in countries such as Nigeria. The empirical evidence of the impact of tax incentives is growing but the answers are at least as, if not more, elusive.

Chapter 3 presented the research methodology that was used. The study adopted positivism and phenomenology research philosophies. On this, Babbie (2012), Cooper and Emory (2014) supported the combined use of positivism and phenomenology research philosophies by stating that it enables the gathering of rich and detailed qualitative and quantitative data which makes it easy to answer research questions. The researcher then adopted the deductive and inductive research approaches. The study adopted the descriptive research design. The nature of the topic was largely descriptive. Adoption of the descriptive research survey was also in line with the adopted research philosophy. The target population was 54 ZIMRA senior management officials (Corporates Division-Harare) and 2354 Food industry corporates in Harare. Simple random sampling was used to select 289 corporate customers whilst purposive sampling technique was used to select 54Seniir management from ZIMRA. Questionnaires and interviews were used to collect data.

Chapter four presented and analysed findings. The major findings were that there was existence of tax incentives such as tax holidays, duty free on exports and duty free capital expenditure on processing. Corporates were generally not aware of tax incentives being offered. However, most tax incentives had been shelved by the government as they were seen as reducing revenue inflows and benefiting countries of origin. Compared to other countries Zimbabwe was not offering competitive tax incentives. The major challenges in the implementation of tax incentives were corruption, lack of financial resources, lack of motivated workforce, lack of legal enforcement, informal operations in the food industry and lack of technology. ZIMRA had insufficient staff to effectively implement tax incentives. It was noted that majority of ZIMRA staff were competent, professional and dedicated, however, there also incidences of corruption cases. However, accounting personnel in the food industry lacked understanding of tax incentives.

5.2 Major Findings

- Tax incentives such as tax holidays, duty free on exports and duty free capital expenditure on processing are offered to the food industry of Zimbabwe.
- Corporates were generally not aware of tax incentives being offered. This implies that ZIMRA was not effectively publicising tax incentives. Corporates saw tax incentives as insufficient. Compared to other countries in the region like Zambia and Botswana, Zimbabwe was not offering competitive tax incentives.
- Most tax incentives had been shelved by the government as they were seen as reducing revenue inflows and benefiting countries of origin. Chances were slim that ZIMRA was to increase tax incentives because of the economic situation faced by the government. Government's efforts in the implementation of incentives were seen as inadequate
- Challenges in the implementation of tax incentives are narrow tax base, reaching optimum balance, some companies resort to tax evasion, incompetent leadership and management, corruption, lack of financial resources, lack of motivated workforce, lack of legal enforcement, declining ethical value of citizen, informal operations in the food industry and lack of technology.
- ZIMRA had insufficient staff to effectively implement tax incentives. It was noted that majority of ZIMRA staff were competent, professional and dedicated, however, there also incidences of corruption cases. However, accounting personnel in the food industry lacked understanding of tax incentives. Despite their dedication accounting personnel were not aware of ways taking advantage of tax incentives.

5.3 Conclusion

The study successfully achieved its research objectives and came to the conclusion that tax incentives being offered by the government were not effectively supporting the growth of the Zimbabwe's food industry. Use of secondary data and primary data in the form of questionnaires and interviews with corporates and ZIMRA officials provided detailed knowledge about effectiveness of tax incentives being offered. Lack of effectiveness of tax incentives was mainly due to business sector's limited knowledge on tax incentives, reduction in tax incentives by the government and challenges in the implementation of the tax incentives.

5.4 Recommendations

- **The Government to increase tax incentives**

The government should increase the number of tax incentives to the food industry. This is mainly because the government was reducing tax incentives with the view of increasing revenue lines. Increase in tax incentives has a multiplier effect that leads to increased investment, leading increased expansion of the food industry and ultimately increased national output.

- **Decentralisation of Tax Incentives Implementation Structures**

ZIMRA needs to decentralise its tax structures to all geographical provinces. This may enable easier implementation of tax incentives. This would enable improved service delivery. Apart from that, it would result in improved local voice in deciding the suitable tax incentives.

- **The government should put in place measures to avoid capital flight**

There is gross evidence of tax incentives benefiting only the country of origin. Hence, the government of Zimbabwe may need to safeguard such occurrences.

- **The Food Industry should seek and exploit tax incentives.**

It was established that some of the companies in the food industry are not aware of tax incentives. It is encouraged that these companies seek information on how to exploit the tax incentives.

- **The government needs to consult the business sector in establishing the tax incentives.**

Tax incentives should be established through a consultative process. This will enable the government to design market led tax incentives.

- **Publicising Tax Incentives**

The government and its relevant authority ZIMRA should market the tax incentives to attract investments in the food industry.

5.5 Areas of Further Study

The study was focused on the food industry which may compromise the generalizability of findings to other industries. Hence, more researches should be done to other industries. Further, a longitudinal study or a comparative analysis on the effectiveness of tax incentives before and after implementation would bring a comprehensive assessment of tax incentives.

5.6 Chapter Summary

This chapter presented major findings, conclusion and recommendations. The chapter was guided by the research objectives stated under chapter 1. The chapter concluded the study and recommended ways of improving the effectiveness of tax incentives in the Zimbabwe's food industry.