Norwegian Institute
of International
Affairs

Trust and taxation in Zanzibar's tourism sector

Tour operators' perceptions and experiences

REPORT – 4 / 2026

Viljar Haavik, Kristian Lefdal, Andreas Lind Kroknes and Morten Bøås

Acknowledgements

Norwegian Institute
of International
Affairs

The Norwegian Institute of International Affairs is a leading research institute. Established in 1959, we provide research and recommendations of relevance to Norwegian foreign policy, with a strong position in the field of conflict resolution and peace operations.

Photo credit: NTB / XINHUA/ Han Xu

Publisher: Norwegian Institute of International Affairs

ISSN: 1894-650X

Address: Rosenkrantz' gate 22
0160 Oslo, Norway

Website: www.nupi.no
E-mail: post@nupi.no

Tel: [+ 47] 22 99 40 00

Trust and taxation in Zanzibar's tourism sector: Tour operators' perceptions and experiences

Viljar Haavik, Kristian Lefdal, Andreas Lind Kroknes and Morten Bøås

Contributors

Viljar Haavik
Research Fellow
NUPI

Viljar Haavik is a Research Fellow at NUPI. His work focuses on peace and conflict, taxation, and state-building in Africa.

Kristian Lefdal
Former employee
NUPI

Kristian Lefdal was a Junior Research Fellow at NUPI. His interests include disinformation, military coups, and violent conflict in West Africa.

Andreas Lind Kroknes
Advisor
NUPI

Andreas Lind Kroknes is an advisor at NUPI. His interests include issues of peace and conflict, state-building, takeover in authoritarian and fragile states, and great power rivalry in Africa.

Morten Bøås
Research Professor
NUPI

Morten Bøås is a Research Professor at NUPI. He works predominantly on issues concerning peace and conflict in Africa, including issues such as land rights and citizenship conflicts, youths, ex-combatants and the new landscape of insurgencies and geopolitics.

Contents

Foreword and acknowledgements

This report is the result of a collaboration between the Norwegian Institute of International Affairs (NUPI), Chr. Michelsen Institute (CMI), REPOA, and the Norwegian Tax Administration (NTA), with funding from the Research Council of Norway under the research project "*Tax Compliance in Tanzania: The Role of Trust and Norms*" [Grant no: 326984].

The overall objective of the research has been to address the challenge of developing a more trust-based tax system for mobilising domestic revenue. In this report, we have focused on business taxation, and in particular within the tourism sector, which has received relatively little attention in research on tax compliance. Encouraging tax compliance requires a careful understanding of how taxpayers perceive and experience taxation.

This report has been authored by Viljar Haavik (NUPI), Kristian Lefdal (NUPI), Andreas Lind Kroknes (NUPI) and Morten Bøås (NUPI).

We would like to thank Lucas Katera (REPOA), and Odd-Helge Fjeldstad and Ingrid Sjursen (CMI) for their collaboration in conducting the field study and contributing to this report.

The opinions expressed in this report are those of the authors alone, and responsibility for its contents and any errors rest entirely with the authors.

1. Introduction

Tourism is Zanzibar's largest economic sector making up approximately 27% of GDP and constitutes a critical source of public revenue (World Bank, 2022). At the same time, balancing revenue mobilisation with economic growth remains a key challenge. Business operators report that administrative burdens, perceived unfairness, and trust deficits hold back economic potential for growth (Asri et al., 2025). These challenges raise important questions about the role of trust and perceived fairness in shaping tax compliance.

This report examines tour operators' experiences with taxation in Zanzibar, with a particular focus on trust in tax authorities and challenges in complying with tax obligations. Using original survey data, our analysis explores how perceptions of information clarity, enforcement, administrative burden, and the linkage between taxes paid and services received influence trust and compliance behaviour. We aim to identify key governance-related constraints and opportunities for strengthening cooperation between tax authorities and businesses.

We draw on data from a vignette-survey conducted among 316 tour operators in Zanzibar in June 2025. In addition to a standard questionnaire, the vignette consists of a fictional but plausible tax enforcement scenario, allowing respondents to evaluate alternative responses to tax demands. In addition, the survey data are analysed using multivariate regression techniques to identify key predictors of trust in tax authorities. Compared to standard survey questions, the vignette better links attitudes to behavioural intentions, while the regression analysis captures broader patterns in perceptions and experiences of taxation.

The key findings of the report are:

1. Trust in Zanzibar Revenue Authority (ZRA) among tour operators is moderate, with 43 % reporting complete trust, and slightly lower trust in the Tanzania Revenue Authority (TRA) (35%).
2. The vignette analysis finds strong normative support for tax compliance, combined with a preference for formal procedures and reassurance that tax liabilities are legitimate. While outright non-compliance is widely rejected, a sizeable minority (27%-33%) are willing to use informal strategies when these are perceived as beneficial or of low risk.
3. The regression analysis finds statistically significant evidence that:
    a. respondents who perceive tax information as clear and understandable are more likely to report higher levels of trust in the ZRA;
    b. respondents who perceive a clear link between taxes paid and services received are substantially more likely to express higher trust in the ZRA.

To strengthen trust and improve the business environment, the findings suggest that authorities should prioritise clearer communication, greater transparency, and improved visibility of the tax-for-services linkage.

We recognise that the political developments and state violence following the October 2025 general election may have undermined public trust in the state institutions, potentially affecting the validity of our findings. Historically, Zanzibar has been a focal point of political unrest, including the revolution in 1964 and post-election protests such as in the 2000-2001 crisis (see Brown, 2010). In contrast, the recent unrest centred on mainland Tanzania, with Zanzibar playing a more peripheral role. The overall impact of state violence on public attitudes in Zanzibar remains uncertain, and studies of this type should therefore be replicated in order to account for these potential political effects.

The remainder of the report is structured as follows: Section 2 provides relevant background information; Section 3 describes the survey, vignette, and analytical research methods; Section 4 presents and discusses the empirical findings and multivariate regression analyses; and Section 5 describes the policy implications of our findings and present our policy recommendations. The survey questionnaire and regression syntax are included in the appendix (Section 7).

2. Background

Zanzibar is a semi-autonomous region of Tanzania (see the map below in figure 1) with its own government and ministerial branches, including the semi-autonomous ZRA operating alongside the TRA. The economy has several sectors including agriculture, fishing, trade, and manufacturing, while tourism represents the largest share of GDP, at around 27 %. While Tanzania's tax-to-GDP ratio hovers around 12 %, below the sub-Saharan African average and well under the 15 % benchmark considered necessary for financing broad economic development (Choudhary et al., 2024). In contrast, Zanzibar's tax-to-GDP ratio is relatively high at around 20 % in 2024.

The ZRA was established in 2023 as a semi-autonomous revenue authority, replacing the former Zanzibar Revenue Board (ZRB).[1] The reform aimed to improve efficiency, accountability, and tax compliance, while strengthening service provision to business taxpayers (The Citizen, 2023). Achieving these goals depend not only on enforcement capacity, but also on how businesses experience taxation and perceive the legitimacy of tax authorities.

Previous research on business taxation shows a clear distinction between citizen and business experiences with the tax system. While Tanzania has performed well concerning citizen trust in tax authorities, businesses face a more complex and burdensome administrative environment and are therefore less likely to report high levels of satisfaction (Asri, Fjeldstad, Katera, & Nassary, 2025). As businesses contribute a significant share of tax revenue in Tanzania, including in Zanzibar, understanding their experiences, perceptions, and levels of trust is crucial for facilitating a better business environment, easing tax compliance, and strengthening revenue mobilisation.

Trust can be defined as the "belief that another person or institution will act consistently with their expectations of positive behaviour" (OECD, 2017), and is argued to promote economic growth (Algan & Cahuc, 2010) and increase voluntary tax compliance (Batrancea et al., 2019; Fjeldstad & Sjursen, 2024). Understanding the key predictors of trust in tax authorities is essential and enhancing the overall effectiveness of the tax system.

In a recent study of tax administration in the business sector, Asri et al. (2025) found that businesses generally perceive taxation as a barrier to development, primarily due to uncertainty and a high administrative burden, particularly in the hospitality/tourism sector.[2] More than half of the respondents (55 %) reported dissatisfaction with the services by the ZRA, and only 30 % reported a high level of trust in the authority. This level of trust was substantially lower than for other institutions, such as religious authorities (65 %) and the Government of Zanzibar (43 %), indicating a significant potential for institutional improvement.

Earlier sector-specific research suggests that these issues have long been present in Zanzibar's tourism sector. Mahangila and Anderson (2017), in their study of the tax administrative burden among tour operators, found that businesses faced considerable uncertainty and complexity in calculating tax liabilities. Taxation was perceived as a hindrance to business development. At the same time, the authors noted that public-private dialogues, including engagement with business

---

[1] ZRB served as the primary agency for collecting inland revenue in Zanzibar from 1998 until it was rebranded and renamed as the [Zanzibar Revenue Authority in 2023.]

