

To charge or not to charge customs excise duty on digitized products: An assessment of the Zimbabwe Revenue Authority (ZIMRA) potential revenue losses through duty exemption on digitized goods.

Ephraim Makoni¹, Catherine M. Tsikirayi² & Edmore Mandizha³

¹Graduate School of Management, Faculty of Commerce, University of Zimbabwe

²Graduate School of Management, Faculty of Commerce, University of Zimbabwe

³PricewaterhouseCoopers, Zimbabwe

Abstract

Governments the world over depend on taxes and customs duties as their major source of revenue. This has created a great debate on the issue of digitization and duty collection. This paper concentrates on gathering ZIMRA officials' perceptions on the impact of e-commerce developments on customs revenue in respect of that special category of goods that has the capacity to be traded in the tangible and digital forms. Most researchers on e-commerce tend to concentrate on how technology developments have come in handy in speeding up business transactions. Little research considers the losses suffered by countries, especially in the third world through customs duties exemptions on digitizable goods. This research investigates Zimbabwe Revenue Authorities (ZIMRA) officials' perceptions of potential revenue losses endured through exemptions of customs duties on digitized goods. It also establishes the current treatment of digitized goods by ZIMRA. The study explored perceptions of people actually involved in revenue collection thus providing empirical evidence to support or refute some notions in the theoretical debates raging on digitized goods in terms of their classification and their potential to generate customs revenue. The study was an exploratory survey that drew evidence from interviews with ZIMRA officials in the customs department, document analysis and hand delivered questionnaires. Results show that digitized goods are not charged customs duties. This appeared to be a result of two main reasons (1) the will to comply with the WTO Moratorium that forbids charging of customs duties on e-transactions in its bid to support the development of e-commerce and (2) the lack of capacity by ZIMRA to detect and levy customs duties on e-transactions. The study also revealed that there were strong feelings that losses through customs duties exemptions on digitized goods were significant. The study has triggered debate within ZIMRA ranks on whether or not to charge customs duties on digitized goods. ZIMRA management is challenged to investigate further ways in which to achieve the two competing goals of complying with the moratorium and at the same time maximizing on revenue collection. The recommendation would be to make decisions on which classes of goods to keep on the exemption and which ones to levy customs duties on in order to maximize revenue collection.

Key Words: digitized products, Zimbabwe Revenue Authority (ZIMRA), revenue losses, e-transactions

1. Introduction

The emergence of e-commerce challenged the traditional methodologies of conducting business, especially for customs authorities. According to Zake (2011), operationally customs authorities were forced to react and adopt automated processes that were aligned to digital developments. The transition from paper-based to paperless processes became mandatory in recognition of the

efficiencies associated with speed, coverage, cost and access to information inherent in e-transactions.

In the good old days cross-border trade was not complicated. It was quite easy to determine when goods were being imported in terms of supply time and entry point rules. As long as traders followed the formal importation and exportation methods it was easy for customs authorities to administer revenue collection mechanisms. Despite the tendencies by some unscrupulous traders to smuggle goods, Customs could largely rely on voluntary compliance by the public at large (Viboonthanakul, 2009). For “hard” goods the case of e-commerce is simple. Zhang (2002) argues that technological innovations such as e-procurement enabled business of all sizes to source goods from distant suppliers. With e-technology it became possible for the whole buying process to be done online thereby cutting down on time and cost. At the same time, faster communication enabled by the use of the internet and Electronic Data Interchange(EDI) systems revamped the transport and logistical processes, resulting in minimized delays in product delivery. With faster communication, improved payment systems and efficient transport and logistical processes, trade was boosted and this translated to improved revenue collections by the fiscus - a direct result of more trade volumes and timely collection of revenue. However, the digitization of goods brought with it some complexities and challenges leading to a huge debate on the implication on revenue generation through customs duties.

