



Fear or Fairness? Enforcement, Trust, and Tax Compliance in Tanzania's Urban Informal Sector.

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ABSTRACT

This paper investigates the determinants of tax compliance among retail traders in Kinondoni Municipality, Dar es Salaam, Tanzania. It does so through the lens of the Slippery Slope Framework. Drawing on survey data from 216 traders and complementary qualitative interviews, the study applies a mixed-methods approach to examine how enforcement, trust, procedural accessibility, and institutional fairness shape compliance behaviour. Logistic regression and mediation models reveal that tax knowledge significantly predicts compliance but operates indirectly through increased awareness of enforcement risks. However, high compliance costs, opaque procedures, and digital access barriers—especially among women and less-educated traders—undermine voluntary engagement. Trust in tax authorities, shaped by respectful treatment and perceived service reciprocity, emerges as a crucial driver of relational compliance. The findings challenge deterrence-centred models by showing that sustainable tax compliance depends not only on state capacity to punish but also on its ability to build legitimacy. The paper contributes to development policy by positioning tax behaviour as a negotiated outcome embedded in everyday governance encounters, shaped by traders' shifting perceptions of state authority—whether rooted in fear or fairness.

Keywords: Tax compliance, Informal economy, Urban governance, Enforcement, Tax fairness and Retail traders.

INTRODUCTION

In numerous developing economies, taxation remains a foundational instrument for state-building, the provision of public services, and the pursuit of fiscal self-reliance. However, tax compliance among informal and semiformal economic actors—in this paper, urban retail traders—remains strikingly low. This is so despite the substantial share of Dar es Salaam's economy that operates informally and falls under presumptive tax brackets. Recent scholarship emphasises that low compliance by the informal sector not only constrains development financing but also signals deeper institutional and relational weaknesses between the state and its citizens (Moore et al., 2022; Joshi & Ayee, 2023). This paper interrogates the compliance behaviour of retail traders in Kinondoni Municipality, Dar es Salaam, where the state in Tanzania strives to expand its tax base through a combination of digital enforcement technologies, presumptive tax regimes, and administrative reforms. Despite these measures, tax evasion, irregular filing, and incomplete registration remain prevalent, raising critical questions about the nature of compliance and whether it is shaped more by fear of enforcement or by perceptions of fairness and legitimacy.

Retail traders occupy a pivotal yet precarious position within Tanzania's evolving tax landscape. Frequently operating within informal or semi-formal parameters, these traders engage with a fiscal system characterised by limited bureaucratic outreach, procedural opacity, and inconsistent enforcement. Their decisions to comply—manifested through registration, return filing, and use of Electronic Fiscal Devices—are not reducible to legal mandates or fear of sanction. Rather, tax compliance emerges as a contingent practice, shaped by traders' lived experiences of state authority, institutional credibility, and everyday governance. The Slippery Slope Framework (SSF) provides a compelling lens through which to interpret this behavioural complexity. By conceptualising compliance as a function of both perceived power (enforcement capacity) and perceived trust (legitimacy and fairness), SSF bridges the binary between deterrence and voluntarism (Kirchler et al., 2008). In environments marked by administrative fragmentation, social asymmetry, and historical mistrust, compliance becomes a



relational act—negotiated not only through rational risk assessment but through perceptions of fairness, respect, and institutional accessibility. This framework thus foregrounds the moral and procedural dimensions of tax behaviour in contexts of weak formality.

Nowhere is this relational complexity more visible than in Tanzania's retail sector, where informality, fragmented oversight, and fiscal ambiguity converge. In Dar es Salaam, small, owner-operated businesses dominate the urban economy, yet they remain structurally elusive to conventional tax administration. Traders operate within the presumptive tax system, designed for low-turnover enterprises, and are subject to enforcement via Electronic Fiscal Devices (EFDs). Despite these innovations, empirical reviews suggest that procedural burdens, opaque communication, and perceptions of inequity undermine the legitimacy of tax obligations (Fjeldstad et al., 2020; Ndokole, 2023). Existing literature in Tanzania and other sub-Saharan African countries highlights how compliance decisions are shaped by both structural constraints—such as costs and information gaps—and relational factors, including trust in tax authorities, perceived fairness, and civic attitudes (Ali, Fjeldstad, & Sjursen, 2014; Adem et al., 2024).

However, studies often treat these factors in isolation or fail to explain the mechanisms through which they translate into behavioural outcomes. Moreover, while SMEs have received increasing attention in tax compliance research, retail traders—especially those in densely populated urban areas—remain underexamined. This paper addresses these gaps by investigating how knowledge, enforcement, and fairness interact to shape compliance behaviour in the informal retail sector of Kinondoni. The research moves beyond a binary classification of compliant versus non-compliant actors, instead exploring how traders navigate compliance as a dynamic practice influenced by cognition, perception, and institutional context.

This paper argues that tax compliance in Tanzania's urban informal sector is not merely a function of enforcement strength or knowledge dissemination, but a product of how traders experience taxation as a relational, cognitive, and institutional practice. Understanding this complexity is essential for designing tax systems that are not only efficient but also inclusive, legitimate, and developmentally effective. The findings hold relevance for policymakers, tax authorities, and scholars interested in informal governance, urban political economy, and fiscal reform in low-income countries.