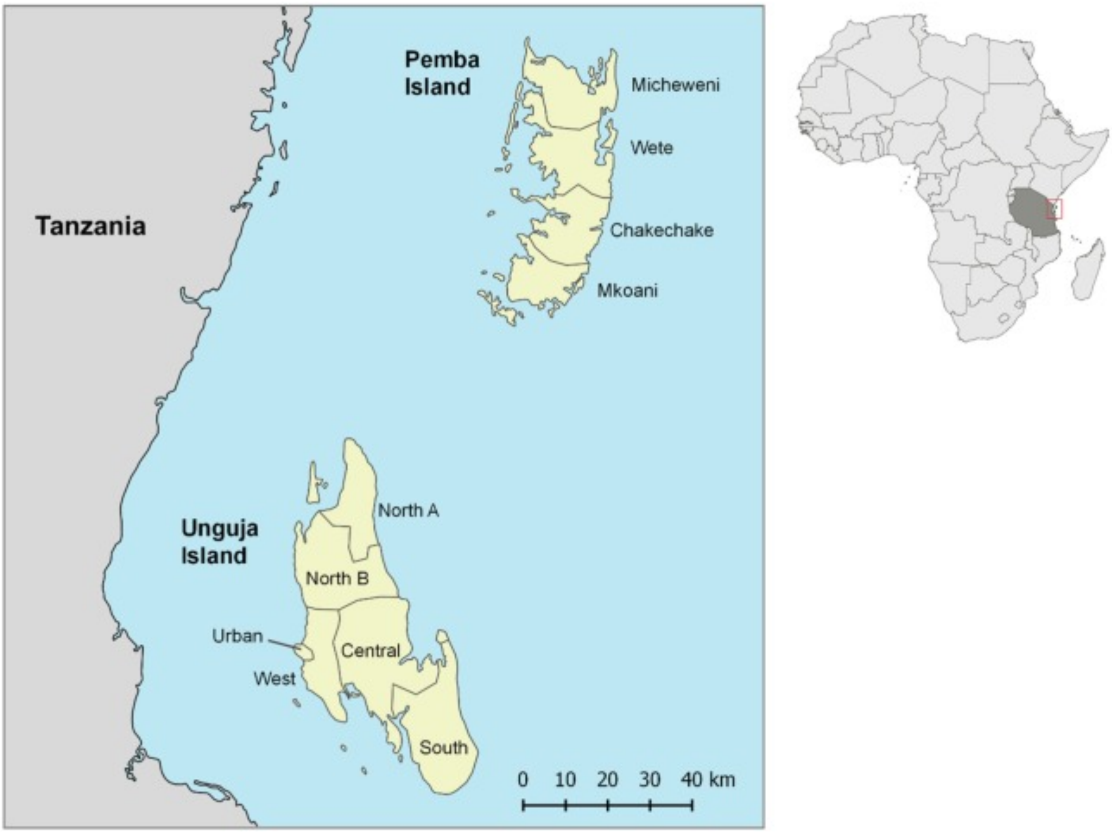
[2] This study of tax administration, compliance, and trust in the tourism sector builds directly on the study by Asri et al., (2025b).

associations, had helped ease the introduction of tax reforms, pointing to the potential benefits of cooperation between authorities and the private sector.

Prior to conducting the present study, we held consultations with Zanzibar Association of Tour Operators (ZATO) to better understand current challenges from the perspective of the sector's main business association.[3] In line with earlier findings, ZATO representatives highlighted a high administrative burden and perceived tax burden. They further reported a lack of trust and cooperation from the ZRA, as well as high levels of uncertainty following sudden changes in tax instruments, such as an increase in a tourist fee. These experiences stand in contrast to earlier findings on the positive role of dialogue, suggesting that cooperation may have weakened over time.

On this basis and considering the continued importance of tourism for Zanzibar's economy and public revenue, this study seeks to provide updated empirical data on tax administrative burden, business perceptions, and trust in the tourism sector. The analysis aims to identify key challenges and opportunities for improving tax administration and cooperation between businesses and tax authorities, with a view to enhancing compliance, trust, and revenue mobilisation.

Figure 1: *Map of Zanzibar. Source: Ashton et al., 2019*



[3] Meeting with ZATO representatives, March 18, 2025.

3. Research methods, survey implementation, and approach

This study examines taxpayer experiences, trust in tax authorities, and compliance challenges faced by small businessowners in Zanzibar. To this end, we conducted a standardised survey targeting tour operators, including tour vendors (offering excursions, safari tours, guiding, transportation, accommodation) and salespeople offering rental services. The survey assessed how the tax system affects daily business operations through brackets covering background characteristics, general experiences with tax authorities, perceptions and trust, and challenges related to tax compliance.

In addition to the survey, respondents were presented with a 'vignette' story describing a fictional, yet plausible, scenario involving a young tour operator in Jambiani, southern Zanzibar. The operator, who relies on tourism for his livelihood, received a surprise visit from a local tax officer accusing him of non-compliance, despite being formally registered and having made occasional lump-sum payments. The officer threatens to shut down the business unless the operator complies. This vignette included several possible responses that respondents were asked to evaluate, linking directly to themes addressed elsewhere in the questionnaire. The main purpose was to elicit behavioural responses and decision-making in a realistic compliance scenario.

Although vignettes have been used in social science research for decades (Finch, 1987), their use in tax research remains limited. Compared to standard survey questions, vignettes have the advantage of making abstract tax issues more concrete, potentially reducing social desirability bias, and help bridge the gap between attitudes and behaviour among our respondents (Verneuer-Emre et al., 2022; Walzenbach, 2019). This approach complements the survey methodology and enhances the ability of the research to capture perceptions about the field of study – tax compliance and trust in tax authorities in Zanzibar – by offering a practical dilemma relevant for taxpayers in the tour vendor industry.

Enumerators were recruited by REPOA and trained in cooperation with NUPI at REPOA's headquarters in Dar-es-Salaam in June 2025. Following training, a pilot study was conducted in Zanzibar. Data collection took place later that month using a Computer-Assisted Personal Interview (CAPI) system – *CSPro* version 8.0.1 – with data collection conducted via the *CSEntry* application version 8.0.1 on Android devices. All data was stored in our encrypted Dropbox folders protected with two-factor authentication, and no data included any personal information which are traceable back to the interviewee. All enumerators were instructed to delete locally stored files, after they securely uploaded interview data to our encrypted Dropbox folders to ensure data safety. We report that data security was achieved to this end.

To ensure data quality, NUPI and REPOA researchers monitored the performance of the interviewers during the whole data collection process. The CAPI system checks data quality by capturing metadata in real-time, such as interview durations, GPS locations, 'don't know' rates and interview intervals (the time between the end of one questionnaire to the start of the next one). We report that the data has good quality, and zero departures or aberrations was observed.

For selected brackets, including the vignette story and specific questions concerning tax authorities, CAPI randomized the question order. Multiple preprogrammed sequences were assigned enumerator devices, and one sequence was randomly selected at the start of each interview. This reduced the risk of order bias, whereby respondents might favour earlier response options.

Interviews were conducted on Unguja Island, including Stone Town (Urban) and districts along the Northeast Coast (A), North Coast (B), East Coast (Central), West Region, and South Coast. Enumerators were given autonomy to recruit respondents within these districts and who met target criteria: Small tourism businesses. This resulted in a final sample of 316 tour operators, with data quality assessed as reliable.

The survey covered the following topics:

1. Characteristics of surveyed businesses and respondents (demographics)
2. Experience with tax authorities
3. Trust and perceptions of tax authorities
4. Trust in public institutions and spending
5. Barriers, challenges, and suggestions regarding tax authorities
6. The vignette – the story of Ali Hassan

The sample size of 316 respondents is sufficient to support multivariate regression analysis and provides adequate statistical power to detect meaningful associations between trust and key predictors. However, as with most survey-based studies, the results should be interpreted with some caution regarding representativeness. While the sample captures substantial variation among registered tour operators, unobserved selection effects – particularly related to informality or non-response – cannot be fully ruled out. Perceptions and trust are, after all, affected by multiple factors that a standardised questionnaire is unable to fully obtain – making the overall explanatory power and generalisation beyond the geographical area of study somewhat limited.

Statistical regressions complement the descriptive analysis by exploring the predictors of trust in the ZRA. We ran two regressions, one 'ordinal logistic regression' (OLR) and one 'ordinary least squares' (OLS). We ran an OLR first which provides a more precise calculation of effects of the independent variables. OLR is the most suitable statistical model when the dependent variable is ordinal and categorical, but not continually. OLR takes into account that the different categories have a ranking order where rank matters (higher or lower trust). Subsequently, we conducted an OLS analysis, which is a commonly utilised regression method in social sciences which measures effects and correlations linearly. OLS is thus more convenient to interpret analytically as the coefficient on the independent variables measures the direct effect on the dependent variable (trust in the ZRA), explaining to what extent the level of trust changes when *X* (independent variable of interest) increase by one entity. In this case, OLS functions as quality assurance to verify the inferences. Thus, testing the effects of the independent variables on the dependent variable using two statistical models enhances the robustness of the findings.