Two main stances characterise the debate on e-commerce (Mattoo & Schuknecht, 2001; Wunsch-Vincent, 2008). On one hand there are nations primarily concerned with e-commerce as a developmental and trade facilitation tool. Such nations are for the furtherance of e-commerce developments and are averse to policies that hinder the development agenda such as levying new or additional taxes on the digital economy. On the other hand, there are some nations that, even though they welcome the technological developments and are taking all the necessary steps for their promotion and adoption, are worried about revenue losses emanating from the non-taxation of the associated transactions. As pointed by Burinskiene (2011), these nations argue that commerce is commerce and therefore e-commerce should not be treated any different from conventional commerce.

1.1 Zimbabwe Revenue Authority as the State Revenue Collection Arm.

Zimbabwe Revenue Authority operates under the directorate of the Ministry of Finance and is governed by the Revenue Authority Act (Chapter 23:11). It came into existence in 2001 following the amalgamation of the then department of Customs and Excise and the department of Taxes. ZIMRA’s main duties are the administration of taxes (corporate tax, individual tax, Value Added Tax and other levies) and customs and excise duties on all imported and some local goods (www.zimra.co.zw, accessed 21/07/13). The Zimbabwe Revenue Authority is an affiliate member to international organisations such as the WTO (joined on 5 March 1995) and World Customs Organisation (WCO), as well as regional clubs such the Southern African Development Community (SADC). The membership comes with the adoption of agreed upon protocols and collective dictates. In this regard, as ZIMRA officials go about collecting customs duties, they have to abide by international and regional rules for the purposes of transparency, equity, fairness and neutrality. In addition there are other political, social, technological and legal considerations that ZIMRA has to grapple with in its endeavour to generate revenue for the fiscus (Herman, 2011; Cateora, Gilly and Graham, 2009). Notwithstanding such affiliations, officials in the organization are entitled to have independent opinions in relation to revenue collection. In view of these debates, this study seeks to establish the current Treatment of Digitizable Goods by ZIMRA in Zimbabwe and at the

same time assess the Zimbabwe Revenue Authority officials' perceptions of revenue losses resulting from trade in digitized goods.

The rest of the article is arranged as follows: The next section reviews relevant extant literature on e-commerce and on the debate on digitized goods. The subsequent section gives a description of the research approaches followed in the study. The results of this study are then discussed leading to a presentation of the implications, limitations and proposals of the directions for future research.

2. Literature review

2.1 Revenue collection in developing countries

Zimbabwe, like many other national governments, the world over, largely depends on taxes to finance its fiscal requirements. The advent of e-commerce has therefore created a quandary of loss of revenue emanating from the adoption of e-commerce by businesses (Jones., & Basu, 2002). On the customs front, the advent of e-commerce has witnessed a fundamental change in the manner in which goods cross borders with the result that such transactions are not captured in the customs net (Wunsch-Vincent, 2008). Traditionally, all imported goods crossed the borders via recognised customs points in the physical form thereby making the collection of the respective customs duties a simple and feasible matter. The digitisation process which accompanied e-commerce developments resulted in some goods being able to cross borders electronically and therefore escaping customs duties. The theoretical debate in this case lies in discovering the perceived potential revenue losses through the trade of digitized goods.

2.2 The General Agreement on Trade in Services (GATS)

According to Wunsch-Vincent (2006), GATS rules govern transactions involving services. In the traditional sense services that were envisaged included financial, legal, accounting, educational, tourism and computer-related and back office services. In terms of the GATS regime such services are exempt from duties. However, the advent of e-commerce and the digitization of goods raised the question of whether the "digits" when transmitted electronically attracted customs duties or become services and therefore should be accorded the same treatment as conventional services.

It is clear therefore, that the treatment of electronic transmission has created great debate. If these are goods in the traditional GATS perspective, then they are subject to customs duties. Thus the application of GATS rules on electronic transactions will boost revenue collections, given the anticipated boom in trade of such goods. On the other hand, the application of GATS rules implies that the "digits" escape duties, resulting in revenue loss. The revenue loss is bad for developing countries as border tariffs are a major source of revenue (Teltscher, 2001).

