

DETERMINANTS OF TAX COMPLIANCE BEHAVIOUR OF SMALL AND MEDIUM SIZE BUSINESSES IN CAMEROON'S LITTORAL AND CENTRAL PROVINCES

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ABSTRACT

The paper reports the results of a survey of 575 small and medium size businesses operating in the manufacturing and wholesale sectors, that seeks to examine tax compliance behaviour in Cameroon's Littoral and Central Provinces. The study suggests that high registration cost and time consuming processes promote non-compliance of SME operators. The perception of a complex tax system results in registration non-compliance. A tedious compliance process results in filing non-compliance of SME owners. Perception of a fair system is likely to result in registration compliance. Perceiving the tax system as being clear, easy to understand and consistent promotes filing compliance.

Keywords: Tax compliance; Small and Medium Size Enterprises; Cameroon

1. ECONOMIC IMPORTANCE OF SME IN CAMEROON

Studies by Beck et al (2005), Ayyagari et al (2005), Sackey (2007), Beyene (2002), and Njanyou (2001) have shown that small and medium enterprises (SMEs) are significant for economic growth in Cameroon. The Ministry of Small and Medium Enterprises and Craft suggests that SMEs accounted for about 22% of the gross domestic product (GDP) in 2004. SMEs employ a substantial proportion of the country's labour force and constitute a very important avenue for achieving poverty alleviation and reducing unemployment. CRETES² (2003) finds that 87.2% of SMEs in Cameroon usually employ fewer than 20 employees, and only 1.7% employ more than 100 workers. Of the total of 2800 SMEs in the country, 71% are operating in the secondary and tertiary sectors³. Thus, trade only accounts for 22% of the total SME employment in the country. The manufacturing sector, in contrast, is in general either publicly owned or dominated by foreign owners. There are few formal manufacturing enterprises owned by Cameroonians.

1.1 STATEMENT OF THE PROBLEM

About half of sub-Saharan African countries mobilise less than 17 percent of their GDP in tax revenues, as against an average of around 35 percent in OECD countries (OECD, 2009). As such, African countries are facing a series of challenges when it comes to optimising taxation while aiming to reach development targets. The implication of tax noncompliance on government's capacity to raise revenue to finance its expenditure has made researchers and policy makers to pay great attention to the phenomenon of

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³ Trade (wholesale and retails), hotel, restaurant, manufacturing form part of the secondary and tertiary sectors.

noncompliance and this has resulted into increased research interest by academics and policy makers. African policymakers need to mobilise domestic resources and broadening the tax base to secure steady revenue streams for development financing and to diversify the revenue sources and fighting tax evasion, spurred by tax havens, regulatory weaknesses, and some corporate practices (Pfister, 2009).

There are a number of reasons why undertaking a study of tax compliance of SMEs is important. First, SMEs have lower compliance statistics compared to other taxpayers (Giles and Caragata, 1999). They collect employment and value added taxes on behalf of the government. Therefore, SME operators' tax compliance affects the amount of tax revenue collected which affects the government's ability to fulfill their fiscal, economic and social objectives (Alley, Maples, Veal, & Polson Higgs and Co., 2004; Chittenden, Kauser, and Poutziouris, 2003). Second, SMEs are known to participate in the cash economy due to the greater opportunity available to them (Ashby and Webley, 2008; Bajada, 2002; Morse, Karlinsky, and Bankman, 2009; Noble, 2000). They have "unregistered income with no third party reporting" (Gerxhani and Schram, 2006) and consequently, they are considered the "hard to tax group from the informal sector" (McGee, Ho, and Li, 2008). Value-Added Tax (VAT) 'gaps' have been put at 50-60% in some developing countries, compared to 7-13% in developed countries.