The dependent variable is the trust level in the ZRA, operationalised on a five-point scale ranging from 1 (trust completely) to 5 (do not trust at all). The independent variables selected are gender, age, area of origin (Mainland or Zanzibar), education level, business profitability, received training from ZRA regarding tax obligations (binary; yes/no), perceptions on tax information clarity and tax-for-services linkage. The latter describes whether the respondent believes that taxes are properly utilised to fund basic public goods and services – such as roads/infrastructure, education, health services, water accessibility, electricity and security (see Appendix A for the full questionnaire).

Lastly, both models were tested for multicollinearity – that is, the presence of overlapping and highly correlated independent variables that influence the coefficients which jeopardise the model's ability to isolate individual effects. The results indicate no evidence of multicollinearity in either model.

4. Empirical findings and analysis

4.1 Demography and background

The surveyed tour operators manage small businesses engaged in a range of tourism-related activities. The most common activities were accommodation services (37%), tourist excursions (32.3%), and rental services (25.6%). Nearly three-quarters of respondents operated a single business, while the remainder managed two or more businesses. Most respondents (72.2%) described their financial situation as average, and 77.1% reported that their businesses were sufficiently profitable to cover rent, bills, and other living expenses.

All respondents stated that their businesses were registered with the appropriate authorities and that they paid taxes. This uniformly high level of reported registration and tax compliance may reflect a degree of social desirability bias, whereby some respondents who do not consistently comply with tax obligations may have been reluctant to disclose this information. Evidence from prior research indicates a degree of informality and evasion in the tourism sector. In their study of businesses taxation in Zanzibar, Asri et al. (2025) found that respondents believed approximately half of other businesses engaged in tax evasion. Similarly, ZATO representatives indicated that several tourist operators operated informally, to the disadvantage of formally registered and tax-compliant businesses.[4]

Taken together, these findings suggest that our sample is broadly representative of formally registered and tax-compliant tour operators, but not necessarily of the tourism sector as a whole. Informal operators are likely underrepresented, as is the proportion of businesses that intermittently evade taxation.

[4] Meeting with ZATO representatives, Stone Town, March 18, 2025.

Table 1: *Respondent characteristics*

Variables		Total	
Sex	Male	221	69.9%
	Female	95	30.1%
Age	Under 30	116	36.7%
	30-39	113	35.8%
	40+	87	27.5%
From:	Mainland Tanzania	152	48.1%
	Zanzibar	147	46.5%
	Other	17	5.4%
Business registration	Yes	316	100.0%
	No	0	0.0%
Transport services		45	14.2%
Tourist excursion		102	32.3%
Rental services		81	25.6%
Accommodation services		117	37.0%
Safari tours		43	13.6%
Conference services		12	3.8%
Guiding		33	10.4%
Air and ferry ticket services		24	7.6%
Pay taxes	Yes	316	100.0%
	No	0	0.0%
Financial status	Below average	73	23.1%
	Average	228	72.2%
	Above average	15	4.7%

4.2 Taxpayer experience, satisfaction, and trust toward tax authorities

Respondents were asked about their experiences with tax authorities, meaning what kind of taxes they pay, how, how often, the availability of information, and how satisfied they are with the tax services.

Almost all respondents reported paying taxes to ZRA (96%), while somewhat fewer pay taxes to TRA (64%). A few respondents (3%) reported paying to none of them and pay only municipal fees. Two-thirds of the respondents reported paying taxes on a monthly basis, 15% every quarter, and 16% annually. The most frequent taxes, fees, and levies paid included income tax (80%) and municipal fees (65%), while smaller shares of respondents paid corporate tax (36%), tour operator license (28%), Value Added Tax (VAT) (26%), and the tour operator levy (18%).

The respondents were also asked about whether they had received any official training or information about tax obligations. A majority of respondents (54%) reported having received information/training from ZRA and a quarter from TRA, while smaller shares of respondents reported having received training from the municipality (13%) and the Zanzibar Commission for Tourism (ZCT) (12%). A sizeable share of the respondents (43%) had received no training.

While these findings may suggest a need to improve the availability of information and training, 85% of respondents reported that the information provided by ZRA is easy to understand, indicating that information already provided is generally a source of satisfaction with the tax services. This level of satisfaction was consistent across different types of business activities. Respondents expressed similarly high levels of satisfaction with the information from TRA (78%). Moreover, respondents reported low perceived levels of corruption in both the ZRA (9%) and the TRA (7%), alongside moderate levels of perceived fair treatment of small businesses (ZRA: 65% / TRA: 53%).

Table 2: *Perceptions of ZRA and TRA*

The ZRA is treating small businesses fairly	The ZRA is providing useful information	The ZRA is Corrupt	The TRA is treating small businesses fairly	The TRA is providing useful information	The TRA is Corrupt
65%	86%	9%	53%	74%	7%

When asked about their overall satisfaction with the tax authorities, 28% of respondents reported being very satisfied with ZRA's tax services and a further 31% reported being satisfied while a comparatively smaller share (14%) expressed dissatisfaction (see figure 2 below). The numbers were almost similar for satisfaction with TRA (see figure 3 below). Overall, these results show that roughly half of respondents are satisfied with the tax authorities, suggesting moderate performance with considerable scope for improvement.

Figure 2: *Satisfaction with ZRA*

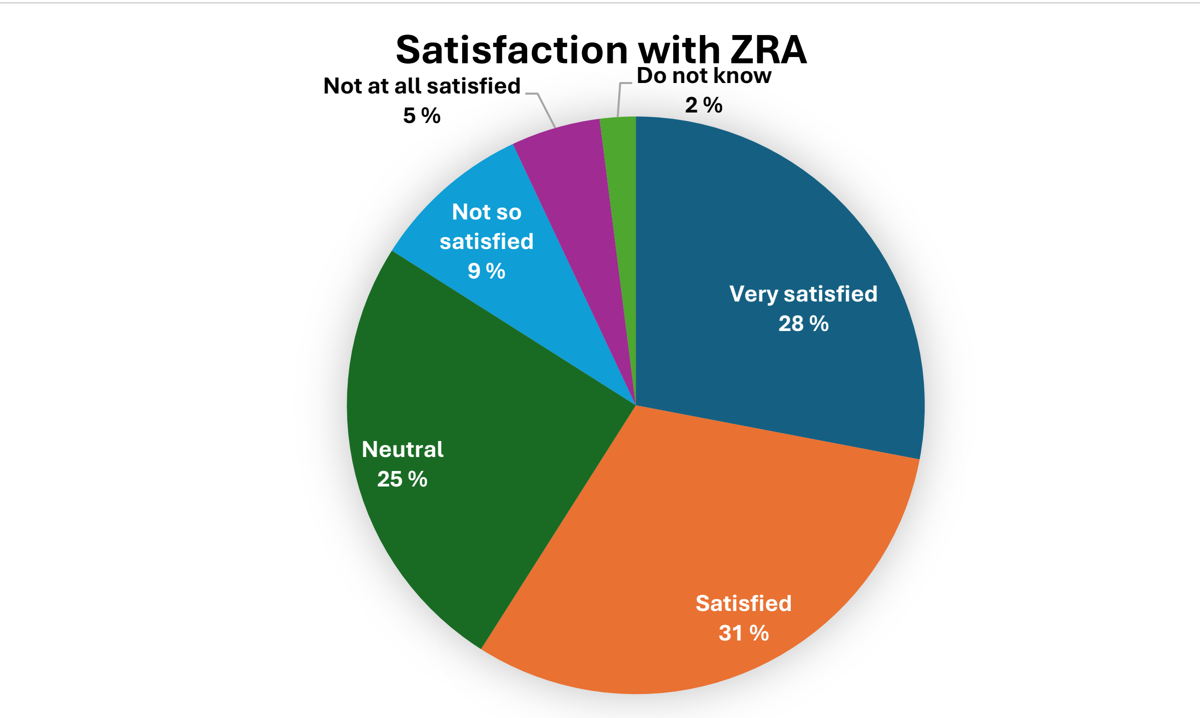
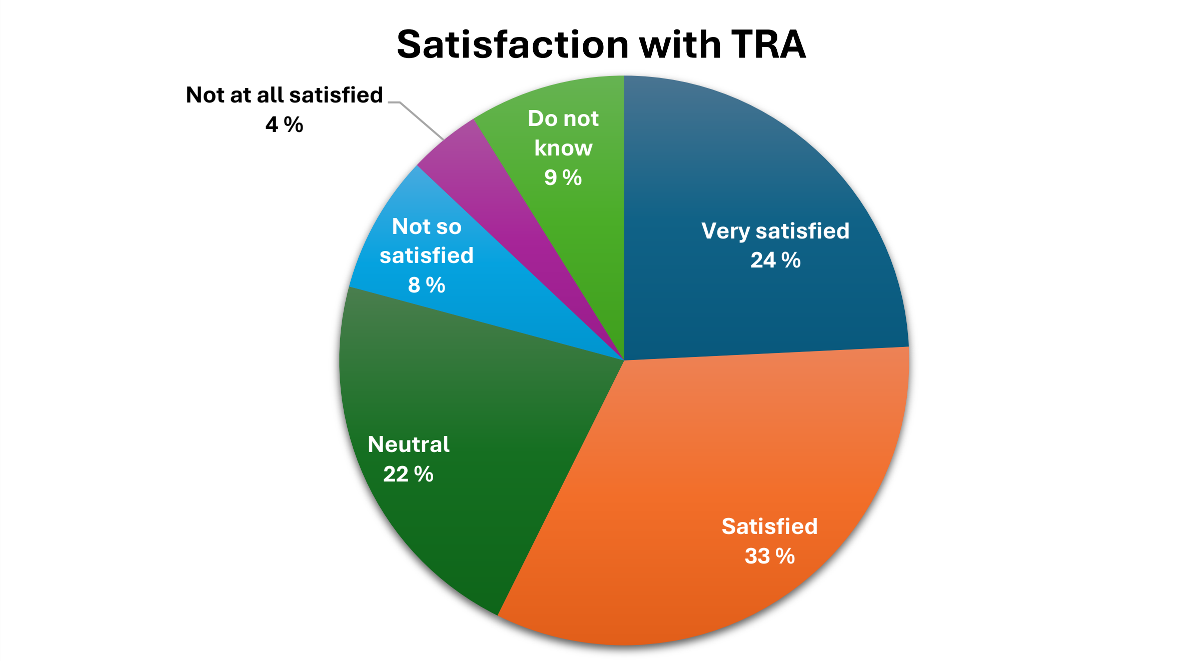