While Teltscher (2001) decries loss of revenue due to the digitization of products, a study by Singh (2002) in emerging economies like India, Singapore, Malaysia and China reveals that these economies regard the technological innovations as a blessing. These states have developed significantly from a knowledge management perspective and stand to benefit from the classification of e-transmissions as services, given that these countries are net exporters of such products. However, if digital commerce is considered holistically in the hands of a revenue authority (that is from a taxes and customs perspective) the situation becomes complex and would require careful consideration (Jones & Basu, 2002).

2.3 The Moratorium on Customs Duties on Digitizable Goods (DGs)

When the classification debate on the DGs came to the fore, the WTO was forced to react in order to harmonise trading activities. This culminated in the Geneva Ministerial Declaration of 1998 which resolved that member states were not going to levy customs duties on e-transmissions until further notice (Teltscher, 2001; Mattoo and Schuknecht, 1999). The exemption of customs duties (the moratorium) on digital commerce still holds true today having been further extended as per the resolution of the December 2011 Ministerial Declaration (WTO,2012). Despite the deliberations under the ambit of the WTO as spearheaded by the Work Programme on Electronic Commerce, the general anticipation is that the customs duty embargo will become a permanent trading feature even with the contention that it leads to revenue loss for most nations, particularly those that are net importers of DGs (Mattoo & Schuknecht, 1999).

2.4 Developing countries' dependence on customs duties.

Developing countries rely for their fiscal support on revenue inflows from customs duties. The data in Table 1 indicates the significance of customs revenue to developing nations as a source of funding for fiscal requirements.

Table 1: Percentage Contribution of import duties to Total Tax Revenue

Country	Average 1994-2008	Country	Average 1994-2008
South Africa	2.2	Nigeria	28.6
Tanzania	12.2	Seychelles	37.5
Kenya	13.2	Botswana	19.9
Uganda	16.2	Gambia	29.0
Zambia	16.7	Namibia	35.4
Malawi	16.9	Liberia	35.6
Rwanda	22.8	Sierra Leone	50.1
Ghana	16.4	Swaziland	56.6
Mauritius	27.3	Lesotho	61.7
Zimbabwe	15.2	Average	27.0

Source: Zake (2011)

The research conducted by Zake (2011) within Anglophone Southern Africa (Table 1), gives average contribution from customs duties. For Zimbabwe, an average of 15.2 per cent was obtained for the period 1994 to 2008. This figure is viewed as significant for a country still recovering from decade long economic challenges(1999-2009).

2.5 Digitizable Goods Classification Issues

Teltscher (2001) as supported by Hellerstein and Shackeford (2002) identify some examples of goods which have the propensity to be digitized and have in fact been traded in both the physical and electronic format since the advent of e-commerce. These products are summarised in Table 2. The treatment of digitizable goods (DGs) for tariff classification purposes has been a topical issue since the advent of e-commerce. Debate has been raging as to whether DGs should be treated as goods, services or something else in order to come up with a separate class of products for customs purposes. Another subject under scrutiny is on whether the technological changes should result in differential treatment of these goods simply because of the change in the delivery mode. These

questions arise from the premise that electronic transmission of these products results in them being regarded as data and the general observation that they become services rather than goods. This change in the classification of goods due to e-technology has critical implications on the revenue collection activities of developing countries (Wunsch-Vincent, 2011; WTO, 2009).

Table 1, below gives a summary of the Harmonized Commodity Description and Coding System(HS) of digitizable products.