1.2 TAXATION ISSUES AS THEY AFFECT SME OPERATORS

James and Alley (2002) define tax compliance as the willingness of individuals and other taxable entities to act in accordance with the spirit as well as the letter of the tax law and administration without the application of enforcement activity. Otherwise, it can be construed as the degree to which a taxpayer obliges to tax rules and regulations. Franzoni (2000) and Chatopadhyay and DasGupta (2002) see tax compliance as involving the true reporting of the tax base; correct computation of tax liabilities; timely filing of tax returns and timely payment of the amount due as tax. Any behaviour by the taxpayer contrary to the above constitutes noncompliance. Tax noncompliance is the failure of taxpayer to meet tax obligations whether the act is done intentionally or unintentionally (James and Alley, 2002).

Taxation issues are pervasive to SME operators, affecting their decisions regarding business structures, wages paid, charitable contributions made, and profits declared for the period. Taxation issues constitute one of their main concerns (Massey and Quin, 2001) and researchers find that business failures are associated with poor record keeping for taxation purposes (Evans, Carlon, and Massey, 2005; Prescott and Hooper, 2009).

The literature suggests that SMEs evade VAT or Goods and Services Tax (GST) in France and Netherlands (Agha and Haughton, 1996), the United Kingdom (Adams and Webley, 2001), the United States (Joulfaian and Rider, 1998) New Zealand (Noble, 2000) and Australia (Bajada, 2002). They also evade income taxes from cash jobs in the hairdressing industry (Ashby and Webley, 2008), the building industry (Sigala, Burgoyne, and Webley, 1999), home maintenance, home-based services, teaching, entertainment (Noble, 2000) and in the food industry (Adams and Webley, 2001).

Fischer *et al.* (1992) categorise tax compliance determinants into four group viz: (1) tax system structure (tax rate, penalty, and probability of detection, complexity of tax system); (2) attitude and perception (fairness, ethics, and peer influence); (3)

noncompliance opportunity (income level, income sources and occupation) and (4) demographic factors (age, gender and education).

Odd-Helge et al (2006) find that regulations such as licences and permits, high taxes, and corruption are the third, fourth and sixth most important constraints facing SMEs. Taxes are consistently rated as more important constraints as the education of the owner increases, and corruption follows the same pattern.

The desire of a taxpayer to comply is also strongly related to behavioural norms, both the personal norms (or beliefs) of the individual taxpayer and the social norms that prevail in society at large. Personal norms guide a taxpayer's posture to the tax administration (OECD, 2010). Also, studies suggest that people seek to conform to social norms and that the behaviour of others (such as peers or neighbours) strongly influences an individual's final choices (OECD, 2010).

Taxpayers may be unwilling to pay tax, because they perceive that officials themselves may be corrupt, that governments consistently misuse public funds and that expenditure patterns may not reflect their wishes. Corruption increases the costs of doing business, and imposes a tax on entrepreneurial activity (World Bank, 2004). Svensson (2003) finds that a majority of Ugandan firms pay bribes, and the amounts are on average large (8% of total costs) depending on the extent to which a firm has to deal with public officials. Tax administrations embark on a programme of taxpayer education in order to build up positive personal norms. They could also engage with young taxpayers as a way of building up a tax compliance culture among them in the long-run.

Taxpayers are less compliant when they perceive the tax system as unfair (Spicer and Baker, 1980). OECD (2010) identifies three types of fairness in taxation: distributive fairness (the perception that government acts as a wise spender of tax revenues); procedural fairness (the perception that the tax administration adheres to procedures that are fair in dealing with taxpayers); and retributive fairness (the perception that the tax administration is fair in applying punishments when the rules are broken).

Older taxpayers are reported to be unwilling to take risks and are more sensitive to sanctions. Female taxpayers are posited to be more conforming, conservative and bound by moral restraints (Jackson and Milliron, 1986). Some tax regimes may systematically, even if inadvertently, disadvantage certain groups in society, particularly women. An unintended gender bias may arise from generally accepted tax exemptions made available to owners of businesses or properties—who are more often men than women (OECD, 2009). Also, if the government fails to provide basic public goods and services or provides them insufficiently, citizens may not be willing to pay taxes (Brautigam *et al.*, 2008).