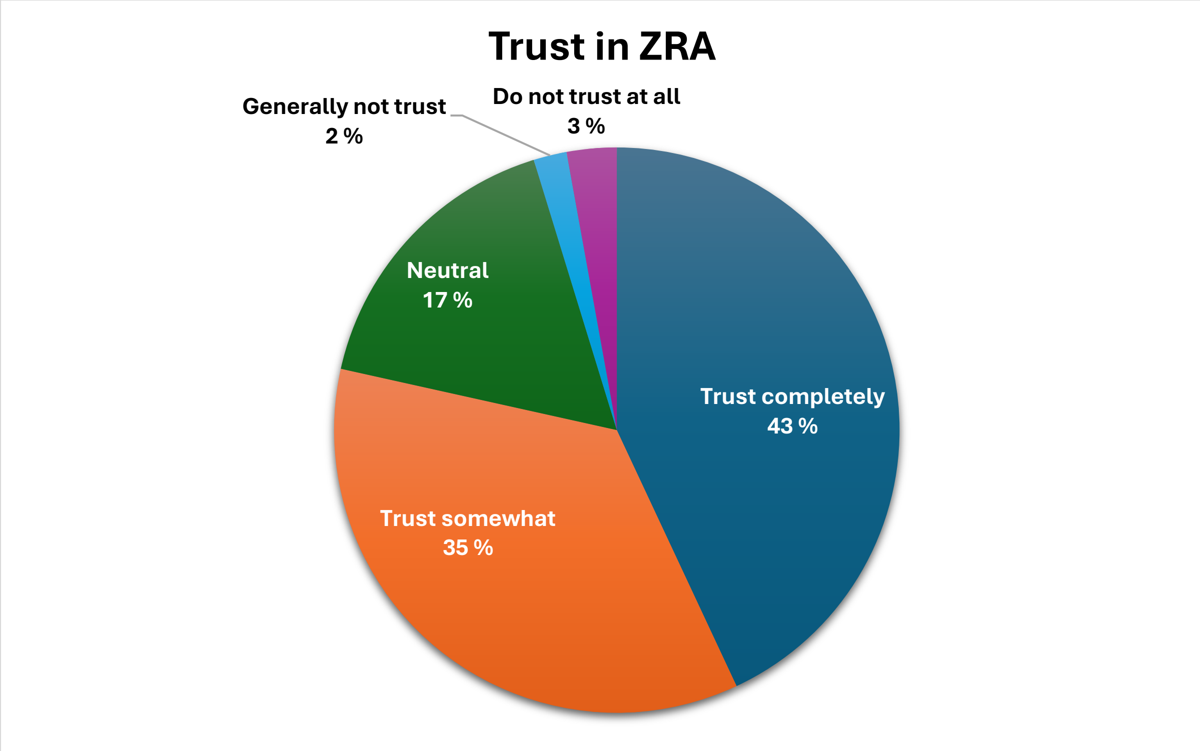
Figure 3: *Satisfaction with TRA*



Tour operators reported moderate levels of trust in the tax authorities. In the case of the ZRA, 43% of respondents reported complete trust and a further 35% reported some trust, while only 5% expressed low or no trust (see figure 4). Although these findings indicate scope for further improvement, the balance between trust and distrust is clearly positive and reflects a higher share of strong trust than what was reported for the Zanzibar business sector as a whole in Asri et al.'s survey (2025). The most significant difference from this study is variance in level of distrust as Asri et al. (2025), found that 33% of businesspeople do not trust the ZRA.

Furthermore, it is noteworthy that among the minority of tour operators who struggle to generate profits and cover basic expenses, levels of trust are substantially lower, with complete trust falling to 16%. Trust in the TRA follows a broadly similar pattern, albeit at slightly lower levels: 37% of respondents reported complete trust and 32% some trust, while 8% expressed low trust. While this tourism sample reports relatively higher levels of trust than the general business sector, these levels remain well below those of the most trusted institutions in Tanzania, notably religious leaders with 75.9% of respondents expressing a high level of trust in the most recent Afrobarometer survey (Afrobarometer, 2025).

Figure 4: *Trust in ZRA*



4.3 Barriers, challenges and suggestions

For satisfaction with tax services as well as perceptions of fairness and corruption, the ZRA and TRA are perceived to perform moderately well, though with room for improvement. To identify where such improvements are most needed, the remainder of the analysis examines the main barriers and challenges tour operators face in complying with their tax obligations.

Central to this discussion is the expectation of reciprocity inherent in taxation – that tax revenues should be translated into public goods and services that strengthen the relationship between state and citizens (see Brautigam et al., 2008; Gatt & Owen, 2018). When asked about their level of trust in the government's efficient use of tax revenues, 38% of tour operators reported high trust, 45% medium trust, and 11% low trust. This pattern was largely consistent across key public spending areas – such as roads/infrastructure, education, health, water, electricity, and security – with the share reporting high trust ranging from 40% to 57%. Trust levels showed little difference by gender and business activity.

Overall, trust in public spending among the surveyed tour operators can be characterised as moderate. For about half of the respondents, the perceived link between taxes paid and public service delivery is positive and may therefore support trust in tax authorities and encourage compliance. For a small minority, the tax-for-services link is perceived as weak or negative and may undermine trust, while roughly on-third remain ambivalent, indicating that improvements in the efficiency and visibility of public spending could enhance trust.

As previous studies have found taxation to be perceived as barrier to business development, partly due to high administrative burden and partly due to a high tax burden (Asri et al., 2025; Mahangila & Anderson, 2017), respondents were asked about what are the key challenges they face in complying with tax rules and to pay taxes (see Table 3). The most frequently cited challenge was difficulty in understanding tax rules and procedures (41%), followed by 26% of respondents citing a lack of information. Together, these findings point to information gaps and administrative complexity as central obstacles to complying with tax obligations. Furthermore, a perception of unfair treatment of small businesses were also cited by a sizeable minority (29%), suggesting concerns about equity in the tax system. In addition, practical constraints such as poor internet connectivity delaying tax filing (24%) and the time required to comply with tax obligations (19%) indicate an excessive the administrative burden for some tour operators. Struggles with trusting the tax authorities (10%), keeping financial records (12%), and reliance on cash and informal payments (12%) were cited less frequently.

When asked specifically about challenges related to paying their tax bills, respondents most frequently pointed to a decline in tourism activity (63%), followed by the multiplicity of taxes (57%), and a high overall tax burden (48%). Unexpected fee increases were also reported by a substantial share of respondents (41%), underscoring concerns about predictability and affordability. Taken together, the results suggest that both administrative complexity and broader economic pressures – particularly fluctuating tourism demand and tax liabilities – shape tour operators experiences with and perceptions of taxation and their ability to comply with tax obligations.

Table 3: *Challenges tour operators face in complying with tax obligations*

What challenges do you face in complying with tax rules?				
I struggle to understand the tax rules and procedures	I feel the system is unfair to small businesses	Lack of information	Bad internet connection that delays tax filing	The process takes too much time away from my business
41%	29%	26%	24%	19%
What are the key challenges for you to pay your taxes?				
Tourism decline	Multiplicity of taxes	High tax burden	Unexpected fee increases	
63%	57%	48%	41%	

Building on the challenges identified above, respondents were asked about what would make it easier for them to comply with tax rules (see Table 4). The most frequently cited alternatives were clearer information and guidelines about tax obligations (58%), better information on deadlines and tax payments (43%), and closely related, improved communication and support from tax officials (34%). Interestingly, but perhaps not so surprisingly, a large minority of respondents (39%) would prefer a single tax authority to be responsible for collecting all taxes to make payments easier, reflecting concerns about administrative fragmentation.