Table 1: HS codes of digitizable products

HS heading	Commodity description
37 3705 3706	Film (recorded) Photographic films Cinematographic films
49 4901 4902 4903 4904 4905 4906 4909 4910	Printed matter-Books Newspapers Children's books Music Maps, atlases Plans (architect., eng., ind., commercial) Postcards Calendars Commercial catalogues, pictures, designs
8524 (except 31,40,91) 852410 852432 852451-53 852460 852499	Sound & media Records CDs Tapes Cards Other (recorded disks)
8524 852431 852440 852491	Software
950410	Video games

Source: Teltscher (2001)

2.6 Classification of Software

To elaborate the classification debate, software will be used as an example. Traditionally software has been traded across borders via floppy disks, diskettes or CD-ROMs. All these delivery mediums have, to a large extent, been replaced by the electronic counterparts. It is anticipated that electronic delivery will be the dominant delivery method of software in future though it will not totally replace

traditional means. Cannistra & Cuadros (2010), are of the opinion that international trade rules need to recognize both delivery modes of software and treat them in a uniform and consistent manner. The million dollar question, however, is, "Does the advent of e-commerce change the classification rules for software?" Generally, nations have treated the carrier medium as a good and the contained information as exempt from duties. Essentially software itself was not subjected to duties. Most countries followed this general rule except for a few (for example Peru) which called for duties on the medium as well as the content based on the software tariff rates (Cannistra & Cuadros, 2010). The wide spread use of the internet and the web has resulted in the digitization of software leading to some quarters calling for software to be reclassified as a service and therefore be exempt from duties. Wunsch-Vincent and Hold (2011) and Teltscher (2001), argue that software, just like other DGs should not be reclassified as services simply because it can now be delivered electronically. This breeds inconsistency in the classification of products which have counterparts in merchandised trade as duties will be chargeable when transmitted physically and exempt when transmitted electronically. It also negates the principle of technological neutrality which states that products should not be treated differently merely due to technological changes (Wunsch-Vincent, 2006; WTO, 2009).

2.7 Regulatory Issues

There is a multitude of regulatory issues surrounding international trade, resulting in the promulgation of multilateral trade agreements aimed at ensuring that a transparent, standardised and predictable trade environment exists (Teltscher, 2001). Within the context of cyberspace activities, the multilateral agreements of importance are the General Agreement on Trade and Tariffs and the General Agreement on Trade in Services as they relate to the classification issue mentioned above.

3. Research Methodology

The research followed the exploratory survey strategy as the one best suited to fully address the research objectives. This empirical inquiry investigated a contemporary phenomenon currently subject to debate, within its real life context because the boundaries between the revenue loss phenomenon and context were not clearly evident and multiple sources of evidence had to be used in accordance with Yin (1993), as quoted in Zainal (2007, p.2)). When the contemporary phenomena of interest are hard to isolate as in controlled experiments, Runeson and Host (2008) voice the opinion that case studies are more appropriate as they provide a deeper understanding of the phenomena and therefore become useful in answering the 'why', 'what' and 'how' questions. This exploratory case study gave the researchers an opportunity to seek new insights into the revenue loss phenomena through trading in digitized products (Creswell, 2007). To a large extent, the researchers banked on the respondents' experience in revenue generation activities and acknowledged that organisations have been affected differently by e-commerce.

The researchers adopted the cross-sectional studies approach. The snap-short design was preferred due to its advantages associated with time and finances, as data were collected from many respondents and over a short period of time.

The target population of this study were ZIMRA officials charged with revenue collection. These included only the personnel attached to the Customs arm of ZIMRA, making sure that all the goods entry points (inland and border posts) were covered, among them, Beitbridge Border Post, Chirundu Border Post, Forbes Border Post, Nyamapanda Border Post and Plumtree Border Post. These are

the people collecting revenue on behalf of the fiscus and are as it were, the men and women “in the trenches”. Their role in revenue collection on a day to day basis makes them a credible source of information in terms of revenue losses suffered through the introduction of digitized goods as a trade facilitation business model. The current debate on revenue losses through customs excise duties exemptions on digitized goods has remained rather theoretical, and is hoped to benefit from valuable insights derived from those who work in the system.