High compliance costs, i.e, the costs the taxpayer has to bear to gather the necessary information, fill out tax forms etc, can be an additional reason for tax evasion and avoidance. The number of payments to be made by SMEs can also have an impact on their administrative burden. It takes about 654 hours to comply and make 46 tax payments in Cameroon. With this record, Cameroon occupies the bottom 7th position in Africa. Payments consist of 13 of profit, 12 of labour and 19 others (PwC, 2013). Small and medium sized enterprises (SME), in particular, suffer from high compliance costs, with value added tax (VAT) being perceived as the most problematic in South Africa. As a coping strategy in South Africa, about 18 percent of SMEs simply try to avoid or evade taxes (SBP, 2005). The main reasons for the high tax compliance costs of small businesses are: (1) Frequent changes of tax laws; (2) Complexity of tax systems (tax systems are more

geared to large enterprises); (3) Existence of different tax administrations; (4) Incomprehensible language of tax laws, including incomprehensible forms; (5) Short and inflexible deadlines for tax payments (resulting in cash flow problems); (6) Costs of tax consultants; (7) Registration procedures (EC, 2007).

Many taxpayers perceive compliance as a complex process and complexity has been shown to contribute to non-compliance (GAO, 2011). The variability in the interpretation of the concept and the process can lead to misunderstanding of what constitutes compliance. Many organisations believe they are already compliant regardless of whether they are (in the eyes of the regulator) or not (Fairman and Yapp, 2005).

Table 1. The Bottom 10 Performers In Terms of The Ease of Paying Taxes in Africa

Country	Overall Global ranking	Number of payments	Time to comply (hours)	Total Tax Rate (%)
Congo, Dem. Rep.	171	32	336	339.7
Equatorial Guinea	173	46	492	46.0
Cameroon	176	44	654	49.1
Mauritania	177	37	696	68.2
Senegal	178	59	666	46.0
Gambia, The	179	50	376	283.5
Central African Republic	181	55	504	65.2
Congo, Rep.	182	61	606	62.9
Guinea	183	58	416	73.2
Chad	184	54	732	65.4

Source: PwC (2013).

Also, tax laws in many countries, especially in developing countries, change rapidly, thus producing instability and low transparency of the tax code. As a result, complicated tax legislation and ongoing changes of the tax code confuse tax administrators and taxpayers alike. This produces ample opportunity for tax avoidance (Mo, 2003).

Table 2. Summary of Selected Research Findings on Tax Compliance Determinants

Age	Older people are more compliant. They are generally more risk averse. Some studies suggest both the young and old are more compliant than the middle aged.
Gender	Males evade taxes more than females
Education	Educated people may be better informed of tax laws, which should positively influence compliance, but they may also have better knowledge of the opportunities for tax evasion. The empirical results are inconclusive.
Tax Status	Sole proprietors and the self-employed are less compliant on average. The self-employed often have higher compliance costs (taxes are more visible to them) and more opportunity to evade taxes. This is often linked to their sectors of trade.

Employment	Unemployment results in lower incomes and cash flow difficulties but also likely lower (or imply no) tax liabilities. Empirical results are mixed. Unemployment has a positive effect on payments but a negative effect on reporting compliance.
Tax Rates	Tax rates are negatively associated with compliance (i.e., higher rates generally encourage more non-compliance)
Sector	Certain economic sectors are associated with non-compliance: cash and retail businesses, traders operating from a fixed business location (e.g., garage, shop or restaurant), agriculture, those with income from rental or investment sources.
Income	Empirical studies have found mixed results. Higher income may offer more opportunities (or motives) to evade but lower income reduces cash flow and may present payment and collection difficulties. Therefore both lower and higher income may negatively affect compliance.
Sanctions / Deterrence	The penalties and actual number of audits have a positive impact on compliance but the impact is often found to be small. The subjective level of audit (people tend to overestimate the number and probability of audit) is associated with more compliant behaviour. Prior audit has little effect on compliance, either because the experience may not have been as negative as the taxpayer expected or because once the audit is completed there is a desire to “get back” the income lost. Voluntary disclosure programmes may negatively affect compliance, perhaps due to fact that taxpayers intentionally underreport their income, hoping that they can avoid sanctions by availing of future amnesties.
Filing Method	Electronic filing is associated with higher rates of compliance than paper filing. This may be a selection issue (more compliant taxpayers may select to file electronically).

