

Running head: VAT COLLECTION PRACTICES



VAT Collection Practices in Addis Ababa: A Case Study in the Eastern Branch of Ethiopian
Revenue and Customs Authority

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By

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Declaration

Here with I, Angesom Brhane Mezgebo, declare that this research paper prepared for the partial fulfillment of the requirements for degree of Master's in Business Administration on the topic "VAT Collection Practices in Addis Ababa: A Case Study in the Eastern Branch of ERCA" is completely a result of my own effort. I have carried out the paper independently with the close advice and guidance of the research advisor, Abebe Yitayew (Asst. Professor).

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February, 2013

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Certification

This is to certify that Angesom Brhane Mezgebo has carried out his research work on the topic entitled "VAT Collection Practices in Addis Ababa: A Case Study in the Eastern Branch of ERCA" under my supervision. This work is original in nature and it is appropriate for the award of the Master's Degree in Business Administration (MBA).

Abebe Yitayew (Asst. Professor)

February, 2013

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Acronyms

ASYCDM = Automated System for Customs Data Management

ERCA = Ethiopian Revenue and Customs Authority

FDRE = Federal Democratic Republic of Ethiopia

GST = Goods and Services Tax

HIV/AIDS = Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome

ITD = International Tax Dialogue

SIGTAS = Standard Integrated Government Tax Administration System

SPSS = Statistical Package for Social Sciences

VAT = Value Added Tax

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Abstract

Value Added Tax (VAT) has been more successful in the more developed economies in the past years (ITD, 2005), but is more important in developing countries for the purpose of resource mobilization, fair income distribution and economic stabilization in the long run (Bird and Gendron, 2006). But, research studies like Wollala (2008) and Rai (2004) indicated that VAT collection is facing difficulties in developing countries which compromise the benefits of VAT. This paper has tried to investigate the VAT collection practices in the eastern branch of the Ethiopian Revenue and Customs Authority (ERCA) using questionnaires to the employees and tax payers as well as intensive interviews with the tax officials of the authority. The purpose is to elaborate whether the VAT collection practices of the branch are performed as efficient as expected. To summarize and analyze the survey questionnaire responses, SPSS 16.0 has been used. The results demonstrate that there are administrative problems in the branch which compromises the VAT collection efforts. These includes: awareness problems on tax payers and employees, shortage of job specific trainings to employees, nonexistence of well-organized organizational management, manual working procedures etc. Accordingly, specific recommendations are suggested to rectify these problems and improve the VAT collection performance of the authority.

Key words: VAT, Collection Practices, Efficiency

CHAPTER ONE

1.1. Introduction

Value Added tax (VAT) has spread throughout the world since its introduction in 1955. Its format has changed and now incorporates what was once an offshoot - "GST" (Goods and Services Tax) (Herouy, 2004). In recent years, developing countries searching for additional revenue have introduced VAT (Schenk and Oldman, 2001:25 Cited in Alemayehu, 2010). It is assumed that VAT is the modern type of sales tax. According to Alemayehu (2010), VAT is widely accepted in Sub-Saharan Africa and has been the centerpiece of tax reform in many developing countries. The rise of the VAT has been the most significant development in tax policy and administration of recent decades (Keen and Lockwood, 2007:2, Cited in Alemayehu, 2010).

The VAT is simply a multistage sales tax that exempts the purchase of intermediate goods and services from the tax base. To the successful accomplishment of developmental activities undertaken in a nation, VAT has its own contribution. In both the developed and developing worlds' annual budget, there exists a significant percentage of money collected from VAT. Some authors (f.e. Dubay, 2010) believe that the value-added tax is a major source of tax revenue for every industrialized country in the world except the United States.

VAT, though the most effective and important tax system of public revenue, is not without difficulties. According to Bird and Gendron (2006), for instance, the capability of VAT in developing countries is questionable as a result of the poor administration and effective utilizing of the taxing system. Together with the low infrastructural facilities of technology useful for VAT collection and the poor administration of the tax system in developing countries, VAT has numerous difficulties.

According to Rai (2004) also, developing countries are facing challenges of inefficient administration and incapability of controlling the VAT collection, which is negatively affecting the advantages of implementing VAT to raise sufficient revenue. In Ethiopia, though VAT is playing great role as a major source of government revenue, it has got difficulties in collection practices (Wollela, 2008).

1.2. Statement of the Problem

Value-Added Tax (VAT) is a broad-based business tax imposed at each stage of the production and distribution process (Minh, 2007). Study results of Durner and Sedon (2009) shows that VAT is capable of raising significant amounts of revenue very easily. Bird and Gendron (2006) in their article about VAT in developing countries also argued that if a country needs such a tax as most developing countries certainly do, VAT is the one to have in almost all cases.

VAT has been more successful in the more developed economies in the past years (ITD, 2005), but is more important in developing countries for the purpose of resource mobilization, fair income distribution and economic stabilization in the long run (Bird and Gendron, 2006). Since VAT is consumption based tax, it has the potential of increasing the saving rate and decreasing the consumption rate of countries. Moreover, since it is charged on a wide range of transactions (ITD, 2005), it is easy for the tax payer and at the same time brings more money piece by piece throughout the number of transactions along the market activities.

VAT proclamation NO. 285/2002 of the Federal Democratic Republic of Ethiopia (FDRE) states that the “value added tax minimizes the damage that may be caused by attempts to avoid and evade the tax and helps to ascertain the profit obtained by the taxpayers; the VAT enhances saving and investment as it is a consumption tax and does not tax capital.” Stating that, VAT - if effectively practiced- is the best way to raise revenue in developing economies, Wollela (2008) argued that the incapacity of the administration and other relevant problems caused in VAT collection practices are compromising its salient features and negatively affecting the revenue collection objectives in Ethiopia. Moreover, administrative feasibility and practicability are two important constraints facing developing countries on tax policy in general and VAT collection practices in particular (Rai, 2004).

Table 1: VAT Gap (All figures are in Millions)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Plan	2042.52	2630.37	3037.76	5844.25	7172.07	11759.4	16652.75
Actual	1819.85	2390.3	3243.37	4784.04	7382.16	7570.19	11140.42
VAT Gap	222.67	240.07	-205.61	1060.21	-210.1	4189.21	5512.33

Source: ERCA Head Office, Record and Management Section Data (2012)

It is clear from the above table that, except for two years (2007/08 and 2009/10), there has been a huge VAT gap throughout the years. Especially, the VAT gap is increasing in recent years. The difference between the planned target and the actual performance (VAT collection) is huge in the years 2010/11 and 2011/12 corresponding with a 4,189,210 and 5,512,330 VAT gap respectively.

This VAT gap can actually arise because of various reasons. One thing that should be considered is the perfection of the forecast. These targets may not be comprehensive and according to standard planning procedures, in which randomly planned amounts become not real at the end of the day. The other reason, which is the objective of this study, may be the poor practices and implementation problems of the authority to collect the desired amount of VAT from tax payers. Reports of the ERCA claim that it was possible to collect even more tax from what is actually done now. So, this means that there are problems in the collection practices of the authority in tax in general and in VAT in particular. Hence, to collect more and more VAT and meet the target, improving the collection practices and solving the specific problems facing the system is crucial.

It is with these facts in mind that the researcher was motivated to conduct investigation survey on VAT collection exercises in Addis Ababa with reference to the eastern branch office of the Ethiopian Revenue and Customs Authority (ERCA).

1.3. Research Questions

The basic research questions that are addressed in this study are the following:

- Is VAT administration exercise at the Eastern branch of the authority being performed as efficiently as expected?
- What are the main problems of VAT implementation at the branch office?
- What are the possible causes of the problems with VAT administration at the branch office?
- What could be suggested to rectify problems observed?

1.4. Objectives of the Study

1.4.1 General Objective

The general objective of the research is to examine VAT collection practices in the Eastern branch of ERCA.

1.4.2 Specific Objectives

Specifically, the paper will address the following objectives:

- ✓ Assess the VAT collection exercises in the branch
- ✓ Identify the specific administration problems arising from the VAT officials of the authority
- ✓ Determine the problems coming from the side of VAT payers
- ✓ Describe issues that require intervention by policy making authority

1.5. Significance of the Study

Primarily, the results of this research will be helpful in identifying the most important challenges and presenting possible solutions of the VAT collection in the authority. Hence, the authority (ERCA) would be expected to benefit from the results of the study.

Second, the research may be used as a base for those concerned bodies that have interest to study on the area. Results of the study may be important inputs for further research to be done on the area.

1.6. Scope of the Study

The paper is confined only on the VAT collection practices in Addis Ababa with the reference of the Eastern branch office of the authority and does not consider r issues of VAT other than that of collection related.

1.7. Limitations of the Study

This research would be more comprehensive, if it would be able to incorporate all the branches of the authority that collect VAT. The research could also be improved if there was access to a larger sample population. Besides to this, all respondents (tax payers) may not be the actual VAT payers, but employees of the companies, and may not reflect the actual opinion of the real tax payer businesses people. Nevertheless, it was tried to fill all these gaps and obtain the desired information by harmonizing all the data from both questionnaires and interviews through cross checking the evidences.

1.8. Organization of the Paper

Chapter two reviews the detailed theoretical and empirical literatures on the subject matter. The third chapter explains the methods of the research this paper has applied. The results of the data have been discussed and analyzed in the fourth chapter. Finally, conclusions and suggested recommendations have been treated in the fifth chapter.

CHAPTER TWO

2.1. Review of Related Theoretical Literatures

2.1.1. VAT and Its Characteristics

VAT is a broad-based business tax imposed at each stage of the production and distribution process (Minh, 2007). It is an indirect tax based on the consumption of goods and services in the economy (Bird and Gendron, 2006). Theoretically, VAT is imposed directly with the consumption of goods and services and its burden goes to the final consumer. Several authors (White 2008; Smith *et al* 2011; Dubay 2010 etc.) also named it as consumption-based taxation. It is not a charge on companies. It is charged as a percentage of prices, which means that the actual tax burden is visible at each stage in the production and distribution chain (Herouy, 2004).

Value added is the difference between sales proceeds and purchases of intermediate goods and services over a certain period. For example, the value added for a supermarket is the difference between the total sales receipts that month and the total invoice for goods and services from its supplier. Ultimately, consumers carry the burden of the tax because everyone else in the process deducts the VAT paid on inputs from the VAT collected on their outputs. (Alemayehu, 2010)

VAT has spread throughout the world since its introduction in 1955. Its format has changed and now incorporates what was once an offshoot - "GST" (Goods and Services Tax) (Herouy, 2004). In recent years, developing countries searching for additional revenue have introduced VAT (Schenk and Oldman, 2001:25 Cited at Alemayehu, 2010). It is assumed that VAT is the modern type of sales tax. According to Alemayehu (2010), VAT is widely accepted in Sub-Saharan Africa and has been the centerpiece of tax reform in many developing countries. The rise of the VAT has been the most significant development in tax policy and administration of recent decades (Keen and Lockwood, 2007:2, Cited in Alemayehu, 2010).

To the successful accomplishment of developmental activities undertaken in a nation, VAT has its own contribution. In both the developed and developing worlds' annual budget, there exists a significant percentage of money collected from VAT. Authors like (Dubay, 2010)

believe that the value-added tax is a major source of tax revenue for every industrialized country in the world except the United States.

A vast body of literature suggests that Value Added Tax (VAT) is the best form of general consumption tax available, especially in developing economies. In their article about VAT in developing countries, Bird and Gendron (2006) argued that if a country needs such a tax as most developing countries certainly do, VAT is the one to have in almost all cases. Other research studies (f.e. Durner and Sedon, 2009) also show that VAT is capable of raising significant amounts of revenue very easily.

However, as most types of taxes do, VAT is characterized as most sensitive to the attitudes of the people paying their VAT. The attitude of tax payers highly determine the level to which tax is effectively collected. This - attitude of tax payers - in turn is highly determined by the level of strength and effectiveness of the administration of tax authorities. According to (Peacock and Forte, 1981: Cited in Lemessa, 2007), a tax payer is more receptive to comply with his responsibilities to the extent that he receives a reasonable degree of service from revenue administration. *“Poorly drafted forms, long waiting lines and even charges for acquiring them, bureaucratic hassle in processing the case, rudeness from the officials, cumbersome appeal procedures, and the like, can repel even the most loyal taxpayers. Besides, the ways in which revenue authorities interact with taxpayers and their own employees have an impact on public perception of the tax system and the degree of voluntary compliance”.* (Ibid)

2.1.2. How VAT Operation is Administered

Administration of a VAT does not require firms to calculate value added (Alemayehu, 2010). There are two means of administrating VAT: the credit-invoice VAT and the subtraction-method VAT. In the credit-invoice method, the most common form of the VAT, a business pays VAT on its purchase of inputs and collects it on its sales whether those sales are to another business or the final consumer (Dubay, 2010). Under this method, all transactions are taxed at a fixed proportional rate regardless of whether they are final or intermediate transactions. Taxpayers are allowed to deduct the taxes paid on intermediate purchases from the taxes collected from their sales in determining their tax liability. It is called the invoice method because payment of the tax merely requires firms to maintain invoice on sales and purchases for

each tax payment period (usually monthly or quarterly) (Alemayehu, 2010). The business then submits the invoices that it receives from its suppliers to the government's revenue agency. The invoices detail the amount of VAT that the business paid to its suppliers. Once the revenue agency verifies that the business remitted the proper amount of tax on its sales and that the submitted invoices match the suppliers' filings, the agency refunds the business for VAT paid. The filings by businesses give the revenue agency a simple way to ensure that businesses pay the required amount of VAT (Dubay, 2010).

As long as the business can pass the tax on to its customers, which is typically the case, the business ultimately pays no tax. It acts solely as a collection agent for the government, collecting VAT on its sales and remitting to the government the difference between the VAT it collects and the VAT it paid on inputs. The burden of the tax moves up the production chain until the consumer bears the full burden, just like under the sales tax (Ibid).

A credit-invoice VAT is generally assumed to be an easier way for revenue agencies to enforce than sales taxes and therefore enables more efficient revenue collection. The method of revenue collection makes it more efficient. A sales tax is collected only when the final user of the product makes a purchase (Ibid). For instance, customers buying a new pair of shoes or a new television pay the price of the item plus the sales tax, which is an additional percentage of the sales prices, at the point of purchase. Because a sales tax is collected at only one point in the production process, customers and sellers can work together more easily to evade it. The only check to make sure the seller collects the tax is an audit by a revenue authority. A credit-invoice VAT is more resistant to tax evasion because businesses collect and remit the tax at every stage of the production process.

Another viable approach to levying VAT is the subtraction-method VAT, which is economically equivalent to the credit invoice VAT. Each method has positives and negatives, but almost every country that levies a VAT has chosen the credit-invoice method as the best way to apply the VAT in practice. Of the approximately 150 countries that levy a VAT, only Japan uses the subtraction method (Dubay, 2010).