Preferences for the future tax system reinforce these findings. A clear majority of respondents stated that the ZRA should be the sole tax collector in Zanzibar, compared to 17% who preferred the TRA and 6% preferring the current dual system. Other frequently cited priorities included reducing government and municipal fees (45%), improving consultation with businesspeople (43%), and providing greater support on how to pay taxes (20%). While a preference for lower taxes is unsurprising, the responses suggest that perception of a high tax burden is closely linked to administrative complexity and uncertainty – particularly regarding multiple taxes and sudden fee increases – rather than tax levels alone.

Table 4: *Easing tax compliance and the outlook of the future tax system*

What would make it easier for you to comply with tax rules?				
Clearer information and guidelines about tax obligations	Better information on deadlines for tax payments	One tax authority should be responsible	Better communication and support from tax officials	
58%	43%	39%	34%	
If you could decide, how should the future tax system look like?				
ZRA should be the only tax collector in Zanzibar	TRA should be the only tax collector in Zanzibar	Decrease government/ municipal fees	Better consultation with businesspeople	More support on how to pay taxes
64%	17%	45%	43%	20%

4.4 Vignette – the story of Ali Hassan

After mapping tour operators' experiences, perceptions, and preferences regarding the tax system, we sought to examine how these factors translate into behavioural responses. To this end, we introduced a vignette presenting multiple scenarios and response options as a follow-up. The vignette posed a fictional but plausible scenario involving a young tour operator in Jambiani, southern Zanzibar, called Ali Hassan. Ali Hassan, who relies on tourism for his livelihood, receives a surprise visit from a local tax officer accusing him of non-compliance, despite being formally registered and having made occasional lump-sum payments. The officer threatens to shut down his business unless he complies (see Appendix A for the complete scenario text).

Table 5: *Frequency of vignette responses*

Vignette responses	Strongly agree + agree	Neutral	Strongly disagree + disagree
1) Ali Hassan understands that this could threaten his business and he pays what the tax collector demands (fears enforcement).	72%	7%	19%
2) Ali Hassan understands that he owes taxes and decides to pay because he thinks it's the right thing to do (civic duty).	94%	3%	3%
3) Ali Hassan realises that he owes taxes and decides to pay but only the amount the tax officer demanded. He, therefore, avoids reporting all his revenues to avoid paying the full sum.	27%	12%	59%
4) Ali Hassan decides to go to the tax office and requests an explanation of his obligations. He demands an official document that records his previous payments (a receipt).	86%	3%	9%
5) Ali Hassan decides to pay "under the table" – the unofficial fee – to avert any trouble.	13%	5%	80%
6) Ali Hassan refuses to take any action, in the good belief that the issue will fade away and continues to run his business as before.	9%	8%	80%
7) Ali Hassan contacts the Zanzibar Association of Tour Operators (ZATO) that aids small business owners, to request their advice.	73%	12%	14%
8) Ali Hassan hires a tax consultant to help him with his case.	56%	12%	28%
9) Ali Hassan seeks assistance from a friend or a relative who know somebody at the tax office.	33%	14%	51%
10) Ali Hassan makes his business "informal" – he goes off the radar.	9%	3%	87%

The overall take-away from the vignette responses is that the large majority of respondents support compliance with tax obligations and responsible conduct, albeit with important nuances. Across most vignette options, tour operators express a preference for paying taxes through formal and transparent channels, while simultaneously seeking reassurance that payments are legitimate and correctly assessed.

The very high level of agreement (94%) with paying taxes owed because it is the "right thing do to" points to a strong social norm in favour of tax compliance (response no. 2). This normative commitment is complemented by a strong procedural concern, with a large majority (86%) preferring to go to the tax office to request an explanation of their obligations and demand an official receipt (response no. 4). Together these responses suggest that while paying taxes is widely perceived as a civic duty, compliance is conditional on clarity, fairness, and documentation. This cautious stance may reflect the moderate trust in tax authorities documented earlier in our survey. Overall, the pattern is consistent with a form of 'quasi-voluntary' compliance (Levi, 1988), in which taxpayers are generally willing to comply based on normative commitment and perceived legitimacy of the tax system, while this willingness is underpinned by the credible threat of enforcement.

At the same time, responses to the enforcement-driven option (no. 1) reveal the continued importance of coercive power. More than two thirds of the respondents agreed that Ali Hassan would pay the tax bill out of fear of enforcement. While the threat of sanctions is a necessary element to any functioning and fair tax system, excessive reliance on coercion can also lead to abuse and corruption, undermining trust (Fjeldstad, 2001). Paying under duress may lead tour operators overpay, or even to comply with illegitimate or fabricated demands. The strong preference for visiting the tax office and request clarification appears to mitigate this risk, as does the tendency to seek external support (responses no. 7 and 8). Indeed, a substantial share of respondents agree with either turning to ZATO (73%) or a tax consultant (56%) for assistance, reinforcing the interpretation that respondents prefer strategies that help them remain compliant while protecting themselves against arbitrary enforcement. These patterns are further reinforced by the very low levels of agreement (9-13%) with options involving inaction, bribery, or deliberately going informal (responses no. 5, 6 and 10). Such responses align with the prevailing social norm that tax obligations should be met and that uncertainty should be addressed through formal channels rather than avoidance, evasion or corruption.

Nevertheless, the results also point to more ambivalent attitudes in specific situations. Nearly one third of respondents indicated a willingness to pay only part of taxes owed if the official demanded a smaller amount, or to seek assistance through personal connections within the tax authority. This split suggests that, although outright non-compliance is widely rejected, a sizeable minority of tour operators are willing to exploit informal advantages when they perceive them as beneficial or low risk. These findings highlight the coexistence of strong compliance norms with pragmatic adaptations to a governance environment where rules may be unevenly enforced.

4.5 Regression analysis: Predictors of trust

Understanding the key predictors of trust in tax authorities is essential to enhancing the overall effectiveness of the tax system. To achieve this, we conducted two regression analyses – Ordinary Least Squares (OLS) and Ordinal Logit Regression (OLR) – with trust in the ZRA as the dependent variable (see full SPSS syntax in Appendix C). The OLS regression provides a first indication of the factors associated with variation in respondents' reported trust in the ZRA. Overall, the model explains a moderate share of the variance in trust (adjusted $R^2 = 0.166$), suggesting that observable individual and experiential factors account for some, but far from all observed differences in trust. As noted in the methods sections, surveys measuring trust and perceptions are expected to have limited explanatory power for generalisation, as trust is shaped by multiple factors that are difficult to capture a questionnaire. Adjusted $R^2 = 0.166$, is thus deemed acceptable.

The dependent variable is trust in the ZRA, coded as a categorical, ordinal variable ranging from 1-5: (1) Trust completely, (2) trust somewhat, (3) neutral, (4) generally not trust, and (5) do not trust at all. The question was framed as follows: "*To what extent do you trust the Zanzibar Revenue Authority (ZRA)*?".

The independent demographic variables selected are **gender** (binary; male or female), **age** (18-99), **area of origin** (binary; Mainland Tanzania or Zanzibar), and **educational attainment** (ordinal; 'never attended school', primary education, secondary lower education/basic technical certificate, secondary higher, ordinary/advanced diploma, university degree or higher). Other independent variables include:

- "How profitable is your business?" (**x = Business profitability**): (1) Very profitable, (2) enough to pay my rent, bills and other expenses, (3) enough to pay my rent, but I have a second job to cover other bills and expenses, and (4) not at all profitable.

- "Have you received any official training or information about tax obligations?" (**x = Tax training and info**): Binary coded, (1) Yes or (2) No.
- "How understandable is the information provided by the ZRA?" (**x = ZRA info clarity**): (0) Never engaged with the ZRA before (omitted), (1) Easy to understand, or (2) hard to understand.
- **Tax-for-services linkage (x)**: Merged variable. Six independent variables merged: "Do you trust the government to spend tax money wisely on: (1) Roads/infrastructure, (2) education, (3) health services, (4) water, (5) electricity, and (6) security.

Among the socio-demographic variables, 'age' is the only statistically significant variable ($p = .033$). The negative coefficient (-0.11) indicates that older respondents tend to report higher levels of trust in ZRA. Although the effect is modest-weak, and varieties in trust do not differ substantially among younger and older respondents, this pattern may reflect accumulated experience with tax administration over time. In contrast, sex, education level, country of origin, and business profitability are not statistically significant, suggesting, at least in our survey population, that trust in the ZRA is not strongly influenced by these background characteristics.

By far the strongest predictors of trust in the ZRA relate to tour operators' interactions with and perceptions of the tax system, with two variables standing out: First, clarity of information provided by the ZRA is statistically significant ($p = .007$) and correlated with higher levels of trust in the ZRA. Respondents who perceive tax information as clear and understandable report substantially higher levels of trust than respondents who perceive information about the tax system to be difficult to understand. Second, the perceived linkage between taxes paid and public goods and services received is the most significant variable in our model ($p = <.001$). Although the effect is more moderate than perceived tax information clarity, as the positive coefficient ($B = 0.300$) shows a moderate effect on trust in the ZRA. Respondents that report higher satisfaction with service-delivery (roads/infrastructure, education, health services, water, electricity, and security) have moderately higher trust in the ZRA than respondents who do not trust the government to spend tax money wisely on public services.