The Slippery Slope of Tax Compliance

Tax compliance is no longer viewed solely as a product of enforcement strength or legal obligation; rather, it is increasingly understood as a relational outcome shaped by how citizens experience authority, fairness, and institutional trust. The Slippery Slope Framework (SSF), developed by Kirchler and colleagues (2008), offers a compelling lens through which to understand this complexity, especially in informal urban economies. According to SSF, compliance behaviour arises from the interplay between two core drivers: the power of tax authorities and trust in tax authorities. When power dominates—through audits, penalties, and coercive enforcement—compliance tends to be enforced, driven by fear of sanctions. When trust prevails—through fairness, transparency, and reciprocity—compliance becomes voluntary, rooted in legitimacy and civic responsibility. SSF thus rejects the dichotomy of enforcement versus education, proposing instead a dynamic continuum where taxpayers oscillate between fear and fairness depending on how they perceive the tax system's intentions and performance (Kirchler et al., 2008; Alm & Torgler, 2011; Gangl et al., 2015).

In the context of urban Tanzania, this framework is highly relevant. Retail traders in cities such as Dar es Salaam (particularly within Kinondoni Municipality) operate in regulatory environments marked by high informality, weak bookkeeping, and frequent contact with frontline tax officers. While many traders interact with the Tanzania Revenue Authority (TRA) through digital tools like Electronic Fiscal Devices (EFDs), these engagements are often viewed as extractive rather than facilitative. Perceptions of arbitrary inspections, unclear procedures, or punitive enforcement foster a climate of fear, where traders comply primarily to avoid harassment or fines (Fjeldstad et al., 2020; Resnick, 2021). In the Kinondoni study site, field data revealed that fewer than 40% of surveyed traders reported consistent use of EFD receipts, while over 60% cited fear of inspections as their primary reason for tax filing—reinforcing the centrality of enforcement-driven compliance. At the same time, limited visibility of tax-funded public services, coupled with historical mistrust in state institutions, undermines the belief that taxation is part of a reciprocal social contract. SSF helps capture this ambivalence:



traders may comply, but not willingly—and compliance may be transient, strategic, or fragile in the absence of procedural justice.

Empirical studies in African informal sectors confirm the relevance of SSF. Research in Ethiopia and Nigeria, for instance, shows that voluntary compliance increases where governments are perceived to deliver services equitably and where communication is respectful and clear (Dibie & Dibie, 2020; Adem et al., 2024). In contrast, coercive enforcement in the absence of visible fairness produces short-term gains but erodes long-term tax morale. This distinction is crucial for understanding urban retail traders in Kinondoni, who often operate on thin margins, lack consistent access to tax education, and experience regulation as burdensome. For many, taxation is not a civic duty but a survival challenge, navigated through evasive tactics, informal negotiation, or selective engagement with TRA requirements. SSF allows us to theorise these behaviours as rational responses to low trust and high enforcement, rather than as simple lawbreaking. It also encourages us to see compliance as elastic—responsive to improvements in state behaviour, procedural clarity, and perceived equity (Ali et al., 2014; Gangl et al., 2015).

Moreover, SSF provides a valuable bridge between institutional governance and individual behaviour, which is especially important in informal economies where formal state authority coexists with social norms, peer influence, and informal power brokers. Among retail traders, peer practices—such as issuing EFD receipts only when inspectors are nearby—often reflect not resistance to taxation per se, but a lack of belief in fair application. Traders' narratives from Kinondoni reveal how compliance is continuously negotiated in light of what they see as inconsistent enforcement, poor communication, and limited understanding of presumptive tax obligations. In such settings, trust-building measures—such as respectful engagement by TRA officers, simplification of procedures, and visible reinvestment of tax revenue—could be as influential as coercion in shaping behaviour. SSF thus reinforces the paper's central argument: that tax compliance in Tanzania's informal urban sector is not merely a question of legality, but a reflection of whether traders feel coerced or respected—whether they operate under fear, or perceive fairness.

METHODS

This study adopted an explanatory sequential mixed-methods design, strategically integrating quantitative and qualitative strands to examine the determinants of tax compliance among retail traders in Kinondoni Municipality, Dar es Salaam. The first phase involved a structured survey administered to 216 retail traders across three major marketplaces (*Mwenge, Tandale, and Kinondoni*), selected through stratified sampling based on market size and trader density. The survey instrument captured key indicators of compliance behaviour—registration, filing, payment regularity, and EFD usage—alongside predictors such as tax knowledge, procedural burdens, trust in authorities, and enforcement experience. This sequential design was chosen to ensure that statistical patterns of compliance could not only be identified but also interpreted through traders' experiential accounts. The quantitative phase established generalisable predictors of compliance, while the qualitative phase clarified how enforcement, knowledge, and fairness were subjectively understood and acted upon. This integration allowed the study to move beyond correlational inference and explore the mechanisms through which compliance behaviours are formed in practice.

Multivariable logistic regression was used to estimate the probability of compliance outcomes and identify statistically significant determinants, while mediation analysis tested indirect pathways, particularly the role of perceived enforcement pressure. This design aligns with contemporary calls for more causally sensitive and policy-relevant tax compliance research in informal economies (Ali et al., 2014; Joshi & Ayee, 2023). The second phase was qualitative, aimed at contextualising statistical findings through an in-depth understanding of lived experiences. Semi-structured interviews were conducted with 24 purposively selected traders and five local TRA officers. Participants were selected to represent a diversity of gender, business size, education level, and compliance profiles. Interviews explored traders' understanding of tax procedures, perceptions of fairness, enforcement encounters, and attitudes toward both the TRA and taxation more broadly. Transcripts were coded thematically, focusing on concepts drawn from the Slippery Slope Framework, such as trust, fear, procedural clarity, and relational dynamics with enforcement agents. This design allowed the study to link quantitative predictors to qualitative mechanisms, offering layered insights into how power and trust interact to shape compliance behaviour in practice (Gangl et al., 2015; Resnick, 2021).