This method uses company accounts to determine VAT liability by subtracting taxable receipts less taxable purchases to obtain total value added. In other words, the subtraction method of computing a firm's VAT calls simply for subtraction of total purchases from the sales of the firm in question and the balance, the value added by this firm, is then subject to the VAT rate (Alemayehu, 2010).

The invoice credit method is preferred and is used throughout the sub-Saharan Africa. Further, it is widely accepted that the transaction based invoice credit method provides several advantages such as the ability to deal with different rates and minimizing tax evasion by providing an audit trail (Ibid).

2.1.3. Advantages of VAT over Other Types of Taxes

The most popular and widely accepted advantage of VAT is its high revenue potential, even in poor countries, of mass consumption taxation (Bird and Oldman, 1990:367). As mentioned earlier, VAT is simply a multistage sales tax that exempts the purchase of intermediate goods and services from the tax base. However, unlike its counterpart sales tax, VAT does not impose a tax on tax effect. In the real world, the administrative costs of taxes and the risk of evasion are important determinants of the choice among taxes. In this regard, VAT has some real advantages, which the most visible one is that, VAT has a relatively low rate of evading chance since it uses strict invoice methods.

According to Faridy and Sarker (2011), VAT is also considered to have advantages compared with other taxes, because it allows for zero rating of exports, and it is broad based and difficult to evade. Moreover, Aizenman and Jinjark (2005) argue that VAT has practical advantage with easier enforcements since it allows fiscal authorities to compare reported sales of each intermediate product with reported purchases of producers using that intermediate product as an input in a vertical production chain. An efficient and proper implementation of VAT will have a good impact on the income distribution among citizens of countries and will develop the saving patterns of citizens while having a negative impact on the consumption patterns to the opposite (Olu, 1999). Hence, both directly and indirectly, VAT will have a significant positive impact on the developmental activities of countries through enhancing the saving rate of citizens and gaining more revenue for the government expenditures of infrastructural facilities. The importance of these positive effects of VAT is also stronger in developing and emerging

countries than the developed ones since the developmental activities and public infrastructural facilities are more urgent in those developing economies.

Several research studies have also identified various advantages of VAT in terms of revenue stability. Using a large panel of 103 developing countries over 1980-2008, Christian and Helen (2010) recognized that VAT in developing countries was an effective way of stabilizing tax revenue. According to this finding, the presence of VAT leads to significantly lower revenue instability and countries with the experience of VAT have significantly lower tax revenue instability than those countries with no/little experience of VAT. A stable revenue source is like money at hand and is a great power to plan and implement any feasible projects. Besides to the relatively higher amount of revenue to be collected, a stable source of revenue throughout the country's plan and budget is expected to positively affect the various project implementation and public infrastructure facilities to be undertaken by the country under consideration and revenue generated through VAT unlike other types of taxes is considered to be more stable.

VAT, besides to the simple and manageable administration advantages it has, its impact on the economic and human development of countries is significant (Unegbu and Irefin, 2011). This is because of the fact that citizens assume that everyone is paying his/her tax appropriately and that it is transparency in the sense that consumers in the market are going to pay what the government owes them. As a result, perceptions of citizens in general and tax payers in particular on tax issue will be clear and positive unlike the other types of taxes which are not as transparent as VAT. Moreover, nations with VAT have better chance of getting more revenue and fair distribution of infrastructural facilities as a result of the better collection of revenue through their VAT systems. Research works of Unegbu and Irefin (2011) elaborate that VAT allocations to states have a very significant impact on expenditure pattern of states.

Furthermore, VAT is expected to be the most equitable type of tax (Dakito, 2011). Unlike sales taxes which are paid on a single product at different production and distribution channels and hence hurt the poor by increasing the price of products unfairly; and unlike the inefficient export taxes which discourages and put local exporters at disadvantageous with the global market competition; VAT is viewed as a better and most suitable type of tax by eliminating the above mentioned limitations of other taxes.

In order, to have all these advantages and collect the desired amount of revenue from VAT however, the effectiveness of its collection is vital. There are many determinant factors for the effectiveness of VAT collection, among which the strong administration of the tax authorities is one important element. According to Bird and Oldman (1967) Cited in Lemessa (2007), “*tax is evaded to the extent that tax authorities are perceived as weak by tax payers*”. The strength of tax authorities is wide and includes the extent to which they levy penalties to those who don't pay their taxes according to the rules and regulations. If this is not the case, those tax payers who pay their taxes regularly and obey the rules will be discouraged and will try to evade in whatsoever situation they get gaps.

2.1.4. VAT in Developing Countries

VAT in both developed and developing countries is regarded as the most effective and important tax system for generating government revenue for the purpose of public use. According to Minh (2007), VAT is the work-horse of the revenue system. Bird and Gendron (2006) argues that VAT is the best type of general consumption tax available and almost all developing countries are exercising it. In their analysis, VAT can be an important source of revenue for economies if administered efficiently and effectively.

VAT, though the most effective and important tax system of public revenue, is not without difficulties. According to Bird and Gendron (2006), for instance, the capability of VAT in developing countries is questionable as a result of the poor administration and effective utilizing of the taxing system. Together with the low infrastructural facilities of technology useful for VAT collection and the poor administration of the tax system in developing countries, VAT has numerous difficulties. Moreover, Lisa (2007) agreed on the idea that tax policies in developing countries face numerous tax policy challenges when they attempt to establish efficient tax systems. Taking Uganda as an example, the study result of Lisa (2007) demonstrated that, there persist budget deficits in these developing countries and this is because of their inefficient tax policies unlike the developed economies. The inefficient tax systems of less developed countries, particularly Sub-Saharan Africa, is also the results of the unstable political situations existing in these countries, the persistent poverty, and lower educational attainment of their people, which have negative contributions to the effective and efficient tax system and collection practices. Moreover, Lisa (2007) explained that the prevailing domestic

social phenomena like the Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome (HIV/AIDS) epidemic, the expanding informal sector, and other problems are additional barriers to effective tax administration in these Sub-Saharan Africa Countries.

The benefits of VAT depend highly on the circumstance of individual countries and their economic structure they practice. However, empirical literatures proved that VAT, though complex and difficult to administer, is the most convenient tool of collecting revenue in developing economies (ITD, 2005). Moreover, experiences show that VAT tends to stabilize the economy and effectively helps to mobilize resources towards the public use and this is more visible in developing countries. Literatures (f.e. ITD, 2005), argue that VAT has typically replaced the indirect taxes which are assumed to be more complex and difficult to administer, which also leads to the conviction that VAT may be complex in developing countries. However VAT still remains the most important type of tax in developing economies and is now becoming common in most countries in the world (both developed and developing). What makes VAT difficult and complex in developing countries is probably the lack of advanced technologies in collection and controlling as well as lack of experiences.

VAT has been more successful in more developed economies in the past years (ITD, 2005), but is more important in developing countries for the purpose of resource mobilization, fair income distribution and economic stabilization in the long run (Bird and Gendron, 2006). It is logical that the problems arising from the complexity of VAT in developing countries in collecting the desired tax may bring instability and high income inequality. Besides, the level of literacy and positive attitude towards the tax may affect the effectiveness of the VAT collection in developing countries. Study results of Olaoye (2009), adds to the idea that consumers' attitude towards such tax systems possess greater impact in the collection efficiency and other administration issues. According to Olaoye (2009), consumers will definitely have negative attitude towards introducing such taxes as long as they did not have the access to get the right information upon its practices and objectives. These problems are likely to happen in developing countries where the literacy level is relatively low and business people are less informed about the policy issues mainly as a result of low rate of participation in the introduction and implementation of such practices.

Since VAT is consumption based tax, it has the potential of increasing the saving rate and decreasing the consumption rate of countries. In addition, vendors (tax payers) tend to claim less for VAT than other types of taxes because people by their nature are less reluctant to pay for consuming. Moreover, since it is charged on a wide range of transactions (ITD, 2005), it is easy for the tax payer and at the same time brings more money piece by piece throughout the number of transactions along the market activities. Nevertheless, its burden levied on the final consumer is not overlooked and that it has the potential of causing high inflation if not managed appropriately. This is especially in developing economies where the necessary infrastructural facilities are not strong and where the market is not well-structured. While the actual burden of VAT is imposed on the final consumer, businesses, wrongly thinking that they are going to pay the amount, tend to charge higher prices for those goods and services which are eligible for VAT.

VAT collection practices in developing countries have got various limitations to the extent that these countries own poor infrastructural facilities, scarce skilled human resource and lack of awareness of tax payers. The introduction of VAT in these countries is also a recent phenomenon and is not strong enough to be effective. In Ethiopia, for instance, VAT has less than a single decade old experience and tax payers are not fully aware of its importance in particular and tax purpose in general. Till recent years, business people in Ethiopia were not fully aware of the importance of tax and did not consider paying tax as their responsibility. Together with the low infrastructural facilities and less advanced technologies, the attitude of tax payers highly determines the extent of effectiveness of VAT practices in particular and tax in general. So, careful handling of tax payers and proactively improving the collection practices will be a crucial task in order to have good system of VAT collection practices and collect the desired amount of revenue.

Research results like Hybka (2009), confirm that VAT efficiency in raising tax receipts is higher than sales tax and countries with VAT raise more revenue than those without it. However, it is at the same time mentioned that collection efficiency is always questionable and this problem is evident in developing countries where the system is not well structured and infrastructural facilities are not well developed. According to Hybka (2009), the efficiency of VAT collection is highly influenced by the harmonization process that the concerned institutions follow in their practices. Harmonizing the collection process requires many facilities starting

from automating the procedures up to highly skilled and developed human resources. Well trained human resource with good office facilities and technology needed for the activities will have significant positive effect on the efficiency of the collection of the desired VAT amount. However, all these are not fully facilitated in developed countries including Ethiopia, in which they can contribute for the low efficiency and ineffective collection practices of VAT.

An effective, motivated, and skilled human resource is with no doubt a key for the efficiency of VAT collection practices in every circumstance. This can be seen from different angles. One is that, it is these employees that have much contact with customers and can highly contribute for customer satisfaction. Satisfied customers can be cooperative in their responsibilities and collection practices can be easy. The other is the case that collection practices can be effective in a sense that employees who are well skilled will use the most efficient ways and there will not be wastage of resources. Since VAT collection efficiency is measured in terms of all the factors including resource utilization, the above determinant factors with respect to the human resource element are all crucial, and can contribute either positively or negatively depending on how strong the human element of the tax authorities is.

Other authors like Aizenman and Jinjark (2005) also argue that the political economy of the country under consideration such as the stability of the nation affects the collection efficiency of VAT in particular and tax in general. According to Aizenman and Jinjark (2005), the political instability of a nation reduces VAT collection efficiency. Moreover, the modernization of the collection practices and other structural facilities can impede the collection efficiency. Developing countries are relatively disadvantageous with these factors. The political stability, modernization, and structural facilities are at a lower level in developing countries than in developed ones which implies that the collection efficiency is expected to be low, despite the greater role that VAT plays in these developing countries.

Michael Keen (2009), who reviewed the works of Bird and Gendron of VAT in developing and transitional countries, stressed that VAT experiences and advice for developing economies is limited and that it is not getting as much emphasis compared to its importance. In his argument, VAT governments and policy makers are not giving much emphasis for VAT as it should be. As mentioned repeatedly, VAT is the most important source of government revenue for both developed and developing countries and is more appropriate in its importance to

developing countries because of its simplicity in administration as well as its contribution to their developmental activity expenditures. Similarly, Cnossen (2008) recommended that, VAT has to be simple and flexible in developing countries to be effective. This is by considering the fact that the incapability of developing economies to handle the complex issues associated with tax issues; including the low technological advancements utilized and less skilled human resources available in these developing nations; would negatively affect the collection efficiency of VAT.

2.1.5. VAT in Ethiopia

In line with the wide range and long run plan that Ethiopia has recently launched, it is believed that sufficient amount of revenue should be earned to finance the public expenditure and various programs to be implemented. More importantly, to sustainably bring economic growth and development, the source of finance matters most. To support these huge programs and public facilities, there should be a trusted source of fund in which the government of the country can rely on. And for this purpose, there is no as such reliable source than domestic revenue. Previous experience shows that external sources of finance are uncertain and the best alternative is strengthening domestic revenue. Of these sources, tax is assumed to be potentially strong and vital. To realize this vision, Ethiopia has considered tax reform and this reform has led to the introduction of VAT in 2002. According to Samimi and Abdolahi (2011), VAT is considered to be important to enhance saving and investment, minimize the damage that may be caused by tax evasion and avoidance, stimulate economic growth and improve the relationship between gross domestic product and government revenue in the country.

Since the introduction of VAT in Ethiopia at 2002, tax payers are continuously changing their attitude towards its benefits. In addition to the absence of strong tax policy and late implementation of VAT, tax payers in Ethiopia were not aware of the importance of VAT to the country and that paying tax is their responsibility. It is believed that VAT is contributing positively to the increase in the government revenue and is developing from time to time since its introduction in the Ethiopian tax system. The ERCA record and management data from 2005/06 up to 2011/12 also shows this fact (see Table 1 – VAT gap). The amount of revenue collected from VAT is increasing continuously, despite that there remains a gap between the planned VAT revenue and the actual collected one – indicating the collection inefficiency of the authority.

This time, we can see the change that consumers are becoming aware of the VAT they pay at restaurants, shopping and any other market transactions.

VAT proclamation NO. 285/2002 of the Federal Democratic Republic of Ethiopia (FDRE) states that the “value added tax minimizes the damage that may be caused by attempts to avoid and evade the tax and helps to ascertain the profit obtained by the taxpayers; the VAT enhances saving and investment as it is a consumption tax and does not tax capital.” Stating that VAT - if effectively practiced- is the best way to raise revenue in developing economies, Wollela (2008) argued that the incapacity of the administration and other relevant problems caused in VAT collection practices are compromising its salient features and negatively affecting the revenue collection objectives in Ethiopia. Moreover, administrative feasibility and practicability are two important constraints facing developing countries on tax policy in general and VAT collection practices in particular (Rai, 2004).

VAT becomes an indispensable component of tax advice and reforms in developing countries (Goode, 1993 cited in Alemayehu, 2010). Ethiopia’s tax reform program has introduced VAT since January 2003. The Value Added Tax proclamation No. 285/2002 was issued on 4th July 2002 by the council of representatives to come into force as of 1st January 2003. According to the 2008/09 ERCA report, it is becoming the major source of domestic revenue for the country (Alemayehu, 2010).

There are no sufficient evidences that show the status of the collection efficiency of the ERCA in general and the Eastern branch in particular, but some research studies show that the collection efficiency of the tax system in Ethiopia is low. For instance, Asamnew (Year of Publication not cited), in his tax assessment and collection in the Yeka sub-city Finance and Economic Development Bureau stated that there exist inefficiency and insufficient number of tax assessment and collection officers.