These findings highlight the importance of reciprocity and perceived fiscal exchange in shaping trust, consistent with fiscal social contract theories (see Brautigam et al., 2008). Taken together, the OLS results indicate that trust in ZRA is significantly shaped by how they experience taxation – particularly whether the system in understandable and whether payments are perceived to translate into visible and tangible benefits.

Table 6: *OLS Regression Table - Trust in the ZRA[a]*

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.857	.381		2.252	.025
	Sex	-.055	.108	-.028	-.509	.611
	Age	-.011	.005	-.122	-2.143	.033
	Country of Origin (Mainland Tanzania or Zanzibar)	.045	.104	.025	.430	.667
	Education level	-.001	.027	-.002	-.042	.967
	Business profitability	.064	.084	.042	.767	.444
	Tax training and info	.145	.106	.078	1.371	.172
	ZRA info clarity	.402	.147	.151	2.726	.007
	Tax-for-services linkage	.300	.052	.324	5.780	<.001

a. Dependent Variable: How much do you trust Zanzibar Revenue Authority (ZRA)? N=330. Adj. R Square .166. VIF values for multicollinearity are checked and acceptable (range 1.018-1.132). All missing values are omitted.

The OLR analysis, largely reinforces the substantive conclusions from the OLS model while offering additional nuance. The model fits the data well (because of likelihood ratio chi-square <.001), indicating that the included predictors meaningfully distinguish between different levels of trust. As in the OLS model, age is significant (p = 0.010) and shows a negative estimate (E = -.034), confirming that older respondents are more likely to have higher trust in the ZRA.[5] However, the effect size is small, given that (odds ratio) ***OR =$e^{-0.034}$≈0.97 (3 %)***. In other words, a one-unit increase in the predictor changes the odds by 3 %, indicating a small decrease in the odds of lower trust (i.e., very small increase in trust among older respondents). As in the OLS analysis, the other demographic independent variables are not statistically significant.

The most significant variable in the OLR is again the tax-for-services linkage (p = <.001). The strong to moderate estimate indicates that respondents who perceive a clear connection between taxes paid and services received are substantially more likely to express higher trust (because E = 0.744). The equation is therefore: ***1 – 0.744 = 0.256 (25.6%)***. This means that a one-unit increase in tax-for-services linkage – i.e., lower satisfaction with public service-delivery – is associated with about 26% reduction in the odds of being in a higher category of trust (i.e., more trust in the ZRA). In other words, higher values of this predictor correspond to lower levels of trust. Among the predictors included in the model, tax-for-services linkage exhibits the strongest substantive effect, consistent with the OLS results.

[5] Because "trust in the ZRA" variable is coded from 1-5 in which 1 implies 'high level of trust' while 5 indicates 'no trust at all'.

Perceived clarity of information from ZRA is also statistically significant, but its effect is stronger than the "tax-for-service linkage" (because *E* = -0.659), like this (in odds ratio): $\boldsymbol{OR=e^{-0.659}=0.517\approx0.52}$ (thus ***Exp(B)=0.52***). The percentage change in odds is subsequently ***(0.517 – 1) x 100 = -48.3%***. This means that a one-unit change from "*easy to understand information provided by the ZRA*" (1) to "*hard to understand information by the ZRA*" (2) is associated with a 48% decrease in the odds of being in a lower-trust category. However, the effect is consistent with the OLS regression, when cumulative probabilities are considered. Therefore, we observe that respondents who answered, "*hard to understand information provided by the ZRA*" reported significantly lower trust than those who answered, "*easy to understand information by the ZRA*".

Taken together, both models tell a highly consistent story, strengthening confidence in the robustness of the results. The models suggest that trust is sustained, not simply by enforcement, but also by the quality of tax services and the credibility of the fiscal relationship between state and society. Strengthening information clarity and making public service provision more visible are therefore equally important as traditional enforcement measures in fostering trust.

Table 7: *Ordinal Logit Regression - Trust in ZRA*

		Estimate	Std. Error	Wald	df	Sig.
Location	Age	-.034	.013	6.578	1	.010
	Education level	-.027	.063	.188	1	.664
	Business profitability	.254	.194	1.715	1	.190
	Tax-for-services linkage	.744	.125	35.363	1	<.001
	[Male=1]	.197	.254	.605	1	.437
	[Female=2]	0	.	.	0	.
	[Mainland Tanzania=1]	-.074	.240	.094	1	.759
	[Zanzibar=2]	0	.	.	0	.
	[Received tax training and info=Yes]	-.422	.244	2.993	1	.084
	[Received tax training and info=No]	0[a]	.	.	0	.
	[ZRA info clarity=Yes]	-.659	.333	3.911	1	.048
	[ZRA info clarity=No]	0[a]	.	.	0	.

Link function: Logit. N=330. Dependent variable: How much do you trust Zanzibar Revenue Authority (ZRA)? Likelihood Ratio Chi-Square: <.001. All missing values are omitted.
a. This parameter is set to zero because it is redundant.

5. Policy implications and recommendations

We find that ZRA and TRA enjoy moderate levels of trust within Zanzibar's largest economic sector, tourism. While this shows considerable scope for improvement, the findings also provide clear indications of what already works well. Most importantly, improving the clarity of tax information and strengthening the perceived link between taxes paid and public services are likely to enhance trust in the tax authorities and contribute to a stronger business environment in Zanzibar (see further policy recommendations below).

By incorporating a vignette component, the study also makes a methodological contribution by demonstrating how survey-based approaches can better link attitudes to behavioural intentions. The vignette findings show that tour operators generally prefer formal procedures and clear documentation when dealing with tax obligations, underscoring the importance of predictable and simplified administrative practices in line with the findings of previous research (Mahangila & Anderson, 2017; Asri et al., 2025; Asri, Fjeldstad, Katera, & Nassary, 2025).

Finally, it is important to reiterate that the state violence following the October 2025 general election has likely affected public trust in state institutions and may therefore influence the continued validity of our findings. Although it is unclear to what extent trust in tax authorities in Zanzibar has been influenced by these developments, the potential effects underscore the need to replicate this study, as well as that of the broader business survey by Asri et al. (2025), in order to better understand how such political developments shape public trust in tax authorities in Tanzania.

Policy recommendations:

- **Improve clarity and consistency of tax information**
  Simplify tax guidelines, standardise communication across ZRA and TRA offices, and ensure that information provided by tax officials is clear, consistent, and easy to understand. Clear information is strongly associated with higher trust.

- **Strengthening visibility of tax-for-services linkage**
  Communicate more clearly on how tax revenues are used to fund public goods and services relevant to the tourism sector, such as infrastructure, security, and environmental management. Visible reciprocity strengthens trust.

- **Improve transparency and documentation in tax enforcement**
  Require written explanations of tax assessments (upon request) and provide official receipts for all payments. Transparent documentation can reduce uncertainty, limit discretion, and address concerns about arbitrary enforcement and perceived unfair treatment.

- **Continue the shift from reliance on coercion toward service-oriented compliance**
  Complement fair enforcement with a stronger focus on guidance, support, and problem-solving in interactions with taxpayers. A predictable and service-oriented approach is more likely to sustain trust and compliance than reliance on enforcement alone.

- **Strengthen dialogue and support through business associations**
  Strengthen cooperation with organisations such as ZATO to disseminate information, provide guidance, address disputes, and to receive valuable feedback on challenges and opportunities for improving tax services.

6. References

Afrobarometer. (2025). *Summary of the results for the Afrobarometer round 10 survey in Tanzania, 2024* [Summary of results]. Afrobarometer. https://www.afrobarometer.org/publication/tanzania-round-10-summary-of-results/

Algan, Y., & Cahuc, P. (2010). Inherited Trust and Growth. *American Economic Review*, *100*(5), 2060–2092. https://doi.org/10.1257/aer.100.5.2060

Ashton, R. A., Bennett, A., Al-Mafazy, A.-W., Abass, A. K., Msellem, M. I., McElroy, P., Kachur, S. P., Ali, A. S., Yukich, J., Eisele, T. P., & Bhattarai, A. (2019). Use of Routine Health Information System Data to Evaluate Impact of Malaria Control Interventions in Zanzibar, Tanzania from 2000 to 2015. *eClinicalMedicine*, *12*, 11–19. https://doi.org/10.1016/j.eclinm.2019.05.011

Asri, V., Fjeldstad, O.-H., Katera, L., & Nassary, S. (2025). *To trust or not to trust? Taxation from the perspective of businesspeople in Tanzania* (CMI Working Paper No. 04). Chr. Michelsen Institute.

Asri, V., Fjeldstad, O.-H., Katera, L., Nassary, S., & Saadat, A. (2025). *Taxation and Business Development in Zanzibar Insights from a Business Survey* (CMI Report No. 02). CMI.

Batrancea, L., Nichita, A., Olsen, J., Kogler, C., Kirchler, E., Hoelzl, E., Weiss, A., Torgler, B., Fooken, J., Fuller, J., Schaffner, M., Banuri, S., Hassanein, M., Alarcón-García, G., Aldemir, C., Apostol, O., Bank Weinberg, D., Batrancea, I., Belianin, A., … Zukauskas, S. (2019). Trust and power as determinants of tax compliance across 44 nations. *Journal of Economic Psychology*, *74*, 102191. https://doi.org/10.1016/j.joep.2019.102191

Brautigam, D., Fjeldstad, O.-H., & Moore, M. (2008). *Taxation and state-building in developing countries: Capacity and consent*. Cambridge University Press.