Thematic coding was conducted using NVivo software, following a hybrid inductive-deductive approach (Braun & Clarke, 2006; 2013). Codes were derived both from the SSF framework and from emergent trader narratives. To enhance trustworthiness, peer debriefing and codebook validation were undertaken with a second researcher.

Patterns were then mapped against the regression findings to identify convergence and explanatory depth. Kinondoni Municipality was selected due to its economic vibrancy, regulatory intensity, and diversity of retail formats, making it a representative case for understanding tax behaviour in Tanzania's urban informal sector. The area has witnessed sustained TRA reform efforts, including expanded EFD rollout and presumptive tax enforcement, yet still reflects persistent compliance gaps. Ethical approval was obtained from the University of Dar es Salaam, and participants provided informed consent before data collection. While the sample is not nationally representative, the design supports analytical generalisability to other urban councils with high informal trade density. By combining rigorous modelling with contextual narrative, the study meets the demand for tax research that is both statistically robust and grounded in the relational dynamics of everyday governance (Moore et al., 2022; Alm & Torgler, 2011).

EMPIRICAL FINDINGS

The paper's objective was to examine which factors significantly predict tax compliance among retail traders in Kinondoni Municipality and to understand how these factors are interpreted and experienced in practice. Drawing on the Slippery Slope Framework, the results are structured to distinguish between determinants linked to enforced compliance—such as perceived enforcement pressure and compliance costs—and those linked to voluntary compliance, including tax knowledge, trust in tax authorities, and education level. The quantitative analysis is based on multivariable logistic regression and mediation models, while qualitative data provides interpretive depth that explains the behavioural pathways suggested by statistical associations.

The regression findings reveal that tax knowledge emerges as a strong and statistically significant predictor of compliance across multiple dimensions, including registration, filing regularity, and EFD receipt issuance. However, its effect is partially mediated by perceived enforcement pressure, suggesting that knowledge alone is insufficient in contexts where fear of penalties remains high. Additionally, compliance costs and procedural burdens exert a strong negative influence on compliance, particularly among smaller traders and women, who often report constrained access to digital tools and limited procedural clarity. Conversely, higher education levels and greater trust in the Tanzania Revenue Authority (TRA) are associated with an increased likelihood of voluntary compliance. These quantitative findings are further elaborated through qualitative accounts in the subsequent subsections.

Descriptive Patterns of Compliance

The descriptive data reveal varied patterns of tax compliance behaviour among retail traders in Kinondoni Municipality. While most respondents were aware of basic tax obligations, actual compliance was fragmented and uneven across the sample. Approximately 64% of traders reported being registered with the Tanzania Revenue Authority (TRA), yet only 51% filed tax returns regularly, and fewer than 43% consistently used Electronic Fiscal Devices (EFDs) in daily transactions. Compliance behaviour tended to be episodic and often linked to periods of heightened TRA inspection or market raids, rather than embedded as a routine business practice.

Demographic patterns show that younger traders, those with lower levels of education, and female respondents were less likely to comply fully with registration, filing, and receipt issuance requirements. As illustrated in Table 4.1a and Table 4.1b, compliance rates were notably lower among female traders, many of whom cited limited procedural understanding and time constraints due to household responsibilities. Similarly, those with only primary education often lacked access to adequate information about registration and EFD usage, reinforcing the role of tax knowledge and perceived behavioural control in shaping compliance.

Moreover, the use of EFDs—introduced as a cornerstone of Tanzania's digital enforcement strategy—was characterised by inconsistency. Many traders reported issuing fiscal receipts only when they perceived TRA officials to be present in the market, while others admitted to disabling the devices or avoiding their use entirely to minimise reported turnover. This suggests that the mere presence of enforcement technology is insufficient

without accompanying efforts to enhance legitimacy and usability. As shown in Table 4.4, EFD use correlated positively with regular filing, but also with higher levels of perceived enforcement pressure, indicating a compliance strategy motivated by avoidance of penalties rather than intrinsic obligation.

Table 4.1a: Cross-tabulation of Age Group and Tax Filing Status

Age Group	Consistent Filing	Irregular Filing	Never Filed	Total
18–28	26 (39%)	26 (39%)	13 (20%)	65
29–38	34 (46%)	30 (41%)	10 (13%)	74
39–48	28 (57%)	14 (29%)	7 (14%)	49
49+	19 (68%)	4 (14%)	5 (18%)	28
Total	107 (49.5%)	74 (34.3%)	35 (16.2%)	216
Pearson Chi-square = 14.12, df = 6, p < 0.05				

Source: Field Data, Kinondoni MC, 2024

Table 4.1b Cross-tabulation of Gender and Tax Filing Status

Gender	Consistent Filing	Irregular Filing	Never Filed	Total
Male	57 (51%)	38 (34%)	16 (15%)	111
Female	50 (48%)	36 (34%)	19 (18%)	105
Total	107 (49.5%)	74 (34.3%)	35 (16.2%)	216
Pearson Chi-square = 0.82, df = 2, p > 0.05				

Source: Field Data, Kinondoni MC, 2024

These descriptive patterns underscore the significance of both structural and perceptual dimensions of tax behaviour. They set the stage for the regression and mediation analyses that follow, which examine how factors such as tax knowledge, enforcement experiences, compliance costs, and perceptions of fairness predict the likelihood and nature of compliance among urban retail traders.