“Moreover, most taxpayers lack sufficient knowledge of tax assessment and collection procedures. Thus, most of taxpayers do not know why they are paying taxes; what types of taxes are expected from them; and the applicable rules and regulations. Due to this and other factors, negligence, delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of taxes” (Ibid).

VAT is strongly becoming a prominent factor in most fiscal policies and budget issues in the government spending and public facilities in developing countries like Ethiopia (Hailemariam, 2011). Mainly because of the relatively easy administration and costs associated with it, it is assumed to be the most suitable type of tax for developing countries like the case in Ethiopia. Nevertheless, developing countries are still the ones with low infrastructural facilities, own less technological advancements, have no sufficient skilled human resources to administer the implementation of VAT and other tax systems, have many problems related to their policies including the difficulty of introducing such salient systems and slow response/acceptance by their people to the newly introduced policies and programs and so on. These and other related limitations of these developing countries can compromise the benefits of such policies and programs. Wollela (2008) strongly argued that the incapability of administration of VAT in Ethiopia is negatively affecting the collection efficiency of VAT of the authority.

Since the introduction of VAT to the Ethiopian tax system, there were many problems seen in the ground. As this tax system is still new to the Ethiopian tax policy, it is too young to be effectively utilized by the authority, and possess many problems. People, in the introduction of this type of tax in Ethiopia, were not convinced of its benefits and businesses continuously tried to evade and escape from VAT. It is a recent phenomenon that consumers are practicing to make sure of whether the goods they purchase and consume have included VAT or not. A few years ago, consumers simply used to purchase and consume goods and services without asking for VAT receipt. The attitude of business persons on VAT was also negative and they were afraid of the payment, assuming that they are going to pay the amount. Together, all these factors were contributing for the low collection practices of VAT. According to (Bird and Oldman (1967), Cited in Lemessa (2007), the operations and effectiveness of tax are affected by the attitudes of the nation towards the tax system, which in turn is affected by the tax administration.

Nowadays, things are changing and the attitude of people towards VAT is becoming somewhat encouraging. Business people are now more or less aware of the issues related to VAT: what it is, who is paying the amount, and its benefits to the government expenditure etc. At the same time, consumers are practicing their market activities according to the laws of VAT through asking for VAT receipts and checking the things accordingly. The collection efficiency

of VAT by the authorized body is highly affected by these factors and the greatest power is the people paying their tax. As long as individuals pay their VAT accordingly and there is a good administration in the collection process, other problems will not be major difficulties. Currently, the attitude of people towards VAT in Ethiopia is improving from time to time. But, this is not enough and the administration issue should be solved.

As is the case for most developing countries, the collection efficiency of VAT in Ethiopia is not at its optimal. There is a big gap between the target and the actual collection of VAT in the eastern branch of ERCA (see Table 1). In addition to this, the revenue share of tax from the total government expenditure is very low comparing to other countries (African Economic Outlook, 2004). Moreover, the experience of this type of tax in Ethiopia is a recent phenomenon and is young. According to Kamal (2012), countries with more years of experience on VAT are more likely to be efficient on their collection practices than those with low experience. Tax authorities face many difficulties related to tax in general and VAT in particular, and need time to learn how to solve these complex issues including the effort to persuade tax payers to pay their taxes regularly and honestly. It is after they build such systems that the administration and collection practices become easy and convenient to implement. But, Ethiopia, like most developing countries has introduced VAT very recently and is still facing problems in its VAT administration.

2.2. Review of Empirical Literatures

Asamnew (N.D), in his analysis on the assessment of tax collection problems of category “A” of Yeka Sub-city, shows that VAT administration (registration, assessment, and collection) practices in this sub-city of the Ethiopian Revenue and Customs Authority, is inefficient and lacks many things. He stated that, among other things: tax payers do not come to the office with the required documents and tax payers do not have all the required information about the requirements, rules, and regulations on paying their taxes. Moreover, Asamnew explained that more than half of the tax payers don’t use cash register machine and even those who use this machine have no adequate knowledge about how to use it because of lack of proper training. These all results indicate that there is inefficient tax administration in general and collection practices in particular. Conclusions of this study demonstrated that in both sides - tax payers and the revenue authority – there are problems related to the tax administration practices and hence negatively affecting the revenue collection capability of the authority.

Furthermore, there are problems related to power failure and internet interruption, which are external factors outside of the revenue authority (Ibid). During these failures, cash register machines don’t transfer data to the authority, which results in huge revenue loss to the government. However, the worst thing is that, tax payers don’t get immediate support from the revenue authority or from the external bodies who are responsible of the power failure and internet interruption. This demonstrates that, whatsoever the case would be, there are huge leakages and inefficiencies in the collection practices of tax in the authority. Surprisingly, these problems are encountered with category “A” tax payers, who are expected to be relatively efficient and better than the other tax payers in terms of document handling, technology, and other relevant procedures. This indicates the degree of the tax administration problems in the revenue authority; because the other tax payer categories are assumed to be with more problems as they are small and relatively less efficient business entities.

Asamnew further elaborated that, VAT payers don’t properly use the legal invoices for their customers and there is no regular assessment of VAT by the revenue authority. Besides to this, there is a huge gap in the revenue authority with regard to the human resource capacity. He stated that, employees are not well equipped with all techniques of VAT administration and have no adequate knowledge and skills of assessing all the administrations required with in the VAT

collection processes. Definitely, these all together accounts for less efficient collection practices by the authority; which are losses to the government revenue.

By analyzing his study results about the link between tax administration and VAT compliance in Ethiopia, Bisrat (2010) reach in to conclusion that the VAT collection efficiency of the revenue authority is low. He explained this by the fact that, filling and payment control of the revenue authority are manual, even though the so called Standard Integrated Government Tax Administration System (SIGTAS) and Automated System for Customs Data Management (ASYCDM) computer programs are installed. More specifically, Bisrat (2010) argued that VAT refund is the most inefficient and problematic part of VAT collection practices of the revenue authority in Ethiopia. His arguments for the inefficient VAT administration practices in Ethiopia are supported by the fact that there are insufficient resources of the authority including the manpower. Furthermore, Bisrat explained that the administrative costs of VAT collection in Ethiopia are low comparing to other countries – implying that, important functions might be neglected from within the procedure of VAT administration practices. All in all, the results of this study elaborated that VAT administration in general and VAT collection practices in particular, are inefficient in Ethiopia, at the time of study.

“... in Ethiopia, several number of VAT registrant do not issue VAT invoice properly during transactions” (Hailemariam, 2011). According to his analysis, this implies a lot to the revenue assurance of the authority. Because of the fact that, businesses are not paying the revenue amount they collected from their customers; the revenue authority is not only losing what it would earn, but tax payers who pay their VAT properly may also become discouraged and join these illegal practices. Together, these all activities will have a negative impact on the collection practices of the revenue authority and may compromise the advantages of VAT. Moreover, the major reasons for these malpractices are the weak administration of the revenue authority like: no strong follow-up, existence of a lot of non-registered businesses, absence of strong enforcement and control mechanisms, the existence of employees who deal for their personal benefits rather than complying with the rules and regulations, etc.

CHAPTER THREE

3.1. Research Design and Methodology

3.1.1. Population

There are two branch offices (the eastern and western branches) of the Ethiopian Revenue and Customs Authority (ERCA) in Addis Ababa. In each office, there is a dedicated VAT collection team consisting of staffs and tax officials. Taking into account that the collection practices of these branches are similar, only one branch (the Eastern Branch) has been considered in this study. So, questionnaires have been distributed to the employees and interviews have been conducted to the tax officials. Besides, there are tax payers coming to this branch office to report their VAT records. Hence, questionnaires have also been distributed to these tax payers.

3.1.2. Sample Determination

According to Singh (2006), there is no single rule that can be used to determine sample size and the best way is to have as larger sample as possible to get better representative of the population. Moreover, Singh (2006) stated in his book *“it is often suggested that one should include at least 30 subjects in a sample since the number permits the use of large sample statistics. Statistically speaking, a sample $n = 30$ is considered large, since with this n , the t -distribution and the normal curve are practically the same for hypotheses testing purposes.”* But, descriptive research typically uses larger samples and it is sometimes suggested that one should select 10 – 20 percent of the accessible population for the sample. (Ibid)

On the other hand Singh (2006) still tries to determine a sample size using the acceptable sampling error of 5 percent, the maximum standard deviation of a population ($\sigma = 16$), and 95 confidence level. The researcher can use the formula $1.96 SEM = 5$.

$$1.96 \frac{\sigma}{\sqrt{n}} = 5$$

Where

σ = S.D. of the population

n = Size of the sample

5 is percent of sampling error

In this case, S.D. (Standard Deviation of the population – σ is taken the maximum one: 16).

$$\sqrt{n} = 1.96 \times \frac{16}{5} = 9.30$$

$$n = 96$$

In the eastern branch of the ERCA VAT collection center, there are seventy-seven staffs and three officials. A sample of thirty staffs (thirty nine percent) has been considered for the questionnaire responses and all the three officials have been considered for the interview survey. Besides, there are around 7,000 VAT payers in this branch of the authority. Accordingly, a sample of 96 VAT payers has been considered to respond to the questionnaires. These sampling techniques are done according to Singh (2006) research methodology techniques and also considering the manageability of the data collection problems the researcher may face during the course of activities.

The researcher has applied convenience sampling technique in order to have more effective responses by taking the people which are not busy at the time of distributing and collecting questionnaires. This is important in increasing the response rate of the questionnaires (Marshal, 1996; Nich, Amanda and Nigel, 2009).

3.1.3. Questionnaire Distribution and Collection Techniques

Questionnaires have been distributed to both employees and tax payers on the date 01 January, 2013 from 2:30 am to 5:30 am. Collection of questionnaire responses from tax payers was made at the same date and time simultaneously with distributing the questionnaires. This helped more to the higher response rates. Besides, a total of 106 questionnaires were distributed, that is with 10 reserve questionnaires, to prevent the low response rate. Fortunately, all questionnaires were recollected at the same time. However, there were some unfilled and incomplete answers and the top 96 (relatively complete questionnaires) were taken into account. Hence, there was 100% response rate. A translated Amharic version of the questionnaire was

also prepared to avoid misunderstandings and respondents were given the questions with their language preference.

Questionnaire collection from employees was made at different time from the collection day. This was done to give more time to the respondents given that these employees are busy as it was VAT collection time and more tax payers were coming to the branch to report their VAT records. Accordingly, 29 questionnaires have been collected on the date 04 January, 2013. The remaining ones were collected at 09 January, 2013 (4 questionnaires) and at 12 January, 2013 (2 questionnaires). A total of 40 questionnaires were distributed to prevent the low response rate and it was able to collect 35 responses after 12 days from the day of distribution. From these, the top 30 which caught relatively complete information were considered for the analysis. Therefore, the response rate of questionnaires from employees, similar to that of tax payers, was 100%.

3.1.4. Conducting Interview

There are three officials in the branch office (Branch Manager, Tax Assessment Collection and Control Coordinator, and Customer Service coordinator). Accordingly, a comprehensive interview on the VAT collection processes, difficulties and other relevant information was made with them. This interview with all three officials was made at the date of 26 January 2013 from 3:00 am to 5:00 am. This was after summarizing the survey results from the two questionnaires (to employees and tax payers), and some adjustments were made to the former designed interview questions to fill the gaps and confirm those information gained from these two questionnaires. Specifically, information regarding long line queues, too many procedures, e-payment and automation, capacity and number of employees, and attitude of employees of ERCA towards tax payers were some of the questions added later to the interview questions from the information obtained through the questionnaires. This interview result from the officials was utilized to support the data obtained through the questionnaires.

3.1.5. Research Approach and Analysis Methods

The simple statistical software SPSS 16.0 was used to summarize, analyze, and interpret the results of the questionnaires. This was utilized mainly to examine and illustrate the challenges (problems) facing in VAT collection in the branch. Hence, the research type is more of descriptive nature, as it tried to elaborate the existing difficulties in collecting VAT. For this, frequencies, cross-tabulation and percentages were applied in the analysis. Accordingly, the closed ended questions of both employees and tax payers were treated separately by the statistical software (SPSS) and the open ended questions were summarized independently. Similarly, the information gathered through the interviews to the tax officials were summarized distinctly.

CHAPTER FOUR

4.1. Discussion and Analysis – Employees' Responses

4.1.1. On Biography of Respondents (Employees)

The respondents for this questionnaire are the employees of the eastern branch of ERCA. Earlier, there was a department dedicated for VAT only and employees were treating VAT payers separately from the other types of taxes. Currently, however all types of taxes are served by the same employees together. Questionnaires were distributed to these employees, considering the different positions and working roles they hold. Accordingly: 7 (23.3%) of the total respondents are employees with the position “Tax Collection and Enforcement Officers”, 6 (20%) are “Tax Assessment Officers”, 4 (13.3%) are “Cashiers”, 3 (10%) are “Accountants”, 2 (6.7%) are “Data Assessment Officers”, and 2 (6.7%) “Tax Declaration and Collection Procedures and Development Senior Officers”. The other respondents include: Tax Assessment and Refund Procedures Design and Development Senior Officer, Tax Coordinator, Finance Officer, Refund Account Officer, Cash Register Machine Supervision Junior Officer, and Customer Service Tax Officer, each having one respondent. Hence, it is clear from this biography of the employees that all respondents are relevant to the survey.

Further, 24 (80%) of the respondents lie between the age groups of 20-35 years, 3 (10%) are 36-50 years old, and the rest 3 (10%) didn't mention their age group. Concerning the gender composition of the respondents, 17 (56.7%) are Female respondents and the rest 13 (43.3%) are Male ones.

A total of 40 questionnaires were distributed to employees of the eastern branch of ERCA in order to avoid non-responses. By doing so, it was possible to collect 35 questionnaires and the top 30 (relatively completed questionnaires) were considered which is 100% response rate. Concerning the others, 5 questionnaires were not returned back to the researcher, and the other 5 were found to be not completed and have no full information to the survey. Thus, the relatively fully responded and with complete information questionnaires were taken in to consideration for this survey analysis.

4.1.2. On Working with Interest

For the past decades, it has been widely accepted that employees' working interest highly determines the performance of companies. Specifically, job satisfaction of employees has a great impact on the achievement of companies, keeping constant of the other factors that can affect companies' performance. Malcolm et. al. (2003) argued that employee attitude and job satisfaction are highly associated with better organizational performance, as motivated employees are likely to work harder than demotivated ones. Let us look at the results of the respondents on work interest, depicted below in Table 2 from SPSS.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	6	20	20	20
	Disagree	7	23.3	23.3	43.3
	Indifferent	2	6.7	6.7	50
	Agree	13	43.3	43.3	93.3
	Strongly Agree	2	6.7	6.7	100
	Total	30	100	100	

Source: SPSS Output

As can be seen from the above table, extracted from SPSS analysis result, 43.3% of the employees in the department are not interested in their work, among which 20% seems to be highly dissatisfied with their work. Even, we can assume that those who responded as "Indifferent" for this question are not interested because, if they are interested, they would choose one of the options of "Agree" or "Strongly Agree". So, with this result, it is clear that 50% of the respondents reply that they are not interested with their work. Having this analysis result, there is no doubt that employees' lack of interest with their work can negatively affect the work performance of the authority in VAT collection. Employees should do; not only what they are told to do, but more; in order to the authority to be efficient. More importantly, VAT collection has high connection with customers and customers must be satisfied with the service of the authority in order to increase self-compliance and increase the efficiency of the revenue collection. Interested employees are likely to work beyond the company's expectation and hence can motivate customers to be honest to the company and comply themselves with their responsibilities. However, dissatisfied employees are not likely to do even what is expected of

them unless there is strict control and follow-up. In fact, strict control and follow-up has also its own negative effects and can't be a tool to make employees do their job.