Source: Walsh (2011)

1.3 OBJECTIVE OF THE STUDY

The principal objective of this study is to assess tax registration and filing compliance by medium size businesses in Cameroon. It is hypothesised that tax compliance by SME owners is influenced by: (1) demographic factors;(2) perception of the tax system; (3) tax compliance cost; and (4) taxpayer service encounter experience with the revenue authority.

This paper is organised as follows: section one is essentially introductory and points to the importance of SMEs and taxation to the attainment of millennium development goals. In section 2, public organisations' understanding of client services is discussed with the expanded paradigm shift of revenue authorities to be more client focus. Section 3 presents the research method, data collection technique and the classification of SMEs while section 4 highlights the results of this study. The last section concludes the paper.

2. PUBLIC SECTOR ORGANIZATIONS UNDERSTANDING OF CLIENT SERVICES

Public sector organizations lack a detailed understanding of the meaning of client service and its implications (Fountain, 2001), and require knowledge about “how” to improve public services (Hodgson, Farrell and Connolly, 2007). In particular, the public sector in most developing nations hardly has any performance measure of the services they provide (Kloot, 1999). This leads to public officials believing that they are largely responsible and accountable to the State rather than the people they serve (Kuppusamy et al, 2006). Dissemination of information, exchange of views and ideas, and the analysis of potential solution to cases could therefore be essential to improved satisfaction with public service delivery. Surveys and opinion polls confirm that citizens want improvements in the ways in which governments serve them, that is, a public administration that delivers better services and extends their reach and coverage more effectively and efficiently (Rondinelli, 2007).

2.1 TAXPAYER EXPANDED SERVICE PARADIGM OF REVENUE AUTHORITIES

Some authors opine that tax payments are commonly associated with emotions such as hope, despair, anger, outrage, defiance, frustration, disdain, suspicion, and deference (Rawlings and Braithwaite, 2003). These emotions could motivate some to evade taxes by understating their taxable incomes and/or overstating their deductible expenses. It is therefore important that SME operators tax compliance service encounters with Cameroon's internal revenue authority (*DGI*) be helpful in assisting them to achieve tax compliance.

Tax agencies need processes that do not just make it easy for citizens to understand their obligations and comply with the rules, but also make it difficult for them not to comply. Above all, systems must be flexible enough to allow prevention and detection strategies and business rules to change regularly, so that agencies are not outmanoeuvred by the constantly evolving tactics of tax evaders (Pretty and Negadi, 2012).

The issue of service quality is also quite central to tax administrations since they provide numerous services to taxpayers. Table 3 presents a typology of identify services commonly provided by revenue offices identified by OECD (2007). They fall into the categories of information, interaction and transaction. OECD (2007) described transaction as the core service while information and interaction service provide support to transaction.

Table 3: Revenue Agencies Service Categories

Service category	Description	Examples of services	Characteristics
Information	Information services and products which are one way communication and do not result in a change to account status	. Education . Publications (paper and web) . Campaigns . Mass distribution of different types of	.Timing volume: partly predictable . Size volume: flexible, can be influenced, revenue body initiate .Standardisation/automation: possible in many cases

		information .Instructions	
Interaction	Two-way communication, which in itself does not result in any change in account status.	. Enquiry . Audit . Guidance .Debt collection	.Timing volume: partly predictable .Size volume: flexible, can be influenced .Standardisation/automation: difficult
Transaction	Activity or services that result in a change in account status or account information.	.Filing of tax returns, VAT etc . Payment/refund	.Timing volume: very predictable .Size volume: can to a very little degree be influenced .Standardisation/automation: great potential

Source: OECD (2007)

An expanded “service” paradigm is now being embraced by revenue agencies which recognizes the role of enforcement, but also emphasizes the role of tax administration as a facilitator and a provider of services to taxpayer-citizens. Measures to simplify the taxpaying process and promoting service oriented tax administration include a reduction of the number of tax forms and officers assisting clients in filling out documents or the introduction of online services. This is having significantly positive effects on citizen perception of tax administration.