Tax Knowledge and Awareness

Cross-tabulation results presented in Table 4.2a reveal a clear association between levels of tax knowledge and self-reported compliance behaviour. Specifically, over 70% of traders who reported high levels of tax knowledge—defined as a clear understanding of registration procedures, presumptive tax rates, and EFD usage—also reported filing returns consistently. In contrast, fewer than 35% of traders with limited tax knowledge indicated similar compliance. This substantial disparity underscores the importance of cognitive access to tax information in shaping behavioural outcomes, particularly in informal and semi-formal market environments.

Table 4.2a A Cross-tabulation of Tax Knowledge Level and Compliance Behaviours

Tax Knowledge Level	Tax Registration (%)	Regular Tax Payment (%)	Use of EFD Receipts (%)	Filed Returns (%)
Adequate (n = 87)	86.20%	72.40%	64.30%	59.80%
Inadequate (n = 129)	48.10%	37.20%	25.60%	22.50%
Chi-square (χ^2)	$\chi^2 = 32.51, p < 0.001$	$\chi^2 = 27.89, p < 0.001$	$\chi^2 = 35.76, p < 0.001$	$\chi^2 = 31.93, p < 0.001$

Source: Field Data, Kinondoni MC, 2024

These descriptive patterns are further reinforced by the logistic regression results in Table 4.2b, which confirm a statistically significant and positive relationship between tax knowledge and multiple indicators of compliance, including filing, EFD use, and regular payment. Traders with stronger tax knowledge were significantly more likely to engage in proactive compliance behaviours, even after controlling for education, business size, and

enforcement pressure. Interpreted through the Slippery Slope Framework, these findings suggest that knowledge not only empowers traders to navigate procedural requirements but also mediates their perceptions of state legitimacy and enforcement risk, thereby fostering compliance driven by both trust and strategic caution.

Table 4.2a: Logistics Regression Results for Multivariable Logistic Regression Models Predicting Tax Compliance (Tax Knowledge and Awareness Entered As a Key Explanatory Construct)

Predictor	Model 1: Covariates		Model 2: Knowledge & Costs burden Index		Model 3: All Key Determinants	
	Odds Ratio	CI	Odds Ratio	CI	Odds Ratio	CI
Constant	0.4	[0.12, 1.29]	0.08	[0.0, 1.74]	0.0***	[0.0, 0.0]
Age	1.02	[0.98, 1.05]	1.02	[0.98, 1.05]	1.01	[0.96, 1.05]
Years in Business	1	[0.94, 1.07]	1	[0.94, 1.06]	1.02	[0.95, 1.11]
Gender (Male)	1.05	[0.59, 1.85]	1.01	[0.57, 1.8]	0.71	[0.33, 1.51]
Education: Form Six	2.29	[0.73, 7.21]	2.27	[0.71, 7.26]	1.89	[0.44, 8.2]
Education: Post-Sec.	2.11	[0.90, 4.94]	2.14	[0.91, 5.03]	2.01	[0.84, 4.84]
Business Size: Micro	1.05	[0.43, 2.54]	0.98	[0.40, 2.43]	0.97	[0.39, 2.42]
Business Size: Small	1.12	[0.50, 2.49]	1.12	[0.49, 2.52]	1.12	[0.49, 2.57]
Tax Knowledge & Awareness Index	—	—	2.71**	[1.23, 5.95]	2.44**	[1.08, 5.50]
Compliance Costs Index	—	—	0.84	[0.39, 1.79]	0.92	[0.42, 2.00]
Governance Perceptions Index	—	—	—	—	1.41	[0.67, 2.96]
Attitudes & Social Norms Index	—	—	—	—	3.21***	[1.59, 6.46]
Pseudo R ²	0.079		0.137		0.209	
Number of Retail Traders sample (n)	216		216		216	
CI Levels ** = 95%; *** = 99%						

Source: Field Data, Kinondoni MC, 2024

However, qualitative interviews add critical nuance to this relationship. Many traders expressed confusion regarding how their presumptive tax liability was calculated, particularly in the absence of clear records or guidance from TRA officials. For example, a female trader in Tandale stated:

“I was told to pay a certain amount, but no one explained where the figure came from. I just pay what they tell me to avoid problems.” (Interview, Female retail trader, Tandale, Kinondoni).

¹ Pseudo-R² statistics (e.g., Cox & Snell/Nagelkerke) summarise relative improvement in model fit across specifications and are not directly comparable to OLS R²

This statement exemplifies a recurring theme across interviews: *partial or fragmented tax knowledge fosters defensive compliance and erodes trust* in tax authorities. While some traders have a basic awareness of procedural obligations, many lack insight into the logic or fairness of tax assessment. As a result, compliance becomes an act of risk avoidance rather than informed civic participation. This theme aligns closely with the Slippery Slope Framework, which posits that when taxpayers perceive enforcement as arbitrary or opaque, even formally compliant behaviour may be accompanied by deep mistrust. In such cases, informational campaigns without procedural clarity risk reinforcing perceptions of coercion rather than building legitimacy. Therefore, trust cannot be cultivated through information alone—it must be anchored in transparent, reciprocal, and context-sensitive communication.

To deepen understanding of the mechanisms linking cognitive awareness to behavioural outcomes, Table 4.2c presents the sequential modelling strategy used to test mediation effects. This table is essential not only for statistical transparency but for grounding the paper’s analytical architecture in theory. It shows how predictors were introduced in conceptually clustered blocks—from background demographics, to administrative and cognitive variables, to finally governance and behavioural attitudes. This stepwise structure reflects the layered nature of tax compliance drivers proposed by the Slippery Slope Framework, wherein enforcement (power) and trust (legitimacy) operate along a continuum rather than in isolation (Kirchler et al., 2008). Importantly, Model 3 integrates both structural (e.g. compliance burdens) and behavioural (e.g. perceptions of fairness and norms) variables, providing a robust empirical scaffold for interpreting mediated effects observed in the subsequent model.