		Supervision		Total
		No	Yes	
Work Interest	Strongly Disagree	6	0	6
	Disagree	3	3	6
	Indifferent	2	0	2
	Agree	10	3	13
	Strongly Agree	1	1	2
Total		22	7	29

Source: SPSS Output

Assuming that, those employees who are in a supervision position are supposed to be more responsible and motivated workers, I have tried to cross tabulate work interest with supervision position. As a result, among those who are not interested in their work in the authority, 3 are in a supervision position. These accounts for about 20% of those dissatisfied employees and 10% of the total sample population.

Interpretation

There is low level of employees' interest in the Eastern branch of ERCA – 50% of the total respondents are not interested in their current work- and this can negatively affect the VAT collection efficiency of the authority. More importantly, 20% of those dissatisfied employees are in a supervision position, which can greatly affect the collection efficiency of the authority.

4.1.3. On Working Management of the Authority

Only 20% of the total respondents respond “Agree” to the assessment item “I work in a well-managed organization”. More than 56% of the respondents don't agree on the issue and 43.3% of them strongly disagreed and the rest 13.3% disagreed that the working condition of the authority is well-managed. Further, 23.3% of the respondents remain indifferent about the issue. According to Darja and Metka (2008), the organizational management highly determines the performances of companies. Hence, as long as the working environment of the organization is not well-managed, there would not be good performance in revenue collection. As per the

results of the analysis from the respondents, employees are now working in a well-managed condition, which negatively affects the performance of the authority. In the above analysis – work interest of employees – the result indicates that half of the employees are not interested with their current work. This may emanate from various reasons including the working environment, salary and compensation, employee relation with management, etc. Results of the survey on the work management show that there is lack of well-managed working condition in the authority, which may be one of the causes for the lack of interested workers, which also proves the consistency of the two results.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	13	43.3	43.3	43.3
	Disagree	4	13.3	13.3	56.7
	Indifferent	7	23.3	23.3	80
	Agree	6	20	20	100
	Total	30	100	100	

Source: SPSS Output

Five employees who replied that they “Strongly Disagree” on the work management also replied that they “Strongly Disagree” on their work interest on the authority, while 4 replied “Strongly Disagree” on work management and “Disagree” on work interest. Moreover, there are 2 employees who replied that they disagree on the work management and at the same time not interested in their work. In general, 11 employees are not interested in their current job and at the same time they are not happy with the working management of the authority. However, there are 5 employees who are not happy with the work management of the authority, but are interested in their work. This may be because of various reasons other than the working condition of their organization.

		Work Interest					Total
		Strongly Disagree	Disagree	Indifferent	Agree	Strongly Agree	
Work Management	Strongly Disagree	5	4	1	3	0	13
	Disagree	1	1	0	2	0	4
	Indifferent	0	2	1	2	2	7
	Agree	0	0	0	6	0	6
Total		6	7	2	13	2	30

Source: SPSS Output

Interpretation

More than half of the employees are not happy with the working management of the authority and they don't believe that they are working in a well-managed organization. This can be one factor for employees' lack of interest in their work, and the results of the analysis also prove this fact. Hence, lack of work interest of ERCA's employees which can negatively affect the performance of the authority may be associated with the less managed organizational working condition of the authority, keeping other factors constant.

4.1.4. On Whether Employees Recommend other People to Work with this Organization

In the above two analyses, results indicate that employees of the authority are not interested in their current work. Moreover, these employees believe that they are not working in a well-managed organization. These all together leads to the point that most employees in the authority are not satisfied with their employer. As an approval to these two analyses above, employees were asked whether they recommend other people to work in this organization. Accordingly, 58.6% of the respondents reply that they would not recommend other people to work with this organization. This result is consistent with the earlier results which indicated employees' dissatisfaction in the organization.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	12	40	41.4	41.4
	Disagree	5	16.7	17.2	58.6
	Indifferent	5	16.7	17.2	75.9
	Agree	6	20	20.7	96.6
	Strongly Agree	1	3.3	3.4	100
	Total	29	96.7	100	
Missing	System	1	3.3		
Total		30	100		

Source: SPSS Output

The most interesting point found in the analysis is that, majority of the employees seems to be caring of the fate of their organization. More than 75% of the respondents agreed that they really care about the fate of their organization, despite that they are not satisfied with their work. Though this has no guarantee for the company's performance, caring about the organization and feeling sense of ownership has its own contribution and good points. More importantly, 10 out of the 22 employees which replied that they really care about the fate of the organization are those employees who formerly said that they are not working with interest. This means 77% of the dissatisfied employees still take care of the organization not to fail.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	3.3	3.4	3.4
	Disagree	2	6.7	6.9	10.3
	Indifferent	4	13.3	13.8	24.1
	Agree	13	43.3	44.8	69
	Strongly Agree	9	30	31	100
	Total	29	96.7	100	
Missing	System	1	3.3		
Total		30	100		

Source: SPSS Output

Interpretation

Though employees seem to be really caring of the organization's fate, they are not in a position to recommend other people to work with it. Taking in to consideration that employees are the most important assets in an organization and can really determine the fate of an organization, their attitude towards the caring of the destiny of the organization is very good point.

4.1.5. On Employees' Knowledge and Technical Skills for Their Current Job

More than 73% of the respondents agreed that they have all the knowledge and technical skills to do their current work and only 13% disagreed – meaning, they don't have all the knowledge and technical skills for their current job. The remaining 13% are indifferent about this issue.

Education is believed to have a significant and positive effect on working performances of companies. The more employees are educated, the more knowledge they have to do their work, and consequently, the better they perform. From the total respondents, 1 (3.3%) has Master's Degree, 26 (86.7%) have First Degree, and the remaining 3 (10%) have completed high school/Diploma. Hence, majority of the employees have obtained their first degree and are supposed to have the basic knowledge and skills to their current job. The analysis of cross tabulated results of those employees who agreed that they have all the knowledge and technical skills to their current job, with their respective education level demonstrated this fact.

		Education			Total
		Diploma	First Degree	Master's Degree	
Knowledge	Disagree	1	3	0	4
	Indifferent	1	3	0	4
	Agree	0	10	0	10
	Strongly Agree	1	10	1	12
Total		3	26	1	30

Source: SPSS Output

Similarly, trainings related to the employees' current job are highly crucial to the performances of employees and of course to the performances of companies at the same time. Accordingly, employees were asked whether they took relevant trainings in the recent time. The results of the analysis show that, 43.3% of the respondents didn't take any relevant training in the past three years. Surprisingly, 33% of those employees who worked for more than 5 years, and 36% of the employees who worked for 3-5 years in the company didn't take any relevant training for the past three years. No doubt, this has significant impact on the performance of these employees and consequently on the revenue collection efficiency of the authority. Employees need task-oriented and meaningful trainings to their job that supports their theoretical background.

		How long for your company				Total
		<1 Year	1-2 Years	3-5 Years	>5 Years	
Training	No	4	3	4	2	13
	Yes	3	2	7	4	16
Total		7	5	11	6	29

Source: SPSS Output

Interpretation

Even though, majority of the respondents have the knowledge and technical skills required for their current job and also 87% of the employees have achieved their First Degree education, they lack job-oriented training. There are also employees who worked for more than 5 years, but didn't attend any relevant training for the past three years, and this can negatively affect the revenue collection efficiency of the authority.

4.1.6. On Capacity and Resources

Forty percent of the respondents replied that they don't have the capacity and resources to perform their current job. Only 43% of the respondents agreed that they have the capacity and resources for their work and 17% remain indifferent about this issue. Together with the lack of task-oriented and relevant training the employees have, this lack of capacity and resources can negatively affect the revenue collection performance of the authority.

4.1.7. On the Automation Status of the Working Procedures of ERCA

I have personally observed that the working procedures of the authority are not automated and there are a lot of hard copy documents in which employees are obliged to comply with and work accordingly. Even, this lack of automated work procedures go to the extent that, employees consume a lot of time searching for some files, and tax payers' queue constantly increases within a few minutes. The results of the questionnaire responses proved this observation and 50% of the respondents believe that they are not working in a fully automated work procedure, while 26.7% are indifferent on the idea. Only 20% of the employees believe that they are working in a fully automated manner.

4.1.8. On Changes in the Procedures of VAT Collection Practices in the Last Three Years

As can be seen from table 10 below, majority (40%) of the respondents have no idea whether there is a good change in the working procedures of the authority for the last three years. This has two meanings: one is that these respondents are not interested to give their opinion about the changes in the procedures. But, the other which most likely represents the respondents' idea is that they haven't seen any changes but are not sure that this is the case. In our earlier analysis that tests the management of the working condition of the company, employees have replied that they are not working in a well-managed organization. Hence, these employees may be confused as to what are the procedures of VAT collection practices and they may not be clear to these flows, but simply working through common sense. Unless and other wise, employees would be very clear with the working procedures of their company and, will for sure, answer to the question whether there are good changes in the working procedures for the last three years. Moreover, half of those employees who replied as "Indifferent" for this question have been working for more than 3 years in the authority. Hence, there is no room for the case that the respondents might not work for 3 years and more in the authority. Besides, the other 26.7% of the respondents answered that there are no good changes in the procedures for the last 3 years. Only 33.4% of the respondents replied that they agree that there are good changes.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	16.7	16.7	16.7
	Disagree	3	10	10	26.7
	Indifferent	12	40	40	66.7
	Agree	8	26.7	26.7	93.3
	Strongly Agree	2	6.7	6.7	100
	Total	30	100	100	

Source: SPSS Output

Interpretation

There are no good and convincing changes in the working procedures of the authority for the last three years which were expected to increase employees' working moral and customer satisfaction with their services.

4.1.9. On Tax Payers' Documents

Employees were asked whether tax payers come with all relevant documents to pay their VAT. Leaving the "Indifferent" response as it has no meaning for this case, 36.7% of the total respondents agreed that tax payers come with all relevant documents while the other 30% disagreed for this case. Therefore, it can be argued that there are tax payers who come with incomplete documents required to pay their VAT, which may be the cause for the low rate of customer satisfaction and inefficient VAT collection practices of the authority.

4.1.10. On Improvements Needed

A very interesting point that indicates there are inefficiencies in the VAT collection practices of ERCA – and which is consistent with all the above results found from the analysis - all (100%) of the respondents agreed that an improvement in the collection practices of the authority is necessary. And from these, 63.3% strongly believe that improvements are needed to enhance VAT collection practices in the authority.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	11	36.7	36.7	36.7
	Strongly Agree	19	63.3	63.3	100
	Total	30	100	100	

Source: SPSS Output

4.2. Discussion and Analysis – Tax Payers’ Responses

4.2.1. On Biography of Respondents (Tax Payers)

A total of 96 tax payers were selected as a sample to respond to the questionnaires designed. To prevent the low response rate and get the desired amount of responses from the tax payers, a total of 106 questionnaires were distributed – with a reserve of 10 questionnaires in English. The other questionnaires were prepared in Amharic assuming that most tax payers may face difficulties to understand the English words clearly. So, the most relatively completed questionnaires were selected and the other 10 questionnaires which were found to be incomplete responses were rejected. Because of this, the response rate was 100%. But, there are still unfilled areas specially the biography of the respondents.

Concerning the business types these tax payers are involved, 38 (39.58%) are from the service sector including accounting firms, transit, and tour and travel agencies. The others include: 6 (6.25%) are involved in the construction sector, 3 (3.125%) are import and export companies, 3 (3.125%) are manufacturing companies, and 1 (1%) is merchandising firm.

From the total of 96 respondents, 25 (26%) didn’t specify their age; 60 (62.5%) are between 20-35 age groups; 8 (8.3%) are between 36-50 age groups; and the remaining 3 (3.1%) are between the ages 51-65. So, leaving those respondents who are not interested to tell their age group, we can say that majority of the tax payers are between the ages 20-35 Years. What implication might this have? Well, these age groups are young and are assumed to be relatively educated. They are supposed to be relatively positive about paying tax to their nation than the older ones. Why, because today’s business environment in Ethiopia is relatively good and people are becoming aware of the importance of tax and other responsibilities to the public infrastructure facilities. In the former regime where there was a command economy, businesses were restricted to invest no more than the limited amount and there were no as such regular tax payments and other legalities, and peoples’ attitude towards investment was not good. This generation is becoming more aware of the rules and regulations of business environment in the country in line with the new legalities that the government is introducing from time to time.

		Telling friends				Total
		Disagree	Indifferent	Agree	Strongly Agree	
Age		1	7	7	10	25
	20-35	2	1	28	29	60
	36-50	0	1	3	4	8
	51-65	0	1	1	1	3
Total		3	10	39	44	96

Source: SPSS Output

As we can see from table 12 above, 57 (95%) of the age groups between 20-35 years, tell their friends that paying tax is their responsibility. This means that these age groups at least have good attitude towards tax paying and are likely to comply themselves with the rules and regulations. But, around 13% of these 35-50 age groups and about 33% of these 51-60 age groups don't tell their friends that paying tax is their responsibility. Santhi and Gurunathan (2011), have strongly argued that there is strong association between the age groups of investors and their satisfaction with paying their taxes. According to these authors, 79.31% of the investors of the age group of up to 25 years are satisfied unlike the other age groups.

Limitation: all respondents may not be the actual VAT payers, but employees of the companies, and may not reflect the actual opinion of the real tax payer businesses people.

I also tried to cross tabulate the association between the sex of respondents and their attitude towards VAT, through asking the question whether they tell their friends that paying VAT is their responsibility. Accordingly, there is a slight difference between the two sex groups as to their attitude towards paying VAT. Ninety One percent of female respondents replied that they tell their friends that paying VAT is their responsibility; while Eighty Eight percent of female respond that they tell their friends that paying VAT is their responsibility. This shows that female tax payers have relatively better attitude towards paying VAT. Study results like Torgler [Year of Publication not cited]; indicate that women are less likely to believe in the justifiability of corruption and tax evasion than men.

Limitation: the above limitation applies here too. That is, all respondents may not be the actual VAT payers and may not reflect the real opinion of tax payers.