The study was conducted in the multi-currency era spanning from 2009 to 2013. The term multi-currency is derived from the fact that Zimbabwe, officially adopted the US\$, Pound Sterling, South African Rand and the Botswana Pula as the legal tender of the country replacing the weak Zimbabwe dollar.

Stratified sampling (probability sampling) was used to select respondents within ZIMRA in an endeavour to capture the views of staff at different levels in the organisational structure, namely, management, supervisors, revenue specialists and support (IT) staff as indicated in Table 3 below.

A sample size of 125 ($\approx 50\%$) was drawn from a population of 246 employees in line with the sample size recommendations by Saunders et al. (2009) who stipulate a sample size above 10% of the total population. Stratified sampling (table 3) was preferred as it gave the researchers the opportunity to capture the views of staff at each level within the organisational structure. The number of respondents sampled from each level was proportional to the total staff complement in the respective strata. This selection was done basing on records from the personnel department that has details of people in the various grades. Table 3 below provides a profiling of the study population.

Table 3: Demographic profile of the respondents.

Strata	Population	Sample
Management	19	10
supervisors	20	10
Revenue Specialists	200	100
Support Staff (IT,Legal,Technical)	7	5
Total	246	125

Since the revenue collection officials are rotated occasionally among work stations, it was felt that their views of perceived revenue leakages through duty exemption on digitized goods had no special links with particular duty stations, but their observations could be generalised over the whole revenue collection system. The unit of analysis was therefore the individual respondent.

3.1 Data Collection Methods

The research was to a large extent based on qualitative data collected through unstructured interviews with ZIMRA officials. The interviews used provided the research with an opportunity to probe and follow up questions when participants' responses lacked clarity (Creswell, 2007; Zikmund et al, 2010). Some quantitative data was extracted from the Automated System for Customs Data (ASYCUDA) World (secondary data) for complementing primary data. Hand delivered questionnaires complemented interviews in collecting primary data. The questionnaire was pilot tested on two people from each stratum. The central reasons for conducting the tests were to ensure the questionnaire did not contain questions which were ambiguous, poorly worded or

offered unclear alternative responses. The feedback from the pilot was subsequently used to refine the questionnaires in order to come up with the final instrument which was used for data collection. Those that took part in the pilot were not included in the final group of respondents whose results were later analysed to avoid inducing bias. The data collected were treated with strict confidentiality and were only used for the purpose of the inquiry. The applicable ethical guidelines were observed, including seeking prior consent of the respondents before administering the questionnaire.

4. Findings and Discussion

A total of eight ZIMRA officials were interviewed (two from each stratum) while also a total of 125 questionnaires were sent out from which 90 questionnaires were returned giving a 72% response rate. These results reveal that respondents were eager and interested in the subject of the research. A high response rate of above 50% is adequate to justify the generalizability of the survey findings as propounded by Zikmund et al (2010). About 41.2% of the respondents had above 10 years of experience in customs revenue collection activities, 35.2% had between 6-10 years, 11.8% had served for 3-5 years, 9.8% had 1 year and 2% had 2 years of experience in customs revenue collection activities. It can be assumed from these results that the majority of the respondents had a full appreciation of the organisation, its functions and activities informed by practical experience since they had been with ZIMRA for reasonably long periods. As a result, such respondents were in a position to provide valid and reliable information to address the research objectives.

An exploration of the main sources of ZIMRA revenues was made. All the respondents who took part in the study regarded income tax and Value Added Tax (VAT) as the main sources of revenue to ZIMRA, with 92% of the respondents considering customs duties as an important source of revenue while 8% did not value customs duties highly as a source of revenue. Excise duty was considered a main revenue contributor by 85% of the respondents while other sources (presumptive tax, withholding tax, various levies) were regarded as a main source by only 30% of the respondents. Table 4, below summarizes the contributions per revenue head in US\$.