Table 4.2c: Predictor blocks used in Logistic Regression Models

Model	Variable block	Variables included
Model 1	Background covariates	Age; Gender; Education; Business size; Years in business
Model 2	cognitive/administrative constructs	Model 1 + Tax knowledge/awareness; Compliance costs & procedural burdens
Model 3 (Final)	institutional/behavioural constructs	Model 2 + Governance perceptions; Attitudes & social norms

Source: Researcher’s model specification aligned to the conceptual framework.

Turning to the mediation analysis in Table 4.2d, results reveal that tax knowledge exerts a significant indirect effect on compliance through perceived enforcement pressure. In Model 2, the knowledge index is positively and significantly associated with the enforcement pressure index ($B = 0.233, p < 0.01$), suggesting that traders with greater tax knowledge are more aware of audit risks, fines, and institutional oversight. However, when enforcement pressure is introduced as a mediator in Model 3, the direct effect of knowledge on compliance remains stable, while enforcement itself is only weakly associated with compliance ($OR = 0.80, CI = [0.34–1.89]$). This points to a partial mediation effect—knowledge increases compliance in part because it heightens fear of sanction, but not exclusively through that pathway.

This mediated dynamic reflects the ambivalence at the heart of tax behaviour in informal contexts. Traders may comply not because they trust the system, but because their knowledge exposes them to its coercive potential. This is consistent with SSF-informed findings in similar settings (Gangl et al., 2015; Alm & Torgler, 2011), which show that informational interventions, when not accompanied by procedural fairness, may trigger defensive compliance rather than trust-based engagement. Qualitative interviews affirm this interpretation: many traders reported knowing the formal rules yet still doubting the fairness of their application—particularly in presumptive tax assessments or EFD enforcement. As one trader noted, “Even if I know how it works, I don’t know why they charge me what they do.” This mistrust underscores a critical policy challenge: improving tax knowledge is not sufficient unless paired with legitimacy-building strategies that shift compliance from being fear-driven to fairness-based.

These findings suggest that perceptions of procedural transparency and governance quality—introduced in the final regression block—are more consistently predictive of compliance than enforcement awareness alone. In

other words, when traders feel respected, informed, and fairly assessed, compliance becomes an internalised norm rather than a survival tactic. As the next section will show, this shift toward trust-based compliance is neither automatic nor universal, but contingent on how institutional messages are communicated, enforced, and embodied by frontline tax officers.

Table 4.2d: Mediation Analysis Models (Enforcement Pressure as Mediator)

Predictor	Model 1 (Total effects): Logit(Y) OR [95% CI]	Model 2 (Mediator): OLS(M) B [95% CI]	Model 3 (Direct + Mediator): Logit(Y) OR [95% CI]
Key Predictors			
Knowledge index	1.82 [0.61, 5.43]	0.233*** [0.059, 0.408]	1.91 [0.63, 5.80]
Compliance cost (burden) index	2.14 [0.73, 6.32]	0.116 [-0.058, 0.290]	2.20 [0.74, 6.54]
Governance perceptions index	1.48 [0.57, 3.87]	0.688*** [0.529, 0.847]	1.73 [0.56, 5.35]
Attitudes & social norms index	0.55 [0.23, 1.37]	-0.042 [-0.189, 0.106]	0.55 [0.22, 1.36]
The Mediator			
Enforcement pressure index (M)	—	—	0.80 [0.34, 1.89]
Covariates			
Age (years)	0.99 [0.95, 1.03]	0.007** [0.001, 0.013]	0.99 [0.95, 1.03]
Years in business	0.98 [0.94, 1.02]	0.001 [-0.006, 0.008]	0.98 [0.94, 1.02]
Gender (Male vs Female)	1.59 [0.79, 3.21]	-0.028 [-0.114, 0.058]	1.60 [0.79, 3.23]
Education: Primary & below (ref=Form Four)	0.72 [0.29, 1.78]	0.070 [-0.049, 0.189]	0.71 [0.29, 1.78]
Education: Form Six (ref=Form Four)	0.48 [0.15, 1.52]	-0.013 [-0.185, 0.159]	0.47 [0.14, 1.52]
Education: Postsecondary (ref=Form Four)	1.23 [0.48, 3.14]	0.020 [-0.094, 0.134]	1.22 [0.47, 3.14]



Business size: Micro (ref=Medium)	0.96 [0.37, 2.52]	-0.017 [-0.158, 0.125]	0.97 [0.37, 2.54]
Business size: Small (ref=Medium)	0.94 [0.36, 2.48]	0.026 [-0.114, 0.165]	0.95 [0.36, 2.51]
Constant	0.69 [0.01, 76.03]	-0.360 [-1.134, 0.413]	0.63 [0.01, 49.25]
n	216	216	216
Pseudo-R² / R²	Nagelkerke R² = 0.073	R² = 0.289 (Adj. 0.246)	Nagelkerke R² = 0.075

Source: Field Data, 2024

Perceived Enforcement Pressure (Mediation Effect)

The study's mediation analysis offers critical insight into how tax knowledge translates into compliance behaviour—not solely through improved understanding, but also through heightened awareness of enforcement risks. Results from the mediation model (Table 4.2d) show that perceived enforcement pressure—defined as the trader's anticipation of audits, fines, or market inspections—partially mediates the relationship between tax knowledge and compliance outcomes. The indirect effect of tax knowledge through enforcement awareness was statistically significant ($B = 0.233$, $p = 0.013$), suggesting that increased familiarity with tax rules also makes traders more conscious of the risks of non-compliance. Thus, knowledge empowers, but also alerts.