Interpretation

Majority of the respondents lie between the age group of 20-35 and are most likely positive towards paying VAT. These age groups are also the ones who replied that they tell their friends that paying tax is their responsibility. With the limitation that all respondents may not represent the actual tax payer businessmen, the result of the analysis shows good trend that these tax payers' attitude is positive.

4.2.2. On How Close the Relationship of Tax Payers is with the Authority

It matters – how close relationship the authority has with its tax payers – and the more close relationship it has with its tax payers, the more tax payers comply with their VAT and consequently, the more revenue the authority can earn from VAT. Moreover, having close relationship can solve many problems from both sides and can ease the VAT collection practices of the authority. This relationship can in turn be determined by the fact that for how long these tax payers paid their VAT. The longer years that these tax payers paid their VAT, the better relationship they will have with the authority. The table below demonstrates this circumstance and tax payers who paid their VAT for more than 4 years indicate that they have very close relationship with ERCA. To see this result in detail: 50% of those tax payers who paid their VAT for 1 year have “Not Close” relationship with ERCA, 38% have “Fairly Close”, and the remaining 13% have “Very Close” relationship. In contrast to this, only 15% of those tax payers who paid their VAT for more than 4 years have “Not Close” relationship and the majorities (83%) have close relationship: 50% (Fairly Close), and 35% (Very Close). Furthermore, 94% of those tax payers who paid their VAT for 3 years have close relationship with the authority, and 75% of those tax payers who paid their VAT for 2 years have close relationship with the authority.

		How close			Total
		Not Close	Fairly Close	Very Close	
How long	1 Year	12	9	3	24
	2 Years	3	8	1	12
	3 Years	1	10	5	16
	> 4 Years	6	20	14	40
Total		22	47	23	92

Source: SPSS Output

Interpretation

Tax payers who have paid their VAT for 3 years and above have close relationship with ERCA. Moreover, majority (58.4%) of the tax payers have paid their VAT for 3 and more years which implies that they are relatively good customers to the authority and can relatively comply themselves with their tax obligations. The remaining: 25% and 13.5% paid their VAT for 1 Year and 2 Years respectively, while 3.1% is missing (they didn't mention for how long years they paid their VAT).

4.2.3. On Treatment of Employees of ERCA to Tax Payers

In this analysis, tax payers were asked as to how the employees of ERCA treat them when they pay their VAT. It is believed that customer satisfaction is a key factor for companies' performance (Williams and Naumann, 2011), which is in turn is directly affected by the level of customer handling and treatment of employees. Good treatment of tax payers will, not only help increase revenue collection performance, but also bring new tax payers to the system, through the good mouth satisfied customers will speak out. According to the results of the analysis, 9.5% of the respondents said they are treated very well, majority (65.3%) are treated as good, and the rest 25.3% are not treated well. This means one from four tax payers is not treated well.

4.2.4. On Whether Tax Payers believe the Money they pay as a Tax is for a Just Cause

25% of the respondents don't feel that the money they are paying as a tax is for a just cause, 67.7% feel that this money is for a just cause, while the remaining 7.3% have no idea on this (they didn't respond for this question). This implies that one out of four tax payers don't believe that the money he/she is paying is going to a useful investment.

However, this question was again forwarded to tax payers in a Likert Scale question as "I have good understanding of what the money I am paying is used for", and 2.1% Strongly Disagreed, 5.2% Disagreed, 32.3% are Indifferent, 29.2% Agreed, and 31.2% Strongly Agreed. This result is inconsistent to the former response of the same tax payers. Furthermore, only 6 tax payers out of those who don't believe that the money they are paying is for a just cause disagreed with the idea that they have good understanding of what the money is used for, while 8 agreed that they have good understanding of what the money is used for, and the remaining 10 are indifferent. Hence, there are 8 customers who are not consistent on their answer. These 8 respondents are expected to reply that they don't have good understanding what the money they are paying is used for as long as they replied in the former question that they don't feel that they are paying their tax for a just cause. A relatively consistent response was found with those tax payers who replied that they feel the money they are paying is for a just cause. Only 1 tax payer was inconsistent with his answers in this regard and 48 (73%) of these tax payers replied consistent answers. The remaining 25% of those who replied that they are paying tax for a just cause remain indifferent on the idea whether they have good understanding of what the money they are paying is used for.

Interpretation

There are tax payers who are not clear with the purpose of what the money they are paying as a tax is used for. This has negative effect to the authority's VAT collection practices and can negatively affect its performance. This problem may arise because of the weakness of the authority in that it is not creating awareness to its customers about the purpose of tax.

4.2.5. On Causes of Annoying for Tax Payers

From the total of 96 respondents, 18 (19%) of the tax payers respond that paying VAT is so annoying for them. So, a subsequent question was forwarded for these tax payers to mention what is the real cause for their annoyance when they pay their VAT. As a result: 6 (33%), 6 (33%), and 4 (22%) respectively indicate that the real cause for their annoyance is the place where they pay their tax, the timing of VAT paying, and unfriendliness of employees, respectively. The remaining 2 (11%) didn't state the real cause for their annoyance. Generally, all these three causes are equally important for the VAT collection practices and good performances of ERCA and may negatively affect the revenue collection plan of the authority if not handled well. As tax payers are individuals and companies running a business and may not be convenient time to pay tax during working hours, ERCA may think of alternative time and alternative mechanism to collect VAT.

4.2.6. On Information Related Problems

Around 30% of the total respondents mentioned that they don't get all information from ERCA to pay their VAT. Besides, 40% of the total respondents specified that they don't get timely information for paying their VAT. It is essential that tax payers get all information needed to pay their VAT timely. If this is not the case, tax payers will not finish their VAT paying within the desired time frame and will need a long time to have the information. As a result, customer satisfaction will be low and tax payers' self-compliance will also be low, meaning there is low VAT collection performance in the authority.

Similarly, tax payers were asked to set their level of agreement to the same question in the Likert Scale as "I have all the information for paying my VAT". Accordingly, about 71.9% agreed that they get all the information while 10.4% disagreed and the remaining 17.7% are indifferent about this. So, still there are significant numbers of tax payers who are not getting all the information for paying their VAT. Only 72% of the tax payers are getting the required information. All the information related problems forwarded to tax payers to respond on them, were consistent and the argument is strong though these solid results found from the total of three questions and their answers.

4.2.7. On Waiting Time to Pay VAT

In the above analysis, we observed that tax payers didn't get timely and all information to pay their VAT, and because of this, they have to wait for long time to be acquainted with all documents and files to comply with their taxes. Here, we get similar result that confirms the absence of full and timely information for tax payers. Majority (48%) of VAT payers wait for hours to pay their VAT in the office, while 35.4% have to wait for days. Waiting for a couple of hours may be somewhat affordable, considering the number of tax payers paying their VAT in the branch, but waiting for days and more will, by no means, be reasonable. There are customers who even wait for weeks and months (12.5% and 2.1% respectively). Only 1% of these tax payers finish their work within minutes, which is supposed to be the waiting time of all tax payers.

Interpretation

Tax payers are not getting full and timely information required to pay their VAT and as a consequence they are waiting for long time (days and weeks) to finish paying their VAT, which is thought to negatively affect the VAT collection performance of ERCA.

4.2.8. On Whether VAT Payers Come with Relevant Documents

Earlier, in the employees' questionnaire, it was asked whether tax payers come with relevant documents to pay their VAT, and 30% of the employees respond that tax payers are not coming with all relevant documents to paying their VAT. The same question was forwarded to tax payers whether they come with all relevant documents to pay their VAT. Accordingly, 77% of the tax payers agreed that they come with all the relevant documents, 8.3% disagreed, and the rest 14.6% remain indifferent. We can understand that those tax payers may be biased to respond to this question as it directly assesses their way of behaving in paying their tax. But, still there are about 23% tax payers who didn't agree with the idea that tax payers come with all relevant documents to pay their VAT (8.3% - disagreed and 14.6% - indifferent). It is not - and not expected to be - the same with the responses of the employees for this question as the tax payers might be biased. However, those 23% tax payers who disagreed on the subject are indications that there is gap and still a strong argument to believe on the former response of employees stating tax payers are not coming with all relevant documents to paying their VAT.

Hence, failure of tax payers to come with all relevant documents to the branch is in one way or the other contributing to low performance and weak VAT collection practices of the authority.

4.2.9. On Attitude of Tax Payers on Paying their VAT

Tax payers were asked to state their level of agreement on the idea “I am proud to pay my VAT”. Eighty Seven (Ninety Two percent) of the tax payers said that they are proud of paying their VAT. Given the assumption that these respondents may be biased and may not answer their real feeling, there is still a gap in the attitude of tax payers to strongly believe in tax and that paying VAT is their responsibility. As a citizen, one is expected to be proud of capable of paying tax and contribute to his/her country’s developmental activities. Had it been that tax payers believe on it and are aware of its importance, all respondents would be happy and proud of paying their VAT and would not complain, except for its limitations on the procedures and other administration related problems. These problems and limitations should not even compromise their feeling towards paying their VAT. If tax payers have good attitude on paying their VAT, they are expected to be proud of it and cooperate in the effort of solving its problems. The attitude of tax payers is crucial and can highly determine the performance of the tax authority in the collection practices. Hence, ERCA is expected to continuously try to convince tax payers on their responsibility and what the money is used for while at the same time work on improving the procedures and limitations facing tax payers to pay their VAT.

Interpretation

Even though, most of the tax payers respond that they are proud of paying their VAT, there still remains a room to believe that the attitude of people towards VAT is not at its desired stage, as there are considerable numbers of tax payers who react that they are not proud of paying their tax.

4.2.10. On Changes in the Working Procedures of ERCA – In the Views of Tax Payers

The views of tax payers on whether there are changes in the working procedures of ERCA in the VAT collection practices reflect that there are some changes but not significant. From the total respondents, 22.1% strongly agreed that there are changes in the working procedures in the last three years, and 29.5% agreed on the changes. However, 18.9% and 7.4%

disagree and strongly disagree on the changes respectively, while the rest 22.1% remain indifferent. Similar to this analysis result, the responses from the employees of ERCA clarified that there are no convincing changes in the working procedures of the authority in the last three years. The existing procedures of the authority is not automated and may be one of the reasons for the loads of employees' working environment and slow services to tax payers which can highly reduce the collection performance of the authority.

4.2.11. Summary of the Responses to the Open-ended Questions

Does your VAT Machine Always Report Data Timely? If No, What are the Problems?

Almost all tax payers respond that their VAT machine always report data timely. However, 2 respondents mentioned that there are network failure and power interruption problems, even though it is not regularly. The intention of this open ended question was to see whether there are data missing problems from the side of tax payers to the authority and, though not significant, it is understandable that there are some data lost problems because of the network failure and power interruption from external bodies.

What are the Things you want Eliminated from the Procedures of VAT Paying?

The long line queue and too many procedures of paying VAT are the most mentioned problems by the respondents in the open ended questions. Similarly, this problem was in the same manner cited in the closed ended questions for these tax payers. Besides to the long and time taking procedures tax payers are supposed to follow, the consistency of these procedures is in question. Respondents stated that there are no consistent working procedures in the collection process of the authority from month to month. If this is the case, then tax payers will not be clear with the guidelines and procedures to follow while paying their VAT, and they might be forced to ask for other additional information on the former ones. The other reason for the long line queue is the manual procedures of the collection practices of the authority. Tax payers complain that they don't have to pay their VAT through cashier, and some e-payment and payment through bank account should be developed. Furthermore, tax payers believe that they don't have to carry all their documents all the time to pay their VAT. Rather, a mechanism should be developed to create such an account and tax payers can come with their receipts only – not much documents. Though this kind of problem is expected in such infant tax system and in developing

country, the authority must solve these obstacles as soon as possible in order to increase self-compliance and earn the desired revenue. Experiences can be gained from the one-window service and other e-payment services available in the Ethiopian banks.

The other problems, though not related to this question – but are relevant to the survey analysis - are the distance of the payment place and the unstructured layout of the offices in which tax payers are supposed to visit. In management principle, for example Bukhari (2008), the layout of an office in which customers stayed in, should be clean and structured so that they don't have to ask for people to go somewhere in the office. If not, they will hesitate to go there and customer satisfaction will decrease. A decrease in customer satisfaction will lead to low self-compliance and consequently result in low level of company performance in revenue collection.

How can ERCA Improve its Current Working Process?

A very interesting point generated from the open ended question for tax payers was the issue of automation and e-payment systems as a best solution for the current problems of the authority. About 17 (17.7%) of the respondents stated that the payment system should be fully automated and such e-payment like through bank accounts should be facilitated. In the earlier analysis, tax payers mentioned that they are tired of bringing all documents to pay their VAT all the time. As a reflection of this problem, majority of tax payers commented that the authority must make its VAT collection practices fully automated.

The other and which is a very important issue cited by these respondents is the problem of employees. And about 10 (10.4%), complain that all employees are not fully capable of doing everything accordingly, while 8 (8.3%) stated that the number of employees serving tax payers is not enough, especially at the times of VAT paying seasons. Even though, more than 86% of the employees have a first degree in terms of education (see Table 8), they lack task-oriented and timely training services for their current jobs. As a result, employees are not capable of handling all issues wisely and tax payers are not satisfied with their services. Since, VAT is more complex than the other types of services covering multifaceted subjects; employees are expected to go beyond what is anticipated and help customers solve their problems. For this, regular and task focused trainings are indispensable and plays significant role in the revenue collection practices.

The attitude of employees to tax payers also matters! Respondents, surprisingly, specified that employees assume that all tax payers are abusers. This has an irritating consequence for the tax payers, especially for those honest ones. No matter how these tax payers are reacting, tax payers should be treated as if they are paying their VAT honestly and should be given credit for that. Unless and other wise, their relationship will not be good and tax payers will never feel sense of ownership for what they did, which can highly affect the collection practice so the authority. The other comments for this question include: the issue of network interruption, power interruption, absence of clear and face to face communication of tax payers with the authority, and the timing of tax paying.

Interpretation

The long line queues and manual working procedures, incapability and insufficient number of employees, negative attitudes of employees towards tax payers, and absence of effective collection system of ERCA are the major problems stated in the open ended questions.

4.3. Discussion and Analysis – Interview Results

An intensive interview with three managers of ERCA was made to comprehensively understand the VAT collection practices of the authority as well as to fill the gaps of information observed from the questionnaires. This interview was made after fully completing the analysis from the questionnaires of both employees and tax payers, and the interview questions were redesigned accordingly in order to support and confirm the information acquired from these two questionnaire survey results. For this, three employees who are in the management position related to the survey analysis were selected and interviewed individually in the date of January 26, 2013 from 9:00 am to 11:00 am. These were (1) Branch Manager of the Eastern Branch of the authority (2) Tax Assessment, Collection, and Control Coordinator (3) Customer Service Coordinator. All these three interviewees are women – a good implication to the changes of former unfair employment opportunities, a limitation to the survey as there is no combination of views from both sexes. Nevertheless, the researcher would like to appreciate their honest and complete information they gave decently and their cooperation was more than expected. And, the researcher is convinced of the interview responses and believes that they are good input for the survey.