In Singapore, the main tenet of tax reform has been an increased service-orientation: the conversion from a hard-copy filing system to a paperless imaging system, the extensive use of electronic filing, a one-stop service to answer inquires about any type of tax, the ability for filers to see the entire tax form with any corrections before it is submitted, the use of interest-free instalment plans for paying taxes with direct deduction from bank accounts, separate functional areas within the tax administration with little opportunity for corruption, and a changed attitude of officials toward taxpayers. During the last decade, the tax administration service of Singapore has gone from being the lowest rated government agency in public satisfaction to one that ninety percent of the taxpayers found to provide courteous, competent, and convenient services (Alm et al, 2011).

Alm et al (2011) utilize laboratory experiments to test the effectiveness of taxpayer service programmes both in encouraging an individual to file a return (“filing” compliance) and in increasing the individual’s subsequent level of reported income (“reporting” compliance). They find that uncertainty reduces both the filing and the reporting compliance of an individual. However, they also find that agency-provided information has a positive and significant impact on the tendency of an individual to file a tax return, and also on reporting for individuals who choose to file a return.

3. RESEARCH METHOD

Primary data used in the study were collected from 575 randomly selected SMEs which have identifiable business location in Cameroon. The survey was conducted in the central and littoral regions, where almost 70% of the SMEs in the country are located. The

open and close ended questionnaire administered covered business profile and owner demographics, perception of tax system in Cameroon, the cost of tax compliance, the importance of customer service experience of SME owners with the revenue agency (*DGI*) and the effect of enforcement and audit on tax compliance.

The full sample consists mainly of enterprises in the tertiary and secondary sectors. They were mostly retails and wholesales. Although, the secondary sector contributes 31% of Cameroon's GDP and employs 15% of the population⁴, they are mostly large enterprises, with very few SMEs. Hence few businesses were interviewed in this sector.

3.1 CLASSIFICATION OF SMES

We classify enterprises interviewed according to the definition of SMEs given by the *economic and social concern (ESC)* in Cameroon. A *small enterprise* is an enterprise with (1) the majority of shares is owned by a Cameroonian (2) the majority of managers are Cameroonians (3) has limited income (4) employing less than 10 persons (5) whose total investment is less than or equal to 20 million FCFA.

A *medium enterprise* is an enterprise with: (1) a capital turnover is less than or equal to 1, 5 billion FCFA (2) employing between 10 and 100 workers (3) with a capital turnover of less than or equal to 1.5 billion FCFA (4) with own participation being less than or equal to 100 million FCFA. We have distinguished between two levels of tax compliance viz: registration and filing compliance. Enterprises are classified as being compliant if they have completed all the required tax registration and filing processes, otherwise they are not.

3.2 DATA ANALYSIS

Data collected have been analyzed using a regression based method to enables us examine the determinants of SMEs tax registration and filing compliance.

3.3 DESCRIPTIVE ANALYSIS

A total of 137 manufacturing (24%) and 438 wholesale (76%) enterprises were surveyed, most of which (67%) are located in the Littoral region, the economic capital of the country. Most of the respondents were either the manager and/or the business owner.

⁴ Source: <http://www.iss.co.za/af/profiles/Cameroon/Econ.html> accessed at 19 May 2009.