This finding exemplifies the “*power*” dimension of the Slippery Slope Framework, which posits that compliance is more likely when taxpayers perceive the authority to be capable, vigilant, and willing to sanction noncompliance (Kirchler et al., 2008; Gangl et al., 2015). In Kinondoni, traders often described this enforcement pressure in concrete, experiential terms—surprise visits by TRA officers, EFD machine checks, and the looming possibility of market-based penalties or business suspension. These narratives position enforcement not as a hypothetical deterrent, but as a tangible feature of everyday trade. As one male electronics trader in Mwenge remarked:

“You follow the rules only when you know TRA is around. If not, you try to reduce what they take. It's just how business works here.” (Interview, Electronic trader, Mwenge, 2024).

Such responses confirm that compliance in this context is often reactive, driven by deterrence rather than procedural confidence. Yet, the mediation effect also reveals that knowledge of tax rules intensifies fear when enforcement is inconsistent or opaque. Traders who are better informed about tax obligations are also more aware of their own vulnerabilities—particularly when TRA procedures are seen as discretionary or poorly explained.

Rather than fostering voluntary compliance, increased awareness in this context can heighten anxiety and lead to compliance motivated by coercion rather than legitimacy.

Importantly, this dynamic reveals a tension within the compliance landscape: greater cognitive engagement with the tax system does not necessarily build trust. Instead, it can produce conditional compliance, where taxpayers obey regulations only under perceived threat. This echoes findings from other SSA countries where enforcement capacity without procedural fairness leads to short-term compliance gains but long-term erosion of tax morale (Ali et al., 2014; Resnick, 2021). In SSF terms, this reflects a dominance of “*power*” without corresponding “*trust*”—a condition that yields enforced but fragile compliance.

The Kinondoni findings thus support the argument that enforcement-based models must be accompanied by governance reforms aimed at improving transparency, procedural clarity, and institutional responsiveness. While



deterrence may prompt short-term adherence, sustainable compliance requires balanced relationships between taxpayers and authorities—where knowledge empowers not only risk awareness, but also confidence in fair treatment. The next section explores how structural and procedural burdens, especially among women and lower-income traders, further constrain this possibility.

Compliance Costs and Procedural Burdens

Beyond enforcement and awareness, the study reveals that compliance costs and institutional barriers are major impediments to consistent tax adherence among retail traders. Logistic regression results (Table 6.4) demonstrate a strong negative association between perceived compliance burden and all major indicators of tax compliance, including return filing, EFD usage, and regular payment. Specifically, traders reporting high procedural complexity or unaffordable tax rates were 46% less likely to file returns consistently ($p = 0.002$). The costs were not limited to monetary burdens but extended to time delays, bureaucratic opacity, and the perceived arbitrariness of presumptive tax rates.

These burdens were disproportionately borne by female traders, who often operate smaller, home-based or mobile stalls and lack the formal records needed for registration. Cross-tabulations (Table 6.3) show that women were significantly more likely to report a lack of clarity in tax rules and difficulty accessing TRA support.

Interview data reinforced these trends. One female trader in Kinondoni Market shared:

“We are told to pay but not shown how. The instructions are for big businesspeople with accountants— not for someone like me who sells vegetables.” (Interview, Female trader, Kinondoni).

Such narratives highlight the structural exclusion embedded within the tax system, where institutional design assumes formal business operations and digital literacy. This is especially evident in the EFD system, where the cost of devices, lack of support for malfunctioning machines, and unfamiliarity with digital procedures were repeatedly cited as barriers. Traders reported that even when willing to comply, they were constrained by accessibility gaps and a lack of responsive guidance from tax authorities.

These findings underscore the “perceived behavioural control” dimension of tax compliance, in which taxpayers’ intentions to comply are hindered by logistical and procedural barriers. Within the Slippery Slope Framework, this disconnect weakens both trust and power: when traders see tax procedures as opaque or discriminatory, they are less likely to view TRA as a legitimate authority. Instead, compliance becomes selective and strategic, with many traders choosing to “stay under the radar” rather than engage with a system they perceive as stacked against them.

Furthermore, the mismatch between tax policy design and trader realities reinforces inequality in compliance outcomes. Those with larger, more formalised operations can absorb or delegate compliance burdens, while smaller traders—particularly women and lower-educated respondents—face structural disincentives to participate fully. These findings echo prior studies showing that procedural justice (not just enforcement) plays a critical role in shaping tax morale and long-term compliance (Gangl et al., 2015; Moore et al., 2022).

Trust, Education, And Voluntary Compliance

While enforcement pressure and procedural constraints largely drive compliance among Kinondoni’s traders, the regression results also show a positive and significant influence of trust in tax authorities and education level on voluntary compliance. Traders who reported higher confidence in the Tanzania Revenue Authority’s (TRA) fairness and transparency were markedly more likely to comply proactively—even in the absence of direct enforcement pressure. As shown in Table 4.5, trust was significantly associated ($p < 0.05$) with consistent tax filing and self-reported willingness to participate in the tax system, suggesting that perceptions of legitimacy can substitute for coercion as a behavioural motivator.