The first question forwarded for the interviewees was about the problems facing the authority and tax payers in VAT collection practices. Accordingly, the major problem stated by all respondents was the issue of awareness by both tax payers and VAT collection staffs of the authority. As per their argument, the authority is striving to give awareness creation programs and have regular discussion with tax payers every 15 days in the center of the authority. However, tax payers don't come for this discussion and most often accountants and other representative of these tax payers come instead. This fact was indeed proved in the results of the questionnaires – most of the respondents of tax payers' questionnaire were accountants, which are representatives of the tax payers and not the tax payers themselves. Thus, tax payers are not aware of the rules, regulations, and procedures of the authority and of course they are not near to understand to the purpose of the money they are paying. With this situation, there will not be strong relationship between the authority and tax payers and the negative attitude reflected by tax payers on the authority may not be solved easily. What the managers conveyed was also this condition, and tax payers usually assume that employees of the tax authority are corrupted,

without closely understanding the situation. At the same time, there is a problem from the employees' side in assuming all tax payers are abusers - which is wrong.

Secondly, the authority has designed a program as to the payment days of all types of taxes within a dedicated month. However, all tax payers come within the last date of every month and don't respect the timelines scheduled by the tax authority. The researcher has personally observed this problem while distributing and collecting the questionnaires to tax payers. This problem is contributing to the low customer service delivery and work load to the employees of the authority as per the managers' view. As to the customer service coordinator, there is a day where the authority has received more than 300 cases within a day – which is difficult to manage and creating work load to employees and dissatisfaction to tax payers. Besides to this, tax payers don't come with clear documents and bring all issues together that they are expected to filter and bring the relevant files only, as per the interviewees' opinion. The main cause for this problem is the aforementioned behavior of tax payers – hesitating to participate in the awareness creation programs.

Concerning the capability and number of employees serving tax payers, all interviewees believe that the staffs are capable of doing all their tasks. What was observed from the questionnaires to employees of ERCA was also the same, and most staffs have first degree in their respective field. However, there are no sufficient and job related trainings to the staffs. Training programs are performed by the authority level and the branch has no power to deliver such trainings. This situation hinders to effectively train employees of the branch and only few employees get the chance to train within a year. As a result, most of the employees are not trained for their current jobs except the one delivered to them when they join the authority for the first time and on-job trainings they exercised with their colleagues and immediate supervisors. Furthermore, considering the problem of tax payers – coming within the end of the month and creating work load – the number of staff is not enough for the existing situation. In addition to this, the number of tax payers served at this branch is around 11,000 while the total number of staffs of the branch is only 200, which is another problem for the authority. Moreover, the problem of internet connection from ethio telecom side is creating difficulties to the authority in serving their customers timely, as per the views of the interviewees.

Tax payers raised an issue that they don't have to carry all documents all the time and such e-payment and banking system have to be developed by the authority. This question was forewarned to the interviewees and they agreed on the issue that the authority should facilitate this system. There is a pilot test being undertaken to large tax payers and good achievements have been observed from the pilot test. There is a concern that its management is very complex as the branch tax payers are medium tax payers and is difficult to handle all these issues through bank and e-payment. But, in the future, taking in to account the output of the pilot test on the large tax payers, such activities may be considered – the Tax Assessment, Collection, and Control Coordinator said.

Tax payers complain that employees of the authority consider that all tax payers are abusers. According to the interviewees, this attitude is a problem of both sides – tax payers and the authority. Tax payers also consider all staffs of ERCA as corrupters. This is a reflection of awareness creation problem as discussed before and this problem is also from both sides – tax payers don't attend such discussions and awareness creation programs while there are no sufficient and strict follow ups from the authority side. According to the Tax Assessment, Collection, and Control Coordinator, when tax payers know their rights and responsibilities, they start to comply with their responsibilities and become accountable to their activities. Besides, there will be clear relationship between both parties and all tasks will be easy if tax payers are aware of all rules and regulations. She also believe that there is a problem from few staffs side in assuming that tax payers are trying to abuse when tax payers make some simple mistakes unintentionally. There all are outcomes of the limitations in the awareness creation programs from both the authority and tax payers. The coordinator mentioned that Chamber of Commerce may play a significant role in creating awareness in the tax payers' side, as it is their representative.

The next question presented to these interviewees was about the factors determining the VAT collection efficiency of the branch and if the authority is practicing them. As per the responses of the interviewees, the major issues are: awareness creation, automation and capacity building issues, and strict follow up programs. As to them, ERCA is to some extent practicing these activities but not at sufficient manner. Tax payers who honestly report their revenue and pay their VAT amount regularly should be encouraged, while punishment should be levied to those who fail to do so. This strict follow up and control is not sufficiently experienced by the

authority. Automation would decrease the compliance cost and increase revenue. But, the working condition of ERCA is not fully automated as per the views of the management staffs of the authority, which negatively affects its collection efficiency.

To understand the general overview of the VAT collection efficiency of the branch, these management staffs were asked as to how they judge the efficiency of their office in terms of revenue collection. In view of that, the Branch Manager and Tax Assessment Coordinator both agreed on the idea that the VAT collection efficiency of the branch is good in terms of the amount of revenue collected comparing to its target. As per the Branch Manager's opinion the branch is performing well in terms of revenue collection except on the administration issues that tax payers are complaining on. Similarly, the Tax Assessment, Collection, and Control Coordinator believe that the VAT collection efficiency of the branch is very good considering the revenue amount collected in the past three years. In her argument, cash register machine is contributing a lot to this good performance in collecting the desired revenue. Self-compliance is also increasing from time to time and most tax payers are coming now voluntarily unlike before.

Since customer service is one of the determinant factors contributing to the efficient collection practices of any organization, it was one of the questions forwarded to the Customer Service Coordinator. A survey has been conducted on 1,000 customers (around 10% of the total customers of the branch) concerning the customer service quality and the result implied that there are improvements and most customers who were dissatisfied are now almost satisfied. So, it can be considered that there is moderate customer service quality in the branch as per the Customer Service Coordinator and the survey result conducted by the branch level. This may be taken as a good improvement, but is not enough to efficiently collect VAT. Even, there is no information desk in the office and customers must ask someone else to know where to go. So, it needs effort to maximize the customer satisfaction and increase self-compliance so as to enhance the collection efficiency.

Finally, chances have been given to these interviewees to present anything they feel to say out. The dominant subject all these three interviewees raised is the issue of awareness creation to both tax payers and employees about their responsibilities, rights, and the purpose of VAT they are paying. Both employees and tax payers should know all the rules, regulations and procedures of tax paying. Employees must respect all legalities and serve customers as per their

need. Tax payers are also supposed to read and update their selves to the rules, regulations and procedures of the authority through various means, in addition to the awareness creation programs being delivered by the authority. It is also important to create awareness on the end users to have the basic understanding and responsiveness of asking a receipt of VAT for what they have used or purchased. These awareness creation issues are the responsibilities of both the authority and tax payers.

CHAPTER FIVE

5.1. Conclusion and Recommendations

5.1.1. Conclusion

Owing to the various problems of VAT administration in the eastern branch of ERCA including the infant stage of the system to the country, the VAT collection practices of the branch are not as efficient as required. My effort of raising several questions to both employees and tax payers as well as intensive interview with the tax officials has enabled me to learn several facts. These are my findings put as concluding remarks as follows:

- ✓ There is low level of employees' work interest in the Eastern branch of ERCA – 50% of the total respondents are not interested with their current work. More importantly, 20% of those dissatisfied employees are in a supervision position, which can greatly affect the collection efficiency of the authority.
- ✓ More than half of the employees are not happy with the working management of the authority and they don't believe that they are working in a well-managed organization. Lack of work interest of ERCA's employees may be associated with the less managed organizational working condition of the authority, keeping other factors constant.
- ✓ Though employees seem to be really caring of the organization's fate, they are not in a position to recommend other people to work for it.
- ✓ Although majority of the respondents have the knowledge and technical skills required for their current job and also 87% of the employees have achieved their First Degree education, they lack job-oriented training.
- ✓ Long line queues and manual working procedures, incapability and insufficient number of employees, negative attitude of employees towards tax payers, and absence of effective collection system of ERCA are some of the major problems faced by tax payers.
- ✓ There are no good and convincing changes in the working procedures of the authority for the last three years which were expected to increase employees' working moral and customer satisfaction with their services.
- ✓ Because of partly the weakness of the authority and partly careless personality of tax payers, there is awareness problem and there are tax payers who are not familiar with the

purpose of what the money they are paying as a tax is used for, which decreases self-compliance and adversely affects the performance of the authority. In addition to this, most people who come to the authority to report VAT are not the owners of the business, but accountants. Thus, tax payers are not giving emphasis to the money they are paying.

- ✓ Tax payers are not getting full and timely information required for paying their VAT and as a result they are waiting for a long time (days and weeks) to finish paying their VAT.
- ✓ Although most of the tax payers respond that they are proud of paying their VAT, there still remains a room to believe that the attitude of people towards VAT is not at its desired stage, as there is considerable number of tax payers who react that they are not proud of paying their tax.

However, it is good to observe improvements in the amount of revenue collected through VAT for the last five years. Besides, the number of people who comply themselves with their VAT amount are increasing from time to time and tax payers are building a closer relationship with the authority than there was before. These changes can be considered as a good enactment and are a concrete ground to the future performance of the authority.

5.1.2. Recommendations

As concluded earlier, the results of the survey study revealed that the VAT administration exercise of the eastern branch of ERCA is not being performed as efficiently as expected. Therefore, the following actions are suggested for rectifying of VAT collection problems I have witnessed through this research exercise:

- Employees are the most important assets of any organization and should bear special emphasis. They should get the required training specified to their job, acquire specific motivational packages to make them interested in their job, and have clear communication with all levels of management in order to fix all things timely. By doing this, the customer service of the branch will be improved and hence tax payers' self-compliance will be enhanced which finally improves its VAT collection performance.
- The working procedures of the authority should be fully automated. This will decrease the work load of employees, lower the waiting time of tax payers and reduce the uncollectible amount of VAT of the authority. Hence, experiences can be taken from banks and other financial institutions to develop and implement such systems like one-window service which can really assist the working situation of the organization.
- Awareness creation should by no means be neglected and due emphasis should be given to this program. There are actually such programs designed by the authority both to tax payers and employees, but are not sufficiently implemented. There is carelessness behavior from tax payers' side that they don't come for such sessions but the authority should exert maximum effort to go effectively through it. Most importantly, tax payers should acquire the know-how as to where the money they are paying is going on and what it is used for. This can help to increase self-compliance.
- The attitude of both tax payers and employees should be improved. Employees must believe that there are honest tax payers complying with their responsibilities and tax payers should also know that there are noble employees who really work to help them. For this, a clear discussion with all employees and tax payers is crucial.

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Appendices

Questionnaire to Employees of ERCA (Eastern Branch)

Dear respondent,

The researcher is a student of Master's Degree in Business Administration at St. Mary's University College – School of Graduate Studies. The objective of the research is to assess the efficiency of Value Added Tax (VAT) collection practices. Results of the research will be used only for academic purpose. The questionnaire will help the researcher in getting the right information on the issues. Your identity will, by no means, be disclosed to anyone for this is not its objective. Hence, you are not required to write your name. The researcher believes that your contribution by responding to the questions will add value and make the paper solid. So, I kindly request you to answer all the questions. After finishing, give the paper to the researcher back. I will personally contact the completed questionnaire at your place of convenience. Thank you in advance!

In case you have questions, feel free to contact me:

Angesom Brhane

Tel: +251-911-510322

E-mail: angesom_b@yahoo.com

1. Age
2. Sex Male Female
3. What is your Job Title?

4. Do you supervise others?
 Yes
 No
5. How long have you worked for your company, ERCA?
 Years Months
6. How long have you worked for your current immediate supervisor?
 Years Months
7. What is your highest level of education?
 Did not complete high school Master's degree
 High school complete/diploma Doctorate degree
 First degree others, please specify
8. Do you take any relevant training to your current work in the past 3 years?
 Yes No
9. Please fill the table by making a tick (✓) on the appropriate place which shows your level of agreement.

No.	Items of Assessment	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
1	I work with interest in the department I am assigned					
2	I work in a well-managed organization					
3	I would recommend this as a good place to work					
4	I really care about the fate of this organization					
5	I have all the knowledge and technical skills for my current job					
6	I have all the capacity and resources needed for my job					
7	The procedure in which I work is fully automated					
8	There is good change in the procedures I follow in the past three years					
9	Tax payers come with all relevant documents when they come to pay their VAT					
10	Yet, improvements are needed to enhance VAT collection					

☺ Thank you for your time and honest response!!! Good day!!!

△ THE END △

Questionnaire to Tax Payers (Eastern Branch of ERCA)

Dear respondent,

The researcher is a student of Master's Degree in Business Administration at St. Mary's University College – School of Graduate Studies. The objective of the research is to assess the efficiency of Value Added Tax (VAT) collection practices. Results of the research will be used only for academic purpose. The questionnaire will help the researcher in getting the right information on the issues. Your identity will, by no means, be disclosed to anyone for this is not its objective. Hence, you are not required to write your name. The researcher believes that your contribution by responding to the questions will add value and make the paper solid. So, I kindly request you to answer all the questions. After finishing, give the paper to the researcher back. I will personally contact the completed questionnaire at your place of convenience. Thank you in advance!

In case you have questions, feel free to contact the researcher:

Angesom Brhane

Tel: +251-911-510322

E-mail: angesom_b@yahoo.com

1. Age
2. Sex: Male Female
3. What kind of business are you engaged in?

4. For how long have you paid your VAT ?
 1Year 2 Years 3 Years More than 4 years
5. How close is your relationship with the authority (ERCA)?
 Very Close Fairly Close Not Close
6. How do the employees of ERCA treat you when you pay your VAT?
 Very good Good Not good
7. Do you feel you are paying your VAT for a just cause?
 Yes No
8. Have you ever felt that VAT paying is so annoying?
 Yes No
9. If your answer for question number 8 is Yes, what is the cause of this?
 Place where we pay VAT
 Timing of VAT paying
 Unfriendliness of employees
10. Do you receive all information you need from the authority?
 Yes No
11. Do you receive timely information you need from the authority?
 Yes No
12. Does your VAT machine always report data timely? If NO, what are the problems?

13. How much time does it take you when you pay your VAT?
 Minutes Hours Days Weeks Months

14. What are the things you want eliminated from the procedure of VAT paying? (Please list them).

.....

15. How can ERCA improve its current working process? Please list

.....

16. Please fill the table below by making a tick (✓) on the appropriate place which shows your level of agreement.

No.	Items of Assessment	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
1	I am proud to pay my VAT					
2	I have a good understanding of what the money I am paying is used for					
3	I tell my friends that paying VAT is our responsibility					
4	I have all the information for paying my VAT					
5	There are good changes in the collection procedures of the authority in the last three years					
6	I go to the branch with all the relevant documents when I pay my VAT					

☺ Thank you for your time and honest response!!! Good day!!!