Brown, A. (2010). Political Tensions in Zanzibar: Echoes from the Revolution? *Canadian Journal of Development Studies / Revue Canadienne d'études Du Développement*, *30*(3–4), 615–633. https://doi.org/10.1080/02255189.2010.9669318

Choudhary, R., Ruch, F. U., & Skrok, E. (2024). *Taxing for Growth*. World Bank.

Finch, J. (1987). The Vignette Technique in Survey Research. *Sociology*, *21*(1), 105–114. https://doi.org/10.1177/0038038587021001008

Fjeldstad, O.-H. (2001). Taxation, coercion and donors: Local government tax enforcement in Tanzania. *J. Mod. Afr. Stud*, *39*(2), 289–306. https://doi.org/10.1017/S0022278X01003627

Fjeldstad, O.-H., & Sjursen, I. H. (2024). The role of trust and norms in tax compliance in Africa. *Human Development Report 2023-2024" Breaking the Gridlock: Reimagining Cooperation in a Polarized World"*.

Gatt, L., & Owen, O. (2018). Direct taxation and state–society relations in Lagos, Nigeria. *Development and Change*, *49*(5), 1195–1222.

Levi, M. (1988). *Of rule and revenue*. Univ of California Press.

Mahangila, D., & Anderson, W. (2017). Tax Administrative Burdens in the Tourism Sector in Zanzibar: Stakeholders' Perspectives. *Sage Open*, *7*(4), 2158244017736800. https://doi.org/10.1177/2158244017736800

OECD. (2017). *OECD Guidelines on Measuring Trust*. OECD Publishing. https://doi.org/10.1787/9789264278219-en

The Citizen. (2023, January 13). *ZRB transforms to become ZRA*. The Citizen. https://www.thecitizen.co.tz/tanzania/zanzibar/zrb-transforms-to-become-zra-4085618

Verneuer-Emre, L. M., Eifler, S., & Dülmer, H. (2022). Vignette analysis: Methodology and recent developments. *Methods, Data, Analyses*, *16*(2), 8.

Walzenbach, S. (2019). *Hiding Sensitive Topics by Design? : An Experiment on the Reduction of Social Desirability Bias in Factorial Surveys*. https://kops.uni-konstanz.de/handle/123456789/50184

World Bank. (2022). *Towards a more inclusive Zanzibar economy: Zanzibar poverty assessment 2022*. World Bank Group. http://documents.worldbank.org/curated/en/099755011022231706

7. Appendices

Appendix A: Survey-vignette questionnaire

Receipt				
MO1	Questionnaire number	|___|___|___|___|___|___|		
MO2	Interview date	|__|__|-|__|__|-|__|__|		
MO3	Interviewer code		1 2 3 4 5 6 7 8	
MO4	Place of interview	______________________________		
MO5	Start interview (time)	|__|__|:|__|__|		
MO6	End interview (time)	|__|__|:|__|__|		
Demography and background				
DE1	Sex	M F	1 2	
DE2	What is your age?	Please specify.	Enter age.	
DE3	Are you from Mainland Tanzania, Zanzibar or somewhere else?	Mainland Tanzania Zanzibar Eastern Africa Other DK NA	1 2 3 97 98 99	Mutiple choice
DE4	What is the highest level of formal education you have completed?	Never attended school Primary education Secondary Lower Education Basic Technical Certificate Secondary Higher Education Ordinary or Advanced Diploma University degree or higher Other DK NA	0 1 2 3 4 5 6 97 98 99	

DE5	What type of business are you running?	Transport services Tourist excursion Rental services Accommodation services Safari tours Conference services Guiding Air and ferry ticket services DK NA	1 2 3 4 5 6 7 8 98 99	Multiple choice
DE6	Do you have other jobs beside your tourism business(es)?	Yes No DK NA	1 2 98 99	
DE7	How would you define yourself financially?	Poor Below average Average Above average Well off DK NA	1 2 3 4 5 98 99	
DE8	How profitable is your business(es)?	Very profitable Enough to pay my rent, bills and other expenses Enough to pay my rent, but I have a second job to cover other bills Not at all profitable DK NA	1 2 3 4 98 99	
DE9	Is your business only season-based?	Yes No DK NA	1 2 98 99	
DE10	Do you pay taxes? **Interviewer: Read out the responses.**	Yes, on a monthly basis Yes, quarterly Yes, but only annually Occassionnaly No DK NA	1 2 3 4 5 98 99	If "No" (5), 98, or 99, skip to ET1. If 1, 2, 3 or 4, proceed towards DE11.
DE11	Which types of taxes/fees do you pay? **Interviewer: Do not read out the responses. Record the responses you receive.**	Tour operator license Tour operator levy VAT Income tax Corporate tax Municipal fees Informal fees DK NA	1 2 3 4 5 6 7 98 99	Multiple choice

Experience with tax authorities				
ET1	Is your business formally registered to the authorities?	Yes No DK NA	1 2 98 99	If yes, proceed towards ET2. If 2, 98, or 99, skip to ET3.
ET2	Where have you registered your business?	ZRA TRA BPRA The municipality Zanzibar Commission for Tourism Tourism Association DK NA	1 2 3 4 5 6 98 99	Multiple choice
ET3	Have you received any official training or information about tax obligations?	Yes No DK NA	1 2 98 99	If "Yes", proceed to ET4. If 2, 98 or 99, proceed to ET5.
ET4	From whom have you received such training or information?	ZRA TRA BPRA The municipality Zanzibar Commission for Tourism Tourism Association DK NA	1 2 3 4 5 6 98 99	Multiple choice
ET5	How satisfied are you with the Zanzibar Revenue Authority (ZRA)?	Very satisfied Satisfied Neutral Not so satisfied Not at all satisfied Never engaged with ZRA before DK NA	1 2 3 4 5 0 98 99	
ET6	How satisfied are you with Tanzania Revenue Authority (TRA)?	Very satisfied Satisfied Neutral Not so satisfied Not at all satisfied Never engaged with TRA before DK NA	1 2 3 4 5 0 98 99	
ET7	How understandable is the information provided by ZRA?	Easy to understand Hard to understand Never engaged with ZRA before DK NA	1 2 0 98 99	

ET8	How understandable is the information provided by TRA?	Easy to understand Hard to understand Never engaged with TRA before DK NA	1 2 0 98 99	
ET9	Have you ever been audited or visited by tax officers (from ZRA or TRA)?	Yes No DK NA	1 2 98 99	If 2, 98 or 99, then skip to ET11.
ET10	How often do you interact with tax officers?	Annually On a monthly basis On a weekly basis Daily Occassionally Only when the officer collects unofficial fees Never, I use online services to pay my taxes DK NA	1 2 3 4 5 6 7 98 99	
ET11	How do you usually pay taxes?	Paying at the tax office Online payment Through the bank Do not pay taxes DK NA	1 2 3 0 98 99	Multiple choice. If 0, 98, or 99, skip to TPT1.
ET12	Do you pay taxes to ZRA and/or TRA?	ZRA TRA None DK NA	1 2 0 98 99	Multiple choice. If 1 and/or 2, proceed to ET13. If 0, 98 or 99, proceed towards TPT1.
ET13	Why do you pay taxes? (On a scale: ***1 Strongly Agree; 2 Agree; 3 Disagree; 4 Strongly disagree; 98 DK; 99 NA***)	I pay taxes because I believe it's the right thing to do I trust the government to use tax money for public goods I pay because I have to	1 2 3 4 98 99 1 2 3 4 98 99 1 2 3 4 98 99	

Trust and perceptions of tax authorities			
TPT1	You will be presented several characteristics of Zanzibar Revenue Authority (ZRA), please say "Agree" or "Disagree" if you agree/disagree with the following statements. **The ZRA is (...):**	***1 Agree; 2 Disagree; 98 DK; 99 NA*** Treating small businesses fairly Providing useful information Professional Transparent Duplicating taxes Corrupt	 1 2 98 99 1 2 98 99 1 2 98 99 1 2 98 99 1 2 98 99 1 2 98 99
TPT2	You will be presented several characteristics of Tanzania Revenue Authority (TRA), please say "Agree" or "Disagree" if you agree/disagree with the following statements. **The TRA is (...):**	Treating small businesses fairly Providing useful information Professional Transparent Duplicating taxes Corrupt	1 2 98 99 1 2 98 99 1 2 98 99 1 2 98 99 1 2 98 99 1 2 98 99
TPT3	How much do you trust Zanzibar Revenue Authority (ZRA)?	Trust completely Trust somewhat Neutral Generally not trust Do not trust at all DK NA	1 2 3 4 5 98 99
TPT4	How much do you trust Tanzania Revenue Authority (TRA)?	Trust completely Trust somewhat Neutral Generally not trust Do not trust at all DK NA	1 2 3 4 5 98 99
Trust in public institutions and public spending			
PI1	To what degree do you trust the government to spend your taxes efficiently?	High Medium Low DK NA	1 2 3 98 99
PI2	Do you trust the government to spend money wisely on: **(On a scale. (1) Trust completely, (2) Trust somewhat, (3) Neutral, (4) Generally not trusted, (5) Do not trust at all)**	Roads/infrastructure Education Health Water Electricity Security	1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99