4.1 Contribution Per Revenue Head in US\$.

Table 4 below summarises the contributions per revenue head for the 2009 to 2012 period.

Table 4: Contribution per revenue head in US\$

PERFORMANCE OF REVENUE HEADS FOR THE YEARS 2009 TO 2012				
Year	2009	2010	2011	2012
TAXHEAD				
INDIVIDUALS	181,970,998.80	354,302,957.72	480,000,000.00	537,011,200.00
COMPANIES	80,554,853.82	195,297,548.59	270,000,000.00	270,843,200.00
VAT	404,306,043.78	734,554,758.33	990,000,000.00	864,805,953.00
CUSTOMS DUTY	289,176,979.57	304,802,421.73	325,000,000.00	318,547,328.00
EXCISE DUTY	59,921,879.00	225,576,050.04	236,500,000.00	270,557,754.50
CARBON TAX				

		10,741,000.00	40,000,000.00	28,601,254.00
OTHER	35,558,337.03	94,058,368.36	196,115,000.00	129,339,556.50
TOTAL	1,051,489,091.996	1,919,333,104.77	2,537,615,000.00	2,419,706,246.00

Source of data: ZIMRA Accounts Department (2012)

These contributions were regarded by all respondents (100%) as significant as they were the main “cash cow” for the national fiscus. The research findings demonstrated the importance of customs duties as a main source of revenue to ZIMRA. Although Zake (2011) raises the flag in favour of trade facilitation as a critical role of Customs Authorities, the current study results show that revenue collection still retains centre stage among the co-functions of Customs Authorities.

4.2 *Classes of Digitizable Goods*

Respondents noted that goods that had the potential to be traded wholly online included software products (47.1%), video games (41.2%) with sound and media (5.9%) at the bottom of the list. This observation was considered as indicative of a reasonable appreciation by ZIMRA officials of products with the potential to be wholly traded online. This observation is consistent with the list of DGs identified by Teltscher (2001) as supported by Hellerstein and Shackford (2002).

4.3 *Contribution of Digitizable Goods to Customs Revenue*

Participants' opinions were explored on the level of contribution of digitizable goods to the ZIMRA global revenue. Out of all the participants, 25.5% suggested a contribution of less than one percent, 37.3% suggested a contribution between one and two percent, 19.6% suggested a contribution between 3 and 5%, while 9.8% opined it to be between 6 and 10% and the last 7.8% of respondents suggested an above 10% contribution. Empirical evidence from research conducted by such authors as Teltscher (2001) and John and Basu (2002) is in support of the highest response rate (37.3%) and point to a less than 2% contribution for most countries. Where Teltscher (2002) advocates the observance of the moratorium on the basis of insignificant revenue loss, John and Basu (2002) call for a reconsideration of the matter as the loss, though insignificant in percentage terms has, serious ramifications on developing countries. The 37.3% ZIMRA officials who rated contributions of digitizable goods to be between one and two percent argued that such amounts were huge losses to the fiscus if not harnessed.

An observation was however made that while there could be desire to net in these contributions, developing countries lacked capacity to collect such duties. In responding to the question on the feasibility of administering the collection of duties on electronic transmission, the highest response rate (49.1%), strongly believed that it was not feasible. This was followed by 33.3% who were not sure and lastly 17.6% who indicated that it was feasible. The results are consistent with extant literature which reveals that a number of nations do not levy duties on digitized goods. In as much as some authors (Teltscher, 2001) suggest that the main driver of the duty free environment for digitized goods is the quest for the furtherance of e-commerce development, Boateng et al (2011) and Herman (2011) maintain that the main consideration is the lack of technological innovations capable of identifying e-transactions, tracking such transactions and enforcing duty collection by the revenue authorities.