△ THE END △

ለግብር ከፋዮች የተዘጋጀ መጠይቅ

ይህ መጠይቅ፡ የቅድስት ማርያም ዩኒቨርሲቲ ኮሌጅ ተማሪ ያዘጋጀው የድህረ ምረቃ የጥናት ፅሁፍ ለመስራት ነው። የዚህ ጥናት ዋና አላማ፡ በዚህ ቅርንጫፍ ያለው የተጨማሪ እስቴት ታክስ አሰባሰብ ጥራት እና ውጤታማነት ለመገምገም ነው። የዚህ ጥናት ውጤት የሚውለው ለትምህርት አላማ ብቻ ነው። ከመጠይቁ የሚገኙ መረጃዎች በታክስ ዙርያ የሚፈለጉና ለጥናቱ የሚጠቅሙ ናቸው። የእርስዎ ትክክለኛ እና ሙሉ መረጃ መስጠት ለጥናቱ ከፍተኛ አስተዋፅኦ አለው። የርስዎ ማንነት በምንም አይነት መልኩ ለማንም እንዲታወቅ አይደረግም፡ የጥናቱ አላማም ይህ አይደለም፡ እናም ስምዎ እንዲፅፉ አይጠየቁም። ይህንን በመረዳት፡ ለመጠይቁ ትክክለኛ እና ሙሉ መልስ እንዲሰጡ ጥናት አድራጊው ተማሪ በትህትና ይጠይቃል። ሲጨርሱ፡ መጠይቁ ለጥናት አድራጊው ይመልሱ። ጥናት አድራጊው ወዳሉበትና ወደሚመችዎት መጥቶ መጠይቁን ይሰበስባል። ለሚደረግልኝ ትብብር በቅድሚያ አመሰግናለሁ።

ማንኛውም ጥያቄ ወይም አስተያየት ካለዎት፡ በአካልም ሆነ በሚቀጥለው አድራሻ ጥናት አድራጊውን ሊያገኙት ይችላሉ።

አንገሶም ብርሃነ መዝገቦ

ስልክ ቁጥር፡ 09-11-510322

ኢሜይል፡ angesom_b@yahoo.com

1. እድሜ

2. ጾታ: ወንድ ሴት

3. የተሰማሩበት የሰራ ዘርፍ ምንድነው?

.....

4. ለምን ያህል ጊዜ ግብር ከፍለዋል?

1 አመት 2 አመት 3 አመት ከ 4 አመት በላይ

5. ከግብር መስራቤቱ ጋር ያለዎት ግንኙነት ምን ያህል የቀረበ ነው?

በጣም የቀረበ ነው የቀረበ ነው የቀረበ አይደለም

6. ግብርዎን ሲከፍሉ የመስራቤቱ ሰራተኞች መስተንግዶ እንዴት ያዩታል?

በጣም ጥሩ ነው ጥሩ ነው ጥሩ አይደለም

7. የሚከፍሉት ግብር ጥቅም ላይ እየዋለ ነው ብለው ያስባሉ?

አዎ አይ

8. ግብር መክፈል ጥሩ አይደለም የሚል ስሜት ተሰምቶት ያውቃል?

አዎ አይ

9. ለጥያቄ ቁጥር 8 መልስዎ አዎ ከሆነ ምክንያቱ ምንድነው?

ግብር የምክፍልበት ቦታ

ግብር የምክፍልበት ጊዜ

የሰራተኞች ተባባሪ አለመሆን

10. ከግብር መስራቤቱ የሚፈልጉትን ሙሉ መረጃ ያገኛሉ?

አዎ አይ

11. ከግብር መስራቤቱ ወቅታቂ መረጃ ያገኛሉ?

አዎ አይ

12. የሽያጭ ማሸንዎ ተገቢውን መረጃ በጊዜው ያስተላልፋል? ካልሆነ

ምክንያቱ/ችግሩ ምንድነው?

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13. ግብርዎን ሲከፍሉ፡ ምን ያህል ጊዜ ይወስድብዎታል/ይጠብቃሉ?

ደቂቃዎች ሰአታት ቀናት ሳምንታት ወራት

14. በግብር አከፋፈል ሂደት ላይ መቅረት አለባቸው ብለው የሚያምኑባቸው ነገሮች ምንድን ናቸው? ቢጠቅሷቸው

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15. አሁን ያለው የመስራቤቱ የግብር አሰባሰብ አሰራር እንዴት ማሻሻል ይችላል

ብለው ያምናሉ? ቢጠቅሷቸው

.....
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16. እባክዎ የሚቀጥለው ሰንጠረዥ ላይ የሚስማምዎት/እርስዎ የሚያምኑበት ሀሳብ

ላይ ይህ ምልክት (✓) በማስቀመጥ ሀሳብዎን ይግለጹ፡፡

ተ.ቁ	የግምገማው ሀሳብ	በጣም እስማማለሁ	እስማማለሁ	ሀሳብ የለኝም	አልሰማም	በጣም አልሰማም
1	ግብሬን በመክፈሉ በጣም ደስተኛ ነኝ					
2	የምክፍለው ግብር ምን ጥቅም ላይ እንደሚውል አውቃለሁ					
3	ግብር መክፈል ግዴታችን መሆኑ ለጓደኞቼ እናገራለሁ					
4	ግብሬን ለመክፈል የሚያስፈልጉኝ መረጃዎች በሙሉ አሉኝ					
5	ባለፉት ሶስት አመታት፡ በመስራቤቱ ግብር አሰባሰብ ላይ ጥሩ ለውጦች አሉ					
6	ግብሬን ለመክፈል ስሄድ አስፈላጊ የሆኑ መረጃዎች ሁሉ ይገኛል እሄዳለሁ					

☺ ለሰጡት ትክክለኛ መልስ እና ለሰጧልኝ ጊዜ አመሰግናለሁ። መልካም ቀን።

△ መጨረሻ △

Interview Questions for Managers of ERCA (Eastern Branch)

1. What is your job title and for how long have you worked for ERCA?
2. What do you think are the main factors determining the collection efficiency of VAT and do you think that ERCA is fulfilling these? If Yes, How and if No, Why?
3. What do you think are the problems facing tax payers in reporting their VAT records?
For instance, problems related to the VAT register machine, tax payers' know how etc.?
4. What do you think are the problems prevailing with the employees of the authority in efficiently collecting VAT? What do you think can be the solution for the problems?
5. What about:
 - ✓ Long line queues and too many procedures
 - ✓ E-payment and automation issues
 - ✓ Capacity and number of employees and resources
 - ✓ Attitude of employees of ERCA towards tax payers
6. How do you generally evaluate the level of VAT collection efficiency in ERCA?
7. If you have any suggestions, feel free.

SPSS input data (Employees).sav

	Age	Gender	Doyousupe...	Howlonghav...	Howlonghav...	Whatisyour...
1	2	0.00	1.00	3	3	3.00
2	2	1.00	1.00	4	2	2.00
3	1	0.00	0.00	3	3	2.00
4	1	0.00	0.00	3	3	2.00
5	1	0.00	1.00	2	2	2.00
6	1	1.00	0.00	1	1	2.00
7	1	0.00	0.00	1	1	2.00
8	1	0.00	0.00	1	1	2.00
9	2	0.00	1.00	4	2	2.00
10	1	1.00	0.00	2	2	2.00
11	1	1.00	0.00	3	3	2.00
12	1	1.00	1.00	2	2	2.00
13	1	1.00	0.00	3	3	2.00
14		1.00	0.00	3	3	2.00
15	1	0.00	0.00	3	2	2.00
16	1	1.00	0.00	3		2.00
17	1	0.00	0.00	4		2.00
18	1	0.00	0.00	1	1	2.00
19	1	0.00	0.00	2	2	2.00
20		0.00	0.00	1	1	2.00
21		0.00	.4		3	1.00
22	1	0.00	0.00	2	2	2.00
23	1	0.00	0.00	1	1	2.00
24	1	1.00	0.00	3	3	2.00
25	1	1.00	1.00	3	1	2.00
26	1	1.00	1.00	4	4	2.00
27	1	1.00	0.00	3	1	2.00
28	1	0.00	0.00	1	1	1.00
29	1	0.00	0.00	4	4	2.00
30	1	1.00	0.00	1	1	1.00

SPSS input data (Employees).sav

	Doyoutake...	Iworkwithint...	Iworkinawel...	Iwouldreco...	Ireallycare...	Ihaveallthek...
1	0.00	4.00	2.00	2.00	4.00	4.00
2	1.00	3.00	2.00	2.00	4.00	3.00
3	0.00	3.00	0.00	0.00	3.00	4.00
4	1.00	0.00	0.00	0.00	3.00	3.00
5	0.00	1.00	0.00	0.00	1.00	3.00
6	1.00	4.00	2.00	3.00	4.00	1.00
7	0.00	3.00	3.00	3.00	3.00	3.00
8	1.00	3.00	3.00	2.00	3.00	3.00
9	1.00	3.00	0.00	4.00	0.00	3.00
10	0.00	2.00	0.00	0.00	2.00	4.00
11	1.00	0.00	0.00	0.00	3.00	4.00
12	1.00	1.00	1.00	1.00	3.00	4.00
13	1.00	0.00	0.00	0.00	4.00	4.00
14	0.00	1.00	2.00	0.00	2.00	4.00
15	0.00	3.00	2.00	3.00	4.00	3.00
16	1.00	0.00	1.00	0.00	2.00	4.00
17	0.00	0.00	0.00	0.00	3.00	3.00
18	1.00	0.00	0.00	0.00	3.00	2.00
19	1.00	1.00	0.00	3.00	3.00	1.00
20	0.00	1.00	0.00	1.00	4.00	2.00
21	1.00	1.00	0.00	1.00	4.00	2.00
22	0.00	3.00	3.00	3.00	3.00	3.00
23	.	3.00	3.00	.	.	2.00
24	1.00	3.00	1.00	0.00	3.00	4.00
25	1.00	3.00	0.00	0.00	2.00	4.00
26	1.00	1.00	2.00	2.00	4.00	4.00
27	1.00	2.00	2.00	2.00	4.00	3.00
28	0.00	3.00	3.00	3.00	3.00	4.00
29	0.00	3.00	3.00	1.00	1.00	1.00
30	0.00	3.00	1.00	1.00	3.00	1.00

SPSS input data (Employees).sav

	Ihaveallthec...	Theprocedu...	Thereisgoo...	Taxpayersc...	Yetimprove...
1	3.00	0.00	1.00	2.00	3.00
2	2.00	2.00	2.00	1.00	3.00
3	2.00	1.00	2.00	3.00	4.00
4	0.00	0.00	0.00	1.00	4.00
5	4.00	2.00	3.00	1.00	4.00
6	1.00	1.00	2.00	3.00	4.00
7	3.00	2.00	2.00	2.00	4.00
8	3.00	3.00	2.00	4.00	3.00
9	0.00	2.00	2.00	4.00	4.00
10	3.00	1.00	0.00	3.00	4.00
11	2.00	0.00	2.00	2.00	4.00
12	0.00	0.00	0.00	2.00	4.00
13	0.00	1.00	3.00	2.00	4.00
14	2.00	3.00	3.00	2.00	3.00
15	2.00	3.00	3.00	2.00	3.00
16	3.00	2.00	1.00	3.00	4.00
17	0.00	0.00	0.00	1.00	4.00
18	0.00	0.00	0.00	0.00	3.00
19	1.00	1.00	2.00	2.00	3.00
20	1.00	2.00	2.00	0.00	4.00
21	1.00	2.00	2.00	0.00	4.00
22	3.00	3.00	4.00	1.00	4.00
23	3.00	.	4.00	3.00	3.00
24	3.00	1.00	3.00	3.00	4.00
25	3.00	3.00	3.00	3.00	4.00
26	4.00	0.00	2.00	0.00	4.00
27	1.00	2.00	3.00	2.00	4.00
28	4.00	3.00	2.00	2.00	3.00
29	1.00	1.00	3.00	3.00	3.00
30	3.00	1.00	1.00	3.00	3.00

SPSS input data (Tax Payers).sav

	Age	Gender	Forhowlong...	Howcloseis...	Howdothee...	Doyoufeely...
1	1	1.00	2.00	1.00	0.00	1.00
2	1	0.00	4.00	1.00	1.00	0.00
3	1	1.00	3.00	1.00	1.00	1.00
4	1	1.00	1.00	0.00	0.00	1.00
5	1	1.00	4.00	2.00	1.00	1.00
6	1	0.00	2.00	0.00	1.00	0.00
7	1	1.00	4.00	2.00	2.00	1.00
8	1	0.00	4.00	2.00	1.00	0.00
9		1.00	4.00	1.00	1.00	0.00
10	3	1.00	4.00	2.00	1.00	1.00
11		1.00	2.00	0.00	1.00	0.00
12		1.00	3.00	0.00	0.00	1.00
13	1	0.00	4.00	2.00	0.00	0.00
14	1	0.00	2.00	1.00	0.00	1.00
15		.	4.00	1.00	0.00	.
16	2	0.00	4.00	1.00	1.00	0.00
17	1	1.00	1.00	1.00	1.00	.
18		1.00	3.00	1.00	1.00	0.00
19		0.00	1.00	2.00	1.00	1.00
20		0.00	.	1.00	1.00	1.00
21	1	1.00	4.00	2.00	2.00	0.00
22	1	0.00	1.00	0.00	1.00	.
23	1	0.00	4.00	2.00	1.00	1.00
24	1	0.00	3.00	2.00	1.00	1.00
25	1	1.00	1.00	0.00	1.00	1.00
26	1	0.00	1.00	0.00	1.00	0.00
27	1	0.00	4.00	0.00	1.00	1.00
28	2	0.00	1.00	1.00	0.00	1.00
29	1	0.00	.	0.00	0.00	0.00
30	2	1.00	1.00	1.00	2.00	0.00
31	2	0.00	2.00	0.00	1.00	1.00
32	1	0.00	2.00	1.00	1.00	1.00
33	3	1.00	4.00	1.00	0.00	1.00
34	1	0.00	1.00	1.00	1.00	1.00