Table 4. The Number of Enterprises Interviewed By Region

Province Sector	Central		Littoral	
	Manufacturing	Wholesale	Manufacturing	Wholesale
Number	47	163	90	275
Percentage (%)	34.30	37.21	65.69	62.78
Total	210		365	
Percentage of the total enterprises interviewed	36.52		63.47	

Source: Survey Data

Some 69 medium and 402 small size enterprises were covered. The category of "other enterprises" represents those that do not properly fall within the SME definition by ESC. They are simultaneously medium sized by level of their total investment and small sized by employment level or vice versa. Eighty eight percent of SMEs interviewed employ between 1 and 10 workers with very few employing more than 50. They largely operate in the wholesale and retail trade sectors. The category of "others" represents those enterprises that do not properly fall within the categorisation SMEs by the ESC. Their investment levels are greater than those of small firms even though they employ about the same number of workers.

Table 5: The number of SMEs interviewed

Region	Small	Medium	Others
Total	402	69	104
Central	145	19	46
Littoral	257	50	58

Source: Survey Data

Table 6: Selected characteristics of SMEs surveyed

	Small	Medium	Others
Age of enterprise in years (average)	6	10.76	8.37
Age owner in years (average)	38	48	42
Number of shareholders (average)	1	1.65	1.5
Male	288	61	80
Female	114	8	24

Source: Survey Data

Most of the SMEs covered are owned by men especially medium size enterprises. The shareholder is most often the owner of a small enterprise, whereas the owner of a medium enterprise is not always the only shareholder of the company. The owners of

medium enterprises are a bit older than owners of small ones and this is also the case with the category of other companies. Similarly, the average age of enterprise is lowest among small firms.

Overall, more than 88% and 36% of the enterprises interviewed are registration and filing compliant for tax. Comparatively 93% and 80% of SMEs are registration compliant while 39% and 31% are filing compliant in Littoral and Central provinces respectively.

4. RESULTS: REGISTRATION AND FILING COMPLIANCE BY SMES IN CAMEROON

4.1 BUSINESS PROFILE, OWNER DEMOGRAPHICS AND TAX COMPLIANCE.

Table 7 highlights results obtained in this study. Business location in Littoral province is associated with registration and filing compliance. However, operating in the manufacturing sector is negatively associated with registration compliance even though it has no effect on filing compliance. Age and gender of business owner, awareness of their SME status have no impact on tax compliance. As the business owner becomes more educated, the probability of being tax registration compliant increases. Older businesses are less likely to be filing compliant.

4.2 TAX COMPLIANCE IN RELATION TO PERCEPTION OF CAMEROON'S TAX SYSTEM.

OECD (2010) suggests that tax administrations have tended to overlook the “lazy non-compliers”, i.e., those taxpayers who would have complied if the opportunity for compliance had been easier. The perception that the Cameroon tax system is quite complex results in a negative probability that the taxpayer will be registration compliant. Similarly, perceiving that the taxpayer has to go through many departments in the process reduces the probability of filing compliance of SME owners. However, those who perceive the system to be fair and static are likely to be registration compliant. Perceiving the tax system as being clear, easy to understand and consistent promotes filing compliance. When the Cameroon tax system is perceived to achieve its objectives and is appropriately enforced, this is likely to lead to both registration and filing compliance. When the registration process is considered inflexible and inconsistent, it is likely to result in registration non-compliance.

4.3 THE INFLUENCE OF COST ON TAX COMPLIANCE

High registration cost and time consuming processes promote non-compliance of SME operators. High tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer and discourages filing compliance. This is consistent with the findings of Allingham and Sandmo, 1972 and Chipeta, 2002.

4.4 CUSTOMER SERVICE EXPERIENCE WITH THE CAMEROON INTERNAL REVENUE SERVICE

When tax authorities appear to understand their responsibilities, are willing to respond to enquiries during the registration process, and are non-bureaucratic, these customer service encounter experiences promote tax compliance. Non-responsive tax officials put off willing taxpayers in Cameroon.

4.5 ENFORCEMENT OF TAX COMPLIANCE

Enforcement of compliance as might be reflected in intrusive audits and frequent requirements for SME operators to provide details of their operations will likely discourage filing compliance. OECD (2010) discusses several studies some of which report that auditing compliant taxpayers could sometimes undermine their willingness to comply. In some cases taxpayer behaviour is found to worsen after an audit.

