TAX ELASTICITY, BUOYANCY AND STABILITY IN ZIMBABWE

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Abstract

Tax elasticity and buoyancy estimates are the dynamic tools for measuring the tax performance. The main objectives of the study are to explore the tax system performance of Zimbabwe through the traditional tax ratio trends, dynamic measures tax buoyancy and tax elasticity. The study has applied traditional regression approach and the Dummy Variable Approach to calculate tax buoyancy. For the study period 2000 – 2013, both methods have yielded a tax buoyancy statistic of 1.013 (more than unitary) implying that the tax system is responsive to growth in national income. Using the Dummy Variable Approach, the study revealed that there is no significant differences in tax performance for the Zimbabwean Dollar Era and the Dollarisation Era. In an effort to enhance efficiency in government operations, the study has highlighted parastatals inefficiency that need immediate attention. Tax ratio trend has revealed an increase in effort over the dollarisation period.

Key Words: Tax Buoyancy, Elasticity, Tax Stability, Tax Ratio, Revenue Performance, Parastatal, GDP, Zimbabwe.

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