SPSS input data (Tax Payers).sav

	Haveyoueve...	Whatisthec...	Doyourecei...	Doyourecei...	Howmuchti...	Iamproudt...
1	1.00	3.00	0.00	0.00	0.00	4.00
2	0.00	1.00	1.00	1.00	3.00	4.00
3	1.00	2.00	1.00	1.00	2.00	4.00
4	1.00	1.00	0.00	0.00	2.00	2.00
5	1.00	1.00	1.00	1.00	2.00	4.00
6	1.00	2.00	0.00	0.00	1.00	4.00
7	0.00	.	1.00	1.00	1.00	4.00
8	0.00	.	1.00	1.00	2.00	3.00
9	0.00	1.00	0.00	1.00	2.00	2.00
10	0.00	.	0.00	0.00	2.00	4.00
11	0.00	.	1.00	0.00	1.00	4.00
12	0.00	.	0.00	0.00	1.00	4.00
13	1.00	3.00	0.00	0.00	2.00	4.00
14	0.00	.	1.00	0.00	1.00	3.00
15	0.00	.	1.00	0.00	2.00	4.00
16	0.00	.	1.00	1.00	2.00	4.00
17	0.00	1.00	1.00	1.00	1.00	3.00
18	0.00	.	0.00	0.00	.	4.00
19	0.00	.	1.00	.	1.00	3.00
20	0.00	.	1.00	1.00	2.00	4.00
21	0.00	.	1.00	1.00	1.00	3.00
22	0.00	.	1.00	.	3.00	4.00
23	0.00	.	1.00	1.00	1.00	4.00
24	0.00	.	1.00	1.00	1.00	4.00
25	0.00	.	1.00	1.00	1.00	3.00
26	0.00	.	1.00	0.00	2.00	4.00
27	0.00	.	0.00	0.00	3.00	3.00
28	0.00	.	0.00	0.00	2.00	4.00
29	0.00	.	0.00	0.00	2.00	3.00
30	0.00	.	1.00	1.00	2.00	3.00
31	0.00	.	1.00	1.00	3.00	2.00
32	1.00	1.00	1.00	1.00	1.00	4.00
33	0.00	3.00	1.00	0.00	1.00	3.00
34	1.00	2.00	1.00	1.00	1.00	4.00

SPSS input data (Tax Payers).sav

	lhaveagood...	ltellmyfrien...	lhaveallinfor...	Therearego...	Igowithallrel...
1	2.00	4.00	3.00	1.00	4.00
2	3.00	3.00	3.00	3.00	3.00
3	4.00	4.00	2.00	2.00	4.00
4	3.00	3.00	2.00	1.00	3.00
5	2.00	4.00	4.00	3.00	4.00
6	1.00	4.00	0.00	0.00	1.00
7	4.00	4.00	4.00	4.00	4.00
8	2.00	3.00	3.00	0.00	4.00
9	2.00	2.00	2.00	2.00	2.00
10	3.00	3.00	3.00	3.00	3.00
11	0.00	4.00	4.00	1.00	4.00
12	3.00	4.00	1.00	1.00	3.00
13	2.00	4.00	4.00	1.00	4.00
14	3.00	3.00	3.00	3.00	3.00
15	4.00	2.00	2.00	2.00	2.00
16	1.00	4.00	4.00	4.00	4.00
17	2.00	3.00	4.00	3.00	4.00
18	2.00	4.00	2.00	4.00	2.00
19	3.00	3.00	2.00	2.00	3.00
20	3.00	4.00	4.00	3.00	4.00
21	3.00	3.00	3.00	4.00	4.00
22	2.00	4.00	4.00	2.00	2.00
23	4.00	4.00	4.00	4.00	4.00
24	3.00	4.00	4.00	4.00	4.00
25	3.00	3.00	3.00	3.00	3.00
26	2.00	3.00	2.00	3.00	4.00
27	2.00	3.00	4.00	1.00	1.00
28	4.00	4.00	1.00	2.00	2.00
29	2.00	2.00	3.00	1.00	1.00
30	1.00	3.00	3.00	0.00	3.00
31	2.00	2.00	2.00	2.00	2.00
32	2.00	3.00	4.00	3.00	4.00
33	2.00	2.00	2.00	2.00	2.00
34	4.00	4.00	3.00	4.00	4.00

SPSS input data (Tax Payers).sav

	Age	Gender	Forhowlong...	Howcloseis...	Howdothee...	Doyoufeely...
35	1	0.00	1.00	2.00	1.00	1.00
36	1	0.00	2.00	1.00	.	0.00
37		1.00	3.00	1.00	1.00	1.00
38		1.00	4.00	2.00	1.00	1.00
39	1	0.00	1.00	0.00	1.00	1.00
40	1	1.00	1.00	1.00	1.00	1.00
41		.	2.00	2.00	1.00	.
42	1	0.00	1.00	1.00	2.00	1.00
43		0.00	4.00	1.00	1.00	1.00
44	1	1.00	4.00	1.00	1.00	1.00
45	1	1.00	4.00	1.00	0.00	1.00
46		.	1.00	0.00	0.00	0.00
47	1	1.00	4.00	1.00	2.00	1.00
48	2	0.00	4.00	2.00	1.00	1.00
49	1	0.00	2.00	.	2.00	1.00
50	1	0.00	4.00	1.00	2.00	.
51	1	1.00	4.00	2.00	1.00	1.00
52		0.00	3.00	1.00	1.00	1.00
53	2	0.00	4.00	2.00	2.00	1.00
54	1	0.00	2.00	1.00	0.00	.
55	1	0.00	.	0.00	1.00	1.00
56	1	1.00	4.00	1.00	1.00	1.00
57		1.00	4.00	0.00	0.00	1.00
58	1	1.00	4.00	0.00	1.00	0.00
59	2	1.00	4.00	2.00	1.00	1.00
60		1.00	4.00	1.00	1.00	1.00
61	2	1.00	4.00	1.00	0.00	.
62		1.00	1.00	0.00	0.00	1.00
63		0.00	3.00	2.00	1.00	1.00
64	1	1.00	4.00	1.00	0.00	1.00
65		0.00	1.00	0.00	1.00	0.00
66		1.00	4.00	1.00	1.00	0.00
67	1	1.00	1.00	1.00	0.00	1.00
68	1	0.00	3.00	1.00	1.00	1.00

SPSS input data (Tax Payers).sav

	Haveyoueve...	Whatisthec...	Doyourecei...	Doyourecei...	Howmuchti...	Iamproudto...
35	0.00	.	1.00	1.00	2.00	4.00
36	0.00	.	1.00	1.00	1.00	4.00
37	0.00	.	1.00	1.00	1.00	3.00
38	0.00	1.00	1.00	1.00	1.00	4.00
39	0.00	.	1.00	1.00	1.00	4.00
40	0.00	.	0.00	0.00	1.00	4.00
41	1.00	1.00	0.00	0.00	3.00	.
42	0.00	.	0.00	.	1.00	4.00
43	0.00	.	0.00	0.00	2.00	4.00
44	0.00	.	1.00	0.00	2.00	4.00
45	0.00	.	0.00	1.00	1.00	4.00
46	0.00	.	.	0.00	2.00	2.00
47	0.00	.	1.00	0.00	1.00	3.00
48	0.00	.	1.00	1.00	1.00	4.00
49	0.00	.	1.00	1.00	2.00	4.00
50	0.00	.	1.00	1.00	1.00	3.00
51	0.00	.	1.00	0.00	1.00	4.00
52	1.00	1.00	0.00	0.00	1.00	2.00
53	0.00	.	1.00	1.00	1.00	3.00
54	0.00	.	1.00	0.00	2.00	3.00
55	1.00	2.00	0.00	0.00	4.00	3.00
56	0.00	.	1.00	1.00	1.00	4.00
57	0.00	.	1.00	1.00	2.00	4.00
58	1.00	2.00	0.00	0.00	1.00	2.00
59	0.00	.	0.00	1.00	4.00	4.00
60	0.00	.	1.00	1.00	2.00	3.00
61	0.00	.	1.00	1.00	2.00	4.00
62	0.00	3.00	0.00	0.00	3.00	4.00
63	0.00	.	1.00	1.00	2.00	4.00
64	1.00	2.00	1.00	0.00	2.00	3.00
65	1.00	1.00	1.00	0.00	3.00	0.00
66	0.00	.	1.00	.	3.00	3.00
67	0.00	3.00	1.00	0.00	2.00	4.00
68	0.00	.	1.00	1.00	1.00	4.00

	lhaveagood...	ltellmyfrien...	lhaveallinfor...	Therearego...	lgowithallrel...
35	4.00	3.00	4.00	2.00	4.00
36	1.00	3.00	3.00	3.00	3.00
37	3.00	2.00	3.00	3.00	3.00
38	4.00	4.00	4.00	4.00	4.00
39	3.00	4.00	3.00	2.00	4.00
40	2.00	3.00	3.00	1.00	3.00
41	2.00	2.00	3.00	3.00	2.00
42	4.00	4.00	4.00	3.00	4.00
43	3.00	4.00	4.00	3.00	3.00
44	3.00	4.00	3.00	2.00	3.00
45	2.00	3.00	3.00	1.00	1.00
46	2.00	2.00	1.00	2.00	3.00
47	2.00	3.00	4.00	1.00	4.00
48	4.00	3.00	4.00	4.00	4.00
49	4.00	4.00	4.00	0.00	4.00
50	2.00	3.00	3.00	2.00	4.00
51	4.00	4.00	4.00	3.00	4.00
52	2.00	2.00	2.00	2.00	2.00
53	3.00	4.00	3.00	4.00	4.00
54	2.00	4.00	4.00	0.00	4.00
55	3.00	3.00	1.00	0.00	0.00
56	2.00	3.00	3.00	4.00	3.00
57	3.00	3.00	3.00	3.00	2.00
58	1.00	1.00	2.00	2.00	3.00
59	4.00	3.00	3.00	1.00	3.00
60	3.00	3.00	1.00	1.00	3.00
61	4.00	4.00	4.00	4.00	4.00
62	4.00	3.00	0.00	1.00	4.00
63	4.00	4.00	4.00	4.00	4.00
64	2.00	4.00	4.00	4.00	1.00
65	2.00	1.00	3.00	1.00	3.00
66	2.00	3.00	1.00	2.00	1.00
67	4.00	4.00	2.00	.	4.00
68	3.00	3.00	3.00	3.00	4.00

SPSS input data (Tax Payers).sav

	Age	Gender	Forhowlong...	Howcloseis...	Howdothee...	Doyoufeely...
69	1	0.00	2.00	1.00	0.00	1.00
70	1	0.00	4.00	2.00	1.00	1.00
71	1	0.00	1.00	1.00	1.00	1.00
72	1	0.00	1.00	1.00	1.00	1.00
73		1.00	4.00	0.00	1.00	1.00
74		0.00	3.00	1.00	0.00	1.00
75	1	0.00	1.00	2.00	1.00	1.00
76	1	0.00	4.00	1.00	2.00	1.00
77		1.00	1.00	0.00	1.00	1.00
78	1	0.00	4.00	1.00	1.00	1.00
79	1	0.00	3.00	1.00	1.00	1.00
80	1	0.00	3.00	1.00	0.00	1.00
81	1	0.00	4.00	1.00	0.00	1.00
82		1.00	4.00	1.00	1.00	0.00
83	3	1.00	3.00	2.00	1.00	1.00
84		1.00	3.00	1.00	1.00	1.00
85		1.00	4.00	0.00	0.00	0.00
86	1	0.00	3.00	2.00	0.00	1.00
87	1	0.00	2.00	1.00	0.00	0.00
88	1	0.00	2.00	1.00	1.00	0.00
89	1	0.00	3.00	1.00	1.00	1.00
90	1	1.00	3.00	2.00	1.00	0.00
91	1	0.00	1.00	0.00	1.00	1.00
92	1	0.00	4.00	2.00	1.00	1.00
93	1	0.00	4.00	1.00	1.00	0.00
94	1	1.00	1.00	0.00	1.00	1.00
95	1	0.00	1.00	0.00	1.00	0.00
96	1	0.00	4.00	0.00	1.00	1.00

SPSS input data (Tax Payers).sav

	Haveyoueve...	Whatisthec...	Doyourecei...	Doyourecei...	Howmuchti...	Iamproudto...
69	0.00	.	1.00	1.00	1.00	4.00
70	0.00	.	0.00	0.00	1.00	4.00
71	0.00	.	1.00	1.00	1.00	4.00
72	0.00	.	0.00	0.00	1.00	4.00
73	0.00	.	1.00	1.00	1.00	4.00
74	0.00	.	1.00	1.00	2.00	4.00
75	1.00	3.00	0.00	0.00	2.00	4.00
76	0.00	.	1.00	1.00	2.00	4.00
77	0.00	.	1.00	1.00	2.00	2.00
78	0.00	.	.	1.00	3.00	4.00
79	0.00	.	1.00	1.00	1.00	3.00
80	0.00	.	1.00	1.00	1.00	4.00
81	0.00	.	1.00	1.00	1.00	4.00
82	0.00	1.00	0.00	1.00	3.00	3.00
83	0.00	.	0.00	0.00	2.00	3.00
84	0.00	.	1.00	0.00	1.00	4.00
85	0.00	.	0.00	0.00	1.00	3.00
86	1.00	3.00	0.00	0.00	2.00	4.00
87	1.00	.	1.00	0.00	1.00	4.00
88	0.00	.	1.00	1.00	1.00	4.00
89	1.00	.	1.00	1.00	2.00	4.00
90	0.00	.	1.00	1.00	1.00	3.00
91	0.00	.	1.00	1.00	3.00	4.00
92	0.00	.	1.00	1.00	1.00	4.00
93	0.00	.	1.00	0.00	1.00	4.00
94	0.00	.	0.00	0.00	1.00	3.00
95	0.00	.	1.00	0.00	2.00	4.00
96	0.00	.	1.00	0.00	3.00	4.00

SPSS input data (Tax Payers).sav

	lhaveagood...	ltellmyfrien...	lhaveallinfor...	Therearego...	Igowithallrel...
69	3.00	3.00	3.00	2.00	4.00
70	3.00	3.00	1.00	1.00	4.00
71	3.00	4.00	3.00	3.00	4.00
72	3.00	1.00	3.00	4.00	3.00
73	3.00	4.00	4.00	3.00	4.00
74	4.00	4.00	4.00	4.00	4.00
75	4.00	4.00	4.00	4.00	4.00
76	4.00	4.00	4.00	4.00	4.00
77	2.00	2.00	2.00	2.00	2.00
78	4.00	4.00	4.00	4.00	4.00
79	3.00	4.00	3.00	4.00	3.00
80	4.00	4.00	3.00	2.00	3.00
81	4.00	3.00	2.00	3.00	2.00
82	4.00	3.00	2.00	3.00	2.00
83	4.00	4.00	3.00	3.00	3.00
84	0.00	4.00	4.00	0.00	3.00
85	4.00	3.00	1.00	1.00	4.00
86	2.00	3.00	3.00	1.00	4.00
87	4.00	3.00	3.00	3.00	4.00
88	3.00	4.00	2.00	2.00	4.00
89	4.00	3.00	4.00	4.00	3.00
90	3.00	4.00	4.00	3.00	3.00
91	2.00	3.00	3.00	2.00	2.00
92	4.00	4.00	3.00	3.00	4.00
93	4.00	3.00	4.00	3.00	4.00
94	3.00	4.00	3.00	3.00	4.00
95	2.00	3.00	2.00	3.00	4.00
96	2.00	4.00	3.00	1.00	1.00