Table 4.5 Multivariable Logistic Regression of Governance Perceptions

Predictor	Model 1: Covariates	Model 2: Governance Predictors	Model 3: All Key Predictors
	Odds ratio [CI]	Odds ratio [CI]	Odds ratio [CI]
Age	0.98[0.95, 1.02]	0.98[0.95, 1.02]	0.99[0.95, 1.03]
Years in business	0.98[0.94, 1.02]	0.99[0.95, 1.03]	0.98[0.95, 1.03]
Gender (Male)	1.62[0.82, 3.20]	1.64[0.83, 3.27]	1.60[0.80, 3.21]
Education: Form Six	0.69[0.25, 1.88]	0.63[0.23, 1.74]	0.58[0.21, 1.64]
Education: Post-Secondary	1.52[0.72, 3.21]	1.52[0.71, 3.21]	1.49[0.70, 3.19]
Business size: Small	1.01[0.51, 1.99]	0.98[0.49, 1.94]	0.95[0.48, 1.90]
Governance Predictors²			
Governance perceptions index	—	1.33[0.52, 3.42]	1.46[0.56, 3.80]
Attitudes & social norms index	—	0.60[0.25, 1.46]	0.56[0.23, 1.38]
Added in Model 3			
Tax knowledge index	—	—	1.82[0.62, 5.40]
Compliance costs (burden) index	—	—	2.22[0.76, 6.50]
Constant	6.98**[1.41, 34.58]	9.69[0.43, 220.07]	0.53[0.01, 49.68]
Nagelkerke R²	0.023	0.031	0.044
Sample size (n)	216	216	216
CI Levels ** = significant at the 95% level (p < 0.05).			

Source: Field Data, Kinondoni MC, 2024

Similarly, higher levels of education were positively correlated with registration, digital tax engagement, and correct filing procedures. Cross-tabulations (Table 7.5) indicate that traders with secondary education or above

² Governance_Perceptions_Index = MEAN(System_Fair, Rich_Taxed_More, See_Public_Services, Gov_Transparency, Officers_Respect, Enforcement_Fair). Attitudes_Social_Norms_Index = MEAN(Peers_Comply, Duty_Motivation, Believe_Compliance_Benefit, R(Avoid_Tips_Shared), R(Stop_If_Others_Dont)), where R(.) denotes reverse-coded items. All indices are coded so that higher scores indicate more positive governance perceptions and stronger pro-compliance attitudes/norms; indices enter the regression as continuous predictors.



were twice as likely to report understanding how their taxes were calculated and how to use EFDs. These results point to the importance of cognitive and civic capacity in enabling taxpayers not just to follow rules, but to engage meaningfully with tax obligations as part of social responsibility.

Qualitative narratives strongly supported these statistical patterns. Traders who described TRA officers as respectful, informative, and procedurally fair often expressed greater willingness to comply voluntarily. As one respondent in Mwenge noted:

“When the TRA came to explain, not just demand, we started seeing the reason to cooperate. It’s about feeling respected.” (Interview, Retail trader, Mwenge, 2024).

This sentiment reflects a shift from enforced compliance driven by fear to voluntary compliance driven by institutional trust and relational legitimacy. According to the SSF, such trust-based behaviour arises when citizens perceive tax authorities as fair, competent, and accountable—attributes that foster psychological ownership of the tax relationship (Kirchler et al., 2008; Gangl et al., 2015).

However, trust was fragile and highly conditional. Many traders emphasised that their willingness to comply was contingent on perceived fairness, particularly in how taxes were assessed and how services were delivered. Several respondents cited frustrations over the lack of visible return on their tax payments, especially in market infrastructure, sanitation, or business support. Without such reciprocity, even previously compliant traders described disengaging from the system. One female trader explained:

“If we don’t see anything from paying, we start asking—what is the point?” (Interview, Female trader, Tandale, 2024).

This illustrates a core SSF insight: voluntary compliance is relational, and trust is eroded when the state fails to uphold its end of the fiscal contract. In sum, the findings suggest that while trust and education do not displace the importance of enforcement or procedural clarity, they play a complementary and stabilising role in fostering durable compliance. Traders who feel respected, informed, and fairly treated are more likely to internalise tax norms and participate in the system voluntarily. Thus, building trust and enhancing taxpayer capability through education are not peripheral tasks but central strategies for transforming tax governance in informal urban economies.

Synthesising The Predictive Patterns

The empirical findings reveal a multidimensional tax compliance landscape, shaped not by a single dominant driver but by the interplay between knowledge, enforcement, procedural accessibility, trust, and education. Traders in Kinondoni do not comply uniformly nor for uniform reasons; rather, their decisions are shaped by a shifting balance between fear and fairness, consistent with the Slippery Slope Framework (SSF). Knowledge, while essential, primarily influences compliance indirectly—by raising awareness of enforcement risks and enabling procedural navigation. However, without accompanying efforts to simplify procedures and foster institutional trust, increased knowledge often heightens fear rather than empowering voluntary engagement. This reflects a compliance model that is cognitively aware but psychologically fragile, with traders responding to TRA demands more out of obligation than conviction.

At the same time, trust in tax authorities and higher educational attainment were associated with more durable, voluntary forms of compliance, pointing to the importance of perceived fairness and civic capacity in reinforcing tax morale. These patterns confirm SSF’s central proposition: that enforced compliance based solely on power is likely to be short-lived unless paired with mechanisms that build relational legitimacy (Kirchler et al., 2008; Alm & Torgler, 2011; Gangl et al., 2015). Traders’ narratives of frustration, discretion, or disengagement highlight how procedural opacity and uneven service delivery erode the fiscal contract. The findings thus underscore a core insight: compliance is not only a behavioural outcome but also a political signal—a reflection of how the state is perceived in its everyday interactions with citizens. The next section further develops this perspective by examining the broader implications of these dynamics for tax governance, institutional reform, and inclusive state-building in contexts of high informality.