PI3	Where do you normally obtain information about government spending? **Interviewer: Multiple choice. Please feel free to show the interviewee the different responses.**	Public radio Private radio Community radio National TV Commercial TV Zanzibar Leo Habari Leo The Guardian Mwananchi Instagram TikTok WhatsApp Facebook Twitter/X Community, kin and friends Other DK NA	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 97 98 99	
PI4	Can you assess your trust in the following outlets and sources? **(On a scale: (1) Trust completely, (2) Trust somewhat, (3) Neutral, (4) Generally not trusted, (5) Do not trust at all)**	Public radio Private radio Community radio National TV Commercial TV Zanzibar Leo Habari Leo The Guardian Mwananchi Instagram TikTok WhatsApp Facebook Twitter/X Community, kin and friends	1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99 1 2 3 4 5 98 99	
	Barriers, challenges and suggestions			
BA1	What challenges do you face in complying with tax rules? **Interviewer: Show the interviewee the different responses.**	I struggle to understand the tax rules and procedures Information is not available in my language I don't have access to the internet for tax filing Bad internet connection that delays tax filing The process takes too much time away from my business I struggle to keep detailed financial records or receipts I rely mostly on cash and informal payments, which make reporting hard I struggle to trust the tax authorities I feel the system is unfair to small businesses Lack of information Other I don't face any challenges DK NA	1 2 3 4 5 6 7 8 9 10 97 0 98 99	Multiple choice

BA2	What are the key challenges for you to pay your taxes? **Interviewer: Show the interviewee the different responses.**	High tax burden Takes too much time Multiplicity of taxes Unfair competition with mainland businesses Unexpected fee increases Tourism decline Competitors are cheating with taxation Inadequate information of the tax system Minimal help from Zanzibar tourism associations (ZATO, ZATI, HAZ) None of them I don't pay taxes DK NA	1 2 3 4 5 6 7 8 9 0 97 98 99	Multiple choice
BA3	Considering the multiple tax collecting agencies in Zanzibar (ZRA, TRA, municipality, other), do you find the current tax system as challenging? **Interviewer: Show the interviewee the different responses.**	Yes, this creates duplication of taxes Yes, there is need to merge tax authorities It is difficult to be up-to-date with tax regulations from different agencies I have no problem dealing with different tax agencies DK NA	1 2 3 0 98 99	Multiple choice
BA4	What would make it easier for you to comply with tax rules? (Pick your three most preferred choices) **Interviewer: Show the interviewee the different responses, and underline that he/she should pick three of them.**	Clearer information and guidelines about tax obligations Better information on deadlines for tax payments Information is provided in my language Simplified tax forms and filing processes Make online services or mobile tax platforms easier Training or workshops for small businessowners Better communication and support from tax officials Help with bookkeeping and financial record-keeping One tax authority should be responsible None of them DK NA	1 2 3 4 5 6 7 8 9 0 98 99	Multiple choice, max three choices.
BA5	If you could decide, how should the future tax system look like? **Interviewer: Show the interviewee the different responses.**	ZRA should be the only tax collector in Zanzibar TRA should be the only tax collector in Zanzibar Merging tax collection Decrease government/municipal fees More support on how to pay taxes Better consultation with businesspeople The current tax system works fine None of them DK NA	1 2 3 4 5 6 7 0 98 99	Multiple choice

Part II of the survey:

The Vignette – the Story of Ali Hassan

Ali Hassan is a 25-year-old man running a tour operation in Jambiani. He has been operating the business for five years and relies, primarily, on tourists to make a living. He has created several social media accounts for advertising and receives bookings and reservations during the peak seasons of tourism. In addition, he also offers beach equipment rental as well as diving gear for tourists.

Recently, Ali Hassan got a visit from a tax officer working in the local tax office, who informed him that he is not properly registered in the tax registers and must start paying his full taxes, including unpaid taxes for the last two years. Ali Hassan is surprised – he thought he had complied with the tax and fee regulations because he possesses a business license from the tax agency and has occasionally paid fees to local tax officers when they knocked on his door.

The tax officer gives him some papers and invoices, but the explanation of the accusation of the unpaid taxes was very brief, and Ali Hassan is uncertain how he should deal with this. The tax officer even threatened to shut down his business if he failed to pay the tax agency in time. He talked to one of the other small businesspeople in Jambiani who had more experience dealing with tax authorities, and he was advised to pay a small lump-sum – an unofficial fee – which could "solve the problem faster". Other entrepreneurs in Jambiani warned Ali Hassan that if he refused to pay the taxes, his business would be in danger. Now, Ali Hassan is confused, concerned and scared. His business is his main source of income – and he depends on the income to pay for his living. Ali Hassan wants to do the right thing, but is unsure whom to trust, and what to do.

Responses to the proposed vignette story:

The respondent is requested to rank each of the responses on a scale from 1-5 (1=Strongly agree, 5=Strongly disagree), individually. Randomization of the order in CAPI.

Strongly agree	1
Agree	2
Neutral	3
Disagree	4
Strongly disagree	5
DK	98
NA	99

1. Ali Hassan understands that this could threaten his business and he pays what the tax collector demands (fears enforcement).
2. Ali Hassan understands that he owes taxes and decides to pay because he thinks it's the right thing to do (civic duty).
3. Ali Hassan realizes that he owes taxes and decides to pay but only the amount the tax officer demanded. He, therefore, avoids reporting all his revenues to evade paying the full sum.
4. Ali Hassan decides to go to the tax office and requests an explanation of his obligations. He demands an official document that records his previous payments (a receipt).
5. Ali Hassan decides to pay "under the table" – the unofficial fee – to avert any trouble.
6. Ali Hassan refuses to take any action, in the good belief that the issue will fade away and continues to run his business as before.
7. Ali Hassan contacts the Zanzibar Association of Tour Operators (ZATO) that aids small business owners, to request their advice.
8. Ali Hassan hires a tax consultant to help him with his case.

9. Ali Hassan seeks assistance from a friend or a relative who know somebody at the tax office.
10. Ali Hassan makes his business "informal" – he goes off the radar.

Appendix B: Full SPSS syntax

```
COMPUTE Tax_for_services_linkage = MEAN(PI2_1 , PI2_2 , PI2_3 , PI2_4 , PI2_5 , PI2_6).
        EXECUTE.
VARIABLE LABELS Tax_for_services_linkage
  "Do you trust the government to spend tax money wisely across public services (index)".
VALUE LABELS Tax_for_services_linkage
  1 "Trust completely"
  2 "Trust somewhat"
  3 "Neutral"
  4 "Generally not trust"
  5 "Do not trust at all".
        EXECUTE.
FREQUENCIES VARIABLES = Tax_for_services_linkage
  DESCRIPTIVES VARIABLES = Tax_for_services_linkage
  /STATISTICS= MEAN STDDEV MIN MAX.

FREQUENCIES VARIABLES = DE3
RECODE DE3 ("a"=1) ("b"=2) (ELSE=SYSMIS) INTO country_origin_NS.
        EXECUTE.

VARIABLE LABELS country_origin_NS "Country of Origin (Mainland Tanzania/Zanzibar)".
VALUE LABELS country_origin_NS
  1 "Mainland Tanzania"
  2 "Zanzibar".
        EXECUTE.
* Recode missing values for analysis.
RECODE TPT3 DE1 DE2 ET3 ET7 DE8 DE4 country_origin_NS tax_for_services_linkage
   (97=SYSMIS) (98=SYSMIS) (99=SYSMIS).
EXECUTE.
```

```
* Run OLS regression.
REGRESSION
  /DEPENDENT TPT3
  /METHOD=ENTER DE1 DE2 ET3 ET7 DE8 DE4 country_origin_NS tax_for_services_linkage
  /STATISTICS COEFF R ANOVA
  /MISSING LISTWISE.
* Recode missing values for analysis.
RECODE TPT3 DE1 DE2 ET3 ET7 DE8 DE4 country_origin_NS tax_for_services_linkage
    (97=SYSMIS) (98=SYSMIS) (99=SYSMIS).
        EXECUTE.

* Run ordinal logistic regression (cumulative logit).
PLUM TPT3 BY DE1 DE2 ET3 ET7 DE8 DE4 country_origin_NS tax_for_services_linkage
  /CRITERIA=CIN(95) DELTA(0.001)
  /LINK=LOGIT
  /PRINT=PARAMETER SUMMARY FIT
  /MISSING=LISTWISE
  /MODEL=DE1 DE2 ET3 ET7 DE8 DE4 country_origin_NS tax_for_services_linkage
  /PRINT=FIT.
```

Norwegian Institute of International Affairs

Rosenkrantz’ gate 22
0160 Oslo, Norway

post@nupi.no

nupi.no