Table 7. Registration and filing compliance by SMEs in Cameroon

	Registration Compliance	Filing Compliance
Variable	Coefficient	Coefficient
Business Profile		
Constant	0.73 (9.71)***	0.02 (0.03)
Business Assets	0.000 (1.96)**	---
Province where located (Littoral =1, Central =0)	0.21 (6.85)***	0.16 (4.24)***
Sector of operation (Manufacturing =1, Wholesale =0)	-0.05 (-1.67)*	---
Age of Owner	-0.00 (-1.47)	---
Age of Business	---	-0.00 (-1.63)*
Awareness of Status as SME	0.04 (1.29)	-0.05 (-1.51)
Education level of business owner	0.03 (1.82)*	---
Gender of business owner	---	---
Perception of the tax system		
Corruption	-0.10 (-1.26)	---
Complexity of tax registration process	-0.11 (-3.07)***	---
Tax registration involves many departments	---	-0.09 (-1.68)*
Tax Registration Process is fair	0.09 (3.03)***	---

Tax regulation process is consistent	---	0.12 (1.92)*
Tax regulation processes are clear	---	0.15 (1.99)**
Taxation achieves its objectives	0.06 (2.45)***	0.09 (2.70)***
Tax Regulation is easy to understand		0.24 (4.84)***
Tax regulation is appropriately enforced	0.07 (1.91)**	0.09 (1.74)*
Tax regulation is inconsistent	-0.14 (-3.04)***	----
Tax Registration Process is Static	0.06 (1.91)**	----
Registration Process is not flexible	-0.07 (-1.82)*	----
Cost of tax compliance		
Tax Registration Process is time consuming (No. of days to register)	-0.08 (-2.25)**	0.07 (3.03)***
Total cost of business registration	0.03 (2.31)**	-0.05 (-1.49)
Cost of registering enterprise	0.07 (2.76)***	---
Cost of registering for tax	-0.06 (-2.56)***	0.11 (3.67)***
Overall high tax incidence in the country	---	0.08 (2.07)**
Enforcement/Audit	---	-0.18 (-4.94)***
SMEs customer services experience with the DGI.		
Taxation authorities understand their responsibilities	---	0.12 (3.44)***
Receiving answers to queries during registration process	0.05 (1.44)	0.19 4.96***
Tax Regulators lack of response to compliance queries	-0.06 (-2.19)**	-0.12 (-2.74)***
Non-bureaucratic tax regulator	0.11 (2.45)***	
R-Squared	0.20	0.37
Adjusted R-squared	0.17	0.35

***,**, * denote significance at the 1%, 5% and 10% levels respectively. t-statistics in parenthesis

Source: Survey Data

CONCLUDING REMARKS.

This study has sought to examine tax compliance among SME operators in Cameroon. A survey of 575 SME owners has been conducted in the Littoral and Central provinces operating in the manufacturing and wholesale sectors. The study suggests that high registration cost and time consuming processes promote non-compliance of SME operators.

The perception of a complex tax system results in registration non-compliance. Similarly, when a taxpayer perceives having to go through a tedious process results in filing non-compliance of SME owners. However, those who perceive the system to be fair and static are likely to be registration compliant. Perceiving the tax system as being clear, easy to understand and consistent promotes filing compliance.

When tax authorities appear to understand their responsibilities, are willing to respond to enquiries during the registration process, and are non-bureaucratic, these customer service encounter experiences promote tax compliance. Non-responsive tax official put off willing taxpayers in Cameroon.

The knowledge gained from this research could inform the efforts of Cameroon's *Direction General des Impôts (DGI)* to more effectively target their regulatory measures and assistance programs towards SMEs. Small and Medium size businesses need information and assistance on changes in tax laws. Tax forms and reporting requirements can be simplified and adjusted to the business reality of small enterprises. The electronic filing of tax returns can speed up procedures and reduce compliance costs.

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