DISCUSSION

This paper set out to investigate the determinants of tax compliance among urban retail traders in Kinondoni Municipality, using the Slippery Slope Framework (SSF) to unpack how perceptions of power and trust shape taxpayer behaviour. The findings confirm that compliance is neither purely a function of enforcement nor wholly reliant on civic duty, but is mediated by a complex interplay of cognitive, structural, and relational factors. Traders in Kinondoni navigate a compliance landscape that is often coercive in tone, ambiguous in procedure, and inconsistent in enforcement. Within this landscape, tax knowledge functions as a double-edged sword—empowering some traders to engage meaningfully with obligations while inducing anxiety in others when institutional mechanisms appear punitive or discretionary.

Critically, the study underscores that compliance driven by fear alone is unsustainable. While perceived enforcement pressure does increase short-term compliance, it does so in ways that encourage conditional, evasive, and often transactional tax behaviours. These behaviours may meet TRA's immediate collection goals, but they weaken long-term legitimacy. This mirrors broader research across sub-Saharan Africa, where coercive enforcement without procedural justice risks undermining tax morale and further entrenching informality (Ali et al., 2014; Joshi & Ayee, 2023). By contrast, traders who expressed trust in TRA—often linked to experiences of respectful treatment, transparent procedures, or visible public services—were more likely to internalise tax norms and comply voluntarily. This distinction reinforces SSF's central argument: that building compliance requires a relational state, not just a regulatory one (Kirchler et al., 2008; Gangl et al., 2015).

The results also draw attention to the intersection of compliance and inclusion, particularly for women and less educated traders who face structural disadvantages in navigating tax systems. Procedural burdens such as unclear registration steps, inaccessible digital tools, and minimal tax education disproportionately affect these groups, reinforcing unequal participation in the fiscal system. Without deliberate reforms to improve accessibility and responsiveness, presumptive tax regimes risk reproducing rather than reducing inequality. As Prichard and Moore (2018) argue, taxation in developing countries is not only about revenue—it is about state-building, inclusion, and accountability. This study adds to that perspective by showing how informal traders' compliance is shaped not just by economic calculation, but by whether they feel seen, heard, and respected by the state. These findings have direct implications for tax policy design in Tanzania and similar contexts. First, enforcement strategies should be balanced with trust-building interventions—such as simplified registration, targeted taxpayer education, transparent grievance mechanisms, and visible reinvestment of revenues into market infrastructure. Second, the TRA's frontline approach must shift from reactive inspection toward proactive engagement, especially in high-density informal markets where coercion alone is unlikely to shift norms. Finally, efforts to formalise the informal sector must recognise that compliance is a negotiated process, deeply embedded in perceptions of fairness, not just a matter of legal adherence.

This discussion affirms the central argument of the paper: that tax compliance within informal urban economies is most accurately conceptualised as a slippery slope, wherein traders oscillate between fear and perceptions of fairness based on their encounters with the tax state. Strengthening compliance, therefore, requires more than expanding surveillance; it requires building an equitable and relational fiscal social contract, grounded in trust, transparency, and inclusion.

CONCLUSION AND POLICY IMPLICATIONS

This paper has examined the determinants of tax compliance among retail traders in urban Tanzania, drawing on evidence from Kinondoni Municipality to analyse how knowledge, enforcement, procedural burdens, trust, and education shape taxpayer behaviour. Using the Slippery Slope Framework (SSF) as its conceptual lens, the study finds that compliance is neither fully voluntary nor wholly coerced; it is situational, negotiated, and contingent on how traders experience the tax state in their everyday economic lives.

The central insight is that while enforcement pressure can trigger short-term behavioural compliance, it cannot substitute for institutional legitimacy. Knowledge enhances compliance only when accompanied by transparency and accessibility. Fear of audits may prompt EFD usage, but it also fosters resentment, evasion, and



disconnection. By contrast, traders who trust the TRA—due to clear procedures, respectful engagement, and visible returns on tax—are more likely to internalise tax norms and comply willingly. This points to a fundamental truth: compliance is relational, and the durability of tax systems depends not just on surveillance, but on fairness and responsiveness.

These findings yield four core policy recommendations:

1. Invest in targeted taxpayer education, especially for low-literacy and female traders, using local languages and context-appropriate media to simplify obligations and procedures.
2. Reform TRA frontline engagement by training officers in communication, procedural fairness, and dispute resolution—shifting from punitive inspection to facilitative support.
3. Redesign presumptive tax systems to reflect traders' actual capacity, with clearer thresholds, simplified digital tools, and protections against arbitrary assessment.
4. Improve fiscal reciprocity and transparency, by visibly reinvesting tax revenues into market infrastructure and communicating those investments to traders to build trust.

At a broader level, the study reinforces the developmental role of taxation beyond revenue collection. In urban informal economies like Kinondoni, taxation is a point of contact between state and citizen, where legitimacy is forged or undermined. Fostering compliance thus offers a route not only to better fiscal outcomes, but to deeper political inclusion and institutional accountability. As such, building an effective tax system requires more than expanding the tax net—it demands expanding the fiscal social contract. The longitudinal dynamics of compliance, the role of digital tax tools in shaping perceptions of fairness, and comparative cases across other Tanzanian municipalities could be potential future points to explore. More broadly, development policy must centre the lived realities of informal actors in fiscal governance—recognising them not merely as tax subjects, but as citizens negotiating power, trust, and fairness at the margins of the state.

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