4.4 *Current Practice on Levying Customs Duty on Digitizable Goods by ZIMRA.*

Some questions were also aimed at establishing the current practice within ZIMRA as to whether customs duty is being levied on digitizable goods. Consistent percentages with those on responses to assess ZIMRA's capacity to collect duties of electronic transmissions were obtained. About 49.1% indicated that no duties were being collected, 17.6% indicated that the digitizable goods were being taxed while 33.3% were not sure. These research results suggest that no duties are being imposed on electronic transmissions given the highest response rate of 49.1% on this score. Where a number of authors (including Teltscher, 2001) propound that the WTO driven exemption is being honoured in favour of furthering e-commerce development, Herman (2011) argues that the administrative challenges were a key consideration leading to the imposition of the exemption or alternatively forcing some countries like Zimbabwe to forgo the much needed revenue associated with digitizable goods. These results suggest that about 82.4% (33.3%+49.1%) of the respondents could not confirm Zimbabwe's capability to levy duties on the electronic transmission hence its apparent conformity with the WTO directive. The reason behind this stance could be the necessity of maintaining a good working relationship with the WTO and other international organisations. There is also the possibility however, that its weak transmission system could be the deterrent to engaging in revenue collection on digitized goods as suggested by Herman (2011). As observed by Wunsch-Vincent (2008), most countries recognise the need for concrete governance of international trade in order to create certainty, transparency and predictability in trade relations. The chances are therefore slim that Zimbabwe could take a divergent view on taxing e-commerce transactions.

4.5 *Suggestions on Modalities of Revenue Collection on Digitized Goods*

Those respondents that argued in favour of capturing revenues on electronic transmissions at variance with the WTO directive were asked on the modalities they thought could be used to achieve this. These respondents suggested partnering with financial institutions which facilitated the payments for the electronic goods. The proposal was to make it a statutory obligation on the part of the banks to report such transactions to the revenue authority, which, in turn would call upon the identified importers to account for the relevant duties. Alternatively, some form of a withholding tax would be introduced in respect of any foreign payments effected by the financial institution on behalf of its clients. Extant literature regard these approaches with disfavour arguing that financial institutions are already over-burdened with statutory obligations (Tigre & O'Connor, 2002). With regards to the withholding tax suggestions the counter argument was that indiscriminate taxation of transactions would result and most likely in the double taxation of "hard goods" (Singh, 2002).

4.6 *Revenue Implications of Digitizable Products Trading*

The general position from various authorities is that technological improvements, coupled with the proliferation of e-commerce adoption, will lead to customs revenue losses. As stated by such authors as Jones and Basu (2002) and Wunsch-Vincent and Hold (2011) no country known today is charging duties on e-transmission. One of the reasons for upholding the zero tariff environments could be the mandate to comply with the WTO requirements and international best practice. The other reason could be associated with the general challenges associated with e-trade.

4.7 *Conclusions and recommendations*

The research concludes that losses suffered through customs duties exemptions on digitizable goods are substantial in real terms although the figures might appear as small in percentage terms. These losses have a cumulative effect where over time these revenue collections could make a difference between putting up a hospital facility or not, or perhaps between putting up a school or non for the

poor in Zimbabwe. This problem could be alleviated through reclassifying digitised goods at the country level and make a determination of which classes of digitized goods to levy duties on and which ones to exempt from duties. This classification could help achieve the twin objectives of complying with the moratorium while at the same time getting a trickle of the much needed revenue into the national fiscus.

4.8 Research Limitations

Even though permission to conduct the research was granted by the executive, the custodians of the secondary data required to quantitatively assess trends in revenue collections as well as the managerial and governance aspects felt that some data were highly confidential resulting in restricted access. This was particularly true with regards to written reports and reviews by management on the performance of the various revenue heads. These results are for the study in Zimbabwe, import and export environments in other developing countries might significantly differ from the Zimbabwean scenario thus limiting the ability to generalize these findings.

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